



**International Link and Services for**

**Local Economic Development Agencies**

*for a fair, human, sustainable and inclusive development*

# Evaluation of Local and Territorial Development Agencies for Human Development

## The ILS LEDA case

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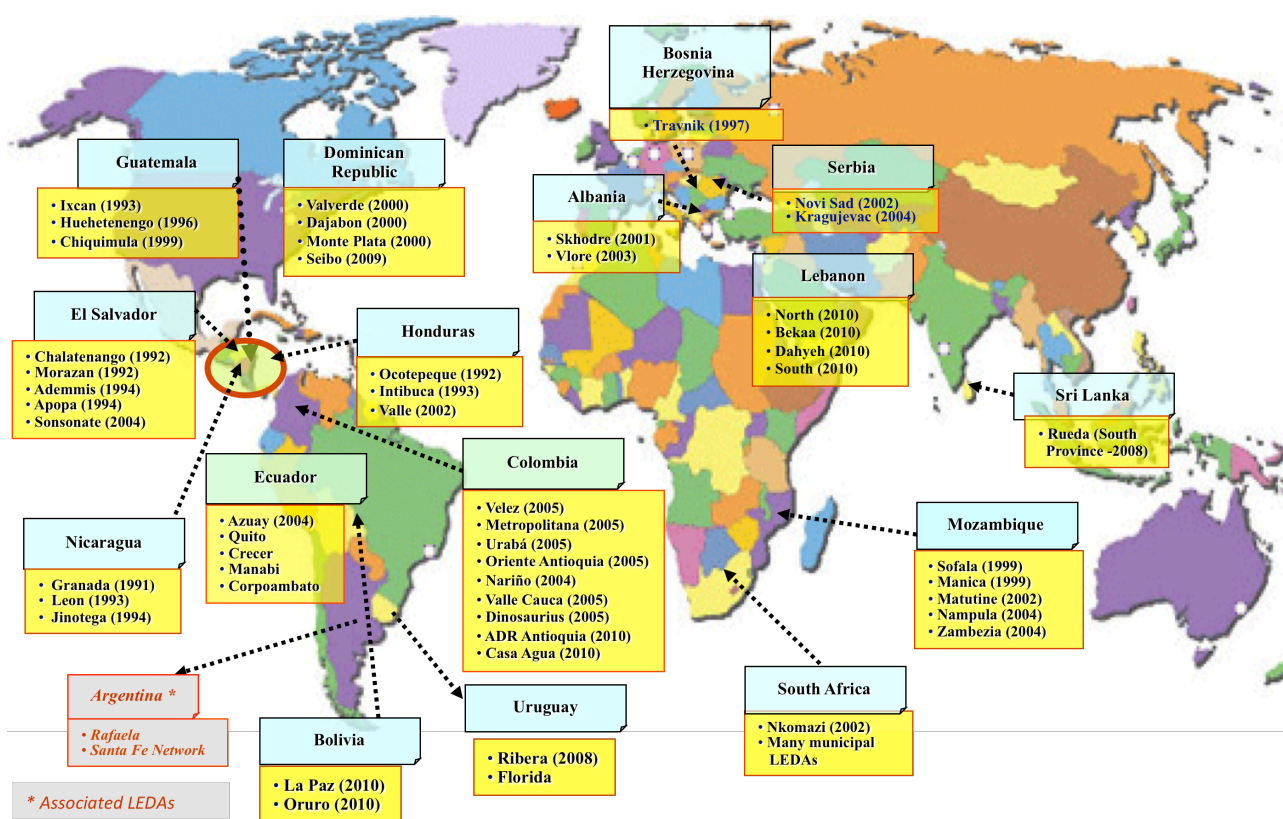
**ILS LEDA paper n° 15**

## 1. LEDAs and ILS LEDA

According to an internationally accepted definition a Local Economic Development Agency (LEDA) is “a legal, non-profit structure, generally owned by the public and private entities of the territory, acting as a mechanism through which local actors plan and activate in a shared way initiatives for territorial economic development, identify the most convenient instruments for their realization, and enhance a coherent system for their technical and financial support”<sup>1</sup>.

According to OECD more than 15,000 development agencies exist in the world. In Europe more than 500 are accounted, while the experience of international cooperation programs implemented by the United Nations have been promoting about 100 LEDAs, and more than 60 within the human development framework in many Latin American, African, East European, Middle East, and Asian countries. They are gathered into the ILS LEDA network.

