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# **Organising for local development: the role of local development agencies**

**SUMMARY REPORT**

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OECD LEED Programme

## **Introduction and overview**

1. The search for the best organisational arrangements to promote local economic development has been a significant task for municipal governments and their partners for several decades now. This report examines the contribution that has been made by agencies, companies, and corporate boards which have proved, over the past 25 years, to be a consistent choice of local government leaders. This approach has proved to be very popular in a wide range of countries and locations. This is the decision, by a wide range of local, regional, and national governments in many OECD countries, to place some, or most, of their local economic development activities under the operational control of appropriately regulated and supervised company structures (defined as companies, agencies, or corporations), rather than to manage them from within a municipal platform (a council department or service directorate). This approach is now widespread internationally.

2. It reflects an established consensus that economic development activities are unlike the other roles and responsibilities of local governments. They are primarily 'market facing' (labour markets, property markets, investment markets, etc), rather than 'citizen facing', and involve market-based transactions, and incentive structures, rather than public service delivery (although good public services are critical to wider economic development as we shall see). Development Agencies and companies are especially suited to 'contested' activities such as locational and investment decisions, or 'collaborative' activities (such as multi-party planning and joint ventures). Such economic development interventions may need to be delivered by market-like bodies and business-led approaches (brokerage, marketing, joint ventures, incentives, capitalisation, competitive recruitment, etc). It is now widely practiced that this is delivered through a corporate, rather than a municipal, structure.

3. Internationally, many local governments, and their regional and national governments, have innovated organisationally over the past 20 years to create new development tools and Development Agencies, and other entities that have some specific tasks in pursuing their development agendas. The first such Development Agencies were established in Europe after the Second World War as a response to the place-based crises caused by war damage, industrial decline and dereliction. They were initially seen as a short term response to an emergency. In France, Germany, and Belgium Development Agencies were set up with the intention of redeveloping damaged and derelict sites and triggering a process of economic re-stimulation. Even today, closures of major local facilities (such as a defence base, a major factory, or a port) can trigger the establishment of a new Development Agency.

4. As established in the Conceptual Framework in 2004, an important starting point is the recognition that although Development Agencies have become an increasingly popular organisational vehicle for shaping and pursuing local economic strategies there is no common understanding, or rigid formula, of what a Development Agency is. No global census of Development Agencies and companies has been undertaken but there are probably more than 15,000 such organisations now worldwide, with more being created every month. They vary in size, scale, and function and have arisen from different starting points. Several waves of Development Agencies are identifiable:

- In Europe after World War II to aid post war re-construction.
- In North America in the 1960s and 1970s to address the impact of de-industrialisation in the 'rust belt.'
- In East Asia in the 1980s and 1990s to help plan and manage rapid urbanisation and industrialisation.
- In the current era in Latin America, South Asia, Africa and Eastern Europe to promote economic development in the newly integrating economies.

5. There are several different waves of Development Agency formation. During the 1950s and the 1960s European countries and municipalities set up several Development Agencies, some at municipal and some at regional level. In the 1960s and 1970s, a first waves were set up in North America, many based in the de-industrialising cities of the north, designed to help redevelop old industrial sites and promote new economic futures for whole cities. In the 1980s and 1990s new Development Agencies and corporations were set up in many parts of east Asia, in part fuelled by rising industrial and technological developments, and in part by the need to create settlements and urban development more rapidly to accommodate growing populations.

6. During the 1990s many new Development Agencies were set up in Europe, North America, and East Asia, often with broader missions than the original Agencies, designed much more to promote economic development in the context of increasing international and national competition for investment. Also, in the 1990s and in the past 5 years, Development Agencies have been established in many developing countries, and there much wider growth is now occurring. Sometimes, Development Agencies are being established as a 'bottom-up' process to encourage local development. In other cases, the creation of Development Agencies is being mandated by regional and national governments, or international donors. These are very different kinds of processes that produce very different Development Agencies, as we shall see below.

7. <sup>2</sup>There has also been a continued process of re-inventing and updating the role Development Agencies in places where they already existed, changing their focus of intervention and altering which tools are applied, or disbanding the old generation of Development Agencies and creating new ones. The shift to widespread local and regional growth policies in many countries of the OECD, rather than the pursuit of 'old style' redistributive regional policies seeking to address only the challenges of lagging regions, has given rise to a recent expansion in the number of Development Agencies in the better performing local and regional economies. They are now seen as tools or promote and shape local economic growth, not solely as tools to stimulate new economic development in the poorer places.

8. In the original post WWII Development Agencies, responding to a local economic and environmental crisis was a key rationale. Development Agencies were seen as dedicated and specialist organisations that focus solely on the issues of local economic recovery, often within a tightly defined geography, leaving other bodies to continue their ongoing work on public services and infrastructures.

9. The tendency to set up Development Agencies with a rationale to respond to a crisis still remains today, but Development Agencies have now also been set up for other reasons in many countries. Two major variations are the extent to which Development Agencies are established for all territories as a means of promoting competitiveness and productivity (e.g. now in the UK and France) or whether they are only established for certain particular places that are perceived as needing additional help (e.g. in Canada and in Germany). In developing countries, such as Brazil and South Africa, we have bottom-up initiatives to create Development Agencies in one or two places, and only a few national governments (e.g. Mexico and Bulgaria) have opted to create comprehensive coverage of certain kinds of Development Agencies.

10. Analysis shows that a wider range of rationales have now emerged for Development Agencies, and these include the need to participate actively in contested mobile investment (corporate locations, public investment, capital, talent, institutional favour etc.) as well as the needs to provide joint venture vehicles with the private sector and collaboration vehicles between diverse governmental entities.

11. In this study several important themes in the work of Development Agencies are examined based on a detailed analysis of 16 agencies in 13 locations, as well as drawing from the OECD LEED work on Development Agency reviews. The key focus is on attempting to distil why and how Development Agencies are set up and work, what they can achieve and what tools they requires, how Development

Agencies work within wider local development systems, and what can go wrong or need attention if success is to be assured. This study addresses some fundamental questions in how Development Agencies work. The key questions that drive the study are:

- What is the link between local government development agencies and Development Agency diversity?
- Why do local governments set up Development Agencies?
- What do Development Agencies do?
- What tools do Development Agencies use?
- Which tools for what outcomes?
- What does a successful Local Development System look like?
- What does an unsuccessful Local Development System look like?
- When and how to start a Development Agency?
- How do Development Agencies evolve?
- What can go wrong and when to close an agency?
- How should a DA be led and governed?

12. The analysis suggests it is now important to move beyond reflecting on the role of individual agencies and companies and look more into the coherence and efficiency of how all the relevant bodies in a locality work together in a 'local development system'. Too often, it appears that there may be an expectation that a Development Agency can succeed 'on its own' rather than by working within a system that also delivers effective infrastructure, public services, land use planning, education, and housing. It is a key observation in this study that the most effective development agencies operate within the well designed and co-ordinated local development systems. The implication for local and national governments is that the system of organisations must be well managed and integrated, not just the development agencies alone.

13. Finally, the study addresses the many challenges that Development Agencies face if they are to be successful. Many of these involve striking the right balance between operational freedom or agility and the need for effective policy/strategy leadership and supervision from the public bodies involved. There are also critical communication challenges that have to be addressed. Despite widespread acceptance within governments of the need to pursue active economic development policies it is not immediately apparent to citizens or media commentators that this is natural arena for local government activity, and there is limited appreciation of what is appropriate local development activity or investment.

14. In addition, the study found that there is an important leadership dividend in the way that Development Agencies perform. Because local economies respond best to integrated approaches that combine physical, social, economic, and environmental interventions, and these are activities where responsibility is usually widely dispersed amongst a range of bodies and authorities it is critical that there is effective leadership both within the Development Agencies and within the wider range of bodies to achieve co-ordination. Leadership overcomes institutional rigidities and gaps in mandates by fostering an integrated vision and collaborative organisations. At the same time, the possible absence of leadership in

local government, in the business community of a locality, and in the development bodies themselves would make an integrated approach and public confidence very difficult to achieve and sustain.

### **Why Agencies and Corporate Boards are often used**

15. The decision, by a wide range of local, regional, and national governments in other countries, to place some or most of their economic development activities under the operational control of appropriately regulated and supervised agency structures, rather than to manage them from a municipal platform, is widespread. One of the means cited to improve economic development is to foster the establishment of Development Agencies which would be local government-led or partnership led agencies, with a remit to lead and co-ordinate local economic development interventions.

16. It reflects an established consensus that economic development activities are unlike the other roles and responsibilities of local governments. They are primarily ‘market facing’ and involve ‘long term’ and ‘wide area’ thinking, and market-based interventions and transactions rather than public service delivery. Local economic development also involves activities with a wide range of stakeholders most of whom do not have votes in local governments because they are either not residents (commuters, visitors, students, entrepreneurs, and innovators who live elsewhere) or because they are companies or institutions (employers, investors, developers, for example).

17. Such economic development interventions are thought to be best managed by business-like rather than municipal organisations. It has become quite widely accepted that this may be delivered through a corporate, rather than a municipal, structure. Development Agencies and their tools are seen to add real value to the implementation of economic development strategies because they are able to:

- i. **Aggregate** otherwise disparate economic development efforts within one body that can generate real expertise and track record of delivery.
- ii. **Increase the pace** of the city’s response to investors/developers.
- iii. **Enlarge the scale** of the implementation that is possible, often by enabling delivery on multiple programmes and projects simultaneously by commissioning additional resources quickly.
- iv. Enhance the **reputation and credibility** of city ‘negotiators,’ giving an external investor confidence in the process of decision taking.
- v. Find appropriate means to **share costs and risks** between those promoting developments and investments.
- vi. Develop mechanisms for **value and benefit capture**, enabling some of the fruits of economic development to be recycled within city budgets and programmes.
- vii. **Unlock otherwise under-used assets**, for example in real estate or infrastructure.
- viii. Devise wholly **new sources and instruments for investment**, perhaps in partnership with private financiers.
- ix. **Improve the investment-readiness** of key city projects, developing the propositions to make them more attractive to external investment.
- x. **Increase efficiency** in the utilisation of land, property and local investment markets.

- xi. **Overcome ‘co-ordination failures’** arising from fragmented jurisdictions.
- xii. **Promote and market** the city or sub-region better, overcoming information gaps and asymmetries and building a clearer image and identity.
- xiii. Locate **clear roles and responsibilities** for taking forwards complex local economic development agencies is important.

### **Which Development Agencies are relevant to OECD experience?**

18. A very wide range of Development Agencies now exist. Each makes a contribution to how the local economies perform and what they contribute to national economic performance. In this paper we present the experience of a range of different agencies and organisations.

19. To make this assessment of Development Agency experience we have looked at 16 different economic Development Agencies/corporations from 13 cities across Europe, North America and the rest of the world. We have deliberately selected a range of agencies that reflect:

- Different economic starting points including extensive industrial dereliction and fast paced economic growth.
- Different constitutional settings and frameworks.
- Distinctive lead roles for local and national governments.
- Distinctive spatial scales including city wide, sub-regional, and wider economic spheres.

