



ESSENTIAL PRINCIPALS AND KEY ACTIVITIES IN LOCAL ECONOMIC DEVELOPMENT*

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Abstract

Local economic development (LED) is a development process, in which sustainable policies and strategies are developed by local actors in accordance with the principle of governance, efforts are made to enhance human, social, and institutional capital to achieve local economic growth, and cooperation relationships and networking activities are established among local actors. Certain principles, concepts, and activities utilized within this process are given particular emphasis within the theoretical framework of LED and are crucial for its implementation and success. LED envisions relationships established among local actors based on the principle of governance, and sustainable LED policies, strategies, and tools are developed with the participation of all actors. The principle of sustainability is important for the self-continuity of LED by making use of local resources. LED policies and strategies involve activities aiming to improve social, human, and institutional capital to achieve economic development. The present study investigates and brings together the principles and activities that are frequently emphasized in the LED literature and considered important for the success of LED, within the scope of a review study. This study adopts the characteristics of a review article. By systematically examining these principles and activities within the theoretical framework of LED, the study is expected to provide a conceptual foundation for future research and serve as a reference for both researchers and policymakers.

Keywords: Local Economic Development, LED Activities, Principles of LED, Local Development, Regional Economics

JEL Classification: R10, R11, R12

YEREL EKONOMİK KALKINMADA TEMEL İLKELER VE FAALİYETLER

Öz

Yerel ekonomik kalkınma (YEK) süreci, yerel aktörler arasında yönetim ilkesi doğrultusunda sürdürülebilir politika ve stratejilerin belirlendiği, yerel düzeyde ekonomik gelişmenin sağlanması için beşeri, sosyal ve kurumsal sermayenin geliştirilmesi yönünde çabaların sarf edildiği, yerel aktörler arasında işbirliği ilişkileri ve ağ faaliyetlerinin kurulduğu bir kalkınma sürecidir. Sıralanan bu süreç içerisinde kullanılan bazı ilkeler, kavramlar ve faaliyetler YEK teorik çerçevesi içinde özellikle vurgulanır ve YEK'in uygulanması ve başarısı için hayati öneme sahiptir. YEK, yerel aktörler arasında yönetim ilkesine göre kurulmuş ilişkiler öngörür ve bu ilkeye göre tüm aktörlerin katılımıyla sürdürülebilir YEK politika, strateji ve araçları tasarlanır. Sürdürülebilirlik ilkesi YEK'in yerel kaynaklar ile kendini devam ettirebilmesi açısından önemlidir. YEK politika ve stratejileri, yerel düzeyde ekonomik gelişme sağlamak için sosyal, beşeri ve kurumsal sermayenin geliştirilmesi yönünde faaliyetler içerir. Bu çalışmada, YEK literatüründe sıklıkla vurgulanan ve YEK'in başarısı için önemli olduğu belirtilen ilke ve faaliyetler derleme niteliğinde bir çalışma ile araştırılmış ve bir arada sunulmuştur. Bu çalışma, bir derleme makalesinin özelliklerini benimsemektedir. Bu ilke ve faaliyetleri YEK'in teorik çerçevesi içinde sistematik olarak inceleyerek, çalışmanın gelecekteki araştırmalar için kavramsal bir temel sağlaması ve hem araştırmacılar hem de politika yapımcılar için bir referans görevi görmesi beklenmektedir.

Anahtar Kelimeler: Yerel Ekonomik Kalkınma, YEK Faaliyetleri, YEK'in İlkeleri, Yerel Kalkınma, Bölgesel Ekonomi

JEL Sınıflandırması: R10, R11, R12

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1. INTRODUCTION

The concept of Local Economic Development (LED) was introduced first in the 1970s. However, the dynamic strategic approach that includes the entire local economy and encompasses entrepreneurship, business development, infrastructure improvement, and the development of local partnerships was not adopted until the late 1990s. After the 1990s, these strategies began to diverge due to reasons such as increasing income inequalities and growing regional disparities. Moreover, globalization and the integrated nature of economies also led to different perspectives in LED approaches (Timurçin, 2010: 45). The LED approach is based on the development differences between regions. Regional development disparities emerged in the 1870s in today's developed countries (DCs), but they significantly decreased after World War II. However, in developing countries that initiated economic development efforts in the second half of the 20th century, inequalities between regions have been increasingly growing (Dinler, 1994: 138-140).

Although it is very difficult to have the exact definition of LED, it essentially refers to locally based actions designed to emphasize and respond to economic change in a local area (Nel and Binns, 2002: 185). As stated by Zaaier and Sara (1993: 129), LED is a process where local governments and/or community-based groups operate by utilizing existing resources and engage in partnership arrangements with the private sector or each other to generate new jobs and stimulate economic activity in an economic field. The objectives of these partnerships, identified intervention areas, strategies, policies, and tools used can vary. These variations are reflected in approaches within the literature on LED (Türko and Kadiroğlu, 2017: 355).

Development disparities between regions encouraged local actors to rediscover their local identities and formulate economic and marketing strategies to improve the competitiveness of locality in national and global economies. However, the holistic and complex character of the LED process makes it difficult to understand the logistics of relationships among different socioeconomic factors in the development process. Indicators are considered to be specific measures to provide operational definitions for the multidimensional concept of LED. The measurement of LED factors emphasizes the importance of practical policy value of indicators and depends closely on theoretical approaches. The purpose of LED activities and their fundamental components is to derive ideas from the complex structure of LED in order to lay a foundation for policy discussions and planning. The guiding principles and activities are informed by previous research and theories to establish a connection between theory and measurement (Wong, 2002: 1835).

