

**Designing and Implementing an  
Urban Economic Development Strategy:  
A Guide for Cities**

by

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## **Abstract**

Cities are complex hubs of economic and social activity, conducive to efficient means of production. The densities of cities support agglomeration economies, low transactions costs, and robust, localized markets that are not viable in more dispersed and homogenized economic and social environments. However, despite possessing great prospects for productivity, cities are challenging phenomena to manage. A strategy for urban economic development is critical for stemming future economic, social and institutional degradation and for managing productive and equitable growth by harnessing the resources that cities uniquely possess. This strategy document serves as a guide for municipalities considering and undertaking an urban economic development strategy (UEDS). It discusses the merits of engaging in an UEDS and provides direction on both the content of the plan and the process to design and implement it. This report stresses the importance of transparent and participatory processes and encourages a multi-sector and targeted approach to development. Analytics play a critical role in assessing the needs and potential of a municipality and in informing potential program initiatives. The point of this strategy document is not to make definitive recommendations; rather, it offers points of entry for analysis and policy reform.

## Table of Contents

Abstract	ii
List of Figures	iv
List of Exhibits	iv
<b>Chapter One: Why Does a City Need an Urban Economic Development Strategy?</b>	<b>1</b>
<b>Chapter Two: Key Elements of an UEDS</b>	<b>6</b>
Generate The Overarching Vision and Goals	6
Determine the Local Parameters for the UEDS	8
Geographic scope and institutional landscape	8
Determine the level of local decision-making autonomy	9
Conduct a resource analysis	10
Conduct and Analysis of: "Where are we Now?"	12
Compiling metrics	13
Organizing and analyzing the metrics	16
Conduct and Analysis of: "Where Would we Like to Be?"	27
Target Areas	27
Organizing the Content of the UEDS	36
<b>Chapter Three: Putting Together an UEDS</b>	<b>38</b>
Determine Organizational Capacity and Structure	38
Generate Community and Multi-Sector Participation in the Design	40
Constructing a consultative and participatory planning process	40
<b>Chapter Four: Implementing an UEDS</b>	<b>45</b>
Collecting and Reviewing Data (Performance Measures)	45
Data Collection	46
Logistics	46
<b>Chapter Five: Confronting Tradeoffs and Concluding Remarks</b>	<b>48</b>
References	49
Appendices	51

## **List of Figures**

- 1-1 GDP per Capita for Urban and Rural Regions
- 1-2 Population Growth in Urban and Rural Regions
- 1-3 Poverty in Urban Regions
- 1-4 Urban Economic Development Analytic Framework
- 2-1 Generating a Vision Statement
- 2-2 SWOT Analysis Framework
- 2-3 Sample Problem Tree
- 2-4 Porter's Diamond Framework for Competitive Advantage
- 3-1 Participatory policymaking

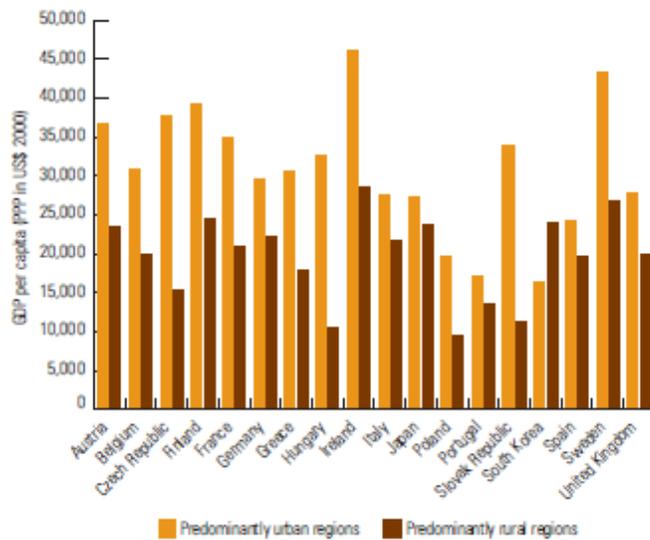
## **List of Exhibits**

- 2-1 Suggested questions to frame geographical and institutional analyses
- 2-2 Suggested questions to frame local authority analysis
- 2-3 Suggested questions to frame resource analysis
- 2-4 Suggestions for routinizing (and cost-minimizing) data collection
- 2-5 Neighborhood Diagnostics: Drill-down analyses
- 2-6 Suggested steps for framing an UEDS
- 3-1 Suggested questions to frame organizational analysis
- 3-2 The Case of Participatory Budgeting in Porto Alegre
- 4-1 Suggested performance measures

## Chapter One: Why Does a City Need an Urban Economic Development Strategy?

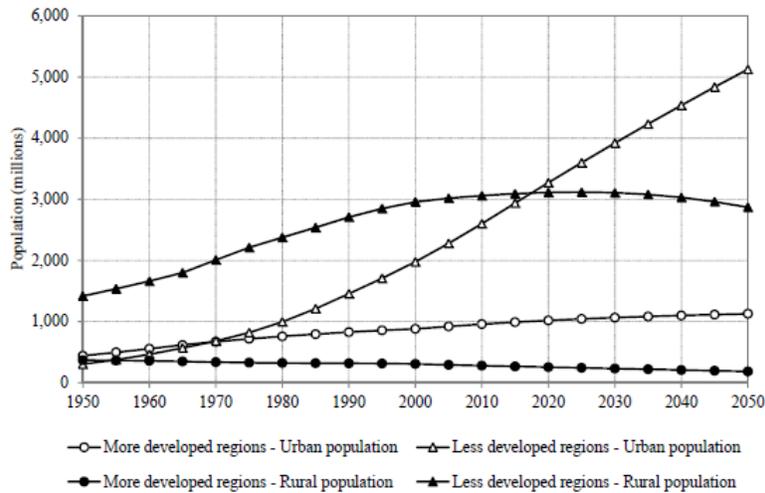
Cities are complex hubs of economic and social activity, conducive to efficient means of production. The densities of cities support agglomeration economies, low transactions costs, and robust, localized markets (both formal and informal) that are not viable in more dispersed and homogenized economic and social environments. Space can be used in non-traditional ways, building up instead of out and integrating uses to generate dynamic and “twenty-four-seven” communities. Ideas and materials can be exchanged at a scale that promotes great innovation and learning; the potential for positive spillovers is magnified in the context of such concentrated and diverse resources. Because of the spatial and economic interconnectivities within cities, investments in single areas can multiply into productivity enhancements in proximate industries and the urban economy overall. Moreover, as countries become more urbanized and the engine of local economies more transnational, the fate of global markets increasingly relies on the fate of cities. Indeed, GDP per capita is higher in urban areas (compared to rural areas) (see Figure 1-1) and growth in less developed urban areas has outpaced rural and more developed areas (see Figure 1-2).

**Figure 1-1: GDP per Capita for Urban and Rural Regions**



Source: UN Habitat (2010/2011)

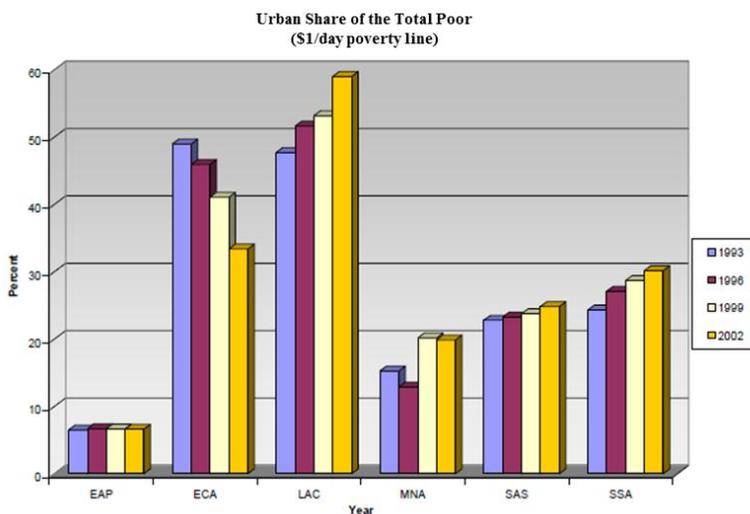
**Figure 1-2: Population Growth in Urban and Rural Regions**



Source: United Nations (2012)

However, despite possessing great prospects for productivity, cities are challenging phenomena to manage. The high densities typical of cities are also the root of many problems endemic to urban environments. The existence of different resources and land uses within such close proximity can result in negative externalities (such as congestion, overcrowding, and redundancies) that, if left unaddressed, can distort the functions of otherwise (relatively) productive and efficient markets. Informal markets are integral to cities in developing countries, and (very) imperfect information about their participants and transactions can make it difficult to exploit their production and consumption power. In addition, when cities experience exogenous shocks (whether they be economic or climatic), the effects are pervasive due to the concentrated urban infrastructure. More importantly, urban governance becomes particularly daunting in the face of rapid growth and diversification. This is the state of many (if not most) cities in the developing world that face extensive migration and strained infrastructure. Projections show that the developing world’s urban population will double between 2000 and 2030, and their built-up areas will triple during this same time period (Angel et. al. 2011). And this is in the context of already-acute levels of poverty and limited fiscal resources (see Figure 1-3).

**Figure 1-3: Poverty in Urban Regions**



Source: Baker (2008)

**A strategy for urban economic development is critical for stemming future economic, social and institutional degradation and for managing productive and equitable growth by harnessing the resources that cities uniquely possess.** Thoughtful and comprehensive economic development strategies can increase standards of living, reduce inequality and promote sustainable resource use and protection (Blakely and Leigh 2010). While the development of an urban economic development strategy (UEDS) is not a costless endeavor (this will be addressed below), it can organize a process that involves many different factors, players and outcomes and it is one that has immense implications for the health and well-being of urban consumers and service providers. It can replace “quick fixes” with “deep fixes” (Rodrik 2005) and it promotes a locally-driven growth strategy (rather than a centralized, top-down mandate approach). It both exploits and enhances the knowledge of local stakeholders, by making transparent the city’s assets and weaknesses and by empowering bottom-up decisions about future policy.

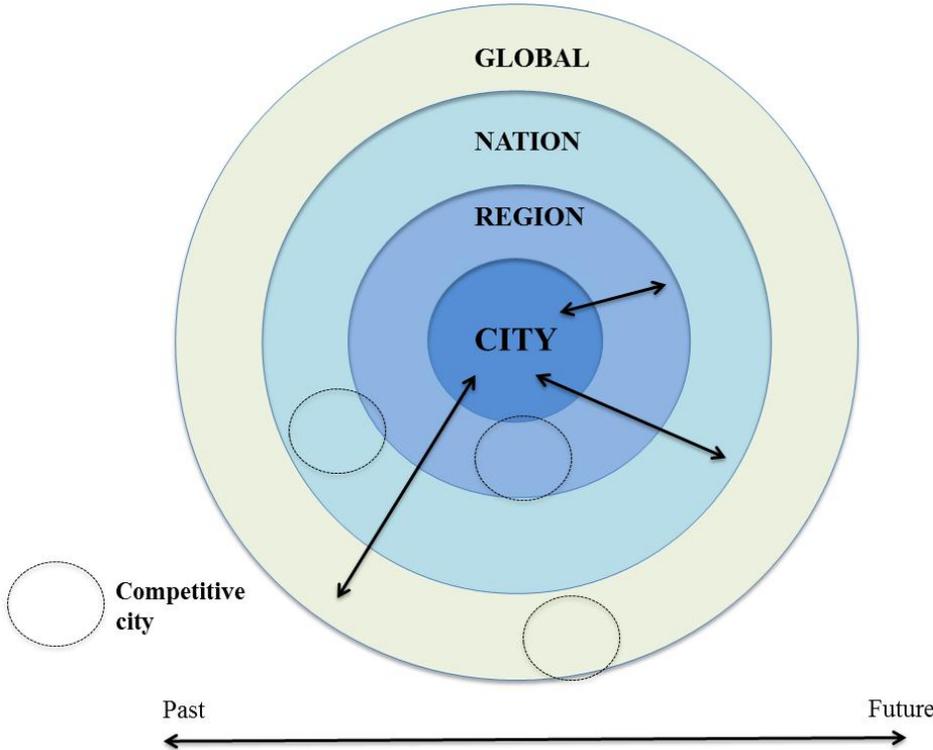
An UEDS is a mark of integrity in urban governance. It demonstrates fiscal responsibility, in that it provides a mechanism through which the locality can coordinate revenues and expenditures to more efficiently, and effectively, deliver public services. Such a strategy (both in and of itself and in the outcomes it generates) can attract additional capital, which flows in response to the potential for well-managed growth. An UEDS can also serve as a signal of legitimacy in the context of national or international aid requests and public credit ratings. An UEDS is also politically responsible: it is an undertaking that requires long-term and regional planning, perhaps beyond the length of the term of the current administration and the boundaries of the host jurisdiction. An UEDS is a multi-generational plan, and as such, requires consideration of constituencies other than those in the immediate vicinity (both temporally and spatially). In its entirety, an UEDS can be a great opportunity for re-imagining, or simply refining, the city’s plan for growth and sustainability. It hinges on the deliberate integration across sectors and industries in an attempt to exploit the heterogeneity that defines cities. An *effective* UEDS is not solely a housing plan, solely an infrastructure plan or solely a jobs plan; it is a strategy that incorporates all of these elements (and many more) in order to comprehensively

manage urban growth. Such a strategy is also a means of local preparedness in the context of global volatility.

