Local economic development in cities: a sustainable way of promoting urban competitiveness and social cohesion

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Local economic development (LED) is a keyword widely used by international development institutions over the last decades. Due to the often cited Barca Report (2009) the mainstreaming of the place-based approach in development policy has been started. In Hungary this approach is recently coming into forefront, mainly due to the impacts of financial and economic crisis on Hungarian cities. Tools and methods of LED are categorized and analysed, showing wide-ranging possibilities for actions on central, municipal level as well as for the civil society. The areas of LED actions stretch from local community building, improving business environment and willingness to set up enterprises (the focus is on micro and small-medium sized enterprises), provision of locally-oriented education and professional training, promotion of local products and markets to the creation of sustainable energy systems. Territorial level of LED interventions range from larger metropolitan, agglomeration level, the unit of city and surrounding (also called city-region) to city level, and also contains the level of city districts or smaller neighbourhoods (like downtown or central business district). Case studies and good examples are shown in the paper (practices of Hungarian cities), which are still rather unique and small scale initiatives, but serve well the illustration of potentials of LED for rising competitiveness and social cohesion in cities.

The theoretical introduction and the experiences of project pave the way for a sustainable concept of LED, which is still in its infancy and has to be further worked out. This paper serves this aim and tries to raise discussion of the topic and approach of local economic development.

Keywords: local economic development, cities, sustainability, competitiveness, cohesion

Introduction

Effects of globalization increasingly reach individual settlements and regions, which often find themselves in a rather vulnerable situation. The financial and economic crisis has even worsened this vulnerability and some areas of Hungary gradually lose their economic role. These tendencies highlight the importance to design and implement development paths adapted to local conditions and resources. Forming autonomous local and territorial systems can reduce the vulnerability of regions and their dependence on external resources. At the same time, intensive and partnership-based territorial cooperation can help successfully reach external markets. This includes also cooperation between enterprises, as well as economic processes generated with the involvement of local stakeholders evolving from bottom up
initiatives and organized along specific value-chains. By way of enabling a gradual shift from self-sufficiency and primary production to higher levels of the production value-chain in disadvantaged areas, and by forming diversified economies in each territorial unit, the production of high-quality and marketable local products and the development of local brands can be attained. As a consequence, the significance of local markets will rise. In order to minimize transport costs and environmental pollution, it is necessary to promote a greater focus on production for local markets as this contributes to sustainable development.

Cities as motors of development can play a key role in fostering local economic development (of their won territory and also spilling over to their hinterland). Cities are however at the same time locations of social, economic and environmental tensions (segregation, congestion, pollution, etc.), to which appropriate answers and solutions can be found via sustainable and integrated models of local economic development.

Two layers of a competitive, sustainable and cohesive urban economy can be differentiated: 1. upper layer: cutting-edge, innovation and knowledge-intensive, globally competitive sectors, and 2. lower layer: a locally embedded, locally-oriented sector based mainly on local resources, endowments and traditions, taking into account local ecological systems and values, and mainly serving local needs and wants.

Both layers are needed and in ideal case these are interconnected and reinforce each other. This paper is about the lower layer, about local(-oriented) economic development, however it has to be clarified at the very beginning, that this is not a substituting approach to the mainstream economic development approach, but a complementary one. This paper is about the lower layer, about the locally-induced, locally-oriented economic development and paves the way towards a sustainable and integrated model of LED.

The paper is in three parts. First the concept of local economic developments is explained. The second part presents areas of expertise in local economic development, the set of tools consists of nine specific areas. The third section is about the Hungarian case, showing two mini case studies of two different cities. Finally some general conclusions and further directions of research are highlighted.

1. Local economic development: the concept

1.1. Understanding and experiences of international organizations and the European Union

The concept of local economic development is widely used all over the world, wide ranging types of organizations are actively promoting the development of local economies. These actors can be found in the private, public and also in nongovernmental, civil sphere, and might be institutions of national, regional or local level, but even transnational cooperations. In this section a overview of the most relevant international institutions is provided, which are active in fields of LED. The initiatives and concepts of the World Bank (WB), United Nations (UN) and its agencies, the Organization for Economic Co-operation and Development (OECD), and last but not least the European Union are shortly presented, as these are the best documented in the literature, and cover most diverse geographical regions of the world.
Fostering local economic development is in the core of development activities of the **World Bank** since the 1970s. At the beginning mainly less developed countries were in focus, and after 1990 post-socialist countries, the Central-Eastern Europe (CEE) also got in to the target area\(^1\).

In the understanding of WB: "**the purpose of local economic development (LED) is to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation.**" (Swinburn et al., 2006:1)

This definition already implies and the implemented projects also show, that the WB’s approach is mainly a mainstream one, which highlights the ability to integrate into the dynamically changing regional, national, and international environment, especially of the globalized world economy, while taking into account the local specificities. However (at least until the last few years) different (environmental, spatial and land use, social and cultural) dimensions and aspects of sustainability remained rather in the background. WB’s activities in fields of LED mostly concentrated on the planning process of LED strategy. The implementation of rather LED projects were rather out of the focus of WB.

