

Local Economic Development for Effective Performance Governance System

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PART 1

LED: Concepts and Frameworks

What is LED?

- Local economic development (LED) offers local government, the private and not-for-profit sectors, and local communities the opportunity to work together to improve the local economy.
 - It focuses on enhancing competitiveness, increasing sustainable growth and ensuring that growth is inclusive.
- LED encompasses a range of disciplines including physical planning, economics and marketing.
 - It also incorporates many local government and private sector functions including environmental planning, business development, infrastructure provision, real estate development and finance.

LED and, the Community

- The practice of local economic development can be undertaken at different geographic scales. A local government pursues LED strategies for the benefit of its jurisdiction, and individual communities and areas to improve their economic competitiveness.
- LED is about communities continually improving their investment climate and business enabling environment to enhance their competitiveness, retain jobs and improve incomes.
- Local communities respond to their LED needs in many ways, and a variety of approaches can be taken that include:
 - Ensuring that the local investment climate is functional for local businesses;
 - Supporting small and medium sized enterprises;
 - Encouraging the formation of new enterprises;
 - Attracting external investment (nationally and internationally);
 - Investing in physical (hard) infrastructure;
 - Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues);
 - Supporting the growth of particular clusters of businesses;
 - Targeting particular parts of the city for regeneration or growth (areas based initiatives);
 - Supporting informal and newly emerging businesses;
 - Targeting certain disadvantaged groups.

Three Waves of Local Economic Development

Wave	Focus	Tools
<p>First:</p> <p>1960s to early 1980s</p>	<p>During the first wave the focus was on the attraction of:</p> <ul style="list-style-type: none"> mobile manufacturing investment, attracting outside investment, especially the attraction of foreign direct investment hard infrastructure investments 	<p>To achieve this cities used:</p> <ul style="list-style-type: none"> massive grants subsidized loans usually aimed at inward investing manufacturers tax breaks subsidized hard infrastructure investment expensive "low road" industrial recruitment techniques
<p>Second:</p> <p>1980s to mid 1990s</p>	<p>During the second wave the focus moved towards:</p> <ul style="list-style-type: none"> the retention and growing of existing local businesses still with an emphasis on inward investment attraction, but usually this was becoming more targeted to specific sectors or from certain geographic areas 	<p>To achieve this cities provided:</p> <ul style="list-style-type: none"> direct payments to individual businesses business incubators/workspace advice and training for small- and medium-sized firms technical support business start-up support some hard and soft infrastructure investment
<p>Third :</p> <p>Late 1990s onwards</p>	<p>The focus then shifted from individual direct firm financial transfers to making the entire business environment more conducive to business.</p> <p>During this third (and current) wave of LED, more focus is placed on:</p> <ul style="list-style-type: none"> soft infrastructure investments public/private partnerships networking and the leveraging of private sector investments for the public good highly targeted inward investment attraction to add to the competitive advantages of local areas 	<p>To achieve this cities are:</p> <ul style="list-style-type: none"> developing a holistic strategy aimed at growing local firms providing a competitive local investment climate supporting and encouraging networking and collaboration encouraging the development of business clusters encouraging workforce development and education closely targeting inward investment to support cluster growth supporting quality of life improvements

