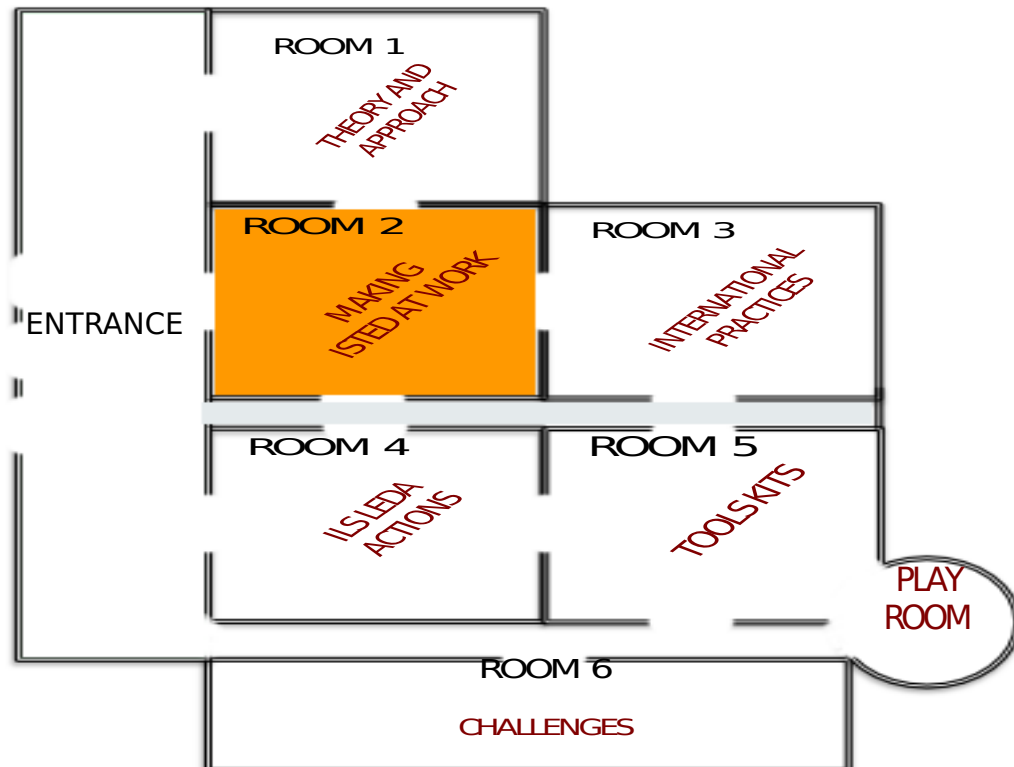


THE HOUSE OF INCLUSIVE AND SUSTAINABLE TERRITORIAL ECONOMIC DEVELOPMENT (I S T E D)

How to make it in practice



ROOM 2: HOW TO MAKE ISTED AT WORK

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PREFACE

We all live in a world where, in any part we are, we can easily find information about what happens everywhere, learn about the most varied issues and on almost any topic, we can receive or transfer goods (including financial ones) and services almost everywhere fast and at competitive costs, communicate remotely in audio-visual, work in a place for companies or customers that are thousands of miles away. It would seem that living in one place or another makes no difference.

That's it? Permitted that, of course, in a place one must live, it is obvious that everyone would like the place to live to be the one that offers the most job opportunities, where it is possible to better educate oneself and one's children, where one can be better cared for and where public services work well, perhaps even where clean air is breathed and there is not a lot of garbage on the street and maybe even where people are kind and supportive, where friendships and spontaneous relationships can easily be held, and where neighbours are well disposed to give you a hand in times of difficulty, where it is easy to find harmony in dealing with and solving problems common to the community (services, transport, care for children, the elderly and the sick, land maintenance, safety, emergency management, food control, up to the practices of collective purchase etc.). This ideal place does not exist, and yet it is difficult to deny that it is what we all aspire to. So much so that nowadays cities and regions compete to attract as many people as possible, showing that they are close to one or more of the aforementioned desires and this is already sufficient to show that the place, the territory has a fundamental value in the people's lives.

