APPENDIX 1

OECD LEED PROGRAMME

LOCAL ECONOMIC STRATEGY SERIES

REVIEW OF BELFAST, UNITED KINGDOM.

TABLE OF CONTENTS

Boxes

Figures

Tables

CHAPTER ONE: THE REVIEW

LEED and the OECD

The Organisation for Economic Co-operation and Development (OECD) is a multilateral body with active relationships with countries, NGOs and civil society. Its work covers economic and social issues from macroeconomics, to trade, education, development and science and innovation. The OECD plays a prominent role in fostering good governance in the public service and in corporate activity. It also helps Governments to ensure the responsiveness of key economic areas with regional monitoring. Created in 1982, the co-operative action programme on Local Economic and Employment Development (LEED) identifies, analyses and disseminates innovative ideas on entrepreneurship, local development and the social economy (www.oecd.org/els/LEED).

The LEED Mandate 2005 - 2010

The concept of local development is evolving rapidly. A subject of concern mainly for local authorities some years ago, local development now matters to a whole range of actors and to Central Governments in particular. Governments are conscious that in a globalised economy, localities and regions compete on a world scale and must base their strategies on their local assets, knowledge, skills and other competitive advantages in order to succeed. To promote their social and economic development in an effective and sustainable way, localities and regions must pursue strategies that are cross-cutting and comprehensive, involving all relevant actors. There is a clear role for Government in facilitating the emergence and development of prosperity at the local level.

Members look to LEED for advice on how best they can support this process in their country. They also wish that all levels and actors benefit from the exchange of know-how. In this context, the current mission of the LEED Programme remains highly valid:

- ***to improve the quality of public policy in economic, labour market and social areas, implemented at the local level, through continuous monitoring and assessment of current practices;***

- ***to promote the exchange of experience and information and the diffusion of innovation in local economic and employment development and the renewal of local economies***; ***and***

- ***to provide assistance for member countries in the design, implementation and assessment of local development strategies, to support exchanges with non-member countries and to serve as a critical link both between local and regional institutions and between the OECD and sub-national bodies***.

This mission requires both a multidisciplinary view and a broad perspective open to different approaches, cultures and institutional contexts. Its activities should cover all areas crucial to make local development strategies effective, from local governance and skills to entrepreneurship and social inclusion.

The Belfast Study

A study review of local development in Belfast at this time is an important undertaking. There are two fundamental reasons for this.

Firstly, the success of Belfast over the next 25 years is critical to the success of Northern Ireland, which is in turn essential if the people of the region are to enjoy the right quality of life and standards of living and if the lasting dividends of the Peace Settlement are to be secured and broadly shared. Northern Ireland is a small region by European standards and it enjoys some excellent attributes and characteristics which should be the basis for long term economic success. However it will only succeed if the City of Belfast, its capital, major business and employment hub, infrastructure platform and largest settlement, is also able to succeed. Smaller provinces and nations do not succeed if their capital city fails and many smaller nations have realised that enabling the capital to thrive is key to helping other regions grow and become more dynamic. There is no zero sum competition between the cities and towns in such countries, nor are there in Northern Ireland.

What is required is that each city or town is able to build upon its own unique and distinctive strengths, connect better with the places around it that provide opportunities for trade and economic collaboration and to marshal effective and proactive programmes of local development. To mount such programmes effectively, a clear national framework of strategies and goals is required and, at the local level, effective leadership, development tools and investment resources must be available to help make development and sustainable growth happen. This means that land use planning, infrastructure investment, asset management and interventions which promote investment, enterprise, innovation, skills and employment must be co-ordinated together to promote local growth.

Belfast should not be perceived to be in competition for public resources with other parts of Northern Ireland. Rather, it should be seen as a gateway for trade, employment, services and visitors and a magnet for private sector investment, growth sectors and jobs that can benefit the whole region.

In Belfast and Northern Ireland more widely, there is an important and distinctive challenge. Following the years of unrest, private sector confidence in the region and the city now have to be studiously rebuilt if the gains of peace are to be achieved. Confidence is different from aspiration; it will result from a demonstrated capability of making investment work, being open to business and encouraging new private sector employment. Northern Ireland’s key economic challenge is to gradually build a much stronger private sector economy and, in the long term, to reduce the dependence on public sector transfers and employment.

The kinds of public investments that will best leverage private investment overall will be those that focus on achieving economic outcomes and are managed in ways which mirror the disciplines of market based players.

There is an important second reason why an OECD study of Belfast is important at this time. Many countries in the OECD and beyond, want to learn from the experience that Belfast and Northern Ireland are now having. This can be viewed through a series of important universal themes, which are at the core of the challenge which needs to be met:

- how a local economy can recover from the blighting experience of 30 years of troubles and violence which have eroded business confidence, human capital and institutional capabilities at the local level. Lessons that Belfast can learn will be useful in the Balkans, in Africa and in Latin America;

- how a city can go from being a net exporter of people over several cycles to reversing population decline and beginning to attract population again. These lessons will be especially useful in central and eastern Europe where population loss though migration to the west has been rapid since EU enlargement;

- how a city or region can shift from being dominated by public sector employment to having a healthy mix of public and private sector jobs and activity. This lesson is important in all countries going through fundamental economic reforms and there will be particular interest in those regions where long term inter-regional transfer payments will come to end soon;

- how Local Government and other local actors, begin to acquire the capability to promote development actively after many years of highly centralised administrative arrangements. This is an important and current question in Northern Ireland, but also an important aspect of the shift to local democracy and accountability in many other regions around the world; and

- how the shift to a knowledge based, lower carbon, economy can take hold in a city whose history was forged on the production of the world's greatest manufactures? This is an important lesson in many post industrial cities but Belfast's potential is especially significant given the huge scope of redevelopment land available and the great strengths of its universities and research capability. How quickly and effectively can the transition be achieved?

These five points do not summarise everything that is important about Belfast for the rest of the world but they help to show why explaining the Belfast story internationally and shaping the options for the future is so key. What is achieved in Belfast over the next five years is not just important for Northern Ireland but it is also of great interest for many other places.

In short, Belfast must succeed if Northern Ireland is to realise its peace dividend and if Belfast does succeed, there are lessons for many other parts of the world that must be distilled and disseminated.

Terms of reference were agreed between Belfast City Council (BCC) and the OECD LEED Programme which set out explicit questions relating to key themes as detailed below:

1. Leadership

- How can local and regional leadership ensure that there is both economic growth and economic inclusion?

- What are the mechanisms for encouraging private/public partnerships and the tools/strategies to make the private sector stronger, more dynamic and risk taking?

- What is the capacity required for dynamic and strategic economic development activity?

2. Economic growth

- How do we foster wealth creation for the city?

- How to develop in spite of poor Research & Development investment?

- What are the city's main economic assets? How would they be exploited further to achieve increases in output, productivity and employment?

- What can be done to increase innovation and enterprise development in the city?
- How can external corporate and financial investment into Belfast be increased?
- What should be the main priorities and mechanisms for the city's economic and investment strategy?
- How should economic strategy contribute to creating better economic inclusion?
- How can we develop an economic and investment strategy to promote growth?

3. Economic inclusion

- How do we ensure there is economic inclusion in Belfast?
- How can we ensure that all communities in Belfast have the opportunity to benefit from economic growth?
- How can the city's economic growth reach the far economically excluded and disadvantaged?

4. Quality of life/place

- How do we increase quality of life to support economic growth?
- What soft factors are needed to ensure better quality of life for people of Belfast?
- How do we ensure the place is attractive to its people and for investors?

5. Economic development delivery mechanism

- What would be the best organisational and delivery mechanisms to support economic growth in Belfast?
- What are the benefits of creating appropriate delivery mechanisms?

This study draws on an extensive analytical tool kit developed by Belfast City Council over the last six years. It is enhanced by the sound regional analysis and policy framework emerging from the Northern Ireland Executive. The methodology for the work was based on OECD Peer Review practices which rely on a team of international experts, study missions and commissioned reports. The Expert Team were:

- Debra Mountford, Senior Policy Analyst and Manager of the OECD LEED Forum on Development Agencies and Investment Strategies;
- Katia Travkina, Policy Analyst for Outreach Activities;
- Greg Clark, Chair of the OECD LEED Forum on Development Agencies and Investment Strategies.
- Prof. Peter Tyler, University of Cambridge;
- Andrew Boraine, Chief Executive of the Cape Town Partnership;

- Gary Lawrence, Urban Strategies Leader, ARUP;
- Paul Sweeney, Economic Advisor, ICTU; and
- John Simpson, Local Advisor.

The methodology for the study has been standard OECD peer review evaluation. An expert team has had access to key documentation and analysis and engaged in substantive discussions with politicians, policymakers, civil society, business, trade unions and other stakeholders.

The report is structured in the following way. The rest of this chapter provides a brief discussion of the international context in which the economic development of Belfast should be seen at the present time. Chapter two then discusses the key issues that are relevant in taking forward the economic development of Belfast at the present time. Chapter three then considers approaches to the economic development of large capital cities that have been adopted elsewhere. Chapter four outlines a way forward for Belfast and the possibility of creating a Development Agency that would seek to coordinate endeavour. Chapter five discusses issues relating to key areas of policy activity and instruments and Chapter six identifies how the process of economic development in Belfast might be led and resourced. Chapter seven draws together key conclusions and recommendations.

The economic development of Belfast-the international context for local economic development

The assessment of how the economic development of Belfast might best be undertaken in this report has been informed by an underlying conceptualisation of local economic development that has been developed by LEED over many years and which is subject to regular review and updated as the relevant knowledge and evidence base evolves and changes.

It is against this international and national backdrop that this report considers the current state of economic development in Belfast and how the city's economic development might be best pursued in the years ahead.

Belfast: profile of the city 2007/08

Demographics

Belfast city has a population of 267,374, which represents 15.35% of the Northern Ireland total population of 1,741,619. The population density of Belfast is 2,445 persons per km^2. The wider Belfast Metropolitan Area has a population of approximately 645,536.

The economy

Over the last 10 years, Northern Ireland has been one of the fastest growing regional economies in the UK.

Belfast has almost 30% of the total employment in Northern Ireland (this figure rises to 50% for the Belfast Metropolitan Area). The public sector accounts for almost 39% of total employment.

30,000 additional jobs were created over the last decade in Belfast and close to 23,000 more jobs are forecast between 2005 and 2015.

Labour costs are 15% lower than the UK average.

Almost 35% of the working age population is economically inactive.

Belfast has one of the lowest employment rates in the UK, at just 59.2%.

The average gross weekly earnings of full time employees in Belfast has increased by 6.12% between 2005 and 2007. The average gross weekly earning of full time employees in Belfast is GBP511.20 in comparison to GBP675.20 for all of Northern Ireland and GBP537 for the rest of the UK.

The increasing number of jobs in the city has had a positive effect on unemployment which has fallen dramatically in recent years (from 9.3% in 1997 to 3.9% in 2007).

Belfast is one of the top five urban economies in the UK. It accounts for the largest share of VAT registered businesses in Northern Ireland (13.35%) with 9,125 VAT registered businesses. 73.5% of businesses employ fewer than 10 people and 87.3% employ fewer than 20 employees. Almost 700 foreign owned businesses are based in Northern Ireland, of which around half are located in Belfast.

Education

Education standards in the city's grammar and secondary schools are among the highest in the UK. In 2007 in Northern Ireland:

72.4% of young people achieved grades A* to C at GCSE level (compared to 63.3% in the rest of the UK);

The overall A to G grades at GCSE level rose slightly by 0.1% to 98% (also the same for the UK 98%);

28.1% of students achieved 'A' grades at GCE A level (compared to only 24.1% in the UK);

There were 47,970 undergraduate and 7,080 postgraduate students;

Students achieving first class or upper second class honours degrees increased by 29% from 4,012 to 5,165 (over the last decade);

Over 3,000 IT graduates qualified from Northern Ireland's higher education institutions; and

Over 18,645 students were enrolled in IT related disciplines.

Deprivation

According to the Northern Ireland Index of Multiple Deprivation (2005):

Belfast has eight of the 10 most deprived wards in Northern Ireland;

Belfast has nine of the 10 worst wards in the region in relation to health deprivation;

There are 82,986 people in Belfast experiencing income deprivation and 30,119 people experiencing employment deprivation; and

6.5% of the city's population live in 10% of the most deprived SOAs in Northern Ireland.

In the city in 2006:

14.4% of people aged 16 to 64 were claiming incapacity benefit;

12.7% of people aged 16 to 65+ were claiming housing benefit; and

9.7% of people aged 16 to 65+ were claiming income support.

CHAPTER TWO: TAKING FORWARD THE ECONOMIC DEVELOPMENT OF BELFAST: THE KEY ISSUES

Belfast in 2008 has become a dynamic and outward looking city. It is a city driven by a desire to grow its economy and address its social challenges. The Peace Process has yielded a dividend which is set to continue and there is now an ambitious Programme for Government emerging from the Northern Ireland Assembly. But whilst the pace of recent change has been considerable it is recognised that the Belfast economy faces many challenges that have to be faced if it is to achieve its undoubted economic potential and become an internationally successful city. Enhancing the economic growth of Belfast is of fundamental importance to the overall growth and future well-being of Northern Ireland as a whole.

This chapter begins by outlining the broad policy environment within which the future economic development of Belfast will take place. It outlines the overall Economic Vision for Northern Ireland, the Regional Economic Strategy, the Review of Public Administration and the Civil Service Reform Agenda. It then assesses what recent research has identified to be the weaknesses of the Belfast economy at the present time and which thus need to be tackled if the pace of economic momentum is to be increased and the benefits of economic growth are to be shared more equally by Belfast's residents. Particular attention is given to understanding more about the key factors believed to be constraining the development of Belfast City Centre. The chapter concludes by summarising the key issues that an Economic Strategy for Belfast has to address.

The Economic Vision for Northern Ireland

A number of key documents have emerged over the last two years that have provided insight into the shape and form of the key changes envisaged.

In February 2005, the Department for Enterprise, Trade and Investment produced the Economic Vision for Northern Ireland which set out in broad terms how it was hoped that the Northern Ireland economy would evolve in the period up until 2015. The vision statement focused on the changes required in enterprise, innovation and skills to increase Northern Ireland's productivity and thus ultimately its rate of economic growth. In May 2006 the Northern Ireland Government also produced its first Sustainable Development Strategy (NISDS), 'First Steps Towards Sustainability,' with the emphasis being on highlighting the challenges that exist in securing economic growth whilst maintaining the quality of the environment and the overall quality of life in Northern Ireland.

In January 2007, the Strategic Policy Division of the Department of Finance and Personnel released Northern Ireland's Regional Economic Strategy (RES). The RES defined principles and actions that it was thought the Government in Northern Ireland should put in place to ensure that the Economic Vision was achieved against a background in which the Review of Public Administration and the Civil Service Reform Agenda would deliver a different and more efficient public sector interface. The RES paid particular attention to identifying the opportunities and challenges facing the Northern Ireland economy and the scope for action in infrastructure provision, the stimulation of enterprise (including inward investment), enhancing skills, innovation and R&D, stimulating employment and reducing economic inactivity. (See box below)

Then, as a precursor to the full establishment of a Devolved Administration in Northern Ireland, the Northern Ireland Executive produced its Draft Programme for Government 2008-2011 ('Building a Better

Future’). The Programme for Government provides the basis for the Budget and Investment Strategy of the new Assembly that were also published at the same time.

These key documents by the Devolved Administration make clear that growing the economy will be the top priority of the Administration over the lifetime of its Programme for Government. Robust economic growth will provide the platform on which to tackle social exclusion and improve the quality of life of all the population of Northern Ireland.

How economic growth is likely to be reflected across the cities, towns and rural areas of Northern Ireland is discussed at length in ‘Shaping Our Future’ - the Regional Development Strategy produced by the Department for Regional Development. This Strategy reflects a ‘hub, corridor and gateway framework to regional development,’ with the emphasis being on investing in the urban hubs, the creation of an upgraded and integrated transport system and the generation of new employment opportunities around the regional gateways of ports and airports. The Strategy makes clear that ‘while the importance of Belfast and its hinterland as the primary engine of growth is recognised and the role of Londonderry as the economic hub of the North West, the Strategy encourages decentralised growth throughout the region, focused on the main towns and facilitated by upgrade transport corridors, to provide a regional network of economic development opportunities, supporting a vibrant economy’ (Shaping Our Future, page viii). Further insight into how economic growth is likely to be both managed and encouraged for Belfast and the immediate city-region is contained in the ongoing ‘Belfast Metropolitan Plan’ (BMAP) being developed by the Planning Service in the Department of the Environment.

Whilst ‘Shaping Our Future’ and the BMAP provide overarching strategic guidance it is still uncertain at the present time what roles and responsibilities will be assigned to Local Government and over what period of time. This awaits the final recommendations of the Review of Public Administration (RPA) and their acceptance by the Government in Northern Ireland. In late 2007, The Executive Sub-Committee on Local Government Reform and Modernisation reviewed the original RPA decisions on the new or enhanced functions proposed for Local Government building upon the results of a stakeholder engagement process. It made a number of proposals but there are at least two modifications to the original RPA proposals that are significant. The first is that DoE is to transfer Local Development Planning (including town centre and subject plans) but it is proposed that there should be a separation between Area Plans and Local Plan functions with Central and Local Government taking different roles. Second, under the revised proposals, not all of the development plan functions will transfer to Local Government. The reform of the planning system will progress over the next 3-4 years in advance of any transfer of functions to ensure that the system is ‘fit for purpose.’ It is proposed that the Department of Social Development (DSD) transfers Urban Regeneration and Community Development Delivery Functions but not the housing related functions relating to Urban Renewal Areas.

Northern Ireland's regional economic profile

The economy

The broadest indicators of economic performance, GDP and GDP per capita, have risen steadily in the UK. In recent times Northern Ireland has shared in this economic success, displaying particularly impressive economic growth over a sustained period. Economic growth over the last 15 years has more than matched that of the UK as a whole. Growth in per capita GDP has followed a similar path and, on this measure, Northern Ireland has also been the fastest growing region over the same period.

While GDP growth since 1990 was marginally above that of the UK, employment growth in the region has been significantly higher. In the period from March 1990 to March 2006 the number of employee jobs increased by 31% in Northern Ireland compared to 9.5% for the UK as a whole – fuelled largely by growth in the service sector. This has been reflected in an improving employment rate.

In spring 2006, the unemployment rate of 4.5% was the second lowest amongst the regions of the UK. Long-term unemployment has also fallen considerably – in 1990 it was about 46,000 whereas it had fallen to around 13,000 by spring 2006.

The recent strong economic growth and employment performance in Northern Ireland materialised despite significant changes in the structure of the economy. The changing structure of the Northern Ireland economy is also reflected in the increased importance of the tradeable services sector to the local economy. Over the past 20 years, manufacturing employment has declined by approximately 10%, whilst the employment contribution of the services sector has increased by around 45% over the same period. This reversal of fortunes is even more noticeable in recent years. The services sector's share of Gross Value Added (GVA) has risen from 49% in 1998 to 58% in 2004, whilst that of the manufacturing sector has declined from 37% to 28% over the same period. In 2006 financial year alone, around 15,000 jobs were created in the Northern Ireland private services sector, reflecting the strength of the sector locally.

While the level of innovation in the local economy is still relatively low, recent growth in R&D activity amongst small firms is encouraging. For example, expenditure on R&D by small firms increased from GBP25.3 million in 2003 to GBP33.3 million in 2004.

Progress has also been made in relation to entrepreneurship. Between 1994 and 2004 there was a 21% increase in VAT registrations in Northern Ireland. This was well above the UK average of around 9% and better than all the other UK regions. More recent research by the Global Entrepreneurship Monitor (GEM) also indicates that entrepreneurial activity in Northern Ireland has increased recently, with Northern Ireland now ranked 10th out of the 12 UK regions – up from 11th in 2002.[1] Furthermore, Northern Ireland has the highest business survival rates of all UK regions.

In the 10 years since 1993/94 exports from Northern Ireland more than doubled in real terms, including particularly impressive export growth from small businesses. In addition, exports also became relatively more important over that same period and are today worth about a fifth of the total Northern Ireland economy.

Northern Ireland has a fast growing labour supply and in the last decade the population of working age has increased by more than 100,000. In general, the educational attainment of young people in Northern Ireland compares favourably with the rest of the UK.

Challenges

Sustainable development - The challenge is to move to a sustainable economy, which reduces deprivation and inequalities and improves the quality of life for everyone whilst protecting the environment and its resources.

Economic growth and convergence - Despite a strong economic performance, Northern Ireland's relative ranking in terms of UK regional prosperity has changed little since 1990. While above average growth (particularly in the 1990s) has made some inroads into the gap in prosperity it remains the case that Northern Ireland's GVA per capital is still some 20 per cent below the UK average. The challenge going forward is to make further inroads into the gap in GVA per capita with the rest of the UK but, as illustrated over the last 15 years, this challenge is very substantial since the average UK GVA continues to grow as well and thus remains a progressively higher target.

Productivity - Northern Ireland has the lowest productivity levels amongst the UK regions.

The structure of the Northern Ireland economy - Northern Ireland has proportionately more employment in industries such as construction, agriculture and the public sector. In addition the type of services sector employment generated in Northern Ireland tends to be lower value added in nature with a significant proportion of the employment growth in services being in the retail, wholesale, hotels and restaurant sectors. Moreover, the proportion of people employed in the service sectors with high average valued added (transport, storage and communication and real estate, renting and business activities) is appreciably below that of the UK as a whole.

Innovation levels in Northern Ireland - 56% of firms in Northern Ireland had some form of innovation activity during the period 2002-2004, which is broadly similar to the UK average of 57%. Northern Ireland continues to lag behind the rest of the UK, particularly with regard to business expenditure (BERD) for which Northern Ireland is currently ranked as eleventh out of the twelve UK regions. One area of R&D expenditure where Northern Ireland performance has outstripped that of the other UK regions and, indeed, some EU regions, over the last two years is Higher Education (HERD), which accounted for 50% of total R&D in 2004. The upshot of these statistics is that businesses in Northern Ireland are to be encouraged to invest more in R&D and innovation.

Enterprise levels in Northern Ireland - Northern Ireland's entrepreneurial activity, as measured by VAT registrations, while slightly higher than in Scotland and Wales, is well below the UK average.

Skill levels within the workforce -Educational attainment has been relatively high in Northern Ireland but this has not always translated into the local labour market. There is also evidence of poor skill levels in the existing workforce with a high proportion having low or no qualifications.

Investment and infrastructure - Compared to other parts of the UK, Northern Ireland invests less, per capita, in roads and transport and other areas such as ICT.

Economic inactivity in Northern Ireland- Over the last decade, economic inactivity amongst those of working age has been on the increase. While some of this is explained by increasing student numbers, much of it is due to a near 30% increase in those economically inactive for reasons of sickness or disability

Influence of the Public Sector - Public services tend to be labour intensive and in Northern Ireland a disproportionately high number of the workforce is engaged in the public sector. Northern Ireland's public sector workers enjoy a significant pay premium compared to the private sector. Northern Ireland receives significantly more public expenditure than any other UK region. More specifically, per capita, Northern Ireland receives around 30% more in public funding than the UK average, which in part reflects greater socio-economic needs. In terms of the economy, the influence of public sector expenditure is very substantial in Northern Ireland. Its influence has grown significantly since 1999 and is now at a level equivalent to around 70% of our local GDP. This is substantially above the average level of the UK, or any of its other regions.

Initiated by the UK Government, The Review of Public Administration has been a lengthy process. The Assembly reviewed the process and have now agreed a settlement for reform which is more consistent with their collective objectives. On 31 March 2008, Environment Minister Arlene Foster made the following announcement:

> "Our vision is one of a strong, dynamic Local Government creating communities that are vibrant, healthy, prosperous, safe and sustainable and have the needs of all citizens at their core. Central to this is the provision of high quality, efficient services that respond to the needs of people and continuously improve over time. It reflects the strong desire that Central and Local Government should work in partnership."
>
> "The current 26 council areas will be rationalised to create 11 new council areas. This strikes a balance between reducing some of the diversity between the existing areas in terms of population

characteristics and rating wealth and promoting the ability of councils and their communities to identify and interact with each other."

> "New innovative and creative models of service delivery will be developed to promote modern and efficient practice, by grouping councils together for the delivery of significant services, such as planning, regeneration, building control and environmental health. These will work in tandem with other service providers."

The functions that will be transferred to Local Government include:

- local development plan functions, development control and enforcement;
- local public realm aspects of roads functions including streetscaping; town and city centre environmental improvements; street lighting; off-street parking; permitting local events to be held on roads etc;
- urban regeneration and community development delivery functions including those associated with physical development, area based regeneration (such as Neighbourhood Renewal) along with some community development programmes and support for the voluntary and community sectors;
- a range of housing functions; and
- a number of functions associated with driving forward local economic development, local tourism and local arts, sports and leisure.

Arrangements will also be developed whereby Local Government will have a formal input to the decisions in relation to a number of responsibilities that are remaining with Central Government.

The Minister continued:

> "The strengthening of Local Government will be a process not an event. The Executive will review the family of functions to be delivered by Local Government 12 months after the new Councils become operational and periodically thereafter."

> "The decisions I have set out today provide the firm foundations and framework for a once in a generation opportunity for us to create strong, effective Local Government that is at the heart of vibrant, safe and sustainable communities, delivering co-ordinated services for all our citizens."

This significant change in governance arrangements will present enormous opportunities for Belfast. The Executive has placed democratic accountability and citizen engagement at the heart of its agenda. Restoring power, responsibilities and a degree of autonomy to Local Government is a fundamental part of the delivery of this agenda. There is clearly much that needs to be done to build the capacity of Local Government if it is to play its full part in the process. However, transferring responsibilities and building the required capacities has to be done in a way that does not interfere with the Central objective of enhancing the competitiveness and thus growth rate of the Greater Belfast economy. We discuss how this might be achieved in chapter four.

The Belfast Economy

Over the last 10 years, the Northern Ireland economy has been able to grow at between 2-3% per annum and has thus equalled or out-performed the United Kingdom average. However, regional and local economic analysis shows that the economies of both Northern Ireland and Belfast suffer from some structural weaknesses:

- **an under-developed private sector**: The majority of private companies (89%) are micro enterprises employing less than 10 employees;

- **over dependence on the public sector**: In Northern Ireland, the public services sector has generated 155,000 out of the total of 172,000 additional jobs created over the last three decades. Northern Ireland's public sector equates to 61% of GDP, Belfast's to 39%;

- **low levels of business start-ups**: Northern Ireland has the second-lowest level of business formation. Belfast's new VAT registered start-ups account for the largest share of VAT registered businesses in Northern Ireland (11.05%), however its entrepreneurship levels remain low;

- **low levels of R&D investment**: Northern Ireland has amongst the world's lowest percentage of GDP invested in R&D – just 41% of the UK average;

- **high levels of economic inactivity and long-term unemployment**: 36% of working-age population in Belfast are economically inactive (higher percentage than the Northern Ireland average). While unemployment within Belfast has been declining steadily, long-term unemployment is still a significant problem. Also there remain concentrations of high levels of unemployment in specific parts of the city. In particular, west and north Belfast have the highest proportions of the unemployed in Belfast;

- **population decline (Belfast only)**: Belfast's population has been falling. Having declined by 3.5% between 1991 and 2005 However there is evidence that this decline is now stabilising as figures for 2006-7 reveal only a 0.23% drop; and

- **economic discrepancies (mainly Belfast):** Overall, 48% of the Belfast population live in the most deprived Super Output Areas (SOAs) in Northern Ireland. The evidence shows that nearly 30% of the population in Belfast experience income deprivation. The income scale of the Multiple Deprivation Measure rank Belfast's Local Government District (LGD) a rank of one (one being the most deprived) out of 26 LGDs. Belfast has both one of the most deprived SOAs in Northern Ireland - Whiterock Two, which is ranked one in Northern Ireland and the least deprived SOA Stranmillis One, which is ranked 872 in Northern Ireland.

Since the beginning of the century, Belfast City Council has taken an active role in stimulating discussion as to how the future growth and development of the Belfast Metropolitan sub-region and its surrounding areas should best be managed. Several major workshops have been held to promote discussion. At the first, in 2004, Professor Peter Tyler argued that the 1990s was the decade when the Republic began to realise its potential by developing Dublin and its immediate sub-region. The next 10 years could see a similar transformation for Belfast and Northern Ireland as a whole. Tyler also argued that there were a number of economic factors that could constrain growth in Belfast with the availability of accessible serviced land being one.

