Guide to Community Development

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LASER
Guide to Community Development

by Gwendolyn Hallsmith, L. Hunter Lovins, Michael Miller,
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* Test Edition *
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Natural Capitalism Solutions
America’s Development Foundation

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Unless otherwise noted, all the interpretations and findings set forth in this publication are those of the authors.
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This Guide is dedicated to the memory of Jane Jacobs (1916 - 2006)
Local Action for Sustainable Economic Renewal

Preface

by Oscar Motomura

Life happens in local communities.

A paper about reinvention, about the renewal of the system we all live in, could be expressed – in essence – in that five-word sentence.

But why does the reality around us seem to diminish the idea of community? Why do there seem to be other dimensions of life that actually reduce the importance of local communities? Are we distorting the very meaning of life when we “force” local communities to “feed” larger, supposedly more important systems? Is that the central distortion that is the cause of all major problems we can see in the whole, on planet Earth?

Let’s go back to basics for a moment. Let’s reflect on a simple story.

Suppose a group of friends decides to start a new community in the countryside of a specific region (it could be anywhere in the world). Let’s say it’s a group of 30 families.

They buy land in the same area and help each other build houses and all the facilities necessary for survival. And from the beginning, the whole group – all thirty families – talks a lot and decides everything together. The assumption here is that since everything is going to affect the whole group, everything should be decided together.
They even select a central space in the area for their meetings and social gatherings. Every weekend they meet and make all the necessary decisions. Children and young people also have a voice in the meetings, to make sure their needs (a place for sports, play, etc.) are properly included in the group decision-making process. The whole group makes decisions about the water system, the energy system, communication, roads, transportation, health, education; about production, principles for bartering, problem solving of all kinds. The process always focuses on the well-being of all the members of the community, of all 30 families. There is no exclusion of any kind. And the community evolves …

Slowly the community becomes the ideal place for living that all thirty families had dreamed of together. They are all very happy. Gross National Happiness is at a maximum …

Since they are not isolated from their friends who did not join the group in the “adventure,” each member of the thirty families starts to share with those friends their stories about how and why they’ve become so happy …

The consequences of that sharing are predictable, right? Yes, the other friends now want to join the community as well. And they start to come. And the community grows…

And grows. And grows…

Soon, the weekend meetings are not effective anymore. There are too many people. The community has a problem: it’s more difficult now to reach a genuine consensus, and decision-making processes are slower. As a result, other problems develop…

How can they solve this new problem created by growth?

There’s a lot of discussion and many suggestions. Finally, a consensus emerges: since it’s not possible anymore to hold a meeting in which the entire community partici-
pates, groups of families from the same region will now choose a representative. And so the weekend meeting becomes a gathering of the representatives.

From here, you can probably imagine how the story evolves. The representatives become overloaded with work – during the week they are supposed to interact with the families they represent, while also being productive members of the community. So, they make a proposal: they want to become fulltime representatives and be compensated (with a salary?) so that they can “make a living”…

In the beginning, this new arrangement works okay. Later, however, distortions appear: there are conflicts of interest, power plays, the representatives become distant from the represented (from lack of genuine interest on the part of representatives, lack of deep dialogue, etc.), and much more. Instead of making decisions by consensus, the representatives also start to make decisions by voting. More and more people become dissatisfied. “Gross National Happiness” declines…

The local economy also struggles with the same issues of scale. It used to be enough to produce for the small group of people who started the adventure, but as the community grew, larger and larger production processes seem to be required…Gradually the economy becomes professionalized and grows away from the community needs.

Over time, another kind of logic replaces the links between the community and the needs that their economic activity was satisfying in the first place. The search for wealth of the new production system takes the place of the wealth of the whole community. Before long, new rules are created so as to facilitate the effectiveness of emerging production institutions. “Gross National Product” becomes an obsession… The values of the community are transformed day by day… From the search for each-family evolution and the search for the common good to more egotistical objectives, from a concern for the well-being of all living beings and the environment to a concern for better conditions for growth, economic growth…From cooperation, solidarity and mutual help to competition. And, awkwardly, community members seem unconscious of the change process…
Now, let’s go back a step. Let’s imagine a different development of our story from that point on.

Other friends want to join. Yes, they are welcome. But rather than make the first community grow, they are invited to start new communities in the vicinity. And so it goes. And the whole region grows…

Now the region has many communities of 30 families. And they are all doing well. The different communities even collaborate, join forces, have joint celebrations, even produce things together, etc. A natural process of self-organization evolves. Each community maintains its own identity, develops its own forms and degree of contentment. The “organic” process of growth that existed in the original community remains intact.

Each small community focuses on how their economic activities meet their local needs. The needs of the community. Of every member of the community. Total inclusivity, no exclusion of any kind. They trade and cooperate with other communities, but the local residents remain the owners of the production capacities and keep the power on how to make the rules so that the “natural laws” that were very alive in the beginning are kept intact, undistorted… The production and the trading system continues as sound as in the beginning.

Now, what would happen if someone had the idea of creating an organization to coordinate/orchestrating the various self-sustaining communities of 30 families?

Once again, maybe that institution made up of representatives of all communities would work, creating more cooperation among the communities, more synergy, etc. But distortions might appear in this case as well. Even many distortions. The process of coordination could start to happen apart from the communities. The coordinating institution would grow, more and more, and become even larger than the sum of its communities. The communities could gradually become disempowered. Paradoxically, the life of the communities could appear to take place away from the communities.
The most important decisions would be made in the “virtual” domain of control, coordination, bureaucracy … It is a strange process … But, it all happens across generations. Each new generation is born into an existing system that already embeds the distortions. And the way things work seems to be natural…

It does not seem necessary to elaborate further on the details and ideas implied in these stories.

These stories are a way to help us reflect more deeply on the system (political, economic, social) around us. If we cannot understand the basics about life in communities and abstract from them to the larger whole, we will get lost in millions of details. Everything will look fuzzy, confused. Or, on the contrary, crystal clear: the distorted system will look natural, normal, logical. At that point we are blind, asleep, locked in a vast illusion…

Now let’s go back to the reality of today. Can communities become fully empowered and take back control of their own destinies? Can self-organizing processes make the whole (of many communities) evolve more naturally and considerably more effectively than centrally controlled processes?

If power were returned to communities, would life itself become less artificial, and more natural? More in sync with natural laws? Closer to Nature? And only then, truly sustainable?

Can the content of this manual help us fully honor the simple basic fact that life actually happens in local communities?

Oscar Motomura is the founder and C.E.O. of Amana-Key, a center of excellence in management and governance located in São Paulo, Brazil. Motomura is also a member of the International Council of the Earth Charter.
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This Guide presents an innovative approach to economic development, introducing a new way of thinking about how real wealth is created on the local level. The goal of LASER is to create wealth — wealth that provides people with long-term economic security, and that maintains the ability of current and future generations to live healthy and fulfilled lives. Real wealth is inextricably linked to our well-being, which we enjoy when the full spectrum of our common human needs are satisfied. So understanding all the ways that our communities build their capacity to satisfy human needs with the economic activities we initiate is fundamental to the LASER approach.

The LASER Guide is the tip of a large iceberg — the actual text in this printed manual is intentionally short. It is designed to give you a brief overview of the key subjects, so that you can identify the ideas you feel are worth pursuing in your own community. We have included a variety of links to other materials: reference material describing the academic and practical research on the subjects discussed, best practices descriptions from communities that have already implemented the techniques we describe, and tools that can help you use the ideas in the workbook. Each of these links is indicated in the text by icons in the margin.

To introduce the LASER Guide, the co-authors have each written our own short statements about why a new paradigm for a sustainable economy is critical at this point in time, and what we each think is important to emphasize about this process. We also describe something about each of our backgrounds in the field. We think that the LASER team is an exciting combination of people that bring many years of practical experience together with the latest thinking on how to improve the systems that are the underpinning of the economy. We hope you’ll share our enthusiasm for this whole-system approach to economic renewal, and that the resources we’ve presented here will provide your community with the tools and strategies you need to get started.
It was the best of times ... it was the worst of times — Dickens would agree that the 21st Century has brought both unprecedented opportunity and horrific hardship to humanity and to our small, green home. We have never before had the ability to create wealth, health, and prosperity on the levels we enjoy today. Yet the systems we have established to obtain these benefits have unfortunately made some very rich while impoverishing the vast majority, rather than using our commonwealth to bring a good life to everyone. We have never before seen as wide a disparity between the rich and the poor. In our lifetime this gap has grown by orders of magnitude, at the same time as our creativity, initiative and technology has liberated us for some of history’s most exciting endeavors.

No one wants people to live in poverty and disease. No one wants a polluted, unhealthy environment. Our work in cities and towns all over the world has made this abundantly clear. Ask anyone what kind of world they want for their grandchildren, and it’s a healthy, safe, friendly place, where people can pursue their dreams unimpeded. It’s a world where we all enjoy good food, clean water, quality housing, and the means to nurture our creative and spiritual interests through education, recreation, our faith traditions, and all of the ways that we come together and share community with each other.

The economy should be a means of achieving these ends, but instead it has too often been an obstacle, and people are put at its service, instead of the other way around. It’s time to get our priorities straight and create an economic system that works for our health and welfare, that creates opportunities for all, and enhances its own environmental, social, governance, and material foundations.

How is it that we are continually designing and using systems that don’t get us what we want? Why do we accept an unsatisfactory situation, when if we worked together we could change it for the better? Part of the answer to these questions
is that we don’t know how. We don’t know what the alternatives are, and we don’t know how to mobilize people and move forward with a new vision for our local community, our country, or our world. We also don’t know how to work together very well — so many community initiatives fall apart because people just can’t seem to set aside trivial differences to achieve a common goal.

This guide is designed to help you initiate economic renewal activities in your local community. Each concept is accompanied by a step-by-step tool that helps you put the ideas into practice. The Guide is based on the idea that we can satisfy our common human needs by building on our strengths, intervening at the system level, and integrating all the different parts of community life into a whole package, rather than trying to tinker with different problems in isolation. The authors are available to provide training and technical assistance if you run into difficulties, so don’t hesitate to contact us for more information, or if you need help.

GWENDOLYN HALLSMITH, the founder and Executive Director of Global Community Initiatives (GCI), has over 25 years of experience working with municipal, regional, and state government in the United States and internationally. She has served as a City Manager, a Regional Planning Director, Senior Planner for the Massachusetts Executive Office of Energy Resources, the Deputy Secretary of the Vermont Agency of Natural Resources, and as an international specialist on sustainable community development. Her international experience has included work with the United Nations Environmental Program, the United Nations Development Program, the Institute for Sustainable Communities, the International City/County Management Association, the Academy for Educational Development, and Earth Charter International. In addition to her academic training in public policy (M.A. Brown University), she has done Ph.D. work in international environmental policy at the University of British Columbia, and theological studies at the Andover Newton Theological School. She currently serves on the Board of Vermont Earth Institute, and was on the founding board of the Vermont Peace Academy and the Twinfield Learning Center. GCI has offices in Montpelier, Vermont and Johannesburg, South Africa.
The economy in your community is a living thing. Decisions that you and your neighbors make can either help it to grow and thrive, or slowly damage it. This manual lays out actions that have been used by communities around the world to increase the well-being of their citizens and decrease their vulnerability to the global trends that are impacting all economies. It will enable you to assess what your community needs, what forms of capital you have to address these needs and to put in place a plan to implement this.

The principles and activities outlined here are relevant whether you live in a rural village in Afghanistan, or a neighborhood in a modern western city. The details will obviously differ, but the broad opportunities exist everywhere. All it takes is you. LASER describes how you can take control of your own future and begin to create the sort of economy that will bring real jobs, real prosperity and a high quality of life to you and your family.

L. Hunter Lovins is President of the Natural Capitalism Inc. (www.natcapinc.com). She holds a JD and several honorary doctorates. Co-founder of California Conservation Project (an innovative forestry group) she has extensive hands-on experience with economic development, forestry, sustainable agriculture, renewable energy and construction of sustainable buildings. She subsequently founded Rocky Mountain Institute (RMI), which she served for 20 years as CEO.

Ms. Lovins has lectured extensively in over 15 countries, including at the World Economic Forum at Davos, The International Symposium on Sustainable Development in Shanghai, the Annual General Meeting of UNIDO, the Global Economic Forum, and the World Summit on Sustainable Development. She has consulted for industries and governments worldwide, as well as such multinational companies such as Shell Oil, and the International Finance Corporation. She has also worked with many community groups, local economic development agencies and municipal governments. She has experience in developing countries working with local businesses and small NGOs. She created the RMI Economic Renewal Project and helped write many of its manuals on sustainable community economic development.
She has taught at numerous universities including Dartmouth College and the Universities of California and Colorado, and has received several honorary doctorates. Currently a professor of business at Presidio World College, she has founded and grown several businesses, including E-Source, which ultimately sold for $18 million. She has served on the governing boards of one government, several businesses, and a dozen non-profits.

She served on the State of the World Forum’s Commission on Globalization and was one of four people from North America named to serve as a delegate to the United Nations Prep conference for the World Summit on Sustainable Development in Johannesburg. She is working in Afghanistan on a variety of projects, including with the Afghan Cluster Competitiveness Project.

Hunter’s areas of expertise include Natural Capitalism, sustainable development, eco-tourism, globalization, water, energy and resource policy, economic development, climate change, security policy, land management, fire rescue and emergency medicine. She has co-authored nine books, including the 1999 book *Natural Capitalism*, and hundreds of papers, including briefings for Presidents Clinton and Bush and British Prime Minister Tony Blair.

**Awards**

Lovins has shared a 1982 Mitchell Prize for an essay on reallocating utility capital, a 1983 Right Livelihood Award (often called the “alternative Nobel Prize”), a 1993 Nissan Award for an article on Hypercars, and the 1999 Lindbergh Award for Environment and Technology. In 2000 she was named a “Hero for the Planet” by Time Magazine, and received the Loyola University award for Outstanding Community Service. In 2001 she received the Leadership in Business Award and shared the Shingo Prize for Manufacturing Research.

**Corporate Service**

Lovins has served on the Boards of one government, three private corporations, and many public interest groups. She advises numerous companies and nonprofits, including GreenMountain.com. She was a founding director of RMI’s second for-profit spin-off, E source, until its 1999 sale to the Financial Times group.
This Guide to Community Development provides many helpful insights into an innovative whole-systems approach for sustainable community economic development. Key to this approach is the mobilization of stakeholders and their participation in the process. Plans for community economic renewal can only be successfully developed if community stakeholders are actively involved in building a shared vision of their future. The citizens of a community are its source of empowerment, and increased citizen participation is necessary in decision making processes to facilitate democratic governance and a responsiveness to community needs and interests.

As will be recognized in this Guide, a defining aspect of the LASER approach is that it is asset-based rather than problem-based. It is important to gain an understanding of the assets a community has for meeting the needs of its citizens. LASER identifies community assets as all the systems in place to satisfy human needs and the well-being of the community and how to focus on those resources for creating additional wealth. This Guide will be helpful in providing communities with new ideas and different ways to look at such assets and how to develop them into economic opportunities. It seeks to share with others successful methodologies and resources for bolstering community economic development throughout the world.

**Michael Miller**

*President, America’s Development Foundation*

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**MICHAEL MILLER** is the President and founder of America’s Development Foundation (ADF), a U.S. non-profit organization dedicated to the international development of civil society and democracy. For the last 25 years he has guided ADF in developing and managing over $200 million in such programs in over 30 countries throughout the world. His hands-on experience includes extensive work in Serbia implementing ADF’s $40 million USAID Community Revitaliza-
tion Through Democratic Action (CRDA) program (2001-2007) providing assistance to 100 communities in 26 municipalities totaling 2.3 million people. CRDA is a community development model for improving social and economic infrastructure, increasing income and employment opportunities, and improving environmental conditions through democratic action. Mr. Miller has considerable experience in the organization of hundreds of Community Development Groups, Citizen Advisory Groups, and Community Development Associations to increase citizen participation in decision-making processes including developing local economic development strategies.

Mr. Miller's international experience covers many areas of civil society and democracy development, community development, business and economic development. As the Chief Executive Officer of the Pan American Development Foundation, he established national development foundations in countries throughout Latin America supporting grass roots economic development with revolving loan funds and technical assistance and training. As a Vice-President of the Council of Americas, he worked with a membership of 250 multinational corporations led by David Rockefeller, its Chairman, to promote increased investment, trade and understanding of the role of private enterprise in economic development. His business experience includes working as a corporate executive of a large multinational company with responsibilities for international investments and operations. He holds a M.A. degree in Comparative Government from Georgetown University and a B.A. degree from the University of Alabama with studies in Political Science and Economics. He is based in ADF's Headquarters in Alexandria, Virginia.

Christopher Juniper

Vice President, Natural Capitalism Solutions

People share very similar core values of peace, health, family and prosperity. The LASER process helps communities or regions identify its shared values and build on them to address its economic strengths and weaknesses through intelligent short- and long-term strategies. LASER builds a lasting foundation for these strategies through planning and action that builds all the necessary forms of community capital — from financial capital to cultural capital to natural capital.
LASER has two key components: Local Action, and Sustainable Economic Renewal. While “Local Action” speaks for itself, Sustainable Economic Renewal needs further explanation. It differs from traditional jobs-bottom-line economic development. Conventional development is often focused only on short-term wealth generation by for-profit businesses. The LASER system recognizes that a whole-system process helps enterprises in both the private and public sectors meet the full spectrum of human needs throughout the community, today’s and tomorrow’s, through thriving organizations (defined as stable and healthy organizations that provide goods and services — including for-profit businesses, nonprofit enterprises and governmental operations).

The whole-system approach means focusing on retaining wealth in the community first — there is no sense filling up your gas tank when there are big holes in it. Retaining wealth has two primary components: buying things made locally, so that your money circulates more in the local area; and (2) greater local ownership of businesses, since business profits will be spent more locally than would profits sent to people around the world.

While the term “renewal” implies that something is broken, some readers may think their economy is developing at an appropriate pace – so why fix something that isn’t broken? However, community leaders need to consider that no economy at present is truly operating in a sustainable manner – meaning that it is building natural, human and other critical forms of capital for the community’s and humanity’s future while meeting today’s needs. Therefore, the LASER process towards building a truly sustainable economy is applicable to all communities, regions and states that wish to improve their economic performance in a more sustainable manner.

LASER is a framework for generating community enthusiasm, strategy and success that builds momentum and success over time. It is also a “wake-up call” that the ground rules for community economic development have changed dramatically in the past decade: we are entering the “Next Industrial Revolution” — indeed many say the train has left the station – and communities not on board will be left behind.
Yet every community is different at the edges. Its inheritance of natural resources (part of its “natural capital”) will widely vary – including the natural capital of its ecosystem health, its natural resources, and its natural attractiveness. Though a lot remains to be learned, people are rapidly accumulating important knowledge about how to build natural, cultural/historic, human, built and other critical forms of capital that enable long-term wealth generation and accumulation.

LASER is designed to bring out the best in people: to work collaboratively with the best information and the most appropriate process for your culture to create something bigger than the sum of its parts: a systematic approach to building community “wellth.” It embraces the fundamentals of market capitalism in ways that capture capitalism’s advantages, while putting human needs first.

**CHRISTOPHER JUNIPER** has been an innovator in economic development practices and policies for twenty years as a consultant, as Policy and Business Development Manager for the Portland Development Commission (Oregon), and as Executive Director of the South Western Colorado Economic Development District (Durango). He served as Rocky Mountain Institute’s first Natural Capitalism Practice Director, and has developed tools for organizations to use Natural Capitalism including a complete Field Guide, an EMS/sustainability integration tool and a cost-effective Life-Cycle Analysis tool. His academic training at The Colorado College (B.A. Economics) and advanced studies at Colorado State University focused on environmental economics and land-use planning.

His experience includes three years as college-level economics instructor (currently a visiting professor for Colorado College for Sustainable Economics courses), board and leadership positions for several non-profits and three successful business start-ups. He is a national speaker and author of articles on sustainable business strategies and environmental economics. He is currently focused on refinement and implementation of the Management Helix for sustainable businesses, and a book on sustainability-based solutions for key global challenges, while serving Natural Capitalism Solutions Inc. as Vice-president. He has served Fort Carson Mountain Post, a national sustainability leader, as a member of its sustainability implementation team since 2002. He is also a founding board member of the Vermont-based Sustainability Leadership Institute and serves on the Board of Directors of CORE, a Colorado government economic development partner promoting sustainable business practices.
Local Action for Sustainable Economic Renewal

Bernard Lietaer
University of California, Berkeley, Center for Sustainable Resources

The purpose of this book is to sustainably develop more wealth in a municipal community. The word “Wealth” derives from the Old English word “weal”, meaning well-being (as in “Commonweal”). Wealth can therefore be defined as the capacity to obtain or provide well-being. Developing wealth implies making more choices available to all people in the community to attain wellbeing. Wealth is more than the accumulation of money, and it can be generated in ways other than through conventional financial means.

The obstacles that we need to overcome to create a sustainable city are so numerous, it is intimidating. The options for solutions are similarly varied. The approach that we will try to follow in LASER is to address the systems that create the problems, rather than try to address each symptom individually. Dealing with systems rather than symptoms also tends to resolve the issues for the long run. In contrast, addressing symptoms is an unending process that needs to be continually renewed.

One system that municipal planners rarely see as an option, because they think it is beyond their realm, is the monetary system. It is clear that they have no influence on the national monetary situation, but over recent years there have been a wide variety of complementary currency innovations — operating at the municipal level — that enable us to mobilize resources that would otherwise remain untapped. Such systems have also demonstrated the capacity to change behavior patterns of the citizenry. They include motivating people to help the elderly or to mentor youth, make more ecological choices, or provide meaningful and productive activities to unemployed people. In this Guide, we’ve described the complementary currency systems that have been successfully implemented in communities all over the world. This will give community leaders a tangible place to start if they want to build real wealth locally.
Finally, after working on practical approaches to sustainable development at the community, state and national levels for close to 30 years, this workbook represents the blueprint for a bridge that will span the gorge that traditionally has existed between community-focused development and straight economic development interests in communities around the world. The cables on the bridge are constructed of the multiple forms of wealth that are possible when we address, in a unified way, the fragility of our cultural, natural, and built environments in and around the place we call home. One of the realizations making this possible, and the real strength of this particular workbook, is the growing acknowledgement

**BERNARD LIETAER**, as a senior central bank executive in Belgium, was one of the two principal architects of the “ECU,” the convergence mechanism that developed into the European single currency (“Euro”). In recognition of his leadership as General Manager of one of the world’s most successful offshore currency funds (1987-91), Mr. Lietaer was identified by Business Week as the world’s top currency trader in 1991. Mr. Lietaer has authored several books on money. His first book developed the tools to manage currencies in floating exchanges; another one of his books was the first to announce the Latin American debt crisis of the 1980s. More recently, he published *The Future of Money*, available now in seventeen languages, and *The Mystery of Money*, now available in four. He has authored with Stephen Belgin *Of Human Wealth: Beyond Greed and Scarcity*, to be published in the United States this year.

**Wayne Fawbush**

*Economic Development Consultant*

Finally, after working on practical approaches to sustainable development at the community, state and national levels for close to 30 years, this workbook represents the blueprint for a bridge that will span the gorge that traditionally has existed between community-focused development and straight economic development interests in communities around the world. The cables on the bridge are constructed of the multiple forms of wealth that are possible when we address, in a unified way, the fragility of our cultural, natural, and built environments in and around the place we call home. One of the realizations making this possible, and the real strength of this particular workbook, is the growing acknowledgement
that there are multiple strands of wealth present in a given community, and when
they are interwoven their strength is far superior to single strands.

As a state legislator in Oregon, I watched with increasing frustration as com-

cmunities, both rural and urban, were abandoned — either because their resourc-
es were depleted, they were isolated from a freeway interchange, or they lacked
the modern infrastructure demanded today by globally competitive business
interests and the government agencies that cater to them. In a world of finite
resources we are finally coming to understand that cooperation/collaboration
between interested parties, even competing interests, is the way to make the best
use of our resources and create lasting wealth.

WAYNE FAWBUSH served for 16 years as a state legislator from rural Oregon.
During that time he owned and operated a commercial pear and blueberry farm. He
was an early advocate of using networks within industry clusters as efficient
development tools, especially when applied to the natural resource base in a
region. He created the Oregon Wood Product Competitiveness Association that
enabled secondary wood producers throughout Oregon to pool their resources.
He led the effort to pass the first comprehensive energy home efficiency legisla-
tion in the country.

Wayne served as the Deputy for Operations for the Farmers Home Administra-
tion Washington, D.C., where he managed the Northwest Timber Mitigation Act.
He coordinated the Federal response that resulted in seven Federal agencies and
the three western states agreeing to implement a program valued at $10-14 bil-
on. The agreement facilitated the cooperation and the sharing of resources be-
tween the Federal agencies states, and local governments that effectively allo-
cated resources to the most impacted rural communities.

For the past nine years, Wayne served as the Director of the Vermont Sustain-
able Jobs Fund, which was dedicated to helping rural communities and busi-
ness prosper through collaborative pooling of resources. The Jobs Fund
created several successful rural clusters in the forest products, food produc-
tion, and rural service industries, and initiated several buy local campaigns.
He is currently working with Regional Technology Strategies in North Caro-

lina on cluster development practices in rural Pennsylvania, Newfoundland,
and Oregon.
Empty storefronts, vacant commercial buildings, abandoned and substandard housing — all signs of a local economy in trouble. Yet the symptoms often go unnoticed until a large employer closes its doors. Then the ripple effects cascade into the community: families break up under the stress of unemployment, increasing poverty strains social services, and smaller enterprises suffer from a lack of customers.

In some communities high unemployment and poverty are a way of life — a vicious cycle of poor nutrition, lack of education, and lost opportunity. The desperation of chronic poverty forces people to overexploit the local natural resource base, undermining the very assets that might help lift them out of their situation. Forests are clearcut, coral reefs sold to tourists, reindeer herds slaughtered, agricultural land overworked, minerals stripped from the land. Today, the #1 environmental crisis in the world is poverty.

Yet even in wealthy communities where the economy is robust and jobs are plentiful, people are nervous. Local leaders know that it’s a mistake to count on boom times; they know that a downturn has to come; they need to keep the local economy diverse and keep starting new enterprises so the community can be assured of long-term prosperity.

Given these circumstances, it’s easy to understand why local leaders often look to an outside benefactor to step in and solve the problem. They put enormous energy and resources into attracting investment, large employers, international assistance from foreign aid agencies, and high profile consultants. The solution is “out there.” If a mayor attracts a new company to come to town and hire people, she’s an instant hero. Even in affluent areas, direct investment from outside is seen as the primary way to make the economy grow.
Yet the search for an external panacea ignores several fundamental economic realities:

1) The vast majority of new jobs are created by small and medium sized firms, not large employers.

2) New markets, jobs, capital, technology, and economic expansion are generated when cities start to produce goods and services that were previously provided by distant exporters.

3) Start-up, innovative, entrepreneurial enterprises are on the increase in the 21st Century, while many of the large manufacturers that dominated the economies of the 19th and 20th Centuries are declining.

4) Local long-term wealth creation and economic security are dependent on local ownership of productive capacity; simply receiving wages for employment while the profits are exported to distant corporate centers robs the local economy of the capital it needs to succeed.

5) An over-reliance on export-led development will undermine the long-term economic health of a community. Equal attention must be paid to local needs and markets. Similarly, communities that develop local exchange systems and reduce reliance on the national currency can enhance long-term local wealth creation.

6) Companies that are not locally owned are much less sensitive to community needs and environmental conditions, and can make communities vulnerable to sudden downturns when one large externally-owned or managed employer cuts back or goes out of business.

If the traditional strategy of attracting direct investment from outside the community or overseas is a false promise of easy riches, mobilizing local resources for local economic renewal will test the ability of local leaders to create conditions where new local enterprises can take root and succeed. It requires tenacity, flexibility, open-mindedness, and a willingness to take risks and try new things. If you have any of these characteristics, and want to build real wealth for your community, read on.
Organization and Leadership

The Roles of the Public and Private Sectors

Mobilizing people, distributing resources, and engaging in productive activities takes leadership. The leadership must come from both the public and the private sector, as both provide important leadership for local economic renewal. To set the overall direction and lay the foundation for a successful local economy, we collectively make public policy and investment decisions. These include the creation and management of public infrastructure — roads, sewer systems, water supplies, electric power, communication systems, transportation, housing, hospitals, schools, universities, etc. — as well as monetary policy, rules for banking and insurance, regulations that protect public welfare, corporate law, investment rules, and tax laws.

The other important parts of the economic renewal system are the initiatives introduced by the private sector: the investors and entrepreneurs who develop products, bring them to market, hire employees, and manage the business so that it is profitable, environmentally sustainable, and socially responsible. They need access to resources, skilled workers, capital to create productive capacity, and a predictable institutional and legal framework. They also require a stable government that supports innovation and creativity, functional financial systems, and public health, education, and welfare.

One way to illustrate how the public and private sectors fit together is to see the economic renewal system as a bicycle. The front wheel and steering column are the public aspects of the development machine — the priorities and policies of the public and its leadership, and the public services we collectively provide to support universal human rights to health, safety, education, and welfare. Guided by the vision and powered by human needs, this part of the bicycle sets the course.

People’s real needs also drive the market economy, creating the demand for products and services...
that are filled by for-profit and non-profit organizations. These private initiatives are only possible in cooperation with the public sector — without support from the community and the government, there is no context for private activity. Businesses could not make a profit if they were responsible for providing all the infrastructure they rely on to exist: roads, energy networks, communication systems, and legal frameworks that set the rules of engagement and resolve the inevitable conflicts.

Learning to drive a bicycle can be difficult — it takes coordination and balance. It’s important for the driver to select the right gears when moving up and down hills; the same strategy doesn’t always apply in hard times and good times. When all the parts are working together — the driver has the right idea about where to go, the tires are properly inflated, the gears and brakes are working properly — it is possible to get somewhere. But if any of the component parts are not working, or if the driver is on the wrong road, the whole system suffers.

Success is defined by the destination; a shared vision for an economic system where all the human needs can be effectively satisfied within the carrying capacity of the local environment gives leaders a way to move forward. To create this vision and mobilize the public and private efforts that are needed, different types of community organizations can be created and supported to pursue the effort on a broad scale, with full community participation.

