

# Institutional models for urban development



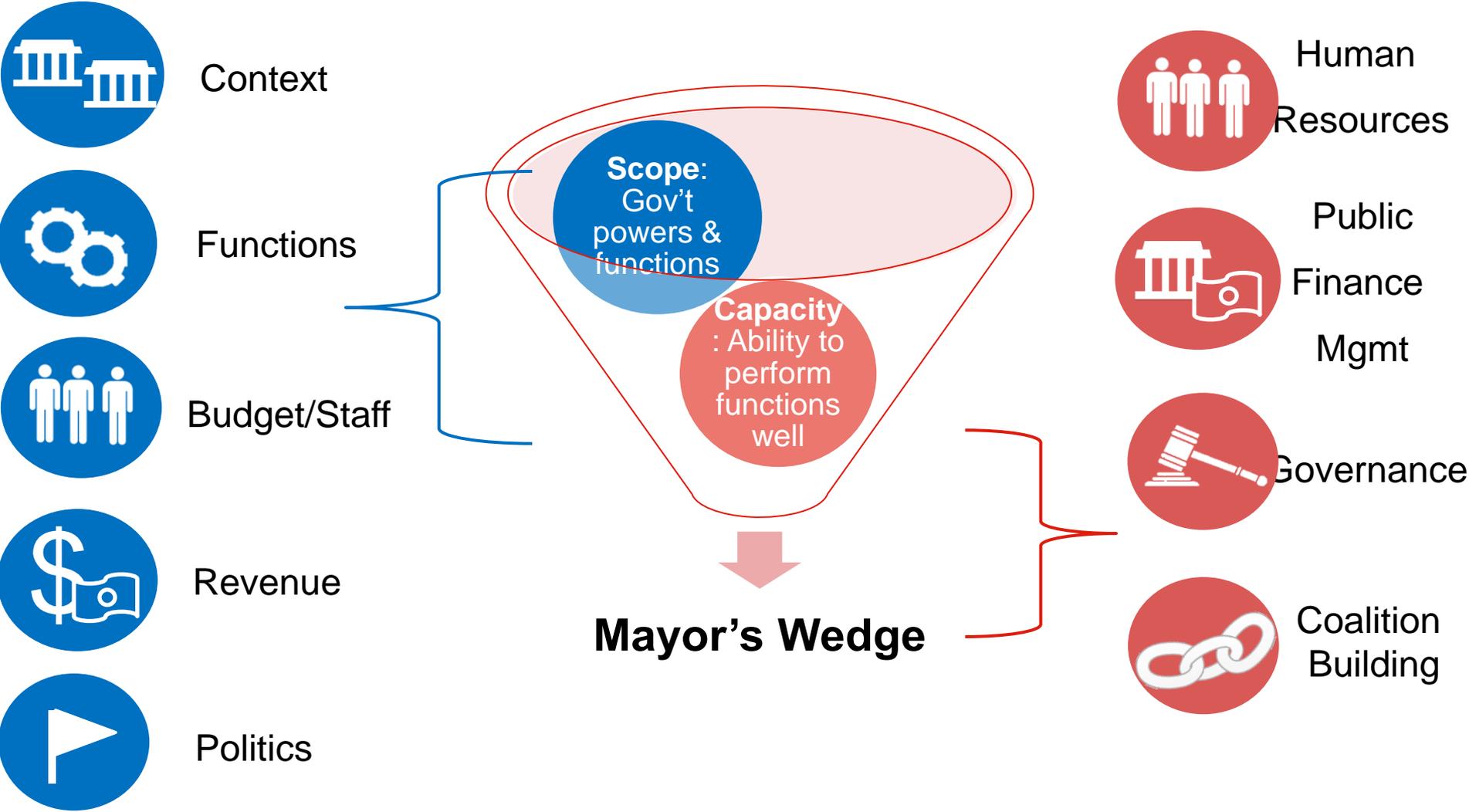
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## Starting point: “mayor’s wedge” analysis

- A World Bank initiative, the Competitive Cities Knowledge Base, is developing a **standardized framework to analyze city institutional structures worldwide**
- This framework has been termed the “mayor’s wedge”, defined as: ***the range of interventions that city leaders can influence.***
- **How does this look in practice?** Case studies reveal that city competitiveness and urban development can be led by the city government (“the mayor”), but is sometimes also a **“growth coalition” including proactive initiatives from the national government and/or the city’s organized private sector**

# Mayor's wedge framework: SCOPE and CAPACITY



# SCOPE: What are the city's policy levers?

**Scope:**  
Government  
powers and  
functions



What is the **broad governance environment** in which the city operates? Is there a metropolitan area governance structure?



