

LOCAL ECONOMIC DEVELOPMENT

Supporting Private Sector Development at Local Level



A Manual for Business Membership Organisations (BMO)

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PREFACE

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Acronyms

BDS	Business Development Services
BMO	Business Membership Organisation
BMZ	German Federal Ministry for Economic Cooperation and Development
CDO	Community Development Officer
CIDA	Canadian International Development Agency
DIHK	German Association of Chambers of Industry and Commerce
EGPRS	Economic Growth and Poverty Reduction Strategy
EU	European Union
EUR	Euro
GDI	German Development Institute
GDP	Gross Domestic Product
GTZ	German Agency for Technical Cooperation
ILO	International Labour Office
LED	Local Economic Development
LGU	Local Government Unit
MNCCI	Mongolian Chamber of Commerce and Industry
MoST	Ministry of Social Transformation of St. Lucia
MoU	Memorandum of Understanding
MSME	Micro Small and Medium Enterprise
NGO	Non-Governmental Organisation
REA	Rapid Economic Appraisal
SDC	Swiss Development Cooperation
SME	Small and Medium Enterprise
ToF	Training of Facilitators
UN	United Nations
UN-HABITAT	United Nations Human Settlements Programme
USAID	United States Agency for International Development
WCED	World Commission on Environment and Development

Table of Contents

1.	Introduction	5
2.	An approach for Local Economic Development (LED)	6
2.1.	Definition, objectives and principles of LED	6
2.2.	The sustainable development paradigm as normative framework for LED	7
2.3.	The concept of systemic competitiveness as strategic guide for the LED approach	9
3.	Key stakeholders in LED	11
3.1.	The target groups of LED	11
3.2.	The actors	12
3.3.	The role of Business Membership Organisations (BMO) in LED and their potential gains	13
3.4.	Prerequisites for BMOs taking up an active role in LED	14
4.	The LED cycle	16
4.1.	Step 1 – Organising the local stakeholders	16
4.2.	Step 2 – Assessing the economic situation	18
4.2.1.	Objectives and principles of Rapid Economic Appraisals (REA)	18
4.2.1.	Preparing an REA	19
4.2.2.	The schedule of an REA	20
4.2.3.	Fields of analysis, sources of information and the assessment matrix	22
4.2.4.	Tools for information gathering and triangulation	23
4.2.5.	Elaborating the analysis	25
4.2.6.	Pre-selection of proposals for intervention	28
4.3.	Step 3 – Validation of the appraisal results	30
4.4.	Step 4 – Action planning	32
4.5.	Step 5 – Implementation	33
4.6.	Replanning	35
5.	Trainings in LED as an element of capacity development	36
6.	The example of Mongolia	39
6.1.	Context	39
6.2.	Goals and mode of operation	40
6.3.	Outcomes	41
7.	Annexes	44

1. Introduction

This manual is intended to serve as a practical guideline for the kick-starting of processes of Local Economic Development (LED) and the implementation of concrete activities serving the purpose of promoting local economic growth in a participatory fashion. While LED is often conceived from the perspective of public sector actors, this manual also explores the role of the private sector, notably Business Membership Organisations (BMO) in such processes. Hence, it is directed at BMOs interested in acting towards an improvement of local economic framework conditions, facilitators wishing to support local actors in LED as well as international agencies involved in economic development.

The manual draws on experiences from projects administered by sequa on behalf of the European Union (EU) and German Federal Ministry for Economic Cooperation and Development (BMZ) in Mongolia, St. Lucia and a Central Asian country as well as by the German Agency for Technical Cooperation (GTZ) in the Philippines and Ghana. Framework conditions vary from country to country. For LED to be successful, it needs to be adjusted to the specific circumstances. Therefore, the manual is not conceived as a blueprint but rather as a starting point for an adaptive and continuous improvement process. It was written by Mr. Rolf Speit, Freelance Consultant in economic development, with the support of Ms. Mareike Weingärtner, Ms. Veronique Chavane and Mr. Gerhard Weber, who are all Project Directors at sequa.

The manual starts by providing an overview of the essential characteristics of the approach (section 2.1) and by placing it into the context of the sustainable development paradigm (chapter 2.2) as well as the concept of systemic competitiveness (section 2.3). Chapter 3 deals with the key stakeholders in LED, pointing at the target groups (3.1), the actors (3.2) and the role of BMOs (3.3). Section 3.4 discusses the conditions that ideally should be met if BMOs wish to take up an active role in LED. Chapter 4, titled *LED cycle*, presents a detailed description of all steps necessary for getting an LED-process into full swing. While chapters 4.1 to 4.4 focus on *kick starting* the process, sections 4.5 and 4.6 also make reference to implementation and replanning. Chapter 5 briefly describes two training formats for the development of human capacities in LED, while the chapter 6 presents a case study on the application of LED in Mongolia. The annexes listed in chapter 7 provide additional reference material of practical use to BMOs and facilitators.

2. An approach for Local Economic Development (LED)

2.1. Definition, objectives and principles of LED

Local and Regional Economic Development (LED) has become an increasingly popular approach among public and private actors in developing countries such as governments, bilateral donors, NGOs, BMOs and international organisations. With regard to the latter, the World Bank, USAID, ILO, UN-HABITAT, the Canadian International Development Agency (CIDA), the Swiss Development Cooperation (SDC) and GTZ have all embarked on programmes in this field. The World Bank defines the approach as follows: *Local Economic Development is the process by which public, private and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all*¹. sequa gGmbH has also begun to encourage Business Membership Organisations (BMOs) to take on a leading role for LED by applying this approach.

Although the above mentioned agencies use different definitions, the underpinning principles of the approach are basically the same:

- *Focus on a sub-national territory*: Decentralization processes in many parts of the developing world have led to the creation of autonomous local entities entrusted with the task of shaping the local economic environment. LED provides local stakeholders with a set of tools addressing local economic potentials and constraints in a systematic way, spurring local economic growth as well as job creation.
- *Involvement of relevant stakeholders*: It is imperative to get all relevant stakeholders (local administrators and legislators, business associations, community organisations and NGOs) at one table in order to achieve long-lasting successes in local economic development. If LED becomes a joint effort, it is easier to act in a holistic way, mobilise financial and human resources and access information more widely. The involvement of different actors is also important for trust-building as a prerequisite for public-private dialogue.

¹ World Bank and Bertelsmann Foundation: Local Economic Development – A Primer for Developing and Implementing Local Economic Development Strategies and Action Plans. Washington 2002, page 5.

- *Holistic approach*: Any regional economy is shaped by a variety of different aspects which all impinge on the potential for local employment generation. If these aspects are addressed in an isolated, stand-alone manner, it is unlikely to unleash the economy's full potential. For example, investments in the development of rural infrastructure *alone* may not result in agricultural growth, if the quality of seeds of key crops is inadequate, if farmers are not aware of appropriate techniques to enhance their productivity or if they lack access to markets. Acting holistically does not mean to always address all constraints at the same time. Instead, it means being aware of the multiplicity of factors limiting growth and then prioritizing actions according to (i) the severity of the problem and (ii) the chance to achieve *quick wins*.
- *Committed local leaders and local government actively backing the LED effort*: LED is basically about mobilizing people and making them work collectively for change. These 'leaders' do not necessarily need to be local government officials, as the term *leader* is not confined to those holding an administrative leadership mandate. For instance, the Mongolian Chamber of Commerce and Industry (MNCCI) supports its chamber branches in the provinces of Mongolia to become active drivers of local economic development in tune with the development strategies of the provincial governments.
- *Action and strategic orientation*: In the beginning, LED interventions target at *quick wins* in order to create momentum and build trust with the local stakeholders. However, *quick wins* do not mean *short-termism*. It means initiating the process by identifying interventions that create visible outcomes in a short time. Once local stakeholders are convinced that LED is directed at concrete results, more strategic issues can be tackled.

2.2. The sustainable development paradigm as normative framework for LED

Sustainable development is the overarching paradigm setting the framework for development worldwide. It is a normative paradigm that has, among other approaches, also shaped the broad lines of LED. Its origins can be traced to the 1980s, when a study called *Global 2000* hinted at the limits of the Earth to bear unrestrained economic growth. The term gained worldwide recognition through the so-called 'Brundtland-Report' in 1987. This report was titled: "Our Common Future" and published by the World Commission on Environment and

Development (WCED), chaired by former Norwegian Prime Minister Gro Harlem Brundtland. The task of the Commission had been to develop a concept for worldwide development respecting ecosystems. According to the report *Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

The UN Conference on Environment and Development, held in Rio de Janeiro in 1992, adopted sustainable development as a normative principle guiding economic, social, environmental and political affairs worldwide. While the Rio Summit managed to make sustainable development a top policy issue, the ensuing World Summit on Sustainable Development, held in Johannesburg in 2002, placed more emphasis on designing strategies for turning goals into reality. Before the Johannesburg Summit, the Millennium Declaration had already marked a milestone in terms of becoming more action-oriented.

As a result of intensive discussions within academic circles, development organisations and the civil society, sustainable development started to be seen in four dimensions: *Economic, social and environmental sustainability as well as good governance.* Sustainability is set as a goal within each of the dimensions.

For LED, the paradigm has the following implications

- LED is geared towards economic development. The construction of health posts and the training of midwives would never feature under LED. Still, it places the economy into the spectrum of the other dimensions. It strives for *economic development that is socially balanced, preserves the ecosystem and fosters good governance.* An example of a concrete LED intervention in Mongolia that fits into these dimensions is displayed in box 1.
- *Good governance is a cross-cutting issue* within LED processes. It promotes participation of various stakeholders in various

Box 1: Plastic waste recycling

Littering caused by plastic waste has been a severe problem in many of Mongolia's towns and small cities. As part of an LED process in the provinces of Arkhangai and Uvurkhngai, local stakeholders established a small plant for the recycling of plastic waste. This initiative had an impact on all four dimensions of sustainable development: It led to the creation of jobs for female plastic collectors (social benefit), cleaned up the environment (environmental benefit) and, as a result, improved the prospects of the local hospitality sector to attract tourists (economic benefit). As an initiative in which the local administration joined hands with the local chamber of commerce and industry, it also promoted good governance.

stages and encourages transparency through monitoring mechanisms built in the process.

2.3. The concept of systemic competitiveness as strategic guide for the LED approach

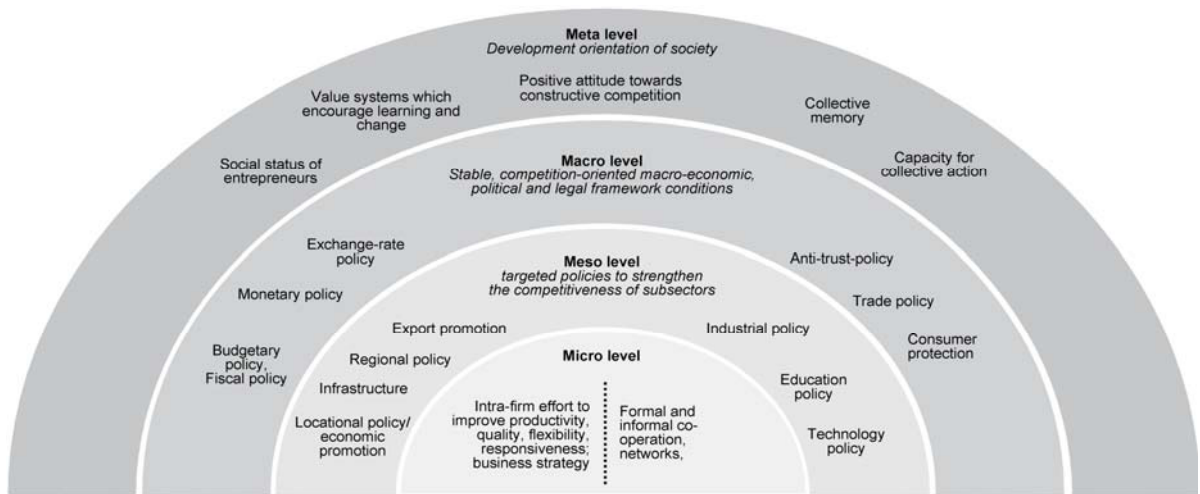
The concept of systemic competitiveness was elaborated by scholars from the German Development Institute (GDI) in the early 1990s as a response to the so-called neoliberal model of economic development². The neoliberal school emphasised the need for less interference in the economy by the state. Governments should minimise bureaucracy, secure a legal environment that would guarantee the rule of law and limit its actions to proper general policies at the macro level.

The proponents of the systemic competitiveness concept stressed the necessity to create a market-oriented business-adequate environment through appropriate regulation at the macro level. However, they argued that this was not enough. Based on observations in newly industrializing countries such as South Korea, they advocated an active involvement of the state in the economy. For them, the answer was not just less government, but rather governments doing the right thing.

For them, countries can shape competitiveness on four levels: The first is the *meta level*, the sphere of the society. Culture, religion, history and attitude all shape the way in which societies create a stimulating or a difficult environment for business growth. For instance, a society which regards the role of entrepreneurs highly and accepts that their efforts are rewarded financially provides a much better breeding ground for economic success than a highly egalitarian society that views entrepreneurs with envy and distrust. The second is the *macro level*, already mentioned above. This is the sphere of generic policies such as monetary, budgetary and exchange rate policies. The third is the *meso level*, the sphere of specific sector policies and their institutions such as research institutes, chambers of commerce and industry and technical testing and inspection bodies. The fourth is the *micro level*, the sphere of firms and their interaction patterns.

² Esser, Klaus, Wolfgang Hillebrand, Dirk Messner, Jörg Meyer-Stamer: Systemic Competitiveness. New Governance Patterns for Industrial Development. London, 1996.

The levels that shape systemic competitiveness are summarised in the following graph.



In a nutshell, the proponents of the concept view competitiveness as a result of interrelated efforts to address market failures on the micro, meso, macro and meta level. And the state is seen as having an active role in creating an environment that makes companies survive in competitive markets.

How is the conceptual framework of systemic competitiveness translated into the tools and the process of LED? The following lines seek to provide an answer. Note that some instruments used in LED promotion are mentioned which will be explained in detail further below.

- *The Rapid Economic Appraisal (REA) and the concept of systemic competitiveness:* The REA targets the four levels of the concept. While the *legal and administrative environment* refers to, broadly speaking, the macro level, the field *businesses* relates to the micro level, *support institutions* and *infrastructure* to the meso level, and *human resources* to the micro level. The meta level is touched upon under *legal and administrative environment* and *businesses*. Natural resources, another aspect dealt with in the REA, are cutting across all four levels like society's affection for nature (meta), generic environmental policies (macro), ecological aspects within specific policies and programmes (meso) and the way entrepreneurs deal with natural resources (micro).
- *LED interventions and the concept of systemic competitiveness:* Practice has demonstrated that interventions identified as a result of LED processes cut across three of the four levels. For instance, you can find interventions which target the simplification of business permit and licensing processes (macro level),

programmes which support specific business branches (meso level) as well as agricultural cooperatives and herder groups which work towards increasing their production (micro level).

- *The LED process and the concept of systemic competitiveness:* Dialogue among the various stakeholders within a local area is an essential ingredient of the approach. Hence, the LED process promotes transparent and democratic decision-making within the local society (meta level).

The question arises how the sustainable development paradigm, the concept of systemic competitiveness, and the LED approach are related. Sustainable development can be considered as the overarching goal that many governments and international development agencies are striving at. Systemic competitiveness is geared towards organizing society in a way conducive to economic development. It tells us, in broad terms, *how* to achieve one of the cornerstones of the sustainable development paradigm, namely economic development. Though the focus is on economy, it can firmly accommodate the other dimensions, because, in the long run, it is difficult to envisage competitiveness without sensible environmental policies, good governance and social peace.

