



ROMANIA

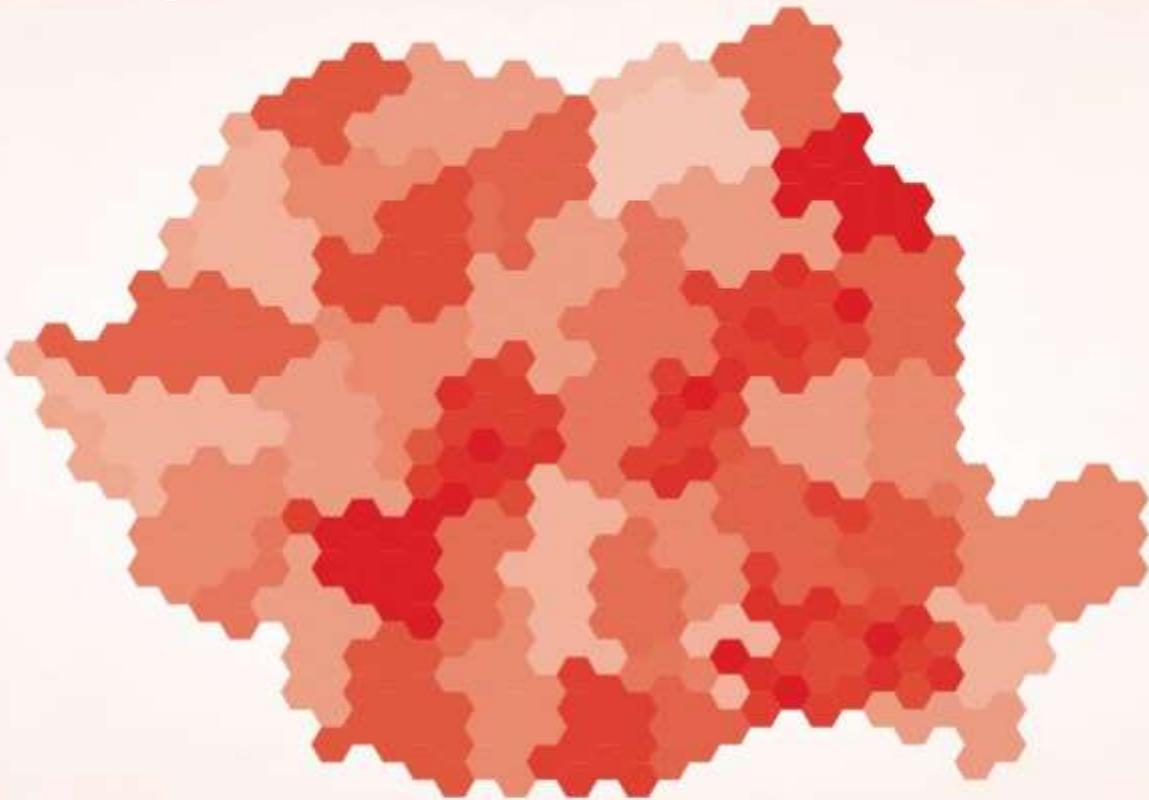
Reimbursable Advisory Services Agreement
on the Romania Urban Policy (P171176)



ROMANIA URBAN POLICY

OUTPUT 6. SUPPORT FOR ELABORATION OF URBAN POLICY IMPLEMENTATION MECHANISM

A proposed guide on the nationwide implementation of the EU
Urban Agenda



Creating a Job-Oriented Ecosystem - Local Economic Development Approaches for
Small Towns



MINISTERUL DEZVOLTĂRII, LUCRĂRILOR
PUBLICE ȘI ADMINISTRAȚIEI



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July 2021



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ABBREVIATIONS AND ACRONYMS

| | |
|-------|---|
| BAT | Business Advancement Team |
| BR&E | Business Retention and Expansion |
| EU | European Union |
| FDI | Foreign direct investment |
| FUA | Functional Urban Area |
| LED | Local Economic Development |
| MPWDA | Ministry of Public Works, Development, and Administration |
| NIS | National Institute of Statistics |
| OECD | Organisation for Economic Cooperation and Development |
| PACA | Participatory Appraisal of Competitive Advantage |
| PPD | Public private dialogue |
| R&D | Research and Development |
| ROP | Regional Operational Programme |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TAU | Territorial Administrative Unit |
| WB | World Bank |

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1. EXECUTIVE SUMMARY

This report focuses on recommendations to enhance the job ecosystems in small towns in Romania, in line with the inputs toward the National Urban Policy (NUP). This is particularly in support of Romania's leadership of the tenth action as part of the EU Urban Agenda Partnership for Jobs and Skills in the Local Economy: Creating a Job-Oriented Ecosystem. The report builds on previous analytical work conducted within the *Romania Urban Policy Program*, coordinated by the Ministry of Public Works, Development and Administration (MPWDA). This report is complementary to Output 6.4 Methodology on strategic planning, prioritization, implementation, and monitoring of public investment projects in urban areas and heavily utilizes the data produced by Output 3 Companion Paper 6: Economic Dynamics of Romanian Cities. The latter offered a deep dive into the urban employment structure of Romanian cities along with best practice case studies.

The analysis offers a blueprint for small towns to implement local economic development strategies with emphasis on understanding their existing firms' assets. The focus in this report turns to process on how smaller towns can focus on job creation using proven techniques from the field of Local Economic Development (LED). As Output 6.4 elaborates more specifically on developing IUD strategies, this output aims to help ensure measures are taken to support smaller cities – and particularly protect jobs and ensure sustainable local economic development. It broadly aims to embed the element of local economic development within integrated urban planning and advance its tools and approaches particularly in smaller towns where Integrated Urban Planning may not be as developed.¹

The urban reality in Romania is that several smaller towns are being left behind in the race towards becoming competitive and sustainable. The Urban Policy has advanced analyses to categorize cities with the aim of becoming more responsive to cities' challenges through the approaches of differentiated pathways. Against this background, this report argues that a commonly used global development approach - local economic development (LED) - provides tools and techniques that local governments could deploy to support economic growth in their localities. This report provides an introduction to the field and is structured around what is commonly agreed as the stages of LED. Along the way, it highlights key features of relevance in applying LED to the Romanian context, and includes several examples where key concepts of LED have already been applied (even if not explicitly labeled as LED).

Local government cannot create the jobs the economy needs, but it has a crucial role to play in ensuring an enabling environment and bringing together local stakeholders towards a common economic vision. Local economic development thus presents a process which “brings together different partners in a local area to work together and harness local resources for sustainable economic growth.”² LED is usually strategically planned by local government in conjunction with public and private sector partners, whose vested engagement is crucial. Implementation is carried out by the public, private and non-governmental sectors according to their abilities and strengths. As the Cardiff Consensus, which lays out the definition of LED notes, “there is no single model for LED, approaches should reflect local needs and circumstances.”³

In adapting the LED approach to the Romanian context, this report does not propose developing separate LED strategies, as the context is already saturated with bureaucratic planning processes. Rather, it advocates for including a much stronger LED focus in existing strategy making processes and utilizing the process to stimulate local dialogue with private sector towards improved outcomes, particularly for small towns. In some instances, these towns may not have drafted an IUDS, in which case

¹ Smaller towns generally refers to those with a population less than 10,000 individuals, as defined by Law

² Commonwealth Local Government Forum (2011). [Cardiff consensus for local economic development](#).

³ Ibid.

a LED strategy could form a useful strategic base for focusing investment efforts. These towns are also likely to face significantly more resource constraints, in terms of municipal finances available for development, and in its demographic and labor force assets, making it even more crucial to understand and identify viable economic opportunities. Key features in addressing LED in the Romanian context include strong local leadership, maximization of local assets, and strong partnerships, with an explicit focus on public private dialogue.

This report also provides an example of two tools which can propel local economic development for Romania's small towns:

- **The Participatory Appraisal of Competitive Advantage (PACA) approach helps identify quickly implementable activities to stimulate a local economy, with strong involvement of local stakeholders.** The PACA approach is centered around a bottom-up approach of that allows local communities to claim ownership to their LED process and facilitate the creation of a favorable local enabling environment for business. Its success lays in persuading local actors to work towards a visible and tangible outcome, not towards a strategy document.
- **Business Retention and Expansion (BR&E) leads with the end goal of saving and growing jobs in small towns.** BR&E can be thought of as private-sector customer retention applied to economic and workforce development. As a community's health is contingent on the number and quality of jobs available in the community, good jobs keep communities alive by allowing residents to keep living in smaller towns or rural areas, purchase property and pay property taxes. Keeping a business is also significantly less costly than attracting new businesses. As such, BR&E has often paid particular attention to small businesses which tend to be the lifeblood of small towns. Both of the tools introduced here can help generate insight into local economic dynamics through surveys and interviews with local businesses and generate locally-owned solutions through interactive processes with stakeholders. The insights gained as a result of these activities can serve to help create job-oriented ecosystems in small towns, grounded in data-driven strategies and actions for local economic development.

The range of LED activities that can be pursued by local governments is broad and wide ranging: a key to success is selecting those activities that are most appropriate for the locality and the current circumstances. There are many examples of best practice in Romania already on this front and combining these case studies with internationally recognized tools should allow small towns to help their local economy grow and create jobs. Against this context, this report advocates strongly for an approach grounded in utilizing existing local assets - including harnessing local skills, histories, and culture. Taken together, the concepts and tools presented herein make the case for:

- a) Adopting action-oriented processes that bring together and mobilize stakeholders in a locality;
- b) Crafting joint action plans rather than elaborate strategies for economic development; and
- c) Where larger scale strategies exist already (such as IUDS), integrating a stronger LED focus

2. BACKGROUND

This report builds on previous analytical work conducted within the *Romania Urban Policy Program*, coordinated by the Ministry of Public Works, Development and Administration (MPWDA). This report is complementary to Output 6.4 Methodology on strategic planning, prioritization, implementation and monitoring of public investment projects in urban areas and heavily utilizes the data produced by the World Bank in Output 3 Companion Paper 6: Economic Dynamics of Romanian Cities – which offered a deep dive into the urban employment structure of Romanian cities along with best practice case studies. The focus in this report turns to process on how smaller towns can facilitate job creation using proven techniques from the field of Local Economic Development (LED).

This report contributes towards Romania’s leadership and coordination of the tenth action on **Creating a Job-Oriented Ecosystem, Partnership for Jobs and Skills in the Local Economy**. At its core, this partnership has the objective to facilitate increased workforce capacity and job creation, and improve the preconditions of the local economy, based on skills and distinctive local specificities. In supporting the Ministry’s work towards this initiative, this report identifies relevant concepts and tools for fostering a job-oriented eco-system in small towns through local economic development. Delivering local development in small towns is important to improving economic futures and securing quality of life for inhabitants. The imperative of local economic development is not necessarily a new one in Europe – local development strategies are already numerous and well-documented.

2.1 Urban Agenda for the EU

The Urban Agenda for the EU aims to stimulate growth, livability, and innovation across European cities through three pillars of EU policymaking and implementation:

1. Better regulation through a more effective and coherent implementation of existing policies, legislation, and instruments through avoiding bottlenecks and minimizing administrative burdens for urban authorities.
2. Better funding through identifying, supporting, integrating, and improving traditional, innovative and user-friendly sources of funding for urban areas at the relevant institutional level.
3. Better knowledge through enhancing the knowledge base on urban issues and exchange of best practices and knowledge (Figure 1). Reliable data is important for portraying the diversity of structures and tasks of Urban Authorities, for evidence-based urban policy making, as well as for providing tailor-made solutions to major challenges.

Figure 1. Urban Agenda for the EU Objectives

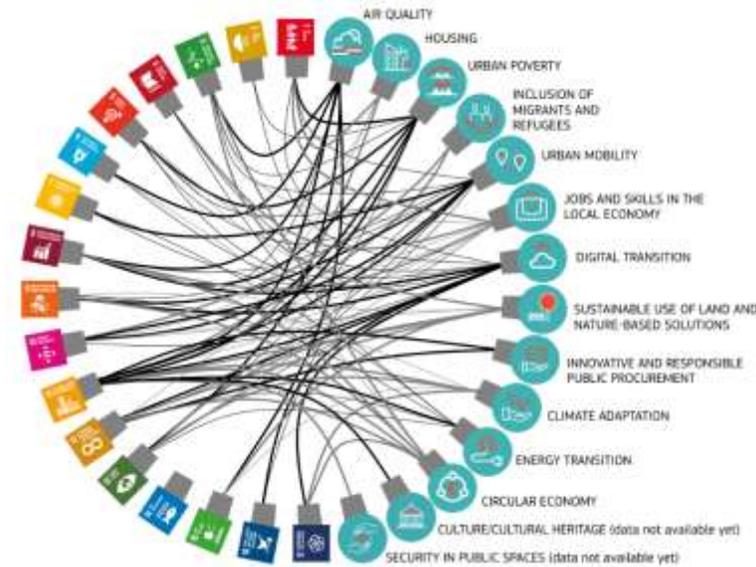


Source: European Commission, 2019. *Urban Agenda for the EU: Multi-level governance in action*.⁴

⁴ https://ec.europa.eu/regional_policy/sources/docgener/brochure/urban_agenda_eu_en.pdf

Urban areas are the drivers of the European economy and innovation today. However, they are also the battleground for many of the societal struggles of the 21st century. Thus, the Urban Agenda for the EU was created to ensure that the urban dimension is reflected in EU legislation. The Urban Agenda is composed of fourteen priority themes (depicted on the right side of Figure 2 below) which are imperative for the sustainable development of urban areas. Each theme has a dedicated Partnership, which brings together urban authorities, Member States and EU institutions to propose feasible measures for EU legislation, funding and knowledge sharing. One of these Partnerships is the Partnership ‘Jobs and Skills in the Local Economy’ (Figure 3).

Figure 2. Linkages between Urban Agenda Priority Areas and the UN Sustainable Development Goals



Source: European Commission, 2019. *Urban Agenda for the EU: Multi-level governance in action.*

Figure 3. Priority areas linked to specific partnership initiatives



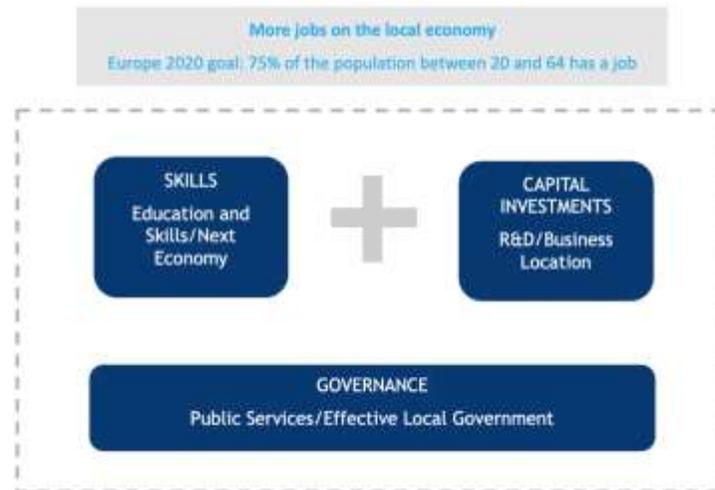
Source: European Commission, 2019. *Urban Agenda for the EU: Multi-level governance in action.*

As urban areas are the key players in the creation of the conditions for sustainable economic development, a strengthened EU agenda on Jobs and Skills is crucial for the future of Europe.

2.2 Partnership on Jobs and Skills in the Local Economy

The Jobs and Skills in the Local Economy is the topic at the core of a thematic partnership co-chaired by Romania and the cities of Rotterdam and Jelgava. Since its inception in mid-2017, the Partnership on Jobs and Skills in the Local Economy has been exploring and analyzing bottlenecks and burdens at the EU, national and local level. In its final Action Plan,⁵ the Partnership formulates concrete proposals in order to improve the existing EU legislation, funding and knowledge and provide more favorable conditions for the local economy and labor markets. The partnership focuses on three priority areas: (1) Skills, (2) Capital Investments and (3) Governance (Figure 4).

Figure 4. Objective and Structure of Partnership



Source: European Union, 2018. [Jobs and skills in the local economy partnership draft action plan](#).

The plan includes interventions to introduce new economic facilities for the regeneration of deprived areas; the creation of favorable conditions for business development, including a job-oriented ecosystem, improved public services and effective local governance; and the introduction of a permanent mechanism to transfer and develop future labor market skills. In the framework of the Action Plans, it is particularly remarkable that Romania is leading the implementation of the action related the creation of job-oriented ecosystems, a topic that introduced in the revised version of the Leipzig Charter (see **Error! Reference source not found.**). The commitments included in the Action Plan on Jobs and Skills in Local Economy of the European Urban Agenda are linked to 8 of 17 UN Sustainable Development Goals (Figure 2 above). The partnership's priority areas are elaborated into six intervention themes (1) Valorization of R&D (2) Business Location, (3) Public Services, (4) Effective Local Governance, (5) Next Economy, and (6) Education and Skills, formulating indications on how to improve current legislation, funding instruments and knowledge sharing (Table 1).

⁵ <https://futurium.ec.europa.eu/en/urban-agenda/jobs-and-skills-local-economy/action-plan/final-action-plan-jobs-and-skills-local-economy-partnership>

Table 1. Action Plan for the Partnership on Jobs and Skills in the Local Economy

| SKILLS: NEXT ECONOMY/EDUCATION AND SKILLS | | |
|--|--|---|
| 1 | Talent Office | A mismatched skillset is one of the biggest issues that cities face in terms of jobs and skills. This action aims to set up a new governance structure to support and enhance talent development and connect it with stakeholders. It will be delivered through four initiatives - Firstly, a Talent Observatory will be designed to gather information on talent supply and demand. - Secondly, a Lifelong Career Guidance programme will be developed. - Thirdly, a new Skills Academy will focus on promoting skills oriented to present and future economic needs. - Finally, a digital platform will be set up to attract and retain talent. |
| 2 | Future Labor Market Skills | In 2016, the European Commission adopted the New Skills Agenda for Europe aimed at making the right training and skills available in the EU. However, there is a need to include the local level and to create mechanisms to exchange ideas, projects and good practices. Therefore, the Partnership has developed an action to create an online repository of good practices. A permanent mechanism will be established to ensure that best practice, with particular emphasis on digital competences in vocational education and further education, is widely shared recorded and developed. A Digital Skills Map can be found online. |
| 3 | The European Pillar of Social Rights as a Framework for the Reconversion towards a Sustainable Economy | This action suggests that the European Pillar on Social Rights (EPSR) should be the framework for the reconversion towards a sustainable economy in urban areas. The EPSR sets out 20 key principles and rights to support fair and well-functioning labor markets and welfare systems. It is indispensable to involve the local level to succeed in this. Therefore, this action will result in the dissemination of a practical guide on how to deliver the EPSR at the local level in the framework of the European Semester. |
| 4 | Regional Innovation Strategy (RIS3) 2.0 | The availability of a skilled workforce is becoming increasingly important to innovation and growth. The Regional Innovation Strategy (RIS3) is a valuable instrument for this, but the monitoring process is overly focused on RIS3 goals and not so much on underlying effects. RIS3 risks delivering concrete benefits only to a few regions with high innovation potential. Without cooperation between successful regions and those with limited experience there is a risk for increased regional divisions. In response, this action aims to include a Human Capital Agenda and the local dimension into the RIS3. |
| 5 | Long Term Investments | With major transitions in European society and economy, targeted investments in education and skills are needed. However, investment in research and innovation across the EU falls short of the 3% GDP target, and 40% of the workforce lacks necessary digital skills. Many funding instruments exist but accessing different instruments can be tricky. This action has the goal of optimizing long term investments for jobs and skills. This will be done by identifying ways to link EU investment frameworks to local and regional long-term investment strategies, and improving the use of technical assistance at national, regional and local level. |
| 6 | Horizontal Action Simplification | This action responds to the need for further improvements in the implementation and accessibility to Structural and Investment Funds, since current funding opportunities are not always easily accessible. Entitled Simplification 2.0, it aims to help make future European Structural and Investment Funds more accessible for cities, particularly for smaller municipalities that lack the capacity and resources to take part in European initiatives. The output of this Action will be a position paper targeted at the Council and the European Parliament, making proposals for future regulations regarding funding. |
| CAPITAL INVESTMENTS: VALORISATION OF R&D/ BUSINESS LOCATIONS | | |
| 7 | Funding Deprived Areas | Strong public intervention in the regeneration of deprived areas is essential to achieve the Europe 2020 goal of no net land-take by 2050. Through the lens of jobs |

| | | |
|--|-------------------------------------|---|
| | | and skills, revitalization of deprived areas can also be a tool to promote jobs and skills in local economies. Therefore, this action will promote economic and social goals in the regeneration of deprived territories and frame revitalization as an economic and social issue. It aims to create new financing facilities within the post-2020 programming period for the regeneration of deprived areas with social and economic regeneration, as a resource for job creation. |
| 8 | ITIS Flexibility | Strong public intervention in the regeneration of deprived areas is essential to achieve the Europe 2020 goal of no net land-take by 2050. Through the lens of jobs and skills, revitalization of deprived areas can also be a tool to promote jobs and skills in local economies. Therefore, this action will promote economic and social goals in the regeneration of deprived territories and frame revitalization as an economic and social issue. It aims to create new financing facilities within the post-2020 programming period for the regeneration of deprived areas with social and economic regeneration, as a resource for job creation. |
| 9 | Cluster of State Aid and De-Minimis | The creation of better jobs based on better skills in the local economy will require interventions such as grants, subsidies, or the promotion of education and innovation. Any activity linked to the promotion of local economy can be subject of State Aid regulation, so it is necessary to continuously revise and improve this. This action defines two improvements to State Aid regulation, which could give cities a more flexibility in the support of start-ups, and the regeneration of deprived areas. The suggestions are to change the de-minimis for investments in innovative start-ups and to have more flexible rules for regeneration projects. |
| GOVERNANCE: PUBLIC SERVICES/ EFFECTIVE LOCAL GOVERNANCE | | |
| 10 | Job-Oriented Ecosystem | Cities are engines of regional economies, and highly influence the circumstances in which jobs are created. In order to improve job creation in cities, strategic documents in the field of cities' sustainable development should be updated in order to emphasize the need to ensure more favorable conditions for businesses. Through this action, the Partnership will produce a proposal comprising a set of provisions aiming to promote a job-oriented ecosystem in cities, to be included in the Leipzig Charter. |

Source: European Union, 2018. [Jobs and skills in the local economy partnership draft action plan](#).