These last LEDAs provide several services to population and institutions with the objectives of supporting productive competitive development and economic innovation, within the perspective of an equitable, ecologic, and human development.



They are designed for democratic governance (public-private partnership, local-national relation); sound strategies (coordination between planning and action); human development (social inclusion, gender vision, support to the vulnerable groups, environmental protection); territorial promotion (project financing and international marketing); comprehensive service supply to enterprises, population, and local institutions (technical assistance, professional training, marketing and loans, project development, etc.).

<sup>1</sup> OECD, “

These LEDAs contribute solving complex problems, such as the negative impact on the living conditions caused by poverty, unemployment, economic transitions, and the disadvantages of the marginal local economies in the current global arena. The key issues of their success rely on:

- the inclusion of the comprehensive response to the main need of the population for human and sustainable development in a unique governance
- the strong local ownership, that enables the local public and private actors to dispose finally of a place where to decide about their future
- the technical capacity of promoting and realizing complex projects, initiatives and partnerships

ILS LEDA is the network of these LEDAs and it is a program, which supports international organizations, national and territorial actors to strengthen territorial economic development processes within the frame of national policies, and to achieve human development and the Millennium Development Goals. ILS LEDA provides services, such as promotion and creation of local/territorial economic development agencies, support to territorial economic development strategies and plans, support to national policies for local/territorial economic development, support to the LEDAs aimed at human development, and for improving their performance and their international relationships.

## 2. Challenges and need for human development

World is changing. The traditional values, like market as sovereign, economic growth as priority, financial assets as main growth tool are in crisis, because they do not solve problems such the safeguard of the most important earth resource -the natural environment and human being resources-, but they seem to destroy them.

In Europe the way how to approach the crisis is synthesized by the Europe 2020 strategy, focused on a innovative, sustainable, and inclusive development. The United Nations launched the Millennium Development Goals, as target for their action. The new US administration is looking for new advanced socio-economic compatible development path. In many emerging countries, mainly in Latin America, the problem of the relationships between economic growth, social inclusion, equality, and environment are priorities in the political agenda.

All this poses new challenges also for agencies devoted to support development, and mainly the LEDAs: human development principles, criteria, and objectives become a reference for anybody, who wants to face the above mentioned critical problems

ILS LEDA has identified these challenges in the following areas:

- 1) Governance: with focus on a participated governance, which includes public, private, and socio-communitarian actors.
- 2) Objectives: with explicit focus on human development.
- 3) Services: with focus on comprehensive services for territorial socio-economic development, and special attention to the inclusion of the disadvantaged part of population and entrepreneurs.
- 4) Strategy: with focus on the valorization of the local potentialities, through a continuous research-action on the local resources.
- 5) Sustainability: based on institutional (links with local and national government), social (balanced participation in the management), economic (independence on subsidies or unique sources of income), and technical (autonomous capacities) sustainability.
- 6) Administration, aimed at achieving capacities in administrating a complex multi-purpose and multi-task structure.

### 3. Methodology for evaluating the LEDA performance

The aim of the proposed methodology is to identify and assess the performance of local and territorial development agencies and so measuring their “health”, through a set of quantitative indicators.

The starting point of the methodology, now currently used by ILS-LEDA, is the identification of those *factors* that influence the LEDAs’ performance.

These factors for any kind of local development agency are:

- a) governance
- b) scope
- c) strategy
- d) service delivery
- e) sustainability

The second step is to associate a number of “describers” to each one of these *factors*,” it means a number *variables*, which define how to analyze each factor.

The identification of the variables depends very much on the nature of the agency to be assessed.

It is different if we want evaluate a development agency aimed at implementing projects, or being operational branch of local administrations, or providing jobs, or supporting the business sector, or to pursue human development.

In the case of ILS LEDA the prioritization of the factors is related to human development objectives, as defined by the United Nations.

Once this exercise is over and a number of 10 or 20 or 30 variable have been identified, it is important classifying them in terms or more or less importance (or weight) for the achievement of agency macro-objectives.

Two categories with different weight will result:

- Very Important variables (VIV): are those variables that influence more the performance and the objectives
- Less important variables (LIV): the other ones.

This priorities depend on the objective of the evaluation.