3. Key stakeholders in LED

3.1. The target groups of LED

Target groups are local stakeholders who ultimately benefit from LED. Economic development is mostly based on the efforts of private companies. The key target group of LED are thus owners / managers of firms, people planning to start a business or those who are self-employed. In some instances, however, the public sector is also an important driver of the local economy, for example via public sector employment or through the delivery of services essential for private businesses such as water, transport infrastructure and electricity. With regard to the latter, public private partnerships — for instance by outsourcing certain services — may favourably use the profit and sustainability orientation of the private sector to improve efficiency of service delivery, save costs for local government and stimulate the local economy. The Mongolian school feeding programme, which encourages the delivery of meals and drinks through local firms, is a case in point. The programme favours locally manufactured goods,

provides an additional market for local raw materials such as milk and meat and stimulates import substitution.

What kind of companies should be targeted by LED initiatives? In the early stages of LED initiatives, efforts were mainly directed at attracting new investors. This has not always proved to be a successful approach, mainly for two reasons: First, the number of potential new investors prepared to relocate is limited. Second, local administrations have often been tempted to engage in a *race to the bottom*. This means that local areas have been competing among one another to offer the lowest taxes and fees for local service delivery, thus undermining their resource base. Drawing attention equally to local existing businesses or potential local start-ups gives local decision makers a chance to work with a wider range of companies and provides a lot more options for interventions promoting local economic growth.

3.2. The actors

The actors are those groups in the local society who carry out LED programmes which ultimately benefit the target group. Frequently, national governments mandate local or regional governments to be responsible for LED. While the specific roles may vary in different circumstances, as a rule the local and/or regional administrative departments should focus on the creation of favourable enabling conditions for the thriving of the private sector along the four levels of systemic competitiveness. With very few exceptions, the role of government agencies is *not* to directly invest in businesses and create new companies, as experience in the past has amply demonstrated the ineffectiveness of the state as an entrepreneur.

Admittedly, some of the key frameworks such as the trade policy, the currency exchange rate, monetary policies, the regulation of financial markets and social policies are set at national level. However, this does not mean that public institutions within the confines of a local territory are left with no scope for manoeuvre at all. The actions of local offices of standards and norms, local tax offices, agriculture departments, veterinary services, departments for industry and infrastructure all impact on the performance of local businesses. And the education sector, especially universities and vocational training centres also have a role in local economic development. The more responsive these institutions are to the needs of the local business community, the more flexible they are in interpreting policies and

guidelines set at national level, the better the prospects for developing actions favouring local economic growth.

3.3. The role of Business Membership Organizations (BMO) in LED and their potential gains

The role of the private sector and civil society (businesses, chambers and trade/professional organisations, as well as other stakeholders such as NGOs and community organisations) is to articulate their interest and commit to the creation of income and employment. In the past, many BMOs have seen their role in relation to the public sector as entities pointing to deficiencies in government policies and their implementation. They tended to demand remedies *from* government. While this will continue to be one of their essential tasks, within LED BMOs take up a role as a partner in development. This includes management and moderation of LED processes and of specific interventions. The advantage for society at large of such a pro-active stance of chambers and business associations is that BMOs get closer to the concerns of the business community and are therefore much more likely to address them more effectively. Government agencies also often face financial and human resource constraints. If private and public players complement their resources, more leverage is generated. Additionally, a society in which private citizens take their affairs into their own hands is a more democratic society.

By becoming pro-actively involved in kick-starting and sustaining LED processes, BMOs can benefit in various ways. Using the tools proposed in this manual, the organisation will become a more professional player in local economic affairs. Assuming the success of the interventions, the public sector, the business community and civil society in general will acknowledge the constructive contribution of the business association or chamber for its efforts in spurring the well-being of local citizens. This will strengthen the BMO's advocacy role which, in turn, will enable it to more easily initiate further action towards a favourable business environment and stimulate further local economic growth. A more vibrant local economy will make it easier for BMOs to broaden its membership, collect membership fees more securely, stabilise its financial situation and guarantee its sustainability as an organisation.

Once a BMO has subscribed to become a player in LED, it will sense the demand for delivering good results. A misconceived or badly coordinated LED intervention can have negative repercussions for its

reputation and have a negative bearing on its other activities as well. Hence, implicitly there is a need for the BMO to organise its internal processes and management in a way that enables smooth implementation.

3.4. Prerequisites for BMOs taking up an active role in LED

Which prerequisites should be met for launching LED processes and for BMOs taking up an active or even leading role in them? We identified five essential conditions out of which three refer to the general institutional environment and two to the private sector organisation itself.

- *Decentralisation of decision making powers:* Many interventions require the consent or active involvement of public bodies, either as regulators (for instance if the use of natural resources or land is an issue in the intervention), as mediators (for example if the local business community claims unfair treatment by tax or inspection authorities) or as funding body. If the decision-making powers are highly centralised and administrative processes cumbersome, it will be very difficult to create the momentum that is necessary to generate the commitment of local stakeholders. Hence, a certain degree of decentralised decision-making powers is key to launching successful LED interventions.
- Political environment favouring rational decision-making: Some countries and local areas are characterised by a harsh political climate, where dominant families or political parties are involved in destructive pettifoggery. While some degree of political rivalry is healthy, too much of it will undermine any attempt to launch successful LED processes. Consequently, the existence of a political climate conducive to an approach that puts the needs and potentials of the local constituency before political aspirations is another condition.
- *Availability of financial resources:* There are indeed LED interventions that do not require financial resources. Most of these refer to the regulatory and administrative environment (for instance creating a dialogue forum between the local business community and the tax authorities). However, experience has shown that, at varying degrees, a considerable amount of interventions require financial resources. In principle, there are different sources: the local government budgets, the budgets of national government agencies active in the local area, NGOs, international projects and the business community itself. In the case of Mongolia, support was

provided by the partnership project between MNCCI and the German Association of Chambers of Industry and Commerce (DIHK) for the co-funding of local initiatives. The initiators of LED processes should be aware of the need for, as well as availability and sourcing mechanisms of, financial means. This specifically applies to the initial stages of such processes, when speedy implementation is a key requirement for building trust with local stakeholders.

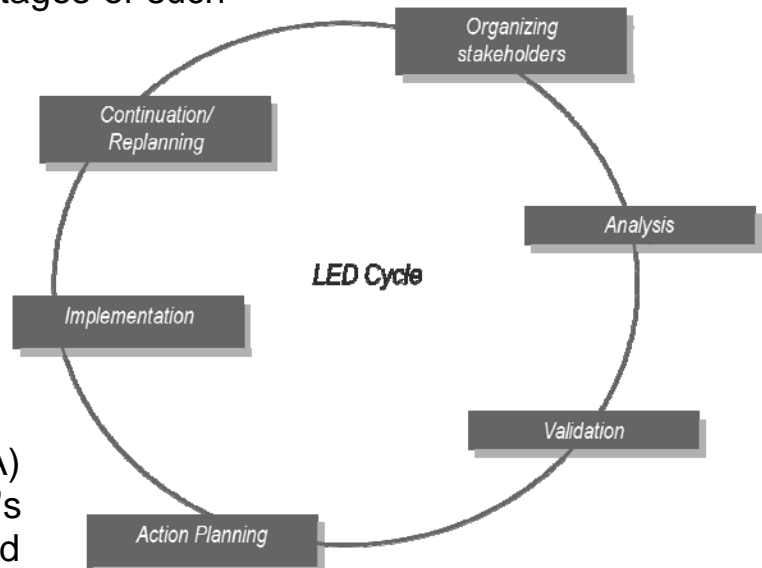
- *Territorial organisation of the BMO:* LED is a territorial approach. It will be easier to mobilise BMOs to take an active part in it if they are equally organised around territorial boundaries. Otherwise, the legitimacy of the organisation focusing on a particular area might be questioned. Likewise, the motivation of the association or chambers will most probably be higher if they can identify with municipality, district, province or region. Exceptions to this rule are sector-based BMOs in which a significant part of the membership clusters in a particular local area; this is the case in Brazil's gypsum industry, for instance.
- *Basic coordination and implementation capacities of the BMO:* At the infant stage of its organisation development, a BMO will encounter numerous obstacles in becoming an active and successful player in LED. A few prerequisites should be met: The association or chamber should have an office of its own with functional office and communication equipment. Its board of directors should have displayed a keen interest in the LED approach and be ready to devote some time to the process. The BMO should have a minimum of two professional staff (one manager and one assistant). Its members should be active (at least 60% of all registered members should regularly take part in ordinary assembly meetings). It should also have easy access to the local administration.

In assessing the suitability of a country or a BMO for the LED approach, all of these criteria should be given serious consideration. If only one of them is not being met, it will be very difficult to venture effectively and efficiently into private sector-led LED.

4. The LED cycle

LED is not a singular, one-time intervention. In principle, it is a continuous process and does not end at a certain date. The following graph demonstrates the stages of such

a process: While, in the beginning, local stakeholders need to be organised in the sense that they agree to build their local economy jointly and accept the need for change, the second step consists of conducting a Rapid Economic Appraisal (REA) to assess a local area's economic potentials and constraints. This brief



analysis is carried out by outsiders such as external facilitators. In order to obtain a common understanding of the strengths and weaknesses of the local economy and verify the appraisal results, the analysis is validated by local stakeholders in step 3. Based on this, lines of intervention are identified (stage 4). The interventions seek to overcome constraints or utilise economic potentials of a local economy with a view to generating employment and income. Then, implementation starts, the most essential part of any LED process (step 5). An intrinsic element of implementation is monitoring. Without monitoring mechanisms, it is likely that the momentum created at the start will not sustain and the process will fizzle out. Some time after getting the ball rolling, local stakeholders will need to decide whether to continue the process and where to set the priorities (step 6).

The following chapters will describe the steps in more detail and provide practical tips for facilitators.

4.1. Step 1 – Organising the local stakeholders

This step marks the beginning of any LED process. It is assumed here that the local BMO has already decided to venture into local economic development. Hence, the next task is to organise the remaining stakeholders. This means approaching key local decision-makers,

identifying a felt need for local decision-makers to become more active and systematic in the promotion of the local economy, making them aware of the features and procedures of the approach and planning for the ensuing steps. The following table lists the necessary stages. Note that the details may vary from country to country or even from local area to local area. The important point is to find a structured way of securing commitment from various groups in the local area.

Table 1: Stages in organising local stakeholders

Stages	Description and pointers
BMO to enter into contact with local administration	It is advisable to obtain the support of the head of the local executive – the Mayor, the District Chief Executive, the Provincial Governor – for the process. The more intense support from the public sector is, the easier resource mobilisation, implementation success and institutionalisation will be. Administrative heads always have time constraints. Hence, lengthy lectures about LED should be avoided. It is recommended to highlight the quick-win nature of the approach, the need for and benefits of cooperation, and to present the next steps. Success stories from other local areas are always a plus. The outcome should be for the Chief Executive (i) to signal “go ahead” and (ii) to designate one or several contact persons with whom to cooperate in the ensuing tasks.
Conduct orientation meeting with larger group	This group should include key representatives from the local administration, the local legislature, education institutions, leading entrepreneurs, other BMOs, and NGOs. The objective is to gain wider support for kick-starting the LED process. Topics are the following: <ul style="list-style-type: none"> – Objectives of the LED approach and the LED cycle – Success stories from other local areas – The roles of the LED Coordinator and the Focal Persons for LED Projects – Costs involved in LED processes
Select LED Coordinator	As LED involves several stakeholders, it is important to have a coordinator who serves as an information relay and who pushes the process forward. There are several options: (i) the local BMO serves as coordinator, (ii) the local administration performs this task or (iii) a shared coordination does so. Visibility for the BMO is highest if it chooses to be the coordinator. In the beginning of an LED process, the key task will be to prepare the following steps of the LED cycle. Later on, monitoring would be a key task.
Stakeholder mapping	This serves to identify key stakeholders as interviewees for the resource person interviews as well as potential advocates for the LED process. This can be done either during the orientation meeting with a larger group or in a separate event.

Agree upon memorandum of understanding (MoU) by the key partners involved

The memorandum of understanding (MoU) serves to secure commitment from the different stakeholders for venturing into the LED approach. Ideally, the MoU should include a plan for the ensuing steps and their funding (transport and accommodation for the facilitators, workshop costs etc.).

If a strong motive to care about LED can be identified, and if local stakeholders appear to be able to work together, the two most essential criteria for engagement in such a process are met. In some cases this initial assessment takes a single day, in other cases, several meetings are required.

4.2. Step 2 – Assessing the economic situation

4.2.1. Objectives and principles of Rapid Economic Appraisals (REA)

The objective of an REA is to identify potentials and constraints for accelerated economic development of a particular territorial unit. It serves as a starting point for short-, mid- and long-term interventions to overcome growth barriers and let the local population, including poorer sections of society, participate more widely in economic gains. The appraisals are also a means for initiating public-private dialogue. They are based on a set of principles which are outlined here:

- *Rapid appraisal:* The rationale behind a *rapid* appraisal is to save scarce financial resources and time as compared to traditional and very detailed studies. Still, one would expect to come up with results that are fairly correct. Normally, 'rapid' means two to four days of field work and an additional full day for the summary and analysis of the information gathered. It is not the intention of an REA to go into all details and provide ready solutions but rather to identify the crucial issues and offer a structured way for the local constituency to find appropriate responses.
- *Participation:* Participation already comes in at this stage. The results of the analysis are partly shaped by *hard* data but to a significant extent also by the perceptions of the local respondents. Apart from this, interviewees are invited to the validation and action planning workshop (see steps 3 and 4). Thus, they have an opportunity to correct, add to and confirm the findings of the external facilitators, who steered the appraisal.
- *Holistic approach:* A rapid appraisal aspires to examine all relevant aspects that impinge on the development of a local economy. Six fields of analysis are commonly considered: General trends; legal and administrative environment; structure and evolution of the local

micro, small, medium and large companies (in rural areas this includes the farming sector as well); support institutions; endowment with human and natural resources; and infrastructure. In many countries, decision-makers at local level often equate local economic development with the provision of infrastructure. Hence, this methodology widens the outlook of the stakeholders and provides them with additional insights.

4.2.2. Preparing an REA

The preparation of the field work is an important intermediary step between the organisation of the local stakeholders (stage 1) and the actual REA (stage 2). It may require additional meetings with local stakeholders. The purpose is to establish a solid working relationship with the LGU, to prepare the field work and to ensure a successful assessment. These are the key issues:

- *Establishing sample size and structure:* Within an REA scientific research that meets the requirements of statistical accuracy is not expected. This is mainly due to practical reasons. In the real world, engaging into such rigorous research would simply be too costly and too time consuming for local stakeholders. Instead, an REA is based on methods of action research. How these are translated into sampling procedures is described in Annex 1.
- *Provide written information on the local area to the LED-facilitators:* The external facilitators will need written information broadly depicting the economic situation of the district, municipality or province. Information on the number and structure of local businesses, including agriculture, are part of this. Other important sources of information are described in section 4.2.5.
- *Demarcate field work areas:* The economic assessment is often carried out by a team of four to eight facilitators. In order to use the time efficiently, it is advisable to split the area into different zones (mostly three), so that the appraisal team can work in parallel. The criteria for this separation could either be purely geographical (such as north, east, west), relate to economic characteristics (for example industrial zone, commercial zone, farming zone) or a mix of both, depending on the features of the local area.
- *Logistics:* Since the appraisal team does not have much time, logistics need to be prepared well in advance. Key questions are: How is the transport organised? How many vehicles do we need? Who provides them? Who covers fuel costs? Where will the

facilitators be lodging? Will we provide snacks to the participants of the kick-off and the validation/action planning workshops? What will be the venue for the workshops?

