

COMPANION PAPER 3

SIX CASE STUDIES OF ECONOMICALLY SUCCESSFUL CITIES

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BACKGROUND AND ACKNOWLEDGEMENTS

Interest in studying city competitiveness has skyrocketed in the past few years, although the topic itself is far from new. Mayors and city leaders have long worried about the obstacles to job creation, competitiveness, and economic growth that plague their cities.

This paper is part of a broader research initiative, the Competitive Cities Knowledge Base, which is managed jointly by the Trade and Competitiveness Global Practice and the Social, Urban, Rural, and Resilience Global Practice of the World Bank Group. Its objective is to create a knowledge base on competitive cities, to improve the understanding of job creation at city level and as a foundation for a community of practice on this topic for World Bank staff, academia, donor partners, and practitioners.

Our attempt in this initiative has been to focus our energies on bringing to our clients a robust body of knowledge that will address their questions on benchmarking their performance, on understanding what has worked elsewhere and what has not, and on looking at ways to organize for delivery in different contexts.

Our approach has focused on using different methodologies to tackle these questions. These methodologies are based on best practices, data availability, replicability, and simplicity. In many cases, we leveraged new and existing data sources to shed new light on some unanswered questions; in others, we have conducted primary research because available data were inadequate. We looked at global and regional trends, comparing different typologies of cities by income, sector, region, and so on. And we have buttressed these findings with econometric deep dives and case studies in selected countries and cities. We are able to inform the ongoing debates on what really matters for economic outcomes in cities with analysis of overarching trends and associations, supplemented with rigorous analyses to identify causal relationships. We also try to “stand on the shoulders of giants” where possible: that is, we use and reference existing resources (research, analysis, toolkits, and experts). The summary findings of the overall research are presented in the framework report *Competitive Cities for Jobs and Growth* (World Bank, 2015).

The objective of this paper is to synthesize the findings of six individual case studies (Bucaramanga, Colombia; Coimbatore, India; Kigali, Rwanda; Gaziantep, Turkey; Changsha, China; and Tangier, Morocco) by analyzing the similarities and dissimilarities among them and identifying common, cross-cutting themes. The intent is to highlight what institutions and strategies successful cities have relied on to spur economic development, under what conditions such success has occurred, and what lessons of this experience might be applicable to decision makers in other cities.

The individual case study reports, which appear in the appendixes, were based on primary and secondary research, including approximately two to three weeks spent in each city during 2014. For each case study, interviews were organized with national and local government officials, members of the city’s business community, academia, and various other stakeholder groups. The reports also incorporate World Bank staff feedback received at several review events in Washington, D.C.

This report was prepared by Z. Joe Kulenovic and Alexandra Cech, with input and suggestions from Drilon Gashi, Luke Jordan, Austin Kilroy, Megha Mukim, and T. Juni Zhu, as well as World Bank staff members in country offices where these cities are located. The joint team task leaders of the Competitive Cities Knowledge Base project are Austin Kilroy and Megha Mukim. Stefano Negri, Sameh Wahba, Ceci Sager, and Somik Lall have provided overall guidance on the project as senior advisers.

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EXECUTIVE SUMMARY

Although every city in the world is striving to create jobs for its citizens and improve economic growth, no single path leads to economic success. Our in-depth study of six economically successful cities from different parts of the world (Bucaramanga, Colombia; Coimbatore, India; Kigali, Rwanda; Gaziantep, Turkey; Changsha, China; and Tangier, Morocco) uncovered how each of these cities has pursued its own path to prosperity, taking into account—consciously or unconsciously—its own particular competitive advantages, existing constraints, national policies, local administrative scope and capacity, overall market trends, and even administrative and cultural traditions. These six cities are as different from each other as they are successful. Along their path to success, they tackled very different challenges that in their diversity may be comparable to those encountered by the majority of other cities worldwide.

The case studies were carried out by relying on a set of standardized research hypotheses, thereby ensuring the comparability of findings among the six cities. This executive summary is therefore presented in a format that is based on those hypotheses; the report's main body provides more detail and explores individual themes that this summary does not address.

City competitiveness: General or specific?

No real-world trade-off seems to exist between cities striving to have a favorable overall business climate and those targeting individual sectors for proactive economic development initiatives. Most cities successfully did both. Regardless of whether public or private sector entities led their economic development efforts, all six cities prioritized the provision of basic enabling infrastructure and municipal services as necessary to attract and retain investment. Wherever practical and within the city's scope to do so, bureaucracy was streamlined, issuance of permits and licenses was simplified and expedited, and some services were enabled online. Offering an environment conducive to business formation and growth was seen as crucial in all six cities and benefited all industries. At the same time, most cities did target specific sectors for economic development with explicit support for their growth (for example, by providing dedicated training programs, marketing efforts, targeted infrastructure, or

export promotion initiatives). These cities used extensive dialogue and a solid fact base to anchor their priorities in real comparative advantages, thus minimizing the ever-present risk of capture and market distortion (such as subsidies or protectionist measures) and eventually showing the enviable ability to let the losers go when some sectors were recognized as not globally competitive.

Several of these successful cities had a main theme—one area where they particularly excelled and for which they wanted to be recognized. For example, in Kigali, the focus was on improving city livability and postconflict reconstruction; Coimbatore is almost synonymous with its mechanical engineering sector; and Gaziantep is all about export-driven growth, especially for select products such as carpets or pasta. Changsha is the only high-income city in this group, and it has developed a world-class construction machinery industry. Tangier now has Africa's largest port and provides an example of a city successfully leveraging its geography and national government initiatives to become a player in logistics, auto manufacturing, and aerospace. Finally, Bucaramanga exemplifies the transition from commoditized manufacturing to the new knowledge-based service economy.

The proactive efforts of all six cities emphasized the production of tradable goods and services. This focus translated into dedicated initiatives for those sectors. Nonetheless, nontradables remain the mainstay of many of these metropolitan economies and their employment, and nontradable sectors were not ignored in identifying priority interventions to spur job creation—they were just treated differently. The evolution from a closed, inward-looking economy to one mostly focused on global markets is a gradual one.

These high-performing cities have nurtured not only investments but also new business starts and the growth of existing firms. Although the attraction of high-profile outside investors has garnered the most attention for these cities, most jobs are actually created through the growth of existing firms, sometimes in supplier relationships with the new investors. The formation of new businesses is said to be supported by all six cities, yet limited evidence exists that this third pillar has been a major component of their recent growth.

Strategic planning

The six case studies paid particular attention to visible inflection points in the cities' economic performance over time and to whether they could be attributed to specific proactive interventions. Although establishing causality is seldom a straightforward process, examples of strong temporal correlations have been found in several instances, suggesting that a more activist approach to economic growth, when well executed, may be part of the explanation.

Most of the case study cities used some sort of strategic planning for economic development, even if that strategy was not always formalized in a document or developed through a structured process. Strategy development was often based on robust analytics to assess competitive advantages and market opportunities, as well as on a consultative process involving businesses and other stakeholders in identifying key economic development issues and constraints to growth and, sometimes, in formulating a shared long-term vision for the city.

All of the case study cities used some form of public-private dialogue, which had a visible bearing on their economic outcomes. Several cities assembled "growth coalitions" by bringing together government agencies and diverse external stakeholder groups from civil society and engaging these coalitions in providing input on key issues and in making suggestions for addressing those issues.

Only limited evidence suggests that these cities used a structured process for evaluating policy priorities and trade-offs between different public investment alternatives, such as cost-benefit analyses. Interventions were largely undertaken on the basis of available funding and in response to evolving opportunities; they were not evaluated against the benefits that could have accrued from alternative courses of action.

Depending on their specific institutional frameworks for economic development, not all cities had robust or sustainable funding mechanisms in place. In general, cities where public sector entities had primary responsibility for these activities had a somewhat higher degree of funding stability; in some cities, economic development received no public funding at all, but because of their great importance, initiatives received the support of private business membership organizations.

Implementation framework

The level of autonomy (fiscal, institutional, and political) and powers enjoyed by the government or local economic development authority of these cities—the "mayor's wedge"—has been somewhat of a factor in their ability to push through interventions that improved economic outcomes, though not necessarily a decisive one. Some cities did not have a dedicated economic development agency or department with sufficient autonomy and funding.

Internal management processes within city governments were very important in only a couple of case study cities (Kigali and Changsha). Most cities did not rely heavily on such internal structures and arrangements because their overall approach to economic development involved other groups of stakeholders (particularly private sector firms and their associations, or even broader citywide coalitions) to a much more substantial degree.

Private for-profit firms, their associations, and other stakeholder groups were highly involved in implementing city economic development strategies and interventions, though not to the same extent in all cities. Their involvement included but was not limited to providing financial and in-kind resources, acting as the city's public champions, collaborating with educational institutions to train workers and design adequate programs, and in some cases (most dramatically in Coimbatore) actually leading local development efforts.