However, some of the biggest challenges remained in the labour force where the existing skills base was inappropriate to meet the needs of modern industries. Tyler argued that growing cities have to be attractive places to both people and business if they are going to turn themselves around after suffering extensive deindustrialisation. In terms of bringing about business success, cities have to deliver a quality of life that is desirable to those people and companies who are likely to be good at demonstrating enterprising behaviour wherever they are. The economic vitality of Belfast could revolve around its development as an economic hub that provides access to specialised inputs and employees, generating high levels of innovation and small businesses creation with a central emphasis on knowledge based industries (biotechnology based around university and medical research) and includes representation in financial services and other new and emerging sectors such as the aerospace, information and communication industries. Success in these areas would be reinforced by the continued development of Belfast as a centre for tourism and port related activity and as a centre of Government.

The success of such an economic hub depends crucially on coordinating activity across the sectors of Government, knowledge, finance and the business community in Belfast. A Regeneration Strategy for Belfast has to consider how the development of the cluster will be resourced including, crucially, the availability of new sites for development on the Arterial Routes as well as in the Harbour Lands. It will also have to identify how the City Centre can be upgraded in relation to both its retail and office pitch recognising the guidance and evidence contained in the BMAP.

But other key components of the Strategy have to recognise the urgent need to overcome many of the deep seated problems of social exclusion that exist across Belfast and to identify how the benefits of future economic growth can be shared more evenly. At the same time, all of the key service providers have to consider how they can deliver quality services to their inhabitants in the years ahead-the hallmark of a truly Core International City.

For the 2004 'State of the City' conference, Belfast City Council carried out an audit of the extant development strategies and plans affecting the city. The key points emerging from this audit were that there was a strategy 'overload' with, at that time, at least 55 current strategies and plans and that there was no commonly agreed development framework for Belfast. Many agencies had a regional rather than a Belfast remit and there was fragmentation between policy setting and its implementation.

There also appeared to be widespread duplication of effort and dilution of limited resources and single functional bodies and agencies were overly dominant. With a lack of transparency and accountability and there were concerns around the ability of Government to delivery policy agendas across organisational boundaries. Local authority powers were limited in scope and there was a lack of local autonomy and community involvement with an absence of strong leadership and no 'champion' for the city.

At the 2004 conference, Tyler also observed that Belfast had been under-performing economically for many years with poor linkages to the city's hinterland and the economic corridor extending through to Dublin and Londonderry. There was also great inequality between neighbourhoods. Although many of the key resources were in place, including a quality workforce, there were a number of factors that impeded the ability of land, capital and labour markets to adjust. Existing partnerships were not well-linked and there was no common agenda and a lack of trust. There were too many Government Departments, too much dependency on Government and poor linkages between Local and Regional Government.

It was recognised that there was a wealth of talent, expertise and resources in Belfast which if harnessed could enable it to compete with the world's leading cities but that good governance was a key element in enhancing competitiveness and achieving success. Belfast seemed to be particularly disadvantaged in that it was not represented by a lead body with the necessary powers. Tyler observed at the workshop that successful cities in this respect had been able to enhance the core competences of both

their place and that of their **residents** to make the city a relatively attractive location for business activity. Cities also had to **bring together the agents of change** from across all the relevant sectors and parties get them to work together and adopt a **strategic approach**.

The strategic approach usually involved drawing on an evidence base that incorporated best practice, monitoring, evaluation and a clear baseline that described the state of economic, physical and social problems; the relative needs, priorities and objectives. It also required a clear understanding of how physical changes in the city related to the desired effects on local people and a careful consideration of how the resources from key service areas are deployed to maximise the attractiveness of the city with an emphasis on coordination and synergy. It is important to seek inclusive outcomes-a key element in success and to find resources for initiatives not only through conventional routes but also through the use of other innovative mechanisms.

Professor Michael Parkinson has carried out two 'State of the City' evaluations of the Belfast economy, the first in 2004 and the second, a follow up study in 2007. Each report analyses the competitiveness of Belfast and makes substantive recommendations that were presented alongside the work of Tyler and others. The most recent study concludes that:

"The challenges, opportunities and changes Belfast faces are often those faced more widely across the region. They are not peculiar to Belfast. The second important message is that there is good news. There has been real progress in Belfast even in the three years from my first 'State of the Cities' report. The third message is that despite those achievements and big opportunities, the city also faces a series of equally big challenges. Within Northern Ireland the tectonic plates have shifted. The return of self-Government, the creation of the Regional Assembly, the changes involved in the Review of Public Administration means that attitudes, politics and institutional behaviour and relationships are shifting in welcome - but often uncertain - ways. And competition between places globally has increased since the last report. So even if Belfast has improved, many other cities nationally and internationally have improved as much - if not even more. In the future, Belfast will have to run harder just to stand still.

A more general observation is that Belfast's governance and decision-making system seems at the limits of its capacity. So many changes are taking place - economically, physically and politically - that the institutions are having to try very hard to keep up. Some of the progress that has taken place in the city in recent years is almost despite, rather than because of, the governance arrangements. Belfast faces a window of opportunity but that opportunity could pass it by if the place, the people and the system do not seize them. To improve decision-making performance, Belfast will need to create deeper levels of trust between institutions, communities, people, places and parties than currently exist. Belfast has further to go in achieving partnership working. It also faces capacity problems, with often not enough people with the right skills and experience in the right institutions to manage change successfully. If Belfast is to flourish further, it will need grown up leadership from a whole range of institutions and organisations. Belfast will need more vision, leadership, trust and partnership. **But despite those concerns, it is crucial to remember that Belfast is getting better. And many people and organisations are already doing great work**. **There is no cause for pessimism but rather much cause for optimism - if Belfast's leaders seize the time."**

Parkinson's work provides the most recent comparative data for the city but a recent update provides useful analysis which draws Dublin into the equation. Belfast and Northern Ireland have a particularly complex challenge of having two major economies impact upon their economic growth. They are part of the United Kingdom, but are significantly dependent upon the Irish economy too. Fortunately, this is an area where there is a strong appreciation of the challenge at all levels of Government. It raises many strategic issues with respect to taxation, infrastructure and investment – all of which need to addressed within the near future.

The comment highlighted in bold made by Parkinson merits further comment. Over the last decade the OECD LEED Programme has actively engaged with the city of Belfast and has witnessed a remarkable decade of progress and change that has led to the transition of the city. Belfast has matured and the economic turnaround whilst benefitting from favourable macroeconomic conditions has also grown from a very clear local agenda.

Belfast City Centre

It is not possible to discuss the future growth of Belfast without considering its centre. There is widespread acknowledgement that the Belfast City Centre has undergone a remarkable turnaround over the past 10 years. The Laganside area is being successfully redeveloped. Retail is considerably stronger and night-time entertainment and leisure activities have increased. There are new developments such as the Odyssey Arena, Victoria Square, Royal Exchange, Titanic Quarter and an extension to the Grand Opera House, as well as growing numbers of visitors, including business tourists and new hotels. The GBP16 million 'Streets Ahead' programme public realm upgrade projects (sixteen million pounds) and initiatives such as the More Time campaign (to promote the evening economy); City Centre Beat (to reduce retail crime) and Festive Lighting 2007 are all beginning to impact positively.

The City Centre matters

More importantly, there is broad agreement that the Belfast City Centre matters economically, socially and culturally, to the rest of the city and to the region. This is perhaps best summarised by the following statement by Councillor Nelson McCousland at the Belfast: 'State of the City' Conference (2006):

"Our City Centre is key to wider success. It remains the 'shop window' not only for Belfast but for the entire region. It is the arrival point for many of our visitors, our business travellers and investors. Its townscape plays an important role in presenting the physical identity of the city and of Northern Ireland. As such, it is an asset that needs to be carefully cultivated as a driver for urban competitiveness"

Range of initiatives

Perhaps as a consequence of the recognition of this role, the Belfast City Centre is possibly one of the most researched urban areas in Northern Ireland. Over the past five years, numerous frameworks, policy statements, studies, reports and conferences have generated countless recommendations for action and implementation (these are listed at the end of this chapter)[2].

In particular, there has been a great deal of analysis on the regeneration of the public realm, with detailed public realm improvement proposals. There are also a wide range of public, private and community organisations involved to a greater or lesser extent in the regeneration of the City Centre – at least seven Government Departments, the Laganside Corporation, the Belfast City Council (where seven departments have City Centre responsibilities), the Belfast Chamber of Trade and Commerce, the Belfast City Centre Management Company (BCCM), Translink (transport services), Belfast Visitor and Convention Bureau (BVCB), etc.

Challenges

There is relative agreement amongst most stakeholders as to the nature of the constraints, challenges and problems that Belfast City Centre faces at the present time. These include limited activity after 5pm with perceptions amongst the general public that there is a general lack of safety. When asked to rate their feeling of safety, 89% of interviewees noted 'excellent' or 'good,' a massive increase from 49% the previous year. Only 11% of respondents thought it either 'adequate' or 'poor' compared to 51% in 2006.

There is insufficient residential mix and a high number of deprived communities residing on the periphery of the City Centre. The public realm is felt to be of poor quality and there is limited green space. There are a number of transportation issues that include the domination of private transport over public transport, pedestrians are effectively squeezed out by vehicular traffic flow and there is conflict between public transport routes and public spaces. Other concerns revolved around a lack of independent retail offering, poor shop fronts, limited public lighting and a lack of connectivity to the Harbour and River Lagan.

Strengths

On a more positive note, there is also consensus on some of the inherent strengths of the City Centre. These include the compact nature of the City Centre area with a good urban structure, strong built heritage relatively good airport, ferry, rail and road linkages, good walking potential and growing local economic nodes: Centre (500 retail outlets, representing almost 50% of the Northern Ireland total), Cathedral Quarter (arts and culture), University Quarter (Queens University, bioscience) and Laganside.

Vision

There is general consensus on a vision for the regeneration of the City Centre. And yet, the vision for the City Centre remains relatively limited and circumscribed. One of the difficulties is a lack of clarity about the vision and strategy for Belfast as a whole – what the city could be and what it wants to become. This makes it difficult to define the role of the City Centre as a specific (and special) node within a multi-nodal metropolitan economy.

In particular, there is a need to give more content to Belfast's distinctive identity and unique sense of place. For example, the Belfast City Centre Management Company's stated vision for the City Centre is: "a vibrant, exciting, cosmopolitan City Centre with its unique character and style that puts people at its heart." There is nothing wrong with this as a vision statement, except that it is almost identical to those of countless other cities around the world. As such, it says nothing about what the 'unique character' of Belfast actually is and does not add much to understanding the comparative competitive advantage of the City Centre for Belfast and Northern Ireland.

Similarly, the Belfast City Council's 'City Centre Framework' is fairly generic: "... to create a place where people want to live, work, visit and be proud."

Much of the proposed public realm improvement strategy for the City Centre focuses on ways to reinforce Belfast's strong built heritage that dates from the industrial and commercial period from the 1880s that generated the substantial Victorian and Edwardian landscape. This is also exemplified by frequent references to the role of the Harland and Wolff shipbuilding firm, the launch of the Titanic in 1912 and the current development of the Titanic Quarter. Again, there is nothing wrong with these references. However, Belfast's character and identity is as much defined by the period of civil strife from 1969 to 1998 and by the inspiring Peace Process of the past 10 years, as by the city's 'Golden Age.' The contemporary political period needs to also shape the evolving identity of the City Centre.

There tends to be a lack of economic context, with a resultant overemphasis on the centre city as retail destination and public realm improvement to attract footfall. Belfast has over 30% (192,000 jobs) of total employment in Northern Ireland (50% if the greater metropolitan area is taken into consideration). The Devolved Administration has made it clear that growing the economy will be the top priority of the Administration. The Belfast City Centre (and Belfast as a whole) needs to position itself more explicitly in relation to infrastructure provision, the stimulation of enterprise (including inward investment), enhancing skills, innovation and R&D, stimulating employment and reducing economic inactivity.

There tends to be insufficient focus on people and, in particular, residential densification. This is recognised by the Belfast City Council: “We need cleaner streets, we need welcoming public spaces for all, we need better transportation, we need a unique cultural and shopping experience and most importantly, *we need people*” (‘A City Centre Action Plan for Belfast,’ page 34, emphasis added). The City Centre population in 2001 was 7,600, just 2.7% of Belfast’s total population. This low number of residents needs to be viewed within the general trend towards residential decentralisation in Belfast: there has been an 8.5% decline in the number of Belfast residents between 1991 and 2005and a concomitant population increase in outlying areas of between 10 – 18%. In addition, there is a lack of an approach to integration of surrounding neighbourhoods, with resultant continuing social exclusion. The percentage of City Centre residents who have never worked or who are long-term unemployed (17%) is significantly higher than the Belfast average of 9% (City Centre Profile, 2006).

There should be more focus on the role of the City Centre in sustainable development, including sustainable resource management (especially energy efficiency in commercial buildings), integration of work and residence and the promotion of public transport. There has been a decline in Translink annual passenger carryings over the past few years. Moreover, there are for example approximately 10,100 parking spaces in the City Centre, a five-fold increase since 1980. These worrying trends signify the growing domination of private car usage.

Conclusion

If the wider Belfast economy is to secure its objectives in relation to economic growth then it requires a concerted strategy that will enhance its underlying relative economic competitiveness and address the structural weaknesses that have been identified in this chapter. This is essential if Belfast is to attract the investment that underpins economic growth. This strategy should be based on recognition of the particular role played by advanced urban agglomerations in enhancing regional competitiveness and which is currently influencing the shape and form of urban policy in many countries. A strong and fast growing Belfast economy is thus of fundamental importance for the growth and development of Northern Ireland as a whole. The strategy has to consider how to enhance the quality of the work force, as well as providing a good supply of accessible land and premises to accommodate growth. Particular attention has to be given to upgrading key infrastructure that provides good quality access and communication links, particularly between Belfast and other parts of Northern Ireland and the Republic. Enhancing the quality of the public realm, developing Belfast City Centre and building links to the Laganside area are also important.

Besides identifying the actions that are required to enhance the competitiveness and growth of the Greater Belfast area, the strategy also has to identify how the process can be managed to ensure that all of its residents share in the benefits of economic growth. Many of those who are amongst the most excluded live in the inner city areas of Belfast and around Belfast’s main arterial routes. Tackling this requires a coherent programme of urban regeneration.

Finally, developing a coherent strategy with which to take the future development of Belfast forward is only part of what is required. Once a strategy is in place it has to be delivered and given the complexity of the task this requires bringing together the relevant agents of change from across the sectors of Government, business and the community and voluntary sectors. And this has to occur against a background of rapid institutional change as the new Assembly delivers its ‘Programme For Government’ and the recommendations arising from the Reform of Public Administration are implemented. The next chapter considers the options for delivery by considering what other large cities have done elsewhere in the United Kingdom and in the rest of the world.

NOTES

[1] Measured as Total Entrepreneurial Activity (TEA)

[2] Belfast City Centre Regeneration Policy Framework, DSD, July 2003

Belfast City Centre Regeneration Policy Statement, DSD, April 2004

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Encouraging People Back to the City, Belfast City Council, recommendations from Lars Gemzoe and Martha Schwartz, June 2006

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Belfast: City Centre 2006, a Profile of People, Property and Place, Belfast City Council, May 2006

Belfast: A Profile of the City, 2006/07, Belfast City Council, June 2006

Belfast 'Streets Ahead' Programme phase one projects, DSD, June 2007

Belfast City Centre Management's Healthcheck and Benchmarking Report, 2007

Belfast: A Profile of the City, 2007/08, Belfast City Council, April 2007

CHAPTER 3: THE POSITION ELSEWHERE

Introduction

Much has been written about how successful cities have been able to able to transform their economic fortunes (CLG, March 2007 and ODPM, 2006). The evidence suggests that to be successful they have to find ways of enhancing the core competences of both their place and that of their residents to make their city a relatively attractive location. They do this by bringing together the agents of change from across all the relevant sectors and get them to work together through a strategic approach.

Very few cities have been able to reverse their economic fortunes without creating some type of regeneration body that represents a partnership of key players from across Government, the private sector and the voluntary and community sectors. The advantages of a partnership led approach have been suggested to be greater leveraging of resources, economies of scale, attainment of synergy and an approach that can help to avoid duplication, promotes specialisation and enables large transformational projects to be delivered (CLG, 2007).

The evidence is that turning things around does not come easily. It requires action by the market and the State and indeed all of the key stakeholders working in partnership, although the structure and form of this has varied considerably. Getting cities to grow again has only been a part of the problem. The growth needs to be shared across the communities of a city. Trickle down has often been weak or even nonexistent and thus successful cities have had to work hard at ensuring that hard won gains in economic prosperity are shared across deprived neighbourhoods.

This chapter provides a brief overview of the approaches that have been adopted to encourage the economic development of cities in recent years. It focuses on the positions adopted elsewhere in the United Kingdom, reflects briefly on the international position where in many cases a Development Agency model has been pursued and concludes with a brief discussion of the broader economic development policies adopted by the Republic since this perspective is essential in understanding the options for the development of Belfast and Northern Ireland as a whole.

The OECD LEED conceptual framework for Development Agencies and economic strategies

National economic policies across the world are converging. The growth of world and regional trade arrangements, shared currencies and external fiscal disciplines agreed with multi-national investors, fuels this convergence, leaving less to choose in pure policy terms between different countries as sites for investment. Overall, the world is becoming more urban and as a consequence de-urbanisation in the developed world has been reversed. Global processes have had discernable differential local impacts. Cities and metropolitan regions have been re-established as fundamental economic units and some have learned how to do this better than others. In this context, some of the key dimensions of city economic development have become more clearly visible and definable. It is now possible to state that a key aspect of city economic development is about local attempts to manage and shape economic change, at the sub-national level, positively and to be pro-active in doing so. Essentially, such efforts are trying to <u>position</u> their city to benefit from the new demand side drivers in the international economy. It may look, to the un-initiated, like a series of ambitious but disconnected projects and programmes to help (for example) workers, small firms and land adjust to new crises and opportunities. However, in this context, city economic development is fundamentally a change, risk, asset and relationship, <u>management</u> activity. Porter argues that city managers are realising that the greater locational differentiation may now be possible at sub-national level. Cities and metropolitan-regions might exploit their natural assets and investments in distinctive ways, ways which provide a significantly enhanced platform for commercial success and job creation, relative to both their basic trend rates and to some other cities and metropolitan regions.

City economic development efforts are seeking to recognise and articulate the dynamic external contexts in which a sub-national economy is operating and to actively manage and shape them, bringing forward improved supply side responses at the local level. Whilst National and Federal Governments pull the macro-economic levers, city economic development attempts to make interventions at the sub-national level which can enhance the beneficial (or remediate the negative) impacts of the macro changes and the higher tier policies. Local economic 'management' is at least as important now as local economic 'development,' meaning that cities and metropolitan areas have to manage important 'client relationships' with existing key industries and investors, as well as with workers and consumers and individual firms if they are to make the most of macro changes and militate the risks it brings. This is why city economic development has shifted much more towards strategic and management functions in the past two decades and rather less on the simple chasing of key outcomes (e.g. individual FDI deals). This in part is reflected by how the organisation of city economic development has changed very much from being a departmental activity within City Governments to also being a civic leadership and partnership activity with many stakeholders involved and capable development agencies managing it.

Over the past 10-20 years, there has been dynamic growth of the sub-national efforts to promote economic well-being in most of the developed world. Not all of the developments tend in exactly the same directions but there are now few absolutely fundamental differences of philosophy. As an overall framework, it is clear that city economic development now takes, as a starting point, dynamic macro-economic change. Indeed the beginnings of active economic development promotion in many developed countries can be traced back to much wider processes of de-industrialisation, massive technological change, or continental economic integration. It is recognised that the larger drivers of change have recently tended to have highly divergent sub-national impacts. Recent economic history has given a particular emphasis to the internationalisation of the economy and its relationship with a new global trade regime and trading blocks, the evolution of new generation ICTs, widespread public sector reform and de-centralisation and large scale (mainly pro-urban) demographic shifts.

Local economies must constantly reinvent themselves through structural and microeconomic adjustments and thus policies should enable each locality to respond quickly and effectively to the enhanced mobility of capital, management, professionals and skilled labour and technology innovation. If a local response is either inadequate or too slow to take full advantage of endogenous resources and competencies in the face of such new challenges, it will be by-passed, leaving declining sectors, communities and cities behind.

The quest for effective means for cities and regions to pursue economic, physical and social development is accelerating. The context is an increasingly open global economy, major changes in demographic and social trends and renewed interest in the devolution (or de-centralisation) of powers and responsibilities from national and state tiers, to more local and regional entities. The central intention is that nations will be better off if their cities and regions perform better in economic, social and environmental terms. This is based on the observation that the knowledge economy favours cities as preferred locations in the way that the industrial economy (especially in the last 50 years when technology altered the established geography of production) may not have done. But the assumption is that for cities and their regions to increase their contribution to national prosperity and welfare, there will need to be improvements in the way that cities and regions address persistent barriers such as high costs and poor environments, underused assets, co-ordination failures, weak leadership and low investment. At the same time, there will need to be an improved incentive structure to encourage cities and regions to really succeed, rather than to just manage what they have.

Over the past 20 years, EU integration has had the effect of:

- concentrating advanced economic activity in the north west central sphere, a 'golden ring' bounded by London, Amsterdam, Frankfurt, Brussels and Paris;

- unlocking the established national urban hierarchies within EU member States and opening up a new continental system, so that cities like Barcelona, Lyon, Frankfurt, Helsinki and Dublin can now play new continental roles in addition to national ones; and

- rewarding those cities that make the adjustments necessary to offer a competitive platform within the new economy, by facilitating new flows of people, investment and trade through freer and more open markets.

These changes are important for cities and regions. They are mirrored in different ways in the upper income countries of North America and East Asia. The precise spatial manifestation of these changes does vary, but the general theme of the opening up of a continental space in which cities and regions can re-define themselves is common. The realisation that effective re-engineering of the city, or regional, foundations is now a central task is also common. **Cities and regions have to re-orientate themselves to the end of industrial decline, the growth serge in the knowledge economy and the new climate of trade and mobility. Re-organising a city's transport, housing and land uses, along with its skills base and pool of investment and entrepreneurs is the key imperativ**e.

This has given rise to a major focus on what makes a city or region competitive or productive and what balance of tools, investments and powers are needed at more local levels to hasten and further this quest.

An extended 'narrative' has therefore emerged that reflects on the comparative tools and powers those cities and regions can bring to this task of re-engineering themselves for the new economy. This might be articulated thus:

- In the internationally open knowledge economy, **cities and regions appear to compete with each other** across national borders for increasingly mobile firms and facilities, talented people, investment, trade and visitors. The cities and regions can also be generators of new economic value by fostering endogenous growth, which in turn will attract external investment of multiple forms. The advantages of cities, as locations for firms and workers alike, in the new economy appear to outweigh the negative features and costs of cities and can be optimised if sound policies are pursued to improve their long term economic performance. A **key spatial scale is the city-region** where the economic geography is more inclusive of all the territorial dimensions of economic performance and reflects the geography of local markets, public goods and fixed territorial assets.

- Cities and regions can therefore **offer important advantages to national growth** if they can succeed in becoming more productive, more attractive, more innovative locations and providing a better platform for entrepreneurial success. Larger cities and regions with a critical mass of assets and resources can play a unique set of roles (as 'hubs' of activity) offering the national economy connectivity to and interaction with, global markets and firms that can't be provided easily by many other places (e.g. through inter-firm interactions, proximity to decision-taking elites, airports and diverse populations). There are advantages of scale, as well as the costs that scale brings.

- This involves cities and regions **'re-engineering' their offer and assets** for an internationally open knowledge driven economy; including fostering the skills of their labour pool, the productivity of their infrastructure, the attractiveness of their business environment and quality of life, etc. It also involves explicit efforts to 're-position' the city within international markets for competitive locations. This involves cities needing to understand their existing and potential future, customers much better and to communicate with them in clear and precise ways. Understanding markets and branding is essential. Cities have to become knowledgeable and concerned about the customers they don't yet have, as well as working out how to serve better those they do.

- Administrative geography doesn't work. Tackling the challenges of labour markets, housing markets, retail and entertainment markets and the catchment areas for airports, universities and other assets almost always exposes the difference between political geography (administrative units) and economic geography (the functional space in which the local economy and its markets actually operates). Most cities do not have a political boundary which equates with an urban economy and this increases the risk of poorly formulated local economic policies. The imperative is to try to take measures at various levels, from where the local market might be more effectively addressed and encouraged without intervening simply in one small part of it (e.g. at the municipal level). Market failures are more visible and explainable from the level of a functional urban economy, rather than within a municipal boundary. Tackling poverty involves strengthening the market as well as connecting people to it and hence a city–region scale (a functioning urban economy) approach is also suitable. The urban economy spreads beyond the city into a wider metropolis through labour markets, supply chains and the catchment areas for public goods like airports, shopping centres and universities.

- It also requires that cities and regions **address market opportunities and failures fully** and **tackle failures in policy, co-ordination and leadership**. They have to stimulate and support improved working of markets and reduce activities which have the effect of simply shifting the location of economic activity without adding real additional vale.

- The **tools and resources required to effect this 're-engineering' are multiple**. Garnering the tools and resources becomes an important feature of what city and regional authorities need to do. This involves working more closely with the private sector to share and reduce risks and costs in new ways, acquiring powers from higher tiers of Government, changing the rules of engagement at the local level and relentlessly pursuing new sources of resource and opportunity. It nearly always requires some financial and fiscal empowerment.

- The scale and effectiveness of the tools and resources available to cities and regions to promote their own development becomes an important source of **comparative advantage for cities and regions** in their pursuit of growth and development. The quality of leadership and governance of cities and regions is emerging as a critical factor in how effectively such tools and resources are deployed. Indeed, effective leadership and governance of cities and regions is itself a factor of comparative advantage that cities and regions compete for (e.g. through the external competitive recruitment of city managers and highly capable civic leaders, such as University Vice Chancellors, Airport Chief Executives, Transport Commissioners, Chief Planners, City Architects and many others).

- National and State Governments are recognising the need to empower cities and regions so that they can take the decisions and interventions needed to optimise their relative economic performance and thus contribute more to national growth and development. National Governments have become interested in supporting the optimal performance of all of their cities and regions in the international context, not merely in addressing wide area spatial disparities (and the needs of 'lagging' cities and regions) within a national framework **but also spatial disparities within and between cities**.

- In some contexts this has led **to a renewed impulse for devolution of power** and authority to City and Regional Governments and in others it has led to efforts by State, National and Federal Governments to better support city and regional initiatives. **It is not necessarily a central plank of city-regional activity that it should involve devolution**. Indeed, some of the most effective innovations do not involve devolution. Development agencies and other intermediation vehicles have become adept at getting round the rigidities of central control of City and Regional Governments by building 'entrepreneurial' rather than devolve approaches to investment and asset management.' Creating corporate entities to pursue public policies is one way of building new tools and accelerating re-investment outside of public finance regimes.

The growth of City Development Bodies – an international perspective

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 company structures, rather than to manage them from a municipal platform, is widespread. It reflects an established consensus that economic development activities are unlike the other roles and responsibilities of Local Governments. They are primarily 'business facing' and involve market-based commercial transactions rather than public service delivery. Such economic development interventions respond best to business-like and business-led approaches. It is widely recognised that this is best delivered through a corporate, rather than a municipal, structure. Development companies 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; and

xii) promote and market the city or sub-region better, overcoming information gaps and asymmetries and building a clearer image and identity.

Locating clear roles and responsibilities for taking forwards complex city economic development agendas is important. Economic Development Companies (EDCs) are perceived to add value by doing some or all of these. From our review of international experiences we can identify a number of key principles that will underline success for EDCs. These are set out below:

i) focus on implementation at pace and scale: the EDC pursues development opportunities faster and at a larger scale, than would normally be possible within a City or Local Government;

ii) 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 agendas. EDCs can act to aggregate otherwise disparate efforts, overcoming potential co-ordination failures and information asymmetries;

iii) focus on the customer: an important reason for placing economic development activities within a corporate entity (like an EDC) rather than a municipal structure is the ability of the EDC to offer a business like environment and service offering and the scope to manager customer relationships in a business-to-business model;

iv) adopt flexible spatial scales: EDCs 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;

v) 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;

vi) 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. EDCs can be effective tool makers and tool users, combining different powers, resources and assets to make development happen;

vii) share risks and costs actively with partners: EDCs can operate as joint venture vehicles between different sectors and between different tiers of Government;

viii) 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;

ix) 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; and

x) apply leadership to problem solving: problem solving is key to making economic development successful. EDCs are often able to supply the skills and approaches required, unencumbered by other mandates.