Local Models for Economic Renewal Organizations

Local governments can mitigate the pinch of an economic downturn by anticipating and planning for it before it overwhelms the community as a whole. They need to play a leadership role in setting economic policy and enabling the creative forces in the private sector — both for-profit and non-profit — to innovate and be productive. Sadly, in many jurisdictions this leadership role is not taken or, even worse, the local government is perceived (sometimes correctly) as the main impediment to a prosperous economy. Local governments can be impediments in three ways: 1) if they feel it’s none of their business to interfere in the economy and leave it up to the market and private enterprise; 2) by inter-
ferring too much and creating real obstacles for businesses and organizations with tangled permit processes, lengthy delays, or corruption; and 3) by not providing the leadership to create adequate infrastructure.

Many more progressive local governments, even small ones, have invested in *municipal economic development departments* as one way of providing this leadership. Creating professional staff positions that support economic renewal enables the municipality to work with businesses to:

1) develop business plans,
2) identify new markets, and
3) develop space and facilities for start-up and growing companies.

Economic development staff continuously review the ways in which the municipality interfaces with the economic sector:

- Regulatory permits
- Land use laws
- Municipal infrastructure
- Financing and equity for business start-ups and growth
- Local exchange systems
- Support for business networks

Other communities have established quasi-governmental, *non-profit community development corporations* to fill some of these functions. These corporations often have a board of directors that includes representatives from the municipality as well as other community leaders — bank presidents, CEOs of local companies, religious leaders, social service agencies — anyone who has an interest in the well-being of the community. Being outside the municipal government can sometimes make it easier for the organizations to raise funds from other sources to hire the staff and create programs that enhance the local economy.

Still other communities rely on *business networks and industry coalitions*, like the local Chamber of Commerce, for all their economic development activities. These groups are usually formed by leaders in the business community, and play the
dual role of initiating new economic development activities and promoting the existing businesses. They do this by:

• Producing marketing materials for the community
• Compiling business directories
• Helping similar businesses get to know one another through networking events and programs
• Providing links between businesses to enhance local trade
• Creating business exchange through commercial barter systems
• Advocating for public policy and infrastructure

Finally, some communities combine different parts of all of these organizational forms through public-private partnerships, intending to bring all the important players in local economic development together to foster wealth creation and local prosperity.

Any of these organizational forms can be effective so long as they serve several functions critical for local economic renewal to succeed:

Franklin County, Massachusetts

Economic Renewal Strategies for the 21st Century
— L. Hunter Lovins

In 1974, a group of citizens in rural Franklin County, Massachusetts, set out to study the local impact of rising energy prices. They found that the average person was annually spending $1,300 buying energy. This amounted to $23 million per year, which equaled the payroll for the county’s 10 largest employers. Before the oil embargo price increases, a dollar would circulate in the county 26 times before it left to buy something outside the county. By 1980 it circulated fewer than 10 times. The lowest official forecasts showed that in 15 years the county would be four times worse off.

The study described options in both energy efficiency and renewable energy: How to fix buildings so they used less energy; how to use solar, wind, and micro-hydro plants to provide electricity; and how to provide liquid fuels for vehicles from wood methanol. Needed equipment could be made in local machine shops. The cost of implementing these alternatives would have been $23 million per year — the same that they were then paying for energy — but the money would stay in Franklin County.

When their options were laid out this way, county residents listened and were willing to act. Subsequent studies found that more than 90 percent of county residents polled in 1980 said they had reduced their energy use since 1974. Weatherization projects had cut energy use in half in more than 200 homes. Energy audits saved an average of $560 dollars per audited home per year. Total energy use in the county did not
1) Foster local ownership of a community’s productive capacity through equity the community creates in the enterprises they have built, and through equity in other local enterprises.

2) Provide technical assistance to both for-profit and non-profit leaders who are interested in starting or growing new ventures. This technical assistance ideally includes business planning, market research, facility selection, feasibility studies, and supply chain information.

3) Link new enterprises with financing and investment that meets their specific needs, and possibly serve as a lender of last resort or a microlender for start-up ideas that may not be appealing to traditional lenders.

4) Provide educational programs for business skills, leadership training, and remedial education programs where necessary — literacy, life skills, and basic education.

5) Network new and existing businesses so that local producers can find other local suppliers, share experience and talent, conduct joint marketing campaigns, and develop new markets.

6) Create and maintain the public infrastructure necessary to support business, organizations, and public agencies that provide jobs, income, and economic security.

7) Continuously improve the interface between the public and private sectors, so that permitting processes don’t create unnecessary obstacles for new ventures, and so that the business community recognizes and supports the various policy objectives that are met through government action and intervention.

grow during 1976-78. Many farms installed solar and other renewable energy options, while the county utility invested in wood energy and in micro-hydro facilities.

Despite this success, many businesses closed due to the national economic malaise. In response, citizens created the Franklin County Community Development Corporation to support sustainable small business growth and, recently, organic food processing firms. During its 25 years of operation, the Corporation has helped create over 1,400 jobs through 250 small business loans, and has developed the Venture Center business incubator (1989) that houses the Western Massachusetts Food Processing Center.

Opened in 2001, the FPC provides technical services, best practices, and physical facilities in support of sustainable local agriculture. Farmers who want to add value to their crop by preparing food for the retail and wholesale markets rent FPC space and equipment. The FPC is equipped to produce many different types of food through its cold and dry storage facilities, a commercial kitchen, and a packaging area. The FPC helps to support local agriculture and adds jobs and revenue to the area.

And the great work continues. Social entrepreneurs of the Pioneer Valley Photovoltaics cooperative in Franklin County launched Solar Partners in 2003 to assist homeowners, businesses, and institutions with solar electric installations in four counties. Citizen donations and $350,000 from the Massachusetts Renewable Energy Trust will support the installation of 50 kilowatts of photovoltaics.

Sources:
Rural Local Initiatives Support Corporation: www.ruralisc.org/fecdc_strategies.htm
Franklin County Community Development Corporation: http://www.fccdc.org/FoodProc.htm
SolarBoston: www.solarboston.org/cluster%20map.htm
Perhaps the most critical function of all, and one that is a prerequisite for any of the above to succeed, is to develop a shared vision and strategy for the economic well-being of the community. This takes careful planning, and to be done properly will require the involvement of the government, the economic stakeholders, and the general public. The research, advocacy, and planning that follow should ensure that all subsequent economic renewal work fits into an overall framework supported by all the parties.

**Leadership Development**

Bringing a community together to develop an economic renewal plan takes a new kind of leadership, characterized by a deep commitment to community service, with skills that have not always been developed in more traditional forms of leadership. The word “leader” can tend to make people think of the Alpha Male — strong, directive, hierarchical, powerful, the general leading the troops, the CEO commanding a huge corporation. Yet sustainable economic renewal, that which builds the prosperity of the entire community, needs a different kind of leader, with different skills. The new leadership is collaborative, inclusive, and dedicated to serving, rather than controlling the people involved. In this model, many different people will take on leadership roles. So, when your community is initiating a process for economic renewal, it is advisable to begin by cultivating some of the leaders you will need to see it through.

**Stakeholder Recruitment and Training**

The first step in the process of developing the necessary leadership is to identify and recruit the stakeholders from the community who have an active interest in a sustainable future. The question then arises of who is doing the recruiting, and where the Stakeholder Group will derive their legitimacy. No matter who you are — mayor, municipal employee, business leader, community activist — you need allies to get a major planning effort started. So if reading this book is making you think that this is exactly what your community needs, you will need to recognize now that every long journey begins with taking a few smaller steps.
**Step One  Gather the Core Team**

The first step is to identify at least two or three other people who agree with you about the need for an economic renewal plan, and work from there to recruit a Core Team who are willing to work on seeing it through. The Core Team could be as small as three people, but shouldn’t be much larger than seven to ten. It should include people who have credibility within the community, and will ideally reflect experience in different sectors such as business, government, and civil society. The Core Team should agree on the general direction of the project, and work to become a functional unit before reaching out to the rest of the community. At a minimum, those you select for your Core Team should have thoughtful and optimistic personalities, good interpersonal skills, and a capacity to have fun together while getting hard work done.

Consider the following sources of potential candidates:

- Local activists within or outside local government
- Members of governmental boards or commissions
- Leaders of organizations dedicated to community improvement
- Local Service Clubs: Rotary, Lions, etc.
- Local youth leaders
- Businesses that benefit most from a healthy community
- Leaders of Faith Communities

In addition, think of some character traits that you will want in your Core Team: people who are energetic, intelligent, upbeat — in short, people who will strive to see a vision implemented despite any barriers. These personality traits are more important for your Core Team than membership in any particular group or profession. (Later, you will be identifying a Stakeholder Group which will provide the balance essential to the eventual success of the project.)
Once you have identified between ten and twenty candidates, approach the ten who you think would be the most engaged. Discuss with them the idea of working together for one to two years to improve the local economy. Make sure you have a clear presentation of the LASER approach, and why you believe it will be useful in your community. Review the resources available on the LASER website, including the planning materials that other communities have already developed and stored there, and use them to strengthen your presentation.

Don’t mislead the candidates about the commitment that will be required of everyone — it does not help if you get specific people to sign up, only to have them drop out soon afterwards. Remember, those who are unable to make this kind of commitment can still be recruited for the larger Stakeholder Group. The Core Team needs to be certain that they can rely on having each other to lean on as they move forward. To do this, the Core Team should continue to meet even once the Stakeholder Group is convened, to make sure the project is on track, to fill any gaps that arise, to continue to serve as the key advocates for the process with decision-makers, and to be the voices defending it in the media against the critics that tend to appear when anything new is initiated.

The initial responsibilities of the Core Team include:

1) Identifying the scope of the project
2) Developing a budget and planning schedule
3) Recruiting a Stakeholder Group
4) Identifying the other plans and processes that need to be integrated
5) Preparing the materials and presentations that will be used to invite others to participate.

**Step Two Recruit the Stakeholder Group**

Once the Core Team is established and you’ve defined and secured some of the resources for the planning process, the next step is to pull together a Stakeholder Group. Stakeholders for an economic renewal initiative are people who have an interest in improving the economy in the community you are engaging in the planning process. A Stakeholder Group gathers a representative number of these interested parties together — usually 30-40 people, but it may be as many as a couple hundred, depending on the needs of the community. This group will provide the leadership in creating a shared vision and plan for local economic renewal.
In addition to including a broad cross-section of the community, the Stakeholder Group can include all the various town leaders — department heads, for example, and the heads of significant local institutions. They all will benefit when others see the links between what they do and the value they add to the community as a whole. For example, the manager of a new public recycling operation and solid waste management system might be able to show how this basic infrastructure attracts new businesses. The different community leaders can also offer a lot of valuable information on the assets, policies, and plans that will contribute to the economic renewal strategy.

Because the task of the group is to develop a vision and a plan that includes all the different community perspectives, these perspectives should be reflected in its membership. It can, however, be a challenge to ensure that the Stakeholder Group is broadly representative of the community as a whole. It is very important that the group not be perceived as belonging entirely to a particular political party, or ethnic group, or socio-economic class.

In communities where divisions run deep — perhaps a past history of racial or ethnic conflict, or sharp differences between the rich and the poor — one technique that has proven very effective for Stakeholder recruitment is the Concentric Circle process. This is a participatory recruitment process, rather than relying on the knowledge and contacts of a few key community leaders. The Core Team begins the process by recruiting individuals who have a high level of credibility in each of the different groups that must be represented, including ethnic, racial, and religious groups, businesses, political parties, youth, elderly, public employees, and civil society organizations. Each of these people in turn will ask one or two people to attend a meeting where the process is described and people make commitments to participate further.

At this first meeting, the people in attendance are asked who, from their perspective, is missing from the group. A list is compiled, and the participants are then encouraged to call the people they know who they feel should be participat-
ing. A second meeting is convened, and the process is repeated. This can be done as many times as is necessary to ensure that everyone who needs to have a voice in the process is involved. The more that a given community has been torn apart by division and conflict, the more meetings may be needed. Don’t worry too much if it seems the overall number of people is getting unwieldy; in practice, it is a lot less difficult to facilitate a large group of people than it would be to carry out a community process which is perceived as illegitimate because it is controlled by a small group of “the usual suspects.”

When attempting to form a representative group of Stakeholders, it can also be a challenge to recruit members of the business community. There are many reasons for their reluctance to engage in public process — lack of time, suspicion of government’s motives, and a lack of a clear benefit to them for their efforts. Public purpose meetings and activities also tend to lack the same definition and decisiveness that business leaders prefer, so the experience can be quite frustrating for them. And yet, their participation is critical for the success of any economic renewal effort.

To recruit business leaders to the process, you need to understand what will motivate them. They often pay more attention to other business leaders than they do people from government or community organizations, so if a prominent business person is recruited early on, you can increase the likelihood of others becoming involved. If there is a way for you to give them credit and publicity for their involvement, this will also appeal to their interests. Be prepared to take some additional time and effort to meet with different business people, get their feedback and suggestions for how the process should work, and help them understand all the benefits of a more vibrant local economy.

You may want to set up special meetings initially for the business group, to help them feel at home in the process and have a voice in the way it is structured. This may mean meeting for breakfast instead of in the evenings, for example, and having very specific and short agendas with clear outcomes. Empowerment — the clear connection between what people suggest and decide and the way a public process works — is one of the most successful ways to engage people and keep them engaged. Disempowerment — overriding decisions that don’t fit with the style of city leadership, reversing course midstream without consultation — is an equally sure way to make people drop out of processes like this.
Step Three  Develop Group Process Skills

Once the Stakeholder Group has been convened, it is critically important that they develop a shared idea about how they will work together, how meetings will be conducted, what the planning schedule will be, and how conflict will be resolved. To this end, they should participate in at least a short training in skills that are critical for effective group process. These include:

- Listening and Communication
- Systems Thinking
- Introducing Change
- Group Facilitation
- Conflict Management
- Public Participation
- Citizen Advocacy
- Team Dynamics

The Stakeholder Group you have convened is not the first group of its kind, and so you can learn from other groups’ experience. Studies of different groups that have formed for a common purpose reveal a typical four-stage pattern of group behavior. We’ll describe what each of these stages look like, so you can anticipate how the working relationship of your team might evolve.

In the first stage, known as Forming, the people don’t know each other very well. They tend to avoid conflict, preferring instead to defer to others — maybe to a natural leader — and to keep their opinions to themselves.

This only lasts for so long, and the next phase, Storming, might be quite disruptive, depending on the past experience individual members may have had with other groups. In this phase, the gloves come off. People start to make their egos and suppressed opinions known, engaging in conflict, and not shying away from confrontation. This can become so severe and unpleasant that groups break up and stop their work. In a community planning process, you want to prepare people to work together through this phase. Ideally, you could arrange for training on a continuing basis, preferably in a retreat setting, to educate the team in the fine art of communicating authentically and respectfully.

Storming is also an opportunity for the testing of ideas, of listening carefully and respectfully without reacting or judging — all skills worthy of mastery. It
can be very difficult to remember your conflict management skills when tempers start to heat up. Group work will provide the members with many opportunities to practice.

When open conflict does arise in a group process, people soon realize the need to strive for agreement and develop rules for interaction. This is known as the Norming phase — when the group sets standards and rules to manage conflict and encourage progress. Part of the secret to the success of a multi-stakeholder process is to move at least some of this Norming phase to the beginning, so the group can anticipate conflict before it happens, and begin to develop the ways in which they will deal with it to minimize disruption. It’s much easier to do this when people are still getting along than when they’re mad at each other.

After the norms have been established, the Performing phase begins. People now can work together effectively to reach their goals. With the proper preparation at the start of any group effort, it is possible to manage conflict as you steer the group toward its shared objectives.
Step Four  Learn to Manage Conflict and Make Decisions

What is conflict? At its most elemental level, conflict is a function of power and of competition. Conflict emerges when there is competition for something — ideas, money, control, space, affection, time, or resources, to name a few. Conflict is inevitable in any group process, and the course it takes can either reinforce a healthy group dynamic or serve to undermine it. Conflict is not the same as violence, and yet the two concepts are closely linked in our mind, which is part of the reason that we are so conflict-averse as a rule.

Violence is defined in the dictionary as “involving great force, or strength, or intensity.” In the context of human relationships, we define violence as any interaction in which one party imposes a dominating force on another person or group of people. The language and practice of domination includes actions and words that impose blame, judgment, unilateral direction, force, coercion, and/or power over someone else. Domination compromises the well-being of others by denying them an equitable voice in decisions which affect them, and by using power to change people against their will and/or best interests.

To create real economic renewal, the means must be congruent with the ends. With this in mind, the group leading the effort must provide for the peaceful, democratic resolution of conflict. All teams must recognize the need for non-violent approaches to relationships, both within their groups and in the community at large. Moreover, the members of these groups will need to accept a responsibility for helping community members to communicate peacefully, no matter how impassioned they may be.

The process upon which you are embarking involves making tough choices between different values, from widely different points of view. This is bound to engender conflict. Conflict isn’t necessarily negative, however; it is an inevitable part of any group process. Working through conflict — rather than avoiding it — can lead to progress on even the most sensitive of topics, including race, social and economic inequity, and other issues of power and voice.

The key to making conflict a positive force in group dynamics is to recognize that it is inevitable — not an unexpected and unpleasant phenomenon to be avoided at all costs — and to plan for it in advance. This means adopting some conflict resolution rules at the outset of a group process.
It is also helpful to have decision-making structures articulated in advance, so conflict won’t emerge simply because the decision-making process is unclear or ineffective. The exact form the conflict resolution and decision making procedures will take will vary depending on the group involved, and the constraints it is under. Part of any conflict management procedure should be a clear articulation of the Vision Statement, mission, and conflict resolution criteria. Achieving agreement on these matters in advance makes it possible to guide decisions through any later conflict that may arise.

Of course, the successful functioning of your groups will often depend on the abilities of those who facilitate them. It takes skilled facilitation to get a diverse group of people to come to a collective decision about important issues. Think how many years our elected representatives serve in their legislative bodies, for example, before they are considered able to be the Prime Minister, or Speaker of the House, or Moderator. Yet a few basic considerations about the content and structures of decisions can help even relatively inexperienced facilitators guide the group into effective decisions.

There are several elements of a decision-making process, and facilitators can work to make sure that each idea that is submitted to the group for a decision is considered as thoroughly as possible:

1) **The proposal.** People need to feel as if they can make a proposal to the group for consideration. You may want to identify what the elements of a properly offered proposal should be.

2) **The debate.** Once a proposal has been made, people will want to offer their opinions about it. Offering rules for how the debate will occur (how long people can speak, etc.) is often a good idea.

3) **Modifications to the proposal.** Often the debate will unearth useful insights and the original proposal will be modified. The process for amending proposals can be formal, as is articulated in Robert’s Rules of Order, or informal, but the amendment process should be clear.

4) **The decision.** There are many ways to make decisions as a group, from simple democratic voting to consensus to consent. Whichever method your group is going to use should be clarified and explained to participants at the outset.
Participatory Visioning

New strategies to improve the local economy can be initiated in many ways. But any sustainable, long lasting change will depend on the people themselves. Plans for local economic renewal must be developed by the people who will carry them out, or they will fail. But be careful: if your group focuses immediately on programs and strategies, the process will quickly devolve into arguments about priorities and limited resources. It is important that you first create a shared vision for the community as a whole, one that looks into the future and captures the collective aspirations of the people. To achieve the goal of a democratically-created local vision, you will need to inspire and motivate your fellow citizens — not only to support the vision, but to take an active role in defining it.

A Vision is a positive forecast of the way we want the world to be, an affirmation of our values and hopes, an image of our destination to guide our journey. The language of the Vision must be simple enough so anybody can understand and get excited about it. It must reflect shared values and convincingly depict a community changed for the better. The process of defining your Vision should be future oriented, and allow people to bring their imagination, their creativity, and their hearts.

When visioning processes work, they motivate people... motivate them to conceive new ventures and new activities, to create unexpected opportunities that would not have arisen if it weren’t for the collective creativity put to work and the new connections made. Visions that reflect the community’s aspirations can generate goals that people will want to work for, and make it easier to develop practical strategies and targets.

How is it possible to articulate a shared vision for an entire community? This is a huge task, and one that can easily fail if you don’t take the time to engage the whole community in the process.

Not only must a Vision reflect the core values of the people, it must come from the people. A vision statement drafted by a few people in leadership — even with the best intentions — will never engender the sense of unity and common purpose that comes from full community participation.
Even if the Vision is properly developed, truly reflecting the hopes and aspirations of the community, it can still fail in its purpose if the leaders don’t “get it” — if they see it only as words on paper. A leadership that gets it will respond to the vision of its community with excitement and a sense of possibility. Among citizens, likewise, an inspiring vision statement can create a wellspring of energy and commitment.

Creating Excitement and Momentum

What motivates and inspires people? A day at the races, with its extremes of stimulation and risk... a festival, with its spirit of shared celebration... a sumptuous meal that pleases the senses... a scientific breakthrough reflecting intelligence for the common good... the Olympics and their tribute to peak performance... an act of political courage that restores trust...

All these things can engage one’s sense of meaning and potential, while also providing an emotional and aesthetic experience. The right blend of the festive and the serious is most compelling, and bold, inspiring actions will draw out

Morrisville, Vermont

Inclusive Economic Development in a Small Town

— Wayne Fawbush

The Town of Morrisville, Vermont is a rural community of 7,500 people, with a historic downtown located at the intersection of two highways. In 1999, Morrisville decided to take control of their future through a shared visioning and strategic planning process. This initiative provoked a lot of interest, due to a number of troublesome issues the town was facing:

• there were overlapping governmental jurisdictions between an incorporated village and a separate town government

• the village owned the power, water and sewer for the area; the sewer system only served the village, while the town was using on-site septic systems

• the resort community of Stowe — 9 miles down the road — was driving low wage employees into Morrisville because of its lower priced housing

• big box retail stores were coming and going, causing disruption and uncertainty.

The town held a well-attended forum for the purpose of creating a shared Vision. The result was a multi-faceted development plan for the community. Four working groups were formed to carry out the work after the initial public sessions.

Many communities go through planning processes and come up with work products that make sense.
people who can help to achieve it. In every stage of your activities, from initial surveying to the final adoption of the plan, you can draw on the creative and spiritual resources of your community through the arts, celebrations, challenge, friendly competition, and even humor.

The basic premise of this approach is that genuine community transformation is built on vision, imagination, courage and other human qualities that unite us across our differences. People do not necessarily get excited about a meeting to discuss new types of loan funds, but they do care about preserving what is special about their home towns. They care about their own ideas being heard in the process.

Historically, meaningful change has often followed a fundamental cultural shift led by people who captured the hearts of a broad group of followers. This applies to faith communities, of course, but it goes much further. Inspiration is a spiritual experience, as is courage, and wisdom, and compassion — all critical elements of creating a new sense of community. Engage people on the basis of their faith in the future, their concern for their children and grandchildren, and their love for their neighbors, and you won’t be able to stop it.

Planning is a well-established process, and most developed regions have organizations or consultants who can come in and facilitate visioning sessions. The problem has always been the morning after. “We got this great plan, but we all have jobs or other commitments. I can help after work and weekends, but I cannot be responsible for running the program and keeping in touch with all the other things going on!” How many times has that been said by hopeful, but frustrated, local citizens?

In Morrisville’s case, the town made a commitment to hire a part-time facilitator to manage the implementation of the Vision. Today all four working groups are operating independently. Because the town already had a person focusing on community issues, they were ready to proceed once the specific concerns and objectives had been clearly identified.

With foundation and state support, the facilitator began the difficult process of bringing the town and village together to address the issue of expanding the sewer beyond the village into the developing areas in the town. This subject became a focus for all the pressing issues between the two jurisdictions, and some very sensitive history had to be worked through. After four years, the two groups are now working up a joint solution.

As the Town of Morrisville has demonstrated, even small communities can participate in an active economic development initiative by incorporating native talent and facilitating an ongoing process of discovery and decision-making.
Asking the Right Questions

A Vision helps unite people by identifying what people truly care about, creating shared meaning and purpose. In developing a community Vision, citizens will have many opportunities to consider what is important to them personally and collectively. When the public has successfully understood these points, they will usually support the strategies and activities that the Vision suggests.

Establishing a campaign theme can help to galvanize public interest in creating a Vision. Seattle Washington, for example, named their initiative “Sustainable Seattle”. Many communities pick a year on the horizon — maybe 20 or 30 years in the future — and incorporate that. Hamilton, Ontario calls their effort “VISION 2020”. All your efforts at this stage will emphasize the future of the community.

One of the first tasks the Stakeholder Group can take on is to develop a set of questions to elicit meaningful feedback from the community about economic renewal and the future in general. This is not so much to gather data as it is to identify hopes and dreams (the data will come later). The questions should be broad in nature, but can also touch on specific issues. The important thing is to keep them open-ended and positive. In this way, even comments about problems can contain the seeds of their own solutions as people bring them forward. The following visioning questions were used successfully by the City of Calgary’s imagine Calgary Project:

- What do you care about in Calgary that you want to pass on to future generations?
- What is it like for you to live here?
- What changes would you most like to see?
- What are your hopes and dreams for Calgary in 100 years?
- How could you make this happen?

Notice how the questions are positive, action oriented, and personal. This is the type of inquiry that will elicit the most useful information.
As noted earlier, your planning project will gain real political support if the broader public understands and supports it. The Stakeholder Group should identify messages they want each member to convey to his or her own constituency, from business to labor to youth to neighborhood interests.

Beyond this targeted approach, broad community involvement is also essential. To create this, you need to make creative use of a variety of resources, including mainstream and community media, publicity efforts, events, and visuals. This public participation campaign will establish the spirit of genuine two-way communication, if you can create a buzz and find new ways to listen to people at the same time. Here are some examples:

**Invite ideas** – Put up a big suggestion box in front of town hall, and ask a popular radio commentator to read a suggestion each week. Have an essay contest on topics related to a changed economy — what are the jobs of the future in the community, or how your community could be the “______ [Fill in the blank] Capital of the World”.

**Create an online buzz** – Start a community-wide internet listserv. Develop a web page on which anyone can contribute their thoughts, events, and community building ideas. Do training with local high school students on using LASER or other interactive software, and ask them to help their parents get involved.

**Town Hall Meetings** – Facilitate the organization of citizen-led meetings to mobilize public participation in identifying community priorities. Elect representative community development groups to plan local initiatives and build dialogue and cooperation with local governments.

**Good news** – Start sending press releases to local papers, telling them about good things that have happened and people who have made a difference — from the students mapping their stream resources to the elders teaching literacy downtown.
As your sustainability initiative generates ideas and makes people aware of the good work already going on, this can become a steady source of good news. Follow up with reporters and editors, and keep your eyes open for advertising sponsors to underwrite their coverage.

**Art** – Pull together a group of artists in your community for a public art event to create the future. Find a big canvas that everyone can draw on. Make musical instruments available for improvisation. Bring recycled materials for people to make sculptures. Have lots of food and activities for young children.

**Celebration of Assets** – Every single community has something it can celebrate. Find an excuse for a party, line up some local sponsors, and celebrate what the community will look like in 5, 10, or 20 years. A futuristic birthday party. Have a parade. Invite politicians to dress like they’ll look in 15 years. Invite young people to be the politicians for a day. Make a huge paper maché statue in the middle of town to commemorate the celebration.

**Challenge** – People like a challenge. They like friendly competition, and demonstrating what they do well. Sponsor a prize for the local business with the highest score on social responsibility. Give awards to people who have made the world safe for our grandchildren.

**Humor** – Find ways to make people laugh, from street theatre to standup comedy. The tough issues facing communities may not be funny, but our mistakes dealing with them usually are. The sustainable development world has been preaching environmental disaster as a sole motivator for far too long. People are not motivated by fear and guilt as effectively as they are by hope and novelty.

The main message about engaging all sorts of different groups that can be considered “the public” is to go to them and meet them on their terms, rather than having them come to you. Ask to be put on the agenda for their regular meetings; attend the festivals and functions; get invited to speak at their clubs, churches, synagogues, mosques, and community suppers — all of these are as important as holding meetings at city hall.
For the business community, this couldn’t be more true. To achieve significant gains in local economic renewal, you will need to engage with the business community in new ways. This is a challenge. You need to find the ways in which the business community functions as a group already, and try to fit into that model. Attend the Chamber of Commerce meetings, learn to play golf, speak at a local service organization, find the other industry-specific associations and approach them for assistance.

It is also important to appeal to the things that businesses find important. Find ways to promote those businesses that are participating in your project, such that other businesses want to get on the bandwagon. Full page ads with business logos, news stories about how a particular business is shaping the future of the community, awards to businesses for innovation, future thinking, community service — all of these techniques will help you win credibility and participation from a group that is often slow to get involved.

**Completing the Vision**

The public participation process will generate an enormous amount of information about what people want to see in the future. In the City of Calgary, over 18,000 answered the questions they asked — online, at festivals, in schools, during meetings, on the street, in their workplaces, in their utility bills, in the newspapers. Your Stakeholder Group will have to find a way to compile and digest all the information that comes in. The more successful the public participation activities have been, the more daunting this project will be.

It can be useful to enter the information into an online database that can be searched by keyword and category. This will help make sense of the avalanche of answers. The Stakeholder Group might want to set up a subcommittee to read all the information and prepare a report. This subcommittee could also take responsibility for preparing the first draft of a Vision statement.

Once the stakeholders have come up with a draft vision statement, bring it back to the community to discover whether it captures their ideas adequately. Publishing it in the paper with an easy way to respond, discussing it at city council meetings, holding meetings with many of the same groups that contributed at the outset — all of these techniques can help the Stakeholder Group determine if what they have drafted successfully reflects the aspirations of the community.
The Vision should be a short, inspirational, compelling statement about what the community wants for the future. Ideally, it will reflect all the different aspects of community life, not just economic goals. This is because an economic renewal effort will find its most promising initiatives in things that meet the broad spectrum of human needs.

The following document, developed by the City of Calgary for their 100 year plan, is a good example of how a Vision Statement can be worded:

**Calgary 2106**

*Calgary is a city of energy. Energy from the Earth has fuelled our growth, and we flourish with the energy generated by people, by ideas, and by inspiring places.*

The city was founded at the confluence of two vital rivers, which has drawn people here for thousands of years. The powerful union of our Rivers is mirrored in the energy of our community.

*Calgary is a great city because of the connections we make:*

- We are each connected **to one another**. We capitalize on our strength of spirit to generate opportunity, choice, and prosperity for all.

- We are each connected **to our places**. We treasure and protect our natural environment — the magnificence of the mountains, the prairies and the endless sky compels us to build inspiring places worthy of their surroundings.