The LED process is a development process, where sustainable policies and strategies are determined in parallel with the governance principle among local actors, efforts are made to develop human, social, and institutional capital for achieving LED at the local level, and cooperation relationships and network activities are established among local actors. Some principles, concepts, and activities used in this process are particularly emphasized within the theoretical framework of LED and are crucial for the implementation and success of LED. LED envisions relationships among actors based on the governance principle, and sustainable LED policies, strategies, and tools are designed with the participation of all actors at the local level (Kadiroğlu and Türko, 2024: 208). The principle of sustainability plays an important role in order for LED to sustain itself with local resources (Bolayır and Eroğlu, 2024: 2). Cooperation relationships and network activities among local actors create externalities that benefit all actors at the local level. The success of LED largely depends on its ability to create these externalities (Wear, 2023: 804-805; Xegwana et al., 2024: 6). On the other hand, LED policies and strategies include activities aimed at developing social capital, human capital, and institutional capital to achieve LED at the local level (Choi et al., 2025: 8).

Although the number of applied studies conducted within the theoretical framework of LED in Türkiye remains limited, the available findings provide valuable insights into the dynamics of local development. It has been observed that trust, cooperation, and social networks directly affect local economic performance and that these effects become more pronounced as the level of social capital increases (Tutar and Yılmaz, 2024: 540; Ortaboy and Çayın, 2025: 2-3). In contexts where governance-based relationships among local actors are relatively strong, policy implementation tends to be more effective, whereas in certain localities, municipalities and other local institutions remain weakly integrated into LED processes (Kadiroğlu and Türko, 2024: 210; Öner, 2020: 386; Dinçsoy, 2021: 9-10). Furthermore, the success of LED is not shaped solely by internal dynamics; it is also influenced by structural regional disparities, which must be addressed through context-sensitive policy design (Kadiroğlu and Türko, 2023a: 2, 2023b: 3). In regions with limited export capacity, insufficient public support and weak institutional coordination are identified as key constraints on local economic development (Türko and Kadiroğlu, 2017: 355). These findings highlight the need to conceptualize LED not only in terms of investment and employment, but also in connection with social capital, inter-institutional coordination, and the capacity to respond to region-specific development challenges.

The primary aim of this study is to identify and compile the principles and activities that are frequently emphasized in the LED literature and regarded as essential for the success of LED. For this purpose, an extensive literature review was conducted. Concepts and activities described with terms such as principle, essential, basic, foundations, vital, successful, and key in previous studies were grouped under the categories of essential principles and key activities. This study adopts the characteristics of a review article. By systematically examining these principles and activities within the theoretical framework of LED, the study is expected to provide a conceptual foundation for future research and serve as a reference for both researchers and policymakers.

2. ESSENTIAL PRINCIPLES AND ACTIVITIES IN LED

2.1. Governance

Governance, in general, is a concept that aims to reveal the blurring of boundaries between the public and private sectors and the rise of multi-sector networks and partnerships in the implementation of public sector policies and programs (Morgan, 2010: 681).

Governance encompasses all aspects of how a country is governed, including its economic policies and regulatory framework, and is seen as crucial for the success of development. This concept not only demonstrates an inclination towards interaction in parallel with classical management theory but also aims to facilitate the interaction of actors in business processes. Governance, which is called the new management model, bridges the gap between classical public administration (hierarchical) and the market model (competition-oriented). Many authors, who approach governance as a process, define this concept as traditions, institutions, and processes that determine the use of power in society, how decisions are made in the fields of politics, government, and bureaucracy, how responsibilities are distributed among social and economic entities, and how citizens are represented in public decisions concerning matters that concern the public (Özgökçeler, 2014: 71).

The literature on development indicates a connection between good governance and LED. Good governance is expected to enhance LED through extent of the rule of law, accountability, transparency, openness, citizen participation, partnerships, and respect for human rights. Decentralization is advocated as a tool for good governance and LED in the Eastern and Southern African regions. The key argument put forth to support this is that decentralization facilitates the process of sharing power between central and subnational governance units in the decision-making process. However, there is no direct evidence

demonstrating a relationship between decentralization and good governance. In some cases, the presence of specific institutions is taken as an indication of good governance without any evidence presented in this regard. The relationships between decentralization and LED are as uncertain as the relationships between decentralization and good governance. Besides, decentralization can exist without LED (Matovu, 2002: 126).

These weak relationships are attributed to numerous factors, including the failure to cultivate a democratic culture at the center. Moreover, public responsibilities have been delegated to local governments. However, resources are not adequately transferred often. The failure of localization initiatives to facilitate good governance and initiate LED does not imply the absence of any relationship between good governance and LED. Besides, good governance is seen as one of the factors that enhance LED. Pieterse (2001) defined good governance as one of the dimensions of LED by local governments. Helmsing (2001) also suggested that good governance allows for the utilization of a wider range of externalities, thus enhancing LED. Therefore, good governance is a prerequisite for the achievement of sustainability and equitability of LED (Matovu, 2002: 125).

2.2. Human Capital

There is no single definition for the concept of human capital as a social concept. In general terms, human capital indicates the level of knowledge, skills, abilities, experience, emotional attachment to work, behavior, and values that individuals in society possess in relation to the production process. On the other hand, it is a concept that expresses physical and mental vitality or robustness. Husz (1998) defines the concept of human capital as the time, experience, knowledge, and skills that a household or generation can use in the production process (Keskin, 2011: 128).