20. The 16 Agencies, Boards or Companies featured are:

- Auckland - *Auckland Plus*
- Barcelona - *Barcelona Activa*
- Bilbao - *Bilbao Metropoli-30* and *BILBAO Ría 2000*
- Cape Town - *Cape Town Partnership*
- Hamburg - *HafenCity Hamburg GmbH*
- Johannesburg - *Johannesburg Development Agency*
- Leicester and Leicestershire - *Prospect Leicestershire*
- Liverpool - *Liverpool Vision*
- Madrid - *Madrid Global*
- Milan - *Milano Metropoli*
- New York - *Abyssinian Development Corporation* and *New York City Economic Development Corporation*

- Sheffield - *Creative Sheffield*
- Toronto - *Build Toronto* and *Invest Toronto*

21. Each of these DA type bodies offers some interesting insights for other OECD countries. Despite their differing contexts and histories they each support the premise that local governments and their regional and national partners view an agency model as a good way to manage economic development and regeneration activity. Local Governments have different powers and duties in respect of economic development and regeneration within the various national contexts of OCED and non-member countries.. However, the use of the corporate structures to pursue economic development and regeneration is, in most cases, a means to optimise the responsiveness of the local government or sub-region to economic drivers, within that framework. In most cases it is a means to overcome some of the limitations within the prevailing institutional framework, whatever its features may be

22. For example, in countries where support for entrepreneurs is not a competence of local government, Development Agencies can be a good means for support to be channel local development to SMES in such a way that it integrates the roles of local government in providing (for example) affordable premises. In countries where there may be an absence of local labour market intermediaries, Development Agencies can play that role themselves or help others to develop that role through brokering collaboration between employers and skills/training providers. In countries where there is limited fiscal competence for local government, Development Agencies can play a role in developing appropriate joint venture investments with the private sector. Where Local Governments have a limited role in infrastructure provision Development Agencies can act as advocate or catalyst for infrastructure.

23. So Development Agencies can not only act to deliver economic development activities but they can also do it in ways which seek to overcome weakness in the institutional framework.

24. Development agencies might also be said to conform top certain types:

- Several of the ‘Development Agencies’ are ‘comprehensive’ engaging with drivers in Labour markets, Property markets, External Investment markets, and with enterprise and innovation drivers.
- Some of the ‘Development Agencies’ are more focused on specific geographical areas or sectors.
- In several locations there is more than one development entity active. For example there are collaborations between city and regional bodies and there are collaborations between two different agencies both working at city level.
- There are several examples of sub-regional agencies, some forged by inter-municipal collaborations, others operating as county sponsored bodies.
- Two of these cases (Madrid and Auckland) also highlight the value of a Development Agency approach operating within a municipal structure. In these cases, the effect is essentially to ‘brand’ some of the municipal activity as an agency, and to manage it with greater operational freedom.

### ***The case studies***

25. The 16 case studies selected show a remarkable diversity of roles and functions and they are drawn very different backgrounds. Firstly, some Development Agencies in this report are from highly developed cities or regions within the most advanced economies (New York City, Madrid, Barcelona,

Toronto, Milan, Hamburg, Auckland for example). Others come from cities or regions where major urban restructuring is underway (Bilbao and Sheffield, Liverpool, and Harlem within New York are examples). We have also included agencies from both Johannesburg and Cape Town, two South African Cities that are redeveloping and succeeding in the context of post conflict opportunities. (See Appendix 1 for the case Study overview).

26. The case studies are broadly positioned into five ‘types’ of Development Agency. These are illustrated below.

1. Development and Revitalisation Agencies (lead urban redevelopment processes).
2. Productivity and Economic Growth Agencies (lead employment, entrepreneurship, and innovation processes).
3. Integrated Economic Agencies (integrate a wide range of interventions)
4. Internationalisation Agencies (focus on international positioning or promotion).
5. Visioning and Partnership Agencies (focus on long term strategy making).

<b>Typology</b>	<b>Development and Revitalisation Agencies</b>	<b>Productivity and Economic Growth Agencies</b>	<b>Integrated Economic Agencies</b>	<b>Internationalisation Agencies</b>	<b>Visioning and Partnership Agencies</b>
<b>Description</b>	<i>‘Place drivers’</i>	<i>‘Employment and Productivity drivers’</i>	<i>‘Place and productivity leaders’</i>	<i>‘Place and productivity promoters’</i>	<i>‘Place Shapers and Visioners’</i>
<b>Development Agency</b>	BILBAO Ría 2000	Auckland Plus	Creative Sheffield	Invest Toronto	Bilbao Metropoli-30
	Build Toronto	Barcelona Activa	Liverpool Vision	Madrid Global	Cape Town Partnership
	HafenCity		Milano Metropoli		
	Johannesburg Development Agency		New York City Economic Development Corporation		
			Prospect Leicestershire		
			Abyssinian Development Corporation		

27. Another way to look at this diversity is to note the different functions and activities of the agencies. The agencies are mapped against eight typical activities from branding and promotion through to urban service provision and management.



*DA functions*

Branding and international promotion	Investment attraction and retention	Business start-ups and growth	Human capital development
② ⑩ ⑬ ⑯ ⑭ ⑪ ④ ⑫ ⑧	⑩ ⑧ ⑬ ② ⑯	③ ⑯ ⑭ ⑦	③ ① ② ⑫
Real estate, urban realm and infrastructure development	Social or Green development initiatives	Partnership facilitation, planning and visioning	Urban service provision or management
⑪ ⑮ ⑤ ⑨ ⑥ ① ⑯ ② ⑧	⑨ ① ⑦	⑦ ④ ⑭ ⑫	① ⑦

- |                                     |                                      |
|-------------------------------------|--------------------------------------|
| ① Abyssinian Development Agency     | ⑨ HafenCity Hamburg GmbH             |
| ② AucklandPlus                      | ⑩ Invest Toronto                     |
| ③ Barcelona Activa                  | ⑪ Johannesburg Development Agency    |
| ④ Bilbao Metropoli-30               | ⑫ Liverpool Vision                   |
| ⑤ BILBAO Ría 2000                   | ⑬ Madrid Global                      |
| ⑥ Build Toronto                     | ⑭ Milano Metropoli                   |
| ⑦ Cape Town Partnership Corporation | ⑮ New York City Economic Development |
| ⑧ Creative Sheffield                | ⑯ Prospect Leicestershire            |

**What do Development Agencies do?***Distinctive features of Development Agencies*

28. The OECD LEED Programme has undertaken reviews of Local Development Agencies and identified four major organising roles for Development Agencies in economic development and regeneration.<sup>1</sup> Not all Development Agencies play the same roles or do the same things. Four different elements of Development Agency activity are identified:

- i) **Economic roles:** where Development Agencies seek to build markets within their territories. These roles include the Development Agency acting in a risk and cost sharing manner using entrepreneurial approaches. This involves intermediating with investment, assets, infrastructure, land, property, finance, planning, and marketing/promotion. The Development Agency derives its unique role by taking on tasks that are normally outside of Government due to the nature of commercial disciplines and focus required, the risks that have to be managed and the creativity involved. This often allows fiscally disempowered local governments to sponsor an agency which can operate outside of tight controls and leverage more than the local government is allowed to. Business is frequently the partner and/or client of this activity, and although it is accountable to Government, the agency has to mirror the 'business-like' behaviour, processes and time-scales of commercial players if it is to be successful. This is a case of overcoming policy and investment failures.

- ii) **Leadership roles:** where the Development Agency plays a key role in fostering a long term plan and vision for the territory, galvanising the interests of multiple leaders and setting out a new future around which resources can coalesce. The Development Agency is often an ‘independent’ forum in which distinctive interests can be brought together, and aligned, to shape a long term purpose beyond the specific limitations of electoral cycles and partisan policies. This is a case of addressing leadership failures.
- iii) **Governance and co-ordination roles:** where the Development Agency helps to facilitate practical co-ordination towards the pursuit of the development strategy, helping to overcome the limitations of fragmented multiple jurisdictions and responsibilities in the public sector, and providing a means for practical engagement with the private and civic sectors. In this role the Development Agency is the chief practical mechanism for co-ordinated multi-lateral action. This is case of addressing co-ordination failures.
- iv) **Implementation roles:** where the Development Agency can assemble dedicated and capable teams to focus solely on pursuing the development strategy. This will involve complex project management and finance skills, business/investor facing services, and the ability to design and use new tools quickly. The distinctive dimension of this role is often in how Development Agencies can attract and develop expert and specialist staff that is suited to pursuing public goals in a commercially sensitive manner, and are capable of implementing co-operation between public and private sectors in ways which work for both cultures. This is not an insignificant capability, and it frequently distinguishes Development Agency staff from public officials more generally. This is a case of addressing capacity constraints in the public sector.

29. As a ‘quasi governance vehicle’ a Development Agency can offer a unique means to assemble both the resources (assets) and the authorities (or permissions) required to undertake certain economic development activities. In these roles, Development Agencies can become the means to overcome complex administrative geographies which may not align with the natural economic geographies that are the focus of sound economic development.

30. Neighbouring local and regional governments can work together through the Development Agency, or simply sponsor projects that it undertakes. Equally, Development Agencies may play a role in pooling resources between different ‘tiers’ of government (local, regional, state/provincial, federal or national) and between ‘spheres’ of government (departments, agencies, authorities, commissions, educational institutions and others). Lastly, they can play an important role in bringing together public, private, and civic sectors, either through joint ventures, partnerships, service agreements, compacts or other vehicles.

31. Economic development activity focussed upon cities and sub-regions requires the use of economic development tools which can ultimately influence market behaviours through both exogenous and endogenous players. Such tools often require careful calibration and management if they are to achieve net positive outcomes without distorting basic market functioning. Development Agencies are seen as capable of designing and implementing such interventions using unique skills and insights from public policy and from market economics/commercial disciplines.

32. Perhaps most importantly, however, Development Agencies appear to offer a politically acceptable form of co-investment between otherwise disparate partners. This might be because as a sole purpose vehicle there is little chance of resources being used for the wrong purposes, and Development Agencies can be held to account. Alternatively, it may be because as corporate entities, Development Agencies can be branded to reflect joint ownership (and joint credit!) or since as they are time limited vehicles, Development Agencies can be closed down if necessary (unlike tiers of Government).

*The tasks*

33. The range of tasks that Development Agencies pursue varies enormously. There is a growing menu, and not all Development Agencies will pursue the same tasks. The menu will usually include some of the following:

*Strategic roles:*

- Foster coalitions for growth initiatives
- Co-ordination/leadership of local actors
- Co-ordination/leadership of regional, national and international investors/donors
- Monitoring the city/metropolitan economy
- Strategic planning for economic and local development
- Infrastructure and investment advocacy

*Asset and investment roles:*

- Land and property redevelopment and management
- Fund management and direct lending/investment in firms and/or investment projects
- Other forms of financial intermediation and income/resource generation
- Management of grant aid for businesses and other organizations

*Innovation, enterprise, skills, and employment roles:*

- Promotion of technology, creativity, and innovation
- Workforce development and skills development
- Employment creation and job brokerage
- Fostering entrepreneurship and SMEs

*Promotional roles:*

- marketing and facilitation of foreign investment promotion of other forms of external investment (tourism, events, trade, sports, etc)
- Project management and design of major projects

*Capacity building roles*

- Sector and cluster development programmes
- Capacity building and technical assistance for other local organizations and identification of good practices and learning models, cross-border, inter-regional, and international co-operation

### *Variations in what Development Agencies do*

34. Not all development corporations/agencies will pursue anything like the same tasks, and very few will pursue all of those listed above. Indeed, one of the most interesting aspects of Development Agency activity is that different approaches are used to foster developmental outcomes. The range of tools available to the agency does influence the scale of the ambition and the nature of the intervention that is feasible, but it does not determine whether an agency will succeed. Tools are created by the interplay of rules and regulations, constitutional and institutional arrangements, and the scale of the local assets and the opportunities within local and wider markets. Skilled agencies constantly create and build new tools, and use existing tools fully. Less skilled agencies may have a range of tools but not use them well.