For the VIV the maximum possible score shall be higher (from 2 to 4 times) that for the second ones.

In the ILS LEDA case the following table 1 shows the chosen variables:

TABLE 1: IMPORTANCE OF THE ASSESSMENT VARIABLES	
VERY IMPORTANT VARIABLES	LESS IMPORTANT VARIABLES
1-LEGAL FRAMEWORK	5-TECHNICAL STRUCTURE
2 ASSEMBLY COMPOSITION.	
3-BOARD COMPOSITION	10-RELATIONSHIPS WITH LOCAL GOVERNMENT

4-LEDA OBJECTIVES	11-RELATIONSHIPS WITH NATIONAL POLICIES
6-GENDERIZATION	12-BUDGET
7- BOARD MEETINGS	14-BUDGET TREND
8-SERVICES	15-SERVICE MANAGEMENT
9-IMPACT ON LOCAL PRODUCTION AND SERVICES	17-NETWORKING
13-SOURCES OF INCOMES	20-ADMINISTRATION
16-USERS	21-IMPLEMENTED PROJECTS
18-STRATEGY	22-VALUE OF THE PROJECTS
19-ENVIRONMENTAL APPROACH	23-ORIGIN (COHERENCE)OF THE PROJECTS
24-FINANCIAL SUSTAINABILITY	

The third step is to finally identify the *indicators*, that could measure the quality of the performance as related to each variable. Each one of these indicators is measured by a quantitative score (in the ILS LEDA case from 0 to 22).

The quality of the performance is then given by the total score, that in the ILS LEDA case can achieve 196 as maximum.

If the evaluation system wants to be also a qualification system, as in the ILS LEDA case, a minimum score for qualifying is needed. (in the ILS LEDA case this is 95)

This minimum shall correspond to the qualification threshold.

In the ILS LEDA case this minimum represents the minimum conditions a LEDA shall achieve for being qualified as a structure performing human development, as it is defined by the United Nations.

#### **4. The evaluation levels: factors, variables, and indicators: how to measure performance for human development**

The evaluation therefore refers to a multilevel system, starting from the factors, articulated in variables describing or influencing each factors, and finalized by indicators associated to each variable.

The assignation of variables to a factor is sometime purely nominal, because there are variables that could influence more than one factors.

For instance the relationship with local or national government influences the LEDA governance, but also its sustainability, the attention to the gender equality or to environment are part of scope of the LEDA, but also of its strategy, and so on.