The effective contribution of human capital to production depends on achieving an optimal balance between physical capital and human capital. For any production, it is necessary for physical and human capital to come together in certain proportions. Therefore, there are two different dimensions of complementarity between human capital and physical capital. The first one is to quantitatively balance each other, whereas the second one is to qualitatively match physical capital with human capital. A business may employ personnel with a high level of human capital, but if it cannot provide the technical equipment for these individuals to effectively utilize their human capital, the human capital in question will largely go to waste because they cannot find an environment where they can use their human capital effectively. The inability of working individuals to find an environment in which they can utilize their human capital leads to the waste of human capital (Karataş and Çankaya, 2006: 30).

As stated by Di Bartolo (1999), the concept of human capital overlaps with labor productivity. Productivity is dependent on abilities, education, satisfaction level, and opportunities provided by society and family, but it should not be dependent on sociodemographic factors such as gender, ethnic origin, or marital status. Various indicators such as educational level and achievement, work experience, health history, job title, parents' education level, etc. can be used as a basis for evaluating productivity. However, in most of the previous empirical studies, human capital was measured only by educational level. Countries that have high human capital capacity, particularly high levels of education, have taken an important step towards long-term economic growth and development. A well-educated workforce is more mobile, tends to learn new tasks and skills by implementing various technologies and complex equipment, and has a more innovative approach to problem-solving (Şolt, 2020: 61).

Since the groundbreaking contributions of Becker and Schultz in the 1960s, the analysis of human capital played an increasingly central role in discussions, not only in terms of individual success but also in terms of the growth and success of nations and regions. The main reason for this is the

evolving trend of developed societies towards a knowledge-based economy, where tertiary-level human capital is seen as a crucial characteristic of economic growth. However, the correlation between human capital and national economic development may not be the same as the correlation between human capital and regional economic development. This is because of two distinct human capital effects that are quite different from each other; the first one reflects national impact and the second one, which is significantly different, reflects human capital effect. First of all, just like in national economies, human capital in a region has an impact on total productivity in the economy through its associated externalities. Secondly, differing from national economies, human capital in a region can result in a significant spatial redistribution of factors. These two effects do not always operate in the same direction because the mechanisms, through which externalities spread to a local region, and the mechanisms determining labor mobility are not necessarily compatible. In cases, where these two effects overlap, regions will develop, whereas regions will struggle in case that they do not overlap (Faggian et al., 2019: 150-151).

Both physical and human capital directly affect an economy's productive capacity. More human capital can affect the growth rate of physical capital. If human and physical capital complement each other, increased human capital will raise the rate of return on physical capital. The rate underlying technical progress, which means an increase in output depending on factors other than measured inputs, may depend on how educated the workforce is in the economy. Rates of return on investment should take into account both the direct and indirect effects of such investments (Appleton and Teal, 1998: 10).

2.3. Social Capital

In general, the aim of building social capital in economic development is to create a social and economic infrastructure that supports economic growth. This is achieved by establishing networks between businesses and economic development providers that enable smoother flows of information and resources, facilitating the economic activity and growth (Lyons and Hamlin, 2001: 120).

As stated by Blakely (1994), those involved in LED employ miscellaneous strategies to encourage the economic stimulation of communities. They aim to revive local businesses or attract new businesses to the community. In both cases, they focus on the marketing and the identification of potential consumers. They address local consumers or attempt to attract consumers to the community to buy goods and services. Moreover, locally produced goods and services that are produced locally are exported to the consumers outside the community. These strategies are implemented to create economic production within the community, generate local employment, and improve local living standards (Midgley and Livermore, 1998: 34).

Economic and social factors play a determinant role in the success of these strategies. A production facility relocating to a poor community must be able to employ skilled and committed workers to ensure its viability. Also, the stimulation of local businesses requires support from the local community. If people prefer to shop at supermarkets located outside the community, opening a local grocery store would not make much sense. Likewise, high crime rates and significant social deterioration in communities lead to failure to attract external investment to the local area (Woodhouse, 2006: 84).

Such social factors are associated with the promotion of LED. Strategies based solely on economics are likely to fail in communities characterized by high unemployment and crime rates, deteriorating schools and housing, and the outmigration of educated individuals to suburbs. Social interventions designed to support LED are especially needed in these communities. By increasing the formation of social capital in these communities, social service professionals can help ensure and contribute to the success of economic strategies (Van Staveren and Knorringa, 2007: 108).

Social capital can also indirectly contribute to LED. The positive effect of social capital

development on the problems of the local community -like substance abuse and crime- will enhance the local business development. The growth of small businesses is hindered due to high levels of crime and various social problems in many communities. Economic development is more likely to be successful in communities, where these issues have been taken under control. The presence of well-developed associations, clubs, and other facilities can also attract external investments and residents to these revitalizing communities. Increased social capital leads to establishing meaningful social relationships and trust among individuals. Founding trust is a vital component within this context (Midgley and Livermore, 1998: 37-38).

Scholars have identified four main ways, in which social capital enhances economic performance: First, increased levels of social trust and strong generalized reciprocity decrease transaction costs. Societies having high levels of trust and reciprocity rely less on formal institutions to enforce contracts, resulting in lower overall costs associated with such institutions. Secondly, social networks distribute risk by providing support resources to individual members during times of distress and enable the group as a whole to take higher levels of innovation and risk. Thirdly, social networks facilitate the rapid spread of information and innovation between members, reducing information asymmetries that could otherwise hinder profitable transactions. Finally, social networks enable members to resolve collective action problems more easily with less fear of free-riding and mobility concerns (Skidmore, 2001: 59).