Path dependency is not destiny: some cities inherited advantages (such as educational institutions, strong local identities, cultures conducive to business, and the like), whereas others did not. Still, successful cities made the most of what little they may have had to power ahead of competitors. A common theme across all six cities is that they successfully worked with what they had going for them as a competitive advantage (for example, skilled people, geography, language, cultural ties, technical know-how, existing industry base, or product and market knowledge).

Successful cities seized on opportunities when they presented themselves and created their own opportunities where none arose naturally. In general, they forged their own paths and pursued growth where it made sense, rather than jump on bandwagons and follow the latest economic development fads (such as biotech, software, clean technology, and the like).

1. Key Concepts: Framing the Analysis

Identifying and selecting “competitive” cities

What exactly is meant by *competitiveness* at the city level? We define a *competitive city* as a city which uses resources at its disposal to facilitate firms and industries to grow jobs, productivity, and incomes over time. For the purpose of these case studies, cities have been assumed to be competitive if they have enjoyed success in expanding metropolitan gross domestic product (GDP) and creating jobs. Emphasizing that this competitiveness is observed through a rearview mirror—that is, it reflects robust past performance and cannot predict future economic performance—is important. Predicting future performance is not the objective of this analysis.

What constitutes *success* for a metropolitan economy? Depending on the specific focus, one can define a successful city as broadly or as narrowly as one likes.¹ In this context, the focus is very much on economic development, not broader social indicators that are important but fall outside the immediate scope of this analysis. Cities were deemed successful if they outperformed their national economies as well as outperforming other cities in that geographic region of the world in terms of GDP and employment growth. But to produce case studies yielding useful teachable moments, these successful cities also needed to offer examples of specific challenges that were overcome or historic opportunities that were seized to jump-start economic growth and job creation. Understanding how these high-performing cities were able to achieve high levels of growth while others facing the same

set of macroeconomic conditions and national policies did not offer useful lessons regarding potential strategies and effective levers that could be used at the metropolitan level to improve economic growth.²

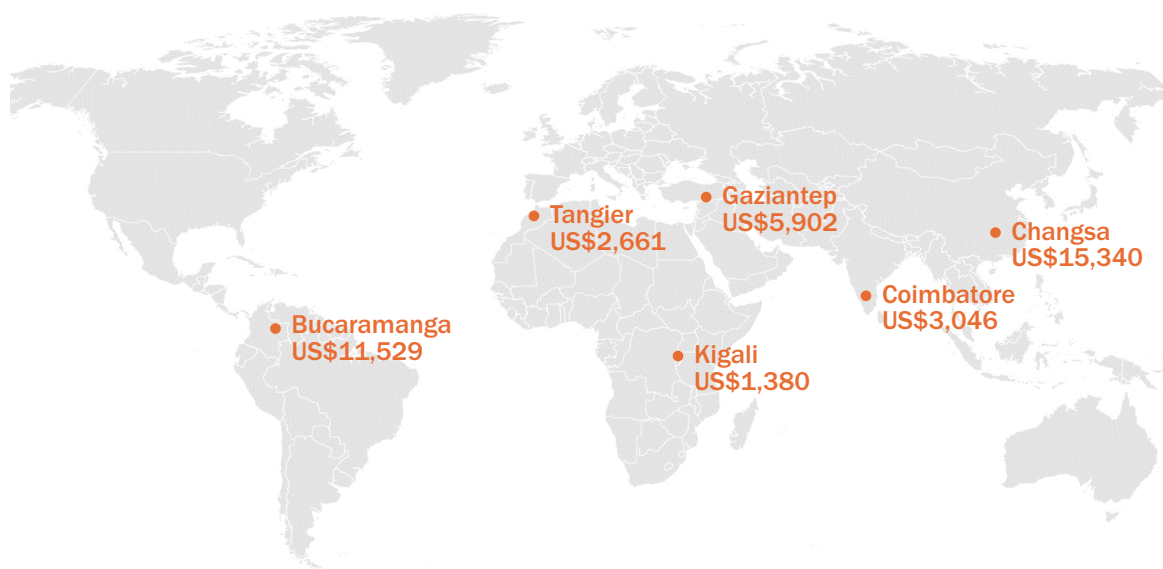
City typologies

The six economically successful cities included in the case studies are quite diverse. This diversity was purposefully sought when the case studies were selected to increase the applicability and replicability of these cities’ experiences for the World Bank’s varied clients across all regions and income levels.

The six cities have different economic structures, population sizes, roles in their respective national economies, levels of development and income, governance and institutional structures, competitive advantages, and cultural contexts. Each lies in a different geographic region of the world, operating under different kinds of political and legal systems. In other words, these cities are as varied as the countries and regions in which they are located. These six cities are thus in a very real sense a microcosm of the entire world, at least as far as its urban dimension is concerned.

In terms of population size, most of the case study cities are midsize by global standards. They mostly have metropolitan area populations between 1 million and 2 million, except for Coimbatore (2.2 million) and Changsha (6.6 million). With the sole exception of Changsha, which is substantially more populous than the others, the cities in this sample are large enough to be emerging economic hubs yet compact enough

Map 1.1 City GDP per capita in 2012



for most of their key decision makers (from both the public and private sectors³) to personally know each other and interact directly on an almost daily basis.

Except for the sole capital city in our sample (Kigali), all the cities are secondary metropolitan areas. As secondary cities, most of the metropolitan economies studied do not play dominant roles in their respective national economies. Many of them are geographically remote or somewhat isolated from the political capitals or major economic hubs of their countries and so have had to be largely self-reliant for production and local development. All but one (Tangier) are landlocked and so do not enjoy the transportation and logistics advantages associated with a maritime location.

The six case study cities span a range of income levels, from low to middle to high. For example, Changsha has roughly 11 times the per capita income of Kigali. According to the classification used in the *World Development Report 2009* (World Bank 2009), two case study cities would roughly fall into the category of market towns, with GDP per capita of approximately US\$2,500 or less; the others would be considered production centers, with GDP per capita between approximately US\$2,500 and US\$20,000 (see map 1.1). One city, Changsha, would be on the verge of becoming a creative and financial service center, the last and most developed category. The differences between the cities in physical infrastructure, industrial structure, research and financial resources, levels of human capital, and nature of developmental challenges faced provide a highly representative sample of the situations World Bank clients typically encounter.

Case study cities

Perhaps unsurprising given their locations on various continents, the six case study cities operate in very divergent environments in the area of institutions and governance. The sample includes cities in highly centralized countries (Morocco, Rwanda, and Turkey); highly decentralized ones (Colombia); and very large countries where some functions are concentrated at a subnational level higher than the city (China and India). In practice, economic development functions are carried out by a range of institutional actors at various government levels (national, state or provincial, regional or departmental, local) or in the private sector.

The cities studied have very different economic structures, and a range of specific industry sectors driving their growth are documented in the case studies.⁴ Some cities' economies are highly manufacturing intensive (Changsha, Gaziantep), whereas others are relatively diversified (Bucaramanga, Coimbatore, Tangier); Kigali has a largely preindustrial economy dominated by nontradable services and some tourism. None of the case study cities has an economy based primarily on extractive industries (natural resource wealth), major military installations, or other nonreplicable economic advantages. We avoided studying cities benefiting from path dependency in ways that are highly specialized and therefore not likely to offer teachable moments for other cities around the world. See table 1.1 for selected indicators.

Table 1.1 Selected indicators by city

Indicator	Bucaramanga	Changsha	Coimbatore	Gaziantep	Kigali	Tangier
Country	Colombia	China	India	Turkey	Rwanda	Morocco
National administrative system	Decentralized unitary republic	Centralized unitary republic	Decentralized federal republic	Decentralized unitary republic	Centralized unitary republic	Centralized unitary monarchy
Subnational administrative units	Departments	Provinces	States, districts	Provinces	None	Regions, provinces/ prefectures
Local administrative units	Bucaramanga Metropolitan Area, four municipalities	Changsha City	Coimbatore Municipal Corporation	Gaziantep Metropolitan Municipality, three municipalities	Unknown	Urban Community of Tangier
Population, 2012 (millions)	1.1	6.6	2.2	1.2	1.1	0.83
GDP, 2012 (US\$ billions)	12.8	101.1	6.7	7.0	1.5	2.2
Income status	Upper middle	High	Lower middle	Lower middle	Low	Lower middle
Per capita GDP, 2012 (US\$)	11,529	15,340	3,046	5,903	1,380	2,661
Per capita GDP, 2012 (% of national average)	149	256	222	56	218	89
Absolute GDP growth, 2007–12 (%)	14.9	96.4	82.1	34	64.6	11.3
Average annual GDP growth, 2002–12 ^a (%)	5.8	14.5	11.5	6.3	11.7	4.9
Job growth, 2007–12 (%)	26.3	38.8	7.3	39.0	33.7	4.0
Average annual job growth, 2002–12 (%)	2.9	6.3	3.2	3.6	8.0	2.9
City Gini coefficient	0.62	0.53	0.52	0.38	0.70	0.48
City employment diversification (HHI), ^b 2012	0.24	0.26	0.27	0.25	0.22	0.26
Main existing and emerging economic sectors	Food, health care, apparel, footwear, education, tourism, construction, business process outsourcing, energy	Manufacturing, heavy engineering, tradable services especially in creative cultural industry (film and TV production)	Business process outsourcing, precision manufacturing, machinery engineering, textiles, education, services	Carpets, light manufacturing, apparel, agroindustry, chemicals, construction materials, trade	Tourism, non-traded services, construction	Logistics, auto, aerospace, medical supplies, tourism, textiles

a. To ensure a common deflator is used to calculate real growth for all cities and countries, we extract numbers from the Oxford Economics database. However, for Gaziantep and Tangier, the average annual GDP growth rate and annual job growth rate are available only since 2005; therefore, the numbers reported are an annual average for 2005–12. For Changsha, the average annual job growth number is for 2003–12.

b. HHI is the Herfindahl–Hirschman Index, commonly used in economics and other social sciences as a measure of diversity.