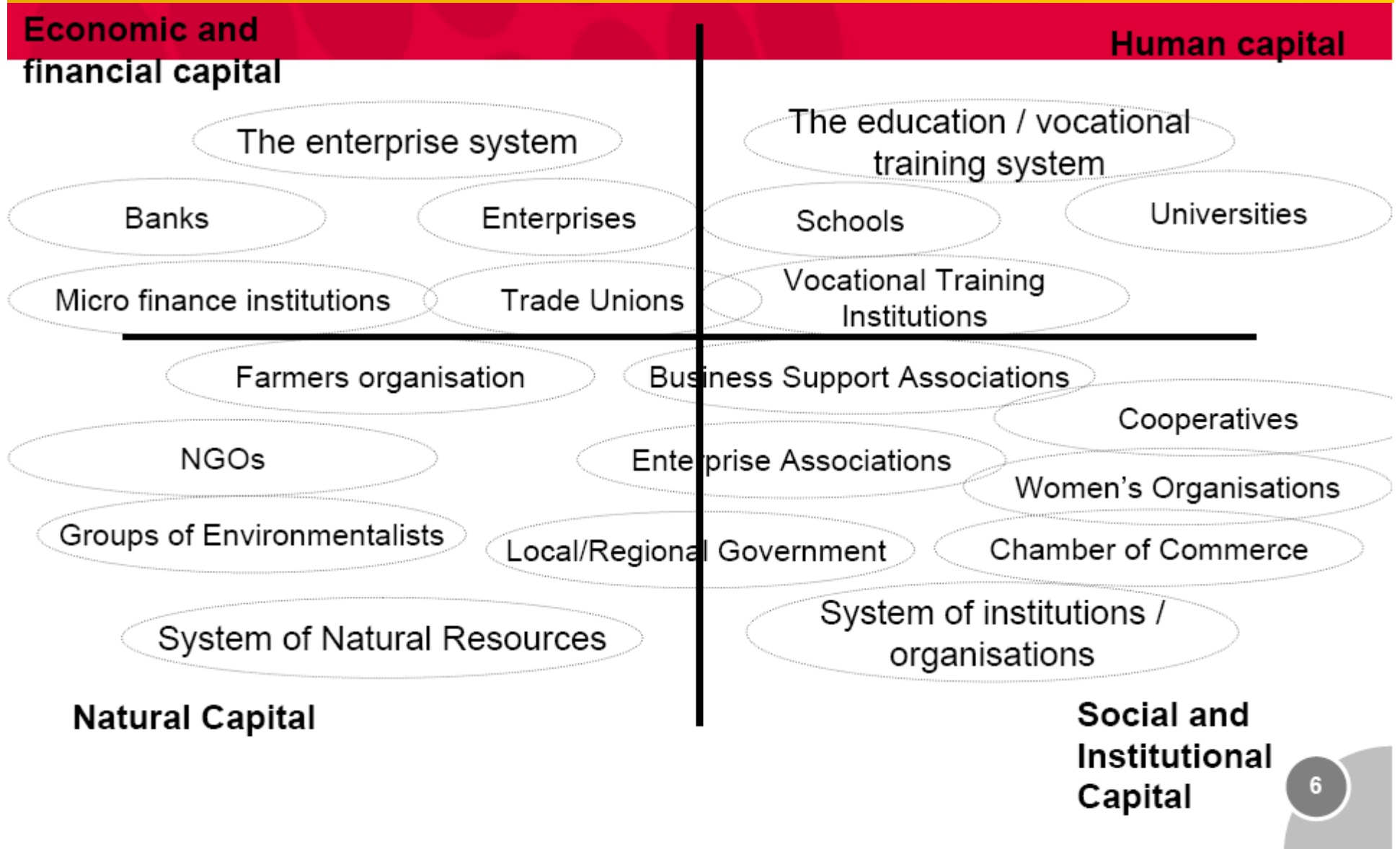
Organizing a Local Economic Development Strategy

Stage 1: Organize the effort

Successful LED depends on the collective efforts of the public, private and community sectors. Formal and informal structures and processes should be established to ensure all stakeholders are involved and the planning process is well managed:

1. Establishing a 'Home' for LED within the local government
2. Management of the stakeholders
3. Establishment of a Steering Committee
4. Establishment of a group within the local authority to oversee the LED process

Stakeholders across local economic development objectives



Organizing a Local Economic Development Strategy

Stage 2: Conducting the Local Economy Assessment

To develop a LED strategy, the community must be fully informed about their own town or city, their own region and their national economy.

Conducting a local economy assessment involves collecting strategically important information and then analyzing it strategically. Some useful types of information are:

1. Demographic information, i.e., information about the people in the community, what they need and what they are capable of.
2. Economic information. This information will provide an understanding of the local economy.
3. Investment climate information. This will inform on how the local government treats its business community.
4. Hard Infrastructure information. This will inform about the status of water, electricity and wastewater provision. The focus should be on economic areas.
5. Regional and National information, to gather information on what is happening in other areas that impact on the community.

Demographic

Population :

- By size, age, growth rate, projected growth rate, household size, population density. This could include a poverty mapping exercise to identify demographic characteristics by subdistricts in the city.

Employment :

- Employees by industrial activity -- compare regionally and nationally, and note changes over time, if possible
- Age structure of the employed and the occupation breakdown of employed and unemployed
- Structure of employment (full/part-time/male/female) -- compare nationally and over time
- Average gross weekly earnings by gender and full- and part-time employment
- Unemployment figures, by numbers, age, duration
- Numbers and other information on people and activities in the informal sector

Education:

- Numbers and types of schools, numbers of teachers (full-time equivalent) and class sizes
- Further and higher education establishments by type and numbers attending.
- Educational attainment levels by numbers and types -- compare nationally

Training:

- Numbers and types and age groups of technically qualified individuals and those going through training programs.
- An assessment of skill/occupational shortages/oversupply.