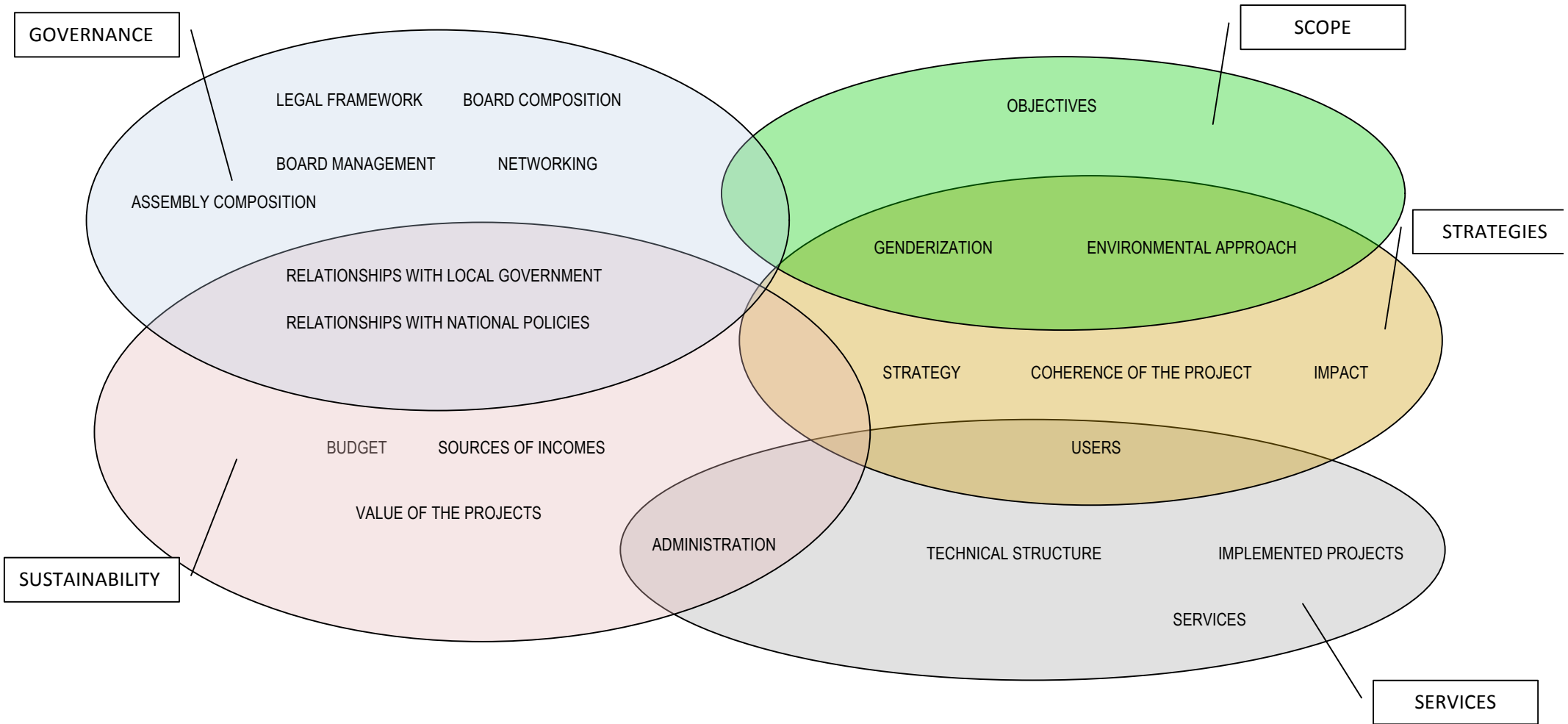
In the ILS LEDA case the following picture 1 illustrates the variables for each factor, and the picture shows the inference of the variable to factors others than the main one.

The third level is given by the indicators.

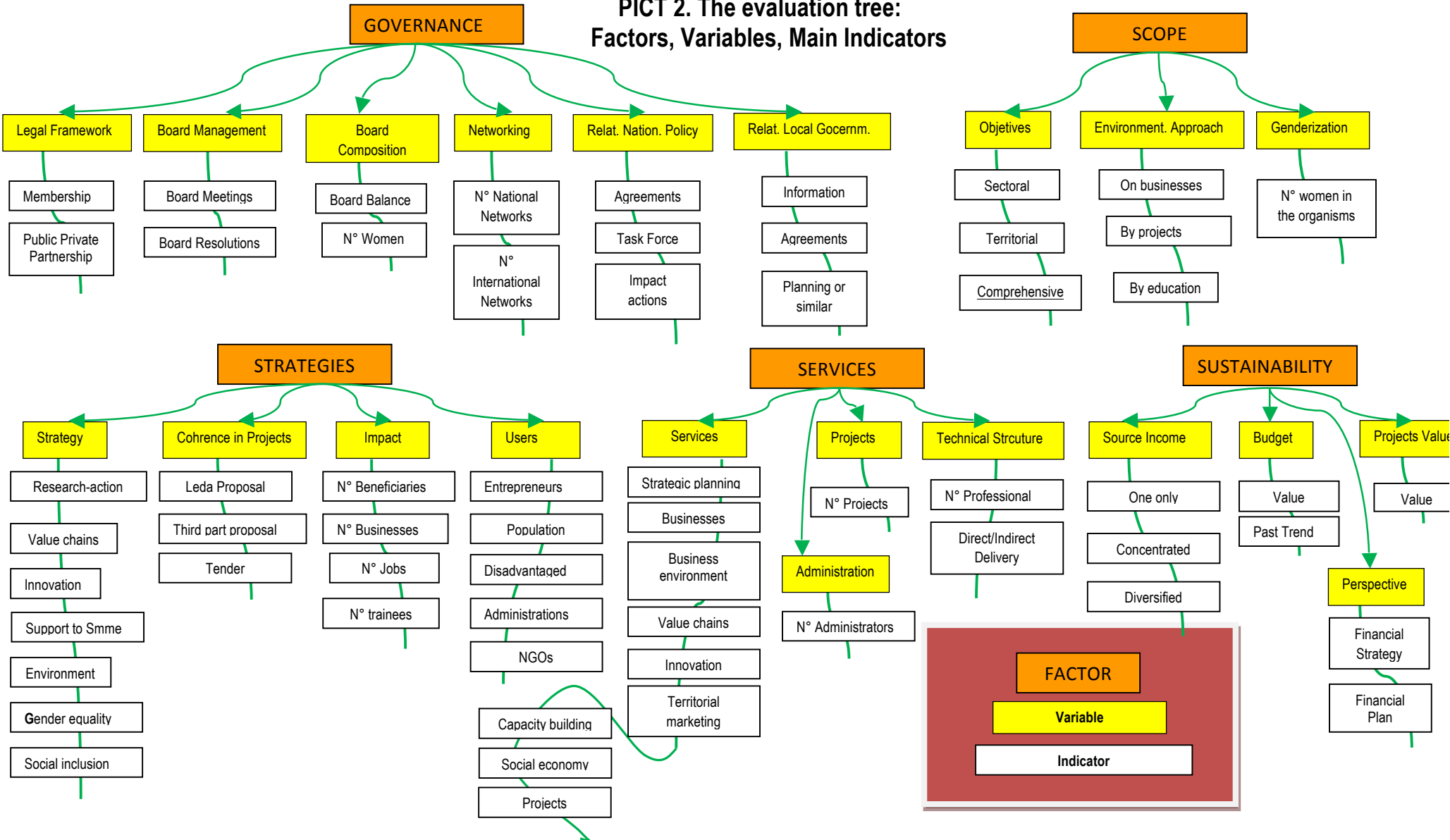
The figure 2 shows the evaluation tree, which resumes all the levels.

