

KEY POSITIONING OF LOCAL AND REGIONAL GOVERNMENTS ON LOCAL ECONOMIC DEVELOPMENT

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This note aims to gather the key messages and positioning of local and regional governments on local economic development, based on the Policy Paper produced by FCM, FAMSI and UCLG.

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KEY ADVOCACY

STEPS AHEAD FOR A STRONGER ACKNOWLEDGEMENT OF THE POTENTIAL OF LED IN THE IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS





“We will need international implementation mechanisms to be set up to acknowledge local and regional governments as a specific sphere of government and as key actors of development building.”

KADIR TOPBAŞ

UCLG President and Mayor of Istanbul

“Citizens need local governments to respond to their specific needs; a response that other governments are not providing them with. This is not the time to weaken local governments. It is the time to strengthen their capacities.”

FRANCISCO TOAJAS MELLADO

Chair of the UCLG Working Group on Local Economic Development and Mayor of Las Cabezas de San Juan



I. KEY NARRATIVE

Local economic development (LED) is a bottom-up approach to creating wealth and jobs. It refers to **the dynamics of enabling economies happening in certain territories.** The global contribution of LED is a diverse and localized economy that is relatively robust to changes in international financing systems.

The main challenge for local and regional governments is to increase and diversify the productive base. Currently, voters' main expectation is on creating and preserving employment.

The **involvement and leadership of local and regional governments (LRGs) in planning, implementing and coordinating strategies** of local economic development is crucial to promoting sustainable economic development, and the international community must acknowledge this.

LRGs ensure a **"governance of proximity"**; they are **ideally positioned** to understand and respond to the economic needs and challenges facing citizens and their communities but frequently lack the resources to do so. National and supranational governments and the international community must ensure that **adequate funding** is directed to local

governments in order to mobilize their skills, resources and networks to support economic development.

Strong, well-governing and effective LRGs are critical to ensuring economic development that is inclusive and sustainable, providing access to decent livelihoods for all members of their communities. However, the contributions of local governments and their associations to more effective and sustainable development can only be of value if they are strengthened to play this role.

National governments must provide LRGs with clear mandates in the field of LED and ensure that local authorities and their staff have the necessary training and financial resources to carry out their roles.

The extractive and speculative economic sectors, which are oriented by profit, such as real estate, **often ignore the specific conditions of territories** and stimulate investments without generating social impacts and job creation. Multi-government policies must enable municipal governments to better control and engage financial actors (for example through *regalias*, or compensating the local territory), and be part of long term-strategies and planning.

EXAMPLE: REAL ESTATE BUILDING WITHOUT DEMAND IN CHINA AND SPAIN

If investment in real estate is not demand driven, it can provoke negative social economic and ecological footprints.

Five million homes were built in Spain between 2000 and 2010, increasing the housing stock by 25%.

In 2012, 3.4 million homes were unoccupied - a 10% increase in a decade.

Sources: Barbara Speed, "Europe's post-crash ghost towns", City Metric, 2015 and Billy Ehrenberg, "3.4 million empty homes, falling prices and foreign money: the Spanish housing crisis by numbers", El Pais, 2014

In Chenggong, China, in 2010, there were more than 100,000 new apartments with no occupants according to the World Bank.

Further, the vacancy rate in remote, low-value properties is nearly 17%.

Sources: Report by Holly Krambeck, World Bank, 2010 and Yifei Chen "Chasing ghosts: Where is China's next wave of empty 'new towns'?", 2015

SPAIN

5 MILLION HOMES BUILT BETWEEN 2000 AND 2010

3.4 MILLION HOMES UNOCCUPIED IN 2012



CHENGGONG, CHINA

+ 100,000 NEW APARTMENTS NO OCCUPANTS, 2010

II. KEY POLICY MESSAGES

01. LOCAL AUTHORITIES PROVIDE LEADERSHIP IN THE ECONOMIC DEVELOPMENT OF THE TERRITORY

Territories are where enterprises flourish, and local authorities are responsible for basic public services – roads, water supply, land use, waste management, information and communication technologies – all of which are necessary prerequisites for economic activity.

Local authorities are responsible for a specific territory and are at the **centre of the coordination between all actors** at the local level. They are best-placed to be both initiators and catalysts among all

stakeholders: Chambers of Commerce, small and medium enterprises, trade and labour unions, producers, NGOs and international development partners.

