



Spurring Inclusive Economic Growth from the Local Level Up

Factsheet

VNG International's approach to
local economic development

Local Economic Development: Empowering Local Governments to Drive Inclusive Growth

Local governments have an enormous potential to support businesses and entrepreneurs in stimulating **the enabling environment for Local Economic Development (LED) and creating meaningful job opportunities**. Local governments are typically responsible for the provision of essential services, territorial development, social welfare policies, safety, but also play an important role as catalysts for bottom-up community-driven economic growth and employment. By identifying local opportunities, supporting entrepreneurship, and creating an enabling business-friendly environments, local governments can unlock the full potential of their communities.

This is where VNG International, the international arm of the Association of Netherlands Municipalities, offers its expertise, building on the rich legacy of VNG's century long experience in local governance. VNG International combines local know-how with its own international experience to deliver tailored solutions and strategies for successful LED, having driven local economic initiatives in various countries and regions. By empowering local governments to become proactive facilitators of economic growth through capacity building, creating inclusive business environments, and fostering public-private partnerships, VNG International enables municipalities to unlock their full potential. Our approach ensures that LED initiatives are inclusive, sustainable, and aligned with the unique needs of each community.

Cutting red tape

Often, an important draw for potential new investors and for growing MSMEs in any community is a municipal organization that shows it can respond actively to business needs. We support local governments in **creating feedback loops** with their business leaders, which can range from community-wide LED councils, Municipal Development Fora to dedicated LED officers at the municipality. For



About VNG International

VNG International is the International Cooperation Agency of the Association of Netherlands Municipalities (VNG). Rooted in the Netherlands' rich tradition of local governance, we invest in empowering local governments worldwide to build better futures for all. Established in 2001, we focus on practical and innovative solutions that enhance the capacity and resilience of local governments.

VNG International designs and manages large, complex projects across a variety of sectors, collaborating with a diverse range of donors, including the Ministry of Foreign Affairs, European Commission, World Bank, and USAID. We take pride in our ISO-9001 certified quality management system, which underpins our commitment to high standards and client satisfaction. Our success is driven by our ability to combine local expertise with international knowledge, enabling us to implement solutions that are both practical and effective.

Together with local governments and their citizens, we are creating resilient, thriving communities that are equipped to face the future. At VNG International, we are not just building projects, we are building better futures for all.

instance, when Dutch brewing company Heineken was scouting for a location in South Africa to construct a new brewery, we facilitated engagements between the company and interested municipalities.

Besides finding new opportunities, we support municipalities in **setting-up physical or digital One Stop Shops** to provide aspiring entrepreneurs with information on relevant local and national regulations, to ease business and registration processes and to provide guidance to new start-ups. We encourage municipalities to provide access to big data, as it can assist entrepreneurs to increase their competitiveness even further.

Also, we have developed a **local business climate benchmark**, which aims for municipalities to gain better insight in their enabling environment in order to seek ways to further improve the ease of doing business in their area and to reduce red tape.

Constructing places for economic growth

Spatial Planning and Urban Development can be a powerful driver behind economic growth. We have assisted municipalities in Ghana, Costa Rica, the Palestinian Territories, Iraq and Lebanon to **draft business cases** for infrastructural investment and provided them with seed financing for their initial development.

Urban renewal can be achieved on a far larger scale as well. We set up a knowledge exchange partnership between the municipalities of Ekurhuleni in South Africa (population of over 3,000,000 and part of the larger Johannesburg-metropolitan area) and Breda in the Netherlands. The exchange led Ekurhuleni to re-develop 7 precincts as part of the infrastructural network and previously derelict central districts, boosting commercial attractiveness of those areas and putting the municipality on the map as the logistical hub for the entire region.



The Port of Rotterdam has requested VNG International to support the urban transformation of the town council of Lüderitz which will be a crucial harbour in the Green Hydrogen transition. Only if the urban expansion will be done effectively and efficient, there will be a good business case to ensure that the Green Hydrogen exploitation can be successful.

Ownership

Whichever LED opportunities are identified, it requires **ownership by the municipality**. Successful LED strategies can lead to **increased community approval of a municipality's performance**, through for instance the generation of employment opportunities and improved service delivery. Direct benefits for the municipality can be found in learning opportunities for technical and political staff and in **higher revenues for the municipality**, for instance through increased property, tourism, market, or other **local taxes or through interest on micro or small loans to MSMEs**.