Box 1. The New Leipzig Charter

Endorsed by the informal council of EU ministers on urban matters in December 2020, the New Leipzig Charter focuses on the transformative power of cities for the common good. In doing so, it calls for cities to have a stronger role in decision making at both national and EU level, to receive adequate financial means to deal with new and essential competencies, and sets a framework for how urban development should take place in Europe across the different layers of governance.

The charter builds on the 2007 Leipzig Charter and the Urban Agenda for the EU. The 2007 Leipzig Charter promoted integrated and sustainable urban development to improve overall living conditions in Europe's cities. However, the challenges brought to the forefront by climate change and the Covid-19 pandemic have created new concerns for cities in terms of inequalities and the digital divide. Meanwhile, a new budget and recovery package is being agreed at EU level to boost a green and fair recovery and speed up the digital transformation.



It is in this context that the New Leipzig Charter helps to refocus on the linkages between urban governments and other levels of governance. It also provides an urban policy framework to deliver global and European agreements such as the United Nations 2030 Agenda for Sustainable Development and the Paris Agreement, the Urban Agenda and the European Green Deal. The New Leipzig Charter highlights that good urban governance is necessary to help all cities develop just, green, and productive urban systems. In this context, the ministers for urban matters agreed to continue and reinforce the Urban Agenda for the EU, recognizing that its method can help cities and functional areas implement the strategic priorities of the New Leipzig Charter. The New Leipzig Charter emphasizes the pursuit of the common good using the transformative power of cities. This includes general welfare, reliable public services of general interest as well as reducing and preventing new forms of social, economic, environmental, and territorial inequalities.

Source: European Commission, 2020. [New Leipzig Charter – The Transformative Power of Cities for the Common Good.](#)

2.3 Job-oriented ecosystem

This action emphasizes the need to create favorable conditions for business development, including a job-oriented ecosystem, improved public services and effective local governance. Besides being an employer, local authorities are not in the lead position to create jobs. However, they do influence – within the limits of their legal powers – the circumstances in which jobs are created, especially pertaining to creating a favorable business climate⁶. Public services, including urban development and land use are essential for the creation of favorable conditions for business development. In many cases, local authorities cannot successfully fulfil their role as they are unable to ensure an efficient and integrated approach for the aspects mentioned above.

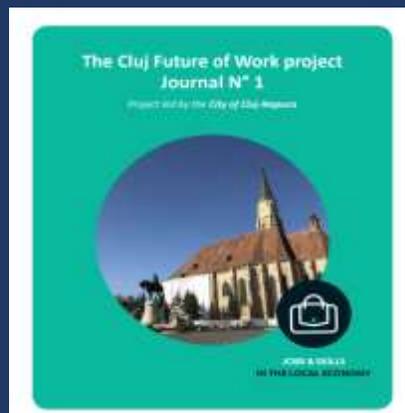
Within the job-oriented ecosystem, the Partnership identified the following areas for improvement: (1) low administrative capacity among local public authorities to develop a long-term vision for the economic development of settlements; (2) insufficient cooperation between urban-rural, urban-urban and cross-border localities; (3) insufficient cooperation between public and private sectors; (4) insufficient tools for cross-border cooperation; (5) lack of digitalization; (6) lack of integrated approach, including aspects ensuring coherence in sectoral policies; (7) spatially blind approach; and (8) lack of job creation provisions in land use policies.

⁶ European Commission (2018). [Urban Agenda for the EU: Jobs and Skills in the Local Economy Action Plan.](#)

In leading the realization of the job-oriented ecosystem agenda in the EU, the Cluj-Napoca Future of Work Program stands out as a pilot. Cluj-Napoca is utilizing a participative approach for co-implementation, grounded in a strong partnership between the local administration and the cultural, academic, business and social sectors. This is realized in the active participation of local stakeholders through the project's partnership of many thematic clusters, which includes universities, companies and NGOs among their members (Box 2). With a budget of EUR 4.43 million granted through ERDF funds, the project aims create a “socially resilient working ecosystem for current and future jobs in the city and imagine a technologically-enriched future, one that is also safe, ethical, inclusive and sustainable.”⁷

Box 2. The Cluj Future of Work Program

In the Romanian context still characterized by strong regional inequalities, Cluj-Napoca is one of the best-ranked cities in terms of quality of life and access to employment. More than 27,000 companies are based in the Cluj-Napoca Metropolitan Area, with a 30% increase of private employment in ten years and an annual average of 7% job creation in the service sector. This dynamic business environment is organized around eight business clusters (some of these are delivery partners of Cluj Future of Work) regrouping 393 companies, 8 local universities, 5 public institutions and 22 catalyst organizations. The dynamism of Cluj-Napoca is testified not only by its strong ICT sector or by the massive amount of public investments on urban infrastructures (48% of development budget dedicated to transportation and streets, 19% to housing and community development) but also by the vitality of its cultural sector, which grew considerably in the last decade. The turnover related to cultural industries is 38% higher in 2018 than in 2008, with an increase of the gross profit for cultural industries by 50% compared to 2008. Film production, design and music industries are on an ascending trend, while around 2000 students graduate every year from art universities in Cluj Napoca.



The Cluj Future of Work project follows the path of the City's strategic planning action started in 2004 and implemented in the last decade, but at the same time introduces elements of novelty in terms of analysis, trainings and testing actions in order to make city's working ecosystem more sustainable on medium and long term. Cluj Future of Work aims at preparing the city to the evolution of labor market reimagining the work and tackling the vulnerability of local economy towards new technologies.

The City of Cluj-Napoca is co-leading with the Cluj Cultural Centre a consortium composed in total of ten local organizations with the objective of creating a local working ecosystem which is sustainable, ethical and inclusive, where inequalities are reduced and technologies can offer opportunities of growth to different sectors of society.

- Cultural and Creative Industries: An entrepreneurial education program for the cultural and creative sectors called “Culturepreneurs” to train and coach potential entrepreneurs in the fields of marketing, communication, gamification, custom design, and others. Five selected Culturepreneurs will get

⁷ Urban Innovation Actions. <https://uia-initiative.eu/en/uia-cities/clujnapoca>

internationalization services, as marketing and sales support, in order to promote their products on foreign markets.

- Informal work: The Roma community of Pata Rât, with an estimated population of 1500 persons living close to the former city waste dump, is targeted by an action aimed at re-imagining the narrative of work in collaboration with the members of this deprived group and easing the access to regular labour market. The initiative targets waste collection and construction workers.
- Work 4.0: A series of thematic training programs will be delivered to 40 workers of sectors under high risk of automation, who will test pilot actions showing how different job profiles can evolve in the future. Cluj Experimentation Vouchers will be given to front office workers and to employees active on business process outsourcing. This part of the project will also prototype future local value-added chains and will show how reskilled workers can effectively contribute to innovate functions in the context where they work.

Source: Urban Innovation Actions. <https://uia-initiative.eu/en/uia-cities/clujnapoca>

Having described the general context of creating a Job-Oriented Ecosystem and Romania's onus in leading the initiative, the next section turns to focus on the concept of local economic development particularly in small towns, where job-oriented ecosystems may not exist but are vitally important to sustaining the lifelines of smaller towns and bridging the gaps of Romania's urban-rural inequalities. While work within the Urban Policy has advanced analyses to categorize cities with the aim of becoming more responsive to cities' challenges through the approaches of differentiated pathways, the reality is that a good amount of smaller, less competitive towns are still being left behind in the race towards becoming competitive, sustainable cities. Therefore, the attention turns to local economic development, which can hold significant value for smaller towns where competitiveness may not be the norm, but where potential exists to unlock economic opportunities through participative and concerted actions of local leadership and stakeholders.

3. INTRODUCING LOCAL ECONOMIC DEVELOPMENT

3.1 Defining LED

In line with the needs outlined in the Jobs-Oriented Ecosystem, Romanian cities have an opportunity to apply LED approaches towards greater local job creation. While strategic city level planning has taken hold in most Romanian cities, and cities in Romania already engage in Integrated Urban Development, an explicit focus on growing the local economy and creating local jobs is still limited to larger localities. Small towns face a particular set of challenges, which may be more amenable for quick and easily implementable interventions within the framework of LED. The concept and tried and tested tools of LED offers great potential for all localities, but especially smaller localities, which are the focus of this report.

Evolved in the early 1970s, LED stemmed from municipal government's reaction to a globalizing world where capital moved freely to cost efficient sites creating a global competition to attract and retain existing businesses. On the national level, fiscal constraints, tax reforms, and decentralization continued to increase municipal governments responsibilities to balance between job creation and retention and service delivery and infrastructure investments. By actively reviewing their economic base, communities gained an understanding of the opportunities for, and obstacles to, growth and investment. With this newfound understanding, communities attempted to expand their economic and employment base by devising and undertaking strategic programs and projects to remove obstacles and facilitate investment.

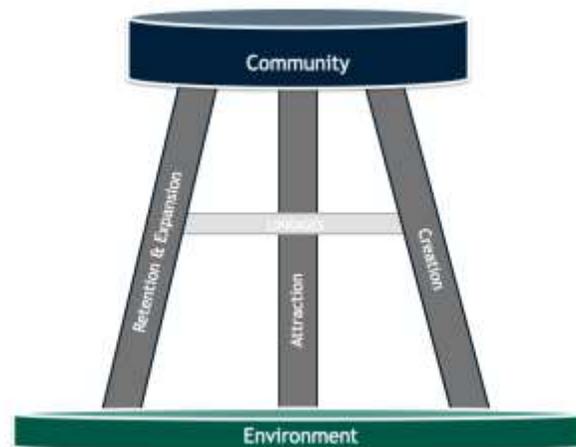
The World Bank's 2006 primer on local economic development (LED) states that its purpose is "to build up the economic capacity of a local area to improve its economic future and the quality of life for all. It

is a process by which public, business and non-governmental sector partners work collectively to create better conditions for economic growth and employment generation”⁸. As of 2011, the Cardiff Consensus more recently defined local economic development as a process which “brings together different partners in a local area to work together and harness local resources for sustainable economic growth.” Moreover, in recognizing the varied existing local assets and possible trajectories for towns, the Cardiff Consensus asserts that “There is no single model for LED, approaches should reflect local needs and circumstances”⁹. Local economic development can be focused on various sub-topics, such as local economic development guides, tourism, workforce skills, support to small, medium and micro enterprises, microfinance and credit and public-private partnership.

Strategically planned LED is used by communities to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs, and workers. The ability of communities to improve the quality of life, create new economic opportunities and fight poverty depends upon them being able to understand the processes of LED, and act strategically in the changing and increasingly competitive market economy. LED is usually strategically planned by local government in conjunction with public and private sector partners. Implementation is carried out by the public, private and non-governmental sectors according to their abilities and strengths.

The key components of economic development can be conceptualized as a three-legged stool that supports the community through i) retention and expansion of existing businesses, attraction of new businesses from elsewhere, and the creation of new businesses from within the community/region¹⁰.

Figure 4. The three-legged stool of economic development



Source: Wilcox, M., Ogle, T. (2019). *Economic Development Policy Tools for Local Government Land Use Planning*.

These three legs of the stool representing economic development represent different strategies to support a community’s economy given its enabling environment (Figure 4). They are tied together by the community itself, strategy linkages and the environment. Specifically, each strategy tends to do the following:

⁸ World Bank (2006). [Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans](#).

⁹ Commonwealth Local Government Forum (2011). [Cardiff consensus for local economic development](#).

¹⁰ Wilcox, M., Ogle, T. (2019). *Economic Development Policy Tools for Local Government Land Use Planning*.

- Attraction strategies typically employ government-funded subsidies and tax breaks along with investments in infrastructure (such as industrial parks).
- Community-led business retention and expansion strategies typically seek to address issues that the firms may be facing concerning workforce development, business climate, infrastructure, etc.
- Lastly, business creation is focused on the entrepreneurial pursuits of individuals who are interested in anchoring their new businesses in a specific community.

Further, it is also important to pay attention to the “length” of the stool legs as giving attention to one leg (by allocated resources) can result in an unbalanced approach to economic development. All of these legs are grounded in the environment, which encompasses the community’s capitals and assets. This covers the natural environment covering the community’s land use, as well as its climate impact. For an overview of community/regional assets and land use against the impacting trends and development decisions/ actions that could preserve and strengthen the asset, see Table 17. Community/Regional Assets and Land Use in Annex 1. LED Concepts. The built environment impacts the ability of firms to operate efficiently, move goods, and interact with customers. Finally, the financial environment of a community determines the local availability of financial resources for investment in economic development.

The focus on the fiscal base of a local government is important to highlight. In the process of decentralization, increasing responsibilities are transferred from national (central) governments to the local governments; however, this does not always correspond to revenue allocation and has resulted in the need for local authorities to grow their own fiscal base.¹¹ This in turn led to increased interest in LED and its potential to grow a local economy and, subsequently, the local tax base. A useful outline of various approaches and activities that could be deemed as LED are summarized in Figure 5.

Figure 5. Approaches and activities of local economic development (LED)



Source: Helmsing, 2003.

The interventions above do not imply that a local authority is responsible to undertake all these functions or activities. This is rather a basket of potential interventions which, as suggested by the Cardiff Consensus definition, should be tailored to meet the local needs. Recent research has also found that

¹¹ Helmsing A.H.J. Bert (2003). Local Economic Development: new generations of actors, policies, and instruments for Africa. *Public Administration and Development* 23/1.

strategies tailored to local conditions and integrated into broader regional plans are more likely to succeed.¹² In deciding which activities to pursue, a local authority may choose from various processes and approaches to help identify and prioritize the most important focus areas most likely to deliver in terms of local development goals. These priorities are typically arrived at through a LED strategy development process, with some approaches to the strategy process outlined in Section 3.2: With the above-mentioned features in mind, the next section turns to outline the main stages of Local Economic Development.

¹² Rodríguez-Pose & Wilkie, 2018. Innovating in less developed regions: What drives patenting in the lagging regions of Europe and North America. *Growth and Change: A Journal of Urban and Regional Policy*.

Stages of LED. The next section highlights the features of LED that are particularly relevant for the Romanian context.

3.2 Key features of LED relevant for the Romanian context

Despite the sustained focus on Competitive Cities throughout the years, not every city in Romania is on a clear growth trajectory, or one that is becoming increasingly competitive. Smaller cities and rural communities face real demographic challenges, such as aging population and loss of labor force due to out-migration, declining physical resources or outdated industries. In many cases, access to jobs and services and a lack of transportation options continue to push younger populations out to larger cities and even turn abroad for economic opportunities. Similar constrained resources in terms of local human resources results in a limited planning capacity for local government to plan strategically and elaborate a vision for navigating its challenges and constraints to secure a sustainable economy and decent quality of life for its residents.

Strong local leadership

Significant responsibility for economic development comes down to local leadership: economic development demands buy-in and leadership from local elected officials. Mayors and local administration have a wide range of opportunities to effect change and promote a strategic vision of economic growth for their city. Leadership should aim to ensure that the local economy is diverse, sustainable, and adaptable to adverse climate and economic impacts.¹³

In Romania, Alba Iulia has exemplified remarkable leadership which has helped the city navigate its shrinkage and build a strong local brand, rising to become the city attracting the highest amount of EU funds per capita. Alba Iulia's exemplary reckoning with its demographic decline is highlighted by its creative and targeted approach towards building a cultural brand identity and restoring its heritage; its efforts to maintain academic and economic significance amidst larger university cities and economic poles in its vicinity; its pronounced focus on social inclusion which values the quality of life of all its inhabitants; and visionary strides towards becoming a smart city. Box 3 highlights the four key pillars attributable to its success.

Box 3. Alba Iulia: Leveraging strong local governance as a vector for development

Alba Iulia's success in navigating its status as a city in transition can be attributed to four key pillars:

- 1. Visionary and dynamic local governance which has served as a vector of its development.** Alba Iulia's local government has created and executed a long-term vision for its development in a way that dynamically responds to needs and challenges. This has included considering and piloting various policy options, leveraging expertise for its planning, public policy and investment decisions, and making ample use of EU funds.
- 2. Investing in the key assets which sustain and celebrate its legacy.** The transformation of its citadel from an abandoned fortress to a center of cultural life for the city has given the city a revamped status as a source of local pride and touristic destination.
- 3. Supporting complementary investments in education, infrastructure, and social inclusion, which build an enabling environment for its inhabitants to thrive.** Such investments have helped the city maintain an economic and educational gravitas, improve connectivity and capitalize on its central positioning, support quality of life across social categories; and champion citizen-focused digital transformation.

¹³ National League of Cities (2017). What you should know 2.0: Elected Leaders and Local Economic Development.

- Partnerships and collaboration between civil society, private sector and local governance in a format that puts the needs of inhabitants first. Alba Iulia’s pioneering of collaborative relationships between these actors at the level of the municipality and greater functional urban has been essential in confronting the interdisciplinary challenges encountered by a city facing shrinkage.

Source: World Bank (2021). Romania Urban Policy. Output 3. Case Study on Alba Iulia.

Placing LED within the context of urban development in Romania

In adapting the LED approach to the Romanian context, this report does not necessarily propose developing separate LED strategies. Rather, it advocates for the including an LED focus particularly for small towns which may not be served by Integrated Urban Development Strategies/or have a particular need for identifying viable economic opportunities given their resource constraints in terms of demographics, labor force, etc.

While this report does not necessarily advocate for the development of another set of strategies given Romania’s already busy strategic milieu at local level, local economic development strategies could potentially have a place among sectoral strategies should they be pursued as stand-alone strategies. In this respect, it would be essential to ensure their harmonization with other sectoral strategies and identify projects which would achieve the intended outcomes of multiple strategies, accompanied by a concerted approach to their implementation. As Romania’s local governments do not suffer from a lack of strategies, but rather from a general lack of their realization, this report does not propose developing another strategy at the local level, but rather more immediately suggests incorporating a strong local economic development approach in the IUDS process – with a focus on quick, implementable actions. If it should be pursued, an LED strategy can find its place among the other urban development documents and plans. As will be showcased later in the report, applying tools such as PACA or BR&E could result in jointly crafted action plans rather than official strategies.

Figure 6. City-level urban development documents



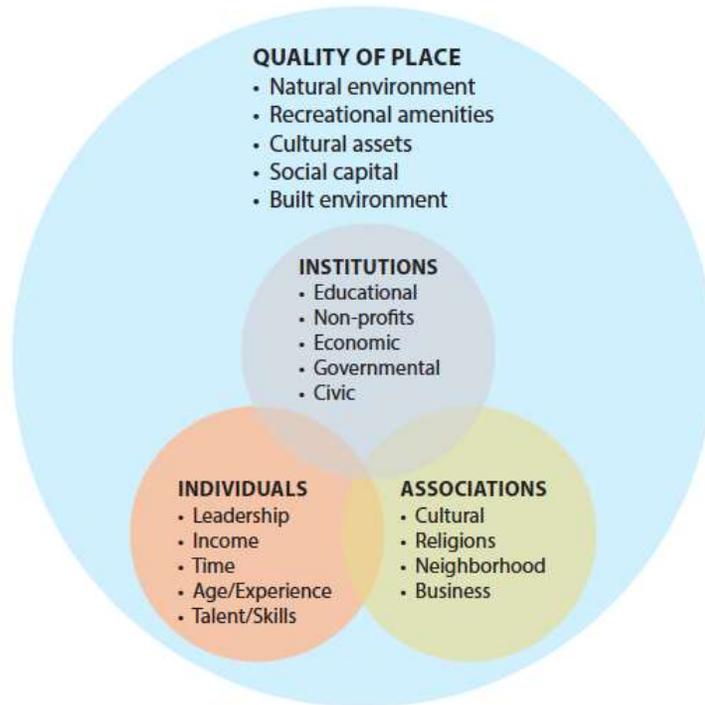
Source: World Bank 2021. Romania Sustainable Cities.

Engaging local assets to foster economic resilience

Further, it is critical for city leaders to be cognizant of how access to key amenities, affordable housing and other quality of life characteristics are vital to fostering economic resilience and encouraging business creation, attraction and retention. In community development circles, the consensus is that all

development activities should be asset-based.¹⁴ While recognizing needs and constraints is important, assets are what the community will be able to leverage to accomplish goals. Assets can be grouped by community capital (e.g. financial, political, social, cultural, human, natural, and built capital) or thought of more broadly in terms of actors and the community environment (Figure 7). A key focus of LED is thus on the engagement of such existing local assets as well as the partnerships and interrelations between them.

Figure 7. Community-based local assets



Source: Wilcox, M., Ogle, T. (2019). *Economic Development Policy Tools for Local Government Land Use Planning*.

Measuring Impact with Performance Management

Leadership should also aim to ensure that the interventions for local economic development produce measurable, verifiable results. Whether LED is picked up as an approach for short term interventions or as a guiding long-term strategy, incorporating data-driven decision-making into the everyday operations of economic development programs is essential in focusing operations toward impactful ends, such as making incremental economic achievements, or in facilitating a daily commitment to long-term goals. Some of the suggested data points for a city to begin tracking include:¹⁵

- **Economic conditions:** New business starts and closures, retail sales, imports and exports, location quotients that compare the size of local industries and sectors to those of typical communities of similar size, shift-share analysis that shows how industries are growing and declining compared to one another
- **Population characteristics:** Population size and growth, age, educational attainment
- **Labor force characteristics:** Labor force participation, unemployment, wages, incomes, occupations, skills, commuting trends, productivity

¹⁴ Wilcox, M., Ogle, T. (2019). *Economic Development Policy Tools for Local Government Land Use Planning*.

¹⁵ National League of Cities (2017). *What you should know 2.0: Elected Leaders and Local Economic Development*.

- **Physical conditions:** Land use, zoning, land values, condition of buildings, vacancy rates, building activity, parking facilities, condition and capacity of infrastructure, air and water quality
- **Business climate:** Community attitudes, labor relations, business taxes and regulations, level and quality of municipal services, workforce training, access to and cost of capital, public and private infrastructure
- **Knowledge-based resources:** National institutes and research labs, science and research parks, industry incubators, colleges and universities, technical training schools
- **Quality of life:** Housing availability, public services, education system, crime rate, cultural and recreational activities, parks and other natural amenities

Effective performance measurement requires setting and formulating the objectives of a strategy or interventions in a clear and concise manner. Setting objectives can be a difficult process that should consider a few features. To this end, objectives should be:

- i) results-oriented
- ii) specific and measurable
- iii) achievable within a certain period of time
- iv) realistic in terms of time and costs, and
- v) mobilizing.