After the change of the socialist regime in CEE countries within the Department for Urban Development of the WB a working group for LED was set up, and the initiative called ‘Cities of Change’ started. This aimed to support reform processes of local government in medium sized cities of Poland, Hungary, Slovakia, Latvia and Bulgaria. A handbook on LED (Swinburn et al., 2006) was also published and is available also on national languages. This handbook concentrates also (as above mentioned) on the designing of LED strategies, on the planning process. Case studies are available on the WB’s website, these provide however also mostly experiences of LED strategy-making.

Among the institutions of the United Nations two agencies are relevant for LED activities, the United Nations Development Programme (UNDP) and the **United Nations Human Settlements Programme** (UN Habitat). Because of its rather explicit spatial focus the latter one is highlighted here. The LED concept used by UN Habitat is mainly in line with the above mentioned WB approach: “**Local economic development (LED) is a participatory process in which local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a way to help create decent jobs and improve the quality of life for everyone, including the poor and marginalised.**”

PPP methods and partnership with NGO and civil sphere is also highlighted, and similarly the empowerment and enabling of local inhabitants in order to improve their ability to satisfy their own needs appears also to be of high priority. However the main focus of the UN Habitat LED activities is on strategy-making (as it was above by the WB’s case), where important aspects are preservation of local values, exploration of economic driving forces and promotion of development as qualitative change.

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\(^1\) For a short overview of WB’s LED concept and activities see [www.worldbank.org/urban/led](http://www.worldbank.org/urban/led).
Most important lessons of UN Habitat LED activities are captured in the Training Manuals also called Local Economic Development Series – Promoting Local Economic Development through Strategic Planning\(^2\).

The **Local Economic and Employment Development Programme of the Organization for Economic Co-operation and Development** (OECD LEED) in contrary to the earlier mentioned institutions concentrates mainly on the more developed countries of the world. Its objectives are to explore, analyse and disseminate good innovative ideas, to support policy-making, to design guidelines and handbooks in areas of local development, local governance and the social economy. Within the OECD institutions the Centre for Entrepreneurship, SMEs and Local Development\(^3\) based in Trento (Italy) is working in practice with these topics and the LEED Programme. From its LED activities we highlight here a recent international capacity building seminar on supporting SMEs in a time of crisis\(^4\), which builds on Central-Eastern European, South-American and Italian case studies, and draws lessons from these experiences.

Four important areas of expertise for fostering the local economy can be highlighted related to OECD LEED work (OECD, 2009:10): 1. Human capital; 2. Entrepreneurship; 3. Local economic investment; 4. Social economy.

Regarding the financial and economic crisis an important message of the OECD LEED Programme is that in order to maintain social commitment to programmes measures operating on the long term have to be appropriately complemented with interventions effective on the short terms.

Several other institutions work towards fostering local economies on different territorial level (e.g. International Labour Organization). Instead of going more into the details of presenting these initiatives and their approach, because of its territorial relevance a short overview of activities relevant for LED of the **European Union** is provided.

Traditionally no explicit local economic development strategy of the EU exists, and no special programme or Directorate-General (DG) is dedicated to this priority. However several activities, policies and institutions are related or have significant implications for local economic development.

The regional (and cohesion) policy is obviously related to LED, as it was created to decrease economic disparities between the regions of Europe, to foster balanced development of the EU territory. However the regional policy’s aim to foster economic development (mainly represented in the competitiveness objective) is not coincident with local economic development. Territorial unit of the EU’s regional policy is the NUTS 2 level, and their interventions focus on aims, which can be realized on regional level (such as industrial developments, technological nodes, regional clusters, investment promotion, etc.). Within this context local economy appears as economic potential, endogenous resource determining regional competitiveness and the ability to integrate into the national, global economy.

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\(^3\) [http://www.oecd.org/document/21/0,3343,en_2649_34417_18647829_1_1_1_1,00.html](http://www.oecd.org/document/21/0,3343,en_2649_34417_18647829_1_1_1_1,00.html)

\(^4\) Documents of the workshop „Supporting SMEs in a time of crisis: How to choose the right actions“ (2009) are available: [http://www.oecd.org/document/45/0,3343,en_2649_34457_43956077_1_1_1_1,00.html](http://www.oecd.org/document/45/0,3343,en_2649_34457_43956077_1_1_1_1,00.html)
The DG for Regional Policy has special relevance in this sense, and financial resources allocated through the European Regional Development Fund (ERDF), but also other policy areas, programmes and financial channels are relevant for LED initiatives and projects: among other the European Social Fund (ESF), or the European Agricultural Fund for Rural Development (the second pillar of the Common Agricultural Policy) can be mentioned.