*When is a good time to undertake an UEDS?* In reality, this is a process that should take place on a regular basis, as in every five to eight years (and in a more cursory manner, every year). The extent of change or revision in the strategy will depend on whether (and in what form) there exists a current UEDS. Since an UEDS requires a broad understanding of conditions across the city (and beyond), it is best achieved at critical junctures, such as administrative or fiscal year transitions. In addition, moments of economic crisis or shock also tend to motivate a systematic rethinking of the urban agenda that is embodied in an UEDS.

This strategy document serves as a guide for municipalities considering and undertaking an UEDS. It identifies approaches and challenges in the process, and does so with a critical perspective. **Since cities are inevitably idiosyncratic and diverse in their governance structures, socio-economic compositions and regional contexts, the following is a generalization of what is ultimately a very tailored endeavor.** As Dani Rodrik asserts, effective urban economic development strategies reflect “different strokes for different folks” (Rodrik 2005). Where appropriate, guidelines are provided on how to illuminate and organize these particulars, but they do not substitute for local knowledge of a city. As the following report will emphasize over again, an effective UEDS relies on an extensive understanding of local needs, institutional structures, and economic aspirations. This examination is situated within the context of broader regional and national conditions, and is informed by past trends to predict future growth and challenges. Figure 1-4 offers a visualization of the analytic perspective. This strategy document offer points of entry for determining these factors, but offers no conclusions on what those factors will look like across the board.

**Figure 1-4: Urban Economic Development Analytic Framework**



## Chapter Two: Key Elements of an UEDS

This section outlines the core *content* of the UEDS. As stated above, the details of the content in an UEDS will depend entirely on the particular municipality; what is presented here serves as a template or outline of broad issues or questions that belong in the UEDS.

### GENERATE THE OVERARCHING VISION AND GOALS

The UEDS should be driven by a set of broader goals and objectives that relate to all of the actionable items that make up the strategic plan itself. These goals and objectives will be a product of the process that creates the UEDS (described in more detail below), and they should be front-and-center in the final strategy document. These can also be thought of as the “vision” of the UEDS, or the guiding principles that undergird the entire plan. The manifestation of these goals will be particular to the municipality, but some evocative (and idiosyncratic) examples are:

- “To make the city well governed, competitive, livable and creditworthy” (Hubli-Dharwad City Development Strategy 2005);
- “To become a global metropolis comparable to – and competitive with – other key global cities, such as New York, London, Paris, Tokyo, and Hong Kong” (Shanghai Development Strategy 2009);
- “To identify future land uses, areas of future growth and road hierarchy and road network/distribution” (Masaka Municipality Strategic Urban Development Plan 2010);
- To “be a safe, healthy and walkable city of God-loving, hardworking and disciplined citizens enjoying adequate and accessible basic needs and services and city developments in harmony with nature brought about by enhanced revenue generation” (City of San Fernando City Development Strategy 2007).

#### What is the inspiration for these vision and goals?

The “vision statement” for the UEDS ideally should be a data-driven product. That is, it primarily emerges from the first core analysis of “where are we now?” (detailed later in this report) and serves as a concise and evocative frame for the second central analysis of “where would we like to be?” (also detailed later in this report). **The “vision statement” should capture: (i) concrete and broad aspirations for the future and (ii) how the municipality will capitalize on its current assets and how it will mitigate its largest threats.** It is important to recognize, however, that the inspiration for the overarching vision can also come from leadership-specific priorities and from political and economic trends external to the local municipality. For example, there may be a top-down prerogative to pursue global competitiveness, and external financial volatility in the housing market may direct local activities away from housing-intensive industries (or at least towards diversification).

#### What is the process for drafting and choosing a “vision statement”?

Creating consensus on a single and focused set of vision and goals is not an easy feat. **While the input should be generative and collaborative, the reconciliation of the diverse ideas needs to be organized and disciplined.** As implied above, the challenge lies in balancing the insight from data-driven local assessment and the influences of political intentions and external pressures. As described by the U.S. Department of Commerce’s Comprehensive Economic Development Strategy (CEDS) Guidelines (2002), the most typical approach to develop a unified vision statement is to organize a series of workshops and/or committees. This process should be organized by the strategy committee for the UEDS (described later in this report). The workshops and/or committees should include a wide range of stakeholders including representation from: local government agencies, businesses, industries, organized labor, community organizations, and residents (of various races, classes, employment levels). The content of the workshops/committees should solicit input from the participants on what they see as the municipality’s strengths, weaknesses, challenges, and opportunities; on what they would like to see to improve their quality of life and/or business environment. It is useful to have on hand the economic and social assessment data in order to integrate it into the conversation with workshop/committee participants. A representative from the strategy committee should collect the feedback from the initial workshops/committees and compile it into draft vision statements, which should then be recirculated to those participants for another round of feedback (see Figure 2-1 for a visualization). All commentaries and draft statements should be made public. In the end, the statement need not be excruciatingly detailed, since the rest of the UEDS document will go through specific target policy areas and projects. However, it is very important for setting the tone for the document and serving as a touchstone for all the subsequent target areas and projects.

**Figure 2-1: Generating a Vision Statement**



## DETERMINE THE LOCAL PARAMETERS FOR THE UEDS

Before considering the content of the UEDS, it is critical to understand the institutional landscape, legal regimes and resource constraints in which local decisions are made. **First, it is important to explicitly define the geographic boundaries of the local municipality that will be subject to the UEDS. Second, any plan for a UEDS must be predicated on the understanding of which decisions and actions are within the authority of the local municipality and which ones require additional oversight** (or are, for all intents and purposes, outside the reasonable realm of local power). **Third, the local municipality must understand the available resources (both fiscal and natural) in order to support the planned economic development endeavors.** This information will make clear from the start what actions are within reach for the local municipality and identify the stakeholders relevant to local decision-making.

### Geographic scope and institutional landscape

While a city's UEDS should focus on the needs and outcomes for that particular locality, the reality is that local policies do not operate in isolation. There is the potential for inter-jurisdictional spillovers, related to both costs and benefits. While entirely containing spillover effects is essentially impossible, they can be minimized (in the case of negative ones) and optimized (in the case of positive ones). Left unmanaged, negative spillovers can threaten regional political and economic relations down the road. Capitalizing on positive spillovers can result in fruitful political and economic exchanges that can strengthen regional markets (and thereby local economies). Managing potential spillovers requires a solid understanding of the geographic and institutional landscape within and immediately outside of the target jurisdiction.

Although it may appear obvious, the first step is to clearly delineate the physical boundaries of the local municipality. Moreover, the goal is to situate the local municipality within the larger region and state. Therefore, the second step is to lay out the neighboring and overlapping jurisdictions. This suggests that *local and regional maps* are an important element of any UEDS (this type of data collection and management will be discussed in more detail below). **Together, this basic, but fundamental, information makes obvious where the local municipality has exclusive oversight and where there is shared governance (whether it be geographically, politically, fiscally or economically).** For example, geographic (and political) overlap will occur in the case where an independent (but publicly sanctioned) water district exists entirely or partially within a municipality. Political and fiscal overlap will occur in cases where the regional government (in which the local municipality is located) provides services to the local municipality; in this scenario any enhancements to service provision must go through local and regional political channels and must rely on local and regional fiscal schedules. Economic overlap pertains to interactions in economic activity across jurisdictional borders. While maps alone will not reveal the extent of this type of overlap, they provide a rendering of the places that are physically proximate and therefore present the potential for economic porousness (such as labor or residential migration). This question of proximity or overlap is important in determining the local municipality's role as consumer or producer of economic activity and its competitive position within the region.

Understanding the physical landscape of the municipality and region is important for two reasons. First, it highlights the areas where there will need to be multi-jurisdictional negotiations in designing and implementing projects. This is valuable information for corralling stakeholders and “buy-in” from the diverse pool of participants (discussed in more detail later in the report). Second, it sets up the analysis of where initiatives should be targeted and/or implemented. In general, the national and state levels of government are valued for their fiscal flexibility and ability to correct for spillover effects across local borders due to mobility (of people, firms, goods). In addition, economies of scale, in production and administrative costs, are more easily achieved at the upper government levels. Local government provision, on the other hand, is valued for its ability to address diversity in demand and understand the needs and trends of the local market and community. *In sum, local provision appears to be ideal when the diversity in demand is large relative to the economies of scale in producing the good and the externalities imposed by the consumption of the good* (Oates 1972).

### **Exhibit 2-1**

#### **Suggested questions to frame geographical and institutional analyses:**

- 1. What are the defined boundaries of the municipality?**
- 2. Do these boundaries overlap with those from other local districts or geographically defined (public) entities?**
- 3. How close are neighboring jurisdictions?**
- 4. What is the jurisdictional landscape of the region?**

### **Determine the level of local decision-making autonomy**

The ability of local governments to make policy decisions varies tremendously across contexts. While the question of geographic and institutional landscape considers horizontal governmental interactions, the question of local authority is concerned with vertical, or hierarchical, interactions. Essentially, when can the local government make decisions independently and when does it have to consult (or obtain approval from) some higher level of government? The viability of an UEDS often hinges on the extent of the local jurisdiction’s decision-making autonomy (or how easily any inter-governmental decision-making processes can be altered). Some local jurisdictions have the power to render policy changes without the approval or input from higher levels of government; in other cases (such as in the Federalist system), the local jurisdiction must take many policy decisions to a higher level of government (whether it be a regional, state or national body).

## **Exhibit 2-2**

### **Suggested questions to frame local authority analysis:**

- 1. What share of funding dedicated towards local improvement projects is locally sourced? Nationally sourced?**
- 2. Can the local municipality make autonomous decisions about fiscal or development policies? For example, tax rates, land use and zoning, debt issuance?**
- 3. Conversely, what decisions need to be approved by the state or central government before they are enacted at the local level?**
- 4. Is there any devolution of decision-making within the jurisdiction, i.e. to neighborhoods or other sub-municipal entities?**
- 5. Is there a national “urban policy” in place that will influence local decisions?**

### **Conduct a resource analysis**

Much of what is feasible through an UEDS depends on the resources available to the local municipality. In the process of mapping out local parameters, the local municipality should make clear what is liquid and available in the local coffers for the proposed economic development projects and what value is latent in relatively fixed assets and natural resources. Specifically, the following types of resources should be valued:

- **Own-source revenues:** these are funds that come from locally controlled and originated revenue streams. Examples include local property taxes, sales taxes, and user fees for services or utilities. In valuing these resources, consideration should be given to the ease with which they can be altered (both administratively and politically); for example, does the locality have to go to a higher level of government for approval in changing local tax rates? If so, this will complicate the process to increase this revenues source.
- **Intergovernmental grants:** these are funds that come from higher levels of government. Often these funds are earmarked for particular programs or services and can have other “strings” attached. The availability of these monies is dependent on national budgetary conditions, and therefore to properly assess the availability of intergovernmental funds the municipality should obtain national budget information. If possible, the municipality should secure fund commitments from higher levels of government before the UEDS planning process ensues (this is useful for financial planning, but may also play into larger visions/goals should the national government condition funds on specific policy priorities).

- Private donations/grants: these consist of donor funds from private and non-profit organizations. While some organizations will support wholesale economic development strategies, many are industry- or area-specific (i.e. focusing on sustainability efforts or housing). It is likely difficult to repurpose funds that have already been allocated for a certain project to instead support the future economic development strategy (or parts of it), and so the key is to match funds to projects in the planning stage. These private funds can be useful to fill in the gaps where publicly sourced revenues fall short.
- Selling or leasing land/space: as part of the resource analysis, the municipality should survey all of the city-owned vacant land and buildings (both vacant and occupied). This includes identifying the properties that would be candidates for disposition and then assessing their value on the market. There is value in city-owned property in that it can be sold on the market for a lump sum or leased to a tenant for a continuous stream of income. In addition to generating revenue, the city can condition purchase or lease on specific uses or outputs that are in line with the UEDS. This is also usually a locally-controlled mechanisms for revenue generation, which increases the expediency and flexibility with which it can be applied.
- Selling or leasing rights (air rights, water rights, development rights, advertising rights): municipalities also possess resources in the rights they can bestow (the nature and local control of these rights will vary across jurisdictions and national contexts). For example, existing zoning may prohibit building beyond a certain height or may restrict building all together for certain uses (i.e. residential in a commercial zone). By essentially negotiating the right to build outside of these parameters, the city can either collect fees or payments for earmarked services or projects, or it can mandate that the developer meet certain requirements (such as providing affordable housing or retail space). Another example, in the case of advertising rights, is when the city can rent space for private companies to market their products or services (many municipalities do this to fund transportation services). While similar to the strategy of leveraging city-owned land or property, assets like air rights or development rights are often harder to value, since they are not frequently (if at all) transacted on the market. For this reason, valuing these assets will require more sophisticated analyses, and it might be worthwhile to contract out an expert analyst or consultant. Like the property example provided above, this approach also tends to be a locally-controlled revenue generation scheme.
- Producing and selling energy (solar, wind, water): the extent to which the municipality can rely on natural resources, such as solar or wind, will depend entirely on its geographical position. There are also substantial fixed costs (i.e. up-front investments) required to leverage this kind of local asset; however if the municipality is in the position to gather, process and distribute naturally sourced energy, it can use the revenue stream to fund projects in their UEDS. Often these kinds of investments require subsidies of the kind described above, but it can be a revenue source in the long-run, as well as increase efficiencies (and lower the costs) of energy consumption. The promise of the cost-benefit ratio will also depend on the size of the municipality—economies of scale are more likely reached at higher consumption densities.