2.4. Institutional Capital

As stated by Boisier (2001), institutional capital refers to the total sum of all public and private institutions existing in a region. However, beyond the presence and number of institutions, their capacity for action and quick decision-making, organizational flexibility (their ability to shape themselves and adapt to change), their capacity to make valid agreements and invalidate them, and their organizational intelligence (their ability to monitor and learn from their environment) can result in outcomes that can make a difference in development. This approach emphasizes the density of the institutional structure rather than the number of institutions. The most important characteristic of institutional capital is the nature of interorganizational relationships that are customary and easily implemented by institutions, in other words, the intensity of the institutional structure (Hopoglu and Çakmak, 2015: 51).

Michel Garrabé (2007) considers the term institutional capital as “the whole of formal and abstract institutions that constitute the incentive structure regulating relations between individuals or organizations within the economic and social production process.” In recent years, Joost Platje (2008) defines institutional capital as institutions, institutional governance, and governance structures that decrease uncertainty, promote adaptive efficiency (i.e., the capacity of a system to adapt to changing conditions), and encourage sustainable production and consumption patterns (Paul, 2009: 7).

Martin specified six key determinants of regional competitive advantage. Productive capital (including the economic structure and level of specialization of regional businesses from the past to the present), human capital (skills and competencies of the regional workforce), creative capital (innovation, knowledge, and entrepreneurship), infrastructural capital (physical and cognitive resources in the public and private sectors), socio-institutional capital (the level, depth, and direction of business networks and private sector organizations, traditions of the business environment, public institutions and organizations, etc.), and cultural capital (diversity and quality of cultural facilities and assets). Soft factors such as institutions and culture can shape economic growth and economic performance by influencing regional competitive advantage. In this sense, the “layer” of institutions (the diversity and shared orientation of both formal and informal local institutions) is particularly important. Supportive

institutions can foster business development, innovation, skill enhancement, and trust and cooperation among local businesses. In short, local institutions can help develop a common understanding of the purpose and direction of the local economy (Hopoglu and Çakmak, 2015: 54).

2.5. Externalities

Externalities constitute the central focus of theories that address the advantages provided by firms due to spatial location. Industrial zones, clusters, agglomeration economies, and economic geography are fundamentally built upon externalities (Türko, 2020: 76).

Definitions of external economies are scarce and inadequate. It is generally accepted to mean the services (and service externalities) provided by one producer to another free of charge (without compensation). However, there is no consensus on the nature, form, or reasons for the provision of these services for free. Furthermore, it is acknowledged that the divergence between private and social benefits caused by external economies is a reason why perfect competition cannot lead to an optimal outcome. However, there are many reasons for this, and no explanation is given anywhere regarding how many and which of these reasons fall under the heading of “external economies” (Scitovsky, 1954: 143).

External economies are the competitive advantages derived by an independent producer from being embedded in an organized division of labor system. Thoughts on industrial zones, since Alfred Marshall, argue that external economies arise from the proper arrangement of a set of interconnected activities and businesses, as well as from a suitable large complement and substitution, human and technical resource pool. It is possible to classify external economies according to production principles (i.e., resources) as specialization, learning, and creativity economies. This reflects the advantages of the division of labor in classical Smithian thought (Bellandi, 2002: 2).

External economies can be defined as the positive or negative uncompensated spillover effects of an economic actor on other actors outside the market rules. Therefore, external economies imply that market prices in a competitive market economy do not reflect the marginal social costs of production. Thus, it leads to market failure, implying that a market economy alone cannot achieve an efficient state (Rabellotti, 2016: 32).

As stated by Marshall, external economies arise from the firms of an industry or the “general development of an industry” or the “general development of an industrial environment” (Kemp, 1955: 31). Static localization economies refer to the benefits obtained by a firm from the proximity of other firms in the same industry and can be directly linked to Marshall’s work. On the other hand, static urbanization economies refer to the benefits derived from the spatial concentration of various industries’ infrastructure and are particularly associated with Jacobs’ work (Broadberry and Marrison, 2002: 53). The second type encompasses dynamic factors that have no place within a static reference framework. Economies are reflected in the cost reductions of individual firms; as the industry’s output expands, the cost curves of individual firms decline. Lower costs can originate from (i) increased efficiency of each firm and/or (ii) lower factor prices. Lower factor prices indicate external economies in the supplying industry if it is competitive or internal economies in the supplying firm if it is a monopoly (Kemp, 1955: 31).

2.6. Network Activities

In the 1990s, a network approach was developed to enhance the region’s capacity for innovation. The network approach can be defined as the “whole set of relationships that emerge and persist within, outside, and between enterprises.” Networks can take the form of consumer-producer relationships, producer-supplier relationships, producer-producer relationships, and university-industry cooperations.

Networks represent a structure and synergy beyond cooperation between businesses and institutions. As stated by Isaksen (1996), a key characteristic of an innovative region is to have intra-regional and inter-regional networks. “Invisible factors” are highly significant in a network environment. These factors include cooperation, synergy, and trust, among other socio-economic elements (Çelik, 2019: 879).

Network activities assist firms in finding information that they cannot create internally. Therefore, the flow of information in these networks is an essential tool for overcoming barriers during the creation of new knowledge. Being part of a cooperation network with other firms or organizations and establishing such networks creates greater opportunities for learning, which is a crucial prerequisite for efficiency, thus enhancing economic performance (Gömleksiz, 2018: 20; Yellice and Türko, 2023: 108-109).