BALTIMORE: An EDC with a comprehensive remit

Baltimore is one of the most important cities on the East Coast of the USA with world port status, National Government offices and significant medical and educational institutions.

The Baltimore Development Corporation (BDC) and its predecessors have existed in some form since 1959 and the BDC was formed in 1991 through the merger of three non-profit organizations with different areas of service but similar economic development goals. It is a self-financing, special purpose body of the city and is governed by a board of 14, including representatives of the Mayor, the city and business.

The BDC offers help to potential and existing city investors by providing consultancy on site selection, helping with business approval processes such as the obtaining of various permits and obtaining funds. The BDC also provides businesses with workforce development consultancy and services such as employee training. The BDC has also been involved with the redevelopment of a 450-acre historical area in downtown Baltimore to encourage new retail business (the Westside Initiative), creating the Fairfield Ecological Business Park and various brownfield initiatives. The BDC is largely charged with offering counselling and assistance but does also offer loans, such as the Revolving Loan/Working Capital Loan Funds.

VANCOUVER: An EDC charged with increasing business confidence

Vancouver is one of Canada's fastest growing urban centres and an international business destination. The city authority is currently involved in projects concerned with the 2010 Winter Olympic Games in Vancouver/Whistler, the Convention Centre expansion, improvements to the road network, the development of the rapid transit line and the city airport and the port expansion.

The Vancouver Economic Development Commission (VEDC) is a non-profit society which was established in 1996 following task force recommendations to set up an external organisation committed to fostering economic development in the city of Vancouver that would also act as a bridge between city hall and the local business community. The Commission has since evolved to also take on a leadership role in promoting regional co-operation in economic development efforts. It has a budget of CAD600,000 (the source of which was the City of Vancouver and additional funding from Federal Government sources on a project basis) and a staff of five full-time employees and one part-time employee. In terms of assets, the VEDC does not own land, only operational equipment. The Commission is governed by a board of directors comprised of 15 members appointed by Vancouver City Council.

The VEDC focuses on four main areas namely: business attraction and retention; business retention and expansion; policy and advice and providing research and data. The Provincial Government has legislation in place that prohibits any municipality from offering financial assistance, either directly or indirectly, to any business. As such, the VEDC does not have specific tools or instruments that provide incentives to encourage economic growth. Instead, it is concerned largely with providing information and expertise and developing reports.

BOSTON: An EDC making use of a range of real estate and financial tools

Boston is the economic hub of the USA’s New England region. The city’s colleges and universities have drawn a number of high-tech industries to the city.

The Boston Redevelopment Authority (BRA) was established in 1957 and is a self-financing, special purpose body of the City. The Authority currently has a budget of USD46.5 million (consolidated) and a staff of 320 employees. It is governed by a five member board, four of whom are appointed by the Mayor and one of whom is appointed by the Director of the Massachusetts Department of Housing and Community Development.

The BRA is involved in a number of activities. It reviews proposed development projects that require zoning relief, are subject to development review, are to be located on publicly-owned land or in Urban Renewal areas or receive public subsidy. It also makes recommendations on major construction and redevelopment activity to the city's Zoning Commission and Zoning Board of Appeal. The BRA drafts master plans that address the city's needs for infrastructure, downtown and community economic development and acquires, sells and leases real estate to achieve economic redevelopment and to promote public policy objectives. The Authority owns and operates three industrial parks. The broad development capabilities of the BRA include: 1) the power to engage in ‘urban renewal projects’ and other projects, the power to buy and sell property and the power to acquire property through eminent domain and 2) the power to designate projects under Chapter 121A in Boston with the approval of the Mayor. In terms of support, the BRA issues revenue bonds and notes to finance projects and provides financing and loan programs for businesses, as well as technical assistance and other business services.

STUTTGART: An EDC concerned with regional economic development

Stuttgart is the capital of the state of Baden-Württemberg and the third largest urban region in Germany. The region’s GDP of EUR81 billion (EUR31,590 per capita) roughly matches that of Ireland. Many of the projects the city authority is involved with include investment in the transition from an industrial to a high-tech and services centre.

The Stuttgart Region Economic Development Corporation GmbH (WRS) is a private-sector subsidiary company of the Verband Region Stuttgart. It is a limited company and was founded in 1995. Currently, the organization has a budget of EUR4.4 million and 40 employees. The two main shareholders are the Verband Region (51%) and the Kommunaler Pool Region Stuttgart (24.6%). In terms of governance, the Verband Stuttgart chooses seven members of the Supervisory Board. One is the Regional Director and the Board is chosen for two years. The WRS’ main activities include investor support; building networks to connect companies and research establishments; co-ordinating all initiatives designed to create and safeguard employment; conducting research into market developments and strategic technology clusters; benchmarking competition from other economic regions and identifying available grants. It is also charged with undertaking activities relating to the job market and associated training. The WRS is largely concerned with offering counselling and funding grants and awards.

SINGAPORE: An EDC charged with long-term strategic territorial planning

The city-state of Singapore is one of the Four Asian Tigers and its economy depends heavily on exports and the refining of imported goods, especially in manufacturing. Singapore is also the world's fourth largest foreign exchange trading centre after London, New York City and Tokyo.

The Urban Redevelopment Authority (URA) was founded in 1974. It is the national urban planning authority of Singapore and a statutory board under the Ministry of National Development of the Singapore Government. In 2005/06, the URA had an operating income of USD121.4 million, with the sources of income being (i) parking fees and related charges, (ii) agency and consultancy fees and (iii) income from development control. The total assets of the URA were worth USD1,685.4 million in 2005/06, including property, plant and equipment worth USD255.2 million. It has approximately 850 employees. The URA Act provides for the URA to have a Chairman and up to 12 other Board members. The URA has a number of planning functions and is involved in the creation of three key plans. These are i) the Concept Plan which is concerned with strategic, long-term land use planning and is reviewed by the URA every 10 years ii) the Master Plan, which is an Island-wide land use plan and is reviewed every five years and iii) Urban Design Plans and Conservation Plans for which the URA develops urban design proposals and formulates conservation planning. As a Government body, the Authority can use any tools necessary to execute its functions. It provides the legal framework, executes and controls projects. It has the power to declare redevelopment areas and can give awards and implement programmes facilitating their actions. However, the Authority does not seem to be in charge of any financial tools.

The position elsewhere in the United Kingdom

The Urban Development Corporation

The Urban Development Corporation approach to city regeneration was established in England under the Local Government Planning and Land Act 1980. Some twelve UDCs were set-up between 1981 and 1993 (Birmingham Heartlands, Black Country, Merseyside, Plymouth, Sheffield, Teesside, Trafford Park, Tyne and Wear, Leeds, Bristol, Central Manchester and in Northern Ireland the Laganside Corporation). The Corporations had a lifetime that varied between 5 and 17 years and were directed by Boards that contained people with private sector backgrounds. Their formal statutory objectives were:

- bringing land and buildings into effective use;
- encouraging public and private investment and the development of existing and new industry and commerce;
- creating an attractive environment; and
- ensuring that housing, social, (recreational and cultural-added in Laganside) facilities are available which encourage people to live and work in the area.

As a vehicle for delivering regeneration, the Urban Development Corporation model involved bringing together a range of key partners from the public and private sectors. However, the focus has been very much on the physical and economic regeneration of largely empty and derelict sites within a tightly defined designated area. The original statutory objectives made no direct mention of involving local communities in the regeneration process or in targeting benefits to deprived communities - which is central to current regeneration policy.

In the London Docklands, some GBP12.59 billion of resources were committed (of which GBP2.90 billion was provided by Government) and this helped to reclaim 1,756 reclaimed hectares of land, create 2.43 million m^2 of floor space and led-to 44,000 net additional jobs and 24,000 houses. Other Development Corporations in England spent GBP10.96 billion (of which GBP1.7 billion came from Government) and they have reclaimed over 2,565 hectares of derelict land, provided 5.66 million m^2 of floor space, generated over 81,000 of net additional jobs and provided 18,500 extra houses (DETR,1998).

The advantage of the Urban Development Corporation model has been argued to be that it brought a comprehensive approach to securing private sector development by undertaking land clearance and decontamination, environmental improvement, the provision of infrastructure and site services and partnership with developers involving the marketing of sites and premises to potential end users (DETR,1998).

The key disadvantage of the model has been suggested to be its dominant focus on physical development at the expense of social and economic regeneration. All English UDCs had been closed down by 1998. The Merseyside and London Docklands Development Corporation had the longest life amongst English UDCs of twenty years - whilst some of the others had a life of about eight years.

The Laganside Corporation provides an example of the UDC approach in Belfast and it has been extensively reviewed and evaluated. Established in 1989, it had an original Designated Area of 140 hectares (extended by a further 60 hectares in 1997). In 1997, the rationale for the Corporation continuing its work shifted in two important respects. Firstly, the Corporation’s designated boundary was extended to include an area of the City Centre around the Cathedral which had become neglected and run-down during the political troubles and which was not sharing the more buoyant economic circumstances and investment which were beginning to emerge in other parts of the City Centre. Secondly, it was recognised that it was important for the Corporation to work to develop stronger links and accessibility between the Laganside sites, the surrounding residential communities and the City Centre. The Laganside Corporation has been extensively reviewed and evaluated and the evidence suggests that it has provided a cost effective way of regenerating the Lagan side area in Belfast providing 18000 net additional jobs at build out (CEA,2001) and OECD,2004).

Urban Regeneration Companies

In England, the Urban White Paper 'Our Towns and Cities: the Future' highlighted the creation of 12 new Urban Regeneration Companies (URCs) over the period 2001-2004. The number has increased since that date. Urban Regeneration Companies are independent companies with partners from the public and private sectors. The key players are from the local authority, the Regional Development Agencies and English Partnerships in England. The emphasis is on physical and economic led regeneration with the objective of ensuring that more 'holistic area based regeneration' is achieved. Its actions have to be coordinated with other agencies/ partnerships tackling the more mainstream service provision agenda. An URC does not usually receive specific funding from Government and thus relies on the resources that the partners bring to the table. The key benefits from the URC approach thus arise from any coordinating and overall synergistic role that it has.

From the beginning the United Kingdom Government has seen the role of URCs as being one of co-ordination-engaging with the private sector in ensuring delivery as part of a ‘wider, comprehensive approach to regenerating areas and communities-having a clear and agreed relationship with Local Strategic Partnerships and other relevant local or sub-regional partnerships’ (DETR/ RPR3, 2001). As the original DETR guidance pointed out, the URCs should not be seen as Government bodies but independent companies answerable to the partners that support them. The guidance indicates that the role of Government is to encourage Regional Development Agencies and English Partnership in England to be involved in the company that is set up. Government thus provides the overall policy background, English Partnerships is a full partner, Regional Development Agencies and local authorities are seen as key and leading partners. The private sector is also emphasised to have a central role, particularly in delivery with the URC Board usually private sector led.

In 2004, the then Office of the Deputy Prime Minister announced the formation of a new Urban Regeneration Corporation to bring about the economic regeneration of the Thurrock part of the Thames Gateway and a similar body was introduced in East London the following year.

Local Strategic Partnerships and similar approaches

In January 2001, HM Government launched a National Strategy for Neighbourhood Renewal (NSNR) which sought to close the gap between the most and least prosperous neighbourhoods in England. The 'bottom-up' approach adopted under the NSNR placed the focus at the local level and a cornerstone of this element of the Strategy was the establishment of Local Strategic Partnerships (LSPs) designed to bring together public, private, voluntary and community sectors to provide a single, overarching framework for *local co-ordination*. LSPs in England have since become one of the main ways used to gather together the different interests, users and providers in setting community priorities and aligning service provision. All local authorities in England are required to prepare Community Strategies that indicate how they will deploy their statutory powers of economic, social and environmental well being embodied as contained in the Local Government Act 2000. The emphasis on the formation of LSPs has been to provide a single strategic framework to the improvement of service delivery and quality of life in the districts and neighbourhoods concerned and to act as a coordinating vehicle.

Key functions of LSPs are to;

- prepare and implement a strategy for the area and monitor progress;
- develop and deliver the local neighbourhood renewal strategy to achieve outcomes relating to jobs, education, health, crime and housing-reducing social exclusion; and
- be a forum through which providers of public services work together to address local needs.

The most deprived 88 Local Authority Districts in England have been the subject of Neighbourhood Renewal Funding and in these the creation of an LSP has been mandatory and the subject of an accreditation process. LSPs are expected to work with related partnership structures, but the original intention is that their breadth would be comprehensive enough to embrace virtually all aspects of local service delivery that impact on the quality of life of the individual. In all of the 88 areas there has been a requirement placed on local authorities to contribute to the delivery of national Public Sector Agreements (PSA) floor targets. PSAs have been used by Local Authorities to provide a clearer focus on desired service improvements. The overwhelming majority of English Local Authorities now have a LSP. In a survey carried out in 2003 (Evaluation of LSPs; Report of a Survey of English LSPs), most LSPs were identified as informal partnerships with no legal status, 40% had *evolved* out of a previous partnership. Many identified 'core' and 'non-core' membership.

Almost all LSPs include many statutory service providers and the private sector is usually represented by a Chamber of Commerce or a similar organisation. There is representation from community and voluntary sectors but this varies considerably in the format adopted. The Local Authorities are usually represented by councillors rather than officers. The mean number of core members is around 20 and noncore is about 80 but the averages are affected by a few, large LSPs and the median is around 16 for core and 50 for noncore. About four fifths are formally chaired, nearly three quarters have a core executive or Board with sub-structures and most have formal or informal links with other Partnerships. The majority of LSPs have no resources of their own and are usually reliant on those provided by the Local Authority. As a consequence of this, LSPs usually only have a small number of directly employed staff.

Surveys undertaken of LSP partners have indicated that they see the main benefit of the LSP approach to be the alignment of objectives and the provision of joint working. At the present time, many LSPs are trying to rationalise existing partnership structures and consolidate structures. However, many are constrained by resources and their existing capacity. Moreover, most LSPs are about coordinating actions rather than delivery in itself (ODPM, 2006).

Other city-wide delivery vehicles often embrace Urban Regeneration Companies and elements of the Local Strategic Partnership approach. Some of the larger cities across the United Kingdom have created partnership based delivery vehicles to take forward the regeneration of their cities and often with a specific focus on the City Centre. The Partnership based approach to delivery in England was encouraged in the early 1990s by the City Challenge and then Single Regeneration Budget regeneration funding programmes of Government that explicitly required the main players in the regeneration process to work together (CLG, 2007). The Single Regeneration Budget led to the funding of over 1,026 such partnerships but some of the largest of these led the urban regeneration of Cities like Birmingham, Manchester and Liverpool. Similar approaches were adopted in Scotland and Wales. The nature of the partnerships have varied significantly in terms of the number of organisations involved, their governance structures, their geography and the objectives that they have set themselves.

Sheffield provides an example of a partnership led approach to regeneration that emerged towards the end of the 1990s.

Sheffield

Sheffield's First Partnership established in 1998 with the objective to be the overall regeneration vehicle for the city that brought together the public, private, voluntary, community and faith sectors. It reflected the recognition amongst many in Sheffield that there had been a lack of a coordinated response to enhancing the city's competitiveness following the dramatic decline of its traditional industrial base. The 1970s and 1980s were very trying times for the city in terms of its industrial decline and there was a failure to re-position to city and to bring about the changes required to regenerate it. Many argued that what was required was a strategic approach that built on a clear appreciation of strengths and weaknesses and presented a unified approach - an 'economic' strategy that was capable of bringing about a step change in Sheffield's competitiveness. ‘Incremental improvements to the existing economic base were not believed to be sufficient to re-position the city as a distinctive regional economy with a sustainable economy and a prosperous population' (Sheffield City Strategy, 2002-5).

Sheffield’s First Partnership is a high level strategic decision making body that operates through a number of thematic city-wide partnerships. Local priority setting and involvement of communities and thus residents is achieved through 12 Area Panels. In 2002, Sheffield First was accredited as the formal Local Strategic Partnership. Figure one shows the overarching partnership structure.

Figure 1: Sheffield First's overarching partnership structure

Source: Sheffield City Strategy, 2002-5

In Scotland, some cities have adopted similar approaches. One example is Dundee.

The Dundee Partnership

Dundee was a city that had much in common with Belfast. There had been a heavy emphasis on old traditional industries, built on the back of the Jute industry. However, there was dramatic decline in the 1970s and 1980s and a significant loss of jobs. The legacy of the city's old industrial past cast a dark shadow and although there had been some success with inward investment in the post war period (with the attraction of the National Cash Register plant in 1947 for instance), progress had been hesitant, which was illustrated by the highly published closure of the Timex factory in 1993. However, from the early 1990s onwards there has been dramatic revival based on the Dundee's world-class knowledge based assets and a regenerated central urban fabric that has required some GBP400 million of expenditure. The city is now seeking to improve its connectivity with its hinterland.

The Dundee Partnership is seen as a key element in the renaissance that is now building. It was established originally in 1982 as the Dundee Project-a partnership between the Dundee Council and the Scottish Development Agency with staff seconded from various partner organisations. However, in its early years it was not felt to be very successful as the approach did not maximise buy-in and commitment from the various organisations. Thus, in the early, 1990s the Dundee Partnership was established drawing together local agencies including Dundee City Council, Scottish Enterprise Tayside, Dundee and Tayside Chamber of Commerce and Industry and Communities Scotland, as well as members from the private sector and other organisations in the city. The emphasis was on establishing a vision with specified aims and strategies. The Partnership was responsible for deciding who should implement the actions required. In 1995, a series of action plans were produced and sub-committees agreed to oversee execution. The Partnership also developed a promotional arm that was responsible for branding and marketing the city.

The Dundee Partnership operates through an Overarching Forum, Senior Management Group and Working Groups. The reasons for its success have been suggested to be its emphasis on action, having the right people involved (at Chief Executive level), it not being politicised and its ability to pool the resources. It has had clear and defined objectives and an established credibility. To improve Dundee's competitive attraction, attention was given to housing, arts and entertainment, the transport infrastructure, skills and an emphasis on the knowledge economy.

Some of the key elements in the regeneration were;

- A whole series of enterprising behaviour based on a critical appraisal of strengths and weaknesses;
- Playing hard to strengths;
- Building on key assets-often knowledge based and encouraged vigorously-Dundee brought the UKs best biomedical researchers to its city and provided the resources to facilitate (buildings, labs etc); and
- Tackling key infrastructure deficiencies and developing public/private models to do so with an emphasis on innovative solutions.

Successful countries don't have failing capital cities

History shows that the bonds between nations and their capitals are fundamental. Capital cities provide real rather than ceremonial functions that make profound and distinctive contributions. So pervasive can these outcomes be that, without their capital cities, nations would be poorer and less effective in 'the business of nationhood.' Successful countries do not have failing capital cities.

As well as exploring associated issues, this appendix will inextricably link the success of the local development process in Belfast to the success of the wider Northern Ireland economy. This is because, unlike any other city within a nation, given the breadth and depth of the roles they fulfil, capital cities are critical to the success of the countries in which they are situated. A number of these functions are detailed below

Table 1: The functions of a capital city

Function	Detail
Seat of Government and Justice	Where Parliaments meet, debate, decide and legislate and where the Judiciary holds its central office.
Exchequer, or Treasury	Where taxes are held in the national interest and budgets are shaped and expenditures controlled to achieve public goods.
Diplomatic	Where Embassies and Consuls are established to link the country with the local inter-governmental organisations and to represent the interests of the citizens of each to the other.
Administrative	Where civil servants go about the daily business of Government, shaping and managing programmes and investment for the country as a whole.
Centre for national memory and celebration	Through archives, architecture, monuments, Arts, Science, sports and the cultural endowment.
National entry point	Where representatives of other countries and heroes come to be welcomed and also the place where many new, migrants, students, tourists and other visitors first arrive.

Gateway	Introduces the visitor, trader and investor to the many assets of the whole country and acts to promote their interest in and contact with, the nation as a whole, not just the locality of the capital city.
Location for company HQs	Share services, supply chains and infrastructures with Governmental functions.
Centre for media, news and national debate	Not necessarily the largest such centre within any nation.
Seat of learning	Often linked to the accumulated national endowment in Architecture, the Arts, Science and Government.
Tourism destination	Also linked to national cultural and architectural endowments.
Transport interchange	Provides a means to connect into, across and out of the nation concerned.

Capital cities are diverse

Capital cities enjoyed a dynamic history in the 20th century. Capitals came and went. As new nations emerged from the thaw of the Cold War, they set up capitals from scratch. In some cases, ancient capitals were re-validated and in others, capital cities were moved to enhance nation-building. In the Federal countries, small, purpose-built capitals came of age in many respects and in the small central countries, the larger capital cities became metropolitan regions that had more than one centre.

In other words, it is possible to identify some wider groupings. These reflect not only the different kinds of capital city functions identified above but also some other variables such as the scale of the capital city function; the centralised or decentralised nature of the entity of which they are capital; the overall size and significance of the entity of which they are capital; and the forwards or backwards trajectory of the place concerned.

The role of 'administrative functions' in the development of a city

Urban economics has long recognised that cities that host administrative functions have development advantages that accrue from this status. This is because capital cities that host administrative functions gain from playing this role by:

- hosting national institutions which constitute a form of local investment;
- offering direct and indirect jobs supporting administrative functions;
- Having enhanced infrastructure and connectivity;
- exhibiting an enhanced visitor economy through seat of power and cultural functions that attract domestic and international visitors;
- attracting greater media attention drawn from reporting of national issues and debates and media industries that often cluster in capitals;
- hosting diplomatic functions which create international recognition and relationships and a cosmopolitan outlook;

- hosting seats of learning and other national and cultural institutions that enrich local capacity and might produce spin off; and

- attracting local and regional investments from National Governments into functions that they might want to have close at hand (e.g. Defence and Intelligence functions).

In the current era, these development advantages of administrative functions have come into sharp relief as they have been seen to pay an important role in the way a city can adjust the challenges and opportunities of the knowledge driven global economy. In former periods, capital cities in the West were seen to be less productive places as they were often contrasted with productive industrial and manufacturing cities. However, global trade and technology have encouraged shifts in the international division of labour between nations with much production shifting to lower costs countries. This has had two main effects for capital cities. The first is that capitals have been seen to house functions that are more economically important than in former times and now aid the economic transition process (media, Higher Education, research, culture, diverse linguistic communities, international recognition and relationships etc). Secondly, other cities and regions have noted the advantages that capital cities enjoy and have been less willing to accept this apparent advantage and have acted with competitive instincts towards their capitals.

Consequently, capital cities have enjoyed some advantages in economic transition but have lost support within their national urban systems.

In economic development terms, what do capital cities have in common?

To present this in summary form, we might examine what capital cities have in common in terms of the assets and advantages/disadvantages which capital city functions bring. This is described in the table below.

Table 2: Economic development advantages and disadvantages of capital cities

Advantage/asset	Disadvantage
Public sector and diplomatic/inter-governmental activity. Cluster of high order public sector activity, high average disposable incomes, and high knowledge quotient workforce.	The costs of being a major commuter and visitor centre (as most capital cities are) are not often fully reflected in funding formulas that are based on the number of residents that a city has. This can often mean that there are insufficient resources to maintain both Local Government functions and capital city functions.
Government supply chains (including R&D, science base) and support services (including culture, hospitality and entertainment).	Often viewed as ‘public sector dominated’ and bloated which presents image and identity constraints. For example, few Australians will accept that Canberra could become a significant knowledge economy city, though it undoubtedly will.
Visitor economy. Arts, culture, heritage endowment.	Cost structure associated with high order public sector functions: salaries paid to senior civil servants, diplomats and the senior staff of Education and Cultural Institutions and related media functions will have an inflationary effect on the cost structure of the city with negative implications for the ‘ordinary people’ of the city who are not part of the ‘capital city cluster.’

Seats of learning and research. Universities, foreign students, etc.	Regional and provincial jealousies about perceived concentrations of public investment and development in capital cities can lead to competitive behaviour which is unhelpful and, in the extremes, can lead to erosion of the benefits of capital city clustering.
Good infrastructure. International flights, public transport, ICTs, etc.	Awkward transitions from national 'command and control' roles of national capitals to international competitive city roles which may require different uses of resources and deployment of infrastructure.
Media cluster and 'destination identity' as places where important discussions occur. News, print and publishing.	Awkward divisions of labour between roles of Local/Regional Government and roles of Federal/National Government in city management and development which may lead to tensions between different tiers over who is responsible for what and (in many cases) to weaker Local Government within the capital city, with consequences for the orientation of policy, services and investment towards 'capital city' roles rather than other complementary roles that the city might aspire to.
	Targets for terrorism, protests and other security threats which can have an impact on the city's quality of life offer.
	The localised costs of hosting capital city activities (e.g. of Policing Major diplomatic and other events, or of sustaining national sites, institutions, parks, amenities, etc).
	The 'administrative city' versus the 'productive city:' One effect of administrative functions is that they can be perceived as adding to the challenges the city faces by increasing population, the use of infrastructure, etc without adding to productive capacity. In effect, the argument here is that they can cause congestion, erode quality of life and other negative externalities associated with growth, without adding proportionately to the productive base of the city. An example here might be Belfast where over 80% of GDP is in the public Sector and the effect of 'crowding out' could be argued with some conviction.

Overall, however, there is no simple way to summarise the net impact of advantages and disadvantages for capital cities as each city is different and rests within a distinctive national system. Similarly, cities act to address these advantages and disadvantages with greater or lesser success and National Governments pay attention to these issues in differential ways depending upon national customs and perspectives (e.g. contrast the French love of Paris to the British hatred of London). Put simply, the relative weightings of the advantages and disadvantages of capital city status will vary from case to case making a broad analysis of the net economic development advantages and disadvantages of capital cities near impossible.

What is clear is that each city needs to assess, for itself, how the balance of advantages and disadvantages plays out and what the result is in terms of both opportunities and costs (including missed opportunities and opportunity costs).

Can these capital city assets be leveraged for economic development?

Overwhelmingly, capital cities have begun to recognise the package of advantages and disadvantages that capital city status affords for economic development and many are starting to leverage it.

In view of recent trends in:

- knowledge economy mobility
- decentralisation and outsourcing of public sector activity;
- globalisation of learning and studying;
- international trade in public sector expertise and territorial innovation (e.g. Health Care, Public/Private finance, urban design, etc);
- growth in urban and cultural tourism;
- re-structuring of global media activity;
- growth in innovation economies; and
- city branding and marketing

capital cities are looking at how they can leverage these opportunities with their won assets for economic development.

However, capital cities also face significant challenges in terms of pursuing economic development. These can include:

- investment backlogs in infrastructure, housing and growth management;
- image challenges and marketing;
- weaker Local Governments and difficult metropolitan calculus;
- cost structures within the cities and for investors;
- perceived competition with neighbouring regions and cities;
- 'conservative' and well informed populations that sometimes are vocally anti-growth; and
- 'crowding out' effects making the environment for new enterprise somewhat hostile.

This means that capital cities have to make tough choices about which economic development agendas to pursue and they have limited margin for error or risk.

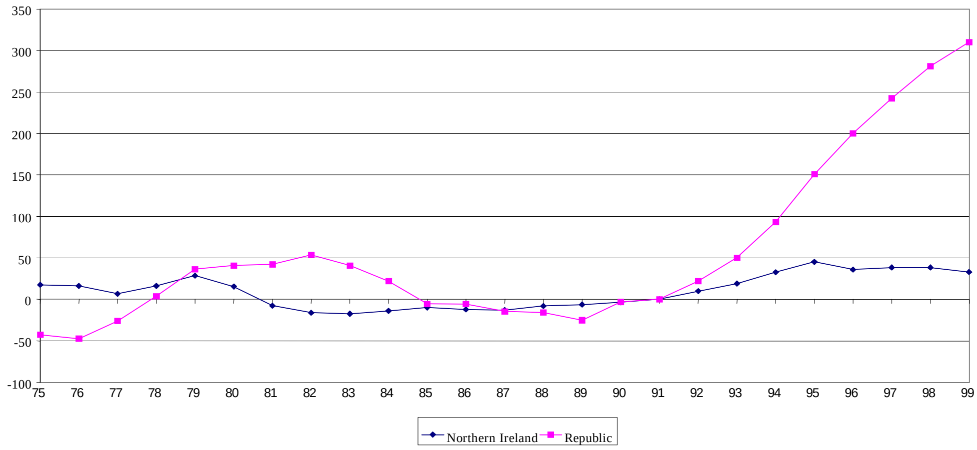
Summary

This appendix has argued that it is in the national interest to ensure that local development in Belfast is successful. This is because Belfast can deliver things to the Northern Ireland economy that other cities cannot.

