

local community population. Then we categorize the population according to main kinds of the social aid provided, and draw conclusions about the key problems of the social security sphere and possible ways to solve them.

Also, it is necessary to describe and analyze other kinds of services. In particular, we should consider the extent of retail trade development including public catering, consumer services (non-productive), and local production of consumer goods, compared to those in other local communities and in the reference territory. With this aim in mind, we characterize such indices as: retail commodity circulation per community member in terms of value, amount of charged services per community member, consumer goods production per capita.

Thus we can see, “The Local Community Profile”, which shows a local community’s resource provision and makes it possible to evaluate a local economy development potential, is an indispensable base for identification of a local community’s needs and elaboration of a strategic development plan. Further research should focus on detection of potential obstacles to drawing such a profile, and ways to overcome them.

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- secondly, possibilities of satisfying people's individual needs in goods and services in the local community's territory, economic differentiation being one of important indicators of a local community's quality of life.

Yet we have to admit that scalograms for economic differentiation and social activity are indirect methods of analysis. They can not give an accurate estimation of the analyzed object, although at a certain stage they enable us to do a comparative study avoiding expensive methods of gathering data. They also make it possible to get a general outline of a local community model and to decide whether it is appropriate or not to interfere with a local community's economic or social sphere to correct the existing disproportion prior to launching a large-scale development project.

The analysis of services is focused on their structure and also allows us to find out whether the population is provided with them in full. Practical experience proves that, apart from a general analysis of services, it is particularly important to conduct an analysis of public utilities, which includes making a list of services provided, evaluating the standards of available and potential services including their amount, quality, territorial allocation, and significance for the population [4]. A public utility and the amount of expenditures on it can be compared with the corresponding figures for other territories. For this, we need to have in our disposal statistical data for other territories as well. There should also be a system of standardized terminology concerning public services. A tool which could be of value for conducting the analysis is a public-opinion poll, as it enables us to learn the residents' opinions about the quality of services rendered by the local authorities.

Besides the utilities, it is also essential to analyze the following spheres:

1. *Education.* A characteristic of the system of educational services rendered to local community people provides the number of high and nursery schools, the number of places in them, and the standard of the population's provision with these services compared to the reference territory, or the state norms.

2. *Public healthcare.* Here we should give a description of all the types of medical establishments providing services to the local population, and a list of medical services. The gathered data is compared to the normative standards or the corresponding indices for other local communities, including the reference one. The results can be presented in the form of a table.

3. *Social security.* It is necessary to find out the number of residents who are registered in a local social security service, and their share in the

aid? Do they need subsidies from the local budget? Can they provide support to local government bodies in developing the local community? etc.

Apart from that, we have to consider small business development since, as the world practice proves, small-size businesses play a leading role in a local economy: they do not need large subsidies, grants, or special state programs to provide population with jobs; and they form a new market environment. In the course of the analysis of small-size businesses, it is necessary: to determine the total number of the registered businesses, including the number of those actually in operation; to study their sector profile, the number of the employed, geographic position and allocation in the local community's territory; group them according to the number of the employed; determine the average number of the employed per a business. All this should be done from a dynamic perspective over a 3-5 year period. After that, conclusions can be drawn as to the extent of small-size business development and its contribution to a local community's economy.

*Local finances.* Data on a territory's finances is required to evaluate: the system of effective budgeting, credit and debit items; the budget deficit level; improvements in a taxation system, in particular in its income from local taxes part; ways other than taxes to improve the credit item of the budget; possibilities of reducing a territory's financial expenditures; opportunities to allocate funds for alleviation of socio-political tension.

This part of the Profile contains such indices as a total amount and structure of the funds paid to the local budget(s); the structure of the debit item of the local budget(s); and amounts paid as various kinds of taxes. Analyzing information on taxes, it is reasonable to emphasize their motivational role i.e. to describe the conditions on which taxes may be reduced or certain privileges granted.