But there's more. From the anthropological point of view it is true that man and woman are wandering animals, but that at a certain moment they need to stop and stop where they like or consider them the least of evils. On the other hand, man and woman are not only rational and their choices (including localization) involve emotional and sentimental components. And, in fact, only a small part of the population moves from one part to the other by choice, constraint or necessity. Most move only once or remain forever where they were born, prefer to eat local products, love the traditions and culture of their land of origin or second choice, they like to weave good relations with their neighbors and have friends and lovers coming and trusting us blindly.

A healthy, balanced and supportive development of a territory is what we all aspire to and, in order to obtain it, there is need for complex processes, which refer to theories and practices of local, regional or territorial development as we wish to call them.

The present work intends to provide a comfortable "house" where the reader can find what she/he consider more useful for her/his knowledge need. You can take the path that leads you from the entrance to the end in the order how it is introduced (room 1, room 2, etc.), or you can choose your one path, or read only some of the chapters. The work aims to offer a useful guide to scholars and operators on the one hand in orienting themselves on the main theoretical schemes and approaches that support the aforementioned processes, and on the other in having a panorama of the practices carried out by important international institutions and finally, to propose some "tool kits", which can be of help to those interested in "how to implement" local development processes, with a particular eye to economic ones.

The "room" you want to visit are:

ROOM 1: Theoretical bases and main approaches assets (the bottom-up path, space and spatial dimension, social capital: the value of the participation).

ROOM 2: Making TED at work (Governance, Strategies, Implementation)

ROOM 3: Operationalising the approach: international practices (Ilo, Undp, Oecd, European Union, World Bank, Bid, Un-Habitat, Swiss Cooperation, Giz).

ROOM 4: The IIs Leda case (What IIs Leda is, The IIs Leda approach on governance, strategic planning for competitive, inclusive and sustainable development, implementation, territorial promotion).

ROOM 5: The IIs Leda tool kits (on how to make governance at work; how to valorize the endogenous resources; how to create a LEDA; how to measure the Leda performance; how to manage a LEDA; how to promote a territory).

ROOM 6: Challenges (Innovations, Social and solidarity economy, Role of territory in the globalization, Role of territories in safeguarding the planet: circular and green economy)

A side "Playroom" is also available for an amusing game about Local Economic Development Agencies

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2.2 The four main ISTED components

2.3 Competitive advantage and human development

2.1 Abstract

Chapter 2.2 introduces the five main operational assets for shaping an impacting local economic development: a) *governance*; b) *collective learning*, c) *scale and agglomeration economies*, d) *easy access to externalities*, *sustainability*.

About governance, the reader will understand how to build good governance through improving the capacity of the local actors in working together in a cooperative way in search of shared values, common vision, shared development strategy, and positioning of the territory in the global scenario.

About collective learning, the reader will realise a first step for improving the collective learning is the elaboration of the strategic vision.

About scale and agglomeration economy the chapter indicates the best way how organising the development resources for generating it is through the value chain approach.

About access to externalities, the reader will learn how to build a territorial service comprehensive territorial system, what are the frequent needed services, and what the best way to deliver them.

About sustainability, the four elements for making it effective will be introduced.

Chapter 2.3 talks about competitive and comparative advantages, how competitive advantage is an attribute that allows a territory to attract resources (investment, human resource, relationships), in a better way than other ones. Examples of territories with competitive advantages are provided, and the why to pursuit human development strengthen the territorial competitive advantage.

2.2 The four main ISTED components

In this chapter five main operational assets for shaping an impacting local economic development, are introduced: a) *governance*; b) *collective learning*, c) *scale and agglomeration economies*, d) *easy access to externalities*; e) *sustainability*.

a) About governance, the reader will understand how to build good governance through improving the capacity of the local actors in working together in a cooperative way in search of shared values, common vision, shared development strategy, and positioning of the territory in the global scenario. All this means passing from a notion of government in which the State is the center of political power, with the monopoly of the articulation and search of collective interest, to a situation in which decisions are the product of interaction and partnership between institutions and society. The concept of governance also emphasizes its process nature, that is, how decisions are made between various actors with different priorities and complex relationships of interest.

b) About collective learning, the reader will realise a first step for improving the collective learning is the elaboration of the strategic vision. It is not an easy result; sometime it takes time, because of the different and contradictory positions and interests, but, once the local actors achieve an agreement on what they jointly want, on how they imagine their territory become in ten-twenty years, all the rest turns easier and more effective and they will fully appreciate the value of social cohesion, and the added value of learning in group.