Without going into details the following initiatives of EU are worth highlighting, when searching for good examples, innovative solutions of local economic development projects implemented in an integrated and place-based approach: the Community Initiatives of URBACT\(^5\) and LEADER\(^6\), and the financial instruments of JESSICA\(^7\) and JEREMIE\(^8\).

Some areas of LED can be related to specific DGs or institutions of the EU, such as e.g. the promotion of local entrepreneurship is closely in line with the activities of the Directorate-General for Enterprise and Industry. Supporting SMEs and fostering employment is also of top priority in EU2020 strategy, how it will be realized in national programmes is still question of the future.

Mainly in relation with the debate on the reform process of the Cohesion Policy of the EU post 2013 a new policy concept emerged. This is called “new paradigm of regional policy” by the OECD\(^9\) and more often it is cited as place-based approach according to the Barca report\(^10\).

This new approach widens the scene for locally oriented development, as it entails the practical implementation of the subsidiarity principle and multilevel governance in territorial development and policy.

According to the Barca report the place-based concept’s “objective is to reduce persistent inefficiency (underutilisation of resources resulting in income below potential in both the short and long-run) and persistent social exclusion (primarily, an excessive number of people below a given standard in terms of income and other features of well-being) in specific places. Places are defined though the policy process from a functional perspective as regions in which a set of conditions conducive to development apply more than they do in larger or smaller areas. This is, in the Report’s view, the appropriate and modern way to interpret the task set by the EU Treaty to promote “harmonious development” and to tackle “disparities” of regions and “regional backwardness” by means of cohesion.” (Barca report, 2009:xi)

Apart from the Barca report several other EU studies and some policy papers draw recently attention to the local development methodology (e.g. COM, 2010). It will however still take some time, until one can state that LED became organic part of the mainstream economic policies or even practices within the EU and its Member States.

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5 URBACT (Urban Actions) http://urbact.eu/
6 LEADER (Liaison Entre Actions deDéveloppement de l’Economie Rurale) http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm
9 Background Report adopted by Territorial Development Policy Committee Meeting at Ministerial Level (31 March 2009), GOV/TDPC/MIN(2009)/2/REV1 and its policy paper.
To sum up the outlook on LED concepts and activities in the world, and especially in the EU, the common message is that approach of local economic development is not primarily aiming to achieve economic growth by itself, but to foster inclusive, shared and pro-poor growth, thus empowerment and enabling of marginalized groups of the society are in special focus. The LED approach highlights the importance of decent job opportunities for local inhabitants and appropriate living standards not coinciding with the local environment nor with the needs of the future generation. This LED approach takes into account environmental, social, economic and spatial dimensions of sustainable development and aims to realize economic development in line with local endowments and assets. An important objective here is to decrease vulnerability of localities, and thus to foster the ability to integrate into the wider economy (on regional, national and global level). For this external relations and linkages constitute to be of special relevance and build the main driving forces of economic development.

In the next section a somewhat different local economic development approach will be presented, with more focus on endogenous economic potential of the local territorial units, where the main driving forces of the local economy shall be built on internal resources and internal reorganization, restructuring of the local economy shall be the first step on the long way towards sustainable development.

Both approaches of local economic development can work well at their level and within their context, none of them is superior to the other. These two methods are rather complementary and work as alternatives in different situations. Implementation of local economic development strategies and especially the realization of inclusive local projects can lead to more autonomy for the local economy and society and thus lessen external vulnerability. There are however no general recipes and each area needs unique, tailor-made solutions for successfully fostering sustainable development in line with the local specificities. There are however common principles to follow and general lessons to learn from past experiences, which constitute to be the framework of a sustainable model for LED.

1.2. Towards a sustainable model of LED

The LED approach of this paper could be called locally-induced or locally-oriented economic development, but to follow the more common and simple phrasing we remain by local economic development. To clarify this concept it might be helpful to define the local economy and then to try to sum up what is understood under local economic development.

Local economy is the totality of actions/activities, people, institutions, materials, resources and methodologies, which are operated and coordinated by mobilizing internal resources of settlements, micro-regions or other localities along own motivations of the area and in line with local specificities along the sustainability principle. Products of the local economy might appear (and compete successfully) on external markets, but their primary aim is to satisfy internal needs, local demand. As the local economy is using local resources to satisfy the needs of the local community, it might be called and economy based on endogenous resources.
Local economic development is a conscious set of interventions into the local economy applied by the local community in order to foster sustainable local development (as a qualitative change). LED is a complex process including wide-ranging set of tools both from the side of central government, as from local actors. Its main characteristic is the bottom-up approach (it is based on mainly local initiatives), the active involvement of local actors, the preservation of local traditions and values, as well as the dominance of community attitudes. Local economic development in this sense is all kind of intervention aiming to improve one or more aspects (effectiveness, efficiency, profitability, quality of produced goods and services, employment rate of the locality or sustainability of the local system) of the local economy by modification, inclusion or revival of one or more components of the local economy.