*Local infrastructure and services.* The analysis of infrastructure and services allows us to evaluate the attractiveness of a territory as a place for residence and employment. The main method of analyzing services in a local community may be constructing a scalogram for economic differentiation and social activity of the population residing in different localities (districts) of a given territory. The economic differentiation shows specifically the following [3]:

- firstly, a variety of forms of economic activity involving people who earn their income by satisfying the needs of local population in goods and services, which reflects a certain degree of interrelation, interconnection and interaction between the local community members;

the three sectors with due regard to the growing share of the tertiary sector: the larger the number of people employed in the tertiary sector the higher the level of a local community's economic development; while employment prevailing in the primary sector provides evidence of a low level of economic development.

The second stage is analyzing the economic structure of a local community's territory according to employment spheres, comparing it to a reference territory (a reference territory is assumed to be a larger territory which includes the given community's territory). As a rule, the employment spheres are classified as follows [1]: manufacturing; agriculture and forestry; transport and communication; construction; trade; public catering; material and technical supply, and marketing; other spheres of economic activity; housing facilities, utility services, and nonproductive kinds of house-hold maintenance services; healthcare, physical culture, and social security; education, culture, arts, science, and research maintenance; administration and management bodies.

It is noteworthy that the structure of a local community's economy should be considered not only in comparison with that of another territory's, but also in dynamics, normally over a decade. It enables us to make a structural analysis of the economy – we may also call it a 'structural changes analysis'. Traditionally, the structural analysis is applied to study the national economy as a whole. However it is also an effective method of studying changes in the local economy structure compared to a reference territory. The structural analysis is aimed at detecting current economic trends and evaluating the local community's development potential in terms of creation of new jobs and efficiency of its operation compared to a larger base.

The next stage in the analysis of a local community's economy is characterizing enterprises by forms of ownership as: municipal, corporate, private, state, public, and those owned by other organizations. At the same time, their performance is analyzed in dynamics over a 3-to-5 year period by such main indices as: profit, cost-efficiency, financial sustainability, creditability, basic and current assets, labor indices, product output and sale, their markets and others. Based on the analysis results, conclusions are made as to local enterprises' utility for a given local community i.e. answers are given to the following questions: What products (services) and in what amount are provided by them for the locality? Does the local community need their products (services)? How much money in taxes do they bring to the local budget? How many jobs do they provide for the territory? Are they able to build social infrastructure facilities in that territory without other organizations'

*Local labor market.* The aim of analyzing a local community's employment structure is to compare the number of available human resources with that required for economic development, and to determine what part of the population needs economic or social support. Characterizing the labor market and employment situation, it is necessary to determine the number of the following population categories: able-bodied population, labor resources, economically active citizens, the employed, the unemployed, and to establish the indices of their employment. It is generally assumed that able-bodied population is a total number of people able to work due to their age and health condition. Labor resources comprise able-bodied population, and those retired citizens and teenagers who are engaged in labor activity. By economically active citizens we mean the part of population which provides the supply of workforce in the labor market. The employed population is people who are employed by companies or organizations of any kind of ownership, as well as those engaged in individual labor activity, or in private farming. The group of the unemployed includes citizens aged 16 and upward who: do not have a job (or a profit-making occupation), are in search of one, and are ready to take up work.

The internal analysis of labor resources should be supplemented with the analysis of workforce migration processes to find out the number of a local community members employed in other territories as well as that of workers from other localities currently working in the territory of the given community.

*Local economy.* The object of the local economy analysis is a local community's economic basis, namely: its trends and changes, its responsiveness to new economic conditions, and identification of the factors that influence its economic viability. The economic analysis of a local community should start with an assumption that the structure of the local economy may have flaws and therefore not necessarily be favorable for economic development. A study of a local community's economy is a first step in elaboration of a long-term economic development program, which is based on the use of the local community's potential and aims to create new jobs and opportunities for increasing population's incomes.

The first step in characterizing a local community's economic development is to determine the structure of employment in different sectors of its economy: primary sector – employment in primary industries, agriculture, and forestry; secondary sector – employment in processing industries; tertiary sector – service industry employment. Modern criteria for evaluating an economy take into account changes in the correlation between

allow answering the following questions: Are the territories able to create new jobs? Is exchange of goods and services possible between them and on what scale? Are there any favorable prospects for entering internal markets (including foreign ones) via the adjacent territories? etc. That is we have to know how the neighboring communities can 'boost' the development of the analyzed community's economy.