A few simple criteria summarized as SMART (Specific, Measurable, Accessible, Relevant, and Time-bound) should be kept in mind to make sure there is consistency of the objectives. If they are not focused to bring about results, objectives are merely general goals that make it quite difficult to measure the performance. A general goal can turn into a specific objective by applying SMART criteria. With the above-mentioned features in mind, the next section turns to outline the main stages of Local Economic Development.

4. STAGES OF LED

Good practice indicates that local economic development should be guided by a strategy, which is produced through a participatory strategic planning process. Ideally, an LED-focused strategy provides a focus on strengthening the local economy and building local capacity. The timeframe for an LED strategy is typically three to eight years and includes annual implementation plans.

As mentioned in the previous section, in adapting the LED approach to the Romanian context, this report does not necessarily propose developing separate LED strategies. Rather, it advocates for the including an LED focus particularly for small towns which may not be served by Integrated Urban Development Strategies/or have a particular need for identifying viable economic opportunities given their resource constraints in terms of demographics, labor force, etc. For larger towns and cities, a stronger economic development focus could be included in the existing practice of IUDS and the tools offered in this report should be useful across all contexts. Thus, while the LED process is outlined here, both conceptual and more easily actionable elements can be extracted from here and applied to the Romanian context.

A local economic development strategic planning process typically has five stages (Table 2), and while these are highlighted below as separate stages, in reality, LED strategic planning is a flexible process and one stage often continues in parallel with another according to local needs. If problems are encountered during a particular stage, it may not be as a result of work in that stage but the appropriateness of a previous stage. Previous and subsequent stages may need to be refined or reworked to resolve problems. The strategy is a living document that should be changed as circumstances dictate. The below stages are adopted from the World Bank’s Handbook: Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans. Table 2 outlines the general stages of LED, whether pursued as a strategic planning process or an implementable approach.

Table 2. Sequencing of local economic development as a strategic planning process and an implementable approach

| FIVE STAGES OF LOCAL ECONOMIC DEVELOPMENT – FULL STRATEGIC APPROACH | LOCAL ECONOMIC DEVELOPMENT AS A DIRECTLY IMPLEMENTABLE TOOL-BASED APPROACH |
|---|--|
| Stage 1: Organizing the Effort | Stage 1: Organizing the Effort |
| Stage 2: Local Economy Assessment | Stage 2: Local Economy Assessment |
| Stage 3: Strategy Making Stage - LED Activities | Stage 3: LED Actions and Implementation |
| Stage 4: Strategy Implementation | |
| Stage 5: Strategy Review | |

Source: Authors’ adaptation from Swinburn, G., Goga S., and Murphy, F (2006). [Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans](#). World Bank: Washington, DC.

4.1 Stage 1: Organizing the Effort

To successfully organize a local economic development strategy, institutional arrangements and stakeholder involvement should be agreed at an early stage of the planning process. This is important to creating and gaining a common understanding of local needs, followed by a shared vision and plan of action in response to needs. An LED team should be established in City Hall or within a partner organization and this team should initially manage the strategic planning process. As the previous section described, successful local economic development requires the collaborative effort of public

(governmental), private (business) and non-governmental (NGOs, trade unions, social, civic, religious) sectors. The strategic planning process begins by identifying the people, public institutions, businesses, industries, civic organizations, professional organizations, think-tanks, training institutions and other groups that comprise and/or impact the local economy. Maintaining and sustaining such partnerships is often the critical and challenging factor determining the effectiveness of LED efforts.

In the Romanian context, IUDS are prepared between several departments, and economic development is well-embedded within this nexus. Over the years, assistance in the development of IUDS has helped cities arrive at prioritized lists of projects through a process involving active stakeholder participation. Moreover, local development strategies, which abound, also incorporate cross-sectoral considerations. Whether embedding LED into development strategies or adopting it as a separate strategy, a first stage as described here should also involve the development of systems to work with other tiers of government and consider the organization to develop LED strategies and projects. This points to the need for effective vertical and horizontal inter-governmental coordination.

Determining partnerships and strategic level of focus

Beyond the types of capital and local resources available in a community, synergies and partnerships are at the heart of effective LED. When communities consider a thoughtful and holistic approach to economic development, they can increase their community and region's vitality.¹⁶ To do this, communities can work to leverage the assets they have in place and create an environment with policies and regulations that bolster the social capital, environmental health and economic performance of the community/region. This environment provides a solid foundation to support the communities' economic development efforts. To do so, local government should promote partnerships with:

- Business, the private sector, local chambers of commerce and trade associations to improve understanding of the local economy, encourage entrepreneurs and facilitate PPPs
- Labor/trade unions to promote social partnership
- Universities/higher education sector to increase access to knowledge, expertise, technical advice, and consultancy skills
- Traditional authorities, community groups/civil society leaders, to mobilize volunteers, promote local participation, public community partnerships, cooperatives and improve understanding of the needs of different partners such as informal traders, to help strengthen delivery and promote accountability and transparency
- Partnerships/twinning between local governments and with other public sector partners such as fire or health services to leverage economies of scale and to promote shared services
- Central/state government, sectoral ministries, and parastatals/development boards to ensure effective coordination and facilitation of LED
- International development agencies, national, regional and local finance institutions to secure development finance and technical expertise directly to local government

Within this milieu, there are several approaches to pursuing local economic development:

- Public-private partnership approach—to assess/seize economic comparative advantage
- Small business approach—for innovation, private investment and job creation
- Regional approach—leveraging the resources of surrounding areas

¹⁶ Wilcox, M., Ogle, T. (2019).

- Sector-cluster approach—supporting the most promising sectors by bringing together business, educational institutions, NGOs and government

Public Private Dialogue

The private sector functions within different parameters compared to the municipal sector. However, competitive cities are largely defined by the competitiveness of their local firms. Thus, it is essential to develop a proactive, sustainable, and efficient growth coalition between city officials and agencies and the private sector through a Public-Private Dialogue (PPD). PPD has been applied widely to design competitiveness reforms, build coalitions and overcome gridlock in policy implementation¹⁷. PPD refers to the structured interaction between public- and private-sector stakeholders to promote the right conditions for private sector development, improvements to the business climate, and economic development. It is about stakeholders coming together to define and analyze problems, to discuss and agree on specific reforms, and to work to ensure that the suggested solutions are implemented.

PPD offers several advantages in terms of advancing a shared vision for local development and should be involved throughout the entire process of LED. First, it can help establish growth coalitions between the private and public sector and lead to synergies between in experience, knowledge and political power to make a city more competitive. Better diagnosis of investment climate problems and design of policy reforms can also be realized as a result of the combined expertise, and as PPD helps invokes the element of public scrutiny, it also provides a potential starting point for the public sector to gain the support of the private sector in advancing reforms and can increase the chances of policy implementation and overall success. Moreover, PPD can also serve to help prioritize policies more rigorously according to their added value. Figure 8 lists several elements essential to effective PPD.

Figure 8. Essential Elements of public private dialogue (PPD)

| Twelve essential elements of PPD | |
|--|---|
| 1. Assessing the optimal mandate and relationship with existing institutions | 7. Elaborating a monitoring and evaluation framework |
| 2. Deciding who should participate and under what structure | 8. Considering the potential for dialogue on a sub-national level |
| 3. Identifying the right champions and helping them push for reform | 9. Making sector-specific dialogue work |
| 4. Engaging the right facilitator | 10. Identifying opportunities for dialogue to play an international role |
| 5. Choosing and reaching target outputs | 11. Recognizing the specifics and potential of dialogue in post-conflict or crisis environments |
| 6. Devising a communications and outreach strategy | 12. Finding the best role for development partners (aka donors) |

Source: Herzberg, B., & Wright, A. (2006). The PPD Handbook: A Toolkit for Business Environment Reformers.

¹⁷ Sivaev, Dmitry; Herzberg, Benjamin; Manchanda, Sumit. 2015. Public-Private Dialogue for City Competitiveness : Competitive Cities for Jobs and Growth, Companion Paper 7. World Bank, Washington, DC. © World Bank. <https://openknowledge.worldbank.org/handle/10986/23568> License: CC BY 3.0 IGO.

There is also value in identifying how to make effective partnerships work. Partnerships between the public and private sectors can be realized whether using formal approaches such as PPP or MOAs, or by considering the wide range of informal and formal partnering efforts. A key example of utilizing an informal partnering approach is found in Partnering for Growth, advanced in South Africa (Box 4).

Box 4. Partnering for Growth Program in South Africa

Using the World Bank's Competitive Cities Executive Development program as a foundation, a project was designed and launched in 2017 to work with a small and select group of individuals around specific economic themes in metros in South Africa (Nelson Mandela Bay, Tshwane and eThekweni). The program was designed to give city officials and decision-makers the tools they need to lead economic development in their cities and build effective economic partnership. Following a series of learning events, there was an 18-month period of collaboration support to the action groups that were formed, and the individual change agent participants.

The Partnering for Growth process distinguished between formal partnerships (such as PPPs and MOAs) and the wide range of informal and formal partnering efforts. These action groups were intended to help participants get "partnership fit". Through the interactions in the three cities, a number of examples surfaced of attempts to partner, most of which became stuck. These included businesses, universities and non-profits trying to partner with municipalities, as well as municipal officials trying to partner externally.

While a number of "block walls" were encountered across partnering attempt, whether initiated from i) outside of the municipality, ii) by municipality officials; or iii) even jointly, participants did identify some successful tactics that have helped them to make progress on some of these initiatives and on other partnering initiatives over the years. These tactics included:

- Working on initiatives where there is no exchange of money - helps to avoid supply chain issues, and reduces questions about motivation/potential favoritism
- Taking time to understand people rather than just focusing on quick results - this can form a solid foundation for working together; understanding people's mandates, KPIs and constraints, and trying to have empathy for each other's limitations can reduce frustration and increase the chances of persevering with partnering
- Informally aligning actions towards common objectives rather than focusing on signing MOUs or establishing joint entities – formal agreements and establishing entities can take years, do not necessarily yield results, and much can be done without them
- Forming alliances with like-minded organizations to increase legitimacy and representation, which increases the credibility and ease with which municipalities can work with that grouping as a partner
- Using intermediaries to bridge a relationship – for example, municipalities can contract a non-profit to work with a range of partners to deliver on a program
- Municipalities working with businesses or universities / state entities that are already on contract, and integrating partnering roles into their contracts
- Establishing protocols on communication and endorsements of joint initiatives - agreeing on how to deal with credit and public communication about initiatives is important for the sustainability and continued motivation of party; any partner insisting on taking undue credit is likely to destabilize the partnering.

Source: Kaiser Economic Development Partners (2019). LESSONS ON PARTNERING IN SOUTH AFRICAN CITIES: CHALLENGES, TACTICS, AND A WAY FORWARD.

4.2 Stage 2: Local Economy Assessment

Knowing the characteristics of the local economy is critical if stakeholders are to identify and agree on a realistic, practical and achievable LED strategy. To elicit key data on the local economy, an effective local economy assessment will start with a preliminary review of the existing economic relationships and activities within an area and will make use of available quantitative and qualitative information that highlights existing structures and trends in business development, manufacturing, employment, skills, and other data that will help to identify the strategic direction of the local economy. Several tools including SWOT analysis (Table 3), benchmarking and regional economic indicators may be used to identify key

information on the local economy. For a sample template for SWOT analysis within the context of LED, see Table 18 in Annex 1. LED Concepts.

Table 3. SWOT Analysis: Examples of Local Economy Assessment Issues

| EXAMPLE OF ISSUES OF A LOCAL ECONOMY ASSESSMENT | |
|--|---|
| Strengths Local assets | Competitive wage rates, skilled workforce, educational and research institutions, strong transportation network, safe locality, productive existing firms, proximity to raw materials or other natural resources. |
| Weaknesses Obstacles to growth | Worsening poverty, complex local regulatory procedures, inadequate infrastructure, limited access to credit, health issues affecting the workforce (e.g., HIV/AIDS), high crime rates. |
| Opportunities Favorable exogenous (external) conditions | Technological change, new international trade arrangements, macroeconomic/political developments, expanding markets, the development of a regional airport, emerging skilled workforce. |
| Threats Unfavorable exogenous (external) trends | Demographic changes, downsizing of global business or loss of markets resulting in local plant closure, unstable exchange rates inhibiting local investment, loss of educated population to other areas - outward migration |

Source: World Bank (2006). [Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans.](#)

The consideration of local conditions can also be expanded to include other dimensions beyond those that are purely economic in nature. An assessment of current conditions for a community may ask: What are the current environmental, economic, and social conditions of the community? How is the community connected to other communities in the region? What are the community’s best assets? What are its key challenges? Considering any these broader dimensions can help inform a more holistic approach to local economic development. Zooming into the economic component specifically, the local economy assessment will be used to:¹⁸

- identify public, private and non-governmental resources;
- collect and analyze existing or critical new quantitative and qualitative information; and,
- establish data management systems for future use in monitoring and evaluation.

There are several frameworks to assess the local economy that range from complex indices to two-week participatory tools. The section below describes presents several assessment tools to diagnose local economic characteristics and dynamics at this stage, namely the city typologies exercises developed as part of the Urban Policy RAS as well as the World Bank’s Competitive Cities framework.

4.2.1 City Typologies based on labor force and other socio-economic dynamics)

Overview of labor dynamics in Romania

One of the better-known theories within Economic Geography is that a city can sustain its growth if it manages to generate higher-and-higher paying jobs, which can offset the rise in the cost of living as the city develops. The implications of this theory for a local administration are both simple and powerful. To sustain the growth of the city long-term, it is important to have a number of economic sectors that can

¹⁸ World Bank (2006).

pay higher and higher salaries. This is one of the reasons that there are not many manufacturing metropolises in the world. In Romania, the sectors that provide higher-than-average pay are the IT sector and the telecommunications. A brief overview of the employment analysis which can be further explored in Annex 2. City Classifications.

Table 4. Largest employers in Romania

| SECTOR | No. of Employees | Share in Total |
|-----------------------------------|------------------|----------------|
| Agriculture | 2,404,581 | 26.89% |
| Retail Trade | 859,127 | 9.61% |
| Public Administration and Defense | 489,617 | 5.48% |
| Construction of buildings | 459,237 | 5.14% |
| Education | 368,866 | 4.13% |
| Transport Services | 323,463 | 3.62% |
| Healthcare | 320,203 | 3.58% |
| Food Industry | 206,920 | 2.31% |
| Textile Manufacturing | 175,872 | 1.97% |
| Security Services | 165,057 | 1.85% |
| Wholesale Trade | 162,828 | 1.82% |
| Special Construction Activities | 135,942 | 1.52% |
| Restaurants | 133,943 | 1.50% |
| Auto Manufacturing | 132,225 | 1.48% |

Source: Romania National Institute of Statistics.

An overwhelming share of Romania's workforce (around 27%) is employed in agriculture. Unsurprisingly, scrutiny of the distribution of agricultural labor reveals a high concentration in Romania's least developed and least urbanized areas. Strengthening cities in these areas will likely require the creation of new and better paid opportunities for the people employed in agriculture. Virtually every developed country, including those that generate a significant amount of economic output from agriculture, has only a fraction of the population working in agriculture. While there is a general shortage of labor in some areas of Romania, particularly the most developed ones, in other areas there is untapped potential – i.e. there is an excess labor force that could be mobilized in higher-productivity ventures.

The second largest employer in Romania is Retail Trade. When we look at the territorial distribution of the labor force working in Retail, we see a higher concentration in wealthier areas, and a particularly high concentration in the dynamic urban areas. In essence, this may be an indication of the fact that people in wealthier areas also consume more. Also, in terms of causality, **retail follows development** rather than the other way around. More specifically, if you manage to attract a mall in your town, you won't necessarily set the town on a path to growth.

Public Administration is the third largest employer in Romania. Here, one would have expected a higher concentration of public officials in less developed areas, as a way of countering the lack of private sector employers. What the figures show in practice, however, is a higher concentration of public officials in well-off areas – and a particularly high concentration in several municipalities and towns. Indeed, if we look at global figures⁵, we see that more developed countries have a higher share of their labor force working in Public Administration than less developed countries do. In essence, you must be able to afford a big bureaucracy – i.e. you need to have a large enough and strong private sector, to have a big public sector.

For the Education and Health sectors, we see a similar higher concentration in the more developed areas of the country, again indicating a higher capacity to pay for such public services. For the Construction sector, we see an interesting clustering of the labor force in counties like Maramureş and Satu Mare (two counties with a tradition in this sector), as well as around some of the most dynamic cities in Romania – Cluj-Napoca, Constanţa, Braşov, Iaşi, and Bucharest.

For all the other sectors there is a higher concentration in cities, as well as distinct territorial patterns. For the Food Industry, there is already a much higher concentration in cities, although activity in the sector is spread relatively evenly across the country's territory. A similar pattern can be observed for the Textiles Sector, although there is a much higher concentration in cities. These two sectors are, in a sense, gateway sectors for predominantly agricultural areas – i.e. light manufacturing with modest skill requirements.

Classification of cities based on socio-economic characteristics

Based upon certain criteria, Romania's cities can be categorized into several types of cities. While not an officially defined list, the categories below have been developed through a pilot exercise which lays out the way in which differentiated approaches/more nuanced understanding of city profiles can be taken by incorporating a consideration of spatial dynamics, migration trends, economic profiles, and local assets. These are enumerated as follows:

1. *Urban Growth Poles* are the most populous in Romania with the number of new-borns in the peri-urban area being the smallest compared with all the other groups of cities since the ration of urban core population to the peri-urban area is the smallest. These are the cities that have expanded their urban footprint the most in the last 10 years, generating urban sprawl beyond their administrative boundaries.
2. *Peri-urban Cities* are the receivers of the sprawl pressures from the urban poles of larger cities. Fifteen cities have been classified as peri-urban cities, even though, in terms of geographical position there are 62 peri-urban cities. The difference come from the specific traits of being a major buffer for the expansion of the urban pole from the nearby. The peri-urban cities had on average a 36% boom in population and 72% increase in floor space. The local human development index is the largest among all the groups of cities, yet they have the lowest attainment rate for secondary school diploma (36%). This suggest that the peri-urban cities are places of major social inequalities among the households and that they are affected by a selective filtering of the students: the children of the well-off parents are commuting to the better schools. The peri-urban cities are not only site of population growth, but also expansion sites for business (visible in the high number of businesses per capita), yet peri-urban cities are not the only site of the economic sprawl, but the whole peri-urban area of the growth poles (visible in the share of per-urban private companies).
3. *Industrial Cities* have experienced a contraction of the population in the urban core, on average by 4%, they have witnessed a moderate growth in population and business within their peri-urban area but have avoided urban sprawl. They host large companies, with many employees, generating at city level a significant gross local income per capita. On average one third of the of the employees are working in industry and, on average, these cities have personal incomes per capita above the national level. Both the human development index and the attainment rate of secondary school diploma is quite high. To sum up, this class of cities scores high on the industrial leaning and the livability components simultaneously. Nonetheless, there are important variation in this class of cities in term of size and rate of growth, hence a more detailed analysis is needed here.
4. *Agri-Cities* have number of employees in agriculture an above the average. Nonetheless, the average percentage is quite small: 1,6%. Most of these cities are placed in the Romanian Plain in the South of the country and in the Transylvanian Plain, the area with the worth air in Romania.

There are 78 cities grouped in the cluster and the internal variability of the cluster is quite large, suggesting the need to further differentiate within this group.

5. *Tourist Cities* are almost mirroring the agri-cities. One in ten employees works in commercial services, and more specifically, they are working in the hospitality industry. These are places with important social inequalities revealed by an above the average human development index and a small attainment rate of secondary school diplomas. Many of these cities are surrounded by rural localities in their peri-urban area, which explain the higher natality in the peri-urban. Nonetheless, these cities were quite successful in attracting EU Funds and were able to invest the most in expanding their local infrastructure and amenities.
6. *Catching-up Cities* is a generic catch all cluster that group together cities that do not have any specific traits given our initial selection of variable driven by the interest to differentiate the cities based on the composition of the labor force. It groups 102 cities, therefore a more detailed analysis is needed to further describe these and to differentiate among them.
7. *Cities with internal labor reserves* are those who score, on average, low on the livability index and industrial leaning components. The gross local income per capita is the smallest from all the clusters. These cities remain rather static in terms of population both in the urban core and the peri-urban area, yet the children dependency rate suggest a young population overall. The cities tend to be surrounded by rural peri-urban localities, that act as a continuous economic hinterland dominated by agrarian activities There are rather few employees in the industrial sector and commercial services. There are 46 cities in this group and a finer grain drill down is needed to further describe this cluster.

In Annex 2. City Classifications a full list of the classification of cities and towns are provided. The two resources are very helpful for local governments to be able to locate their spatial classification and cross check it with their employment profile.

4.2.2 Competitive Cities Framework

The Competitive Cities framework provides a deep understanding of local economic dynamics, by helping identify growth pathways and constraints. While this framework is typically helpful for larger urban localities or those that fit within the sphere of a larger functional urban area (FUA), smaller localities can still benefit from a resource-conscious approach to economic development by adapting the framework and tools from the Competitive Cities approach to identify and enhance their competitive advantage and improve their local enabling environment. The World Bank describes Competitive Cities as those which have the following characteristics¹⁹:

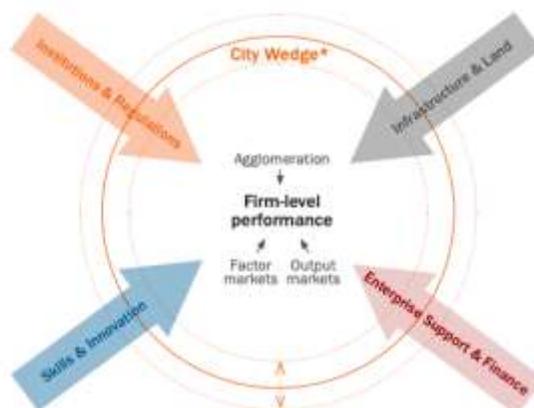
- Accelerated economic growth
- Outstanding job growth
- Increased incomes and productivity
- Magnets for foreign direct investment (FDI).

While smaller cities may not be as readily able to achieve these characteristics in comparison to larger cities, the Competitive Cities framework calls for focusing on all three sources of growth, the achievement of which can significantly improve small town performance and investment attraction: expansion of existing firms; creation of new firms; and attraction of investors. The Competitive Cities

¹⁹ World Bank (2015). [Competitive Cities for Jobs and Growth](#).

conceptual framework²⁰ highlights that local conditions for economic development are shaped to various degrees by a large set of city-level determinants, grouped into four key groups: (1) institutions and regulations, (2) infrastructure and land, (3) enterprise support and finance, (4) skills and innovation (Figure 9). These four themes were applied in the analysis of best practice case studies presented in Output 3: Companion Paper 6 Economic Dynamics of Romanian Cities.