- We are each connected within and **between our communities**. These vibrant communities — physical, social, cultural — are welcoming, mixed, safe, and equitable. People move freely between these communities and everyone has an opportunity to contribute in a meaningful way.

- We are each connected **beyond our boundaries**, understanding our impact and responsibility to others. We use our wealth and skills to have positive impact in Alberta, in Canada, and across the world.

This city was created on purpose. Through passion, commitment and determination, we have created a vibrant and resilient city. Calgary is not just a great place to make a living, but a great place to make a life.
Chapter Summary

Initiating a community-based economic renewal strategy to create and sustain real wealth requires local ownership of both the planning and the implementation. The central idea is to put the economy to work to enhance our social and natural systems. In this way, we increase not only the carrying capacity of the local environment, but also the caring capacity within the community. It’s a simple concept, but it challenges the ways most economic development decisions are made right now, so don’t underestimate how difficult it might be to put into practice.

The key to overcoming the difficulties inherent in any type of community change is to enable the ideas and energy for the new initiatives to come from the people themselves, rather than trying to impose the vision upon them. This is why a broad based community mobilization effort is needed at the outset, so that the people in the community own the new way of doing things.
imagineCalgary Creates a Vision

— Gwendolyn Hallsmith

Calgary Alberta is a city of over one million people. When they were confronted with the need to develop a shared vision for a city that large, using broad-based public participation techniques, they felt initially overwhelmed. The model they had followed in the past was to have the city leadership frame the issues and mold the direction for the community — widespread public engagement wasn’t the norm. Eventually, however, they rose to the challenge, and imagineCalgary was born.

Using techniques that ranged from wacky contests to guerilla PR, they got the word out. When the Queen came for a visit, 10,000 people showed up to greet her. The team from imagineCalgary was there too, handing out visioning surveys and taking people’s input. They set up Imagineer Lemonade Stands on the downtown pedestrian mall during the hot days of summer, and gave out free lemonade for people who filled out the surveys. Surveys went out in the municipal utility bills, and were found on table tents in restaurants, in the newspaper, and in schools. The Mayor held a Mayor’s Expo for youth, and young people from all over the city answered five open-ended questions about the future: what they cared about that they wanted to pass on to future generations, what they wanted to change, what it was like to live in Calgary, what ideas they had for the future, and what they were going to do to help.

An advertising campaign over the summer of 2005 invited Calgarians to add their voice to the vision. By the end, over 18,000 Calgarians had responded. In addition to the techniques mentioned above, people participated by:

✔ Answering online at imagineCALGARY.ca, completing the questions in of one nine languages.
✔ Responding at imagineCalgary displays at festivals and events throughout the summer and fall of 2005.
✔ Taking part in the “Generation Gab,” in which youth volunteers interviewed more than 150 business, community and civic leaders in Calgary.
✔ Attending visioning sessions with more than 60 groups from a broad range of diversity communities. Included were ethno-cultural groups, seniors, low income, urban aboriginals, and those with disabilities.
✔ Attending visioning sessions with no fewer than 70 youth groups.
✔ Attending visioning sessions with about 30 internal groups from the City of Calgary.

The imagineCalgary team estimates that over 100,000 people came in contact with the surveys, with about 18,000 contributing their responses. Standard statistics on public participation for surveys indicates that the typical rate of return is about 2%. If this holds true for Calgary, then the number of responses they received would indicate that the figure of those who were aware of the initiative would be more like 900,000 — almost the entire city.
Local economic development efforts have three traditional goals:

- to create new jobs
- to promote a more favorable business environment
- to increase the value of the local tax base

The assumptions built into these goals are:

- all jobs are good jobs
- business development and expansion is the critical strategy needed to create new jobs
- the only form of value that counts is that which can be expressed in monetary terms.

The question of genuine economic security and the creation of real wealth is almost never considered, nor are the assumptions about the kinds of local enterprises that might produce real wealth.

What is real wealth? How is it created on the local level? What can local communities do to build real wealth for local residents? If local economic development initiatives started with these questions, rather than the traditional assumptions, the strategies they would use to achieve their goals might be quite different, and the outcomes far more beneficial to all concerned.

The word “wealth” comes from the same root word as “well” — weal, meaning well-being. In Old English, the “th” at the end meant “the condition of,” so wealth means having the condition of well-being. Real wealth is the capacity to obtain or ensure wellness. We all know that money does not equal wealth, but if having money isn’t the whole answer, then what is wealth? This is the core question that
any strategy for sustainable economic renewal should address: how can the economic development efforts we make actually contribute to the well-being of our community?

We all have heard of people who have lots of money and yet do not have a high-quality life. They may have external wealth but inner poverty. Real wealth involves obtaining sufficient resources to stay healthy, including high quality food, clothing and shelter, while also achieving a sense of long-term security. Real wealth means that, over time, there is adequate access to education, health services, and all the things that make life worthwhile — cultural activities, spiritual development, recreation, and leisure. People who enjoy real wealth also have a voice in their own destiny, and in their government.

If you pursue real wealth creation for the people of your community, you will have to build the capacity to enable them to live high quality lives and achieve their full potential as human beings. This will involve a full understanding of their needs, the capacity of the community to meet them, and the global trends that will affect your efforts.

Global Trends and Local Development

The efforts of a community to increase the genuine wealth of its citizens will be impacted by a number of trends now sweeping the globe. Global warming and climate change, the inevitable transition from fossil fuels, the aging population, the introduction of new technology that displaces workers, increasing instability in world currencies; all of these factors are beyond local control, yet have an impact on the kinds of decisions you can make at the local level. It may seem beyond your control, and certainly the causes of such changes as globalization, or the possibility of a currency crash in the near future, arise far beyond your town. But unless you understand what these trends are, and put in place local measures to shield your community from their worst consequences, your efforts to strengthen your local economy may be swept away. Conversely, these trends
offer an array of chances to increase your self-reliance, create new businesses, reduce costs for existing enterprises, and capitalize on what might otherwise seem unlikely opportunities.

Most people when asked to name a global trend would reply, “terrorism.” Fear of unpredictable attack by people whose motivations we dimly understand, and who seem impossible to deter, is indeed a part of modern life. But if your community acts to create the capacity to confront the trends outlined below, it will make itself much more resilient to all forms of disruption, including terrorist acts. The list that follows is not a comprehensive accounting of all the challenges facing us, but it covers the primary drivers that will determine the success or failure of your efforts at the community level to deliver a high quality of life to your citizens. Bearing these trends in mind will significantly increase the likelihood that your efforts to enable your economy to meet local needs will be effective.

Communities that understand that we live in an increasingly interconnected world can navigate its treacherous waters successfully. Such communities will create new structures to avoid the pitfalls. They know that these global trends also create new opportunities for entrepreneurs to develop new business ideas, products, and services that address the issues presented. Most important, they create the internal capacity to ride the waves of change instead of being engulfed by them. They do this by empowering local people to explore:

- how these larger forces are affecting your economy
- how they may make “business as usual” difficult or impossible
- how you can take action to minimize their negative impacts
- ways to insulate your community from them
- opportunities they offer to enhance the success of your programs

Pretending that the problems don’t exist, and continuing on with business as usual, is a sure way to be swamped when the waves hit home. With these trends in mind you can more safely tap into the creative talent and innovative spirit that keeps our world fresh and inspiring.
Glocal Trends That Impact Sustainable Economic Renewal

Economic Globalization

The globalizing world is bringing new challenges to communities. Trillions of dollars now flow around the planet at the speed of a keystroke. Prices of commodities rise and fall depending on the whims of faceless traders half a planet away. While improved access to other geographic regions might open new markets for products and services that you might produce locally, the low cost of labor in those regions can undermine your ability to compete in this global market.

Communities today are competing with the whole world. Unless they can master the skills to do this, they will find markets drying up and imports flooding their town. The impact of Wal-mart is a result not only of the strength of an American company, but of the ability of China to manufacture very low cost products. As large manufacturing plants close their doors and move operations to countries where labor and resource costs are lower, communities find themselves wondering how to create new jobs that offer the same income as before. Typically, they can’t, despite heroic efforts to lure new companies to town. Many find that even offering ruinous public subsidies, often amounting to millions of dollars per job created, is ineffective.

Advocates of globalization rightly point to its benefits: the spread of such international norms as human rights and democratic control. Free markets are more efficient, modernize out-of-date structures and habits and squeeze out wasteful practices. They give access to goods and services from around the world.

Opponents, though, correctly point out that globalization has worsened the gap between those with enormous wealth and those who live in abject poverty. The global economic system has created real losers, as well as a few winners. Conventional efforts to reduce such crushing poverty are not working. Those who lack the understanding of how to compete with the corporate giants are finding that traditional ways of making a living are no longer viable. But conventional aid programs seem only to entrench the existing disparities and lack of capacity.

Communities will not find a rescuer riding to their aid from outside. If they
are to survive the juggernaut of globalization, they will have to find ways to create for themselves the ability to meet their basic needs. Fortunately, there are a number of better models of development arising. These start the business planning process from the bottom up, as outlined in this manual. They rely on an array of sustainable ways to meet basic needs, such as efficient and renewable energy supplies, green building technologies, efficient water treatment and delivery systems, and sustainable approaches to providing food and health care. In general these approaches rely on the engine of entrepreneurs.

Programs like Chicago Manufacturing Center are enabling small manufacturers to implement more sustainable ways to do business, reducing costs and increasing their competitiveness. In India, the company SELCO is showing how, without subsidies, even poor families can afford solar electricity to provide lighting so children can study at night and small businesses can continue to operate. In China, “Eco-machines” of living plants are cleaning the water in polluted canals, while creating habitat and beautiful community parkways. SEKEM, in Egypt, is using private enterprise to lift thousands of people out of poverty, deliver quality organic food to European markets, and has even created a new University.

The Information Age and its Employment Consequences

The spread around the globe of information technologies, from the Internet to mobile phones, is both a factor encouraging globalization and a trend that will independently impact communities. For example, the ability of traders in an Afghan village to communicate with markets in Europe and America is facilitating the rebuilding of such traditional industries as carpet weaving and dried fruit exporting. But at the same time, commercial communications from the global media are overpowering local cultural activities that are an important element of community cohesiveness. Solar-powered, satellite computer communications can now be provided to every remote village in the world, bringing education, access to health care and a variety of other beneficial services. Powerful information can be available at our fingertips, but the cost of the technology to access it is quickly creating new class structures: the global technoclass and the Internet-less local underclass.
Since the industrial revolution, waves of technological innovation have shifted the basis of prosperity from such traditional industries as textiles to the modern economic powerhouses of computers and iPods. New disruptive technologies have caused the demise of traditional industries. The Digital Age, which has yet to reach many parts of the world, will continue this trend. But, conversely, it also offers opportunities for communities to leap-frog over less attractive technologies, and capture the best that the world can now offer. Just as many developing countries are jumping right to wireless technology, not bothering with land line telephones, so communities that have information can choose to implement the best of the sustainable technologies that are now making up the next wave of innovation.

Businesses, cities, and organizations that are at the cutting edge of the new economy are finding new ways to make old products more efficiently, with less energy and fewer non-renewable resource inputs. They are also using lessons from nature to develop new products that are more resilient and successful than those that corrupt and exploit the natural world. These new products and services are more competitive because they are using increasingly costly resources more efficiently. That saves money, which can in turn go to higher salaries, enhanced community services, better working conditions, and all the things that make companies and organizations places where people like to work.

**Shifting Demographics: Young and Old**

Another trend that illustrates the opportunities for creative leadership at the local level is divergence in the age of the population. More people are living to old age, due to better health services and higher quality of life in many areas. At the same time that the population is aging in developed countries, the number of young people in developing countries is increasing dramatically.

A 2005 report by the Investment Management Consultants Association forecast the following[^1]:

[^1]: Source: *Shifting Demographics: Young and Old*
Global population shifts over the next 50 years will profoundly affect the world’s economic and geopolitical landscape. Three trends in particular have strategic implications for the long-term economic outlook—

- Working-age populations will shrink in most major countries
- Populations throughout the developed world are rapidly aging
- Populations throughout the developing world are rapidly growing, especially in Islamic countries, increasing the number of young people.

The U.S. population will continue to grow in the coming decades, whereas the populations of Europe and Japan will shrink, indicating that the United States will become an increasingly dominant global economic and political power. At the same time, rising birthrates in some of the world’s poorest, most unstable countries will spawn burgeoning populations of young people with limited economic prospects, pointing to growing geopolitical risks and increased terrorism.

In addition to potential geopolitical instability, other likely results of UN-projected population trends include:

- Diminishing aggregate demand for consumer products and real estate as working-age populations in Europe and Japan shrink
- Full employment and labor shortages in industrialized economies (this will benefit per capita incomes but not profit margins)
- Steady growth in demand for consumer products in emerging countries, particularly in Asia
- Continued transfer of manufacturing and service jobs to Asia
- Declining public-sector services in developed countries (the retirement age will almost inevitably rise in advanced economies, real benefits may be cut, and aging populations will put immense pressure on state-funded health care systems)
- Uncertain sustainability of the Euro
- Emergence of western economic problems in China
- Increased urbanization in unstable countries
- The global spread of infectious diseases
- Environmental consequences of rapid population growth in the developing world.
Communities are being forced to find social innovations in both the use and support of elderly people and young people. In Japan and Switzerland, local communities have created new systems for elderly care that increase the resources available and improve the quality of service. Called *Fureai Kippu*, which when translated from Japanese means “Caring Relationship Tickets,” these credits enable families to arrange for regular care for their elderly family members in exchange for services that they might provide to someone else. So, if families are separated by distance, it’s possible to trade the ‘tickets’ in other cities that a family member has earned by donating time closer to home. These notes have transformed the care of the elderly in the countries that use them, making higher quality care available on a low cost neighborhood basis.

One could hope that, with the widespread maturing of populations, the Knowledge Society might evolve into an era that deserves to be called a Wisdom Age. Time will tell.

**Monetary Instability**

Many countries have experienced monetary instability, but there are now signs that the entire global economy may be on the verge of such a dislocation. It is now entirely plausible that the next monetary crisis could be a dollar crash. If this happens it could become the most important financial event in history. Indeed, prior crashes appear not to have been random accidents, but signs of systemic dislocations of the official monetary system. This implies that no country should consider itself immune from such problems: not China, not Japan, not Germany (or even all of Europe), not the United States. Monetary crashes are often accompanied by a banking crisis which compounds the problems created for the communities in the country affected.

The social and economic implications of a monetary and/or banking crisis would be devastating. Cities may feel powerless to do anything about such issues, but many of the unpalatable consequences of such events would end up falling upon the local authorities to solve. There may be little that a local economy can do to relieve the instability, but there is a great deal that it can do to shield itself from the worst effects of a crash.
Local Action for Sustainable Economic Renewal

Local complementary currency innovations [see Chapter Three] can help mitigate national or global instability, and can be implemented before a crisis. Such innovations strengthen local economies and offer a safety net below the official monetary system, whether that system is in crisis or not. Communities have made local products more competitive by introducing such new forms of exchange. These complementary currencies provide an alternate way in which local and regional consumers can pay for locally produced products. They make the local products more affordable and appealing, because consumers are able to save their scarce money for items that can only be obtained in the global market.

In Germany and Austria, local areas are introducing something they call Regios, which are currencies that can be used as a supplement to the Euros. These have played a significant role in strengthening the regional economies where they are used. Issuing Regios gives regions the autonomy necessary to deal with their particular social, economical and financial problems directly, while benefiting regional businesses and services. Usually, the cash spent in big chain businesses tends to flow in the direction of corporate headquarters outside the region, often thousands of miles away. Regios, on the other hand, support regionally-based businesses, strengthening the economy and helping to preserve the unique character of each region.

Climate Change and the Loss of Natural Capital

Every major ecosystem on the planet is in decline. Numerous expert studies have shown that current business practices are threatening the ability of intact ecosystems to deliver such essential services to the economy as pollination of agricultural crops, maintenance of soil fertility, the predictable functioning of the hydrological cycle, and the even support of life itself on our planet.

Environmental degradation can be costly to businesses in many ways. It lowers the productivity of the resource base upon which most businesses, government, and organizations depend. As governments seek to deal with the loss of ecosystems, businesses that continue to pollute or behave irresponsibly will face regulatory fines and loss of consumer support. Conversely, by reducing these impacts, businesses and organizations can save money, both for themselves and for the communities they serve.
In Rotterdam, the city has taken steps to encourage resource saving activities through the implementation of a Smart Card system. People can accumulate ecological credits, or ‘green points’, on their card by using public transit, buying a bicycle, recycling, purchasing energy efficient products, etc. They can then use the points they have earned to purchase other things they need.

One of the natural services that we have taken for granted, but that is now threatened, is the stability of the climate. Human activity — largely the burning of fossil fuels emitting carbon dioxide, and various agricultural and industrial processes that emit such gasses as methane, oxides of nitrogen and sulfur hexafluoride — are causing the planet to warm. Impacts include reduced snow and rainfall, killing heat waves, more and more violent storms, flooding, the spread of diseases, and rising sea levels.

In 2005, the head of the United Nations climate agency stated: “Climate change is for real. We have just a small window of opportunity and it is closing rather rapidly. There is not a moment to lose.” He concluded, “We are risking the ability of the human race to survive.” Numerous studies have shown that the impacts of climate change will fall disproportionately on the poor. Natural disasters like Hurricane Katrina will unfortunately not be isolated events.

The good news is that climate change can be abated at little or no cost, and in some instances at a significant profit. World greenhouse gas emissions could be halved by 2050 at a cost of just 1% of global gross domestic product, according to an analysis by Germany’s environment agency. Without action to restrain emissions, the cost of global warming-linked weather changes could cut world GDP by 10%, it warns.

The European Commission plans to cut energy use 20% by 2020, and increase European use of renewable energy to 12% by 2012. This should reduce Europe’s emissions by a third. The program is projected to save 60 billion Euros, create millions of new jobs, and increase European competitiveness.

Stabilizing atmospheric carbon dioxide levels will not be easy, but it can be done. Using a combination of energy efficiency — especially far more efficient hybrid-electric cars and efficient diesels running on bio-diesel, wind machines, solar electric and thermal collectors, and a shift from an economy based on hy-
drocarbons to one running on carbohydrates — communities can enhance their prosperity, reduce their vulnerability, and protect their environment. Technologies exist to enable the world to shift from using coal and oil to much more benign ways of meeting our needs for energy.

**Strategic Resources:**

Peak Oil and Sweet Water

There are two key resources that our modern lifestyle has taken for granted for at least a century: cheap fossil energy and the availability of sweet (i.e. drinkable) water. There is a growing consensus that the availability and cost of these two vital resources are going to significantly change over the next decades.

World oil prices will only continue to rise. This is in part because China has entered the world oil market, with India right behind it. These two countries recently created an oil buying agreement, seeking to strengthen their ability to secure supplies of an increasingly scarce resource. If the Chinese economy continues to grow at its present rate, and if they use oil as inefficiently as Americans, by 2031 China will need 99 million barrels of oil a day. The world currently extracts 89 million barrels per day, and may not be able to lift more. If China’s coal burning equaled current U.S. levels (nearly 2 tons per person), China would use 2.8 billion tons annually — more than the 2.5 billion tons the entire world now uses. These and a variety of other signs indicate that conventional energy sources are likely to be increasingly scarce and that prices for such commodities as oil will continue to rise.

There is little that local economies can do to reduce the world oil price, but there is a great deal that individuals and communities can do to extract themselves from the globalized energy market. An increasing number of homes are being equipped with solar electricity and heat. It is not uncommon now to have homes that operate independently of the electric grid or interconnect at will. Individuals and communities are setting up small-scale biodiesel production facilities, using waste vegetable oil or the output from special crops. Biodiesel can also be co-produced attractively with ethanol.

In Brazil, 90% of new cars can run on straight ethanol. Around the world efficiency is the fastest growing energy technology, followed by using the sun to
produce heat, followed by wind power. In good sites wind can be brought on line for less than it costs to run an existing coal or gas plant. Even poor communities like Curitiba, Brazil have created public transportation systems that work well and are affordable. Communities like Austin Texas are encouraging “plug-in” hybrid vehicle programs. The University of Colorado runs its bus fleet on biodiesel, and the program spun off a for-profit company that is now making the fuel. In the United States, such organizations as the New Voice of Business, the Union of Concerned Scientists, and the Apollo Alliance have produced studies showing

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**Energy Efficiency for Economic Renewal – the classic story**

— L. Hunter Lovins

In 1974, the Osage Municipal Utility was faced with the need to build a new power plant to meet growing demand. Its general manager, Wes Birdsall, realized that if the plant were built it would increase everyone’s rates. Instead, he stepped across the meter to his customers’ side and helped them use less of his product. Why on earth would a businessman ever do that?

Birdsall realized that what his customers want is not raw kilowatt hours, but the energy “services” of comfort in their homes, shaft-power in factories, illumination, and the other services that energy delivers. People buy energy, but what they really want is the service. If they can get the same or improved service more cheaply using energy more efficiently or from a different source, they will jump at it. Birdsall realized that if he raised his prices, not only would he be doing his customers a disservice, but that they might turn to other options. By meeting their desires for energy services at lower cost, he retained them as customers, and began one of the most remarkable economic development stories in rural America.

Birdsall’s program was able to save over a million dollars a year in this town of 3,800 people, and generated over 100 new jobs. A report on the program found that, “Industries are expanding and choosing to remain in Osage because they can make money through employees who are highly productive and through utility rates that are considerably lower than neighboring cities.” Birdsall was able to reduce electric bills to half that of the state average and unemployment to half that of the national average, because with the lower rates new factories came to town. He held electric growth level until 1984. The program was profiled in the Wall Street Journal, and was copied by other utilities.

According to a USDA study of Osage, “The local business people calculated that every $1 spent on ordinary consumer goods in local stores generated $1.90 of economic activity in the town’s economy. By comparison, petroleum products generated a multiplier of $1.51; utility services, $1.66; and energy efficiency, $2.23. Moreover, the town was able to attract desirable industries because of the reduced energy operating costs resulting from efficiency measures put in place. Energy efficiency has a long and successful track record in Osage as a key economic development strategy.”

that it will be possible for communities and countries to make the shift to renewable energy.

Far more challenging than shifting to renewable energy will be providing sufficient drinking water to all of the world’s population. Clean water, vital to businesses as well as individuals, has been taken for granted in developed countries for many decades. Yet two-thirds of the people in the world live in areas that are already affected by water scarcity. There is a growing consensus that water scarcity will become a significant trend for a growing number of cities and countries around the world.

The answers are essentially the same as they are for energy: dramatically more efficient use of the resource, coupled with distributed capture of water and treatment of waste water, are the most cost effective ways to meet local needs.

**The Rise of the LOHAS Market**

There exists a large and growing market in the U.S. and Europe for goods produced in ways that do not harm the environment or people. Approximately 30 percent of the adults in the U.S., or 63 million people, are estimated to place significant value on such attributes. These preferences represent part of a tectonic shift in consumer awareness and behavior.

Identified in a research report by Conscious Medium, this industry has been named “Lifestyles of Health and Sustainability,” or “LOHAS.” It is a worldwide market conservatively estimated at $228.9 billion a year, and growing. In the U.S. the market supporting what are called ecological lifestyles is at least $81 billion a year.

Demand for organic produce is increasing everywhere. In 2003, the market value of organic products worldwide reached $25 billion. Most of these sales were in Europe and North America, but demand is growing in Asia and elsewhere.

Such customers are also demanding products that are certified to be Fair Trade. Fair Trade is an alternative to conventional international trade, in which economically disadvantaged craftspeople and farmers from developing countries compete at a comparative disadvantage in a market dominated by much larger players.
The final major trend sweeping the planet is the dramatic shift in business towards behaving in more sustainable ways. Driven in part by the consumer attitudes described above, it is also a reaction to the other megatrends. Whatever its cause, it is very good news for all of us, as the business sector may be the only institutional force on the planet that is big enough, well enough managed, and possessed of sufficient resources to tackle the big problems facing us. This trend poses a challenge, however, to small businesses in communities: responsible behavior is coming to be the new norm, and companies that do business the old way will have a harder time competing.

A “next industrial revolution” is bringing the world an explosion of new technologies and management strategies, driven by the reality that there are 1.) a lot of people who need jobs, and 2.) a shortage of natural capital (natural stocks of energy and materials, plus nature’s ability to handle wastes and provide vital services). This is the exact reverse of the conditions that fostered and gave ongoing business logic to the first industrial revolution: few people and lots of natural capital.

In the present conditions, only a sustainability strategy can protect shareholder value in the long run. Even the most doctrinaire capitalists are reassessing their assumptions about what is happening to the environment, how external stakeholders perceive their company, and how a company’s definition of its responsibility to the rest of the world affects its own employees. Companies that realize the seriousness of these challenges, commit to a transition to more sustainable behavior, and deliver on that commitment will be the companies that succeed in the coming decades. Commitment to and follow-through on sustainability will come to be the hallmark of corporate integrity and management capacity.

The first complete business system for addressing sustainability’s competitive advantages was developed by the authors of *Natural Capitalism – Creating the Next Industrial Revolution*. The Natural Capitalism principles work together to provide enterprises with an approach to greater profitability by radically increasing resource productivity, using green design approaches that mimic natural systems, and managing companies and communities to enhance the natural and human
Local Action for Sustainable Economic Renewal

This approach has been embedded in an implementation system that can bring the competitive advantages of sustainability to any business: the Management Helix®. This tool provides a long-term framework to enable enterprises to integrate existing management systems with sustainability principles (Natural Capitalism or others chosen by the enterprise). The Helix helps enterprises be more strategic in their approach and more competitive through implementing sustainability technologies and techniques throughout the core activities and business divisions of a company. It enables an organization to create a strategic plan to bring sustainability to its management, operations, research and development, human resources division, communication and marketing, and external relationships such as supply chains and stakeholder relations. It sets four stages of progress towards becoming an organization that is restorative of people and natural capital, as well as more profitable, taking a company or community from just having heard of the opportunities of sustainability, through an explorative phase, to an implementation and leadership process.

Using this tool companies can make the transition from business-as-usual to the greater profitability and stronger shareholder value that sustainability can confer. Among the benefits:

- Reduced costs, increased profitability and financial performance
- Reduced risk
- Attraction and retention of the best talent
- Ability to drive innovation
- Labor productivity — increased worker health
- Increased market share and enhanced brand equity
- Product differentiation
- Supply chain and stakeholder management

The extent to which such thinking is entering the mainstream is reflected in
the fact that the world’s 150 largest companies now have “sustainability officers” at the level of Vice-president or higher, and are increasingly willing to cooperate with civil society to achieve their sustainability and business goals. A 2005 survey of CEOs from 43 countries conducted by PricewaterhouseCoopers found that 87 percent of corporate leaders now believe that environmental sustainability is important to a company’s profits. This figure is up from 79 percent in 2004 and 69 percent in 2003. Eighty-nine percent of the Fortune 1000 businesses think that sustainability will be an even more significant issue in five years.

In May 2005, General Electric announced the creation of GE Eco-magination. This committed the Fortune 500 company to implementing aggressive plans to reduce the emission of greenhouse gasses, market clean products, and focus its innovative resources to solving the world’s most pressing problems. The announcement signaled a tipping point. That GE (which would have been the only company on the Fortune 500 a century ago, had such a list existed then) now felt obliged to make such an announcement indicated their recognition of the significant forces driving the world in the direction of greater sustainability, and of the fact that this was the best way to enhance corporate prosperity.

It is also increasingly true that communities themselves will be forced to adopt

Fiji

Locally Managed Sustainable Fisheries
— Bill Aalbersberg, Alifereti Tawake, and Toni Parras

Locally managed marine areas (LMMAs) are an innovation of the last decade. They call on a rich tradition of village management of ocean resources. In this new incarnation, traditional local conservation practices are blended with modern methods of monitoring and energized by the full participation of members of the community, who design and implement the marine management plans. The goal is to bolster local incomes and traditions by replenishing local waters—a grassroots approach to rural development.

At the end of two years of workshops and training in environmental education and community planning, the community decided to set up a 24-hectare tabu area on the mudflat and seagrass bed directly in front of the Ucunivanua village as an experiment. The hope was that as the clam population recovered in the tabu area, more clam larvae would settle in adjacent fishing areas as well, eventually leading to increased clam harvests in these areas—something called a seeding effect. The village chose a group of 20 men and women to be on the tabu area management team. From the outset of the planning process, advisors from USP had requested that the team include equal numbers of adult men, women, and youth—an unusual step in traditional Fijian culture. The tabu area management team staked out the boundaries of the proposed protected
the same sort of commitment to greater sustainability. Already studies show that regions that preserve the quality of their environment are more attractive to the sorts of companies that will succeed in the coming decades. Dr. Richard Florida, in his landmark book *The Rise of the Creative Class*, demonstrates that companies will follow the knowledge workers, who will tend to gravitate to regions with clean air, clean water, preserved natural spaces and a high quality of life. In an Internet world in which a company can be located essentially anywhere, one of the most important development assets that a community has is its ability to attract top talent and the companies that seek them.

This underlines the importance of looking at the entire community when initiating a local economic development effort. To create real wealth, one must understand all of the ways people achieve well-being. To develop a local economy that can be resilient in the face of global change, it is important to understand all facets of that economy, from the way goods and services are produced and exchanged to the resource inputs and waste outputs of each production process. There are opportunities and risks at every level in the local system. Developing a comprehensive understanding of how the whole-system works is absolutely critical.
Human Needs and Community Capacity

Conducting an Asset Inventory

People achieve well-being when their needs are met. As has been noted, these needs go beyond the physical prerequisites of food, clothing and shelter. We all have needs for meaningful work, for income and the self-respect that comes from being able to earn it, and for the economic security that income confers. We need a certain level of autonomy, equity, and input into the decisions that affect our lives. We need quality education, health, recreation, leisure. Wellbeing also requires that people have self-esteem, the ability to express their creativity, and spirituality. For us to prosper, all of these needs must be met by the community systems we have created to satisfy them, and they are all relevant to the question of how real wealth is created locally.

Taking action to meet any or all these needs creates opportunities for constructive economic activity. If there are needs that aren’t being met, or that can now only be met by spending money outside of the community, there are opportunities for new ventures. By finding ways to meet human needs more efficiently and effectively, you can identify competitive, economically viable opportunities for wealth creation in your community.

The LASER focus on individual human needs is a new starting point for community development. Typically, the focus has been on the economic interests on the community level. For example, we might have talked about the need for a skilled workforce, which is closely related to the human need for lifelong learning, but with a narrower focus that tends to favor the interests of the business community over the needs of the individual. Going back to the question of how the economy meets our real human needs, instead of how we orient our own human development around the needs of the more powerful economic institutions, is a fundamental step toward a sustainable economic renewal strategy.

