Tools for Promoting Inclusive and Resilient Economic Development

by advancing strong partnerships

Foreword

District authorities have a mandate and responsibility to address issues of unemployment, lack of economic security and to provide basic services and infrastructure, as well as to ensure decent livelihood opportunities. District authorities need to actively bolster local inclusive economic growth and take a leading role in the coordination and collaboration with local private sector and civil society stakeholders in order to improve resilience and economic development throughout Puntland. With many economic opportunities and challenges unique to each geographic locality, it is up to all districts to develop appropriate local solutions. All districts have various positive attributes that work in their favour, and local leaders in government, business and the community can capitalize on these opportunities.

Therefore, the Association of Local Government Authorities of Puntland (ALGAPL), with the support of the International Cooperation Agency of the Association of Netherlands Municipalities (VNG International) and the Somali Institute for Research, Aid and Development (SIRAD), has been pursuing and promoting a local economic development agenda. Building on this, I hope that this publication will further support districts in Puntland to respond strategically to opportunities for employment and economic growth, to develop a long-term vision, and to provide guidance in

assessing, planning, and implementing economic interventions.

I hope to see many fruitful collaborations with key partners in the private and public sector and in civil society to realise sustainable local economic development initiatives. I would therefor urge all districts authorities and their local economic stakeholders to make use of this publication so that they can make their own contribution to promoting inclusive economic growth throughout Puntland.

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Chairman of ALGAPL and Mayor of Garowe

Introduction

There are many ways to promote LED. Not necessarily better or worse ways, but different ways. This publication attempts to capitalise on this diversity, drawing on the experience VNG International and its partners gained in implementing ASPIRE in Somaliland, as well as the experience of other organisations and programmes in the same fi eld. This publication does not pretend to have all the answers. It is an aid to those districts that are striving to foster economic growth and opportunities for their communities, and offers different recipes and ingredients for putting the Territorial Approach to Local Development (TALD) into practice.

The TALD approach recognises that district authorities do not operate in a vacuum. Crucial for promoting local development is the cooperation with other actors: private sector, civil society, local communities, other districts, and government agencies beyond the district. Public spaces, urban and rural linkages, and vibrant communities are all part of the ecosystem of LED. Inclusion of communities and addressing their needs, especially of vulnerable groups, is essential to successful local development. Under ASPIRE, we have addressed this through strengthening inclusive governance capacity at several levels and promoting intergovernmental relations, operating in partnership with the Association of Local Government Authorities of Puntland (ALGAPL).

This publication starts with a general introduction to TALD and LED, addressing their interlinkages as well as the related roles of districts and their associations. It then moves to a number of tools that districts might operate to develop and implement economic development strategies. The tools in this publication can be used as reference material for individual districts, for application together with other districts, or as a basis for support provided by development partners.

Each district is unique in its economic features. Therefore, not all tools may be of interest to all districts equally, or they may not always be applicable in the form in which they appear in this publication. Nevertheless, VNG International hopes that this publication will offer all those interested a spectrum of ideas and will serve as a source of inspiration.
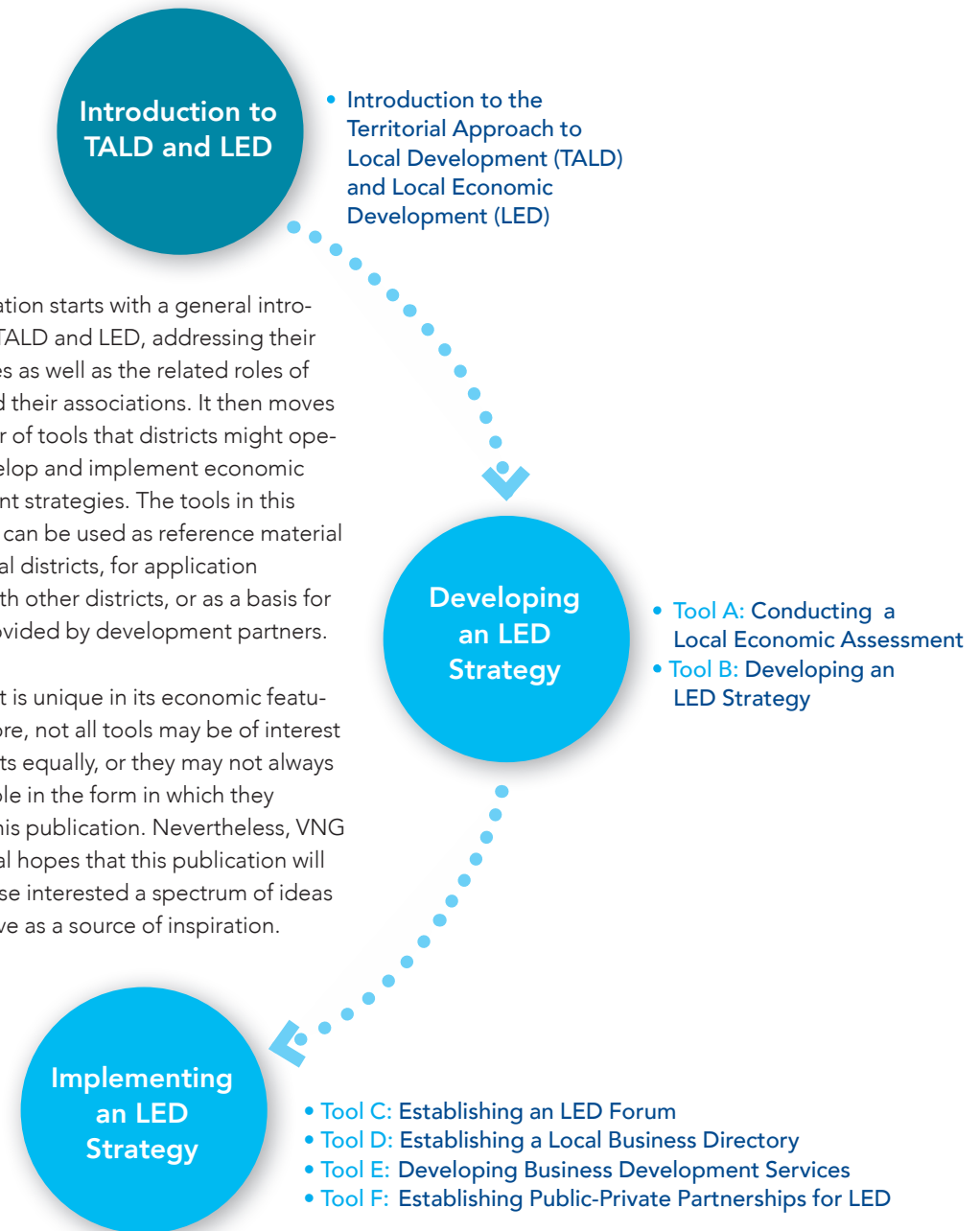
Introduction to TALD and LED
- Introduction to the Territorial Approach to Local Development (TALD) and Local Economic Development (LED)

Developing an LED Strategy
- Tool A: Conducting a Local Economic Assessment
- Tool B: Developing an LED Strategy

Implementing an LED Strategy
- Tool C: Establishing an LED Forum
- Tool D: Establishing a Local Business Directory
- Tool E: Developing Business Development Services
- Tool F: Establishing Public-Private Partnerships for LED

Table of Contents

Introduction to the Territorial Approach to Local Development (TALD) and Local Economic Development (LED)

Territorial Approach to Local Development (TALD)

An approach to Local Economic Development (LED) that is increasingly applied, is the Territorial Approach to Local Development (TALD). TALD formed the basis of the ASPIRE project and is actively promoted by the European Commission to guide its development support.

The main objective of TALD is to connect decentralisation firmly to development, aiming at the empowerment of communities through the empowerment of their local authorities, or districts in the Somali context. TALD is fundamentally based on the will, resources and capacity of local actors to promote economic growth, social inclusion and environmental sustainability. However, it also recognises that without a relationship of cooperation and collaboration with the central government, local development will not be achieved.

In the same way, TALD seeks a more balanced development between the different regions of the country. To achieve this, districts and local stakeholders must be capable of contributing to wider development beyond the local level by implementing their policies and programmes.

TALD also aims to ensure that development is integrated, meaning that actions in specific sectors (e.g. education or health) are related to the wider economy through vocational education, and that economic infrastructure also benefits other sectors through social services (e.g. ensuring that schools and health centres are connected to the electricity network).

The Territorial Approach to Local Development has four characteristics:

1 It recognises the *vital role of local actors and resources* to achieve local development. TALD seeks to empower districts by giving them the necessary autonomy to take actions and interact with local actors such as businesses, CSOs and communities. It also enables local authorities to mobilise and make better use of the available resources (financial and human resources built and natural resources, and trust relationships between government and communities);

2 It recognises the incremental *value of local development policies and actions* beyond the simple location of central development policies and programmes. Districts can contribute to economic growth, social cohesion and environmental sustainability by complementing the efforts deployed by the central government.