Figure 9. Competitive Cities Conceptual Framework



Source: Sivaev, Dmitry. 2015.

The determinants each present their own strengths and weaknesses, and taken together, influence the performance of the city economy as well as the potential for growth and job creation. The “City Wedge” shaping this enabling environment refers to the ability of various city actors to change these four conditions and comprises:

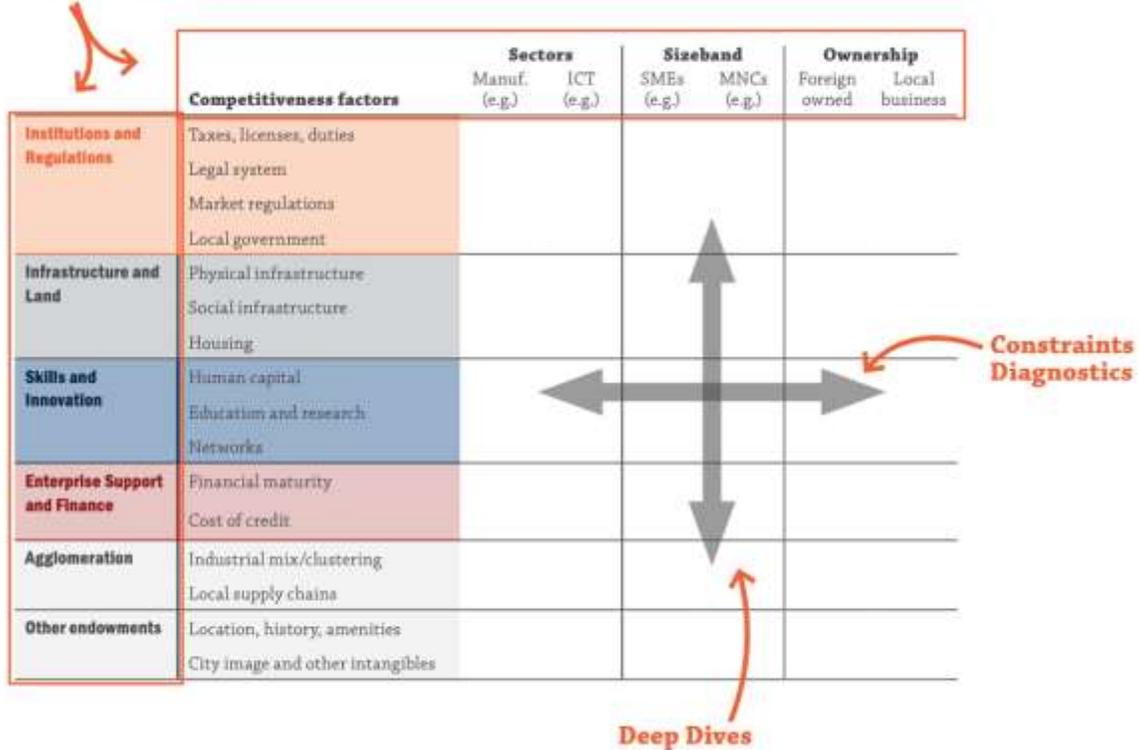
- the Mayor’s Wedge: the administrative remit and implementation capacity of the city government.
- Growth Coalitions: the collaboration between private sector, city administration and other local actors.
- Intergovernmental relations: ability of the city to engage other levels of government both vertically (regional and national authorities) and horizontally (neighboring jurisdictions).

The diagnostic methodology at the core of the Competitive Cities framework, Growth Pathways, evaluates the competitiveness of a city’s economy and identifies its competitive advantages and the challenges to the business environment. The Growth Pathways methodology is comprised of three diagnostic exercises structured around the Competitive Cities conceptual framework: 1) Competitive Cities Snapshot, 2) Constraints Diagnostics, and 3) Deep Dives (Figure 10).

²⁰ World Bank (2015). [Competitive Cities for Jobs and Growth](#).

Figure 10. Growth Pathways Methodology: Snapshot, Constraints Diagnostics, and Deep Dives

Competitive Cities Snapshot



Source: Sivaev, Dmitry. 2015.

City-level determinants cannot be explored without understanding the current economic dynamics of the city. To answer the basic question of “How is my city doing?”, leadership in Romanian cities can benefit from the three levels of growth pathways analysis methodology. The Growth Pathways methodology identifies the following goals:²¹

1. Understand the overall performance of the city economy, focusing on the private sector.
2. Understand the strengths and the weaknesses of the city regarding the four groups of determinant conditions.
3. Acknowledge that the needs of various businesses differ; understand the nature of the types of businesses that populate the city’s economy, their potential for growth and job creation; and understand whether the city offers the determinants conditions that they require.

Competitive Cities Snapshot

The Competitive Cities Snapshot is a two-part exercise which provides an overview of the city economy, focusing on changes in key economic indicators, benchmarks of the city’s economic performance and enabling conditions, and the city’s economic structure²². Beyond an overview of the city’s economic performance, this exercise helps formulate two types of hypotheses: (a) factors that are likely constraining city competitiveness and (b) sections of the city’s businesses (defined by sector, size, or type of ownership) that offer growth potential or are underperforming.

²¹ Ibid.

²² Sivaev, Dmitry. 2015.

Part 1 of the Snapshot is an automated economic overview and benchmarking exercise. Globally available data (global datasets, city indexes, Doing Business indicators, and data on patent registration) is used. Indicators include gross domestic product (GDP); employment and income growth; industrial structure and location quotient for broad sectors; and index values for infrastructure, institutions, skills, and access to finance.

Part 2 is a customized approach. The analysis is expanded with other data sources such as the World Bank Enterprise Survey, Subnational Doing Business survey, and local data sources. Detailed analysis of the business structure can be conducted using location quotient, shift-share analysis, and business demographics techniques (which global data usually do not permit). Qualitative techniques (expert surveys and triangulation) should be used to complement the analysis, verify results, and identify gaps in local perceptions. In utilizing the Competitive Cities Snapshot in the Romanian context, for both parts, the analysis and data produced in Output 6: Technical Support Paper: the Clustering of Romanian Cities based on their Social and Economic Traits and Output 3: Companion Paper 6 Economic Dynamics of Romanian Cities can provide sufficient data requirements for an economic snapshot of any Romanian city.

Constraints Diagnostics

The constraints diagnostics focuses on economywide conditions that emerge from the snapshot to be major barriers to growth of local businesses across industrial sectors and business types. This analysis facilitates and in-depth understanding into each determinant of the local business environment: infrastructure, regulations, skills and innovation issues, enterprise support and access to finance. An in-depth understanding of the issues related to a specific determinant of city competitiveness and a rough estimate of the potential benefits in fixing the problem.

Local governments can select from a large number of off-the-shelf diagnostic tools for various parts of the business environment. Tools for this purpose could include regulatory impact analysis, subnational tax assessment, TRACE energy analysis tool, land use and housing diagnostics, jobs diagnostic, financial infrastructure analysis, and others.

Deep Dives

This level of analysis focuses on selected industrial sectors or firm-size bands and ownership types to identify their competitive potential and identify key constraints. This approach to city competitiveness starts from firm-level needs. The firm-level needs differ across industries, firm sizes, and ownership types. Thus, the most efficient interventions are sometimes those that identify and target needs of specific business with growth potential given the comparative advantages of a certain city. This approach identifies detailed issues that need to be addressed to support specific types of businesses in the city. In-depth prioritization uses market intelligence and industrial analysis techniques to understand the growth potential of given groups of businesses. These exercises rely on qualitative data collection, interviews, and focus groups in addition to any related quantitative data. Driving conditions benchmarking uses literature review, expert consultations, and sector analysis (such as value chain analyses) to identify constraints and opportunities. This analysis compares a range of data sources collated in the World Bank database to evaluate these conditions against comparator cities and to identify where the city is lagging behind the most. It is based on economic boundaries rather than on administrative boundaries, meaning that the analysis will often include the broader metropolitan area and beyond as needed.

Although the methodology might seem large scale, Romanian cities already have access to the dynamics of employment and firm revenues (produced as part of the World Bank's advisory work on the NUP). The analysis explored the balance sheets of all the companies operating in Romania (available on the governmental data repository), the employees and revenue of each company differentiating between the

company's headquarters and its working points spread across the country and layered the spatial data accordingly (

Table 20. LED Prioritization Exercise: Reality Check Tool

| 'Reality Check' Tool | | | |
|--|-------------------|-------------|-----------------------------|
| CRITERIA | MORE LIKELY | | LESS LIKELY |
| Mandate – the more consistent with (local) government body mandate, the better | | | |
| 1. Legislative Ease | Yes | Maybe | No |
| 2. Policy Consistency | Yes | Maybe | No |
| 3. Contractual Ease | Yes | Maybe | No |
| 4. Political Will/Champions | High | Neutral | Uncertain |
| Capacity – the less it requires new capacities, the better | | | |
| 5. Organizational Capacity | High | Medium | Low |
| 6. Human Resources | Yes | Somewhat | No |
| 7. Expertise | In-house | Available | Uncertain/No |
| Resources – the less costly, the better | | | |
| 8. Affordability | Yes | Average | No |
| 9. Fiscal Resources | Confirmed | Available | Difficult |
| 10. Savings realized | High | Medium | None |
| 11. Leverage other resources | Yes | Maybe | Uncertain/No |
| Time Frame – the more doable within the time frame, the better | | | |
| 12. Time Efficiency Realized | Likely | Maybe | Not likely |
| 13. Timeframe for results | Reasonable | Challenging | Unrealistic |
| 14. Success Likelihood | High | Medium | Uncertain |
| Acceptance – the more support it can generate from stakeholders, the better | | | |
| 15. Community Support | High | Average | Low |
| 16. Partnership Potential | Ready | Maybe | Uncertain/No |
| Relevance – the greater the contribution to the Vision-Goals-Objectives, the better | | | |
| 17. Direct impact on objective | Likely | Maybe | Uncertain/No |
| 18. Ongoing Sustainability | Likely | Maybe | Uncertain/No |
| 19. Consequences/Risk | None | Uncertain | Negative |
| 20. Environmental Impact | Positive/Neutral | Minimal | Negative |
| 21. Gender Equality | Supports equality | Neutral | Negatively impacts equality |
| 22. Cultural Values/Priorities | Supports values | Neutral | Conflicts with values |
| 23. _____ | | | |

Source: FCM-CARILED, 2014. *Creating a Strategic Plan for Local Economic Development: A Guide.*

4.3 Annex 2. City Classifications

City classifications and employment structure

Table 21). Romanian localities can use the template provided in Figure 11 to conduct a quick analysis of the status of competitive firms and industries within their jurisdictions.

Figure 11. Growth Pathways Template

| CITY NAME: | | FIRM TYPES | | | |
|---|--------------------------------|---|---------|-----------|-----------|
| | | | Sectors | Size band | Ownership |
| DETERMINANTS OF COMPETITIVENESS THAT AFFECT FIRMS' PERFORMANCE AND CITY OUTCOMES | Institutions and Regulations | Taxes, licenses, duties Legal system Market regulations Local government | | | |
| | Infrastructure and Land | Physical infrastructure Social infrastructure Housing | | | |
| | Skills and Innovation | Human capital Education and research Networks | | | |
| | Enterprise Support and Finance | Financial Maturity Cost of credit | | | |
| | Agglomeration | Industrial mix/clustering Local supply chains | | | |
| | Other endowments | Location, history, amenities City image and other intangibles | | | |

Source: World Bank (2015). [Competitive Cities for Jobs and Growth](#).

The Competitive Cities framework can also lend itself to application in the Romanian context and small towns. In particular, small towns may tend to resonate most aptly with Market Towns in Figure 12.

Figure 12. Correlates of good economic performance vary by city income level and move sequentially

| Category | Metric | Market Towns <\$2,500 GDP per capita | | | Production Centers \$2,500-\$20,000 GDP per cap. | | | Creative and Financial Centers >\$20,000 GDP per capita | | |
|------------------------------|---------------------------------------|---|------------|-------------|---|------------|-------------|--|------------|-------------|
| | | Disp. Income | Labor Prod | Emp. Growth | Disp. Income | Labor Prod | Emp. Growth | Disp. Income | Labor Prod | Emp. Growth |
| Institutions & Regulations | Ease of Doing Business Index (DB) | + Start with basic infrastructure and regulation... | | | + | | | ... then upgrade infrastructure... | | |
| Infrastructure & Land | Physical Infrastructure ¹ | | | + | | + | | + | + | |
| | Social Infrastructure ² | | - | | | + | | + | + | |
| Skills & Innovation | Human Capital ³ | | | | | | | + | + | |
| | Innovation ⁴ | | | | | + | | + | + | |
| Enterprise Support & Finance | Financial Infrastructure ⁵ | | | | | + | | | + | |

¹ Physical Capital (EIU), Infrastructure Index (UN), Cost of Electricity (DB)
² Social and Cultural Capital (EIU), Healthcare (EIUL), Quality of Life (UN)
³ Human Capital (EIU), Education (EIUL)
⁴ Number of patents (GUC)
⁵ Private Credit Bureau Coverage (DB), Financial Maturity (EIU)
 Source: Fikri and Zhu 2015.
 Note: DB = World Bank doing business index; EIU = Economist Intelligence Unit City Competitiveness Hotspot; EIUL = Economist Intelligence Unit Livability Index; GDP = gross domestic product; GUC = Chinese Academy of Social Science Global Urban Competitiveness Report; UN = UN-Habitat City Prosperity Index

+ Positive statistically significant correlation at the 10% level
 - Negative statistically significant correlation at the 10% level

Source: World Bank Group. 2015. *Competitive Cities for Jobs and Growth: What, Who, and How*. World Bank, Washington, DC. © World Bank.

Numerous case studies presented in the *Competitive Cities* report as well as those in *Output 3 Companion Paper 6* illustrate that there is no single recipe for success in leveraging local economic development (**Competitive elements of best practices in Romania**

Table 19 in Annex 1. LED Concepts). Each of the cities examined has pursued its own path to prosperity, building on its own competitive advantages, resource constraints, national regulatory environment and policies. In championing local economic development efforts, the lead actor may not always be public administration; the private sector can and should play a significant role in guiding and shaping local economic development. Understanding the remit of each actor in local economic development is essential and each actor should have a solid knowledge of the tools and levers at its disposition. In this respect, the general tools and competencies of actors at the national and local level as well as the private sector are presented in Table 5.

Table 5. Tools and competencies of government and private sector in shaping the business environment

| | Institutions and Regulations | Infrastructure & Land | Skills and Innovation | Enterprise Support and Finance |
|----------------------------|--|--|---|--|
| National government | Macroeconomic management National investment and trade policy Legal framework and property protection Industry-specific taxes and regulations | Highways, roads, airports, ports Power grid Regulations for infrastructure provision, such as PPP laws | Public education system Immigration policies to attract talent R&D funding, support schemes Healthcare | Export and trade facilitation Access to finance support schemes |
| <i>Mayor's Wedge</i> | | | | |
| City government | Municipal taxes and incentives Zoning and land use policies Construction permits; business licenses Public safety and law enforcement | City roads and public transportation Water and sanitation Public safety Housing/slum upgrading | Talent attraction programs Cluster development support Linking firms with academia | Business support services Investment policies, promotion, and aftercare Facilitation of seed, catalyst, and risk capital |
| Private sector | Standards and certification associations | Additional infrastructure and shared services | Vocational training programs R&D | Business associations and support networks Market intelligence and business information Equity and debt |

Source: World Bank, 2015.

These analytic techniques help to build a list of potential interventions, and that list provides a solid fact base for discussion. But it is not meant to be prescriptive, and it is not the same as knowing where to start. The next important step will be the prioritization of interventions through strategy-making. One approach to prioritization is a technocratic process of selecting the interventions with the highest effect and the potential for the quickest wins. However, high-priority initiatives also need to be politically feasible, able to be implemented given local capacities, and need to be supported by key local stakeholders. The process outlined in the following section can be used to identify priorities using a structured dialogue between public and private stakeholders, to develop consensus, and to generate a coalition to support selected interventions.

4.4 Stage 3: Strategy Making

As in comprehensive city strategic planning, the intent is to achieve an integrated approach to local economic development strategic planning. In devising strategy, practitioners in municipal government and principal stakeholder groups will need to balance local economic development with environmental and social needs. A typical LED strategy has several components (Table 6).

Table 6. The 5 Steps of LED Strategy Making: 'Visions to Projects'

| ELEMENTS OF THE LED STRATEGY | |
|------------------------------|--|
| Vision | Describes the stakeholders' consensus on the preferred economic future of the community. |
| Goals | Based on the overall vision and specify desired outcomes of the economic planning process. |

| | |
|----------------------------------|---|
| Objectives | Establish the performance standards and target activities for development of each goal. They are time bound and measurable. |
| Programs | Set out approaches to achieving realistic economic development goals. They are time bound and measurable |
| Projects and Action Plans | Implement specific program components. They must be prioritized, and costs must be established. They are time bound and measurable. |

Source: World Bank (2006). [Local Economic Development: A Primer Developing and Implementing Local Economic Development Strategies and Action Plans.](#)

4.4.1 Activities within Local Economic Development Strategies

In addition to these key components, the strategy making process essentially requires decisions around which activities which stakeholders will focus on. Key functions and activities of local economic development can fall within different Romanian city agencies and ministries. Thus, one of the key points to drive home for Romanian localities is to identify which sectors within local governments are tasked with mandates that fit into local economic development. For instance, workforce development, a key function of LED, can fall within the education sector. Once the mandates are identified, they offer a platform to understand and involve the key stakeholders within the local economic development strategy.

According to the National League of Cities and the International Economic Development Council, local economic development “can be achieved by creating and retaining well-paying jobs, supporting business growth, developing key real estate, and providing access to open space, neighborhood amenities and cultural programs.”²³ Therefore, from the view of an urban local government, the following functions are a good grouping of which LED activities could feature in a LED strategy or action plan. Each of the five functions are briefly discussed in the sections that follow.

Figure 13. Key Functions of Local Economic Development



²³ National League of Cities (2017). [What You Should Know 2.0: Elected Leaders and Economic Development.](#)

Business Retention and Expansion

A key function of economic development is retaining the existing business and offering incentives for their expansion. Business needs are continuously expanding, and local authorities must compete to stay relevant. Thus, a key component of a successful local economic development plan is understanding the needs and obstacles facing existing businesses. Prahova County provides a successful experience of business retention and expansion in an area with a rich industrial past in Box 5.

Box 5. Prahova County: Business Retention and Expansion

Institutional Capacity for Economic Development

Prahova is the second largest county in Romania, with almost 800.000 people. With 15 operational parks, Prahova County has the most industrial parks in the country. Of these, 7 are administered publicly by the Prahova County Council, one by the Vălenii de Munte Local Council and one by the Breaza Local Council. Six industrial parks have a private administration. The industrial parks under the authority of the County Council have a total area of 448 hectares and were established either on the structure of former units in the defense and / or civil industry, or as greenfield developments. The investments have proved their viability by stimulating domestic and foreign direct investments in industry, services and technological development.

Industrial tradition and Existing Assets

Due to its long tradition of industrial development, the county offers a diverse range of qualifications that companies look for. While severely affected by the closure of factories and refineries after 1989 or the contraction of their economic activity, the local administration has managed to attract foreign investments and significantly reduce the rate of unemployment by leveraging its existing assets and industrial tradition. In addition, the public authorities are also investing resources into the training and development of the local workforce. The major enabling factors have been the existing industrial infrastructure and facilities, investment in local labor force as well the access to supply networks and transport infrastructure.

The Prahova county has a well developed connective infrastructure, with over 160 km of railway and approx. 2200 km of roads. The city of Ploiești is also advantaged by its proximity to Bucharest (60 km), with rapid access to the “Henri Coandă” International Airport. Due to its location at the intersection of the main European roads and rail transport routes, Ploiești is an attractive location for investors looking to open new production facilities.

Greenfield and Brownfield Industrial Development

The public administration also successfully managed to merge greenfield development with existing brownfields. For the latter, property rights were transferred from the state to the local authorities, by government decisions, based on the favorable location and the existing supply networks and facilities necessary for the establishment and operation of the park. The first location in Ploiești was established in 2002, after part of the Electromecanica Ploiești company (having as main activity the production of missiles and other equipment for military and civilian purposes) has been passed under its administration. With the Ploiești Industrial Park fully occupied, but also as a result of requests from foreign and Romanian investors, the management company decided to extend its locations by acquiring land in four other key locations.

Business marketing and attraction

Attracting new industries and businesses to the city is a key component for job creation and overall economic growth. Businesses are attracted to cities that can offer an all-encompassing environment. In practical terms, local authorities should be well-versed in the art of marketing their cities potential and “work with site selectors to showcase available commercial space, and to close location deals with companies”.

Box 6. City of Constanta Competitiveness Profile²⁴: Marketing and attraction

As part of positioning the city for investors, the City of Constanta worked with the World Bank to produce a **Competitiveness Profile of the city**. The work point to the main sectors that have driven the Constanta economy in recent years are: refined oil production; tourism; ship building; retail; and real estate. The existent port infrastructure, as well as good connective infrastructure (ring road, highway to Bucharest, high-speed rail to Bucharest, channel to the Danube) make Constanta an ideal investment site for logistics companies and manufacturing companies. Constanta is actually an ideal investment site for assembly work (particularly for bulky products, such as automobiles or electronics), for companies outside the European Union (EU) looking to get access to the EU markets.



Workforce development

A city's workforce is one of its greatest assets. Developed cities are capable of attracting businesses because they are home to a skilled and specialized workforce that can participate in the local job market. Thus, a local economic development plan must always consider the development of human capital through investments in early education to broadening access to quality tertiary and technical education to attract and retain talent in a community. The city of Blaj provide an excellent example in **Error! Reference source not found.** on both functions of Workforce development as well as Business marketing and attraction.

Box 7. City of Blaj: Workforce Development

The economic development of Blaj was based on two key elements: the industrial tradition in the field of manufacturing machine tool accessories and the strategic partnership with a global leader in the provision of technologies and services. Gradually, other foreign and Romanian companies began to invest in the area, bringing the unemployment rate to a minimum since 2004, when it reached 25%.

The Blaj Machine Tool Accessories factory (IAMU) was founded in 1972. The main turning point in the post-1989 period was its collaboration with the German company Deutsche Star GmbH Rexroth, which began in 1994. The

²⁴ Available here: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/527861613990323447/brochure>

partnership with the Rexroth-Bosch group led to the resumption of the company's export activity and in 2010 the company became a preferential supplier for the group.