What do these cities exemplify?

Despite their apparent differences, these six cities have some broad commonalities. Their circumstances—the sets of challenges they faced and overcome—can be grouped into the following broad categories, which are precisely what makes them interesting examples to study. An individual city can, of course, be an example of more than one kind of phenomenon.

- *Transformation economies.* Faced with the erosion of their traditional economic structures because of changing circumstances (for example, global competition or altered patterns of commerce), cities such as Bucaramanga, Changsha, and Coimbatore have successfully reinvented their metropolitan economies.
- *Recovery economies.* Recovering from economic and demographic disruptions brought about by disasters (natural or manmade), cities such as Bucaramanga and Kigali are rebuilding and reconstructing themselves.
- *Globalizing city economies.* The majority of the case study cities are located in countries that are today more open to the outside world than they were a decade or two ago. Closer integration into global value chains, along with a deliberate internationalization strategy as an economic development tool, has been observed in some of them. This group includes Changsha, Coimbatore, Gaziantep, and Tangier.
- *Catch-up economies.* In all of our case study cities, economic growth has been robust in recent years, yet indications are that in several of them at least some of that expansion was catch-up growth; that is, they made efforts to close the gap with more developed cities in their countries or regions. As factor prices converge within their countries, such growth can be expected to gradually taper off. Related to this situation is the phenomenon of *spillover growth*, in which economic activity branches out from existing dominant economic hubs into tier 2 or tier 3 cities as their countries' emerging centers, in the process shifting economic geography within those countries. Examples include Changsha, Coimbatore, Gaziantep, and Tangier.

This list is by no means exhaustive: through fieldwork many other kinds of phenomena are observed, which have been documented in the individual case study reports, but these are some of the more common.

2. Analysis: What Have Successful Cities Done—and How?

Operating under very different institutional and legal frameworks, our six case study cities have undertaken a range of successful interventions to improve economic outcomes. This analysis examines some of the commonalities and differences among them to extract teachable moments for city-level decision makers around the world. Perhaps more important, we seek to understand why these cities have enjoyed success in their initiatives where so many others have failed.

Our six case study cities have in place differing institutional arrangements for local economic development. Interestingly, we found in our case studies that precisely who performed a particular role in economic development did not matter as long as someone did. Depending on the nature of their legal and political systems, the degree of centralization in the country, and the relative strength of the local private sectors, cities have approached the organization of economic development efforts in a variety of ways:

- *A predominantly public model.* A dedicated city economic development agency or local government department (Changsha, Kigali, Tangier) is responsible for performing key functions such as investment attraction, entrepreneurial assistance, or capacity building. This model seems to be prevalent where (a) the state traditionally has a strong role, (b) the local private sector is underdeveloped, or (c) both conditions exist.⁵
- *A mixed public-private model.* Local government and the private sector share responsibilities for carrying out economic development functions (Bucaramanga, Gaziantep). In general, local government plays a broadly supportive role, participates in (and perhaps initiates) public-private dialogue, and is attentive to the needs of business. But mayors do not play a dominant role in economic development: they see creation of jobs, increases in production and exports, and the like as private sector functions. This model works in circumstances where strong capacity and engagement exist within the local private sector, often in the form of established (sometimes family-owned) indigenous firms, whose leaders act as the city's champions and contribute more than just time and financial resources to economic development.

- *A wholly private sector-driven model.* Local government focuses mostly on providing public goods, such as enabling trunk infrastructure and physical security, but otherwise does not directly intervene in investment attraction or company formation and growth (Coimbatore). Local government may lack the legal scope for interventions or just not have the institutional capacity to exercise the legal prerogatives that it does have. In this model, private sector leadership may in part or in whole result from the absence of government involvement or government's inability to perform certain economic development functions. As in the mixed model, a capable and highly engaged local private sector is essential, and it may draw on national or state-level support tools and programs.

The schematic in figure 2.1 reveals the relative roles of the public and private sectors in the economic development of each case study city. They range from cities whose success largely depended on direct central government interventions (Tangier, Kigali) or local government ones (Changsha), to success stories driven mainly by the private sector where government played a supportive or supporting role (Bucaramanga, Gaziantep). This group also has a lone example where typical economic development functions were largely performed by private, for-profit firms or industry associations (Coimbatore).

The role of the private sector in urban economic development has generally been more substantial than we had originally anticipated before we carried out our research for the case studies. Most of these cities' success stories were not in fact tales of visionary mayors or other senior public sector officials single-handedly transforming metropolitan economies, but rather accounts of diverse groups of representatives from

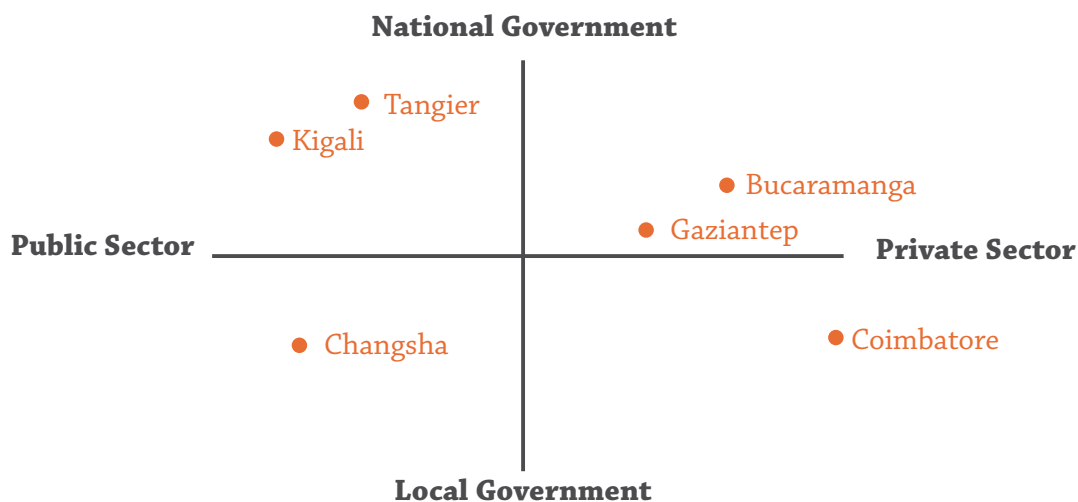
government, industry, and academia who were able to work together for the advancement of their city. Of course, by virtue of their high political and social profiles, mayors and other senior government officials have often been able to play an effective role in convening different groups of stakeholders, as well as to act as boosters and global salespersons for their cities, especially on foreign trade and investment promotion missions. But the effects of mayoral actions were greatly amplified in cities with a highly engaged, capable private sector.

In every city studied, its national or state government had some role in economic development and enterprise support, especially programs for upgrading of skills and technologies, capital access, and export facilitation. One commonality among practically all the case study cities has been their superior ability to tap into national or state-level support tools through encouragement and guidance by either the local government (Changsha, Kigali, Tangier) or the local private sector (Bucaramanga, Coimbatore, Gaziantep). Although some examples exist of local offices of national or state agencies being responsible for implementing national support programs (Bucaramanga, Coimbatore, Gaziantep, Tangier), more often local government agencies or private sector organizations such as chambers of commerce enabled firms to benefit from this support.

However, perhaps more important than which actors (local or national, public or private) had primary responsibility for metropolitan economic development is the question of how effective cities and entities in them have been at carrying out key economic development functions. These functions include the following sets of specific activities:

- *Analytics and promotion.* These activities consist of competitiveness analysis, planning, market research, lead generation, branding and marketing, and firm targeting.

Figure 2.1 Who led local economic development effort in each city?