Securing Finance

Often, many LED ambitions and plans, especially those that require infrastructural development, are severely hampered by difficulties in securing sufficient financing. This affects both private and public parties. To unlock external investment and loan opportunities for municipalities, we support them in drafting **bankable project proposals and investment plans** for the consideration of (inter)national financing and lending institutions.

Best practice: Supporting Ukraine's Reconstruction

VNG International has supported the Ukrainian municipalities of Beryslav, Vysokopilla, Ochakiv, and Kherson—located in the Kherson and Mykolaiv regions—in drafting local recovery plans. These plans map out each municipality's specific recovery needs and serve as a foundation for attracting international financing. Large-scale infrastructure projects place significant demands on municipalities, from procurement to execution and monitoring. To support this, we provide training in project management and capacity building and hire fundraising experts within our projects.

By leveraging our expertise, VNG International ensures that Ukrainian local municipalities are better prepared for the necessary reconstruction and recovery projects and can make the most of available financing opportunities. At the same time, we create win-win scenarios by offering concrete opportunities for Dutch businesses to participate in large-scale projects in sectors such as water management, agriculture, and sustainable energy. This not only contributes to Ukraine's sustainable reconstruction but also strengthens the international competitiveness of Dutch enterprises.

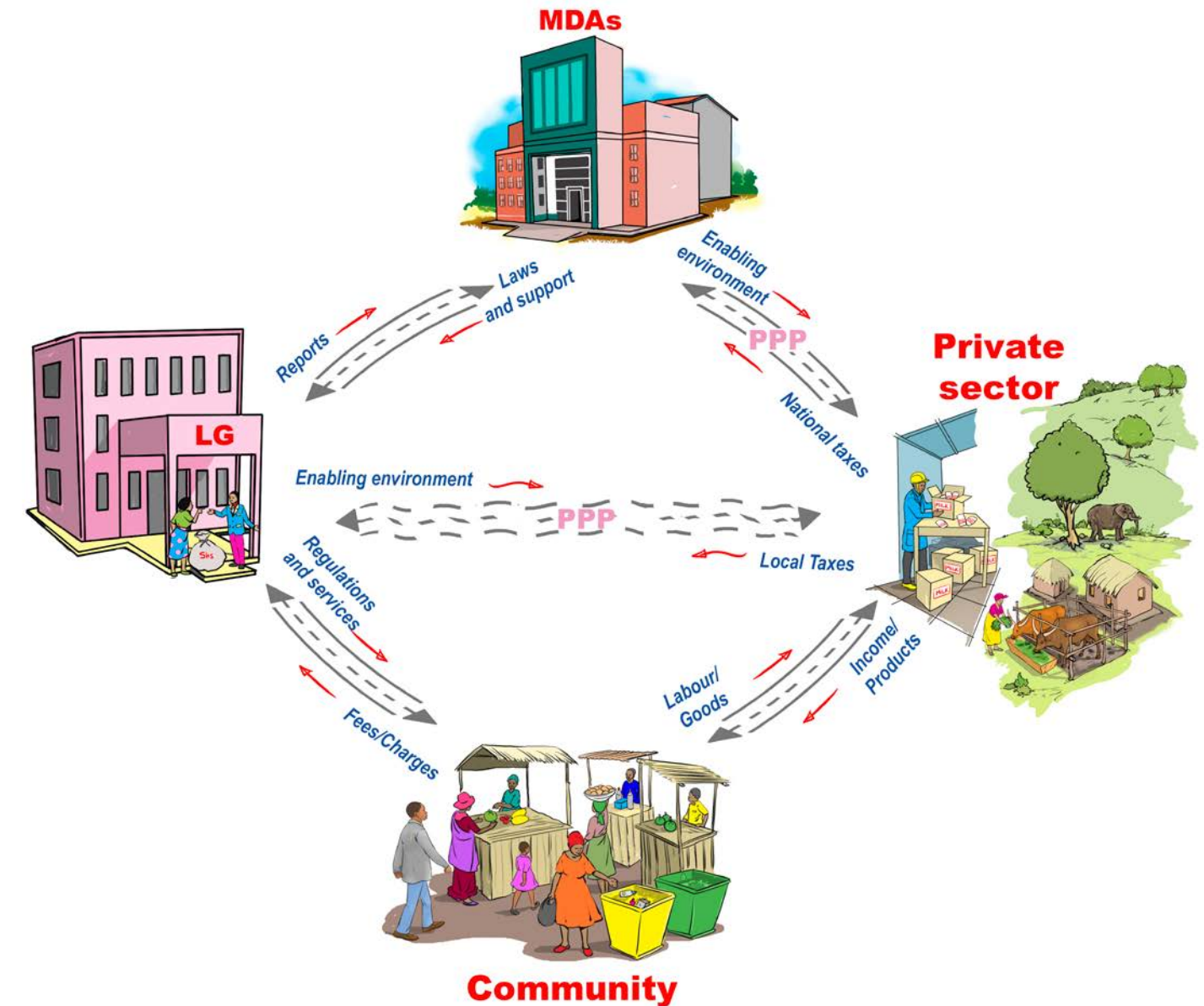
Our approach to Local Economic Development

