COMPETITIVE CITIES FOR JOBS AND GROWTH

www.worldbank.org/competitiveties
The Global Urban Transition

- **80%** of global economic activity generated in cities
- **2 billion** new residents in cities between 2000-2030
- **1 billion** live in slums today
- **40 million** IDPs/Refugees live in urban area today
Urbanization provides opportunities

All countries achieving middle income status have been at least **50% urbanized**

More urbanized countries have **lower poverty** and are more prosperous
But, cities and economic prosperity do not always go hand-in-hand

The missed opportunity
Some conflict cities continue to overperform in their contribution to national GDP.....while others fail to live up to the ‘promise of urbanization’
And for refugees, IDPs and for the city, **positive economics effects are possible**

**Preliminary observations of the impact of SuTPs’ on the Turkish economy [5]:**

- 26% of new businesses registered in Turkey in 2014 were established by Syrians.
- In Gaziantep, Mersin, and Hatay: 122 Syrian-owned companies were registered in 2013, and the estimated initial capital invested in these companies was TL 39 million.
- Syrians have also started up (mainly unregistered) **microenterprises**, particularly cafes and restaurants.
Many developing countries are experiencing a demographic and spatial transition, with millions of new entrants to the labor market – job creation is at the forefront of the economic development challenge.

What mayors and city leaders want to know

How have other cities created jobs and growth?

What should be the top priorities for my city?

How do I get it done?
What we found: Tradable goods & services drive growth

The reasons:
• Expand the local economic pie;
• Help increase productivity through competition.

What we found: Four levers available to cities

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
DIAGNOSTICS: What are we diagnosing?

A “COMPETITIVE CITY” facilitates firms and industries to grow jobs, productivity and incomes over time
### Who: Mayors don’t rule the World, they rule a “Wedge”

<table>
<thead>
<tr>
<th>Institutions &amp; Regulations</th>
<th>Infrastructure</th>
<th>Skills &amp; Innovation</th>
<th>Enterprise Support &amp; Finance</th>
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<tbody>
<tr>
<td>- Macroeconomic management</td>
<td>- Highways, roads, airports, ports</td>
<td>- Public education system</td>
<td>- Export and trade facilitation</td>
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<td>- National investment and trade policy</td>
<td>- Power grid</td>
<td>- Immigration policies to attract talent</td>
<td>- Access to finance support schemes</td>
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<td>- Legal framework &amp; property protection</td>
<td>- Regulations for infrastructure provision, e.g. PPP laws</td>
<td>- R&amp;D funding, support schemes</td>
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<td>- Industry-specific taxes and regulations</td>
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<td>- Healthcare</td>
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### City government
- Municipal taxes & incentives
- Zoning and land use policies
- Construction permits; business licenses
- Public safety & law enforcement

### Private sector
- Standards and certification associations

### Source:
Competitive Cities for Growth and Jobs, World Bank Group, forthcoming 2015
The City Policy ‘Wedge’

i. **Growth Coalitions**: collaboration with stakeholders;

ii. **Mayor’s Wedge**: internal scope and capacity;

iii. **Intergovernmental relations**: external leverage.
First step: is to understand how you are doing?
Step 2: Go deep to understand what shapes performance.

<table>
<thead>
<tr>
<th>Competitiveness Factors</th>
<th>Sectors (e.g.)</th>
<th>Sizeband (e.g.)</th>
<th>Ownership</th>
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<td>Institutions and Regulations</td>
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<td>Taxes, licenses, duties</td>
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<td>Legal system</td>
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<td>Market regulations</td>
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<td>Local government</td>
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<td>Infrastructure and Land</td>
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<td>Physical infrastructure</td>
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<td>Skills and Innovation</td>
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<td>Human capital</td>
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<td>Education and research</td>
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<td>Networks</td>
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<td>Enterprise Support and Finance</td>
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<td>Financial maturity</td>
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<td>Cost of credit</td>
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<td>Agglomeration</td>
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<td>Industrial mix/clustering</td>
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<td>Local supply chains</td>
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<td>Other endowments</td>
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<td>Location, history, amenities</td>
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<tr>
<td>City image and other intangibles</td>
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Understanding your economy: Kutaisi (Georgia)
Benchmarking: Industrial structure of Johor Bahru