3 It understands the *integrated and multi-sectoral nature of local development*, strengthening institutions for strategic social, economic, spatial and environmental planning and management. This integrated character will help to overcome sectoral fragmentation and lack of coordination of development interventions. It will overcome planning in separated 'silos' for health, education, environment, industry and commerce and other sectors;

4 It acknowledges that local development requires *collaboration with the central government and other districts* through effective consultation, negotiation and cooperation mechanisms (vertical and horizontal coordination and collaboration) (Romeo, 2014)

Effective institutions for inter-governmental cooperation (regional and central governments)

Policy coordination and multilevel planning

Communities

Business — Districts — CSO

Public authorities

Local leadership & administrative capacity development

Mobilisation and leverage of local resources

Active citizenship & collaboration, coproduction, PPPs

Local Economic Development (LED)

Local Economic Development (LED) is a collective action, led by the Local Government with the active participation of the private sector and other stakeholders, with the deliberate purpose of stimulating economic growth and wealth creation, generating more and better jobs, and raising the income of households improving the general welfare of all residents. (Garcia, 2016)

LED focuses its efforts on creating an enabling environment which stimulates innovation, rewards entrepreneurship, and enables new and more private investments. LED also plays an essential role in promoting improvements in the productivity of labour and employment through education and training, and through the diffusion and promotion of technological shifts.
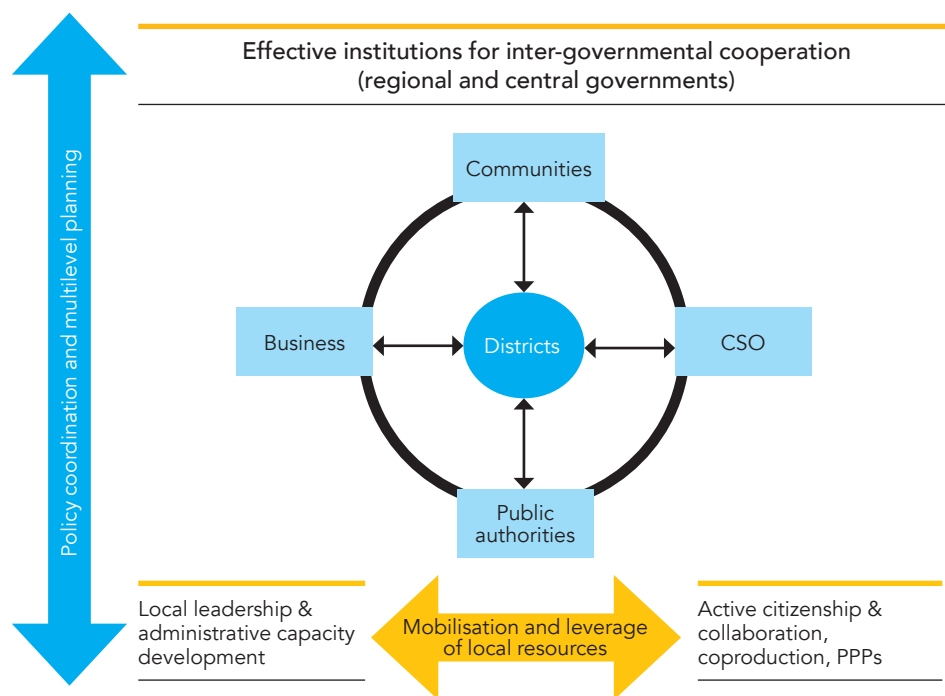
Policies and actions implemented with the aim to promote LED must be aligned with specific needs and demands of the private sector. Above all, districts must be committed to removing obstacles which hinder entrepreneurship and private investments through smoothening bureaucratic procedures, fighting corruption, promoting transparency and working in a predictable manner.

In terms of benefits for communities, LED is a synonym of better opportunities to find a decent job, access to training, improved wages, social mobility, and overall better living conditions. The benefits of stable employment and better income allow households to invest more in education and health, increasing the opportunities a better future for youth and children.

Regarding local businesses and entrepreneurs, their benefits include the prospects of acceptable financial returns on their investments, capital accumulation and expansion of their business, predictable rules and regulations and enabling environment for innovation and risk-taking. Success breeds success. If local businesses make enough profits, they reinvest and grow, employing more staff and also attract new businesses.

Districts achieve more social cohesion and enhanced equity, better governance and political stability, as well as collect more revenues and, therefore, can provide more goods and services to their residents. Likewise, districts can retain and even attract more professionals and qualified workers when there is a vibrant local economy.

Linking LED and TALD

LED and TALD are closely linked, as LED fulfils the four key characteristics of TALD and provides the instruments for putting the Territorial Approach to Local Development into practice.

Firstly, LED focuses on the *economic development of a given territory* that may be a district, region, municipality or city. LED is not limited to the development of a particular economic sector (i.e., the development of agriculture or fisheries).

Secondly, LED focuses on *bottom-up development* where the interventions and decisions are crafted from the interests of local actors and advocating the need for promoting economic development and supporting businesses in diverse sectors (e.g. industry, trade, agriculture and animal husbandry) and types of economic activities (e.g. formal and informal micro, small and medium-sized enterprises, MSMEs) that are relevant locally.

Thirdly, the *role of districts is vital* because due to their proximity to local actors they often are better situated than the central government to respond effectively to changing local and regional needs. Districts can be more flexible and can more easily interact with other local economic and social actors. This allows them to formulate LED strategies in cooperation with local stakeholders, making them properly tailored to local needs.

Finally, districts and stakeholders must *cooperate and collaborate with other districts and with the central government* to harmonize policies and optimise the use of the available resources. (Rodríguez-Pose & Tijmstra, 2005)

Linking LED, Poverty Reduction, Inclusion and Diversity

Although sometimes used interchangeably, local economic development and poverty reduction are not similar. LED may contribute to reducing poverty through actions such as promoting skills and training, organising informal sector groups and supporting the establishment of microlenders in the district (United Nations Human Settlements Programme, 2005). However, for poverty reduction, countries and donors have developed other specific instruments, e.g. conditional cash transfers, that seek to improve the incomes of vulnerable families and improve access to food, primary education and health. Likewise, to tackle poverty, countries have developed emergency employment programmes to contract unskilled workers for short periods and supplement the household income. Rural development programmes and community development projects are also useful tools for poverty alleviation.

The main objective of LED is to enhance economic growth, create wealth and new jobs through private investments, entrepreneurship and innovations. Since the resources available in districts are often scarce, it is essential to have clarity regarding what local actors want to achieve, how to achieve it and with which means.

This does not mean neglecting the majority of self-employed or contributing family workers such as subsistence farmers, cattle breeders and street vendors working in urban centres (i.e. people that undertake economic activities out of necessity and because they cannot find a job). On the contrary, a well designed and implemented LED strategy helps to focus and to draft appropriate policies and support programmes for all of entrepreneurs.

An LED strategy must have differentiated projects and activities suitable for supporting self-employed people and for the support of local businesses. The classification below helps to understand better the distinctions between these two sets of entrepreneurs in terms of starting capital, conditions to do business, risk-taking and capital accumulation. Understanding the differences will allow districts and other stakeholders to tailor their LED strategies and services to support local entrepreneurs making the best use of the available resources.

Since most rural dwellers depend significantly on pastoral activities and subsistence agriculture, it is vital to develop policies and programmes that contribute to the improvement of these activities via extension services, facilitating the access to credit, inputs and markets. Nevertheless, local stakeholders must be aware that all supporting actions aimed at improving the current conditions of cattle herding and small-scale farming will not create additional jobs, because these activities rely on family labour.

In the same vein, urban areas have a large number of self-employed people such as petty traders, people selling cooked food, vegetables or working on small workshops. LED strategies must address them, but being aware that these self-employed and contributing family workers in microenterprises will not create more and better jobs and will hardly become small and medium-sized companies .[1] 'Micro firms (normally employing up to a couple of paid of unpaid workers generating subsistence level revenues) often struggle with fluctuating revenues, red tape complexity, and lack of knowledge and relevant competencies.' (Fjose, Grünfeld, & Green, 2010) If the intention is to create jobs and attract new businesses, LED strategies should

Survivalist entrepreneurs	Growth-oriented entrepreneurs
Street businesses, subsistence farmers, cattle herders, micro-enterprises, informal own-account workers	Small-scale family enterprise, industrial and services sector, formal businesses
There are no prerequisites to start the activity, low capital requirements, skills and technology are easily available and often passed by parents to children	Formal registration, minimum capital and access to technology
Involuntary entrepreneurs, because they have no choice	Entrepreneurs by choice, often with a background in regular employment
Female majority in urban settings, male and female participation	Male majority with secondary and tertiary education completed
The objective is not to make profit, but to ensure food security and basic needs	Willingness to take risks in order to make profits
Part of a diversification strategy, often run by idle labour, with interruptions and/or part-time	Specialisation, diversification and access to regional or international markets
Embeddedness in social relations, obligation to share their returns with the extended family and kin	Disembeddedness of social and kinship links, ability to accumulate and inherit wealth

Source: Berner, E., Gómez, G.M. and Knorringa, P. (2008), Helping a Large Number of People Become a Little Less Poor: The Logic of Survival Entrepreneurs.

promote investments of SMEs for the transformation and commercialisation of agricultural and livestock products. So, the only possibility to create jobs is in the industry and specialised services supported by effective LED strategies.

SMEs require specific tools to improve their activities. LED Strategies must consider the feasibility of supporting the installation of business incubators and shared services to reduce the initial costs of start-ups. Shared services may include registration and formalisation, accounting, tax management, marketing, and administrative functions.

Promoting LED

LED is promoted through wide-ranging agreements between local actors that are embodied in LED strategies. It is crucial to understand that LED strategies are closely linked to the District Development Frameworks, which combine economic growth, social cohesion, and environmental sustainability aspects. It is not possible to achieve sustainable economic development if essential services such as primary education and health are insufficient. In the same way, economic growth cannot be achieved by overexploiting natural resources or denying substantial parts of the population the

benefits of progress. For these reasons, LED strategies must be embedded in the District Development Framework and the district budget cycle.[2]

LED strategies incorporate human, financial and asset resources of districts (reflected in the annual or multiannual budget), but they also involve investments by private entrepreneurs, as well as financial and non-financial contributions from other interest groups, such as NGOs, universities, technical training centres and central government agencies. Targeted interventions to promote LED include policies, regulations, projects and activities agreed by districts with the private sector and other stakeholders. The objective of these actions is to stimulate new investments, contribute to the sustainability or consolidation of existing investments and – overall – generate economic growth and employment. LED actions are led by the district and are the result of consultation and participation processes aimed at aligning public actions with private investments and initiatives.

Promotion of LED requires the following elements:
- A strong *political will* of districts to undertake organisational changes such as the creation of an LED unit or at least delegating the responsibility for LED to an existing unit (e.g. Department of Planning). Likewise, at the political level, the district council may create an LED committee allocating specific responsibilities to some members of the council.
- It involves districts with a *broad mandate for development*, a substantial degree of autonomy and availability of financial resources. Legitimacy and credibility are crucial elements to consolidate the leadership of the district for LED.

- *Participatory processes* with the active involvement of businesses, public authorities (regional governments, other districts, central government agencies) and other key stakeholders (e.g. universities, research centres, vocational training institutes, banks, micro-finance organisations, trade unions, NGOs, etc.)
- The *participation of local stakeholders in conducting an assessment* of the local economy is required to understand the opportunities and challenges for LED.
- *Consultation and participation of stakeholders in the allocation of public resources for LED* improves the trust between communities and public authorities. If there is trust among local actors, other organisations such as NGOs, businesses or development agencies may also commit their human, financial and physical resources to contribute to the implementation of the LED strategy.
- A combination of local regulations, services, targeted programmes and projects, and infrastructure must create the *enabling environment* to attract new investments and consolidating existing businesses. More investments bring prosperity and opportunities for communities, because people can find jobs and improve their living conditions.