- *Investment facilitation.* This set of activities comprises business recruitment; expansion and retention; incentives; site selection services (zoning and permitting, business facilities, other infrastructure); customized workforce training; and investor aftercare.
- *Entrepreneurial assistance.* Such activities include capital access programs, technology commercialization and upgrading, incubators, provision of market information, and export facilitation.
- *Convening function.* This function involves engaging stakeholders, fostering industry-academia links, developing partnerships and networks, and establishing or leading growth coalitions.

Most of the cities studied had dedicated entities or government departments responsible for local economic development or its individual aspects. (Changsha is an exception here; see box 2.1 for details.) Regardless of whether they were in the public or private sector, or what their precise geographical remit was (municipal, metropolitan, departmental or regional), these intermediaries performed a highly beneficial role in attracting outside investment, helping existing companies to scale up, and facilitating the formation of new local businesses. The institutional arrangements showed some diversity in the nature, number, and specific responsibilities of economic development organizations found in each city (table 2.1).

Box 2.1 Changsha: Economic success without a dedicated Economic Development Organization

No single institution is responsible for economic development in Changsha. Instead, the entire municipal government (chiefly the mayor) is responsible for delivering economic growth, and the municipal government has a clear mandate and funding mechanisms. The city relies less on formal structures to centralize authority because authority is already centralized and prioritized within the mayor's office. Instead, the city uses temporary agencies called *leading groups*. These leading groups manage cross-departmental initiatives, such as investment attraction, and have unambiguous authority (reporting to the mayor or department heads, depending on the purposes of the leading groups), a clear structure, and funding (e.g. the leading group for an open economy falls under the Bureau of Commerce's umbrella). Most important, leading groups improve the organizational capacity and effectiveness of economic development efforts by preventing departments from working in silos and by fast-tracking prioritized initiatives.

Table 2.1 Case study cities' local economic development institutional arrangements

City	Institutions	Type	Functions
Bucaramanga	Regional Competitiveness Commission, Invest in Santander, and other chamber of commerce units	Private sector entities with minimal public funding	Strategic planning, public-private dialogue, investment promotion, entrepreneurial support, and assistance in accessing national programs
Changsha	Local government (mayor's office)	Local government, with steady funding	Public investment, investment promotion, and liaison with national and provincial government agencies
Coimbatore	Industry associations, chambers of commerce and Confederation of Indian Industry, and individual for-profit firms	Private membership organizations with no public funding	Entrepreneurial assistance (technology, skills, market analysis); investor targeting; place branding and promotion; site selection services; and management
Gaziantep	Chambers of industry and commerce, supportive mayor and provincial governor, city council as convening or deliberative body, and Organized Industrial Zones	Private sector entities with supportive government infrastructure investments	Establishment and governance of private Organized Industrial Zones, market analysis, global ties, and administration of national incentives
Kigali	Rwanda Development Board, City of Kigali Municipal Government (mayor's office), and Construction One-Stop Shop	National investment promotion agencies and local government	Investment promotion and targeting, improvements to city's livability, and business climate improvements
Tangier	Tangier Mediterranean Special Agency, SAPT, mayor's office, <i>wilaya</i> (administrative region), Agency for Promotion and Development of the North, and local offices of national agencies	Port authorities and investment promotion agencies, local and regional governments, and national agencies	Port and free trade zone construction and operation, investment promotion, incentives, entrepreneurial assistance, skills development, and infrastructure upgrades

Note: SAPT is the French acronym for the corporation for redevelopment of the Port of Tangier.

The specific reasons that these six cities' economic development organizations (EDOs)—or equivalent government departments or private sector entities fulfilling those functions—have been successful whereas others in similar circumstances have failed vary from one city to another. However, regardless of the specifics, some commonalities can be observed across these successful cities:

- Successful cities had a realistic understanding of their competitive advantage, whether identified through a formal assessment process or just constituting conventional wisdom among key local decision makers. They did not chase the latest economic development fad but rather focused their limited resources on where they thought they stood the best chance of being successful.
- Such cities embraced globalization as an opportunity, rather than fearing its disruptive potential. EDOs worked with companies to help them identify export opportunities, for example, and strongly emphasized helping workers adapt their skills to the demands of the global marketplace (often in collaboration with workforce agencies).
- The cities had the ability to productively engage diverse stakeholder groups and build growth coalitions around the shared interest of seeing the city's economy expand and create jobs.
- They overcame coordination failures and successfully worked across silos (internal or interorganizational), an attribute that was particularly important in cities where more than one entity had responsibility for economic development. Different entities' functions were not always clearly spelled out, so one way problems were avoided was by holding key people morally responsible (before their fellow decision makers) for delivering on commitments.
- The cities had a professional, capable staff (in either the public or the private sector) with knowledge of products, markets, and global business trends and an understanding of how the economic development process should work in practice. Many EDO professionals interviewed were truly world class.
- The cities were willing to disrupt existing ways of doing things and try innovative approaches. When necessary, they took on vested interests and prevented capture and rent-seeking behavior. Most of these cities were located in countries that have dismantled monopolies, deregulated various sectors, and opened up to global trade and investment.
- The cities displayed a generally high degree of shared commitment to their own prosperity. This commitment has been observed across government, academia, and private for-profit entities in many of the case study cities. It appeared to be even stronger in cities with strong regional identities and cultures that likely have a higher degree of social capital and trust.

3. Strategies and Interventions

As a general lesson, the cities studied did not undertake random interventions: they proactively targeted initiatives to foster economic development in their metropolitan areas. Their actions were based on formal or informal strategies, in most cases developed through a structured process of analysis, discussion, and stakeholder consultation. Strategic economic development plans aimed to build on the cities' competitive advantages while addressing key constraints to economic growth. Following are some highlights of how such strategic plans were developed and implemented and why these particular cities have succeeded where so many others have failed.

Strategic planning for economic development

Just as the characteristics of each successful city differed, so did their strategies; no cookie-cutter recipe for success was discovered through this case study research. Operating under a variety of national policy frameworks and local conditions, these cities devised strategies appropriate to their own needs (and cultural context), using a variety of approaches and processes to do so. Likewise, responsibility for the strategic planning process rested with a range of entities (in the public or private sector, or both).

Many, but not all, of our case study cities used a structured process to identify their principal competitive assets, relate them to external market opportunities, and use these insights as a basis to formulate an economic development strategy. Regardless of whether a government or private sector entity carried out this process, case study research revealed that the majority of successful cities used some kind of structured process to develop a long-term plan (although specific processes varied). Among other elements, this process entailed benchmarking the city against competitor locations, identifying the city's competitive advantages, assessing external market opportunities, identifying potential investors, and identifying constraints to growth needing to be addressed. Some cities used such information to formulate a long-term strategy for the city, whereas others had a more immediate, operational focus.

Distinguishing between cities' economic development strategies and general geospatial development plans, which many cities are required by law to periodically prepare, is also important. Every city studied engaged in some kind of medium- to longer-term urban planning for vital municipal services and infrastructure such as roads, water and sewer lines, solid waste management, public safety, and land use planning. However, such metropolitan plans did not always contain a chapter on topics such as creating jobs, addressing constraints to company formation and growth, attracting outside investors, or developing tourism. And where they did, these plans remained very broad (with statements such as "support prosperity and job growth by enhancing transport mobility and ensuring housing affordability"), without delving into specifics such as what kind of outside investors

to target, how to attract them to the city, or how to prioritize urban planning investments with economic development

in mind. Across the cities studied, several used noteworthy practices in this process (see box 3.1).

Box 3.1 Examples of techniques cities used in formulating economic development strategies

Formally engaging stakeholders in the strategic planning process

Some cities used structured processes for stakeholder engagement, ensuring that economic development strategies reflected the collaboration and input of local residents. In Kigali, participatory planning was done at every tier of government, thus giving citizens greater say in identifying priorities. In Bucaramanga, government and nongovernmental stakeholders interacted through roundtables and regional committees, collectively developing a regional strategy. In Gaziantep, public-private dialogue took place through a forum (the city council) that brought together business leaders, academics, representatives from civil society groups, and government officials.

Making plans flexible and adaptable

Some cities knowingly (or unknowingly) used flexible planning, which enabled them to adapt to changing conditions and opportunities. For example, in Changsha, the city did not formally prioritize the construction engineering sector, but after witnessing the growth and success of several local firms, adjusted policies to support and promote the competitiveness of local firms. Gaziantep did not have a formal economic development strategy, but through regular meetings of committees and working groups within its business chambers and consultative bodies such as the city council, plans were flexibly made in response to external developments (for example, the situation in the neighboring countries of Iraq and the Syrian Arab Republic).