Economic

- Numbers and sizes of firms, broken down by sectors numbers of full-time equivalent employees, in time series, if possible
- Number and type of recent (e.g., last 10 years) firm closures, by size, sector and date
- Number of inward investments, foreign and domestic (both Greenfield and existing companies) by employee size, sector and date
- Number of new business startups, by size, sector/activity and longevity
- Number of companies that export/to where/ by what sector/company size
- Top 50 (or so) companies by size -- employment and/or turnover -- by sector and named
- Business tax income
- Rental/purchase costs for vacant industrial and service sector units, by time series and size groupings
- Vacancy rates of industrial and commercial space by size, location, absorption rates
- Port/airport/rail cargo/passenger statistics

Investment Climate Infrastructure	<ul style="list-style-type: none">▪ Taxation of businesses▪ Amount of 'red tape' and the ease of getting through red tape▪ Existence of supporting business networks, such as Chambers of Commerce.▪ Local authority economic development support▪ Access to funding▪ Assessment of local government capacity to carry out economic development
Hard Infrastructure	<ul style="list-style-type: none">▪ Condition of water, electricity and wastewater provision in areas of economic activity▪ Assessment of provision of land, real estate/office space for economic development activities (including markets) and CBD's
Regional and National	<ul style="list-style-type: none">▪ What neighboring cities are doing in terms of their local economies▪ How neighbors are competing▪ How they are, or could, collaborate▪ What is happening at the national level▪ Opportunities available through the national government▪ Opportunities and threats presented by regional government

Uncovering the Potential: Innovative SWOT Analysis

**Financial and
Economic Capital**

Assessment of the opportunities
In the infrastructure sector

Assessment of the opportunities
In the agritourism

Natural Capital

Economic opportunities' assessment
and analysis of the local labour market

Assessment of the opportunities for enterprises to
link up with research institutes (R+D+i)

Analysis of the dynamics
between local actors
(eg. Value chain approach)

Analysis of the dynamics
between local actors
(eg. LED Forum)

Human Capital

Assessment of the opportunities
for the social security system

Assessment of needs /
opportunities in public management

**Social and
Institutional
Capital**

Organizing a Local Economic Development Strategy

Stage 3: Developing the LED Strategy

The intent of step three is to achieve an integrated or global approach to LED. Strategy making involves:

Creating a vision

A vision should be developed and agreed on by all stakeholders. The vision should be a description of the stakeholders' preferred economic future for the community.

Developing goals

Goals point more specifically to the outcomes the community seeks to achieve. Goals are much more descriptive and concrete than a vision statement and should be directly related to the findings from the local economy assessment.

Developing specific objectives

Objectives are even more specific. They should be time bound and measurable. The aim is to leverage strengths, overcome weaknesses, exploit opportunities and deal with threats identified during the local economy assessment.

Organizing a Local Economic Development Strategy

Stage 3: Developing the LED Strategy (cont'd)

The intent of step three is to achieve an integrated or global approach to LED. Strategy making involves:

Developing programs and projects to achieve the objective

Programs and projects are the specific actions the community will take to achieve the vision, goals and objectives. Attention should be given to identifying a broad base of projects, some of which should provide 'quick-wins' for the strategy. These projects should include agreed actions for all stakeholders (not just the local authority).

Documenting the strategy

The strategy should be documented and made accessible to all members of the community. Feedback on the LED strategy should be encouraged and taken into account. In communities where stakeholder participation has been limited, the strategy document could be developed in draft format and used as the basis for further consultation before finalization of the LED strategy.

Organizing a Local Economic Development Strategy

Stage 4: Implementing the LED Strategy

Strategy implementation is driven by action plans. Key issues to consider are:

- Who takes responsibility for each program or project?
- What are the targets in terms of outputs, timing and funding?
- What steps need to be taken to achieve the targets?
- What will be the reporting structures (including to stakeholders)?
- What are the performance monitoring and evaluation systems and processes?
- What has to happen to ensure they are in place and used?
- What are the budgetary and human resource requirements for the sustained delivery of the project or program?

Innovative Strategy



Comprehensive LED strategies are delivered through public/private sector partnerships that are strongly driven or led by the local authority. The private sector is often keen to manage initiatives aimed at improving the vitality and viability of business and enterprises. Community groups may seek to lead initiatives to improve the health or housing conditions of a target group of disadvantaged individuals.

Organizing a Local Economic Development Strategy

Stage 5: Reviewing the LED Strategy

Reviewing an economic development strategy is normally done on an annual basis, usually in conjunction with the local authority's financial planning cycle. Both the local authority group and the steering committee should be involved in the review process. Issues include:

- Is the SWOT analysis still valid or have circumstances changed?
- Is there more information at hand that changes the view of the issues?
- Are changes required in the vision, goals or objectives to reflect changing circumstances?
- Are projects achieving what was hoped they would achieve?
- If not, what should be done?
- Are the performance indicators being met?
- If not, why not?
- What changes need to be made?
- Should the indicators be changed?
- Should there be more action on projects?
- Should the projects be changed?