LED is thus a more far-reaching concept than applying or allocating central economic development tools on local level, as is shall operate according to totally different and modern/alternative methods, objectives with different emphasis or accent. Starting point by this is the appropriate territory-oriented, area-based knowledge of endowments, specificities; diverse internal resources; social, economic and environmental structure and linkages of the localities, given places. Interventions fostering the local economy have to be integrated with other types of development interventions (having social, cultural and environmental perspectives).

Local economic development is in line with new concepts of area- or place-based development, but it concentrates on the lowest territorial level, on the so called local level (settlements, micro-regions, agglomerations or neighbourhoods, districts of a certain settlement, etc.).

The approach of local economic development is closely connected to localization tendencies, as complementary (opposite) movements to globalization. Due to ever pressing global challenges the need for restructuring local economies is also growing. This requires among others the improvement of entrepreneurial activity (willingness to start a new business) and cooperative attitude of business actors, strengthening conscious consumption of local inhabitants, promotion of direct relations between producers and consumers, and other community building activities to raise awareness on the fact, that each inhabitant can actively participate in reviving the local economy. Of this LED approach an explicit aim is that outputs of local economic activity shall be capitalized locally, as local product serving local needs, or locally available service, as job opportunity or income. The aim is thus not exclusively profit-maximizing, but economic and financial objectives go hand in hand with community and social priorities, and the ultimate aim is to improve the living quality and standards of the local inhabitants.

In ideal case local economic development is implemented as a local initiative, but at the beginning (especially in disadvantaged areas) external support (resources, knowledge, management capacities, etc.) might be needed to start up the process. This mainly depends on the availability of committed and capable people locally, who can be drivers of local economic development actions, and whether the social capital (trust and networking) within the local community is sufficient to activate the majority of the actors within the place.
First we draw attention to three specific aspects while categorizing LED interventions, and then main characteristics of LED interventions are summarized.

Local economic development projects are primarily implemented based on **local resources**, **finances**, however according to their character and scale external financing can play a (temporal and additional) role. External sources can be important to start-up LED projects, especially in disadvantaged neighbourhoods, areas, but on the long-term local resources shall dominate. Looking at financial conditions of project implementation the following criteria is inevitable: on the long term (typically not within 1-2 year period, but rather over 8-10 years) the project shall move towards self-financing and reaching an appropriate rate of return, thus it shall become independent from external sources. Financial sustainability means in this case to avoid aid-dependency, and to become self-financing, self-propelling, to reach this needs comprehensive financial planning at the start-up phase.

**Main territorial dimension** of local economic development is obviously the so called local level. Local level covers however a broad range of functional units: from larger metropolitan, agglomeration level, micro-regions, or even larger conurbations, the unit of city and surrounding (also called city-region) to city level, and also contains the level of city districts or smaller neighbourhoods (like downtown or central business district) can be mentioned. According to the literature local economy can be understood even on regional or national level, however in this article the local level is in focus. According to types of territories among others the following can be distinguished: urban, rural, city-regional, cross-border areas, or territories with high share of ethnic minorities, etc. LED interventions might differ in these different categories, however there is a common set of tools and principles, which are mostly valid in most cases. This article focuses on urban areas, however taking into account the prevailing approach that cities are embedded in their surrounding, and these areas form together a functional and integrated unit.

Cities have functioned as centres of their surrounding areas for a long time, in the fields of trade (market places) and decision making. The relationship between cities and their surroundings has been reinforced in the recent decades by the motorisation, the spatial separation of the places of work and residence, the deepening territorial division of labour as well as by the intensification of urbanisation processes. With cities becoming increasingly overcrowded, there is a growing need for rural and natural areas which provide clear environment, space for food production, recreation and ecological function. Therefore, urban centres and their surrounding areas complement each other by providing different services and functions.

In an ideal case, there is a relationship of mutual services between a city and its surrounding region. Harmonious and balanced interrelationship should be emphasized in development projects and programmes. The cities with their central functions are main places of services of public administration, business and public services. These services, however, are used also by the people living in the surrounding rural areas. Adequate planning of developments takes into consideration that these people should have as fast, secure and comfortable access to them as possible. This can be achieved by several practical means by the central city: favourable opening hours, improved parking possibilities, public and alternative forms of
transportation (by foot and bicycle), and electronic services. Accessibility can be enhanced by mobile services for people living further from the centres. Besides these more obvious types of services, cities serve people living in their rural surroundings by providing them with better opportunities to get work (for instance, by improving accessibility by transport or telework). The market place function of cities has great importance. Successful cities are able to organize the market for the products of its “rural hinterland” and can enable the inhabitants of this hinterland to access the widest possible range of goods and services in the nearest urban centre. The surrounding area serves its urban centre especially through its resources, such as traditional agricultural and silvicultural products or labour force. Proper development activities can, in spite of the globalisation of economy and industrial production, support rural products in finding consumers in near urban markets. This way, sustainable local systems can be built which are less vulnerable to global changes and which rely on less transportation and therefore, are more environmentally friendly. This is how it can be ensured that urban-rural systems as economic units will be able to establish advantageous external links to the global economic systems in the most efficient and resource-friendly way (Ricz-Salamin, 2010:45-46).