Network activities can play a significant role in decreasing uncertainties and obtaining information for setting common objectives in economic development. Therefore, determining network activities among stakeholders with different objectives in order to reduce transaction costs can enhance efficiency in LED. Contextual factors that incentivize or constrain LED often have a determining effect on the behaviors of stakeholders interacting within a policy domain. By identifying interactive behaviors, they affect the behavior and strategies of stakeholders seeking to achieve economic performance more efficiently. Benson (1975) suggests that inter-organizational networks are mechanisms through which organizations obtain and distribute scarce resources. From this perspective, the networks of economic development stakeholders are affected by the environment, where they operate (Ha et al., 2016: 15-17).

Becattini (2004), one of the leading figures in the new industrial district approach, ranks “knowledge and learning economies” arising from network activities among the determinants of external economies and local agglomeration. These network activities can be related to continuous and small technological innovations, which imply low costs, as well as “configurational” innovations related to premium prices through differentiation. Design-based industries, such as fashion, are suitable examples of this (Türko, 2020: 73).

In spatial economics theories, network activities are generally addressed within the framework of human capital. The advantages and types of connections obtained by the settled population within the region through network activities have been examined. Human capital has two different dimensions: structural and relational. In terms of social interactions, human capital represents a structural dimension. The authors discuss two different mechanisms and outcomes associated with this dimension. The traditional perspective emphasizes the positive impact of cohesive networks in facilitating trust, cooperation, and the production of social norms and transactions. On the other hand, the structural holes approach proposes an alternative perspective regarding the benefits derived from accessing various information and brokerage opportunities (Türko, 2020: 73-74).

2.7. Cooperation

Cooperation activities among communities are an important mechanism to enhance the economic and social well-being of communities for economic development. Over the years, academics, policymakers, and commentators have attached great importance to cooperation versus competition in economic development. Some authors believe that cooperation provides a better mechanism for local governments to access the external economy, enhance decision-making capacity, develop resource capacity, achieve larger external scale economies, enhance market power, ensure cost-effectiveness, and gain profits, among other advantages. Considering these benefits, the advantages of cooperation extend beyond an individual economy to multiple communities (Arku, 2014: 101).

The sustainability of a business is determined by its own natural resources, the degree of efficiency in their use, and favorable conditions for production cooperation with other industrial enterprises in the region or industry. Cooperation interaction compensates for the lack of specific resources in a particular business due to redistributions that ensure the continuity of the redistribution cycle. The development of cooperation is historically conditioned by the natural growth process of the social division of labor. New factors in industrial cooperation emerge primarily under the influence of profound changes in the process of production and globalization. Traditionally, the task of industrial cooperation is to maximize the effective use of the potential of each industry in terms of tasks, expertise, and a unique set of qualifications. The development of cooperation complements the intensification of the process of socialization, as well as the growth of specialization, concentration, and production composition (Fomina et al., 2018: 468).

On the other hand, MacGregor emphasizes the combination of competition and cooperation as fundamental characteristics of industrial regions. As stated by MacGregor, cooperation is a new way of regulating competition. Organizations can solve more problems collectively than they can individually. Cooperation takes decentralization to a further level. It is beneficial for many firms producing in the same region due to large-scale production, where services such as railways, ports, public utilities, etc., are useful. However, providing these services to firms located in dispersed settlements may not be cost-effective. Cooperation allows firms to access valuable resources, distribute risks, and enter markets effectively. Cooperation generally facilitates for firms to achieve objectives that they cannot attain on their own (Türko, 2017: 42).

In the literature on LED, cooperation primarily refers to a network of relationships aimed at solving production and market problems and enhancing export capacities for firms. Alongside firms, professional organizations and local institutions are part of this network. When firms act collectively, they can overcome more problems than they could individually. If localization, which can be expressed as being located in the same region, is involved, cooperation moves to a more advanced level. Bringing services such as railways, ports, public utilities, etc., to multiple firms operating in the same region is beneficial due to the scale of production. However, providing these services to firms with scattered settlements may not be considered cost-effective. Cooperation enables firms to access valuable resources, distribute risks, and enter markets effectively. Cooperation generally facilitates firms in achieving objectives that they cannot attain on their own. Inter-firm cooperation is an important source for the dissemination of innovation (Türko, 2020: 64-65).

2.8. Sustainability

In light of the discussions, despite diversity, three different approaches to LED can be specified: “traditional economic development,” “social economic development,” and “sustainable local economic development (SLED)” (Bingham and Mier, 1993: VIII). Many local and national government policies today consider sustainable development as a goal. While the definitions of the concept differ, most imply the following essential principles (Newby, 1999: 67):

- Quality of life (including social, economic, and environmental aspects and the factors that connect them),
- Justice and equality,
- Participation and partnership,
- Care for the environment/respect for ecological constraints,
- Principle of forward-thinking and precautionary approach.

The traditional approach emphasizes policies operating within a formal economy, like inward-oriented investment and promotion, construction and management of industrial working areas, assisting new growth sectors, and supporting education programs. The “more sustainable” forms of LED include considerations of “long-term” and “intergenerational equity.” While the concepts of “carrying capacity” and social, economic, and environmental “balance” are widespread, they encourage participation in initiatives and promote community ownership (Richards and Hall, 2000: 5-6).

