



## CONCEPT NOTE

3<sup>rd</sup> World Forum of Local Economic Development  
September 2015

### Local Economic Development: A Framework for the implementation of the Sustainable Development Goals in the Post-2015 Development Agenda

#### ***1. The Post-2015 Development Agenda and the dialogues on the implementation of the Sustainable Development Goals (SDGs) at the local level***

The Third World Forum of Local Economic Development<sup>1</sup> that will take place in Turin from 13 to 16 October 2015 aims at highlighting the potential contribution of Local Economic Development (LED), as a strategic and operational approach, to meet the challenges linked to the SDGs. Among these challenges is the need to address the implementation of the new objectives in an integrated manner and to explore modalities that recognize the importance of local actors and the local dimension as indispensable factors in achieving impact.

The definition of the new SDGs started in 2013 with an unprecedented inclusive and participatory process that gathered all relevant stakeholders to discuss the nature and extent of the new objectives. During 2014, in light of the experience of the Millennium Development Goals (MDGs), the process focused on a key aspect that, although not previously considered, became increasingly relevant, namely how to implement the objectives. In short, the focus was set on the factors that will determine

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<sup>1</sup> The Third World Forum is part of a process that started in October 2011 with the First World Forum on LED, celebrated in Seville (Spain). The First Forum, titled "Planning, Economy and Local Governance: New Perspectives for Times of Change", provided the opportunity to present the territorial experiences of 47 countries on how to fill the gap between the contextualization of economic development and its practical application for SHD. In October 2013, the Second World Forum on LED was held in Foz do Iguaçu (Brazil), bringing together representatives of local, regional and national governments, multilateral organizations, academia, and institutions of international cooperation, as well as social and economic actors, from 67 countries. The conclusions drawn from the Second Forum "Dialogue Between Territories: Other Views of Local Economic Development" focused, in a context of global economic crisis, on the instruments for creating public-private partnerships at the local level.

In September 2015, the United Nations Summit will adopt the Sustainable Development Goals that will define the development framework of the next 15 years. The Third Forum will provide a timely opportunity for a critical reflection and will promote creative discussions on possible ways to apply LED in addressing the key challenges of the post-2015 development agenda.



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effective implementation and impact, and on the ways of actively including these factors in the global debate and in subnational<sup>2</sup> governments' planning and service delivery practices.

Among these implementation modalities, some key concepts were identified to strengthen the process, including indicators for monitoring and evaluation, innovative financing mechanisms, and conducive legislative frameworks. Several dialogues were organized to discuss the soft means of implementing the future goals. Among them, the dialogue on “Localizing the future SDGs” showed the importance of the territorial<sup>3</sup> approach to sustainable human development (SHD) as a concrete, pragmatic, transversal and complementary strategy to the national policies of de-concentration and/or decentralization that most countries are implementing.

The Third World Forum on LED aims at discussing and capitalizing — through extensive dialogue and exchange of experiences between networked participants from a multitude of countries— the key features of LED in terms of cohesion and integration, as key drivers for the effective implementation of the new SDGs.

This paper seeks to explore the nature of the LED approach as a comprehensive theoretical and operational framework for inclusive and sustainable development, as the basis to highlight its potential relevance as a strategy and set of instruments to drive the implementation of the future SDGs at the local level. In doing so, the report will point at the areas of convergence and connections between the LED and SDG paradigms.

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<sup>2</sup> Throughout this paper, reference to ‘subnational’ levels includes both the local and regional levels, recognizing that different geographic features and administrative settings associated to specific decentralization and/or de-concentration frameworks in the countries are adapted to those dimensions.

<sup>3</sup> The terms ‘territory’ and ‘territorial’, now widely mainstreamed in the development lexicon, will be used in this document with prevailing reference to a functional (and not exclusively geo-spatial) notion and approach that recognize the territory as a sum of interconnected physical, human, cultural, institutional, and socio-economic features.



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## 2. Local Economic Development (LED) and the governance of territorial systems

There is consensus among global institutions such as the World Bank, the UN system and the **OECD** that the purpose LED is to build the capacity of a given territory such as a municipality or a region to improve its future economic prospect and the quality of life for its inhabitants.

LED can make an important contribution to national economic performance and has become even more critical with the increased global competition, population mobility, technological advances, and spatial differences and unbalances. Effective LED can reduce disparities between more and less advanced areas, add to the stock of locally generated businesses and jobs, increase overall private sector investment, improve information flows with investors and developers, and increase the coherence and confidence with which economic development strategies are pursued.

The **World Bank** defines LED as a process by which public, business and nongovernmental sector partners work collectively to create better conditions for economic growth and employment generation. LED focuses on enhancing competitiveness and increasing sustainable and inclusive growth, and encompasses a range of disciplines including physical planning, economics and marketing, as well as local government and private sector functions such as environmental planning, business development, infrastructure provision, real estate development and finance. LED is therefore about communities, continuously improving their investment climate and business-enabling environment to enhance their competitiveness, retain jobs and improve incomes.