Ultimately, this resource analysis will inform the budget for the UEDS. It is very important to set a budget at the start of the planning process as to ensure that projects do not extend beyond the means of the local fisc. **This is important for managing the feasibility of the UEDS and for instilling confidence in its potential for success.** This is not an easy feat, since an UEDS can contain projects that span several years, and hence, implicate budgets across multiple fiscal cycles. The financing parameters and details will vary tremendously across jurisdictions, and so no attempt at pinpointing a budget is made here. However, here are suggested questions to inform the resource analysis and fiscal planning process:

### Exhibit 2-3

#### Suggested questions to frame resource analysis:

1. Will special project funds be put aside for some of the proposed efforts, i.e. from the central administration's coffers?
2. Will individual agencies/governmental offices be required to set aside funds for the proposed projects?
3. If additional funds are needed, how will this revenue be raised? Locally through taxes or user fees? Through intergovernmental grants/assistance? Through private donations?
4. Will the process of raising revenue require approvals or other administrative steps that could delay the overall plan?
5. Are there local assets that can be sold or leveraged to finance proposed projects?

Once there is a clear understanding of the institutional landscape, authority structure and resource portfolio, the analysis to determine the programmatic content of the UEDS can begin. The next sections offer guidance on framing the policy substance of the UEDS.

### CONDUCT AN ANALYSIS OF: "WHERE ARE WE NOW?"

This part of the UEDS is perhaps the most critical. **It sets the stage for the overall strategy and serves as a point of reference for post-intervention analysis and evaluation.** For some municipalities, this baseline analysis will require considerable data collection; however, moving forward with planning the UEDS is virtually useless without proper information on historical trends and the status quo for the locality and region. **The idea behind this baseline analysis is to provide an economic and demographic picture of the jurisdiction. More precisely, it uses local information and data to identify the municipality's assets and deficits.**

The challenge lies in summarizing a phenomenon that is incredibly dynamic and nuanced. While this analysis will need to be conducted at one point (or one short period) in time, it must capture the dynamic nature of local market conditions. It must also situate the locality within the larger region (and nation, if relevant) in order to depict *relative* capacities and deficits. This presents challenges in terms of data collection, which needs to be detailed and longitudinal, and in terms of analysis, which requires quantitative facility and multi-sector knowledge.<sup>1</sup>

### Compiling metrics

Again, while each municipality will have unique circumstances and concerns, below is a catalog of relatively standard and useful metrics to include in the baseline analysis. Collecting and analyzing data is a work-intensive process, and so ample resources should be allocated for this part of the planning stage. If the in-house capacity is not sufficient for a thorough metric analysis (various approaches are discussed below), then it is highly recommended that the municipality contract with experts who can carry out this part of the process effectively and within the budget constraints. For all of the suggested metrics, it is essential to compile information on trends over time. Again, it is unlikely that every metric can be obtained for the same point in time, and they are meant to illustrate very non-static conditions. In addition, all of the following information on local conditions should also be supplemented by an analysis of global and national economic, political and institutional factors. While the local may operate autonomously in many ways, it exists within the context of very powerful macro-conditions that can reinforce or de-legitimize local initiatives:

- Geographic characteristics: Most of these factors will remain constant over time, but they provide an important physical context. It is useful to not only describe the “what” or “where” of these local resources, but their value as well (ultimately, such inherent characteristics can be valuable assets for a jurisdiction). Notable shifts in the local geography will likely be most relevant to climate change.
  - Land area
  - Proximity to water, high altitudes (any other topographies)
  - Seasonal climate
  - Natural resources
- Physical infrastructure (in particular, relative to the demand): A municipality’s infrastructure can be a great asset, but also a drain on fiscal resources and service delivery. It also has implications for planning sustainable growth. Any intervention in the area of infrastructure will likely require large capital investment and long-term planning; therefore this part of the

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<sup>1</sup> This document does not attempt to provide detail on how to collect data or conduct robust economic analyses. This is done effectively in “Understanding Your Local Economy: A Resource Guide for Cities,” published by The Cities Alliance (2007). And any comprehensive data collection method, i.e. via surveys, or statistical analysis, should involve hiring experts in those fields (if the municipality does not already have this capacity in-house). In particular, the Cities Alliance guide offers insight on how to collect data on the informal sector, which typically involves survey instruments, either at one point in time or as a panel over several years. The guide also provides a comprehensive list of data to collect and resources needed to do it.

assessment is fundamental. Specific metrics cover capacity, cost, and condition in the following areas.

- Transportation
  - Water and sewer
  - Communications
  - Energy distribution
  - Built environment: schools, housing stock, parks, hospitals
- Residential population: While a basic notion, capturing the flows of people into, out of and around the municipality is critical for informing a plan for sustainability and growth. In addition, behaviors can vary by the segment of the population (and each municipality is comprised of different population groups). Much of the assumptions moving forward will likely rely on past population trends.
    - Current, historical trends and projected trends
    - Density
    - Racial and ethnic breakdown
    - Age composition
    - Gender composition
    - Tenure
  - Labor force (both formal and informal): While metrics on the residential population describe consumption markets, labor force metrics describe local production markets.
    - Age and gender composition
    - Participation rate
    - Unemployment rate
    - Wages
    - Migrant labor force characteristics
    - Median commute time
  - Sectors of the economy: These metrics complement those on the labor force (and may even be combined), as they describe the degree of segmentation, diversity, or concentration in local economies. This entails more than just numbers of those employed or unemployed; it requires information on firm outputs.
    - Types (including informal economy)
    - Employment (absolute number and share by type)
    - Payroll (absolute number and share by type)
    - Output/Exports (by type)

- Socioeconomic: These characteristics are related to both local consumption and production markets, and can change dramatically over time. Cities are comprised of people along the entire spectrum of wealth and well-being, and this distribution should be documented. Again, understanding past trends will greatly inform plans for future development.
  - Income and wealth
  - Poverty rate
  - Public assistance (absolute amount and share)
  - Educational attainment, literacy rates
- Housing and land use: Similar to infrastructure, these features can be both an asset and a burden. These metrics should describe the physical stock and the regulatory environment in which housing is developed.
  - Informal settlements (density, as share of stock)
  - Affordability
  - Ease of development
  - Tightness of the market
  - Vacancy rates
- Fiscal position: These metrics describe the municipality's fiscal health and stock and flow of public funds.
  - Own source revenues (absolute amount and share, disaggregated by source)
  - Intergovernmental/external grants
  - Capital and direct expenditures
- Health: The intention here is to identify the acuteness and pervasiveness (both temporally and spatially) of local health hazards.
  - Incidence of malnutrition, HIV/AIDS, waterborne diseases, asthma
  - Hospitalizations
  - Mortality rates
  - Fertility rates
  - # of physicians and clinics

This is also an opportunity to catalog the large scale projects in progress, stalled, recently completed or in the pipeline in order to see where there are synergies (or redundancies) with the initiatives to be proposed in the UEDES.

## Exhibit 2-4

### **Suggestions for routinizing (and cost-minimizing) data collection:**

- 1. Start with a broad survey of existing data collection efforts (both locally and externally) as to avoid redundancies and exploit systems in place**
- 2. Use in-place community meetings or town halls to implement surveys or focus groups**
- 3. Partner with private sector or non-profit firms that often already collect data on local socioeconomic factors**
- 4. Take advantage of the Internet (for both data collection and data sharing), i.e. open source websites allow users to contribute and establish a centralized clearinghouse for data**
- 5. Allocate data collection responsibilities to local agencies and incorporate them into their regular assessments**
- 6. Invest in mapping capacities within government; these tools facilitate data organization and analysis**
- 7. Incorporate data collection processes as part of the programs proposed in the UEDS**

### **Organizing and analyzing the metrics**

The next step takes place after collecting the data, but before strategically analyzing it in order to make program recommendations. This step involves organizing the data in a way that informs broader market analyses (these procedures are described in detail below). This section suggests standard approaches to preliminary metric analysis, and is by no means a comprehensive catalog. Again, the tools employed will vary across municipalities (depending on their capacities, resources and policy goals).<sup>2</sup> The following tools are organized by analytic purpose:

#### ***Normalizing the data for comparison***

Before engaging in any metric perusal or analysis, it is critical to standardize the metrics so that they can be compared over time and across space, i.e. with other cities or regional/national economies. For example, comparing crime counts is misleading if population changes over time or space (i.e. years/places with more people will likely have more crime, since there is more

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<sup>2</sup> Information for this section is primarily derived from The Cities Alliance's comprehensive report, "Understanding Your Local Economy: A Resource Guide for Cities" (2007). More details on how to conduct particular analyses is provided in the report, along with lists of additional resources.

opportunity to commit a crime); therefore a standardized metric would be crime rate, or crime per 1,000 persons.

### ***Organizing and comparing data***

These methods are useful for comparing data over time and across space (that is, after the metrics have been normalized).

*Trends analysis:* this method includes tools like time series analysis, which tracks metrics over time, and PEST (Political, Economic, Social, and Technological) analysis, which tracks macro-trends and shocks in the broader policy and economic environment (i.e. factors largely outside the control of local governments). These approaches are useful for capturing the dynamic and embedded nature of local economies and for predicting future trends (assuming past trends are a reliable predictor of future events). They can help to identify which patterns are long-term and which patterns are more cyclical or shock-induced.

*Indices:* this method converts absolute values to an indicator that is indexed on a common value, like a common base year for measuring changes over time (therefore making it more comparable over time and across space). This approach includes tools like growth indices and composite indices, the latter of which constructs a single indicator to capture multiple aspects of a socioeconomic phenomenon (for example, a quality of life index). Usually the input variables are weighted in some way as to assign more importance to certain factors. Indexing allow the analyst to summarize data in a concise and accessible way.

*Benchmarking:* this method compares local metrics with those of another location (or larger geography) in order to better understand local competitiveness. This tool is useful for identifying areas for improvement (or local comparative advantages) and is typically performed by sector or target area. It is important for the reference geography, however, to be as economically comparable to the local jurisdiction as possible.

*GIS mapping:* this approach relies on GIS (Geographic Information System) applications to organize and map data in a spatial format. This is very useful for visualizing concentrations and distributions of local economic activity and populations. It also illustrates the spatial relationships between markets and other landmarks, like critical infrastructure.

### ***Assessing sectoral characteristics***

These methods focus more specifically on sector performance and contributions to the local (and macro) economy. These also aim to understand the composition or linkages among the various sectors.

*Sector composition:* tools in this category include sector share, value-added and economic base analyses, all of which measure the economic contributions by each sector. For example, sector share analysis identifies the city's key industries (in terms of output or employment) and value-added analysis determines the value-added to the local economy from each industry in terms of

outputs/employment and overall productivity (this gets at which industry is the most important to the local economy). Economic base analysis looks at sector-based contributions and differentiates those that contribute locally versus export externally.

*Sector performance*: the most prominent tool for this type of assessment is shift share analysis, which measures sector performance in the local economy relative to a reference economy (like the region or nation). In this approach sector analysis is situated within the broader industrial composition as a point of comparison (for example, if a city is located in a region where manufacturing is declining, it would be inaccurate to expect manufacturing growth locally).

*Sectoral specialization/concentration*: two primary tools are used to measure specialization and concentration among industries: the location quotient and the Herfindahl-Hirschman index. The former calculates the relative size of a sector and compares it to the equivalent rate in another reference economy. The latter index measures to what extent the local economy is dominated by a few firms/sectors.

*Sectoral linkages*: tools in this category recognize that sectors do not function in isolation and that firms and industries interact in their production activities. Two prominent examples of linkage analysis tools are input-output analysis and cluster mapping/analysis. The former attempts to measure “multipliers” and how spending in one sector affects outcomes in other parts of the local economy. The inputs and outputs for each sector are disaggregated, and mapped onto proximate sectors. The latter identifies clusters of industries or firms as a means of exploring production linkages and sectoral concentration (this is often used in tandem with GIS tools).

### ***Assessing fixed and mobile factors***

These methods identify the locality’s fixed endowments, more mobile assets, like human capital, and the institutions undergirding local governance and policymaking.