As already mentioned, the score system is coherent with the established objectives of the evaluation.

**PICTURE 1. FACTORS AND VARIABLES FOR LEDA EVALUATION AND THEIR CONNECTIONS**



## PICT 2. The evaluation tree: Factors, Variables, Main Indicators



In the case of ILS LEDA these objectives correspond to human development.

The question is:

*How a agency shall be characterized for being qualified as operator of human development?*

*Or in other words what specific quality is expected for each factor for it be qualified as related to human development?*

The table 2 shows the expected performance for each factor.

**Table 2: Human development reference for score**

Governance	Joint participation of public and private, women and men, and local/national links maximized
Scope	Human development highlighted in the formal and substantial acts
Strategy	Valorisation of local resources, local network of enterprises, permanent jobs, social inclusion and equity, environmental protection prioritized, as well as attention to the most disadvantaged sectors.
Services	Coherence with strategy maximized, diversified/comprehensive services (innovation, social economy, environment, territorial marketing, micro and smme and cooperative support prioritised, the most disadvantaged sectors prioritized as customers
Sustainability.	Financial autonomy from the strong powers, diversified sources of income, medium long term financial plan for sustainability maximized

These expected results are used for assigning the score to each indicator.

For example if the best strategy for achieving human development is the valorisation of local resources, the formation of local network of enterprises, the achievement of permanent jobs, the social inclusion and equity, the environmental protection, as well as the attention to the most disadvantaged sectors, the indicators related to these elements shall have the maximum score.