Employment structure by Industrial sector 2012

- Public Services
- Finance and business services
- Transport, storage, Information & communication
Identifying drivers and constraints

*Figure 5: Private sector jobs growth in Wakefield, 1998-2008*

Source: ONS 2013, Business Structure Database. Contains Ordinance Survey Data © Crown copyright and database right 2012

Source: Swinney, Siavaev (2013)
Focusing on a specific constraint

Example: Economy-Wide Constraints (Philippines)

Source: The World Bank
Focusing on an Industry: (Tourism in Mombasa, Kenya)

In order to grow Mombasa could seek to diversify its offerings
Several questions for you

• How often do you need to analyze your economy?
  ALL THE TIME

• What are the essential components of any analysis?
  COLLECT DATA, PROCESS DATA, INTERPRET DATA

• What are the technical tools that you should use?
  THERE IS A LOT TO FIT ANY BUDGET AND TECHNICAL CAPACITY

• How can you improve your analytical capabilities?
  GRADUALLY BUILD TEAMS AND INVEST IN THEIR CAPACITY
3. Linking diagnostic work to city policy examples

Land and infrastructure
Skills and innovation
Enterprise support and finance
Institutions and regulations
Land & Infrastructure
Tangier

What are the initiatives?

• Leveraged national investment in a new port to attract foreign investors in automobile manufacturing – by upgrading northern Morocco’s road and rail connectivity

Contribution to city’s success

• The upgraded import-export connectivity lowered production costs and enticed big investors to the city, with job creation and technology transfer

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
Lake Qaraoun Tourist Area

What are the initiatives?

develop a tourism and leisure destination,
Provide investment opportunities for youth, and Syrian refugees.

Contribution to city’s success

Improved governance.
Increased social cohesion
Refugee socio-economic inclusion

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
Institutions and regulations
WHAT HELPS ONE, HELPS ALL?

TARGETING IMPROVED CONDITIONS FOR ENTREPRENEURALISM – BETTER PHYSICAL SECURITY, LICENSING AND ACCESS TO MARKETS – MAY PROVE THE MOST EFFECTIVE WAY TO EXPAND PROTECTION SPACE (FOR REFUGEES AND IDPS)

Becoming Urban Humanitarians: Engaging Local Government to Protect Displaced People, August, 2016 (Urban Institute)
Kigali

What are the initiatives?

- Kigali Investors’ Forum, a private sector forum, to collaborate with the government to identify specific reforms needed
- Established a One-Stop Shop in 2010 to reduce red tape

Contribution to city’s success

- Business climate reform targeted at the most impactful constraints
- Investors now handle all approval needs in one place

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
INFORMAL ECONOMY ABSORBS REFUGEES/IDPS, BUT CAN ALSO LEAD TO SOCIAL TENSIONS
CASE IN POINT: TURKEY – DISPLACEMENT OF INFORMAL SECTOR WORKERS

Arusha city – large informal economy

- Historically, the Arusha City Council was hostile to the informal economy.
- However, perception of traders within the City Council have since changed and local government officials no longer perform arbitrary evictions.
- Instead the City Council has assist traders to find alternative business premises and allows sufficient time to relocate. The city even provides loans to youth and women groups.
- Crucial to Arusha City Councils policy shift with the informal sector was increased stakeholder engagement which re-cast the city governments relationship from regulator to enabler.
- Arusha is an example showing that local governments need not necessarily disrupt livelihoods in the informal economy when they enforce urban planning or environmental regulations.
Enterprise Support and Finance
Coimbatore

What are the initiatives?

- Active investment promotion through extensive, systematic analysis—not only to find and recruit investors, but also provide targeted investors aftercare
- Investment promotion not in the hands of the public sector—but done jointly with lead firms

Contribution to city’s success

- Coimbatore recognized as a viable alternative to Bangalore and Chennai, with clear assets in a highly educated, English speaking workforce with engineering skills and practical training

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
Skills and innovation
What are the initiatives?

- Competition between vocational schools: funding based on enrollment and employment rates
- Tax credits to firms for sending participants to worker training programs.