Needs are powerful drivers of human activity. We are continuously producing and consuming food. We have developed extensive and complex systems to meet our needs for water, waste management, energy, transportation, housing, goods and services, education, communication, and productivity.
All of the systems we have developed to satisfy these needs — the infrastructure, the government programs, the institutions, the laws — are the assets of our communities. For the purposes of this workbook, assets are defined as the systems that meet human needs. When we’re identifying what opportunities are available locally to expand our economy, and to create greater long-term prosperity, the first step is to understand all the ways in which needs are currently being met. Part of this assessment is to identify gaps, or areas where there are higher than necessary levels of non-renewable or unsustainable resource inputs, high impacts, and assets that have to be brought in from outside the community or the region.

One of the things that you are evaluating when you conduct an inventory of your community’s assets is the capacity of the local area to meet the needs that drive its market forces. There are many different human needs, and several corresponding categories of community assets to satisfy them:

- The ways in which we provide for **human development** that enables people to achieve their full human potential.

- The **social and cultural systems** of our communities, which meet our needs for a sense of belonging, meaning, purpose, and cultural identity — all the ways we grow as a society.

- The **governance and institutional systems** of our communities, reflecting how we address the needs we have for empowerment: self-determination and autonomy, equity, conflict resolution, and access to institutions and services. They also provide the business and organizational framework for economic activity, and for the management of production.

- The **financial systems** we have to meet our needs for income, trade and exchange, and economic security.

- All the things we make with our **productive systems** — the infrastructure, built environment, and the ways we produce goods and services. These meet a lot of our material needs: housing, energy, communication, transportation, waste management.

- The **natural environment**, which meets many of our most important needs — water, air, light, food, aesthetic beauty, waste assimilation, health, and recreation, to name a few.
The capacity of a community to meet its needs is a function of its assets, and of their ability to sustain themselves over time. When it comes time to develop strategies to strengthen the local economy, we will examine ways in which communities can build on these assets to enhance their capacity to create a genuine level of well-being for everyone.

We will begin now, however, by taking inventory of all the ways in which needs of our community are currently being met. We will then use this inventory to help identify new opportunities for the production of real local wealth. We will then expand our assessment of the current systems, attempting to identify the underutilized resources, unmet needs, high impact strategies, competitive advantages, vulnerabilities, risks, sustainability questions, and potential markets. This will become the foundation upon which we can design a strategy for economic renewal that can enable a community to triumph — even in the face of the global trends described earlier.

**Conducting the Asset Inventory**

Your Stakeholder Group can be divided up into smaller working groups to explore all the different assets of the community. It makes sense to establish at least five or six groups to manage the necessary data gathering and interpretation. If you have taken care to include representatives from all of the various community groups and interests when recruiting your Stakeholder group, you will be in a good position to assess all types of community assets. Some of the community groups whose members might be most effective for the task assessing each category of community assets are:
Local Action for Sustainable Economic Renewal

Assets for Human Development: Educational Institutions, Training Programs, Welfare Offices, Health and Wellness Services, Youth and Elder Care, Families, Correctional Facilities, Community Centers.


Financial Assets: Banks, Credit Unions, Loan Programs, Complementary Currency Programs, Jobs and Wages, Income, and sources of investment.

Manufactured Assets (Infrastructure, Built Environment, Products): Public Services (roads, rail, airports, busses, trucks, water, sewer, waste, utilities, police, fire), energy generation and distribution companies, communication, Housing officials, Public Buildings managers, Industrial Parks, Commercial, Retail, and Office Space landlords.


Human Development Assets

Human development assets represent all the systems we have in place to strengthen our capabilities as individuals. These are also critical to our well-being, and have usually been considered part of traditional economic development activities only insofar as human development serves the economic purposes of business, not the other way around. Even the term “human resources” implies that the importance of human development lies in how we can be used for productive purposes. Where human beings have been considered as the raw material inputs of production, they have been systematically dehumanized in the process.
LASER is an attempt to turn this kind of thinking on its head. Human development and a rich social and cultural life should be the goal of economic activities, along with the enhancement and enrichment of the natural environment. The needs we have for health, education, and other developmental activities require certain economic activities to meet these needs. An inventory of the assets we have that contribute to human development will focus on the ways we grow as human beings and reach our full potential.

By asking the stakeholders who are experts in these areas to compile this asset inventory, you can take advantage of their knowledge and experience. It isn’t necessary to compile a list of every program, every day care center, and every health provider, as long as your inquiry generates a reasonable picture of how these systems work in your community.

Social and Cultural Assets

Our overall well-being is perhaps more critically linked to the social and cultural assets in our community than anything else. And yet these assets are rarely the subject of economic development planning. This is one area where traditional approaches to expanding the local economy have really missed the mark. These assets meet our needs for connection to other people, and provide all the ways that community life helps us grow to our full human potential. They speak to our fundamental need for care. Our educational systems, recreational programs, spiritual practices, neighborhood associations, and creative and cultural activities all contribute to the sense of belonging that is the very essence of “community” at the human level.

Doing an inventory of our social and cultural assets will involve an evaluation of how needs in this area are being met by the institutions, programs, and systems now in place. Special attention should be paid to the local cultural life, as it can be an important way to add value and vitality to the local community, and because creativity is so often the soul of any new enterprise.
Institutional Assets: Governance, Businesses, and Organizations

The term “governance” does not mean government, although government is certainly an important element of the governance system we’ve developed over time. Governance encompasses a wider range of community institutions that provide us with the structures and institutions to make collective decisions, to manage and resolve conflict, to protect individual and human rights, and to ensure that people have a level of autonomy and self-determination. These are the systems that determine how we accumulate, use, and share power as a community.

An inventory of governance assets will address our need for a level of power in our lives, and our need to share in the collective decision-making that helps determine our individual and community destiny. We don’t often think about our need for power, but we know when it’s missing. You know you need it as soon as you don’t have it, or as soon as someone else forces you to do something against your will.

In compiling your community’s governance assets, take careful note of how responsive these structures and institutions are to innovation and change, and how much public engagement they invite in decision-making. Another important facet of this research is identifying the level of self-determination enjoyed by the community as a whole in relation to higher levels of government, or to external forces beyond its control. As stakeholders, civil society organizations should participate in decision making processes at all levels, calling for democratic governance, accountability and transparency. Your asset inventory should determine whether this is currently the case in your community.

In addition to the governance assets are the private and semi-private enterprises which, over time, have been created and abandoned in every community. New technologies are introduced that change everything — witness the dramatic difference in the activities of travel agents in recent years, as the availability of the Internet has intruded on their established role. Taking an inventory of the busi-
nesses and organizations that are currently operating in your community is simply producing a snapshot of the economic activity at this point in time. It would be a serious mistake, given the global trends discussed above, to assume that all of them will be viable over the long term. This snapshot, however, is still a very important part of your economic renewal plan, because the existing business and organizational framework will give you important information about the possibilities for the future. The inventory will also reveal opportunities to make existing businesses more efficient and productive.

The businesses and organizations that are active and successful in your community are meeting several very significant needs: they provide employment, they produce goods and services people depend on, and they are sources of long-term income and economic security for the owners. While income and economic security seem quite closely related, jobs that provide wages are not always secure. This is especially true if the wages are from a distant company with no real roots in the community. Real economic security comes from local ownership of productive capacity. Programs that allow employees stock ownership options, or encourage small business development, or provide for local licensing of environmental services, are important leverage points for real economic security.

It is essential to realize as part of this inventory that businesses, large and small, are not the only economic enterprises in your community. Non-governmental organizations and government itself can be equally important, if they are bringing new money into the community and creating high quality jobs. Educational institutions — from the local schools right up through the universities — are huge employers, and those that charge tuition are enormous economic engines for the local development process. They are “exporting” knowledge and education. Hospitals can also take credit for having “export” goods and services, when people come from other communities to take advantage of their facilities.
Local Action for Sustainable Economic Renewal

Financial Assets
Money is central to a discussion about economic renewal, because it is the oil that keeps all the gears of the economic machine lubricated and operational. It provides a medium of exchange and a way to accumulate savings that can be turned into investment. Money provides the capacity for new enterprises to get started — with grants and loans they can purchase the resources, equipment, and personnel they need to be productive. It provides individuals and families with income so they can afford to eat, house themselves, and pay for the goods and services they need. The national money that we all are accustomed to using also has as a stabilizing influence, being considered legal tender for the repayment of debt, and for payment of taxes.

Yet money is not the only way that we can make exchanges, and using a national monetary system as the sole exchange mechanism in every community tends to weaken local economies. Many communities have introduced complementary forms of exchange, currencies that link unmet needs with underutilized resources. These mechanisms, and the local potential for new kinds of exchange, should be explored as part of the financial asset inventory.

Sufficient financial capital is critical to the success of new productive enterprises, so it is also important to look at all the ways that entrepreneurs can gain the loans, investment, and other financing they need to start or expand their businesses and organizations.

Manufactured Assets: Infrastructure and the Built Environment
The material needs we have are met both through our productive capacity and by the natural environment. All of the systems we have developed as communities to meet these physical, material needs are reflected in the service infrastructure we’ve developed and in our built environment. On an aggregate level, we refer to it as urban form. Urban form in turn reflects all of the other systems. We build government buildings around our ideas about how government should run, and educational buildings that reflect our educational philosophy, and recreational facilities that are based on the types of activities that are considered fun and interesting by a given community.
The urban form we develop has an enormous impact on our capacity to meet our needs now and in the future, due in large part to the level of resources it consumes. Inefficient housing, wasteful public services, leaky pipes, greenhouse gas-emitting power plants, transportation systems that emphasize roads over rails, and gridlocked city streets are all challenges to both our sustainability as a community and our potential for economic renewal.

As with the other inventories, the idea is to get an overview of what the assets are, along with the issues and trends in play. This information can come from the Stakeholder group and any independent research you are able to do. It is not critical that it be an exhaustive list. If there are large gaps, impacts, and challenges, then this work is part of the process of identifying what they are. This part of your inventory will reveal your “ecological footprint” as a community. From how far away does your food come? Where do you get the energy to run things? What is the dominant form of transportation, and what is its impact?
Environmental Assets

All of the systems that support human life are in turn dependent on the benefits provided by the natural environment. They are so critical to our existence that they are almost invisible to us. We take for granted the fact that we can breathe and grow food, and so for a large part of human history have not thought of the natural systems in terms of the value that they provide. Our economic calculations rarely account for the costs of natural inputs. Very little of a community’s natural capital ever appears on a corporate or governmental balance account. Harmful impacts on the environment are called “externalities,” thus excluding them from the equation. Nature has often been seen historically as something to be conquered and subdued, not a vital asset to be honored and respected. All of that is changing now, as the real impact of our activities on what we once thought of as the unchanging systems of nature becomes all too apparent.

To achieve sustainable economic renewal, we must be fully aware of how our environment serves our local needs. We must also be alert to the economic benefits to be obtained through sustainable use of natural products and services. There are several key ways that the natural environment can be an important economic asset. As shown by Dr. Florida’s studies, a clean and appealing environment is a significant asset in attracting a talented workforce, and the companies that follow this talent. An attractive environment confers significant recreational and spiritual benefits to local residents.

Many companies depend directly on the resources that the environment provides. The inventory of assets in your own community should seek to determine if there are products and services being used to which greater value could be added before being sold outside of the community. Every effort should be made to use these resources more efficiently, and to use sustainable practices to make the end products more valuable.

The needs we have in this area closely overlap with the infrastructure and built environment, and neither area should be considered in isolation. Water treatment and distribution systems are dependent on an abundant water supply. Energy generation and distribution systems won’t work without the fuel to turn the turbines, or the sun to heat the water. Many energy choices are destructive of
the environment. Food production and distribution systems are completely dependent on productive, healthy soil, adequate water, stable climate, and sunlight. Unsustainable agricultural practices lead to water pollution and soil erosion. The ecological integrity of our region, and of the planet, depends on a rich diversity of species and habitats.

As this inventory is conducted, identify particular areas where you feel that more resources are available, where sustainability is possible, and where more efficiency might provide greater opportunities for your local economy.

*  *  *

As you can see, the task of identifying and assessing your community’s assets is as substantial as it is essential. Once your Stakeholder group has been established, you can get right to work on this while the public visioning process is underway (see previous chapter).

A comprehensive asset inventory process could be endless — to fully explore each of the categories identified above would be a lifetime of work for any community. The idea is not to produce an exhaustive report, but to give everyone in the Stakeholder group an improved understanding about how each community subsystem functions. Every person involved comes to the table with a partial view of how the community works. By engaging in shared research and dialogue about each category of assets, everyone will have a more complete view by the end of the process.

Some cities have adequate resources to engage staff or consultants to pull together data and maps and trends. Others can barely support a concerted volunteer effort. Anything you are able to do to in this area will lead to a better-informed discussion about your community’s needs, assets, resources, and opportunities, and will enable you to design better strategies for improving your economy and achieving your goals. So don’t worry about not having enough information, and don’t lose sight of the forest for the trees. The collective wisdom of the Stakeholders, combined with some research into both the current situation and what has happened in the past, should help provide the basis for future work.
Building on Assets

Evaluating the Potential for Economic Renewal

Once you have a clear picture of the assets in your community, it’s time to evaluate them and to identify ways in which they can be built upon. The traditional approach this kind of evaluation has been something called a SWOT analysis: looking at the Strengths, Weaknesses, Opportunities, and Threats. For sustainable economic renewal, SWOT is not enough, because it will miss some of the critical variables for increasing the sustainability of the system. For LASER, we have designed a new evaluation tool. As with SWOT analysis, this approach considers the current situation, but it also takes into account the related future considerations. This focus on the future is critical to any planning for sustainability.

This table identifies the focus areas for evaluating both the current situation and the potential for renewal. Each area of evaluation has a tool or set of questions for your group to ask about the asset inventory you have completed.

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Present Condition: Trends

The current situation did not appear out of nowhere. Whatever is happening in your community has been evolving over time. It is difficult to completely understand how you got to where you are without looking at where you’ve come from. When you’re gathering data on the assets in your community, try to find some corresponding data from years past. Ten years of trends might suffice for some issues, but the longer the timeframe you can manage, the better. These trends have much to say about how the system is working. If we see exponential growth in an area, for example, we know that there is some kind of self-reinforcing process behind it — this “snowball” effect could be a vicious cycle or a virtuous cycle. If a situation maintains itself at the same level over an extended period, then you can bet that there are systemic forces keeping things in that state of equilibrium.

Present Condition: Unmet Needs

One of the key objectives of the asset inventory you have done is to evaluate how well human and corporate needs are met by the community systems that have been established. Once you have a solid list of assets to work with, question how well those assets are satisfying the needs that have been identified. You are not trying to evaluate the success or failure of each institution, program, or system, but rather to see how all of them contribute to the well-being of the community as a whole when they’re considered in the aggregate. It might be, for example, that there are a number of high quality arts and cultural programs available for the community, but that they neglect to reach out to an underserved, minority population with culturally appropriate offerings. So the unmet needs in that instance would be the cultural needs of the particular minority population. This in turn indicates an opportunity for additional activities that could be economically viable.
Present Condition: Underutilized Resources

The flip side of unmet needs is the underutilized resources that might be available in your community. As part of your asset inventory, it should be possible to identify particular assets that are not being used to their full potential. For example:

- school buildings that are dark and empty after 3:00 pm, when the community needs more places for after-school activities and community events
- abandoned, trash filled vacant lots in inner city areas, when the community needs space for gardens and parks
- young people with time on their hands, causing trouble and committing crimes, when children need older mentors and the elderly need maintenance work done around their homes
- food going to waste in large supermarkets and restaurants, when whole settlements are going hungry

LaCrosse, Wisconsin

Power Cooperative Generates Power from Manure

— Christopher Juniper

Formed in 1941, the Dairyland Power Cooperative serves over 500,000 people in four states with over 1,000 megawatts of electricity from five generating stations. Its mission includes “competitively priced energy for customers and maximum value to our owners consistent with the wise use of resources” and to “work to improve the quality of life of customers and the economic and social well-being of the region.”

In 2004 it formed a partnership with Microgy, a subsidiary of Environmental Power, to produce up to 25 megawatts of power from dairy and swine farms in its territory using anaerobic digestion of manure. The first “cow-power” plant went online in June 2005; four more are expected to be producing power by the end of 2006. Each mini-powerplant produces enough power for approximately 600 homes (775 kilowatts). The methane digester is owned by the farmer and the electrical generation equipment by the Cooperative. The system “significantly reduces” air and water pollution issues associated with manure disposal, as well as reducing odors by 95%. The by-products of the digestion are used in two ways after dewatering: the dry product can be used as natural bedding and the liquid as fertilizer, reducing dependence on chemical fertilizers.

Dairyland’s environmental ethic is also supported by its efforts to recycle 90% of its fly ash from its coal powerplants into area concrete (which becomes 30% fly ash instead of Portland cement—saving consumers and reducing imported cement). A majority of the bottom ash from the plants is reused in road construction or as anti-skid materials. The Cooperative began investing in electricity from wind turbines in the 1990s and now generates 17 megawatts from several locations.

Sources:

Dairyland Power Coop: http://www.dairynet.com/
The list goes on. As your asset inventory reveals these under-utilized resources, you can try to match them up with needs that are going unmet.

**Present Condition:**

*Capacity*

All of these considerations are part of the process of determining the capacity of your community to meet the needs of its people. The idea that there might be limits on local capacity has long been argued by environmental experts. Many have advocated that it is essential for human survival that we analyze our ecological footprint and work to determine the carrying capacity of the ecosystem in which we live. All of the different community systems have capacity issues, however. Some can expand with increased demand, some cannot. Some systems might have surplus capacity, which might indicate an opportunity for growth. Or a community may be using resources faster than they can be renewed, and may have to curtail its activities to become sustainable.

Most economic development promoters argue that communities must grow forever to maintain prosperity. It is important, before adopting this position, that you understand what assets your community has and how close you are to their limits. It is also important that the discussion of how to enhance the prosperity of your community center not on physical growth (getting bigger), but on qualitative development (getting better). This may or may not require physical expansion. Most communities will actually be wealthier if they implement some form of growth management.

The key variables in evaluating the capacity of the different systems in your community are:

1) What current assets are meeting the identified needs
2) The regenerative cycle of each asset
3) The adaptive potential if demand increases
4) The substitution options available
If you look at the water system, for example, you would:

1) Identify the water sources currently being used to meet demand (the current assets meeting the need for water).

2) Work to identify the water balance in the system — what the inflows are compared to outflows — and whether growth projections could be met by the total amount of water available within the system.

3) Determine if the water supply that is already being used might be supplemented from other sources (adaptive potential). If you rely on surface water, for example, explore the availability of groundwater.

4) Explore alternatives to the present pattern of use (substitution options), like using water more efficiently in homes, businesses and in agriculture. Explore installing greywater systems for certain industrial processes, or using waterless toilets for human waste disposal.

All of this information, combined with the trends, unmet needs, and underutilized resources, will begin to give you a picture of the total capacity of the system to provide for the human and corporate needs you have identified. While it sounds daunting, a lot can be done if you have a good Stakeholder group that includes experts in the fields concerned. If this is the case, you can usually come up with enough information to have a general sense of the community capacity with only a limited amount of original research. Of course, many communities cannot afford even a small amount of professional research. In those cases, do the best you can — no set of information is going to be perfect. The goal is for everyone involved in the process to learn more about how the community works, not to have a 100% accurate, detailed description of every possible facet of community life.
Future Benefits: Risk Management

Sustainable economic renewal is based upon reducing reliance on non-renewable resources, building social cohesion, creating economic activities that build real wealth, and engaging people in the decisions that affect their lives. One big benefit of this approach is that it reduces the risks associated with disruptions of global and national systems that are getting more fragile as time goes on. Risk management is a compelling reason to pursue sustainable economic renewal. There are also specific tools and techniques that you can use to assess the different risks associated with particular policies and programs.

Your asset inventory and capacity assessment will provide you with essential information about the risks you will need to consider when moving forward with a plan for economic renewal. In your planning, you should seek to avoid, prevent, control, mitigate, or transfer those risks, and to identify options available to finance the costs associated with various strategies, perhaps through some type of insurance program.

Future Benefits: Systemic Vulnerabilities

The unmet needs you have identified might indicate some areas where your community systems are vulnerable — exposed not simply to manageable risks, but to larger, more difficult threats. For example, prior to being hit by Hurricane Katrina, the city of New Orleans might have employed the risk management strategy of strengthening the dykes and improving their emergency planning. Yet these risk management efforts would not have addressed the systemic vulnerabilities that became so painfully apparent in the wake of the storm: the increased strength of storms given the impact of global warming, and the impoverished state of those areas of the city that were below the waterline.

The stark contrast between the rich and the poor in New Orleans, combined with the complete inability of the emergency services to respond adequately to those areas where people had no means of escape, became a potent recipe for the death and the social destruction that followed in the storm’s wake. All this reflected systemic vulnerabilities that were in large part the result of chronically unmet needs in different parts of the community.
Future Benefits: Exchange Feasibility

The underutilized resources you are able to identify may suggest opportunities for economically viable activity, assuming that the resources can be mobilized to meet some of the unmet needs in the community. You may also uncover new opportunities to increase net local income with increased exports. Before you move forward with ideas for putting these resources to use, you should perform at least a preliminary feasibility study, where you identify the potential “exchange value” for the product or service you have identified. The exchange value of an item is similar to its market value; you obtain a sense of its worth by evaluating whether there is enough of a need to create a demand for the item in question. The key difference is that a market analysis only looks at whether whatever it is would survive in the marketplace. Exchange value analysis, on the other hand, recognizes that there are exchanges that could take place outside of the marketplace which might be quite good for the community.

For example, no one could argue that a mother’s care for a sick child has no real value, and yet our current system does not assign a monetary value to that activity. Looking for the increased wealth and assets that flow from activities and products that do not have a direct monetary or market value is the purpose of this assessment.

Traditional market feasibility studies consist of four main elements:

1) Market analysis: the supply and demand issues you would need to understand to introduce a new product or service,

2) Organizational analysis: the appropriate structure and business model for the type of activity you have proposed,

3) Technical assessment: the technology and equipment required to pursue the venture, and

4) Financial evaluation: your start-up costs, operating costs, revenue projections, sources of financing, and projected profitability.

In addition to these traditional elements, the Exchange Evaluation provided by LASER seeks to identify the underutilized and non-monetized resources that
could be exchanged in order to meet needs that are currently going unmet. Where the traditional market analysis assumes that the only things with value are those with a dollar value, this analysis expands the definition so that capital of all kinds can be mobilized for the common good.

**Future Benefits: Sustainability**

Long-term benefits, costs, and impacts are some of the factors to consider when you’re trying to assess the sustainability of a particular asset. These must be evaluated with respect to the entire community system, so you can recognize when a benefit to one part of the system has a negative impact somewhere else. If the ways in which your community meets some of its needs now are imposing a high cost on other local assets, are there strategies you can pursue to reduce those impacts, or to shift to another way to meet the needs?

There are several different tools you can use to evaluate the sustainability of an asset. One way to begin is to ask these five simple questions about the way the asset is being utilized now:

1) Are the human, financial, and natural resources being conserved and renewed?

2) Are the value and vitality of human and natural systems improved?

3) Are the benefits and burdens distributed equitably?

4) Are the people who are affected involved in making the decisions?

5) Are people and the whole community of life respected and nurtured?

So, for example, if you have identified the local airport as an asset within your transportation system, then you would ask all of these questions about the role the airport plays in your community. It would obviously come up short on using renewable resources — airports are one of the more significant consumers of fossil fuels on the planet (Heathrow Airport in London uses fully one half the total fossil fuel consumed by the entire city). It also might be rated low on the question of benefits and burdens — often there are neighborhoods in the vicinity of airports that suffer many of the burdens of its operation without much benefit.
Local Action for Sustainable Economic Renewal

Finding assets that have a low sustainability rating means that you have an opportunity to discover more sustainable ways to meet the needs that they serve. It might be that the local airport could be augmented with a better regional transit system that would use the rail services more, reducing the automobile traffic to the airport and eliminating some of the shorter local flights. It might also be possible to confer with the neighborhoods near the airports when expansion plans are considered, with a view to offsetting some of the negative impacts with investments in neighborhood amenities like parks, recreational facilities, schools, and public services.

* * *

Obviously, taking the time to do a complete evaluation using each of these tools for all the assets you have identified will not be practical, unless you have a large staff (or, perhaps, a local college or university that could take it on as a student project). The purpose of these tools is to give you a rigorous way to evaluate the possibilities that your initial research has identified. As your Stakeholders and the working groups you’ve established proceed, having this menu of questions and evaluation tools can help you discover where the real potential for new initiatives are. When you have finished reviewing the asset inventories with all of these forms of inquiry in mind, you’ll be ready to set some clear goals and targets for your local economic renewal plan.
Chapter 2

Setting Goals for the Future

Setting goals moves your community ever closer to realizing its vision. Goals should be focused on the community's strengths, and reflect the end state that the community wants to arrive at after the action plan has been implemented. As stated in the introduction, one defining aspect of the LASER approach is that the goals you set for local economic development are asset-based, rather than problem-based. The criteria for choosing your goals, therefore, should be focused on enhancing your community assets.

You can use the opportunities you have identified in the asset inventory to draft a goal statement for each of the areas where you believe economic renewal activities could be successful. The goal is meant to be an aspiration: something the community is working toward, not away from. To avoid confusing goals with the strategies you will use to reach them, goals should be worded to reflect an end state, a particular future condition you are trying to achieve. You can reinforce this in your own goal statements by placing a target date right up front, and then picturing what the state of a given asset would be on that date. The examples from the Cities of Calgary, Alberta and Burlington, Vermont show how this might be done.

You will note that many of the details you have identified through this process are not reflected in this kind of draft goals statement. Don’t become discouraged by the sense that you have explored these issues deeply, only to condense what you have discovered to the point that the results seem overly broad. The information and insights you gained and recorded through this exercise will prepare you for setting specific targets, and — from these — creating strategies for action. The purpose of the goals process is simply to identify your community’s highest priorities for action, and to present them in a condensed and easy-to-communicate form.

The final goals you select will be one or more statements for each economic renewal opportunity, as determined by your committee and the feedback you have received from the community. Some communities have six or more statements each, while others pack a lot of ideas into a single statement. Remember,
Goal Statements
from municipal projects for Sustainable Economic Renewal

Calgary 2106:
Goals for Economic Security

➢ Economic Security: Calgary is a city with a vibrant, environmentally sound and sustainable economy that fosters opportunities for everyone to be economically self-sufficient. Economic security is assured.

➢ Meaningful Work: Calgary is a city of opportunity and choice. Through their work Calgarians contribute to the overall economy in a personally meaningful way, increasing the value and vitality of human and natural systems.

➢ Income: Sufficient income enables all Calgarians to meet their needs and provides for a healthy life.

Burlington Legacy Project:
Goals for a Vibrant Local Economy

➢ In the year 2040, all local employers provide living-wage jobs.

➢ In the year 2040, our city’s natural beauty attracts tourists to engage in activities that enhance health and well-being.

➢ In the year 2040, the riverfront area is a vibrant urban center, where people come to work, shop, and engage in recreational activities.
though, that your goal statements are meant to convey the highest priority areas for action in your community; they are not a laundry list of everything you plan to address. The next task is to identify individual targets for each goal, which will present the opportunity to itemize more specific, detailed objectives.

**SMART Targets**

Thanks to your hard work, you have articulated the vision and established the goals for truly sustainable economic renewal in your community. It is time to translate them into measurable, achievable terms, and this requires that you set targets for progress. Targets are the first step toward group accountability. It’s one thing to wish for everything worthy and good; it’s another to state your objectives in clear terms that challenge people to make those wishes a reality. The targets you set will be used to establish the indicators and evaluation tools you put in place to track your progress toward your Vision.

Achieving your stated goals requires that you set realistic targets toward achieving them. Knowing the variables at work in your system, and the influence they exert, makes this possible, while careful attention to underlying trends will help you to understand the systems you are working to improve. If job growth has been inching upward at .02% per year for the past 30 years, and your analysis indicates that the critical variables aren’t likely to change dramatically, it will only invite failure to project a future job growth of 10% per year over the next five years. Your own study of the system shows that this will not happen without dramatic systemic change.

This is not to say that we are trapped by history. But to grasp the kind of strategies and interventions we need to make, we do need to understand what has led us to the current juncture. Trying to make dramatic improvements in community systems without careful consideration of past trends and thoughtful projections of reasonable objectives is often a futile exercise.
To start making use of the trend data you have collected and analyzed, answer the following questions:

1) What trends do you want to enhance?
2) Which trends do you want to reverse or moderate?
3) What systemic forces are behind the trends you want to change?

For the purpose of setting targets, it helps to pull together a summary of the information you’ve uncovered in your trend analysis, along with a sense of the possibilities for new directions. Target selection will be shaped by the capacity you have to change the system the goal fits within, and the resources available for working toward it. Targets should usually be quantitative, fit within a definite time frame, and be stated in clearly defined terms. One easy way to remember all the qualities of a good target is to think of it as a SMART Target:

- **Specific** – it is focused on a particular geographic area and a key element of the economic renewal growth strategy
- **Measurable** – it can be measured in quantitative terms to evaluate progress
- **Achievable** – it can be accomplished in the timeframe you have identified
- **Realistic** – it is achievable when compared with best practices and what has been done elsewhere
- **Time-bound** – it includes a specific date by which it will be achieved

Some good examples of SMART targets are among those that the city of Calgary has established to meet their goals for Economic Security:

- Increase research and development intensity (gross public & private expenditures) to 3% of GDP by 2036
- By 2036, increase the number of environmentally sustainable and commercially viable value-added products produced in Calgary by 40%
- By 2036 Calgary’s economy will be diversified and balanced such that no sector will exceed 10% of GDP (Calgary will not be known as just an oil & gas town)
- By 2036, tourist visitations and expenditures will grow by 30%.
Chapter Summary

The process of setting goals and targets will reveal the clear strategic direction you want to take in your plan for economic renewal. In the next chapter you will begin to look for the specific strategies and activities that will get you there. Before developing a plan for action, however, it is critical to establish the vision, goals, and targets, so that you can be sure you’re pursuing the right strategies. Otherwise, you risk being derailed by someone else’s idea for a good strategy, or by unspoken assumptions about your community’s economy that turn out to be inaccurate.