Organizing a Local Economic Development Strategy

Stage 5: Reviewing the LED Strategy (Cont'd)

Avoiding lapses...

Even though Local Economic Development is a relatively new discipline, there is no shortage of examples of bad practice that should be highlighted to remind one of the potential for wasteful mistakes. Most of the mistakes can be directly attributed to just a few causes:

- Politics (including exclusion of key interest groups, inappropriate zoning and so on);
- Lack of strategic thought (resulting in inappropriate strategies);
- Inadequate research, monitoring and evaluation (resulting in inappropriate strategies and initiatives);
- Grant chasing;
- Following the latest fad (blindly).

PART 2

LED: Activities and Options

I. Improving the Local Business Investment Climate

A business environment assessment for the local government should assess the performance of the local government in terms of those aspects of the investment climate that it has control over.

Land and Property

- Land title

- Property registration

Planning and Development Control

- Real estate improvements

- Building plans passed

Infrastructure Provision and Maintenance

- Roads

- Electricity

- Water and sewage

- Garbage collection

Business Registration and Licensing

- Business registration

- Business licenses

Local Taxation and Fiscal System

- Tax rates and tax collection procedures

Health and Safety (including environmental)

- Support for HIV/AIDS programs

- Environmental standards

- Occupational health standards

Internal Operations and Procedures

- Passing of by-laws

- User friendliness of LGA

- Who is the right person

Investment promotion and marketing

- Information to the public

- Corruption

II. Investment in Hard Strategic Infrastructure

involves investing in improving the physical environment for businesses thereby making it more attractive for business retention, expansion and recruitment. Possible projects include:

- Building or improving key access roads;
- Improving the railway for passenger and goods services;
- Developing, improving and/or expanding the local airport;
- Developing, improving and/or expanding the local port;
- Developing, improving and/or expanding industrial sites and buildings. This could include anything from planting trees, to comprehensive landscaping, to building entire new science parks;
- Developing, improving and/or expanding commercial sites and buildings (for shops and offices);
- Increasing the availability of industrial and potable water;
- Improving and/or expanding the sewerage disposal system;
- Improving and expanding the telecommunications systems;
- Improving and expanding the energy systems;
- Environmental enhancements;
- Crime prevention equipment installation.

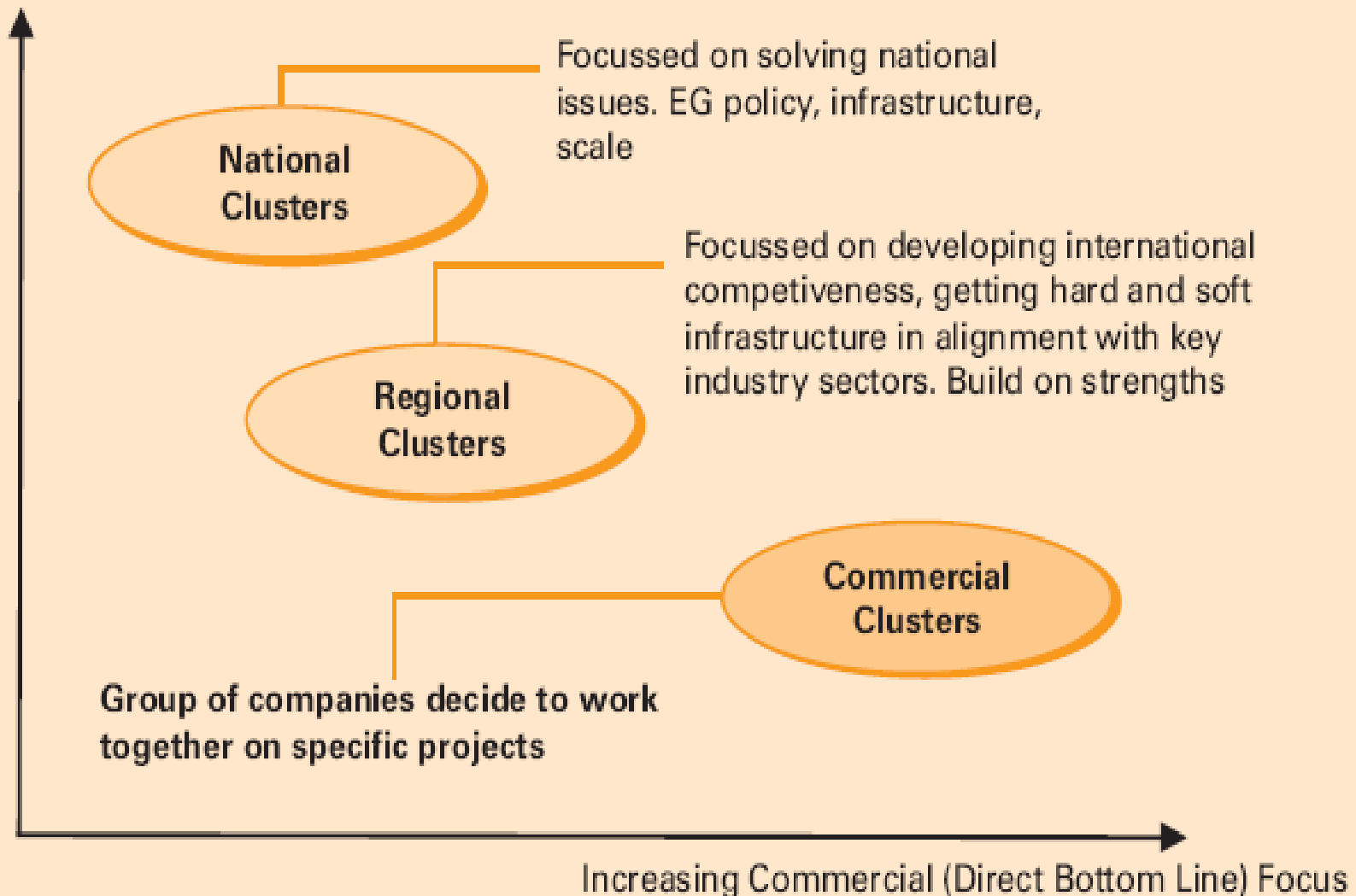
III. Sector (and Business Cluster) Development

