

Economic Development Glossary of Terms



(Information courtesy the International Economic Development Council)

What is economic development?

Economic development is most commonly described as the creation of jobs and wealth, and the improvement of quality of life. Economic development can also be described as a process that influences growth and restructuring of an economy to enhance the economic well being of a community.

Business Attraction and Recruitment – Business attraction and recruitment is considered one of the main approaches to economic development because the attraction of new businesses into an economy may quickly increase the tax base, jobs and the diversity of the local economy.

Business Climate – Business climate indicates how state, regional and local policies, relationships and local communities support business development.

Business Retention and Expansion – Business retention programs assist small businesses to prevent their relocation and to help them survive in difficult times. Retention programs typically involve partnerships among public and private organizations that assess the assets and opportunities of individual companies through periodic surveys, interviews, and visitations.

Clusters – Clusters are geographic concentrations of interdependent, complementary and/or competing businesses in related industries that trade with each other. Clusters act as a powerful magnet for business location and create diverse pools of skilled workers.

Downtown Development – Downtown development is the promotion of development, redevelopment, and revitalization of the central business districts and adjacent areas in a city, traditionally the centers of both business and culture.

E-commerce – E-commerce allows commercial business transactions with the assistance of electronic-based tools. Today the majority of e-commerce takes place over the Internet, however it also includes fax and telephone transactions.

Economic Development Finance – Economic development finance meets the capital needs of businesses that are not addressed by traditional lending and investment institutions. It can translate a good business or development idea into products, services, and places that create and retain jobs and wealth in a community. In addition, financial capital helps existing businesses expand and stay competitive.

Economic Development Marketing – Communities market to achieve multiple economic development objectives such as: attraction, retention, and expansion of businesses; attraction and retention of residents and tourists; improvement of the community's image locally, nationally, and internationally; and promotion of policies and programs.

Entrepreneurship – Entrepreneurship is the process of creating a business idea and turning it into a real business. Entrepreneurs create new goods and services based on new technologies or demands.

Export/Trade Development – Export/trade development and promotion enables firms to expand their market area and possibly extend the life cycle of products or services that have exhausted their existing markets.

Empowerment/Enterprise Zones – Distressed urban and rural communities face problems of high unemployment, crumbling infrastructure, minimal access to capital, and psychological despair. To help with these problems, communities can apply to become designated one of HUD's Empowerment Zone/Enterprise Community Initiatives, which use federal seed money to create partnerships leveraging public and private investment to fund revitalization strategies aiming to generate jobs; provide business assistance and services; train and (continued on next page)

Economic Development Glossary of Terms (continued)



educate youth and families; improve access to childcare, healthcare and transportation; and increase residents' safety and involvement in their neighborhoods.

Incentives – Incentives are tools used to influence business decisions about where new investment will take place. Economic development incentives can be either financial or non-financial, such as tax exemptions and credits or workforce training and public infrastructure improvements.

Infrastructure – Infrastructure encompasses existing transportation, communication and utility networks, getting people to their jobs and goods and services to their markets.

Neighborhood Economic Development – Neighborhood revitalization seeks to improve a neighborhood's physical, economic, and social conditions to improve the overall quality of life and economic opportunities for neighborhood residents.

Public-Private Partnership – Public-Private partnerships act as a strong voice for the interests of local businesses, while also possessing immediate access to the highest levels of local government. These organizations have greater flexibility than the public sector to conduct economic development activities since they do not have to answer to such a broad constituency.

Quality of Life – Quality of Life is the economic well being, life style, and environment that an area offers.

Site Selection – Site selection is the process by which firms find new locations for business facilities or expansions of their operations. Each year, more than 15,000 localities seek to attract the estimated 100-200 locations that take place. New facilities often mean new jobs, new investment, and an enhanced tax base.

Small Business Development – America's 25 million small businesses employ more than 50 percent of the private work force, generate more than half of the nation's gross domestic product, and are the principal sources of new jobs in the U.S. economy. The importance of small businesses has led to improvements in the environment within which small businesses operate, with a proactive approach used to assist small business owners.

Smart Growth – Smart growth describes the efforts of communities to manage and direct growth in a way that minimizes damage to the environment, reduces sprawl, and builds livable towns and cities.

Sustainable Development – As described by the World Commission on Environment and Development, sustainable development is the process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are all in harmony and enhance both current and future potential to meet human needs and aspirations.

Technology-Led Economic Development – Technology-led economic development fosters the development of new technology-based products and encourages the deployment of technologies to the private sector.

Transportation – Transportation enables the trade of goods and the movement of workers to occur; thus it is vital for economic development.

Venture Capital – Venture capital (VC) is professionally-managed equity money (money for stock), that is repaid by capital gains through the sale of stock. Venture capital promotes economic development because it allows new ideas and technologies to become profitable, creating wealth and jobs.

Workforce Development – Workforce development and/or training refers to community efforts to train individuals for specific jobs or industries. The goal of workforce training programs is to improve the quality and skill sets of individuals, to place them in jobs, and help businesses find an employee base in line with their needs.