How is the city government involved in **economic development policymaking**?



What does the city government do: what functions is it responsible for in influencing **institutions and regulations**, **infrastructure**, **skills and innovation**, and **access to finance** (the determinants of competitiveness)?



Can the city draft its own budget? What is the composition of the workforce? Can it hire/fire/promote civil servants? Can the **city raise own source revenues**?



Lastly, and importantly, what is the **city's political leadership**? Is there an elected chief executive? What are political relations with higher tier government?

# CAPACITY: How well can a city do its job?

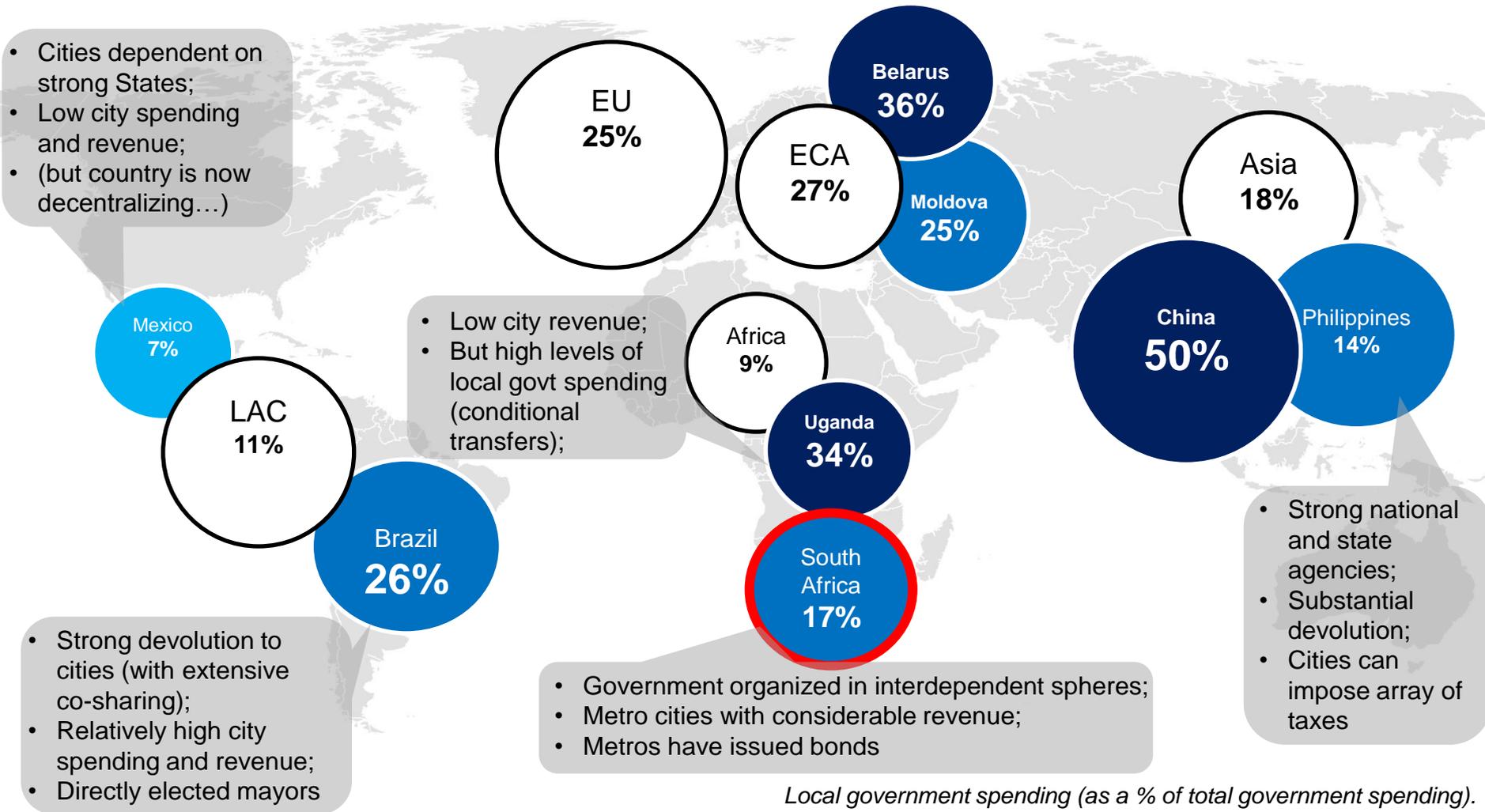
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**Capacity:**  
Ability to  
perform  
functions  
well