- *Team composition:* The team composition depends on who the driver of the process is. Often it is a combination of a national institution interested in the dissemination of the approach and the local stakeholders. For instance, in Mongolia staff members of MNCCI based in the capital conduct the REA jointly with the local chamber branch. In St. Lucia, the teams comprise representatives of the Ministry of Social Transformation (MoST) (central level) and Community Development foundations (local level). This mixture can help promote the exchange of experiences and information within the team from different perspectives. While external facilitators can bring in unbiased and uncompromised views, local facilitators can contribute their local knowledge.

4.2.3. The schedule of an REA

After the preparations, the actual appraisal follows. The next table provides the typical schedule of a rapid economic appraisal. It is broken down into four parts:

- *Kick-off workshop:* The mission begins with a kick-off workshop with local stakeholders from the public and private sectors. This event officially launches the exercise. After the team has explained the purposes and methodology of the appraisal in *simple* terms, sometimes even in the local language, the audience is given the opportunity to comment and ask questions. Quite commonly, these questions are related to funding concerns. The available options for financial support could then be briefly explored. However, it is important to emphasise the need for local contributions to the LED projects and the expectation that recurrent costs are borne by the local stakeholders. Some interventions do not involve costs at all or only very little expenses (i.e. for the establishment of dialogue platforms). The event is closed by asking the audience to provide the information needed by the appraisal team and inviting the attendees to the validation and action planning workshop at the end of the field exercise.

Table 2: Example of the schedule for an REA

	Day 1 Sun.	Day 2 Mon	Day 3 Tues	Day 4 Wed	Day 5 Thurs	Day 6 Fri	Day 7 Sat	Day 8 Sun
Morning		Kick-off workshop	Interviews and mini-workshops	Interviews and mini-workshops	Interviews and mini-workshops	Analysis	Validation/ action planning workshops	Rest
Afternoon	Arrival of the team. Technical preparations. Meeting with local LED Focal Person.	Interviews	Interviews	Interviews	Interviews	Analysis	Validation/ action planning workshops	Documentation, cleaning-up travel back home
Evening			Team meeting: Biggest surprises and documentation	Team meeting: Biggest surprises and documentation	Team meeting: Biggest surprises and documentation	Preparation of presentation and workshop		

- *Conducting interviews and field work:* With the logistical support of the local stakeholders, the LED Coordinator and the contact persons of each of the zones, the field work begins right after the kick-off workshop. It is useful to spare some time at late afternoon or early evening to allow group members to exchange some of the day's experiences. One tool could be asking for *the biggest surprises* and visualising them on flipchart paper. Normally, a lot of exciting and detailed observations are elicited in that manner.
- *Analysing the information:* The analysis follows the information gathering. It will take approximately one working day. The objective is to come up with a draft of the assessment matrix (see chapters 4.2.4 and 4.2.6). It is recommended to follow the logic of the matrix and brainstorm on each of the fields of analysis sequentially. A look back at the *biggest surprises* encountered during the field work can also be helpful.
- *Preparing the presentation:* As a final step, the presentation needs to be prepared. There are two options: If you expect a large group (more than 30 attendees), it is recommended to design a power point presentation but if you expect a smaller group, a presentation on flashcards might be preferable. The advantage of the latter is that you may easily change cards according to how the discussion goes, which makes it quite a participatory tool. It also allows for the visualisation of a complete matrix, while in PowerPoint you can only see parts of it at once. On the other hand, flashcards are not visible enough if many people are participating, which gives PowerPoint an advantage. What you go for depends on the specific circumstances and might entail a combination of both forms of presentation.

4.2.4. Fields of analysis, sources of information and the assessment matrix

Within an REA, we distinguish six fields of analysis:

- *General trends*: General trends relate to the development of the local or regional gross domestic products (GDP), local poverty incidence, employment and population trends including in- and out-migration as well as general location factors (such as proximity to big cities and markets).
- *Legal and administrative environment*: The legal and administrative environment refers to tax issues, red tape, local economic policies and strategies including the quality of their implementation as well as public participation in local economic decision-making and the responsiveness of local authorities to the demands and needs of the local business community.
- *Businesses*: This field involves the brief analysis of the structure of the local economy. This includes the identification of the major sub-sectors, their development over the past years and potential as well as constraints for their further evolution. Agriculture is also dealt with under this heading. Since it is one of the intentions of LED to spur economic growth, emphasis should be given to those areas within agriculture which have growth potential and less to subsistence farming.
- *Support institutions*: Support institutions relate to those organisations that provide services, directly or indirectly, to the business community. These include the financial sector (commercial and rural banks as well as non-banking financial intermediaries), the education and training sector (for human resource development), technical support institutions (e.g. laboratories), NGOs (human resources and technologies development) as well as trade associations and chambers of commerce and industry. Their potentials and constraints are dealt with under this section.
- *Human and natural resources*: Under this header we are interested in identifying skills gaps but also advantages of the local workforce as well as labour costs from the point of view of the local business community. The availability of natural resources is also assessed. Specific comparative advantages which distinguish a particular local area from another are identified. Environmental issues that might jeopardise the long-term use of natural resources are also considered.

- *Infrastructure*: Infrastructure encompasses all aspects of direct relevance to the local economy such as the road network, provision of electricity, water, real estate, telecommunication and liquid and solid waste removal. Not all of them are under the control of the local jurisdiction. However, if circumstances require a change in the present situation, local stakeholders might engage in a joint effort to negotiate the matter with the responsible authorities.

Annex 2 provides a list of guide questions related to each of the fields of analysis.

4.2.5. Tools for information gathering and triangulation

Within an REA several methods for information gathering are combined in order to come up with an image of the economic situation of a territory such as a municipality or city. The use of different methods (triangulation) is intended to enhance the validity of the analysis, considering the rapidness of the appraisal. These methods include the use of written materials, individual interviews with business owners, resource person interviews, field observations and a validation workshop with local stakeholders.

- *Written materials* refer to existing statistics, studies on socio-economic developments, short- and long-term development plans, budget plans and sector development plans (for example development plans for agriculture). Although these documents provide valuable information and statistics on certain aspects of the local economy, they rarely depict the overall economic situation, hence making it necessary to complement the information through other sources.
- Interviews with *business owners* constitute another source of information. The *business questionnaire* is directed at the businesses operating in a particular municipality. It covers all sectors of a local economy, from market-oriented agriculture, manufacturing and services to commerce. It also targets all sizes of businesses, from micro, small and medium to large companies, be they formal or informal. It seeks to obtain information about the companies' particular development and on the local business environment from the point of view of the businesses interviewed. Preferably, the questions should be directed at the owners. Exceptionally, the respondents can also be managers (such as in the case of medium and large businesses) if they are knowledgeable about the company and the local economy. A model

questionnaire for business interviews is presented in Annex 3. A guide to the questionnaire is available in Annex 4. Practical pointers for conducting the interviews are available in Annex 5.

- In the context of LED, we understand *resource persons* as persons who have some general knowledge about the local economy. Their information, perceptions and analyses can give us the broad picture about what is going on economically in a given local area. Likewise, they can provide information on the activities of the institutions they represent. They can come from various groups of public bodies such as the local administration, councillors, BMOs, NGOs dealing with economic issues, banks and other financial intermediaries, the academe, cooperatives, people's organisations, BDS, the media, training providers in a local area and representatives of organisations who work towards the sustainable use of natural resources. The key selection criterion is an organisation's or person's ability to deliver insights into the development of the overall local economy. The second criterion is someone's capability of providing insights into the specific field the entity or individual person is working in (for example natural resource management, finance). Annex 6 provides a model questionnaire and Annex 7 a guide to the questionnaire.
- *Inputs from local REA team members*: Although local REA team members are usually not formally treated as resource persons and therefore are not interviewed, they provide valuable information and insights. This relates specifically to team discussions on REA results. They can put findings into the local context and provide additional support for the interpretation of certain insights, specifically those related to the local political situation and *touchy* issues.
- *Observations* made during the interviews constitute another form of information gathering. This requires facilitators to conduct interviews at the work places of the respondents. Observations enable interviewers to obtain additional information and validate the responses instantly. For example, if local authorities claim that the area has advantages for tourism but you see a lot of litter around, the claim is instantly falsified.
- The *validation workshop* conducted as the following stage of the LED cycle is another element in the triangulation process. Here, the emphasis is not on obtaining additional information but rather on obtaining feedback from local stakeholders about the correctness of the analysis. Chapter 4.3 provides more insights into this method.

Experience has shown that the combination of these sources of information enables facilitators to arrive at a fairly comprehensive picture of the local economy. It should be noted, however, that in practice the study of the written documents available is often neglected. It should be borne in mind that these provide information that cannot be elicited through interviews and can serve as a valuable source for the validation of the perceptions of local stakeholders.

4.2.6. Elaborating the analysis

The analysis of the local economy is done in two steps, (i) the compilation of the information and (ii) the synopsis of the analysis in the form of a simple matrix. With regard to the former, sequa disposes of an electronic file that makes it easy to compile the data and automatically generates graphs³. The synopsis of the analysis is summarised in the form of a simple matrix, which relates potentials and constraints to each field of analysis (see table 3).

Table 3: The format of the assessment matrix

	Potentials	Constraints
General trends		
Legal and administrative environment		
Businesses (including micro businesses and farmers)		
Support institutions		
Human and natural resources		
Infrastructure		

The REA team should reserve a full working day for the analysis. It is assumed here that the data resulting from the interviews have already been filled into the electronic file. It is proposed that the team follows these procedures for the analysis:

- *Check written documents:* The first step would be to have another look at the written documents (assuming that they have been read during the preceding days). The key question would be “What are the key findings here?”

³ Interested readers may obtain the Excel file by sending an email to uschi.tenhagen@sequa.de

- *Check interview summaries:* Then, each team member would have to browse again through the compilation of interview results as documented in the electronic file. Key questions are “What are your key comments?” and “What are the results revealed by the quantitative analysis?”
- *Brainstorming:* As a next step, the team conducts a brainstorming. Each team member is making notes of potentials and constraints according to each field of analysis on a meta plan card. The cards are pinned on a softboard and clustered according to the matrix.
- *Group consensus:* The findings are discussed and a consensus on the appropriate statements is arrived at. The final matrix is elaborated. The discussion needs to be facilitated by one of the team members.
- *Documentation:* The matrix is summarised in the form of a PowerPoint or another form of presentation that can be presented during the validation and action planning workshop.
- *Programme for the validation workshop:* As a final step, the team drafts a programme for the upcoming workshop and tasks are divided.

Annex 8 provides an example matrix from an REA carried out in the Province of Uvurkhangai, Mongolia. A few things should be taken into consideration when elaborating the matrix:

- *Present an analysis and not just data:* The matrix is an analysis of the REA team based on the information gathered during the preceding days. This means that it does not simply quote the results as compiled in the Excel workbook. For example, instead of stating “20 percent of the respondents consider the road network as negative, 30 percent as not so good ...” and so on, the team needs to present a summarised statement such as “The feeder road network is inadequate which increases marketing costs of agricultural produce” and/or “Good road connections to the regional capital”.
- *Relevance and specificity:* The findings need to point at something relevant and specific for the local area. For example, the sheer existence of a local administration is not something that provides either an advantage or disadvantage from the local economy’s point of view. However, saying that the local administration is actively engaged in a dialogue with the local community would match both criteria because this is an essential ingredient of economic development processes and, as a tool, not often practiced.

- *Dealing with conflicting statements:* In case the perceptions of key stakeholders conflict with the analysis of the team, the latter can opt to present the former as a perception of the respondents. An example would be “Local entrepreneurs perceive loan conditions offered by local banks as inadequate”. The team might balance this statement by formulating a finding depicting the situation from the point of view of the local providers of financial services: “According to local banks, the risks for loans for micro-businesses and farmers are relatively high.” These are two sides of the same coin which might be discussed during the validation workshop and sensitise the two groups to the respective concerns of each party.
- *Comparing results from business with resource person interviews:* It can be quite revealing to compare the results from business with resource person interviews. In case there are consistent diversions on certain topics between the two groups, for example in the way the business community assesses local policies relating to economic development as compared to resource persons (many of them representing the local administration), these might be presented as opposed standpoints at the workshop. This might trigger productive discussions.
- *Practicality:* The matrix should not be overloaded with too many findings, because this might cause facilitators and local stakeholders to be unable to “see the forest for the trees” and lose focus. A good analysis can be done with four to seven findings in each of the quadrants; more than 10 should be avoided.
- *Coherence:* Facilitators should check the coherence of the matrix, in the sense that the findings are placed in the right quadrant. This is not just a technical matter but requires a clear understanding of the essence and direction of the statement. Take the example of over-fishing in municipal waters. The team should have a clear idea of whether the issue is, for instance, a lack of municipal policies and their enforcement or a lack of alternative livelihoods for the local fisher folk or even both of the factors together. If it is a policy matter, the finding would be placed under *Legal and administrative environment*, if it relates to practices of the fisher folk and the lack of other means of income generation, the statement would be placed under the *Businesses* quadrant. If both are true, two statements are placed within the respective categories.
- *Use graphics carefully:* Some of the findings might be illustrated by graphics automatically generated in the electronic file. However, the presentation in the validation workshop should not be turned into a *show* of graphics as this might divert attention from the content.

Using two or three graphics that illustrate unexpected or outstanding results should be enough.

4.2.7. Pre-selection of proposals for intervention

The analysis of the appraisal and the interventions resulting from it need to be owned by the local stakeholders. Ideally, proposals for intervention would therefore be identified in a dialogue with them during the validation and action planning workshop. However, for practical reasons such as time constraints during the workshop, it is advisable that facilitators make a pre-selection of some proposals for intervention. Still, these proposals would be based on the information gathered from the local people. It is recommended to use the evaluation grid (Annex 10) for the selection. Core criteria for the identification of suitable proposals are presented and interpreted here:

1. *Based on the REA:* Any intervention needs to be backed up by an assessment of the potentials and constraints of the economy of a local area; without such an assessment it would be difficult to establish a *raison d'être* for a particular project. The REA is a tool that is intended to assess the economic situation of a local area in all crucial aspects. Thus, it helps to prioritise interventions and to avoid *wish lists* with little focus on what the *real* issues are. If a proposal for an intervention is obviously and directly related to such an assessment, it should obtain a rating of 2. If it cannot be backed up by a systematic analysis, the rating would be 0. A score of 1 is given, if it can be indirectly deduced from the analysis.
2. *Doable within 6 to 12 months:* In the past, local economic development initiatives all over the world, have suffered from a too academic approach: Substantial plans with huge activity lists were elaborated. They often did not manage to achieve their objectives because their aspirations did not match the implementation capacity of a local area. This resulted in frustration and, in the end, very little changed. In order to build trust with local communities, it is therefore of utmost importance to achieve quick-wins through the implementation of projects that achieve their objectives in a short time, like 6 to 12 months. This is not to promote *short-termism*: A doable intervention should be placed in the context of a longer term vision. For example, the development of sea-based, pro-poor tourism in all its various facets would definitely require more time than just half a year. However, at the commencement of an LED process, you single out those activities that can deliver tangible results within just a few months; then, later on, you tackle activities

which require more time. If the intervention can be done within 6 to 12 months, 2 points are given. If practicability within this timeframe is somewhat likely but not too definite, the rating would be 1; if it is unlikely, no point is awarded.