*Demographic characteristics.* The objective of the demographic analysis in our case is evaluation of a local community's economic viability, as well as determining which population group is worthwhile to be chosen as a target one, pivotal for the economic development planning.

The main demographic indices may be presented in the form of a demographic table describing a demographic potential variation and, to some extent, the living standards in different localities. In this way we can differentiate them according to the number and quality of workforce, and a degree of the development of local communities' potential, thus getting their comparative characteristic. As a rule, the demographic table includes both absolute- and relative-value indices and can be enlarged by adding indices that characterize population's living conditions and standards.

*The population's living standards and incomes.* General indices used in the modern world practice to describe life quality are children mortality rate and average life expectancy at birth. However most comprehensive is a human development index (HDI) combining the two above-mentioned indices and also taking into account some other important factors which influence the quality of life. A relative simplicity of calculation combined with availability of a necessary database allows us to apply HDI to practical studies.

HDI is a composite index comprising three indices, namely: average life expectancy at birth, educational level, real gross national product per capita (in US dollars), based on which a mean value of HDI is calculated. Obviously, the higher an HDI value, the better living standard is.

While making the analysis and evaluating people's incomes, in the first turn, we consider the following indices: nominal wage rate, real wage rate, nominal wage rate – to – subsistence level ratio, people's individual incomes, aggregate incomes, ultimate incomes, and real incomes.

After that, it is worthwhile to classify population by the size of average-per-capita money income (or by nominal wage rate), and estimate a ratio between the average incomes of 10% of the population having the highest income and 10% of the population having the lowest income, which can characterize the difference in income between the wealthiest and the most impoverished members of a local community.

as well as for evaluation of potential recreational zone development.

Mineral resources are grouped according to their kind, location pattern, size of deposits, and scale of their industrial development; the opportunities for mining industry are studied with a mandatory evaluation of their prospective impact on the environment, in the recreation zones in particular. The analysis of a hydro system gives a careful consideration to all water basins, both natural and man-made: rivers, lakes, seas, oceans, marshes, waterfalls, ponds, water storages, irrigation systems etc. Every water object is evaluated, first, in terms of its industrial use, and secondly, as a recreation place. The fauna and flora analysis provides a description of the wild plant and animal species as well as their current habitats. This information is used to evaluate a territory's attractiveness for tourism. If there are nature reserves or special nature preserves, their characteristic is given with regard to their value for a territory's development. The analysis of soils is of special importance for agricultural areas. The types of soils are characterized, and their quality assessment is made with a feasibility study of plant crops allocation pertinent to soil types in every individual community area.

In the analysis of environmental conditions, a great importance is attached to the characteristic of land resources and their usage. For that purpose, all lands are grouped according to either their category, or their users. In the user-based classification, lands fall into the following types: lands owned by agricultural companies with further subdivision into state and municipal lands; lands of agrarian research institutions and educational establishments; lands owned by individuals or NGOs, including farmers' lands and those of other agricultural companies and organizations; lands which belong to different populated localities; industrial lands; forest resources lands; lands under water resources; and reserved idle lands. Classification of lands according to the categories of users makes it possible to evaluate production profile of a territory, specific features of its population distribution (which, for example, has an impact on the infrastructure), and to identify lands as 'reserved unused' that form a resource of development.

Determining strong points and weaknesses of a community's location and its environmental conditions helps estimate the economic advantages and drawbacks of a territory. While analyzing a location, it is necessary to consider the local community's situation with regard to transport routes, evaluate its potential for practical utilization. Information of that kind would be useful for entrepreneurs, potential internal and external investors, tourists, and every community member as well. It is also purposeful to estimate the economic value of the territories adjacent to the community under analysis. It would

qualitative information contained in it serves as a basis for resource potential analysis and choice of strategy for local community development. The most appropriate, in our opinion, is the inventory book proposed by a group of Russian authors [2] as part of a TACIS project “Municipal Management” implemented in 1998-2000. The book comprises the following sections:

1. Natural environment and location.
2. Land.
3. Industrial development potential.
4. Demographic resources.
5. Labor market.
6. Economy.
7. Services.
8. Local finances.
9. People’s income and living standards.
10. Movement of goods, services, and manpower.