Understanding Local Realities

A conducive environment for businesses at local level encompasses policies, procedures, regulations and public infrastructure. Our approach begins with comprehensive local economic assessments to identify the unique challenges and opportunities specific to each municipality. These insights form the foundation for customized economic development strategies that promote vibrant business environments, enhance governance, and create lasting partnerships between local governments, businesses, and citizens.

VNG International programmes that have worked on economic development always include capacity building for local government staff. Programmes have concretely supported local government in the following areas:

- **Local Ease of Doing Business – supporting the set-up of (physical or digital) one-stop shops to Streamline Access to Information:** To provide aspiring entrepreneurs with information on relevant local and national regulations, to ease business and registration processes and to provide guidance to new start-ups.
- **Entry point for and cooperation with entrepreneurs:** By creating opportunities for exchange and feedback loops between local governments and business leaders, we ensure that the local governments understand the needs of entrepreneurs and that local economic initiatives by the local governments are aligned with the needs of the private sector. Often, an important draw for potential new investors and for growing MSMEs in any community is a municipal organization that shows it can respond actively to business needs.
- **Municipal IT-Business Incubators:** By supporting the creation of spaces with resources like fast internet and equipment, we allow young graduates and other targeted citizens to start their businesses and boost local economies.
- **Capacity-Building Workshops for Municipal Staff:** By equipping municipal staff, we enable them to better manage resources and engage with the local economy and communities to facilitate local economic development.
- **Using Benchmarks for Growth:** Through maturity assessments and local business climate benchmarks, we help local governments understand their economic landscape, to seek ways to further improve the ease of doing business in their area.
- **Bankable Project Pipelines:** By supporting local governments in crafting bankable project proposals, helping them unlock external investment and loans for large-scale development



projects through international institutions and private investors.

- **Spatial Planning and Urban Development/Renewal:** By supporting local governments in their spatial planning & urban development, it can be a powerful driver behind economic growth.
- **Own source revenue:** There are many factors which influence the cost of doing business, such as double taxation (national vs local), corruption and inefficient procedures. VNG International has supported local governments to develop sound (digitized) taxation systems, streamline procedures (like one stop shops/ permits), engaged with national governments to limit double taxation, ensured that funds collected arrive at the right level and that collected revenues are spent in line with the needs of businesses.

Targeted approach locally adapted

By standardization of toolkits and methodologies, VNG International ensures a consistent application of best practices while allowing for flexibility in adapting to local contexts, creating resilient but inclusive local economies that can drive sustainable growth.



Examples of projects

Inclusive Decisions at Local Level (IDEAL)

Where
Somaliland
When
2017-2021

In 2017, Somaliland was in the early stages of decentralization. The IDEAL (Inclusive Decisions at Local Level) program focused on Local Economic Development (LED), particularly by establishing LED forums in different districts in Somaliland, including Baligubadle, Berbera, Las Anod, and Zeila. The aim of these forums was to bring together local government and the private sector to strengthen the local economy in sectors with potential, such as the salt industry in Zeila and the fishery sector in Berbera. A toolkit on LED was published for this program, which introduces several tools that districts might operate to develop and implement economic development strategies. The effects of the project are still tangible to date.