3. *Doable with local resources*: Implementation with local resources means that local stakeholders are in a position to carry out the intervention without the need to rely on outsiders to do the job. This is to foster local ownership, a crucial ingredient of sustainability. This does not rule out that local groups will approach outsiders, such as trainers or experts, to support them in specific aspects of their interventions. However, it's the local groups which should be in the "driver's seat" and manage the interventions without depending on others. If they can run the project completely on their own, the rating would be 2. If coordination and management would necessitate some external support, the rating would be 1. In the case of heavy dependence on outsiders 0 points would be attributed.
4. *Relevant for the local economy*: In this context, relevance is related to the outreach of an intervention within a local economy. If an intervention takes place in a sector or sub-sector producing a large share of the local GDP or harbouring a significant proportion of local SMEs, it would be considered as relevant (rating of 2). If a project is designed for a tiny sector, it would be considered as less relevant (rating of 0 or 1).
5. *Positive impact for a sub-sector and/or the general public (not just a single business)*: This criterion is closely related to the previous one and, yet, somewhat different. It means that impact and outcomes resulting from an LED intervention should not benefit just a single business, even if this operates in a relevant sub-sector of the local economy and a lot of additional employment and income would be generated (e.g. if one dealt with a single big company). The reason is that a market-oriented approach like LED should avoid creating market distortions by assisting individual businesses. In terms of rating, 2 points are allotted when the interventions favours a sub-sector as a whole, 0 points if it benefits a single or a very small group of, say, 3 to 5 businesses. 1 point is awarded when the coverage of businesses would range somewhere in-between.
6. *Directly or indirectly contributes to pro-poor growth*: The LED approach is placed within the dimensions of the sustainable development paradigm. The idea is to contribute to the attainment of social objectives (for instance more income, more jobs, less poverty) through economic development. However, the gains of

economic development do not automatically trickle down to the poorer sections of society. For this reason, one of the criteria is that LED interventions should help the less advantaged groups of society to benefit from enhanced growth. If this occurs directly (for example by assisting local fishermen to process fish and increase value-added), the rating would be 2; if it does so indirectly (for instance by upgrading market facilities, where the action as such may only lead to gains in income if other conditions are met at the same time), it will obtain 1 point. If there is no connection with pro-poor growth or if the connection is too loose (for example when the intervention is the creation of a website for the marketing of a local area), the rating is 0.

7. *Sustainability*: In case of support through a national government agency, an NGO or another organisation, the question arises whether the intervention and/or its activities will be continued after the support has ceased. Hence, the sustainability criterion assesses the likelihood of an intervention to continue on its own, without the support of outsiders. If this is likely, 2 points are given; if sustainability is impossible or unlikely, the rating is 0. For an assessment in-between these two poles, the score is 1.
8. *Bonus for specific LED relevance*: A total of 4 points are available for additional criteria such as the potential of a particular intervention to serve as a model for other local areas, the contribution to sustainable management of natural resources, and to environmental protection as well as gender sensitivity. If all these criteria apply, the rating would be 3. A fourth point can be given at the discretion of the evaluator, for instance if the proposal turns out to be very innovative or if it promotes good governance within the public sector.

4.3. Step 3 – Validation of the appraisal results

The function of the validation is twofold: First, to provide feedback to the appraisal team on the correctness and conclusiveness of the analysis from the point of view of local stakeholders and, second, to ensure that the local groups really own the analysis. The validation is carried out in the form of a workshop, immediately followed by the action planning. The event is officially opened either by a representative of the BMO or the local administration. As part of the opening, key elements of the LED approach, the objectives of the event, the activities conducted by the REA team and its composition are again presented.

After the opening, one or more representatives of the appraisal team proceeds with the presentation of the appraisal results (around one hour). Then, the main presenter invites the audience to comment and state whether the findings are correct or need amendment. Depending on the situation it may be an option to already invite comments at an earlier point, e.g. after a subpart of the presentation or even at the point of an expectedly controversial finding. In the validation, it is recommended to follow the sequence of the matrix. Another team member visualises the comments on a flipchart. If the majority of the audience wishes to change a statement, the presenter either does so immediately or assures those present that this will be done later. After approximately an hour of discussion, the facilitator summarises the main concerns raised by the participants and segues to the next part, the action planning.

For the validation workshops to be carried out successfully the following pointers will be useful:

- *Timing of the workshop:* It is strongly advisable to let this workshop follow immediately after the REA and thus capitalise on the momentum created during the REA. This also fits the brisk and result-oriented nature of the approach.
- *Wide stakeholder participation:* In preparing for the workshop, facilitators should bear in mind that it is useful to let a cross-section of various groups and institutions participate in the workshop. This builds credibility and momentum and makes it easier to pool local resources.
- *Emphasise action orientation:* Conducting successful interventions and producing tangible result is key to the sustainability of LED processes. Hence, their action orientation should already be stressed during the opening of the workshop in order to maintain the interest of the audience.
- *“Hijacking” of discussions:* It may happen that strong personalities dominate the event and try to push discussions into their direction (*hijacking*). The facilitators need to be aware of this risk, counter it skilfully and manage the discussion in a way allowing others to express their views as well.

4.4. Step 4 – Action planning

The session following the validation usually serves to obtain a consensus on priority interventions based on the criteria sketched out in section 4.2.7; it also serves as an entry point into detailed action planning. The following sequence is proposed:

- *Brainstorming on interventions:* The facilitators explain the criteria for proposal selection and present proposals for intervention that are based on the REA results discussed earlier. They ask for feedback from the audience: “Do you agree with the proposals? Do you have others?” If other proposals come up, the facilitators add them to the list. Then, smaller groups are formed that have the task to rate the proposals according to the criteria. There are two options: Either each group does a rating exercise for all proposals or each group focuses on one proposal. Either way, in the end the ratings of each of the groups are compiled into a single table, allowing for comparison of the results and a summary of the ratings. The top three proposals will be selected (up to five, if local capacities allow for a more comprehensive action plan). Note that the REA team members would have to act as moderators of the group work.
- *Identify focal persons for LED projects:* After drawing up the list of interventions, the facilitators introduce the figure of the *Focal Person for LED Projects*. They inform the audience that these are people from the local area who work with the LED Coordinator in the implementation of the actions and the monitoring of the process. They try to ensure the success of the interventions. Focal Persons are professionally involved in the particular area, have some decision-making capacities and are committed to provide resources (for instance time, know-how, materials, money) for the action. Then, the facilitators of the event display a large sheet of paper and invite proposals and volunteers. Those who are willing to get involved write their names, function, institution and cell phone number on the board.
- *Start of action planning:* The next step is to commence with the actual action planning. Again, smaller groups are formed according to interventions. The facilitators of the workshop draw the attention of the audience to the format of the action plan (see Annex 10). They explain that the focus of the session should be on clarifying the object of the intervention (“What exactly do we want to do within the intervention?”) as well as the objective (“What exactly do we wish to achieve through the intervention in one year's time?”). This discussion should enable the participants to at least fill the first item

of the action plan *objective*, which would guide the ensuing action plan refinement. After this has been achieved, the question “Which institution and individuals would have to be involved in the project implementation?” If the mapping reveals that key stakeholders are not present, the Focal Persons for LED Projects should make sure they are invited for the action plan refinement. If time allows, the groups can already do a rough planning of the other items of the action plan.

- *Scheduling the action plan refinement:* In the plenary, the objectives as defined by the groups and their rough plans are briefly presented and discussed. The next step is to agree on a schedule for a follow-up session that will further specify the activities, the time frame, responsible persons and collaborators for each of the activities and the budget of the project. A list of key persons to attend the detailed planning sessions is also drafted. The role of the LED Coordinator as a convener for the next event is emphasised.

It is highly recommended to schedule the first follow-up event in due time, i.e. around two to four weeks after the workshop, in order to maintain the momentum of the process. Likewise, the detailed planning should be moderated by an external facilitator from whose expertise local stakeholders may benefit and who is able to balance conflicting views and interests.

4.5. Step 5 – Implementation

Implementation lies at the heart of every LED process. It means putting into practice the interventions agreed upon, leaving the preparatory phase and starting concrete action. This phase is so important because, without proper implementation, objectives will not be achieved and the LED process will ultimately peter out. Achieving tangible results for farmers and business people is the only way of sustaining the momentum generated in the kick-off phase.

What are the essential requirements for successful implementation?

- *LED action plan:* First of all, you need to agree on a plan with local stakeholders. We consider the LED action plan as the aggregate of the plans for individual LED interventions. This plan needs to contain clearly assigned tasks for the LED Coordinator and the Focal Persons for LED Projects (see chapter 4.4); a budget is also part of it.

- *External coaching:* During the first years after kicking off the LED process in a particular local area, some external coaching is advisable. The reason for this is that most local areas are not yet acquainted with participatory planning and implementation and that it needs some time and practice before these procedures take root. Coaching can be provided by various institutions depending on mandate and capabilities. For instance, in Mongolia MNCCI's Division for the Promotion of SMEs in Rural Areas is providing such assistance, while in St. Lucia it's the Community Development Officers (CDO) assigned by the Ministry of Social Transformation (MoST) which have taken over the task. When acting as coaches, facilitators should be careful to not take over the roles assigned to local stakeholders, as this may undermine the local initiative and, ultimately, the sustainability of the process. A facilitator's role should therefore be limited to stimulating local stakeholders to do their job, highlighting the benefits that ensue for everybody if actions are completed in time, and providing advice.
- *LED Committee:* The LED Committee is composed of the LED Coordinator and the LED Focal Persons for Projects. Its key tasks are (i) to ensure that the action plan is put into practice and (ii) to serve as an information relay for the local administration and the business community. Details on the functions of the committee are provided in Table 4. Taking into account the multiplicity of tasks local stakeholders are responsible for, the LED Committee should not be considered as *yet another committee* or an additional burden. Hence, if local decision-makers deem it adequate, the role to be played by the LED Committee may be mainstreamed into an existing (and well-functioning!) committee, for example an SME promotion committee.
- *Monitoring the action plan:* Monitoring mechanisms are necessary because they build peer pressure, ensure transparency and can serve as a conduit for disseminating success stories. The reference for the monitoring is the action plan. Technically, the status of action plan implementation may be documented by using the *remarks* column of the plan format. It is suggested that monitoring is carried out by the LED Committee or any other body that has taken over its tasks. Screening the ongoing activities, deliberating about how to overcome roadblocks in the implementation and constantly adjusting the activities of the action plan are tasks within monitoring.

Table 4: Tasks of the LED Committee during the implementation stage

Designation	Tasks
LED Committee	<ul style="list-style-type: none"> • Coordinates the activities to be carried out in each of the LED interventions. • Devises ways to overcoming implementation roadblocks. • Ensures the funding of activities either through internal or external sources. • Documents the progress of LED interventions. • Serves as Information source for local administration and the business community. • Gathers ideas for further actions. • Monitors the LED action plans and, if useful, their integration into mandated short- and medium-term plans for the local administration.
External Facilitator	<ul style="list-style-type: none"> • Obtains information regarding performance status of LED projects. • Motivates and coaches LED Coordinators and Focal Persons for LED Projects. • Promotes dialogue between conflicting parties in case the need arises. • Supports local stakeholders in acquiring external support.

4.6. Replanning

Replanning is the last stage of the LED cycle. It takes place approximately one year after the commencement of the process. This period is long enough for interventions to produce some tangible results and short enough to maintain the momentum generated at the early stages of the process. Replanning pursues three objectives:

- The first objective is to conduct an evaluation of the interventions and the overall process. Key questions are: Have we managed to implement the activities we had planned? Have we attained the indicators of our plan? What have we learned along the way? What are the positive changes that we have jointly achieved? What are the success factors?
- The second objective is to review the REA carried out in the previous year, check which findings are still relevant, which findings need to be rephrased in order to take account of current trends and whether new developments worth including in the matrix have taken place. The product of this review is an updated matrix.

- The third objective is to plan new activities for the next one-year cycle. Key questions in this regard are: Are the interventions from the previous cycle still relevant for our local area? Should we engage in new interventions? Within the interventions, what exactly do we aspire to achieve in the coming year? What activities are we going to carry out?

Replanning is conducted in the form of a workshop in each of the localities engaged in LED. Due to its crucial nature, it is advisable to invite an external facilitator as moderator of the event. In the case of the partnership project in Mongolia, a delegation from MNCCI's headquarters regularly takes part in the event and conducts the moderation. An example of the format of the workshop from Mongolia can be found in Annex 11. It should be noted that, according to the process nature of LED, the replanning workshop is repeated every year. Ideally, these events will finally become an intrinsic part of local decision-making in economic affairs and no longer depend on donor intervention. Experience has demonstrated that the chances for this to happen are better after two or three cycles have successfully been carried out.

Replanning is a major event in any LED cycle. Well-prepared, it can showcase public-private partnership in economic development. Change processes like the ones induced by LED normally pass through several phases of motivation and frustration. Commending successes during the replanning workshop will help to create an atmosphere of "it was worth it" and build energy for the upcoming cycle. In order to ensure lively discussions and foster the dialogue between the public and private sector, it is highly recommended to mobilise representatives of both groups. For interventions that require funding, it is important to align the replanning sessions to the budget cycle so that sourcing of local funds for the newly defined interventions becomes easier.

5. Trainings in LED as an element of capacity development

Capacity development is an essential ingredient in creating the sustainability of the LED approach. In this context, sustainability is defined as the capability to initiate, manage and replicate LED processes without the support of an external donor organisation. The transfer of know-how and skills is one cornerstone of capacity development. Hence, this manual describes two training formats, one

of which is directly related to the LED approach while the other aims at strengthening moderation techniques.

The training of facilitators (ToF) is directed at organisations that wish to play an active role in the dissemination of the approach and the management of LED processes at the local level. These include the private sector (for instance staff of BMOs, consulting companies) and the public sector. The latter include representatives of local administrations and legislature as well as those entities at national level that have a mandate for economic development and the development of local areas.

The purpose of the ToF is

- to familiarise participants with the general concept of Local and Regional Economic Development (LED) and with the LED cycle and
- to acquaint participants with a cost-effective, target-oriented and participatory methodology of kick-starting LED-processes through the identification and planning of concrete LED interventions.

The training simultaneously intends to enhance the methodological capacities of the trainees, improve their economic know-how and change their values and attitudes with regard to participatory approaches for local economic decision-making and planning. The training is organised in a participatory and action-oriented fashion. Group activities, the use of visual aids and the discussion of a specific LED case lie at the heart of the training, in addition to the conceptual and methodological input provided by the trainers. The participants use the know-how provided during the event by conducting an abridged REA of the economic potentials and constraints of the local area where the training is taking place. A workshop with local stakeholders is staged, where the results of the assessment are presented and discussed. Finally, LED-interventions are identified. The case study, the abridged REA, highlights the action-oriented nature of the event. It is expected that concrete results are achieved for a particular local area.

Experience has shown that its practical nature makes the training attractive. Most of the participants are less interested in theory than in learning from practical examples that demonstrate how the approach works and which benefits it can reap. This makes the approach relevant for their own professional life. However, in order to achieve this, a few prerequisites should be met:

- The field work needs to be prepared thoroughly. A local area for the REA has to be identified and the commitment of local stakeholders has to be secured. Interview partners have to be identified and meetings with them need to be scheduled well in advance. Workshop venues have to be identified and local stakeholders need to be invited. Another aspect is the necessary logistical arrangement such as transport for the participants and the preparation for field interviews.
- As pointed out above, the ToF will result in the identification of LED interventions. This makes it necessary to acquire funds for the implementation of the latter. One of the options would be to secure financial resources from within the local area where the training will take place. This could be the local administration, an NGO or a larger company interested in building good relationships with the community. Another option is external funding through a donor agency. In any case, it is highly recommended to have this aspect clarified well in advance. Failure to continue with the interventions will most probably diminish the credibility of the organiser of the ToF.