-  What is the **level of qualification of city government employees**?  
Can the government access a highly skilled workforce for civil service?
-  How does the **city perform in terms of public financial management**?
-  Is **corruption a major constraint to the city's firms**?
-  Is there a **“growth coalition”** in the city, including an organized private sector, civic society, and universities?  
  
How well does the city **coordinate with higher level government** on economic development?

# The “mayor’s wedge” varies worldwide

*Darker the shade of blue = larger mayor’s wedge.*



Local government spending (as a % of total government spending).  
Source: UCLG 2009 (based on IMF Government Finance Statistics).

# How do South African cities compare?

A circular badge with a blue center and a red border. The text "South Africa" is written in white above the percentage "17%", which is also in white.

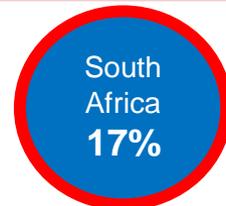
South  
Africa  
17%

- Local government spending is a proxy for the relative weight of cities in impacting policy levers (depending on the breadth and depth of tasks they are responsible for as a local government)
- Local government spending in South Africa (at 17.4%) is greater than the Africa-wide average of 9% and places the country “above average” in a listing of 100 countries worldwide (UCLG 2009, 2010)
- The highest local government spending is carried out by OECD countries such as Denmark, Sweden, the Netherlands and the UK.
- The lowest local government spending is carried out by countries in Africa, and other centralized governments such as Malaysia, Mexico, and Morocco.

*Source: UCLG 2009 & 2010 (based on IMF Government Finance Statistics).*

# Comparing South Africa, Brazil, and Malaysia

	South Africa	Brazil	Malaysia
<i>Decentralization Context</i>	Metro municipalities more independent than provinces, metro powers have increased	Strong devolution, third tier (local government) considerably independent from states	Deconcentration where city governments implement functions and directives from higher government tiers
<i>Policy Levers</i>	Metros have responsibilities in economic promotion, tourism (economic), transport and urban roads (transport)	Shared functions across levels of government. Public transport and land use are purely local.	Cities have no direct role in economic development-related functions (all state or federal government led), nor in policing and/or civil protection (general administration)
<i>Revenue Raising</i>	Metros have several revenue sources (as opposed to just property tax revenue)	Cities are fiscally independent, with large share of own-source revenues and taxes collected	Very little spending is done by cities (local governments). Cities have access to local property tax and user fees and charges only (as own-source revenues).



Source: Smoke 2014, *Metropolitan Cities in the National Fiscal and Institutional Structure*; UCLG 2009, 2010; CLGF 2014