The Rexroth-Bosch group contributed to the economic development of the region through continuous investments, both in the expansion of activity and in community development. Following the initial collaboration with the local factory, the company opted for Blaj when opening its first production unit in Romania in 2007 and invested in two additional production units. The Bosch production units in Blaj are displayed over a total surface of more than 298,000 sqm and operate in Industrial Technology and Mobility Solutions. In 2016, the Bosch production unit in Blaj built its own canteen and in 2019, Bosch invested in a new office and laboratories building with the capacity to host 250 associates, while relocating its warehouse to a new logistics facility.

According to the company's representatives, among the main advantages of the Blaj location for the Bosch group were the availability of qualified personnel in the region and the availability and openness of local scholar institutions to conduct, together with Bosch, dual school programs, with the extended support of the County Council's President, who is responsible for the dual school program.

The Bosch group has identified several essential needs to develop its local activity. These include adjusting taxation, as well as investments in infrastructure (bus stations, kinder garden & afterschool/dual school) and the development of affordable housing facilities for employees and pupils enrolled in the dual school, to minimize commuting and transportation. A clear long-term development plan aimed at increasing the attractiveness of the Blaj location would need to include these elements and to continue close cooperation with private investors to identify ongoing needs.

Entrepreneurial and small business development

Startups and small businesses are key pillars for an innovative and attractive local economy. Apart from their role in job creation, small businesses contribute to local sales tax revenue while adding a creative flavor to neighborhoods. Fostering the growth of small businesses and startups is quite challenging as they demand a specialized ecosystem capable of delivering access to financing, technical assistance, and industry-specific resources. Box 2 provides an example of the ongoing Cluj Future of Work Program that offers incubators for entrepreneurs as well as spaces for the creative industries to thrive. Another example of a city promoting entrepreneurship and starts is that of Odoheiu Secuiesc, presented in Box 8.

Box 8. Odoheiu Secuiesc: Entrepreneurial development

Odoheiu Secuiesc stands out for its successful efforts in enterprise support and finance. It is home to a successful startup incubator and has obtained financing for building a second one, located on an unused land nearby. The Harghita Business Center was established in 2017 by the County Council and the local administration of Odoheiu Secuiesc and the Dealu commune, in order to promote entrepreneurship and support start-ups in the region. Companies hosted in the incubator center are offered various mentoring programs and trainings, as well as modern office spaces and infrastructure. The investment was financed through the 2007-2013 Regio program, with a total value of EUR 2.14 million, of which EUR 1 million non-reimbursable funds. Based on this experience and its positive outcome, the municipality has obtained EU funding to create a second business incubator for creative industries by 2022, with the aim of creating more jobs and improving the region's economy. The value of the funding is approximately EUR 632.300.

The city has also facilitated a cross-border partnership in education to stimulate skills and innovation towards a more entrepreneurial environment. Currently, the local economy of Odoheiu Secuiesc still relies on the clothing industry, which requires a relatively low-skilled workforce and lower wages. To create more opportunities, the municipality is actively supporting the development of new businesses, while also ensuring quality education programs. The city's academic center offers programs in collaboration with 4 universities in Hungary in light industry, trade and marketing, rural development and agricultural engineering, tourism and public catering.

Supporting institutional measures include interactive open budgeting using visualization and analysis tools, improving communication with the private sector, and reducing bureaucracy through digitalization. The municipality of Odorheiu Secuies implemented the first interactive budgeting initiative in Romania through which the draft budget is debated online, while enabling easy visualization and analysis of historical data. The city has also created a dedicated position within the City Hall for handling the relationship with the local business environment and holding regular meetings with business representatives at least twice a year. To reduce time and effort in the interaction with the administration, the City Hall's website allows for the online payment of local taxes and fees, as well as the filling of a wide range of forms and declarations by electronic signature (over 90). These include key forms for economic agents, such as construction and demolition permits, commercial licences and renting advertisement spaces.

Real estate development and reuse

An economic development team is responsible for proactively guiding the development and reuse of commercial buildings, office towers, industrial facilities, and vacant land parcels. A city's involvement in management decisions includes supporting the development of new facilities and rehabilitating existing buildings. Local government has oversight over the revitalization of contaminated sites and properties such as a brownfield site or abandoned building. It is important for local leadership to put in place regulations that can help deal with chronic problems such as vacancy and blight.

Cities should proactively manage their real estate portfolios to fit into a larger economic development objective or vision. For instance, if a city's objective is to become more equitable, surplus land parcels can be sold to add to the development of social/affordable housing stock. Box 9 provides an example of revitalizing defunct brownfields real estate assets into spaces of economic opportunities and job creation.

Box 9. City of Cugir: Real estate development and reuse

The town of Cugir, recognized for its tradition in the defense industry, is a great example of turning a brownfield into an industrial park and managing to use its existing assets for attracting major investments. According to the Development Strategy of Cugir (2014-2020), its main strengths are its available industrial infrastructure, a technical culture dating back more than 200 years and its well-trained human resources.

Capitalizing on these resources, the local and county level administration have made major investments in the redevelopment of the brownfield site (especially in the efficiency of its distribution networks) and have established strong partnerships with academic institutions and economic agents for furthering innovation, technological transfer and the development of the local workforce.

As a result, the unemployment rate in Cugir is below 3%, according to Director of the Cugir Industrial Park, Emil Muntean. The Park hosts 36 companies and approximately 370 employees. The town's three other major employers are Star Transmission, the Mechanical Plant Cugir and the Arms Factory, adding up to about 4300 employees (over 16% of the total population).

4.5 Stage 4: Strategy Implementation

An LED strategy is an overall plan that has short, medium or long-term aims and actions and sets out what is going to be achieved. It establishes an agenda to promote and develop a local community's economic, physical, social and environmental strengths and will address both challenges and opportunities. This stage also encompasses the prioritization of actions, as well as the incorporation of other planning efforts. There are several ways to conduct a strategic prioritization exercise for LED, an example for which is the "Reality Check Tool" included in Table 20 in Annex 1. LED Concepts. As the

emphasis for the Romanian context is foremost placed on integrating LED into existing urban plans, this prioritization process may prove useful to incorporate in planning efforts.

Implementation Plans

Every LED strategy should have an implementation plan that in turn is supported by individual project action plans. The implementation plan sets out the budgetary and human resource requirements, and institutional and procedural implications of implementing the LED strategy. As a single document that contains all of the LED programs and projects within a strategy, it serves as an integrated programming document to maintain clarity of strategy direction and ensures that programs and projects do not inappropriately compete for resources and support. With a timeframe of between one and three years, a good implementation plan will result in a more efficient and effective use of existing budgets and can be used to attract funding from external sources such as national government, bilateral and multilateral donor agencies, and the private sector. The LED Implementation Plan is a single document that contains all of the LED projects and programs within a strategy.

Action Plans

LED action plans provide specific details on project components including a hierarchy of tasks, responsible parties, a realistic delivery timetable, human resource and financial needs, sources of funding, expected impacts, results, performance measures and systems for evaluating progress for each project. Developing a good monitoring and evaluation system for an integrated LED strategy is important and allows for analysis and review. This approach ushers in the philosophy of Results-Based Management (RMB). RBM approaches enable the LED team to correctly quantify outcomes, justify expenditures, determine necessary enhancements and adjustments, and develop good practices.

Figure 14 highlights an example of New York City's Strategic Plan titled *OneNYC 2050* which in turn produced sectoral implementation plans across the areas of education, health, and mobility. Within the mobility sector, the Department of Transportation of the New York City government produced action plans with clear indicators that fit into the larger strategic vision of *Efficient Mobility*. OneNYC 2050 also demonstrated a model for inclusive growth and climate action with a focus on well-paying jobs, equitable access to nature, ensuring the right to health care and education, and promoting justice among marginalized communities.

Figure 14. An example of strategic planning in New York City



Source: City of New York, 2019. [OneNYC2050: Building a strong and fair city.](#)

4.6 Stage 5: Strategy Review

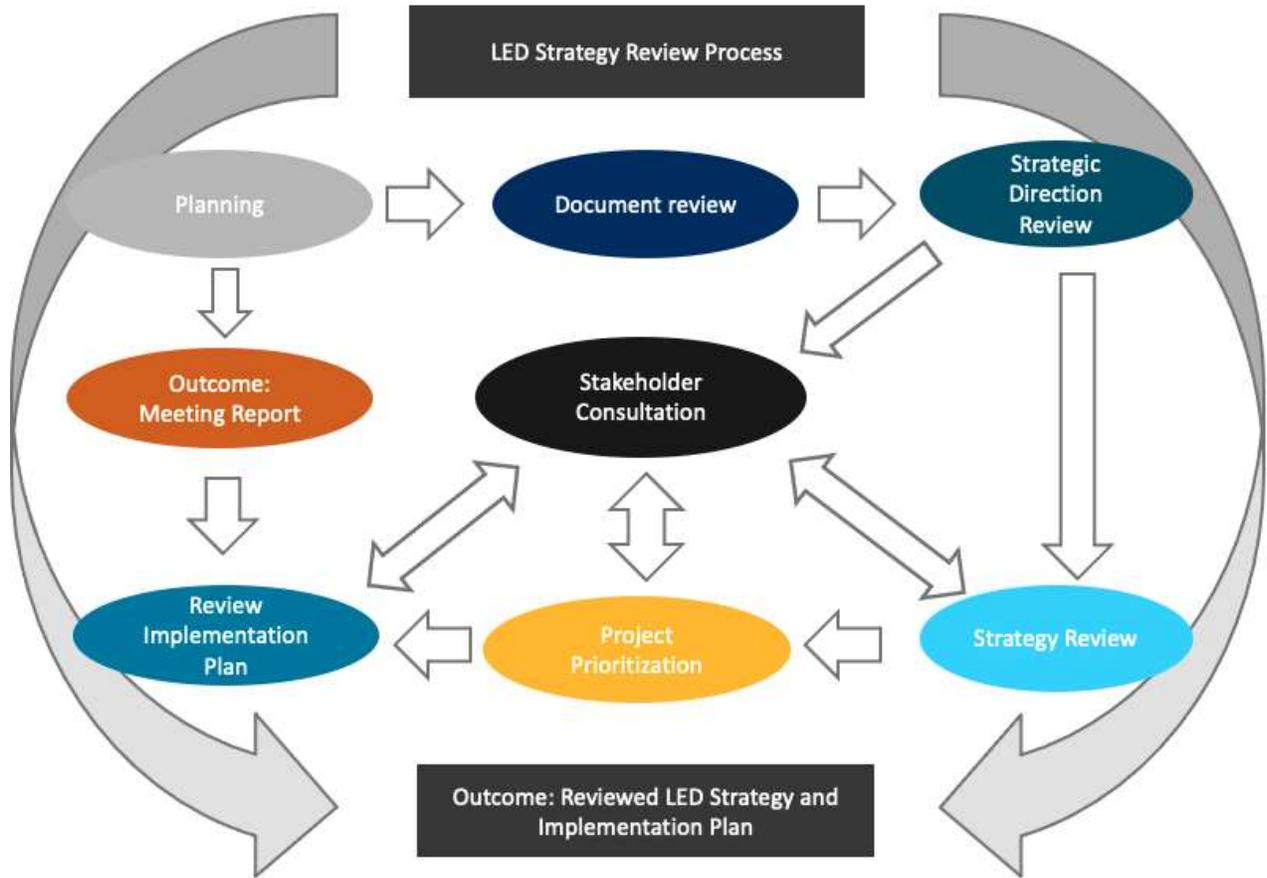
Strategy review should take place annually to allow for adjustment in response to changing local conditions: this review should be conducted with extensive interaction between relevant municipal and LED officials. While, a more comprehensive revision of an LED strategy would occur every three years throughout the three to eight year lifespan of an LED strategy, the implementation of the LED strategy should be subject to a rigorous annual assessment. This review should consider the resources available for the delivery of the strategy and include established and agreed monitoring and evaluation indicators of the local economy.²⁵ The review should include, where possible, inputs, outputs, outcomes and impacts, and the implementation process and the level and extent of stakeholder participation.

The full LED strategy review comprises several steps and can take the form of various methodologies (Figure 15). Methodologies used in the review can include consultation with local economic development sectors; mentoring and extensive interaction between relevant municipal and LED officials; and the action plan with timeframes and responsibility allocation.²⁶ Alongside the strategy review, systems should be in place to monitor the progress of each project. This would entail namely adequate performance measurement and management systems. These systems will allow decision makers to adjust the strategy in response to changing local conditions. As programs or projects are completed or deemed to be inappropriate, new ones can be identified.

²⁵ LED

²⁶ Emalahleni Municipality, 2015. [Reviewed LED Strategy](#).

Figure 15. Activities in the LED Strategy review



Source: Emalahleni Municipality, 2015. [Reviewed LED Strategy](#).

5. ONE TOOL COVERING THE ENTIRE LED PROCESS: PARTICIPATORY APPRAISAL OF COMPETITIVE ADVANTAGE (PACA)

Smaller localities can significantly benefit from a resource-conscious approach to economic development through the Participatory Appraisal of Competitive Advantage (PACA) framework. Combining a focus on competitiveness with the principles of rapid/participatory appraisal, the PACA approach helps identify quickly implementable activities to stimulate a local economy²⁷. Its systemic view, its creation of motivation among local actors, its activation of momentum via quick wins and its emphasis on using locally available resources have become good practice in international economic development.

5.1 What is a PACA Exercise?

Developed by the German consulting firm Mesopartner, PACA is a method to conduct a quick, action-oriented appraisal of a local economy, looking not only at economic potentials but also, and in particular, at the motivation and capacity for action of local stakeholders (Box 10). The main thrust of PACA is not to elaborate endless lists of problems, deficiencies, and bottlenecks, but to look for opportunities which improve the local business environment within a short period of time. Thus, the PACA approach is centered around a bottom-up approach of that allows local communities to claim ownership to their LED process and facilitate the creation of a favorable local enabling environment for business. Its success lays in persuading local actors to work towards a visible and tangible outcome, *not towards a strategy document*.

Box 10. PACA Method and Future Directions

Background

PACA was developed by Mesopartner, a German consulting firm which operates as adviser and service provider to development organizations, decision makers in private and public sector, and consultants and other consulting firms active in the space of economic development practice. Mesopartner aims to offer the knowledge and tools for local actors for local actors based on local and regional economic development, cluster and value chain promotion, market systems development, strengthening of local innovation systems and related topics. Mesopartner provides coaching and conducts learning events for practitioners; facilitates development processes; and gives policy advice.

A proprietary product of Mesopartner, PACA was introduced by Joreg Meyer-Stamer and associates in 1998-1999, when they were hired to design visualization and decision-making tools to help the business community, government, and educational institutions in the small city of Mafra, Brazil work together to promote investment and strengthen local business. As a method that allows to conduct an action-oriented appraisal of a local economy in just two weeks, PACA combines concepts such as competitive advantage, systemic competitiveness, rapid appraisal, and visualization-based facilitation techniques into an innovative approach. PACA can be used:

- to kick-start or energize LED in a given location
- as a toolkit to make ongoing LED activities more effective and efficient.

PACA has been introduced into more than 40 countries in Asia, Africa, Latin America and Europe. It has been applied by dozens of LED facilitators and has helped local stakeholders in hundreds of locations better understand each other and their place, and formulate effective LED activities. With the support of PACA, numerous local stakeholders have identified and implemented important and sustainable actions for bottom-up development.

²⁷ Mesopartner (2009). [Participatory Appraisal of Competitive Advantage: Effectively Launching Local Economic Development Initiatives.](#)

Years later, PACA has been broadly recognized for its capacity-building effect on development practitioners and local actors.

For a considerable time, PACA and related instruments like the Hexagon of LED or the Compass of Competitiveness were dominant methodologies used by GIZ. They significantly inspired the approaches to local economic development, value chain development and cluster promotion of the International Labour Organization (ILO), the Inter-American Development Bank (IDB) and the Donor Committee for Enterprise Development (DCED). Following the same logic, Mesopartner has developed similar methodologies such as RALIS (Rapid Appraisal for Local Innovation Systems) and, jointly with the International Cooperation Department of the Physikalisch-Technische Bundesanstalt (PTB), CALIDENA, a methodology to promote quality infrastructure for value chains.

Evolution and Future Directions

The evolution of PACA has taken three key directions. First, it has evolved from an ad-hoc approach to a documented and codified methodology, with manuals which at version 5.3 (2006) amount to more than 300 pages. Second, the structure of a PACA exercise has changed from relying mostly on interviews to workshops. Third, there has been a growing insistence on limiting the number of proposals made to those which can be implemented quickly by local actors.

Going forward, while PACA started and remains rooted in its focus on *competitive advantage*, the development focus has shifted towards sustainable development in a wider sense, which Mesopartner notes must also be reflected in the local development agenda. Given PACA's forward-thinking *systemic approach*, which placed it well ahead during the time of its design, PACA retains a key methodological strength even today, though there is room to strengthen the systemic thinking component and widen the scope of consideration to include more uncertainty and complexity in development. Likewise, *resilience* has also arisen as an important local economic development topic which can be built into the PACA method. Mesopartner has been undertaking a participative process to inform and explore this consideration.

Source: <https://www.mesopartner.com/knowledge-resources/methodologies/paca>

5.2 Who conducts a PACA and how?

5.2.1 PACA Team

PACA emphasizes the need to build constructive relationships between the public and the private sector: LED cannot be a task of local government alone. But it is also not advisable to leave it to the private sector alone. Building a constructive public-private dialogue, improving the relationship, and learning to cooperate, is one of the purposes of applying the PACA principles. A PACA Exercise involves a team of between four and eight persons, most of them from the respective location, who are supported by a local champion and guided by Mesopartner consultants in conducting a rapid and intense appraisal of the local economy.

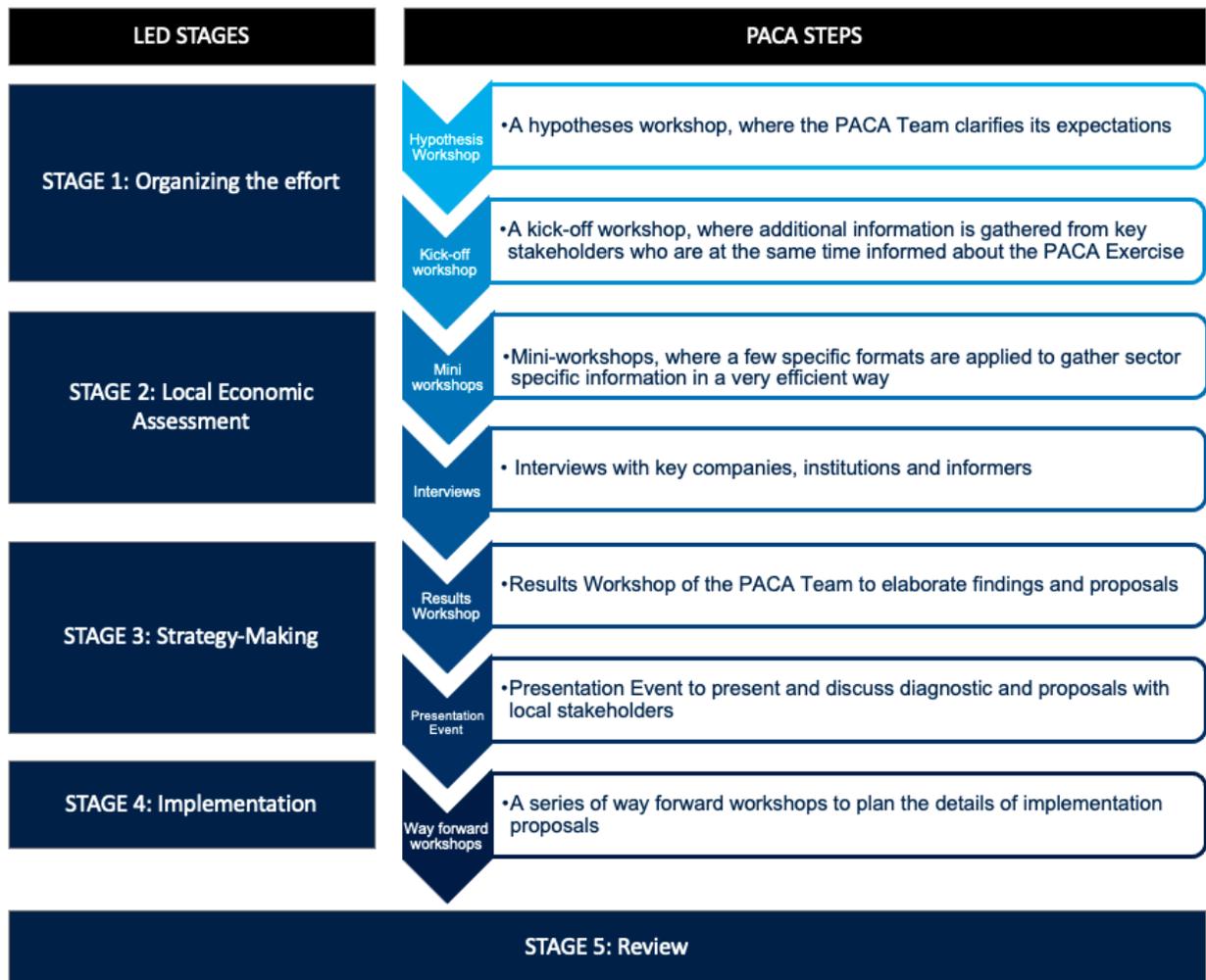
PACA strongly advocates a bottom-up approach as it relies heavily on the active participation of regional and local governments; however, it can also be initiated from the top-down. The most ideal scenario of introducing PACA is where local actors, such a local chamber or similar entity (i.e. the activity or project “champion”), are keen to become involved in active development but are not sure where to start. Conducting a PACA requires real local hosts; it cannot be conducted by external actors. However, if introduced in a top-down manner, two principles are stressed:

- 1) Don't go where local players don't throw in own resources
- 2) Don't go places where local decision makers are not interested

5.2.2 Steps of a PACA exercise and alignment with LED phases

The steps of a PACA exercise broadly align with the stages of LED. The sequence of the PACA team’s activities starts with a preparatory phase where available data and information are assessed. Then there is a phase of intense research which substantiates the local economic assessment, namely through mini-workshops and interviews with local stakeholders.²⁸ The steps of a PACA exercise and their alignment with the stages of LED are presented in Figure 16.