To summarize the points made in this chapter:

➣ Real wealth creation should be the goal of local economic renewal efforts, and this means challenging some of the traditional assumptions and approaches to economic development.

➣ Real wealth is aligned with human well-being. Therefore, a starting point for local economic renewal efforts is to take an inventory of our community assets, which are defined as those systems, programs, and institutions that meet our human needs.

➣ There are many complex and challenging global trends that communities have to cope with in the process of improving local conditions. It’s important to understand what these forces are, and what opportunities they offer for viable economic activities at the local level.
The asset inventory to be done at the outset of the planning process should encompass all six major areas of community development:

a. Assets for Human Development
b. Social and Cultural Assets
c. Institutional Assets
d. Financial Assets
e. Manufactured Assets
f. Environmental Assets

These assets must be evaluated in terms of both their current status, and with consideration for their future potential. There are several focus areas for this evaluation, each with its own set of tools:

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When the inventory and evaluation of your community’s assets has been completed, set goals and targets for improvement. These will establish the overall strategic direction of your economic renewal efforts, and provide the basis for moving forward with development of an action plan.
Chapter Notes

1 – Information in this paragraph from:
July 5 2005


3 – The Management Helix system was primarily developed by L. Hunter Lovins and Christopher Juniper of Natural Capitalism Solutions and Charles Hargrove of Australia, 2004-6. Resources for applying the Helix to small businesses have been developed in collaboration with the Chicago Manufacturing Center’s Green Plants Program led by Karen Wan, USA.

4 – Personal communication Professor Peter Newman, Murdoch University, sustainability advisor to the Premier of Western Australia, Sept 2003
Chapters 1 and 2 lay out the essential groundwork which must be done to create a successful, sustainable economic renewal plan. If you have followed these steps carefully, you now have a vision for the future that was shaped by a broad cross-section of people in your community and articulated by a representative Stakeholder Group. The Stakeholder Group has spent some time learning about assets and how your community systems work. It has developed goals and targets that reflect the needs the community has for wealth creation and well-being. As part of this process, you have identified unmet needs, underutilized resources, and all the assets your community has that provide the real wealth you need. Now it’s time to focus attention on the specific strategies you can initiate to achieve your goals.

If we think of each community as an enterprise, and its citizens as the owners, then the capacity the community has to satisfy all of our needs for real wealth creation and well-being can be characterized as its capital. One of the definitions of the word capital is “assets available for use in the production of further assets.” If our assets are what allow us to create real wealth, then our community capital represents the capacity we have to create the wealth we need on an ongoing basis.

Competent capitalists know that in order to produce the items that make it possible to earn a profit and create wealth, they need to maintain their capital in good working order. This means continually reinvesting in upkeep and maintenance of the assets, keeping on top of the latest technology, and minimizing the costs associated with production. The accounting and taxation systems that are prevalent in North America and Europe have devised ways to systematically account for the reinvestment needed through capital depreciation schedules. These help identify the capital’s current value by compensating for the loss in value over time, as an asset is used up.
Once we recognize that real wealth is created by all the assets in a community, not just the financial institutions and businesses, we can build the capital we need to enhance those assets in every area. Reinvesting in all the different forms of community capital we have, increasing our capacity to meet our needs in all areas, is the central strategic direction of the LASER approach to creating real wealth.

**The Ten Types of Community Capital**

What are the different types of community capital we need to build to achieve real wealth creation? The community systems we explored as part of our asset inventory form the basis for understanding the community capital we have. Each of the six basic types of assets we identified is a product of one or more types of community capital:

- **Assets for Human Development**
  - Human Capital
  - Social Capital
  - Historic and Cultural Capital

- **Social and Cultural Assets**
  - Social Capital
  - Historic and Cultural Capital

- **Institutional Assets**
  - Institutional Capital
  - Entrepreneurial Capital

- **Financial Assets**
  - Financial Capital
  - Potential Exchange Capital

- **Manufactured Assets**
  - Built Capital
  - Technological Capital

- **Environmental Assets**
  - Natural Capital
**Human Capital**

Human Capital represents those individual assets that enable people to achieve their human potential. Our human capital includes all the capabilities that people have to learn, to invent, to create, to work, to care for each other, and to contribute to the community as a whole. To strengthen the human capital in our communities, we need to develop strategies that increase capabilities on every level. Assets like health, intelligence, and talent can be strengthened, enabling people to find work that is meaningful and that uses their highest and best skills. Maintaining these capabilities also involves developing systems that enhance wellness, and that care for people who are sick, physically or mentally challenged, or too young or too old to care for themselves. It means building the caring capacity of our communities, so that people are supported, that they feel a sense of belonging, and that family relationships and social networks are healthy for the individuals in them.

**Social Capital**

A community’s social capital includes those assets that build the social cohesion that enables people to take collective action to meet their needs. Social Capital represents all the ways we are connected to each other — the relationships, networks, and values we share, and the cooperative systems we use for interacting. When we’re thinking in terms of how social capital produces additional social assets, we need to be mindful of all the ways that we can enhance the connectedness of our communities, and careful not to do things that inadvertently rob our community of these connections. It’s also important to avoid a situation where the social capital in one sector of the community works against that of others — the bonds between members of a crime syndicate could be called a form of social capital, for instance, but its role in the community is destructive of other social assets.
**Historic and Cultural Capital**

Our community’s historic and cultural capital represents the ways we express our identity and creativity within a supportive community — the historic resources we have that could be developed into a tourist attraction; the cultural centers that celebrate our music, art, drama, dance, and other creative endeavors; the programs in place to build and transmit our cultural understandings to others. Building and maintaining historic and cultural capital involves a multifaceted approach that strengthens leadership qualities, enhances the built environment where cultural activities can happen, develops creativity and talent, treasures historical records and information, and promotes tolerance and respect for differences.

**Institutional Capital**

LASER defines institutional capital as the structures, organizations, and legal and financial frameworks that enable the economy to function. This includes the legal system and the rule of law, the insurance system that helps communities manage risk, the systems that establish different exchange mechanisms (national and complementary currencies), the regulatory structures that protect the natural environment, human rights, and human health and well-being, and all the institutional arrangements that provide a foundation for economic activity.

**Entrepreneurial Capital**

The entrepreneurial capital in your community includes those businesses and organizations that actually produce the assets that meet human needs, using all the other types of capital the community possesses. These correlate to the business and organization inventory you completed in the early stages of your planning. Entrepreneurial capital includes both the for-profit and non-profit sectors — the manufacturers, service industry, retail shops, hospitals and day care centers, architects, engineers, planners, beauty parlors, restaurants, amusement parks, golf courses, hotels, schools, universities, nursing homes … all of the employers who put us to work.
**Financial Capital**

This form of capital includes the monetary and exchange mechanisms that provide the liquidity and comparative valuation for trade and other exchanges between people and among people and productive enterprises. The financial capital available for the creation of real wealth includes the loan resources available through the banking system, and the savings and monetary investments made by individuals and institutions. Strengthening this type of capital always seems like the largest barrier to successful economic development, yet it isn’t impossible to do. What it takes is some creative thinking about new ways to provide the liquidity and resources that new ventures need to get started. For example, by finding new ways to link micro-enterprises in rural areas to the banking sector, new markets can be opened up and new credit opportunities created. LASER offers a variety of ways community development organizations can increase financial capital.

**Potential Exchange Capital**

Beyond those economic assets which are measured in national money (dollars, euros, pesos, yen), there are other forms of capital which can be mobilized through complementary currency systems. This happens all the time, and takes a wide variety of forms — bartering, exchange of services, shared use of idle facilities, and donation of time, to name just a few. Experienced elderly people can mentor younger adults, the skills of unemployed people can be used even if they do not have a job right now, empty space in public buildings can be used when the government functions are not in session, we could fill empty chairs in restaurants. One of the key ways that we can build real wealth in our communities is to tap this potential exchange capital by introducing complementary currency exchange mechanisms. This form of capital contributes to our well-being without being limited by the scarcity of national money.
Namibia’s establishment of conservancies is among the most successful efforts by developing nations to decentralize natural resource management and simultaneously combat poverty. In fact, it is one of the largest-scale demonstrations of so-called “community-based natural resource management” (CBNRM) and the state-sanctioned empowerment of local communities. Most conservancies are run by elected committees of local people, to whom the government devolves user rights over wildlife within the conservancy boundaries. Technical assistance in managing the conservancy is provided by government officials and local and international nongovernmental organizations (NGOs). In late 2004, 31 conservancies were operating on 7.8 million hectares of desert, savannah, and woodlands occupied by 98,000 people. Fifty more were in development (WWF and Rossing Foundation 2004:iv).

Once approved, registered conservancies acquire the rights to a sustainable wildlife quota set by the ministry. The animals can either be sold to trophy hunting companies or hunted and consumed by the community. As legal entities, conservancies can also enter into contracts with private-sector tourism operators.

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**Built Capital**

The Built Capital in a community includes the buildings, the infrastructure (roads, electric generation and transmission, pipes, wires, cables, water and wastewater treatment plants, etc.), housing, parks and recreational facilities, commercial and industrial facilities, and other constructed elements of community life. Strengthening the Built Capital begins with a thorough review of how the existing Built Capital is meeting the range of needs that have been identified. A very important, and problematic, aspect of the Built Capital, of course, is the land use patterns that result from its development. Sprawl, unserviced areas, squatter settlements — all these represent dysfunctional side effects of developing and maintaining Built Capital. The new approach takes on the challenge of strengthening this capital a way that is consistent with community well-being and creating real, sustainable wealth.

**Technological Capital**

The technological capital includes the ways in which communities harness their intellectual resources to create tools, systems, machines, arts and skills, and materials that are designed to improve our lives. Building on our capital in this area means supporting the education, creativity, and access to materials that are required to create innovative technologies. For example, in one depressed township in South Africa, many of the people use car batteries to power their electrical needs in their homes. A young man there who was educated in physics has come up with an idea for a solar and bicycle powered battery charger.
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If he can gain access to the materials he needs to develop the new system, his innovation could generate income in that impoverished area, provide low-cost energy to its people, and keep the environment cleaner all at the same time.

**Natural Capital**

The world’s natural capital includes the environmental beauty, wilderness, natural areas, rivers, oceans, forests, water, air, soils — all the services that the natural world provides. When it’s healthy, these services include a stable climate, provision of clean water and air, assimilation of waste, detoxification of industrial pollutants, pollination of crops, and the provision of safe and abundant food. Natural capital is a stock of environmental assets that produces more assets; for example, a healthy forest produces trees, habitat, carbon sequestration, erosion control, beauty, recreation, and water purification if the natural capital base — its essential regenerative capacity — is maintained. A non-sustainable exploitation of natural resources, such as clear-cutting a forest, might produce some monetary income for a short period of time for a limited number of people, but it is spending down the region’s capital. This is like dipping into the principal of your savings account, rather than living on the interest that it generates. If it goes on for too long, you won’t have any money left. Strengthening our natural capital involves finding ways to protect and enhance those natural systems that provide the environmental services we need without undermining their capacity to continue to provide the services in the future.

In 2004, total benefits flowing to conservancy communities, including employment income, cash from tourist fees and leases, and in-kind benefits like game meat, reached N$14.1 million (US$2.5 million).

- Conservancy-related activities, including tourism, have provided 547 full-time and 3,250 part-time jobs since 1998.
- Women’s livelihoods and status have improved. Women fill almost 3,000 of the new part-time jobs, and more than half the full-time posts. They make up 50 percent of conservancy members, constitute 30 percent of conservancy committee members, and chair three conservancies.
- Seven of the program’s 12 support NGOs are now black-led (compared with none in 1995).
- In 2003, conservancies and CBNRM support enterprises contributed an estimated N$79 million (US$9.6 million) to Namibia’s Net National Income, and this contribution is expected to rise rapidly in the years ahead.

Entrepreneurial leaders, whether they are in the for-profit or non-profit sector, design strategies for their organizations to build their capital base and make their enterprise more efficient and cost-effective. They know that this is the only way they increase their revenues and become prosperous. A manufacturing business, for example, tries to improve its capital base through better technology, more efficient equipment, lower cost inputs, and more highly skilled workers. All of these strategies enhance the profitability of the enterprise by building the long-term assets it has available to create products for its customers. In the case of a non-profit organization, its products are the services that it offers to its clients or to the public.

When developing a plan to improve the local economy, you should see your whole community as an enterprise unto itself — one that serves its customers by satisfying human needs. Your strategies should be like that of an enterprise manager. You need to understand how to build all of the forms of capital in your community. Your job is to increase all of your assets and make the community enterprise more efficient, cost-effective, and globally competitive. By building your capital, you are increasing your ability to satisfy human needs now and for future generations.

Right now, instead of building capital, many communities, businesses, and other institutions are depleting it. When natural resources are used up faster than nature can replace them, when people are uneducated and unhealthy, when infrastructure is not maintained, all of these forms of neglect deplete the capital base you need to meet your needs in the future. The core value of a Sustainable Economic Renewal plan is to ensure that future generations continue to have the ability to meet their needs. Increasing the assets available to people living in the future is an important operating principle.
The vision, goals, and targets you have set will give you the overall strategic direction to take when taking action in your community. To identify and implement the particular strategies that will make progress towards your goals, it helps to understand a bit more about how the whole community enterprise works, and to review the options and best practices that have been used successfully by other communities.

Different strategies and activities are available to strengthen the capacity of each of the ten types of capital described above. The section below summarizes many of the best practices that communities around the world have used to build their capital. (The links given with the text bring you to a web page with more detailed information about how to carry out the given strategy or activity in your community, along with additional resources and information.) If there are occasionally strategies that seem to overlap with other areas, this is because most of the ways in which you are going to build community capital reflect the whole community system, rather than a focus on isolated parts.

**Human Capital — Fostering Human Development**

*Creating and Supporting Entrepreneurs:* Entrepreneurial skills are among the most important assets communities need for economic renewal. Entrepreneurs have particular key characteristics — they are willing to take initiative and risks for the possibility of a return, they persevere even in the face of challenges and obstacles, they are creative and innovative, and they can make a long-term commitment to getting something started. Help them get started by giving them the skills they need to succeed.

*Youth Entrepreneurs:* It helps to start early if you want to grow adult entrepreneurs. Many successful communities find ways to encourage young people to take on innovative activities and build their skills early. A program called “Real Enterprise” taught high school students in North Carolina how to create and run their own businesses. As a final project they did just that, which produced a real livelihood for many of the participants. Others who chose to go on to college had invaluable experience to draw from as they began higher education.
Women Entrepreneurs: Most world cultures have not encouraged women to be entrepreneurs, and overcoming these cultural obstacles takes some special strategies and programs to build your capacity in this area. Grameen Bank has found that loans made to groups of women did more to create wealth and lift people from poverty than traditional individual loans to men.

Self-Employment Training and Support: Of course, when entrepreneurs are at their best, they create new businesses and organizations to fulfill their dreams and ambitions. But self-employment has its own challenges, and smart economic renewal organizations will introduce programs that help these new ventures get the training and support they need to succeed. Most new businesses fail within the first five years. Common causes for this include confusion between cash flow and profit and loss, undercapitalization, and inability to market. But these skills can be taught, significantly increasing the numbers of entrepreneurs who succeed.

Basic Skills Development: In some areas, it will be important to provide remedial training for people who have not had the benefits of formal education. Even people with great ideas and lots of energy won’t get far if they can’t do accounting, use computers, or communicate effectively. Some of the most successful economic renewal strategies in impoverished areas are those that develop basic skills in the people who lack them.

Life Skills Programs: Where local economies are floundering, you are bound to find many people lacking in some basic life skills — how to balance a checkbook, how to get insurance for their property, parenting skills, general vocational skills, and health and stress management.

Literacy Training: Literacy has been identified as an indispensable skill for economic success. There have been many examples of people who have not completed their higher education and have nevertheless become successful entrepreneurs and innovators — Bill Gates never graduated college; Albert Einstein also failed in his attempt. But there are far fewer examples of people who have been business success stories who were illiterate. Strengthening literacy skills in your community is essential to economic renewal.
Volunteering for Experience: One of the main barriers for people who are trying to upgrade their employment opportunities is a lack of experience in the area in which they want to work. One service that many successful communities offer is to match people who need relevant experience with employers who are willing to take people as volunteers or interns. This gives the potential employee critical experience and references for future jobs, and gives employers a source of low-cost labor and a pool of skilled workers who know their business.

Job Search and Placement: People who need jobs benefit from a central source of employment opportunities and retraining activities. Communities that are dedicated to building their own capital can invest in a local employment office, with job counselors and an advertising service that local employers can use to attract qualified local employees.

Career Planning: Beyond finding a job, people need help identifying a longer-term career path that will continue to increase their skills, income, and employment opportunities in a changing world. Ideally, this service can be offered as part of a public educational program, so that students get counseling in the kinds of employment that they show a particular aptitude for when they’re still able to adjust their training and education to match their vocational goals.

Mentoring: Mentoring programs match people who are new to the job market with people who have been working in their field for many years. This one-on-one support is an excellent way to build confidence and skills. It also can connect unemployed or under-employed people with those who might be able, through their networks, to help them find employment.

Mature Worker Retraining: People who have been in the workforce for a long time, and who for some reason have lost their usual employment, are often some of the best workers, but lack the skills required for new positions. In the current context, this can apply to older workers, for instance, who have never learned how to use computers or other electronic technology. Instituting a lifelong learning and retraining program for these mature workers will bring important people back into the workforce, to the benefit of local employers.
Targeted Training: There are job training needs that don’t fall into neat, generic categories, so any initiative to increase the human capital in your community should include training programs that are targeted at particular populations, or that meet the needs of particular groups. Some groups — such as young people who have been in trouble socially or legally— are particularly challenging to integrate into the workforce. Sometimes employers need specific skills, like computerized database management. Identifying specific needs and designing training programs to meet them is a potent strategy for local economic improvement.

Health Care Options: People who are not healthy have a hard time staying in the job market. It is in the direct interest of the community to try to ensure that everyone has access to health care. Illness has so many negative effects on the community — it impoverishes people, debilitates families, burdens the system with medical costs and lost productivity. By contrast, health maintenance and wellness programs are relatively inexpensive. A Wellness Token program (a complementary currency that encourages engaging in healthy habits) can be implemented as a group support mechanism. Prevention is always less costly than the cure. Some communities have taken health care into their own hands (stories and guidance on how to do this is included in the supplemental resources provided).

Child Care Support: One significant barrier to parents participating in the workforce is a lack of quality child care. Like health care, it is much more effective to develop this service for larger groups than to try to address the problem individual by individual. Communities that achieve the economies of scale for high quality child care can free up parents to stay in the workforce, provide better income for their families, and provide young children with some of the early training they need to excel in school.

Transportation Services: Another barrier for people who want to work, especially in rural or undeveloped areas, is a lack of affordable transportation. Communities can address this issue in a variety of ways, but it is a development task
that should be considered when trying to bring unemployed or underemployed people into the workforce. Fast, efficient, and low cost public transport requires long-term and systemic planning of the highest order. Expanding public transit, carpooling, charitable donations of bicycles and cars, rickshaws … there are a lot of strategies that can work in different settings.

**Livable Wages:** The wages that workers earn are not the only way to receive income; many of the strategies we have suggested to build local ownership will help provide people with more economic security through the benefits of being shareholders. But wages are a critical issue, and they often don’t keep up with the cost of living. Livable wage policies mean that the hourly wages people earn can pay for them to have a decent life — they can afford good housing, food, clothing, transportation, health care, education. Livable wages have a beneficial impact on the whole community economy, as people have more income to buy local products.

**Social Capital — Creating Human Connections**

Communities build social capital by forging connections between different groups of people that didn’t exist before, finding ways to make neighborhoods more neighborly, and breaking down barriers between different socioeconomic and ethnic groups. (The resources provided as background information provide guidance on each of the best practices and strategies described below, including examples from communities that have successfully implemented them.)

**Improving Community Resilience:** Resilience is the capacity of a community to recover from shocks, disasters, and other disturbances. It involves strengthening the community’s adaptive capacity, flexibility, institutional memory, and social networks. A strategy to improve resilience strengthens all of the community assets. Conversely, strengthening all of your assets increases a community’s ability to withstand shocks.
Celebrating Diversity: Just as biodiversity is a critical element of a sustainable ecosystem, a community with a variety of cultural dimensions can be stronger and more vibrant than a mono-cultural village. Unfortunately, many serious problems in cities stem from racial tensions, ethnic differences, and a lack of tolerance and respect between different cultures. To strengthen the aspects of diversity that give life to a community, find ways to celebrate the diversity you have, and to honor all the different cultures that contribute to it.

Empowerment for Marginalized Populations: Every community has a group of people who are living on the margins, that don’t have the same benefits or privileges as the dominant culture. Typically this group is impoverished, and their voice in decision-making is either silenced or systematically ignored. Successful, vibrant communities identify these lost populations and find ways to weave them into community life more effectively.

Building Networks through a Local Exchange Trading System: One way to build supportive social networks while enhancing the local economy is to introduce a barter system for exchanging goods and services. This connects people with local businesses, and builds social capital among the business community at the same time. It also can connect unmet needs with underutilized resources, a critical element of a sustainable economic renewal plan.

Time Dollars for Community Service: Volunteerism and community service are another major way to build social capital. To help foster these contributions to community well-being, a “time dollars” system can be introduced, so that there are tangible benefits for people who contribute time in activities which benefit the community but for which there may be no viable market. Thirty state governments in the United States are engaging with local organizations to introduce these time dollar systems to help address elderly care, child care, and poverty issues.
**Entrepreneur Network Facilitation:** Creative leaders need social support systems to thrive, so finding ways to link up people who are likely to be the incubators for new ideas and enterprises builds social capital in a way that will directly improve the performance of your local economy. Create an award system for new ideas and hold regular meetings of the winners and the nominees; develop a local Genius Grant program, where people who are genuine innovators can get some of the start-up capital they need for their ventures. There are many ways to support the idea people in your community.

**Historic and Cultural Capital — *The Creative Economy, part I***

One of the most successful economic renewal strategies available is to grow your creative economy. Many aspects of the creative economy are found in your community’s cultural systems (with others being found in its technological capital). Hundreds of communities around the world have become modern day Phoenixes, rising out of the ashes of a bygone industrial era by investing in their creative and cultural assets. The strategies and practices they have used are described below (with more detailed case studies available in Chapter Four).

**Historic and Cultural Facilities:** The trap of modernism in the 20th Century led many communities to neglect the historic buildings, culturally distinct features, and ancient sites in favor of “modern” construction and facilities. All over the world, the dominant architectural forms and commercialism of the modern epoch have made what once were culturally vibrant communities into carbon copies of each other, with a one-size-fits-all approach to new development, whether it is found adjacent to an ancient mosque in Constantinople or a Shinto shrine in Osaka. Creative communities have developed systematic and institutionalized ways of protecting and enhancing their historic and cultural assets through land use controls, historic district designation, design standards for new construction, inventories of historic buildings and sites, and grant programs that are available for historic and cultural restoration.
Recreational Areas: One way to recognize a vibrant local economy is by the diverse and healthy choice of recreational activities that bring people outside, engage them in sports, bring them in contact with each other and with the cultural mix in the community, and encourage them to renew themselves through leisure activities. If you seek to attract a particular category of industry, you need to understand and preserve the sorts of recreation that workers in that field will like.

Community Tourism: Tourism helps build community capital by bringing in outside revenue and encouraging attractive, locally owned development. Tourism is the largest industry in the world, and all current projections indicate that it will continue to grow at a healthy 4% to 6% annually. It is not a quick fix for a community, however. Like any economic sector, success in this area is based on long-term thinking, sustainable business practices, adequate capitalization, a community-oriented ethical framework, and professional management.

Cultural Heritage Tourism: Cultural heritage tourism draws travelers to a community to learn about the historic, natural, and cultural attributes of the area. It is a fast growing sector of the tourist industry, contributing more than 20% of its total revenues. For example, in South Africa, tours of the ghetto in Soweto are one of the most attractive tourist offerings. If you have developed your historic and cultural capital, then you will be able to take advantage of this economic renewal strategy.
Institutional Capital — Building Stable Systems

Institutional Capital can mean a lot of things. As stated before, we are defining it here as the organizational, legal, and financial framework that enables the economy to function.

Rule of Law: For most advanced economies, the rule of law is an unspoken expectation, but in impoverished countries and those whose economies are in transition the rule of law has yet to penetrate and take hold. Corruption is rampant, the legal system can be manipulated by powerful interests, and there is no guarantee of a fair application of the rules by the courts or other legal authorities. This kind of chaos is devastating for local economies, so if any of this describes your community, region, or state, changing it should be a top priority.

Participatory Local Government: Local government that is stable, honest, transparent, and responsive to its citizens provides a critical institutional framework for economic renewal. There are many models for increased citizen engagement and participation, from Neighborhood Planning Assemblies and Associations to new forms of local government that bring in citizen voices in innovative ways.

Land Tenure System: Again, for many people reading this book, a stable and predictable land tenure system is taken for granted. Land is registered with the government on maps that describe the boundaries and ownership history, and land transactions are relatively simple, with clear responsibilities for buyer and seller alike. Yet in many countries, there is no stable system of land tenure at all. In impoverished, informal settlements, the lack of a system leads to fraud and corruption. In economies in transition, it has led to increasing economic instability and charges of corruption at the highest levels. Enabling poor people to gain a valid deed for the property that they occupy can give them a foothold in the economic system. For instance, they can now borrow against their property to obtain capital to start a business.
Entrepreneurial Capital — Encouraging Economic Leaders

**Risk Management:** Business failure is high among new ventures. Experience shows that only one in five start-up enterprises live to see their fourth birthday. One of the challenges for many start-up or innovative initiatives is finding ways to manage the risks. The availability of different kinds of insurance, bonding, and loan guarantees on an institutional level is a critical variable in encouraging new ventures.

**National and Regional Alliances:** One local economic renewal organization is a good thing… a regional or national network of economic renewal organizations is even better. If there are ways for you to connect with other similar organizations, or if there are conferences to attend, or coalitions to form, this is something to consider doing. Learning from all the collective experience of other similar organizations is invaluable.

**Community Owned Venture Development:** Finding financing for new private ventures is not the only way to improve employment and economic activities. There are cases where the economic renewal organizations themselves start businesses to support local job creation. In these cases, the community organization is the entrepreneur. It has to go through the same process as any other entrepreneur in the creation of the enterprise. Many local communities won’t want to take this risk, but there are places and situations where it might be the only option available, and where it makes good economic sense.

Financial Capital — Making it Grow

The financial capital a community has (or doesn’t have) often presents a significant barrier to economic renewal. That’s why so much energy has been put into developing innovative ways to address financing issues. These are some of the options that are available (more information on each of them can be found in the background resources provided).
**Community Development Loan Funds:** These are locally based and locally capitalized private non-profit sources of credit for community development projects. They have typically been used for affordable housing development, but can be expanded to meet other local needs.

**Equity Investment Funds:** Non-profit organizations have also created investment programs to provide equity for new businesses and existing businesses that are expanding or that need more operating capital.

**Community Reinvestment by Banks:** In many countries, banks are required to make a percentage of their investments in the local community. Organizations that are working to revitalize the local economy partner with the banks to direct this community reinvestment to high-leverage activities.

**Revolving Loan Funds:** Communities frequently establish revolving loan funds to provide an ongoing source of financing to businesses that might not be eligible for traditional loans from banks. They are typically started with an initial grant, either from a private or public source, and then the fund is continually replenished with the monies that are repaid by the loan recipients.

**Loan Guarantee Programs:** Sometimes, when there is sufficient lending capacity in the local community, a smaller amount of funding that can be used to guarantee higher risk loans to start-ups and expansions. This can leverage even more financial support from the private sector.

**Community Foundations:** Community foundations are charitable grant-making organizations that are restricted to making grants and providing project support to a specific community or region. It can take significant time and effort to establish this kind of philanthropic activity on the local level, but once it is in place it can be a source of real support for the community over the long-term.
Cooperative Financial Institutions: These are the kind of financial institutions that can be formed when people make a commitment to cooperate to offer the kind of comprehensive financial capital that local communities need. Non-profit Credit Unions are one example of this, and several other models have been developed to offer the full range of capital and financial services that a community or its region might need.

Microfinance Cooperatives: For new businesses being started by first-time entrepreneurs, micro-lending can be an effective way to provide start-up capital on a scale that works for the smallest kinds of ventures. These very small loans tend to range from $200 to $5,000, and are often offered to small groups of new businesses. This spreads both the risk and the accountability among a support group that can help ensure that the new businesses succeed.

Equity Match-Making: These services help provide more significant sources of financing for growing companies by acting as a broker between the sources of investment and the firms that need the financing. In doing this, the economic renewal organization also takes some responsibility for reviewing the needs and management capacity of the company, so it can help strengthen its ability to accept higher levels of investment successfully. This “due diligence” on the part of the renewal agency reduces the risk to the investors.

Program-Related Investment: Foundations are able to make equity investments for purposes that match their interests. Such investments are made at below market rates of return. If the loan performs, the money is returned to the principal of the Foundation’s funds. In the event that the business fails, the loan becomes a grant given by the philanthropic side of the foundation.

Faith Based Lending: Faith communities that are interested in helping the disadvantaged might be willing to invest at a lower than market rate of return in an enterprise that hires people who are unemployed.
**Social Enterprise Investments:** A growing field of activity that is proving to be very successful involves organizations that combine the best of both the non-profit and for-profit worlds through “social enterprise.” These are public purpose organizations that use a business model to develop successful strategies to achieve social goals.

**Individual Development Accounts:** In many societies, low income people are penalized for saving money. Their savings are examined before they can qualify for public assistance, forcing them to spend down their savings in order to enroll. Individual Development Accounts help low income people save money they need for retirement, homeownership, education, and other purposes. When combined with a credit union structure, this can also help the community develop more of an ownership culture, in which community members own their own homes and businesses.

**Royalty-Based Financing:** Community economic renewal organizations can use royalty-based financing to support companies which have a high probability of long-term success. The investment return would be based on a percentage of the total sales of an item or service over time. For example, universities will usually keep royalties from inventions by their faculty, and this revenue helps reduce the costs of higher education for students.