Using rigorous analytics to inform strategy development

From aggregating and analyzing data to conducting analyses identifying cross-cutting constraints, some cities demonstrated advanced analytical capabilities. In Bucaramanga, the chamber of commerce's analytical capabilities were focused on identifying the needs, constraints, and opportunities of local firms, thereby helping inform interventions to support firms and industry clusters with the greatest development potential. In Coimbatore, a private real estate developer (part of a larger conglomerate) identified the potential to capture spillover growth from India's tier 1 cities, resulting in tremendous opportunities to attract investment and create jobs in the city. And in Tangier, the Tangier Mediterranean Special Agency carries out analyses of global business trends to identify potential investors in the city and its free trade zones.

Using established economic development best practices and benchmarking tools

Many cities used formal tools and established best practices to guide interventions. For example, Kigali adapted the World Bank's Doing Business Index to evaluate and improve the business environment in the city. Bucaramanga used Michael Porter's cluster theory as a guide in developing strategies and interventions to support the growth of existing and emerging industries within the city and especially in determining how to prioritize among them. Gaziantep's Silk Road Development Agency used world-class processes (consultative as well as analytical) to identify industry trends and strategic priorities. Morocco's national government used a structured process to identify and support the growth of its targeted industry sectors, whereas Tangier successfully operationalized them at the local and regional level.

Establishing long-term, measurable goals

Some cities not only set long-term strategic priorities in terms of industry sectors, but also set quantifiable targets such as growth in GDP and jobs. Such metrics helped track progress, reach individual milestones, and enable midterm course corrections, if needed. In Bucaramanga, the Regional Competitiveness Commission (RCC) (led by the chamber of commerce) set a goal to double the city's per capita GDP in 10 years. Two years in, the chamber was already on target, and activities and short-term strategies continued to be developed, adapted, and implemented in accordance with this longer-term goal. Similarly, Tangier's economic development agencies set numeric milestones for operational phases for the new seaport, as well as for the old seaport's redevelopment and conversion.

Enlisting nongovernmental stakeholders in strategy development and implementation

Most cities involved stakeholder groups in strategy development, but in some cities (Bucaramanga, Gaziantep), stakeholders also played a crucial role in implementing economic development plans, not just formulating them. Mobilizing their financial resources, business know-how, relationship capital, and logistical capabilities, universities, chambers of commerce, industry associations, and even individual firms contributed to advancing cities' economic development agendas. Although such activity was not as prominent in Kigali and Changsha, Coimbatore provides an example of implementation almost entirely carried out by nongovernmental actors.

The degree of stakeholder involvement (and especially that of private, for-profit firms and their membership organizations) was higher than originally anticipated in the research hypotheses. Nongovernmental stakeholders were not just “consulted”; they were often also drivers of the entire process, implementers or complements of strategies, and sometimes vital sources of funding for city economic development initiatives. Successful cities have also proven quite adept at tapping into national support tools and resources. Finally, the role of academic institutions was important in several cities, but perhaps less than expected before the research was carried out.

Observed interventions and the reasons for their success

The case study cities undertook various kinds of specific interventions to jump-start their economic growth, but none attempted to mimic an existing successful city. No single formula for city success has been observed, but rather a combination of well-thought-out responses to specific local circumstances. Although some cities demonstrated a profound familiarity with global best practices, none mechanically adhered to conventional wisdom or particular approaches just because other successful places had used them. No city blindly followed the “Singapore Model,” “Barcelona Model,” “Pittsburgh Model,” or any other economic development fad or fashion. Perhaps tellingly, all of these cities stayed away from economic development clichés: none claimed or aspired to be the Silicon Valley, Rotterdam, or London of its country or region, although they did, in practice, often nurture the emergence of centers of excellence in sectors targeted for proactive economic development efforts.

Box 3.2 Kigali: Meeting private sector demand for business climate reform

Businesses in Kigali once needed 125 days to receive a construction permit. Today, businesses receive a construction permit within 30 days and meet their approval needs in a single, streamlined location. The reform process began with the creation of the Kigali Investors’ Forum, a platform designed to take stock of the private sector’s concerns. Through the forum and a World Bank Doing Business assessment, the city identified inefficiencies and a lack of interagency coordination in its construction permitting regime. The city responded by bringing all relevant agencies under one roof (a one-stop shop) and implementing an electronic platform that significantly reduced red tape. The city based the project on a similar one that was successful in Nairobi and paid for the project from its municipal budget (with support from the International Finance Corporation and the African Development Bank).

Successful interventions in our six case study cities could be grouped into the following broad categories:

- Business climate improvements
- Industry sector targeting
- Investment attraction
- Entrepreneurial assistance
- Export facilitation
- Place making and branding
- Strengthening of human capital

Within each of those categories, we can identify interventions on the traditional levers affecting firm-level performance, as summarized in the framework paper *Competitive Cities for Jobs and Growth* (World Bank, 2015): (a) institutions and regulations, (b) infrastructure, (c) skills and innovation, and (d) enterprise support and finance.

Examples of these interventions in our case study cities, along with some discussion of why they have been effective, follow.

Business climate improvements

Successful cities prioritized creating and maintaining a local business climate conducive to investment and job growth. Regardless of whether the cities also targeted specific industry sectors for additional support, most of the mayors and other senior local officials interviewed as part of these case studies understood the importance of offering a favorable general businesses environment for all firms—often in countries with a long tradition of red tape, business-stifling regulations, and indifference from local officials. To the extent that their administrative scope allowed, many of these mayors strove to improve the local business climate on an ongoing basis, often in consultation with local business leaders. Specific measures these cities used include expedited permitting such as one-stop shops or single-window systems (see box 3.2), more business-friendly zoning regulations and land use policies, streamlined business licensing, online e-government services, greater transparency and accountability for public agencies (including staffing decisions and public procurement), and special governance regimes for organized industrial zones or similar jurisdictional enclaves. In cities where basic infrastructure such as power or waste treatment was not universally available, the public sector made a concerted effort to ensure that these essential services be provided as a necessary enabler for business activity and therefore job creation.

Why were these interventions successful? Some key reasons include the following:

- *Consulting with local business.* Local business leaders were consulted about their needs and the constraints they encountered in their firms’ daily operations. In practice, mayors talked not just to a few of the largest firms or vested interests in their cities but also to industry associations, sector guilds, and other entities that represented

various kinds of (often smaller) businesses and that proactively worked to address their members' concerns.

- *Focusing on realistic issues.* Mayors and other local officials focused on things they could realistically and directly affect (for example, water supply or land use), rather than trying to address more macrolevel issues over which they had less control, such as taxation, incentives, or state-owned enterprises.
- *Creating stability.* In postconflict societies (for example, Colombia or Rwanda), introducing more stability and predictability into the conduct of business, along with making improvements to overall public safety, has paid disproportionately high dividends. Companies have much stronger incentive to invest when they can be reasonably certain that their property will not be lost.
- *Improving public transparency and accountability.* This has been beneficial in all the cities studied. Cities that made a commitment to advertising public sector jobs or procurement contracts online, for example, did not just reduce the scope for graft but also enhanced public trust and social capital, in turn leading to greater civic engagement and efficiency in the use of municipal funds.⁶ Accountability mechanisms varied across the six cities in both degree and direction (directly to citizenry or to higher tiers of government).
- These case studies have found no correlation between effective business climate improvements and whether local government officials were elected or appointed.

Industry sector targeting

Most of the cities we studied have targeted individual industries with proactive economic development efforts. In addition to general improvements to their business climates, which benefited all businesses, almost all of the case study cities focused their efforts and resources on individual industries as drivers of economic growth and job creation. And all of the cities that focused their proactive efforts on specific industries in fact targeted more than just one sector, though links between the sectors often existed in terms of necessary skills or infrastructure (for example, automotive and aerospace, or logistics and tourism).

The reasons for targeting specific industries, as well as the process by which they were selected, varied significantly from one city to another. Some cities simply wanted more jobs to be created for residents, so they focused on industries likely to yield significant employment gains, often in relatively brief time spans, such as tourism or construction. Others sought to strengthen their local economies' resilience by reducing overreliance on a few (often cyclically vulnerable) industry sectors by encouraging the emergence of new local industries (that is, diversification). Still others responded to current market opportunities, seeking to attract firms in industries related to existing ones, which might need many of the same transferable skill sets. The quality of economic growth was

also a motive for targeting, with cities seeking to dramatically increase per capita income levels targeting higher-value-added—and thus higher-wage—sectors as the mainstays of tomorrow's economy. Finally, some cities wanted to foster the development of centers of excellence in particular sectors, in the hope that they would become globally or regionally competitive (that is, specialization).⁷ Interestingly, although undertaken with very different (indeed, sometimes diametrically opposed) motives, these interventions have been implemented in remarkably similar ways. As discussed in the prior section on strategic planning, the process of identifying sectors to target and prioritizing among them also varied substantially from one city to another.