The second type of training advocated in this manual concerns moderation techniques and operational planning. Sometimes the terms facilitation and facilitator are used synonymously with the terms moderator and moderation. In the context of LED, however, we use these terms differently. An LED facilitator is involved in the kick-starting, coaching and management of all stages of the cycle, while moderation techniques are used for specific events, such as the moderation of a round table discussion or the moderation of a workshop. Hence, an LED facilitator sometimes acts as a moderator and needs to be well versed in moderation techniques.

The training proposed here pursues the following objectives:

- Acquaint participants with some basic concepts of communication theory and adult learning.
- Familiarise trainees with the role and tasks of moderators.
- Equip participants with essential moderation techniques that can be applied to the management of LED-processes and other purposes relevant for BMOs (for instance moderation of discussions, visualisation techniques such as flashcards).
- Acquaint participants with the format of operational plans used for LED interventions.

The training is a three-day event and enables the trainees to "learn from doing". Practising moderation techniques is the key methodology of this training. Since repetition facilitates the absorption of content and ultimately leads to skills mastery, it is proposed to devote two sessions on this topic, one of which is done conducted within the group of trainees and the other of which presents a real-life case such as the detailed planning of an LED intervention.

6. The example of Mongolia

6.1. Context

In its Economic Growth and Poverty Reduction Strategy (EGPRS) released in July 2003, the Mongolian Government recognised the establishment of a sound institutional and regulatory environment as one of the cornerstones of sustainable growth and poverty reduction. Furthermore it recognised the critical role of the private sector as the driving force in this process. However, according to a World Bank report (World Bank, 2006d, p. i) "... the broad policy statements made in the EGPRS need to be translated into a coherent private sector development strategy that clearly identifies specific steps that the government might undertake, in partnership with the private sector and international donors."

It is against this background that a partnership project between the Mongolian National Chamber of Commerce and Industry (MNCCI), the Association of German Chambers of Industry and Commerce (DIHK), sequa – Partner of German Business and the Federal Ministry for Economic Cooperation and Development (BMZ) commenced in March 2006. The project will last until February 2012. While MNCCI and DIHK are the institutional partners of the project, sequa acts as implementing agency on behalf of the DIHK. The BMZ is the funding and monitoring agency.

The Mongolian Chamber of Commerce was founded in the year 1960. Until the collapse of the Soviet Union and the centrally planned economies, membership was compulsory for all – mostly state-owned – companies. In 1990 the organisation changed its name to Mongolian National Chamber of Commerce and Industry (MNCCI). At the same time, membership became voluntary. Mongolian law has assigned MNCCI the tasks of representing the interests of its members, putting forward proposals for improvement of the business environment,

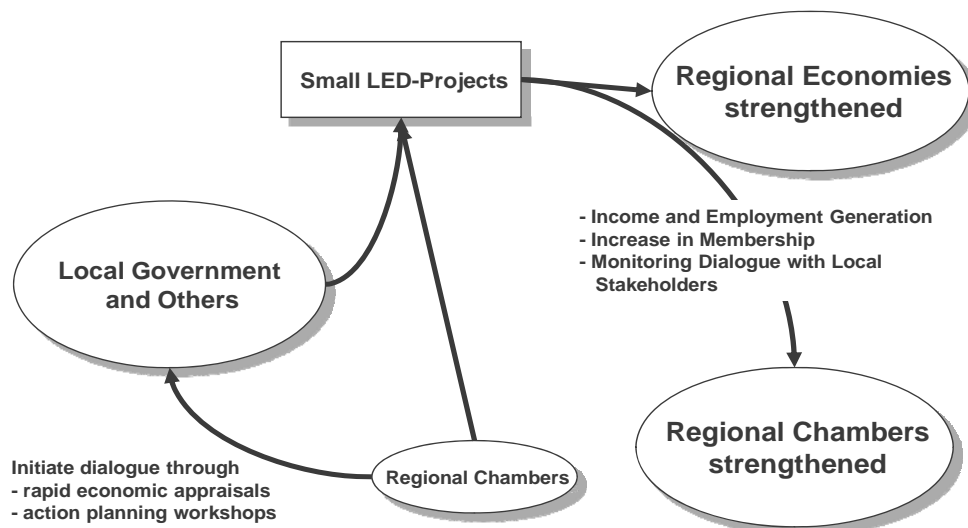
issuing certificates of origin, establishing arbitration laws, conducting trade fairs and exhibitions and engaging into export and import inspections. The tasks stipulated in the bylaws of MNCCI go far beyond those defined by law: They include business matching schemes between national and international entrepreneurs, study tours, exchange of experiences with international BMOs, fostering the development of SMEs and others more.

While, at national level, the Mongolian chamber law only allows the creation of a single chamber, it accepts affiliated chambers at sub-national level, the so-called regional chambers. These cover the territory of one province (= Aimak). Their number has increased drastically over the last years. While, at the end of 2002, there were only 6 local chambers, there were 15 at the start of the project in 2006. As of March 2010, their number has reached 19, which basically means that the entire territory of Mongolia, consisting of a total of 21 Aimaks is covered by a network of regional chambers under MNCCI.

6.2. Goals and mode of operation

The goal of the partnership project is to contribute to the growth of SMEs in rural areas, generate employment and income and, ultimately, impact poverty alleviation. The project follows the LED approach. In a participatory process with local stakeholders, supported by a team of external (national and international) consultants, analyses of comparative and competitive advantages and disadvantages of the participating provinces are conducted. On this basis, small LED projects designed to strengthen advantages and overcome constraints are defined. The idea is that the success of these small LED projects will contribute to generating income and employment. At the same time, membership of the local chambers will increase and, through constant monitoring dialogues with the local government and other stakeholders as part of the LED process, the chambers will have a stronger say in local business affairs. Hence, the institutional base for an appropriate business environment at sub-national level in Mongolia will be improved (see also the following graph).

Rationale of the MNCCI/DIHK Partnership Project



In its implementation, the project builds strongly on the capacities of MNCCI. Instead of the appointment of a long-term advisor, an entire team was built at MNCCI's headquarters which coordinates and organises the project. In the course of the partnership project, MNCCI has institutionalised the team through the creation of the *Promotion of SMEs in Rural Areas Division*. The team is supported by a Project Director from sequa, operating from Germany and an intermittently active long-term consultant, with two or three assignments each year in the country. Every regional chamber can avail itself of a fund of up to 8.000 EUR per year in order to co-sponsor small LED projects. This sum mostly serves to contribute to the funding of 2 to 3 of these initiatives per year. A cornerstone of the project is monitoring. Each year all of the Aimaks participating in the project are visited by a team from MNCCI in order to monitor (i) the development of the economy of the respective Aimak, (ii) the evolution of the regional chambers and (iii) the progress of the LED projects.

6.3. Outcomes

Between 2006 and 2008 a total of 46 small LED projects were carried out in 17 provinces. The direct financial support provided through the partnership project totalled 131,000 EUR. As Table 5 reveals, most of them are in the field of promotion of primary production and processing of raw materials. However, some form interesting exceptions such as the recycling of plastic waste and its transformation into products mostly sold to the construction industry (for instance gully covers). With the exception of one project, all of them continue without external

support, which indicates a high degree of sustainability. According to monitoring data, 1,153 individuals participated in the trainings which are an intrinsic element of all small LED projects. 988 households reported a higher income directly related to the projects and around 150 additional jobs were created in small dairy, waste recycling and animal hair processing plants as well as within cooperatives.

Apart from these outcomes, other results were recorded:

- The population of the capitals of Arkhangai and Uvurkhangai provinces benefited from a cleaner environment after the establishment of the plastic waste recycling plants. This supports the tourism industry, which is an important business sector in Mongolia.
- More than 800 families benefited from seeds and seedlings (potato, sea buckthorn, soybean, maize and fruit trees) distributed within several LED projects.
- As a result of the expansion of sea buckthorn plantings and the successful marketing in Uvs province, the authorities increased the local tax volume markedly.
- In the medium- to long-term, the population of the town of Kharkhoren will enjoy a better protection of their water resources as a result of reforestation taking place at the bank of the Orkhon river in partnership between the local prison and the regional chamber of commerce.

An outcome on a wider scale relates to the fact that MNCCI more vigorously advocated a pro-active stance of the national government towards supporting the rural economy. Recently, the government resolved to initiate nation-wide programmes for the promotion of sea buckthorn and the processing of sheep's wool.

Table 5: Small LED Projects in Mongolia 2006 to 2008

Type 1	Encouraging local primary production
Bayan-Ulgii	Enhancement of the productivity of the Bayad breed of goats
Khentii	Expansion of potato production and exchange of seeds
Khovd	Training and marketing support for corn and soybean cultivation and their processing
Selenge	Promotion of buckwheat cultivation in order to reduce importation of buckwheat
Uvs	Expansion of sea buckthorn cultivation and processing
Zavkhan	Enhanced productivity of the Sartuul sheep

Type 2	Encouraging local processing of raw materials
Arkhangai and Uvurkhngai	Processing of yak wool into handicraft products and garments
Bayan-Ulgii, Dornod, Tuv and Uvurkhngai	Dairy production
Darkhan	Production of animal feeds based on waste bones
Dundgobi	Processing of sheep's wool into felt products
Gobi-Altai	Processing of dried vegetables into innovative products (such as powdered soup)
Khentii	Production of Batshireet cheese
Uvurkhngai	Processing of barley into powder to be used as porridge

Type 3	Encouraging trade relations
Umnogobi	Establishment of a trade centre in the Aimak centre
Uvs	Establishment of the Borshoo trade centre for the improvement of cross-border trade between Russia and Mongolia

Type 4	Encouraging the service sector
Selenge	Establishment of a network of tourism operators for improved marketing

Type 5	Improving natural resource management
Arkhangai	Promotion fish conservation techniques
Arkhangai and Uvurkhngai	Reduction of littering through plastic waste recycling
Darkhan	Training of local citizens in the planting of trees with marketable fruits and creation of a local park
Zavkhan	Establishment of a tree nursery

Type 6	Marketing support for local businesses
Khovd	Promotion of adapted packaging techniques for local farmers
Uvs	Animal exhibition (horses, goats and sheep)

Type 7	Strengthening of local BMOs
	Strengthening of a network of 18 local chambers of commerce through the promotion of the ED approach

Type 8	Making local technical training more market-oriented
	Training provided through local education providers and businesses has become an intrinsic element in most of the LED interventions supported by the partnership project

By the end of 2011, it can be expected that around 150 LED projects will have been promoted through the partnership project. MNCCI is highly interested in continuing the approach beyond the project term. The key challenge is to acquire national funding for these initiatives. The Mongolian banks, though well represented in the provinces and districts, are mainly geared towards providing loans for short-term and trade-related business activities. The national SME fund, which operates in every province and which grants loans at more favourable terms, is directed at individual businesses, while the LED projects all serve public interests in the sense that their immediate benefit goes beyond a single business. Hence, there is a need for raising funds in order to allow new initiatives to unfold beyond the year 2012.

7. Annexes

- Annex 1: Sampling procedures for the Rapid Economic Appraisal
- Annex 2: Fields of analysis and their respective guide questions
- Annex 3: Business questionnaire
- Annex 4: Guide to the business questionnaire
- Annex 5: Pointers for interviewers
- Annex 6: Resource person questionnaire
- Annex 7: Guide to the resource person questionnaire
- Annex 8: Example of an REA matrix from Kumasi, Ghana
- Annex 9: Evaluation grid for the selection of LED interventions
- Annex 10: Format of the action plan
- Annex 11: An example of the format of the replanning workshop from Mongolia

Annex 1: Sampling Procedures for an REA

Many LED facilitators are concerned about the size of the samples. “If we conduct the appraisal rapidly”, they say, “can we come up with statistically representative data?” The response is that within an REA it is not expected to conduct scientific research that meets the requirements of statistical accuracy. This is mainly due to practical reasons: In the real world, such rigorous research would simply be too costly and too time-consuming for local stakeholders. Instead, an REA is based on methods of action research. Action research is an interactive inquiry process that balances problem solving actions implemented in a collaborative context with data-driven collaborative analysis or research (Wikipedia Action Research). In terms of sampling, a method called purposive sampling⁴ is being used. Within purposive sampling, you have specific predefined groups in society in mind on which you base your assessment. In the case of an REA, these are business people within a geographical setting, including the farming community, as well as resource persons to provide their expert opinion and perceptions on the evolution of the economy in a given territory. Taking into account the range of business entities and the maximum number of interviews you will be able to conduct, you construct a sample that, to a certain degree, reflects the proportions of each of the economic sectors. For example, if agriculture accounts for 60% of local GDP, you would select a significant share of all respondents for individual business interviews from the field of agriculture.

In practical terms, it is proposed to follow the following procedures to construct the sample:

Table: Broad steps to follow in the assembly of a sample for the REA

Businesses	Resource Persons
1. <i>Key information:</i> Obtain information on the number of businesses active in each sector (agriculture, mining, manufacturing, commerce, services). If available, obtain information on the contribution of each sector to local GDP.	1. <i>Mapping:</i> Conduct a stakeholder mapping with local stakeholders (see chapter).
2. <i>Sample size.</i> Determine the sample size. In a local area between 50,000 and 200,000 inhabitants, the floor should be 30 interviews and the ceiling 100 interviews.	2. <i>Sample size.</i> Determine the sample size. In a municipality between 50,000 and 200,000 inhabitants, the floor should be 10 interviews and the ceiling 20 interviews.
3. <i>Proportions in the sample:</i> On the basis of the available number of businesses per sector, determine the number of businesses per sector to be included in the sample. The proportionate representation in the sample should meet the proportions existing in real life to a certain degree.	3. <i>Selection of respondents:</i> Compulsory respondents should be the key BMOs represented at local level, the local administration (among them the chief executive, planning officer(s), agricultural and industry officers) the local legislature, banks, microfinance institutions, vocational training institutions, universities, utilities, community groups. In the selection, it is recommended to follow the IIP principle: interested, influential and powerful.

⁴ See the Web Centre for Social Research Methods for a quick overview of purposive sampling under www.socialresearchmethods.net/kb/sampron.php

<p>4. <i>Prepare list of respondents:</i> Obtain a list of local business people with names of businesses and their addresses. Purposively select respondents according to your numerical targets. Likewise, prepare a list of replacements. Forward respondents' list to local stakeholders, agree upon a date for the field work and ask the local LED Coordinator to inform the respondents of the interview date.</p>	<p>4. <i>Prepare list of respondents:</i> Forward respondents' list to local LED Focal Person, agree upon a date for the field work and ask the focal person to inform the respondents of the interview date.</p>
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In preparing the sample, please take note of the following pointers.

- *Larger enterprises:* You will sometimes find only one or a limited number of larger enterprises in a local area. If this is the case, include them in your sample. These companies are important players in the local area; they often have forward or backward linkages with other business entities in the municipality and, if so involved, may provide valuable resources for the LED process.
- *Informal sector:* The informal sector often plays an important role in a local economy. Make sure to consider this when you prepare the respondents' list. Since informal businesses are not registered, there might be no written files to locate them. If this is the case, reserve *slots* for interviews within those sub-sectors where informal businesses can be found and ask the support of local stakeholders to locate them.
- *Size of the local economy:* The procedure is based on the assumption that the size of the local area does not exceed a population of 250,000 inhabitants. If the actual size is well above that figure, the sample construction may need to be redesigned. Options available are: (i) the number of interviews is increased, (ii) the REA focuses on a specific territory within the local area or (iii) the appraisal is directed at a specific sector (for example manufacturing) or several sub-sectors within a specific sector (like the garment, wood and electronic industries). The first option would definitely require a readjustment in terms of resources devoted to the exercise (for example time, number of interviewers, financial resources).