## 5. The evaluation

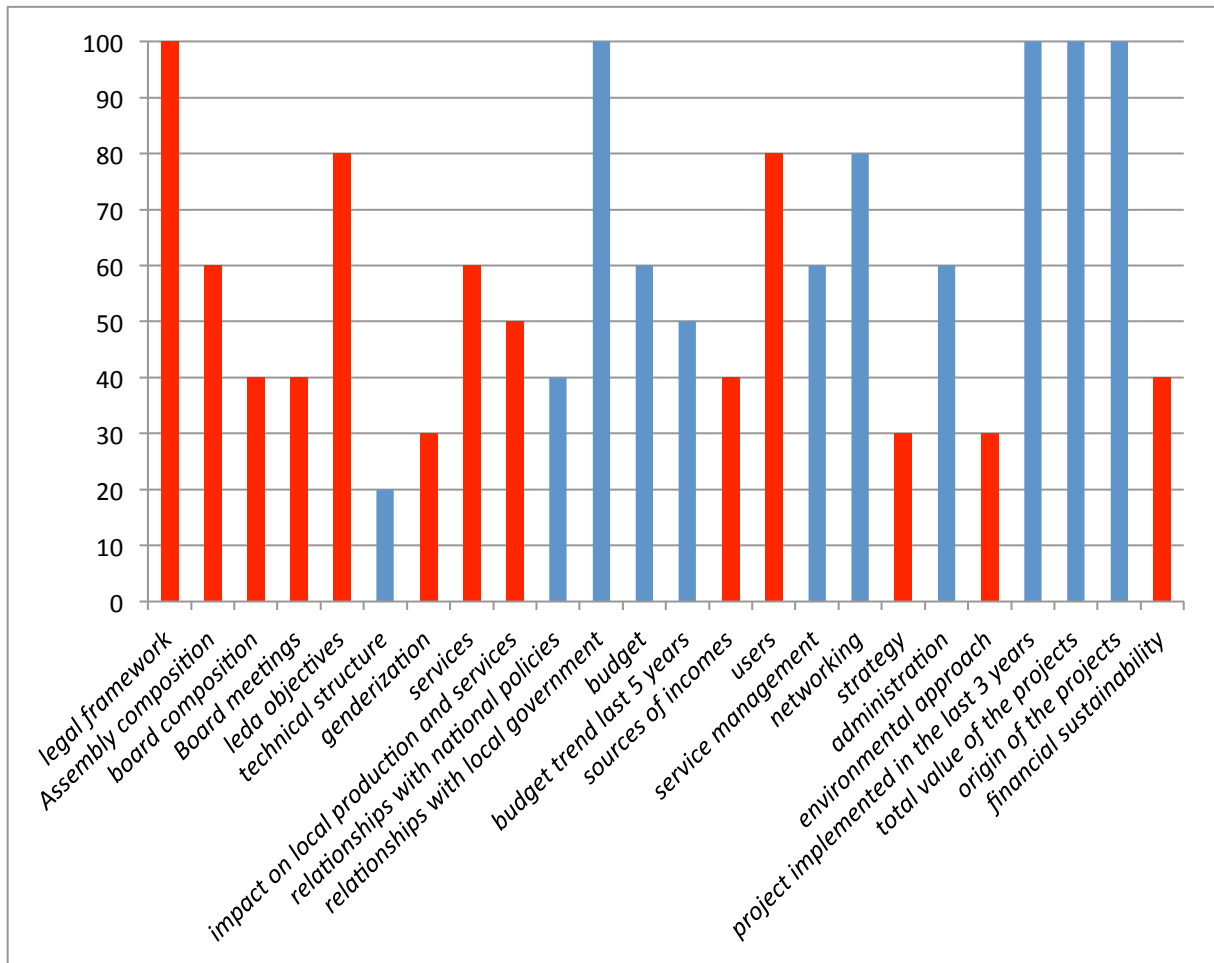
The evaluation could be of two types:

- i. It measures the overall health of the agency as ratio of the overall score on the maximum possible (in the ILS LEDA case 196)
- ii. It measures the status of the performance of each variable, allowing to identify the strengths and the deficit areas, once the total score of the indicators for each variable is referred as percentage of the maximum.

An example is shown in the following picture 3



**PICT 3. An example of evaluation**



According to the example, the Agency performance are good (more than 50% of the possible maximum) for the following “more important” variables (in red):

- Legal framework
- Assembly composition
- Services
- Objectives
- Users

The performance that do not overcome the 50% are:

- Sources of income
- Relationship with local government
- Financial perspectives
- Impact on local economy
- The budget trend

The performance are quite in deficit for:

- Technical structure
- Strategy
- Environmental approach
- Genderization

## 6. From the evaluation to the Leda Profile

A LEDA profile can be described on the base of its main assets or capitals, that are:

- The social capital. it represent the societal asset: more the relevant actors are members of the LEDA, more it is the potential for success and development. It influences mainly the governance.
- The relational capital: more the link with the local and national government and their strategies and plan, and international actors, more the impact, and sustainability
- The technical capital: stronger are the LEDA's capacities, and better it's the potential for achieving the scopes, and the impact on strategies and results, including sustainability.
- The financial capital: more and more diversified the source of income and the capacity of planning at medium long term, better its sustainability.
- The strategic asset: more clear and comprehensive are the strategies, better the achievement of the objectives, and the impact on local development and human development
- The activity portfolio: more coherent is the matrix service-project/customers, more effective is the work of the agency and correspondent to the needs for human development.