*Mapping*: this approach comprehensively identifies local assets (both tangible and intangible) and institutions. Flow charts and other visuals are employed to examine the linkages among various stakeholders and their connections to local endowments (and where there are gaps in the network).

*Skills audit*: this tool is primarily used to assess the skills (or human capital) in the local economy and then map them against local needs. This is a useful mechanism for linking current local capacity to the skills needed to achieve the vision or goals laid out in the UEDS.

### ***Conducting strategic analysis***

There are a number of approaches to analyzing the above-referenced metrics and identifying the local assets and challenges to be addressed in the UEDS. This section discusses the four most

popular analytical tools, including their technical framework, their advantages and drawbacks.<sup>3</sup> Before outlining the particulars of each approach, it is important to highlight that any strategic analysis aims to synthesize the data in a way that identifies local assets and opportunities, all examined within the context of local constraints.

### *Identifying local assets and opportunities for growth*

Every city possesses some inherent or manufactured assets that it can exploit in its UEDS. The true challenge of an UEDS is pinpointing these local assets and then mapping them onto future opportunities. The introduction of this report alluded to a number of valuable assets belonging solely to urban areas. These include dense spaces and heterogeneous populations, both of which contribute to intense knowledge and labor spillovers. The concentration and energy of transactions in urban economies can translate into substantial returns from marginal investments (if they are done in a strategic and thoughtful way). However, even more critical than these generic assets are the idiosyncratic ones that each city possesses. These may be motivated by geographic location, sectoral composition or ethnic diversity—the precise nature of the local “comparative advantage” will begin to emerge through the metric analysis described above and will crystallize in the strategic analysis detailed below. It is especially important to consider local assets in relative terms; that is, to determine the characteristics that position the jurisdiction at an advantage/disadvantage relative to other (competing) jurisdictions. It is not useful to make the latter comparisons to jurisdictions that are dissimilar (i.e. of dramatically different size or institutional autonomy), because these are not likely to be competing for jobs, capital, or migrants. This relative positioning is particularly important for envisioning opportunities (and from there, designing specific policies to capitalize on those opportunities). Some opportunities will be grand and riskier to achieve; others will be the product of “low hanging fruit”, or achievable through marginal, readily available resources. An effective UEDS will typically encompass both kinds of strategies, and often more of the latter.

### *Identifying local constraints to growth*

While cities possess many assets, they also operate within the context of constraints. Rodrik talks about “binding constraints to growth” (2010) and promotes identifying the most restrictive ones to address first. While these are the very barriers that can make economic development challenging (and sometimes unattainable), Rodrik asserts that they can be reformed with “locally suited remedies” (pg. 7). Constraints can be both immutable, like proximity to the water or uneven topography, and adjustable, like budget parameters or land use regulations. Clearly, the immutable ones cannot be changed; but they can be adapted or factored into a strategic analysis of opportunities. The more flexible constraints are subject to change, but often not without trade-offs; if one constraint is relaxed, then other benefits or assets could be compromised. For example, land use regulation and zoning are often presented as a constraint (or cost) to development. These ordinances often prohibit certain types of development and direct particular

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<sup>3</sup> Information for this section is primarily derived from The Cities Alliance’s comprehensive report, “Understanding Your Local Economy: A Resource Guide for Cities” (2007). A supplemental list of additional, less common analytical frameworks is also available in this report.

development to specific locations. While relaxing these constraints would reduce barriers to development, the side effects could be detrimental. Historically, zoning was formalized to separate noxious uses (like smoke from manufacturing sites) and to minimize negative spatial, economic and social spillovers (often exacerbated in dense settings like cities). Therefore, zoning regulations are constraints in place to (ideally) minimize the negative effects of other factors and their removal (or remediation) could present critical trade-offs. As in the case of assets and opportunities, local constraints (and the severity of each one) will be idiosyncratic to the municipality (and regional or national conditions). That said, here is a suggested framework for organizing the various types of constraints that cities often face:

- a. Spatial: cities are often constrained by the mixed-use and dense nature of their spaces, which can present challenges in the face of growth. Spillovers are exacerbated in such close proximity and building up (instead of out) brings with it cost and aesthetic implications.
- b. Fiscal: cities are constrained by their fiscal authority and their ability to fund the services that local residents and firms demand. This means that they are disproportionately reliant on external funds (whether they come from higher levels of government or private donors), and therefore vulnerable to external forces. In addition, high concentrations of poverty in urban centers also means smaller income bases for levying taxes and generating own-source revenues.
- c. Demographic: cities are very heterogeneous, which makes it increasingly difficult to meet the service needs of every resident and firm. Without complete information about these heterogeneous service preferences, municipalities engage in expedient (and imperfect) methods of service allocation, which can result in uneven conditions across the city. In addition, city managers must engage in service provision in the context of social dynamics that arise from diverse populations co-existing in close proximity.
- d. Political: while political constraints are not unique to cities, urban politics do involve particular stakeholders. Urban growth is championed by certain groups (i.e. firms, land owners) and suspected by others (i.e. preservationists, those vulnerable to displacement), and this presents complicated politics. In addition, due to the simultaneous presence of severe poverty and affluence, the politics of redistribution can become very contentious—these two classes are often separated by jurisdictional boundaries in non-urban settings.
- e. Natural: cities can be constrained by natural threats or conditions, which are largely out of their control, but always in their consciousness. In the face of growth, cities can literally be constrained by natural boundaries (like water or mountains) that severely limit their physical capacity. In addition, cities can be located in areas at high risk for natural disasters, like earthquakes, flooding, or landslides. These threats can constrain the type and location of development, and since cities are overwhelmingly dense, any impacts disseminate quickly.

## *Strategic analytic frameworks*

Keeping the conditions for opportunities and constraints in mind, the frameworks for strategic analysis follow. It is important to note that if a municipality were to undertake any of the following analyses, it is essential that they employ expert analysts and conduct further research into the selected tool—the information provided here is intended to help the municipality decide on the best tool (and not to provide comprehensive support for conducting the analysis).

### *1. SWOT*

- a. Purpose: to identify the *strengths, weaknesses, opportunities* and *threats* for a municipality. The underlying assumption is that there are local advantages and vulnerabilities and that any UEDS should capitalize on the former and de-emphasize (or improve upon) the latter.
- b. Methodology:
  - i. Process: the municipality should hire a facilitator to lead conversations about the SWOT factors and to record and organize the findings. The information is typically collected through a series of workshops or meetings with key stakeholders (the participant list should be similar to those mentioned in the first section of this chapter).
  - ii. Content: both internal and external factors are analyzed and categorized into the four classifications—*strengths, weaknesses, opportunities* and *threats*. This analysis does not necessarily rely on precise metrics, but rather qualitative descriptions of these factors (see Figure 2-2 for an example of how to organize the information in a SWOT analysis). Quantitative data and metrics can bolster these observations (or at least test if they are accurate) in the cases where the data is available and where the municipality has the capacity to supplement the analysis in this way. SWOT analysis is dramatically enhanced when the factors are analyzed in *dynamic* and *comparative* contexts. That is, factors should be observed over time in order to illustrate meaningful change, and factors should be observed relative to regional or national (or global, if relevant) conditions. This means collecting data on regional or national trends for the relevant factors.
- c. Advantages: this is the most well-known analytical framework, requires limited quantitative input, and is relatively easy to understand and use. It is also easy to apply in the context of participatory decision-making, since it is intuitive for a variety of stakeholders and requires relatively little technical/quantitative expertise (i.e. participants can weigh in on the components of the SWOT analysis).
- d. Drawbacks: the participatory nature of SWOT analysis can mean a longer timeline for carrying it out. While the framework helps to allocate factors into the four classifications, it offers no guidance on how to reconcile the various strengths,

weaknesses, opportunities and threats into single policies. Finally, while the simplicity of the framework makes it accessible, it can lead to over-simplified analyses that miss important nuances (this, however, is avoidable if proper consideration and analysis is given to each identified factor).

**Figure 2-2: SWOT Analysis Framework**

INTERNAL	<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>• Location near key ports</li> <li>• Major universities and research centres</li> <li>• High quality of life</li> <li>• Highly educated population</li> <li>• Substantial foreign investment</li> </ul>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>• Lack of strong base of business service firms</li> <li>• Declining manufacturing base</li> <li>• High cost of property</li> </ul>
	<p><b>EXTERNAL</b></p>	<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>• Investments in new technology incubators</li> <li>• Taking advantage of global outsourcing trends</li> <li>• Establishment of free trade zone</li> </ul>

Source: The Cities Alliance (2007)

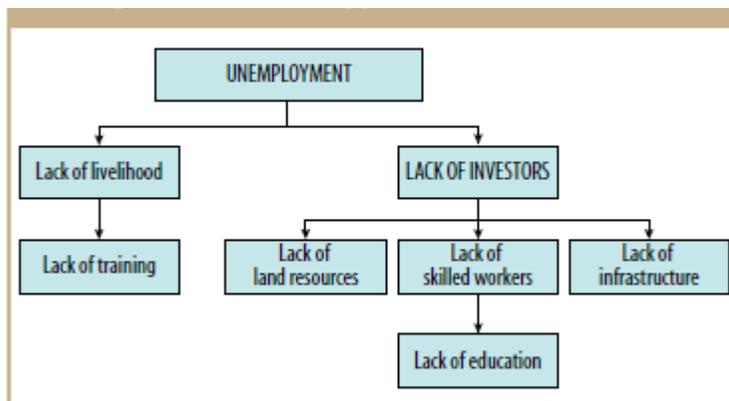
## 2. *Problem Analysis*

- a. Purpose: this analytical approach identifies the main issues facing the local economy, makes interconnections among them and with external conditions, and prioritizes them against one another. The goal is to identify the root of the core problems and address those (instead of a longer list of interrelated issues).
- b. Methodology:
  - i. Process: problems are identified through collaborative workshops or sessions that elicit ideas from stakeholders, which are led by a skilled facilitator. The output is typically a problem tree or some other visual to interconnect the identified issues (see Figure 2-3 for a sample problem tree).
  - ii. Content: problem is broadly defined in this framework, and can equally refer to weaknesses or strengths. This is primarily a qualitative analysis of core issues that need to be addressed by the locality. The steps in the analysis typically proceed in the following way: (i) identify a long list of problems, (ii) identify one or more core problems that are the root of the others, (iii) determine which problems are causes and which are outcomes, and (iv) arrange the issues in a hierarchy of causes and outcomes. The analysis is often strengthened by testing the “findings” against

quantitative data and by combining this approach with another analytical method (like SWOT analysis).

- c. Advantages: this approach does not require any sophisticated quantitative analysis, and exploits the knowledge of local stakeholders. It stresses the importance of linking related issues and isolating the root causes, which can help to direct resources more efficiently.
- d. Drawbacks: like the participatory nature of SWOT analysis, the process can take time. Participants also often find it difficult to disentangle the root and symptomatic issues, especially without an effective facilitator. The success of this approach is also highly contingent on competent and knowledgeable participants.

**Figure 2-3: Sample Problem Tree**



Source: The Cities Alliance (2007)

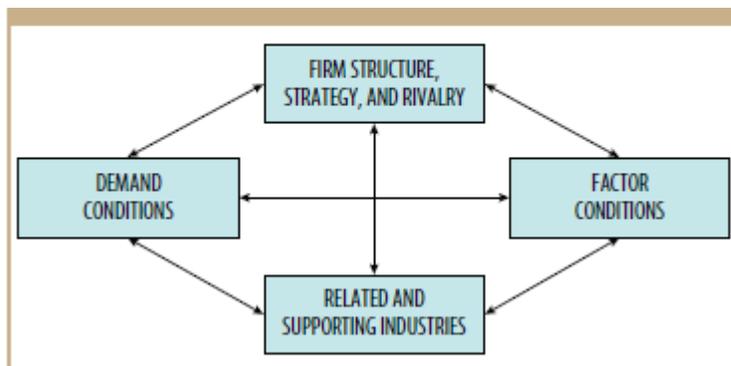
### 3. *Competitive advantage analysis*

- a. Purpose: to understand the municipality's competitive edge and assess how the local economy and business environment are performing relative to competing economies/cities.
- b. Methodology:
  - i. Process: the first step in this approach is to collect quantitative and qualitative data on internal and external conditions (especially other, competitive cities). Data collection often relies on stakeholder workshops, in which input is guided by factor maps, like the one displayed in Figure 2-4.
  - ii. Content: the most employed type of competitive advantage analysis is the “diamond framework of national competitiveness” by Michael Porter (1990). This approach isolates and examines four factors that explain the competitiveness of a city and that can be influenced by government interventions: (i) factor conditions (the availability

of inputs, such as skilled labor, infrastructure and capital), (ii) demand conditions (the level and sophistication of local demand for goods and services), (iii) business/sector structure, strategy and rivalry (the degree of competition among firms), and (iv) related and supporting industries (the presence of linkages between core and supporting economic activities).