**UN HABITAT** defines LED as a participatory process in which local people from all sectors work together to stimulate local commercial activities, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve everyone's quality of life, including the poor and marginalized groups. LED encourages the public, private and civil society sectors to establish partnerships and collaboratively find local solutions to common economic challenges.

The so-called '**Cardiff Consensus**' emerged during the sixth Commonwealth Local Government Conference in 2011, defining LED as a process that brings together different partners in a local area to work together and harness local resources for sustainable economic growth. There is no single model for LED, as specific approaches should reflect local needs and circumstances. LED creates an enabling environment for businesses and other stakeholders to work on promoting equitable and balanced local economic growth. Pro-poor and inclusive local economic development enables local governments to address poverty, unemployment and social deprivation, through strategies for promoting youth employment, empowering disadvantaged and marginalized communities, supporting skills development, and promoting gender equity and equality, among others.

**ILO** focuses on LED as a strategy for employment promotion through the development of micro and small enterprises, the support of social dialogue and development planning. At the center of the approach is the creation of public-private partnerships that bring together stakeholders in the local economy, including representatives of regional and local governments, employers and workers' organizations, chambers of commerce, cooperatives, producers' associations, women organizations and other NGOs. Based on the rational use of local capacities and resources, the stakeholders will define common priorities for the development of their region, taking into account the social and environmental contexts. The partnership can be organized in a forum or institutionalized in a Local Economic Development Agency (LEDA). This will reinforce the capacities to raise public awareness on the development needs of a region and to establish linkages at the national and international levels. Especially in countries disrupted by conflict or in social and economic transition, experience has shown that the LED approach has the potential to contribute to ongoing reconciliation, decentralization and democratization processes.

While specific definitions vary, reflecting the concept's evolution over decades of practice, LED could be summarized as a strategically planned, locally driven partnership approach aimed at generating



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sustainable business and employment opportunities, therefore enhancing people's quality of life through improved economic governance. Through LED processes, different local actors concur to define and implement a strategy for optimizing the potential of a region or locality, mobilizing and rationalizing the use of endogenous assets and fostering access to and the attraction of exogenous resources such as investments, skills and technologies.

LED, when successfully applied, can channel an inclusive development framework, integrating the three dimensions of SHD (social, economic, environmental) as a means to achieve greater cohesion and respond to locally expressed demands, while allowing to address challenges and take advantage of opportunities on a global scale.

The LED paradigm takes the territory as its reference unit, understood as a local socioeconomic context that includes and aggregates physical and natural environments, social and cultural systems, sets of norms and institutions, networked businesses and the environment where they operate —that is, infrastructure, services and regulatory frameworks.

The territory therefore constitutes a resource in itself, as its different dimensions and components come together generating the systemic notion of '*territorial environment*', which enables and drives endogenous development processes.

This '*territorial environment*', in particular, affects the local production efficiency through a combination of elements that are obviously more or less developed and conducive in different contexts and circumstances:

- The territory's local population, with its character, organization, entrepreneurial culture, and commitment for its own development.
- Natural resources, water, energy and raw materials.
- Local culture, knowledge and traditions.
- The social capital, understood as relations of trust and as the basis for cooperation and synergy between local actors.
- Legal and regulatory frameworks, including fiscal and tax systems.
- Services for productive and enterprises development, including financial services.
- Capacity building, research and innovation systems.
- Local labor markets (including tools for assessment, regulation, training, and support services).
- Infrastructure systems.

Through the lens of the '*territorial systems*', LED enables and integrates different perspectives and objectives, as well as the means to achieve them. In turn, this includes:

- Institution building, as a means to mobilize and allocate functions, resources and competencies at the right level to drive local development processes, as part of a coherent multilevel coordination pattern.



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- Productive development and employment generation, through strengthened business networks and the incorporation of social, organizational and technological innovation, in harmony with local social, cultural and institutional contexts.
- Enhancing the natural environment and local cultural heritage as the determinants of territorial identity and fundamental assets for sustainable development. This includes incorporating environmental sustainability and deploying alternative energy models in the development of local production and consumption models and processes.
- Social inclusion, in terms of access to decent work opportunities and income generation for disadvantaged groups.
- Human resources development, in accordance with the needs and the potential identified in the different domains.

In order to unleash the potential of the territories, LED requires a major effort of dialogue and coordination between public and private local actors, including local governments, private sector organizations, employers and workers' unions, civil society and the academic sector.

The participation of the different stakeholders in discussing local challenges and priorities contributes to generating a shared territorial identity and, ultimately, to the 'social construction' of the territory.

The territorial identity and the social capital constitute intangible assets that stem from cooperation and trust between local actors around issues of common interest. This allows building shared visions, strategies and effective measures for their implementation.