**Community Financial Resources:** When municipalities in North America make investments in their infrastructure, they do so in much the same way that people make long-term investments such as real estate purchases — they take out a long-term debt, using their local bonding authority, to finance the construction. If the infrastructure that is constructed produces income, such as an electric power generating facility, they can issue an enterprise bond, which can be paid off through the income generated by the facility. But the vast majority of municipal bonds are general purpose bonds, which incurs a debt based on the ability of the municipality to levy taxes on their citizens. One of the more common taxes for this purpose is the property tax, where people pay a small percentage of the market value of their own property every year to fund municipal government.
Potential Exchange Capital — Realizing Untapped Opportunities

New exchange mechanisms can allow your community to take advantage of local, non-market trade to match unmet needs with underutilized resources. Building this capacity, however, is often overlooked as a source of economic development activity. There are a wide variety of such exchanges, known as “complementary currencies” because they complement the national currency and enable transactions that would not otherwise be possible on the local level. Their use has been growing at an exponential rate worldwide, as their success in meeting different social and economic objectives has been observed and imitated. There are two major categories of complementary currencies: business loyalty currencies and social purpose currencies.

Business Loyalty Currencies: Frequent Flyer miles are the best known example of a loyalty currency, and their use has expanded dramatically in the last decade. They are used to buy many things besides air travel: two thirds of British Airway miles are used to purchase something other than airline tickets. Local businesses and business associations are also introducing Frequent Buyer credits to encourage people to buy local products. At this point in time, there are more units of frequent flyer miles in existence than there are US dollar bills in circulation, which demonstrates how successful loyalty currencies can be.

Commercial Barter Systems: Businesses have caught on to the value of using alternative exchange mechanisms, and have developed commercial barter systems that allow them to buy goods and services from each other on a local or regional basis. This strengthens the linkages in the local market, and enables companies to use their inventory directly as working capital, which can lower their costs.

The social-purpose complementary currencies tend to be smaller in scale but more numerous and varied than the business ones. What follows are a few examples of the many systems available—
**Time Dollars:** This is a particular type of mutual credit system, used in hundreds of communities in a dozen different countries. The system was invented by Edgar Cahn, a lawyer in Washington DC. It does not require paper notes, but can be tracked — depending on the application— with technology as simple as a chalkboard and chalk. There is also Timekeeper software available for free on the Internet (www.timedollar.org). Time dollars are earned by people who contribute their time to some activity that is deemed desirable, such as visiting a nursing home to help elderly people with limited mobility go for a walk. The credits are then redeemable for the purchase of products or other types of services, depending on what is available for exchange. If increasing community service is the goal, this is a good strategy to consider.

**Mutual Credit Systems:** Mutual credit systems are reflected in many of the forms of complementary currency. Their units are created when two parties agree to a transaction through a simultaneous debit and credit. The party who wants a product or service agrees to be debited to the central system for their purchase, and the person wanting to sell the product or service agrees to a credit. This type of exchange system, or currency, can always be available in sufficient quantities — it is not artificially limited by expectations of accumulation, interest, and loan repayments. This can be computerized so the transaction is instantaneous, and over time people’s credits and debits should be in general equilibrium.

Complementary exchange systems currently in design phase include Wellness Tokens that promote preventive healthy habits and learning currencies that encourage mentorships among children of different ages.
Built Capital — Investing in Infrastructure

The obvious way to build the infrastructure that your community needs to thrive is to have the government invest in the ‘bricks and mortar’ that it takes to actually build it. Or manufacture it, or buy it from elsewhere. Of course, the more local suppliers, contractors, and manufacturers you use, the greater the benefit will be for the local economy.

Energy Planning: LASER suggests including a Sustainable Energy Plan as a part of the Built Capital plan. Revolutions and upheavals in energy markets, and the introduction of new technologies, mean that communities will benefit most from a coherent, whole-system approach to energy that hasn’t been required in the past.

Electrical Services: Many municipalities have invested in locally generated electricity. They produce the power in as many ways as the larger private utilities do, often by co-investing with larger utilities in shared generating facilities. This is known in the United States as the community power movement. The income from municipal power generation often helps fund other municipal functions as well. An increasing number of municipal utilities are also investing in energy efficiency and renewable energy as the cheapest ways to meet the energy needs of their citizens.

District Heating and Cogeneration: District heating is typically created through cogeneration facilities which use the ‘waste’ heat from production processes to heat a building or a neighborhood. This type of municipal energy service is offered more often in Europe than it is in the United States.

Communication Links: With the advent of the Internet and other communication technologies, municipalities are getting into the communication business — enabling local businesses to have access to high speed Internet, providing public wireless services in concentrated urban areas, etc. The importance of communication technology to the local economy should not be underestimated. Areas that have invested early and kept their access to the information superhighway unimpeded are areas that are prospering now.
Pedestrian Streets, Bicycle Paths, and Roads: Transportation is a critical function of local government programs and expenditures. In many areas, keeping the roads open is their most important statutory obligation. Municipal leaders who have recognized the importance of moving to lower impact forms of transportation have been investing in pedestrian streets, bicycle paths, and sidewalks instead of pursuing a road-only investment policy.

Public Transit: Public transit is another important form of sustainable transportation. In the City of Calgary, Alberta the electrified public transit system in the downtown area is powered entirely by wind energy generation, so they are reducing vehicle pollution and greenhouse gas emissions while providing affordable and efficient mobility at the same time.

Industrial and Commercial Areas: Municipalities that are interested in growing their local manufacturing capacity invest in the infrastructure needed to develop industrial and commercial areas. This often involves roads, three phase power, wastewater pre-treatment facilities, storm water treatment, and even construction of new buildings or renovation of older facilities. Providing incubator space for new and growing businesses is another important strategy municipalities pursue — creating a building with shared services like secretarial support, transportation, and business management and administration for start-up companies.

Housing: People who move to an area to accept jobs that are available, but who can’t afford the local housing, cause big problems for communities around the world. In impoverished areas, this has led to burgeoning informal settlements around urban areas, where people literally live in cardboard shacks without water or sewer service, because they are nearer to the urban jobs. In advanced economies, it means that people end up commuting long distances from poorer rural areas, creating enormous traffic congestion problems in cities as they drive in to work. Communities and companies have been in the housing construction business for centuries. Increasingly, municipal and state governments find that an investment in affordable housing means that their economies are more likely to thrive. The strategies for improving affordable housing are extensive – the link
Chapter 3 brings you to a resource section containing a compendium of approaches, from reducing land and construction costs, to creating new funding mechanisms, to innovative forms of ownership.

**Solid Waste Management and Recycling:** In some parts of the world, this is becoming more of a private function than a municipal service. But even where municipalities delegate this service to private companies, they are still responsible for making sure it happens, and often for providing the facilities the companies can use to manage waste. It is a critical service for the local level — mismanaged solid waste can lead to illness, serious environmental degradation, and higher and higher costs of management and reuse, which raise the total costs for business and other enterprises.

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**Housing Authority Aims for Sustainability, Affordability**

— Christopher Juniper

The Housing Authority of Portland, a non-profit corporation, was formed in 1941 to address housing needs for people “challenged by income, disability or special need.” It is typical of many housing authorities in the US, though it has become a sustainability leader in the past decade through green-building initiatives. The enterprise is governed by a nine-member citizen commission and serves more than 14,000 households of Multnomah County with either direct housing units or subsidy programs for privately-owned housing. Its services to people are closely coordinated with over 100 partners in job training, substance abuse, financial services and life skills. A rapidly growing area with increasingly unaffordable housing, 27% of the County’s renters spent more than half their monthly income on rent and utilities in 2003.

The Authority’s major project of the past five years, the $153 million New Columbia project, replaced aged units from the 1940s with sustainable and affordable housing development. The 82 acre site was redeveloped with 850 dwelling units — nearly double the original structures. 82% of materials from deconstruction of the old units were diverted to reuses rather than landfills. The entire development used “Low Impact Development” strategies to maximize stormwater absorption and filtering by natural on-site landscapes.

In addition, the narrow, pedestrian-friendly streets and alleys demonstrated permeable pavements that absorb stormwater run-off. Landscaping included native plants and “ecology mixes” designed to best support ecological health. Local construction products were used wherever possible, and advanced framing techniques were used to minimize total lumber requirements.
Other Municipal Facilities: Municipalities provide a variety of other forms of infrastructure and built capital for other essential needs. Cultural and historic buildings are often their responsibility, along with recreational facilities, schools, care facilities and hospitals, water supply and wastewater treatment, and public spaces for local government, courts, and other public functions. As a result, municipalities are critical leverage points for any economic renewal activities. Working with local government to strengthen all these assets is a good way to improve your community capital. There are new sustainability technologies entering the market that meet these needs more cheaply and durably. These should be given priority as investments.

A partnership with the Energy Trust of Oregon resulted in all rental units receiving up to $548 investment per unit in energy efficiency systems, expected to save occupants upwards of $100/year. Two of the mixed-use office and residential buildings were built to meet the Leadership in Energy and Environmental Design (LEED) standards of the US Green Building Council. Their sustainable features include irrigation systems that use no potable water, sustainably-certified framing lumber, low or zero VOC (volatile organic compounds – a source of indoor air pollution) interior finishes, solar hot water systems, and highly efficient plumbing and electrical appliances.

Two of the units have solar water and space heating systems installed to provide information about new technologies that might be applied in other new projects; the units were donated by the Energy Trust of Oregon, a non-profit corporation that helps Oreganians save energy, increase the comfort of their homes and businesses and move towards energy self-reliance.

In 1999 the City of Portland’s Sustainable Development Commission adopted its Green Building Initiative that supports green building throughout the city, particularly by city-funded projects. In 2001 a “Green Investment Fund” (GIF) was launched following several months of work by a citizen-based design committee. The GIF was designed to provide incentives for green building development in the city; in its first year it funded 28 commercial buildings and 35 residential projects. In 2002, the Sustainable Development Commission requested proposals for two sustainable and affordable housing units from the private sector as part of its Affordable Housing Program. GIF projects in 2006 include residential condominiums that are expected to be 60 percent more energy efficient; an “eco-roof” on a 1936 industrial building that will hold a soccer field and café and harvest rainwater to service the buildings toilets, and an efficient integrated energy system for a local coffee roasting business.
Technological Capital — The Creative Economy, part II

The difference between technology and the infrastructure in your community is a matter of degree. The important facet of technological capital is the amount of information that is embedded in the new design, tool, or facility. Technology is a combination of knowledge and material, the ability of new things to address old issues. If building infrastructure is a matter of obtaining bricks and mortar, then technology is a matter of obtaining knowledge and tools.

Renewable Energy Investment: A critical element of the 21st Century economy will be the replacement of non-renewable fossil fuels with renewable, clean technologies. The investment will have a rapid payback time, as prices for fossil fuels go up. Ultimately renewable resource development will become the key way that regions which lead the world community in economic expansion will grow their local economies.

Sacramento, California

Combining Efficiency With Renewables

— L. Hunter Lovins

As powerful a tool as energy efficiency can be, it is even stronger when coupled with sustainable energy.

In 1989, Sacramento, California shut down its costly 1,000-megawatt nuclear power plant. Rather than invest in a conventional centralized fossil fuel plant, the local utility met its citizens' needs through energy efficiency, and such renewable supply technologies as wind, solar, biofuels, and distributed technologies like co-generation. A recent econometric study showed that the program has increased the region's economic health by over $180 million, compared to just running the former nuclear plant. The utility was able to hold rates level for a decade, retaining 2,000 jobs in factories that would have been lost under the 80 percent increase in rates that operating the nuclear plant continued operation would have caused. The renewables program itself generated 880 new jobs and enabled the utility to pay off all of its debt.
Eco-efficient Technologies: Right on the heels of renewable energy investments, technologies, processes, and innovations that dramatically reduce both environmental impacts and resource use will drive innovation and expansion in the 21st Century. We have moved from a world where people were scarce and resources were abundant to one where people are abundant and resources are scarce. This fundamental reality will drive the economy of the future.

Internet Opportunities: Connectedness is key — all of the progress made in making production more efficient can be at least partly attributed to the explosion of access to information that the Internet provides. Just-in-time production, information about sustainable supply chains, and the proliferation of better business practices is just a mouse click away.

Biomimicry: Nature is a great teacher, if people only stop and learn from her. Nature runs on sunlight, without high energy flows, manufacturing everything needed near the living things that use it, with no persistent toxins, and no waste. Nature’s designs maximize efficiency and minimize waste. Everything that doesn’t work is recalled by the manufacturer. We are learning how to make stronger materials by observing the spider. We are learning how to use the sun to power our systems. We should be learning faster.

Building Community Alternative Technology Capacity: There is a wide array of innovative, sustainable technologies available to meet basic human needs. In general, these technologies to supply energy, housing, sanitation, food, water, and transportation work better and cost less than conventional technologies. But there are often few people in a community who know what these options are or how to implement them. Training in the new sustainable technologies through train-the-trainers programs is essential if a community is to be able to take advantage of these alternatives.
Natural Capital — Conserving, Protecting, and Enhancing

The strategies described here are only some of the ways communities can use their natural assets to create real economic opportunities for the local community, and all of them rely on the natural environment continuing to be healthy and productive.

Energy Efficiency and Renewable Energy: Energy conservation has a higher and higher return on investment, as fossil fuel prices continue to rise. Investing in energy efficiency and renewable energy will produce economic returns for a long time in the future. The importance of conservation and renewable energy for Natural Capital cannot be overstated — the harmful pollutants and climate change that is a direct result of fossil fuel emissions is one of the most critical issues facing Earth today.

Sustainable Agriculture: Organic food, soil conservation techniques, community supported farms, integrated pest management, permaculture, and biodynamics are only a few of the myriad ways that people have been working to make agricultural practices more sustainable. Developing ways to add value to sustainably produced food is an excellent economic renewal strategy. As described in the Growth Industries section, there is a growing market around the world for such produce.

Sustainable Construction: Well-designed “green” buildings need little or no energy to keep them comfortable year round, even in very hot or cold climates. Such buildings should cost no more to build, and will perform far better, thus increasing worker productivity, health and well being. Construction and demolition debris accounts for over half the solid waste in the United States. Improving the way we put our built environment together so that it is recyclable, energy efficient, and made with ecologically friendly materials is a critical leverage point for more prosperous and sustainable cities.
Farmers’ Markets: One way to get more income to the farmers in your community is to create space and time for them to market their products directly to the local consumer. More and more communities in the developed world are re-introducing Farmer’s Markets in their downtown areas on particular days of the week. In addition to being good for farmers, it makes fresh food (an important form of natural capital) available at reasonable prices to city residents. Such programs as community-supported agriculture have the added benefit of building social capital by linking city dwellers with their local farmers.

Branding and Marketing Forest Products: The Forest Stewardship Council in the United States has created a “brand” of certified hardwood that lets the buyer know that the wood products they are purchasing were harvested from a sustainably managed forest. The market for products like this is growing around the world, and smart and successful forest product manufacturers are getting in front of the parade. The reward is a large share of a growing market. Similar schemes have also been created for fish and other products that depend directly on nature’s resources.
Eco-tourism: This is the fastest growing form of tourism. It is based on the growing desire of tourists to gain an authentic experience of a place. Surveys show that 85% of tourists would prefer to support companies that take care of the environment. Eco-tourists also spend up to twice as much as conventional tourists. People want to visit places that are environmentally healthy, that are naturally beautiful, and where they can see a wealth of biodiversity and experience nature’s wonders. Developing tourist destinations that enhance the local and regional environment, rather than depleting it, can be tricky — it’s all too easy to kill the goose that lays the golden egg.

Green Maps: Green Maps are a standardized mapping format that has been developed in hundreds of cities worldwide. They are designed to allow visitors to enjoy the environmental amenities in an urban area by telling them where to find recreational areas, particularly interesting natural features, and businesses that sell environmentally friendly products. Burlington, Vermont advanced the Green Map initiative by also adding sites in the community that are known for advancing social and economic justice.

Outdoor Recreation: The natural environment is also contributing to the economies of communities that develop outdoor recreation facilities. The availability of outdoor recreation enhances the appeal of a locality as a destination for eco-tourism. Here again, the goal is to develop these assets in a way that does not degrade the environment.

Community Land Trusts: Community Land Trusts have been created for at least two purposes: to conserve land for agriculture, forestry, and recreation, and to create affordable housing for residents. The combination of the two can result in an exciting sustainability initiative that links social justice with environmental interests. In fact, there are examples of community ownership of important assets in every category. The reason that the Green Bay Packers Football team has not been moved to a larger city is that the residents of Green Bay own the team. It is a community asset.
How to Choose Which Strategies to Prioritize

As you can see, there is no shortage of ways to build the different forms of community capital that contribute to a vibrant, sustainable local economy. This can be overwhelming if you don’t have a way to decide where to begin, and what your priorities are. Obviously, every area of capital development is important, and yet you have to decide what to invest your limited energy and money in as you move forward.

The Stakeholder Group should now be functioning as the management team for the Community Enterprise — an enterprise that has a vision of operating sustainably to meet the short and long-term needs of its customers: the community’s residents and other stakeholders.

Enterprise managers must be adept at juggling competing priorities while considering multiple goals and objectives. This prioritization takes place in both the design of the enterprise’s strategies (i.e. its capital development plans) and in their execution. The usual set of enterprise challenges include: keeping up with (and preferably ahead of) the competition, building capital instead of consuming it, legal compliance, supply chain management, understanding and communicating with customers, new product/service development, attracting great people, and good relations with a changing public.

The Community Enterprise has similar challenges; the Stakeholder Group needs to craft Capital Development Plans and implementation projects in which the following critical factors are considered:

1) The vision and goals the community has established
2) Global trends and local realities
3) The importance of different development options in light of how the different types of community capital relate to each other — a ranking we’ll call the Logic of Community Capital
4) Community system dynamics and leverage points
5) How the strategies relate to the principles of sustainable economic renewal
Each of these considerations gives you some insights into how to prioritize a plan of action. Here is an idea of how each might assist you in setting some short term and long term priorities for your project:

1. **Create Early Success with Low Hanging Fruit**

   In the Asset Inventory you completed, you identified unmet needs and under-utilized resources (see Chapter 2). When you review the strategies and best practices offered above, it may be that you’ll discover some new ways to match these needs with the corresponding resources relatively easily. If the ideas you come up with are in alignment with the vision and goals the community has established, it is always a good idea to take advantage of the ‘low hanging fruit’ — those strategies that can be successfully implemented easily and quickly, so you create some early success and some additional momentum for your overall strategy. Need an idea to get started with? An energy efficiency program for government or business is almost always a winner.

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**Pancevo, Vojvodina**

**Public – Private Partnership Yields Local Economic Strategy**

— Michael Miller

“*This process offered us an outstanding opportunity to analyze problems and legal regulations related to the development of entrepreneurship in our municipality. Moreover, this was all achieved through an informal conversation between local authorities and entrepreneurs. They are practically partners! Now it is much easier for us to implement our business ideas and we have full support of the municipal authorities.*” — Svetozar Markovic, president, Pancevo Craftsmen Association.

A large industrial center in the former FRY, the municipality of Pancevo, located in the province of Vojvodina and just a few kilometers from the capital Belgrade, suffered serious economic losses during the past 15 years. The bankruptcy of the Utva agricultural aircraft factory, Staklara glass factory, and other large agricultural production and processing complexes left more than 25,000 citizens unemployed. In order to revitalize Pancevo’s economy and ensure its sustainable development, the municipal authorities undertook the responsibility defined in Serbia’s new self-government regulation and initiated the process of creating a Local Economic Development (LED) strategy. However, this process in Serbia historically lacked input and feedback from citizens and local stakeholders. Without such involvement, policy has often been divorced from the economic reality of those it affects, and thereby fails to create the ownership necessary for implementation.

USAID through its Community Revitalization through Democratic Action (CRDA) program and the
2. **Seize the Day: Global Trends and Local Realities**

When you’ve completed the Trend Analysis, you will identify opportunities that have arisen as a result of the prevailing global and local trends. Creating a Farmer’s Market to bring sustainable local produce to residents, investing in energy efficiency technology, developing innovative elder care and activity facilities… there are lots of possibilities. The trends show you something about the potential market you have for economic initiatives, and the resources and assets you have tell you something about your capacity to take advantage of the opportunities.

3. **Consider the Logic of Community Capital**

When you examine the strategies you have available to develop your community capital, it will probably become obvious to you that there is a logical order to how they can be pursued. You won’t be able to leapfrog into high tech industries — like some of the sophisticated renewable energy applications — if the majority of your population hasn’t completed high school, or if you don’t have a research implementing partner for Vojvodina, America’s Development Foundation (ADF), invested about $22,000 to organize a set of meetings where this process was discussed by representatives from the municipal authorities as well as the business and civic sector. Through direct contact and work among four task forces, these sectors managed to reach a consensus on key aspects of the strategy.

The newly formed public-private partnership recognized four areas of the LED process where Pancevo has the biggest potential to achieve sustainable development: SME development, tourism, infrastructure and foreign direct investment. A task force was formed for each area in order to develop a detailed plan to be incorporated into the overall LED strategy.

More than 1,000 citizens and stakeholders participated in 39 workshops, round tables, meetings and other public gatherings and actively participated in drafting the LED strategy for Pancevo. The profile of participants varied from municipal officials and business leaders to university professors and motivated citizens. The meetings resulted in the proposal of a LED strategy that was distributed to all participants with the possibility to provide feedback and inputs. Eventually, after collecting over 1,000 inputs and feedback, members of the task forces cooperated with the Belgrade Institute for Economic Science and Research to develop a map of resources, SWOT analyzes and the final draft of the LED strategy.

The draft strategy was officially delivered to the Pancevo municipality department for economy and agriculture. In addition, based on that document, the LED task forces signed two project agreements – one with the Belgrade Institute for Economic Science and Research and one with UN-HABITAT.
university within a relatively short commute. You may need to develop some of the prerequisite strategies first, with a long term vision of growing into a more sophisticated enterprise. Perhaps you have a workforce shortage, and want to bring more stay-at-home parents into jobs, but you have yet to develop adequate support systems to enable them to care for their children. Even something as simple as introducing bicycle transportation as a sustainable alternative takes careful thought about the infrastructure needed to support it: repair facilities, workers trained as bicycle repair technicians, spare parts, a supply of low cost bicycles, etc.

4. Understand Community System Dynamics
A more thorough consideration of the long-term strategies you are considering must include an examination of how all the different parts of your community enterprise fit together into a whole system. An understanding of systems dynamics can give you insight into which of a variety of strategies will be most effective, or which represent higher leverage points for the goals you are trying to achieve. A systems inquiry involves understanding how the strategies you are proposing will feed back into the overall system that is at work in the community. There are common patterns of system behavior that can help you determine where the leverage points are in the community you’re trying to improve. This is a complex, but important, exercise (details of how to use the tools that have been developed for this are available in the resources provided as a supplement to this workbook).

5. Review Sustainable Economic Renewal Principles
Finally, when you’ve put together a list of strategies you want to implement, it can help to consider them in light of the LASER principles:

➤ **Local Ownership**: How do the strategies you have prioritized create, support, and enhance local ownership of productive capacity? How do your strategies enhance the ability of locally owned businesses to grow and hire more people?
Replacing Resources and Imports: Do the strategies replace expensive and high impact non-renewable resources and/or imports with renewable resources and locally produced products and services? Do your strategies add value to local resources? Do they produce something locally that was previously made somewhere else?

Small is Beautiful: Are the parties benefiting most from your strategies small and medium sized firms or entrepreneurial start-ups?

Creativity Counts: How is the cultural and creative sector of your local community involved in the strategies you want to pursue? Will they be strengthened by the initiative? Do your strategies encourage local entrepreneurs to create the sorts of businesses that will be viable in the 21st century?

First to the Future: Do the strategies you are implementing build all the assets in your community so that future generations will be able to meet their needs? Do they restore and strengthen the natural and human capital that is the cornerstone of business and community wealth generation?

The Qualities of a Sustainable Enterprise

What are the qualities of an enterprise that make it successful? Countless business and government schools, thinkers and consultants have attempted to address this simple question in the last century. The answer for small enterprises of one or two people can be as simple as “buy low and sell high.” Or, in the case of a non-profit enterprise, “maximum customer satisfaction for the resources used.” But neither of these strategies necessarily ensure the success and survival of the enterprise over time. That requires organizational development and management strategies that maximize the productivity of the people involved, the marketing “image” of the product or service, and numerous other factors.

Later in this chapter we will examine some of the growing industries in the world today, and look at why sustainability strategies make all enterprises more competitive. At this point in the LASER process, the advantages of sustainable enterprises need to be carefully examined by the Stakeholder Group so they can help local entrepreneurs use this knowledge to create competitive ventures.
Every enterprise owner or manager should be trying to find new ways to be competitive. With limited time and resources, owners can only choose a few new initiatives from among a wide array of possibilities that include both short-term and long-term strategies. Businesses with sufficient capital (or guaranteed market positions or stable revenues, like a public utility) can make some long-term choices relatively easily. Those without sufficient capital or other forms of long-term survival capacity often get stuck with short-term fixes that are less sustainable or are insensitive to community goals and needs. Most businesses want a long-term strategy, but often end up behaving in very short-term ways — focusing on the next quarterly profit and loss report, rather than a ten year capital plan. One of the goals of the community should be to help its businesses be sufficiently capitalized so local entrepreneurs can keep their investments balanced between short- and long-term objectives.

The newest companies being started in growing economies today tend to be knowledge intensive, and this requires highly educated workers. Knowledgeable and talented workers are also critical for the development of a creative economy that relies on cultural and technological creativity to thrive. Communities that want to succeed need to attract and support smart people. One of the most important investments you can make is to upgrade the local educational system and foster creative thinking, innovation, and initiative. Smarter workers also tend to be more aware of the problems with the old industrial model — pollution, low wages, repetitive dehumanized work — and so will gravitate to the newer companies that promote sustainable business practices. As these enterprises attract the best talent and benefit from the high level of productivity that talented workers achieve, they will out-compete less competent organizations. So generally, growing industries will be those that pursue sustainability strategies like those promoted in *Natural Capitalism*: resource productivity, biomimicry, and restoration of natural, human, and social capital.
Global Competition Intelligence

No enterprise is exempt from having to be globally competitive, though some businesses can remain fairly insulated from global competition because of their size, scope or location. But those pockets of isolation are diminishing every day. For example, the World Business Council for Sustainable Development’s Right Livelihood project, begun in 2002, has been helping its members (global corporations) explore how to profitably bring their goods and services to the world’s poor. On the one hand, this effort may help the poor access higher quality products or services that were not previously available to them. On the other hand, it will threaten the existing market of local companies. Think about where you purchase books today — it is obvious that local booksellers are competing with both national chains and global Internet providers. Many large businesses and most Small and Medium-sized Enterprises (SMEs) don’t have the resources for properly keeping up with global technology and market developments. Community organizations that gather such information and make it available in a localized context to SMEs can greatly enhance global competitiveness. An outstanding example of this is the Chicago Manufacturing Center’s Green Plants Initiative, which partners with Natural Capitalism Solutions and local Chicago area organizations to support local small manufacturers in pursuing sustainable business practices. Another is the work of OnTheFrontier Group, which operates in developing countries to bring the ability to compete globally to industry clusters.

Sustainable Management System

Sustainable business practices are simply better management. They help companies and organizations to: better manage material and energy inputs; better manage wastes (through such strategies as Zero Waste); better manage total value chains (and value chains are what really compete — not individual businesses); better manage government relations (especially with regulatory bodies, as sustainable businesses will often get out ahead of regulations) and focus their energies on “sustainability performance” rather than compliance; and better manage human and community relations.
Sustainability strategies run the gamut from something simple like energy efficiency to a whole-systems approach for making all of a business’s operations and offerings more globally competitive. It may involve attracting the world’s best talent and market leadership for products/services. Every business will have a different “business case” for a more sustainable approach to its core strategies in Governance, Operations, Design, Human Resources, Marketing/Communications, and Partnerships. For some enterprises the best opportunities for greater competitiveness will come in how they handle their value chain partnerships (i.e. supply chain management), whereas for others it might be a design leap in manufacturing processes or product sales strategies (such as moving from selling stuff to selling the “solutions” that the stuff provides).

How can a community support all of its organizations (local governments, non-profit enterprises and businesses) in finding their way to the competitive advantages of sustainability? Small operations may be able to take on only one new strategy at a time, so choosing the right one is very important. Some of the things that communities can do to effectively help enterprises in this area include:

- Supporting sustainable enterprise organizations that will build a “community of practice” among local businesses. These businesses will then be mutually supportive in many areas — education, supply chain partnerships, employee and customer education, links to global sustainability resources and customers, and community support strategies. Examples of sustainable enterprise organizations include the Oregon Natural Step Network, Central Michigan Sustainable Business Council in the US, the Social Venture Network in the EU, and various cluster associations in developing countries.

- Offering regulatory advantages — such as expedited regulatory approvals, reduced oversight and/or greater benefit of the doubt in disputes, etc — for enterprises that are using sustainability strategies. For example, in Santa Barbara County in California, builders who bring a plan for a dramatically more energy efficient building go to the head of the queue for permits. It costs the county nothing, but for a builder time is money.
• Providing direct support services: non-profit waste utilization networks that can reduce business input costs through greater access to recycled materials; training programs in sustainable business techniques for local workers (such as trade schools that might teach sustainable construction techniques to new construction workers); or management courses at local universities that support existing business managers.

• Adopting sustainability-friendly tax structures. These might tie specific tax benefits for businesses to sustainability performance. This can be done either explicitly or indirectly, rewarding sustainable business techniques such as environmental management systems, employee ownership, ethics strategies, renewable energy purchases, etc. without requiring a “sustainability” strategy per se.

• Demonstrating the effectiveness of sustainability strategies by adopting them as pilot programs of local government operations. For example, if a local government creates a biofuel fueling system for its fleet, business might be able to adapt the system for use by their own fleets without incurring the infrastructure costs on its own. Another form of this is occurring at the US Army’s Fort Carson Mountain Post, where the army installation is pursuing a sustainability goal of 100% renewable energy by 2027. They are developing a partnership with other major electrical users to influence the local municipal electrical utility to offer wind energy to commercial customers — the more that sign up at the beginning, the lower will be the rate for both Fort Carson and the participating businesses.

A community should approach development of its sustainable business support strategies in close partnership with all of its enterprises (government operations, nonprofits and businesses). In keeping with the LASER approach, this is done through identification of their overall needs, followed by strategic planning for sustainability advantage support systems.
Optimizing Entrepreneurial Potential

It is the entrepreneurial capital in your community that puts all the other forms of capital to use in ways that produce an economic return. These entrepreneurial enterprises are vital to any economic renewal, and so the strategies you create to support their activities will be pivotal to the success of your overall capital development plans. The other plans give you the working capital, but you need these enterprises to put it to productive use. The following is a partial list of the strategies that strengthen these institutions in your community, and the supporting material provides links to other resources. They are broken down into three categories: how you can support existing local enterprises, how you can create new enterprises, and how you can promote local ownership of entrepreneurial capital.