Lessons from the Republic of Ireland

Much has been written on the rapid growth of the Irish economy and much on the Dublin – Belfast dimension. The extraordinary economic success of the Irish Republic between 1994 and 2007 was exceptional, compared to all other developed economies and also compared to its own history. In 2004, Tyler argued that just as the 1990s was the decade when the Republic began to realise its potential, developing Dublin and its immediate sub-region-the next 10 years could see a similar transformation for Belfast and thus Northern Ireland as a whole. Figure two below illustrates the sort of change that the Republic achieved compared to the recent performance of Northern Ireland. Employment growth is relative to the European (15 states) average.

Figure 2: Employment growth relative to European average



Source: Cambridge Econometrics

It is therefore not a benchmark which can be emulated. That 13 year period was remarkable. There are, however, lessons to be learnt from the performance of the Republic of Ireland.

Appendix one of this report provides comparative analysis on the two regions and reflects on some of the implications for the respective capital cities. The text draws attention to the fundamentals which contributed to making Ireland and Dublin economic success stories. Most notably,

- a dedicated economic Development Agency for Dublin equipped with:

- adequate resources, instruments and land;

- powers to make decisions; and

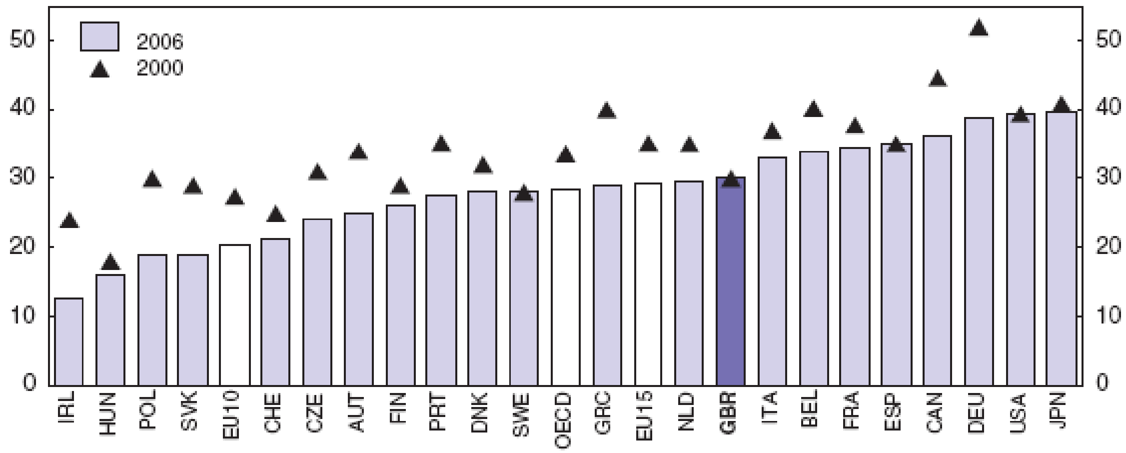
- independence from the Civil Service and direct accountability to Government.

- a national political context with a strong sectoral emphasis paying particular attention to infrastructure and education as key drivers of economic growth; and

- a low level of Corporation Tax.

Each of these points has fundamental implications for the future of the Northern Ireland economy. The first two bullets are essential issues that need to be addressed to deliver a more coherent framework for economic development. The latter is a bigger political issue which remains a point of contention between the Northern Ireland Executive and the UK Treasury. Corporate taxation was highlighted as an issue in the OECD Economic Survey for the United Kingdom of 2007. The Survey considered the issue of corporate taxation for the United Kingdom as a whole and highlighted recent OECD work on cross-border issues in corporate taxation.

Figure 3: Statutory corporate tax rates in international comparison (Combined rate, per cent[1])



1. Basic combined central and sub-central (statutory) corporate income tax rate. Aggregates are unweighted averages and EU10 covers the new EU member states.

Source: OECD (2007), Tax Database, www.oecd.org/ctp/taxdatabase and European Commission (2006), Structures of the Taxation Systems in the European Union.

Conclusions

The brief review of recent experience elsewhere enables a number of points to be made. A wide variety of different models for delivering strategic regeneration have been tried and they have varied according to:

- their geographical spread;
- the emphasis they give to the economic, physical and social dimensions of the regeneration process and thus their core focus;
- the formal powers they have themselves to plan, provide infrastructure and key services, hold and vest land;
- their stakeholder representation and whether a narrow or a broad approach is adopted;
- their lifespan and the instruments and particularly, resources that they can commit from their own funding base; and
- virtually all of the models have played to some form of partnership based delivery-although what this has meant in practice has varied enormously and there has been a proliferation of partnership based approaches.

Each of the models described above have strong and weaker features. The Development Corporation model has a mainly economic/physical orientation to regeneration. The Laganside Corporation illustrates just how much can be achieved by such an approach (CEA, 2001 and, OECD, 2004). However, the UDC is only part of the package required. The Urban Regeneration Corporation seeks to be more inclusive in the role that it gives to the Local Authority and thus the hope is for a more unified economic/physical and social approach. However, URCs rely heavily on the resources and powers of their partners and they are, in some respects, a weaker version of the original UDC approach but somewhat more inclusive. Both models represent strong engagement with the private sector, mainly in land and property related development.

A number of other city-wide partnership models have been developed. In England, these have been encouraged by major funding initiatives like City Challenge and the Single Regeneration Budget and have been the major flagship vehicles that have led the rebirth of cities like Birmingham, Manchester and Liverpool. Similar approaches have been adopted elsewhere in Scotland and Wales. In more recent times, some cities have sought to develop Local Strategic Partnerships as coordinating vehicles, with physical and economic regeneration being increasingly the responsibility of some form of Urban Regeneration Company. Sheffield provides an example of this approach particularly in relation to the redevelopment of its city centre.

The international case studies provide alternative models which reflect some of the challenges facing Belfast and its metropolitan area. The overview provided reaffirms the need for a 'made in Belfast' solution to a somewhat unique context. Chapter four considers this in more detail.

Key elements in securing good partnership working

The evidence tends to suggest that the structure of the partnership led model adopted has sought to recognise the existing patterns of service provision and regeneration in the city. In other words, who currently does what and how it is anticipated it may change. It has had to consider how it can be effective in securing high level, strategic change in economic, physical and social outcomes and to do this it requires representatives from the stakeholders who are sufficiently senior to be able to commit budgets and shape policy. It also has to be capable of considering the relevant geographical disparities that its work should strive to eliminate. And it is important to avoid missing-out key partners, or to at least ensure that there are links to the missing partners through a link to a wider more strategic local partnership on which they are represented. It is also often helpful to avoid a dominant partner since this can mitigate against good partnership working and reduce possible synergies. The private sector has a critical role to play but often prefers not to be a lead partner but rather play to its key strengths. Appropriate ways have to be found to involve the voluntary and community sector that may require some considerable capacity building often over many years in an area in order to be able to do this.

Partnerships work by having people who are committed to the task in hand and have representatives that are senior enough to commit the resources and secure the backing of their respective institutions. If the seniority is not there, the evidence suggests that this will reduce the cutting edge of the whole partnership and reduce its capacity to bring about real and effective change. But above all, for the partnership to work there has to be a desire to recognise the benefits to all players from promoting the PLACE and there has to be TRUST between the key stakeholders.

CHAPTER 4: MOVING FORWARD

INTRODUCTION

Identifying how the economic development of Belfast might best be taken forward at the present time is difficult because much remains unknown, including how Local Government will be reformed. The Study Team has focused on four key issues that they believe should be addressed to move the agenda on. These are i) the nature of the delivery vehicle that should be used to deliver the changes required ii) the type of activities and instruments required to facilitate change, iii) how the resources might be found to bring about the changes required and iv) how the right people can be found to lead the development process. This chapter considers the first of these. Chapters five and six address the others.

The delivery vehicle; A Development Agency for Belfast

Chapter two described the nature of the problems that Belfast has to overcome if it is to enhance its rate of economic growth and chapter three examined how large cities in the rest of the United Kingdom but also elsewhere in the world, have sought to transform their economic fortunes. As chapter three showed, most cities have created some form of regeneration partnership that had representation from across Government, the private sector and the voluntary and community sectors. The advantages of a partnership led approach were identified to be greater leverage of resources, economies of scale, attainment of synergy and an approach that can help to avoid duplication, promotes specialisation and enabled large transformational projects to be delivered. In most cases, some form of Development Agency had been created, although the exact structure adopted varied considerably. **Having considered the evidence available it was the considered view of the OECD Study Team that if Belfast was to realise its true economic potential then there was an urgent need for some form of new delivery vehicle that could bring together the required delivery agents and thus seek to overcome the highly fragmented and confused position that exists at the present time.** However, a central and key question is whether it is appropriate to set-up such a vehicle now or whether it would be better to wait until the recommendations from the Review of Public Administration and other related activities had been implemented.

Delaying implementation could be beneficial if it enabled relevant organisations to build the required capabilities. However, the nature of the coordination challenge is such that continued delay can be argued to involve significant opportunity costs. Moreover, moving to a new delivery vehicle quickly could provide the important catalyst and momentum required for change. Thus, setting-up the new vehicle could be the mechanism that brings together local and nationally elected leaders with business and institutional leaders to marshal the future vision for Belfast and provides the very opportunity for integration and implementation of local strategies and projects linked into actions at the national level. **Thus, instead of seeing the creation of the new delivery vehicle as an administration burden, it might be the very means by which reform is speedily achieved.** The Study Team has been heavily influenced in their thinking in this respect by the views expressed to them by many from across Government, industry and the voluntary sector. There was common agreement that there was a window open following the formation of the new Assembly and a build-up of goodwill and support that provided a strong base on which to build. There was a thirst for rapid change after many years of stasis.

Whist many different delivery vehicles are possible, the Study Team was persuaded that the Development Agency option offered strong advantages as a delivery vehicle with which to take forward the economic development of Belfast. The broad features of the Development Agency model are well understood and as chapter three demonstrated there is a relatively strong evidence base on which to build that describes Best Practice. It is a model that enables partners to be come together from Government, the private sector and the voluntary and community sectors and a number of different formats have been tried. However, in considering the possible shape and form that a Development Agency might take in Belfast, the Study Team was firmly of the view that such a body should not be yet another quango or NDGO. There are at least four key factors that have to be borne in mind in setting-up this new organisation. Firstly, across the whole of the United Kingdom, there is now a move to place the responsibility for local economic development firmly in the hands of locally elected democratic councils. The Review of Sub-National Economic Development and Regeneration and the Local Government White Paper in England make this absolutely clear and the direction of travel is firmly and irreversibly away from the prescriptive Central Government, one size-fits-all and local area economic policies of much of the post-war period. The responsibilities assigned to Local Government in Northern Ireland needs to be aligned with the reality of this new thinking as soon as possible.

Secondly, again in line with experience elsewhere across the United Kingdom, it is important that the Development Agency has access to OFMDFM experience in the area of strategic investment advice as it applies to virtually all aspects of financing and investment. In England, this has been facilitated by the involvement at Board level of English Partnerships. In Northern Ireland, at the present time, the equivalent would be the SIB and the Study Team would recommend that a similar form of Board presence is considered.

Thirdly, it is to be emphasised that the formation of the new Development Agency provides the opportunity to bring together expertise from a number of existing organisations and thus would involve some consolidation and rationalisation of the existing delivery bodies. Some of this will occur as the recommendations of the Reform of Public Administration are implemented and Central Government moves functions across to Belfast City Council and other councils. In its early years, there would clearly be a shadowing of function before transfer, although in the case of Belfast City Council, some of the economic functions that it is envisaged will be the responsibility of the new organisation have already been established.

Finally, although it has been argued strongly in this report that the growth of the Greater Belfast economy is of crucial importance for the future growth and well-being of Northern Ireland as a whole it has to be recognised that not all the population of Northern Ireland live in or near Belfast and there are concerns as to how economic growth should be encouraged elsewhere in the region. The First Executive and Central Government will clearly have a role to play in managing any tensions that may arise and this should again be done through the composition of the Executive Board of the new organisation.

Core objective of the Development Agency for Belfast

This new agency would be charged to enhance the economic growth of Belfast as a capital city and to do this in a way that contributed to the Executive's economic growth targets for Northern Ireland as a whole and which ensured that all of Belfast's residents shared in the benefits of its economic growth.

A possible name for this new vehicle could be the Belfast Investment Development Agency (the BIDA). Given the importance of its objectives, it would seem appropriate that the new Development Agency be accountable to an Executive Board that contained the relevant local councillors, representation from the new Executive, from OFMDFM (SIB) and others drawn from the private, unions and voluntary sectors.

The core management team would have to bring together core expertise from across a number of areas including land assembly, the ability to raise substantial funding particularly associated with large scale infrastructure projects, skills, enterprise and the knowledge economy. It would require vesting powers and access to a considerable array of policy instruments. As figure four indicates, there are at least six areas that its remit needs to cover. These are:

- planning, sites and strategic infrastructure;
- investment facilitation and securing the funding of major projects;
- knowledge economy (including skills, enterprise, HE and innovation);
- economic inclusion;
- promotion; and
- City Centre management.

Given the imperative to move things forward quickly, the BIDA could act as both a core entity and virtual Development Agency from the outset, bringing oversight and co-ordination to existing efforts, gradually acquiring more authority but also giving key delivery roles to other bodies. Some of the required activities are already now being delivered by Local Authority or are shortly to be transferred, like the management of the City Centre. Other activities reside in Central Government with, in some cases, a transfer of function already identified. The BIDA would be a coordinating mechanism with authority.

Whatever the model chosen it would have to deliver:

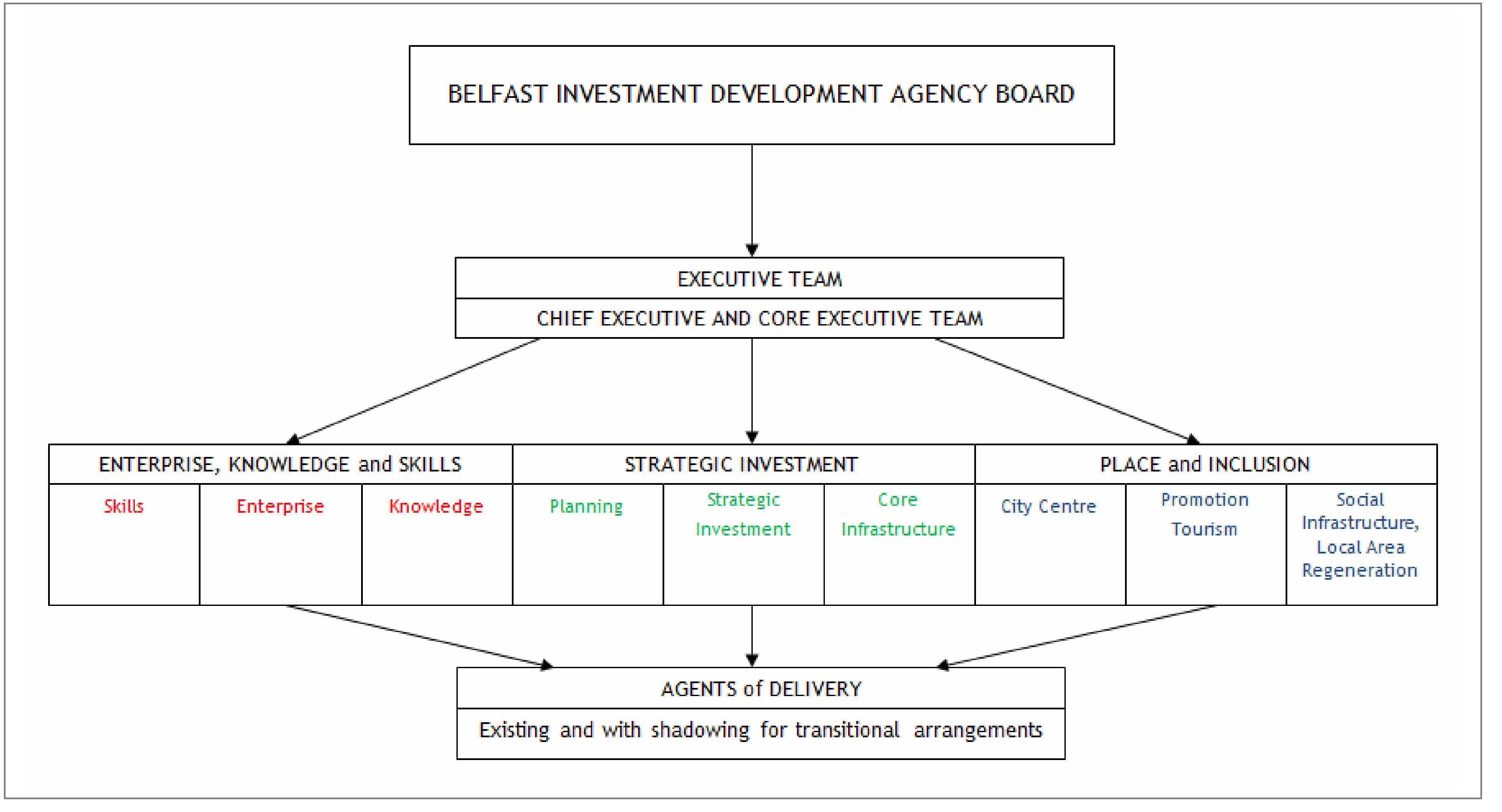
- strategic direction through the commitment and leadership of the statutory, private and voluntary sectors at Chief Executive level as necessary. This provides legitimacy and power to those in middle management who will be tasked with delivery. There will have to be frank and open debate and recognition of differing organisational cultures, budgets, constraints and opportunities. These roles will have to be undertaken by the Partnership Board discussed early. There will have to be powerful leadership provide by the *Chief Executive* and this will require suitable remuneration. The Chief Executive will be assisted by a *Core Executive Team* that would comprise senior management leads from each of the relevant agencies and departments responsible for the delivery of the relevant core services. The core staff of the new Development Agency has to be able to stand outside of the issues and agendas of day to day Government as such and have fixity of purpose;

- operational management that follows on once clear priorities have been decided and organisational buy-in secured that delivers the detailed project development and implementation. This requires the engagement of individuals with the appropriate skills, professional capability and technical expertise and will involve all the relevant organisations;

- coordination and delivery of endeavour across strategic themes, sectors and at an appropriate level of geography. The precise geographic sphere of interest of the new Belfast Investment and Development Agency will clearly need to be considered at some length. To be effective the Agency boundaries should probably be organised around those of the Greater Belfast area recognising the economics of the broader travel to work area and city-region linkages. In developing its strategy the new Agency will wish to identify the sectors that it believes it is perhaps most appropriate for it to seek to concentrate resource and attract investment in. There are many issues to be considered here such as whether Belfast concentrate on high value financial and business services, requiring a high level of skills and investment in big projects, or should Belfast concentrate more on tourism, culture, heritage and creative industries? What has worked well elsewhere is a series of *Theme Groups*; and

- a strong and well resourced Secretariat to oversee the process including securing monitoring, evaluation and research and *benchmarking* progress. A core responsibility of the Secretariat function will be to provide an effective foresight function that identifies leading opportunities and is thus sensitised to what are the new global waves of activity that might be capable of being harnessed effectively by the activities of the new Agency.

Figure 4: The proposed structure of the BIDA



It will be necessary to consider how existing delivery structures will be rationalised and over what time period and manage sensitivities and ensure representation from those parties whose contribution should be increased significantly including the private sector and the universities. There are particularly challenging issues around delivering community inspired and supporting local economic regeneration.

Place and inclusion

Details as to which services it is proposed to transfer from Central to Local Government in Northern Ireland emerged from the Review of Public Administration on the 31st March 2008. Of paramount importance for the work of the BIDA will be the transference of those functions relating to land use and planning, the public realm, particularly management of the City Centre, urban regeneration and community development. The announcement indicated that the Executive will review the functions to be delivered by Local Government 12 months after the new Councils become operational and periodically thereafter.

As figure four indicates, one way forward is to allow Local Government to build its delivery capacity in the relevant key functions identified whilst the existing providers run-down their provision and transfer the relevant staff and resources. There would thus be a year or so when the existing providers would be ‘shadowed’ by the new delivery departments. The ‘Place and Inclusion’ elements of the work of the new Agency are clearly at the forefront of this process embracing as they do the important areas of planning, land use, City Centre management, social infrastructure and local area regeneration. There is much work to be done to develop a strategic land Assembly and investment strategy for the Greater Belfast area that details the blockages and barriers to land management and its use in a strategic fashion and which can reflects the balance of need and opportunity across the whole of the Greater Belfast area.

Under the ‘Place and Inclusion’ agenda it will also be important to consider how the BIDA will relate and interact with the Area Based Partnerships that have been established across Belfast.

Strategic investment

A particularly important element of the work of the BIDA will be to focus on securing strategic investment in a variety of forms including the attraction of inward investment to Belfast. At the same time, the BIDA should encourage strategic investment in the built environment and communication infrastructure in line with the investment priorities outlined in the Executive’s Programme for Government and its ‘Investment Strategy’ with its focus on the core pillars of networks, skills, health, social, environment and productive.

Funds for investment will have to be raised and in a number of ways and from a number of sources. There is a requirement for high level expertise and a number of innovative responses that draw on Best Practice from around the world. This is particularly true for the financing of large scale transformational infrastructure projects. The work of the Capital Realisations Taskforce established in October 2007 is of particular importance here.

Some regeneration agencies in England at the present time have been structured so that they have English Partnerships as one of their partners with usually high level representation on their Boards. English Partnerships is the conduit by which substantial volumes of Government regeneration funding is deployed to assist in the process of local area regeneration and the delivery model has been tried and well tested. In the context of Northern Ireland comparison can be made with the Strategic Investment Board (the SIB) and it will thus be important to ensure that the strategic support of the SIB is built into the BIDA model from the outset as described above.

There are a number of issues that the BIDA will have to come to terms with in the broad area of inward investment. Some of the most difficult areas relates to the marketing of Belfast in a way that recognises the sensitivities to other parts of Northern Ireland and around competitive displacement.

Enterprise, skills and knowledge

Part of the work of the BIDA will be to give a specific Belfast focus to the activities of Central Government Departments and agencies that cover a range of issues around skills, enterprise and knowledge. A number of important areas need to be considered including developing new approaches to labour market attachment and new initiatives to encourage innovation and creativity as well technology transfer. There is a particularly pressing need to develop key interfaces between the activities of knowledge based institutions, Government and the business community and ways of sharing boundaries of interest have to be found.

Conclusions

There is much work that needs to be done to align the work of existing organisations and agencies across all of the relevant sectors with those of the proposed Belfast Investment and Development Agency. The extent to which the Study Team can elaborate in this chapter is constrained by the need for more extensive discussions and research. However, it is hoped that some insight has been provided as to broad approach that the Study Team believes to be appropriate. The next chapter moves to consider the shape and form of the policy instruments that a new Development Agency for Belfast could call upon.

CHAPTER 5: THE PACKAGE OF INSTRUMENTS

The OECD Review Team recognises that new instruments are needed to deliver the next phase of regeneration and economic success in Belfast.

In chapter four, we recommended the establishment of a potent delivery vehicle to take Belfast forward, The Belfast Investment and Development Agency (the BIDA), that can both begin work immediately but can also acquire new roles and competences as the processes of reform identified in chapter two play out.

In chapter six we identify a leadership agenda for Belfast's economic development.

In this section, we now identify what is required in terms of wider arrangements and instruments to take forwards the necessary framework. It is the view of the OECD team that the development agenda in Belfast will rapidly require a more precise set of development tools. As the city's economy regenerates, grows and diversifies the task shifts being about putting in place fundamental preconditions such as available and accessible sites, basic infrastructures and public realm and moves more towards complex mechanisms for attracting and facilitating investment, risk and cost sharing, image and reputation building and fostering the growth of new firms and sources of employment.

Such development activities require not only good policies and public investment but a high level of development management capabilities, public-private collaboration skills and the use of more sophisticated instruments. Equally, effective local development requires that resources are mobilised and combined in ways which will have the greatest impact, so there e co-ordination challenges to be overcome.

It is important to ensure both that:

- the BIDA has the instruments and tools required to do its job; and
- other parts of the development delivery system are also appropriately equipped.

We do not take a firm view about which tools or instruments should be used by which body at this point. Our recommendations are made under the following headings:

i) Belfast City Centre;

ii) universities and economic development;

iii) employment and inclusion;

iv) investment strategy; and

v) better use of existing instruments.

i. Belfast City Centre

Recommendation:

With the participation of National and Local Government and the BIDA, establish and resource:

- an integrated City Centre development strategy; and
- a capable implementation vehicle for integrated City Centre management.

Rationale

A host of recommendations for interventions and actions are contained in the DSD's regeneration statements and public realm strategies, the DoE's 'Belfast Metropolitan Area Plan' and the Belfast City Council's 'to do' list and draft 'City Centre Action Plan.' This report is not an attempt to summarise and integrate all these strategies but rather an attempt to highlight possible gaps and recommend points of emphasis.

The Study Team believes that there should be a stronger focus on the unique characteristics of the Belfast City Centre, including contemporary history and memory. This is what differentiates the Belfast City Centre from its competitors. Belfast has a unique story to tell. Tell it through the regeneration of the City Centre. This could include 'living memory' projects focusing on young people and a new generation of risk takers. It also needs to be inclusive of the small but growing migrant population.

The current and future economic, social and cultural role of the Belfast City Centre should be defined within the context of a multi-nodal metropolitan economy and a regional development strategy for citizens (i.e. jobs, sense of identity, access to culture and entertainment, affordable housing), for business (i.e. investors, property owners and developers, tenants, retailers, service providers, consultants), for tourists and visitors (i.e. first impressions of city and region, experience economy, regional gateway) and for public authorities (i.e. administration, education, revenue generation).

The City Centre economic profile should be defined more clearly with a focus on providing a competitive platform (spaces and places) for economic sectors that have been identified as important for Belfast and Northern Ireland. These sectors include for example, high value financial and business services, the visitor economy (transport linkages, conventions and meetings, events and festivals, markets, bed space, the experience economy, branding and marketing), the knowledge economy (including creative and cultural industries that give Belfast its distinct 'edge'. The availability of broadband is another competitive advantage), skill development (especially the role of the universities, technology centres and institutes) and entrepreneurship and small business development.

The City Centre is Northern Ireland's prime office location. However, the local property market continues to be dominated by the Government sector. The Review of Public Administration may result in a decline in the public sector presence in the City Centre, creating more opportunities to meet private sector demand and it is thus important to identify the economic growth sectors that may need additional accommodation and market the City Centre accordingly.

Key factors of a coherent strategy would include a focus explicitly on residential densification strategies, including expansion of the City Centre housing market and mixed use developments, which in turn will drive retail growth, the night-time economy and safety on the streets. Barriers to residential densification, including perceptions of safety, anti-social behaviour, affordability and a lack of local services and amenities need to be addressed. The approach should define what the 'shared growth' strategy is and ensure a stronger focus on the high number of deprived communities residing on the City Centre periphery that have tended to miss out on benefits of regeneration. Also ways need to be found that will bring communities into the City Centre economy through, for example, the targeted procurement of goods and services, labour-intensive urban management projects and linked development strategies where private investors and developers can make contributions to social housing.

It is highly desirable to move from a traditional mono-functional planning and land-use management approach to a mixed-use, multi-functional approach and give increased attention to good urban management. There is no substitute for getting the basics right. This includes a ‘clean and safe’ City Centre (a pre-condition for success), as well as urban management systems (parking, deliveries, markets, festivals, trading, directional signage, maintenance etc).

Consideration should be given to putting a Business Improvement District in place for the City Centre. This internationally recognised vehicle would provide the necessary ‘top-up’ services as well as hold public services more accountable for delivery. Alternatively, the role and function of the Belfast City Centre Management Company should be reviewed.

There should be a more explicit commitment to improved public transport and non-motorised transport in the City Centre and thus a movement from the current position of vehicle dominance to pedestrian priority by tackling illegal parking, unregulated business deliveries and the proliferation of open-lot car-parks. Maximising the connection to water is important and thus ensuring better physical integration between the City Centre and new developments at Victoria Square and Royal Exchange, as well as Laganside and the Titanic Quarter.

