

Optional Sectoral Module LOCAL ECONOMY



In a resilient city, the local economy is diverse and youth unemployment is low (*redundant and inclusive*). The city consciously uses infrastructure investments to steer and encourage economic growth (*reflective and coordinated*). The city invests in education, introduces employment policies and technical assistance programs to promote growth and a strong local economy. In a resilient city, the local government is capable of analyzing regional economic trends, and making necessary policy and industry adjustments to improve the local economy's overall shock-resistance (*reflective and robust*).

TOPIC	GUIDING QUESTION	APPLICABLE RESILIENCE QUALITY	RELATIONSHIP TO RESILIENCE QUALITY
Safety Nets	Is there an adequate social safety net in place to cushion the adverse effect of an economic shock on city residents who experience unemployment and income losses as a consequence of the shock?	Redundant	Social safety nets are local governments' back-up systems for protecting vulnerable groups from falling into poverty during economic shocks when there is an increased demand for financial support among the population. Social safety nets can also be used during times of economic stability to reduce poverty levels and vulnerability.

Planning	Does the city (or the region of which it is a part ²) have the ability to understand the nature of the regional economy (its export base and clusters related to it, its industrial structure, its susceptibility to shock) and to anticipate shocks? Is the city involved in region-wide economic planning?	Reflective	The city's ability to analyze regional economic trends enables it to make necessary adjustments (e.g., change economic policies, update industrial structure, make investments to diversify the economy etc.) to improve the local economy's overall shock-resistance. Since local economies are interconnected with regional trends, the city should play a proactive role in planning for regional economic growth and stability.
Planning	Does the city government understand how economic shocks are likely to affect city residents and city finances?	Reflective	Ability to project the impacts of economic shocks allows the city to plan targeted financial support for those residents and segments of the economy likely to suffer most from these shocks.
Institutional Capacity	Does the region have in place institutions, policies and programs that can be effective in promoting economic growth?	Robust	Cities that invest in institutions, policies and programs that can be effective in promoting economic growth create stronger local economies. Examples include: (1) An education system that adequately prepares students for workforce participation; (2) A workforce training system keyed to the specific needs of the region's economy; (3) Firm technical assistance programs that provide advice and assistance to small and medium sized firms; and (4) Programs stimulating entrepreneurship and innovation.

Municipal Finance	Does the city government have the ability to start work immediately on scheduled infrastructure projects or borrow to finance local infrastructure projects that can be started quickly in order to employ people in the region and inject income into the local economy?	Redundant	Public works infrastructure spending, as a means of providing construction and related employment, is a proven short-term method that cities can deploy to mitigate the impacts of an economic shock.
Municipal Finance	Does the city have a “rainy day” budget fund and/or budget surpluses sufficient to protect its finances over the period of the shock? [Lens 3 – CRF 6]	Redundant	A rainy day fund and/or general fund surplus can cushion the effects of anticipated economic shocks – depending on the magnitude of the economic shocks and the surplus funds available.
Municipal Finance	Do intergovernmental revenues from national and intermediate (if any) levels of government automatically increase if local own-source revenues decline or do they automatically decrease (as would be the case in most tax sharing schemes), thus exacerbating city budgetary problems?	Redundant	The conditions of intergovernmental transfers determines whether these can be used as back-up during own source revenue decline.
Growth	Is the economic region’s growth rate high relative to the national growth rate?	Robust	Regions experiencing long periods of lower economic growth than the national growth rate are under chronic economic distress. However, pre-shock growth rates higher than the national growth rate indicate that a region is less likely to be resilient (have capacity to resist shocks).

Enabling Environment	Does the economic region have in place an infrastructure system that promotes economic growth? Is the city consciously steering economic growth through strategic infrastructure investments?	Robust	Roads, electricity, ports, railways and ICT are the major types of infrastructure necessary for promoting economic growth. Cities which are able to consciously use infrastructure investments for steering economic growth add predictability and reliability to the local economy.
Enabling Environment	Does the local government have a strategy for reducing income inequality in its functional economic area?	Robust	Income inequality has a negative effect on loss of jobs during economic shocks as well as the time it takes for the economy to recover after a shock.
Private Sector	To what extent is the area's economy diversified? Does the economic region have many export industries?	Redundant	Areas with more diversified economies are more likely to be resilient to chronic economic distress and employment shocks. Regions with many export industries are more resilient to employment downturns.
Private Sector	Does the region specialize in durable manufacturing?	Redundant	Regions that specialize in durable manufacturing are likely to be resilient to shocks related to national or international economic downturns.