On the other hand, local communities are not necessarily or exclusively the source of social and cultural values or the building blocks of cooperative behavior, as they can also display locked and unbalanced characteristics, thus generating exclusive power relations. In such cases it is necessary to establish open and transparent governance arrangements, as organizational models that may be required to compensate and balance uneven relations, channeling the participation and voices of a diverse range of local actors. The important role of local leadership as an additional driver of LED dynamics in its initial phases is worth mentioning; this might require a transition to more balanced participatory settings in the later stages of consolidation.

In its normative essence, LED is a strategic, public-private, and partnership-driven process that seeks to model institutional and social innovation through mixed local governance arrangements for sustainable and inclusive economic development. Strategies and plans generated by multi-actor coordination processes can be integrated vertically through subnational and national policy frameworks, and horizontally through territorial cooperation networks, as the foundation to achieve a gradual and effective implementation.

LED is deeply rooted in the countries' decentralization frameworks at the national and subnational levels. These frameworks incorporate the conditions and provisions for fiscal and administrative



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decentralization, local democratic governance, multilevel governance and articulation frameworks, as well as the key issue of institutional capacities at different levels.

The conditions in which LED can take place and therefore its outcomes, are largely subject to conditions and contexts that can be substantially different across different countries and regions of the world, specially as regards the nature and extent of decentralization and subnational organization. In particular, the transfer of adequate competencies and resources from the central to the local level is a precondition (and its inadequacy a constraint) to the integration of LED within the subnational governments' structures and to its alignment with their prerogatives, both crucial elements to its success.

The relation (in terms of integration and continuity) between the subnational and the national dimensions is another determining factor of successful and sustainable LED outcomes. This linkage refers to establishing conducive policy frameworks and to conveying adequate provisions for multilevel governance structures and processes. In turn, it favors the coherent articulation of decision-making and planning processes and fosters complementarities between investment resources and the functions and competences of different actors, as the basis for economic integration across different administrative levels. It is key to emphasize that LED's strong links to local systems and its reliance on participative governance arrangements as a means to optimize its potential does not mean that LED is a 'mechanical' process exclusively associated to organized planning processes.

This is so because LED often happens in a rather eclectic way, based on the spontaneous initiatives of creative and resilient individuals. Yet, enhancing the dialogue and coordination mechanisms of local actors can become a powerful catalyst to nurture the potential of a locality and link innovative solutions with institutional response capacity.

The entry points of virtuous LED processes are multiple and diverse, organized consultation processes being one of them. To conclude, it is important to address the fundamental relation between territorial competitiveness and the principles of cooperation and synergy between local and external actors as a crucial enabling factor of inclusive and sustainable LED outcomes.

### ***3. LED as a framework for the localization of the Sustainable Development Goals: key dimensions and areas of convergence***

The LED approach boosts a transversal, inter-sectorial perspective that includes legal and institutional frameworks, citizen participation and access to resources, capacity building, knowledge and innovation management, and the integration of different actors, thematic areas and administrative levels as part of a multilevel articulation framework that links the local dimension to the regional, national and global ones. LED ultimately has the potential to impact the national and global economies through a bottom-up paradigm.



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The ‘Dialogues on the Localization’ of the SDGs have confirmed the potential of the territorial approach to development as a valid base to implement these objectives. In turn, LED can serve as a transmission belt to integrate many of the themes and dimensions associated with the implementation of the SDGs at the local level.

In particular, the LED approach shows its relevance in relation to achieving specific SDGs as a crosscutting pattern that deals with and affects —directly or indirectly and with varying intensity— any or a combination of the new objectives according to the countries and their regional/local circumstances. This includes the *reduction of poverty and inequality (goals 1 and 10); ending hunger through sustainable agriculture, food security and sustainable consumption and production patterns (goal 2 and 12); the promotion of equal access to health, education, water and sanitation, and energy through fair and sustainable provision systems (goals 3, 4, 6, 7); gender equality and empowerment (goal 5); inclusive growth, employment and decent work (goal 8); sustainable industrialization through resilient infrastructure and innovation (goal 9); sustainable and resilient cities (goal 11); efficient and sustainable environmental management (climate change, marine resources, land and forests, biodiversity (goals 13, 14, 15); peaceful and inclusive societies (goal 16); and a revitalized global partnership for sustainable development (goal 17).*

At the same time, the LED approach offers a potential common denominator and a comprehensive strategic and operational framework to address the challenges related to the overall implementation of the SDGs at the local level, fostering linkages and complementarities as part of a holistic and multidimensional approach.

The key elements that link LED and the localization of the SDGs stem from the integrated, participatory and inclusive character of the LED approach, which is universal and flexible enough to be adjusted to different contexts and dynamics.