Cluster development means that LED initiatives are concentrated on encouraging and supporting inter-firm collaboration, institutional development and support in targeted industrial sectors.

Enterprise Cluster is the agglomeration of interconnected enterprises and institutions in a geographical territory, with firms sharing market, technology, skills or resources thereby providing them opportunities for cost saving and value addition.

Forms of Cluster Collaboration

Degree of "Public Sector" Activity



Source: Cluster Navigators Ltd, 2001.

Cluster Upgrading

Step 1. Analyzing Local Economy for identifying the priority areas

Step 2. Initial Cluster Stocktaking for gathering information about the cluster in the local economy

Step 3. Establishing the Team Leadership

Step 4. Developing a Cluster Vision for establishing the preferred future for the cluster

Step 5. Identifying the Stepping Stones - key steps to the preferred future

Step 6. Developing an Immediate Action Agenda - highlighting the short-term projects

Step 7. Setting up institution/organisations for the Cluster – for sustainable cluster upgrading

Step 8. Upgrading the Strategic Agenda - longer-term, more substantive projects.

Cluster Upgrading

Advantages of Clusters:

Access to knowledge – provides operational, technical and market information that help speed-up innovation in organizational management, products and processes and to take advantage of new market developments.

Access to specialized inputs – labour with specialized skills, industry specific services, specialized raw materials and intermediate goods become more easily available.

Common infrastructure – common facilities such as storage and warehouses, technical testing and certifying laboratories, specialized and dedicated transport facilities, etc.

Economy of scale and scope – meeting volume and product variety and specificity requirements becomes more feasible as enterprises with the required technical specializations and production capacities can work together easier.

Transactional efficiency – due to human and social capital developed through close interactions, effecting business transactions is facilitated and transactional speed, flexibility and economy achieved.

Specialized customers – buyers needing reliable supply of particular product or commodity go to clusters known for such products and commodities.

IV. Encouraging New Enterprises

Involves providing advice, technical support, information and resources to help individuals to set up their own businesses in the form of sole traders, partnerships, cooperatives or community enterprises. Projects include:

1. Provision of finance for new businesses
2. Provision of micro and managed workspace
3. Providing technical advice on business management
4. Supporting the establishment and implementation of formal and informal business networks
5. Conducting business mentoring programs

PART 3

LED Case Studies

Municipal Administration and Performance in Villa El Salvador, Peru

Background: In 1983 Villa El Salvador was converted into an independent district with its own municipality. The municipality currently has a population of 350,000 and promotes even development across sectors. Through planning, organization and mobilization of clear objectives, Villa El Salvador has progressed.