Urban-rural relationships can be also presented in the context of residence, recreation, cultural and touristic functions. Successful local economic development activities help rural areas enrich their functions by becoming capable of supplying cities with residential environment of a good quality, as well as recreational and cultural opportunities. Naturally, cities also provide recreational and cultural functions to their rural areas; they organize the management and presentation of the common urban-rural heritage, carry out research on their regions’ social, economic and environmental conditions, and introduce up-to-date cultural products. Nonetheless, this works well only if financial and physical access to these functions is secured for everybody.

LED interventions can take different forms as physical investments, tangible assets as well as soft investments, intangible assets, e.g. educational campaign or awareness raising. Both groups are needed to foster the local economy, to help an area to find its own development path on a sustainable and inclusive way. In ideal case good mixture of physical and soft interventions takes place, and no bottlenecks hamper to develop the local economy on an organic way. It is not enough for example to produce a good quality local product, and to provide appropriate market place for selling these products, but there is a need to create and foster local demand and needs for these products. During the promotion of conscious consumption of local products the raising awareness and shaping attitudes of the inhabitants play a key role.

Main characteristics of local economic development following the sustainable and integrated model:

- actions based on local initiatives, or aiming at encouraging local initiatives;
- local commitment and cooperation, participation and involvement of local actors (including local government, entrepreneurs, NGOs and inhabitants);
- dominance of local resources, internal economic potential; external tools and resources serve primarily as temporal incentives;
• preference of autonomous, unique and tailor-made solutions;
• control of local community;
• aim to organize the “local market”;
• local capitalization of the outputs of induced economic activities;
• besides economic objectives priorities of the local community and environment, and other social aims (e.g. solidarity) are also integrated;
• strategic approach and long term learning process;
• spill over effects and cumulative process.

To sum up there is no general recipe for sustainable local economic development, but there are several principles and components which are valid in most of the cases, and serve as a framework for a model. The following list highlights the “must haves” as presented in the previous section:

• realistic analysis of the local endowments and circumstances;
• tailor-made unique, creative and innovative solutions (project ideas);
• inclusive and participatory planning process (based on local action/support groups);
• integrated urban and rural development, using so called functional areas as basic territorial units;
• following horizontal aspects of sustainable land use, environmental sustainability and social cohesion.

2. **Local economic development: areas and tools**

Interventions aiming at fostering local economic development are very diverse and cover a wide range of components, so called areas of expertise. Nine specific areas are highlighted, which altogether form the set of tools of LED.

The local economy can be (shall be) developed by human, financial and infrastructural means at the same time. The most effective is to build a comprehensive programme using an appropriate set of tools and means, which are interconnected and thus create synergies. The following section presents the potential areas of local economic development, the most important components of such a comprehensive LED programme. No priorities can be determined in this order, all areas are crucial.
2.1. Local community building

A well functioning local economy presumes a mature local community, and vice versa, a strong local economy also contributes to local community building. Local economic development is not necessarily differs from overall economic development in its finances or tools, however its methods differ: LED builds on local initiatives, local participation and control. The local community’s involvement is thus not only crucial in the starting phase of LED, during exploring needs, setting priorities, in the planning phase, but at least as important is the implementation and operational phase.

2.2. Development and promotion of local products, local markets

One of the most known area of LED is the production of local goods and services, the development and promotion, marketing activities of these. Local production in this approach shall serve primarily the needs of local inhabitants, but in a later phase it may contain the development of outwards the area also “tradable” products. For this type of local production it is essential to build upon local endowments, values and facilities. Local potentials and assets might need to be explored, developed, revived, and some local driving segments might be identified. While developing local production it is essential to move forward step by step, following the phases of the value chain, and besides the core producing and promotion activities other supporting activities might be needed (processing, storage, transport, etc.).

Several other measures can support the promotion of local products, such as to help to effectively get to the consumers and markets. Local market facilities are crucial for this, which can contain infrastructural developments, as well as other marketing services, supplier cooperation, network or buying up corners, but also building of local brands or setting up local shops (or at least segments, shelves within existing shops) selling exclusively local products. Several other marketing activities can be mentioned, like local trade shows, or
festivals, but also open days in local manufactures. These latter ones can contribute not only to higher selling rates of products, but also to preserving local values, traditions, strengthening local identities, and even imply strong tourist potential.