Roles of Districts in Promoting LED

Overall, districts can be catalysts of local development, noting that the roles and potential of districts to promote LED derive from their legal mandates, the political commitment of districts to promoting better living conditions for its constituents and their available budget.

Local Economic Development
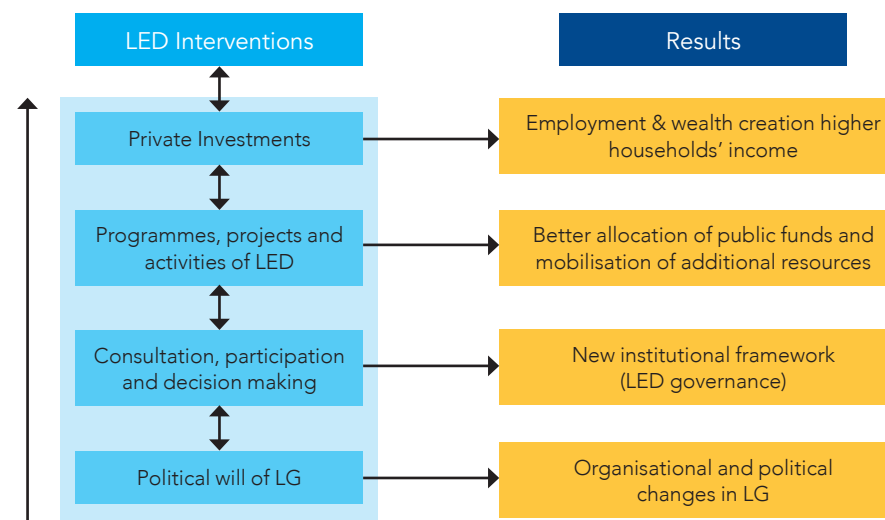
In summary, the roles of districts may be categorised as follows:
- **Convener** of relevant stakeholders to build a joint LED strategy for beyond competing interests of diverse interest groups
- **Enabler** to create the conditions via regulations, enforcement and the provision of goods and services for local businesses to thrive, as well as through lobbying for relevant changes in central government policies
- **Inclusion broker** guaranteeing that all the relevant stakeholders participate in the LED process and have a say in the decision making process, especially minority representatives, youth and women, disadvantaged groups.[3]
- **Fairness promoter** by allocating public funds and assets to support LED through the provision of infrastructure, business services, skills training programmes in a manner that benefits entrepreneurs without creating distortions nor privileges. (CARILED, 2014)

Districts have the legitimacy to convene other local actors and intercede with central government authorities (sector ministries and other agencies) on behalf of their constituents. Districts have convening power because they are recognised as representatives of the various social groups within the communities and because, unlike NGOs, foundations and other types of organisations that may have limited lifespan, districts are relatively stable over time. Therefore, districts can lead and execute the development and implementation of District Development Frameworks and LED strategies and convene the relevant actors in the process[4], although recognising that political changes can interfere and change the plans and policies.

Further, districts have mandates and powers that position them as ideal actors to promote LED. Districts have the power to regulate economic activities, collect taxes and enforce policy and legislation. Likewise, districts

Stages of the Process of Local Economic Development
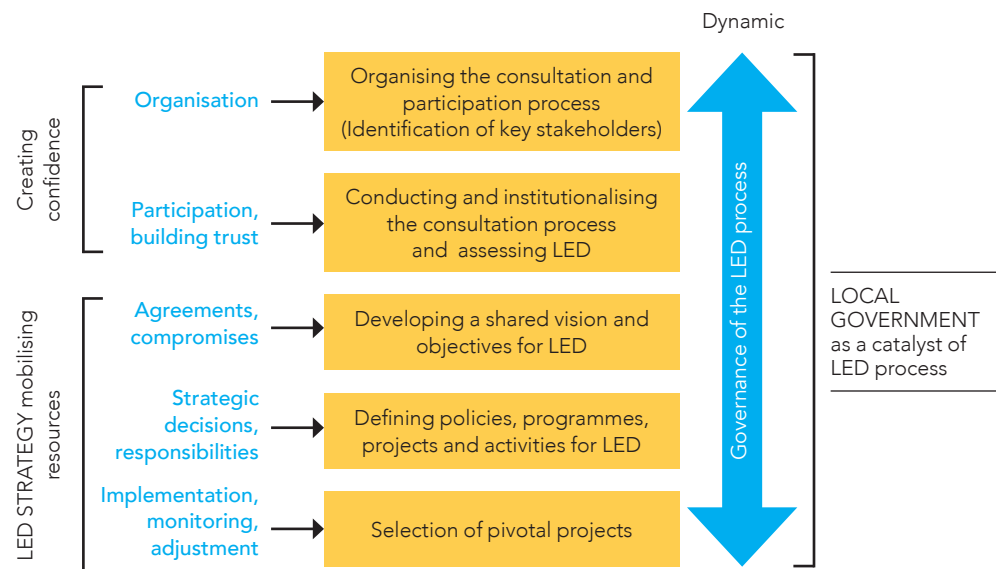
provide public goods such as infrastructure (e.g. streets, roads, bridges) and deliver services to local businesses and entrepreneurs (e.g. business licenses, land titles).[5]

Additionally, districts have an interest in promoting the welfare of their constituencies and social inclusion, because this improves legitimacy of the district administration and entails a higher possibility of re-election and consolidation of the administration. Responsive and accountable officials are more likely to remain in office. Finally, districts are involved in local business activities as a purchaser of goods and services from the private sector, and also as the owner of land and premises. In many cases, districts are the largest employers and contractors in the nascent private sector. Similarly, districts may use their assets to establish Public Private Partnerships and boost private investments in infrastructure and services.[6]

Roles of Local Government Associations in Promoting Led

Local government associations across the world have two general functions that complement each other:
- *To represent the interests of their members in the formulation and implementation of national policies and fundamentally on the improvement of the decentralisation processes considering their political (autonomy), fiscal and administrative implications for local governments. These actions can be labelled as political and policy-making areas, characterised by the actions taken by a local government association as a syndicate or trade union of local governments.*
- *To provide services to their members helping them to carry out their tasks by delivering capacity building services, technical support and offer platforms for exchange,*

learning and dissemination. *The second area is the so-called operational or technical area. These functions aim to give a response to the demands and needs of organisational and staff development of their members.* (García, 2016)

These two generic functions of local government associations can also be applied to the promotion of LED, as was done under the ASPIRE project.

Political and policy-making area
Local government associations can be catalysts for change in national policies on (foreign) investment attraction, business registration, access to financial and business services, and (sectoral) development priorities. Likewise, local government associations can represent the interests of districts for LED in relation to public purchases and contracts ('buy local') or in trade policy for imports and exports, for example for coastal areas or districts located on international borders. These lobbying and advocacy actions will depend on the priorities identified in LED strategies and the characteristics of the local economy.

Further, local government associations may advocate for more balanced territorial development, paying particular attention to the needs and potential of the most disadvantaged districts and pressing for the implementation of LED projects and activities. Local

Local Government Associations and TALD
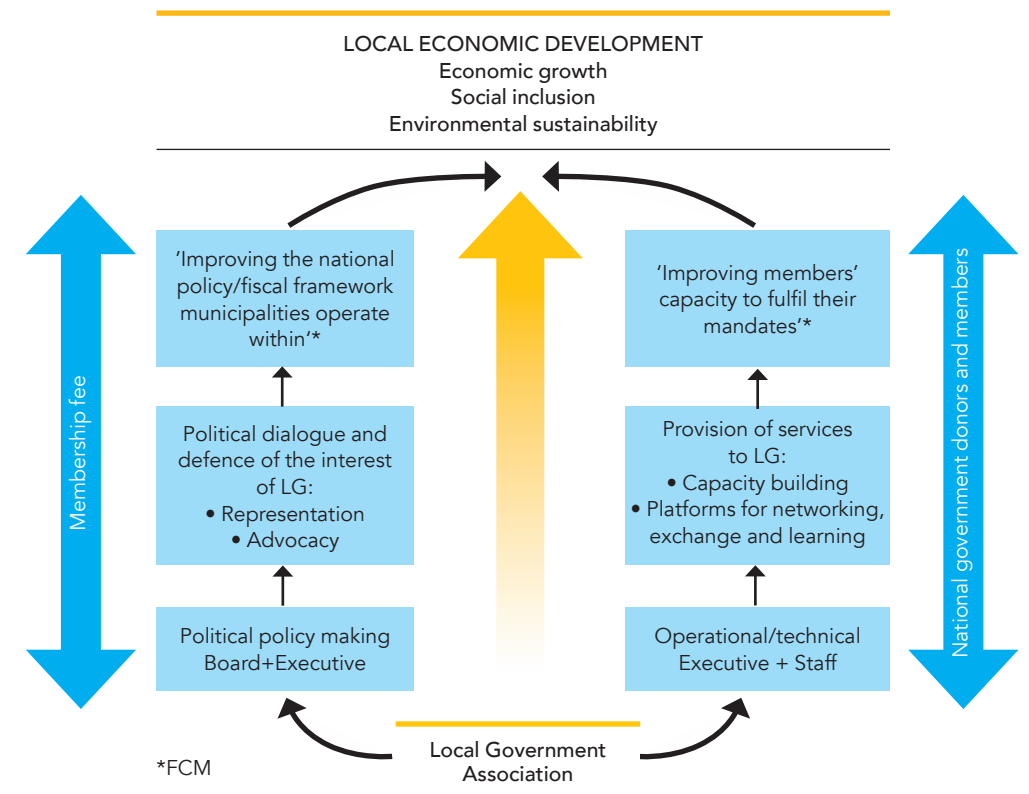
government associations can also act on behalf of districts to negotiate with the private sector the expansion of financial and non-financial services in districts that are not served. For example, savings and credit services, vocational training, numeracy and book-keeping for self-employed and alike.

Operational and technical area

Local government associations can design and implement institutional strengthening programmes and services, such as criteria for the creation of district level LED units and the design of manuals, processes, procedures and model bylaws for the elaboration and implementation of LED strategies. Further, local government associations may organise training courses for civil servants on LED-related topics, such as i) drafting and appraisal of capital investment projects; ii) formulation of multi-annual budgets; and, iii) organisation of business-oriented services such as business incubators and one-stop-shops.