The case study cities generally employed relatively conventional (and widely used) support mechanisms to foster the expansion of targeted sectors. These approaches are well documented in academic literature as well as in the World Bank's experience with clients in many developing countries. They include providing free or highly subsidized land or space; giving sector-specific financial incentives; creating dedicated infrastructure; offering tailored workforce development programs; providing market information and intelligence; matchmaking of suppliers and producers using technology development schemes, including incubation or colocation, technology commercialization, and fostering of industry-academia links; convening sector alliances and similar groups; and building a local brand as *the* destination for a particular industry (see the section on place making and marketing, later in this chapter).

Why were these interventions successful? Some key reasons follow:

- *Successful cities targeted sectors where they already had some competitive advantage.* None of these successful cities attempted to build an industry cluster from scratch. At least some preconditions were already in place, such as appropriate infrastructure; labor pools with related, transferable skills; adequate research and educational facilities; or a critical mass of existing firms (or potential suppliers). These vital assets were identified before time and resources were poured into sector development initiatives. None of these cities jumped on economic development fads or chased a specific industry because it was fashionable or in vogue. Rather, they targeted a sector because analysis suggested that the city stood a realistic chance of succeeding in growing that sector (see box 3.3).
- *Successful sector development initiatives usually had effective mechanisms for engaging key stakeholders and enabling their collective action.* In fact, such initiatives were often driven by coalitions of business leaders from the industries in question as well as other members of the broader business community (financiers, chambers of commerce); university rectors; government officials; and prominent local figures (and sometimes also high-profile foreign investors). The ability to work together for sector development, particularly in an industry-academia-government

Box 3.3 Gaziantep: Tailoring industrial zones to meet the needs of light manufacturers

Gaziantep developed its organized industrial zones (OIZs) with specific sectors and firm characteristics in mind, with assistance ranging from the type of infrastructure provided to the sizes of plots. In particular, the city's fourth OIZ (in 1998) responded to the impressive progress shown by carpet-making firms, with land plots specially configured to host those carpet-making firms plus smaller firms producing related products and intermediate goods for carpet makers. Though the model for implementing OIZs is standardized nationally, Gaziantep aimed for greater interaction with target firms and greater collaboration from public agencies to gauge the gap between industry needs and public capacity. This effort may have set the city's OIZs apart from less successful industrial zones in Turkey and elsewhere, which often adopt a nontargeted, "build it and they will come" approach.

trilateral relationship, has been observed to be a critical factor of success for many metropolitan clusters, particularly in higher-value-added industries.⁸

- *Most cities showed a willingness to let go of local industries that may no longer be globally competitive* (for example, electronics in Changsha, footwear and apparel in Bucaramanga, and safari tourism in Kigali). This factor is particularly relevant because those cities managed to tackle one of the key risks of industrial targeting at national or local level: the potential capture by industry groups, leading to market distortion and subsidies and eventual misallocation of public funds. Fact-based deliberations, a consultative process involving all relevant counterparts, and a manageable city scale all contributed to make this outcome possible.
- *These cities have generally been highly adept at tapping into national support tools, such as subsidies, research and development funding, customized workforce training programs, and export assistance.* Although national programs are usually available to firms throughout a country or its targeted regions, high capacity at local intermediaries (EDOs, chambers of commerce, industry associations, and the like) in highly successful cities translates into significantly higher utilization rates compared with national averages for those countries.⁹
- *In some cities, efforts to expand a particular targeted industry sector were greatly enhanced by the recruitment of a major anchor investment, which acted as a catalyst for private sector growth in the city.*¹⁰ Besides the benefits usually associated with attracting outside investment (see the next section),

anchor investments often play a valuable role in helping put a city on the map of big-league international investors in a way that no amount of marketing effort can. Such high-profile investments can help make the city a serious contender for similar competitions in the future, giving it credibility with potential investors. Through supply chain links (in this case, the development of local suppliers), such investments can also contribute to dramatic improvements in industry-specific know-how, technological capability, and export readiness, among other things.

Investment attraction

The majority of cities included in these case studies have been very successful at attracting outside investment, which can be foreign direct investment (FDI) or investment by domestic firms from elsewhere in the same country. In addition to injecting capital and know-how into the local economy and providing significant numbers of jobs, such investments can (depending on the industry) spur the creation of local supplier networks, lead to the development of advanced skills and production capabilities, and help to more closely integrate the city into global value chains. Of the six cities studied, only in Gaziantep was the attraction of outside investment not a major part of the city's success story.

Many of the cities studied adhered to global best practices in investment promotion. Their EDOs or other investment promotion intermediaries tracked global business trends, identified potential investors and reached out to them, worked with national investment promotion agencies (in the case of FDI) to recruit them and put together attractive incentive packages, provided site selection services, and assisted outside firms in setting up operations in their communities. Some cities also offered investor aftercare services, either independently or in collaboration with their national investment promotion agencies. In Coimbatore, this entire process was handled by private sector entities, which collaborated with the state government in specific areas such as land acquisition and incentive applications.

Why were these interventions successful? Some key reasons include the following:

- *Successful cities carried out systematic analyses of market trends and opportunities.* They targeted firms (especially multinational corporations) whose probability of investing in the city was fairly high (see box 3.4).
- *Successful cities offered investors a compelling value proposition.* Such incentives included cost factors, relevant workforce talent, access to markets, critical infrastructure, financial incentives, or any other combination of factors important to a particular firm. No evidence indicates, however, that any of our six cities managed to attract an outside investor solely or primarily motivated by the financial incentives that were put on the table.

- *Successful cities obtained local consensus on the importance of attracting outside investment, resulting in flexibility and adaptability to investor needs.* Many business locations simply say to potential investors, “This is who we are and what we have to offer; take it or leave it.” These successful cities instead made an effort to understand potential investors’ specific needs and accommodated those needs to the extent that they were able.¹¹ Mayors, chamber of commerce presidents, and other senior local leaders personally reached out to corporate CEOs and assured them they would be welcomed to the local business community. More often than not, this kind of relationship building paid off handsomely.
- *Successful cities recognized that attracting outside investors is only one part of the job.* Making sure that investors have what they need to maintain and scale up their local production means that channels of communication with local leaders must be kept open on an ongoing basis. Regardless of whether a city or its country has a formal investment aftercare program, *maintaining* these relationships is important for ensuring that investors do not leave and in fact expand local operations as the demand for their products or services grows.¹²

Entrepreneurial assistance

Successful cities do not just strive to attract outside investment; they also nurture the formation and scaling up of indigenous enterprises. These six case studies have no examples where cities have posted exceptional economic results simply by attracting external investment without significant numbers of jobs also being created at homegrown firms.

To ensure that not all growth came just from attracting external investors, the majority of successful cities studied provided some type of entrepreneurial assistance to local businesses.¹³ This assistance often included a combination of national, state or provincial (where applicable), and local tools and support mechanisms. All of the cities studied had in place or at their disposal at least national-level entrepreneurial assistance programs. Depending on the city and the country, applications for national support programs are sometimes channeled through local entities (government or private sector), so even if a program is national in scope, responsibility for its implementation may be local.

Businesses of various sizes benefited from support programs. Contrary to popular perceptions that only small or micro firms take advantage of entrepreneurial assistance, our case studies have revealed that even fairly large firms (in some cases employing hundreds or even thousands of workers) have used such support tools. Eligibility criteria varied widely.

Entrepreneurial assistance was observed in multiple forms across the six cities. The main types of support tools deployed included the following:

Box 3.4 Coimbatore: Private-led investor attraction through targeted analysis

In Coimbatore, a development firm, KGiSL Institute of Technology, worked with city officials to form a pipeline of clients during the construction of a private economic zone. KGiSL staff members undertook an extensive, systematic analysis of market trends and players in the offshoring world and, in particular, the activities of multinational corporations located in India. Observing that some companies had run out of room to grow in places such as Bangalore or Chennai, KGiSL pitched Coimbatore as a viable alternative, given that its highly educated, English-speaking workers were available at significantly lower cost than in tier 1 cities. The zone has been able to attract Cognizant, Dell, and Bosch among its tenants and eventually amassed 20,000 jobs, thanks in part to its ability to customize facilities and services to incoming firms’ specific needs.

- *Providing land, office space, and specialized infrastructure.* Business facilities were provided either on market or concessionary terms and appear to have generally been allocated in a transparent manner across the cities studied. Colocation of similar firms (for example, shoemakers or craftsmen) has resulted in geographic agglomerations or clustering within the cities, with certain areas acquiring reputations for particular industries (motor pumps, carpets). Sometimes facilities were provided within business incubators or technology parks, particularly for firms in emerging sectors. Finally, the creation of organized industrial zones or similar entities was enabled by national or state legislation, but municipal authorities often enhanced their viability and attractiveness to firms by providing the necessary investment in public infrastructure.
- *Upgrading technology and development.* These support programs were often designed and implemented in collaboration with local universities, research institutes, national science and technology agencies, or private sector membership organizations (such as the Southern India Engineering Manufacturers’ Association or Colciencias in Colombia). They provided research and development grants, focused on improving industry-academia links and technology transfer, and sometimes provided training for upgrading staff members’ technical skills.
- *Offering financial assistance.* Such assistance included tax rebates; industry-specific subsidies and incentives; cash grants; capital access programs (that is, loans, credit lines, credit guarantees); and similar schemes. For many cities in developing countries, particularly those with

underdeveloped capital markets, access to credit is often a major obstacle to entrepreneurship and business expansion. By playing an active role in addressing market failures of this kind, cities (often in collaboration with higher tiers of government or private sector financial institutions) can enable a vital source of funding for business activity.