- c. Advantages: this approach does not require complex data or econometric methods, and it is generally easily understood by various audiences. In addition, the thinking behind this approach is often more in line with private sector decision-making and is perceived to be more rigorous than the very popular SWOT analysis.
- d. Drawbacks: while quantitative data is not obligatory, this kind of analysis is best achieved with ample data on employment, firms, financial infrastructure (for the target municipality and competing ones)—this kind of data collection could be prohibitive for certain municipalities. In order to fully exploit this approach, the analyst needs to understand competitiveness theory and be able to convey its tenets to those participating in the analysis.

**Figure 2-4: Porter’s Diamond Framework for Competitive Advantage**



Source: The Cities Alliance (2007)

#### 4. *Scenario planning*

- a. Purpose: this approach is forward-looking and aims to anticipate future changes to the local economy and to strategize alternatives for addressing these changes in the context of uncertain future environments. Future trends are a function of current and historical trends and the analysis intends to explain how these trends interact. It does not aim to predict a single definitive outlook.
- b. Methodology:
  - i. Process: this approach is most successful under a team of creative and technically-competent analysts and stakeholders who together construct the scenarios and discuss

their implications. They are responsible for leading the analysis and directing the collection of quantitative and qualitative data.

- ii. **Content:** Typically the team constructs at least two or three competing scenarios through one or more of the following frameworks: (i) qualitative scenario planning (macroeconomic forces are identified and then scenarios are analyzed within the context of how these external forces impact the local economy), (ii) quantitative scenario planning (economic forecasting tools are used to identify how different macroeconomic scenarios might shape the structure and performance of the local economy), and (iii) futures (future scenarios are first defined and then the strategic path is determined to reach these future goals). The scenario analyses can vary in terms of sophistication, ranging from informal “what if” scenarios to complex simulation exercises.
- c. **Advantages:** the sophistication and detail of the analysis can vary depending on the capacity of the local jurisdiction and the scale of the UEDS. The approach supports “story-telling” and can be easily conveyed to different audiences.
- d. **Drawbacks:** since the unit of analysis is essentially the “scenario” it restricts the amount of variation and detail in the overall assessment, i.e. if there are changes or factors that differ from those presented in the canned scenario, they are not captured in this type of analysis. Again, this approach might be best applied as a supplement to a more factor-based approach like SWOT or competitive advantage analyses.

## Exhibit 2-5

### **Neighborhood Diagnostics: Drill-down analyses**

***What is it?*** An UEDS is a citywide strategy, but, as this report highlights, there is great diversity within the municipal boundary. For many cities, they are at the lower end of their growth trajectory and require comprehensive citywide plans—these cities need to make major reforms and improvements to the way their local markets and institutions operate. For cities that have progressed in their economic development (perhaps they have designed and implemented a comprehensive UEDS in the past), they may want to consider another level of intricacy in their economic development analysis and strategy: neighborhood diagnostics. This approach works off of the assumption that cities are made up of different neighborhoods, or micro-markets, that possess unique assets, needs and constraints. Some neighborhoods have ample housing supply, but have little in the way of private services (like grocery stores or pharmacies); some neighborhoods might have good access to public transportation, but little access to open space. And for some services, it might matter less to have them in the immediate neighborhood, such as clothing and household goods stores. This approach exploits this variation to find the most appropriate development strategy for each particular neighborhood.

***How to do it?*** The analytical approach begins by determining the sufficient (or ideal) package of goods and services that any neighborhood should possess. The next step is, through the metric and strategic analyses described above, to assess each neighborhood against the “wish list” package of goods and services. The final step is to incorporate into the UEDS a neighborhood-based strategy that isolates particular neighborhoods for investment and service provision (based on what is missing from or inadequate in their local package of goods and services).

***What resources are needed?*** The data and resources required to conduct this kind of analysis are considerable. It requires collecting detailed, micro information on both formal and informal markets, and for a number of different neighborhoods. There are two options for making this approach more manageable: (i) pursue this strategy in a select group of neighborhoods and/or (ii) pursue this strategy in the context of select target areas (see descriptions in the following section). Local neighborhood organizations can be valuable sources of information and can reduce the data collection burden for the local government.

## CONDUCT AN ANALYSIS OF: “WHERE WOULD WE LIKE TO BE?”

Working off of the findings in the baseline analysis, this second analysis contemplates and predicts socioeconomic conditions for the municipality sometime in the future, and formulates programs or policies to achieve (or mediate) them. The first step in conducting this analysis is to determine the timeframe: is this a five-year or a twenty-year projection? Or, perhaps, both? **The timeframe is fundamental, because it will dictate the magnitude and pace of any projected change. It is strongly recommended that the UEDS set up short-, medium- and long-term milestones.** It is useful to keep in mind that not all initiatives need be long-term and large-scale; even immediate, marginal investments can induce meaningful growth. The second step is to identify the current assets/deficits that need immediate versus long-term attention. These are fully presented in the baseline analysis, but this part of the UEDS may focus only on the most pressing or those with the most potential (the focus may also be determined by the idiosyncratic preferences of the heads of government and industry). *Are these assets/deficits that can be enhanced/remediated at relatively low cost and high returns? Are there initiatives that are relatively less costly to move forward? Are there initiatives that can capitalize on the progress of other (national, regional, local) projects already in motion?* The final step is to establish goals as they pertain to the defined deficits and assets; these goals should match up with the set timeline(s).

### Exhibit 2-6

#### Suggested steps for framing an UEDS:

1. Set the broad (and intermediate, if relevant) timeframe
2. Prioritize assets and deficits
3. Identify goals for capitalizing on assets and/or addressing deficits
4. Identify target areas for achieving above goals
5. Detail programs/projects within each target area

### Target areas

Under each goal there are target areas that identify in more detail the types of investments. While not exhaustive, this sub-section presents suggested target areas. Depending on the particular circumstances and goals of a jurisdiction, all or some of these may apply to its UEDS. Regardless of the municipality, however, it is important to consider a *portfolio* of projects in order to generate a multi-sector, comprehensive approach.

In general, the UEDS is a plan to improve local economic markets (both formal and informal; consumption and production), the service delivery regime and the built environment. **It is useful to consider initiatives in terms of whether they target, places, people or systems.** This framing exploits the unique and inherent characteristics of cities, and highlights the mechanisms

that will guide the ultimate policy design. Cities are characterized by heterogeneous and condensed spatial regimes, intra- and inter-municipal mobility, and complex networks (both virtual and tangible). These different underlying characteristics imply particular policy solutions, and therefore it is informative to organize the policy areas along these lines.

For example, in the field of economic development, there has been a longstanding debate between place-based business-environment investment and people-based workforce development. The former links incentives or investment to prescribed (and fixed) communities or neighborhoods, while the latter links them to individual (and mobile) laborers. The two approaches exploit two different sources of opportunity. Place-based approaches subsidize capital acquisition and development, and they expect allocative and economic productivity through localized agglomeration benefits. People-based approaches subsidize labor and consumers, and therefore invest in the mobile inputs towards economic productivity (under the intuition that fixed investments might cause more distortion than benefit). Likewise, the two approaches present very different side effects and challenges. The place-based strategy can induce negative spatial spillovers, such as displacing crime, poverty and other destitute behavior outside of the program's zone. It can also create unequal areas of opportunity (and capital) across the municipality. In the people-based approach, the municipality can expend resources on human capital that can be transported out of the local economy (should the individuals leave) or can become obsolete as technologies and sectors change. While this place-based/people-based dichotomy has infiltrated the economic development literature for decades, this report includes the systems-based approach to recognize those aspects of urban markets and governance that transcend the permanence of place and the transiency of people. Urban systems are linked to particular locational profiles, but they are also dynamic and boundary-crossing (for example, food systems). Needless to say, these dimensions are crucial to keep in mind when formulating policy approaches.

The people, place and systems framework undergirds the suggestions below, but, in general, it is also effective to organize the target areas by program outcomes, targeted sector, or core problem. Regardless of the framing, the content should ideally cover some, if not all, of the following topics:<sup>4</sup>

***Invest in places:*** these initiatives rely on the assumption that economic and social activities are linked to particular locations and spaces within the municipality. These strategies exploit the permanence of place.

- ***Modernize local infrastructure:*** Infrastructure refers to the fundamental facilities or structures that enable the provision of services. For example, the municipality can focus efforts on upgrading within-jurisdiction transportation systems and roads, energy distribution systems, schools and other public buildings in order to meet growing demand. Investments in this area can mean more cost efficient service provision, increased productivity and consumption among

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<sup>4</sup> The list of topics presented here lays out a number of prominent issues and concerns, but by no means covers every particular challenge or strategy that each municipality faces or pursues. The exposition serves as a starting point for thinking about the content of a local UEDS; in reality the content will depend on city-specific research.

firms and residents, job creation, and an improved quality of life (which could mean enhanced competitiveness with nearby or similar jurisdictions). Specifically, improved transportation networks can make commuting to/from work faster (theoretically leaving more time for productivity on the job) and it can help to minimize any spatial mismatch between home-work locations (therefore broadening the pool of the local labor force). The state of the local infrastructure could therefore also influence a firm's decision to locate in the city (or re-locate outside of the city). Investing in school infrastructure is not solely about addressing space demands for the growing number of school-aged students, but it is also about designing and upgrading space so that it can encourage better educational outcomes. And building these facilities creates construction-related jobs in the short-run and potentially more permanent, service-provision jobs in the long run. In addition, these efforts also constitute long-term asset-creation for the municipality. As a place-based strategy, and if the investments are sound, the added value remains a fixture in the municipality in perpetuity. Infrastructure investments are typically perceived to be large-scale, long-term capital projects, but experience demonstrates that marginal improvements or modest investments can transform local infrastructure in meaningful ways. The scale of the projects can vary, ranging from creating footpaths to interconnect various neighborhoods to extending facilities to stimulate private production of housing (both were proposed as part of an urban development plan for Masaka Municipality).

- *Upgrade housing stock and informal settlements:* safe and clean housing is not only a basic human right, but it is the foundation for a sturdy economy and citizenry. Housing stock constitutes a substantial portion of reproducible wealth (between 20 and 50 percent for developing countries, according to the World Bank<sup>5</sup>), and therefore the policy implications are consequential. The problems related to housing do not only pertain to supply—even in cases where there is enough housing stock to meet the demand, prices can make it inaccessible to many households and quality can make it unsafe. The quality and affordability of housing can have critical implications for the health and stability of its residents, both of which influence local fiscal burdens and economic productivity. While new construction is one approach to address housing shortages, it can be a very costly endeavor, both in the construction and the subsidization of prices/rents so that low-income households can afford the new product. Other approaches make improvements on (or “preserve”) existing housing stock to make it more habitable and sustainable. Improvements in the informal housing stock, in particular, can mean higher property values and increased tax revenues for the municipality. And these improvements need not only be to the individual homes; cities can invest in community resources, such as social welfare facilities or communal bathing facilities.

The challenge in this area is managing the tension between existing settlements and the upward pull of central city land values. That is, as central cities upgrade, the redevelopment value of that land increases and those informal housing communities can become ever more vulnerable to dislocation. In designing housing investments, it is important to keep in mind outcomes that reconcile the interests of in-place residents with those of urban growth proponents/developers.

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<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/LACEXT/EXTLACREGTOPURBDEV/0,,contentMDK:20827797~pagePK:34004173~piPK:34003707~theSitePK:841043,00.html>

And government-led initiatives in housing need not be production-based only (such as San Fernando's development of public housing for civil servants). Governments can, and should, increasingly be involved in incentive- and finance-based policies, such as offering housing loans (Masaka Municipality). This is consistent with an "enabling strategy," which envisions government not as direct provider of housing, but as the coordinator of an environment that encourages private development of housing for low- (or moderate-) income households (Brennan 1993, UN Habitat 2009). As outlined in UN Habitat's "Guide to Preparing a Housing Finance Strategy," these financial policies can move beyond direct loans and take the form of interest rate subsidies, mandates in underwriting standards, down payment subsidies and tax advantages. According to their analysis, the approach that fares the best against a series of process- and outcomes-based criteria, is the down payment subsidy program (but it still struggles with helping the very poor).<sup>6</sup>

- *Upgrade water distribution and waste disposal infrastructure*: investments in these areas can mean cost savings for the municipality in the long run, both related to the service provision itself and to the health outcomes associated with poor sanitation and clean water access. In developing urban areas, waterborne diseases are one of the major causes of child mortality.<sup>7</sup> Upgrades in these systems are a preventative measure that can reduce the risk of flooding (which can subsequently compromise the underlying infrastructure, like roads) and reduce the likelihood of water contamination. In the case of water production, quality is only one issue. Inadequate supply, both in terms of quantity and reliability, is another common deficiency and upgrades to the piping and pumping machinery can make water more accessible (even if it is not being routed directly to individual homes).

However, dealing with the supply of water alone can lead to unintended problems: the system in place must be able to handle an increase in water flow and pressure. Therefore, the (projected) demand for water should be assessed within the context of the existing infrastructure's capacity. In addition, any intervention in this area is complicated by the fact that water provision is likely divided among private and public water sources (i.e. personal wells versus municipal reservoirs). This can be a source of opportunity, in terms of exploiting in-place infrastructure to maximize clean water access, but it can also obscure potential congestion in the citywide system. Again the scale of these interventions can vary: it can involve drafting a more comprehensive master sewage plan or ensuring access to new and upgraded public toilets in heavily trafficked areas, like markets and bus stops. Even the simple maintenance of repairing leaks can make significant changes to the efficiency and effectiveness of distribution. While more costly, planning thorough repairs and/or upgrades can help the municipality avoid frequent "touch-ups" or failures in the infrastructure down the line.