Following the above mentioned pointers in a flexible manner will most probably pave the way for achieving the objective of the REA, taking a snapshot of key potentials and constraints of a local economy and identifying interventions for the kick-off of a longer-lasting LED process. However, it should be remembered that a qualitative assessment like this one will not come up with the "ultimate truth" and is not hard science, but rather an instrument for involving local stakeholders in a structured, systematic and practical dialogue that has the ultimate purpose of improving their economic situation.

Annex 2: Fields of analysis and their guide questions

Field of analysis	Key questions	Sources of information
General trends	<ul style="list-style-type: none"> - What are the local or regional Gross Domestic Product (GDP) figures over the last five years? What is the trend and what are the key determinants for either dynamic or sluggish growth? - Population: What is the general growth rate and what are trends in in- and outmigration? How broadly based is poverty and who is most affected? - What are the trends in unemployment and underemployment? - What are the general location factors (like proximity to big cities and markets) 	<ul style="list-style-type: none"> - Municipal Development Plans - Resources person interviews
Legal and administrative environment	<ul style="list-style-type: none"> - Taxes: What local taxes do exist? Do local stakeholders consider them high or fair? How efficient and professional is the local tax administration (for example regarding tax collection)? - Red tape: In what areas does red tape exist? Is corruption a problem? How does red tape affect the business community? - How can the local government's attitude towards economic development be assessed? - How did the local government's budget develop over the last few years? What are the key sources of revenue? Is there pressure towards raising the share of internally generated revenues? How does it affect the local business climate? - How can the capacity of local government to carry out LED programmes and interact well with private stakeholders be assessed? Is there enough dialogue between the private and public sector? - Are there programmes and strategies towards improving economic development? Does government interfere directly and heavily in the local economy, thereby creating market distortions? Or are programmes geared towards creating an enabling environment? - Is the local business community involved in decision-making on economic affairs? What do public and private sector representatives think about the effectiveness of these dialogue mechanisms? - Are there local policies, programmes and related activities that address natural resources management? Are these enforced effectively? What has been the impact of these policies, programmes etc.? 	<ul style="list-style-type: none"> - City/municipal profiles - Resources person interviews - Individual interviews with business owners
Businesses (including micro businesses)	<ul style="list-style-type: none"> - How many businesses are there (please break this down into the categories: micro, small, medium and large)? - What are major subsectors and how did they develop over the last few years? Which subsector is the most important source of employment? - What are the major problems of the business community/subsectors (for example threat of new entrants, threat of substitution, competition within subsectors, problems with suppliers)? - How confident are local business people with regard to the business climate (this can be measured by investment plans of companies)? - How are local businesses integrated into supplier and consumer markets (local, regional, national, international)? 	<ul style="list-style-type: none"> - Individual interviews with business owners

Field of analysis	Key questions	Sources of information
<p>Support institutions</p>	<ul style="list-style-type: none"> - Are environmental problems jeopardizing economic livelihoods? Are there economic activities which have a negative effect upon the environment? Which are they? Are there any ways to mitigate the negative effect? - Financial system: <ul style="list-style-type: none"> - How many banks and non banking financial intermediaries operate in the local area and what types of services do they offer? - Do their services and service conditions correspond to the needs of the local market? - Education (vocational and technical education): <ul style="list-style-type: none"> - What kind of vocational and technical education institutions operate in the local area? - Do their services correspond with the business community's needs? - Training: <ul style="list-style-type: none"> - What kind of vocational, skills and technical training institutions operate in the local area? - Do their services correspond with the business community's needs? - Providers of Business Development Services: <ul style="list-style-type: none"> - Are any private BDS providers located in the area? In which fields? Do they operate well? - Are any private BDS providers from outside operating in the area? In which fields? Do they operate well? - NGOs and Cooperatives (limited to those dealing with economic/business issues): <ul style="list-style-type: none"> - Are there any NGOs involved in economic affairs active in the local area? In which fields? Do they operate well? - Chambers and trade associations: <ul style="list-style-type: none"> - Which chambers and associations are active in the local area and what is their specific mandate? - How many members do they have? Did membership increase or decrease over the last few years? - What is the financial situation of the chamber/association? Do they also provide business-related services or do they focus on social issues? - Natural Resource Management: <ul style="list-style-type: none"> - What are the existing private and public organisations and companies which promote sustainable use of natural resources? - Could they serve as a relay for furthering the promotion of sustainable practices of natural resource management? 	<ul style="list-style-type: none"> - Resources person interviews - Individual interviews with business owners

Field of analysis	Key questions	Sources of information
Human and natural resources	<ul style="list-style-type: none"> - Employment: <ul style="list-style-type: none"> - Are unskilled labourers available? How do business people compare their costs with the quality of work they provide? - Are there skilled human resources available? If so, in which fields and in which fields are their skills gaps from a business point of view? - Are skilled human resources expensive from a business point of view? If so, why? - Natural resources: <ul style="list-style-type: none"> - Are there natural resources (such as land, minerals, tourist attractions) in the local area? - Are there environmental problems related to the use of these natural resources (e.g. soil degradation)? - Can the natural resources be accessed by businesses? Are there problems in the land tenure system? If there are problems in the use of natural resources from the point of view of business, do these indicate inappropriate management ? 	<ul style="list-style-type: none"> - Municipal Development Plans - Resource person interviews - Individual interviews with business owners
Infrastructure	<ul style="list-style-type: none"> - How can the situation of the road transport (km of gravel and cemented roads, quality of bridges) be considered? - How can the situation of maritime transport (ports, ferry companies existing, ferry lines) be considered? - How is the quality and cost of power supply to be assessed? - Is developed real estate available for business purposes? Can its costs be considered high or fair? - How is the quality and cost of the telecommunication network considered? - How is the cost and quality of water supply for business operations considered? - How do respondents perceive cost and quality of liquid and solid waste removal? 	<ul style="list-style-type: none"> - Socio-economic profiles - Resource person interviews - Individual interviews with business owners

ANNEX 3:

Business Questionnaire Local Economic Development (LED)

Part 1: Basic information on the companies interviewed

1.1 Name of company: _____

1.2 Location of company: _____

1.3 Name and function of person interviewed: _____

1.4 Date of start of business activities: _____

1.5 Sector/Sub-Sector: _____

1.6 Number of employees

	Five years ago	Two years ago	Present number
Permanently employed			
Part-time/seasonal			
Family labour			

1.7 Revenue (sales turnover)

Tendency over the last five years		
Increasing	Stagnating	Falling

1.8 Investments

Did you invest in your business during the last five years?

yes no

If yes, in which areas did you invest during the last 5 years?

Expansion of capacity installed	Replacement of machinery	Upgrading/expansion of premises	Other

Do you have plans for investment in the near future?

yes no

If yes, specify: _____

1.9 Integration into supply markets

Purchase of agric. input I/ raw material/ finished good I/ merchandise I.			
Name: (and estimate its origin in % of total purchases)			
Local area	Province	Other Provinces/Regions in Philippines	International

If other Provinces/Regions, specify: _____

If International, specify: _____

Purchase of agric. input II/ semi-finished input/ finished good II/ merchandise II.			
Name: (and estimate its origin in % of total purchases)			
Local area	Province	Other Provinces/Regions	International

If other Provinces/Regions, specify: _____

If International, specify: _____

Do you face any problems with regard to supply markets?

yes no

If yes, which? _____

1.10 Integration in target markets

Sale of major product 1 (estimate in %)			
Local area	Province	Other Provinces/Regions	International

If other Provinces/Regions, specify: _____

If International, specify: _____

Sale of major product 2 _____ (estimate in %)			
Local area	Province	Other Provinces/Regions	International

If other Provinces/Regions, specify: _____

If International, specify: _____

Do you face any problems with regard to target markets?

yes no

If yes, which? _____

1.11 Do you face any problems in the use of natural resources (if applicable to your company)?

yes no

Which? _____

Part 2: Potentials and Constraints of the Local Economy

2.1 How do you assess the following items with regard to your company?

	Item	Excellent	Good	Fair	Not so good	Negative
Legal and administrative environment	2.1.1 Amount of taxes and fees paid					
	2.1.2 Relationship with tax officers					
	2.1.3 Business licenses: Difficult or easy to get?					
	2.1.4 Provision of information by local government adequate and accurate?					
	2.1.5 Building permits: Difficult or easy to get?					
	2.1.6 Sufficient dialogue between public and private sector?					

Comments:

Support Institutions	2.1.7 Access to training institutions					
	2.1.8 Access to technical/ scientific support institutions					
	2.1.9 Access to consulting services					
	2.1.10 Access to finance					
	2.1.11 Performance of business associations					
Comments:						
Human Resou.	2.1.12 Availability, cost and quality of unskilled labour					
	2.1.13 Availability, cost and quality of skilled labour					
Comments:						
Infrastructure	2.1.14 Cost, quality and outreach of road transport					
	2.1.15 Cost and reliability of power supply					
	2.1.16 Cost and availability of real estate (space)					
	2.1.17 Cost and reliability of telecommunication					
	2.1.18 Cost and reliability of water supply					
	2.1.19 Cost and quality of waste removal					
Comments:						

2.2 In a nutshell, what do you regard as the three major potentials and constraints for the economic development of your municipality?

	Potentials	Constraints
1.		
2.		
3.		

Notes: _____

Annex 4:

Guide to the LED Business Questionnaire

The „Business Questionnaire” is directed at the businesses acting in a particular municipality. It covers all sectors of a local economy, from agriculture, manufacturing and services to commerce. It also targets all sizes of businesses, from micro, small and medium to large companies, be they formal or informal.

It seeks to obtain information about the companies’ particular development and of the local business environment from the point of view of the businesses interviewed. Preferably, the questions should be directed at the owners. Exceptionally, the respondents can also be managers (e.g. in the case of medium and large businesses) provided they are knowledgeable about the company and the local economy.

As a rule of thumb, an interview will take between 45 minutes to 1 hour and a quarter. The interviewer should explain the purpose of the interview carefully and point to the fact that it is placed in the context of improving the local stakeholders’ capacity to accelerate the development of the local economy in a process based on dialogue between local government, the private sector and other groups as far as they are dealing with economics. The language should be adjusted to the respondents which might require replacing economic terms with common language. In certain settings, this might also require translating the questions into the local language.

Part 1: Basic information on the companies interviewed and their evolution over the last years

This part of the questionnaire is intended to obtain basic information as on the business such as company name (1.1), its specific location (1.2), the name and the function of the person in the business (1.3), the date of the start of its operation (1.4) and the sector as well as the sub-sector it is placed in (1.5). A few pointers:

- *Name of the business (1.1):* If the business does not have a specific name, this line is left blank.
- *Name and function of the person interviewed (1.3):* If the person does not wish to see his or her name on the questionnaire, this line is equally left blank. Sometimes, it helps to ask the name at the end of the interview, when trust has been built.
- *Date of start of business operations (1.4):* It suffices to know the year in which the business operations started (1.4).
- *Sector and sub-sector (1.5):* Agriculture and mining are considered as primary, manufacturing as secondary and commerce as well as services as tertiary sectors. A sub-sector is a specific branch within the sector, for instance coco-planting within agriculture, a juice factory within manufacturing and a grocery’s store within commerce. Both categories need to be named.

The following points, i.e. number of employees (1.6), revenue (1.7), investments (1.8), integration into supply markets (1.9) and sales markets (1.10) should provide information on the evolution of the particular company. In tabulated, summarised form it provides some basic insight in the dynamics of a local economy.

Some explanations with regard to each of the issues:

- *Number of employees (1.6)*: This point is broken down into three categories, i.e. permanently employed, part-time or seasonal labour and family labour. The latter only refers to non-paid family members because they would otherwise appear twice: either as permanently or part-time/seasonal staff and, again, in the latter category. We are interested to get the respective figures for five years and two years ago as well as the present figure. At the level of an individual company, these questions provide us with hard evidence about its dynamism and expansionist drive. At an aggregate level, it may enable us to make comparisons between sectors and sub-sectors and it may serve as an indication of the drive of a local economy as such.
- *Revenue (1.7)*: Revenue refers to the sales turnover of a particular business. Since entrepreneurs may be reluctant or unable to mention accurate figures, we are here referring to the tendency over the last five years, broken down into three categories, i.e. “falling”, “stagnating” and “increasing” (tick!). It may happen that revenues are cyclical. In this case, the interviewer will describe the cycle briefly on the questionnaire. If the cycle does not reveal any trend, a tick is made under 'stagnating', if it does reveal a trend, one of the other boxes it ticked.
- *Investments (1.8)*: Investments relate to the purchase of a capital good that enables a business to fulfil its operations (for example a cooking stove in the case of a delicacies producers or a welding machine). Expansion of capacity installed means the expansion of a company’s ability to manufacture goods or to offer more services in quantitative terms. In the case of a trading company it could, for instance, mean the establishment of additional commercial outlets. In many countries, a capital good is defined according to its purchase price (in Germany, for instance, above 400 EUR). When many companies in a local economy have invested in the past, it means they have enhanced the overall business capacities, which can be an indication for a conducive business environment⁵. When they did not do so, it can either point to a difficult local business environment, lack of business acumen or sluggish markets. An inclination to effect investment in the future can indicate high future growth and a positive economic outlook. Use probing to ensure that only specific and realistic investment plans qualify for a “yes” in the category of future investment plans.
- *Integration into supply markets (1.9)*: In the case of *agriculture* the terms “agric. input I” and “agric. input II” apply; in the case of *manufacturing* the terms “raw materials” and “semi-finished inputs” apply; with regard to *services* the terms “finished product I” and “finished product II” apply and with regard to *commerce* the terms “merchandise I” and “merchandise II” apply. In some cases, raw materials can also apply for the service industry, e.g. restaurants buying ingredients for their meals.
- Proceed as follows: Underline the term you are referring to in the respective interview. For example, if you are dealing with a manufacturer of mango juice, underline “raw materials” in the first and “semi-finished inputs” in the second box. Then, write the name of the first key input on top of the first box and the name of the second one on top of the second box. Then ask the respondent how much of the respective product he or she buys either locally, in the province, in other provinces/regions or internationally. The response should be given in percentages and their sum should add up to 100 in

⁵ We refer to the term business environment in a broad sense, including the legal, administrative and political environment, the existence and performance of support institutions, the human and natural resource situation as well as infrastructure in a local area.

each of the boxes. In case the respondent is in doubt, make a rough estimation. Then ask whether the respondent faces problems with the supply chain and, if so, what they are. The topic 'supply' helps us to understand, to what extent the local economy or specific sub-sectors are integrated into markets outside the municipality. If supply-related problems lie basically outside the local area, it may be more difficult to tackle them. If they are located within the local area, they may be addressed by a concerted effort of local groups.