*Learn more about
IDEAL Somaliland
through this video!*



*Read about IDEAL
Somaliland's impact
here!*

*Reading digitally?
Just click the QR code!*



Initiative for an Effective Decentralization and Attractive Municipalities (IDEMA)

Where

Tunesia

When

2018-2022

The Initiative for an Effective Decentralization and Attractive Municipalities (IDEMA) program aimed to make municipalities more attractive and economically viable, particularly in marginalized areas, to foster social cohesion. Targeting 12 municipalities on the outskirts of the capital, Tunis, the program concentrated on key areas, including Local Economic Development, decentralization, and enhancing citizen participation and accountability.

IDEMA focused on strengthening municipalities' ability to stimulate local economic growth and improve essential services. Concrete initiatives included pilot projects such as solar-powered pumps for agriculture and projects led by women entrepreneurs to promote local economic development.

By helping local governments generate job opportunities and improve resource collection capabilities, IDEMA directly supported efforts to boost local economies and address youth unemployment, while fostering economic resilience. Workshops and sensitization conferences for elected officials also reinforced the importance of citizen involvement in shaping local economic policies, ensuring that these initiatives were sustainable and beneficial to the entire community



PartiCiP au DEL

Where

Benin

When

2021-2024

PartiCiP au DEL, the Citizen Participation in Public Policies Program in Benin, implemented by a consortium comprising VNG International, the Beninese NGO Social Watch, and led by the Beninese NGO ALCRER, strives to achieve accelerated Local Economic Development driven by transparent and inclusive governance in 29 municipalities.

The program worked in pilot municipalities on drawing up an inventory of economic potential in key sectors, including agriculture, fish farming and tourism. Based on that analysis pilot initiatives were supported, such as setting up irrigation systems for cooperatives to increase production, training young farming entrepreneurs and facilitating their access to farming land.

To achieve these goals, the program mobilized municipalities, local actors, and entrepreneurs through the facilitation of a Private Investments in Municipalities Fair to highlight both the legal framework and opportunities of public private partnerships for LED. The program also focused on connecting small entrepreneurs to Market Information Systems to secure better market access for their products. To leverage LED achievements and best practices, manuals and operational strategies have been developed for municipal use. These efforts ensure that local economic policies are responsive to existing community needs, creating a more inclusive and sustainable framework for economic growth.

Local Government Resilience Program II (LOGOReP)

Where

Iraq

When

2019-2023

The Local Government Resilience Program II (LOGOReP) aimed to improve prospects for refugees and vulnerable host communities in Iraq. Drawing on experiences from similar projects in Jordan and Lebanon, the project focused on enhancing the (economic) resilience of local authorities and communities, particularly in regions heavily impacted by the presence of host communities, refugees, and internally displaced persons. The overarching goal was to strengthen local governance systems, enabling local authorities to better connect short-term humanitarian needs with long-term sustainable development solutions. By working closely with the Ministry of Municipalities and Tourism of the Kurdistan Regional Government, LOGOReP emphasized improving the capacity of municipalities to engage in development planning and service delivery.

LOGOReP supported municipal investment projects designed to stimulate local economies and improve access to job opportunities. The project facilitated technical assistance and training in urban planning, digital economy skills, and business development, specifically focusing on improving opportunities for vulnerable groups, including youth, women, refugees, and IDPs. The project developed spatial plans for affordable, speedy, and safe access to work, commercial, and social destinations. LOGOReP also provided assistance to entrepreneurs and small and medium-sized enterprises to organize, connect to commercial networks, and improve market access. By enhancing community resilience and linking humanitarian aid to sustainable economic strategies, the program successfully contributed to job creation, improved infrastructure, and greater social cohesion in the affected regions.

A sample of VNG International's key products on local economic development:

- VNG International Toolkit "Tools for Promoting Inclusive and Resilient Economic Development" (2020)
- Local Economic Development Manual for Local Governments (2024)
- Catalogue of best practices by municipalities to promote LED (2025)
- Business Climate Benchmark – A tool developed to help municipalities gain insight into their local economic environments and improve the ease of doing business (2024)
- Training Manual on Conflict Resolution by the competent institutions at village, local and municipal level (FR, 2018)



*Discover the toolkit
for inclusive LED!*





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