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<sup>6</sup> The UN Habitat report, "Guide to Preparing a Housing Finance Strategy" (2009) provides an in-depth analysis of housing finance and provides actionable recommendations for municipalities pursuing a comprehensive reform plan.

<sup>7</sup> <http://www.unicef.org.uk/UNICEFs-Work/What-we-do/Issues-we-work-on/Water-and-sanitation/Waterborne-diseases/>

- *Diversify/stabilize the economic base:* as with any risk-averse approach, diversification can ameliorate volatility due to exogenous economic shocks that can influence local consumption and production patterns. Efforts to diversify the local sector composition (in terms of industry and scale of enterprise) can protect the viability of the local and regional economies; efforts to stabilize and strengthen existing sector strongholds can exploit an existing comparative advantage, enhance production complementarities, and save on start-up costs (as would be the case with building up a new or young industry). For example, Hubli-Dharwad’s city development strategy proposes “cluster-based activities,” in which the city encourages agglomeration economies by co-locating firms that complement one another and building the infrastructure to support their production-based interactions. These policies will fundamentally depend on the size of the locality, since larger cities are more conducive to benefiting from agglomeration spillovers from multiple industries co-locating (also known as urbanization economies). In these cases, diversification can not only broaden the economic base for the city, but it can generate larger (hopefully easily transferrable) labor pools, more profound knowledge spillovers, and lower costs related to the transport of intermediate goods. In cities that cannot capitalize on urbanization economies, reinforcing concentrated industry footholds may be an appropriate approach. In this scenario, the locality can still benefit from positive spillovers associated with localization economies (including knowledge, labor and consumption).
- *Reform zoning regulation (to encourage certain types of development; to manage growth):* typically, land use regulation is a powerful (and autonomous) tool of the local government. Zoning affects the availability and use of public space, the location and extent of local amenities and the nature and degree of density. Zoning reforms can be a targeted way to direct local development, harness spatial flows of economic activity, and encourage sustainable growth (and without much financial outlay). A report by the World Bank asserts, “[t]here is almost no asset in the local economy as long lived as the urban form—with an asset life of more than 100 years” (Baeumlet et. al. 2012). Without effective regulation in place, private development of land can progress in haphazard ways, resulting in sprawl and underused space. Poorly planned (or managed) development can create cities with fringe developments that exploit cheaper land, but raise the cost of service provision due to one-off infrastructure connections (rather than contiguous, marginal extensions off of the central grid). In addition, without regulated or incentivized maintenance/development, vacant and infill lots can depress overall neighborhood improvements and epitomize the inefficiencies of land underutilization.

Conscientious zoning reform can not only coordinate the use of space, but it can direct resources towards households underserved by the private market. For example, by allowing for multi-family development, housing becomes more accessible to low-income households; this is in contrast to requiring large minimum lot sizes (and therefore larger, more expensive housing units), which can *de facto* discriminate against those with fewer means. Finally, any adjustment (or wholesale reform) to the local zoning regime should incorporate flexibility in its application (since economic circumstances change over time and development practices need to be modified accordingly) and it should be based off of *reasonable* growth projections. For example, underestimating population growth can severely undermine the viability of a master zoning plan and leave the municipality physically and financially vulnerable.

***Invest in people:*** these initiatives recognize that economic and social activities are mobile and that any intervention should be linked to people and firms. These strategies exploit the mobility of people and firms.

- ***Invest in human capital:*** dedicating resources towards enhancing educational and skills-based training can have tremendous outcomes for growing productivity and reducing poverty. This focus on labor-intensive industries can use resources more efficiently in smaller, less capitalized cities. In addition, doing so for sectors in which the locality has an existing or potential comparative advantage can increase the competitiveness of the local jurisdiction and generate a more substantial return on investment. In general, these strategies involve enhancing or establishing job training, vocational education or special education programs. Cities have invested in the construction of polytechnic colleges, vocational high schools and industrial training centers to grow an educated and skilled labor force. These programs can target youth, working-age individuals or even mature workers whose skill set has become obsolete or whose employment preferences have changed. In addition, these investments can target many levels of skills development: in Masaka Municipality they proposed opening up technical institutions for training youth and in Copenhagen they simply provided local schools with more computers. The challenge with this approach is making sure that the job opportunities evolve to match the training and skills of the labor force; otherwise, investment in human capital development can result in a well-educated, but unemployed population.
- ***Increase the number of (quality) jobs:*** job creation can be a focus in and of itself or a powerful byproduct of other development-oriented initiatives. As cities face unprecedented growth, one of the biggest challenges is supplying jobs at a comparable rate. An additional consideration is that by addressing not just the number of jobs, but the quality of those jobs, the productivity potential is enhanced. Job creation plays an important role in the health of markets, in terms of firm productivity and consumer engagement. It is also integral to poverty alleviation. Many municipalities address this by attracting firms in the IT sector or preparing their labor force for modern sector work. However, it is interesting to think about this strategy in a more basic way, as one that legitimizes jobs that are already integrated with the current labor market. For example, in Hubli-Dharwad they enhance value in transit-related jobs by providing operators with personalized badges (i.e. enhancing their status). For smaller cities, it can be enterprising to coordinate with larger cities that already house technology clusters or industrial hubs. While smaller municipalities may not be able to replicate such productive industry-specific economies, they can provide subcontractors through small-scale and informal sector businesses and wage laborers (Roberts 1989).
- ***Support (small) business development:*** by investing in small-scale (and locally-run) businesses (or by broadly incentivizing the regulatory environment), the municipality may be able to protect against exogenous economic shocks and better sustain a vital local economy. These kinds of initiatives can take the form of financing (subsidizing) the start-up or operational costs, providing physical or regulatory infrastructure that encourages business development or offering training or technical support. Municipalities can work to remove barriers to entry, such as simplifying complex bureaucratic procedures or imposing constraints on competing larger firms, in order to birth new businesses and facilitate the transition from informality to

formal incorporation. The local governments can offer preferential rates for utilities, tariffs or credit, and some can even directly purchase goods to reduce the risk of small-business development. Indeed, sometimes the viability of small-scale businesses depends on simply educating the general public about the merits of and services provided by these lesser-known enterprises.

Small businesses are particularly flexible and resilient due to their small size (and low overhead costs), and this can provide a degree of local market stability. These efforts can also boost local comparative advantages that in turn attract more productive firms and individuals (and more tax revenues) in the future. Small business investment can also grow creativity and informal human capital development, such as through apprenticeships. At the same time, small-scale businesses (as compared to larger enterprises) do not attract migrants to the extent that they dramatically burden the local infrastructure. Small-scale businesses are also less threatening to the viability of existing, larger firms (and they can even augment their productivity through sub-contracting). This is also a mechanism to tap into the capacities of the informal sector and support the efforts of under-capitalized entrepreneurs. Note that this is not in lieu of capitalizing on economies of scale gained from larger, more concentrated firms; it is unrealistic to grow a robust economy solely on small-scale business. Smaller businesses also have relatively higher death rates (as well as higher birth rates), and so their longevity is actually a bit less stable (although this does speak to their nimbleness in changing markets). However, large-scale, formal sector industries (like manufacturing) can only absorb so many jobs; smaller enterprises, which are relatively faster to grow as well, will be critical for supplying jobs to the growing working-age population and filling the service and employment niches left empty by large-scale enterprise.

- *Manage migration:* While the management of population distribution is better suited for higher levels of government, local municipalities can be proactive in managing current flows and preparing for future migrants. In the face of regional (and global) competition, cities may also face out-migrations that can threaten the vitality of their local economy and overall milieu. The desired level of migration will be different for each municipality, depending on its capacity and trajectory for growth. In addition, the municipality should, when possible, make distinctions between permanent (or long-term) and temporary migration patterns, since each will have different policy implications. For example, permanent migration flows will have implications for the local housing, school and transportation infrastructures. Temporary migration, on the other hand, may not require as extensive enhancements to these support systems, since the migrants still live outside the municipality (commuting in daily or weekly for work) or only remain for short (perhaps seasonal) periods of time.

Nevertheless, even impermanent inflows of laborers can burden local services and infrastructure and, warranting policies that attempt to extract some of the cost from the migrants themselves (like requiring temporary work licenses). Policies towards migration will also depend on local labor market conditions: if there is demand for labor, local municipalities may want to facilitate rural-urban commuting services to incentivize even more immigrants (for example, with skills particular to changing seasonal work). Anticipating these population in-flows and out-flows, such as by coordinating development strategies with surrounding rural

communities, can protect the locality from unpredictable shocks and unsustainable growth. It can also prevent unintended side effects of unemployed migrants, who may turn to illegal activities, incur health problems and be left homeless. Admittedly, a large part of the migration challenge can be addressed through employment-related policies, since incoming populations will be looking for jobs.

***Invest in systems:*** these initiatives target processes, mechanisms of access, and institutional tendencies that drive economic and social activity. These strategies address systems that transcend places and people.

- *Develop the role and rights of civil society (the “third sector”):* there are limits to what the public and private sector can (or are willing) to do in the context of local service provision. Creating mechanisms for civil society, or the “third sector”, to fill these gaps can improve the quality of life among local residents and workers. An active “third sector” can often target local needs in an informed way (using information that neither the government nor private sectors can easily access), which can contribute to more optimal outcomes for the jurisdiction as a whole. They are also often a mechanism for giving voice to groups that are otherwise not represented (or underrepresented) by purely public and private political and economic channels. This can be important for groups that cannot access private goods (perhaps due to pricing or physical proximity) and either do not trust their local government or do not have the capacity to vocalize their needs to the local government. The non-governmental organizations can coordinate dispersed groups of marginalized individuals, and they can effectively advocate well-formulated demands directly to government. It is also an opportunity to support business incubation, jobs creation, and innovation. For example, in Hubli-Dharwad the government formed “agenda groups” comprised of selected NGOs to assist in the delivery of local services, the implementation of public works projects, and the dissemination of information.
- *Reform the local fiscal regime:* property tax and user fee instruments are two of, if not the only, locally controlled revenue streams. Changes in the ways that they are calculated, levied and collected can mean substantial efficiency and enforcement gains for the municipality. Maintaining simple, uniform systems (that generate adequate income to support the locality’s services) can result in increased revenues and effective incentives for development activities. They can also move the regime closer to an equitable system, in which burdens are distributed proportional to wealth and/or service usage (and proper relief is granted for low-income individuals). Sound, locally controlled revenue streams also reinforce local decision-making autonomy (especially with respect to local services). For example, employing self-assessment techniques and GIS-based tracking methods can induce meaningful changes in data accumulation and collection rates. Maintaining updated assessment information can enhance the system’s equity, so that tax burdens are truly based on relative wealth accumulation and not by regularity of assessment (which could be correlated with any number of property or household characteristics). In general, municipalities should keep in mind the following characteristics of an optimal, functioning (property) tax system (Bell and Bowman 2002):
  1. Legitimacy: the system must be accepted and perceived as legitimate by the taxpayers;
  2. Openness: the system must be transparent and easily understood by the taxpayers;

3. Technical proficiency: the system must be administered professionally;
4. Relief from extraordinary burdens: taxes should be levied uniformly, but there should be relief for onerous burdens (i.e. recognizing variations in ability to pay).