- *Integration into target markets (1.10)*: The logic and procedure with regard to this topic are similar to that of the previous one; this time, however, reference is to the markets where respondents sell their products or services. Again, the name of the first key product or service is written on top of the first box and the name of the second one on top of the second box. Then the respondent is asked how much of the respective product or service he or she either sells locally, in the province, in other provinces/regions or internationally. The response should be given in percentages and their sum should add up to 100 in each of the boxes. If necessary, a rough estimation is done. Then ask whether the respondent faces problems with his or her sales market and, if so, what they are. Likewise, when the problems originate outside the local area, resolving them might require higher costs or a bigger effort. It may be possible to work on that constraint, however. For example, if an annual Trade Fair in the country's capital is a potentially lucrative market for local delicacies producers, but high transportation have thus far prohibited them from going there, they could form a cooperative and elect a representative, who will participate in the event on behalf of the entire group.
- *Difficulties in the use of natural resources (1.11)*: This question relates to unreliable supply of raw materials, quality problems and so on. This question is intended to explore problems in the management of natural resources. Hence, if difficulties are identified it is important to find out the reasons for them.

Part 2: Potentials and Constraints of the Local Economy

This part the questionnaire serves of the purpose of eliciting the respondent's perception of the local economic environment. It is broken down into five fields, namely the legal and administrative environment, support institutions, the human and natural resource situation as well as infrastructure in a local area. The responses are given from the individual businesses' point of view, in the sense of "How does it affect my company?" and "What do I as a business person think about it?"

In each of the fields, you can find a set of topics. The task would be (i) to ask respondents to rate them on a scale from "excellent" (the best rating) to "negative" (the worst rating) and (ii) to know the reasons for that particular rating. The second point is more revealing than the rating as such, as the interviewer learns a lot about the problems but also the positive developments in a local economy. It is highly recommended to use probing as a technique to investigate the issues in depth. However, be careful to give interviewees the impression that they are being "interrogated".

Note that some of the items are multivariate. For example, under 2.1.12 we ask for "Availability, cost and quality of unskilled labour". The task would be to find a balanced assessment of these factors. In terms of procedure, one could ask first "Do you have a lot of unskilled labour available in your municipality?", then "Do you find it expensive to hire

them?” and finally “In general, are they doing their job well?” In order to get the final assessment, you might then pose the question “If you take all you said about unskilled labour together, what is your rating?” Again, taking note of the comments is at least of equal importance as the rating itself.

In order to facilitate a common understanding of each of the items, here are a few pointers for interviewers:

2.1.1 Amount of taxes and fees paid: This refers to local taxes and fees only, such as property tax and business licensing fees. Note that business people normally do not like to pay taxes. Thus, the interviewer should encourage a fair judgement, for instance by asking “Compared to other municipalities, do you find the local taxes and fees high or moderate?” or “Do you find it difficult to pay them?”

2.1.2 Relationship with tax officers: This relates (i) to the service-mindedness of local tax officers, (ii) to the transparency of local taxes and fees (e.g. do local business people know what they have to pay?) and (iii) to the ethics of local tax officers (whether there have been attempts of officers to procure a bribe).

2.1.3 Business licenses - difficult or easy to get? This item is probably self-explanatory.

2.1.4 Provision of information by local government adequate and accurate? The more adequate and accurate the information on rights and obligations, the more transparent is local administration and the less likely unethical behaviour.

2.1.5 Building permits: Difficult or easy to get? This item relates to premises intended for business purposes. Like item 2.1.1 it needs a balanced judgement. A certain amount of regulation is necessary in order to protect local citizens from hazards. However, unnecessary and intransparent regulation adds to the cost of conducting business.

2.1.6 Sufficient dialogue between public and private sector? Dialogue refers to decision-making on issues relating to the local economy.

2.1.7 Access to training institutions: Apart from accessibility, this item also refers to cost and adequateness of training institutions from the point of view of the local business community. Training institutions encompass all providers offering long- or short-term courses that have an impact on the economy, for example providers of business management training, skills training, vocational training, engineering colleges, agricultural universities etc. If a training provider is located outside the municipality but offers its services locally, this is considered positive. However, if a training institution is located within the local area but not linked to the local economy, this is assessed as a negative.

2.1.8 Access to technical/ scientific support institutions: Apart from accessibility, this item also refers to cost and adequateness of technical/ scientific support institutions from the point of view of the local business community. Laboratories for product testing and certification are a typical example of an institution under this heading.

2.1.9 Access to consulting services: Apart from accessibility, this item also refers to cost and adequateness of consulting services from the point of view of the local business community. The emphasis is on technical and management consulting as well as agricultural extension services.

2.1.10 Access to finance: The emphasis here is on business loans. Apart from accessibility, this item also covers loan conditions (interest rates, loan duration, collaterals demanded). It relates to all kinds of financial intermediaries offering loans for business purposes, e.g. microfinance institutions, cooperatives, banks.

2.1.11 Performance of business associations: Performance includes range and quality of services offered, regularity of assembly meetings and the role in advocacy. Apart from associations, local chambers of commerce and industry are also covered by this item (provided they exist).

2.1.12 Availability, cost and quality of unskilled labour: Unskilled labour also includes semi-skilled workers.

2.1.13 Availability, cost and quality of skilled labour: Skilled labour includes skilled workers, technicians, engineers and skilled administrative staff (e.g. accountants).

2.1.14 Cost, quality and outreach of road transport: The emphasis here is on roads proper.

2.1.15 Cost and reliability of power supplies: Reliability relates to frequency of brownouts.

2.1.16 Cost and availability of real estate (space): This item refers to land for business purposes, office space (to be rented) and premises for manufacturing, shops and warehouses (to be rented).

2.1.17 Cost and reliability of telecommunication: Refers to fixed and mobile line. If one of them is available at adequate costs and reliably, then the assessment is positive.

2.1.18 Cost and reliability of water supply: If businesses have easy access to water at a reasonable cost, the judgement is positive irrespective of whether it is provided through the public water grid or an individually dug well.

2.1.19 Cost and quality of waste removal: This refers to liquid and solid waste resulting from business operations. If public services are insufficient in this respect, this does not only harm the environment but can also impact negatively on the local economy (e.g. littering harming the prospects of the tourism industry or inadequately disposed liquid waste harming fishing grounds).

2.2 In a nutshell, what do you regard as the three major potentials and constraints for the economic development of your municipality? This question intends to explore the respondent's view on the overall economy and links up with the overall exercise of LED.

Annex 5:

Pointers for interviewers

When conducting the interviews, it is important that facilitators bear in mind that a Rapid Economic Appraisal is also a means for mobilizing stakeholders for change. This can only be achieved if the latter are convinced that they are empowered to play an active role in the LED-process and that its results are ultimately going to benefit them. The interviews are part of this mobilization process, which has several implications for the interview setting:

One such implication relates to the opening of the interview. After the interviewer has presented him- or herself (name, institution the interviewer comes from, role during the REA), a proper explanation of the objectives of LED, the cycle and the purpose of the analysis will help to put the respondents "in the picture". It is important to inform respondents that a validation workshop will be held and to invite them to this event. Then, the facilitator should ask permission to commence the interview by using a questionnaire. The interview is conducted in a conversational manner. The idea is not just to know whether the respondents e.g. consider access to financial institutions as 'good' or 'not so good', but to elicit the story around it (in this case, for instance, the person's own experiences with banks, why loan conditions are considered inadequate and so on). Such a method provides far more insights into the dynamics of the local economy. Hence, it is recommended to create an atmosphere that allows respondents to say a few words about the particular issue, give examples and explain his or her assessments. Still, it is not uncommon for respondents unfamiliar with interview situations to provide only laconic or insufficiently substantiated answers. If this is the case, the facilitator may use probing in order to understand these responses better. However, in doing so he or she should avoid to use an interrogative interview style as this may deter respondents from opening up.

Here are a few more pointers for interviewers:

- *Language barriers*: Language barriers can occur in two ways: (i) respondents are not familiar with the technical terms used in the questionnaire and (ii) interviewees are not well versed in the official language of the country. In the first case and in line with the conversational approach applied, it is recommended to substitute the technical terms with common language or paraphrase them. In the second case, the facilitator should conduct the interview in the local language and translate the questions instantly. In the preparation of the REA, it is helpful to find out the local language situation and, ideally, have the questionnaires translated prior to conducting the appraisal.
- *Sensitive issues*: If rapport is being built with the respondent, it is not uncommon for politically sensitive issues to arise. An example could be a local chief executive who is a business person himself or herself and involved in environmentally hazardous activities. It is crucial to handle these issues carefully. First, the person providing the information should be assured of his or her anonymity. Second, the interviewer should discuss the topic with the team members. Have the others obtained similar information? How severe is the case in the context of LED? Third, if the team is of the opinion that the case is severe and relevant, it should reach a common understanding of how to deal with the problem. One option could be to skilfully present the case to the person suspected of such involvement; a second option could be to approach the issue diplomatically and indirectly during the validation workshop.

- *Handling confidentiality:* Respondents sometimes have reservations concerning the recording of their name on the questionnaire. If this happens, interviewers may simply leave the respective line blank. Documenting the names is not important for the analysis.
- *Inadequate exposure to the information being asked:* Likewise, if the respondent is not able to answer one or several questions, the respective items are left blank. If a pattern develops in the sense that certain groups of the local society are not familiar with a certain topic, this *non-information* may be useful information in itself.
- *Accepting gifts:* At the end of the interview, some respondents might present a small gift such as a home-made product to the facilitator. In almost all cases, this is a gesture of gratitude towards the attention given to the interviewee. Hence, respect for the feelings of the local people demands that facilitators accept such a gift. However, in two instances, facilitators should opt for a more careful attitude: (i) if the value of the gift must be considered a financial burden for the giver, and (ii) the presenter intends to compromise the neutrality of the interviewer. In these cases, facilitators need to find a diplomatic way of avoiding presentation of the gift.

Annex 6: LED Resource Person Questionnaire

Part 1: Basic information on the institution interviewed

1.1. Name of institution: _____

1.2. Location of institution: _____

1.3. Name and function of person interviewed: _____

1.4. Objectives and tasks of the institution:

1.5. Which kind of activities relevant for the economic development of the local area does the institution carry out?

1.6. Does the institution provide information materials (e.g. flyers, brochures, annual reports, homepage) for further reference?

Part 2: Development Trends of the Local Economy

2.1 Trend of local economic growth over the last 5 years:

Increasing	Stagnating	Decreasing

Comment (e.g. driving forces behind high or sluggish growth): _____

2.2 Trend of regional unemployment over the last 5 years:

Falling	Stable	Increasing

Reason(s): _____

2.3 Which are the locally most important economic sectors and sub-sectors in terms of *present* employment generation?

Please specify: _____

2.4 Which, do you think, are the promising economic sectors and sub-sectors in terms of *future* employment generation?

Please specify: _____

2.5 What are innovative products in your locality that already, or will in future, capture national and international markets?

Please specify: _____

2.6 What are the key environmental problems?

Please specify: _____

Part 3: Potentials and Constraints of the Local Economy

3.1 How do you assess the economic situation of your local area with regard to the following issues?

	Issue	Excellent	Good	Fair	Not so good	Negative
Legal and administrative environment	3.1.1 Local taxes and fees					
	3.1.2 Ongoing cooperation with private sector					
	3.1.3 Stated policies for economic and/or private sector development					
	3.1.4 Implementation of policies for economic and/or private sector development					
	3.1.5 Bureaucracy within public administration (e.g. building permits, procurement procedures, payment delays)					
	3.1.6 Situation with regard to effective and sustainable natural resource management policies					
Comments:						

	Issue	Excellent	Good	Fair	Not so good	Negative
Support institutions	3.1.7 Access to training institutions					
	3.1.8 Access to technical/ scientific support institutions					
	3.1.9 Access to consulting services					
	3.1.10 Access to finance					
	3.1.11 Performance of business associations					
Comments:						
Natural resources	3.1.12 Availability of natural resources (e.g. land, minerals, tourist attractions)					
	3.1.13 Legal accessibility of these resources					
	3.1.14 Cost of access to these resources					
	3.1.15 Natural resources: Managed in a sustainable way or degrading fast?					
Comments:						
Human resource	3.1.16 Availability, cost and quality of unskilled labour					
	3.1.17 Availability, cost and quality of skilled labour					
Comments:						
Infrastructure	3.1.18 Cost, quality and outreach of road transport					
	3.1.19 Cost and reliability of power supply					
	3.1.20 Availability and cost of real estate					
	3.1.21 Cost and reliability of telecommunication					
	3.1.22 Cost and reliability of water supply					
	3.1.23 Quality of solid and liquid waste management					
Comments:						

Other aspects: _____

3.2 In a nutshell, what do you regard as the three major locational advantages and major constraints for local economic development?

	Advantages	Constraints
1.		
2.		
3.		

Notes: _____

Annex 7:

Guide to the LED Resource Person Questionnaire

The „Resource Person Questionnaire“ is directed at representatives of the local administration, the local legislature, business membership organisations (associations and chambers of commerce and industry), NGOs dealing with economic issues, financial intermediaries, the academe, cooperatives training providers in a local area and other organisations. The key selection criterion is an organisation’s or person’s ability to deliver insights into the development of the overall local economy.

A resource person interview takes about between one hour and one and a half hours. The interviewer should explain the purpose of the interview carefully and point to the fact that it is placed in the context of improving the local stakeholders’ capacity to accelerate the development of the local economy in a process based on dialogue between local government, the private sector and other groups that deal with economic issues. The language should be adjusted to the respondents, which may require replacing economic terms with common language.

Part 1: Basic information on the institution interviewed

This part of the questionnaire seeks to gather some basic information on the institution interviewed such as name of the institution (1.1), its location (1.2) name and function of the person interviewed (1.3) and objectives and tasks of the institution (1.4). It also seeks to explore which activities relevant for the economic development of the local area are carried out by the institution (1.5) and whether it can provide any kind of written information materials such as flyers, brochures and annual reports (1.6).

Since the first four questions are probably self-explanatory, the following pointers only concern the final queries:

- *Activities relevant for economic development of the local area carried out (1.5):* This item investigates any relationship between the activities of the organisation interviewed and *local* economic development. While, in some cases, this may be obvious (e.g. a local financial intermediary), it is less so in others (e.g. in the case of an Agricultural University with national outreach). Having an insight in this may help us in identify committed drivers in local economic development
- *Does the institution provide information materials (e.g. flyer, brochure, annual reports, homepage) for further reference (1.6):* Due to time pressures, there is a tendency in REAs to neglect written information. This question seeks to remind interviewers of the importance of collecting existing materials.

Part 2: Development Trends of the Local Economy

This section of the questionnaire is intended to obtain information on key development trends in the local economy and insights into the respondents’ perceptions regarding these. They refer to trends in local economic growth (2.1), trends in local unemployment (2.2) as well as the locally most important economic sectors and sub-sectors for present and future employment generation (2.3 and 2.4). This part of the questionnaire also tries to

produce an idea of innovative products in the locality that already capture national and international markets or might do so in future (2.5).

A few pointers for each of the issues:

- *Trend of local economic growth over the last 5 years (2.1)*: It is often not possible to obtain reliable information regarding local gross domestic product. The available data may also conflict with the perceptions of local stakeholders. For these reasons, respondents are asked whether the growth of the local economy has been increasing, stagnating or decreasing. Tick the box that applies and explore the driving forces for either dynamic or sluggish growth.
- *Trend of local unemployment over the last 5 years (2.2)*: Employment generation is one of the key ingredients of poverty alleviation. For this reason, it is of utmost relevance to know local trends in unemployment, whether it is increasing, stable or falling. Tick the box that applies and explore the reasons for the respective trend.
- *Locally most important economic sectors and sub-sectors for present and future employment generation (2.3 and 2.4)*: The question explores those sectors and sub-sectors where most of the local population finds employment now and is likely to do so in future. LED-interventions conducted in these sectors and sub-sectors are highly relevant and have the potential of attaining high outreach.
- *What are innovative products in your locality that already capture national and international markets and are likely to do so in future? (2.5)*: Innovative products may serve as a driving force for employment generation either presently or in future. Knowing them can help in the identification of interventions for their development and marketing.
- *What are key environmental problems? (2.6)*: Due to the interrelatedness of sustainable economic and sustainable ecologic development, this question investigates the local environmental situation. Among others, this encompasses coastal and marine resources, agricultural resources such as soils and their fertility, potentially hazardous practices in agriculture and industry, liquid and solid waste management, infrastructure projects and their impact on the environment. It is also interesting to know to what extent environmental problems jeopardise economic livelihoods.