35. There are many different kinds of ‘development corporations/agencies.’ The term is used in different ways in different places. Other terms are also often used. These include: Development Agency, Local Development Agency, Regional Development Agency, Economic Development Agency, Economic Development Corporation, Development Authority, City Development Agency, Local Development Corporation or City Development Corporation. The different names do not suggest distinctive activities, they are often inter-changeable, and agencies with the same names frequently do very different things. Different legal structures and linguistic preferences determine the names used.

36. An important, though obvious, observation is that most territories have more than one development corporation/agency operating within them at any one time, usually with multiple and overlapping geographies. This may be a source of advantage or disadvantage depending upon the clarity of the distinctive roles of the agencies and the readiness of effective means and incentives to collaborate where that is useful.

37. To summarise, there is a large menu of things that Development Agencies can do, and few do all of these. Some Development Agencies are established in response to a crisis, or to a problem of under-development, whilst others are established simply to promote competitiveness in all contexts (both for ‘successful’ and ‘unsuccessful’ places). Some are established ‘bottom-up’ by local actors, and others ‘top-down’ by Governments and donors, some are wholly private sector sponsored and some are bi-lateral with a focus on enabling neighbouring entities to work together.

38. One consequence of this mix of different factors in the establishment of Development Agencies is some very basic differences in the scale, shape, size, and resourcing of the agencies produced. Putting these simple observations together we can see that Development Agencies are an interesting phenomenon within the local development efforts of many countries.

### *Development Agencies’ rationales*

39. There have been many different starting points for Development Agencies, at different points in time, and in different countries. But understanding the particular purpose, or mixture of purposes, that a DA was established for is both key to assessing how well it is doing, and essential in estimating how it might contribute to city competitiveness and metropolitan development. A DA is usually set up because one, or more, of the following reasons is suggested. A DA will be:

- Able to quickly address a crisis in the city economy and to organise different actors to take urgent actions together. It is able to respond to a crisis or challenge for which there is no other logical agent (for example, the closure of a key site or facility), and is not distracted by other mandates. This is the ‘**crisis response**’ mandate. e.g. **Barcelona Activa**

- Able to act as an organising vehicle for local development activities when they are new or under-developed, giving visibility to the economic development work programme, and distinguishing it, organisationally, from other activities. This is the ‘**initiating local development**’ mandate. e.g. **Prospect Leicestershire**
- Potentially more ‘investor facing’ and ‘business-like’ in its style than a municipal office or department of regional/national government, including the ability to negotiate directly with developers and investors, deliver services to businesses, manage commercial funds, and interface with other commercial actors. In some cases this might include having some delegated local/regional government functions (for example, Land Use Planning or financial assistance decisions) delegated to it. This is the ‘**business interface**’ mandate. e.g. **Invest Toronto**
- Able to focus on the specific needs of an identified redevelopment area or a major project, which may not cover a whole municipality, or may cover several jurisdictions. It may be able to organise a programme for a geographical area, or a new initiative, for which no other ‘ready’ governance structure exists. This is the ‘**special zone/ un-served district**’ mandate. e.g. **HafenCity Hamburg GmbH**
- A new and ‘independent’ (and more flexible) vehicle for strategy making, partnership co-investment, and may be capable of integrating the inputs of a diverse range of public and private partners. This is the ‘**aggregator**’ mandate. e.g. **The Cape Town Partnership**
- Able to fulfil an ‘outward facing’ or promotional role for the city or region, promoting its appeal and attractiveness for external investment in a targeted manner to key audiences, distinct from the public debate on how the territory needs to be improved. This is the ‘**positioning and promotion**’ mandate. e.g. **Madrid Global**
- Able to develop more flexible procedures and human resource arrangements, enabling it to do things more quickly or efficiently than other organisations. This is the ‘**flexibility**’ mandate. e.g. **Abyssinian Development Corporation**
- Able to undertake a focused task over a defined time-period unencumbered by other missions and goals. This is the ‘sole focus’ mandate. e.g. **Johannesburg Development Agency**
- Able to achieve a legal or fiscal status which will allow it to utilise or develop additional tools, incentives, investment, asset management and interventions that are otherwise absent, or not available to local governments. This is the ‘**leverage**’ mandate. e.g. **New York City Economic Development Corporation**
- Able to manage a transparent process for delivering financial assistance and incentives to businesses, or critical resource allocation decisions, in ways which are not directly politically controlled, and may therefore be seen as more impartial, or not the responsibility of local politicians. This is the ‘**transparency**’ mandate. e.g. **Milano Metropoli**.
- Able to share risks and costs effectively across a range of interested parties, by negotiating and allocating a clear and novel agreement about how they will be apportioned. This is the ‘**risk and cost sharing**’ mandate. e.g. **Auckland Plus**.

40. Few Development Agencies will be operating all of these ‘mandates’ simultaneously, but many will have more than one to pursue. This discussion of ‘mandates’ may appear a little arcane, but it is useful in helping to crystallise how Development Agencies may differ from the local, regional, and national

governments who sponsor them and why they may be the right new tool for local economic development. The points above stress the unique things that are required from a DA, how its impact should be assessed, and whether its mandates should be revised and change over time.

### ***What are the variables?***

#### *Economic context*

41. The first is the different **challenges faced in the local economy**, their complexity, and sensitivity to local interventions. Local economic development challenges are not all the same. Some are amenable to local and regional interventions; others require substantial national and international efforts. Some will respond well to national economic growth, others will see their fortunes diminish whilst the nation prospers. Localities have the tendency to go through ‘cycles’ of opportunity and need, not necessarily in sync with the performance of the national economy. Different kinds of Economic Development Agencies/Corporations and strategies are needed at different points in the re-development process.

#### *Government context*

42. The second is the **political, financial, and fiscal contexts** in which Economic Development Agencies/Corporations are established. These vary hugely from the centralised national efforts in certain parts of Europe in the 1940s and 1950s, to the municipal and business efforts in the older industrial cities of the USA in the 1960s and 1970s, to the wide-ranging establishment of Economic Development Agencies/Corporations in the developing countries of Latin America and the Asia Pacific region in the 1980s and 1990s. An important issue concerns which tiers of government are the key sponsors of an agency and to what extent financial and fiscal freedoms exist for those tiers. For example, Economic Development Agencies/Corporations that are sponsored directly by national and federal government tend to have much greater financial resources and freedoms than those sponsored by municipal governments alone.

#### *Local development context*

43. The third is the **inter-institutional settlement** (i.e. who does what?) in terms of the whole economic development programme for a locality. For example, some Economic Development Agencies/Corporations are ‘comprehensive’, providing, or co-ordinating, all the main inputs to the economic development process at the local level, others are ‘niche’, providing a particular aspect of the process (e.g. Job Training and Seeking, Site Preparation and Master Planning, or Inward Investment Promotion, or Small Business Support and Finance), others still are ‘sectoral’ focusing largely on one key dimension of the city’s economy (e.g. Tourism, Sports, or Manufacturing). Many Economic Development Agencies/Corporations have moved from being ‘niche’ towards being comprehensive, although some have successfully moved the other way too. An additional issue concerns the links the Development Agency has with those who have responsibility for other activities such as organising business leadership, advocacy and development of infrastructure, management of public land, skills training and vocational education, housing, and broader international promotion or marketing of the locality.

### ***What are the different types of Development Agencies and what can they achieve?***

44. The table below summarises the key variables in the Economic Development Agency/Corporation case studies presented in this report. Perhaps the most striking aspect of the data when seen in tabulated form is the significant differences which exist between the corporations, making generalisations both impossible and inaccurate. For instance, levels of staffing range from nine (Bilbao Metropoli) to over 400 (New York City), whilst similar differences are seen in the budgets of the

corporations. This illustrates the highly flexible nature of the DA model, which can be adapted to individual cities and may be adapted as the city's development trajectory shifts.

45. However, similarities do exist in that many of the corporations have the City as a key stakeholder whilst even more have representatives from the city council or government sitting on the board. This serves to show that whilst Development Agencies do have business-like structures, they nevertheless remain accountable to the public sector and not entirely detached from it.

#### Key Development Agency metrics

Development Agency	Incorporated	Number of staff	Primary spatial scale	Annual budget (EUR)
Abyssinian Development Corporation	1989	140	Neighbourhood	6.32 million (2008/9)
Auckland Plus	2004	14	Regional	2.56 million (2008/9)
Barcelona Activa	1986	109	Metropolitan	27 million (2007)
Bilbao Metropoli-30	1991	9	Metropolitan	-
BILBAO Ría 2000	1992	25	Metropolitan with focus areas	-
Build Toronto	2008	TBC	City	TBC
Cape Town Partnership		28	City Centre	702 000 (2008)
Creative Sheffield	2007	48	City but in the context of the City-Region	5 million (2008/9)
HafenCity	1997	35	City Centre extension	-
Invest Toronto	2008	14	City, region and international	TBC
Johannesburg Development Agency	2001	57	Metropolitan with focus areas	100 million (2008/9)
Liverpool Vision	2008	40	City with focus areas	5.76 million (2008/9)
Madrid Global	2007	Almost 45	City and international	8.48 million (2009)
Milano Metropoli	2005	35	Metropolitan	3.50 million (2007)
New York City Economic Development Corporation	1991	Over 400	City	591.4 million (2008)
Prospect Leicestershire	2009	18	City and county	1.55 million (2009)

46. This table underscores visibly the observation about diversity in the way that Development Agencies work and provides useful insights about the different resources base from which a DA can achieve its mandate.

47. What is striking here is the number of Development Agencies established since 2000 underscoring the observation that the creation of Development Agencies is a growing phenomenon.

### **When and how should a Development Agency be established?**

48. There is no fixed time when a DA should be set up, but there are better times to do it. It is important to give enough time for the DA to be set up properly, this can take many months, or even years. It is important to avoid missing out important steps in the set-up arrangements. A DA is never set up effectively overnight. The initiative might come from local, national, or international actors but the process should have four distinct phases:

- i) Promoting the idea.
- ii) Establishing the Agency.
- iii) Starting the Activity.
- iv) Consolidation.

49. Each of these phases has clear points of consultation, planning, and communication. Each also has different organisational activities such the formation of a Board of Directors, the recruitment of staff, etc.

50. When is the ideal time to set up an agency? Some external indicators might be:

- A crisis in the local economy has focused attention on the need for something specific needs to be done.
- Local partnerships are working effectively and there is a desire to increase momentum with local development activities.
- A major opportunity exists to capture local economic benefits from external activities such as an infrastructure investment, increased trade or tourism, or the hosting of a major event.
- New tools or incentives/leverage have become available which would be useful for local development.
- New political climate offers the opportunity for a stable programme of support (e.g. just after an election producing a clear and accepted mandate).
- External organisations are ready to make a larger investment if the right 'joint venture vehicles' are set up.

51. Of course other appropriate times may arise for setting up an agency, but these example indicators suggest conditions in which a DA would have a chance of generating a relevant mandate quickly. Conversely, the absence of these factors might suggest that there would be serious challenges to the success of the DA and some consideration of how to address this is needed.