Local governments can influence and support the dynamics of markets through production and consumption.

Green economies and innovation that is connected to local production and consumption are more independent of global markets and facilitate enabling financial conditions.



“Local economic development is a way of territorializing development. Moving from typography to topography is essential.”

JEAN-PIERRE ELONG MBASSI
Secretary General of UCLG Africa

02. LOCAL GOVERNMENTS FOSTER ACTORS OF LOCAL ECONOMIC DEVELOPMENT AND CREATE EMPLOYMENT

Local authorities are the central actors in providing an **environment that is safe and stable** for the corporate sector to flourish with sound basic services, including information and communication technologies (ICT), and with regulations that are transparent and managed efficiently with minimum bureaucratic red tape.

Local and regional governments provide a wide variety of **positive support** to the businesses in their communities, such as through permits and licences, business

retention and expansion, clusters, value chains or centres to foster entrepreneurship and incubators.

Local and regional governments are important employers, since public service provision and administration requires a large amount of human resources. Further, they apply and even regulate procurement to fulfil labour standards.

“Small-scale operations and the informal sector are important sources of employment and innovation.

We need to change the focus: it is not only about more financial gain and risk. It is about more investment in territories and the generation of jobs.”

NOMVUZO SHABALALA

Deputy Mayor of eThekweni Municipality, Durban and Co-Chair of UCLG Committee on Urban Strategic Planning



II. KEY POLICY MESSAGES

03. A DETERMINING ROLE IN INTEGRATING THE INFORMAL ECONOMY

Informal economic activities are taking place in a primarily urban context. The informal sector contributes to the development, income and productivity of a city and its inhabitants. Experience shows that it is often better to encompass the existence of the informal economy, and in particular to include the urban poor in the public system.

Many local authorities in the global North and South face new challenges as their citizens develop new forms of subsistence through a sharing economy, which is not regulated.

Municipalities are finding ways to enable new economic systems and support entrepreneurs with a view to gradually integrate them into the formal economy.

Local authorities are central players in including actors of the informal economy in local economic development planning processes, as well as social assistance.

They provide direct support to workers in the informal economy, such as migrants and refugees, who are often marginalized in terms of basic services like health and education due to their origins or lack of capacity.

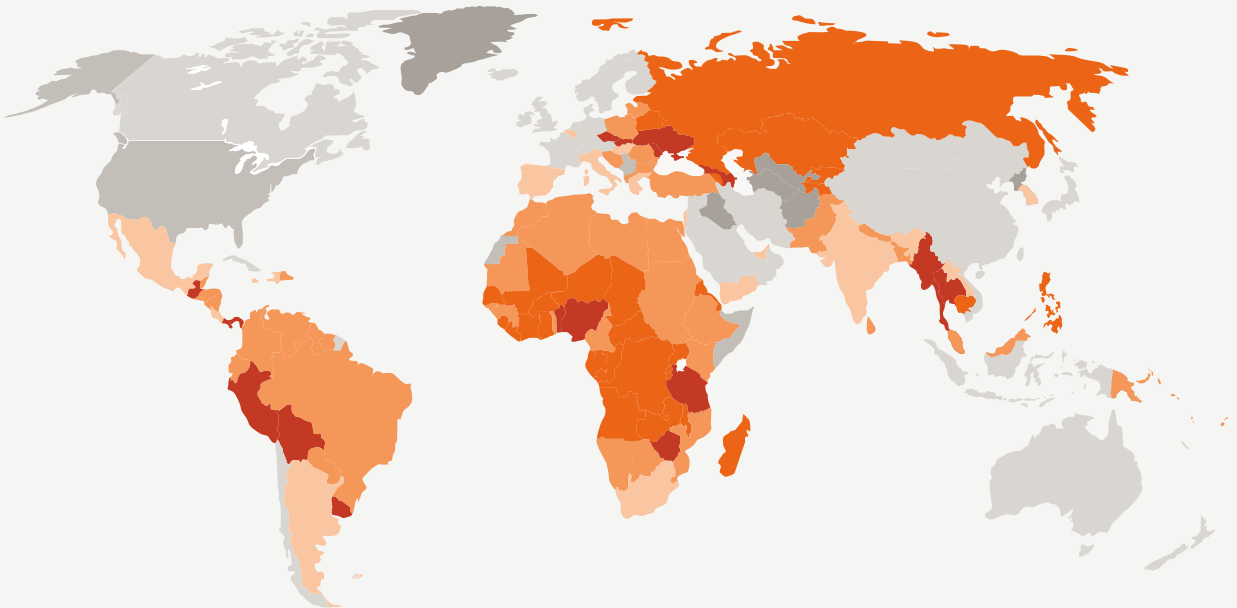


“In a situation of extreme poverty, what constitutes a decent job? In this context the social fabric should be valued more.”

