



## Background

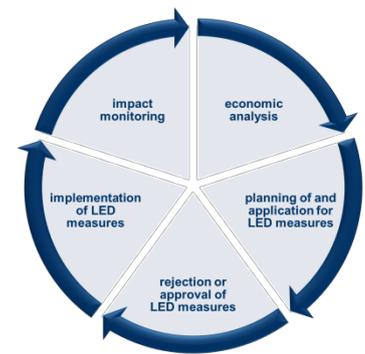
Local Economic Development (LED) is an instrument which has been employed successfully for many years by international donors such as the World Bank, USAID, ILO, UN-HABITAT, GIZ in, among others, developing countries and emerging markets. The World Bank defines LED as follows:

*“Local Economic Development is the process by which public, private and non-governmental sector partners work jointly to create better conditions for economic growth and employment generation. The aim is to improve the quality of life for all.”*

## Promoting BMOs and SMEs through LED

### Product Description

sequa has further refined the LED tool and specially geared it to the implementation by chambers and associations, i.e. Business Membership Organisations (BMOs). As a motor of the economy BMOs define and implement measures targeting the removal of economic obstacles in their region in an active dialogue with the private, public and semi-public sectors. Locational advantages and disadvantages of the region are subjected to a systematic analysis. Based on this, measures for the elimination of the most important bottlenecks are subsequently initiated. The objective is to make the local economy more dynamic and reduce poverty through the creation of socially acceptable and sustainable jobs. LED is based on five principles:



1. The measures focus on the regional or local level. LED is especially suited for the development of rural regions.
2. Representatives from the private sector, the public sector (local and/or regional governments and administration) and the semi-public sector (NGOs, BMOs, banks) are cooperatively active.
3. The approach to surveying economic obstacles and positive locational advantages is a comprehensive one. As a basis for the so-called "LED measures", an analysis of the regional economy (infrastructure, job market etc.) is conducted. These measures are not only meant to solve a problem, but achieve as broad as possible positive effects (e.g. the introduction of new agricultural products is combined with the training of unemployed youths).
4. Dedicated personalities from the local private and public sector, who are committed to the joint and energetic promotion of the region's economic development are involved. It is not the hierarchical position that is important here, but the commitment to the cause.
5. The LED approach is a strategic and action-oriented one: to motivate all participants, LED measures are chosen which have visible effects within a very short period of time (max. of one year). If all participants are convinced of the effectiveness of the LED approach, strategic long-term goals can be pursued.

The LED product consists of the following sequa services:

- Implementation of the LED cycle in individual and several regions
- Training of external consultants or chamber/association employees as LED experts (methodical training in LED, general topics of economic development, facilitation skills, interviewing techniques, programme and project management, evaluation, etc.) in workshops and on-the-job trainings
- Support regarding the selection, implementation and evaluation of LED measures in the regions
- Counselling and support regarding the development of structures for the autonomous implementation of LED (e.g. via establishment of a dedicated department or project team)
- Provision of extensive material for the implementation of LED components (specimen interview, analysis matrix, templates for application, rating and evaluation of LED measures and many more)

- Support regarding the development of a project website and other project materials
- Assistance for the establishment of sustainable structures (e.g. support regarding the search for additional donors, development of a fund for LED measures)
- Multiplication of the results and the LED approach on the international, national and regional/ local level
- Further development of LED together with the partners.

sequa's services have been tested and refined in several projects with different donors and partners from various countries and under varying financial and topical conditions. A manual providing practical guidelines for BMOs is available from sequa.

### Product Impact

The implementation of LED by BMOs has three effects:

- a) Boosting the role of SMEs in local economic cycles, especially in rural regions.
- b) Qualification and strengthening of chambers and associations as actors of local business promotion.
- c) Intensification of the public-private dialogue on business promotion.

SMEs in particular profit from the LED measures initiated in the project. These measures can cover a broad spectrum of topics from agriculture, the environmental sector, tourism and other services. Most measures target the creation of new services or products and their subsequent processing as well as the vocational qualification of staff. The importance of the measures lies in their public benefit. Local supply is improved, social and environmental standards are introduced, new professional branches, higher incomes and new jobs are generated.

SMEs in rural regions are reached via the chambers and associations which implement and actively support the LED process by conducting economic analyses, organising evaluation and planning workshops and providing or acquiring funds and personnel (where required). Through their successful work and the permanent dialogue about business promotion policies in their respective regions, the BMOs gain a higher reputation, are able to gear their service portfolio to the requirements of local enterprises and thus win new members. If the LED product is implemented jointly by one umbrella organisation and several regional chambers/associations, tools can also be used to evaluate and steer the development of the BMOs.

### Product Application Examples

In cooperation with its regional branches, the national Mongolian Chamber of Industry and Commerce (MNCCI) has conducted LED in 20 regions. Funded by the BMO Partnership Programme of the German Federal Ministry for Economic Cooperation and Development (BMZ), more than 100 LED measures were initiated and implemented within the course of six years. More than 3,500 persons were trained, 288 new jobs were created and some 1,500 people have achieved or achieve a higher income. More than 90 % of the small-scale measures continue to be effective even after the LED measures have ceased and contribute to e.g. environmental protection, better local supply, or a more effective cooperation between the public and private sector in the Aimaks. All of the 20 regional field offices boast of a significant increase in the number of members and higher incomes because of their services. MNCCI has set up a department with four full-time employees occupied with the implementation of LED. National and international donors are showing great interest in the approach.