### ***Business strategy and financial models***

52. The business model a DA employs will clearly incorporate its financial strategy. Depending on the regulatory framework, Development Agencies have more or less freedom to develop a model which is more than an income and expenditure account. They may not need to be wholly dependent upon government transfers. Most Development Agencies do seek to find ways to generate additional income and



there are a range of economic development interventions which offer scope for the DA to generate some income. The European Association of Regional Development Agencies (EURADA) list these as:

- Participating in the capitalisation of SMEs
- Invoicing SMEs for consultancy and support
- Real estate and property management/development
- Consultancy services to municipal and national governments
- Providing training
- Organising seminars
- Attracting sponsorship
- Management fees
- Trade missions
- Services for foreign investors
- Management of incubators and industrial parks
- Sale of publications

53. In some countries where Development Agencies have been recently established, they have been designed so as to build commercial income strategies from the outset. There are some examples of Development Agencies that are wholly commercial in their approach, but these are not alternatives to the comprehensive public Development Agency function, they are complementary.

#### ***Financing Development Agencies***

54. Whilst a myriad of arrangements exist for financing Development Agencies five basic approaches suggest themselves, with a range of hybrids between them.

The five are:

- i) DA is wholly public sector funded/owned, and its balance sheet is tightly publicly controlled through either detailed control of budget lines and project finances, or annualised budgeting and resources accounting processes.
- ii) DA is wholly public sector funded and owned but has freedoms to vary the use of capital receipts, trading income, fees, and levies (for example) to generate an 'internal financial engine' which is subject to public sector accounting rules, but provides for a complementary commercial strategy to help achieve public policy goals.
- iii) DA is funded from a range of public and private sector sources and there are clear rules and processes for setting financial strategy and for reapportioning of income and expenditure to different sponsors.

- iv) DA is largely, or wholly, private sector funded and operates principally as a not for profit business with extensive control over its internal financial strategy.
- v) DA has created its own 'subsidiary' or 'intermediary' for engaging in more complex financial transactions/arrangements and this is separately governed and accounted for within approved rules. Freedom may or not exist to veer resources between the parent agency and the additional vehicle.

### **What affects Development Agency success?**

55. The creation of Development Agencies does not of itself guarantee success and it is not the case that all Development Agencies succeed. Because Development Agencies are themselves an institutional innovation there is the potential for failure and problems, as well as creativity and success.

### ***Local Development Systems***

56. Development Agencies exist within 'Local Development Systems' where many other bodies are responsible for some of things that that make the work of the Development Agency possible. The range of other bodies we call the Local Development System. These local 'systems' can be more or less well organised and more less effective in promoting local development. The primary observation we can make is that even a well managed and resourced Development Agencies will not be effective if it operates within a local development system which is ineffective. Effective local development requires both good development agencies and a functioning local development system of wider organisations.

57. From the DA perspective, there are a number of key relationships between Development Agencies and other organisations which help form the heart-beat of the local development system. Though these relationships vary according to the nature of the development system in terms of its scale, focus, aims, politics and legal frameworks, it is none the less useful to profile them.

### ***Member organisations - e.g. Bilbao Metropoli***

58. Bilbao Metropoli-30 has three types of membership organisations: (1) Founder members: consisting of 19 institutions which decided to create Bilbao Metropoli-30 in 1992. These consist of both public and private sector members; (2) Associate members: the status of the majority of member organisations; and (3) Collaborative members: not-profits and consulates which don't pay a membership fee. Tight relationships are formed with these organisations

### ***The political leader – e.g. Barcelona Activa***

59. The relationship with the Mayor is critical to creating the space and the goodwill for Barcelona Activa to support the transformation of Barcelona through entrepreneurship, business growth, innovation, professional opportunities, human capital development and quality employment. Without an open and healthy dialogue with senior City Government officials such as the Mayor, Barcelona Activa could be judged more critically. With the work of Barcelona Activa being so tightly associated with key themes such as employment, innovation and entrepreneurship, Mayoral support is critical to the performance of the Barcelona Activa.

### ***City Council (Economic Development Department) – e.g. Johannesburg Development Agency***

60. The Johannesburg Development Agency is 100% owned by the City of Johannesburg and is directly accountable the Department of Development Planning and Urban Management (DPUM), in so much as the Johannesburg Development Agency reports to it strategically. The JDA is accountable to the

City through the Shareholders Unit which monitors the Johannesburg Development Agency's projects and budgets.

61. As an agency of the City of Johannesburg, the Johannesburg Development Agency interacts closely with the City's various departments and Municipal Entities in respect of their functional interest in a development's activities. In this regard, the Johannesburg Development Agency:

- Operates in line with the Growth and Development Strategy principles.
- Operates within existing agreed plans and frameworks (for instance, in the case of Planning, the Johannesburg Development Agency operates within the overall Spatial Development Plan of the City and takes due diligence of Regional Spatial Development Frameworks (RSDF's) and existing precinct plans).
- Considers inputs in respect of development design.
- Facilitates the development of a management plan in respect of the ongoing operations of the initiative once the development is completed.
- Acts as an implementation agency for other departments including 2010, Transportation and the DPUM.

62. Where roles specifically overlap in respect of a particular aspect of a development, the Johannesburg Development Agency will consult with the relevant department or Municipal Entity accordingly. Given the intensive urban management focus of the City and the DPUM, the Johannesburg Development Agency partners work with regional offices to ensure close operational cooperation.<sup>2</sup>

*Regional government – e.g. The Cape Town Partnership*

63. With Cape Town the driver of socio-economic growth in the Western Cape and with the Central City a fundamental driver of Cape Town's economic performance the relationship between the Cape Town Partnership and the Provincial Government is essential. There are also issues and agencies which overlap between the two, such as international investment promotion, which benefit from an integrated approach.

*Other Development Agencies – e.g. Invest Toronto and Build Toronto*

64. Build Toronto and Invest Toronto are an example of how two agencies can complement one another effectively. Not only is there a sharing of offices and back office resources, the two work together on a project-by-project basis. For instance, when a new firm which has been attracted to the city by Invest Toronto needs a location Build Toronto will be able to facilitate this process by managing existing real estate holdings effectively or perhaps by constructing a new site. There is also a funding element to this relationship where Build Toronto makes a financial contribution to the ongoing operations of Invest Toronto. The precise dimensions are yet to be decided.

*Delivery partners – e.g. Prospect Leicestershire*

65. Prospect Leicestershire will be the chief delivery agent of the county. On many projects, however, it will work in collaboration with other delivery partners. For instance, Prospect Leicestershire meets the Vice Chancellors of the area's three Universities to discuss plans and to bring additional skills and expertise to bear.

*The private sector – e.g. AucklandPlus*

66. AucklandPlus has developed strong links with key private sector organisations across the city-region. It maintains formal and informal dialogues with business groups. For instance, the Chair of the AucklandPlus Board is also the President of Auckland's Chamber of Commerce. The AucklandPlus CEO is also a Board member of the Angel Association of New Zealand, an organisation that aims to increase the quantity, quality and success of angel investments in New Zealand. At the same time, AucklandPlus has built strong links with the Committee for Auckland – a group of senior business leaders in the city interested in Auckland's sustainable development agenda.

*The media – e.g. Cape Town Partnership*

67. Recently, the Cape Town Partnership has concentrated on its digital media strategy. The Partnership has found that a picture is worth a thousand words, and a short video clip on YouTube is worth even more. As the Partnership says: 'Be accessible to the media at all times. They are your friends, even when they don't get the story right. Development walking tours for your own citizens are very effective. Create local ambassadors – if locals don't believe in what you are doing, you will never convince the rest of the world.'

*International networks – e.g. Milano Metropoli*

68. Milano Metropoli relies on a far-reaching network of national and international contacts and partnerships for knowledge sharing. It also takes an active part in numerous DA networks, such as the Italian Association of Local Development and Territorial Marketing Agencies (AIDA), the European Development Agency Association (EURADA), the Local Employment and Economic Development (LEED) programme of the OECD, and the European Learning Network (LNet), to name a few.

***Effective Development Agency collaboration and positioning within the system of local economic development***

69. The ability of a Development Agency to collaborate effectively with other bodies in the local development system is a major asset. Despite this, the principles behind this more subtle driver of DA success are often ill-understood. Development Agencies which are specifically formed to facilitate relationships and build robust relationships have much to teach to other Development Agencies. Their good practice forms the basis of a number of the principles for effective DA collaboration and positioning below.

*Create co-ordination capacity*

70. Many Development Agencies specifically create the capacity to co-ordinate activities at the multi-agency scale, involving the full range of key partners. This comes more naturally to holistic and integrated Development Agencies, involved in many aspects of a city's development agenda. For instance, Creative Sheffield role as an integrated DA has allowed it to develop a co-ordinated approach to brand marketing through the creation of the City Marketing Group. Creative Sheffield's network allows it to mobilise most necessary key partners and link them into the process of building the city's brand.

*Communicate effectively*

71. High levels of communication are essential for public-public relationship building and to develop and maintain cohesion between the public and private sectors. Information collection, collation, analysis and dissemination are the lifeblood of a well-networked DA. The Cape Town Partnership seeks to communicate constantly and become a trusted source of information and an authority on Central City

issues. Creating the channels for effective collaboration between stakeholders is also essential as many Development Agencies and related partners can often become overwhelmed by their workloads, leaving little time for communication. The Leadership Board in Leicester and Leicestershire, for instance, is a multi-stakeholder meeting point for key stakeholders in the city to discuss development strategy and delivery.

*Consolidate relationships formally*

72. Auckland Plus' partnership agreements for best practice are a clear demonstration of how the Development Agencies can cement key relationships in the form of written agreements. This removes uncertainty and creates a robust working foundation, often against an unstable backdrop. In the case of AucklandPlus, partnership agreements represent the response of the DA to the structural and systemic issues present in the region's current governance arrangements. They do not necessarily secure resource but they do achieve alignment around common/shared objectives.

*Informal networking*

73. The most prevalent yet undervalued form of communication to achieve collaboration and good positioning is through informal networking. Knowing the value of short, unstructured and unceremonial interactions is extremely advantageous to DA staff and the organisation as a whole. Creative Sheffield, for instance, is quick to assign certain tasks to talented relationship managers and ensures senior staff have regular formal and informal meetings with the top employers in the city.

*Understatement is powerful*

74. One of the secrets to the success of many Development Agencies within a local development system can come when the DA is perceived to have no real power, either economic or political. Maintaining a limited public image can also be extremely beneficial. For instance, most people have not heard of Bilbao Metropoli-30, which is positive given the quite confusing mix of agencies in Bilbao and their struggle for position. Bilbao Metropoli-30's low profile and non-threatening position, therefore, helps to make organisations in the local development system more confident in the organisation.

*Provide a 'translation service'*

75. The role of an DA, particularly and visioning and partnership DA, can often be to bring different 'worlds' together through shuttle diplomacy and by playing 'cupid', i.e. public / private, different levels of government, city departments, owners and tenants, developers and heritage practitioners and formal and informal retailers. A public-private DA partnership, for instance, is not a municipal or public entity, nor is it a business lobby.

76. In the view of the Cape Town Partnership: 'A strategy of 'name, blame and shame' does not work with the public sector (or anyone else for that matter) and can be counter-productive. Do not fight your battles via the media'. Development Agencies should adopt a networking approach, and not just rely on formal structures and leaders. The Cape Town Partnership, for example, creates multiple entry points into organisations and government administrations, and has a keen understanding of who deals with what, and who can make things happen. It also finds it necessary to have an intuitive understanding of the political, social and commercial environment, and values the relationships that it establishes.