LED Strategy of Villa El Salvador, Peru

Stage 1: Organizing the Effort by Developing a Management Team and Partnership Network

- Mayor and the body of councilmen must take pride in knowing their community and its residents.
- **Target Image to be Achieved:** Community goals/image are constructed and must be visible to members of the community.
- **Level of Organization and Full Democratic Representation:** Representative organizations are necessary to serve as a forum for persons to give input. It is also important to determine the interests of each segment of the population.
- **Political Will:** Local authorities must demonstrate the political will to carry out the plan, i.e. A readiness to set objectives and to accomplish them.
- **Availability of Basic Resources:** Resources and funds are necessary.
- **Objectives achieved and assumed by the population:** The organization needs to have ownership of achievable objectives that combine individual interests with those of the community.
- **Social sector defined in and for each objective:** Each development objective has to have its social subject defined.
- **Schedule of Activities:** The plan must be concrete, with dates and deadlines set in advance and publicly announced.
- **Permanent Evaluation:** The performance, accomplishments, progress and failures must also be public to lay the foundation for new objectives and participation practices.
- **Information and Transparency:** Information is the most secure basis for transparency in public life.

LED Strategy of Villa El Salvador, Peru

Stage 2: Doing the Local Economy Assessment; SWOT

Strengths

- Villa El Salvador maintains an internal and external image of a city committed to its own development- a reputation that strengthens negotiating capacity.
- Development occurs on different levels.
- District has clear spaces set aside for development: Industrial Zone, Agricultural and Beach Zone, and Urban Zone with its growing business activity.
- Level of unity and identity in the population- from past successes, conflicts resolved and the traditions developed.
- The municipality has a small structure and is not overstaffed- can focus on upgrading its operation.

Weaknesses

- Villa El Salvador currently has a heterogeneous urban make-up- generates differentiated and in some cases contradictory interests.
- Weakness of grassroots organization- limits the ability to voice interests.
- Low commitment on the part of the community in assuming shared joint responsibility for functions that contribute to its standard of living: environmental sanitation, taxation, citizen security, beautification of and respect for the use of public areas.
- The municipality has slow moving and costly procedures, and retains untrained personnel with limited motivation and commitment.
- Low levels of tax collection.

LED Strategy of Villa El Salvador, Peru

Stage 2: Doing the Local Economy Assessment; SWOT

Opportunities

- The macroeconomic indicators are maintaining a stable trend, GDP is around 4% p.a., inflation is running at 9% p.a. and the exchange rate is at S/. 2.70 to the U.S. dollar-favorable context for investment and sound medium-term planning.
- As regards taxation, the improvement in SUNAT collection favors better IGV (General Sales Tax) allocation as a component of the Municipal Compensation Fund.
- Growing capital investment in the district, especially by medium commercial companies and including foreign capital.
- Promotion of small and medium enterprises by the Legislation aimed at improving the municipality's management, specifically as regards budgeting and execution of expenditure in investments.

Threats

- Policies that tend to reduce municipal powers as regards functions and authority to tax.
- The opening of the national market, which introduces a degree of competition for small enterprises, whose costs and quality levels do not equip them to compete.
- The slow pace of the reactivation of the national economy, which is inadequate for providing solutions for the people's crucial problems, such as joblessness, low household incomes, food prices and access to training and vocational courses for low-income young people.

LED Strategy of Villa El Salvador, Peru

Step 3: Creating the LED Strategy

Vision & Goals

- **Vision**

- Villa El Salvador- a productive district.
- A united community.
- A wholesome city.

- **Institutional Mission**

- promote economic development of the city.
- efficiently provide public services.
- administers funds to raise the population's standard of living.
- regulate activities such as healthfulness of district and its ecological conservation.

- **Strategies**

- Create a productive district with economic activity in all spheres, whether from trade, services or manufacturing. Pay special attention to producers in urban areas along the fringe of the beach zone, promote wholesale and retail trade, etc.
- Promote shared values that include the common interest and citizen participation in development.
- Greater emphasis on ecological concerns in urban areas through a reduction in environmental pollution, improved water and sewer services, efficient cleaning services, etc.

LED Strategy of Villa El Salvador, Peru

Step 4: Implementing the LED Strategy

- **Encouraging Local Business Growth**

- Promote productive activities of the small and medium enterprises in the district: Industrial Park, Urban Zone and Beach Zone.
- Identify the competitive advantages of SMEs, whether organized or not, in order to improve their position in the market.
- Research domestic and external markets, to be able to guide producers' investments.
- Create channels for advisory services on management, production planning, marketing and cost structure.

- **Encouraging New Enterprise**

- Promote an entrepreneurial spirit among producers, emphasizing the values of quality, competitiveness and social responsibility.

- **Promoting Inward Investment**

- Work to promote and facilitate private investment in the district by developing opportunities or encouraging exchange through international cooperation.
- Setting up of a data, studies and projects base that will facilitate investments by the municipality.