2.3. **Promotion of local business (enterprises) and investment**

Wide ranging tools and methods exist to promote local business and investment. For LED a key area is to promote the willingness of local inhabitants to set up enterprises, to improve local entrepreneurship. This can be achieved by improving business environment locally, or pre-determine territories for economic activities (in urban physical and development plans), such as creating industrial areas or other incubator facilities (providing not only physical infrastructure, but also other services, consulting, etc.). Improving local entrepreneurship might also need awareness raising and other training activities. Promotion of local investment shall follow however a few pre-conditions in order to take place on a locally acceptable ways: the economic activity must be in line with local endowments, traditions, must build on locally available workforce and local supplier chain, even it might be prescribed to re-invest a certain share of the profit in the same area. All these principles are getting more and more into the fore by CSR (corporate social responsibility) activities of larger, even multinational corporations, however the best examples still come mostly from community supported agriculture (CSA) or other community businesses.

2.4. **Financial measures and incentives to foster LED**

By applying financial measures to support LED activities, a key aspect is to avoid rent-seeking and aid-dependency. Financial incentives shall help to set up a project or activity, to help the start-up of local enterprises, but on the long term financial sustainability shall be the aim. Among several potential measures the following ones can be highlighted: community credit unions, local investment funds, local tax reductions or exemptions, local money or other exchange systems, local exchange trading schemes (LETS), various forms of micro-credit systems.

2.5. **Fostering local economic cooperation**

On local level it is still often necessary to explain why it is worth to cooperate for local enterprises (instead of individually competing). Local enterprises (especially local SMEs) can benefit from cooperative behaviour, as they can become more competitive by putting their scarce resources together, thus they can more easily attend external markets, or putting their capacities together they can perform activities (like marketing, storage or even R&D activities), which would not be affordable alone. With other words by cooperation these small local companies can reach the critical mass, needed to be competitive on local, regional (eventually national or international markets). Most important benefit of cooperation is however the institutionalization (and strengthening) of mutual trust and fair market behaviour. All these can create win-win situations for all actors taking part. Economic cooperations organized on territorial base might have several forms: regional/local clusters, producer’s or marketing associations, agricultural or manufacturing cooperatives (co-ops), supplier chains,
but also different thematic organizations can be mentioned. In ideal case the public, private sphere and the civil (NGO) sector participate jointly in such formalized networking activities.

2.6. Municipal economic activities to foster the local economy

Economic activities of the local government, municipality might also contribute to find sustainable ways for the development of local economy. These activities might range from providing physical infrastructure, by setting up municipal enterprises, in municipal investments or even by creating local energy systems. Economic activities of municipalities are however under double pressure nowadays. On the one hand the financial and economic crisis, and the following fiscal restrictions on national level put heavy constraints on local budgets and financial possibilities and thus decrease the share of municipal economic activities. On the other hand there is ever growing need for public (municipal) investments in economic downturn in order to replace the decreasing or lacking private investments. The more disadvantaged is the city, district or given territorial unit, the greater the pressure on the local government to support the revival of the local economy. To achieve this however requires changing approach from local government (at least in Hungary).

2.7. Development of social economy

A special territory of local economic interventions is the development of the social economy. Social economy contains all social activities related to social solidarity, which are conducted on non-profit ways (or at least by re-investing profits to the same social priorities or same area). Different types of social enterprises exist, their common characteristic is that they reply to unsatisfied needs of the society, which are not covered by the public or profit-oriented private sphere. The social economy and its enterprises mostly provide jobs and subsistence to marginalized social groups, the most vulnerable members of the society. These social activities cover often voluntary jobs, or mutual assistance, but in all cases active involvement of local people. Ares of social economic activities cover e.g. social, community land programmes, various types of social and cultural services (e.g. taking care of children or elderly people), public utility jobs, etc.

2.8. Locally-oriented education and professional training

To foster the local economy it is inevitable to invest in human capital of the locality. existing and potential entrepreneurs need educational and training forms which are flexible and respond to local specificities and the demands of local labour market. The aim is to offer trainings and curricula to improve entrepreneurial knowledge, capabilities and skills and thus create a new local class of potential entrepreneurs. This needs to teach besides general business economics and studies also courses on local specificities (geography, culture, history, etc.). By this also helps to strengthen local identity and build local image, and on the long term might contribute to decrease outmigration from the area by better maintaining young inhabitants within the locality.
2.9. Raising awareness and shaping attitudes of local inhabitants and entrepreneurs

Last but not least shaping attitudes and raising awareness of local inhabitants and entrepreneurs on local sustainability, and especially on possibilities and added value of local economic development is sine qua non for fostering the local economy. On the long term no success can be achieved without vocation and enthusiasm of local actors, their active involvement and conscious behaviour and decisions. Thus activities have to be highlighted which contribute to awareness raising on conscious local consumption habits (this paves the way for well-functioning local production and markets). Local identity building especially among the local youth is a pre-condition to convince them to prefer local resources, products, services and in more general terms local values, habits, traditions and knowledge. The same works for local entrepreneurs, who can do a lot by preferring local goods and services, local traditions and values during their economic activities.