A balanced strategic vision of the development consists primarily in the valorisation of the internal endogenous resources (where existence, knowledge, tradition allows competitive advantage), and, once a strategic vision for their development has been focused and shared, external resources could add value through investment, knowledge, and markets.

Nevertheless, other crucial aspects of these strategies will be introduced: How to organise these forces for generating scale and agglomeration economies, and how to facilitate access to the services

c) About scale and agglomeration economy the chapter indicates the best way how organising the development resources for generating it is through the value chain approach.

Transfer of knowledge, intelligence, know-how is simpler to do in a "close" physical space, from producer to producer, from father or mother to children (as), from suppliers to producers, etc.

A value chain is the set and sequence of production and service activities that carry and support the final consumption of a set of products and services related to the same resource and linked to each other.

According to ILO value chain approach can support pro-poor development and job creation through strengthening enterprises, business relationships, improving market structures and the business environment. It can assist in developing local micro and small enterprises and help in overcoming constraints such as poor market access and little bargaining power.

The way how to generate competitive, sustainable, and human development is through recognising, and valorising the differential value of that territory and its value chains, so generating competitive advantage based on the difference. Here, the reference to M. Porter is necessary, and to the three ways for establishing a competitive advantage, he identified: cost leadership, differentiation, and focus.

d) About how to facilitate access to services, the point is to build a territorial system comprehensive territorial system where the service providers, instead of competing each other, can find an added value, and also more demand, through coordinating each-other, and the customers a more effective and efficient way to receive comprehensive assistance to their always holistic problems.

This is no easy to build, but a joint efforts of the local actors together with the service providers, joined with proper stimulation, capacity building and exposure to the international practices can help.

The room introduces also some of the international examples in this field.

e) About comprehensive sustainability it is first associated to the concept that economic development is not the final goal, but well-being and human development, provided it is demonstrated its outstanding impact on eliminating poverty, violent conflicts, environmental destruction, disease, ignorance and lack of respect for human rights, as exactly what the UN Millennium Development Goals pursue.

At this respect the Godfrey suggestions on how to eliminate poverty shall be highlighted.

Godfrey starts for the Thoreau's observation: "Most of the billions, or trillions of dollars thrown at the poverty problem ends up in the branches "alleviating the symptoms of poverty", but little gets at the root and creates lasting prosperity for individuals. Money doesn't eliminate poverty. Money fails, primarily, because it does little to develop or encourage self-reliance.

His suggestions, therefore, are:

1. Individuals and families work themselves out of poverty and into prosperity, and the external efforts can be quite effective when they help people eradicate

poverty in their own lives, and create a context where people's natural tendencies toward self-reliance flourish.

2. Eliminating poverty requires more than money. Money thrown toward the poor often ends up in alleviating the symptoms of poverty but usually fails to create lasting solutions. Poverty abates when people become self-reliant and leverage five different types of capital—institutional, social, human, organizational, and physical.
3. All the efforts, to be effective, involve organization, that have a clear vision, a set of partners, and accountability systems that sustain their efforts over the decades.
4. It is important to offer strategic suggestions and to create substantive and sustainable organizations rather than tactical steps or temporary patches.

Finally the comprehensive concept of sustainability is resumed, and the four elements that shall be assured, for making it effective.

- ⇒ the guarantee of a continuous and permanent impact on the territory (economic sustainability);
- ⇒ the capacity to improve the living conditions of the local populations and their human development, according to the UN definition (human sustainability);
- ⇒ the environmental sustainability, in terms either of preservation of the natural resources, or the resilience to the climate change;
- ⇒ the guarantee the development provides equal benefits for all the population, without any type of discrimination (social sustainability).

Governance

Governance is a key factor, and refers to the capacity of the local actors in working together in a cooperative way in search of shared values, common vision, shared development strategy, and positioning of the territory in the global scenario.

According to Aguilar¹, governance is equivalent to the process by which the actors of a society decide their objectives of coexistence -fundamental and conjunctural- and the forms of coordination to carry them out: their sense of direction and their management capacity, and constitutes, therefore, a new conceptual and practical scope that goes beyond the "governmentalist" approach to governance. It is, therefore, a postgovernmental perspective (not anti-government) that is concerned with two dimensions: the evaluative (teleological), which refers to the process by which the desired social future is defined, and the factual (causal, technical), which refers to the process by which the division of labor is defined and the distribution of authority and responsibility among the different social agents, with the purpose of contributing with their resources, competences, specializations, skills, actions and products to the achievement of the social desired objectives.