Contribution to city’s success

- Changsha ensured an effective training by creating incentives for quality and employability, and lowering barriers to skills development

Source: Competitive Cities for Jobs and Growth, World Bank Group, forthcoming 2015
City economic development strategies in practice

Women in the Workforce Project (Al Qaraoun Municipality) – Cooking and Sewing

Enriching Employment Opportunities and Livelihoods (ILO) - enhancing employment opportunities and livelihoods in underprivileged host communities in Jordan

Women Leaders Project aims to create a sewing factory for women to manufacture school uniforms, providing 120 jobs.

Jordanians and Syrians – helps improve the business environments, labor markets reform, investment promotion
Who did it in Gaziantep?

“Gaziantep is the number one of the world in machine woven carpet production. We want to catch Belgium in fitted carpet production.”

Local firms:
- Rivals, but come together on common interests, (e.g. infrastructure upgrades)

Two business chambers:
- Large professional staffs, budgets, and political influence.
- Help determine priorities, build consensus, and advocate on behalf of business.

Credible individuals with a track record of success (e.g. President of Sanko Holdings, one of the largest firms in Turkey).

Municipality:
- Supportive, not dominating
- Business-friendly

City Council:
- Forum for information sharing and consensus.
- Members: 80% private sector, universities, or civil society
- Several thematic working groups issuing recommendations.

- Effectively Organized Industrial Zones
- Funding for education and research
- Tax incentives and trade fairs subsidies
- SME and entrepreneurial assistance

Who did it in Gaziantep?
Bilbao: factors behind the transformation of the city and of the change of economic model

- Leadership of Public Administration
- Public-private partnership

Transformation can be summed up in 25 action areas developed over the last 25 years.

- Rehabilitation of the Historical Centre.
- Extension of the Port. The “Outer Abra”.
- Environmental regeneration of the river and subsequent riverfront development
- Old and new bridges connecting the city.
- Connectivity (airport, metro, railway)
- Museums and cultural institutions
Kigali: factors behind the transformation

**Leveraged national level efforts**: Reviewed Doing Business indicators at the city level, then implemented reforms

**Built up capacity**: Used international experts, attracted high capacity staff, piloted new ideas

3. **Supported the private sector**: Engaged with the business community; facilitated growth without interfering

4. **Created a livable city appeal**: Cleanliness and safety efforts started during the recovery period, become a competitive advantage in the region

5. **Made visions and priorities clear externally**: Used city level plans to attract and market Kigali to investors (Master Plan)
What cities can do varies a lot!

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Africa</td>
<td>9%</td>
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<tr>
<td>South Africa</td>
<td>17%</td>
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<tr>
<td>Uganda</td>
<td>34%</td>
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<tr>
<td>Asia</td>
<td>18%</td>
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<tr>
<td>China</td>
<td>50%</td>
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<tr>
<td>Philippines</td>
<td>14%</td>
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<tr>
<td>Europe and Central Asia</td>
<td>27%</td>
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<tr>
<td>Belarus</td>
<td>36%</td>
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<tr>
<td>Moldova</td>
<td>25%</td>
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<tr>
<td>European Union</td>
<td>25%</td>
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<tr>
<td>Latin America and the Caribbean</td>
<td>11%</td>
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<tr>
<td>Brazil</td>
<td>26%</td>
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<tr>
<td>Mexico</td>
<td>7%</td>
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</tbody>
</table>

- Government organized into interdependent spheres; cities issue bonds and have considerable revenue.
- Low city revenue but high levels of local government spending (conditional transfers).
- Strong national and state agencies but with substantial devolution.
- High devolution to cities with extensive cohabitation, relatively high city spending and revenue.
- Cities dependent on strong states; low city spending and revenue.

**Local Economic Context, Challenges and Actions**

- Local Economic Development and Labor Market Policies is a relevant to local authorities.

**To what extent your authority is involved in economic affairs and labor market integration (on a scale of 1 to 4)?**

- The majority have traditional attributions:
  - Sanitary inspections
  - Delivery of building permit for enterprises
  - Delivery of licenses for enterprises
  - Municipal infrastructures and services.
- But some have developed other services in the refugee crisis context:
  - Professional/vocational training
  - Delivery of benefits
Planning for Refugees and IDPs: Some Lessons from the World Bank

Invest early in data – who? Skills? Where?

Area-based approach – target everyone in an area (host and IDP/refugee)

Multisectoral approach – infrastructure, livelihoods, cash transfers, social support

Know needs – these change over time!

Participation is key!