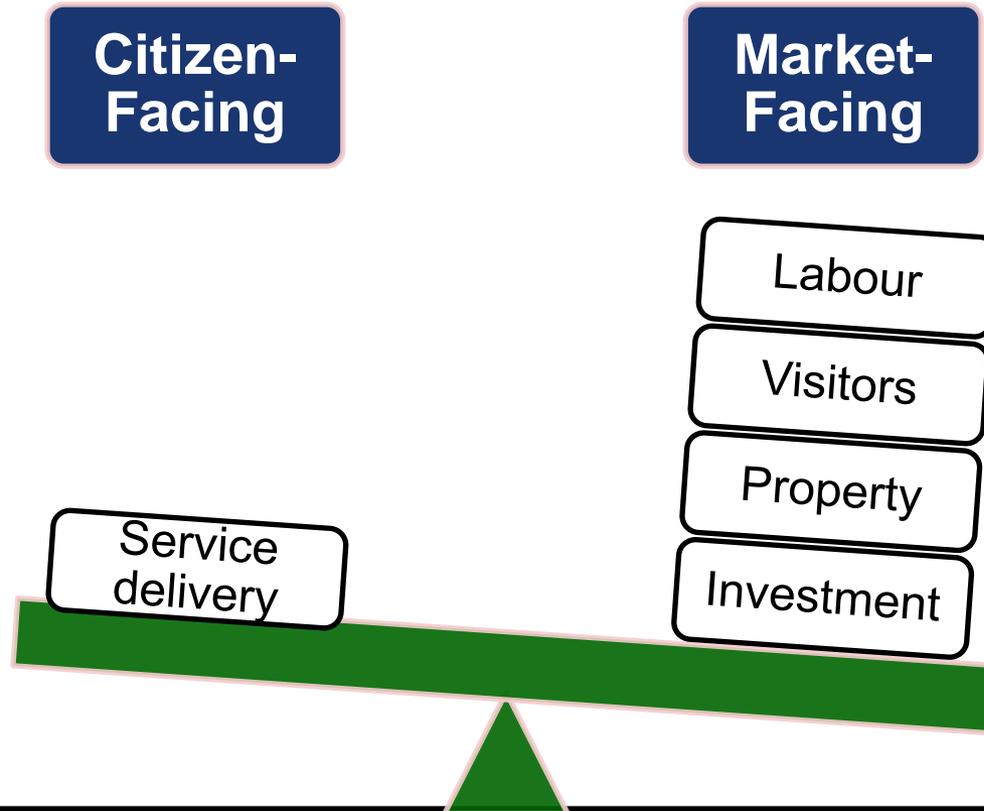
# How does the “mayor’s wedge” apply to urban regeneration?



# How do cities manage development and investment?

## Organizational Structures for Advancing Urban Regeneration

The responsibility of stimulating economic growth and increased shared prosperity demands skillset, tools, and regulations distinct from cities' other primary categories of responsibilities:



Source: Clark et. al. 2010

# Implications for an organizational structure?

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Global survey reveals a short list of typical functions related to “economic development” – combinations of which vary depending on local institutional and market context:

**Define and promote city’s “brand”**

**Facilitate partnerships and city “visioning”**

**Provide urban public services**

**Develop human capital**

**Attract / retain investment**

**Develop infrastructure, real estate**

**Facilitate entrepreneurship**

**Promote social impact (as tied to economic development)**

# **Within or outside the municipal structure?**

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## **Depends on capacities of municipality**

- Ability to attract experienced, highly-skilled talent
- Allow for strong leadership, clear decision-maker
- Enable continuity through local election cycles
- Ability to engage in (more) efficient contracting
- Balance transparency and efficiency in governance