Box 3.5 Coimbatore: Private-led support for small-scale businesses

Coimbatore enjoys a highly supportive ecosystem for entrepreneurs. The city's mostly family-owned small and medium enterprises compete with each other for business opportunities but also band together and self-organize to build capacity, ensure common technical standards, facilitate exports, and lobby the government for infrastructure upgrades, such as the recent upgrade of the city's airport. Coimbatore District Small-Scale Industries Association (CODISSIA) played the key role in driving these initiatives. CODISSIA includes more than 4,000 small and medium enterprises. It represents entrepreneurs at grievance panels and advises them on taxes, licensing, and exporting. Other advice is provided through partnerships with local technology and engineering institutions and through a dedicated Small Industries Testing and Research Centre, which was launched in 1986. CODISSIA also leads exhibitions and trade fairs for its members and has established a permanent trade fair complex for the city.

Box 3.6 Bucaramanga: Multilateral approach to supporting entrepreneurs

Given informality rates that exceeded the national average, the Regional Competitiveness Plan for Santander (the region where Bucaramanga is located) featured formalization and entrepreneurial development as one of its three strategic pillars. Plans were developed jointly with national agencies, municipal governments, and the private sector and resulted in an overhaul of the procedures involved in registering a business: streamlined inspections, granting of building permits, and the establishment of a Business Services Center in the municipality of Floridablanca. Beyond formalization, the Bucaramanga Chamber of Commerce seeks to boost the productivity of new firms by leveraging partnerships with universities and established companies to transfer know-how to new firms. The chamber also holds subsidized entrepreneurship training programs, thereby empowering citizens to create the next generation of local businesses.

- *Assisting with entrepreneurial training and skills development.* Many of the cities had programs to assist recent graduates in figuring out where to channel their entrepreneurial energy. These programs used a variety of individualized tests and offered training sessions. Likewise, numerous gender-specific programs were aimed at aspiring women entrepreneurs, “economically backward areas” (in India), or other targeted segments of the local population. In some cases, this assistance entailed quite a bit of hand-holding of budding entrepreneurs and was often funded by national, or state or provincial government agencies.
- *Providing market information and business intelligence.* This form of assistance is more applicable to smaller firms, which usually do not have a market research department. Such information helps them identify opportunities in the domestic or international marketplace for their products.

Why were these interventions successful? Some key reasons follow:

- *Entrepreneurial assistance programs were generally directly relevant to addressing the constraints to company formation and growth encountered in the case study cities.* These programs helped address very real issues, such as lack of capital access, obsolete technologies, lack of management know-how, or insufficient information about market opportunities.
- *Seasoned industry professionals with private sector experience in program design and implementation were involved.* The programs did not rely solely on career bureaucrats or program managers (see box 3.5).
- *In implementing such assistance programs, successful cities often display a superior ability to work across organizational silos.* They also are able to overcome challenges associated with the sometimes hierarchical relationship between different tiers of government¹⁴ (see box 3.6).
- *Well-designed national support programs and delivery structures were in place.* For example, local offices were established in individual cities—not just a central office in the national capital. This analysis did not attempt to systematically compare different countries' approaches to business support service delivery. However, the most effective programs appear to be the ones where national agencies either (a) had a presence on the ground and worked directly with firms or (b) relied on a close partnership with a local entity (not necessarily a government one, but perhaps a chamber of commerce or industry association) to raise awareness of programs' availability, assist firms in applying for support, and monitor progress being made as a result of participation in the programs.

Export facilitation

Principal actors in all of the cities studied understood that production of tradable goods and services was key to their cities' long-term economic development. All the case study cities therefore prioritized the foreign market success of their exporting firms, sometimes as a stand-alone priority and sometimes as part of a broader strategy of city "internationalization" as a key pillar of planning for economic development.¹⁵

Significant variation existed among the cities in terms of which entity had primary responsibility for implementing this support to exporters, which included active, hands-on assistance as well as promotion. In most countries, there was a dedicated national export promotion entity, which often worked in collaboration with local chambers of commerce, industry associations, and EDOs. Some national export promotion agencies, export-import banks, or both had an extensive field presence in their countries' cities (for example, ProExport Colombia, Export-Import Bank of China), whereas others supported exporters from their head offices in the national capital or main commercial center (for example, Maroc Export). Successful exporters in other countries (India, Turkey) relied primarily on local chambers of commerce and industry groups to provide export assistance. Finally, by becoming suppliers to the local operations of multinational corporations, companies in some cities (Coimbatore, Tangier) became integrated into global supply chains through the intermediation of multinational actors.¹⁶

Mayors played a prominent role in export facilitation in several of the cities studied, even though this role is not a core responsibility of their office. As the public face of their respective cities, they often led delegations of businesspeople (including exporters) on trade or investment promotion missions abroad, as well as hosting inbound missions of foreign officials and companies to their cities. Therefore, the primary form of support mayors personally provided to their cities' exporters was building international relationships by opening doors and generating goodwill. Sister-city agreements in some cases also provided a framework for bilateral trade relations, though the broad scope of such relationships generally tends to include culture, education, sports, and so on.

Successful cities also differed in the specific forms of support provided to their exporting firms. The principal (though certainly not the only) types of export facilitation programs and actions benefiting trade observed through these case studies were the following:

- *Adoption of formal internationalization strategies* as part of the economic development planning process
- *Prioritization among key export markets* (neighboring, regional, overseas)
- *Diversification of exports* in terms of geography and product mix, ideally reducing an overreliance on individual country export markets or export commodities
- *Provision of foreign market intelligence* and identification of trade opportunities

- *Trade development missions* (inbound and outbound), international trade shows, and matchmaking
- *Financial reimbursement* for part or all of the cost of attending trade events
- *Construction of dedicated facilities*, such as trade fairs, convention centers, and other such physical facilities, bringing together buyers and sellers
- *Establishment of representative offices abroad* providing assistance to firms
- *Hosting of intermediary or "multiplier" organizations enabling trade*, including foreign consulates, trade and investment representative offices, cultural centers, and banks
- *Collaboration with local operations of multinational corporations* to help integrate local suppliers into their global supply chains

Why were these interventions successful? Some key reasons observed include the following:

- *Cities belonged to countries with generally supportive national trade policies*, including multiple bilateral and multilateral free trade agreements and open markets.
- *Cities had in-depth knowledge of products and markets* and, in some cases, long-standing trade ties.
- *Entrepreneurs* could leverage personal and family connections in other countries to boost trade.
- *A city's geographic location could be capitalized on* to increase foreign trade (see box 3.7).
- *Senior officials showed sincere commitment to internationalization*. Political support for trade matters, whether the mayor serves as the salesman-in-chief for the city, or the city builds and promotes a trade fair complex as a place where business is done.

Box 3.7 Tangier: National authority for regional export facilitation agencies

Established in 2002, the Tangier Mediterranean Special Agency (TMSA) represents the Moroccan state in all interactions pertaining to the newly constructed Tangier-Med cargo port and industrial platform. The TMSA has sweeping powers in key areas such as land acquisition and allocation. The Tangier-Med Port Authority is a TMSA subsidiary (the only major port in the country not run by the national ports agency). The Tangier-Med Port Authority has helped Tangier-Med transition from focusing on the transshipment of containers through Morocco into a point of origin and destination for local imports and exports. Another TMSA subsidiary is the Tangier Free Zone, which offers a range of incentives and fiscal exemptions to its 500 resident companies. Its management actively works to increase business opportunities, using a range of market research and investment attraction approaches.

- *Policy and decision makers integrated export promotion as a vital pillar of targeted sector development strategies.*

Place making and city branding

If a physical location (metropolitan area) is thought of as a product, this set of interventions could be summarized as product development and product marketing. Improving a city's attractiveness, as well as its *perceived* attractiveness, is an important competitive tool for any modern city. Adequately positioning the city in the global marketplace for discretionary investment, visitors, and workforce talent is therefore an economic development necessity.

The livability of all six case study cities has improved since 2000, even as their populations have swelled and the pressure on municipal services has increased. Kigali and Tangier appear to have made the greatest strides in this respect, but Bucaramanga, Gaziantep, and others have also made significant progress. Improvements to the livability of a city have been shown to play an important role in attracting investors and talent alike, not to mention enhancing a city's potential for tourism development. In fact, although all sectors benefit from improvements to a city's livability, the effect on tourism is perhaps the most direct.