According to Mayntz², the modern concept of governance refers to a new way of governing more cooperative, different from the old hierarchical model, in which the authorities exercised their power over the whole of civil society. On the contrary, in this case, the different public and private actors and institutions participate and cooperate in the formulation and application of public policies.

Thus, we go from a notion of government in which the State is the center of political power, with the monopoly of the articulation and search of collective interest, to a situation in which decisions are the product of interaction and partnership between institutions and society. The concept of governance also emphasizes its process nature, that is, how decisions are made between various actors with different priorities and complex relationships of interest³.

¹ Luis F. Aguilar Villanueva, *Gobernanza y gestión pública*, México, Fondo de Cultura Económica, 2006

² Renate Mayntz (2001), *El Estado y la sociedad civil en la gobernanza moderna*, Revista del CLAD, Reforma y Democracia, nº21.

³ UN Habitat, *Gobernanza y Seguridad Urbana en América Latina y el Caribe* (Serie:

In other words, it is a process that allows different interests and conflicts to be dealt with jointly through cooperation (United Nations Habitat, 2004).

Structured governance institutions will enable, then, multi-stakeholders institutional participation, with the aim of creating and improving the milieu where TED strategies could be elaborated, implemented and monitored.

Collective learning

Strategies are instruments where collective learning exercises its main impact on the development process.

The strategic visions⁴ elaborated by an ample group of social actors, represent a fundamental instrument for the structural change of a region oriented to ISTD, fulfilling an orientation, coordinating, planning and motivating function.

In addition, they impel and they facilitate the consensus between different social actors for the development of a certain territory, and it is, indeed, the first step the local actors pursue for clarifying what achievements they share. It is also the first step for the learning process for building the social local capital and a fundamental exercise for fixing collective ideas, exchanging interests and values, identifying strengths and weaknesses of their territory, all the necessary issues for the assessment of future coherent actions.⁵ Actors learn -from each other experience and knowledge- potentiality, opportunities, obstacles, and needs for achieving shared goals and objectives, and translate it into specific strategies and plans.

The elaboration of the strategic vision represents an important way for improving the social cohesion collective learning. It is not an easy result; sometime it takes time, because of the different and contradictory positions and interests, but, once the local actors achieve an agreement on what they jointly want, on how they imagine their territory become in ten-twenty years, all the rest turns easier and more effective.⁶

A rural area may be imagined transformed in specialised agro-industrial system; a marginal area could exploit tourism attractions for realising an integrated agro-artisan-industry-service system.

Forestry could turn as resources for tourism and wood industry; specific geographic location can be exploited for setting industrial and services activities, etc.

Depending on the starting conditions, the way to achieve the above-mentioned strategic objectives could be long. That is why the consensus of the local actors about priorities, the identification of specific implementing tools, and of the decision making process is important.

A development strategy is always a trade-off between the promotion of local firms and the attraction of external investment. All depends on the starting conditions, but specially in marginal areas local firms at beginning are preferable or the unique solution, due to the weak territorial context. It, furthermore, will reinforce the economic system, improve the labour market and stimulate new infrastructure, so to render attractive the area for external investment, above the advantage for cheap labour costs, and for complementing the local economic system.

The risk of a development based only on local enterprises is a non-competitive system or closed only to local markets businesses. The risk of a development based mainly on external capital is dependence and fragility to respond to national or international crisis.⁷

Aprendiendo de la Innovación, 2004)

4 G. Canzanelli, Overview and learned lessons on Local Economic Development, Human Development, decent work, ILO Paper, 2001

5 F. Albuquerque "La política de Desarrollo Económico Local", BID/GTZ, 2001

6 Eurada, "Creation, development, and management of Regional Development Agencies" , 1997

7 A. Rodríguez-Posé, , "Socioeconomic restructuring and regional change: rethinking growth in the European Community", Economic Geography 70, 1994

A balanced strategic vision of the development consists primarily in the valorisation of the internal endogenous resources (where existence, knowledge, tradition allows competitive advantage), and, once a strategic vision for their development has been focused and shared, external resources could add value through investment, knowledge, and markets.