Part 3: Potentials and Constraints of the Local Economy

The part serves of the questionnaire the purpose of eliciting the respondent's perception with regard to the local economic environment. It is broken down into five fields, namely the legal and administrative environment, support institutions, the human and natural resource situation as well as infrastructure in a local area. The responses are given from the individual businesses' point of view, in the sense of "How does it affect my company?" and "What do I as a business person think about it?"

In each of the fields, you can find a set of topics. The task would be (i) to ask respondents to rate them on a scale from "excellent" (the best rating) to "negative" (the worst rating) and (ii) to know the reasons for that particular rating. The second is more revealing than the rating as such, as the interviewer learns a lot about the problems but also the positive developments in a local economy. It is highly recommended to use probing as a technique

to investigate the issues in depth. However, be careful to give interviewees the impression that they are being “interrogated”.

Note that some of the items are multivariate. For example, under 2.1.12 we ask for “Availability, cost and quality of unskilled labour”. The task would be to find a balanced assessment of these two. In terms of procedure, one could ask first “Do you have a lot of unskilled labour available in your municipality?”, then “Do you find it expensive to hire them?” and finally “In general, are they doing their job well? In order to get the final assessment, you might then pose the question “If you take all what you said about unskilled labour together, what is your rating?” Again, taking note of the comments is at least just as important as the rating itself.

In order to foster a common understanding of each of the issues, here are a few pointers for interviewers:

3.1.1 Local taxes and fees paid: This refers to local taxes and fees only, such as property tax and business licensing fees. Note that business people normally do not like to pay taxes. Thus, it is a task of the interviewer to encourage a fair judgement, for instance by asking “Compared to other municipalities, do you find local taxes and fees high or moderate?” or “Do you find it difficult to pay them?”

3.1.2 Ongoing cooperation between public and private sector: This item seeks to explore to what extent the private sector and local municipal authorities are in dialogue with each other and whether activities are being implemented in which both sides play an active role. The emphasis is on the economic sphere (e.g. dialogue on market rehabilitation); joint preparation for the local fiesta, for instance, would not qualify for a good rating. Informal cooperation can also be considered positive.

3.1.3 Stated policies for economic and/or private sector development (objectives): This aspect relates to local policies as outlined in the economic sections of the mandatory short-, medium- and long-term plans as well as other plans or documents (if existing). We want to know whether the respondent thinks that their objectives coincide with local necessities. The interviewer should have accessed and read these documents before going to the field.

3.1.4 Implementation of policies for economic and/or private sector development: There is often a huge gap between local policy objectives and their achievement. This question seeks to explore whether this is the case in the respondent’s municipality and what, from his or her point of view, the reasons are for this.

3.1.5 Bureaucracy within public administration: Bureaucracy refers to excessive rules and regulations and overly complicated processes that tempt businesses to avoid compliance. These relate to the licensing and registration of businesses, registration of real estate, building permits, procurement procedures and payment delays. In case the respondent takes a critical stance on this aspect, it can be very illustrative to ask for a specific example.

3.1.6 Situation with regard to effective and sustainable natural resource management policies: This point is complementary to Question 2.6. The focus is specifically on local policies, programmes and related activities dealing with natural resource management.

3.1.7 Access to training institutions: Apart from accessibility, this issue also refers to cost and adequateness of training institutions from the point of view of the local business community. Training institutions encompass all providers offering long- or short-term courses that have an impact on the economy, for example providers of business management training, skills training, vocational training, engineering colleges, agricultural universities etc. If a training provider is located outside the municipality but offers its services locally, this is considered positively. However, if a training institution is located within the local area but not linked to the local economy, this is assessed as a negative.

3.1.8 Access to technical/ scientific support institutions: Apart from accessibility, this issue also refers to cost and adequateness of technical/ scientific support institutions from the point of view of the local business community. Laboratories for product testing and certification are a typical example of an institution under this heading.

3.1.9 Access to consulting services: Apart from accessibility, this issue also refers to cost and adequateness of consulting services from the point of view of the local business community. The emphasis is on technical and management consulting as well as agricultural extension services.

3.1.10 Access to finance: The emphasis here is on business loans. Apart from accessibility, this issue also covers loan conditions (interest rates, loan duration, collaterals demanded). It relates to all kinds of financial intermediaries which offer loans for business purposes, e.g. microfinance institutions, cooperatives, banks.

3.1.11 Performance of business associations: Performance includes range and quality of services offered, regularity of assembly meetings and the role in advocacy. Apart from associations, local chambers of commerce and industry are also covered by this item (provided they exist).

3.1.12 Availability of natural resources: These relate to agricultural (e.g. soils) and marine resources and their actual or potential value for economic undertakings. This point also includes natural tourist spots and mining.

3.1.13 Legal accessibility of these resources: Whether the use of the said resources is restricted by existing laws and ordinances is the prime concern here. If they are highly restricted, the rating will lean towards the negative side, if they are less restricted, the rating will be on the positive side. Note that a negative rating can also hint at efforts towards protecting the environment. Hence, it is of utmost importance to explore the reasons for the judgement.

3.1.14 Cost of access to these resources: Cost of access can refer to capital costs (e.g. in the case of mining), the cost of concessions and licenses, land acquisition costs and physical access to interesting tourist sites.

3.1.15 Natural resources: Managed in a sustainable way or degrading fast? While Question 2.6 intends to provide an overview of environmental problems as perceived by the respondent, this one seeks to come up with a general judgement on the severity of the situation in the local area.

3.1.16 Availability, cost and quality of unskilled labour: Unskilled labour also includes semi-skilled workers.

3.1.17 Availability, cost and quality of skilled labour: Skilled labour includes skilled workers, technicians, engineers and skilled administrative staff (e.g. accountants).

3.1.18 Cost, quality and outreach of road transport: The emphasis here is on roads proper.

3.1.19 Cost and reliability of power supply: Reliability relates to frequency of brownouts.

3.1.20 Cost and availability of real estate (space): This item refers to land for business purposes, office space (to be rented) and premises for manufacturing, shops and warehouses (to be rented).

3.1.21 Cost and reliability of telecommunication: Refers to fixed and mobile line. If one of them is available at adequate costs and reliably, then the assessment is positive.

3.1.22 Cost and reliability of water supply: If businesses have easy access to water at a reasonable cost, the judgement is positive irrespective of whether it is provided through the public water grid or an individually dug well.

3.1.23 Cost and quality of waste removal: This refers to liquid and solid waste resulting from business operations. If public services are insufficient in this respect, this does not only harm the environment but can also impact negatively on the local economy (e.g. littering harming the prospects of the tourism industry or inadequately disposed liquid waste harming fishing grounds).

2.2 In a nutshell, what do you regard as the three major potentials and constraints for the economic development of your municipality? This question intends to explore the respondent's view on the overall economy and links up with the overall exercise of LRED.

Annex 8:
Example of an REA matrix from Kumasi, Ghana

LED in Ghana: Results of the Rapid Economic Appraisal in the city of Kumasi

	Strengths/Potentials	Weaknesses/Constraints
General Trends	<ul style="list-style-type: none"> - Large population - large market - Central location of Kumasi - Supportive traditional authorities 	<ul style="list-style-type: none"> - Low patronage of made-in-Ghana goods. - Local economy perceived as stagnant - Employment opportunities in business are stagnating - High rate of theft and armed robbery - Unemployment rates are high - Global trade liberalisation is jeopardising small scale industry - In-migration increasing social problems - Increasing "streetism"
Legal and administrative environment	<ul style="list-style-type: none"> - Fair local tax rate (Kumasi Metropolitan Area) - Tax collection through business associations on pilot basis favourable to business - Policy framework supports business development - Potential for dialogue between public and private sector 	<ul style="list-style-type: none"> - Minimal emphasis on economic development planning processes - Inadequate resources at sub-metro-level for LRED implementation - Poor attitudes of public sector officials for service delivery towards the private sector - Very little dialogue between public and private sector - Decentralization and public sector development policy implementation not effective - Slow judicial system for private sector development - Over-centralization of business registration system - Difficulties of acquiring licences and permits - Poor supervision/ standardisation of imported goods - No clear agreement on location of businesses. - No designated spaces for informal sector activities in planning schemes - Discretionary tax assessment perceived as unfair - Taxation details are unclear to businesses - Public not adequately informed about existence of policies - Report on harassment by Tax, Food and Drugs Board and Standards Board officials - Tax returns to KMA and IRS through business associations and other private agencies deficient

<p>Businesses (including micro businesses and farmers)</p>	<ul style="list-style-type: none"> - Increasing turnover for some commercial activities - Majority of inputs are from local area - Majority of products are sold in local area - Potential for value chain development in wood and other sectors - Potential for investment in cultural tourism sector - Potential for investment in defunct state-owned enterprises 	<ul style="list-style-type: none"> - Decreasing turnover (light industry) - Stagnation in the commercial informal sector - Intense competition within MSMEs that stifles the growth of some businesses. - The use of obsolete technology in the light industry - Relocation of prosperous businesses to Accra - High cost of production due to high cost of inputs - Few gains in productivity despite investments - Businesses have intention to expand but no concrete plans - The cluster of Suami is losing competitiveness due to obsolete technology and capacity
<p>Support institutions</p>	<ul style="list-style-type: none"> - Existence of support institutions for private sector development - Many business associations in Kumasi - Banking sector well developed in Kumasi - Opportunities now exist for financial institutions and businesses to interact through BAC/KMA & Banks - Some business associations cooperate with national and international organisations - Good performance of business associations (ASSI/AGI) 	<ul style="list-style-type: none"> - Banks prefer for trading over manufacturing - Access and condition for credit for small businesses is poor - Informal sector could be better organised - Cost of Business Development Services is high - Little support for organisation development by associations
<p>Human and natural resources</p>	<ul style="list-style-type: none"> - Availability of skilled labour - Availability of unskilled labour (cheap) - Potential for skill training and diversification in informal sector - Rich culture that promotes tourism - Availability of raw materials (agricultural products and timber) - Land for business development is available in peri-urban areas 	<ul style="list-style-type: none"> - Technical capacities of informal sector limited - Too much land litigation - High level of encroachment on public open spaces, nature reserves and sanitary sites - Land acquisition is cumbersome - Poor environmental sanitation

Infrastructure	
<ul style="list-style-type: none"> - Basic infrastructure for business development in city available - Easy access to transport - Good road surface conditions (primary roads) - Good road network for business development - Multiple mobile and telecom networks available - Relatively affordable communication services 	<ul style="list-style-type: none"> - Poor surface condition of secondary and tertiary roads - Traffic congestion - Poor maintenance of market facilities - Frequent outbreak of market fires - High electricity costs - Unreliable and frequent power outage - Unreliable water supply - Poor drainage system - Inadequate and poor management of existing drains - Inadequate public places of convenience - Space rental for business is expensive - Lack of space for business expansion in the central business district - Infrastructure support services in peri-urban areas undeveloped - Waste collection lags behind waste generation - Communication services sometimes pose problems. - Limited supply of broadband services

Annex 9:
Evaluation Grid for Proposed LED-Interventions

Name(s) of rater:			
Local area:			
Title of proposed LED-intervention:			
Rating of proposal according to criteria			
Selection criteria	0	1	2
1) Based on the Rapid Economic Appraisal Rating: No = 0 points to some extent = 1 point clearly derived from the REA = 2 points			
	Comments:		
2) Implementable within 6 to 9 months Rating: No = 0 points partly = 1 point fully = 2 points			
	Comments:		
3) Implementable with local resources Rating: No = 0 points partly = 1 point fully = 2 points			
	Comments:		
4) Relevant for the local economy Rating: No = 0 points to some extent = 1 point highly = 2 points			
	Comments:		
5) Positive impact for a sub-sector and/or the general public (and not just a single business) Rating: No = 0 points potential impact confined to a relatively small group = 1 point high potential outreach = 2 points			
	Comments:		
6) Directly or indirectly contributing to pro-poor growth Rating: No = 0 points to some extent = 1 point yes = 2 points			
	Comments:		

<p>7) Sustainability: Will the intervention and/or the activities be continued after the support has ended?</p> <p>Rating: No = 0 points partly = 1 point fully = 2 points</p>	<p>Comments:</p>	
<p>BONUS, max. 4 points for specific LED-relevance, e.g. high potential for replication in other local areas, contribution to sustainable natural resource management, gender sensitivity.</p>	<p>Rating, max. 4 points:</p>	
<p>Rating summary, (max. 20 points)</p>	<p>Comments:</p>	
<p>Any questions to be directed to applicant?</p>		
<p>Evaluation summary (give reasons for approval or rejection)</p>	<p>REJECTED:</p>	<p>APPROVED:</p>

Annex 10:

The Format of the LED Action Plan

Objective: <i>(What is the outcome or impact to be achieved by the intervention?)</i>		Indicator: <i>(How do we measure the achievement of the objective?)</i>		
Activities <i>(What do we want to do in order to achieve the objective?)</i>	Time Frame <i>(When do we want to implement the activities?)</i>	Responsible / Collaborators <i>(Who is responsible for carrying out the activities and who will be assisting?)</i>	Estimated Cost <i>(What are the estimated costs and which are the sources for covering them?)</i>	Remarks

Annex 11:

Format of a replanning workshop with local stakeholders

- The example of MNCCI in Mongolia -

Topic	Time	Methodology	Necessary materials
Opening of the workshop			Flipcharts, soft boards, beamer, brown paper, 20 markers
- Welcoming and presentation of participants	09:00 – 09:10 h	Individual presentations	Draw welcome poster
- Objectives of the workshop and the partnership project	09:10 – 09:20 h	This part of the workshop may also be used for the presentation of the small LED projects conducted in the Aimak	PowerPoint presentation
Main session:			
- <i>LED interventions:</i> Presentation and discussion of achievements of LED interventions	09:20 – 10:00 h	<ul style="list-style-type: none"> - Presentation of the objectives of each LED intervention - Presentation of achievements and shortcomings - Discussion 	PowerPoint presentation or flipchart
- <i>Updating the REA assessment matrix:</i> Presentation of previous year's assessment matrix	10:20 – 10:35 h	The main facilitator presents last year's analysis (the matrix), stating that local stakeholders had agreed to the analysis in last year's workshop	Presentation by flashcards
- Identification of changes	10:35 – 11:15 h	<p>The group is divided into three smaller groups each of which takes charge of two fields of analysis. Each of the smaller groups is given the following tasks:</p> <ul style="list-style-type: none"> - Check for each finding whether it still holds true and what incidences have taken place to either verify or falsify the statement. For example, if last year's statement was "Services offered by local laboratories are poor", the group should ask itself whether this is still true and whether anything happened to improve services - Check for each finding whether the project has had a great, limited or no impact on the change 	Brown paper structured according to fields of analysis and with last year's findings on metaplan cards
- Presentation and discussion	11:15 – 12:00 h	The updated matrix is presented and discussed	
- Input for identification of small LED projects	12:00 – 12:45 h	Based on the results of the group work, participants come up with proposals for LED interventions for the second year	



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