Local government associations can also play an important role in assisting districts to seek support from development cooperation

agencies. They have relevant information on the situation of the districts and can guide donors and development cooperation agencies in the design and implementation of LED projects. Also, local government associations can establish specialised services such as databases of economic activities in the districts, lists of investment projects that are carried out in the districts, and socioeconomic information that may be of interest to potential investors.

1 Conventional classification defines microenterprises as companies employing 1-9 workers, small 10- 50; medium-sized 50-250 employees.
2 This is addressed in the tool 'Developing an LED Strategy' in this publication.
3 The inclusion of MSMEs, cooperatives and other organisations in the LED process is crucial. However, in some cases the number of micro-entrepreneurs can be very large. Districts should then promote the organisation of these entrepreneurs and ensure that their representatives participate in decision-making.
4 This is addressed in the tools 'Conducting a Local Economic Assessment', 'Developing an LED Strategy' and 'Establishing an LED Forum' in this publication.
5 This is addressed in the tools 'Developing Business Development Services' and 'Establishing a Local Business Directory' in this publication.
6 This is addressed in the tool 'Establishing Public-Private Partnerships for LED' in this publication.

Tool A Conducting a Local Economic Assessment (LEA)
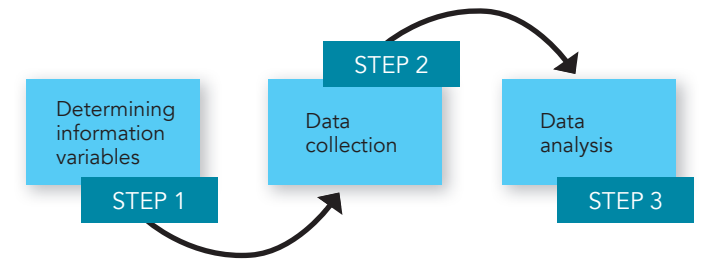
Introduction

Understanding the local economic environment is the most important ingredient in the LED process. It is a key prerequisite for developing LED strategies and promoting economic growth that districts have the right information about local stakeholders, challenges and opportunities in the local businesses climate, and relevant legal and policy frameworks. This tool for conducting Local Economic Assessments (LEA) provides practical instruments for analysing local economic conditions and a district's comparative and competitive advantages. It will support districts in their further LED efforts, both in the planning phase as well as the implementation phase. The information acquired through applying this tool will assist districts in making informed decisions about planning for LED, provide content to LED policy development, and it will provide insight into needs and priorities of local communities, businesses, entrepreneurs, investors and other economic stakeholders.

Apart from serving as the basis for the district LED strategy, the LEA may also provide input for the District Development Framework (DDF) and can be used to draft a 'district profile'. This profile provides a comprehensive economic overview of a district. It serves two main functions: 1) to provide local officials with information on which to base their decisions affecting economic development, and 2) it may be used as marketing tool to attract new businesses and investors. A properly prepared district profile provides all the information that an entrepreneur or investor would need to determine whether or not to establish a business within the district.

Examples of crucial issues that are relevant for LED, which can be identified through an LEA:

- The *challenges* in the district that are holding back growth of local businesses, hamper the attraction of investors, and restrict local economic development in general
- The *competitive advantage* the district has over other districts, or its complementary features that could generate cooperation and economies of scale between districts
- The *type of support services* local businesses need in order to thrive (or even stay in the district) [2]
- The district's *strengths and weaknesses*, as well as its potential opportunities and threats facing the local economy

Local Economic Assessment process

The process to come to a Local Economic Assessment consists of three steps. The first step focuses on determining the kind of information that is relevant or necessary for developing LED interventions. The second step addresses how this information could be gathered, through which approaches and methodologies. The third step entails the analysis of the information and drawing conclusions that are relevant for LED.

Step 1: Determining information variables

Districts and its stakeholders need to decide what information and type of data are needed to gain a sufficient understanding of the local economic environment in order to support development of an LED strategy, its implementation and other types of interventions aimed at promoting economic growth. Suggested information variables are:

1 **Demography**
- Population size and growth rate
- Population distribution by age, gender, income, education
- Population characteristic by sub-district geographical area (e.g. neighbourhood)

2 **Private sector profile**
- Most common business sectors
- Number of businesses by sector and size
- Type of services provided by current businesses
- Approximate proportion of formal and informal business
- Number of business start-ups
- Number of business closures (incl. reasons)

3 **Labour force**
- Employment rate by gender/age
- Employment rates in formal and informal sectors
- Indication of educational and skill levels
- Average wage by gender/age
- Place of origin (local or commute)

4 **Businesses environment**
- Administrative, legal and tax burden (e.g. costs and bureaucracy related to obtaining business license, land title, workers insurance, unemployment insurance, business tax)
- Existence of support networks (e.g. business associations, LED Forum, Chamber of Commerce)
- Availability and quality of business service providers (e.g. lawyers, accountants, banks)
- Availability and quality of vocational training institutions, universities
- Access to capital
- Need for additional business services
- General challenges and obstacles faced by local businesses and entrepreneurs

P Political • Elections **E** Economic • Fluctuation in currency exchange rates • Closure or opening of local bank branches **S** Social • Influx of refugees bringing in new skills • Influx of refugees bringing in new skills **T** Technological • Introduction of 5G internet **L** Legal • Changes in legislation on district mandates and local elections **E** Enviromental • Impact of droughts and locust infestation on crops and livestock trade

Adapted from: UN JPLG. (2013). Local Economic Development Practitioners' Toolkit and VNG International. (2007). The Role of Local Government in Local Economic Development: A Step-by-Step Approach developed by VNG International.

5 Physical resources

- Land use, zoning plans, location
- Land value and conditions for land ownership
- Building condition and construction facilities
- Availability and condition of transport, road, (air) port facilities
- Availability and condition of public utilities system (water, electricity, waste)
- Availability and condition of market places, warehouses, office facilities

6 Institutional environment and policies

- Availability and quality of business development services provided by district and other (regional, central) government agencies
- Laws, policies or politics (existing or in drafting phase) that affect economic development in the district (e.g. DDF, Labour Law)
- Unique selling points and competitive advantage of neighbouring districts and opportunities for cooperation or economies of scale
- External developments that affect economic development in the district (e.g. foreign companies, donor or NGO activities, international crises)

Step 2: Data collection

Once the key information variables have been determined, the second step is to decide on approaches and methods for data collection. There are various options for data collection, depending on available resources, existing information (e.g. in the DDF or Local Business Directory[3]) and quality of existing information. It is important to address both the primary target group (local business, entrepreneurs) and the final beneficiaries of economic growth (local communities). The following, formal and informal, approaches are suggested:

- Community and business baseline surveys (formal): There are a variety of surveys, but there are readily available templates (mostly based on the variables provided in step 1) for obtaining insight into the local economic environment. Surveys may be used to generate a quick overview of the most important variables defined under Step 1, particularly information of which much is often already available in various sources (e.g. district records, neighbourhood committees, business associations), but that is not often collated and linked. The surveys may then elicit the inputs from key economic stakeholders (e.g. business leaders, district officials, community leaders). It is best undertaken in the form of face-to-face interviews with members of the district authority and LED Forum (in districts where such Forum exists).

- Community and business consultation sessions (informal): Consultation sessions are very useful in identifying attitudes and concerns about the local economy. One drawback is that if they are not carefully implemented, only one segment of the (business) community might be heard, so it is important to organize the discussion in an inclusive and participatory manner. The session should be based on a clear structure and a set of statements for discussion, and it should be properly facilitated.

- Public hearings (formal): Public hearings serve two purposes. They may be used to disseminate information or to acquire input from the public (local communities and businesses). This is a more formal variation of the consultation sessions described above and should be preceded by formal announcement to inform the public about the time, location and topic of the hearing. A possible topic may the validation of the district LED strategy or the DDF.

- Secondary data research (informal): Data research is treated here as informal, because there is no formal structure for conducting it. Much information is already available on districts through line ministries, government statistics offices or districts records. Additionally, international organisations, local NGOs and educational institutions may have relevant data. Using these existing secondary resources and data is cost effective, and also can provide districts with information and data from different perspectives.

Step 3: Data analysis

The last step is to conduct a data analysis to establish the status quo of the local economic environment. This analysis may then be used to give input to the development of a district LED strategy, the DDF, or a district profile. There are several instruments to analyse economic data. In this tool we focus on two of them:
- PESTLE analysis
- SWOT analysis

PESTLE analysis

PESTLE is an acronym for Political, Economic, Social, Technological, Legal and Environmental factors. This method is in essence an 'audit' of the district on the basis of the collected economic data, which will help to understand the local economic environment as a starting point for further planning. An example of PESTLE factors that may affect LED is provided above.

The PESTLE analysis is structured along four steps:

1 Listing all relevant factors in the PESTLE categories based on the collected economic data

Strengths
(internal factors)
• Access to natural resources
• Low labour costs
• Good infrastructure

Weakness
(internal factors)
• High costs of electricity
• Distance to sea port

SWOT Analysis

Opportunities
(external factors)
• Weakly tapped, but active agribusiness sector
• Strategic position to trade routes / road network
• Access to active diaspora network

Threats
(external factors)
• Unpredictable fiscal transfers affect budget for business development services
• Security situation affects investment climate

Adapted from: UN JPLG. (2013). Local Economic Development Practitioners' Toolkit.

2 Determining what the implication will be for LED on the basis of:
• Positive or negative effects of each PESTLE factor
• Dynamics of each PESTLE factor (increasing, decreasing, unchanged)
• Timing of each PESTLE factor (short, medium or long-term)
3 Rating the potential impact (low-high) of the PESTLE factors on LED, as well as the likelihood (low-high) that they will indeed occur
4 Determining the most appropriate interventions to address each PESTLE factor, for example incorporating them into the LED strategy and its implementation

SWOT analysis

SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis is a common method to conduct an analysis of factors that may affect an organisation's objectives, in this case a district's ambition to promote economic
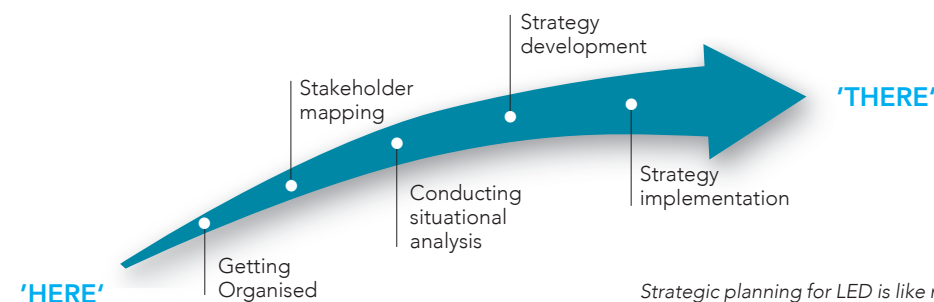
growth. The SWOT analysis may be used to categorize the collected economic data and determine how the data could give input to LED interventions. Strengths and weaknesses relate to the internal characteristics of a district, while opportunities and threats relate to external situational factors. Strengths and opportunities are the foundation for economic growth, while weaknesses and threats are the factors that hinder or impede a district's economic development.