Other crucial aspects of these strategies are:

- 1) How to organise these forces for generating scale and agglomeration economy
- 2) How to generate competitive, sustainable, and human development.

Organising the development resources for generating scale and agglomeration economy may be pursued through the value chain approach.

Transfer of knowledge, intelligence, know-how is simpler to do in a "close" physical space, from producer to producer, from father or mother to children (as), from suppliers to producers, etc.

The territory then represents an important factor to take advantage of all this, because it has the advantage of having the "proximity" or "proximity" of the so-called factors of production.

So, in order to realise scale and agglomerative economies, the value chain approach is the most appropriate.

The value chain approach for effective scale and agglomeration economies

A **value chain** is the set and sequence of production and service activities that carry and support the final consumption of a set of products and services related to the same resource and linked to each other.

Michael Porter first introduced the concept of value chain. The concept of value chain begins to popularize from the publication of the book "Competitive Advantage", who was based on the idea of business systems, developed by the firm McKinsey & Co. at the beginning of the same decade, and was destined to the company⁸.

This approach of the fragmentation of the company's activities into a set of differentiated tasks, called value-adding activities. Porter divided these activities into two large groups: primary activities and support activities.

The primary activities are those that involve the physical creation of the product or service and its subsequent sale or transfer to the buyer. Support activities support primary activities and support each other, providing purchased inputs, technology and human resources.

A value chain can be simple or complex.

A simple value chain of, for example, a type of fruit consists of a sequence of production, stockpiling, transportation, and marketing.

However, such a chain no longer exists, in order to cultivate and harvest, the producer needs other resources (seeds, fertilizers, tools, human resources) and to buy supplies and tools he often needs credit, and to sell he needs technical support (for example, to go to a national fair, or a consultancy to cure certain diseases of the plants, etc.).

It is evident that for the producer it is better to have the mentioned services "close".

On the other hand, this fruit can generate other activities of greater value: juices, jams, compote, even cosmetics. Waste (such as leaves, etc.) can be important inputs for generating electrical energy, etc.

And all these activities are interconnected among them.

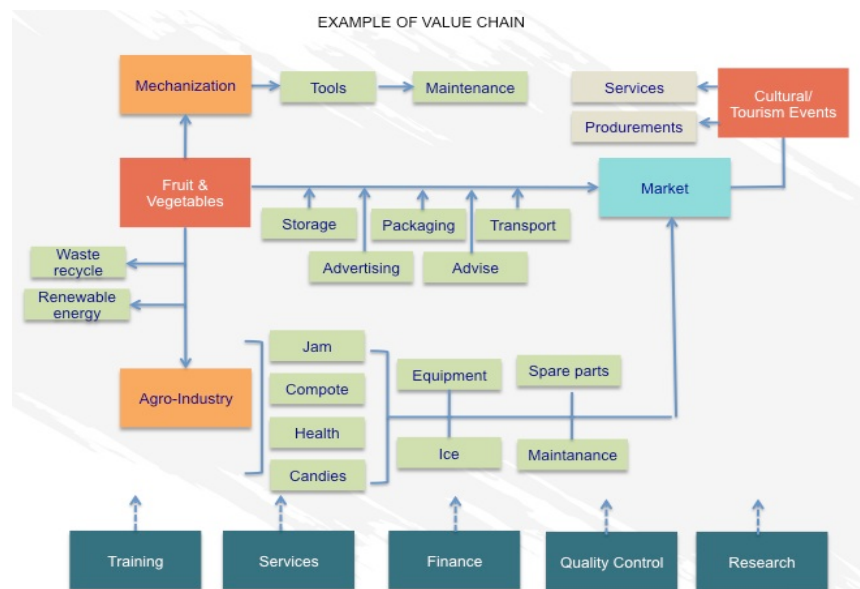
According to ILO⁹ value chain approach can support pro-poor development and job

⁸ M. Porter, The Value chain and Competitive Advantage: Creating and Sustaining Superior Performance, Free Press, 1985 and following edition 2008, Chapter 2

⁹ ILO, Value Chain Development

creation through strengthening enterprises, business relationships, improving market structures and the business environment. It can assist in developing local micro and small enterprises and help in overcoming constraints such as poor market access and little bargaining power.