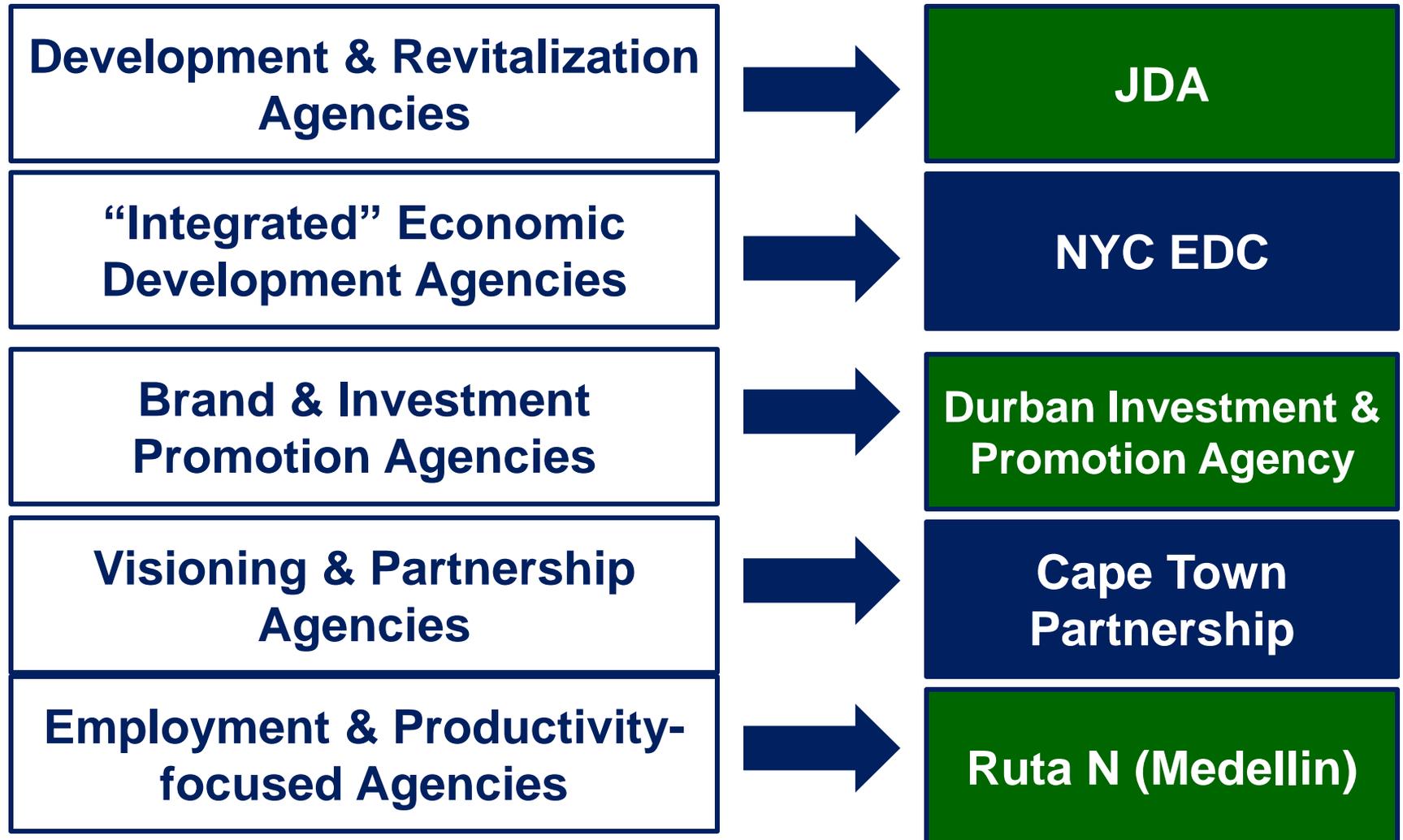
# Within or outside the municipal structure?

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## Considerations:

- Need for spatial focus?
- Empowered by political leadership (arm's length from politics?)
- Credibility with stakeholders (more trusted than “government”?)
- Access to / control over municipal land portfolio
- Access to operating capital:
  - Annual transfers or self-sufficient?
- Access to capital budget:
  - Ability to raise capital to fund requisite (catalytic) investments?

# Form should match needed functions



Source: Clark et. al. 2010

# Assess appropriateness of organization structure based on demonstrated capability to achieve desired outcomes

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Ability to **aggregate different approaches to achieve scale** of higher value than actors/activities residing in disparate agencies

**Focus on implementation** at appropriate scale and pace (faster than if functions dispersed among multiple agencies)

Strong ability to **apply leadership strategically** to resolving problems

**Focus on the customer** with better relationship/results than if within local government structure

**Enhanced confidence of external stakeholders** – investors, communities

Enhanced capacity to use **tools innovatively, efficiently**

Enhanced **capacity to leverage (public) assets and investment**



# How was urban regeneration done? ...**Bilbao, Spain**

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- **Bilbao:** the city created a dedicated agency, ***BILBAO-Ria 2000***, which sought to implement a master plan for the Bilbao river area and release land from industry.