There is therefore an opportunity to define the priority working areas, identify good practices, test and compare solutions, and inform public policies aimed at implementing the SDGs at the local level, with a particular focus on the following dimensions and the potential of LED in channelling:

- The central role of subnational governments and their interaction with the private sector, civil society, and the higher tiers of government within a multilevel governance framework built on a multi-actor dialogue and inter-institutional coordination.
- The localization of integrated planning systems and related institutional and organizational capacities as the foundation for (i) the generation, mobilization and allocation of resources, financial and non-financial and (ii) the alignment and harmonization of external support (international and territorial cooperation; technical and thematic partnerships; investment and commercial agreements).
- A shared vision based on participation, as the driver of the commitment and engagement of key public and private local actors and institutions.



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- Strategic multi-sectorial frameworks that include different thematic and crosscutting issues such as employment, agricultural and industrial production and trading across rural and urban areas, culture, energy and the environment, and technology development.
- A set of diagnosis and capacity building tools tailored to appraise local resources and relational assets (social capital).
- A pragmatic approach to the promotion of gender equality, labor rights, youth employment, and the integration of minorities, through daily practices and direct interaction among concerned actors.
- The design and implementation of comprehensive monitoring mechanisms associated with the introduction of territorial information systems and the generation of disaggregated data at subnational levels.

Lastly, it is key to underline that LED, as a transversal paradigm based on the aggregation of relevant actors in each local context, across territories and on a global level, has the potential of overcoming the North-South dichotomy, thus matching the universality of the SDGs. Along the same line, as LED originates from local contexts and builds on their specificity, an inherent element of flexibility allows to adjust and apply the approach in different settings, addressing the living conditions and the challenges that communities face, so they can be improved.

#### ***3.1 The LED approach as a comprehensive framework for inclusive and sustainable territorial development.***

##### *➤ Multi-sectorial and integrated rural-urban focus*

The LED approach requires improving the organization of existing and new different local production and consumption systems, moving from a welfare-based and sectorial approach to a SHD approach, thus horizontally integrating economic, social, institutional and environmental dimensions, according to the features and actors involved in each context and level.

To start with, this requires clearly identifying and appraising the interconnections between urban and rural contexts as part of integrated territorial systems, where specific and mutually feeding linkages (inputs supply, production and marketing) are duly taken into consideration and rural areas are not simply considered as agricultural spaces but as potential drivers of diverse development paths.

The strategic focus of regional and local planning processes can help understand the complexity of different contexts and channel a holistic perspective that links various relevant dimensions.

Local food production and marketing systems constitute a key area where LED processes, particularly through the proactive initiative of local authorities at the intermediary level of cities, can play a vital role, enabling partnerships between rural and urban actors and promoting strategic investments in rural infrastructure and services (processing and storage centers, transport, food markets).





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The definition of an appropriate integrated 'space' for LED that does not necessarily correspond to administrative boundaries across the rural-urban divide, moreover, allows to address the demands of citizens living in sparsely populated areas, often ignored or marginalized from development processes promoted by the central level.

Urban-rural integration is also crucial from an integrated and sustainable environmental management perspective. The conservation of biodiversity, the identification of protected areas, and the assessment and integral management of environmental goods and services as a way to preserve ecosystems are crucial elements that need to be addressed through a coordinated action across subnational and national governments' levels. The integration of cities, towns and isolated farmland areas as part of a comprehensive territorial matrix that includes vulnerability assessments of different ecosystems is key to harmonize such objectives and enhance efficient and resilient productive systems.

➤ *Employment and social dialogue for decent work*

The labor market is a local concern, not a generic one. Effective employment policies therefore need to actively incorporate a perspective that takes into account the specific conditions of each context with respect to the relation between labor demand and supply, the capacity building needs, the potential links with strategic productive and marketing activities, the employment needs and the potential of specific vulnerable groups (youth, women, migrants and minorities).

Establishing local employment services and training systems anchored to productive development strategies (research and innovation, business services, cluster development initiatives) is therefore a key element of effective and sustainable LED strategies, as much as the incorporation of a 'green jobs' perspective as an essential aspect of active employment policies.

Moreover, the social dialogue between governments, employers and unions, and the recognition of the fundamental labor rights can contribute to enhance the involvement of workers' organizations in local development processes, impacting positively on employment outcomes and income generation. Efforts aimed at creating decent jobs to achieve greater social cohesion through enhanced social dialogue and active local employment policies are crucial to LED processes, in conjunction with supporting improvements in business and productive efficiency.

➤ *Social and Solidarity Economy (SSE) for inclusive development and decent jobs*

Supporting social entrepreneurship is another pillar to enhance productive development and decent job creation within a LED paradigm for sustainable human development. The current and potential role of the different forms of SSE in enhancing sustainable and inclusive economic development



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opportunities at the local level is often underestimated<sup>4</sup>. Nevertheless, they represent an important set of specific economic units such as social enterprises, production and/or consumption cooperatives, and peasants or indigenous production communities, displaying explicit social goals and inspired by democratic, solidary and ethical values rather than the pursuit of private profit. Such entities count on a long historical presence in different countries and constitute a valuable source of employment and income for groups facing difficulties in their access to consumption goods, decent jobs and/or directly engaging in entrepreneurial activities.