Fruit and Vegetable value chain



ILO argues value chain development and local economic development approaches can reinforce each other. Both are approaches that address the “how to” of private sector development and that can be designed to include the population in the resulting benefits. VCD seeks to enhance the functioning of the market system by analysing it and devising interventions to overcome bottlenecks and constraints in the chain. LED strategies identify the economic potential of a specific territory and empower local economic actors to take joint actions for economic growth and job creation.

Value chain interventions will be impinged given a better understanding of local contexts and providing solutions to non-enabling local environment or misperceived local conditions.

Fao states value chain analysis is a valuable tool to investigate the role that value chains can play in achieving specific policy objectives, such as poverty alleviation, sustained growth and inequality reduction. For example, major investments in infrastructures that are crucial for a staple value chain can be planned on the basis of the recognition of the importance of that staple for food security.¹⁰

Another important added value of a value chain is the implicit concept of networking which are at the fundamentals of the approach. By proximity interactions agglomeration economy are more effective, either in the horizontal relationships (organizations providing the same product or service), that in the cooperation find an instrument of scale economy,) and in the vertical relationships, where the horizontal system exploits in a more efficient way (reducing transaction costs) and effective way (proximity between demand and supply of goods and products) the local resources.

Implementation:
How to organise it

A critical factor for inclusive and competitive economic development is the **access to services**. Often they are expensive, many times are too much specialised and do not respond to the holistic demand of customers, sometime they are not so qualified.

¹⁰ Lorenzo Giovanni Bellù, Fao paper, 2013

The most frequent services demanded for LED are:

Planning

- Assessment on economic territorial resources
- Development plan monitoring
- Monitoring on investment and projects realised in the area
- Technical support to elaboration of development plans
- Capacity building for local administrations
- Elaboration of the projects identified in the plans
- Implementation of the projects
- Fund raising for implementing projects

Financial Services

- National Funds for LED, harmonizing national funds from various ministries
- Guarantee Fund
- Participatory budget
- Revolving funds for microcredit
- Venture Capital
- Rural banks

Employment/Self employment services

- Demand-Supply Observatory
- Workshops
- Accompaniment to job searching
- Talent Scouting and support

Business Services

- Technical Assistance
- Administrative assistance
- Technological Assistance
- Commercialization
- Information about business opportunities
- Access to credit
- Creation of new businesses
- Support to start up (incubation/mentorship)
- Internationalization

Services to innovation

- Territorial systems for boosting, promoting, and disseminating innovations, according to territorial excellences
- Centers for technology transfer
- Scientific and Technological Parks
- University Incubators
- Offices for patents

Territorial Marketing

- Support to strategies for territorial marketing
- Definition of territorial personality
- Image building and communication

Services
delivery

There are at least three different alternatives for delivering the services.

a) Market-driven: the market regulates the expenditure and the best companies are affirmed in terms of quality and price

b) State: the State directly dispenses in a bureaucratic manner

c) Public-Private mix: through contractual or institutional relationships between the State and the private/civil sector

The advantages of the mixed system are:

- It maintains a balance between objectives of a public nature (increase in employment, improvement of business and technological capital, etc.) with efficiency and effectiveness objectives of private structures, and avoids the domain of particular interests over the collective interest.
- It facilitates the task of providing comprehensive services, as well as

implementing projects and initiatives, and providing services within the framework of strategic guidelines and shared priorities

- It contributes and stimulates sustainability, to avoid what is happening in Europe, where many local development agencies are closing with the crisis, either due to the decrease in the public source of financing, or the decrease in demand for services by from the private sector
- It helps to strengthen the relationship with the National Government, to ensure the effectiveness of the intervention, and the implementation of coherent public policies.

A public system only guarantees the public purpose and coordination with the national level, but has the risk of generating favouritism and social discrimination, and of compromising the continuity of the implementation system, in the face of government changes.

A only private system avoids bureaucracy and political dependence, but has the risk of limiting itself to corporate objectives and not for public purposes, and compromising the link with the national government.

In many OECD countries¹¹, national, regional and local governments have launched their local economic development activities under the operational control and supervision of Corporate structures (called companies, agencies, corporations), rather than managing them directly in the framework of a public platform (a departmental council or services management).

