

Introduction to Community Economic Development

Read this guide if you want to:

- **Understand 'community economic development' and what it means for your community**



What is 'community economic development'?

'Community economic development' or 'CED' describes a process of economic development within a specific geographic area, to make the economy in that area work well for that community. The process is led by people living, working and running businesses in that area.

As an approach, it tackles environmental, social and economic issues as interconnected, and recognises the importance of connections between the local, regional and national layers of the economy. It builds on the knowledge, experience and resources in that community, to identify and maximise the local economic opportunities available.

Within our use of CED we emphasise three important attributes:

1. **The overall focus is the economy.** CED is all about re-shaping the underlying economic system in a place, rather than working on improving people's capacity to live well within the existing environment.
2. **The economy is a means to an end, not an end in itself.** Rather than emphasising economic growth as the end goal of local economic development, a CED approach is interested in economic development which generates human wellbeing within environmental limits, at a community level.
3. **It's led by the community.** In CED, the power to drive the change rests within the community of residents, local businesses, local service providers, community groups and voluntary sector organisations with a direct stake in the economic health of that area. To learn more about specific examples, look at the [Resource Bank](#) of CED projects.

What is the difference between CED and other types of community development or community organising?

To positively transform how well people and communities can flourish, there are a number of starting points you can take:

- **building people's capacity to cope well in the system**

[Greatfield Big Local's](#) aspiration is for the residents to become more financially capable, to understand the benefits of a savings culture, and how to avoid relying on high-cost credit. It is hoped that the volunteering opportunities at the credit union will also develop residents' skills and confidence

- **building the community's capacity to function well as a community**

[Find it in Sandwell](#) aims to connect local businesses, charities, social enterprises and charities with local suppliers of goods and services. Through an online portal, organisations can advertise and provide information about themselves and their services. They can also find out about other organisations' procurement needs and search for individuals in their area who are unemployed and seeking employment locally.

- **increasing that community's power to make things happen**

[City Slicker Farms](#) aims to create high-yield urban farms and backyard gardens in low-income communities to provide access to healthy, affordable organic food through their Community Market Farms Programme, Backyard Garden Programme & Urban Farming Education Programme. By providing residents with the skills they need through education and training, and tools and resources, they show residents how they can become self-sufficient and promote good environmental stewardship

- **reshaping the economic system to make it better serve people's (and their communities') interest in the first place.**

[Enfield Council](#) in North London partnered with a university research department to identify the strengths of their existing economy, rather than relying on external investment, which they called the 'foundational economy'. A key part was talking to utility companies, including water, power and gas. They found out how the companies could improve their economic impact in the area, for example through local employment and investment and by adapting their corporate social responsibility obligations to make them more effective for the local area. British Gas signed up for a £10m contract to retrofit insulation in Enfield. They hired 100 school leavers and Thames Water is now working with the council to up-skill local contractors to support their supply chain in the area.

All of these types of work can transform and empower communities.

‘Community Development’ refers to work focused on strengthening the capacity of communities to function well. ‘Community Organising’ typically refers to work supporting communities to build their power to drive change, and hold decision makers to account. And ‘Community Economic Development’ focuses on working to **reshape the economic system** to make it better serve people and community interests.

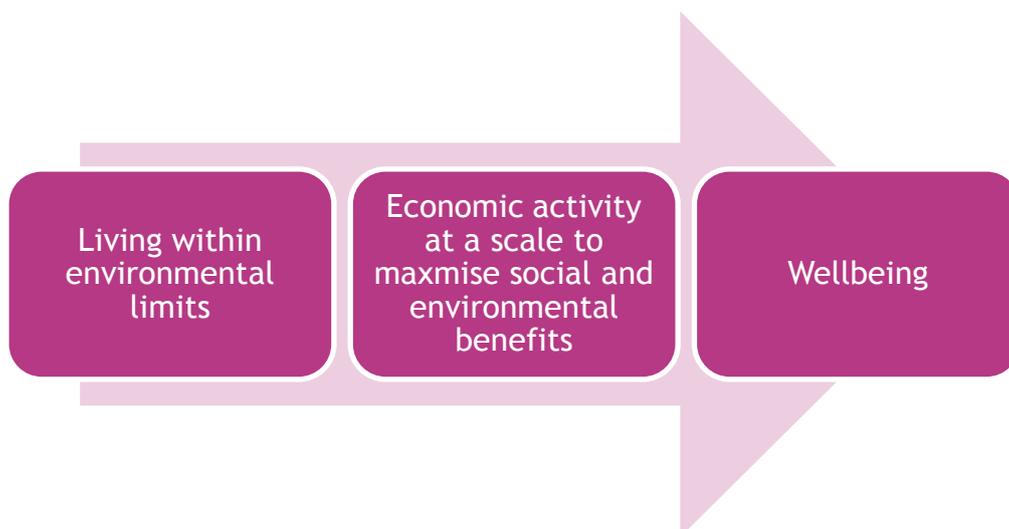
Many of the tools and concepts from the world of community development and community organising are also useful when undertaking community economic development.