There is increasing consensus among scholars and policy practitioners that Sustainable Local Economic Development (SLED) must be grounded in a holistic understanding of the interdependence between the economy, society, and the environment (Najam and Cleveland, 2005: 114). As depicted in Figure 1, the model adopts a nested structure in which the economy operates within the broader domain of society, and both are situated within the encompassing boundaries of the environment. This configuration highlights a fundamental principle: economic and social systems are not autonomous but are constrained and enabled by ecological limits. It suggests that without a stable and resilient environmental foundation, efforts to achieve social cohesion and economic growth are unlikely to be sustainable in the long term. Consequently, policy frameworks aimed at sustainable development must prioritize environmental integrity as the basis for social and economic advancement.

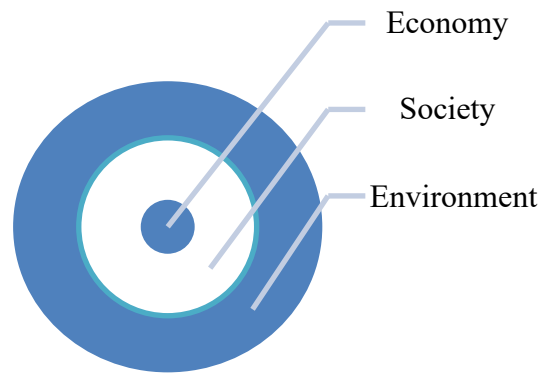


Figure 1. Environmental Sustainable Development Model for Economic and Social Development

Source: (Akgül, 2010: 153)

From an economic perspective, sustainable development goes beyond traditional economic growth measures like Gross Domestic Product (GDP) and emphasizes broader welfare measurements. From an environmental perspective, sustainable development has significant concerns about how new investments affect the community’s natural environment. In addition to creating environmentally friendly, green jobs, sustainable development can also mean preserving water, air, and soil quality. Lastly, sustainable development may involve building social capital within society, ensuring equitable development benefiting all individuals, and developing human capital through education and training (Wilson and Polter, 2020: 611).

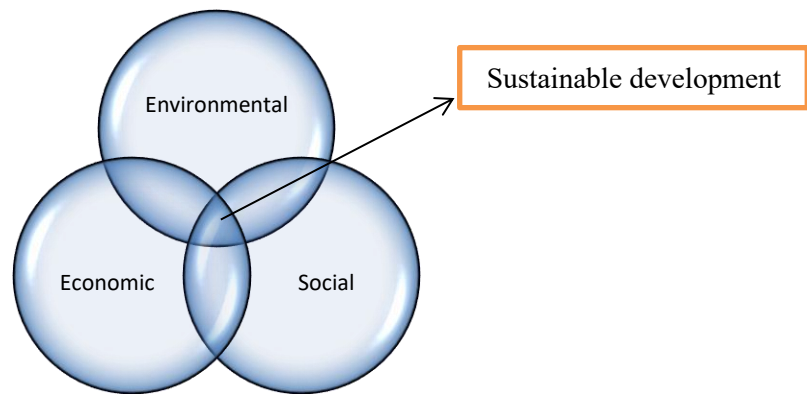


Figure 2. Three-Column Model

Source: (Akgül, 2010: 154)

The three-column model illustrated in Figure 2 conceptualizes sustainable development as the dynamic interplay between three distinct yet interconnected dimensions: economic, environmental, and social. Unlike nested models, this representation treats each domain as an autonomous but overlapping system. The areas where these spheres intersect generate shared value, emphasizing that sustainability emerges only when all three dimensions are simultaneously addressed and integrated. At the core intersection lies the ideal of sustainable development—where economic growth is pursued without undermining environmental integrity or social equity. Viewed individually, each component symbolizes a critical pillar of sustainable development: the economic sphere reflects the process of wealth generation and productivity; the environmental sphere represents the stability and resilience of ecosystems; and the social sphere encompasses issues of justice, inclusion, and human well-being. The model thus underscores that long-term sustainability requires a balance between these pillars, rather than prioritizing one at the expense of others (Akgül, 2010: 154).

Developing a sustainable local economy involves promoting private and community initiatives, maximizing the use of local resources, and innovating ways for the development of the economy from within. Eventually, the economy is viewed as a channel to achieve individual purpose and satisfaction and sustainable improvements in quality of life for the overall community. On the other hand, if this vision is to become a reality, it is crucial to define the sustainable manners of the local economy in an open and structured process that can be utilized by policymakers and practitioners (Newby, 1999: 69).

The main themes presented below represent the fundamental elements of the SLED model, aiming to combine satisfactory work, wealth creation, social inclusion, and a healthy environment. The activities presented based on these core themes are deemed necessary for the development of SLED (O'Sullivan and Jackson, 2002: 329).

- Capacity building and training: Provides a platform to overcome social exclusion and enable individuals to make the most of existing opportunities.

- Community business: Supports institutions that promote sustainable community renewal and encourages social entrepreneurs, community enterprises, and cooperatives that generate employment, income, and meet broader social and environmental objectives.

- Access to credit and capital: Improved mechanisms that provide access to low-cost credit and capital, while ensuring control, should be encouraged for individuals, businesses, and community initiatives.

- Local business development: A supportive framework can help create new businesses and

assist in the growth and development of local firms, including enhancement of the existing business opportunities like support agencies and cultural and environmental sectors.

•Sustainable approaches to internal investment: Adopting a selective approach that considers the effects of development and related infrastructure is required. The proposals which have positive effects on the local community, businesses, and the environment should be efficiently supported.