Figure 16. PACA steps and alignment with LED stages



Source: Author’s elaboration from the PACA Handbook: [Participatory Appraisal of Competitive Advantage: Effectively Launching Local Economic Development Initiatives.](#)

The key to success of a PACA exercise lays in persuading local actors to work towards a visible and tangible outcome, not towards a strategy document. The strategy-making component of PACA is realized in the Results Workshop and Presentation Event, in which findings are elaborated and proposal are made. These are immediately followed by workshops to pave the way forward in terms of implementation: this

²⁸ Mesopartner (2009). [Participatory Appraisal of Competitive Advantage: Effectively Launching Local Economic Development Initiatives.](#)

underscores that PACA is *not* about a city creating a strategy and going off to implement it, but in reality action starts through multiple stakeholders as the PACA project winds down.

Timeline of a PACA exercise

A PACA Exercise lasts no more than two weeks. After that, implementation of practical activities to stimulate local economic development begins. A first series of PACA Appraisal Workshops should be organized after six months, to assess the progress and to define a new round of activities.²⁹

Table 7. PACA Exercise Timeline

| PACA Exercise Timeline | |
|-------------------------------|--|
| Few weeks | Build-up: Mobilize stakeholders Recruitment of PACA team Organization of workshops and interviews |
| 3 hours or more | Hypotheses workshop: Introduction to PACA Methodology and fieldwork Team building in the PACA team Align expectations |
| 3 hours | Kick-off workshop: Inform local stakeholders about the purpose of the PACA Gather information on local economy |
| 1 - 2 weeks | PACA Fieldwork: Mini-workshops to gather information about specific sectors of the local economy Interviews to get in-depth information |
| 1 -2 Days | Results Workshop of the PACA Team Elaborate diagnosis Elaborate practical proposals |
| 3 hours | PACA Presentation Event Present diagnosis and proposals to local stakeholders Get feedback and suggestions for implementation |
| 2-3 hours | Way Forward Workshops Prioritize proposals Identify project champions Define tasks and responsibilities |
| Implementation | |

Source: Mesopartner (2009). [*Participatory Appraisal of Competitive Advantage: Effectively Launching Local Economic Development Initiatives.*](#)

²⁹ A step-by-step guidebook on implementing a PACA exercise can be found at: <https://www.mesopartner.com/knowledge-resources/methodologies/paca>

5.3 Why PACA? A firm level analysis

Given the goal of creating a job-oriented ecosystem, PACA provides a methodology geared towards identifying in which sectors of the local economy businesspeople are looking out for support, or open to joint activities to resolve commonly felt problems, or perhaps open to a consultation on possible promotion activities. The main issue is not objective problems, but subjective motivation. Formulating proposals after the PACA fieldwork is not about the PACA Team selecting sectors, but rather about sectors selecting themselves: Those sectors will get involved in practical activities which take up proposals formulated as a result of the PACA diagnostic. In fact, one will often find that local business sectors may be sorted into four different groups, as shown in

Table 8. While it provides a simplification, things are often found to be as simple as this: some sectors are doing well, others do not, and some sectors show a certain willingness to go for joint activities to enhance competitiveness, whereas others do not.

Table 8. Typical constellations regarding business sectors in the local economy

| | <i>Sector is doing well</i> | <i>Sector is doing not so well</i> |
|---|---|---|
| <i>Sector wants joint action to improve competitiveness</i> | Strategic sector  | Desperate sector  |
| <i>Sector does not want joint action to improve competitiveness</i> | Busy sector  | Hopeless sector  |

Source: Meyer-Stamer (2006). *Participatory Appraisal of Competitive Advantage (PACA): Effectively Launching Local Economic Development Initiatives.*

Strategic sector: This is the dream of competitiveness scholars and practitioners, but it is a very rare case. It typically occurs in cases where, for some reason, often due to historical coincidence, a sector has already developed a culture of joint problem solving. In such a sector, actors may be keen to get some fresh input on how to further improve their joint action.

Desperate sector: This is a case which is convenient for a PACA Team – there is a sector which is not doing well, i.e. actors feel to be in a crisis and are willing to do something about it. Looking out for such sectors is an obvious option in a PACA. It may appear as a soft option, but actually it is not: Even in this case it is not trivial to start a joint problem-solving initiative. Successfully starting to do so may create an important showcase for other sectors.

Busy sector: This is a case a PACA Team has to accept – a sector is doing fine, and companies are very busy and do not have much time to waste for any meeting. Also, competitiveness seems to be just fine, so there is little obvious reason to start something difficult, such as a joint initiative.

Hopeless sector: This is the nightmare of a PACA Team and of any business promotion practitioner – a sector which is suffering, which is in a crisis, where to the external observer it may appear obvious how to improve the situation through joint activities, and where the actors in the sector are unwilling to do so. There is little the PACA Team or any other local actor can do about this, except perhaps to identify viable,

modest activities with little cost and immediate benefits to overcome the passive, non-cooperative disposition of the sector.

5.4 PACA Outcomes and Lessons Learned

PACA aims to achieve concrete, practical projects which have a quick impact on the business environment. It does not come with a guarantee of high-impact LED, nor does it aim at large-scale projects or major urban development outcomes. As the author of the PACA methodology writes, “Urban development is thinking in periods of decades, whereas PACA in thinking in months.”³⁰ Its rapidly deployable application in hundreds of locations has resulted in numerous tangible results, some of which are presented in Table 9.

Table 9. Selected PACA Outcomes

| Location | Outcomes |
|--|--|
| Blumenau, Brazil | - the establishment of a working group between training providing and software firms which led to the creation of training products which fit with the demands of firm |
| Brusque, Brazil | - the design of a strategy to overcome the resistance against a new zoning which had been blocked by the city council for two years and was passed a few weeks after a PACA had been conducted |
| Lampang, Thailand | - a successful effort of ceramics firms from Lampang, Thailand, to jointly enter the regional market of southwestern China |
| Lampang, Thailand | - in the same city, a cooperation project between the local ceramics industry and the tourism sector who launched a special award for hotel/ restaurants which use Lampang ceramics, as well as a project to organize visits to ceramics plants for tourists |
| Chiang Mai, Thailand | - an initiative of garments firms in Chiang Mai, Thailand, to start joint sourcing of raw materials, |
| Queenstown, Eastern Cape, South Africa | - the re-launch of a local tourism association in Queenstown, where before the PACA Exercise nobody believed that there was much tourism in the first place |
| Kundasale, Sri Lanka | - the creation of a joint brand and label for bricks produced |
| El Oro, Ecuador | - an initiative to check and standardize the weights used by middlemen who buy the catch of fishermen |

Source: Meyer-Stamer (2006). Participatory Appraisal of Competitive Advantage (PACA): Effectively Launching Local Economic Development Initiatives.

When looking for local solutions, PACA targets quick wins and more ambitious catalytic activities, but does not look at the overall health of an economic system.³¹ However, while PACA is in itself immediate and short-term, there is no reason that it cannot help lead to the formulation of more ambitious local economic development in the medium term. Its pragmatic, simple approach aims to first remove obstacles to business, making PACA particularly appropriate for locations where local stakeholders

³⁰ Meyer-Stamer (2006). Participatory Appraisal of Competitive Advantage (PACA): Effectively Launching Local Economic Development Initiatives.

³¹ Mesopartners, 2019. [Twenty years of PACA – Retrospective reflections and opportunities for renewal.](#)

actually have little experience with LED. The following proposals tend to fit the criteria for PACA exercises (Table 10).

Table 10. Proposals fitting PACA criteria

| Characteristics of proposals fitting PACA criteria: | |
|---|---|
| - | They make local markets work <ul style="list-style-type: none"> o By removing barriers to entry (e.g. by making existing demand more visible for potential entrepreneurs) o By resolving information problems (e.g. by creating opportunities for business people to meet) o By amplifying supply or demand (e.g. by organizing local markets or product-related events) |
| - | They remove bureaucratic obstacles to doing business (e.g. persuading local government to better explain registration and permit requirements and processes) |
| - | They make improved use of locally available resources (e.g. by highlighting the economic value of the sawdust of local sawmills dumped into the nearby river) |

Source: Meyer-Stamer (2006). Participatory Appraisal of Competitive Advantage (PACA): Effectively Launching Local Economic Development Initiatives.

The proposals aimed at quick-wins above can certainly free the environment to pave the way for more ambitious interventions. However, some challenges, such as limited facilitation skills of local actors, may also pose obstacles to sustaining the momentum created by a PACA exercise. In the aim to refine PACA further, its developer Joerg Meyer-Stamer has recognized that there is room to place greater emphasis on developing tools for change management, particularly in changing mental models and behavior of local actors – pointing to a need to balance between quick and catalytic actions. At times, other challenges such as inadequate analysis procedures or lack of reality checks of validation of findings have also arisen in PACA exercises. A number of lessons have been documented along the way of implementing PACA exercises, as shown in the case of Serbia in Box 11.

Box 11. Application of PACA and its lessons learned in Serbia

In late 2003 and early 2004, ACDI/VOCA and Mesopartner through USAID funding tested PACA in central Serbia to determine its usefulness in developing a plan for economic development that includes micro and small enterprises (MSMEs.) While the results of this exercise were mixed, the evaluation yielded useful insights into when and how participatory LED approaches are appropriate and the preconditions critical to their success. The experience with PACA in Serbia highlighted a number of lessons regarding the conditions under which PACA is appropriate and lessons concerning its effectiveness at assessing opportunities for small and very small firms to participate in productive markets. Not surprisingly, the lessons learned about the utility of PACA are consistent with those drawn from other tools and approaches used in competitiveness and cluster development.

Table 11. Lessons learned from PACA exercise in Serbia

1. The process is dependent on local leaders, sponsors, and champions. Until these participants are involved, the process is unlikely to achieve success. Leaders of the PACA process, as external consultants, must either work with existing leaders in the private sector community or have the leadership skills to motivate private-sector stakeholders to assume leadership of the process.

2. The process must be private-sector led. While the role of public officials is important to developing, maintaining and assuring a favorable enabling environment, the exercise cannot succeed if led or dominated by public officials.

3. The process requires the presence of viable markets. In the absence of viable markets, clusters, or value chains, PACA will not be effective.

4. The process must be kept short and simple. Introduce the process into one municipality or locality at a time, limit objectives to those that can be realized in a short time and ensure that the exercises do not exceed six days to maximize participant energy.

5. Plan for sustainability. The importance of leaders or at least facilitators who can motivate the participants argues for the use of experienced local consultants. Train the facilitators well. Once trained, market their services to local governments, NGOs, and other organizations interested in launching economic development initiatives. In this way, permanent capacity is created and help is made available to weak local governments.

6. Target carefully. Once important local economic activities have been identified, implement PACA exercises sequentially. Focus on activities in only one sub-sector or value chain. Maintaining a high level of commitment among stakeholders is too difficult if they lack the shared motivation of strengthening a single industry.

7. Advance work is critical. Preparation should take more time than the exercise and include desktop and field research in order to understand the locality, local services and solutions to firm and industry growth. Talk with key informants in the local language. Study local clusters and subsectors first hand. Hold pre-PACA meetings with industry leaders to plan workshops and guiding questions. Emphasis on services and solutions in private industry will help maintain commitment of private sector participants, but...

8. Do not lose sight of the long term view. Quickly achievable goals help generate commitment but it will not sustain it. One of the goals of PACA and other LED tools is to develop shared community or industry vision so that opportunities and growth strategies are continually assessed.

Source: USAID, 2005. *Making Local Economic Development for Small Firms Evaluation of Participatory Appraisal for Competitive Advantage in Serbia.* https://pdf.usaid.gov/pdf_docs/Pnadh603.pdf

The lessons learned from Serbia as well as other locations globally have led to a number of innovations to the PACA exercise by GIZ over the years. Of these, a significant one has been the realizing the need close the gap in terms of moving seamlessly from planning to action and enabling local actors with the support necessary to do so. When mini-workshops produce good project ideas, they should go directly into the way forward mode—and follow up quickly with technical assistance.³²

The wins of PACA can be further complemented using other tools/methods to propel local economic development. The improvement of the business environment in particular as supported by PACA

³² USAID 2005.

exercises can advance business retention and expansion, creation and attraction. Of these, the attention turns to the specific tool on advancing business retention and expansion.

6. A DEEP DIVE INTO BUSINESS RETENTION & EXPANSION (BR&E)

6.1 What is BR&E?

Business retention and expansion (BR&E) presents both an approach as well as a tool for local economic development: this section focuses on BR&E as a tool. While there is no standard definition of BR&E, at its core, it aims to proactively connect with existing businesses to understand and respond to their needs. The focus and application of BR&E has been mostly in the United States, and particularly in the Midwest region, being introduced as an economic development strategy in the 1970s when manufacturing firms began to move from communities in search of reduced operating cost. During that period, the program consisted of a step-by-step BR&E formula designed for community volunteers with little or no formal training in economic development strategies. Since then, higher education institutions throughout the region have been training local economic development professionals to address their community's economic development goals and better help local businesses survive and grow within the community.

BR&E leads with the end goal of saving and growing jobs in small towns. As a community's health is contingent on the number and quality of jobs available in the community, good jobs keep communities alive by allowing residents to keep living in smaller towns or rural areas, purchase property and pay property taxes. Keeping a business is also significantly less costly than attracting new businesses. As such, BR&E has often paid particular attention to small businesses which tend to be the lifeblood of small towns.

Business retention and expansion can be thought of as private-sector customer retention applied to economic and workforce development. As the Business Retention and Expansion Guide³³ notes, BR&E enables economic developers to take on the mindset of a "portfolio manager", in which the employers in the community make up the portfolio. With this perspective in mind, due diligence is performed in assessing the problems or helping attain full growth potential of companies in the context of their industries. Prior to running a BR&E program, a number of questions should be asked to determine whether such a program is appropriate (Table 12).

Table 12. Key questions prior to launching a BR&E program

| Guiding questions for a BR&E program |
|--|
| - What are the goals of the BR&E program? Do these correspond with goals of the community? |
| - How is "community" defined? Who will we include in our BR&E programming efforts? |
| - How will the information be used? What is the role of each Task Force member? |
| - What business sector(s) and/or issue(s) will be targeted? |
| - What survey format will be used? Mailed questionnaires, business visits, both? Monthly or quarterly surveys, or once per year? |
| - How will the results be communicated and to whom? |

Source: Ohio State University Extension's Business Retention and Expansion (BR&E) Initiative. [BRE Handbook](#).

Once launched, BR&E survey programs help to develop and implement data-driven strategies for local economic development. This data-driven approach is backed by tools, resources and training to help LED professionals build accurate local knowledge in order to better set and achieve local economic goals, specifically:

1. To implement a plan for action for retention and expansion of existing businesses and the workforce
2. To increase the competitiveness of local businesses
3. To create a narration of the local economy

6.2 Who conducts a BR&E program and how?

Like other LED tools, the BR&E program includes local development professionals, as well as a variety of stakeholders with a focus that is tailored to addressing the needs of local businesses. The approach also recommends creating a BR&E Task Force, or Business Advancement Team (BAT) to develop community capacity, encourage local ownership and distribute the workload of rolling out the program. BR&E Task Force/BAT members should be considered for the skills, knowledge and expertise they possess, as well as their ability to make timely and informed decisions that are agreeable and helpful to the local private sector. Ultimately, the BR&E Task Force/BAT is responsible for participating in the development of the business questionnaire, conducting business visits and appropriate, and addressing local concerns and problems cited in the surveys. A long-term BR&E Taskforce/BAT can leverage a wide professional network, go beyond basic education, and create meaningful connections throughout the county and larger economic region. The key players in a BR&E program are presented in Table 13.

Table 13. Key Actors in a BR&E Program

| Actor | Role |
|--|---|
| Coordinator | The Coordinator is responsible for managing all aspects of the program. Many communities opt for a co-Coordinator or shared Coordinator role to distribute leadership responsibilities. |
| BR&E Task Force / Business Advancement Team (BAT) | The BR&E Task Force, or Business Advancement Team (BAT), typically consists of 8 to 15 community leaders. Broad representation from agencies involved in community and economic development, educational institutions, local government, and private enterprises strengthens the ability of the Task Force to address the myriad of issues that are often identified via the dialogue with business. This Taskforce can specifically include: <ul style="list-style-type: none"> - Economic development organizations - Chamber of Commerce - Retired business executives - Government officials - Education entities - Utility representatives - Financial institutions |
| Participating businesses | The most important participants in a BR&E program are the local businesses. The business owners, CEOs, or managers who agree to take time out of their busy schedules to complete questionnaires and/or participate in a visit from the Task Force should be recognized in BR&E reports and in community communications, such as press releases and newsletters. |

Source: Ohio State University Extension's Business Retention and Expansion (BR&E) Initiative. [BRE Handbook](#).

BR&E programs vary across communities and can have a wide range of outcome objectives. Generally, these objectives tend to revolve around the end goal of strengthening existing businesses and industries; however, it is also important to highlight that the objectives outlined in this phase are to be focused on the results of BR&E activities themselves which tend to flow as a direct consequence of the efforts of a BR&E Taskforce/BAT, not the outcomes or impact on businesses. It is recommended that easily measurable short and long-term objectives are set out from the early stages of a BR&E program. .

Table 14 presents a selection of sample objectives in this regard.

Table 14. Sample Objectives of a BR&E program

| Sample Long-Term Objectives | |
|-------------------------------------|--|
| - | Building a pro-business climate within the community |
| - | Collecting and analyzing data about existing businesses and the local workforce to develop a better understanding of the local economy |
| - | Surveying residents for an analysis of the work skills, concerns, and future plans of the local labor force |
| - | Educating the community about the local economy |
| Sample Short-Term Objectives | |
| - | Assisting businesses by addressing their immediate issues and concerns |
| - | Identifying businesses that are planning to close, sell, move, or expand |
| - | Identifying community services that need improvement |
| - | Collecting market data as part of a grant application or planning process |
| - | Developing local market statistics and information for attraction and community marketing |
| - | Establishing process for continuous dialogue with businesses |

Source: Teamwork Arkansas – Entergy’s Office of Economic Development. [Business Retention and Expansion Guide](#)

6.3 Steps of a BR&E Program

In contrast to a two-week PACA process, a BR&E program is rolled out over the course of two to three years; however, the steps involved are broadly similar to those of LED and PACA, though retaining the explicit focus on helping existing firms (Table 15). The sequence of the BR&E’s activities starts with a preparatory or organizational phase where stakeholders and local resources are identified; a Task Force/BAT is consolidated; and roles and objectives are delineated. Following, there is a research phase which substantiates the local economic assessment which includes developing a survey instrument, identifying relevant local firms and organizing site visits and interviews. Available data and information are then entered into the database of existing firms and information is assessed. This comprises informs the action planning process, which in turn fosters the development of local implementation teams. These teams spearhead efforts to achieve the goals in the action plans. Local businesses and a variety of agencies may be drawn into the process by these teams.

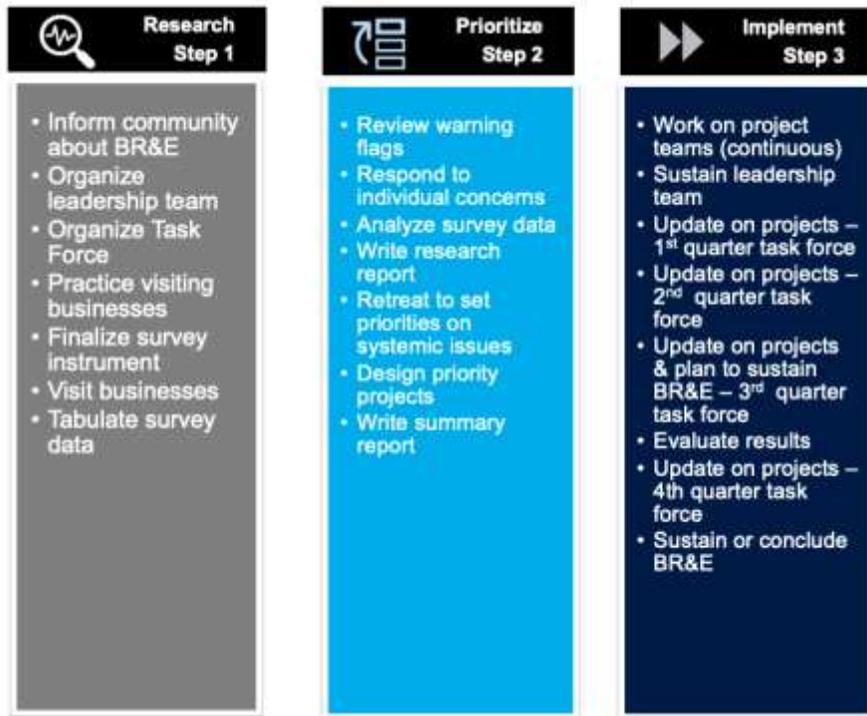
Table 15. Five-Phase Approach to Creating a Successful BR&E Program

| | |
|--|--|
| PHASE 1: ORGANIZATION | |
| | (Target Completion: 60 days) |
| <ul style="list-style-type: none"> - Sell BR&E program to organization - Identify Business Advancement Team champion - Recruit Business Advancement Team members (depending on resources available, use of volunteers is optional) - Educate Business Advancement Team members on BR&E objectives and strategy - Determine roles and responsibilities - Establish goals and timeline for achieving them - Identify key partners and local resources | |
| PHASE 2: BACKGROUND INFORMATION GATHERING & DATABASE CREATION | |
| | (Target Completion: 60-90 days depending on size of community) |
| <ul style="list-style-type: none"> - Identify most valuable employers to be part of BR&E effort - Solicit company information from Business Advancement Team members and other local partners - Research company & industry specific information - Develop survey instrument - Create BR&E database to house data | |
| PHASE 3: INDUSTRY RELATIONS & DIRECT INFORMATION GATHERING | |
| | (Target Completion: 8 hours per company for this phase) |
| <ul style="list-style-type: none"> - Assess level of relationship to determine which comes first – the formal visit or a social visit with the company executive - Train to conduct successful on-site visits - Meet with company executive and gather survey information - Set reasonable expectation of the next step. Always follow-up on what you said you would do when you said you would do it | |
| PHASE 4: PROBLEM SOLVING & OPPORTUNITY IDENTIFICATION | |
| | (Target Completion: 6 months) |
| <ul style="list-style-type: none"> - Enter information in BR&E database - Review data and analyze risk factors - Facilitate problem resolution for companies by identifying resources internal and external to the community and any associated costs to help businesses address problems and seize growth opportunities. - Consider a visit to corporate headquarters or a possible meeting with headquarter officials when they make an annual/quarterly visit to thank them (listen for issues and opportunities) - Set reasonable expectation of the next step. | |
| PHASE 5: BR&E MAINTENANCE AND PUBLIC RELATIONS | |
| | (Ongoing) |
| <ul style="list-style-type: none"> - Communicate and celebrate successes with the Business Advancement Team and community leaders - Business Advancement Team meets regularly based on goals and timeline established during Phase 1 - Re-evaluate goals – BR&E is an on-going process | |

Source: Teamwork Arkansas – Entergy’s Office of Economic Development. [Business Retention and Expansion Guide](#)

Alternatively, BR&E programs can also be conceptualized in three phases (Figure 17). Thinking along these lines draws out the flow of action more clearly from research, prioritization/strategic planning, to implementation. Regardless of the chosen process-flow, actions in the early research or problem solving/opportunity identification phase emphasize building deep local knowledge base of existing firms in the community. Annex 4 contains BR&E materials for creating a BR&E firm database as well as a sample survey³⁴.