What is 'the economy' for in this context?

If we are trying to shape our local economy, we need clarity about **what we want the economy to be for** - what kinds of things we think it should deliver; how it should function; and who should benefit from it.

The current mainstream view of the economy tends to focus on 'growth' or 'profit' as the end goal of the economy. There is an assumption that along the way, people will access some of that growth or profit, to spend on the things they need to live well - homes, food, and other necessities, services or leisure activities. Usually measures of economic growth take into account the costs of investing in capital or labour, but won't take into account the costs to society or the environment which the economic system causes. These costs or damages are treated as problems that sit separately to the economy.

In fact, within a CED perspective the economy becomes a system whose end goal is human wellbeing - within environmental limits. This economic system might need to produce profit or growth as a way of achieving that end goal. But growth is not the end goal. The environment has natural limits on what resources are available to use and should influence the aspirations of the economic system.

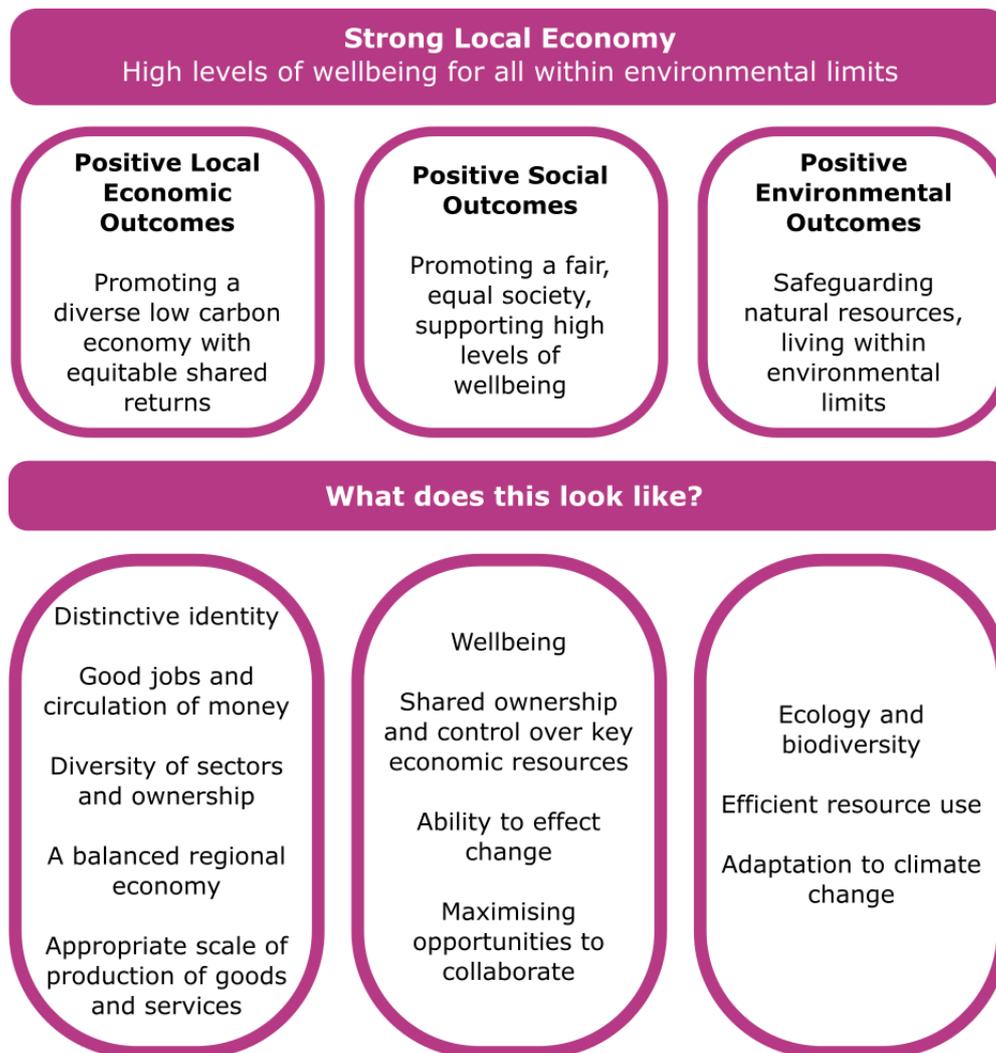


Viewing the economy in this way shifts our understanding of the top priorities a community faces. CED takes the goal of human wellbeing as the starting point, and, uses

the knowledge, priorities and assets of communities to work out what precise economic structures and systems will work best in a given place.