This approach is now very diffuse internationally

The problem of accessing to the services

The real issue here is about the real possibility for accessing to these services, and it due to either the quality of the demand, and the quality of the supply, and how their matching is facilitated.

The extreme parcelling and specialisation of the supply in this case had problems of cost, and effectiveness.

Different would have been the case if the process had coordination, following a chain: overall check-up, resulted needs, needed investment, financial support, and all the phases were at his chance.

The parallelism with the health care system is evident, and the need of a return to care the sick more than the sickness proves the bad effect of fragmentation specialisation.

Point here is not specialisation per se. Specialisation has its advantages, but it could be a help, if coordinated, included in a comprehensive system, where the patient/customer easily can access to the first aid desk, understand her/his problem, and be addressed to find proper and specialised solutions?.

This kind of solution certainly reduces the cost, although in poor contests it is not enough for helping customers, and public policies for it are needed.

IADB ¹² En muchos países de la OCDE, los gobiernos nacionales, regionales y locales han puesto en marcha sus actividades de desarrollo económico local bajo el control operativo y la supervisión de estructuras Corporativas (llamadas compañías, agencias, corporaciones), en lugar de administralas directamente en el marco de una plataforma pública (un consejo departamental o dirección de servicios).

Este enfoque es ahora muy difuso a nivel internacional

11 OECD document "Organizing for local development: the role of local development agencies", 2009

12 OCDE " Organising for local development: the role of local development agencies", 2009

The history of a Colombian show maker

Alvaro is a Latin American good quality shoemaker. Some years ago, he was regularly selling its production to a big Italian firm. Nevertheless, one year Alvaro did not receive the usual order, and he wondered why. After having waited for a couple of months, he was desperate, because the Italian firm did not give him clear justifications. He went to a consultant expert in international trade, and he paid him 2,000 USD asking for recommendations. After one month, the consultant gave the answer: *"The problem is your broker in Italy has played a double game, and he has favoured your competitor"*. What to do? Immediately he changed broker, but it was useless. No news from Italy for months. He went to a consultant more, who requested 3,000 USD for making the job, and her results were: *"Your technology is out of date! That's why you are out from the market. You need to buy a new equipment, but it will cost 35,000 USD"*. He did not have so much money, but the consultant suggested to go to the bank, and request e credit.

The bank functionaries told him they were ready to help him, provided he come with a business plan. Since he did no know how to do it, they recommended contracting a specialist. Alvaro paid 2,000 USD more for his business plan, and finally he came back to the bank with the plan.

The bank appreciated the business plan, and they were available to disburse a credit, nevertheless they requested they requested collaterals for guaranteeing the loan.

Poor Alvaro, he was desperate, he could not finalise the credit. He spent 7,000 USD for nothing!

2.3 Competitive advantage and human development

There is no unique definition of competitive advantage in the economic literature, and often the relationship between comparative advantage and competitive advantage are confusing, often the one and the other one used for describing the same thing.

Ricardo introduced first the notion of comparative advantage. Michael Porter finally systematise the concept in only one definition, but with three attributes.

Anyway these concepts were modelised to business, and extended generally to nations. Only recently attributed also to territories.

Competitive advantage attributes

A competitive advantage is an attribute that allows a company or a territory to attract resources (investment, human resource, relationships), in a better way than other ones.

The main characteristic of a competitive advantage is that it be difficult, if not impossible, to duplicate or copied, or imitate, is quite "unique".

Of course it is anyway an issue to maintain the competitive advantage in the long time. Only if the actors are able to work on it, and make it "sustainable" it will provide long term benefit.

The more sustainable the competitive advantage, the more difficult it is for competitors to neutralize the advantage.

As M. Porter outlined, there are three ways for establishing a competitive advantage: Cost Leadership, Differentiation, and Focus.

- Cost Leadership

Competitive advantage based on production cost is the weakest one, and effective only if large-scale economy can be afforded

- Differentiation

Competitive advantage based on differentiation is the most effective: differentiation can be based on the uniqueness, the local different context

(environment, nature, social relationships, tradition, culture) generating the product(s) or service(s), the innovative capacity.

- Focus

Competitive advantage based on focus means to have a record in a certain very specialised and particular demand

Comparative advantage

A company or a territory has comparative advantage, when customers choose its product(s) or service(s) because it is cheaper, although the quality or the performances are not as better, or an investor choose it because the expected return is higher.