LAURA MARTÍNEZ

Secretary of Social Welfare, Pasto City Council

THE SIZE OF EACH COUNTRY'S INFORMAL ECONOMY, AS A PERCENTAGE OF ITS GDP



Source: Friedrich Schneider et.al "New Estimates for the Shadow Economies All Over the World" International Economic Journal, 2010



II. KEY POLICY MESSAGES

04. INTERMEDIARY CITIES PLAY A CRUCIAL ROLE IN FOSTERING URBAN-RURAL LINKAGES

Local and regional governments, particularly **intermediary cities, are uniquely situated to work jointly with rural neighbourhoods, communities and workers** to foster decent jobs and reinforce exchanges between the **agricultural areas and the economic centre(s)**.

By building partnerships with rural actors, local governments **foster local food production** and investments in services

in rural areas of the territory, such as irrigation schemes.

Regional production and consumption is enabled through **food markets, which are critical public spaces**. Municipalities also provide land (or regulations) for urban agriculture and gardening activities that stimulate diverse, small-scale food production, which is crucial for nutrition.

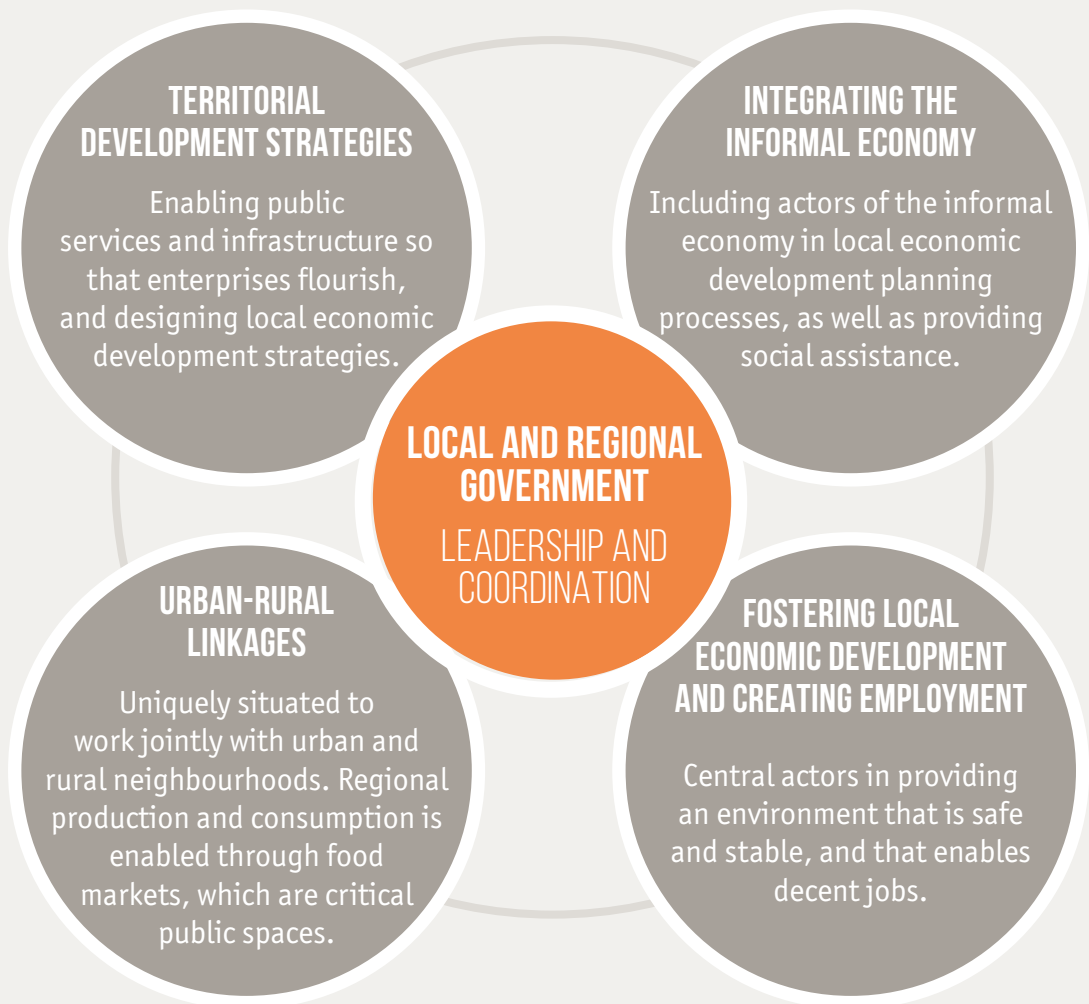
“Combining a strategy for intermediary cities and local economic development is the only way to safeguard an economy of proximity and its jobs through the local economy.”