Supporting Existing Local Enterprises

Peer-to-Peer Advisor Services: Businesses learn best from other businesses, and a peer-to-peer advisory service can be of enormous value to businesses that find themselves in a critical phase of their development, whether it be dealing with rapid growth, experiencing a major setback, or figuring out how to bring their operations to the next level. Smaller businesses often don’t have the resources to hire professional CFOs or COOs. A Peer-to-Peer service might be able to offer this level of professional expertise on a temporary basis, so these businesses can get the level of input they need without having to bring on high level staff they can’t afford.

Cluster Competitiveness and Target Industries: A local economic renewal organization can also work to bring similar businesses and organizations together to create a critical mass of productivity, or buying power, or expertise and staff, to make all of them more competitive. It might be that there are industries that can be targeted which the region needs to support a dominant cluster, like slaughterhouses or cheese processing facilities to support a local agricultural economy.
Livable Wage Assistance: A livable wage is the level of earning it takes a person to live a decent life. This means being able to afford housing, transportation, health care, education, and the basic necessities of life in the area where they live. Unfortunately, many employers do not pay livable wages, because the pressure that the private enterprise system places on the costs of labor tends to force wages to lower and lower levels. There are several things that economic renewal organizations can do to promote livable wages and salaries, and to support employers who want to pay them.

Vermont, USA

Livable Wage Campaign
— Christopher Juniper

Since the mid-1990s, the Vermont Livable Wage Campaign, a program of the Peace and Justice Center, has been providing Vermont leaders and citizens with “job-gap” studies that highlight the growing problem of wages not keeping up with living costs. It also provides Vermont’s enterprises with tools for calculating and providing livable wages to employees. The Campaign’s guiding principles are that all Vermonters have a right to: (1) livable wage jobs; (2) union organization; and (3) respectful working conditions. It focuses on both research and legislative or policy initiatives. Its 2003 report found that the livable wage for a single person (one of six categories) was nearly twice the US national minimum wage level and $4.58 per hour more than the Vermont minimum wage for 2005. Over 110 cities and counties in the US have enacted livable wage ordinances since 1997.

Livable wages are a function of wage levels compared to costs of living, especially housing prices which, in most desirable places to live, are escalating far faster than wage rates or small business profitability. The Vermont Housing Council and Vermont Housing Awareness Campaign collaborate on an annual examination of housing costs relative to wages. The 2006 report found that 73% of citizens do not earn enough to purchase a median-priced home, the cost of which has risen 87% since 1996 (10% from 2004-2005 alone). Apart from affordable housing developments, the median price of a new home was nearly $300,000, or 64% higher than the median for all homes. These reports continue to help Vermonters understand and address the gravity of its affordable housing challenges.
Creating New Ventures

Feasibility Study Assistance: When someone comes up with an idea for a new enterprise, they first need to determine whether or not it has a market, how it would be placed as compared to other similar enterprises, what the costs of start-up are, and other issues related to its feasibility. This information is often expensive, in terms of time and resources, to gather, so an economic renewal organization can help get enterprises started by providing the technical assistance and funding for these studies. You may wish to broaden the assistance offered to include other types of planning and organizational development.

Business Incubators: Another barrier to new ventures forming is that start-ups often have a hard time affording the facilities they need to do their work. Business incubators are facilities that are developed by economic renewal organizations to support start-ups. They typically provide office space, shared secretarial support, shared equipment, and ongoing mentoring and technical assistance from people with more experience in business.

Sustainable Business Incubator and Bioreactor

A partnership between Burlington County, New Jersey and Rutgers University resulted in the co-location of a sustainable business incubator, the New Jersey Agricultural Experiment Station and the county’s landfill into what is known as the Rutgers University EcoComplex. In 1996, the county decided to capture methane and odors from its seven-year-old landfill and use it to heat a 46,000 square foot greenhouse for the Experiment Station, which was developing better hydroponically-grown greenhouse tomatoes. The landfill methane fuels four electrical-generation turbines and heats the greenhouse. The greenhouse itself became an experiment that would help New Jersey residents wisely choose how to best use methane from the more than 140 biogas generation sites in the state.

In addition, the greenhouse provides employment for people with disabilities through a cooperative agreement with the Occupational Training Center of Burlington County. The 32,000 square foot office facility, completed in 2001, houses the county’s solid waste offices, the Experiment Station’s research laboratories and spaces for sustainable new businesses. Tenants have included companies that (1) make fertilizer through vermicomposting; (2) make systems for arsenic removal water; (3) develop corn-to-ethanol plants; and (4) developed a carbon dioxide washing system to clean landfill gas for multiple uses. The incubator provides business planning and investor advice, access to laboratories and offices, and specialized advice for both tenants and other businesses throughout the state regarding environmentally sustainable technology use.

Sources:
Ecocomplex Website: http://ecocomplex.rutgers.edu/
Non-Profit Incubators: The same obstacles that plague for-profit companies are multiplied for non-profits, who don’t have the promise of future profits or revenue streams to help them garner the capital they need to get started. Non-profit incubators provide the same level of shared services, and can also provide some seed funding for their staff. These first steps can help them establish a track record so that other funding sources will be willing to provide them with support in the future.

Non-Profit Enterprise Development: Coupled with non-profit incubators is the technical assistance that social enterprise needs to get started: business planning, market research, financing information — all the critical pieces to getting an enterprise off the ground. These services can make a real difference to the viability of new social benefit organizations.

 Recruiting Appropriate Outside Enterprises: The emphasis of most traditional economic development activities in many areas has focused on recruitment. The promise of an outsider coming in with new jobs and investment is often a tempting strategy. While LASER counsels to strengthen locally owned businesses first, there is a place for recruiting specific new ventures to complement the existing business base.

Joint Ventures: A very successful strategy used in recruitment of outside enterprises is to form a joint venture between the incoming firm and existing local businesses, so that a degree of local ownership can be developed and maintained in any venture that is going to tap into local resources for private benefit. The economic renewal organization itself might be the co-owner of the venture, to ensure community participation.

New Generation Cooperatives: The formation of New Generation Cooperatives (NGCs) has been used successfully in Canada as a way to support enterprises that are based in the natural resource sector. Vertical integration and value added products can help such businesses maintain their competitiveness and profitability while maintaining the resource base.
Cooperative Employee Partnership Programs: This model of new venture creation was pioneered in Nova Scotia, Canada, as a way to provide jobs to former social assistance recipients and other unemployed residents. The way it works is that a stable and successful co-op identifies a new business opportunity — a food co-op might want to introduce a small restaurant as a complementary business, for example — and sponsors the formation of a new co-operative by engaging a group of unemployed people who have been brought together by the state assistance agency. The group of people would work together to start the new business, with support from the existing co-op and the state.

Local Ownership Strategies

Succession Planning: One of the bigger challenges for locally owned, proprietary businesses (as opposed to publicly traded corporations) is the question of who will continue the business when the current owners are ready to retire. Succession planning can help business owners transfer ownership in a structured and profitable way to the employees or the consumers, to ensure its long-term sustainability and its continued role in creating real wealth in the community.

Employee Stock Ownership Plans (ESOPs): These are succession plans that are structured like a retirement plan, where employees achieve total ownership of a business when its original owner retires or decides to sell the operation.

Employee Ownership Options: In addition to Stock Ownership Plans that transfer ownership to the employees, there are other options that allow employees to buy or earn shares of their company, gradually shifting control to the workers themselves.

Consumer Stock Ownership Plans: Consumer Stock Ownership Plans are similar to employee stock ownership plans, except that those who own the stock are the consumers of the product or service. Mutual Insurance companies in the United States currently use this model, where the annual profit is shared among the policy holders.
Early Warning System: Of course, some businesses are forced to close their doors or move out of the area when the market changes, or when other forces of the global economy interfere. Many states, regions, and communities require businesses that are contemplating going out of business or moving to another area to notify local authorities, giving them a chance to work with the business to retain local jobs.

LASER Growth Industries for the 21st Century

The businesses that will enjoy competitive advantages in the coming decades have a common thread: they use sustainable practices to make products and services that are themselves sustainable. Unsustainable products and processes have unacceptable costs — in human health and safety, ecosystem pollution, rising costs due to resource depletion, non-renewable resource prices, and lower quality. As consumer preferences, backed by environmental regulations, increasingly reject these costs, the competitive advantage is shifting to businesses that behave more responsibly. These are the sorts of businesses that a community that is strengthening its economy should be seeking to create or recruit.

Each of the five industry categories described below is implementing sustainability strategies that are increasing the number of jobs and income levels as they grow. It might be a semiconductor company that has become more energy efficient than its competitors, or a natural foods grocery chain with employment growth of 15% in 2005 that is ranked as one of the nation’s most desirable employers. There are thousands of such examples, but this section will give you a sense of some of the sorts of business opportunities that will help your community be part of this “Next Industrial Revolution.”
The Creative Economy

The Creative Economy includes some of the most exciting and innovative of the 21st Century Growth Industries. It is, in fact, at the root of most of the developments we are describing below. When people hear the term Creative Economy, they tend to think of artists and craftspeople, and there is a lack of understanding about the importance of this sector to the economy as a whole. People assume that it is a luxury that only rich communities can afford — that the backbone of any economy is the manufacturing sector.

A study done by Richard Florida in 2003 found that the Creative Economy now represents more wages and salaries in the United States than manufacturing and services combined. It provides 3.5% of all the jobs, with over $4 billion in payroll in the U.S. The profits from the Creative Economy are a significant economic engine of the world economy. The Creative Economy may include crafts and the fine arts, but it also includes the people who work to support and facilitate the arts, and the cultural and recreational activities in a community, and all the engineers, architects, designers, and planners that engage in creating new things. One good definition of the type of person who is engaged in the Creative Economy is “someone who thinks things up for a living.”

In the United States, the number of people in the “creative class” surpassed those in the traditional “working class” back in 1991, according to a study done by the University of Illinois at Urbana. The core industries of the Creative Economy are things like film, design, and software, and they each cater to markets that are sized in the tens of billions. In 1999, advertising was a $20 billion dollar market, film was $17 billion, design $50 billion.
To thrive, the Creative Economy needs communities that:

- Know how to attract and retain talented, creative people.
- Provide access to the kind of technology that facilitates communication and creativity.
- Tolerate and celebrate diversity (creative people can be eccentric).
- Support an entrepreneurial business climate.
- Have a high quality of life — a vibrant downtown, healthy environment, openness and honesty in government.

So a sustainable renewal strategy that builds community capital in all of the important areas is completely compatible with fostering a creative economy. And fostering a creative economy is also a good way to build a community that encourages all of its residents to live to their full human potential.

The United Nations recognized the importance of the Creative Economy when UNCTAD and UNDP created the Partnership for Technical Assistance for Enhancing the Creative Economy in Developing Countries. The program will address two issues:

1) Better integration of cultural, trade and macro-economic policies by reinforcing their linkages with overall development strategies; and
2) Reducing asymmetries and biases that can distort the growth of the creative economy in developing countries and limit its participation in global markets.

The new UNCTAD/UNDP partnership will lead to a series of joint technical cooperation activities over the next three years, tackling issues, building synergies, and opening new venues to assist developing countries in fostering their creative economies.
The fastest growing industry cluster of the last two decades is the Information Technology and Communications (ITC) sector. This includes companies that manufacture hardware for computers, cell phones, and other rapidly evolving ITC devices. It also includes people who create software applications and service the information machines. These industries now employ about 36 million people worldwide. Five major facilities averaging nearly 2000 employees each were sited in India alone in 2005. Most ITC firms, however, are small companies. Eighty percent of US ITC jobs are with such small businesses. The sector is expected to continue to grow as the world’s people and enterprises steadily become more dependent such technology. The US government projects that ITC will experience a 68% growth in revenues and 80% growth in key occupations by 2012.

ITC hardware industries have been leaders in adopting environmental management systems, and some are global sustainability leaders. Recent advances include the development of computer boards made from reconstituted chicken feathers, and a soy resin that would be completely recyclable. However, the industry is still struggling to reduce the use of heavy metals in ITC products. There is a growing problem with the solid waste that discarded electronics cause, and with contaminated groundwater supplies from sloppy chemical management practices. New regulations in Japan and Europe require that manufacturers phase out the use of heavy metals, and implement programs to take back products when their useful life is over.

Every economic development effort in the world pursues ITC because of its growth potential and the high quality nature of its jobs, especially in product design, systems administration, and software development. ITC companies tend to seek out communities with a highly capable workforce. These workers, in turn, seek communities that nurture their creative economies and protect their environment. If you are trying to attract such companies, a community commitment to sustainability will be an important component of your recruitment strategy.
**Sustainable Energy**

Global energy demand is rapidly growing, and will double within twenty to thirty years. The supply fluctuations and climate change that result will constrain the ability of communities to continue meeting their basic needs (see the discussion on energy trends earlier in this chapter). The answer lies in part in increasing the efficiency with which energy is used in all applications, and in part in creating new companies to supply renewable energy. The sustainable energy industry cluster makes products or processes that generate or conserve energy in environmentally and socially sustainable ways. The cluster includes both the companies that deliver energy supplies — such as wind, solar, or energy from biological wastes — and those that reduce energy demand through energy efficiency devices or systems.

Energy efficiency is one of the best investments that small businesses can make. For example, a North Carolina chicken farmer found that he could increase his income by a quarter by lighting chicken houses with compact fluorescent light bulbs instead of incandescent ones. It even slightly increased egg production, perhaps by reducing overheating. Newly available LED lighting systems are even better. The City of Chicago recently invested in a solar company so that they could get the jobs and be able to obtain photoelectric cells in a very competitive market.

Sustainable energy includes modern renewable sources that are currently four percent of global energy supply, and growing. Much of this growth is being driven by conversion to modern energy sources by the 2.4 billion people still primarily using traditional biomass. Solar electricity, for instance, though still costly compared to centralized systems, is much less expensive than using kerosene or candles. Energy demand explodes when people reach an annual income threshold of $3,000 USD, which allows electrification of homes and powered transport.

Organizations from micro-breweries to the US Army are seeking to become fully powered by sustainable energy, both for public relations value and as a strategy to minimize energy prices. Wind or solar prices will be stable for up to twenty years — a great bargain compared to rapidly escalating and unpredictable fossil fuel costs.
In 2006 the EU continued to strengthen its sustainable energy goals. The German government’s energy summit resulted in a commitment by its energy sector to invest 35 billion Euros into renewable energy infrastructure in the coming decade. Wind energy grew 36% in the US in 2005, and only a bit less worldwide. The expected 50% growth in 2006 has put existing factories into one-year delivery delays for wind generation equipment. The availability of solar panels is similarly constrained, but new manufacturers are coming on line every day.

Sustainable energy systems are typically much more labor intensive than traditional sources. A US study estimated the job intensity from renewable energy to be three times that of traditional sources. The EU expects to gain 1.1 million new jobs in the coming decade through its renewable energy goals, displacing slightly over 100,000 jobs from the traditional sector. A large proportion of the jobs in sustainable energy are local, non-exportable jobs installing and servicing distributed energy sources or energy conservation investments.

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**Kotte, Sri Lanka**

**Biogas Powers Children’s Home**

— Christopher Juniper

A biogas plant at Kotte’s Sri Vajira Children’s Home, a facility serving 300 children and 45 staff, installed a demonstration project biogas system to reduce rapidly rising costs for water, electricity and cooking gas. Including capital costs of the biogas system, the Home will save $300 per year in electricity costs. The biogas is made from household and market wastes. The city government is working with the UN’s Sustainable Cities program regarding how to help residential dwellings benefit from similar low-cost systems that would use wastes to substitute for imported energy.

Source:
UN Habitat, March 2006, published by the United Nations Human Settlements Programme
Ecotourism

Global tourism, the world’s largest industry, is projected to continue its recent growth of four percent annually — even higher in Africa and Pacific Asia. Sustainable tourism makes up the fastest growing sector if this industry, and includes transportation, guest facilities, tours, food services, cultural/historic amenities, and tourism-oriented manufacturing from individually-produced art to mass consumption trinkets. Tourism now represents 10.4% of global GDP.

The ecotourism industry is variously defined as the tourism infrastructure and services that:

- Focus on personal experiences with local cultures, volunteering, wilderness adventures and natural systems education;
- Provide positive experiences for both visitors and hosts;
- Provide financial benefits and empowerment for local people along with natural system conservation;
- Improve the sustainability performance of tourism facilities (through energy efficiency, sustainable energy use, solid waste recycling, efficient water use, etc.);
- Support international human rights and labor agreements.

The continued growth of environmental awareness in developing countries translates into a rapid growth of interest in ecotourism. By the early 21st century, a majority of US travelers and 87% of UK tourists were indicating preferences to not damage the environment with their vacations, and making choices of tour companies based on environmental performance (though few are actually changing their preferred travel plans).

On the supply side, numerous tourism service providers are discovering the marketing and operational advantages of sustainable practices, ranging from low-flow showerheads to the use of sustainable energy and locally grown food. Governments are more actively supporting sustainable tourism, as businesses seek to adapt to the trend.
Tourism jobs are notoriously low quality, often seasonal and/or low-skill, low paying, and located in resort areas without adequate affordable housing. Where tourism facilities are owned by people from outside the region, there can be a major leakage of local wealth. Sustainable tourism strategies address these challenges by attracting more environmentally and culturally sophisticated travelers, more responsible companies, greater local ownership, and support for local vendors.

In Jamaica, the ecotourist offering Mockingbird Hill is a Green Globe certified hotel. Though located far from the popular, “all-inclusive” resorts, it is doing very well catering to bird watchers who come to the Blue Mountains to see species found nowhere else on earth. The restaurant serves local, organic cuisine, keeping farmers in business. It also hires the men who formerly poached the birds to be guides, thus instilling a conservation ethic in the local population. The economic success of the hotel may lead the Government to extend the Blue Mountains National Park to become a cross-island nature reserve.

**Sustainable Agriculture**

Today, millions of people all over the world are undernourished, while global food demand is expected to continue growing 2-3% per year. Industrial agriculture is unsustainable in many ways. It results in toxic runoff from pesticides and herbicides, rising energy costs for industrial fertilizers and global transport, human health and welfare challenges, and genetically-modified plants that permanently alter ecosystems. The food producing sector uses about 10-15% of all energy in the industrialized countries, and somewhat more in the United States. About two-fifths of the energy used goes to food processing, packaging, and distribution, and another two-fifths to refrigeration and cooking by final users. Only one-fifth is actually used on the farm, and half of that is in the form of chemicals applied to the land. One in five developing countries now face critical water shortages; groundwater levels in China and India are dropping 1-3 meters per year from over-pumping.

Sustainable agriculture has evolved to deal with these challenges, and to meet
the increasing demand from consumers for fresh, local food. This industry cluster includes the researchers, certifiers, suppliers, farmers, processors, transporters and retailers or farmers markets that support sustainable practices in growing, harvesting, and distributing/marketing. “Organic” agriculture is one of many sustainable practices employed. Products of the cluster include food, fiber or fuel from plants/trees, and domesticated and wild animals.

In the US and EU, organic food production and sales have been growing rapidly since 1990, with no sign of slowing down. US organic food markets are expected to grow from $10 billion in 2003 to $33 billion in 2009. Farmers’ markets providing direct market access to local farmers have doubled in number in the past decade. Natural foods grocery chains have enjoyed dramatic growth revenue and profitability. Whole Foods Markets in the US added 4,500 jobs in 2005. Specialty providers of Fair Trade and/or organic coffee, beef, fish, and chocolate are proliferating, and profiting handsomely from heightened consumer interest.

Demand for “industrial fiber,” 80% of which comes from forests, is projected to grow another 20-50% by 2020. Forest resources are increasingly managed to comply with sustainable forestry certification requirements. Nearly 244 million hectares of forests worldwide were certified as sustainably managed in 2005. Certified wood already accounts for about 10% of the market in Europe.

The growth potential in these industries, however, will vary widely from region to region. In the US the forestry industry has experienced dramatic job shrinkage, largely due to increased productivity and rising imports. From 1998-2003, the US lumber industry lost 12% of its jobs (80,000) and 25% of paper mill employment was lost (60,000 jobs). Increased energy prices cost the industry approximately $1 billion in 2003. To cope with such economic devastation, forest-dependent communities are turning to industries that can add value to their wood products, like furniture and other assembled wood products.

Another growth sector in agriculture is the use of crops to produce fuel. Technologies for efficiently converting agricultural products to sustainable energy sources are exploding. Such crops as soy and canola are being converted to biodiesel. Wastes from slaughterhouses, food processing companies (including beer
makers) and farmers’ fields are now economically being converted to carbon-friendly energy. Renewable fuels production in the US is already estimated to support 143,000 jobs, and the biodiesel tax incentive program of 2004 was estimated to stimulate 50,000 new jobs over ten years. Efforts by developed countries to achieve greater energy independence will drive biofuel industry and job growth for the foreseeable future.

**Chapter Summary**

The objective of the asset-based approach to sustainable economic renewal is to build community capital. The capital of a community can be broken into ten basic categories:

- Human Capital
- Social Capital
- Cultural and Historical Capital
- Institutional Capital
- Entrepreneurial Capital
- Built Capital
- Technological Capital
- Financial Capital
- Potential Exchange Capital
- Natural Capital

This chapter considered many strategies that can be used to build each type of community capital, how to prioritize the strategies that are used, and how to make the productive sector more sustainable.

We also looked at some of the hottest growth industries of the 21st Century, given current trends. In addition to building community capital to meet local needs, understanding the global trends will put communities in a good position to benefit from the export of their goods and services to other regions.

**Chapter Notes**


6 – Source: University of Illinois at Urbana: Academy for Entrepreneurial Leadership (UIUC AEL)

7 – *ibid.*

8 – Sourced from:

http://www.unctad.org/Templates/Webflyer.asp?docID=6574&intItemID=3369&lang=1 and

The vision, goals, targets, and strategies have been selected, and you’re ready to get to work. You’re excited about the new strategies you’ve chosen, and can probably even imagine what it will be like when they’re completed. But in order to complete something, you need to start… and beginning is the hard part. You need a plan.

Whether you’re pursuing one or two small projects, or a comprehensive strategy involving all the different sectors of the community, you need to identify who is going to do the work, what resources they will need to get it done, and how they will proceed. All of the people and organizations that will be involved need to agree to the plan; ideally they will all commit to provide a share of the resources that will be needed to achieve the goals.

The plan you develop must be prioritized, with steps laid out in a logical order that will allow each actor to build on what went before. You should strive to have the strategies to be employed work well together, anticipating where they might interfere with or complement each other. Feedback systems should be established to continuously monitor how the plan is moving forward. Financial planning, risk management and decision support systems, life cycle design and accounting, and sustainable procurement policies all play important roles in effective project implementation.

The members of your Stakeholder Group have committed themselves to this process, and they should now be in a position to take a lead in implementing the projects, either as individual organizations or working together in partnerships. Even if the municipality will be leading the process, the responsibility for implementing the recommendations that arise should be shared by everyone involved. As the project planning moves forward, you will need to identify which stakeholder organizations will be responsible for which activities, and work with the different implementing organizations to create partnerships for action.
Engaging the Business Community

There is an enormous amount that a truly representative Stakeholder Group can do to revitalize their community. But to achieve economic renewal, it is critically important to engage the local businesses and the other organizations you have identified as being part of the entrepreneurial capital of the community. Business, the creation of new jobs, and new entrepreneurial enterprises are the engine that brings prosperity to a community. The existing business community, the individuals who take the risks to create and run companies, are a vital resource. In the best case, these individuals have been involved with the LASER process from the start. If not, this is the time to involve them. (See Chapter One for more information on business involvement in economic renewal planning.)

To successfully engage the business community, it will be essential to demonstrate the benefits that the individuals you seek to involve will achieve as a result of their participation. If you are to do this effectively, you need to know how to speak to them in the language of business. You will need to explain initiatives in terms of profitability, marketing, new markets, PR opportunities, and competitiveness. In short, you will need to give them a business case for sustainability. The arguments laid out throughout this workbook form the basis of such a business case, but it will be important to present your programs in this light.

It will also be critical that you do not expect business people to sit through endless meetings, or to donate their time without hope of a return on the investment they are thereby making. Business people can be extremely generous if they are presented with a good case, but they will be wary. They are used to being the first group to be approached by anyone seeking donations. They often see themselves as the victims of government programs that unnecessarily constrain their operations. If you can show them how the LASER program can enhance the business climate, promote the creation of new companies, and help them to grow, to add jobs, and to increase the economic vitality of the community, they will be much more inclined to participate.
Business people meet frequently, in such organizations as the Rotary Club, the Chamber of Commerce and other business associations. You should ask whether you might speak to these organizations, to explain what LASER is seeking to do. It’s helpful to find a few champions in the business community who are interested in taking the first steps with you, so that their colleagues will feel more comfortable following suit. There might be elements of the strategy you have addressed that are appropriate for particular enterprises in your community to add to their portfolios. In this case, consider whether part of your project should consist of obtaining the training and resources that the business needs to do this.

It is always a good starting point to ask the business community what it perceives the community’s needs to be. What would enable each company to expand, to add a job here or two jobs there? Economic development efforts that focus on recruiting companies from another region to relocate to yours ignore a basic truth: businesses that would do that will do so again, when they get a sweeter offer. Meanwhile, there are businesses on Main Street that have sunk

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**Preserving Land Preserves Local Business**

— Christopher Juniper

Started by a retired education professor with six goats and six acres of land, Haystack Mountain Goat Dairy became a successful business of 20 employees that needed to grow beyond its 110 goats and its small dairy facilities. Despite winning product awards and selling some goat cheeses for $25 per pound, the Dairy could not afford additional pastureland in pricey Boulder County, one of the hottest US cities for both the “creative economy” and real estate prices. So desired expansion would require moving elsewhere in the state — away from Boulder’s natural food business expertise, key local markets, and the owner’s hometown.

However, following favorable public hearings, in early 2006 the Boulder County Commissioners and Boulder City Council both saw the compatibility of their open space preservation programs with the needs of the goat dairy, and crafted a cooperative transaction that both locked up 80 acres of important open space on the edge of the city and provided expansion space for the goat herd and dairy operations on an old dairy site. The 32 acres with the dairy facilities will be purchased by government open space acquisition funds and later sold to the Dairy when its expansion financing package closes. Forty-eight acres will remain in County/City hands but will be leased to Haystack for goat pasture, and will be permanent open space whether used by the goats or not.

**Sources:**
The Denver Post 14 Apr 06
Minutes of the Boulder County Parks and Open Space Advisory Committee 15 Dec 06
their roots into your town, that could use the resources you spent trying to woo some stranger to modernize their equipment, to train their workforce, to expand their operations. Adding two jobs in an existing small business may not seem very glamorous, but it is the sort of economic development that your community can do on a continual basis, year in and year out. If you surveyed the existing business community and asked who, with a little help, could add a new job, you would find that the total number of jobs will add up to far more than you ever could recruit from outside. Recruitment efforts often spend millions of dollars per job created — dollars that could be far more effectively invested in the existing business community.

There are times when your community will benefit from recruiting a company from the outside. The return on such investments are rarely positive, however. If you do engage in such activity, ensure that the net economic benefit to your town exceeds what you gave up to achieve it. Free land, tax breaks, infrastructure give-aways, and other subsidies all cost a community.

A far better strategy is to convene the existing businesses that are naturally part of a cluster, in which all are essential to enable each other to thrive, and work with them to enable all of their enterprises to successfully compete. Such businesses may see themselves as competitors, but it is frequently the case that all of you within a community are competing with similar businesses in other regions. In the Internet age, customers can seek out businesses anywhere in the world. What businesses do you have that can be the best in the world at what they do? What is keeping them from doing that? Do they lack marketing? Business expertise? New equipment? Who in the community might help them to become world-class?

For example, in Afghanistan, the consultants OnTheFrontier Group convened a cluster of participants in the carpet industry: weavers, carpet washers, wholesalers, and retailers. It might seem, at first, as if these are people would never want others in the group to know their business secrets. But OTF Group showed the cluster members how they really are competing with Pakistan, and that they need to improve their industry as a whole to be able to see their carpets into the world
market. They did the same with growers of dried fruits and nuts. In Jamaica they worked with makers of sauces and spices and with the tourism cluster. Even though Jamaica has the 13th most recognized brand among all tourist destinations in the world, its tourist industry was suffering because, as a whole industry, it had not realized that it was competing with Bali and Hawaii. As a cluster, members can help each other improve their offering so that tourists who can book a vacation anywhere in the world will think first of Jamaica.

It may be worth bringing in experts from a notable business with a regional or national market that has invested in innovative ideas. They can speak of their experience with the new product or service they introduced, and how it helped them in the market. Business managers who have invested in renewable energy, those who have innovated using a local agricultural product and created a new market, eco-tourism experts, or entrepreneurs who have taken a cultural experience and made a business out of it are all good candidates to bring in to talk to your local business community. Business people like to talk to others like them who have done something different, and who can share the real-life experience of making it work. It is most likely that the business community does not know or fully appreciate the information contained in these pages and in the supplementary LASER resources. Ensuring that this information is discussed by your local businesspeople is a good place to start.
Implementation Partnerships

The old model of community development was to create a dedicated organization or agency with all the relevant people and departments needed to carry out whatever program was being proposed. With the rapid speed of change brought on by the information age, it is much more critical in the 21st Century to work through partnerships and coalitions, rather than trying to create large organizations. The business community is generally resistant to the creation of yet another bureaucracy. Size works against you when you’re trying to be flexible and innovative. To initiate sustainable economic renewal strategies it will be essential to work in partnership with existing organizations.

If you have done a good job recruiting stakeholders, you should have many of the organizations that you need for these partnerships sitting at the table already. But it’s one thing to think about the long-term needs of the community, and another to commit precious time and resources to a plan, so engaging in implementation partnerships takes some careful thought. It shouldn’t be done without clarifying that the projects fit within the organizational mission of each partner, and without firm commitment from the leadership of each organization.