On the basis of the SWOT analysis, the district can determine interventions to further build on its strengths, address weaknesses, capitalize on opportunities and mitigate possible threats in promoting LED. An example of a SWOT diagram on LED is provided above.

1 This is addressed in the tool 'Developing an LED Strategy' in this publication.
2 This is addressed in the tool 'Developing Business Development Services' in this publication.
3 This is addressed in the tool 'Establishing a Local Business Directory' in this publication.

Tool B Developing an LED Strategy

'HERE'

Getting Organised

Stakeholder mapping

Conducting situational analysis

Strategy development

Strategy implementation

'THERE'

Strategic planning for LED is like navigating a ship at sea. The goal is to get from 'here' to 'there', but before the navigator can chart a course it is important to know where the ship is now and what the desired destination is. This tool will assist districts and its partners in this process.

Introduction

Strategic planning is the key to promoting LED, designing effective business development services and ensuring a thriving business climate. Regardless of the size of a district, a strategic plan is like a roadmap. It defines the best route for the district in promoting longer-term economic growth, sustainable livelihoods and opportunities for local communities. Districts cannot be effective in promoting economic growth unless there is a well-defined and inclusive strategic planning process. An LED strategy ensures focus and provides realistic guidance and inspiration to the actors that are responsible for the implementation of LED interventions. An LED strategy defines the goals and objectives, intended results, key interventions and required resources for promoting LED in the district. It can be part of the operationalisation of the District Development Framework (DDF) or provide input to the DDF.

Planning for LED does not involve only a single actor, because various stakeholders have an interest and a district does not operate in a vacuum. For the development and the implementation of an LED strategy, the contributions of local businesses and entrepreneurs, CSOs and local communities (possibly united in an LED Forum[1]) are crucial. Therefore seeking consensus and partnerships within the district, as well as with actors

outside the district, is an important key principle in the LED strategic development process. Partnerships help make the LED process be more transparent and accountable, thereby increasing the likelihood of the LED strategy to deliver the expected results.

In short, an LED strategy is useful for districts in promoting economic growth, because:
- It helps to clarify *direction*
- It helps to establish *priorities*
- It assists in developing *interventions* to implement priorities
- It assists in dealing effectively with *changing circumstances*
- It improves *internal management* and performance
- It provides a basis for *effective partnerships* and improves coordination
- It strengthens the *relationships* with local communities, private sector, civil society and other stakeholders

This practical tool assists districts in the four main stages to develop an LED strategy. For each of the stages, we outline a number of steps. The four stages are:
1 Getting organised
2 Stakeholder mapping
3 Conducting situational analysis
4 Strategy development

Stage 1: Getting organised

The process of developing an LED strategy should be firmly rooted in the district administration. It should also be partnership of the most important stakeholders. The better the partnership works together, the more effective the strategy is likely to be. The followings steps are suggested:
1 Ensure *political commitment* to the process from the district leadership (e.g. mayor, district council, community leaders). This is important, because financial and human resources will need to be allocated, and the leadership will need to be dedicated to implementation of the LED strategy.
2 Appoint a *coordinator* – and preferably additional support staff – from within the district administration (e.g. an official from the Department of Planning) who coordinates the process in terms of planning meetings, minute taking, guard the timing of the process, etc.
3 If necessary, involve external *technical assistance* to provide specific expertise, support the coordinator in facilitating the process, and challenge stakeholders from a neutral position as an honest broker.
4 In districts where a *district LED Forum* exists, it is important to involve the Forum from this stage onwards in the process of formulating the LED strategy.

Stage 2: Stakeholder mapping

Because LED can only be promoted in a partnership of all stakeholders, it is important to identify the key economic stakeholders in the district. A stakeholder is any actor that has an interest in LED, and/or the power to influence LED. Stakeholder mapping is the process of visualizing these stakeholders. The process involves listing all relevant actors from public and private sectors, as well as civil society.

Stakeholder mapping is essential for both the development and implementation of the LED strategy. Often, a large number of stakeholders is involved. When all those actors are mapped, it will help in gaining valuable insights to determine strategic priorities and designing business development services, but also in better managing expectations and ensuring commitment for implementation. Here we provide a few instruments to support the stakeholder mapping process.[2]

The following table can be used to list LED stakeholders:

Stakeholder	Mandate	Potential role in LED strategy	Capacity
Example: chairman of Chamber of Commerce	Represents business community	Could lead working group on defining needs of local businesses	Strong network with access to key actors
Etc.			

The following table can be used to analyse LED stakeholders:

Category	Stakeholder	Relevance for/ Interest in LED (1-5)	Power to influence LED (1-5)
Public Sector			
District	Example: Department of Planning		
Central government	Example: Ministry of Interior		
Etc.			
Private Sector			
Transport	Example: Regional transport company		
Etc.			
Civil Society			
NGO	Example: NGO for youth entrepreneurship		
Etc.			

● Public Sector Stakeholders
● Private Sector Stakeholders
● Civil Society Stakeholders
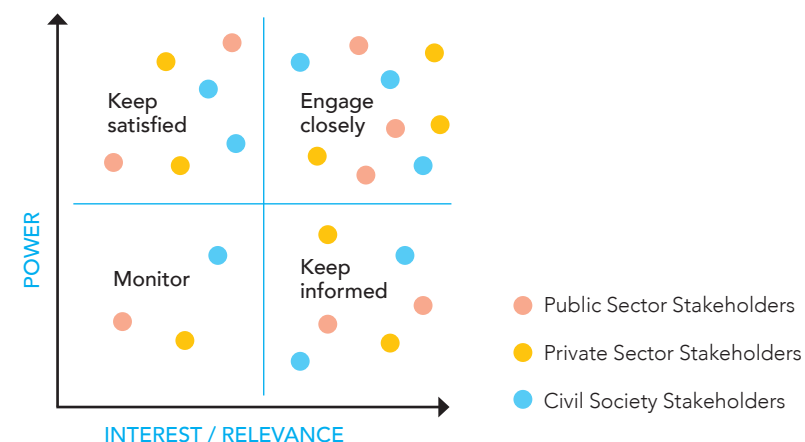
The diagram above can be used for visualising the relevance of all stakeholders and for determining how closely they should be involved in the development and implementation of the LED strategy.

Stage 3: Conducting a situational analysis

The prospects for economic growth depend not only on the international organisation and interventions of the district administration, but is significantly determined by outside factors and trends, and the roles of economic stakeholders. So, the effectiveness of an LED strategy depends on the extent to which its content reflects the economic environment of the district, the needs of local business and entrepreneurs, and the ambitions of the district administration. In order to ensure this, it is crucial to have the right information.[3]

Stage 4: Strategy formulation

Once it has been established how the development of the LED strategy will be coordinated (stage 1), the stakeholders have been mapped (stage 2) and all the required information has been obtained and assessed (stage 3), the formulation of the LED strategy can start. The formulation consists of a number of steps as defined below. This process should be aligned as much as possible with other district planning processes such as the DDF and the district annual plan.

1 **Operational rules:** To guide the formulation process, agree on operational rules and work plan, as well as clear understanding of roles and responsibilities of the various stakeholders

2 **Validate situational analysis:** The district takes the lead in initiating consultation workshops for the stakeholders identified through the stakeholder mapping (stage 2). During these consultation workshops, the conclusions from the situational
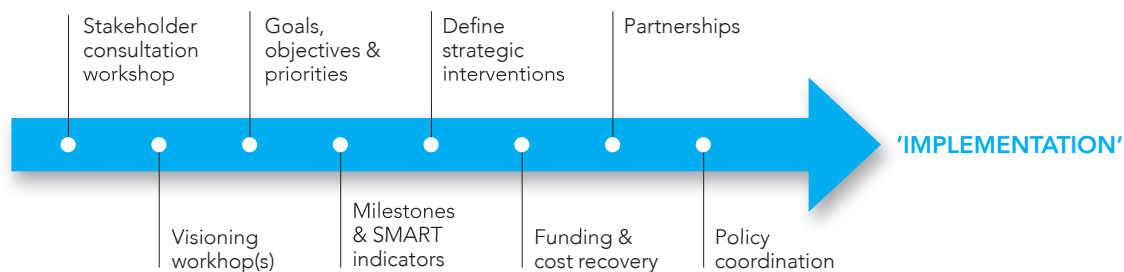
analysis (stage 3) are presented and discussed to determine the point of departure and the ambitions for the LED strategy.

3 **Vision and mission:** The consultation workshops are followed by one or more visioning workshops to define a vision and mission for the LED strategy.
   - The vision should outline wat the ultimate ambition is of the district in relation to LED
   - The mission should concisely state how the district and its partners will perform to achieve the vision

4 **Goals, objectives & priorities:** Following the vision workshops, the goals, objectives and priorities of the LED strategy are formulated through stakeholder workshops. These should evolve logically from the situation analysis (stage 3) as well as the vision and mission (step 3 above).

5 **Milestones:** It is important to formulate milestone and indicators to measure the progress towards achieving the objectives of the LED strategy. If possible, it is advised to conduct a baseline study. As much as possible, the indicators should be SMART (Specific, Measurable, Achievable, Realistic and Time-bound).

6 **Strategic interventions:** Once goals, objectives, priorities and milestones have been defined, the stakeholders jointly determine the strategic interventions necessary to realise the objectives of the LED strategy. Possible interventions are:
   - Linking businesses and potential clients or partners through disseminating business information[4]
   - Providing specific services to local business[5]
   - Setting up specific Public-Private Partnerships[6]
   - Investing in new market places or transport facilities

7 **Funding & cost-recovery:** In order to come to a realistic LED strategy, it is important to assess funding opportunities, budget restrictions and cost-recovery options before implementation of the LED strategy. Especially stakeholders such as the district Department of Finance, local banks, investors, development partners, etc. are very relevant to involve in these discussions.