*Achieve buy-in early*

77. One important element behind successful collaboration and positive change is achieving early buy-in to projects and Development Agencies. By creating a sense of ownership around new ideas amongst

groups of key stakeholder, organisational jealousies and defensiveness can be avoided later in the process. The Bilbao Metropoli-30 operating framework is well-set up to achieve this sort of collaboration. Everything that is proposed needs to be first backed by its members, which are themselves the key stakeholders in the metropolitan area's future. These same members then deliver the project, leaving Bilbao Metropoli-30 to shape the process and 'play Cupid' from the background. For instance, in the preparation of a draft proposal on transport, Bilbao Metropoli-30 would first create a working group related to transport. The working group would then be invited to examine and enrich the proposal with its input. Once the proposal is finished, Bilbao Metropoli-30 disappears and the members, who have already bought into the proposal, then deliver the work.

### **Development Agency reviews**

78. Healthy and effective Economic Development Agencies/Corporations (Development Agencies) **undertake regular reviews** and **make changes** to what they do and how they do it. The nature of DA activity demands long term effort, and yet the context of the activities is changing constantly, especially as economic development activities succeed. This means that it is essential to keep DA activity under active review whilst also supporting the general principle that these are arms length bodies that do not require minute to minute control.

### ***Operational effectiveness and impact measures***

79. It is important to stress creating a clear rationale, mission, strategic framework, and some deliberate choices of tools and programmes for any DA. This is, in part, important because Development Agencies need to demonstrate their effectiveness, and this is hard to do without clear measures of progress.

80. It is desirable to have both measures of progress (milestones) as well as ultimate goals in terms of the outputs and impacts of the interventions of the DA against which to measure performance. Each of these (milestones, outputs, impacts) requires careful specification and definition. A basic process of quarterly (milestones) and annual review (outputs and impacts), with multi-annual assessment (impacts and achievement of mission) is key to keeping the DA performance well monitored.

### ***Achievement of mission***

81. Initial missions established for Development Agencies should have concrete goals. The vision for long term development might stress a 20 year horizon, but a mission should be broadly achievable within 5-10 years. Where a mission focuses on redevelopment of a specific area, this can often be achieved in 5 years.

82. It is important to have an explicit process for reviewing the DA comprehensively every five years. This will enable some reflection on how far the mission has been achieved, and the work that remains to be done. It can also address the extent to which:

- The DA has completed its task and should be closed down?
- The DA needs additional or new tools and resources to complete its task?
- Certain achievements have been made and it is time for the DA to adjust and develop new or additional goals?

***Early warnings or problems***

83. Development Agencies are not easy organisations to set up and run. This is in part because they try to combine multiple actors from public, private, and community sectors, and also because they are trying to achieve public outcomes through market based mechanisms. Few Development Agencies go through a life cycle without some difficulties. It is important that local and other actors support their Development Agencies to come through these challenges and to build a more effective organisation.

84. Some warning signs include:

- Politicians feeling that the agency has become remote or distant from the local authority.
- Serious concerns about how the DA is managing its resources.
- Bad news (e.g. opposition to what the DA is doing).
- Arguments between partners.
- Delayed projects or implementation.
- Staff/Board retention problems.

85. When these warning signs occur, it is important that the local actors get together to help the DA find a mature way out.

**What are the main problems that Development Agencies encounter and how can they be addressed?**

86. Development Agencies face many challenges and problems that need to be addressed pro-actively. Development Agencies can't generally avoid having problems and challenges, but they can do a lot to manage them effectively. These challenges and problems might be defined as:

*Confusion about mission and role*

87. Too many agencies are set up without a clear mission and role. This leaves them open to different expectations from a range of stakeholders, and therefore vulnerable to perceptions of failure, and criticism. It is always better to have a clear mission and role.

*Weak justification*

88. Many Development Agencies fail to create a robust justification for their establishment and for the work they undertake. Some local actors will always be sceptical about what a DA can achieve. A clear and rigorous justification based on a good understanding of what a DA can achieve is always necessary. Remembering to define precisely the value added and the additionality is key.

*Competition*

89. Some Development Agencies find that there is competition for their role locally and regionally, perhaps because there is more than one Development Agency, or because other stakeholders would prefer to play their role. This emphasises the importance of getting all the stakeholders together around a single vision for the DA and undertaking a robust review of what it is to achieve. If others are better placed to deliver key parts of the mission, they should also be appraised as possible delivery vehicles.

*Public service failures*

90. Development Agencies require that some basic public services are working well for their work to be feasible. For example, without housing, roads, schools, policing and a conducive business environment, it is hard for Development Agencies to achieve their goals. Yet, many Development Agencies find that these public services are not working well. It is important that these issues are addressed as part of the wider Local Development System.

*Staffing*

91. Development Agencies find it hard to find good staff. Very few people have the right mix of public and private sector experience and know-how. Lack of human capital is major constraint for Development Agencies. As municipalities and their partners put together their local development strategies and Development Agencies they need to consider how people's skills can be developed. National and international authorities need to support the development of capacities and the transfer of know-how.

*Financial diversification*

92. Development Agencies that diversify their financial sources become more robust. Those that do not remain vulnerable. Financial flexibilities and diversified income sources are often the result of achieving tangible success. The evolution of the financial strategy of the DA should be part of its attention to consistently performing well against realistic and accepted objectives. This is one good reason why it is important to have realistic goals, in order to demonstrate to funders that consistent success is being achieved.

*Assets*

93. Development Agencies that own assets, especially land assets, have major responsibility to use them well. Sometimes DA are perceived to either under value the land assets they have (and sell them or give them away within an agreed deal that proves to be too weak) or they overvalue them and do not use them fully to achieve local development goals. This can lead to significant criticism.

*Political interference and private sector interference*

94. It is not uncommon that local actors will try to achieve some personal or institutional advantage from their association with Development Agencies. For politicians, this might mean that they would like to see the DA invest in particular locations or agencies. For businesses, this might mean that they seek access to contracts or grants/funds on a privileged basis. Few Development Agencies can survive a public scandal over deployment of their resources and it is a key role of DA staff and Board Members to avoid conflicts of interest and to establish systems which prevent preferential or biased treatment. Most countries have clear legislation that helps with these challenges.

*Constant change*

95. Local Economic Development is constantly changing and Development Agencies must change with it. Equally, local development involves trying to promote change in ways which require the basic tasks to adapt as progress is made. This can lead to Development Agencies being organisations that are constantly changing, which makes them very difficult to manage. It is very important that DA staff and Board members are comfortable with dynamic and ever changing work, but also that the management of such work and the programmes of change are active and well understood.



96. Reflecting on reviews of Development Agencies some observations are distilled below.

*What goes wrong?*

- **A clear mandate is not established for the DA at the outset** and there is failure amongst citizens, political leaders and other stakeholders to understand why a more indirectly accountable corporate structure is preferred to a directly accountable municipal structure. This appears to be the most common source of problems. This is in part because few commentators really understand why a corporate structure is desirable.
- **A clear strategic framework** is not set by responsible elected leaders and therefore Development Agencies lack strategic guidance. An important division of labour exists in the DA model whereby the strategic framework is set by policy makers and the DA is asked to implement effectively. A failure to provide the clear strategic framework leaves the DA without the necessary externally imposed discipline.
- **Scale and critical mass are not achieved.** Many Development Agencies operate at too small a scale to impact upon the local economy in a meaningful time frame. They are seen as irrelevant and end up spending much effort advocating for resources. This is true where multiple agencies or agencies exist in one location or where there is a simple failure to accurately assess the scale of resources required to do a meaningful job.
- **Development Agency governance does not work well.** Development Agencies may be micro-managed. Local Governments do not always have experience in how to both give Development Agencies ‘arms length’ operational freedom and to have them operationally accountable. This can lead to tensions and to the failure to generate momentum on the economic development tasks.
- **Development Agencies do not know how to be fully accountable and be operationally innovative.** Equally, there is an important skill set that Development Agencies require which is adept at being both accountable and innovative. Much of what is involved here is good planning and anticipation, so that it can predict the kinds of activities and risks it will need to manage and can seek enabling approvals and effective controls in advance of situations.
- **Too many Development Agencies or development bodies exist.** Public and private sector sponsors like choice, whereas Development Agencies try to aggregate activities. There can be tension between a desire to achieve critical mass and scale versus a desire to have diffused distribution paths and vehicles for activities. Competitors to the DA can be set up or encouraged, thus eroding the potential value added, and fostering confusion about roles and responsibilities.
- **Businesses see Development Agencies as ‘crowding out’ private sector interests in some markets.** Activities which were not commercially sustainable at one point in the business cycle and needed DA intervention, may, at other times become more attractive to market based players, for instance through the provision of affordable SME accommodation and development finance. Development Agencies have to be alert to changing market dynamics to know when public sector intervention or subsidy is no longer required. In a variation on this, property owners may refuse to co-operate with Development Agencies, holding out for high returns on their lands.
- **Change of political leadership divests from the DA before it can achieve goals fully.** Different political parties may take distinctive stances on Development Agencies. It can take Development Agencies more than one electoral cycle to prove their value. Start-up and wind-up

costs can be substantial so it is advisable that Development Agencies enjoy some cross-party support and participation.

- **Municipal colleagues do not co-operate fully with the DA.** It is surprisingly common that municipal staff do not find it easy to co-operate with Development Agencies. This often comes from misunderstandings about the rationale for establishment of a DA or a lack of clarity about roles and division of labour between the DA and municipal departments. Interface with Planning Departments requires special attention.
- **Media and external communications challenges.** Media and the general public scrutinise individual ‘deals’ done by Development Agencies and do not find them acceptable, or do not accept the wider benefits. This is particularly challenging where any incentives to business are involved.

97. It is clear that each of these typical problems can be avoided if the right framework is established at the beginning and if good communications are pursued. Regular DA Performance Reviews are essential.

#### *Issues in Development Agency reviews*

98. Typical outcomes that arise in DA reviews are:

- The **focus of the DA needs to change** or its mission is somewhat out of date. Sometimes the name and brand need to be revised, or to be re-established. Sometimes Development Agencies need to take on additional tasks or broaden their efforts. Movement from niche, to sectoral, or comprehensive Development Agencies is common.
- The **communications strategy of the DA** needs to be revised and an intensive period of re-communication with stakeholders is needed. Stakeholders change quite regularly and keeping up-to-date information about Development Agencies at the ‘front of the mind’ requires effort.
- Better **alignment of DA work with that of Local Government, Business Leadership Groups, and higher tiers of Government** is required. Cities need a single Economic Development ‘system’ with multiple entities playing orchestrated roles. This needs constant refreshment.
- The DA needs more vocal and pro-active **sponsorship and support in the city at large**. Development Agencies need senior elected leaders and senior business figures to continuously give them authority if they are to be effective.
- A new **financial or asset management strategy** is required. Usually Development Agencies need to move from grant dependency to multiple income streams and sources of revenue if they are to mature over the long term. **New tools are required** to take developments to a new scale or level of sophistication. As the market matures (in say property redevelopment) Development Agencies need to play more sophisticated roles and they need the tools required to do this.
- A **clearer DA ‘dividend’** needs to be communicated to win support from colleagues in other entities. People who work in City Halls are suspicious of the freedom that Development Agencies enjoy and are often wary of attempts to extend their mandate. A clear ‘dividend’ needs to be articulated so that people can focus on the **outcomes for the city** and for them, not the freedom of the Development Agencies.
- Changes to **internal deployment of staff and other resources** are warranted. Changes to the mission and role require internal re-engineering. This takes thought, time, and effort.