This can be achieved thanks to a better internal efficiency, cheaper labour cost, favourable public policies, better infrastructure.

The weakness is that all these factors are "comparable", and several companies or territories can work out to achieve even better conditions for gaining comparative advantage over the other ones.

Although some time comparative advantage, we prefer maintaining the difference between "comparative" or "relative" advantage, and "competitive" or "absolute" advantage, consisting simply in the "imitability" or "applicability" of the product and services. If it is imitable, it does not has competitive, but comparative advantage.

It does not mean that the product or service is not "competitive". In both cases the pre-condition is that the product is "marketable", nevertheless the barrier to enter in competition with a product or service with competitive advantage is much higher.

Other two original elements characterise our model.

Competitive Advantage and Territory

1. The competitive differential advantage has solid linkages with the "territory".

Either if it is based on skills, cooperative or networking aptitudes, natural resources, geographic position, traditional accumulated knowledge and know how, organisational context.

Examples of territories with competitive advantage are:

2. In the current socio-economic-political frameworks maintaining in the long term the competitive advantage, and its territorial bases, means considering two more variables, that have to do with the importance of safeguarding the more important "differential" resources: the human and natural resources. The two variables are social cohesion and environmental sustainability, i.e. social and environmental sustainability.

That's why we suggest extending the concept of competitive advantage to competitive sustainable advantage, including into the competition the social and environmental sustainability, able to reduce the risk of resource degradation.

Economy is not the ultimate aim

Luciano Carrino¹³ distinguishes different qualities of development as the ability to choose between "good" and "bad" development. To this end, he links development to its capacity to meet human needs. It can be considered "bad" (such as the currently prevailing mode) when it is concerned about meeting the needs of only a part of the population, leaving others frustrated and insecure, or when the solutions it provides can damage health, sow hatred and violence, undermine social cohesion, or irreparably destroy natural resources. On the contrary we have "good" development (or rather we would have it, if human development prevailed), when it does not create marginalization or exclusion and it tries to respond adequately to everyone's needs, encouraging psychophysical wellbeing of individuals and peaceful cooperation between social actors and governments: good development improves collective resources and the

¹³ Carrino L., Perle e pirati. Critica della cooperazione allo sviluppo e nuovo multilateralismo. Gardolo: Centro Studi Erickson, 2005

diversification of material and cultural answers to needs, and it opts for ways of action that enhance the environmental, cultural and historical heritage.

The kind of development, based on the actions of individuals and groups that consider themselves an elite, is exactly the version that the UN Millennium Development Goals project aims at overcoming, because of its disruptive consequences on social life: poverty, violent conflict, environmental destruction, disease, ignorance and lack of respect for human rights.

Godfrey¹⁴ highlights there are three basis issues for eliminating poverty:

- 1) “We don’t eliminate poverty; individuals and families work themselves out of poverty and into prosperity. Our efforts can be quite effective when they help people eradicate poverty in their own lives. We must create a context where people’s natural tendencies toward self-reliance flourish.
- 2) Eliminating poverty requires more than money. Money thrown toward the poor often ends up in alleviating the symptoms of poverty but usually fails to create lasting solutions. Poverty abates when people become self-reliant and leverage five different types of capital—institutional, social, human, organizational, and physical”.
- 3) Furthermore the author recommends to “involve organization. An effective organization has the capability to look past the thick branches of poverty and attack the roots. These organizations have a clear vision, a set of partners, and accountability systems that sustain their efforts over the decades it takes to move a generation from poverty to prosperity.”

Economy need satisfied people, who live in peace, and, in cohesion with their nearby people, build an environment that could make them happy. People need economics for exerting their role and capacities in rendering world life better, and giving oil to their creativeness. All need a safe environment for avoiding the human race disruption.

We need sustainability development, which necessarily includes:

- the guarantee of a continuous and permanent impact over time of local development processes in the territory under consideration (economic sustainability);
- the capacity to improve the living conditions of the local populations and their human development, according to the UN definition (human sustainability):
- the environmental sustainability, in terms either of preservation of the natural resources, or the resilience to the climate change;
- the guarantee the development provides equal benefits for all the population, without any type of discrimination (social sustainability).

14 Godfray, “More than money”,