8 **Partnerships:** The district will not be able to implement the LED strategy alone and some strategic interventions might not even be possible to realise with only local or regional partners. For that reason, it is important to determine which strategic interventions can be addressed by which

stakeholder, to define roles and responsibilities, or to identify new potential partners.

9 **Policy coordination:** Economic growth can only be achieved through an integrated approach. This means that the LED strategy is closely linked to the DDF, but also to sector specific policies, for example policies related to public utilities. Especially public sector stakeholders should jointly determine how the LED strategy will address the linkages between different government policies that affect LED.

10 **Implementation plan:** To guide the implementation of the LED strategy, an implementation plan should be drafted on the basis of the previous steps, which concrete outlines the practical operationalisation of the LED strategy. It should present:
   - Activities and projects
   - Indicators for success (SMART)
   - Timeline
   - Roles and responsibilities of involved stakeholders
   - Budget

11 **Validation:** Ownership and public endorsement of the LED strategy by all stakeholders is crucial for its success. The district should hold a validation workshop for all

stakeholders that participated in the formulation process to confirm the strategy's content and to commit to being involved in its implementation.

12 **Dissemination:** To ensure that the LED strategy is carried by local communities – the final beneficiaries of economic growth – and to ensure that all local, regional and central stakeholders are aware of the objectives of the strategy, the LED strategy should be properly disseminated. This provides a basis for partnerships in implementing the strategy. Steps 9 and 10 are very important for the legitimacy of the LED strategy.

Key components of an LED strategy
- Executive summary
- Introduction (including the reason for development of an LED strategy)
- Description of current situation, key challenges and opportunities (based on Local Economic Assessment)
- Vision and mission
- Strategic goals and objectives (including duration of the LED strategy)
- Milestones to monitor progress
- Strategic interventions
- Funding options and cost-recovery mechanisms
- Key partnerships and division of roles and responsibilities

- Coordination with other district policies and interventions
- Implementation plan (including budget, key activities and projects, timeline, monitoring and evaluation plan)

1 This is addressed in the tool 'Establishing an LED Forum' in this publication.
2 They can also be used in other tools in this publication such as:
  Tool A: Conducing a Local Economic Assessment, Tool C: Establishing an LED Forum and Tool F: Establishing a Public-Private Partnership for LED.
3 The process of obtaining and analysing this information is described in the tool 'Conducting a Local Economic Assessment' in this publication.
4 This is addressed in the tool 'Establishing a Local Business Directory' in this publication.
5 This is addressed in the tool 'Developing Business Development Services' in this publication.
6 This is addressed in the tool 'Establishing Public-Private Partnerships for LED' in this publication.

Tool C Establishing a Local Economic Development Forum

Introduction

Local Economic Development (LED) Forums are multi-stakeholder platforms formed by districts, private sector and civil society stakeholders with the aim of facilitating collaboration in promoting economic growth, nourishing a thriving labour market and creating an attractive entrepreneurial climate. The roles and functions of an LED Forum are to:

- *Foster a joint* vision for the district's economic future and encourage local stakeholders to work together in realizing this vision. This is done through supporting the district in developing an LED strategy and related workplans and projects, and promoting active collaboration in implementing this strategy.[1]
- *Assess local economic trends* in collaboration with district authorities, identifying economic opportunities, challenges for and service needs of local entrepreneurs. This can be done through conducting a Local Economic Assessment, which may also provide input to the District Development Framework (DDF) and the LED strategy.[2]
- *Raise awareness, build consensus and ensure inclusivity* among economic stakeholders and communities in jointly promoting LED.
- *Lobby and advocate* for improving policies and legislation that affect LED in the district (e.g. on taxes, business registration,

property) to encourage investment and entrepreneurial activity. Intergovernmental cooperation between districts and involvement of local government associations that represent the combined interests of all districts toward central government, can be very effective.
- *Develop and implement business development services* for local businesses and entrepreneurs in collaboration with district authorities on the basis of LED strategy and Local Economic Assessment.[3]
- *Facilitate public-private partnerships (PPP)* through promoting structural dialogue between private sector and district authorities on the most relevant economic needs that might be served through a PPP.[4]

Members of an LED Forum

An LED Forum consists of the key economic stakeholders from public sector, private sector and civil society. See the table on the right for a typical LED Forum composition.

Relevance of LED Forums for district authorities

The success of a district's ambitions to promote LED depends on the local capacity to implement the LED strategy. Districts are crucial in shaping the conditions for economic growth. But not involving the key stakeholders in this process, will render it less

| Local Economic Development Forum Stakeholders		
Public Sector	**Private sector**	**Civil society**
• Districts • Regional government • Public utilities (water agency, electricity corporation) • Regional or district representatives of relevant line ministries	• Micro, small, and medium sized enterprises (MSMEs) • Business associations and trade unions • Chamber of commerce • Investors (e.g. diaspora) • Financial service providers (e.g. banks)	• Local non-governmental organisations (NGOs) • Youth, women and community-based organisations (CBOs) • Labour unions • Neighbourhood committees • Religious and community leaders • Representatives from local universities or vocational training institutes

Adapted from: UN JPLG. (2013). Local Economic Development Practitioners' Toolkit and VNG International. (2007). The Role of Local Government in Local Economic Development: A Step-by-Step Approach developed by VNG International.

effective, because local interests might not fully be addressed, and because the district might need the expertise and resources of Forum members, for example to establish PPPs. An LED Forum provides district authorities with a platform to discuss concerns, coordinate activities, finetune the planning and implementation of the LED strategy, and for monitoring its progress.

Consensus achieved within an LED Forum will create stronger local ownership, which will

enhance the sustainability of economic interventions. Especially because entrepreneurs essentially can decide to come, stay or move elsewhere (e.g. to other districts), depending on which location offers the best business opportunities. So, all members of an LED Forum have an important role to play and are critical to the success of the LED strategy of the district.

STEP 1	STEP 2
Identification	Sensitisation
Institutionalisation	Formation
STEP 4	STEP 3
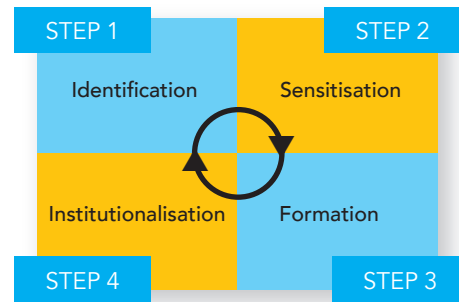
Establishment of an LED Forum

The establishment of an LED Forum consists of the following four basic steps:

Step 1: Identification
In establishing an LED Forum, it is important to accurately determine the key stakeholders and to ensure that all needs are represented. These are those individuals, groups, institutions, organizations (government or non-government) and businesses that could affect, or be affected by the local economy, and could contribute to strategies aimed at making it thrive. These stakeholders may have varying priorities, but a strong local economy is in everyone's best interest. It is important to take into account that communities are the final beneficiaries of economic growth, so their interests should also be addressed. The following steps are relevant:

1 *Identify* all stakeholders in the district by listing all stakeholders with relevance for LED from public and private sectors and civil society. This process could be combined with the consultation sessions for developing the DDF and LED strategy.
2 *Assess the relevance* of all stakeholders on the basis of 1) the 'interest' they have in LED, and 2) the 'power' they have in influencing LED.[5] This will help in determining the composition of the LED Forum in terms of balance (are all stakeholder

categories represented equally?) and size (is the group not too big?).
3 *Prioritize* the stakeholders based on their relevance assessed in the previous step.

Step 2: Sensitization
The second stage in establishing an LED Forum is to get all stakeholders sensitized to the concept of an LED Forum, its objectives, benefits, and its roles and functions. The aim of this stage is to get all stakeholders committed to the notion that collaboration is key in promoting LED. The followings steps are suggested:

1 The district initiates consultation sessions with individual key LED stakeholders identified in step 1 through separate consultations sessions. The aim of these meetings is to sensitize the stakeholders to the general concept of an LED Forum and acquire their input. The following questions may guide the discussions with stakeholders:
   • What are the challenges for LED in the district?
   • What are the opportunities for collaboration with various stakeholders in an LED Forum?
   • How could these opportunities be addressed in an LED Forum?
   • Which stakeholders should be involved?
   • How should the Forum be organized, for example its relation to formal district agencies?

   • What should be important principles for membership involvement in an LED Forum?
2 After the consultation sessions, the district will initiate a dialogue on LED with all key stakeholders through a through a series of workshops in which relevant challenges and opportunities are jointly assessed. The participants should be a fair and accurate representation of economic sectors and community interests.
3 The workshop will sensitize the stakeholders on the relevance of establishing an LED Forum, on the potential contributions of participating stakeholders. Also, the workshops will induce the stakeholders to the DDF and the district LED strategy (if it already exists) and on the benefits for them of collaborating in an LED Forum to support the implementation of the LED Strategy.
4 The responsible department within the district administration (e.g. Department of Planning) should follow up on agreed actions, including proactively seeking confirmation from those stakeholders LED Forum.

Step 3: Formation
After the stakeholders have been sensitized and potential Forum members have committed to involvement in the further LED Forum process, the actual formation of the LED Forum can take place. Which means that the

key building blocks for the operation of the LED Forum will be formulated in a joint process by all the future members[6]. The process may consist of the following steps:

1 The district takes the lead in organizing and chairing one or more formation workshops.
2 During these workshops the framework for the LED Forum's profile and the LED Forum's constitution will be formulated. The following questions may guide the process:
   • What is the purpose of the LED Forum and what does it aim to achieve?
   • How will the LED Forum collaborate with the district?
   • What kind of activities will the LED Forum undertake?
   • What will be the criteria for membership of the LED Forum?
   • How is the LED Forum's Executive Board elected?
   • How often will the Executive Board and regular members of the LED Forum meet?
   • What are the Executive Board's responsibilities?
   • How will the Executive Board collaborate with, inform and involve the regular members of the LED Forum?
   • How will the Executive Board implement actions?
   • How is the Executive Board held to account?