## What can OECD countries learn from international DA experience?

99. The main findings of this review are that DA type organisations are potentially important contributors to the implementation of local development and Development Agencies world-wide. They can be instrumental in creating a business-like and business-facing operational environment in which local government led economic development and regeneration be effectively delivered. As employers, they can attract staff and expertise into local government led economic development and regeneration, from a wide range of sectors and backgrounds that might not be attracted to work within a wholly municipal structure.

100. Development Agencies can also operate effectively in tandem with strategic regional bodies and do not need to compete for role or resources with regional bodies. In general, the local bodies can focus on implementing the specific goals of regional strategies in their local or sub-regional area. Development Agencies can also be an effective means to facilitate multi-area collaboration and co-ordination on economic development and regeneration between neighbouring municipalities. They can equally be an effective means for local governments to place economic development activity on a more a formal or statutory footing.

101. Similarly, Development Agencies can be successful in attracting private sector partnership and leadership into local economic development and they can help to identify local economic investment priorities and to assess the best means to finance them including managing costs and risk mechanisms with the private sector, involving for example, incremental tax levies or supplementary business rates.

### *Key lessons from the review of Development Agency experience internationally*

102. There is clearly substantial **confidence in the Development Agency model across many OECD countries**, with a wide range of countries opting to use DA type models and seeing this as a preferred means to implement economic development activities at city and sub-regional levels. There is a **primary need to fully define what the intended value added of the DA is before it is established**. It needs very clear goals and roles.

103. Local Government and Regional Partners must set a **clear strategic and institutional framework for Development Agencies they create**. This will be greatly aided by the existence of clear Local and Regional Economic Strategies, but it will still require co-ordinated effort. Development agencies work within local development systems of many organisations which must be carefully co-ordinated and systemically organised. DA success appears to be based on the ability to either aggregate different efforts to achieve scale and mass or to focus solely on niche interventions which can be effectively delivered on their own. In both cases **Development Agencies need to be collaborative organisations, and other organisations need to collaborate with them**.

104. **Guidance for Local Governments on how to effectively sponsor and oversee Development Agencies**, and, at the same time, gives Development Agencies substantial operational freedom appears to be required. This is a major skills' requirement for local government leaders that should not be overlooked. In a context, where there is strong regional strategic leadership of economic development and regeneration, **guidance for on how to delegate to Development Agencies and how to ensure that Development Agencies meet the goals of regional strategies may be helpful**.

105. **Regular reviews of Development Agencies are desirable**. An annual assessment is probably best with careful deliberation over multi-annual corporate plans.

106. The **best Development Agencies diversify income streams and support cross-funded activities**. Development Agencies should become vehicles that multiple stakeholders are content to invest in and therefore it is important that they seek and secure a mix of funding and resourcing. **Networking and**

**knowledge/know-how exchanges are useful.** These are widely supported in Europe and North America and appear to be an essential mechanism to improving DA skill sets and know-how.

107. Lastly, some activities are most efficiently performed at regional and national levels and it is important that these are defined so that Development Agencies understand what they are to achieve. For example, economic intelligence and international promotion may be best done at higher levels than smaller cities or towns, even if other local delivery is best done locally. If so, this should be explicitly set out at the commencement of a DA's activities. From this review of international experiences a number of key principles can be identified that will underline success for Development Agencies. These are set out below.

#### **Principles for Development Agencies**

**Focus on implementation at pace and scale:** the 'DA' pursues development opportunities faster, and at a larger scale, than would normally be possible within a city or local government.

**Aggregate otherwise separate interventions to add value:** economic development efforts within cities or regions are often subject to fragmentation of effort due to the multiplicity of funding streams and policy agencies. 'Development Agencies' can act to aggregate otherwise disparate efforts, overcoming potential co-ordination failures and information asymmetries.

**Focus on the customer:** an important reason for placing economic development activities within a corporate entity (like a DA) rather than a municipal structure is the ability of the 'DA' to offer a business like environment and service offering, and the scope to manage customer relationships in a business-to-business model.

**Adopt flexible spatial scales:** 'Development Agencies' can operate at a citywide scale but are also able to function at either more local or wider levels. This is important given that economic development challenges are often focussed at local or sub-regional levels.

**Achieve confidence of external investors and other businesses:** confidence of investors, developers and business customers is an important ingredient in maintaining market position for local and sub-regional economies.

**Become a tool maker and fully utilise existing tools:** economic development tools need to be fully utilised and new tools need to be made to fit new imperatives. These tools often involve the interplay of public and private interests and assets. 'Development Agencies' can be effective tool makers and tool users, combining different powers, resources, and assets to make development happen.

**Share risks and costs actively with partners:** Development Agencies can operate as joint venture vehicles between different sectors and between different tiers of government.

**Leverage assets and investment:** assets and private capital are key to reinvestment markets and Development Agencies can help to leverage them towards city economic development goals.

**Refresh image and identity and communicate development progress:** image and identity is supported by branding and marketing activity which needs to be a focus of concerted action. Co-ordination is essential.

**Apply leadership to problem solving:** problem solving is key to making economic development successful. Development Agencies are often able to supply the skills and approaches required, unencumbered by other mandates.

## APPENDIX 1

### A BRIEF SUMMARY OF EACH OF THE SIXTEEN AGENCIES

#### 1. Auckland - AucklandPlus

##### *The Auckland region context*

The Stronger Auckland programme (2009) suggests that,

*‘It is increasingly recognised that Auckland is New Zealand’s only city-region capable of competing globally, and that its performance will have a major impact on the nation’s future development. Its overall size in relation to the economy and activity more generally across New Zealand society is widely recognised. The Auckland region can offer New Zealand a gateway to the rest of the world, with energy, variety, opportunities and an emerging Pacific identity. Alternately, Auckland could simply be a drag on the nation’s resources.’*

The Auckland region has much to offer in an increasingly internationalised economy; the key test is how Auckland develops such resources and positions itself on the global stage. **This is the challenge which AucklandPlus has been created to address.**

##### *What does AucklandPlus do?*

As the region’s official investment promotion agency and business unit of the Auckland Regional Council, AucklandPlus undertakes two main tasks:

- i) Inward investment promotion: identifying and promoting the competitive advantage of the Auckland Region (business and lifestyle), establishing the Auckland brand, engagement with businesses domestically and internationally and capitalising on opportunities as a result of emerging trends.
- ii) Facilitating inward investment: ‘playing Cupid’ between key businesses, their leaders and the relevant networks, bodies and individuals in Auckland to ensure investment in secured and retained. AucklandPlus also advises on market opportunities and where to find specific expertise and sources of support and finance.

As well as providing support to a number of specific business sectors (Biotechnology, Creative industries, Food and Beverage, Information and Communications Technology, Specialised manufacturing such as Marine), AucklandPlus also facilitates large, multi-agency, cross-boundary/council regional economic development projects such as the Metro Project Action Plan.

*Keynote project or programme*

**Brand Auckland.** The development of a comprehensive approach to promoting Auckland as a region by establishing a publicly engaging brand used by the visitor and events sector, as well as business. The brand has been used for all off shore marketing activities.

**2. Barcelona - *Barcelona Activa***

*The Barcelona context*

Barcelona offers a remarkable case study of self-determined economic transformation in a city. Set up in 1986, Barcelona Activa was created against the background of a challenging socio-economic climate. Barcelona's unemployment rates were at over 20%, the city was suffering post-industrial decline, economic restructuring and the closure of a number of large factories, and there was a lack of entrepreneurial initiative. Entrepreneurship was seen as a key contributor to social cohesion and inclusion and business creation was seen as a means of job creation. Innovation was seen as important due to its ability to contribute to the consolidation of an industrial framework which can adapt and evolve with the changing economic paradigm.

Much is known about how Barcelona's successful mounting of the Olympic Games in 1992, and the major localistic and cultural projects it has undertaken. Much less is known about the major infrastructure investments and the transition to a knowledge-led entrepreneurial economy which has been fostered by Barcelona Activa.

*What does Barcelona Activa do?*

Barcelona Activa is the local Development Agency of the City Council of Barcelona and was created in 1986. Initially conceived as a business incubator with 14 projects installed, the agency is now a driving force behind entrepreneurial activity, innovation, professional and career development and the creation of employment within Barcelona. A model of successful public-private partnership, each year Barcelona Activa coaches more than 1 400 business projects towards business creation, and more than 350 agencies are helped in the fields of business consolidation and growth.<sup>3</sup> The agency was conceived as a municipal limited Agency, which means that it is a private Agency, funded and 100% owned by the Barcelona City Council.

*Keynote project or programme*

**Human capital development and new employment opportunities.** This line of action promotes Barcelona Activa as the meeting point for human capital in the city of Barcelona, by increasing the professional opportunities that the new work cultures, the new occupations and the emerging economic sectors offer to the population. The programmes are defined based on the prospective labour and skills demands of the economic sectors. The activities seek to develop the workforce in the evolving context of the labour market and to reduce the mis-match between the offer and demand of skills in the labour market. They also aim to improve local production processes and harness better the skills available locally, thereby leading to higher quality jobs and a more competitive local economy.

**3 & 4. Bilbao - *Bilbao Metropoli-30* and *BILBAO Ría 2000***

*The Bilbao context*

During the industrial era, Bilbao's double blessing of a seaport and vast mineral wealth endowed the city with prosperity. Bilbao's success continued until the 1970s, a time when it was the wealthiest region of

Spain. All this changed, however, in the late 1980s when its shipyard closed because of low-wage competition from Eastern Europe and Asia. A deep economic crisis developed. There were areas with 35% unemployment and outmigration of 75 000 inhabitants.<sup>4</sup> The local environment fell into deep decay with 52 industrial ruins that comprised 48 hectares of land, abandoned local neighbourhoods, and entire valleys and river banks devastated by pollution.<sup>5</sup>

Throughout the 1980s there was a significant effort at renovation and revitalisation, with efforts to build new infrastructure, highways and bridges in particular. By the end of the 1980s, however, it was recognised by Basque officials that what was needed was a new beginning - a new image, a new post-industrial economic base - in short, an entire reinvention of an ancient, declining city.

*What does Bilbao Metropoli-30 do?*

The Association Bilbao-Metropoli 30, an entity for promotion and research set up for projects in planning, study, and promotion, aimed at the renewal of Metropolitan Bilbao and its image in the region and abroad.<sup>6</sup>

*Keynote project or programme*

**Visioning Bilbao.** Because capital is more mobile and free to choose where to locate than ever, softer factors such as the way a city is perceived and branded are critical to its success. As a result, Bilbao Metropoli-30 is increasingly undertaking long-term visioning work for the metropolitan area. Using value and perception-based analysis, Bilbao Metropoli-30 is constructing a vision of the city's future. Once established it will create a target towards which stakeholders in the economic development system in Bilbao can work.

*What does BILBAO Ría 2000 do?*

The Society Bilbao Ría 2000 aims to reclaim deteriorated areas or industrial areas in decline. It integrates, coordinates, and takes action in the area of localism, transport, and environment. It comprises the central administration and the Basque administrations (among them the City Hall of Bilbao). Its singularity lies in its members' agreement to develop the city only along lines that are approved of by all the bodies involved.