## *Highlights on “the How”?*

- a) Bilbao-Ria was set up as a public corporation co-owned by several local and provincial government agencies;
- b) The organization’s board was composed of the public sector companies that owned the majority of river bank land;
- c) Companies were struggling with significant taxes owed as a result of industrial recession—the Biscay Government (provincial) forgave their tax in exchange for their land and title deeds;
- d) Bilbao-Ria 2000 acquired credit line for what became a large land holding, and sold off plots to developers who undertook projects according to the master plan;

# More highlights on Bilbao

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## *Highlights on “the How”?*

- a) Bilbao City Council (the city center government body) offered a prime spot on the riverfront to the Guggenheim, and offered to cover the cost of construction, landscaping, funds for a Bilbao collection and for access to New York collections (totaling USD 169 million);
- b) The Guggenheim, however, became “the symbol of a much broader regional programme,” and the city invested in cleaning the river, reclaiming the waterfront, creating a new metro, and designing pedestrian walkways along the area, etc.;
- c) Bilbao Ria-2000 has a longer time frame than the regular electoral cycle and is composed of several government agencies, allowing it to remain apolitical and strategic;
- d) The organization’s control over design schemes of development allows it’s a high level of control over final projects (investors implement already developed schemes);
- e) The organization is accountable to its board, and the provincial government, Basque government and Government of Spain;
- f) The organization has a “Question and Answer” system of regular audits, involves the board in all strategic decisions, and has strategic reviews (updating its strategic plan) every few years.

# How was urban regeneration done? ...**Sheffield, UK**

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- **Sheffield:** the city went from organizing economic development through disparate functions to a synergy of economic development areas under ***Creative Sheffield***. This includes: marketing, regeneration, investment promotion and innovation.

## *Highlights on “the How”?*

- a) Creative Sheffield directly delivers projects in its business plan (city marketing, business investment and innovation promotion, physical regeneration) and monitors and reports on delivery of the wider economic program (delivered by other organizations);
- b) Infrastructure (including urban regeneration) is one of Creative Sheffield and the Sheffield City Council’s five broad workstreams (which the two agencies implement in partnership);

# More highlights on Sheffield

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## *Highlights on “the How”?*

- a) Creative Sheffield is an amalgamation of several existing development agencies – making it more efficient in working with other government agencies, investors and individuals;
- b) The organization is quasi independent allowing it more leeway in the way it operates than the Sheffield City Council;
- c) The organization has created functional groups such as the “City Marketing Group” to involve all key city partners in building the city brand;
- d) As an autonomous, dynamic and action-oriented entity, it has been able to attract qualified staff (it’s led by a foreign-born CEO);
- e) The City Council’s Chief Executive is the Creative Sheffield Secretary and the government has two board members in the organization (and carries out audits of activities, financial management and outputs regularly);
- f) Each year, Creative Sheffield produces an annual report on its performance against its Economic Masterplan—this is presented to the Council and City as a whole.

Source: Clark et. al. 2010

# How was urban regeneration done? ...Washington, DC

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- **DC:** In past 15 years, the city went through two major changes with respect to organizational structure.
- Initially, City created quasi-governmental entity to allow for spatial focus and more strategic leadership and better decision-making.
- Subsequent administration consolidated functions/portfolios that had been separated across multiple agencies (2 quasi-government organizations, 1 “special projects” team within government) into one team within Mayor’s office. This structure focused on: urban regeneration, business attraction/retention, special projects.

## *Highlights on “the How”?*

- a) **Deputy Mayor’s office of Planning & Economic Development (DMPED)** directly delivers projects in its business plan (physical regeneration, community centers, business attraction) and monitors and reports on delivery of the wider housing and economic development agenda, as delivered by housing and other agencies within its portfolio.
- Clear line of authority and responsibility
- Able to influence City line agencies more effectively (than quasi-government organization)

# More highlights on Washington, DC

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## *Highlights on “the How”?*

- a) Responsibility for branding and promotion of DC as tourism destination is led by separate public-private entity, Destination DC
  - Funded by portion of taxes generated by hotels/ tourism industry
  - Board largely comprised of hotels, restaurants
  - Closely coordinated with city: Deputy Mayor on Board
  
- b) Another public-private entity, DC Economic Partnership responsible for data collection and marketing regarding development and investment opportunities within the city (e.g., competitions designed to foster entrepreneurship, collect neighborhood-level spending data to refine retail mix)
  - Co-funded with private sector
  - Closely coordinated with city: Deputy Mayor co-chairs Board

## Issues to consider

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Able to attract staff with requisite specialized skillsets?

Clear line of decision-making authority and responsibility?

Able to contract efficiently?

Nature of relationships with stakeholders: trusted by communities?  
Investors?