3 After the framework has been defined, the LED Forum's profile will be drafted, as well as the constitution of the LED Forum' constitution that provides the legal framework for the LED Forum, clearly outlining:
- Mission, vision, objectives and key functions
- Criteria for membership and election of regular members and Executive Board members of the LED Forum
- Number of members of the LED Forum (regular members and Executive Board)
- Roles, responsibilities and routine tasks of regular and Executive Board members, including meeting schedule
- Sources of funding and cost-recovery mechanisms for LED Forum activities
- The LED Forum's key stakeholders and engagement strategies

Step 4: Institutionalisation
If all elements of step 3 have been elaborated and agreed upon, the LED Forum can start its operations. The first steps to undertake include:
- Formal registration of the LED Forum as an association or NGO
- Formal registration of the members
- Organisation of a general assembly of the LED Forum's members to adopt the constitution
- Election of the Executive Board
- Press release on the LED Forum's establishment

6 Establishment of a physical office for the LED Forum to manage the day-to-day implementation of the LED Forum's activities
7 Development of appropriate communication tools (e.g. website, newsletter) for members, stakeholders and partners
8 Organisation of regular meetings for Executive Board and regular members according to articles in constitution

1 This is addressed in the tool 'Developing an LED Strategy' in his publication.
2 This is addressed in the tool 'Conducting a Local Economic Assessment' in this publication.
3 This is addressed in the tool 'Developing Business Development Services' in this publication.
4 This is addressed in the tool 'Establishing Public-Private Partnership for LED' in this publication.
5 A practical instruction for stakeholder mapping is addressed in the tool 'Developing an LED Strategy' in this publication.
6 In this process, the 'Business Model Canvas' as described in the tool 'Developing Business Development Services' in this publication may be used. Also, the tools for 'Developing and LED Strategy' and 'Establishing Public Private-Partnerships for LED' may be useful.

Tool D Establishing a Local Business Directory

Introduction

The Somali region has experienced an increase in private sector development over the past decade. Many businesses have been established and others expanded by young entrepreneurs. However, adequate information on which businesses and entrepreneurs are active in a specific district is often lacking. Disclosing this information is an important instrument in fostering economic growth and development.

Districts are responsible for offering a range of services and support to local business to encourage investment and economic development, including permits for market stalls, business licences, business registrations, approving planning applications, enforcing health, safety and environmental regulations, etc. Collecting and managing business data can be used in designing and delivering appropriate services for local businesses and ensuring a conducive local business climate.

Data collected at district level is often managed by different departments for different purposes (taxation, land registry, business licences) and often does not offer insights and information to local governments so it can use it for further providing services to business. This data can also support the local market and business environment, when information is also accessible for those

entrepreneurs who either want to expand their businesses or who want to start their own businesses, it further supports local development and employment.

The development of a local business directory is a way to facilitate this process. A business directory lists businesses in the district and information related to those businesses. It can provide districts with information they need to develop, finetune and provide services in support of a conducive business climate, and it can be a major resource for entrepreneurs and economic stakeholders who would like information about local markets for establishing or expanding their business, or who like to identify potential business partners.
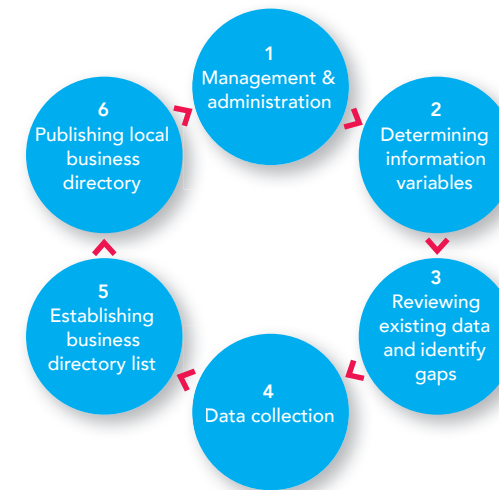
Steps in Establishing a Local Business Directory

1 Management & Administration

Before establishing a Business Directory it is important to establish how the management of the Business Directory will be structured within the district administration. It is recommended to assign management of the Business Directory to a dedicated position and to integrate the Business Directory within a central department. The Department of Planning may often be a logical choice, because the Department of Planning has the mandate for Local Economic Development and also actively coordinates planning issues with other departments.

Step 1 is to decide on integrating the management and administration of the Business Directory within the district administration.

2 Determining Information Variables

Before data can be collected for the business directory, it is important to identify the most relevant information variables for local businesses in the district. The District Development Framework (DDF) and the district LED Strategy might provide background for determining these variables, because the focus of these documents are typically based on sound analysis of the local economy. The variables might be grouped in three categories: 1) General contact information (e.g. name, address, telephone), 2) Business profile (e.g. description of business, services/products) and 3) Administrative information (e.g. licences, ownership, property).

Step 2 is to determine the specific variables that are relevant for the local economy of the district. Common variables are:
- Names of businesses (arranged alphabetically)
- Contact details
- Business sectors or categories
- Description of business

- Main products or services
- Number of employees
- Year of establishment
- Certificates/licences
- Property owned/leased

3 Reviewing Existing Data and Identify Gaps

It is good to review existing data and information on local businesses from various internal local government sources. Goal is to obtain a first listing of local businesses and to identify the gaps in the required information needs identified under step 2. Not all information may be available, but there will always be a basis from which to start, which will make the process easier. The following steps should be undertaken:

- Prepare a first listing of local businesses based on district records for 1) Business licences, 2) Local Taxation, and 3) Land and property owned by businesses. There might be other records related to local businesses, depending on the district.
- Analyse which data and information variables (from step 2) are available for this first list of businesses and which data is missing.
- Determine which business and entrepreneurs are not covered in the internal records. This can be done through conducting a survey about which suppliers, traders and service providers are commonly used in business sectors that are relevant to the

district. This survey can be conducted among the already listed businesses, NGOs, government agencies and other relevant stakeholders. It is important to explain the purpose of this survey to the respondents. The District Development Framework and district LED Strategy may be useful to determine which sectors and stakeholders are relevant to address in the survey.

Step 3 is to prepare a first listing of local businesses based on internal resources and to identify the gaps on businesses and information that is not yet available from existing resources.

4 Data Collection
Once all local businesses and related data have been listed in step 3, the data collection can start on the basis of the variables defined under step 2. The following steps should be followed:
- Design a survey questionnaire based on the required information variables (see step 2).
- The collection of data should be carried out very carefully. The accuracy of the information gathered is crucial. Data may be collected by district officials or members of the district LED Forum (for those districts where such Forum exists).
- It might be efficient to combine the data collection with other district information collection efforts, (e.g. consultation

sessions on the District Development Framework, District LED Strategy, business license registration or tax collection).
- During the data collection it is crucial that local businesses and entrepreneurs are informed about the purpose of the data collection, how this will benefit them, which part of the information will be confidential (for use by the district administration only), and which part (might) become part of a public Business Directory.
- Local businesses and entrepreneurs should receive feedback from the results of the data collection processes.

Step 4 is to collect all data of local businesses on the basis of the variables determined under step 2 and the business listing identified under step 3.

5 Establishing Business Directory List
After all data has been collected under step 4, the Business Directory can truly be established on the basis of the following steps:
- Compile all data collected under step 4 and process this data into a database management system.
- A computerised database (e.g. Microsoft Excel / Access) is preferable to a hardcopy database, because it is easier to maintain and to apply search criteria.
- Ensure frequent removal of duplicates.
- Ensure regular data maintenance.

Step 5 is to compile all data collected under steps 3 and step 4 into one database: the Local Business Directory.

6 Publishing The Local Business Directory
The Local Business Directory will be particularly useful if it is published for public use and is not limited to internal district administration purposes. The Local Business Directory can promote LED through providing potential investors with a comprehensive reference of local economic stakeholders. It can help identify potential business-to-business partnerships and can support promotion and marketing of local businesses. Districts can also provide the Business Directory as a service to local communities, who are often the main clients of local businesses. A few considerations are important:

- Districts should determine which data is publicly published and which data remains confidential. The most common public data in business directories are: 1) business name, 2) contact details, 3) business sector, and 4) services/products offered.
- Districts can publish the Local Business Directory in hardcopy, for example as a booklet available in districts offices or at the LED Forum (or actively distributed amongst local communities and private sector), or publish the directory online on the district website, depending on the most relevant media outlet in the district

and the ambitions that the district has in disseminating the business directory.

- Districts may also share the business directory with the central Chamber of Commerce to give local businesses a wider platform to market their services, to attract investments and to serve economic stakeholders in other regions.

Step 6 is to publish the Local Business Directory and to make its content available to promote LED and business-to-business partnerships.

Tool E Developing Business Development Services (BDS)

Introduction

Business Development Services (BDS) are offered by districts (or their partners, such as LED Forums in districts where these exist) to local businesses and entrepreneurs in various stages of the business cycle: the start-up phase marked by the decision to invest, the development of the business plan and the entry to the local market, to the actual servicing of local or regional clients. BDS may range from skills transfer or advice about the local market, to reducing 'red tape' and decreasing bureaucracy, for example by simplifying processes for obtaining business licenses.

Business Development Services (BDS) are an important means for fostering a vibrant local economy and promoting economic growth, because BDS support the development and growth of existing and new micro, small and medium-sized enterprises (MSMEs). These MSMEs in return contribute to the availability of products, services and employment, generating income and contributing quality and resilience of livelihoods. While the key stakeholders in the LED process (i.e. districts, private sector, civil society) have varied priorities, a strong local economy is in everyone's best interest. It is essential for these stakeholders to collaborate (e.g. in an LED Forum[1]) and offer leadership to ensure the development and availability of BDS in their district to optimize a local business climate.

Important BDS principles

There three principles that are important to take into account when developing Business Development Services:

- *BDS should be based on local market needs:* BDS should address gaps, challenges and market distortions, based on an assessment of the reasons behind the demand for better services by local business and entrepreneurs. Without a proper understanding of local market needs, BDS will not be successful in promoting LED. The District Development Framework and the district LED strategy are important resources.
- *BDS should not ignore entrepreneurs that are under-resourced and under-serviced:* Providing BDS is critical for those (new) entrepreneurs that need most support and face most challenges and obstacles, e.g. micro businesses, women and youth entrepreneurs. Naturally, large (foreign) businesses and investors also need to be serviced, but they are more often in a stronger position with better understanding of relevant networks and governance systems to make their business thrive.
- *BDS should make life easier for local business and entrepreneurs*: BDS are not only intended to strengthen local businesses, but also to take away obstacles that they might encounter in doing business, or that

potential investors might face when attempting to enter the local market. This often relates to difficult or inefficient procedures ('red tape'), having to deal with various departments within the district administration, for example for business license registration, land titles or taxation.