*Keynote project or programme*

**Abandoibarra.** Abandoibarra is the most emblematic of all the projects carried out by BILBAO-Ría 2000 in its regeneration of the city of Bilbao. This area at the heart of the city covers 348,500 square metres, and includes the area between the Guggenheim Museum and the Euskalduna Palace. The area was in the past, the home to harbour facilities, a railway station for containers and a shipyard.<sup>7</sup>

*How do the two organisations complement one another?*

The two organisations work together in that:

- Bilbao Metropoli-30 develops plans and forwards long-term strategies for the Metropolitan area.
- Bilbao Ria 2000 manages specific local revitalisation projects, often on disused public lands within the city of Bilbao, working on behalf of the public sector land owners.

## 5. Cape Town - *Cape Town Partnership*

### *The Cape Town Central City context*

The Cape Town Central City went through a period of gradual decline in the 1990s. This was marked by business and capital flight to decentralised office parks and retail malls, a partial collapse of municipal systems such as kerbside parking, absentee landlords and 'sick' buildings, rising crime and grime on the streets, a loss of property value and reduced municipal income.

### *What does the Cape Town Partnership do?*

The Cape Town Partnership (CTP) is a Central City development partnership with both public and private sector membership focused on improving Central City performance and building a long term agenda for Central City development, based on shared public and private risk and benefit. It receives grants from local government and Central City management is financed by a levy charged to property owners in exchange for the provision of top-up services. It has two distinctive but overlapping operations:

- The CTP itself. A strategic partnership for the long term development of the Central City.
- The Central City Improvement District (CCID). A Central City local management organisation delivering services to improve the safety and the sanitation of Cape Town's Central City.

These two entities share a common corporate resource base and institutional arrangements whilst reporting to distinct Boards.

The CTP does not duplicate or replace the role of the public sector (particularly its statutory and regulatory roles), but seeks to add value to the public services and planning processes. In conjunction with a wide range of stakeholders, the Partnership acts as an initiator, facilitator, coordinator and manager of projects. The CTP also manages the CCID, a non-profit organisation that provides complementary services and programmes that make the Central City a cleaner, safer, and more attractive place – conducive for development, investment and growth.<sup>8</sup> The four core CCID functions are: security, local management and cleansing, social development and job creation, and social marketing and communications.<sup>9</sup>

### *Keynote project or programme*

**City Centre Development Strategy (CCDS).** The Partnership and the City of Cape Town published a 10-year framework for action entitled the CCDS in October 2008. The CCDS is based on the following vision: 'In the next ten years, the Cape Town Central City will grow and greatly enhance its reputation as a dynamic business and people centre' and focuses on 'outcomes' and 'big ideas'.

## 6. Hamburg - *HafenCity Hamburg GmbH*

### *The Hamburg context*

For more than 100 years Hamburg has been one of the world's ten most important port cities. Following the destruction of approximately 70% of warehouses and 90% of quayside storage facilities in World War II, Hamburg's port facilities underwent significant restructuring. By 1956, the harbour had been rebuilt and modernised, whilst the arrival of containerised shipping in the late 1960s reshaped the harbour area. As a result of these fundamental changes in the nature of harbour activities, the trans-shipment business moved to more modern facilities south of the River Elbe. Whilst the traditional wharves and quays next to the city centre continued to play host to traditional shipping, it became increasingly clear



that they were better suited to modern goods storage. This allowed the City of Hamburg to recover this area for the city centre during the mid-1990s without adversely affecting the port's economic interests.<sup>10</sup>

*What does HafenCity Hamburg GmbH do?*

The area known as 'HafenCity' is Europe's largest inner city local development zone.<sup>11</sup> It is managed by HafenCity Hamburg GmbH, a 100% subsidiary of the Free and Hanseatic City of Hamburg. HafenCity Hamburg GmbH is engaged in an integrated process of intensive local restructuring. HafenCity Hamburg GmbH carries out two distinct but highly inter-related functions. At one level, it is involved in very high-level and complex project management. This responsibility over 'local restructuring' encompasses all types of infrastructure in the area, such as streets, promenades, parks, plazas and the quay wall. At the same time, the agency is also concerned with local management in terms of managing the performance of the district e.g. making the public realm attractive, encouraging people to come to the area and building up new social networks and formal and informal institutions.

*Keynote project or programme*

**HafenCity.** The area known as 'HafenCity' is Europe's largest inner city local development zone.<sup>12</sup> It represents a 40% extension to Hamburg's existing city centre. Its key features are:

- Total size: 157 hectares, Land: 123 hectares, to 2.0 million m<sup>2</sup> of gross floor space, 5 500 homes for 12 000 people, business premises with capacity for more than 40 000 jobs, expansion of Hamburg's city centre by 40%.

## **7. Johannesburg - Johannesburg Development Agency**

*The Johannesburg context*

Following the liberation elections of 1994 and a new democratic regime, local governments in South Africa strived for economic development, combined with social and spatial integration, and began to take on more responsibility for local development. Following the visit of an international delegation of local development experts in 1999, and in response to ongoing acute challenges in the Inner City of Johannesburg towards the late 1990s, it was decided that a Development Agency was needed in the city to spur local economic development and local regeneration.

*What does the Johannesburg Development Agency do?*

Created in 2001, the Johannesburg Development Agency's (JDA) core role sees it approach development through capital investment. It works on the assumption that well-considered investments in public infrastructure will not only provide a direct service but will also catalyse private investment in the built environment. The 2006 GDS itself is 'a long-term plan to ensure sustainable delivery of services, deal with social and economic development, involve residents in local government and promote a safe and healthy environment.'<sup>13</sup>

*Keynote project or programme*

**Rea Vaya/Bus Rapid Transport System.** In response to the limited provision of high quality public transportation the City of Johannesburg has introduced the Rea Vaya Bus Rapid Transit System.

## **8. Leicester – Prospect Leicestershire**

Prospect Leicestershire was set up 8 April 2009 by Leicester and Leicestershire City and County Councils to simplify the current economic development arrangements and to drive forwards economic growth across the local area of Leicester and its surrounding county. Leicester City Council, Leicestershire County Council and the county's seven local borough and district councils will all participate in the new Agency.

*What will Prospect Leicestershire do?*

Prospect Leicestershire will ensure that there is a co-ordinated approach to the delivery of business growth, investment and regeneration anywhere in Leicester and Leicestershire. This 'no boundaries' approach is the first of its kind in the UK and was made possible by the unique agreement between Leicester City Council and Leicestershire County Council, with the support of all the district and borough councils across the county. Prospect Leicestershire will focus on three principal delivery aims: *Regeneration and Sustainable Economic Growth, Inward Investment, Business Enterprise.*

*Keynote project or programme*

New Business Quarter at Leicester Station. This project is Prospect Leicestershire's highest priority flagship scheme. The current proposal is to re-configure uses and buildings around the station to create a new public square, entrance hall for the Station and development sites for the creation of 300 000 square feet of new office space, a hotel and a new multi-storey car-park.

## **9. Liverpool - Liverpool Vision**

*The Liverpool Context*

Between 1950 and 2000, it suffered 40% population loss and between the 1960s and mid-1980s lost some 43% of its jobs.<sup>14</sup> In the latter half of the 1990s things began to change for the better. Despite its devastation, the city importantly retained its spirit, energy and zeal. With the help of EU structural funds and other disparate sources of public investment, Liverpool began to build itself a new future based on a re-orientation towards the service sector economy and improved domestic and international positioning. Between 1995 and 2006, Liverpool's GVA grew by 6.9% p.a., the stock of jobs increased by 12% to 226,514 and the number of businesses increased by 11%. Most symbolic of this transformation was the rejuvenation of the City Centre, Waterfront and South Liverpool, together with the growth of Liverpool John Lennon Airport.<sup>15</sup> The successful hosting of the 2008 European Capital of Culture (the most successful ever according to the European Commission) should also not be forgotten as a symbol of the city's new-found confidence, renewed leadership, delivery capacity and socio-economic progress. The next stages of Liverpool's resurgence took place 'in a very different public and private investment context.'<sup>16</sup> The years between 1993 and 2008 saw 'considerable public intervention and investment, particularly to redress the effects on long term under-investment in physical infrastructure, including transport and key gateways across the City and particularly to address shortfalls in quality business premises.'<sup>17</sup>

*What does Liverpool Vision do?*

Liverpool Vision is a recently-inaugurated Development Agency dating from April 2008. It brings together the activities of three agencies - Liverpool Vision (a pre-existing organisation of the same name), Liverpool Land Development Agency and Business Liverpool - and will integrate economic and physical development, symbolic regeneration projects, investment and business and enterprise support within a delivery-focused, private sector-led Agency. As well as its support of the business it also plays a key role

in influencing and working with other Agencies as a key partner on the Liverpool First Economic Development and Enterprise Partnership to help to address crucial issues of enterprise, employment, skills and jobs. As part of its mission to ‘create a world class city for business’ and lead the ‘next phase of the city’s transformation,’ the organisation has four strategic priorities around which it organises its work.<sup>18</sup> They include: *Quality of place, Vibrant economy, Global connectivity, and Thriving people.*

#### *Keynote project or programme*

**Quality of place.** One of Liverpool Vision’s priorities is to ‘develop an outstanding quality of place, making the most of Liverpool’s distinctive assets and potential as a maritime cultural centre, optimising its role as the economic, transport, knowledge and cultural hub of the city region, developing a premier built environment, public realm and effective transport connectivity for business, residents, workers, tourists and visitors.’<sup>19</sup> Liverpool Vision’s Quality of Place is shaped around drivers and actions to establish Liverpool as a core city and regional business centre.

## **10. Madrid - Madrid Global**

### *The Madrid context*

Madrid is one of the most rapidly-emerging international cities in Europe, and is set to become recognised as a major European metropolis. Following a decade of outstanding investment to modernise infrastructure and capacity in the city, Madrid now embarks on a programme of international positioning. The city is shifting from a phase of intensive building and modernisation to a phase of positioning and building international rapport.

### *What does Madrid Global do?*

One of Madrid Global’s primary objectives is to establish and deliver upon a strategy for international positioning. As such, Madrid Global’s core business and its specific projects predominantly fall in line with the city’s 2008 Strategy for International Positioning (2008-11). Madrid Global therefore employs a number of basic types of action to set this strategy in motion: international affairs and city diplomacy; the management and execution of the international projection of the City; the planning and development of international positioning plans and strategies; and the fostering of public-private partnerships for internationalisation.

Madrid Global is not a typical city marketing agency. It does not undertake investor liaison or client handling. Its core role is to foster strategic alliances, effective strategies and collaboration amongst agencies and institutions already in Madrid with key organisations elsewhere in the world. Through this core activity, Madrid Global will raise interest in Madrid in the rest of the world, and position it effectively to contribute to global discourse and action.

### *Keynote project or programme*

**Internationalisation strategy development and delivery.** Working from the Madrid’s 2008 Strategy for International Positioning (2008-11) which the organisation helped to craft, Madrid Global is charged with the development and delivery of the process of internationalising the City of Madrid. The strategy is based on an appreciation of Madrid’s unique assets which through a series of ‘vectors for action and communication’ are used to create four strategic objectives which include: 1) Madrid, the third European Metropolis; 2) Madrid, focal point of the Spanish-speaking world; 3) Madrid, a nexus between cultures and continents; and 4) Madrid, an local reference for highly dynamic emerging cities.