•Responsible business practices: Encourages responsible business practices in terms of good environmental management, employee valuing, and building connections with local communities. This can be seen as integral to the survival and growth of businesses.

•Access to employment and job distribution: Improves through mechanisms such as local workforce programs that meet employers' needs with local skills, paid work experiences, and Intermediate Labor Markets that meet community needs, in addition to good childcare and public transportation services.

•Local trade: Supply chains between local businesses can benefit both businesses and the environment, while making the most of local resources can create jobs and reduce skill and wealth "leakage" from a region. Local currency systems can encourage individuals of the community to better assess, develop, and utilize their skills (O'Sullivan and Jackson, 2002: 330).

2.8.1. Objectives of SLED

According to the report on the initial steps for the implementation of Türkiye's sustainable development agenda for 2030, the objectives of SLED can be listed as follows (Ministry of Development, 2016: 17-22):

- Ending poverty everywhere,
- Ending hunger, ensuring food security, promoting nutrition, and encouraging sustainable agriculture,
- Ensuring healthy lives and promoting well-being for everyone at all ages,
- Providing inclusive and equitable quality education and promoting lifelong learning opportunities for everyone,
- Achieving gender equality and empowering all women and girls,
- Ensuring availability and sustainable management of water and sanitation for everyone,
- Ensuring access to affordable, reliable, sustainable, and modern energy for everyone,
- Promoting sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for everyone,
- Building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation,
- Reducing inequality within and among countries,
- Making cities and human settlements inclusive, safe, resilient, and sustainable,
- Ensuring sustainable consumption and production patterns,
- Taking urgent action to fight against climate change and its effects,
- Conserving and sustainably using the oceans, seas, and marine resources for sustainable

development,

- Protecting, restoring, and promoting sustainable use of terrestrial ecosystems, sustainably managing forests, combating desertification, halting and reversing land degradation, and halting biodiversity loss,
- Promoting peaceful and inclusive societies for sustainable development, providing access to justice for everyone, and building effective, accountable, and inclusive institutions at all levels,
- Strengthening the means of implementation and revitalizing the global partnership for sustainable development.

With all these goals listed here, it is aimed to achieve the effective and efficient achievement of sustainable development goals by 2030. However, the success that societies will achieve with global goals is closely related to how faithfully they adhere to these goals. The provision in these goals titled “Revitalization of a global partnership for sustainable development” holds significant importance, as it enables the transformation of the country’s economy into a sustainably growing economy and can be made possible through global partnerships, considering the global nature of today’s economies (Özkan, 2017: 16).

2.8.2. Principles of SLED

In sustainable development, economic, social, and environmental factors should be taken into account in a balanced manner. The interconnections of these three factors are also important in SLED. Economic and social factors are interrelated in areas such as income distribution, poverty reduction, and solving unemployment problems. When the socio-economic conditions of the locality stabilize, its approach to the environment will also become sustainable. Emerging economies rely more on natural resources for their sustenance, while the use of natural resources is more regulated in developed economies. Social and environmental factors, in addition to ensuring income equality, also project the equal use of natural resources (Gürlek, 2013: 87). Table 1 presents the proposed indicators for SLED.

Table 1. Recommended Sustainable Development Indicator Set

Indicators	Stock Indicators	Trend Indicators
Basic Wealth	Health-adjusted life expectancy	Age-specific mortality and morbidity index (placeholder)
	Percentage of population with an education level higher than secondary education	Enrollment in post-secondary education
	Deviations from normal temperature	Greenhouse gas emissions
	Ozone and fine particle concentrations at ground level	Smoke-producing pollutant emissions
	Quality-adjusted water availability	Nutrient loading into water bodies
	Deterioration of natural habitats	Conversion of natural habitats into other uses
Economic Welfare	Per capita real net foreign financial asset holdings	Per capita real investment in foreign financial assets
	Per capita real capital generated	Per capita net investment in real capital generated
	Per capita real human capital	Per capita investment in real net human capital
	Per capita real capital	Per capita depletion of real net natural capital
	Energy resource reserves	Depletion of energy resources
	Mineral resource reserves	Depletion of mineral resources

Timber stocks	Depletion of timber resources
Marine resource stocks	Depletion of marine resources

Source: (UN, 2008: 10-11)

As can be seen, the proposed small set is divided into two indicator areas. The first area is referred to as basic welfare since it reflects the fact that the indicators measure the stocks and flows necessary for the welfare of society. The second area is called economic welfare. The indicators in it are more narrowly related to welfare derived from market activities (UN, 2008: 11).

3. CONCLUSION

LED is a process, in which sustainable policies and strategies are determined among local actors by following the principle of governance and efforts are made in order to enhance human, social, and institutional capital for the purpose of achieving economic development at the local level. It involves the establishment of cooperation relationships and network activities among local actors (Helmsing, 2001: 3). Some principles, concepts, and activities used in this process are particularly emphasized within the theoretical framework of LED and are of vital importance for its implementation and success. The present study aimed to identify and synthesize essential principles and activities emphasized in the LED literature, offering a theoretical and conceptual framework for both researchers and policymakers.

LED anticipates relationships established among actors based on the principle of governance, and sustainable LED policies, strategies, and tools are designed at the local level with the participation of all actors in accordance with this principle (Kadiroğlu and Türko, 2024: 210). The principle of sustainability is crucial for LED to sustain itself with local resources (Bolayır and Eroğlu, 2024: 2). Cooperation relationships and network activities among local actors create externalities from which all actors at the local level benefit. The success of LED is largely related to the externalities it can create (Wear, 2023: 805; Xegwana et al., 2024: 6). On the other hand, LED policies and strategies involve activities aiming to develop social capital, human capital, and institutional capital in order to achieve economic development at the local level (Choi et al., 2025: 8).