Implementation

None of the above recommendations, or any others, will be able to be successfully implemented with the current proliferation of initiatives in the City Centre. As the Belfast City Council has pointed out, the “plethora of partnerships, agencies and organisations has blurred the vision of what Belfast should and could be” (A City Centre Action Plan for Belfast, 2006, page 35). There is a need for a single City Centre ‘driver’ or ‘shaper of place’ that can move beyond a ‘joined-up’ approach and appeals for better coordination of strategies and plans. There is also a need for an integrated City Centre development strategy and implementation plan, incorporating economic support strategy, social development, cultural policy, public realm upgrading, land use management, public transport and traffic demand management, infrastructure and utilities plans and residential densification.

The recent statement by Environment Minister Arlene Foster (13 March 2008) has given some clarity to the process of devolution of powers and functions to Local Government in terms of the Review of Public Administration. This is also a promising move towards ensuring that the Belfast City Council will be able to be the ‘designated driver’ of City Centre regeneration in the future. It is not yet clear however to what extent this process will give the Belfast City Council the necessary package of incentives and implementation tools in order to give effect to a City Centre development strategy, particularly in terms of funding and housing. While not wanting to detract from the necessary transfer of powers and functions to Local Government, there is also a need to shift from a public sector dominated model to stronger public-private partnership. Notwithstanding the existing partnership between the Belfast City Council, the Department of Social Development, the Belfast City Centre Management Company, the Belfast Chamber of Trade and Commerce and others, there currently appears to be a relatively modest role for the private sector. If the City Centre is to play a stronger economic role in future, the private sector, including corporate business, banks, investors and property developers need to play a larger role.

Case study: Auckland

The overarching City Centre strategy for Auckland is the '*CBD Into the Future'* initiative. The plan was adopted in 2004 to guide the revitalisation of the city centre following extensive research and consultation with a variety of interest groups.

Work has now begun on a number of related projects within the CBD to improve its global competitiveness, the quality of life for its residents, its accessibility and its importance as a cultural centre.

The unique and important economic role of the CBD is highlighted in the city's overall economic development strategy developed in 2007. This strategy sets out the Council's role in moving the city towards a high value and globally connected city. Council actions are organised under three goals: Strengthening global and national connections; developing a workforce of skilled, adaptable and educated people; and creating productive and dedicated business areas linked to a strong CBD hub. There is an important link between the advanced business services of the CBD and businesses elsewhere in the city and nationally.

Auckland: efforts to recruit and retain business base, recruit and retain residents and attract visitors.

The '*CBD Into the Future'* strategy has a 10-year action plan to transform and revitalise Auckland's CBD. Over the 10-year period 2004-2014, Auckland City Council is investing NZD810 million in a portfolio of work to increase the attractiveness of the CBD for business, residents and visitors. The work is wide ranging with the following examples highlighting this diversity.

NZD401 million is allocated to a wide range of projects including streetscape and opens space upgrades. NZD409 million is allocated to developing the CBD waterfront to provide much needed capacity for growth in a central location with significant visitor and international tourist attraction.

Auckland City Council has entered a NZD350 million redevelopment agreement with Bluewater, a private development company. This is New Zealand's largest heritage redevelopment. It entails the renovation of 18 heritage buildings and the development of eight new buildings. It will produce a vibrant mixed-use precinct above ground at Britomart with a focus on creative industries.

The Learning Quarter is an area in the City Centre that encompasses two of New Zealand's largest universities, a mix of businesses and resident populations. Auckland City Council is working in partnership with the University of Auckland, AUT University and stakeholders to develop a vision for the quarter and an action plan to guide its development over the next 10 years. The aim of the project is strengthen the role of the quarter in the city's development including enhancing the quarter's economic, innovation and knowledge potential, fostering a strong urban community, creating welcoming points of arrival and strong physical connections.

The Vector Arena is a world-class 12,000 seat indoor complex that hosts international rock acts, major sports events, exhibitions and business conventions. It opened in early 2007, revitalising an area of the city that was old railway land. Council contributed USD72.5 million under a BOOT (build, own, operate, transfer) scheme for a public facility. Under the scheme, the Council invested in the Arena's development, but was not directly involved in its construction or its operation. These aspects are met by private sector in exchange for generating revenue from the public asset over a 40-year period. After 40 years, the complex is transferred to the Council at no further cost.

The creative, ICT and biotechnology sectors, vital to New Zealand's future economic performance are concentrated in the CBD and the concept of the CBD being an innovation hub has taken hold. The council undertakes initiatives to catalyse growth in the city's high value-add industries by partnering with organisations whose role it is to work with businesses to enable business growth and foster exports. This includes agencies working with technology companies, the marketing office for the screen production industry, business incubator initiatives and working with UniServices (commercialisation arm of the University of Auckland).

Research to better understand the economic significance of the creative industries has been undertaken with "*Snapshot*: Auckland's creative industries" produced in 2005 and an action plan "*Blueprint*: Growing Auckland's creative industries" in 2007, which sets out the actions Auckland City Council is taking to grow this sector. Both the research and the action plan included extensive surveying and consultation and workshops with the sector and stakeholders. The work has provided a mandate for investment by Council in the creative sector. Through this initiative, the profile of the creative sector has been lifted.

ii. Universities and Economic Development: organising for the knowledge economy.

Recommendation

Establish, with Local and National Government, a single and integrated joint venture between the key universities, colleges and institutes and the BIDA to promote and develop the Belfast knowledge economy ensuring:

- a clear promotional vehicle for knowledge economy activity; and
- a single mechanism for National and Local Government support for the knowledge economy.

Rationale

Knowledge economy activity is still a ‘hidden jewel’ or ‘unknown asset’ in Belfast which is critical to the transition both to a more mixed economy and as a means to stem the continued outflow of highly skilled talent and continue to attract talent from outside. The conditions exist in Belfast, with the strength of the academic and research institutions and the city’s quality of life offer to become a genuine knowledge hub on par with Edinburgh. This opportunity should be pursued purposefully by one integrated body.

Implementation

During recent years, there has been much interest in how places can re-orientate their land, resources and institutions to meet the needs of the knowledge based economy. The evidence suggests that just having excellence universities and research institutions is not sufficient to ensure that the benefits to local economy development are secured. As recent research has highlighted, the most successful and enterprising places, are those that exhibit four things: academic excellence, flexible local institutions, adjustable infrastructure and civic leadership (Baxter and Tyler, 2007). Crucially, the most successful places create institutional vehicles that bring together the key players and which recognise the new geographies that are relevant to the development of a high-technology based local economy. It is essential that Belfast follows Best Practice.

There is a rich body of experience that Belfast can draw on, particularly in relation to how a Belfast Investment Development Agency might be able to bring about the required joint partnership working and delivery of policy on the ground. One of the most successful and impressive examples is provided by the experience of the Research Triangle in North Carolina. North Carolina has substantial knowledge based assets (three universities-Duke University in Durham, University of North Carolina at Chapel Hill and North Carolina State University in Raleigh) and has invested heavily in building and cultivating the development of its ‘Research Triangle’. The emphasis has been on bringing together those agencies and departments that can deliver the actions required to maximise the competitiveness of the area as a location for the accommodation of knowledge based activity. These agents of change have been drawn from the knowledge base (the universities and research centres), finance (venture capitalists and finance houses), business (key companies and company support agencies) and local and Central Government (key infrastructure and service provision).

International examples of successfully linking higher education to local economies

Atlantic Canada

Atlantic Canada Opportunities Agency (ACOA) is the Canadian Government's principal instrument for promoting economic development and entrepreneurship in the Atlantic Provinces. A long-standing and credible partner in the region, ACOA has developed a number of initiatives to increase the contribution of HEIs to local development. These include:

1) The Atlantic Innovation Fund - to encourage partnerships between businesses and the university research community. CAD370 million has been awarded to knowledge based regional development projects through the fund so far;

2) Export Internships for Trade Graduates Programme - places Trade graduates in SMEs to help drive the export performance of the region. ACOA also works with the region's universities to attract and retain international students.

Sunshine Coast, Australia

The Institute for Sustainability, Health and Regional Engagement (iSHARE), at the University of the Sunshine Coast, works to bring together communities, businesses and researchers in collaboration on local environmental and health issues. One example of this is the creation of the Fraser Island research laboratory, which works on improving the local environment and strengthening the eco-tourism industry in the area. A new promotions policy has also been established at the university to incentivise staff to commit to regional engagement and apply their knowledge and skills to solving local problems.

Jyväskylä Region, Central Finland

Jyväskylä University of Applied Sciences has developed a number of local engagement initiatives. These include:

1) Team Academy, a special unit at the university which aims to increase graduate business formation, enhance entrepreneurship and provide university expertise in marketing and management to SMEs. To date Team Academy has collaborated with businesses on 1750 projects, provided entrepreneurial education to more than 500 local graduates and given birth to 17 new companies;

2) WIRE Programme – a collaboration between the university and local stakeholders to enhance the life quality and social inclusion of the long-term unemployed. The programme successfully helps long-term unemployed to acquire new skills and find new employment From 2000-2004, it contributed to the re-employment of 800 people.

Nuevo Léon, Mexico

HEIs in the Nuevo Léon region contribute to local development by means of human capital development, R&D, technology and knowledge transfer and through a range of social and community programmes. They collaborate in the Monterrey International Knowledge Centre, which promotes the economic development of the city and surrounding region and works to enhance regional competitiveness by fostering cross border cooperation with Texas. The wide variety of programmes implemented by the HEIs to foster social and cultural development locally include mandatory social service for all students. The University of Monterrey alone is involved with more than 100 collaborative programmes with social work institutions.

Värmland County, Sweden

Higher Education is a key player in Värmland County's Regional Growth Programme, which offers a structured context for collaboration between Karlstad University and local stakeholders. The University is a major regional development partner, with modernised management and governance and it plays an important role as a research centre, gearing part of its R&D portfolio to support the local forest industry. Karlstad University has also established a professional services office to handle university education and training for businesses and organisations, with the aim of developing more applied and regionally relevant curricula.

iii. Employment and Inclusion.

Recommendation

A city-wide full employment promotion strategy and programme.

Rationale

Belfast has been remarkably successful in the past at attracting people outside the labour market through dedicated initiatives (see GEMS case study). Based on the success of initiatives such as this, the OECD LEED Programme has developed 10 principles for full employment in cities that offer the basis for developing and implementing a successful city-wide employment strategy in Belfast (see appendix three).

Tackling the twin objectives of raising competitiveness and reducing worklessness requires new approaches to designing and implementing employment strategies. The UK Government has already recognised the unique role that cities play in meeting the national objective of 80% employment and that localised responses are necessary to achieve this goal. The OECD LEED Programme's principles stress the need for a strategic approach, evidence based policies that seeks sustained employment growth and active employer participation involving real engagement with people out of work.

GEMS: The Gasworks Employment Matching Service

The GEMS initiative was created by Belfast City Council in 1998 as a response to the redevelopment of the Gasworks site as part of the Laganside Corporation redevelopment. BCC recognised the need to develop a strategic response to tackle high levels of long term unemployment in the communities adjacent to the development site. It was recognised that without public sector intervention jobs created at the site would necessarily benefit local communities. The initiative brought together key stakeholders: Belfast City Council, South Belfast partnership Board, East Belfast Partnership Board, Laganside Corporation, Belfast Regeneration Office, department for Employment and Learning, community representatives, business in the Community and the Belfast Local Strategy Partnership.

GEMS was launched in 2002. Successive evaluations have praised its achievements and approach making it one of the most successful intermediary labour market programmes in the United Kingdom.

The construction of the Park has directly led to over 4,250 jobs with hundreds of these being taken by people living in the local South Belfast area through projects such as GEMs.

Implementation

Scale up the existing approach being taken by the Executive and Belfast City Council to accelerate employment creation and opportunity.

Singapore Workforce Development Agency (WDA).

Established in September 2003 as a statutory board under the Ministry of Manpower, the WDA aims to enhance the employability and competitiveness of both employees and job seekers through promoting and facilitating lifelong learning among Singaporeans.

The WDA strives to upgrade the skills of workers, especially those with secondary education or less, so that they can stay employable and take on new, higher-skilled jobs. The WDA will launch new training programmes and make it easier for workers to enrol in them. There will also be programmes for professionals, managers and executives, so that they can support the upgrading of their industries.

These programmes are partly financed by the Skills Development Fund (SDF), which employers contribute to through the Skills Development Levy (SDL). The 1% levy applies to all workers with a gross monthly salary of USD1,500 or less. The current levy rate and salary ceiling are not enough for the SDF to cover its annual commitments. Had the Government not injected USD500 million into the SDF in 2001, the fund might have been exhausted by now.

A new Job Redesign Incentive Scheme has been introduced by the WDA to subsidise the manpower, equipment and other costs of employers embarking on pilot projects to redesign jobs. Employers can receive up to USD100,000 support for each pilot project.

The WDA 16-member board comprises private and public sector representatives: Ministries, economic agencies and other statutory boards, industry associations, companies, community-based organisations, unions, training providers and post-secondary education institutions.

Support for 30,000 training places under the Skills Redevelopment Programme (SRP). Primary goals are development of industry-focused training programmes, strengthening of Adult Continuing Education and Training (CET) and effective employment facilitation. SDF provides financial assistance to employers to encourage them to train and upgrade the skills of their workers. This furthers the goal of equipping workers with the necessary capabilities to sustain Singapore's competitiveness and economic growth.

Companies can access the SDF EasyNet website (http://www.sdf.gov.sg) to enrol for courses that have been pre-approved. This website links companies, training providers and the WDA together to facilitate the application and claim of training assistance online.

The Lifelong Learning Endowment Fund (LLEF) is aimed at enhancing the employment and employability of Singaporeans through initiatives that promote and facilitate the acquisition of skills. LLEF will provide a steady stream of funding for lifelong learning initiatives. There is a website, Education, Employment and Learning @eCitizen, which functions as an information portal to the Singapore Government and training schemes. The Re-Employment Support Scheme (RESS) is aimed at helping unemployed Singaporeans take on and adjust to new jobs. The scheme is primarily targeted at job seekers with secondary and below education (i.e. 'O' level and below qualification) who are at risk of structural unemployment. The programme will end on 31 December 2006.

New York City Workforce 1

The US Government's 1998's Workforce Investment Act did not make an impact in NYC until 2002. After lagging behind other cities, in 2003, New York transferred control of its adult employment services to the New York City Department of Small Business Services, which has made impressive progress. In its first year of managing the career centres, the department increased job placements enormously. In 2004 it served almost 28,000 New Yorkers.

In 2002, New York City spent about USD97 million in federal workforce development funds. Its Workforce 1 program offers 97 Career Centres of which three are full-service one-stop centres. In April of 2002, the city launched an advertising campaign to publicise the centres and their career services. The city also operates a hotline (1-866-JOBS-NYC) and website for job hunters and employers.

The unemployment rate for the five-borough area averaged 7.7 % from July 2001 through June 2003, meaning that in any given month between 200,000 and 300,000 residents were unemployed. During the same two-year period, the city's Department of Employment enrolled 21,644 new adults in its dislocated worker program and placed 10,042 participants in jobs. Over one-fourth of the participants hired had lost their jobs within three months.

Workforce 1 provide leadership in promoting the economic vitality of New York City by supporting job growth and ensuring that jobseekers have the skills, education and workforce preparation to meet employer needs. There are seven Workforce1 Career Centres in New York, sprinkled through the boroughs and concentrated in low-income areas- for example; the Manhattan branch is in Harlem. Workforce 1 provides services to 100,000 people annually, according to the website. The actual number is arguably smaller, as most beneficiaries are involved in job placement as opposed to training.

The New York Workforce Investment Board has over 40 members representing business, unions, economic and workforce development professionals. The Board ensures that the business community plays a prominent role in New York City workforce initiatives. Members include The Centre Director of the South Bronx Job Corps Centre, The Special Advisor for Governance and Strategic Planning for Office of the Mayor of New York City and the Executive Director American Indian Community House. Partners include: New York City Department of Small Business Services, New York State Department of Labour, City University of New York, New York City Department of Youth and Community Development, The American Indian Community House, Job Corps, New York City Human Resources Administration, New York City Housing Authority, New York State Education Department, New York State Education Department Vocational and Educational Services for Individuals with Disabilities.

iv. Investment Strategy.

Recommendation

Based on the Northern Ireland Investment Strategy prepared by the SIB, the BIDA, working with the SIB, Local and National Governments, Invest Northern Ireland (INI) and business partners should prepare and implement:

- a plan for optimising the impact of the Northern Ireland Investment Strategy and fully supporting its implementation;

- support for greater leverage of public sector land assets in the long term investment in Belfast, as developed with the SIB; and

- support for greater speed and certainty in facilitating foreign and corporate investment in support of INI.

Rationale

There are capable national organisations in Northern Ireland for supporting investment with the SIB and INI. Belfast does not need to develop local alternatives. Belfast does need to provide local support for the implementation of the work of the SIB and INI and to focus on the local conditions in terms of local support (e.g. City Centre management, public realm, planning, branding and marketing). Many of these activities will transfer to Local Government through the RPA processes and the BIDA provides a mechanism to ensure that the local ‘offer’ in Belfast supports national level strategy and action.

In the context of changes to EU structural funding allocations, it is essential to move rapidly towards more sophisticated local investment regimes in Belfast. The OECD LEED Programme has developed 10 principles for city investment (see appendix four) which provide useful guidance on how to develop a possible approach here.

Case studies relevant to the Belfast challenge:

Boston: The Boston Redevelopment Authority (BRA)

The Boston Redevelopment Authority (BRA) is the Municipal Planning and Development Agency for Boston, Massachusetts. It was established in 1957 by Boston City Council and the Massachusetts Legislature, assuming the development powers previously held by the Boston Housing Authority and expanding them beyond public housing. In 1960, the City Planning Board was abolished and its powers were transferred to the BRA. Today, the BRA holds the power to buy and sell property, to acquire property through eminent domain and the power to grant tax concession to encourage commercial and residential development. The BRA’s primary goal is to work with Bostonians, businesses and developers in order to provide direction for development in the city of Boston.

How the city uses the financing tool

The BRA's responsibilities include:

- acquiring, selling and leasing real estate to achieve economic redevelopment and to promote public policy objectives, such as encouraging growth industries and appropriate land use policies;

- issuing revenue bonds and notes, which do not constitute indebtedness of the city, to finance projects’

- owning and operating three industrial parks; and

- providing financing and loan programmes for businesses, as well as technical assistance and other business services.

The most important method of financing local development is through the use of the BRA’s assets: the BRA owns real estate throughout the city, which it sells when an attractive plan for the use of the property is submitted and approved. As such, it ensures appropriate development throughout Boston and gains funds which it can use in further redevelopment projects and to provide loans for appropriate developments.

Decision making processes

The BRA’s Economic Development Division is responsible for the coordination and management of the agency’s activities and tools. The department is responsible for approving development projects and, through its review process, may require developers to adapt project designs so that they fit better with the city’s development ideals.

The Asset Management/Real Estate Department is responsible for the management, maintenance and enhancement of all Authority-owned property outside of the Marine Industrial Park. This team monitors, assesses, enhances and promotes BRA-owned real estate leading to the eventual redevelopment or disposition for public purpose and is responsible for the maintenance of an up-to-date and accurate on-line database of this property. The team seeks to maximise the value of the BRA properties and ensure that properties serve as assets to the communities and neighbourhoods of the city of Boston.

Value added by the financing tool

Some of the most significant projects which the BRA has taken on include the building of a new Government Centre in Boston’s West End and the renewal of the late eighteenth century Faneuil Hall Market Place, which was scheduled to be demolished. This project has been attributed to bringing life back into the then debilitated Boston downtown. As part of the city’s ‘Leading the Way II’ project, which ran from 2003 to 2007, the BRA has been responsible (jointly with the Boston Housing Association) for the construction of 10,000 new housing units, 2,000 of which are affordable housing units. The project has also reduced the number of elderly homeless people on the city’s streets by 63% between 2004 and 2007. As part of the *Leading the Way* project, the BRA raised USD17.5 million for affordable housing construction through sales of its property.

Edinburgh: the EDI Group

The EDI Group is a private limited company, which was established in 1988 by The City of Edinburgh Council to carry out the development of Edinburgh Park, now established as one of the best business parks in Europe by the British Council of Offices. The EDI Group has gone on to develop most forms of property, from office and retail through to factories and housing for the homeless. EDI has particular development experience in both city centre and suburban projects. As a private company, EDI must make a profit (and has consistently done so). However, its primary objective has always been the added social and economic benefit that development can bring about.

How the city uses the financing tool

The EDI Group works alone and in partnership with both the public and private sectors on specific economic development projects. For example, EDI has formed a Joint Venture Company (PARC) with the City of Edinburgh Council to deliver the long-term strategic regeneration of Craigmillar. The company is responsible for the creation of 2,200 new homes, one new secondary and three new primary schools, a new town centre with 300,000 square feet of retail, leisure and office space, a new library and community and lifelong learning facilities. PARC is also responsible for ensuring the delivery of appropriate infrastructure for the area, the integration of existing public and local authority provision and the creation of new landscaping, major public parks and civic spaces over a 15-year programme. PARC is also charged with raising the private funding (circa GBP160 million) to finance its work and it recycles a large part of the profit into the social infrastructure for Craigmillar.

The EDI is also currently working in a joint venture partnership with the Burrell Company, forming BUREDI – a Development Agency with the objective of delivering innovative solutions in the development of inner cities. Recent BUREDI projects include the Tron project – a redevelopment programme which has created five separate buildings within the heart of Edinburgh's Old Town.

Over the years, the EDI Group has retained ownership of the majority of its completed commercial developments and this, coupled with strategic individual property purchases, has now resulted in the creation of a significant investment portfolio of over 100 individual properties. The sale of properties in the investment portfolio provides the EDI with funds to invest in further development projects. For example, the EDI recently sold Pentland Gait, a 62,000 sq ft office development in Edinburgh, for GBP16.85 million to a private investor. The price paid reflected a net initial yield of 6%, which is essentially reinvested in the community through further redevelopment.

Value added by the financing tool

The company has delivered a variety of projects both in terms of size and nature. Larger projects, such as the Craigmillar regeneration and the Edinburgh Park flagship project have significant economic and social effects. The population of Craigmillar is expected to double as a result of the EDI's redevelopment.

The EDI brings the relative autonomy but discipline of a company approach, combined with private sector expertise, into the public sector, which can help raise investor confidence and facilitate effective joint working with other parts of the private sector. In terms of monetary turnover, the EDI recorded a pre-tax profit of GBP1.2 million in 2003 – the majority of which is invested into new regeneration schemes.

The EDI has won several awards for its regeneration projects, most notably for the Tron project which secured first place in the Scottish Design Awards for 'Best Regeneration Project' and was also awarded 'Best Mixed Use Scheme in Britain' by the NHBC and Daily Mail. In addition, The EDI Group Ltd was placed, for four consecutive years, in the top 25 of the RIBA Journal "Top 50 Clients of the Year" Survey and was the only Scottish company to be selected by the judging panel. This annual RIBA list has become a key measure of energy and commitment to contemporary architecture among public and private sector developers in the UK.

v. Better use of existing instruments

In the past, Central Government in Northern Ireland has deployed a variety of policy instruments to bring about desired changes to the economic base. There has been a particularly rich and varied range of initiatives targeted on land and property markets. Much attention has also been given to the labour market, business support, the stimulation of enterprise and investment and activities to enhance the public realm and the built environment. Some of the policy initiatives used in the past across Northern Ireland are undoubtedly now less suited to meet new imperatives. However, others that have a place on the Statute Book may still have some role to play and it is important that the economic development of Belfast draws on all the levers that it can in seeking to secure its growth and inclusion agenda.

Recommendation

In addition to working to support the SIB and INI strategies more actively in Belfast, the BIDA and its partner bodies should give consideration to the wide use of existing tools and instruments. There are a large number of these, particularly focused on land and property development and the encouragement of business investment. A short rapid review should be undertaken by the BIDA to assess what scope these can play in the development of Belfast going forwards and the encouragement of business investment. There would seem considerable scope to draw upon existing legislation in relation to Enterprise Zones and to use tax breaks associated with capital allowances to stimulate local economic development in strategic urban locations.

CHAPTER 6: LEADING THE PROCESS

What leadership does local and regional economic development require?

In a complex, dynamic and internationally connected world, locating roles and responsibilities for taking forwards the complex city economic development agendas becomes very important.

Belfast and Northern Ireland face an almost unique challenge: for well known reasons, this is one the very few major cities and regions within an OECD country where employment and economy is completely dominated by the public sector. Belfast and Northern Ireland face a leadership challenge to make the transition to a healthy balance between public and private sector and in that to secure long term job and income opportunities for people.

This transition to a balanced mixed economy will have to be led, planned and implemented, by leaders with conviction and belief in the economic potential of the city and the region as a whole.

Distinctive economic strategy

Economic development is not like orthodox public services, where a defined service is delivered to a relatively well-known customer/population base within a defined geography. Economic development operates both within governmental spheres and within markets, where the final customer might be one of many at the start and where factors well outside the control of Local and Provincial Governments impact upon the outcome.

Economic development processes also happen within a wider geographical space than Local Government and in some cases at a larger space than Provincial or National Governments, which implies that substantial inter-governmental co-operation is required.

Belfast therefore needs to acknowledge that it exists within a wider regional economy and action must be aligned to this functional scale. The city must assert its place in the region – as an iconic core, a centre of R&D or of high value functions – and actions that allow the city to maximise its contribution to the success of the wider region must be developed. A plan for the role of Belfast within the regional context must be developed so that the city works both with and for, the region. Without a comprehensive and coherent plan, Belfast will be unable to fully benefit the wider region.

Equally, the time frame in which economic development outcomes appear are more akin to business cycles (12-15 years) than to the electoral cycles (three-four years) of Governments. Given all of these factors, it is highly desirable that economic development is orchestrated as a partnership activity between public, private and institutional sectors, with substantial vertical and horizontal collaboration on the public sector side. A long term strategy which includes realistic and measurable short term goals and outputs is required and this should be an activity that is customer and investor facing and utilises appropriate organisational vehicles to deliver this (such as development agencies/corporations).

If this is accepted, it becomes clear then there are two roles for public sector organisations and Governments. The first is to attend to fundamentals of delivering economically sensitive public services in a very robust and effective way (these would include infrastructure, education, planning, amenity, etc).

This would also include ensuring that there is the necessary co-ordination of public sector endeavours in place, such as co-ordination on investment into different types of infrastructures or the co-ordination of regulatory regimes. The second is that Government should collaborate extensively and foster co-operation at a broad regional level with private and public sector actors, to ensure that market sensitive development interventions are delivered in a professional and supported manner (these would include planning and development, branding and promotion, support to businesses and investors, investment facilitation and financial engineering, management of commercial spaces and fostering of entrepreneurship and innovation).

It is also clear that success in this kind of local economic development framework has other practical imperatives that include the necessity to recognise and understand the functional interdependence of the local or sub-regional economy. This can be seen in the interaction of markets and infrastructure, logistics platforms and catchment areas for Central Business Districts (CBDs), universities, airports and hospitals. Another imperative is to build a leadership function for the local or sub-regional economy as a whole (either through collaboration or through reform of governance, or both) to articulate a vision for the region and to be accountable for efforts to achieve the vision. It is critical to address co-ordination and integration failures. Governance reform may be necessary although often much can be achieved from driving more impact out of existing arrangements through common agenda setting and a commitment to joint action.

The process should identify and measure the significance of the local or sub-regional economic contribution to the success of the wider territorial unit (the state, province, or nation) and communicate it well. This might be seen in terms of fiscal contribution, economic and administrative functions, population and employment, gateway and logistics activities, the visitor economy, the hosting of institutions or identity and character.

It is also necessary to assess the major challenges facing the local or sub-regional economy in an international context, recognising the need to be internationally successful, not simply domestically dominant. There are now a wide range of formulae that can be applied to judge relative progress and success – amongst others, the work of the Globalisation and World Cities Group, the Mercer Index and research by Jones Lang LaSalle.

There should be a focus on long term fundamental issues that will support improved functionality of the local or sub-regional economy. This includes attention to fundamental drivers of growth (skills, innovation, enterprise and employment rates) and contextual factors (infrastructure/connectivity, the quality of housing and amenities, the performance of public services, the operating environment for business and broader quality of life).