- *Promote local sustainability*: while the nature of these efforts can take various forms (again, depending on the needs of the locality), they all focus on ecological and economic reforms that meet the needs of the present and future generations (although some definitions of sustainability also include social aspects). The sustainability of local ecosystems and lands becomes particularly dire in the context of rapid urbanization, and if “current and future urban areas continue with the same resource consumption practices without regarding the future needs, serious environmental, social and economic problems are expected” (Shen et. Al. 2011, pg. 18). It is also the case that urban areas are particularly vulnerable to climate change disasters. Efforts in the realm of sustainability can either be separated out or interwoven into the other initiatives (for example, in Curitiba all economic development efforts were explicitly oriented towards sustainability). In the context of rapid urban growth, sustainability measures are critical for ensuring the health and wellbeing of the local population and the robustness of the local economy, creating “a balance between economic, environmental, and social necessities” (Rasoolimanesh et. al. 2011). Municipalities have envisioned both straightforward and innovative projects: Masaka Municipality developed solar power for street lighting, San Fernando enhanced the maintenance and greening of parks and highways, and Hubli-Dharwad mandated rain harvesting. Any new construction or renovations associated with the UEDS can be completed using green materials and technologies, and this can mean cost (and environmental) savings in the long run. These measures are integral to mitigate against and adapting in the face of climate change threats, which can disproportionately affect urban centers.
- *Reduce crime and increase safety*: public safety has implications for residential quality of life and business attraction and viability. Indeed, crime is a cost to the city, in terms of the explicit costs generated from loss of property, loss of productivity, pain and suffering and administration of criminal justice and policing services. At large, these can negatively affect the experiences of local residents, consumers and businesses (and in turn affect their decisions to engage in social and economic activities within the municipality). Crime predominantly factors into residents’ and businesses’ location decisions, and unmediated crime can severely dampen local productivity and regional comparative advantage. Indeed, paying for crime prevention can prove to be a cost-savings, if compared against the many costs incurred by the crime itself. In general, the municipality should aim to make punishment more probable (i.e. make it more risky to commit a crime) or increase the “payoff” for *legal* activities (i.e. increase job opportunities). Approaches can vary: for example, initiatives can address lack of security lighting in the municipality (Masaka Municipality), provide 24-hour access to an emergency response center (Hubli-Dharwad), or incentivize local community vigilance with easily accessed reporting systems (even for minor, non-emergency offenses).
- *Promote inclusive processes, institutions, and spaces*: cities are inherently heterogeneous and as such contain populations with diverse backgrounds (whether they be socioeconomic, cultural, biological). Cities are often governed by policies or poorly defined inclusive mechanisms that actually exclude the poor, uneducated, migrant, ethnic minorities, and women

(UN Habitat 2010/2011). Without proper attention, urban centers can become fragmented and can underutilize productive resources, both of which can compromise the health of the local economy. An UEDS process that is inclusive from the start is an important contribution, but it can also be explicit in its planned reforms to address inclusion in a more systematic way. Social inclusion can be achieved explicitly through reforming regulation (i.e. securing property tenure for the poor) or designing (and *implementing*) participatory decision-making procedures. For example, obscure processes that previously allocated the development of public space to private actors can be reformed to incorporate open forums that involve input from various (typically marginalized) groups. It can also be addressed implicitly through the built environment (i.e. creating outdoor plazas or public town halls for political and cultural participation or “gendered spaces”) or cultural exposition (i.e. preserving landmarks, or conducting presentations or workshops that document multiple ethnic histories). In this day and age, the Internet is a valuable (and cost-effective) mechanism for “democratizing” access to culture. Municipalities that want to institutionalize these efforts might actually establish a government agency or public office with the sole purpose of furthering inclusiveness.

- *Improve food security*: other than being a basic human right, access to sanitary, healthful, and sufficient food can reduce costs associated with malnutrition and, at the same time, support production (and employment) in food-related industries. Food security has become particularly vulnerable in urban settings, where poverty is exacerbated and stockpiles are scarce (especially relative to rural communities) (UN Habitat 2010/2011). Strategies can address the simple lack of quantity of food, but that alone will not ensure equal access across socioeconomic groups. Specifically, the rise in food prices does not mesh well with the concomitant increase in poverty-stricken households—the government can play a role in tempering this disconnect. The “State of the World’s Cities” report by UN Habitat (2010/2011) depicts the urban food crisis as “a ‘silent emergency’, characterized by persistent high degrees of acute malnutrition in ‘non-emergency’ times” (pg. 104). Public sector efforts can subsidize production, marketing, distribution and purchase of food, so that it more consistently reaches households in need. Much of these efforts rely on stronger linkages between urban and rural agricultural markets. For example, Masaka Municipality promoted agriculture that could be carried out on small pieces of land within the municipality, such as poultry keeping or horticulture. Some municipalities set up soup kitchens or food pantries to make food staples more accessible and affordable.

## **ORGANIZING THE CONTENT OF THE UEDS**

The planning and analytical processes for an UEDS culminate in the documentation of the strategy. It is important to have the UEDS in writing so that participants have a common reference point as they proceed through its implementation and so that community members are privy to transparent governance. It is not uncommon to publish an abbreviated, more accessible version of the UEDS for the general public. For all written versions the following is a suggested outline:

1. **Executive Summary**: this section summarizes (in a few pages at most) the vision, goals, and projects/programs (if there are a large number of individual projects, the Executive

Summary can select to highlight a sample of projects/programs that are emblematic of the comprehensive plan). The aim of this section is to provide an accessible summary of what the full report contains, usually for readers who do not intend to read the entire report.

2. **Assessment of current conditions:** this section describes (usually using metrics or quantitative measures) the current status and historical trends for local economic and demographic indicators. The aim of this section is to lay out, with supporting evidence, the deficits and assets of the local municipality (within the context of the regional economy and geography). It is very effective to include visuals, such as charts, maps or graphs to support the data presented.
3. **Present the overall vision(s), goal(s) and target area(s):** The vision should start broad and the goals should flow from the larger vision. The goals more narrowly categorize the target areas, and in turn, the projects/programs.
4. **Describe the projects/programs (organized by goal and target area):** Under each goal and target area, the report should lay out proposed initiatives to address existing deficits or exploit existing assets (all of which are highlighted in the second section above). Here it is effective to identify “priority” projects or geographic zones within the municipality, which are profiled in the strategy report and will either require relatively more funding, more time, or more attention generally. In this section it is also important to lay out potential trade-offs, conflicts, and indirect outcomes of the multiple projects; it is unrealistic to presume that each initiative operates in isolation, and future pitfalls can be mitigated with this kind of foresight.
5. **Present the action plan and implementation schedule (organized by program/project):** This section includes detailed steps on how to bring each project from conceptualization to completion (the content of this section is discussed in more depth below), including a timeline and cost of each phase, milestone, or deliverable.
6. **Describe the methods and timeline for evaluation and review:** This section describes the methods for evaluation (i.e. hiring an external consultant, executing a survey), the approximate timing (i.e. every 3 years from the date of the UEDS) and the performance measures to be collected and analyzed.

It is effective to address the process for public involvement in the UEDS report, either as a theme throughout the report or as a section in and of itself. In general, the flow of the report should move from broad to narrow and it should be consistent in its organizing feature; that is, after presenting the goals and target areas, each project and performance outcome should be organized by goals and target areas.

## Chapter Three: Putting together an UEDS

This section offers guidelines on the *process* behind conceptualizing, organizing and drafting an UEDS. **The design process for an UEDS can be summarized in two parts: (i) determining the organizational capacity and structure for the process and (ii) generating community and multi-sector participation in the design process.** While there is an order to how the phases are presented here, the stages are inevitably iterative and interwoven. While it is recommended that organizational capacity and structure be the first consideration (since some governmental entity or figure will need to take the lead on the planning process), these efforts are undeniably linked to community engagement, and inasmuch, will need to be considered concurrently. In reality, the following three steps will likely take place side-by-side.

### DETERMINE ORGANIZATIONAL CAPACITY AND STRUCTURE

The first step in developing an UEDS is to determine the lead organization/agency/office for designing the UEDS. Note that this entity may differ from the one assigned (or created) to administer and lead the implementation of the UEDS (however, this consistency is preferable in order to facilitate transition from planning to implementation). Typically, the lead entity comes from within government, since the planning requires a comprehensive perspective and access to information that often solely belongs to government. One of the most common administrative designs is to house the economic development program in a specialized economic development organization with municipal and regional influence and/or information access, such as an economic development corporation (EDC). If the effort is truly integrated, it might make sense to house the planning effort in a central, coordinating office, like the Mayor's office, rather than a specific service- or industry-related agency, such as transportation or housing. **Most importantly, the lead entity must possess legitimacy, so that collaborators inside and outside of government (including local residents and businesses) will take the UEDS effort seriously and contribute to (rather than hinder) its progress.** Specifically, this means a history (or for a new entity, an explicit proclamation) of community involvement, transparency and anti-corruption (Blakely and Leigh 2010). From the start, the lead entity should identify contact points in all of the local government agencies and the relevant regional/Federal public agencies and non-governmental organizations. *Such a list should be one of the first products of the planning process.*

The second step is to task the centralized UEDS administrator with organizing and staffing an economic development strategy committee to lead the planning process (the centralized administrator will be comprised of permanent staff to manage the implementation stage). This process is in line with recommendations from the U.S. Department of Commerce's CEDS Guidelines (2002), which suggest comprising the committee of representatives from the following groups in order to maximize diverse perspectives and input<sup>8</sup>:

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<sup>8</sup> Most of these stakeholder groups are derived from the U.S. Dept. of Commerce's CEDS Guidelines, but I've adapted their list to include residential representation. Residents, although often not included as a central piece of urban economic development strategies, are integral to any city development policy since they not only consume, but produce, many of the relevant goods and services.

- **Public leadership:** these participants provide important insight on the political and organizational feasibility of approaches; they also help in coordinating activities among various agencies and governmental units.
- **Economic and Business Development Organizations:** these include labor organizations, chambers of commerce, financial institutions, and citywide, regional or national economic development corporations; these entities will likely be crucial in implementing proposed policies and providing relevant goods or services; they also possess industry-specific knowledge that can inform policy and process designs.
- **Employment and training sector:** these include training and educational schools and programs; since they deal directly with the labor force (or future labor force) they have great insight into the human capital characteristics (and potential) of the local population; their contacts will also be critical for planning and implementing labor-development policies and initiatives.
- **Community organizations:** these include local housing, community, and economic development organizations, special interest groups (for example, environmental or preservation) and citizen committees; these groups will be integral to carrying out policy and they possess a great deal of localized knowledge that is inaccessible at higher levels of government.
- **Residents (or residential community associations):** Although not traditionally incorporated into urban economic development frameworks, input from residents is crucial for understanding the broader effects of economic development policies and for exploiting the mixed-use nature of cities; furthermore, residents are not only consumers of relevant goods and services, but they are also members of the local workforce and business owners.
- **Underrepresented groups:** traditionally there are groups in the population who are underrepresented in public decision-making processes, and this can be avoided by intentionally including them in the planning process; these groups represent the unemployed, women, minorities, elderly, disabled, and those involved in informal sectors (either as residents or workers); apart from the equity implications, these participants possess a great deal of valuable knowledge that is often not recorded in the formal markets or communication streams.

This strategy committee is important for initiating and laying the foundation for working relationships among the various stakeholders, including those from regional and national (perhaps even global) governance institutions. As discussed in the first section of this report, this committee is also tasked with organizing the brainstorming for the “vision statement” and the data collection and analysis for the baseline and forward-looking analyses.

### Exhibit 3-1

#### Suggested questions to frame organizational analysis:

1. Is the UEDS a priority for the Mayor? And does the Mayor have the capacity in his/her central office to lead the efforts?
2. Is there an economic development agency that could lead the effort? Is this agency experienced at collaborating with other agencies and multiple sectors of the local economy?
3. Which existing agency possesses the most legitimacy among other government agencies, businesses, unions, residents and non-governmental organizations?
4. What are the costs associated with forming a new agency or organization to lead the UEDS efforts? Which stakeholders would be involved in creating and appointing the members of this proposed lead entity?

### GENERATE COMMUNITY AND MULTI-SECTOR PARTICIPATION IN THE DESIGN

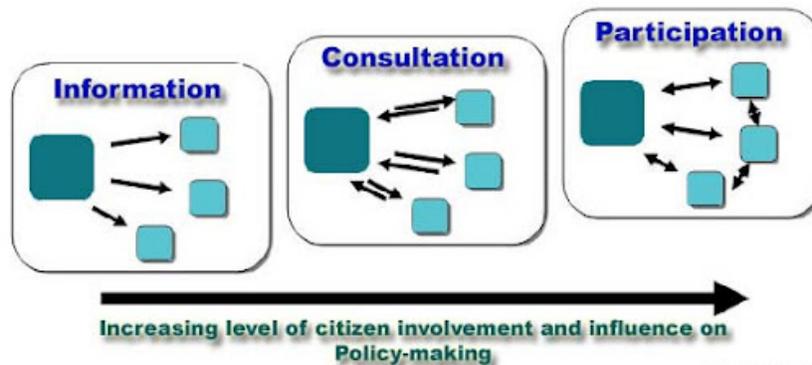
Since the UEDS will require participation from multiple stakeholders from diverse industries and backgrounds, it is crucial that efforts to secure their “buy-in” are initiated from the start of the planning process. The goal should be to build mutually beneficial partnerships, and ideally ones that cross public, private and non-governmental lines. One effective way to encourage multi-lateral involvement is to form a committee to head the UEDS process (discussed above) that represents various stakeholders and perspectives. Again, while the leadership will likely shift to an administrator for the implementation stage, a committee can be an effective means of brainstorming and synthesizing ideas.