However we believe that it would be more practical to have a document, which we would call “The Local Community Profile”, structured as follows:

1. Natural environment and location.
2. Demographic characteristics.
3. Living standards and People’s income.
4. Local labor market.
5. Local economy.
6. Local finances.
7. Local infrastructure and services.

Let’s have a closer look at this list.

*Natural environment and location.* Analysis of the natural environment includes a study of the landscape, climate, raw material resources, soils, hydro system, land resources, fauna and flora. The analysis of land configuration makes it possible to evaluate its suitability for industrial or residential construction, or for agricultural development. It gives an answer to the question whether there are good sites available and accessible for construction work or agriculture. Another aspect of the analysis is evaluation of the land relief in terms of its utility for the tourist industry. The most important characteristics of a territory’s climatic conditions are considered to be the maximum and minimum annual temperatures; average monthly temperature of the air; average annual and monthly precipitation; prevailing wind directions; and seasonal nature of the weather. Those factors are essential to external investors



Table 1

Comparing the features of local community analysis

Specific features of local community analysis	Features common to analysis of local community and individual organizations
<ul style="list-style-type: none"> <li>- the analysis is focused on local community as a whole rather than on its specific components or small inclusions of a larger national system;</li> <li>- the starting condition of analysis and further planning activity is internal and external 'openness' of local government bodies;</li> <li>- an important component for the analysis is community's resources;</li> <li>- when building up information bases, it is necessary to take into account possible local participation in making and implementing policies and development projects;</li> <li>- the local community analysis is a holistic process which regards a community as an entity, but also recognizes its various parameters: human, natural, and economic;</li> <li>- local citizens' attitude to local government should be presented in the form of opportunities and limitations evaluation.</li> </ul>	<ul style="list-style-type: none"> <li>- local community is regarded as analogous to an organization which makes decisions and implements them;</li> <li>- a source of change is an internal initiative and leadership rather than instructions from outside;</li> <li>- a local community may use both internal and external resources to introduce changes, relying on their own powers and abilities and searching for additional resources beyond its borders;</li> <li>- local population's participation in managing their community should be comprehensive, every citizen having equal opportunities to take part in decision-making;</li> <li>- a study of resources and analysis of a territory's economic development should be done with application of various quantitative indices.</li> </ul>

A variety of ways to present information necessary for determining the resource base of local economic development includes for instance a socio-economic passport of a territory, scalograms of citizens' social and economic activity, atlas of a territory, data and statistics reference-books, advertising folders etc. However to our mind, the idea of a local development strategic planning is presented in the most comprehensive form in the so-called 'inventory book' which is a system of indices describing a local community and its resources. The book provides not only general data about the territory, but also makes it possible to highlight its specific features. The

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**Evaluation of Local Economic Development Resource Base**

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*The article is devoted to a review of methodological approaches to the analysis and evaluation of local economic development resource base. The author determines the key problems of local economic development and, based on them, proposes his own method for the evaluation.*

*Keywords: local community, local development, economic development, resource base, resource base evaluation.*

Both the analysis and evaluation of local communities and those of individual organisations or a larger territorial formation are marked by their own specificity [5]; though they also have some features in common (Table 1). Besides, while researching a local community, it is important to find interconnections between the local economy components which guarantee achievement of the major development objectives such as, for instance, increasing the output of local goods and services, the number and quality of jobs for local population etc. Thus the analysis is focused mainly on evaluation of the local community's ability to build external ties and relations with other communities rather than on a mere investigation of local economy's features or determining its scale and nature of functioning. That kind of analysis would be impossible without a proper information base. At the same time, practical experience shows that the quality and contents of information at local authorities' disposal sometimes prove to be inadequate, which necessitates both information source diversification, and development of the appropriate presentation techniques dependent on information users.