It is desirable to work towards a single purposeful plan for the locality or sub-region. Integrate the different strategies and plans into one framework which is underpinned by a core evidence base and expressed as a single narrative. It is the coherence and interaction of combined plans and strategies that really matters, as well as engaging support from higher tiers of Government and identify how wider benefits can be achieved from local or sub-regional success. Typically, this involves assisting a National Government to recognise the contribution made by major metropolitan areas and to establish a new settlement or agreement about how they are supported.

The building of greater investment and financing capacity is very important in order to move from a low investment/low return equilibrium to a high investment/high return equilibrium through engagement with the private sector, better use of financial innovations and assets and the capturing of value to support long term investment. In many cases, it also requires raising additional levies and taxes for specific purposes.

Implementation capability has to be built at a scale required to make decisive interventions on the major challenges facing the locality or sub-region. This may require the development of new agencies or entities, the disposal of existing ones or more ambitious priorities for those that exist already. It nearly always involves using existing tools in bolder and more imaginative ways, as well as creating new ones. It is helpful to identify catalysts that can accelerate progress on solving key problems and utilise them to foster momentum fully. These might be projects or events that have the ability to deliver immediate and short term outcomes, but can also foster momentum on longer term goals - for instance, the hosting of major events. A further issue is to measure and benchmark progress regularly against agreed goals and engage media attention and community groups in the long term issues and trends facing the locality or sub-region. Support should be given to those leaders that have taken the longer term, bigger picture views of what is in the best interests of the interdependent region and celebrate success. Also it is important to build a local or sub-regional identity that represents the essence of the region and promote it effectively through major channels. This may involve building champions for the region, from both within and outside and encourage them to present the region positively through key media channels. The region should be open to the world and ready to make adjustments to benefit from international opportunities.

Implication 1: Economic strategy leadership.

Belfast needs to have economic leadership which locates its long term positive role in the success of Northern Ireland and builds a widely shared vision of Belfast's economic future.

The economic leadership needs to be well organised and visible and include all parts of the political spectrum (local, regional and national), the private sector and major institutions (such as universities, cultural and infrastructure bodies).

Such a group should meet regularly and formally and be properly constituted. There are many models that can work.

Economic development delivery and problem solving

However, success also brings problems like congestion, price rises and shortage of amenities (such as housing or office space). How well city and national leaders solve these 'growth challenges' is central to success in the longer term. Central to this is that the leaders are able to keep improving the platform the city offers for business success. So, what are the links between leadership and business success?

i) **Communication with business is essential**: Leadership is at the heart of cities making the most of the opportunities and challenges of a global knowledge driven economy and how well cities provide a platform for business success. This involves the leaders knowing and communicating what business the city is in. Being clear about the city's economic rationale and unique advantages is the first step. Agreeing to solve business problems for the good of the people is the second.

ii) **Organise the real economy**: Because city economies are bigger than city boundaries metropolitan or city regional leadership and co-ordination is key. City and national leaders must lead their regions and bring the key business assets of the regional economy together despite multiple authorities. There must be robust mechanisms for doing this.

iii) **City economies are led by teams** not just by individuals: Leaders have to galvanise other leaders in business, institutions (such as universities), at higher levels of Government and at the regional level, around the competitive strategy and performance of the city in order to succeed.

iv) **Active influence**: Cities have different direct competences and powers. City leaders must both provide their own inputs well (services, investment, facilities) but they must also influence those provided by others (such as transport authorities, energy providers and airports).

v) **Services to business**: Some city services are more important to firms than others and firms are differently sensitive to local services. So, planning, sanitation, education, transport and policing are important to firms in different sectors and at different points in their life cycles.

vi) **Investment:** Attracting external investment is a key task for city leaders because public finance alone is not enough for city success, either in quantity or orientation. Business investment is needed in the productive platform of the city. The city leaders must provide the investment prospectus and reduce the costs and risks of investing in Belfast by better facilitating external investment and improving the pace and quality of the local and national response to investment. Public assets are also important ingredients in investment attraction and should be managed actively to leverage investment.

vii) **City Centres**: Central Business Districts, Airport Zones and major development areas are key focuses for business success. They must be led and managed well. They provide the productivity of place.

viii) Cities increasingly offer a **brand platform** which is a key part of the branding of firms located there. City leaders must lead the articulation and co-ordination of the brand and communicate with active commitment and enthusiasm.

ix) **Openness**: City leaders can play a key role in attracting the **multi-lingual populations** that are the competitive advantage of diversity in serving firms in a global economy.

x) Business investment is sensitive to **environmental performance** of cities: Cities have to adjust to a low carbon economy and enable businesses to accrue the benefits of sustainable investment.

Implication 2: A business and investment friendly Belfast

Belfast must actively become a city that is business and investment friendly. This will require a positive business and economic image as well as being a good tourism destination. Leadership will be decisive in ensuring that business, investment and jobs are attracted, welcomed, retained and expanded and that problems are actively solved as the Belfast and Northern Ireland economies shift to being private sector led, as with other developed nations.

Institutional leadership

Institutional leadership is fundamental to effective economic development. Successful cities and regions attract key non-executive leaders to participate actively in their boards and leadership councils and attract and retain high calibre executive leadership for their agencies and development corporations. Belfast and Northern Ireland have a limited domestic talent pool to draw from at this point but have a substantial diaspora of excellent business and institutional leaders as well as a growing base of people from other regions and countries who want to play a role in the leadership of Belfast and Northern Ireland's success.

The contribution should be actively nurtured by:

- recruiting the highest possible calibre Board for the BIDA including people from Northern Ireland who now reside outside the Province and are leading world class companies and institutions;

- recruiting excellent executive staff for the BIDA and related bodies and providing the right package of remuneration to attract and retain long term successful leaders; and

- recruiting and maintaining an international advisory group on the growth and development of the Belfast economy into the future.

Case Studies of city-wide leadership groups

The Committee for Auckland

Mission: Works to accelerate urban initiatives for Auckland to become a leading place:

- that offers a vibrant future for young people;
- which attracts talent and creativity;
- an economically dynamic region;
- a quality, well-designed place;
- a region of diverse and connected Aucklanders;
- with broad, visionary leadership; and
- a common sense of purpose.

It is an independent alliance of Corporate Directors and Chief Executives, the tertiary sector, not-for-profit leaders and Mayors, working in the public interest

The Metro Strategy project and International Advisory group on the future of Auckland.

<u>Future Auckland Leadership Programme</u>: The Programme aims to foster leadership and a knowledge of the region within a young group of Aucklanders. The participants, aged between 28 and 40, have been selected by Committee for Auckland Members for their potential to become future civic, corporate or community leaders. They have a diverse range of backgrounds (banking, law, property, architecture, the military, education, cultural, community and resource management, Local Government and private enterprise).

The group looks at the key environmental, economic and social issues affecting Auckland. As appropriate, local issues are examined in both an international and national context

The Leadership Programme's projects and papers have made a number of <u>recommendations</u> to key city initiatives strategies and plans including: 'Public-Private Property Development Vehicle for Auckland,' 'Input Into Lifting the Quality of the Built Environment,' 'Into The Future Strategy,' and 'The Future of Auckland Design - Growing Up or Out?'

Action agenda

It draws on the ideas, skills, resources and influence of its members to:

- accelerate progress on urban issues to strengthen private-public alliances and work across sectors;
- provide independent, well-researched work on key issues;
- draw on the best demonstrated practices within New Zealand and overseas; and
- highlight key issues and influence urban leaders in order to make progress.

The Committee aims to achieve its goals by assisting the city in finding new vision for the region. It is partnering with the city in small working group to progress a competitive strategy for Auckland. The strategy focuses on the following areas:

- developing a clear compelling vision for the region;
- making Auckland a world winning city;
- using international benchmarking;
- insisting on design-led development;
- finding champions for the region;
- activating growth engines;
- seeking beauty (in urban design); and
- developing a learning quarter for Auckland's campuses.

The province and sub-region of Turin

Turin was the driver of Italy's post World War I industrial growth, with an ideal geographic location to capture the flow of materials into and across Europe. Traditionally known as the home of Fiat, it has suffered de-industrialisation and has been attempting to reconfigure its economy in the new global reality.

The sub-region is in a province of 2.2 million inhabitants and 315 municipalities in the centre of Italy's northwest Piedmont region, an historic manufacturing, textile and metalworking centre most famous as the home of Italian auto production. Due to a number of factors, Turin has experienced a difficult economic restructuring process, qualifying for EU structural fund investment in urban development efforts. Today, Turin is pushing itself towards a future as a centre of advanced research and technology and has established itself as a leader in manufacturing, robotics, telecommunications and the food and beverage industry. Turin's Mayor describes the sub-region as experiencing a,

"total transformation – a sub-region that was for over 100 years the automotive capital and the industrial capital in the Italian and European scenario, is now asserting itself in the field of new technologies and as a centre of international prominence in the ICT sector."

Turin is the centre of the Piedmont Region, the first official sub-region in Europe. However, along with Lyon and Geneva, it has recently integrated itself within the ‘Alpine Diamond,’ and this larger scale relationship is also worth investigating.

Leadership and Governance of the sub-region

Direct election: Italian Provinces (such as the Province of Turin) are ancient administrative authorities (somewhat akin to a moribund multi-area planning authority) with very little current power. Many Provinces, however, equate to a sub-regional geography and the Province of Turin is one of the first in the recent era to seek to use the new sub-regional mandate to redefine the role of the Province. This has expressed itself in multi-area planning.

Growth coalition: The regional agency (the ITP) is a separate, non-elected business and promotion agency. The sub-region therefore has no formal governance position. There are elected Governments at the sub-region level (centre-left), the Turin Province level (held by a centre-left party) and the wider Piedmont region level (also now held by a centre-left coalition). These all combine to invest in the ITP and in matters such as the Torino Internazionale Association which aims to promote Turin through the use of business partners and civic leadership and to develop a strategic plan for the region.

The Mayor is President of the Torino Internazionale Association, giving the sub-region a key role in guiding sub-regional strategic planning.

The National Government was instrumental in calling for regions and cities to work together and to create sub-regions. The ITP was Italy’s first sub-regional agency and the Italian Government had a significant role in facilitating its development. The Government has since been a less involved partner, though it has continued to respond to some of the sub-region’s needs. For example, Piedmont has the highest percentage of people employed in the ICT sector of any region in Italy. This success has been achieved with the assistance of Central Italian Government grants provided to university and research teams in order to focus technology development into the sectors foreign investors are interested in. Many small and medium sized companies have evolved as a result.

Sub-regional strategic planning

Local leadership under former Mayor Castellani, combined with the Italian Government’s slow (but ultimate) progression towards decentralisation, encouraged the sub-regional strategic visioning initiative of Torino Internazionale. This was administered through a voluntary partnership of the sub-region, region and private sector entities rather than through a formal governmental organisation with binding authority. This 1999 strategic planning process sought to ‘rethink the sub-region’ in order to escape its radical politics, flagging economy and auto-centred industrial past. It was organised as a voluntary process and 33 municipalities were invited to participate; 20 are now actively engaged. Turin’s leaders looked to Barcelona and other cities for models that would diversify the economy and reposition the sub-region on the European and hopefully world map. Torino Internazionale concluded that Turin could become a centre for education, culture and high-technology, whilst simultaneously promoting social cohesion. In essence, it sought to create a new urbanism.

Turin’s sub-regional strategic planning process defined the following goals:

- urban improvement;
- social cohesion;

- environmental quality;
- revitalisation of disused urban areas; and
- community participation in social, economic, cultural sectors.

The process subsequently defined six areas of community action:

- transportation and communications infrastructure;
- Greater Turin governance;
- training and research;
- technology innovation;
- tourism and culture promotion; and
- urban quality of life and social cohesion.

Investment in schemes to meet these goals has been taken by the Turin Government under the current Mayor and the Provincial, Regional and National Governments. Marketing has been undertaken by the ITP, which responds to the investment enquiries that are received from all over the world and supports foreign companies expanding within the region. The ITP also runs communication operations, ensures assistance to companies that want to locate in Piedmont and offers support for the maintenance and development of foreign companies already in the region. There are other agencies who promote the region, such as the Film Commission (which works to attract TV and cinema productions to the Piedmont Region and Turin from the rest of Italy and from abroad), the Convention Bureau (which promotes the sub-region as a convention destination) and Tourism Turin (the hospitality and visitor services agency).

International Co-operation

Working with Geneva and Lyon, Turin and its partners have defined an 'Alpine Diamond' region, identifying the cities' cross-border region as a locus of economic development. They began with simple exercises, including drawing a map to show a future of East-West integration (Madrid-Barcelona-Kiev), creating an economic development arc that (for now) includes Turin and Lyon but which can be developed and accelerated in the future.

Today, business, university and cultural resources are shared between the three cities and some elements of economic planning are made in conjunction with all three regions. There is a specific specialisation in healthcare and life sciences, biotechnology and pure sciences with economic applications.

CHAPTER 7: CONCLUSIONS AND RECOMMENDATIONS

There are many reasons to be optimistic about the future development of Belfast and Northern Ireland. The restitution of self governance for the region and the proposed return of statutory decision making powers to Local Government contribute to making Belfast and Northern Ireland more 'fit for purpose' for the 21st century. The economy is in a stronger position than it had been throughout much of the 20th century and there is a widespread political consensus that is backing a growth agenda. Equally, there is agreement that economic growth must be shared by all.

Though the OECD LEED Study Team recognises that there will be many issues that it has not had the opportunity to fully explore at this stage, it hopes that the conclusions and recommendations included in this chapter for the future dimensions of economic development in Belfast will contribute strongly to a process that will empower the city to realise its great potential. Furthermore, is it hoped that a distinctive and exemplar 'Belfast' model for local development will emerge and be replicated internationally. This is both the challenge and opportunity that stands before the city.

Conclusions: challenges and opportunities

Before making more specific recommendations, there are a number of broad conclusions which can be drawn from this study.

Public sector overbalance

Belfast and Northern Ireland face an almost unique challenge in that there are very few major cities and regions within an OECD country where employment and the economy is so dominated by the public sector. As a result, there is a leadership challenge to make the transition to a healthy balance between the public and private sectors and to secure the long term growth of jobs and incomes that will ensure the economic transformation required.

Coherence and scale

Belfast has to move to assert its locational presence as an iconic core, a centre of R&D or of high value functions. Equally, actions that allow the city to maximise its contribution to the success of the wider region must be developed. Here, a plan which positions Belfast within the regional context and emphasise that the city works both with and for, its surrounding region is essential. Without comprehensive and coherent planning, development efforts will remain fragmented and diluted and Belfast will be unable to fully benefit its wider region.

Investment readiness and investor confidence

A Belfast that is internationally acknowledged as business and investment friendly will be a successful Belfast. This is fundamentally important. Belfast must be a city that is known as an enterprising location where new ideas and knowledge can be translated into business opportunities and business formation. The city must make decisive steps towards a better balanced economy - a process where bold and effective leadership is a prerequisite to success. Specifically, a 'can do' leadership culture which ensures that business, investment and jobs are attracted, welcomed and retained will profoundly contribute to the realisation of the economic transformation required.

The ingredients for success

For the wider Belfast economy to secure its economic growth objectives a concerted and strategic approach to raising its relative economic competitiveness is required. This will attract the investment that will underpin economic growth. Specifically, the approach must ensure that the city enhances the quality of its workforce, has a good supply of accessible land and premises to accommodate growth and upgrades key infrastructure that enables good quality access, communication, service delivery and delivers a high quality public realm. Belfast must also improve its quality of life offer and find innovative ways to attract and retain talent and ensure that more people come to live and work in the city. The approach should also pay particular attention to finding new ways of working that bring together the relevant agents of change from across the Government, business, the community and the voluntary sectors. Any action should be coherent and well-coordinated.

Recommendations:

On the back of some of the broader conclusions of this study, the OECD LEED Study Team puts forward below a series of more precise recommendations. It is hoped that these recommendations will usefully inform and shape the process of economic development in Belfast to make it more comprehensive, successful and effective.

The most suitable development model

As has been shown, a number of different partnership based models have been used by cities around the world to facilitate their economic development. Having reviewed these options and considered which would provide the most effective fit for Belfast, the Study Team is firmly of the view that:

> **'the Development Agency model option offers strong advantages as the best vehicle with which to take forward the economic development of Belfast at the present time**.'

The broad features of the Development Agency model are well understood and, as has been demonstrated in this review, there is a relatively strong evidence base on which to build that describes Best Practice. It is a model that enables the social partners to come together from the relevant agencies and departments of Government, the private sector, the voluntary and community sectors and a number of different formats have been tried and tested.

A new vehicle for delivery

Having reviewed the evidence available, it was the considered view of the OECD Study Team that if Belfast is to realise its true economic potential, then**:**

> **'there is an urgent need for some form of new delivery vehicle that can bring together the required delivery agents and thus seek to overcome the highly fragmented and confused position that exists at the present time.'**

However, a central and key question is whether it is appropriate to set-up such a vehicle now or to wait until the recommendations from the Review of Public Administration and other related activities have been implemented.

Inauguration timing

Though delaying implementation could be beneficial if it enables relevant organisations to build the required capabilities, the nature of the coordination challenge is such that continued delay could involve significant opportunity costs. As a result:

> **'moving to a new delivery vehicle quickly may provide the necessary catalyst and momentum required for change. Thus, instead of seeing the creation of the new delivery vehicle as an administration burden, it might be the very means by which reform is more speedily achieved.'**

In this way, setting-up the new vehicle could be the mechanism that brings together locally and nationally elected leaders with business and institutional leaders to marshal the future vision for Belfast. A new vehicle could also provide the very opportunity for the integration and implementation of local strategies and projects linked into actions at the national level.

The Study Team has also been heavily influenced in its thinking in this respect by the views expressed to them by many from across Government, industry and the voluntary sector. The Study Team perceived a tangible thirst for change following years of stasis and as a result of the formation of the new Assembly and an associated build-up of goodwill. This, it was thought, provided a strong base from which to build and presented a distinct window of opportunity.

A new name for a new future

A possible name for the new Development Agency could be the '**Belfast Investment Development Agency' (The BIDA).**

The BIDA's mission

The new Agency would be charged to:

> **'enhance the economic growth of Belfast as a capital city in a way that contributes to the Executive's economic growth targets for Northern Ireland as a whole and which ensured that all of Belfast's residents shared in the benefits of its economic growth.'**

Accountability

Given the importance of its objectives, it would seem appropriate that the new Development Agency be accountable to an Executive Board that contained the relevant local councillors, representation from the new Executive, from OFMDFM (the SIB) and others drawn from the private and voluntary sectors.

The BIDA's remit

The new Agency has to bring together core expertise from across a number of areas. Its remit should encompass land assembly, economic inclusion, promotion and marketing, investment facilitation, the knowledge economy and enterprise (to include skills and innovation), City Centre management and funding raising capabilities (particularly associated with large scale infrastructure projects).

Phasing in the BIDA

Given the imperative to move things forward quickly, the BIDA could **act as both a core entity and virtual Development Agency from the outset,** bringing oversight and co-ordination to existing efforts, gradually acquiring more authority but also giving key delivery roles to other bodies. The BIDA would be a coordinating mechanism with authority.

The BIDA operating network

The BIDA would be responsible for strategic direction through the commitment and leadership of the statutory, private and voluntary sectors at the Chief Executive level as necessary. This will provide legitimacy and power to those in middle management who will be tasked with delivery. There must also be frank and open debate and recognition of differing organisational cultures, budgets, constraints and opportunities. These roles will have to be undertaken by **a Core Partnership Board**.

Towards a private sector mentality

It is imperative to recruit a strong Chief Executive for powerful leadership will be needed for the BIDA to realise its objectives. The Chief Executive should be assisted by a quality **Core Executive Team** that would comprise senior management leads from each of the relevant agencies and departments responsible for the delivery of the relevant core services.

> **'To attract the right people and a high quality Chief Executive in particular, there is a requirement for suitable remuneration.'**

There will have to be powerful leadership provided by **the Chief Executive and this high profile job will require suitable remuneration**. The Chief Executive will be assisted by a **Core Executive Team** that would comprise of senior management leads from each of the relevant agencies and departments responsible for the delivery of the relevant core services. The core staff of the new Development Agency has to be able to stand outside of the issues and agendas of day to day Government as such and have fixity of purpose.

The BIDA's reach

The Agency will have to enable coordination and delivery of endeavour across strategic sectors and at an appropriate level of geography. The precise geographic sphere of interest of the new Belfast Investment and Development Agency will clearly need to be considered at some length. Most likely though:

> **'to be effective, the Agency's boundaries should be organised around those of the Greater Belfast area recognising the economics of the broader travel to work area and city-region linkages.'**

The recent decision to adopt the second option for Local Government reform based around eleven councils is clearly of relevance here.

The BIDA's priorities

In developing its Strategy, the new Agency will wish to identify the sectors into which it believes are the most appropriate to concentrate resource and attract investment. There are many issues to be considered here. For instance Belfast could concentrate efforts on:

> **'high value financial and business services, requiring a high level of skills and investment in big projects or more on tourism, culture, heritage and creative industries.'**

What has worked well elsewhere is a series of **Theme Groups**.

Foresight and flexibility

The new Agency should be agile enough to respond to new challenges and exploit new opportunities both internally and externally. To do this, steps should be taken to put in place a:

> **'strong and well resourced Secretariat to oversee the process including securing monitoring, evaluation, research and benchmarking progress.'**

A core responsibility of the Secretariat will be to provide an effective foresight function that identifies leading opportunities. The Secretariat should therefore be sensitive to new global waves of activity that might be harnessed effectively by the activities of the new Agency.

Leadership

Belfast needs to have clear and bold economic leadership for the task ahead is crucial and challenging. Effective leadership will situate the city's long term positive role in the success of Northern Ireland and build a widely shared vision of Belfast's economic future.

The economic leadership needs to be well organised, visible and include all parts of the political spectrum (local, regional and national), the private sector and major institutions (such as universities, cultural and infrastructure bodies). It must also begin the transformation of Belfast to a mixed economy with a strong and growing private sector.

Institutional leadership is fundamental to effective economic development. Successful cities and regions attract key non-executive leaders to participate actively in their boards and leadership councils. Successful cities and regions also attract and retain high calibre executive leadership for their agencies and development corporations. Belfast and Northern Ireland have a limited domestic talent pool to draw from at this point but have a substantial diaspora of excellent business and institutional leaders as well as a growing base of people from other regions and countries who want to play a role in the leadership of Belfast and Northern Ireland's success. The contribution should be actively nurtured by:

> **'recruiting the highest possible calibre Board for the BIDA including people from Northern Ireland who now reside outside the Province and are leading world class companies and institution. It is also essential to recruit excellent executive staff for the BIDA and related bodies.'**

As has already been recommended, the right recruitment package is essential here. The need to maintain an international advisory group on the growth and development of the Belfast economy into the future will also be crucial.

Key areas of policy activity:

Having discussed some of the action imperatives to gain and sustain momentum behind the local economic development process in Belfast, it is perhaps also important to supplement recommendations with greater detail on the key areas of policy activity that Belfast should look to address.

Place and inclusion

On the 31st March 2008, details emerged from the Review of Public Administration as to which functions were proposed to transfer from Central to Local Government in Northern Ireland. Of paramount importance for the work of the BIDA will be the transference of functions relating to land use and planning, the public realm (particularly City Centre management), urban regeneration and community development. The announcement indicated that the Executive will review the functions to be delivered by Local Government 12 months after the new Councils become operational and periodically thereafter.

> **'One way forward could be to allow Local Government to build its delivery capacity in the relevant key functions identified whilst the existing providers run-down their provision and transfer relevant staff and resources.'**

There would thus be a year or so when the existing providers would be 'shadowed' by the new delivery departments. The 'Place and Inclusion' elements of the work of the new Agency are clearly at the forefront of this process, embracing as they do the important areas of planning, land use, City Centre management, social infrastructure and local area regeneration.

It is essential to develop a strategic land assembly and investment strategy for the Greater Belfast area that details the blockages and barriers to land management, its use in a strategic fashion and which can reflect the balance of need and opportunity across the whole of the Greater Belfast area.

Under the 'Place and Inclusion' agenda it will also be:

> **'important to consider how the BIDA will relate and interact with the Area Based Partnerships that have been established across Belfast.'**

Other key areas of policy activity include the development of an integrated City Centre development strategy and a capable implementation vehicle for integrated City Centre management. Effective use could also be made of existing policy instruments relating to Enterprise Zones and of tax breaks to stimulate economic development.

Strategic investment

Fundamental to the work of the BIDA will be its focus on securing strategic investment in a variety of forms. These include the attraction of inward investment to Belfast as well as ensuring strategic investment in the built environment and communication infrastructure. This should take place in line with the investment priorities outlined in the Executive's Programme for Government and its 'Investment Strategy' with its focus on the core pillars of networks, skills, health, social, environment and productivity.

> **'Significant funding for investment will have to be raised in a number of ways and from a number of sources. There is a requirement for high level expertise here and a number of innovative responses that draw on Best Practice from around the world.'**

This is particularly true for the financing of large scale transformational infrastructure projects. The work of the Capital Realisations Taskforce and the role that English Partnerships play within the structure of many Regeneration Agencies in England are of particular relevance here. These examples provide tried and tested models of drawing down funding for local economic development.

In the context of Northern Ireland, comparison can be made with the Strategic Investment Board (the SIB) and it is for this reason that the OECE LEED Study Team suggests that:

> **'the strategic support of OFMDFM (the SIB) at Board level is built into the BIDA model from the outset.'**

Based on the 'Northern Ireland Investment Strategy' prepared by the SIB, the BIDA, working with the SIB, Local and National Governments, INI and business partners should:

> **'prepare and implement a plan for optimising the impact of the 'Northern Ireland Investment Strategy' and fully support its implementation.'**

The BIDA should also provide support for greater leverage of public sector land assets in the long term investment in Belfast, as developed with the SIB and provide support for greater speed and certainty in facilitating foreign and corporate investment in support of INI.

Enterprise, skills and knowledge

Part of the work of the BIDA will be to give a specific Belfast focus to the activities of Central Government departments and agencies that cover a range of issues around skills, enterprise and knowledge. A number of important areas need to be considered. They include developing new approaches to labour market attachment and new initiatives to encourage innovation and creativity as well technology transfer.

> **'There is a particularly pressing need to develop key interfaces between the activities of knowledge based institutions, Government and the business community and ways of sharing boundaries of interest have to be found.'**

Quite simply, there has to be a whole new approach to encouraging entrepreneurial activity in Belfast, particularly with a knowledge edge. This approach should:

> **'embrace a clear promotional vehicle for knowledge economy activity and a single mechanism for National and Local Government support for the knowledge economy.'**

Knowledge economy activity is still a 'hidden jewel' or 'unknown asset' in Belfast which is critical to the transition both to a more mixed economy and as a means to stem the continued outflow of highly skilled talent and continue to attract talent from outside. The conditions exist in Belfast, with the strength of the academic and research institutions and the quality of life to become a genuine knowledge hub on par with Edinburgh. This opportunity should be pursued purposefully by one integrated body.

Final words:

The OECD LEED Study Team has benefited from the support and insight provided by a very large number of people from many different organisations across the public, private and voluntary sectors in Belfast and are grateful for the full, frank and, above all, constructive support received. The Team hopes it has been able to make a helpful contribution to how the economic development of Belfast might be taken forward in the years ahead.

After many years in which the pace of institutional change and economic reform has been relatively slow, now would seem the opportunity to drive forward the economic development of Belfast in a way that will secure its rightful place as one of the world's leading cities.

APPENDICES

APPENDIX 1: NORTH SOUTH OPPORTUNITIES FOR DUBLIN.

Productivity, costs and profits

There are large differences in performance between Northern Ireland and Irish manufacturing firms. Productivity growth has been a key driver of the Celtic Tiger's growth. However this has been largely due to increased specialisation in high tech, capital intensive industries over the past decades in the Republic. Yet, in Northern Ireland "the levels of capital investment seem to have remained above the UK average and productivity has been relatively strong in UK terms."[1] Productivity differs substantially between sectors in both Northern Ireland and the Republic and between both regions for some sectors. There are similarities in industry for cost structures such as spending on materials and other inputs as a percentage of sales and while value added is similar for both regions, in the Republic, there is a large difference between Irish-owned and FDI firms and capital expenditure levels is similar as a proportion of sales, according to O'Malley and Roper.