Figure 17. BR&E Program in 3 Steps



Source: University of New Hampshire Cooperative Extension. BR&E Program.
https://extension.unh.edu/resources/files/Resource003560_Rep5099.pdf

Determining survey methodology

For the research phase of a BR&E, there are four main types of surveys for the collection of company data (

³⁴ Ohio State University. [A Survey of Local Retail Businesses](#)

Table 16). While site visits are the most encouraged method, in reality they may not always be feasible. The Business Advancement Team should consider a separate survey instrument for each type of information gathering (pre-interview data gathering, visit to corporate headquarters, visit to local plant, follow-up survey, mail survey) as appropriate.

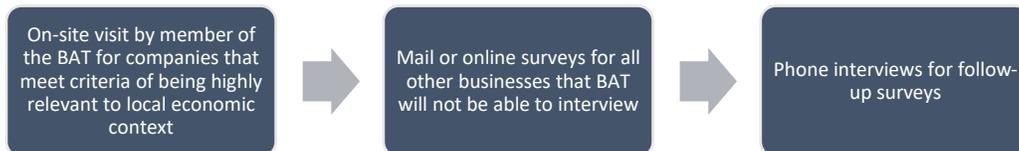
Table 16. Determining survey methodology of a BR&E

| Type | Advantages | Disadvantages |
|-----------------------------------|--|--|
| Mail Survey | <ul style="list-style-type: none"> - Minimizes time demands - Low cost - Most appropriate for follow up surveys | <ul style="list-style-type: none"> - Managers do not like spending time filling out surveys - Slow return rate - No relationship building takes place |
| Telephone Interviews | <ul style="list-style-type: none"> - Minimizes travel expenses - Can be scheduled at convenience of respondent - Most appropriate for follow up surveys once a relationship has been established | <ul style="list-style-type: none"> - Perceived as impersonal - Managers don't like giving out confidential information over the phone - Does not allow for strong relationships to be built - No informal info gathering takes place |
| Site visit with volunteers | <ul style="list-style-type: none"> - Personal approach at lower cost - Local businesses may be more trusting of private sector individuals - Allows more businesses to be surveyed | <ul style="list-style-type: none"> - Wide variation in quality of data gathered - May not be perceived by company management as a business professional - Volunteers may fail to complete assigned interviews |
| Site visit by a member of the BAT | <ul style="list-style-type: none"> - Consistent quality of data gathered - Creates trust and strong relationships - Allows for informal information gathering - Managers more likely to share confidential information | <ul style="list-style-type: none"> - Time constraints will most likely reduce the overall number of firms that may be contacted - Stretches capacity of BAT given its other responsibilities |

Source: Teamwork Arkansas – Entergy’s Office of Economic Development. [Business Retention and Expansion Guide](#)

Each of these survey methods poses its own advantages and drawbacks. Depending on the local context and resources (particularly time and taskforce involvement) available, in practice, a combination of these methodologies may be the best approach for information gathering. A tiered mix of these approaches can include:

Figure 18. Tiered approach to information-gathering for BR&E



Source: Author’s elaboration from information in Teamwork Arkansas – Entergy’s Office of Economic Development. [Business Retention and Expansion Guide](#).

Building strong relationships with local businesses

The success of BR&E programs hinges upon close relationships with business leaders. An atmosphere of trust supported steady and open communication is essential to fostering a working relationship between a BR&E task team and local businesses. To this end, site visitations are a key component of BR&E, and the BR&E Guidebook asserts that each visit to the local plant needs to accomplish three purposes:³⁵

1. Build a strong relationship with the local plant manager (the best possible advocate on behalf of the interests of the community).
2. Collect important data about the needs, future direction and overall health of the company
3. Express community's appreciation for the company's contributions.

Developing an Early Warning System

An “Early Warning System” built upon key indicators can help predict a company's decline (or expansion). A tracking tool can be elaborated from the company surveys in the research phase to monitor the performance of each company over time. An early warning tracking tool can also help companies anticipate necessary changes to their management and operations in order to maintain viability; influence decision-making in a way that ensures jobs stay within the community; provide incentives for a company to expand within a community instead of moving elsewhere; coordinated resources and allies to help resolve a company's challenges; and prepare the community to any upcoming changes by providing retraining programs and assisting certain entrepreneurial-minded employees in starting their own businesses in the event of a shutdown.³⁶

Rolling out Business Development Initiatives

A key phase in the BR&E is the realization of tangible, direct business development initiatives that will foster resilient and sustainable business operations. This sort of support can entail connecting businesses with new opportunities, improving management systems to help companies operate more efficiently and grow profitability. A well-focused approach to BR&E should establish strong relationships with local firms and to cultivate the necessary conditions for business success and community prosperity. This requires an ongoing, long-term effort to stay attuned to the needs of local businesses while maintaining a comprehensive working knowledge of resources and programs that may benefit them.

A BR&E Task Force/BAT can connect local businesses to local business resources, current grant opportunities, and represent their needs to local legislators. They can also serve to connect businesses to Entrepreneurial Development and Business Recruitment programs where they may exist. In the European context, they can serve to help inform and connect businesses to a variety of existing EU tools and programs. This can include programs and other networks relating to start-up assistance, training, financing, exporting, and more. A comprehensive overview of the range of EU programs and networks and programs available is beyond the scope of this report; however, the thematic topics relevant for such Business Development Initiatives include entrepreneurship support, SME development, clustering, export assistance. The OECD's Local Employment and Economic Development Programme also poses a particularly valuable resource for best practices and resources in this area.

³⁵ Teamwork Arkansas – Entergy's Office of Economic Development. [Business Retention and Expansion Guide](#)

³⁶ Ibid.

6.4 BR&E Performance Measurement and Lessons Learned

It is important that a BRE program demonstrates results and produces results for the community: to this end, the BAT should create clear and measurable goals for the first 12 months of the initiative. This information is important for the BRE program leader, partners, funders, business owner/operators, and the community as a whole. In this, particular consideration should be made between results and outcomes. The goals of BR&E efforts should be focused on the results which follow as a direct consequence of the program: so while the broader desired outcomes include the retention and creation of jobs, the results to check upfront revolve around the number of interviews conducted, site tours organized, local meetings held, and direct support provided to businesses). Such measurable goals can include the following:³⁷

- Number of new jobs created through expansion efforts
- Amount of expansion capital invested by businesses
- Number of jobs saved through retention efforts
- Number of new businesses in the community
- Additional income generated by companies surveyed
- Additional tax revenue generated in town, city and county
- Outside dollars and/or incentive dollars attracted to community
- Number of on-site industry interviews
- Number of plant tours organized
- Number of identified problems resolved
- Percent increase in employers' satisfaction with the community

The impact of BR&E programs has been evaluated throughout several areas across the US, finding that BRE can be effective for community improvement overall, not just for jobs and economic impact.³⁸ Studies over a generation of BR&E initiatives finds that (1) volunteer involvement in BRE can be effective in creating community-wide benefits and (2) there are benefits to striving for both community development and economic development through BRE. Below are a number of the lessons learned going forward for BR&E:³⁹

- **Change 1.** Emphasize plan implementation as the ultimate goal for business retention and expansion
- **Change 2.** Adjust the process for creating, vetting, and presenting potential project ideas
- **Change 3.** Invest more time and facilitator resources in the creation and implementation of plans for the priority project
- **Change 4.** Carefully screen communities for broad-based leadership and task force teams

Overall, BR&E programs have been found to provide communities with numerous benefits. They help develop stronger relationships between businesses and local government offices, lead to noticeable and tangible actions around business support and utility enhancements, connect community members more

³⁷ Ibid.

³⁸ Michael Darger, Brigid Tuck & John Bennett (2017) Lessons learned from a generation of community-driven business retention and expansion programming, Community Development, 48:2, 207-224, DOI: [10.1080/15575330.2017.1284877](https://doi.org/10.1080/15575330.2017.1284877)

³⁹ Ibid.

generally, diffuse information and ideas, and produce ripple effects in local economic development. Given these benefits, it may be well worth considering applying BR&E in the Romanian context.

7. CONCLUSION

While local government cannot create jobs, it has an important role to play in creating an enabling environment for private sector to do so. This report presented local economic development with several tools for its implementation towards developing a job-oriented ecosystem, with particular relevance for small towns in Romania. As work under the Romania Urban Policy recognizes the need to become more responsive to cities' challenges through the approaches of differentiated pathways, the reality is that a good amount of smaller, less competitive towns are still being left behind in the race towards becoming competitive, sustainable cities. The report therefore presented a number of tools that could be utilized, even in a low-capacity environment, to kick-start actions towards local job creation. The concepts and tools presented herein make the case for:

- a) Adopting action-oriented processes that bring together and mobilize stakeholders in a locality;
- b) Crafting joint action plans rather than elaborate strategies for economic development; and
- c) Where larger scale strategies exist already (such as IUDS), integrating a stronger LED focus

For LED to be successful it cannot be seen as yet another government plan or strategy, but rather should reflect a shared willingness to collaborate towards creating local jobs. Significant responsibility for economic development comes down to local leadership: economic development demands buy-in and leadership from local elected officials. Yet in championing local economic development efforts, the lead actor may not always be public administration; the private sector can and should play a significant role in guiding and shaping local economic development. The element of local ownership is a crucial one, as local economic development is an ongoing process which will require sustained effort of local champions as well as vested stakeholders. Moreover, this will require continuous platforms for engagement at local level in order to establish regular feedback and contact with stakeholders.

The report outlined the traditional 5 stages of LED, should a strategy driven approach be adopted, then set out to simplify this for the Romanian context. This results in 3 basic steps: 1) organizing the effort; 2) a local economy assessment; and 3) a LED action plan and implementation. Both tools presented in sections 5 and 6, the PACA and BR&E, offer tried and tested methodologies and processes that cover these 3 basic steps. Both tools are participatory in nature and rely on local actors being willing to volunteer some time to contribute to firstly a better understanding of local economic conditions and then to jointly craft and implement actions.

The range of LED activities that can be pursued by local governments is broad and wide ranging: a key to success is selecting those activities that are most appropriate for the locality and the current circumstances. There are many examples of best practice already on this front in Romania and combining these case studies with internationally recognized tools should allow small towns to help their local economy grow and create jobs. Numerous case studies presented in the Competitive Cities report as well as those in Output 3 Companion Paper 6 illustrate that there is no single recipe for success in leveraging local economic development. Each of the cities examined has pursued its own path to prosperity, building on its own competitive advantages, resource constraints, national regulatory environment and policies. In deciding which activities to pursue, a local authority may choose from various processes and approaches to help identify and prioritize the most important focus areas most likely to deliver in terms of local development goals. Amidst the context of Romania's small towns, this report advocates strongly for an approach grounded in existing local assets - including harnessing local skills, histories and culture.

8. ANNEXES

8.1 Annex 1. LED Concepts

Community/Regional Assets and Land Use

Table 17. Community/Regional Assets and Land Use

| Asset | Land use/development-related trends impacting the asset | Land use/development decisions/actions that could preserve & strengthen the asset |
|--|--|---|
| Agricultural and other resource-based activities | Dispersed development, decline of farming and resource-based economies, changing development needs of larger-scale production agriculture, conversion of land to development | Preservation of working lands, directing growth to designated areas, incentives to keep land in production |
| Natural and scenic amenities | Dispersed development, conversion of land to development | Preservation of natural lands, directing growth to designated areas, incentives for conservation, strengthening outdoor recreation/tourism |
| Historic buildings and historic/cultural sites | Declining downtowns, renewed interest in downtowns and historic buildings | Historic preservation designations, incentives for reuse of historic buildings, strengthening tourism of historic sites |
| Downtown/Main Street | Dispersed development, declining downtowns, renewed interest in downtowns | Main Street programs, incentives for redevelopment, marketing downtown sites, public infrastructure improvements |
| Housing stock | Rapid growth, population decline, changing demographics, fiscal challenges, dispersed development | Policies to promote housing renovation and repair, policies to promote a variety of housing types |
| Community facilities | Changing demographics, fiscal challenges, dispersed development | Policies to promote the repair and improvement of existing facilities, developing facilities in core areas close to the populations who use them |
| Talents and skills of individuals | Changing rural economies, rapid growth, population decline, changing demographics, health issues, dispersed development, longer commutes, renewed interest in downtowns | Downtown revitalization and other efforts to create vibrant places that are attractive to young people and knowledge workers, widespread community engagement in the planning process |

| Asset | Land use/development-related trends impacting the asset | Land use/development decisions/actions that could preserve & strengthen the asset |
|---|---|---|
| Civic and volunteer organizations | Rapid growth, population decline, changing demographics, dispersed development, longer commutes, renewed interest in downtowns | Downtown revitalization and other efforts to create vibrant places that help grow the population, policies to provide public spaces and facilities in accessible locations |
| Institutions (educational, medical, financial, cultural, religious, governmental) | Changing rural economies, rapid growth, population decline, changing demographics, health issues, fiscal challenges, dispersed development, reduced access to destinations | Policies to encourage the provision of institutions in places that are accessible to the population/development around existing institutions |
| Public services and infrastructure | Increased demand for broadband and other cutting-edge technology, changing rural economies, dispersed development, rapid growth, population decline, changing demographics, health issues, fiscal challenges, renewed interest in downtowns | Policies to introduce new technology and infrastructure (including addressing missing markets), policies to repair and maintain existing infrastructure, efficient development patterns that are easily served |
| Leading regional employers | Changing rural economies, population decline, health issues, dispersed development, longer commutes | Downtown revitalization and other efforts to create vibrant places that help attract young people and workers, policies that ensure adequate infrastructure to serve businesses, policies that ensure that incompatible land uses do not encroach on operations, policies that provide housing for workers nearby and affordable transportation to work, policies to encourage employers to locate near their employees and other amenities |
| Low cost of doing business | Population decline, health issues, fiscal challenges, dispersed development, longer commutes | Efficient land use pattern that allows local governments to keep fees and taxes low, holistic land use policies that encourage or allow growth and development of complementary industries, streamlined land use permitting process |

Source: Wilcox, M., Ogle, T. (2019). *Economic Development Policy Tools for Local Government Land Use Planning*.

Table 18. Sample Template for SWOT Analysis

| Sample Template for SWOT Analysis | | | | |
|---|-------------------|------------|-------------------|------------|
| FACTOR | Internal Analysis | | External Analysis | |
| | Strengths | Weaknesses | Strengths | Weaknesses |
| Labor Market Skills Wage rates Availability | | | | |
| Financial Capital Private capital Public capital | | | | |
| Access to Markets Proximity or distance to market Proximity to suppliers | | | | |
| Transportation Access to major highways Access to airports Access to ports | | | | |
| Sites and facilities Number of sites and size Infrastructure Utilities Telecommunications/ ICT Number of existing structure | | | | |
| Knowledge Resources Research/Development facilities Industry or trade association | | | | |
| Education and Training Colleges or universities Higher technical training Vocational skills training Business services and Technical Support | | | | |
| Business Climate Government responsiveness Taxes Regulations and controls Cooperation/assistance with private sector | | | | |
| Quality of Life Cost of living Culture and recreation Public services (including peace and order) Attractiveness of city Natural resources | | | | |

Source: Federation of Canadian Municipalities - Caribbean Local Economic Development Project, 2014. *Creating a Strategic Plan for Local Economic Development: A Guide.* (Adapted from World Bank & Cities of Change LED Trainer's Manual)

http://www.oas.org/en/sedi/dsd/Biodiversity/Sustainable_Cities/Sustainable_Communities/Events/SC%20Course%20Jamaica%202016/Module%20VI/REF-LED-Planning-Framework-and-Guide-%E2%80%93931412.pdf

Competitive elements of best practices in Romania

Table 19. Competitive elements of best practices in Romania

| City/County | Institutions & Regulations | Infrastructure & Land | Skills & Innovation | Enterprise Support & Finance |
|-------------------|----------------------------|-----------------------|---------------------|------------------------------|
| Oradea | ✓ | ✓ | ✓ | ✓ |
| Prahova County | ✓ | ✓ | ✓ | |
| Cugir | ✓ | ✓ | ✓ | |
| Siret | ✓ | ✓ | ✓ | |
| Alba Iulia | ✓ | ✓ | ✓ | |
| Blaj | ✓ | ✓ | ✓ | |
| Turda | ✓ | ✓ | | |
| Carei | ✓ | ✓ | | |
| Simeria | ✓ | ✓ | | ✓ |
| Odorheiu Secuiesc | ✓ | ✓ | ✓ | ✓ |
| Caransebeș | ✓ | ✓ | ✓ | |
| Lugoj | ✓ | ✓ | ✓ | |
| Curtici | | ✓ | | |
| Borsec | ✓ | ✓ | | |
| Cluj Napoca | ✓ | ✓ | ✓ | ✓ |
| Brașov | | ✓ | | |

Source: World Bank, 2021. Output 3 Companion Paper 6.

Table 20. LED Prioritization Exercise: Reality Check Tool

| ‘Reality Check’ Tool | | | |
|--|-------------------|-------------|-----------------------------|
| CRITERIA | MORE LIKELY | | LESS LIKELY |
| Mandate – the more consistent with (local) government body mandate, the better | | | |
| 1. Legislative Ease | Yes | Maybe | No |
| 2. Policy Consistency | Yes | Maybe | No |
| 3. Contractual Ease | Yes | Maybe | No |
| 4. Political Will/Champions | High | Neutral | Uncertain |
| Capacity – the less it requires new capacities, the better | | | |
| 5. Organizational Capacity | High | Medium | Low |
| 6. Human Resources | Yes | Somewhat | No |
| 7. Expertise | In-house | Available | Uncertain/No |
| Resources – the less costly, the better | | | |
| 8. Affordability | Yes | Average | No |
| 9. Fiscal Resources | Confirmed | Available | Difficult |
| 10. Savings realized | High | Medium | None |
| 11. Leverage other resources | Yes | Maybe | Uncertain/No |
| Time Frame – the more doable within the time frame, the better | | | |
| 12. Time Efficiency Realized | Likely | Maybe | Not likely |
| 13. Timeframe for results | Reasonable | Challenging | Unrealistic |
| 14. Success Likelihood | High | Medium | Uncertain |
| Acceptance – the more support it can generate from stakeholders, the better | | | |
| 15. Community Support | High | Average | Low |
| 16. Partnership Potential | Ready | Maybe | Uncertain/No |
| Relevance – the greater the contribution to the Vision-Goals-Objectives, the better | | | |
| 17. Direct impact on objective | Likely | Maybe | Uncertain/No |
| 18. Ongoing Sustainability | Likely | Maybe | Uncertain/No |
| 19. Consequences/Risk | None | Uncertain | Negative |
| 20. Environmental Impact | Positive/Neutral | Minimal | Negative |
| 21. Gender Equality | Supports equality | Neutral | Negatively impacts equality |
| 22. Cultural Values/Priorities | Supports values | Neutral | Conflicts with values |
| 23. _____ | | | |

Source: FCM-CARILED, 2014. [Creating a Strategic Plan for Local Economic Development: A Guide.](#)

8.2 Annex 2. City Classifications

City classifications and employment structure

Table 21. City Classifications and Employment Structure

| Classification | No. of urban localities | Share of revenues in the agricultural sector 2018 | Share of revenues in the industrial sector 2018 | Share of revenues in the service sector 2018 | Revenues per employees (euro) 2018 | Percentual changes employees 2011-2019 | Share in employees from employed 2011 |
|-----------------------------------|-------------------------|---|---|--|------------------------------------|--|---------------------------------------|
| 1 Urban Poles | 13 | 1% | 44% | 54% | 54,932 | 16% | 97% |
| 2 Peri-urban Cities | 15 | 1% | 47% | 52% | 57,254 | 38% | 96% |
| 3 Industrial Cities | 46 | 2% | 61% | 37% | 48,717 | 19% | 95% |
| A Mixed Industrial Cities | 24 | 3% | 44% | 53% | 50,998 | 23% | 96% |
| B Industrially specialized Cities | 22 | 1% | 82% | 17% | 46,002 | 15% | 94% |
| 4 Agri-cities | 78 | 12% | 47% | 42% | 38,661 | 4% | 83% |
| C High-end Agri-city | 10 | 41% | 15% | 45% | 67,123 | 4% | 74% |
| D Agri-city with industry | 37 | 7% | 66% | 27% | 38,745 | 12% | 87% |
| E Shrinking agri-cities | 31 | 8% | 35% | 57% | 31,451 | -5% | 82% |
| 5 Tourist Cities | 19 | 3% | 42% | 55% | 34,305 | 16% | 91% |
| 6 Catching-up Cities | 102 | 4% | 50% | 45% | 32,882 | 11% | 89% |
| A Catching-up Industrial towns | 52 | 3% | 64% | 33% | 34,448 | 5% | 89% |
| B Public services towns | 40 | 5% | 35% | 61% | 31,240 | 2% | 90% |

| Classification | No. of urban localities | Share of revenues in the agricultural sector 2018 | Share of revenues in the industrial sector 2018 | Share of revenues in the service sector 2018 | Revenues per employees (euro) 2018 | Percentual changes employees 2011-2019 | Share of employees from employed 2011 |
|-------------------------------------|-------------------------|---|---|--|------------------------------------|--|---------------------------------------|
| Cities with expanding labor markets | 10 | 6% | 41% | 53% | 30,955 | 79% | 83% |
| Cities with internal labor reserves | 46 | 13% | 49% | 38% | 31,996 | 22% | 69% |
| Small scale farming cities | 8 | 40% | 23% | 36% | 33,581 | 18% | 67% |
| Moderately expanding towns | 23 | 8% | 55% | 36% | 30,651 | 30% | 83% |
| Self-Sufficient Homestead Cities | 15 | 3% | 56% | 41% | 33,106 | 11% | 48% |

Source: Internal World Bank exercise.