Raising awareness on local assets and values, and shaping attitudes of inhabitants and local businessman is closely interrelated with community building, the first area of interventions mentioned in this section. Thus it might seem that the circle has closed, but this is by far not the case. The tools and intervention areas presented do not constitute a closed or entire list, just an illustration of “endless” possibilities to foster the local economy.

3. Hungarian experiences: local, creative solutions

In Hungarian the approach of local economic development is still in its infancy, it is hardly present in Hungarian policies or practice, but partly due to the effects of financial and economic crisis it is coming into the fore nowadays. Some precedents however can be already mentioned even in legislation and policy papers, and a few, rather unique, from each other separated initiatives, locally known examples can be shown.

In the Hungarian National Spatial Development Concept (adopted by Parl. Decree No. 97/2005. (XII. 25.)) within its principles and priorities the basic idea of local economic development can already be recognized (however it is not explicitly called as LED), and all the aspects important for this new, integrated and place/based approach are already present.
Within territorial priorities set in the Hungarian NSDC, local economic development references are mostly present under the title sustainable spatial development. Here keywords like local systems of material- and energy management, use of renewable resources and the promotion of local markets can be highlighted.

In the following section two case studies of two Hungarian cities are shown, which are still rather unique and small scale initiatives, but serve well the illustration of potentials of LED for rising competitiveness and social cohesion in cities. The first one is being considered as a good example, and is getting better and better known (at least within the country), the second one is still less successful, but serves with good lessons for further initiatives.

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**Principles of sustainable land use in Hungarian National Spatial Development Concept (2005)**

**Land use supporting the safeguarding of natural resources**
- For a cleaner, more natural environment and for a healthier and sustainable society, land use has to support the protection of the non- or hardly-renewable local resources (like fertile land, landscape assets, close-to-natural areas, cultural heritage). These forms of land use prefer and promote brownfield instead of greenfield investments, and support the spatial structuring of urban and rural functions.

**System for land use ensuring the conservation of valuable resources and accessibility**
- For a society being aware of environmental assets and having local identity, as well as for ensuring equal opportunities, sustainable accessibility and availability of natural and cultural resources of national relevance, public services and events of public interest have to be secured.
- In order to prevent negative impacts related to organisational forms of socio-economic processes and harming (often indirectly) natural and cultural assets, the location choices of development activities and the organisation of administration and public services have to serve sustainability and the preservation of these resources.

**Land use forms enabling efficient, sustainable local systems and territorial thinking**
- To ensure local economic systems which are planned and controlled efficiently, in a sustainable way, as well as to be less vulnerable towards external impacts, those initiatives have to be promoted which are embedded into their environment, and maintain material, energy, information and knowledge flows in a longer term within their own region, and which utilize local resources in the most diversified ways and promote a balanced rural-urban division of labour.
- For a cleaner environment and a more environmentally conscious society, developments have to contribute to better knowledge of inhabitants about their own living, recreational and working environment by raising awareness of and responsibility towards landscape and cultural assets.

**Forms of land use decreasing the need for the movement of people, materials and energy and organising these in sustainable ways**
- For a cleaner environment and a healthier society, travel and travelling time requirements of satisfying cultural and social needs have to be decreased or at least made more rational, and more sustainable, and safe modes of transport have to be also promoted.
- For a more efficient economy, the deterioration and the risk of deterioration of environmental, technological and public safety due to passenger and freight transport have to be reduced by way of safer and cleaner environmental developments.

*Source: NSDC, 2005*
“Take and save the szentesi!” – a model for local economic development from Hungary

The financial and economic crisis has drawn special attention to the significance of local economic potentials and the necessity of the local economic development initiatives all over Hungary, also in Szentes, the small city in the South-Eastern part of Hungary (with around 30,000 inhabitants). One option for supporting local economies is to convince local storekeepers to sell local products and local inhabitants to buy these.

Using the brand „Take and save the szentesi!” on local shop entrances and on cars.
Foto: City government Szentes

“Take and save the szentesi!” (in Hungarian ‘Vedd és védd a szentesit!’) is a model for local economic development applied by the Hungarian city Szentes. Szentes organized a marketing campaign of local products with own branding and a town-wide network of locally active enterprises with the aim of increasing the supply and consumption of local products.

At the beginning of 2009 the local government of Szentes conducted a detailed survey among the local SMEs to find out how these were hit by the economic and financial crisis, what are the possible ways out of the downturn and what kind of help they expect from the local government. The results of the survey showed that the local consumers mostly don’t buy local products, and they mostly even do not know these. It came out that the inhabitants of the city are spending the money earned in the city characteristically in other places, larger cities 50-60 km away from Szentes. To stop and reverse this tendency and its all negative consequences the local government of Szentes started a campaign to promote the production and consumption of local goods and services: “Take and save the szentesi!” The project had five important phases:

1. Survey conducted on local entrepreneurs to explore the willingness to co-operate and activities, explaining the common interests.
2. Creation and dissemination of a marketing message which is understandable simply to all.
3. Intense marketing activities organized by the local government but in strong cooperation with the involved local entrepreneurs and advertisements posted on places provided mainly by local SMEs.
4. Strong but low cost PR activities in local and national media.
5. Analyses of satisfaction of local inhabitants (consumers) and local entrepreneurs, and exploration of possibilities to expand the model to other Hungarian cities.