Main types of BDS

The definition of BDS is broad and should be tailored to the local market. There are two main types of BDS that can be distinguished. Firstly, basic services, such as operational support to local businesses (e.g. trainings in business skills or bookkeeping), a dedicated service desk, provision of local market data, or a Local Business Directory. And secondly, advanced services, such as support in advanced services, such as

Examples of Business Development Services	
Market access	Marketing trips and trade fairs
Infrastructure	Roads and transport facilities Storage facilities Market places Business centre or one-stop-shop
Policy and advocacy	Advocacy for MSMEs Simplified and centralised procedures for licensing and permitting
Training and technical assistance	Business skills training Support in business plan development Trainings on finance, bookkeeping Financial and tax advice Feasibility studies
Alternative financing mechanisms	Facilitating micro-finance and supplier credit Equity financing Epuipment leasing and rental

Adapted from: ILO (2003). BDS Reader: Developing Commercial Markets for Business Development Services. BDS Primer by Miehlbrandt, A. & McVay, M. for ILO SEED.

10 Key Partners	8 Key Activities	3 Value Proposition	6 Customer Relationship	1 Customers	2 Extended Beneficiaries
11 Governance	9 Key Resources		5 Channels		
12 Cost Structures		4 Impact	7 Revenue Streams		

business plan development and innovation, sector specific or tailormade market assessments, a full-fledged business centre (e.g. 'one-stop-shop'), specialised public-private partnerships [2], 'business incubators', or provision of start-up capital (e.g. micro-credit schemes).

Putting BDS into practice

For districts and their partners (e.g. LED Forum) to develop and deliver Business Development Services it is important to design a plan that addresses the needs of local businesses and entrepreneurs, taking into account the required human and financial resources, governance structure, sustainability of the services, etc. The Business Model Canvas (BMC) originally designed by Alexander Osterwalder may be used to design and operationalise the services, in addition to the DDF and the district LED strategy. It helps understand what activities are needed in order to build and deliver the services and to identify potential trade-offs. The Canvas as proposed in this tool has 13 elements or steps [3]:

• Step 1: Customers
Who are the local businesses to whom the services will be provided and what are their needs? A Local Business Directory can be useful to obtain this information.[4]

• Step 2: Extended beneficiaries
LED is about generating economic growth to improve quality and resilience of livelihoods in local communities. These communities are the clients of the local businesses serviced by the BDS. It is important to question how BDS will address the interests of local communities in an inclusive manner.

• Step 3: Value proposition
How will local business benefit from the services? Are the services truly making their lives easier (principe 3 above), and how do the services provided by the district compare to interventions of other actors, e.g. development agencies?

• Step 4: Impact
As with step 2, LED is not just about generate maximum profit for local businesses, it is also about generating social, public and environmental value. When designing BDS it is good to assess how the services will have an effect on the district, beyond the direct customers (local businesses) and the extended beneficiaries (communities). An example of impact might be that ultimately BDS contribute to more stability.

• Step 5: Channels
When designing BDS it is important to take into account what the most effective and efficient way is to deliver the services and to communicate to local businesses. As stated in principle 2 above, it should be easy to local businesses to access the services, for example through centralising the services in a single office (e.g. a 'one-stop-shop', the LED Forum office, or an LED Unit within the district office).

• Step 6: Customer relations
Effective delivery of BDS depends not only on which channels are defined, but also on how the relations with the local businesses is managed, for example through dedicated account managers on the basis of a Local Business Directory.

• Step 7: Revenue streams
It is important to assess how the costs of service delivery will be covered and to define cost-recovery mechanisms so that services are economically sustainable. Options are that local businesses pay a fee for BDS, or to cover costs from local tax revenues.

• Step 8: Key activities
This step covers the definition of BDS as such, but also the activities needed to realise the BDS, for example the interventions related to establishing the communication channels (step 5), managing relations with local businesses (step 6) and administering the related finances of BDS (step 7).

• Step 9: Key resources
The key resources are those resources needed to provide BDS and related key activities. They may be categorised as physical resources (infrastructure), expertise, human resources and financial resources. Some resources may already be available, while other may need to be covered through additional cost-recovery mechanisms (step 7).

• Step 10: Key partners
Under this the partners are identified that the district needs to deliver BDS, because the district may not have the capacity or desire to provide all services, for example due to specific required expertise.[5]

• Step 11: Governance
The basis for effective delivery of BDS is a solid agreement on how different BDS partners collaborate and how they divide responsibilities. It also relates to how the districts organises BDS internally, for example through delegating the management of BDS to a specific department (e.g. Department of

Planning), or through setting up a dedicated LED Unit.

• Step 12: Cost structures
Based on steps 7, 8 and 9 a cost structure can be established in order to conduct financial planning and budgeting for the delivery of BDS.

• Step 13: Business ecosystem
Districts do not operate in a local vacuum, so BDS also have to take into account developments in the wider environment, for example changes in relevant policy or legislation or the impact of climate change. That is why principle 1 above is so important. The business ecosystem should be assessed continuously to ensure that BDS remain relevant.

1 This is addressed in the tool 'Establishing an LED Forum' in this publication.
2 This is addressed in the tool 'Establishing Public-Private Partnerships for LED' in this publication.
3 PPPCanvas User Guide, PPP Lab, 2017.
4 This is addressed in the tool 'Establishing a Local Business Directory' in this publication.
5 This is addressed in the tools 'Establishing an LED Forum' and 'Establishing Public-Private Partnerships for LED' in this publication.

Tool F Establishing Public-Private Partnerships for Local Economic Development

Introduction

Public Private Partnerships can help districts in promoting economic growth and development. Economic goals such as creating employment and tackling poverty are complex challenges that require multiple stakeholders across sectors to work together in order to reach solutions, because those stakeholders alone may not have all the required capacity or resources[1]. These stakeholders can become partners when they share objectives, goals and a common vision. Such cooperation may take the form of a Public-Private Partnership (PPP). In such partnerships, collaboration is voluntary and based on trust-based relationships, and not always contractually agreed. Decision-making within PPPs is non-hierarchical.

There are various definitions used for PPP in relation to economic development, that are relevant for this tool. The Netherlands Ministry of Foreign Affairs defines a Public-Private Partnership (PPP) as a form of cooperation between government and business (in many cases also involving NGOs, trade unions and/or knowledge institutions) in which they agree to work together to reach a common goal or carry out a specific task, jointly assuming the risks and responsibility and sharing

their resources and competencies. The Organisation for Economic Cooperation and Development (OECD) defines a PPP as a *long term agreement between the government and a private partner whereby the latter delivers and funds public services using a capital asset, sharing the associated risks.* This definition is used by the European Commission in its Territorial Approach to Local Development (TALD), which forms the backbone of the ASPIRE project.

In order to establish an effective PPP, it is important to be aware of the role that the district can play. Districts can help create an enabling environment, they play a unique role in convening new partners and actors and in the coordination between them. And even more important, they can sustain and scale a partnership leading to the desired change.

Building a Public-Private Partnership for LED

This tool, The Partnership Navigator, helps districts in building a PPP for LED in five steps. Each step defines a couple of questions that can help the district get started and overcome issues and challenges.

1 Why to partner
- What opportunities do you see for economic development?
- Are existing local strategies and policies (for example District Development Framework, District LED Strategy) helpful?
- What is drawing (potential) partners together - are there shared commitment and common goals?
- How can you make a contribution to local development issues together?
- What issues and challenges will the partnership address?

2 Who to engage
- A potential partner showed interest. Reflect first: what motivates that partner to engage with you?
- Do you have enough objectives and benefits in common with that partner?
- If you want to convince partners to invest: are you ready to propose a business case that can draw in -for instance- the private sector? Companies are interested in the revenues of a project, since they want return on their investment. Depending on the business model of the PPP[2], questions could be: when can customers start paying for the products and services? What is the

maximum price these customers can afford? And how many paying customers can the PPP potentially reach?

3 What to do
- What will each partner contribute to the partnership (financial, technical, asset for example providing land, in the case of government)?
- How will the responsibilities be distributed and will they change over time?
- What responsibilities are required for continuous involvement of all partners?

4 How to do it
- How will disbalances in power between partners affect how they collaborate?
- How to deal with this in an equitable way, and make sure all partners benefit and continue to be involved?
- How will the governance structure ensure that each partner meets its commitments?

5 Check the principles
- Partnerships only work when done together: co-design, shared risk and joint accountability.
- Trust is the most important principle. Check in each partnering phase: are we building trust with our partners?

Case Study

Suppose you want to help create better jobs in the fisheries value chain in your district. One of the problems is that some of the fish goes to waste if it is not sold the same day, because of the high temperatures in the boat, port and the market. This means less income for fishermen and traders. A cooling system at the port (and possibly the fish market) could help fishermen and traders help store the fish longer while staying fresh. They will have more fish to sell and have a more profitable business.

You, as local government, are interested in this. Local fishermen, people who clean the fish, and those selling fish at the market are suffering. They need to earn a better income. This fits well within your economic development policy goals. But to start a project is costly and complicated for local government alone. A cooling system is expensive and requires expertise. The fishing community is large and it would take a lot of time to see what they want and what their exact needs are.

You need other partners on board to get this project off the ground: private sector and civil society for example. Companies could co-finance and manage the facility. You need to interest them to invest money in your project. You need come up with an interesting proposal with an attractive business model. Companies want return on investment, they need paying customers.

You might also need other partners, such as civil society organisations, who know the fishermen and traders very well, and who know what they need. These could be local organisations or fishermen associations: they can help connect the project to the right people in the communities.

With these partners, private sector and civil society organisations, you have a better chance to be successful with your project. Companies make sure the cooling system is maintained, cost efficient and well managed, and civil society will make sure this project reaches the people that urgently need more income and as such helps to reduce poverty in the fishing community.

Now you should start preparing your negotiation position with partners: you also have important assets as local government, such as local land, where the cooling system could be placed on. What questions should you ask yourself? And more in general: how to build a good, equitable partnership that delivers inclusive services?

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1 This is also addressed in the tools 'Establishing an LED Forum' and 'Developing Business Development Services' in this publication.
2 To analyze the business model of the PPP, including what value is being delivered, how partners aim to deliver this value and to whom exactly, the tool PPPCanvas can be used. It helps to visualize, design and pivot a business model. https://ppplab. org/2017/11/pppcanvas/

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