City classification by socioeconomic characteristics

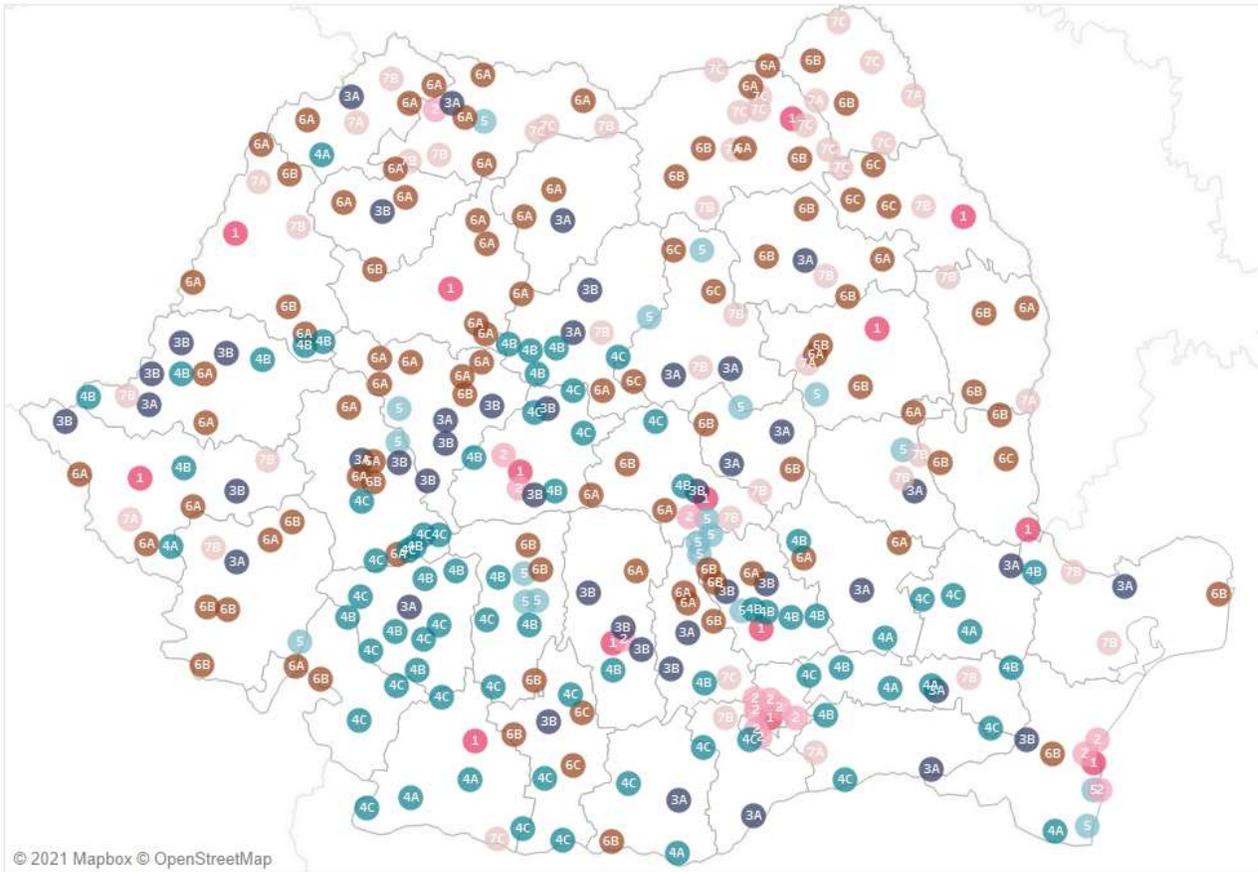
Table 22. The socio-economic classification of Romanian cities within the major groups of cities

| Clusters of urban localities | Locality name |
|-----------------------------------|---|
| 1 Urban Growth Poles | Braşov, Bucureşti, Cluj-Napoca, Constanta, Craiova, Galaţi, Iaşi, Oradea, Piteşti, Ploieşti, Sibiu, Suceava, Timişoara |
| 2 Peri-urban Cities | Bragadiru, Buftea, Chitila, Cîsnădie, Eforie, Măgurele, Năvodari, Otopeni, Ovidiu, Pantelimon, Popeşti-Leordeni, Râşnov, Ştefăneşti, Tăuţii-Măgheruş, Voluntari |
| 3 Industrial Cities | |
| A Mixed Industrial Cities | Alba Iulia, Alexandria, Arad, Baia Mare, Bistriţa, Brăila, Buzău, Călăraşi, Deva, Focşani, Giurgiu, Miercurea Ciuc, Odorheiu Secuiesc, Piatra Neamţ, Râmnicu Vâlcea, Reşiţa, Satu Mare, Sfântu Gheorghe, Slobozia, Târgovişte, Târgu Jiu, Târgu Mureş, Târgu Secuiesc, Tulcea |
| B Industrially Specialized Cities | Curtici, Ghimbav, Mioveni, Sebeş, Tălmăciu, Zalău, Câmpina, Curtea de Argeş, Găeşti, Lugoj, Reghin, Slatina, Blaj, Cernavoda, Chişineu-Criş, Cugir, Ineu, Mediaş, Orăştie, Sănnicolau Mare, Topoloveni, Vălenii De Munte |
| 4 Agri-Cities | |

| | | |
|----------|--|---|
| A | High-end Agri-city | Amara, Băilești, Căzănești, Gătaia, Însurăței, Negru Voda, Pogoanele, Segarcea, Tășnad, Zimnicea |
| B | Agri-city with Industry | Aninoasa, Ardud, Avrig, Băbeni, Baia De Arama, Boldești-Scăieni, Bumbesti-Jiu Codlea, Costești, Fundulea, Hârșova, Horezu, Iernut, Lehliu-Gara, Luduș, Macin, Miercurea Sibiului, Mihăilești, Mizil, Nădlac, Nehoiu, Novaci, Nucet, Piatra Olt, Plopeni, Recaș, Rovinari, Săliște, Sântana, Sebiș, Târnăveni, Titu, Turceni, Ungheni, Urlați, Urziceni, Vașcău |
| C | Shrinking Agri-cities | Agnita, Bălcești, Berbești, Calafat, Caracal, Copșa Mica, Corabia, Dăbuleni, Dumbrăveni, Făurei, Fetești, Fierbinți-Târg, Filiași, Hațeg, Ianca, Motru, Oltenița, Petrila, Petroșani, Roșiori De Vede, Rupea, Sângeorgiu de Pad, Scornicești, Strehaia, Târgu Cărbunescu, Țicleni, Tismana, Uricani, Vânju Mare, Videle, Vulcan |
| 5 | Tourist Cities | Azuga, Băicoi, Băile Govora, Băile Herculane, Băile Olănești, Băile Tușnad, Bușteni, Cavnic, Geoagiu Mangalia, Ocna Sibiului, Ocnele Mari, Panciu, Predeal, Sinaia, Slănic-Moldova, Sovata, Techirghiol, Zlatna |
| 6 | Catching-up Cities | |
| A | Catching-up industrial towns | Abrud, Adjud, Aiud, Baia de Arieș, Baia Sprie, Brad, Beclean, Buziaș, Câmpeni, Câmpia Turzii, Câmpulung, Caransebeș, Carei, Cehu Silvaniei, Comănești, Dej, Deta, Fieni, Gherla, Gura Humorului, Hunedoara, Huși, Jibou, Jimbolia, Lipova, Lupeni, Năsăud, Negrești-Oaș, Ocna Mureș, Orșova, Pâncota, Pătârlagele, Pucioasa, Rădăuți, Râmnicu Sărat, Roman, Salonta, Sărmașu, Seini, Sighetu Marmației, Sighișoara, Simeria, Șimleu Silvaniei, Siret, Slănic, Stei, Târgu Lăpuș, Turda, Valea Lui Mihai, Victoria, Vișeu de Sus, Zărnești |
| B | Public services towns | Anina, Bacău, Balș, Baraolt, Bârlad, Basarabi, Beiuș, Berești, Bicaș, Breaza, Brezoi, Botoșani, Buhuși, Călan, Călimănești, Câmpulung Moldovenesc, Comarnic, Covasna, Dorohoi, Drăgășani, Drobeta-Turnu Severin, Făgăraș, Fălticeni, Huedin, Marghita, Medgidia, Moinești, Moldova Noua, Moreni, Onești, Oravița, Oțelu Roșu, Sulina, Târgu Neamț, Târgu-Ocna, Tecuci, Teiuș, Turnu Măgurele, Vaslui, Vatra Dornei |
| C | Cities with expanding labor markets | Borsec, Cristuru Secuiesc, Drăgănești-Olt, Gheorgheni, Hârlău, Pașcani, Potcoava, Târgu Bujor, Târgu Frumos, Toplița |
| 7 | Cities with internal labor reserves | |
| A | Small scale farming cities | Ciacova, Bucecea, Budești, Dârmanești, Frasin, Murgeni, Săcuieni, Ștefănești |
| B | Moderately expanding towns | Aleșd, Babadag, Bălan, Bocșa, Bolintin-Vale, Borșa, Broșteni, Făget, Întorsura Buzăului, Isaccea, Isaccea, Isaccea, Livada, Mărășești, Miercurea Nirajul, Negrești, Odobești, Pecica, Podu Iloaiei, Roznov, Săcele, Șomcuta Mare, Țândărei, Ulmeni, Vlăhița |
| C | Self-Sufficient Homestead Cities | Bechet, Cajvana, Darabani, Dolhasca, Dragomirești, Flamanzi, Liteni, Milișăuți, Răcari, Salcea, Săliște de Sus, Sângeorz Bai, Săveni, Solca, Vicovu de Sus |

Source: Internal World Bank exercise.

Figure 19. The spatial distribution of the classification of Romanian cities within the major groups of cities



Source: Internal World Bank exercise.

8.3 Annex 3. PACA

Innovations to PACA by GIZ

GIZ introduced a number of improvements to PACA following its implementation in Serbia. Over the years, the improvements noted here have been complemented by others, maintaining PACA's evolving nature which is continually being updated through its application.

Table 23. GIZ improvements to PACA exercise

| |
|--|
| <p>1. Keep it short and simple. Introduce target communities to local economic development program through PACA. Streamline objectives, reduce PACA exercises to days instead of weeks to maximize excitement and maintain momentum.</p> |
| <p>2. Plan for sustainability. Replace volunteers with trained, experienced private sector consultants. Provide apprenticeship opportunities with Mesopartner and other GIZ project staff. Once trained, market their services to local governments, NGOs, and other organizations interested in launching LED initiatives. Create permanent capacity and provide help to weak local governments.</p> |
| <p>3. Target carefully. Once important local economic activities have been identified, implement PACA exercises sequentially. One sector or value chain is sufficient for a PACA exercise.</p> |
| <p>4. Prepare well. Spend more time on preparation than on the exercise, talking with key informants, studying local clusters and subsectors, holding meetings with industry leaders to plan PACA workshops.</p> |
| <p>5. Multiply and support champions. Use the PACA process to find champions who can motivate individual sectors, clusters, or social groups. Reinforce their commitment by arranging press coverage, project and public recognition.</p> |
| <p>6. Close the gap. Move seamlessly from planning to action. When mini-workshops produce good project ideas, go directly into the way forward mode—and follow up quickly with technical assistance.</p> |
| <p>7. Look for business transactions. Find individuals for whom new business services have commercial value. Emphasize new business relationships as an indicator of success.</p> |
| <p>8. Find the balance between quick and catalytic. Modify PACA criteria to allow a few major projects capable of generating enthusiasm. The development of a shared community or industry vision is recognized as an important part of the process.</p> |

Source: USAID, 2005.

8.4 Annex 4. Business Retention and Expansion Materials

Several spreadsheets exist in Excel Workbook format which can be easily customized for tracking the results of industry surveys. This appendix provides a portion of such spreadsheets and surveys in printed format. The database and sample industry surveys here are intended as a guide in creating and customizing instruments that fit the needs of a community.

Sample BR&E Database

Figure 20. Sample Business Retention and Expansion Survey Database

| Business Retention and Expansion Database | | | | | |
|--|--|----------|--|--|--------------------------|
| Collecting current data is an important tool in working to support the growth of existing business and industry in a region. This information should be considered confidential. In the US, it is proprietary and protected under current FOI regulations making it unavailable to the public. | | | | | |
| Instructions: | | | | | |
| For each of the indicators below, please rate the company based on the information provided in the survey. | | | | | |
| 1= Indicator does not apply to this company | | | | | |
| 2= Indicator applies somewhat to this company | | | | | |
| 3= Indicator applies to this company | | | | | |
| 4= Survey answers closely reflect this indicator | | | | | |
| Type of Indicator: | | | | | |
| Growth = "5" is a positive indicator suggesting that company may be adding jobs. "1" indicates decline | | | | | |
| Risk = "5" indicates that company requires follow-up to ensure that the indicator is not causing the company to close down or leave | | | | | |
| Stable = "5" indicates that company is stable but not necessarily in a position to grow "1" indicates instability | | | | | |
| Declining = "5" is a negative indicator suggesting that the company may have to close or move its plant in the near future. "1" is positive indicating stability and even growth potential. | | | | | |
| **Indicators highlighted in yellow are those most important to capture** | | | | | |
| Company Name: | | Phone: | | | |
| Address: | | Email: | | | |
| City: | | Website: | | | |
| COMPANY DATA | | | | | |
| Year | | | | | |
| Date of Interview | | | | | |
| | Indicator | | | | Type of Indicator |
| 1 | Company has acquired another company | | | | Growth |
| 2 | Last major equipment purchase for the facility was within the past 12 months | | | | Growth |
| 3 | An equipment purchase is planned for the next twelve months | | | | Growth |
| 4 | Annual budget for capital investment grows every year | | | | Growth |
| 5 | Company has kept pace with initial sales projections | | | | Growth |
| 6 | Sales are increasing | | | | Growth |
| 7 | Total full-time employment is increasing | | | | Growth |
| 8 | Company has introduced a new product or service within past 6 months | | | | Growth |

| | | | | | |
|----|---|--|--|--|--------|
| 9 | Company has a large and diverse customer base | | | | Stable |
| 10 | Gross margin for product or service is increasing | | | | Stable |
| 11 | Company operates an e-commerce website | | | | Stable |
| 12 | Company utilizes email and website technology | | | | Stable |
| 13 | Company has stable relationships with its vendors | | | | Stable |

Source: Teamwork Arkansas – Entergy’s Office of Economic Development. *Business Retention and Expansion Guide*.
https://bowenland.civicweb.net/document/59000/Business_Retention_Expansion_Guidebook.pdf?handle=946CFBCAAF474008A24CF2ABAFE7331A

Figure 21. Sample BR&E Survey

Please provide the following information:

| | |
|-----------------------|--|
| Business Name: | |
| Address: | |
| Phone: | |
| Email: | |
| Website: | |
| Name: | |
| Title: | |
| Today's Date: | |

Answer only those questions with which you feel comfortable. Feel free to note comments in the margins. Your responses will be confidential.

Section A – Local Business Environment

1. What are the top three (3) reasons you choose to operate your business in COMMUNITY? (please choose only 3 responses and rank from 1 to 3)

- Location
- Access to your customers
- Access to your suppliers
- Access to business services
- Community Amenities
- Quality of housing
- Quality of life
- Safety services
- Safe environment
- Other (please specify)

2. What are the top three (3) challenges you face as a business owner/operator in COMMUNITY?

1. _____

2. _____

3. _____

3. Please rate the following amenities and service:

| | Excellent | Good | Average | Poor | Very Poor |
|--|-----------|------|---------|------|-----------|
| Transportation thoroughfares | | | | | |
| Water and sewers | | | | | |
| Communication services | | | | | |
| Print media | | | | | |
| Electric Utilities | | | | | |
| Public transportation | | | | | |
| Health care services (hospital, clinic) | | | | | |
| School system | | | | | |
| Recreation/cultural activities/entertainment | | | | | |
| Senior services | | | | | |
| Snow and ice removal | | | | | |
| Street repairs | | | | | |
| Fire/paramedic services | | | | | |
| Police safety services | | | | | |

4. Rate the importance of the following amenities and services in COMMUNITY.

| | Excellent | Good | Average | Poor | Very Poor |
|--|-----------|------|---------|------|-----------|
| Transportation thoroughfares | | | | | |
| Water and sewers | | | | | |
| Communication services | | | | | |
| Print media | | | | | |
| Electric Utilities | | | | | |
| Public transportation | | | | | |
| Health care services (hospital, clinic) | | | | | |
| School system | | | | | |
| Recreation/cultural activities/entertainment | | | | | |
| Senior services | | | | | |
| Snow and ice removal | | | | | |
| Street repairs | | | | | |
| Fire/paramedic services | | | | | |
| Police safety services | | | | | |

5. Would you pay more to improve any of the following amenities and services in COMMUNITY?

| | Excellent | Good | Average | Poor | Very Poor |
|--|-----------|------|---------|------|-----------|
| Transportation thoroughfares | | | | | |
| Water and sewers | | | | | |
| Communication services | | | | | |
| Print media | | | | | |
| Electric Utilities | | | | | |
| Public transportation | | | | | |
| Health care services (hospital, clinic) | | | | | |
| School system | | | | | |
| Recreation/cultural activities/entertainment | | | | | |
| Senior services | | | | | |
| Snow and ice removal | | | | | |
| Street repairs | | | | | |
| Fire/paramedic services | | | | | |
| Police safety services | | | | | |

Section B – Future Plans

6. Do you have any plans to modernize or expand your business?

- Yes
- No

6a. Do you face constraints? (Check all that apply)

- No constraints
- Financial
- Physical facility
- Insufficient space
- Parking
- Zoning and building regulations
- Lease or rent constraints
- Availability of suitable employees
- Other (please specify)

6b. What kind of modernization or expansion are you considering? (Check all that apply.)

- Additional floor space
- Inventory storage space
- Office space
- Parking area
- Adding another department, division or business
- Expansion into adjacent space
- Other (please specify) _____
- None

6c. When would the work be started?

- Within 6 months
- Between 6 - 12 months
- Between 1 - 3 years
- More than 3 years
- Not applicable

7. Are you currently considering moving, closing, selling, or merging with another company? (Check one.)

- a. Considering moving
- b. Considering closing (go to question 7c)
- c. Considering selling (go to question 7c)
- d. Considering acquiring or merging with another company (go to question 7c)

7a. Why are you considering moving? (Check all that apply.)

- a. Changing market conditions
- b. Overcrowded facilities
- c. Land limitation for expansion
- d. Workforce issues
- e. Rigid code enforcement
- f. High taxes
- g. Lease expiration
- h. Retirement
- i. Other (please specify)

7b. Where are you considering moving?

- a. Elsewhere in COMMUNITY
- b. Elsewhere in the County
- c. Outside the County, but in Ohio
- d. Outside Ohio, but in U.S.
- e. Outside U.S.

7c. When are you considering moving, closing, selling or merging with another company?

- a. Within 6 months
- b. Between 6 - 12 months
- c. Between 1 - 3 years
- d. More than 3 years

8. What impact would your plans for modernization, renovation, expansion, moving, closing, merging, or selling have on the number of employees in your COMMUNITY location?

- a. No change to number of employees
- b. Add employees; about how many? _____
- c. Reduce employees; about how many? _____

Section C – Business Operations

9. Do you typically have a significant increase in sales during any particular part of the year?

- a. Yes
- b. No (go to question 10)

9a. If yes, during what SEASON do your sales increase significantly? (Check all that apply.)

- Winter
- Spring
- Summer
- Fall

9b. If yes, do you hire more employees during this busy season?

- Yes
- No (go to question 10)

9c. If yes, approximately how many employees do you hire during this busy season?

| Full time | Part time |
|--|--|
| <input type="checkbox"/> a. 1-3 | <input type="checkbox"/> a. 1-3 |
| <input type="checkbox"/> b. 4-10 | <input type="checkbox"/> b. 4-10 |
| <input type="checkbox"/> c. 11-20 | <input type="checkbox"/> c. 11-20 |
| <input type="checkbox"/> d. More than 20 | <input type="checkbox"/> d. More than 20 |

10. Do you typically have a slow day of the week or time of day?

- a. Yes
- b. No (go to question 11)

10a. What have you done to help increase your sales during less busy days and hours?

- a. Advertised
- b. Offered product promotions
- c. Extended days and/or hours of operation
- d. Changed product/service offerings and/or mix
- e. Other (please specify)

11. What is your most successful form of marketing? What form of marketing, if any, would you like to learn more about?

| Most successful | Learn About | |
|-----------------|-------------|--------------------------------------|
| | | Direct Mail |
| | | Directory listings |
| | | Newspaper advertisements |
| | | Television advertisement |
| | | Radio advertisements |
| | | Billboard and/or other signage |
| | | Internet marketing and advertising |
| | | Educational seminars |
| | | Sponsorship of activities and events |
| | | Word-of-mouth |
| | | Other |

Section D – General Information

12. How long has this business been operating at its current location?

- a. Less than 1 year
- b. 1 – 5 years
- c. 5 – 10 years
- d. 10 – 20 years
- e. More than 20 years

13. Over the next three (3) years, do you think the following business factors will increase, stay the same, or decline?

| | | | |
|--|----------|---------------|---------|
| | Increase | Stay the same | Decline |
|--|----------|---------------|---------|

| | | | |
|---------------------------|--|--|--|
| Total number of customers | | | |
| Sales- Total revenues | | | |
| Profits | | | |
| Number of employees | | | |

13a. If you expect any of these business factors to increase or decrease, what are the principal reasons for the changes?

14. What is your overall opinion of COMMUNITY as a place to do business?

| Excellent | Good | Average | Poor | Very Poor |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> |

15. Would you recommend COMMUNITY as a good business location?

- Yes
- No

16. Do you live in the COMMUNITY area?

- Yes
- No

16a. If YES, do you live within the village limits?

- Yes
- No

17. Rate the overall quality of life in COMMUNITY.

| Excellent | Good | Average | Poor | Very Poor |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| <input type="checkbox"/> |

18. Where do the majority of your sales come from?

- Customers in COMMUNITY
- Customers within a 10-mile radius
- Customers beyond a 10-mile radius

19. If you could ask area consumers a question or two, what would you ask them?

In the space below or on a separate sheet of paper, please add any comments. Thank you for completing this survey.

Source: Ohio State University. *Retaining and Expanding Community Businesses: A Survey of Local Retail Businesses*
<https://comdev.osu.edu/sites/comdev/files/imce/Introductory%20Cross%20Sector%20Questionnaire.pdf>

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