It can be observed that the listed concepts, principles, and activities are used within the theoretical framework of LED with varying weights. Some of them have been used in LED research for many years, while others recently started to be used. Human capital is a well-studied and discussed concept, and it has been studied within the theoretical framework of LED for a longer period when compared to other types of capital. The inclusion of social capital and especially institutional capital within the LED framework is more recent and it can be seen that the number of studies using these concepts is limited. Applied studies investigating institutional and social capital within the LED theoretical framework are needed.

Externalities, cooperation, and network activities are important concepts and activities used in regional economies. They are frequently used within theoretical frameworks such as industrial districts and clustering (Rabellotti, 2016: 32; Yellice and Türko, 2023: 104). However, it can be seen in LED studies carried out in Türkiye that network activities are frequently used, whereas the concept of externalities and cooperation activities are not used extensively. However, it is expected that externalities, which provide a suitable ground for discussion in regional economies, will be used more in studies focusing on the local economy. The increased use of regional economic concepts in applied LED studies in Türkiye will contribute to creating a more productive discussion environment.

Adopting a holistic perspective in examining the LED process, as attempted in this study, contributes to the development of strategies that are not only coherent but also mutually reinforcing. Understanding LED as an integrated system of interrelated principles and activities may serve as a

foundation for more successful and inclusive policy design. Fragmented approaches that focus on a limited set of components often overlook key elements of the process, which may undermine the effectiveness of local development strategies. Therefore, comprehensive frameworks that take into account the full scope of LED dynamics are essential for guiding more consistent and context-sensitive implementations.

Ethical Statement

During the writing and publication processes of the study titled “Essential Principles and Key Activities in Local Economic Development”, the rules of Research and Publication Ethics were followed and no falsification was made in the data obtained for the study. Ethics committee approval is not required for the study.

Contribution Statement

All authors contributed to the entire process from writing the study to drafting the manuscript and read and approved the final version.

Conflict of Interest Statement

This study did not lead to any individual or institutional/organizational conflict of interest.

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Extended Abstract

Essential Principals and Key Activities in Local Economic Development

Local economic development (LED) is a process, in which sustainable policies and strategies are determined among local actors by following the principle of governance and efforts are made in order to enhance human, social, and institutional capital for the purpose of achieving economic development at the local level. It involves the establishment of cooperation relationships and network activities among local actors (Helmsing, 2001: 3). Some principles, concepts, and activities used in this process are particularly emphasized within the theoretical framework of LED and are of vital importance for its implementation and success.

The primary aim of this study is to identify and compile the principles and activities that are frequently emphasized in the LED literature and regarded as essential for the success of LED. For this purpose, an extensive literature review was conducted. Concepts and activities described with terms such as principle, essential, basic, foundations, vital, successful, and key in previous studies were grouped under the categories of essential principles and key activities. This study adopts the characteristics of a review article. By systematically examining these principles and activities within the theoretical framework of LED, the study is expected to provide a conceptual foundation for future research and serve as a reference for both researchers and policymakers.

LED anticipates relationships established among actors based on the principle of governance, and sustainable LED policies, strategies, and tools are designed at the local level with the participation of all actors in accordance with this principle (Kadiroğlu and Türko, 2024: 210). The principle of sustainability is crucial for LED to sustain itself with local resources (Bolayır and Eroğlu, 2024: 2). Cooperation relationships and network activities among local actors create externalities from which all actors at the local level benefit. The success of LED is largely related to the externalities it can create (Wear, 2023: 805; Xegwana et al., 2024: 6). On the other hand, LED policies and strategies involve activities aiming to develop social capital, human capital, and institutional capital in order to achieve economic development at the local level (Choi et al., 2025: 8).

It can be observed that the listed concepts, principles, and activities are used within the theoretical framework of LED with varying weights. Some of them have been used in LED research for many years, while others recently started to be used. Human capital is a well-studied and discussed concept, and it has been studied within the theoretical framework of LED for a longer period when compared to other types of capital. The inclusion of social capital and especially institutional capital within the LED framework is more recent and it can be seen that the number of studies using these concepts is limited. Applied studies investigating institutional and social capital within the LED theoretical framework are needed.

Externalities, cooperation, and network activities are important concepts and activities used in regional economies. They are frequently used within theoretical frameworks such as industrial districts and clustering (Rabellotti, 2016: 32; Yellice and Türko, 2023: 104). However, it can be seen in LED studies carried out in Türkiye that network activities are frequently used, whereas the concept of externalities and cooperation activities are not used extensively. However, it is expected that externalities, which provide a suitable ground for discussion in regional economies, will be used more in studies focusing on the local economy. The increased use of regional economic concepts in applied LED studies in Türkiye will contribute to creating a more productive discussion environment.

Adopting a holistic perspective in examining the LED process, as attempted in this study, contributes to the development of strategies that are not only coherent but also mutually reinforcing. Understanding LED as an integrated system of interrelated principles and activities may serve as a foundation for more successful and inclusive policy design. Fragmented approaches that focus on a limited set of components often overlook key elements of the process, which may undermine the effectiveness of local development strategies. Therefore, comprehensive frameworks that take into account the full scope of LED dynamics are essential for guiding more consistent and context-sensitive implementations.