LED Strategy of Villa El Salvador, Peru

Step 4: Implementing the LED Strategy

- Investment in Hard Infrastructure

- Upgrading of the public cleansing service vehicle fleet and replacement of equipment declared obsolete or unduly costly to operate.
- Definitive studies of the system for collecting, hauling and final disposal of solid waste, with private enterprise participation.
- Prepare a preventive maintenance plan for the service units.
- Initiate inter-institutional contacts aimed at exchange of experience and cooperation in the provision of basic public services.
- Regulation and introduction of order into formal and informal commercial activities, so as to preserve spaces set aside for public use, decorative purposes and environmental sanitation.
- Reorganize the maintenance shop, improving its services and scrapping obsolete or unusable units.
- As regards roads and streets, proceed with paved interconnections linking the districts main thoroughfares.
- Start pilot paving projects in the residential areas in accordance with available funds and/or cooperation agreements.

LED Strategy of Villa El Salvador, Peru

Step 4: Implementing the LED Strategy

• Investment in Soft Infrastructure

- The Government and Management Subprogram: Improves the government services to improve the commercial environment for businesses.
- Modernize the municipal administration by incorporating concepts, methods and technologies that will lead greater effectiveness.
- Restructuring and reorganizing the municipality.
- Professional upgrading and training of service personnel in accordance with the evaluation of their knowledge and efficiency.
- Establishing Fluid Management, communication and coordination channels between the different levels.
- Introducing rules for tax collection: The Administration and Finances Subprogram endeavours to increase the efficiency of tax administration and collection.
- Creating a room for dialogue with the population and organizations for formulating development plans.
- Strengthening inter-institutional relations with internal and external bodies and agencies.
- Establish communication with the public aimed at education and preservation of public attractions and plantings and proper land and facility use.
- Development of selective regulations covering construction of private and public works, in the interests of attractive appearances and the public welfare.
- Develop citizen education programs emphasizing the public's responsibility for assisting with the environmental sanitation of the district.

Cluster Development in Municipality of Grimsby, Humberside, England

Background:

- Grimsby has always been, and continues to be, an isolated community on the east coast of England. It relies on the fishing industry and to a lesser extent the commercial port to provide the basis for its economy. In the 1960s and 1970s the area began to suffer from declining catches that significantly reduced the role of the fishing industry. Both the fish port and the commercial port were lacking investment as they were both in state ownership. The oil and economic crises of the 1970s and early 1980s added additional burden to both the economy and employment. A brief but dramatic 'Cod War' between Iceland and the UK only served to push Grimsby into further decline.
- By the early 1980s unemployment in Grimsby was well over 20%, the fishing port was hardly used, the commercial port was languishing in disrepair. In the mid 1980s a major employer relocated out of Grimsby because of better grants to the north-east of England. This final act broke the back of the community, the confidence of the community was gone. During this crisis, the local government felt something had to be done: they brought in new leadership and encouraged new ideas.

Cluster Development in Municipality of Grimsby, Humberside, England

SWOT Analysis for Grimsby

STRENGTHS

- developed road and railroad network, east-west (new highway)
- labor force used to working 24 hour shifts
- high unemployment (available labor)
- lower wages compared to much of the UK
- largest amount of cold storage in Europe
- staff used to handling food products
- low crime and safe locality
- available inexpensive industrial land
- land allocated for petro-chemicals
- local authority had some resources to develop industrial land
- large agricultural hinterland
- objective 2 status in the EU gave access to some grants for LED investment
- UK Government also listed Grimsby as an 'intermediate area' giving support to local government and modest grants to businesses
- sound local government with new strong and dynamic leadership

WEAKNESSES

- low level of added value (then)
- employment concentrated in a few large businesses
- no local airport
- geographically isolated from the rest of the UK
- low level of educational attainment
- inadequate higher and vocational training
- lack of dynamic SMEs
- ports in public ownership, very strong related trade unions
- community lacking in confidence
- low-cost housing³
- large tracts of redundant industrial land
- unattractive shopping center, lease owned by local government
- local government had only limited legal authority to undertake LED
- unattractive in terms of traditional tourism
- relatively poorly developed service sector
- lack of experience in local government in strategic planning
- lack of experience in partnership working

Cluster Development in Municipality of Grimsby, Humberside, England

SWOT Analysis for Grimsby

OPPORTUNITIES	THREATS
<ul style="list-style-type: none">• located on the east coast for trade with continental Europe• EU membership• the changing tastes and demands for and pre-prepared and chilled foods• deregulated port and deep water facilities• North sea oil and gas• the changing demands of tourism, with industrial heritage being in increased demand• further development of petro-chemical sector on the banks of the Humber• tourism exploiting Grimsby's fishing heritage	<ul style="list-style-type: none">• nearby communities were better located for most business activities• nearby communities and those further away were able to attract higher grants for businesses moving into the region• EU expansion likely to bring threats to community5• Thatcher Government did not support local government or EU involvement in local economic development

Cluster Development in Municipality of Grimsby, Humberside, England

The Local Economic Development Strategy

- The competitive assessment pointed local government officials towards a number of key initiatives (these were not the only ones followed by the town):
 - Encourage the development of a broader **food processing industry**, based on the competitive advantages Grimsby had, and the rapidly changing taste for added valued pre-prepared foods.
 - Prepare for the development of **a tourism industry based on Grimsby's fishing heritage**, again this was based on the changing trends in the tourism.
 - Enable the development of **the petro-chemical and port industries**.