They find three key differences in industry cost structures. First, trade patterns are different, with Northern Ireland strongly linked to the UK market for 55 % of sales compared to just 14 per cent for Irish firms. They have similar levels of trade with other EU countries. While labour costs are similar for Northern Ireland and Irish owned firms, they differ markedly for foreign firms, being much lower. Thirdly, Northern Ireland firms are twice as profitable as a per cent of sales than Irish owned firms but much less profitable than foreign owned firms.

In a study of trade[2], larger, more productive and more R&D driven firms are the major exporters, an internationally observed trend. The competitive performance of Northern Ireland industry has been impressive when compared with the international context of the EU, another study found, having an increasing share of EU production, employment and EU exports across a large majority of sectors.[3] Both Northern Ireland and Ireland were strong in electrical, electronic and instrument engineering, with both having difficulties in textiles and clothing. While a third of firms engage in local cooperation, much lower numbers of firms engage in cross-border cooperation. The reason is that distance to the border for many firms is the main deterrent, with Exchange Rate uncertainty being another.

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[1] Key Findings from the All Island Business Model Project 2006, O'Malley, Eoin and Stephen Roper, ERINI, ESRI, Queens and Aston

[2] Ibid, AIBM Working Paper No 3, Anyadike-Danes, Michael, K Bonner S Haller and E O'Malley

[3] AIBM Working Paper No 4, E O'Malley and M Anyadike-Danes.

North-South trade in both directions is predominately traditional low technology products, with a high proportion being food, drink and tobacco. While Bradley[4] finds that the gains from greater trade may be modest compared to the potential of greater penetration of the wider world, he concluded "there are gains to be made from intra-island trade in circumstances that could assist the strengthening of all businesses on the island." Bradley finds that employment shares in Northern Ireland and the Republic are similar and there is similarity between the two economies for indigenous industries. However, "the South has a far higher concentration in high productivity high technology industries. This reflects the much more significant contribution of FDI," he concludes.

Thus, the key for Northern Ireland appears to be to attract more Foreign Direct Investment (FDI). While the Conflict discouraged FDI, this obstacle is now removed and so the potential attraction for foreign investment is significantly enhanced. However, policy makers (in both jurisdictions) would be remiss if they ignored the potential of indigenous industry, in spite of its relatively poorer performance compared to foreign owned firms. Bradley also recommends the promotion of industrial clusters for firms and industries, industrial districts and industrial networks, involving firms and industries exchanging supportive information and knowledge, within the island.

A low rate of Corporation Tax

The possibility of introducing a low Corporation Tax rate for Northern Ireland companies, perhaps at the same rate as the Republic, which is now 12.5%, was seen by many in Northern Ireland as a potential key driver for a new era of economic success centred on attracting greater amounts of FDI and perhaps boosting indigenous enterprise. Varney said he received many submissions seeking this reduction. For example, the Institute of Chartered Accountants of Ireland said in its submission that "this corporation tax rate *is essential* to successfully attract sufficient FDI onto the island of Ireland."

The decision by the Varney Review in December 2007 not to recommend a special lower rate of Corporation Tax for Northern Ireland was greeted with dismay by many in Northern Ireland. Varney concluded that "on the basis of costs and benefits for Northern Ireland alone, there is no clear and unambiguous case to cut the Corporation Tax rate." He quantified the cost as an up-front cost of near GBP300 million per annum in lost corporation tax receipts for the Exchequer.

Then Varney further stated that "on an assessment of the costs and benefits to the UK, there is not a case for a lower Corporation Tax rate in Northern Ireland. Such a policy would run the risk of encouraging profit shifting from the rest of the UK to Northern Ireland. … There could also be a strong reaction from other economies and regions, which, if realised in their own policy changes, would further accentuate the revenue costs for the UK[5]."

Part of the attractiveness of the Republic for FDI companies was due to its low rate of taxes on companies, but the issue of the rate of tax in the Republic is more complex than it first appears. Further, the importance of low Corporate Tax rates is now diminishing in the face of tax competition between States, though Varney does not appear to accept this argument on tax competition.

The 12.5% rate of Corporation Tax was only introduced in 2003 in the Republic (and its reduction was accompanied by some tax base broadening), having been progressively reduced from 38% in 1995/96

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[4] Bradley, John, 2007, The island economy: Ireland before and after the Belfast agreement, in Coakely John and Liam O Dowd, "Crossing the Border", Irish Academic Press.

[5] Review of Tax Policy in Northern Ireland, 2007, Sir David Varney, HM Treasury, December.

after pressure from the European Commission for one standard rate of tax for all firms, irrespective of sector. There had been no tax on profits from exports for many years in the Republic until a 10% rate was introduced in 1981. There was FDI in these years taking advantage of the zero and 10% rate but the very strong growth in FDI in the Republic did not occur until the formation of the Single Market in 1992. The low rate of tax – it was 10% for manufacturing and export services in the 1990s (and remains at that rate for existing firms to 2010) – had been attractive but not attractive enough to attract the surge of FDI which was to follow the introduction of the Single Market. The establishment of the Single Market in 1992 made it just as attractive to locate in the Republic as in Germany or France. Other factors, such as an English speaking population, the well educated workers and the rule of law were major considerations too. However, many foreign firms had been waiting to enter Europe and the catalyst was the Single Market.

There are considerable differences between the nominal and effective rates of Corporation Tax in virtually all member states and the impact of the low nominal rate, such as in the Republic may have been mainly a marketing tool, albeit an attractive one. Varney pointed out that for most companies in Northern Ireland, the nominal tax rate was actually 19% with the effective rate being lower. Only 4% of firms pay at the standard rate of 30%.

The steady reduction in Corporation Tax in most states in Europe has been steadily eroding the impact of the attractiveness of those states with low nominal Corporation Tax rates. While a strong case can be made for a lower rate in the more peripheral states, Varney rejected this for UK regions, such as Northern Ireland, Scotland and Wales.

Transforming a large public sector into an active State

The size of the public sector in Northern Ireland is 30 % of employment compared to just 20 % in the UK and it is seen to be employing the better skilled, graduate employees using higher paid salaries than the private sector. Thus, the public sector is "crowding out" the private sector. On the other hand, 90% of private firms employ fewer than 10 persons and so would not be wage leaders, nor employ many graduates, except those within professional services.

While it is common to criticise the relative size of the public sector in Northern Ireland, the shrinking down of the State by a programme of vigorous employment shedding would lead to slower economic growth due to lower economic activity. While the large size of the public service is a residual of the Troubles, an immediate programme to reduce its size by major employment shedding would reduce demand in the region and may have adverse effects in some areas, where employment is at a premium.

Yet innovative ways of public sector employment reduction should be explored, along with the pursuit of value for money in public procurement at every level. Long term leave, career breaks and other innovate ways to offer public sector staff the opportunity to leave, with a level of personal security and to establish their own businesses in the region, or to pursue other employment opportunities, should be explored with union representatives and staff. In time, it is obvious that the relative size of the state will shrink as the private sector grows (as occurred in the Republic).

A related, though dissimilar area, is the role of the State in economic promotion, both within the domestic economy and internationally. Since the Irish Republic opened up to FDI in the late 1950s, it has taken a strong activist role through various state bodies, such as the IDA (Industrial Development Agency) Ireland and also though the State itself, at the highest level.[6] It would be wrong to characterise the

[6] Joe Macri head of Microsoft Ireland tells the story of the chief executive of the company, Steve Ballmer, being really impressed by a government Minister selling Ireland to him, saying he was usually selling Microsoft to others, in Sweeney ibid, (p63) .

Republic's strategy as simply one of low taxes and "a pro-business environment." It is far more complex, with a strong state interventionist role, through very many state bodies in many sectors and an active state right up to the level of Taoiseach in attracting FDI. While public spending on direct assistance to firms in grants etc, has been greatly reduced in the Republic, public spending on indirect support through promotional agencies is substantial, employing several thousand.

The National Development Plan, where 5.5 % of Irish GNP is to be invested annually to 2013, is a major public investment in the economy and society, both in capital and current spending, from trams to skills. It also plans to include a substantial private investment element in public infrastructure through *Public Private Partnerships*. While the Republic had a major 'infrastructural deficit' due to low levels of investment in the past, the current NDP is a considerable investment by the State (when it could have reduced the level of investment) for many years to come and it will facilitate economic growth, as well as mitigating the considerable downturn in housing expected to continue well into 2008.

An educated workforce

The UK Government has correctly emphasised that productivity is the key for economic growth and development in the future and has identified five key drivers of potential productivity. These are skills, innovation, entrepreneurship, investment and competition. While it is argued that no particular one is key, the value of education and skills in the longer run does appear to be more important than the others. Furthermore, Northern Ireland has a substantial competitive advantage in many areas of educational attainment, while there are also some major gaps which could be plugged with relative ease.

The educated workforce is cited as one of the Republic's greatest selling points in attracting FDI. While there is much truth in this, there are a number of key people who believe that this selling point is perhaps, overrated and others who believe that it will not last into the future as other countries catch-up, as their policy makers are recognising the value of education, of skills enhancement etc. The Republic comes out well in studies such as the efficiency of public spending on primary and secondary education according to the OECD and the EU.[7] Indeed, many foreign investors praise the educated workforce.

However, Northern Ireland is still lagging in some key areas of educational attainment with a high school drop-out rate, pre-primary education only for the better-off and low performance in life long learning at only 8 % of those of working age in this category. Public spending and investment in Third Level is largely based around participation i.e. numbers and not quality and the abolition of fees has lessened the ability of universities to raise funds independently and has had unintended regressive outcomes, such as a flight to fee-paying schools to ensure those highly sought-after prime university places, with an emerging two-tier second level system. In Northern Ireland, there are also some areas of low attainment. For example, there is a high proportion of those employed with no qualifications at all.

The lesson is that investment in education, at every level from pre-school to post doctorate level and in both current and capital, if linked to performance, will lead to economic and social progress. Policy makers in most countries are, however, aware of this. Thus, some countries or regions will be running to stay level.

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[7] E.g. see page 115, Graph 4.2.4 on efficiency of public spending on education where Ireland comes out well in European Economy, 2007, No 8 *Moving Europe's Productivity Frontier and the EU Economy Review 2007*, Brussels.

Synergies for greater cooperation

It is clear the two small regions can gain from greater cooperation, though in some ways, some gains may not as large as one might initially expect. For example, it was seen that Bradley found that the gains from greater trade made be modest compared to the potential of greater penetration of the wider world. Yet he concluded there are gains to be made from intra-island trade.

The major study of cooperation identified the required collaborative actions to address the competitive challenges facing both parts of the island. It recommended the "building up [of] competitive strengths, particularly in the areas of infrastructure, R&D and in the areas of skills formation and innovation which provide the edge in securing a strong position in the knowledge economy of the future."[8] It argued that "the case for an all-island approach is made where the market failure arises from the existence of the border or where the public goods and services could be more efficiently provided on a co-ordinated basis."

These are the areas it recommended for collaboration:

- interventions to support research and development and the development of the knowledge economy;
- interventions in the education and training systems to enhance human capital;
- enhanced co-operation in the provision of health and educational services;
- enhanced co-operation and co-ordination in the provision of key infrastructure including energy, transport and telecommunications, which will amount to a staggering USD68billion jointly over the next 10 years;
- co-operation on trade and investment promotion;
- enhanced co-operation in support of enterprise and business development; and
- improved regulatory environment (including fiscal measures).

The areas of coordination include spatial planning, roads, rail, airports, ports, energy and telecoms. Other areas would be skills, science and technology, innovation, trade, tourism and investment.

The study demonstrates the need for better collaborative action in tackling high levels of inactivity, some low educational attainment and the legacy of the economic and social problems from the Troubles. It argues that this is holding back economic growth in the North West and other border areas and that the natural synergies are not being captured.

The study sets out a vision for "an island characterised by a strong competitive and socially inclusive island economy with strong island-wide economic clusters whose development is not impaired by the existence of a political border." While Belfast is not close to the border, it is clear that any synergies generated that cooperation between, what are, in European terms, two small regions, would be worth capturing. As the regional capital, Belfast would benefit.

The Republic and Northern Ireland share many characteristics. They are both small, open, peripheral economies and their indigenous industry appears to perform poorly - but only when compared to the highly

[8] British-Irish Inter-Governmental Conference, 'Comprehensive study on the All-Island Economy', (Oct 2006)

productive foreign industry. Bradley is critical of what might appear to be a reliance on FDI and argues that this "makes it harder to generate the type of cumulative self-sustaining indigenous growth that is a characteristic of successful European economies such as Emilia-Romagna in Italy or Baden Württemberg in Germany." He favours closer cooperation between Northern Ireland and the Republic and argues that Irish policy makers will have to relearn to work closer together.

The smallness of both regions, while a disadvantage in the past due to the small size of the market, is no longer a problem as each are part of the vast market of the 27 member states, with much better communication and transport links than in the past. Further, there is a school of thought that small countries/regions are more agile and better at dealing more rapidly with obstacles to business development.

The City of Dublin

The City of Dublin has experienced rapid growth over the last 15 years, much of it based on knowledge-intensive industries, in particular financial services and ICT.[1] There are a number of projects underway within the real estate and infrastructure sectors which are aiming to further enhance the attractiveness of Dublin for investors, businesses and locals in order to enable the city to effectively compete in the new global economy.

The redevelopment of Dublin's Docklands is one of the most significant urban regeneration projects currently underway in the city. The Dublin Docklands Development Authority was created by an Act of 1997 to lead a major project of physical, social and economic regeneration in the East side of Dublin in an area of some 520 hectares. The project is projected to continue until 2012 and total public and private investment is estimated at EUR7 billion.[2]

Recent achievements include, in 2006, the completion of 36,000m^2 of office development, the completion of 116 social apartments including affordable scheme dwellings and the granting of planning approvals for landmark future developments such as the Point Village and the U2 Tower. Point Village will include a theatre, shopping centre, cinema complex, offices and luxury apartments, whilst the U2 Tower will be comprised of mainly residential space and U2's recording studio. The adjacent Britain Quay development will extend to approximately 11,500m^2 and contain a mix of uses including leisure, residential, commercial, arts and culture uses. The Dublin Port Tunnel was completed and opened at the end of 2006 in order to ease the heavy goods traffic in the Docklands area, whilst an extension of the Luas Red Line through Docklands was planned and a new rail station (Docklands Station) was completed.[3]

The Temple Bar area of the city has also undergone significant redevelopment. After a failed attempt in the early 1980s by CIE (Dublin's Transportation Agency) to build a transportation centre in the area, the Government decided to redevelop the area by introducing the Temple Bar Area Renewal and Development Act, 1991. Temple Bar Properties was set up under the Act. In 1992, Temple Bar Properties launched a two-phase Development Programme for the area which outlined initiatives in relation to architectural, property, cultural, retail, environmental, residential and marketing programmes. Temple Bar Properties borrows from and repays, the European investment Bank and the Bank of Ireland. These loans total approximately EUR60 million between 1991 and today and are repaid when the retail units are let and the apartments are sold. It is estimated that the private sector have invested an equal amount in the development of the area, totalling more than EUR100 million.[4]

The city's 1999 Urban Renewal Scheme led to the development of Dublin City Council's Integrated Area Plans (IAPs) which have transformed the City Centre, bringing physical and social regeneration to inner-city areas. These plans have attracted EUR1.3 billion of private investment and resulted in 3,000 new homes and 200,000 m^2 of commercial and retail developments.[5]

In order to further Dublin's reputation as a rapidly developing knowledge city, the Digital Hub development is underway. This an Irish Government initiative to create a centre of excellence for knowledge, innovation and creativity focused on digital content and technology enterprises. The core development of nine acres is located a 10 minute walk from the City Centre within the historic Liberties area of Dublin. Delivered through a phased basis running until 2012, the initiative will create a mixed-use development, consisting of enterprise, residential, retail, learning and civic space. The project is managed by an Irish Government Agency, the Digital Hub Development Agency, which was established in July 2003.[6]

Dublin is also extensively developing its infrastructure and communications networks in order to effectively compete with other global city-regions. This includes the 'Capital Development Programme' at Dublin Airport. The EUR1.2 billion construction programme will transform Dublin Airport over the next 10 years and began in 2006. The development programme is in response to the huge growth in both passenger numbers and freight growth at the airport in the last decade.[7] A revolutionary new transport system for the Dublin area comprising mainline rail, light rail, a metro system and a much expanded bus service, is also being developed. This new integrated public transport network will cater for more than half a million commuters in the morning peak. The upgrading and completion of the orbital motorway around Dublin (M-50, the Dublin Port Tunnel and Eastern By-Pass) and the upgrading of the arterial national routes will greatly increase accessibility to the northern, western and southern suburbs of the region and beyond.[8]

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APPENDIX 2: CASE STUDY: LOCAL GOVERNMENT AND DEVELOPMENT IN SOUTH AFRICA

Achieving a 'safe landing' – South Africa's negotiated Local Government transition

A great deal has been written about South Africa's (SA's) negotiated peaceful transition. What is perhaps less familiar is the critical role of Local Government during this process.

In South Africa, by the 1980s, there was widespread resistance towards the apartheid Local Government, a system historically based on segregated white Local Authorities appropriating the major share of municipal revenue from industry and commerce in each town and city, with the resultant lack of municipal service delivery in impoverished black townships.

In the early 1990s, local negotiation forums began to emerge, with black civic leaders campaigning for a new system of Local Government based on the slogan "one city, one tax base," essentially a call for more equitable distribution of municipal resources.

By 1993, the issue of Local Government had become a core issue at the Multiparty Negotiating Forum and, together with disagreements over how the security forces would be controlled during the transition period, nearly bought the negotiations to a halt. Finally, an agreement was reached on a phased Local Government transition process, a so-called "safe landing." In terms of the jointly-agreed Local Government Transition Act, during the 'pre-interim' phase, local white communities, notwithstanding their relatively small numbers, were guaranteed equal representation on the newly amalgamated local authorities. This arrangement lasted until the first democratic Local Government elections in 1995.

Then, for the 'interim phase' until 2000, the former white local areas were allocated 50% of the demarcated wards (which constituted 60% of the total number of seats, the other 40% being contested on a proportional basis) – a guaranteed 30% representation. The 'final' phase, which saw the introduction of fully-democratic, non racial Local Authorities throughout the country, was implemented following local elections in 2000.

In a divided society, South Africans have learned that governance of local communities is a sensitive issue, particularly in terms of the equitable allocation of resources. It is sometimes necessary to provide for a phased transition process whereby previously-divided local communities can be integrated over a period of time on a negotiated basis.

From a 'tier' to a 'sphere' – Local Government in the new SA Constitution

The new South African Constitution, which was negotiated through the multi-party Constitutional Assembly in 1995 and implemented from 1999, has a separate Local Government chapter. Herein, it is stated that the local sphere of Government consists of municipalities, that a municipality has the right to govern on its own initiative the local affairs of its community and that National or Provincial Government may not compromise or impede a municipality's ability or right to exercise its powers and perform its functions.

Local Government is therefore regarded, not as a `third tier' of Government, established by statute (as was historically the case) but rather as an equal sphere of Government that receives its mandate, powers and functions directly from the South African Constitution. All three spheres of Government are regarded as `distinctive', yet `interdependent and interrelated', with a strong emphasis on what is termed 'cooperative governance.'

Municipal powers and functions are specifically listed in the Constitution. Moreover, National and Provincial Governments must assign to a municipality by agreement a power or function if that matter would most effectively be administered locally.

Local Government in South Africa thus enjoys a unique status and plays a critical role in the development of the post-apartheid society. This is not to say that there are not frequent political or legal disputes between the various spheres of Government. However, there is widespread acceptance as to the leading role of Local Government.

'Giant steps' - consolidation of municipal boundaries and creation of Metropolitan Government

The process of establishing a new system of Local Government has seen a simultaneous devolution of powers and functions to the local level and a rationalisation of the total number of municipalities (1,100 in 1993 to 264 in 2001) in order to improve local financial sustainability.

The new system also provided for the establishment of a specific category of Metropolitan Government. Consequently, six single-tier Metropolitan Authorities have been established with areas of jurisdiction that correspond approximately to that of the functional metropolitan economic area.

This was done in the express recognition of the national economic role played by cities, as well as the need to reduce the possibility of destructive, cross-boundary competition between local municipalities within a multi-nodal metropolitan area.

From 'either/or' to 'both/and' – urban and rural policy debates

For a number of years, investments in urban and rural areas were seen as mutually exclusive and competing. These arguments were often based on a view that, with sufficient rural development, urbanisation can be reduced or even stopped. In addition, cities and towns were seen as 'centres of urban affluence' within a 'sea of rural poverty,' notwithstanding the fact that the relatively high average level of wealth in cities often masks massive inequalities and deprivation.

In policy terms, it is more useful to develop a view of 'urban plus rural,' rather than 'urban versus rural,' and to see urban and rural not as different and competing spaces, but as part of a single continuum.

In South Africa, while debates continue, most policy responses now seek to strengthen existing economic and demographic linkages between urban and rural areas, for example, by focusing on the impact of urban development on rural economies and national poverty through, for example, the exchange of products between urban and rural, circulatory migration patterns, the remittance of wages and the development of regional tourism linkages.

Local Government and development planning

The South African Government White Paper on Local Government (1998) promotes the concept of 'developmental Local Government'. Municipalities are given responsibility for being *proactive* about the developmental needs of the communities they represent, rather than simply confining their role to one of administration, regulation and service delivery according to a statutory list of powers and functions.

Developmental Local Government emphasises that this is achieved through integrated, participatory and partnership-orientated planning and management. All municipalities are now required to draw up Integrated Development Plans (IDPs) that must integrate local developmental objectives into a single vision and reflect this in specific, measurable implementation plans. The emphasis is on mainstreaming integrated resource management, by focussing on the way in which the municipality performs its core business. A municipal IDP is therefore a statutory planning process, involving annual business plans and budgets, rather than an `add-on' programme.

Each municipality must actively encourage multi-stakeholder participation in the formulation, implementation, monitoring and annual review of its IDP. This includes establishing committees of community representatives to work with the elected ward councillor in every ward in the country. Municipalities, particularly in small towns and rural areas, receive support from Provincial and National Government for the IDP process.

Networking and knowledge – new forms of cooperative governance

The South African Cities Network (SACN) was established in 2002 as a mechanism aimed at promoting the exchange of information and knowledge not only between cities but also local, provincial and national spheres of Government, something that public administrations are traditionally not very good at doing. The aims of the SACN are to:

- promote good governance and management of South African cities;
- analyse strategic challenges facing South African cities, particularly in the context of global economic integration and national development;
- collect, collate, analyse, assess, disseminate and apply the experience of large city Government in a South African context; and
- promote a shared-learning partnership between different spheres of Government to support the governance of South African cities.

The SACN has promoted the view that cities are the 'engine rooms' of economic growth in South Africa:

"South African cities generate over 80% of gross domestic product and are the key source of Government revenue. The 10 largest cities in South Africa have combined municipal revenue of R40 billion per annum, 75% of all municipal revenue. For these reasons alone, it is critical from a National Government perspective that the large cities are well managed.

Cities are becoming more important than ever before. In recent decades, the process of globalisation has led to a blurring of national boundaries. Trade, finance and investment are no longer just State-to-State, but also city-to-city. In particular, the information revolution brings cities together in a complex global system of interaction and interdependence.

Increasingly, cities are the focal points of international finance and labour markets, as cities become key nodes in a global economy. Capital and labour are attracted to cities that are well managed and that perform well. The economic viability of cities is therefore critical for national economic performance and for the ability of this country to compete globally.

Cities and towns are becoming bigger. Currently, 55% of the population lives in urban areas. This will increase to 70% in the next three decades. It is essential from a local perspective that cities and towns are well governed and managed, that municipal services are provided to all residents on an equitable basis and that the long term infrastructure needs of cities are carefully planned."

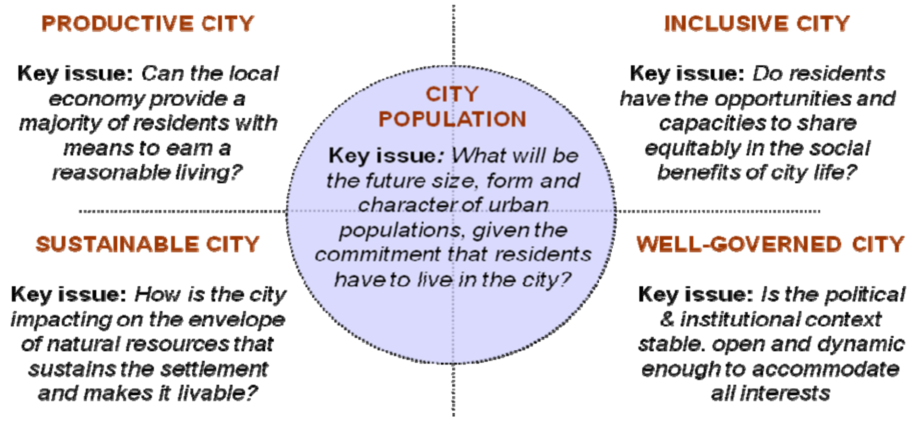
These views are now increasingly being accepted as part of National Government policy.

The evolution of city development strategy

Since 2004, the SACN has published two influential 'State of the South African Cities' reports. These reports have promoted the need for cities to go beyond their IDPs and focus on city development strategies, based on the following considerations:

Integrative framework for development

Figure 5: The integrative framework for development



Long term vision linked to short term action plans

i. city visions need to go beyond 'motherhood and apple pie' statements;

ii. there is a tendency to still focus on short-term operational plans rather than a long term city strategic plan – both are needed and they need to be connected; and

iii. there is a persistence of 'shopping lists': there is a need to focus on city-wide 'change-drivers' and 'points of leverage' where impact can be maximised.

City-wide planning and resource mobilisation

i. it is useful to distinguish between a municipal plan and a plan for the municipal area – the first deals with municipal powers, functions and budgets, the second with the development contributions of other levels of Government, the private sector and the community or voluntary sector;

ii. develop a collective rather than just a municipal city vision, with a shared understanding of a city’s socioeconomic structure, constraints and prospects, within the context of global, regional and national trends;

iii. promote joint effort: structured governance and partnership arrangements between Government, business, labour and civil society; and

iv. adopt a comprehensible rather than comprehensive city plan: easy to communicate, manageable, empowering and accessible.

Planning beyond boundaries

i. establish mechanisms to plan beyond the area of municipal jurisdiction;

ii. maximise rural/ urban linkages in policy and planning; and

iii. develop national urban and spatial development strategies that can plan for where people are going to be, not just where they are now, i.e. focus on mobility and portability of skills, not just place-bound services and infrastructure.

Integrated public sector asset management

i. give consideration to the full range of public sector interventions within the city area rather than on municipal powers and functions only;

ii. improve alignment of public sector initiatives within city areas, in particular, land and buildings, transport, skills, social services, housing, urban regeneration; and

iii. particular focus is needed with regard to role and participation of state- owned entities

Alignment of sector policies and plans

i. develop mechanisms to `mainstream’ cross-cutting issues (e.g. economic growth, poverty reduction, migration, HIV/AIDS, spatial planning, transportation, environment, etc);

ii. establish basis for ‘trade-offs’ between plans, in order to avoid the problems of ‘parallel planning;’ and

iii. focus more on the results (outcomes), rather than on inputs and outputs.

Combined classes of instruments for implementation of strategy

i. city development strategies should aim to harness all possible instruments for implementation, for example: policy, legislation and regulation, fiscal (taxes, fees, charges, incentives), financial (Government expenditure, equity), institutional (governance, participation, alignment), public asset management, knowledge management and advocacy and leadership.

Many South African cities and towns have begun grappling with these and other issues in an attempt to address the ongoing development challenges.

Integrating the apartheid cities – what still needs to be done

One of the most visible consequences of past policies is the dual nature of South African cities and towns: the formal and the informal, the employed and the unemployed, the insiders and the marginalised, the wealthy and the poor, juxtaposed and yet often worlds apart.

14 years after the political transition and despite tremendous progress, inequalities persist and many towns and cities in South Africa continue to be characterised by:

- spatial fragmentation;
- political, racial and social division;
- inadequate public transport;
- urban sprawl and poor land use management;
- weak land and housing markets, especially in poor areas;
- inadequate planning for urban growth; and
- environmental degradation.

More recently, particular attention is being given to finding ways in which those powers and functions viewed as necessary to overcome the ongoing economic, social and spatial divisions and build more sustainable cities, e.g. the provision of affordable housing (currently a concurrent national and provincial function), public transport (national function) and land use management (municipal function), could be better combined.