The following table 4 shows the relationships between variables and assets.

**Table 4: From the achieved evaluation to the LEDA profile**

<b>Profile Capitals</b>	<b>Variables</b>
Social Capital	Leda Membership; Assembly Composition, Board Composition; Board Management, Genderization
Relational Capital	Relationships with National policies, with local governments, participation to networks
Technical Capital	Technical Structure, Administration.
Financial Capital	Budget, Budget Evolution, Source of Income, Budget Perspectives
Operational (Activities' Portfolio)	Services, Projects, Customers
Strategic Asset	Objectives, Impact, Strategy, Environmental Approach, Coherence of the projects

According to score for each variable, the performance about the assets it will be evident. It will result as the LEDA Profile (characteristics versus performance), as illustrate in the example (table 5):

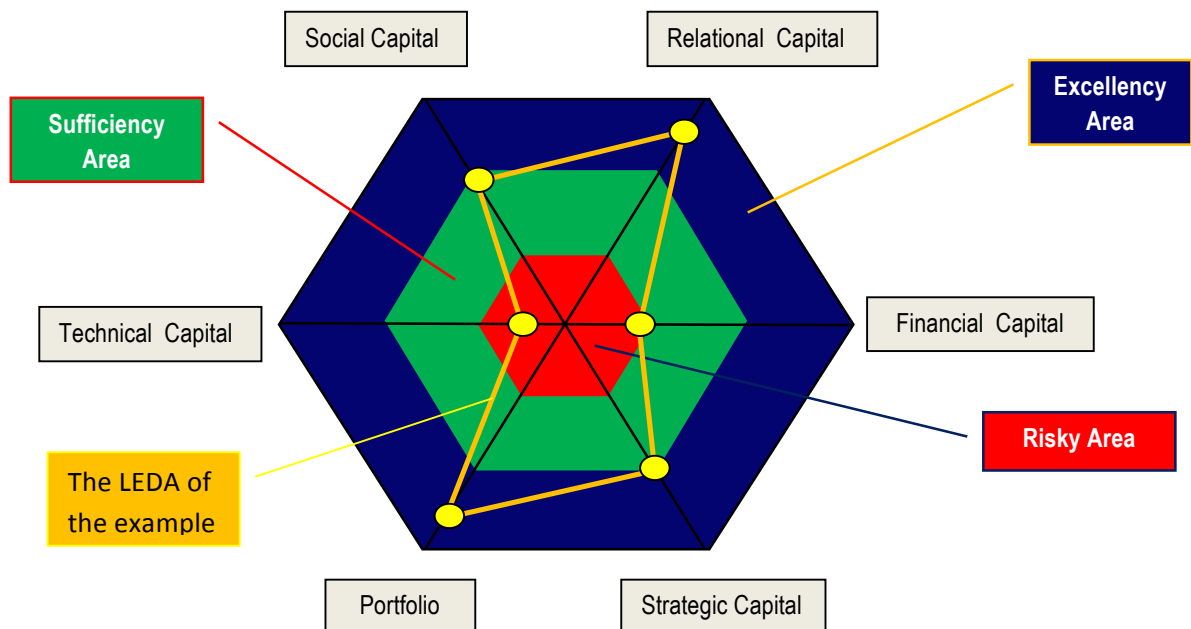
**Table 5: An example of LEDA Profile**

Characteristics	Performance
Social Capital	Sufficient, To be improved for board management
Relational Capital	Almost good To be improved in the relationship with the Local Government
Technical Capital	Risk Area At risk the effectiveness, the efficiency, the achievement of the objectives, and the future sustainability
Financial Capital	Risk area in the medium range, dependent on few sources of income
Activities' Portfolio	Good Possible improvement in the diversification of the services
Strategic Patrimony	Sufficient To be improved the strategic approach, the environmental approach, and the impact

The performance profile is described, then, by a qualitative assessment (very good, good, sufficient, quite sufficient, critical, risky, in deficit, in heavy deficit, etc.), accompanied by a recommendation, potentially followable by the LEDA.

This profile can be also graphically described by a figure with 6 axes (one for each asset), i.e. an hexagon, like the one of the following picture 4.

**Picture 4: the graphic LEDA profile picture**



***More the assets are close to the blue corners, better is the LEDA.***