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

- Identifying the Sector and Its Needs
 - A short desk study and interviews with industry leaders soon identified that added-value food processing was a new growth sector, one in which Grimsby had nearly all the right ingredients:
 - Cold and chilled storage and distribution facilities, large food processing factories that were under utilized, a workforce used to working in the food sector and on 24 hour shift systems and supporting packaging and other suppliers. It had excellent uncongested road communications to the larger metropolitan areas of England and the port gave access to destinations further a field.

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

- Identifying the Sector and Its Needs
 - A business attitude survey, identified which were the major food processing companies and what their needs were in terms of what the local authority could supply or lobby for. These needs included:
 - more refrigeration engineering specialists.
 - more food hygiene specialists.
 - better marketing for new chilled food products.
 - more specialized marketing and design companies to develop packaging styles as well as marketing strategies for individual firms.
 - and several specialized, small-scale, added-value food processing premises that could meet the very high EU standards.

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

- Identifying the Strategy
 - Once the industrial survey and needs assessment was undertaken, the development of the strategy was a relatively straight forward process. The SWOT was done again (**in a day**) and the results of the survey and research fed in.
 - The five points earlier noted were all addressed using a variety of funding sources, both public (mainly local government and EU) and private funding (the industry itself).

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

1. Skills Enhancement

- The local authority and the businesses were able to work together with the institution of higher learning to start specialized courses.
- Since that time, more specialized courses have been added, and the Institution now has one of the most comprehensive food processing syllabi in the country.

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

2. Better Marketing

- The local authority began a promotion campaign: **Grimsby: Europe's Food Town...** This slogan was adopted, a campaign started, advertising, and attendance at specific food processing and machinery exhibitions.
- The effort was highly focused and was done in conjunction with the local industry. **The local area was able to promote itself, at the same time businesses could promote their new products at highly specific industry exhibitions.**
- As the campaign grew and became more successful, specialized marketing and events companies set up in the town to service this sector. So successful was this campaign, which began in 1986, that it continues to this day.

Cluster Development in Municipality of Grimsby, Humberside, England

The Food Processing Cluster Development Strategy

3. Specialist Buildings for Small Food Producers

- EU hygiene regulations are tough, they require very exacting standards in terms of building construction and fitting out in the food industry.
- The local authority, which already had a large number of industrial units and managed workspace and incubator units, built, with EU funding, three food processing facilities, all for business start-ups in the food sector. Each of these units was rented to a 'spin-off' company from the larger businesses in town.

Lessons Learned

- It often takes an economic crisis to galvanize local governments into action.
- New leadership that is prepared to take risks and reallocate resources is needed.
- A clear strategy, even if not deeply researched, enables resource allocation to be focused.
- Visible impact in terms of projects, hopefully new jobs and publicity go hand in hand at the beginning of the process.
- First steps in a strategy can be very simple, and as time moves on they can become more complicated.
- It is important to understand that most jobs will come from local businesses, so don't rely on foreign direct investment.
- LED needs to have good short, medium and long term programs and projects to be effective and sustainable.
- LED needs to have soft and hard infrastructure projects, and it has to be understood that soft infrastructure is less visible but is likely to have deep and sustained impact.
- The strategic planning and participatory approach to LED can serve as a learning process to upgrade the skills within the communities and local governments.
- It is important to work with the EU, national, regional and neighboring local governments to maximize development opportunities however uncomfortable this may seem.
- It is important to recognize that strategies can and should be reviewed on an ongoing basis and space should be allowed for mistakes.

Funding a LED Project

The LED strategy should have a budget. In selecting particular programs and projects, care needs to be taken to ensure that funds are available for the entire length of each project as projects are likely to span several financial years. Forward or exit strategies should also be developed.

Sources of funding for LED initiatives include:

- local authority revenue raised from the usual sources including property taxes and user fees
- sale or renting of local authority-owned industrial or commercial buildings and land
- national and state government intergovernmental transfers
- international donor grants and loans
- private sector funding such as corporate donations
- foundations, especially for environmental improvements, human resource initiatives and poverty alleviation

Thank you very much

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