A sound horizontal pluralism of entrepreneurial forms has also an institutional importance for LED processes. Supporting the diffusion of SSE in every sector of a local economy is not only a tool to promote inclusive development and decent jobs, but also part of a strategy to influence local governance models, balancing the participation and offsetting possible resistances and obstacles associated to the role of the public sector and free market agents.

As part of a LED approach, the instruments of the SSE can also play an important role in facilitating the transition from informal to formal economy, which constitutes a crucial challenge in many developing and emerging countries. The SSE can also allow driving and channeling incentive policies and measures in support to small agricultural producers as well as small food processing cooperatives, as a way of further contributing to enhance food security through sustainable local production frameworks.

The informal economy has the potential to become an important asset for LED and to contribute to the resilience of local inhabitants, particularly in marginal urban areas. Experience has shown that the inclusion of informal economic actors as a means for the flexible integration and appraisal (by no means linked to forced 'assimilation') of their production and transaction modalities, is a key aspect of sustainable LED processes, where local authorities have a crucial role to play.

#### ➤ *Migration and Development*

Migration flows constitute another key factor of sustainable and balanced local development paths, and an important connecting element between rural and urban areas; they require, however, an integrated planning effort with the involvement of all relevant stakeholders.

People increasingly migrate in their quest for decent jobs, higher and more stable income (the latter being the first drive of migration) and shelter from conflict situations. In October 2013, the UN General Assembly adopted a declaration that recognizes human mobility and migratory issues as a key dimension of sustainable development.

The LED approach, as a strategic effort requiring the contribution of all relevant actors to enhance the potential of a locality, can be particularly relevant in turning migration into an option and an

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<sup>4</sup> The post-2015 development agenda only occasionally mentions the Social and Solidarity Economy. This has led the UN Inter-Agency Task Force on SSE to present in 2014 a position paper that elaborates on the potential of the SSE as a substantial tool to achieve the social, economic and environmental goals of the Agenda.



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opportunity rather than an obligation and a cost. It is key to create and build on decent work and business development opportunities involving migrants, both in the countries of origin and arrival, while involving migrants as essential stakeholders in the design and implementation of co-development policies and initiatives, enabling their integration and leveraging their potential as active economic actors within their respective communities. Labor regulations can also be tailored in order to better address the needs and opportunities of migration flows.

➤ *LED in post-crisis contexts*

The LED approach can be successfully applied as a rehabilitation and resilience building framework in post-crisis environments, supporting the transition from situations of emergency to sustainable and social development paths.

The LED approach is based on the effort of institutional and social dialogue to achieve a shared vision and promote inclusive economic development opportunities through enhanced linkages between local socioeconomic actors. It has therefore, both as a process and through the results it can generate, an intrinsic potential to contribute to peacebuilding and the resilience of crisis-affected communities, rebuilding the institutional, social and productive infrastructure and restoring conditions for cohesion on the basis of a social contract among key local actors and the population.

### ***3.2 The LED approach as a comprehensive framework for dialogue and articulation between actors, administrative levels and territories.***

➤ *Multi-stakeholders' dialogue and strategic coordination*

Effective LED processes and strategies often result from the so-called 'quadruple helix' engine, meaning the active participation of the public sector, the private sector (including business organizations and trade unions), civil society and the academic sector as drivers of innovation.

The impulse of public-private dialogue and the strategic coordination between local socioeconomic actors allows introducing participatory governance models, both as an alternative and complement to the free market action and to public-driven decision-making. This offers the possibility of a virtuous circle of interactions between the advances of a more participatory democracy and the decentralization of responsibilities to subnational levels, in view of ensuring the assumption of relevant competencies, capacities and resources by local actors and institutions.

Each group of actors plays a different but crucial role in promoting and supporting LED processes and initiatives, which originates in the group's specific mandate and organization. In turn, the impact of each actor on LED processes relates to its interest in and capacity to engage in a dynamic interaction with other actors, and in the modalities and instruments through which such interaction is channeled.

➤ *The key enabling role of Local and Regional Governments*



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Effective LED requires in the first place effective local governance. Local and regional governments (LRGs) can play a driving role in LED processes, enabling a shared vision to enhance and diversify the productive basis, and catalyzing the instruments to implement it.

Exerting a governance of proximity, LRGs are the institutions closest to the people and with the best understanding of the economic, social, cultural and environmental realities of their territories and communities.

They are also likely to be the best-placed agents to deal with the different local stakeholders, channeling consensus, promoting partnership arrangements and coordinating actions and synergies, all of which being the foundation of successful LED strategies. LRGs are also in the position to act as the best advocates of the communities they represent, discussing and negotiating with external actors, whether higher government levels, homologous entities in other contexts, or international partners.