Once you have this clarity and commitment, it helps to sit down and draft a Partnership Charter. The Charter should address the following issues:

1) The vision for the project
2) The goals and objectives of the project
3) The benefits each partner expects from the project
4) The roles and responsibilities of the partners, including information about flows of information, authority, and accountability
5) A method to resolve conflict within the partnership

No partnership should be entered into without explicit discussion about all of these issues, or you are setting yourself up for destructive conflict, dysfunction, and — ultimately — failure to achieve your goals. Power struggles are common among organizations that have a degree of autonomy from each other, and if the roles and responsibilities aren’t clear, there can be a lot of duplicative and unproductive work done from different quarters.
Identifying Implementation Requirements

Project Scope and Scale

In the early stages of implementation planning, you need to clarify the appropriate scope and scale for the projects you are proposing. Taking on a task for which you don’t have the implementation capacity will cause frustration and disempowerment; aiming too small will make your efforts seem ineffective. How do you decide how big and broad the projects can be?

Rome wasn’t built in a day, and changing the world happens in baby steps. There are several principles that can help you determine the appropriate scope and scale for your projects:

Subsidiarity: The Principle of Subsidiarity suggests that projects should be managed by the smallest or lowest possible level of competent authority. For LASER implementation projects, this means that you need to decide whether it would be better for projects to take place on the municipal, neighborhood, or regional level, and who at any of these levels would be the best project manager. It may be that the best partner is a company within your community, or an entrepreneur who is looking to create one.

Experience: If your municipality has never managed a project with multiple partners before, then choosing something simple that involves only two or three reliable partners would be a good way to begin. Once you have experience with small projects, it is easier to expand and do larger ones.

Stakeholder Involvement: Who benefits from the project? Will the project have impacts that would affect people in the community? One criterion for choosing the size and scope of a project can be the degree to which you feel it is possible to involve the relevant stakeholders in project design and implementation.
Practical Considerations: The size and scope of your project will inevitably be limited by pesky details like the budget you can muster for the purpose, the time that the partners have available, the other resources that might be sought, and the overall timeframe required for implementation. Planning for early success at the outset by choosing some projects that are achievable in the near term is a good way to keep momentum going without overwhelming all of the participants.

Once you have identified a good implementation partnership, and chosen the scale and scope of the projects you will pursue to initiate the strategic action plan, the next step is to identify the implementation requirements in more detail. This involves looking very closely at all the activities and resources you need to achieve your objectives, and making sure that you have what you need.

Preparing a Project Budget

To help you outline the way all the elements of your action plan will work together to achieve the results you want, we will be constructing a Project Logic Model. It is intended to be a rigorous process that looks at every step of implementation, and continually checks it against the results and impact you want. Part of the information we will need in order to create this Model are the project inputs — the resources that will be used to make it happen. In most cases, identifying inputs will require that you determine a Project Budget.

Your Project Budget, like any budget, has two main parts: the revenue side, where the money is coming in, and the expense side, where the money is going out. The revenue might be from grants, contracts, income from sales, fees paid for services, in-kind contributions, donations, and special events. The expenses for community improvement strategies typically fall into several basic categories:
**Local Action for Sustainable Economic Renewal**

**Personnel costs:** including fringe benefits (health insurance, vacation and sick pay, retirement), taxes, and liability insurance.

**Office services:** rent, communication, utilities, insurance, trash removal, maintenance, etc.

**Equipment:** permanent items (can be depreciated) — computers, machinery, vehicles.

**Supplies:** expendable items — paper, pencils, flip charts, printer cartridges, light bulbs, etc.

**Travel:** airfare, mileage, accommodations, per diem rates, and other incidental costs.

**Publications:** printing, postage, copying, periodicals, books, etc.

**Professional services:** legal, accounting, engineering, other services of people who are not on staff.

To prepare a Project Budget, first break the strategy down into the individual tasks (these in turn will be the “activities” in your Project Logic Model), and estimate how much time, materials, and other resources will be required for each.

Let’s suppose you were pursuing a strategy of introducing a system of neighborhood exchange for local goods and services. Your breakdown of the required tasks might begin like this:

<table>
<thead>
<tr>
<th>Activity / Task</th>
<th>Time and Effort</th>
<th>Materials</th>
<th>Other Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identify neighborhoods and participants</td>
<td>Five weeks – 10 hours per week</td>
<td>1,000 flyers</td>
<td>Public Service Announcements</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Phone calls</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Internet ads</td>
</tr>
<tr>
<td>Convene introductory meetings</td>
<td>15 introductory meetings with Workshop Leader – 3 hours/meeting</td>
<td>Exchange Program materials with enrollment forms and local directories</td>
<td>Space rental fees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Travel for Workshop Leader</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Refreshments for participants</td>
</tr>
<tr>
<td>Establish Support Networks and hold regular follow-up visits</td>
<td>2-10 hours/week of leader’s time after introductory meeting</td>
<td>Additional printed materials</td>
<td>Travel costs</td>
</tr>
</tbody>
</table>
### Projected Expenses

<table>
<thead>
<tr>
<th>Budget Line Item</th>
<th>Assumptions</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personnel</strong></td>
<td></td>
<td>$10,000</td>
</tr>
<tr>
<td>salaries</td>
<td>Workshop Leader, part-time</td>
<td></td>
</tr>
<tr>
<td>fringe benefits</td>
<td>pro-rated health insurance</td>
<td>$2,000</td>
</tr>
<tr>
<td>taxes and insurance</td>
<td>payroll taxes @ 15%</td>
<td>$1,500</td>
</tr>
<tr>
<td><strong>Office Services</strong></td>
<td></td>
<td>$7,200</td>
</tr>
<tr>
<td>rent</td>
<td>office space for one year</td>
<td></td>
</tr>
<tr>
<td>communications</td>
<td>phone, internet, ads</td>
<td>$980</td>
</tr>
<tr>
<td>utilities</td>
<td>electricity, heat, water</td>
<td>$400</td>
</tr>
<tr>
<td>maintenance</td>
<td>trash removal, cleaning</td>
<td>$400</td>
</tr>
<tr>
<td>insurance</td>
<td>liability</td>
<td>$250</td>
</tr>
<tr>
<td><strong>Equipment</strong></td>
<td></td>
<td>$750</td>
</tr>
<tr>
<td>computer</td>
<td>used or low cost</td>
<td></td>
</tr>
<tr>
<td><strong>Supplies</strong></td>
<td></td>
<td>$375</td>
</tr>
<tr>
<td>flip charts</td>
<td>2 per workshop @ $12.50</td>
<td></td>
</tr>
<tr>
<td>workshop refreshments</td>
<td>$15 per workshop</td>
<td>$225</td>
</tr>
<tr>
<td><strong>Travel</strong></td>
<td></td>
<td>$119</td>
</tr>
<tr>
<td>mileage</td>
<td>$.34 per mile for 350 miles</td>
<td></td>
</tr>
<tr>
<td>incidentals</td>
<td>$10 per diem</td>
<td>$150</td>
</tr>
<tr>
<td><strong>Publications</strong></td>
<td></td>
<td>$2,000</td>
</tr>
<tr>
<td>publicity flyers</td>
<td>1000 @ $2</td>
<td></td>
</tr>
<tr>
<td>Exchange directories</td>
<td>150 @ $20</td>
<td>$3,000</td>
</tr>
<tr>
<td><strong>Professional Services</strong></td>
<td>none anticipated</td>
<td></td>
</tr>
<tr>
<td><strong>Other Costs</strong></td>
<td></td>
<td>$375</td>
</tr>
<tr>
<td>space rental for meetings</td>
<td>$25 per meeting</td>
<td></td>
</tr>
<tr>
<td>contingency</td>
<td>unanticipated expenses</td>
<td>$276</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$30,000</td>
</tr>
</tbody>
</table>

### Projected Income

<table>
<thead>
<tr>
<th>Budget Line Item</th>
<th>Assumptions</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>Community Foundation</td>
<td>$20,000</td>
</tr>
<tr>
<td>Contributions</td>
<td>100 memberships @ $25</td>
<td>$2,500</td>
</tr>
<tr>
<td>Participation Fees</td>
<td>150 attendees @ $25</td>
<td>$3,750</td>
</tr>
<tr>
<td>Special Events</td>
<td>Exchange Fundraiser</td>
<td>$4,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>$30,250</td>
</tr>
</tbody>
</table>
Now you’re ready to build a project budget. Each item that is needed for the different tasks and activities has a cost, which you can organize by budget category. When you have calculated your expenses, you can do the same thing for the income you expect from the project.

The opposite page shows how a budget might be prepared for this example. This is a very simple illustration, for a project that would not last more than one year. Obviously, this basic worksheet would need to be expanded for a real-world project that might go on for several years.

**Funding Strategies**

It is always easier to develop a budget for new activities than it is to actually raise the money. Yet for economic renewal activities there are often more diverse sources of funding than for other community development objectives, so take heart. For one thing, many of the strategic ideas that come forward can be the basis for new kinds of business activity. When you have a viable business idea, it is often possible to secure financing with loans or investments. If you are starting businesses in impoverished areas, it can help at the outset to secure grants or loans with favorable terms to minimize the risks associated with new businesses. Some of the support services that are envisioned as part of the strategies identified in Chapter Three would also need ongoing program support from government or philanthropic agencies.

When you have identified all of your funding needs, you can begin the process of matching potential income sources with the different activities. For example, if printed materials are needed, it might be that a local printer would consider donating this as a public service. If there are personnel costs, ask some of the stakeholders and partners involved if they have staff already in place whose time could be dedicated to the project. If there are other material costs, try to find creative ways to minimize them, so that the total amount of additional funding you need does not pose an insurmountable obstacle to the initiative.

For business financing, it is possible to obtain loans and investment once you have put together a business plan. The business plan for any new enterprise
would include information about the market potential, the start-up costs, and the projected income from the product or service you are proposing to offer. As detailed in the previous Chapter, there are services that a community can offer to new businesses to help them do the feasibility studies, cash flow projections, and profit and loss calculations. These in turn will allow banks, loan funds, and potential investors to determine whether it’s worth their financial risk.

Risk Management

You should identify a risk management strategy for the project as well, and make sure that it is adequately funded. For some business activities, this might mean obtaining insurance or a bond, or a loan guarantee. For non-profit and government activities, you also might need insurance and plans to make sure that you aren’t exposed to an unreasonable level of risk. For construction projects, this might mean identifying all the technical and safety requirements, and confirming that you have budgeted adequately to cover all the bases. For non-profit activities, you should anticipate any of the parts of the project where things could go wrong — injuries to staff and participants, inadequate service delivery that creates shortages, vehicle transportation risks — and make sure that you have the proper insurance coverage, if that’s what’s needed.

Your project may require material accounting beyond the budgeting of operational expenses described above. If long term purchases and investment are involved, you will want to calculate the life cycle cost of that equipment or infrastructure. You also must plan in advance to minimize the impacts of your activities on the environment, and the risks that you will be responsible for these impacts. This all means looking at equipment or other supplies and investments in terms of their production, use, maintenance, and recycling cost — not simply their purchase price.
Most of us are numb to the real effect our consumption has on the Earth. We tend to view separately each object being manufactured, and calculate its cost in terms of the individual product’s useful life. “Whole systems” calculations, however, include the environment in which a project or product is manufactured, and the interactions that are likely to occur in the process. Design and accounting are just beginning to catch up to the idea of giving more careful consideration to how the objects are being designed and how their use fits with the environment.

Life cycle design is a way of taking whole systems into account. This mental model begins by noticing how things, people, ideas, and organizations fit into the ecology. It looks at the whole system involved in the design and construction of infrastructure, buildings, and products, including all aspects of manufacture, construction, disposal or demolition, and reconstruction or remanufacture.

Along similar lines, new accounting practices are being introduced which consider the true cost of products and services. This includes the hidden costs of resource use associated with production, use of the product, reprocessing, the waste generated during the product’s life cycle, and any impact it has on the environment.

These accounting tools can make a significant contribution to the cause of sustainability. Among them are: Total Cost Accounting (TCA), which looks at liability, risks, hidden costs, and intangible costs like customer acceptance; Full Cost Accounting (FCA), which looks at the social costs like harm to the ozone layer and other effects that would not be automatically monetized in the course of a company’s analysis; and Environmental Life Cycle Accounting (ELCA), which looks at the costs of the environmental impacts of a particular product. Ideally you want to include all of these considerations in your analysis.

Of course, costs do not equal value. It is not possible to put a financial value on all of the natural and social benefits, and such accounting systems are not a complete solution to the sustainable management of natural and social resources. However, the introduction of whole systems approaches to design and accounting, like those described here, will mitigate the dramatic and harmful effects of the distorted practices currently in place.
**Procurement**

Just as you should take into account the real costs of any products and services your plan will employ, meeting the objective of sustainability will require that you take a hard look at the procurement policies you use to obtain them. Municipalities are mega-consumers, and their consumption patterns inevitably impact the social, financial, and natural fabric of the community. It is estimated that in developed countries governments themselves consume 15% of Gross Domestic Product (GDP).

Communities that make a conscious choice to base their purchase decisions on an analysis of their wider impact can have a dramatic effect on the actions of their suppliers, as product and service providers work to remain competitive in the municipal market. Over the long term, changing procurement practices can go a long way toward helping a community meet its objectives for sustainable economic renewal. Organizations that are working toward compliance with the International Standards Organization guidelines for environmental management (ISO 14001) are already taking steps in this direction.

Sustainable procurement makes for sound fiscal practice. Products that use natural resources efficiently can reduce the total costs to a municipality by using less energy, by lasting longer, by being easily recycled, by producing less waste, and even by being healthier for employees. Hazardous and toxic waste, in particular, can be very expensive to dispose of or recycle. In Canada, the province of Manitoba has passed a Sustainable Development Act that requires organizations that receive funding from the government to institute green procurement regulations.

**The Experience of Santa Monica, California**

The City of Santa Monica has taken several steps to implement a sustainable procurement program. The City passed several laws and ordinances related to their purchasing policy, including:
• A Recycled Products Procurement Policy
• Administrative instructions pertaining to office paper
• The U.S. Conference of Mayors / CALPIRG Buy Recycled Campaign
• Janitorial products purchasing criteria
• A ban on purchasing wood from tropical rainforests
• Ozone-depleting chemical purchasing regulations
• A Reduced-Emission Fuel Policy for City vehicle purchases
• A Print Shop Purchasing Policy

The measurable benefits to the City since these policies have gone into effect have been many. The janitorial purchasing criteria, for example, have produced the following results:

1) Replacement of toxic products throughout the city with less toxic or nontoxic alternatives in 15 of 17 cleaning product categories.

2) The elimination of approximately 3200 pounds of hazardous materials per year in products purchased.

3) A cost savings of approximately 5% resulting from: the purchase of more concentrated products having lower packaging and shipping costs; lower cost per application of the alternative products; and better, less wasteful use of products due to improved custodial training.

4) A proven and effective set of procurement specifications that can be adapted for use in future efforts to reduce the use of toxic agents.

5) Increased morale of the custodians, who recognize the city’s concern for their health and working conditions and who appreciate the opportunity to participate in making decisions about their work.

Santa Monica saved money, improved morale, developed good governance strategies, saved resources, and reduced environmental impact. That’s a win-win-win-win-win strategy — all five areas of sustainability in the community have been improved.
The Project Logic Model

Once you have identified the activities to be pursued and the resources to be utilized, and have completed a Project Budget, you can develop the Project Logic Model. The idea behind this model is to help you outline the way all the elements of your action plan will work together to achieve the results you want.

So often, the activities we propose for community improvement are driven by existing constraints — current staff, activities that are already underway — and we can get sidetracked from the most important consideration of all: whether what we’re proposing will have the desired impact. Going through a step by step process to line up the goals, targets, budget items, activities, and results can be enormously helpful.

Project Logic Models ask for the following information:

Inputs— The inputs to be identified are the resources that will be used on the project. In most cases, this information will come from your Project Budget.

Activities— The activities are the workplan items and tasks that will help achieve the strategy. The tasks and activity breakdown is critical to developing a budget that works, and making sure that the resources, timeline, and other factors are reasonable.

Results— Often, the results of your activities are not immediate. Breaking down your expected results into short, medium, and long term time frames will help you better prepare the materials you will need to track your success.

For more information on how to construct Project Logic Models, the Kellogg Foundation has drafted an excellent workbook:
http://www.wkkf.org/Pubs/Tools/Evaluation/Pub3669.pdf
This is how a logic model might look for our sample project:

| Need: | Income and economic security |
| Assets: | Strong neighborhood associations, many small cottage industries producing goods and services for the local market |
| Goal: | To create a vibrant local economy where local products and services meet the needs in the local markets, and the new ideas and prosperity makes the community able to export more goods to outside markets |
| Target: | 2,000 local producers who have direct access to a growing local market for their products and services |
| Strategy: | To introduce a neighborhood exchange system, where local producers would register their products for local markets and would be able to trade for other local products using a complementary exchange process instead of national money. |

<table>
<thead>
<tr>
<th>INPUTS</th>
<th>ACTIVITIES (what will you do with all the inputs?)</th>
<th>RESULTS (Changes in knowledge, skills, behavior; social, economic and environmental conditions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshop Leader</td>
<td>Identify neighborhoods and at least 30 participants per neighborhood</td>
<td>Increased knowledge about about the benefits of community exchange systems</td>
</tr>
<tr>
<td>Printed information materials</td>
<td>Convene fifteen introductory meetings</td>
<td>Participants taking advantage of the exchange system</td>
</tr>
<tr>
<td>Intake forms for exchange network</td>
<td>Establish five Exchange networks</td>
<td>More goods and services exchanged on a neighborhood level</td>
</tr>
<tr>
<td>$20,000</td>
<td>Hold monthly network mtgs</td>
<td>Improved social networks in neighborhoods</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Short term</th>
<th>Medium term</th>
<th>Long term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Improved community resilience</td>
</tr>
<tr>
<td></td>
<td></td>
<td>More income for impoverished areas</td>
</tr>
</tbody>
</table>
The process we’ve outlined here, like project logic models generally, is designed to help you see the direct linkage between the ideas you have for strategies, the steps you need to take to implement the ideas, and the results and impacts of your initiatives. The process of consolidating and cross-referencing will also help you better integrate the various strategies you are developing.

Reviewing the model, you can ascertain whether you have adequately planned the level of effort necessary to achieve the results you want. This can provide a solid basis for moving forward; projects are much easier to get started when you have thought through all the different steps toward implementation.

### Monitoring and Evaluation

Another critical component of project implementation is the selection of indicators and performance measures. These are your tools for evaluating the effects of your efforts. Indicators are directly related to your goals and targets, and give you regular feedback on whether you are achieving the goals that you set for the project. Performance measures are related to the project implementation plans you have developed — they give you feedback on whether the activities you have designed for the project are taking place as planned. Indicators give you a sense of the outcomes of your work, performance measures tell you how many outputs are underway. The outputs are the means, the outcomes are the ends.

**Performance Measures**

The performance measures will help you evaluate how the projects and activities you have designed are being carried out. Like indicators, these give you feedback on the objectives you set, but instead of monitoring the actual conditions in the community, performance measures monitor the activities you are carrying out to change those conditions. The basis for the performance measures is the information you have included in the Project Logic Models.

For example, in the model we used above, one of the activities was to convene fifteen introductory meetings for five different neighborhoods. This means that
you will monitor the number of introductory meetings that are actually held, the number of participants who attend each meeting, and the number of neighborhoods that are involved in the project. Since you have done the hard work of determining the level of effort that is needed to achieve your objectives, it is important that you regularly assess the level of effort that is being made, to see if your initial projections about its effectiveness were correct.

**Indicators**

Indicators are used at all levels of formal and informal decision-making. The gas gauge in your car, for example, indicates when it is time to fill up, and the gross domestic product (GDP) tells policy-makers whether policies to stimulate the economy are working. The right indicators are necessary to your economic renewal planning; they will tell you whether your efforts to move your community in the right direction are successful.

By monitoring indicators for each specific target you have chosen, you will allow the government, civil society, and the public at large to assess whether your community is making sufficient progress toward sustainability. Developing indicators is simply a logical process of determining what information tells you most accurately whether your community is meeting the targets you have set.

Indicators can be conceptually simple, like total population, or very complex, like GDP. They can be based on quantitative data like concentration of sulfur dioxide in the air, or qualitative information like the results of a survey of people’s attitudes toward their community. One thing is true of all good indicators, however: they are clear and easily understood by experts and non-experts alike.

The bases for the indicators are the targets you have established. If you set a target, for example, that 85% of all families will earn adequate income to meet all of their basic needs by 2015, then the indicator you might select to monitor the achievement of this target would be the annual reported family income figures for your area as compared to the cost of living. Some communities have developed a ‘livable wage’ index, a regular barometer on what income is necessary to live in decent housing, have access to health care and transportation, educate children, and live a healthy life.
Gathering relevant data for your indicators can be as challenging as identifying them in the first place. Over the long term, evaluating the results of your project will be much more time and resource-intensive if the underlying data is not readily available. Sometimes you decide upon an indicator, only to discover that data for it cannot be found after all. This underlines the importance of determining how, or whether, you will find the data needed for an indicator you are planning to rely on.

Local or regional governments are often an outstanding source of administrative facts and figures about school enrollment, crime, incomes, taxes, percentages of households with plumbing and electricity, health, etc. But it can still be a difficult process to determine which department and which individuals within that department are able to provide you with the data you need. Furthermore, you may encounter resistance in getting them to share what they have. There are, unfortunately, many prevalent attitudes that can make it difficult to obtain information, even when you know the data exist. When choosing between two strong indicator possibilities for the same target, you should take into account the probability of being able to get the data for each of them, before assuming it will be available to you.

Since the early 1990s, communities have been exploring how progress is measured with what they are trying to manage, and finding that new indicators are called for to better help community leaders understand the challenges and craft effective solutions. This gap is even wider for communities pursuing sustainability strategies, though most measures of “quality of life” fit well with sustainability goals.

The pathways to better sustainability indicators are varied. Citizens of Pittsburgh, Pennsylvania USA formed Sustainable Pittsburgh in 1999 to promote sustainability principles, civic engagement in the Southwestern Pennsylvania’s future planning, reduce urban sprawl and “close the disparities gap.” It published its first semi-annual sustainability indicators report in 2002 and convenes annual conferences on SMART growth.

Community stakeholders in Jacksonville, Florida USA started the Jacksonville Community Council in 1975 to foster public and private collaboration on key quality-of-life challenges. Ten years later, the Council created the Jacksonville indicators project to assist with problem-solving efforts since the right data wasn’t easily available.

**Communities Seek Better Sustainability Indicators**

— Christopher Juniper
It is all too easy to confuse performance measures with indicators as an evaluation tool for the success of the project. People often feel they have succeeded if they deliver the activities they have proposed — they don’t always follow up to see if those activities have achieved the desired results. Include both of these measures, however, and you’ll have the information you need to improve projects in the future to make them all more effective.

**Public Reporting**

Developing an outstanding set of indicators for your goals, targets, and strategies means little if they are not tracked and reported to policy makers and the public. Data for the indicators you have selected must be gathered, and the results incorporated into reports that communicate the progress (or lack of progress) the community is making toward its objectives. The reports should be distributed to the public, civil society organizations, and individuals in the local government.

There are two distinct but interdependent phases of public reporting: collecting data to track indicators, and preparing a report using those results. Tracking sustainable development, ranging from very general indicators of health such as life expectancy at birth, to very specific indicators of Norway’s contribution to global poverty reduction through measurement of its trade with African and LDC countries, to ecological measures such as nesting trends of wild birds.

**Sources:**
- Sustainable Pittsburgh: www.sustainablepittsburgh.org
- Jacksonville: www.jcci.org
Indicators consists primarily of data gathering. Preparing a sustainability report consists of analyzing and interpreting the data and writing coherent descriptions and recommendations that are easily understood by the target audiences. Policy makers are busy, and will usually not be able to take the time required to read long columns of data. Furthermore, many people find it difficult to understand raw data. The purpose of gathering indicator data is to enable you to inform the community of progress, and this purpose will not be met unless you draw up and present the messages in an easily accessible format.

As its CRDA program steamrollered into the halfway point of Year Three, the community of Backa Topola seemed to have all matters sorted out. From the very inception of the program in this municipality, CRDA principles and objectives immediately seized upon the pre-existing tradition of civic activism. It helped citizens understand the necessity of working together to recognize basic community needs, as well as to present them to both donors and local authorities in order to obtain adequate assistance for resolving community problems.

During the first two years of the CRDA program, citizens of Backa Topola worked together to implement many projects that benefit communities included in the program, as well as those whose realization has a direct positive impact to the whole municipality and even the entire region. Implementation of such projects as Reconstruction and Equipping of Maternity Ward and Reconstruction and Equipping of “Bethesda” Home for the Handicapped not only initiated a process of extended civic participation in the municipality, but also inspired several communities originally not included in the program to try to replicate the CRDA program module in their communities. Other program activities included developing project proposals, devising business plans, organizing press conferences and trainings, initiating campaigns, obtaining information on employment opportunities, and more.

However, as the CRDA program in Backa Topola developed, it became increasingly apparent to numerous citizens groups that their initiatives lacked a hub for their activities. Consequently, they decided to develop a project proposal for establishing a Community Development Center (CDC). The cultural center space was recognized as an ideal location for being transformed into a CDC. ADF/CRDA approved the project for reconstructing the facility and partnered with the local community, municipal authorities and an Association of Theater Revitalization to equip the building with adequate modern equipment and furniture. In June 2004, the facility was officially opened as a fully functional Community Development Center.
Before beginning to gather data, the Stakeholder Group should determine a schedule for gathering baseline data and releasing progress reports. The schedule you set will depend on your community’s specific needs, resources, and other factors. For example, when Santa Monica’s Sustainable City partnership began their effort in 1994, they set a target for gathering baseline data and releasing a report within one year. Thereafter, they would release progress reports every two years. Santa Monica found that this schedule struck a useful balance — long enough for strategies to have an observable impact, frequent enough to revise

As a vital first step towards realizing their vision of this CDC, citizens groups involved in its design and establishment reached consensus on some basic rules for effective work of the Center: it is to be open for all positive initiatives; all activities have to be sustainable; whoever proposes or initiates an activity or a program is responsible for its realization; commercial activities (presentations and similar) have to pay rental of the space; activities organized by volunteers do not pay rental of the space; working hours of the center manager are 10 am to 2 pm (if there is a need the Center will be open longer); and the Center’s space/equipment may be rented exclusively in the presence of the Center staff or volunteers.

Since it opened, many donors and representatives of local and foreign diplomacy have visited the Center and have found it to be a model for replication throughout the region. The CDC activities have been developed in several areas, including: collecting and disseminating information on donor programs for different institutions, NGOs and citizens initiatives; developing project proposals and fundraising; providing services to citizens (photocopying, internet and e-mail use, administrative services); providing volunteer services (e.g. assistance in registering agricultural goods); cultural events (concerts, exhibitions, trainings on cultural management); website and internet services; public dialogue (round-table discussions, professional debates, networking); and education, such as trainings for unemployed and future entrepreneurs and seminars on NGO management.

Currently the Center hosts 15 volunteers, and any interested citizen has an open invitation to contribute to the CDC’s work. The Center provides the trainings necessary for all volunteers and organizes task-forces for different areas of work.

“This center brings an opportunity to both collect and disseminate useful information, to organize different trainings that are very much needed in our community and to get in touch with others. I personally like to work here because this center has a major role in improving the quality of life in our community,” says Ms. Rakk Magdolna, a volunteer in the Backa Topola Community Development Center.
strategies if the community was in danger of missing targets. Hamilton, Ontario releases an annual sustainability report. Other communities will want to allow for more time between the periodic updates. Generally, though, you don’t want to wait more than three years before making a progress report.

There is, of course, no easy step-by-step process to writing a progress report of your community’s economic renewal program. The task requires careful analysis of the data you have gathered, and clear explication of the conclusions to be drawn. The interpretation of your data will obviously depend on the targets and indicators you are tracking. The conclusions will depend on the nature of your program — whether it is a partnership involving local government, civil society, academia, and businesses, or a more limited partnership involving a subset of these players (and possibly others).

Despite the individual nature of each community, meaningful reports have a number of things in common. In general, the report should assess the success of the current program — both in terms of meeting established targets, and regarding its longer term prospects to realize the community vision. All reports should:

➤ Analyze the performance measures to convey the pace and extent of efforts being made to reach the project objectives

➤ Track the data related to the community indicators, to see how quickly the projects are meeting their targets

➤ Assess reasons for successes, or the lack thereof

➤ Recommend changes to the strategies and project activities to keep them on track in meeting community targets

➤ Assess whether the body of targets and goals are sufficient to meet the community vision, or whether they need to be revised

The report should represent the unified voice of the Stakeholder Group. While you will probably choose a smaller committee to draft the report, all of the recommendations should be agreed to by the entire group, and it should be issued with the signatures of each stakeholder who participated in the process.
Chapter Summary

This chapter reviewed what is required to implement projects to achieve the goals of the LASER plan the community has developed. Like the LASER plan itself, successful projects depend on Stakeholder support and engagement, the creation of implementation partnerships, and the involvement of the business community.

Once the implementation team is assembled, put together a plan of action that identifies all the requirements of the project — the budget, activities, and personnel that will be needed to get the results you want. This chapter reviewed the process for:

- Identifying Implementation Requirements
- Choosing Funding Strategies
- Risk Management
- Preparing a Project Budget
- Developing a Project Logic Model
- Sustainable Procurement
- Developing Indicators and Performance Measures

Another critical part of project implementation is the monitoring and evaluation systems you establish to ensure that you are meeting your goals and that the activities that you are pursuing are having the desired impact. This involves monitoring the project indicators and performance measures, gathering relevant data, and reporting the results to the public.

When the project activities are complete and the reports are done, it’s time to assess the LASER plan itself. Are you making real progress toward creating real
wealth and economic security in your community? Are people from all walks of life better off than they were when you started?

LASER is designed to give you a wide variety of tools to use to improve the quality of life for everyone in your community. It’s important to remember that the economy must serve the needs of the people and contribute to a better future for generations to come. We hope that you’ll use these resources to build health and happiness for the whole community of life.
Endnotes

**Chapter Two**

1 – Information in this paragraph from:
July 5 2005


3 – The Management Helix system was primarily developed by L. Hunter Lovins and Christopher Juniper of Natural Capitalism Solutions and Charles Hargrove of Australia, 2004-6. Resources for applying the Helix to small businesses have been developed in collaboration with the Chicago Manufacturing Center’s Green Plants Program led by Karen Wan, USA.

4 – Personal communication Professor Peter Newman, Murdoch University, sustainability advisor to the Premier of Western Australia, Sept 2003

**Chapter Three**


6 – Source: University of Illinois at Urbana: Academy for Entrepreneurial Leadership (UIUC AEL)

7 – *ibid.*

8 – Sourced from:
http://www.unctad.org/Templates/Webflyer.asp?docID=6574&intItemID=3369&lang=1
and