The project is considered to be a huge success. It mobilized more than 600 local SMEs, which have got more than 600 advertisements possibilities free of charge due to the intense media
interest, and reached approx. 20,000 inhabitants. In the formalized network 70 SMEs took actively part, but the brand is to be found on even more places. The turnover of the local SMEs has increased by 5-20% due to the estimation of the local entrepreneurs. The revenues of the local government have been maintained, and the employment was not decreasing as drastically as experienced in other cities. Remarkable results in the time of the crisis. Several other Hungarian cities have announced their interest and intention to apply the Szentes model, first of all neighbouring cities like Csongrád, and Kunszentmárton but also Hungary’s third largest city, Miskolc from Northern Hungary.

New ways of city centre regeneration: Shopping street initiative for increasing inner-city competitiveness in Győr, Hungary

Shopping malls, which are called in Hungarian “Plaza” are growing out of the ground almost each day in the outskirts of the cities. This tendency is not a Hungarian specificity but it can be found throughout whole Europe, even world wide. Recognising this threat posed by new shopping centres outside the city borders on the historic city centre, the downtown of Győr, the Commercial and Industrial Chamber of the Győr-Moson-Sopron county supported by some local NGOs has decided to promote the inner-city shopping street and has set up the Foundation for Shopping Street of Győr.

Kisfaludy street in Győr
Shop entrance with the logo of the shopping street initiative in Győr
Foto: Zoltán Csizmazia

Győr is a medium-sized city with county rights of around 130,000 inhabitants in the Northern-Western part of Hungary, situated half way between Vienna and Budapest. The initiative was set up using models from other European cities with the aim to support the creation and strengthening of a local commercial culture in the historic city centre of Győr. This commercial culture shall be based on local traditions and be modern at the same time, be competitive and also customer-oriented, thus which corresponds to the newest trends and requirements in the European Union.

Main activities of the project:

- common marketing activities,
- common quality development and control,
- common loyalty cards,
- common lobby activities,
- harmonized opening hours,
widening parking capacities and discounts from parking rates,
common brochures, leaflets and campaigns.

Common loyalty card of the “shopping street Győr”

Altogether 66 shops of the downtown take part actively in the initiative. This SMEs started to use the common logo, which serves as a brand or even trademark and follow a common marketing strategy.

According to interviews with some participating SMEs however several constraints hinder the real success of the project. One of the most frequently mentioned problem was, that most of the facilities in the shopping street are in municipal ownership, and the SME-s have only short term rental contracts, which poses a heavy risk on the shop owners (even especially more so in politically instable periods as we experience nowadays after the change of national government in April 2010, and before the municipal elections, which will take place in October 2010). These circumstances led to a shorter time period during planning activities, as it is not worth to e.g. start larger renovation works, or even cooperate to together give a new outlook to the facades of the buildings.

This example shows, that even a good, creative idea might fail, or at least be only halfway successful if one or other conditions are missing, or the commitment of the leaders of the city is rather weak.

Conclusions
To conclude it can be stated that globalization has increased the need for localization, and global challenges need reactions on local level. “Think globally and act locally” is not an empty slogan anymore. The concept of local economic development reinvented nowadays, but having several decades of history and experiences, can serve as an appropriate tool to fill up this slogan and contribute to find and support sustainable and integrated development on local level. To achieve this the traditional approach of LED has to be modified, reconsidered: new methods are needed, new objectives or at least new emphasis and accents have to be set as presented in the paper.

In this sense local economic development is not a purely economic task, but rather a multi-disciplinary exercise having environmental, social, cultural and territorial dimensions and components and its aim is not purely profit-maximizing anymore, but to improve the living conditions and standards of the local inhabitants.
More and more recent attempts and efforts highlight the importance of local economic development within policy-making as well as in practice (looking at implemented projects), which can serve as good (or bad) examples and provide instructive lessons for further development of LED strategies, tools and methods. To capitalize this existing experiences systematic research on local economic development would be needed, besides comprehensive databases on LED initiatives and projects, solid methodological research applying multidisciplinary approach and using comparative analysis is inevitable. The presented set of tools for LED provide good specific areas of expertise, which all, one by one require further research efforts, however to explore the synergies between them, and the ways how to design a comprehensive LED programme are of special relevance. Thus the frameworks, components and methods of a sustainable and integrated model of local economic development needs further specification both in theoretical and in applied, practical terms.

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