A further key function of LRGs in supporting LED is the establishment of an enabling business environment, including conducive regulatory frameworks, incentive systems, support services, and productive investment programs.

It is crucial that the leadership of LRGs in LED processes be recognized by the governments' higher levels and enabled through clear mandates and adequate endowments in terms of financial resources and capacities to exert them. Effective decentralization frameworks and inter-institutional coordination mechanisms are key factors in this respect<sup>5</sup>.

On top of that, the above elements constitute and entail a crucial 'local learning' capacity, which requires LRGs to adopt a proactive attitude to widen their prerogatives beyond the traditional social services provision. The propensity of LRGs to engage in such transformative processes can vary largely from one context to another: in particular, just as local communities, LRGs can be rather passive and locked-in, opposing change dynamics because of prevailing stakes and conservative power relations. It is therefore crucial, as the basis and part of a comprehensive LED support, to assess the local institutional dynamics as grounds for alternative governance arrangements, and to adapt the appropriate support measures, such as capacity building and organizational strengthening for LRGs.

#### ➤ *The role and articulation of the private sector; public-private partnerships*

In its essence, LED is about localizing the dynamics of income and employment generation through effective local governance settings that bring about a set of enabling measures, including policies and strategies, legal frameworks, investments, and services. The private sector, including individual and

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<sup>5</sup> Local and Regional Governments are currently engaged in a global process of dialogue stimulated and coordinated by the United Cities and Local Governments (UCLG) with the aim, among others, to position LRGs and advocate for their role as drivers of LED processes in the framework of the post-2015 agenda. The position paper on the role of LRGs in LED, drafted by the UCLG Working Group on LED, has provided valuable inputs to this document.



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organized businesses, producers and traders' associations, employers and workers' unions, and services providers, constitutes the ultimate target and a core vehicle for successfully introducing such measures.

The engagement of the private sector in the promotion and implementation of LED initiatives through public-private partnership mechanisms is therefore a key factor for success. This involvement can take several forms, including active participation in multi-stakeholder dialogue and consultation settings; financing strategic LED projects and initiatives; enhancing responsive services (public utilities, social and business development services) and vocational training systems through joint provision schemes; and establishing on-the-job synergies with research and innovation centers.

A constructive relation between different private economic actors and its articulation across a local-global dimension constitutes another key dimension of effective LED processes. For instance, it can address the promotion and consolidation of business networks and clusters, as a means to facilitate business linkages, economies of scale, knowledge pooling, access to innovative solutions, and the harmonization between external opportunities and local strategies.

In particular, some LED initiatives aim at strengthening relations between small and medium enterprises and larger companies, and fostering their integration in order to find spaces of mutual interest and promote client-supplier and subcontracting schemes based on quality standards and business cooperation. Just as for effective investment attraction and the strategic localization of international corporations, these aspects require an active involvement and a strong coordination between national and subnational governments, as well as public-private organizations at the local level such as the chambers of commerce, as part of a shared strategic vision.

There are several constraints to the full involvement of the private business sector and trade unions in local economic development initiatives, among which the diversity of interests and activities, unequal size and representation, a prevailing sectorial approach and a traditional distrust towards government officials and between employers and trade unions themselves. Therefore, as part of LED processes, it is key to support the consolidation and constant involvement of the private sector representative bodies and organizations in multi-actor mechanisms of consultation and coordination.

➤ *The institutionalization of dialogue and coordination mechanisms*

An important element for the consolidation of LED processes is the institutionalization of established public-private dialogue and coordination mechanisms, through entities such as Regional or Local Development Agencies, Territorial Pacts, Local Action Groups, and related management structures.

Territorial institutions for LED offer an opportunity to carry out the multiple tasks and functions associated to LED processes, including driving dialogue and coordination among actors, elaborating and promoting institutional and political agendas, strategic programs and projects, and networking. This ensures greater accountability, and a better integration with the existing evolving policy and administrative frameworks. The combined presence of public, private, trade unions, civil society and



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academic actors in the institutional framework for LED can also prove conducive in balancing medium and longer term prospects with short-term ones, thus ensuring more certainty and continuity despite eventual changes in policies or in the political and institutional leadership.

➤ *LED policies within a multilevel governance framework*

Effective LED policies entail full integration and coordination between the various administrative levels as part of an integrated multilevel governance framework. A redistribution of responsibilities and functions in the economic field in favor of a stronger role of LRGs requires strong coherence with national policy frameworks for LED and a considerable inter-institutional coordination effort between administrative levels and between sectorial departments.. The role of national governments is crucial in establishing and implementing a homogeneous and well balanced coordination framework, supporting LRGs' mandates with adequate resources and capacities, ensuring scale and connectivity as the basis for sustainable impact, coherence and complementarity with core sectorial policies (industrial, fiscal, educational, employment, regional/spatial development, research and development and innovation), regulations and investments.