For certain municipalities the planning process will *require* a level of public participation. For example, some localities, like Curitiba, include a public hearing process as part of any large-scale planning effort. For others, this public participation will be voluntary. In both cases, the role of community participation can be integral to the success of an UEDS. Again, community involvement in the design of the UEDS can secure public support that will aid in working through implementation challenges down the road. Community involvement can also provide useful insight into the current state of the urban economy and the potential for change. *It is important to maintain records of content and attendance for any public hearings/gatherings, for purposes of accountability down the road. Finally, any draft or final UEDS should be made available to the public, even those who were not involved in the planning stages; once again, this makes transparent the process and intentions behind the UEDS.*

## Constructing a consultative and participatory planning process

This sub-section discusses how to involve local community members in the decision-making process, and in particular those individuals who are not necessarily represented by more organized entities. While the planning process should involve the larger, more organized voices in the municipality (like those referenced above), the process for including more dispersed voices requires a more nuanced approach. The goals for a consultative and participatory UEDS planning process are perhaps more obvious than the steps for actually achieving one. This sub-section outlines an approach for supporting an inclusive UEDS planning process that incorporates participation from a wide range of stakeholders and perspectives, i.e. not solely from (like-minded) higher-level governmental administrators. The challenge is to set up a decision-making process that is inclusive in practice, and not just in theory. As Figure 3-1 illustrates, a participatory process hinges on two-way interactions and the *exchange* of ideas (and not merely the contribution of ideas). In order to lay out concrete steps for achieving such a system I draw on the participatory budgeting case, which provides a clear roadmap for facilitating consultative policymaking practices (See Exhibit 3-2 for a brief description of the Porto Alegre case of participatory budgeting).<sup>9</sup> That said, the role of participatory budgeting in the governance of local municipalities is entirely case-specific and this should not be seen as an unconditional endorsement for these practices. The fact that this initiative has made available clear processes and systems for participatory decision-making, however, is valuable for any municipality aiming to be inclusive in its urban economic development planning efforts.

**Figure 3-1: Participatory policymaking**



Source: OECD

<sup>9</sup> For more information on participatory budgeting see <http://www.watsonblogs.org/participatorybudgeting/library.html>.

## Exhibit 3-2

### The Case of Participatory Budgeting in Porto Alegre

In 1989, the city of Porto Alegre, the capital of the state of Rio Grande do Sul in Brazil, instituted and completed the first formal participatory budgeting process for their municipal budget. It was established in direct opposition to the traditionally authoritarian and top-down policy-making processes. It is rooted in the following tenets: (i) all citizens have the right to participate, (ii) participation is governed by direct and representative democracy rules, which are determined by the participants within the assigned decision-making institutions, and (iii) resources are allocated based on “general criteria” (substantive criteria established by the participants) and “technical criteria” (feasibility criteria established by the federal, state or city legal norms) (Santos 1998). Over the years, the Porto Alegre system has involved as many as 50,000 people to decide on 20 percent of the municipal budget. This is emblematic of a broader trend toward participatory democracy in the city. Since the initial case in Porto Alegre, the process has spread to over 1,200 municipalities worldwide; it is implemented in cities with fewer than 20,000 inhabitants and scarce public resources and in mega-cities with more abundant resources (UN Habitat 2004). There is also evidence that this participatory process has influenced other policy realms, such as environmental management and general service provision (Menegat 2002).

The entire participatory process generally follows a standard process consisting of five steps (for the planning stages, the first three are most relevant):

1. **Diagnosis:** This is the stage at which local community members (in particular residents, laborers and businesses who do not have access to politically connected or highly capitalized platforms) can identify local needs and preferences. The community members also submit ideas for possible solutions to their problems or demands. The process for collecting their input typically takes place via community meetings or “town halls”, during which they also elect representatives who later relay their needs to the central administration.
2. **Discussion:** The second part of the process convenes the elected community representatives to discuss the various requests and proposals (among themselves and with experts in the field).

3. **Decision-making:** The representatives return to the communities with a streamlined portfolio of policy proposals on which the community members vote. In the case of participatory budgeting, the voting outcome(s) go directly to the central administration for implementation. In the case of the UEDS planning process, these representatives would likely relay the voting outcome(s) to the strategy committee, which would take them under advisement as they move forward in the more comprehensive planning process.
4. **Implementation:** In traditional participatory budget systems, the government implements the selected policies. Since in the case of UEDS planning there is typically a portfolio of different (yet related) economic development projects and initiatives, the implementation will likely be conditional on integration with the other projects.
5. **Monitoring:** Community members, along with government officials and hired experts, are part of the monitoring process post-implementation. In practice, this would mean executing surveys or collecting direct feedback from the communities that proposed issues and policies at that start of the process.

Note that in order for the UEDS planning process to be duly influenced by the information collected through this consultative endeavor, the two must be coordinated immediately upon the formation of the strategy committee. This requires great foresight and a degree of acquiescence on the part of the local government, since it does relinquish direct control over part of the planning stage. Indeed, this approach has the most promise in municipalities where the central administration is on board with inclusive measures.

### ***Benefits***

Facilitating an inclusive UEDS planning process can empower local communities and (re)engage them with local governance and democratic practices. It can be a valuable tool that actually *teaches* civic involvement. Local citizens, and especially those without a previously organized voice, have a larger stake in the city's future (which could mean less of a flight risk for that valuable human capital). The process also provides a vehicle for organizing policies around particular themes (and those that might not otherwise benefit from centralized advocacy). Local governments gain access to valuable, localized information that they otherwise could not have accessed in such a thorough way. It also sets up a more transparent decision-making process, which can reduce corruption and instill faith in local government more generally.

### ***Challenges***

While the benefits can be very tangible and sustainable, the challenges are not insignificant. Participatory planning processes, such as this one described above, can add considerable time onto the planning (and implementation) schedules. It also tends to focus on tangible, short/medium term projects, rather than long-term initiatives, which often require more complicated technical expertise. In the context of limited political terms and pressing issues, these delays can be problematic. In addition, attention must be paid to the characteristics of the community members that actually participate. Experience with participatory budgeting suggests

that the very poor are often still excluded from these deliberations and that voice is really given to groups of citizens that already had relatively more leverage within political and economic discourse. In particular, since the government (and often the mayor's office) still retains oversight over the process, the direction of the participatory program can be manipulated by these (powerful) interests (Wampler 2007). And finally, the success of such a consultative process truly depends on the receptivity of the local government, which ultimately must relinquish some level of control over the planning procedures. It is also critical to lay out the process by which the community input will be incorporated into the larger city-wide plan—this will look different for each municipality (depending on its own governance structure).

## Chapter Four: Implementing an UEDS

After the content of the UEDS has been agreed upon and the plan drafted, the next step is to turn the design into action; this section offers guidelines on how to implement the drafted economic development plan.<sup>10</sup> Since the UEDS will encompass a wide range of (often overlapping) projects, effective management of the implementation is complex, but critical.

### USING AN ACTION PLAN AND “ROLL OUT” SCHEDULE

The action plan should be carefully documented in the UEDS report; it lays out details on what organization/entity will carry out each step for each project or initiative. It also documents the timeline for each action (or “roll out” schedule), marking the start and end dates, and any intermediate milestones. Often the action plan will include the cost for each action; this is recommended since it helps to keep the projects on time and on budget. It is essentially the road map of the UEDS implementation (see Appendix A for an Action Plan template). If the implementation of a project requires the creation of a new entity or the contracting out of a particular service, the action plan should contain this kind of information and an estimate of when in the process these actions need to take place. While specificity is preferred, it is understood that parts of the process are unpredictable. *Therefore, the action plan should, where possible, include flags for points in the implementation process that are vulnerable to pitfalls or obstacles, and offer suggestions for addressing these challenges.*

**The point of designing an action plan is to use it; therefore, the milestones set in the plan should be followed as closely as possible.** That said, it should be understood as an approximate schedule and projects will inevitably run off course. This reinforces the importance of generating buy-in among stakeholders so that all of the participants will be willing to maintain the integrity of the action plan. **A centralized implementation plan is critical when coordinating across multiple organizations and agencies,** as is typically the case with UEDS efforts. If any changes are made to the action plan along the way, they should be circulated to all of the stakeholders and participants.

### COLLECTING AND REVIEWING DATA (PERFORMANCE MEASURES)

One of the most essential parts of the implementation process is evaluating the progress of the projects included as part of the UEDS. This is an endeavor that needs to be part of the strategy from the planning stage, as it relies on data collection and oversight before *and* after the economic development strategy is rolled out. The baseline metrics (that is, information on the state of the local economy before any project implementation) are just as important as the post-intervention metrics, as any valid comparison needs measures from both moments in time. The method for evaluating a project’s performance is non-trivial, and this report does not attempt to guide that endeavor. That again is subject to the individual characteristics of the locality and the

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<sup>10</sup> The approval process for an UEDS will vary by locality; this section addresses the process after the UEDS has been officially accepted by whatever governing body or procedure is required locally.

project. What is emphasized here, however, is the extreme importance of data collection and management of local economic conditions. **The success of an evaluation and review process relies entirely on the presence of informative metrics (ideally recorded over time).** And by monitoring the effectiveness of the individual projects and the strategy overall, both can be appropriately adjusted over time to better meet set goals.

Each locality will have a different view of important performance measures, but here are some examples of ones that have transcended multiple contexts:

#### **Exhibit 4-1**

##### **Suggested performance measures:**

- **Job creation (in total, but sector, changes over time)**
- **Job retention**
- **Business births/deaths**
- **Size of the economy (GDP, # exports)**
- **Emissions (i.e. carbon monoxide) reduction**
- **Residents served**
- **Tax revenues generated**
- **Housing stock produced/upgraded (# units, price)**

#### **Data collection**

In terms of data collection and management, the scale of this effort can vary tremendously. The general rule of thumb is that more data (in terms of quantity and frequency) is better; however, more data also usually means needing more resources to collect and manage it. Although, if the performance metrics are determined in the planning stage, their collection can be incorporated into the implementation and costs from redundancies reduced. Investments in the data collection efforts will mostly go towards surveying outcomes and inputting this information into a centralized database. Again, specific technical needs should be determined by the individual municipality (refer back to Exhibit 2-4 for suggestions on economizing on data collection). That said, *any municipality seriously considering a robust data collection and management platform should include mapping or geographic-based applications* (i.e. Geographical Information Systems, or GIS) as part of that package.

#### **Logistics**

There are two important logistical aspects that need to be resolved before implementation: timing and responsibility of the evaluations. **First, the precise timing and/or approximate frequency**

**of the evaluations (preferably by project) should be stipulated in the finalized UEDS document. Second, the entity or individual responsible for conducting the evaluations should be identified in the finalized UEDS document; at the very least, the process by which this entity or individual will be selected should be stipulated.** A third party evaluator would better avoid any conflict of interest; in addition, it is rare that the government has in-house the capacity (and skill set) to conduct robust evaluations. Including these logistics in the UEDS document itself does more to ensure transparent procedures for accountability and feedback mechanisms for making improvements in the design and/or implementation of the plan. It is important to remember that once an UEDS is properly organized, it is a continuum of initiatives that either respond to or build on the initial plan.

## **Chapter Five: Confronting tradeoffs and concluding remarks**

As presented above, an UEDS is a plan for urban growth that integrates multiple sectors and stakeholders. This kind of endeavor is complex in circumstances of prosperity and economic discretion; it is even more challenging in the face of fiscal and political constraints. Every city in the developing world possesses at least one, and likely many, constraints to growth (Rodrik 2010). And these constraints force trade-offs among the projects pursued. With limited capital resources, only select capital projects can be pursued; by targeting particular sites, other areas will be left with disinvestment; and when improving local services, local taxes and fees must increase. These trade-offs are unavoidable and they are part of the larger economic analysis and political conversation that take place during the planning stages. Unfortunately, the tendency might be to concentrate the “losses” in areas or among groups that are not as politically or economically leveraged, and this reinforces the importance of inclusive processes. In fact, the multi-faceted nature of an UEDS can create opportunities for mutually beneficial trade-offs: one group of stakeholders can reap benefits from one particular initiative that imposes “losses” on another group, the latter of which gets compensated for their “losses” in yet another initiative. This perspective reinforces the importance of a holistic planning approach. An UEDS that emerges out of insulated decision-making can result in net losses for the city overall.

An UEDS is both a process and a final product. The process is analytical, dynamic and elaborate. These characteristics are consistent with generating a product that is holistic, evidence-based and inclusive. The final product, while not immutable, is definitive, clear and organized. These features are consistent with an UEDS that promotes transparency and collaboration among the various stakeholders. The documented strategy serves as a tangible resource and philosophical touchstone for those implementing and participating in its initiatives.

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## Appendix A: Action Plan Template

	<b>Goal</b>	<b>Action</b>	<b>Timing</b>	<b>Responsibility</b>	<b>Cost</b>	<b>Linkage</b>
<b>Definition</b>	A summary of the intended goal/outcome of the target area/project	Specific actionable items to achieve project's goals/outcomes	Projected start/midpoint/end dates	The entity responsible for coordinating and/or implementing the action item	Projected cost for entire project (disaggregated by phases if necessary)	Connections to other projects, initiatives, or agency responsibilities
<i><b>Target Area 1</b></i>						
<b>Project 1a</b>		Action 1				
		Action 2				
		Action 3				
<b>Project 1b</b>		Action 1				
		Action 2				
		Action 3				
<i><b>Target Area 2</b></i>						
<b>Project 2a</b>		Action 1				
		Action 2				
		Action 3				
<b>Project 2b</b>		Action 1				
		Action 2				
		Action 3				
<i><b>Target Area 3</b></i>						
<b>Project 3a</b>		Action 1				
		Action 2				
		Action 3				
<b>Project 3b</b>		Action 1				
		Action 2				
		Action 3				