## 11. Milan - *Milano Metropoli*

### *The Milan context*

As a response to the deterioration of Milan's socio-economic structure particularly in North Milan, in 1994, the Municipality of Sesto San Giovanni organised an OECD LEED Programme socio-economic audit. This investigation helped to analyse the situation, draft local development guidelines and transform the industrial crisis into a relevant opportunity. In January 1996, Falck (an industrial Agency) closed the last steel factory in the area (pushed also by EU policies), making 1 700 workers redundant. A quick and effective reply was necessary. Following the OECD LEED recommendations, the Province of Milan launched a 'bottom-up experience of inter-municipal and municipal-provincial co-operation to bolster local economic development.'<sup>20</sup> The local municipalities and the Province of Milan set up a local Development Agency which operated on a voluntary basis and was known as Agenzia di Sviluppo Nord Milano (ASNMI). The agency aimed to address problems related to de-industrialisation due to the out-movement of many large firms and the dissolution of many traditional manufacturing firms.

Due to its success, the agency increased its membership to other municipalities, important financial institutions and agencies and, in 2005, was restructured as a public-private agency known as Milano Metropoli.

### *What does Milano Metropoli do?*

Milano Metropoli promotes sustainable development throughout the Milanese area by means of actions, projects and services. These are designed to increase the competitiveness of local businesses, support growth in strategic industrial sectors and advanced services, and heighten awareness, both in Italy and abroad, of the skills, opportunities and centres of excellence available in the area. Milano Metropoli's strategic activities include: *Promoting the area. Supporting strategic economic sectors. Special re-industrialisation and local regeneration projects. Supporting local Agencies.*

### *Keynote project*

**Expo dei Territori: Verso il 2015.** A key objective for Milano Metropoli has always been to foster the inclusion of a range of partners in the territorial development process. This is particularly significant in relation to the big drivers of transformation, such as global events and major infrastructure development. With this aim in mind, Milano Metropoli and the Province of Milan, with the support of Fondazione Banca del Monte di Lombardia, promoted a competition entitled 'Expo dei Territori: Verso il 2015' or 'Expo of Territories: Towards 2015'.

## 12 & 13. New York - *Abyssinian Development Corporation and New York City Economic Development Corporation*

### *The New York context (New York City Economic Development Corporation)*

The New York City Public Development Corporation, the New York Economic Development Corporation's (NYCEDC) predecessor organisation, was founded in 1966 to revitalise New York City's struggling economy. The organisation's primary objective was to retain and create jobs and generate revenue for the City by facilitating the sale and lease of City-owned property. In 1979, the City created another organisation to focus specifically on the financial elements of the City's economic development initiatives outside of its real estate transactions. This organisation was eventually called the Financial Services Corporation of New York City.

By the early 1990s, New York City had six Agencies devoted to economic development. The City engaged the consulting firm McKinsey & Co. in the summer of 1990 to deliver recommendations on how to best promote economic development in New York City. Following this period of consultation, during spring of 1991, it was announced that the City would consolidate the Agencies into two groups: the New York City Economic Development Corporation (NYCEDC) and the Department of Business Services.

From 1991, the newly-formed body of the NYCEDC has assumed the services previously undertaken by the merged corporations, including overseeing programs of the New York City Industrial Development Agency. NYCEDC also undertakes services previously performed by the City's Department of Ports and Trade.

*What does the New York City Economic Development Corporation do?*

The NYCEDC works to promote economic growth in New York's five boroughs (The Bronx, Brooklyn, Manhattan, Staten Island and Queens) and to encourage investment in the city in a number of industry sectors. The organisation is concerned with broadening the city's tax and employment base whilst simultaneously meeting the needs of both large and small businesses. There is also a focus on revitalising communities by enriching neighbourhoods, publicising new areas of development and opportunity in the five boroughs, and creating local jobs.

*Keynote project or programme*

**Business Services.** To connect businesses to information and opportunities the NYCEDC provides industry expertise and financial resources... The NYCEDC can also advise agencies on the New York market and potential opportunities, provide help in finding office space, help smooth the process of working with the City Government, and act as a medium between agencies and business and community leaders.

*The Harlem context (Abyssinian Development Corporation)*

During the late 1980s, Harlem was suffering from unemployment, high levels of violence, AIDS and homelessness. A lack of investment by banks was compounding the problem as building owners who sought to make repairs had difficulty in getting loans. Indeed, between the 1960s and the 1990s, few new commercial or residential buildings were built.

*What does the Abyssinian Development Corporation do?*

Created by The Abyssinian Baptist Church in 1986, the Abyssinian Development Corporation (ADC) was a response to the difficulties faced in Harlem. The creation of the organisation was supported principally by encouragement from Reverend Dr. Calvin Butts, III as a way for the congregation to rebuild its community. ADC is a non-profit community development corporation dedicated to building the human, social and physical capital of the area of Harlem in New York. From simple beginnings in 1986 and its incorporation as a not-for-profit community development organization in 1989, ADC has grown into a nationally renowned community and economic development corporation. ADC offers services to the community through five programs: (1) Affordable housing development; (2) Social services; (3) Economic revitalisation; (4) Education and youth development; and (5) Civic engagement.

*Keynote project or programme*

**Affordable Housing Development.** ADC believed that the upgrading of Harlem's physical infrastructure was vital as a first step towards revitalisation. During the organisation's first full year of operation, 65% of the housing in Central Harlem was city-owned, due largely to abandonment. In

comparison, less than 1% of the housing stock is now owned by the City. This shift has been achieved by ADC and other community development corporations in the area developing rental housing and homeownership opportunities for the residents of Central Harlem. Over the past 20 years, ADC has developed over 1 500 units of affordable housing in 82 buildings. The majority of this has been targeted at very-low and low-income families, the homeless and senior citizens. Over 100 homeownership opportunities for moderate-income families have also been created. ADC believes that home ownership is key to a neighbourhood's success and growth and there is still a significant gap between levels of home ownership in Harlem and levels of home ownership in New York as a whole, with Harlem consistently lagging behind. Over the next three years, ADC is set to focus on completing major preservation, rehabilitation and revitalisation efforts in the immediate neighbourhood – 'The Abyssinian Neighbourhood' - and there are plans to develop over 200 units of affordable housing that will be available to homeowners of all income brackets.

#### **14. Sheffield - Creative Sheffield**

##### *The Sheffield context*

Sheffield is the fourth largest city in England, with 530 000 inhabitants, while the city-region has a population of 1.75 million... As a city-region, Sheffield is a hybrid of local and rural locations, with strong economic potential and distinctive cultural and environmental assets. The city grew rapidly in the 1800s with the expansion of the metal-working industry and the mass production of steel. By the 20<sup>th</sup> century the metal industry was flourishing and employed 75 000 by 1911. The 1973 global oil crisis, however, and the increasing globalisation of trade and manufacturing dealt a major blow to Sheffield's manufacturing base. The city's industrial heartland was unable to adapt sufficiently to market changes. The steel industry in the UK was privatised and saw significant job losses as the new agencies contracted in an effort to remain globally competitive. The decline in the economy was inevitably accompanied by concomitant social problems. The city witnessed some de-population and outward migration, though not as much as many other northern UK cities.

Local regeneration of Sheffield began to occur in the late 1980s under various interventions. Amongst other interventions, success was achieved through the actions of Sheffield's Development Corporation (SDC) and Sheffield First Partnership. The latter represented a model adopted by many other cities and by the New Labour Government as best practice.

##### *What does Creative Sheffield do?*

Creative Sheffield was the first of the UK's new local economic development delivery vehicles - the City Development Agencies and Economic Development Agencies (CDCs/Development Agencies) – to be set up. It was officially formed on 1 April 2007 and was designed to 'substantially enhance Sheffield's capacity to develop and deliver economic strategy.'<sup>21</sup> Creative Sheffield was also initially tasked with preparation and management of the city's Economic Masterplan. This provided the framework for the economic and physical development of Sheffield over the next 10 to 15 years from 2008. The Masterplan focuses on enhancing inward investment, developing the city's physical infrastructure, accelerating the growth of knowledge-based businesses and undertaking strategic city marketing.

##### *Keynote project or programme*

**Leading the Sheffield Economic Masterplan.** Creative Sheffield was also initially tasked with preparation and management of the city's Economic Masterplan. Since the Masterplan was unveiled in January 2008 to provide a vision for Sheffield's transformation by 2020 Creative Sheffield has led its

delivery. It is also the responsibility of Creative Sheffield to report on progress of how the effectively the Masterplan is being delivered.

### **15 & 16. Toronto - *Build Toronto and Invest Toronto***

Faced with challenges of declining employment in manufacturing in the past 20 years, the city of Toronto has successfully diversified its economy and now exhibits real strengths in the knowledge and creative sectors. It also offers areas of global leadership, including in the green economy, a large and deep pool of talented workers, and is extremely socially diverse, nourished by an outstanding quality of life.

Despite its dynamic economy and evident ambition, the city is suffering from investment and infrastructure deficit, affecting everything from housing to public transport to hospitals, and this has led to concern about the sustainability of economic and population growth. At the same time, despite success in attracting and fostering knowledge and creative sectors, there is growing awareness that the city's economic development efforts do not yet position it effectively to make the most of global opportunities or to leverage its own assets to attract investment.

Following a review of the city's development efforts and Agencies, and building upon the Agenda for Prosperity and the Fiscal Blue Print, The City of Toronto has decided to create two new Development Agencies.

- **Invest Toronto:** predominantly outward-facing organisation with the responsibility of achieving a better presence and market share for Toronto in international markets and contested investments.
- **Build Toronto:** predominantly inward-facing organisation with the responsibility of property development, institutional investment, local and asset management, brownfield redevelopment, job creation, and sustainable development.

#### *What will Invest Toronto do?*

Through the start-up process, a list of potential specific roles was identified by the Interim Board and key stakeholders. They included: *Investment promotion; Investment facilitation; Investment retention; City marketing and branding; City intelligence gathering; Building a coherent investment system*

#### *What will Build Toronto do?*

It is intended that Build Toronto will contribute to the economic development system in Toronto by increasing value of lands and implementing projects with specific economic development objectives, including job creation. Build Toronto will work to deliver six key objectives: *Build value in our lands; Revenue generation and prudent financial management; Focus on development – joint venture, value added sale, sole build out; Leverage development expertise; Return a 'dividend' to the city; Over time, build an organisation that is action oriented, understands the development process and is respected by stakeholders.*<sup>22</sup>

#### *Keynote project or programme*

As the two organisations are only recently incorporated it is not yet clear what their keynote projects will be.

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  - 4 Harvard Design School 'The vision of a Guggenheim Museum in Bilbao', accessed April 2009, ([www.gsd.harvard.edu/people/faculty/pollalis/cases/BilbaoG-CaseA.pdf](http://www.gsd.harvard.edu/people/faculty/pollalis/cases/BilbaoG-CaseA.pdf))
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  - 7 The 4th Biennial of Towns and Town Planners in Europe – Project reports (2001) (<http://www.planum.net/4bie/main/m-4bie-bilbao.htm>)
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  - 14 Liverpool City Council, Northwest Regional Development Agency and English Partnerships, 2008: Liverpool 'New Economic Development Agency' Commencement Plan, Revised Working Draft
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  - 21 Economic Development and Creative Sheffield' Bob Kerslake and Vince Taylor (2004) (<http://www.sheffield.gov.uk/index.asp?pgid=35768&mtype=print>)
  - 22 Braithwaite, L (2009), Build Toronto presentation