Many LED initiatives encounter difficulties in achieving such coordination. The design and implementation of LED policies can take place as an incremental process through the replication and scaling-up of successful local experiences and good practices. This requires substantive adaptations of the relevant legal and regulatory frameworks, and the attribution of specific LED roles, functions, capacities and resources among different levels.

Integrated planning is an important dimension of effective LED processes, as well as a key vector for the implementation of the future SDGs: it allows achieving harmonization and complementarity while avoiding duplication; it also contributes to articulating synergies and optimizing the allocation of resources among different levels. At the same time, integrated planning allows to frame LED as part of a multi-sectorial perspective that encompasses the social and environmental pillars in order to achieve inclusive and sustainable development.

### **3.3 Implementing LED**

➤ *The tools to implement LED*

It is important to emphasize that LED is not a theoretical framework, but a set of tools and experiences that have allowed modulating and testing the approach in a multitude of geographical, social, economic and politico-institutional contexts.

LED adapts its tools at various levels, from the elaboration of national policy frameworks to the mechanisms for dialogue and coordinated action between local actors, service provision, investment and productive development, knowledge and innovation management.



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Local Economic Development Agencies (LEDAs) constitute a good example of a flexible and multidimensional instrument for LED, established as independent entities based on public-private partnership arrangements for the joint promotion and implementation of LED visions and strategies. The LEDA's possible functions range from the coordination of local actors to the joint elaboration of LED strategies and plans, the support to business development services' provision, the identification and mobilization of potential partners and resources, the formulation and implementation of strategic programs and projects, the marketing of the territory and the promotion of dialogue with external actors at the national, regional and global levels.

Value chain analysis and development is a useful approach; it is a set of sequenced tools to identify strategic goods and services for LED and to address the constraints (in terms of financing, planning and regulations), facing the establishment of business linkages along their production and commercialization cycle. Supply chain analysis is important to identify specific logistic bottlenecks that impair sector growth. Value chain and supply chain analysis and support can integrate and complement a mapping of the policies and instruments offered by central and local governments to promote LED.

Many other tools support LED practice in various areas of activity. These include institutional and economic assessment, actors' engagement and coordination, incorporation of gender equality and environmental sustainability, design and implementation of local employment policies, innovation systems, urban management plans, information and monitoring systems, and knowledge management networks among Universities, research centers and other relevant entities.

➤ *Services for business development and enabling infrastructure*

LED aims at strengthening the productive basis of local economies, enhancing diversification and value addition through the promotion of micro, small and medium enterprises, cooperatives, social enterprises, and strategic business linkages through the development of clusters.

This requires improving the offer and access to appropriate services for production and business development in the core areas of strategic market information, technologies, business management, marketing, outsourcing and business cooperation, design and quality control, investment and finance (with a specific emphasis on start-ups and seed capital), and environmental management.

Many businesses (especially micro and small ones) face enormous constraints in accessing adequate and affordable support services. It is therefore a key thrust of successful LED processes to review and support the establishment of a comprehensive offer of qualitative, accessible and locally based services for business development, tailored to the needs and potential of each productive system<sup>6</sup>.

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<sup>6</sup> It is also crucial to improve the coordination of these services through 'one-stop-shop' instruments, as many small (especially young) entrepreneurs do not have the resources to access services that are scattered within a territory.



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In addition to conducive regulatory frameworks, localized service provision for businesses constitutes a key dimension for the improvement of a business enabling environment, and an important aspect for the localization of the new global post-2015 development agenda that can be pursued through public-private partnership mechanisms.

In the area of business development, it is also important to cater for specific programs aimed at developing the entrepreneurial skills and potential of women, youth and vulnerable groups, combining the support measures with the instruments of SSE.

Another important dimension of LED and a relevant aspect for the localization of the post- 2015 development agenda refers to the provision of basic infrastructure, which should address the specific needs of local production and consumption systems and facilitate the connection of local production areas among themselves as well as with the main distribution and marketing centers.

#### ***3.4 Capacities and resources for LED: knowledge management, innovation and networked cooperation***

By facilitating dialogue for comprehensive strategic actions at the territorial level, LED can provide a powerful framework for boosting the generation and use of knowledge and innovation, based on endogenous dynamics. Such knowledge constitutes an invaluable resource and the basis for further institutional capacity building and policy development. In turn, networks for cooperation and partnership building constitute a key mechanism to channel the exchange of locally created knowledge and the foundation for promoting synergies across territories and on a global level.

##### ➤ *Local knowledge generation and capacity building*

LED calls for a crucial proactive role of LRGs in stimulating and coordinating territorial processes. This therefore requires that relevant LED components be included in the programs aimed at strengthening the capacities of local public administrators. It is also important to reconcile the training offer of Universities and training centers with the actual needs for innovation in the different local production systems, by actively including educational and academic institutions as well as scientific and technological research centers in LED initiatives and processes.