MOHAMED SEFIANI

Mayor of Chefchaouen and Chair of the UCLG Working Group on Intermediary Cities



THE ROLE OF LOCAL AND REGIONAL GOVERNMENT



III. KEY ADVOCACY

STEPS AHEAD FOR A STRONGER ACKNOWLEDGEMENT OF THE POTENTIAL OF LED IN THE IMPLEMENTATION OF THE SUSTAINABLE DEVELOPMENT GOALS

01. RECOGNIZING THE FUNDAMENTAL ASPECTS OF URBAN STRATEGIC PLANNING IN LED

Strategic **planning starts with a scanning of the broader regional, national and local environment**, the actors involved, knowledge and assets, and opportunities and challenges. Further, it should not ignore the deficits in the community or the need for external resources.

Strategic urban planning, designed from local and regional level, allows the development of **new forms of cooperation** between the private sector and for synergies of resources to be found through the mutual provision of services. It also strengthens the social capital of the community.

Strengthening multi-actor cooperation is crucial for investment in territories, and for regulation and investment to be transparent and effective, as well as to enable local actors to encourage trade on regional and international levels.

Agencies or Offices for Local Economic Development, launched at the initiative of the municipal government and other territorial actors, play a key role in mapping the assets of all stakeholders, and in the planning scheme.

02. REINFORCING THE FINANCIAL CAPACITIES OF LOCAL AND REGIONAL AUTHORITIES

Most local authorities do not have the financial means and resources to fund local economic development strategies.

Some tools are available to local governments, such as tax incentives, private capital investment and alternative ways of financing, for example joint ventures, leases, municipal bonds, or microfinance institutions.

The financial system should be more open to the local level, enabling governments to support small-scale and micro-enterprises.

However, national governments and the international community need to **recognize the potential of LED and ensure that local authorities have access to sustainable financial resources.**

03. STRENGTHENING THE TECHNICAL AND INSTITUTIONAL CAPACITIES OF LRGS

To **make local economic development strategies effective**, there is a need to create strong structures of governance and well-governed institutions both at local and regional levels. This may be done by **reinforcing decentralization processes in all regions of the world**.

The creation of **autonomous or semi-autonomous agencies on local economic development** may ensure the participation of all stakeholders, including communities and citizens, in the development of LED strategies and their implementation.

Technical assistance, in particular South-South and triangular cooperation, is

often needed by local authorities that have less experience with local economic development. Working with a strong appreciation of local knowledge and skills, and respecting local diversity, international development partners are well-positioned to provide technical assistance such as workshops and study tours for the key LED actors in a community or region.

The development of **knowledge management systems and peer learning** can also enable institutional capacity building and strengthen local leadership.



“We will only achieve true local development when we can guarantee quality public services for our communities and connectivity infrastructure. We must link science and technology with local knowledge and implement strategies for the protection and care of the environment.”

ANTONIO BONFATTI
Governor of Santa Fe

“Local economic development is a process of planning that includes public-private cooperation, aimed at generating wealth from local, regional, and national territories to create quality jobs and improve the quality of life of the inhabitants, as well as the competitiveness of the local economy.”

MONICA FEIN

Mayor of Rosario




“We have a global economy in which small-scale economies can gain weight by generating a critical mass. These small-scale economies can provide an alternative, enabling us to draw a different future for our planet. A new local development approach is needed to localize development.”

JOSEP ROIG

Secretary General of United Cities and Local Governments (UCLG)



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United Cities
and Local Governments

In collaboration with the Presidency of the UCLG Working Group
on Local Economic Development

With contributions from



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