What is a strong local economy?

A strong local economy supports positive social, environmental and economic outcomes. These three areas are referred to as a ‘triple bottom line’ against which we’d want to make sure our local economic system is delivering. This table gives a few examples of the kinds of outcomes you might look for across this triple bottom line, in a strong local economy.



So a strong local economic system needs to **support all of these outcomes**.

It’s also important to keep in mind that this ‘triple bottom line’ is not just about adding in some environmental and social outcomes to sit alongside a set of economic outcomes that revolve around growth. For a local economy to be considered ‘strong’ in this vision, the system needs to work well to deliver three types of **economic** outcomes, alongside the social and environmental ones:

1. **People** in this local economy need to be doing well financially, through the incomes they earn, the kinds of jobs they access, or the amount of profit they are getting from the economic activity and the assets in their own local community.

2. **The make-up** of local businesses and non-profit organisations needs to be resilient, diverse and well connected. For example, businesses will trade with each other, offering a range of different sectors and scales of businesses to improve resilience and make the community less vulnerable to external economic shocks.

3. This local economy needs to work **efficiently at generating wealth and benefit** from the money passing through it. This means that money invested locally circulates round as many businesses and people in the local area as possible, and does not flow straight out of the local economy. It means that local supply chains are strong and sustainable and link up as many local organisations and businesses as possible.

How does 'community economic development' create this kind of local economy?

Who's leading?

Why should a partnership of community-based organisations and businesses lead the development of this kind of economy? Why not the relevant public authorities on their own? Or a regional business association?

The essential idea behind CED is local people are most able to shape the local economy in a way that benefits different groups within that community. But another essential premise of CED is that it is a process led by a partnership of local people and groups. Who those are will depend on the type of community area, the scale, and the existing context but they are likely to include:

- Residents, or representative groups of residents
- Local businesses or groupings of businesses
- Voluntary and community sector organisations working in the area
- Major 'anchor institutions' such as businesses, schools, hospitals, or other key institutions that play a significant role in the local economy
- The local authority

How to achieve collaboration?

The community economic development process must start with a shared vision across these different groups about what the local economy should look and feel like. This vision needs to answer these questions:

- What would a strong local economy look like in our area?
- What are the current strengths of our local economy?
- If we have existing ideas for community-led projects, how would these projects strengthen the local economy?

What's the process / approach?

Projects and strategy

Some communities become interested in the CED approach because they have a specific project or set of activities they are developing, which they believe could improve the local economy e.g. a community hub, or a project to support young people into employment, or a community energy scheme. They want to build on these to figure out how that fits into a wider economic strategy for their area, and how their project can have the most impact on the local economy.

Other communities feel drawn to the CED idea because they can see their area would benefit from community led stimulation to the economy. This might be because it is an area of significant need or because it's a place with lots of opportunities to tap into - or a bit of both. Communities may have a clear sense of the overall outcomes they'd like to see happen, but need to drill down into how that vision could be realised through concrete projects or activities.

The place to get to, from both starting points, is:

- a strong vision and strategy for the local economy, collectively generated by partners from within the community and with buy-in from key stakeholders - **and**,
- have this vision backed up by real, rooted and achievable practical projects and activities which will play a part in transforming the local economy.

Wider economic and political context

A community driven approach is a central part of a CED process. But unless the community engages with the wider economic and political context around them, the changes they make risk staying small scale, and superficial. Local economies are intrinsically connected with the regional, national and even international levels of the economy. The global market will always affect small and local businesses. Budget pressures will always impact on local authorities. Much of our banking, shopping, utilities and cultural consumption is rooted in global structures.

So a good CED approach takes into consideration how the local economy connects with the world around it, and looks for opportunities to tap into the 'mainstream' economic plans, strategies and opportunities that shape the wider economy around the community.

Asset based approach

The 'asset based' approach is well researched, developed and used. It is based on the idea of taking stock of the resources and opportunities present in a community and building strategies or projects based on these. Used widely in community development, this perspective is useful for economic development. Understanding the resources, skills, purchasing power and other opportunities that the community has to offer, can inform the development of the economic strategy.