A new model might therefore be needed, in which the local dimension —in its social, economic and environmental aspects— is fully incorporated as a basis for the generation and transmission of knowledge in response to the actual priorities of the population, with focus on local production processes, technological and organizational development, and social and environmental management. This could allow generating a virtuous cycle where the reality and specific features of territories become a ‘living source’ of knowledge both on the demand and the supply side, informing capacity building programs, policies and support services in order to channel the relevant innovations at the local level.

##### ➤ *Innovation systems*







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In a context of intensified global competition and economic crisis and restructuring, innovation is increasingly recognized as a key driver to enhance or restore the capacity of countries and territories to turn their economic potential into competitive advantages on a global scale. Innovation also has the potential to channel sustainable and inclusive growth models and contribute to address global challenges such as climate change, unemployment and rising inequality.

Innovation systems are integrated settings involving different actors (public, private and academic) in the generation, dissemination and absorption of innovative knowledge for technological and/or organizational change. The localization of innovation processes in relation to different contexts and their specific features and dynamics is crucial to understand them and fulfil their potential as vehicles of sustainable competitiveness.

➤ *Networked cooperation and partnership across a local and global scale*

Networked and knowledge-based cooperation frameworks across a local and global scale constitute a crucial and innovative dimension, and a key resource for effective and sustainable LED processes. This applies to different levels: for instance, South-South and Triangular Cooperation between cities and territories has gained increasing importance as an efficient and cost-effective development cooperation framework, based on a networked partnership approach that intends to promote the universality of the post-2015 agenda thus overcoming any North-South and/or East-West dichotomy.

This cooperation modality is based on sharing knowledge, experiences and best practices, disseminating solutions and strengthening links between territories (all an essential dimension of LED), through capacity building support, technical cooperation, technologies transfer as well as resource mobilization for joint initiatives between relevant local actors in different contexts.

An additional key dimension of networked cooperation for LED closely associated to the joint effort for the organization of the Third World Forum on LED, concerns policy dialogue and advocacy on a global level. Such global networking effort is aimed at positioning LED as a key enabling framework for the SDGs, promoting a common vision and a platform for sharing best practices and enhancing innovative solutions, options and resources for joint initiative in different national and subnational contexts.

#### **4. A roadmap for shared commitment and joint action**

We, associated members of the Executive Committee of the Forum, —the Municipality and Metropolitan City of Turin, the United Nations Development Programme (UNDP), the International Labour Organization (ILO), the United Cities and Local Governments (UCLG) and its working group on LED, ORU-FOGAR, FAMSI, and SEBRAE—believe that the Third World Forum on LED represents a unique opportunity to renew our commitment to work together and contribute to the localization of sustainable development.



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The First and Second Forums, together with studies and analyses conducted within our respective organizations and networks, have pointed at the potential of LED as a comprehensive and effective set of principles, processes, and tools for promoting inclusive and sustainable development, taking into account local contexts, and involving relevant communities and social organizations. These experiences, dialogues and processes clearly demonstrate the importance of LED in the framework of the post-2015 development agenda and the localization of the future SDGs. LED is of particular importance to the eradication of poverty, economic growth and decent job creation, as well as to the promotion of an integrated approach to development that incorporates and balances economic, social and environmental challenges.

The Third World Forum on LED represents a unique opportunity to carry forward cooperation and dialogue, with a view to strengthening relations and, in particular, South-South and Triangular cooperation between relevant actors across regions and geographic areas. On a global level, all actors, including National and Local Governments, representatives of the private sector and civil society, employers' and workers' organizations, academics and experts as well as international organizations, shall contribute to making sustainable development through LED a reality.

This cooperation will be particularly meaningful in three areas:

- Sharing knowledge, information, and best practices, and encouraging all actors to adopt and enrich the LED approach to implement the SDGs;
- Building the capacity of relevant actors to engage in LED to implement the SDGs, in particular LRGs, employers' and workers' organizations, the private sector and civil society, in cooperation with international organizations and national governments; and
- Advocating for LED as a means and instrument to implement the SDGs in the context of the international development agenda.

In addition to global cooperation, the Forum offers opportunities to promote specific cooperation agreements in these three areas. The organizers welcome the elaboration of joint projects and initiatives, at the bilateral and multilateral levels, on a global, regional, national and local scale, with a particular emphasis on research and mobilization of competences and resources to boost and facilitate progress and innovations in LED practices.

We, the associated members of the Executive Committee of the Forum, express our firm commitment to carry forward our joint effort throughout the organization/duration of the Forum and in following-up its results.



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## List of acronyms

LED	Local Economic Development
LRG	Local and Regional Government
MDG	Millennium Development Goal
SDG	Sustainable Development Goal
SHD	Sustainable Human Development
SSE	Social and Solidarity Economy
UCLG	United Cities and Local Governments