Lessons

South Africa and Northern Ireland share a number of similar characteristics. Both territories have emerged out of a period of intense political and social conflict; both face challenges of buildings integrated societies with a new identity; and both need to increase levels of economic growth, employment and incomes in order to better address issues of deprivation and inequitable distribution of resources.

There are a number of possible lessons that Northern Ireland/ Belfast could learn from the South African experience:

1. In a divided society, the governance of local communities can be a sensitive issue, particularly in terms of resource allocation. It is sometimes necessary to provide for a phased transition process whereby previously-divided local communities can be integrated over a period of time on a negotiated basis. To some extent, these issues are anticipated in the statement on Local Government to the Assembly by Environment Minister Arlene Foster on 31st March, when she refers to 'new governance models' under consideration. These governance models will need to 'ensure effective and inclusive local democracy, to protect the right of minorities, to prevent any direct or indirect discrimination and to promote the need of equality of opportunity. These would include arrangements to allocate Council Chairs, Deputy Chairs and positions of Council committees and to facilitate cross community decision making.'

2. The role of Local Government needs to be clearly defined. It is helpful to see Local Government not just as ‘creatures of statute’ of another tier of Government but as equal partners in development. The recently-announced vision for Local Government is one of ‘strong, dynamic Local Government creating communities that are vibrant, healthy, prosperous, safe, and sustainable and have the needs of citizens at their core.’ It also refers the ‘strong desire that Central and Local Government should work in partnership to deliver both the Programme for Government and the vision for Local Government.’ This is a promising declaration of intent, but the devil will lie in the detail of the transfer of powers and functions to Local Government over the next few years. So far, it has been confirmed that Local Government will be able to lead a statute-based community planning process and will also be given a new statutory power of well being to assist them in delivering community planning. Other powers and functions will include local development planning, development control and enforcement, public realm aspects of local roads, certain aspects of physical development, area based regeneration, community development programmes, some housing functions and some local economic development and tourism functions. However, mainstream local roads functions, regional spatial planning, public transport responsibilities, health, libraries, education and housing remain at the national level.

3. City-regions are increasingly units of economic competition within the global economy. A form of Metropolitan Government is necessary to avoid fragmentation of the metropolitan economic area and to enhance the competitiveness of the city-region. Alternatively, cities need to find ways to plan beyond their own boundaries. The March 31st statement on Local Government refers to the need for the development of ‘innovative and creative models’ by which Councils can be grouped together for the delivery of significant services across boundaries. This could become the basis for developing a concept of metropolitan service delivery in the Belfast metropolitan area.

4. National policy needs to be clear on the strategic role of cities and their regions in achieving higher levels of competitiveness in the global economy. National policy should aim to promote urban-rural integration, rather than an ‘urban vs. rural’ approach, which perceives urban areas to be ‘over-resourced’ and attempts to divert resources away from urban areas. The Regional Development Strategy produced by the Department for Regional Development is still fairly ambiguous: ‘While the importance of Belfast and its hinterland as the primary engine of growth is recognised and the role of Londonderry as the economic hub of the North West, the Strategy encourages decentralised growth throughout the region, focused on the main towns and facilitated by upgrade transport corridors, to provide a regional network of economic development opportunities, supporting a vibrant economy’ (Shaping Our Future, 2001, page viii).

5. Municipalities need a mechanism through which the programmes and budgets of the various line departments can be integrated into a single development programme, based on a common set of priorities.

6. A city development strategy can be a useful process to develop a shared city vision linked to short-term, measurable objectives.

7. Close attention needs to be paid to structuring inter-governmental relations and to ensure the participation of state-owned enterprises in local development programmes. The recent statement on Local Government notes that a number of Ministries are proposing to strengthen the relationship between their Departments and Local Government in delivery services, including the involvement of Local Government members in the governance arrangements for (national) bodies within their areas of responsibility.

8. Structured networking and knowledge-sharing can be powerful ways of enhancing inter-governmental cooperation.

9. Municipalities have a key role to play in addressing the roots of historical conflict, particularly in terms of economic, social and spatial integration. Human settlement policy, public transport and land use management are key tools to utilise and need to be combined into a single strategy. However, as noted above, some of these functions, including housing and public transport remain national functions.

APPENDIX 3: FULL EMPLOYMENT STRATEGIES FOR CITIES: 10 GUIDING PRINCIPLES

Tackling worklessness and the challenge of long term unemployment

More and better employment for all groups of the population whatever the local conditions, is one of the main aims of local development. The LEED Directing Committee is concerned that labour market policy, a key instrument of Central Government in promoting employment, should be effective in supporting local development initiatives. This goal has implications for both the content of labour market policy and its institutional aspects. To assist local development, labour market policy should promote integration, activation, innovation, sustainability of outcomes and progression on the labour market. On the institutional side, several factors matter for the effectiveness of labour market policies: the degree of decentralisation; administrative flexibility; management by objectives/programmes; financing mechanisms; accountability relationships; third-party delivery; the role of Local Authorities, employers and economic development agencies; integrated vs. segmented services; linkages between employment services and vocational training. This explains why work activities on local employment and labour markets must address both local partnership and development tools.

The Programme is mandated by the OECD Council to:

- **improve the quality of local labour market and social policies, through continuous monitoring and assessment of current practices.**

Within the context of a 26 year work programme, Professor Ivan Turok was invited to develop 10 Principles for Full Employment Strategies for Cities in 2006. These Principles were then endorsed by the LEED Directing Committee in November 2006 at its 49th meeting in Bradford, United Kingdom. Professor Turok noted that *"there is growing recognition throughout the OECD of the need to link economic development and employment policies at the level of the individual city if the twin objectives of raising competitiveness and reducing worklessness are to be met. The challenge is particularly clear in the UK, where the employment rate of the working age population in the major cities has lagged consistently behind the relatively strong performance of the nation as a whole (HM Treasury, 2007). The Government has recognised that raising the UK employment rate towards its ambitious 80% national target will require special efforts to tackle unemployment and economic inactivity in the cities (Department of Work and Pensions, 2006). This is an important departure from the traditional emphasis on national labour market policies and standardised welfare to work programmes that pay little regard to geographical variations in socio-economic conditions."*

If Belfast is to meet this target, politicians, policymakers and commentators agree that decisive action needs to be taken. A strong policy framework has emerged from the Executive, which has been further enhanced by an ambitious Programme for Government. Adopting the principles laid out in the appendices and ensuring that employment strategies developed by all levels of Government are mindful of their aims will contribute to a more cohesive city and region.

A strategic approach

Employment policy has been dominated for many years by standardised national programmes and ad hoc local projects and initiatives, neither of which have served the interests of cities with their exceptional labour market challenges very well. Progression towards a vision of full employment will require a more coherent approach, one that is planned and managed more closely at the city level on the basis of local needs and opportunities. This means a coordinated plan of who does what, where and how, based on clear objectives, a sound understanding of the local labour market and knowledge of how interventions work together to best effect. It implies an appropriate balance between measures to strengthen labour demand and schemes to enhance labour supply. It also requires a clear organisational framework setting out the roles and responsibilities of different agencies and how they interrelate. Different funding streams and procurement processes need more effective alignment and control at the city-level.

Evidence-based policies

The historic neglect of inactive groups and lack of local responsibility for labour market policy mean that knowledge of the scale and nature of the challenges faced in specific cities is often weak. An understanding of skills gaps and spatial mismatches between labour demand and supply is important for targeted policy responses - what are the key imbalances, shortfalls and obstacles preventing full employment? Systematic analysis of the composition of the workless population and the issues faced by different groups is also vital, since people vary widely in their hopes and fears. Robust evidence of the barriers to work created by official regulations is required to justify the case for local freedoms and flexibilities. A better understanding of the circumstances and aspirations of those furthest from work is essential to set realistic objectives and to plan the scale and nature of services required for progression. A thorough assessment of gaps, overlaps and inefficiencies in the current infrastructure of service delivery also needs to be fed into plans for new arrangements. Decisions about investment in preventative actions – in schools and in workplaces – need to be informed by evidence of their cost-effectiveness.

Sustained employment growth

Sustained pressure of demand for labour helps to create the conditions that change behaviours and enable less-skilled groups to enter, retain and progress in employment. A tight labour market makes it much easier to get people into work by altering the expectations and incentives facing employers and unemployed. It also means greater coincidence of interests between social and economic development agendas because of the greater need and opportunity to get more people into work, with the attendant benefits for the well-being of individuals, families and communities. A steady expansion in employment opportunities means less displacement and 'recycling' of other vulnerable groups when people find jobs. Opportunities to create broad-based employment in terms of industries, occupations and locations should be pursued wherever possible with a view to maximising accessibility to people with limited qualifications or track record of work.

Active employer involvement

Experience suggests that the most effective employment measures are job-specific or 'demand-led,' rather than shaped by imaginary employer requirements, or constrained by the rules of those administering large programmes. Working with employers is important to ensure that appropriate skills and competencies are developed to meet the needs of actual jobs. They have a role in influencing the design of all sorts of employability and training services. Their involvement is also important in ensuring that appropriate follow-up support is available for workers who need it to retain their jobs and avoid falling out of work and into poverty. Ongoing employer assistance and workplace adjustments may be required for people to advance to better-paid positions and reach their full potential, creating entry-level vacancies for others in the process. Employer engagement is also necessary of course to address prejudices and unconscious practices that limit the prospects of particular workless groups, such as people with disabilities, ethnic minorities, older workers, homeless people or ex-offenders and to raise awareness of the benefits in terms of loyalty and commitment that may arise from employing them.

Seamless pathways to work

A coherent supply chain of employability services is important to enable workless groups to make steady progress towards and into work, especially for those furthest from the labour market. A highly fragmented architecture of specialised providers drawing on separate funding streams and driven by different objectives complicates the task enormously. Current financial systems and associated incentives create a ‘quasi-market’ by encouraging competition for clients and retention on their books rather than referral onto other agencies further along the food chain. There are also many gaps and overlaps in service provision since no-one has an overview or strategic perspective.

A more coherent, carefully planned approach is required to connect the range of organisations involved and ensure better-integrated employability services. Some rationalisation and reconstitution of services is also required in some places. Certain organisations that have not traditionally worked together, especially across the health/social/housing and employment/training sectors, need to link up and develop ways to refer clients to each other routinely in order to provide a proper joined-up service. An effective central tracking system could help to monitor client progress through the support network and reduce many of the repeated costs associated with registration and record-keeping.

Responsiveness to diverse needs and capacities

The circumstances and needs of people are extremely diverse, as are their capacities and motivations. Support services need to be responsive and personalised rather than standardised and routine in approach. Flexibility is important to allow for variability in the speed and means by which people progress towards work .This is not a straightforward, linear process in many cases. Funding systems need to recognise that the costs of supporting some people back to work is much higher than for others, otherwise agencies will ‘cherry-pick’ the most employable. People furthest from work may require specialised assistance to address problems such as addictions, disabilities or homelessness. Some can be addressed at the same time, others only sequentially. Some issues are essentially financial (e.g. affordable childcare and debt), others more personal. Staff running employability services need to maintain relationships with other professionals supporting the particular needs of such people. And a positive focus on what people are capable of and want to do is important, rather than defining them by their problems. Different residential communities also face distinctive challenges and opportunities, justifying an area-based approach in some places, particularly for accessibility and engagement.

Real engagement with people out of work

Special efforts are often required for people who are long-term unemployed to start the transition from benefits to work. Many want to work but face complex barriers, uncertainties and insecurities that hold them back from looking for, or being available for, work. People need to be treated as citizens with rights and choices, not categories or commodities that will help service providers reach their targets. Outreach activities need to build trust, confidence and self-esteem, using imaginative methods to draw in people who may be disillusioned and demoralised, perhaps building on hobbies or recreational interests. Gateway services need to be accessible in terms of location and timing and have a friendly and positive ethos. High quality provision and independent personal advisors or mentors can enlist commitment and build reputation through word of mouth. The journey back to work may be a slow and incremental one, in which case volunteering, learning opportunities, work tasters and other meaningful activity may be valuable stepping stones that are important to target and acknowledge as positive outcomes in personal action plans and to reward in their own right. Otherwise agencies will ‘cream off’ the most employable and ‘park’ the rest in ways that limit the cost of support. Funding systems need to be realistic about timescales and should not be directed purely and simply to getting people into any job.

Enabling rather than threatening

Positive decisions to participate, reinforced by suitable incentives, engender more commitment than compulsion and penalties. Employers want to recruit people with a positive attitude to work, not those coerced into finding a job. High quality, client-centred services are bound to be more effective at motivating people and ensuring loyalty than threatening them with a loss of benefits. It is particularly important to be sensitive to the fears of vulnerable groups who may have been reliant on state benefits for many years and who are anxious about cuts to their income. A harsh regime may drive people beyond the reach of the welfare system and into a world where they are invisible to support networks and there is little security for the future. Local discretion to make occasional exceptions to stringent regulations (such as the 16-hour rule on activity while unemployed) can help to build positive relationships with clients and enable progress to be made towards the labour market. And people need to be involved as service users in providing feedback to service providers based on their experience to ensure that support programmes improve over time.

Plural provision

It makes sense to build on the distinctive strengths of different kinds of organisation rather than pursue a monolithic approach. Community-based agencies often have greater credibility and trust with local residents by virtue of their local links and personal relationships. Their area-based approach can also help to establish a more rounded perspective on the barriers and opportunities facing local people. Voluntary and charitable organisations often provide a more flexible, person-centred service than statutory bodies or commercial agencies, coupled with specialised expertise to meet particular needs, such as those of ex-offenders. They can also be more creative in assembling financial packages from different sources. Private sector organisations can bring a useful employer perspective and managerial disciplines into the picture. Mainstream statutory bodies also offer durability, consistency and reliability.

Greater coordination and integration are important to overcome the problems arising from the very fragmented structure of services that has emerged over the years in many cities. This can take different forms ranging from loose alliances and formal agreements between the providers of complementary services, to physical mergers and consolidation. In view of the costs and complexity of radical organisational restructuring, a phased approach may be necessary, based on a long-term vision of what is ultimately likely to prove most effective.

National support

The challenge of worklessness in many former industrial cities will not be solved by local actions on their own but needs national backing. In some instances, Government involvement is required to align different funding streams around common objectives, targets and monitoring systems, including elements of health, social care, education, training, housing and of course employability. There is also a job to link these supply-side measures with economic development, infrastructure and regeneration policies aimed at strengthening demand. In other cases, legislation may be required to devolve powers to the local level and to remove specific obstacles frustrating the transition from benefits into work, such as the sudden termination of key benefits on job entry, rather than tapering off support. Additional flexibility in the operation of national programmes, such as the New Deal, would also improve their prospects of success for a wider client group and strengthen employer engagement. And, of course, extra resources are required to extend employability and training services to the very sizeable ‘stock’ of long term sickness and disability claimants who have hitherto been almost completely neglected. The long term savings to all sorts of social and public costs from having more people active and in work justify the extra investment up front in effective employment services.

APPENDIX 4: 10 PRINCIPLES FOR FINANCING LOCAL DEVELOPMENT

Financing economic development

At the regional level, the Strategic Investment Board (the SIB) is a highly effective delivery mechanism for realising the strategic investment priorities of the Executive across Northern Ireland. Its strategic approach is good for Northern Ireland and good for Belfast. However, a new Economic Development Vehicle for Belfast needs to build on this and develop more tools and strategies to ensure that key investment can be made. The Belfast City Council is advancing this agenda and creating an investment fund which will enable it to work with the SIB to yield greater outcomes.

A recent OECD LEED Programme publication, 'Investment Strategies and Financial Tools for Local Development' analyses 50 financial innovations and measures them against the principles in the box below. The principles were endorsed by the LEED Directing in 2006 and provide a comprehensive framework against which cities and regions can finance local development. The OECD LEED Programme recognised that financing local development is not simply a question of finding the public money required to invest in a local productive base, or wider economic development opportunities. How local development is financed plays a key part in defining what the goals of local development may be and the extent to which the outcomes will be sustainable in both financial and economic terms. There are different kinds of local economic development, that involve different means of financing. One measure of success of local economic development will be how much external finance and investment is ultimately attracted and the extent to which local markets become sustainable without continued public investment.

The book concludes that financing local development involves both public and private finance, including philanthropic financing and the mix of these varies very broadly over the OECD member countries. Local development has turned a corner in recent years and has gradually moved into the main stream of thinking about how nations, regions, provinces and states can become more productive, create more wealth and jobs, foster new and growing firms, build human capital and improve incomes at the local level. There are multiple reasons why local development has become more important:

- sustained and substantive efforts by National Governments and inter-governmental organisations such as national policies in France, Italy, Spain, Canada, Mexico, Japan, Germany, the USA and the UK, the EU's Regional Development Programmes and the work of international financial institutions such as the EIB, the World Bank and the Inter American Development Bank, have all served to increase confidence in the idea of a local development dimension to successful and balanced national economies;

- at the same time, economic analysts have realised that the longer term impact of key drivers such as globalisation, human population increase, mobility and ageing, technology development and climate change and challenge have all served to increase the potential of local economies to add value to national success. The same drivers that enable national economies to grow; nimble regulation, trade, productivity, innovation, skills, connectivity (for example), are also now widely recognised to be key drivers of how local economies perform. Moreover, local and regional development policies are seen to require better co-ordination between these drivers and to benefit from effective leadership and strategic planning which can help them to adjust effectively and perform much better within the more open and internationalised economic context of the 21st century;

- equally, analysis across OECD countries has highlighted that intra-regional and inter-local economic disparities are widespread and even growing, giving rise to a realisation that national policies alone will not easily address such disparities and that local solutions are also required; and

- lastly, substantive progress in the practice of local development is beginning to show that special purpose agencies and ‘expert’ teams and organisations, are able to achieve more than generic arrangements. High quality strategic planning which integrates the different roles of Local Government (leadership, regulatory, planning, service provision, asset management and local economic programmes) with specialised practitioners in Development Agencies, Chambers of Commerce and place marketing organisations are able to achieve much more than would be possible within a generic municipal skill set. Local economic development is building a wider tool box and becoming more of an established public/private ‘industry.’

The study provides a wide variety of learning models that the Executive, the SIB and the Belfast City Council would find useful to explore in greater detail. The analytical table, which measure the innovations the principles, features below:

Table 3: 10 principles with the 50 different innovations

	Case study	Smart finance	Active private leadership	Metropolitan finance	Value capture	Flexible in public funding	Public assets management	Financial innovation	Local market building	Quality propositions	Capable intermediaries
1	Philadelphia: Hotel Room Tax	*	*	*	***	*		**			*
2	The EDI Group; Edinburgh	*	**		***	**	**	**	**	**	***
3	Boston Redevelopment Authority	*	**	*	***	**	***	**	**	*	**
4	EIB loan for municipal infrastructure	**	*	*	*	**	*	*	*	**	*
5	BOC- municipal revenue bonds	**	*	*	*	**	**	**	*	*	**
6	Baltimore- Tax Incentives	**	*	*	**	**	***	**	**	**	*
7	Copenhagen: Property Value Taxation	*		*	***	**	*	*			
8	Chicago: Tax Increment Financing	**	**	*	***	**	*	**	**	*	*
9	San Francisco Benefit Association District	*	**	*	***	**	*	**	*		*
10	Glasgow: Public Private Partnerships	**	**	*	*	***	***	**	**		**
11	New York: BID Program	**	***	*	**	**		***	**	*	**
12	Vancouver: Gas Tax	***	*	*	**	*		*	*		
13	London: Congestion Charging	***		***	**			***			*
14	Caisse des Dépôts, France	*	**		*	**	***	**	***	**	**
15	US Federal Reserve	*	***	*	**	*		***	***	***	***
16	Canadian PILOT Funds	***		**	**	*	**	*			
17	SOFIREM	*	**			**	**	**	**	**	**

Case study		Smart finance	Active private leadership	Metropolitan finance	Value capture	Flexible in public funding	Public assets management	Financial innovation	Local market building	Quality propositions	Capable intermediaries
18	South Africa Urban development Zones	**	***		*	**		**	***		*
19	Green Municipal Fund, Canada	**	**			**	**	*	*	**	*
20	Urban Free Zones, France	***	***			**		*	**		*
21	Real Estate Investment Trusts		***		**		*	*	**	**	*
22	English Cities Fund	*	***		**	*	**	*	***	**	*
23	Enterprise Foundation (USA)	*	**			*		*	***	***	***
24	Australia: Social Enterprise Finance		*			*	*	*	***	***	***
25	New Zealand: Venture Capital Funds		**		*	*		**	***	***	***
26	Australia: Innovation Investment Funds		**		*	*		*	***	***	
27	Greater Philadelphia: Reinvestment Fund	**	**		**	*		**	***	***	***
28	Finpiemonte and Filombarda, Italy	*	*	**	*	***	**	**	**	**	***
29	Stuttgart: Regional Investment Bank	**	*	***	*	**	**	*	*	**	***
30	East Midlands UK: Blueprint Fund	*	**		***	**	***	*	***	*	***
31	Tamil Nadu Urban development Fund	*	*			***	***		**	**	***
32	World Bank	**	***	*	**	*	*	**	**	***	*
33	Inter-American Development Bank	**	***	*	**	*	*	**	**	**	*
34	Asian Development Bank	**	***	*	**	*	*	**	**	**	*
35	Islamic Development Bank	**	***	*	**	*	*	**	**	**	*
36	European Investment Bank	**	***	*	**	*	*	**	**	**	*
37	EBRD	**	***		*	**	*	**	***	**	**
38	CoEDB	*	***	*	*	*	*	**	*	**	***
39	Joint Initiatives by the European Commission, the European Investment Bank and the EBRD	**	**		*	**	***	**	***	***	****
40	Ford Foundation		***		*			**	***	***	***
41	Local Initiatives Support Corporation (US)	*	***		***	*	***	**	***	***	***
42	Open Society Institute & The Soros Foundation's Network		***		*	*	*	*	***	**	**
43	The Gatsby Foundation		***		*			*	***	**	***
44	The Annie E Casey Foundation		***	*	*	*	*	***	***	***	***
45	New York City Investment Fund		***		**			**	***	***	*
46	Barclays Bank Urban and Regional Development Funds		***		**	**	*	***	***	***	**
47	Fondazione Cariplo		***		**			**	***	*	***
48	Compagnia di San Paolo		***		**			**	***	*	*
49	CalPERS California Initiative		***		*	*	**	*	***	***	
50	New York State Retirement Fund		***		*	*	**	*	***	***	

i) Smart finance for smart cities and regions: getting the fiscal relationships with higher tiers of Government right

The transition to a knowledge-led service economy has encouraged urban regeneration and re-positioned cities and local economies as central to the economic performance of regions and nations. It has also placed a strong emphasis on continuous re-investment in local economies in order to attract and retain population, businesses and private investment. To make this sustainable, Regional and National Governments can re-appraise how well their fiscal systems promote urban investment and how they can be adjusted to invest in localities to promote even greater economic and fiscal performance for wider areas. Governments of all kinds should ask whether they could be getting greater returns by investing more in local economies and giving localities greater responsibility and flexibility for raising revenue and capital and taking responsibility for investment and oversight.

ii) Promote active private sector leadership in local development finance and investment

Local development finance is, in many ways, a new niche market for commercial financial institutions. It presents new assets and opportunities at a dynamic rate. Commercial financiers need to have close relationships with Local Government leaders and urban practitioners to understand where the new opportunities are and to influence how they are shaped and packaged. The financial sector also needs capable leadership across firms, to increase the rate of innovation in local economic financing and to share risks and costs where appropriate, especially in new or challenging markets.

iii) Metropolitan finance for metropolitan amenities

Functioning local economies provide many services and assets to their wider sub-regions and metropolitan areas. They provide institutions, identity and infrastructure for their surrounding areas. The cost of these should be shared amongst those who benefit, both directly and indirectly. For many years, lower tax and cost regimes in the surrounding counties and municipalities of central urban areas have encouraged people to find new houses and places of work outside of the city jurisdiction, with negative economic, social and environmental consequences. The wider metropolitan region and its commuting workforce benefit from the amenities that the city provides (cultural and sports institutions, health and other services) and from the agglomeration of commercial activities that it hosts. This suburban 'free-loading' does not foster sustainable investment in urban areas. New forms of integrated development and growth management in metropolitan regions should be financed through shared metropolitan finance tools.

New initiatives are emerging to encourage resource sharing across metropolitan areas and to maintain metropolitan assets. These should be encouraged and a new era of innovation should be promoted.

iv) Capturing and sharing the benefits of growth locally

There is a renewed impetus in local development and urban regeneration. Immigration, life style changes and the different land use requirements of the new economy, have allowed urban localities to become the sites of increased interest. Private sector returns are now good in urban property markets. However, existing systems of taxes, levies and fees do not always foster the momentum of urban investment nor create the infrastructure that would allow greater private investment, either because they take too much tax out for other purposes and do not re-invest directly in nodes of urban growth, or because they leave Local Governments with little fiscal incentive to encourage growth of the right kind. Capturing and using the value of growth to help foster development is a key mechanism for engaging private investors.

New instruments that enable the local 'recycling' of some element of improved property values should be encouraged, to build long term momentum into urban reinvestment and to create the conditions for greater private interest. Examples, such as Tax Increment Financing and Development Tariffs, are working successfully in some places. Public sector ownership of land is a key means to capture value from development.

v) Flexibility in public funding to enable private co-investment in local development

The long term goal of much public investment in local development is to attract private co-investment in ways which will build new markets. But public finance is often too rigid or cumbersome, to be properly calibrated to attract private co-investment. Public investment can crowd out the private sector. Flexibility and certainty are the key to making public funding more of an incentive to private investment. This means a shift to focus on outcomes and sharing returns, rather than on narrow controls over how public funds are deployed.

vi) A new approach to public assets

Many cities and local economies contain substantial public assets in the form of real estate, facilities, or other amenities. Urban areas in particular were the centres of gravity in the industrial and pre-industrial eras and their assets have accumulated over time. However, in many localities such assets are now owned by a multiplicity of public and quasi public bodies that do not necessarily share a primary objective for the success of the city in the global environment. Urban areas can find that the biggest barriers to re-development are major asset owners in the public sector, often from higher tiers of Government, or from utilities. A new approach to how public assets are managed is required. City Governments, with help from higher tiers and the private sector, should take the lead in fostering active asset auditing and asset management by all parts of the public sector as a logical pre-condition for attracting greater private sector investment.

Too many countries still have systems of ‘capital receipts’ which means that when local economies realise their assets through sales they do not retain the full value. This creates a powerful disincentive to raise the value of such assets and leaves them in a low investment/low return trajectory. It is central to the task of urban regeneration that improved assets’ values be utilised to encourage further investment and regeneration.

vii) Fostering financial innovation in public and private sectors

Financial innovation should be promoted in public and private sectors and continuous experimentation should be fostered and assessed. This requires ‘controlled experiments’ where rules and formulae are relaxed so that creative solutions can be found. This cannot be left to individual localities and tenacious investors alone. The market will grow better and faster if there is some shared effort to promote financial innovation.

An international observatory on local economic financing would be a welcome addition, to reduce the costs and risks of innovation.

viii) Long term market building by the private sector

Evidence shows that local economies and urban areas have many untapped markets and opportunities which will offer good returns if they are addressed patiently by private investors. Government can provide incentives and support. Where all banks are required to address long-term urban markets, for instance in the US through the CRA, or in Italy through Bank Foundations, this results in new and commercially sustainable market niches for banks to operate in. Building urban markets is a long term process but yields healthy returns. Initiatives to build markets through the right incentive structure are key.

ix) Focus on the quality of the propositions not on the supply of finance

Using special instruments and incentives to build the supply of investment capital is only one side of the coin and diligent work has to be done to stimulate and sustain a continuous level of good quality demand so that the average costs of each deal can be reduced, the scale of the opportunity will grow and the scope for further investment will be created. Local development leaders and financial institutions should work together to improve the flow of good propositions being developed and to promote 'investment readiness' throughout the professions of urban development.

x) Build capable specialist intermediaries at local and wider levels

Achieving this kind of performance is only really possible with high quality intermediaries (the fund managers and others, who are really dedicated to making it work). These skills are in short supply. Attention to building up the capacity of the intermediaries is key to making the instruments effective. Venture capital funds without fund and investment managers do not work. City bond issues do not succeed without specialist advice from investment bankers and brokers. Community Investment Tax Credits without Community Development Financial Institutions are a non-starter, as are Regional Venture Capital Funds without dedicated fund managers.

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