Several of these cities have made a concerted effort to improve overall livability as an important element of their economic development strategies. Specific activities include providing better municipal services (water, sewerage, solid waste); improving cleanliness, in particular of public spaces; developing tourism infrastructure (hotels, foreign-speaking hospitality staff, bilingual signage); clearing out and redeveloping slums; increasing green surfaces and recreational areas (parks, swimming pools, and so on); improving public safety

and security with lower crime rates and fewer disruptions to citizens and businesses; providing more and better cultural amenities and sports facilities; developing local tourist attractions (with public or private funding), such as historic sites, faith-based attractions, amusement parks, or resorts; and enhancing mobility within the metropolitan area (meaning lower congestion, shorter journey times, and improved air quality).

Improving a city's livability to compete economically is only one part of the task; the other part is to change external perceptions of the city by improving its image as a business and tourist destination. The challenges encountered by the six cities differed quite a bit in this respect. Located in countries that had seen armed conflict, Bucaramanga and Kigali endeavored to inform the outside world that they are safe places to visit and conduct business. Overshadowed by much better known business and tourism destinations in their own large countries, Changsha, Coimbatore, and Gaziantep strove to simply get on the map (see box 3.8). Tangier has been trying to shed its image of a grimy port city and transit point for illegal migrants and narcotics to that of a modern business hub and attractive Mediterranean destination.

All of our case study cities have enjoyed some success in rebranding themselves, but this effort remains very much a work in progress. They have often partnered with national tourism or investment promotion authorities to cobrand and present themselves to the world, using the usual channels of conventions, fairs, trade shows, and media campaigns with mixed results.

Why were these interventions successful? Some key reasons include the following:

- *Strong mayoral (or equivalent) commitment to improving city livability*, in part because of more competitive local elections (where applicable) and increased public accountability
- *Favorable national developments* (for example, postconflict reconstruction or devolution of some decision making to the local or regional level)
- *Funding and technical assistance from international donors* (including multilateral) to increase energy efficiency, reduce carbon emissions, halt deforestation and desiccation, better manage natural resources, preserve historic sites and monuments, and promote sustainable development
- *Supportive national initiatives*, such as aggressive country tourism promotion campaigns
- *Increased numbers of foreign visitors* (including for business), providing firsthand testimonials, an effort in part enabled by relaxing visa requirements and introducing low-cost air travel

Box 3.8 Gaziantep: Chamber of Industry's Trademark City branding project

Gaziantep's Chamber of Industry (Gaziantep Sanayi Odası, or GSO) launched the Trademark City initiative to help catalyze Gaziantep's shift from being an intermediate goods producer to a producer of final products. It aimed at increasing the quality and profit rates of products, defining "Made in Gaziantep" as a trademark and a sign of high value. The GSO secretary general mentioned that the project's goal was to ensure "that even the simplest consumer knows about Gaziantep, just as everyone knows about the Great Wall of China or the Eiffel Tower." The GSO argued that every firm should produce at least one branded product as a means of increasing profitability while also leveraging export goods as ambassadors for the city. The project ultimately won the Best Unconventional Project Award in the 2005 World Chambers Competition.

Strengthening of human capital

One of the most common success factors among the cities studied was their strategic focus on human capital. Practically every city studied placed human capital among its top priorities, necessary for the realization of short- and long-term goals, as well as for the growth of key industries and attracting investors. Every city did not focus on raising its overall levels of human capital, but rather on developing specialized skills and know-how, from automotive skills to medical science, that would foster the growth of these industries.

The six cities inherited dramatically different levels of human capital. At one extreme was Bucaramanga, which had long been home to some of the country's top universities and thus inherited high levels of human capital that boosted the city's capacity and that of its firms. On the opposite end, Kigali had suffered years of instability and violence (culminating in the 1994 genocide), which resulted in loss of life, disruptions to education, and high levels of emigration. In between these two extremes were cities such as Tangier and Changsha, which suffered from both domestic and international brain drains yet maintained high-quality educational institutions and retained skilled workers. Some of the cities (Coimbatore, Gaziantep, Tangier) are also major destinations for the internal migration of workers within their respective countries.

Cities' approaches to developing higher and more specialized levels of human capital varied as well. The most common initiatives were centered on four pillars:

- *Worker training programs.* Most cities promoted the development of specialized skill sets by
 - Regulating and promoting vocational schools to improve the quality and applicability of training (see box 3.9 for an overview of skills initiatives in Changsha)
 - Designing or funding customized worker training programs in response to industry needs (Bucaramanga, Changsha, Tangier)
 - Fostering industry-academia partnerships, including links between private for-profit firms and vocational schools (or universities) to improve curricula and the applicability of developed skills, to address the needs of firms, and to boost employment rates within the city (Bucaramanga, Changsha, Coimbatore, Gaziantep)
- *Talent attraction programs.* Some cities focused on attracting new talent and educational programs to the city by
 - Creating programs that attracted new talent through diaspora networks by offering resettlement allowances and attractive positions (Changsha, Kigali)

- Improving the livability of the city through improvements to safety, cleanliness, low costs of living, and low congestion (Kigali and others; see previous section)
- Attracting foreign universities to establish branch campuses and offer graduate-level programs to local students (Kigali, and soon possibly Tangier)
- *Improvements to the overall educational system.* Some cities focused on improvements at the primary, secondary, and tertiary levels (Bucaramanga, Kigali). Although a longer-term strategy, initiatives were intended to develop and foster the next generation of human capital.
- *Engagement with academia as an economic development partner.* A few cities engaged their academic stakeholders as partners in formulating local economic development strategies. Representatives from universities were encouraged to collaborate, both collectively as a cluster and with local public and private sector actors, to help shape local strategies and the prioritization of specific industries.

The types of initiatives favored by each city reflected its existing capacity and resources. In general, cities with fewer resources, such as good-quality universities, existing levels of human capital, and specialized skills, focused on attraction initiatives (Changsha, Kigali), whereas cities with more resources (Bucaramanga, Coimbatore) focused on developing existing skill sets and tailoring their human capital to take advantage of market opportunities.¹⁷

Box 3.9 Changsha: Increasing human capital with better training and talent recruitment

Changsha stimulates competition between vocational schools by publicizing student national exam scores and employment rates and by distributing performance data among local firms. The city also offers tax credits and funding to firms for sending participants to worker training programs and for training offices and fairs. The city also drew together civil servants from multiple municipal departments to identify the talent needs of existing and emerging firms (a leading group); it leverages available national programs and funding schemes for talent attraction and engages in recruitment efforts domestically and abroad. In recent years, Changsha attracted 10,000 professionals through national and municipal programs (including 102 high-level talents and 17 start-ups). In general, the city's firms have stated that skilled labor has been relatively easy to find.

Why were these interventions successful? Some key reasons follow:

- *Talent attraction strategies combined market mechanisms (financial incentives, quality employment opportunities) with an enhanced overall quality of life.* They relied on highly effective distribution channels such as diaspora networks.
- *Vocational training initiatives were often designed in collaboration with private for-profit firms.* Such collaboration ensured that curricula addressed the needs of business and maintained a highly applied, practical focus. In Coimbatore, for example, students spent part of each school day working on the shop floor, thus not just ensuring they had relevant, employable skills, but also all but ensuring they would get a job offer on graduation.
- *Program funding was often linked to performance.* Performance was assessed through periodic reviews, in which diverse stakeholder groups were consulted.
- *Some countries (Colombia, Morocco) involved representatives of various stakeholder groups (business, academia, labor) in the design of national as well as local educational training programs.* The representatives of such groups worked together to assess local skills needs and develop curricula and delivery mechanisms relevant to those needs.¹⁸ Industry group input, in particular, proved to be an essential ingredient.
- *Customized worker training programs were highly effective in several of the cities (Bucaramanga, Changsha, Tangier) because of their high responsiveness to employer needs.* If funded by the national or local government, such programs are a form of economic development incentive, typically designed for the benefit of major employers. They bridge the gap between general and transferable skills that the local workforce may have and the specific skills needed by an individual employer. The best programs actively involved universities and technical schools as well as workforce development agencies and EDOs in their design.

4. Insights for Other Cities

Our case studies show that economically successful cities can be found in all world regions and many different kinds of countries—whether they are highly centralized or decentralized; whether the income level is high, low, or in the middle; whether the city is perpetually at peace or still recovering from natural or manmade disasters. Successful cities can be landlocked or maritime, endowed or not with amenities and natural resources, culturally diverse or homogeneous, and administratively consolidated or fragmented. They can be highly industrialized, postindustrial service economies or postagrarian societies just beginning to urbanize. Successful cities can also be examples of highly inclusive growth or studies in contrasts between the haves and have-nots. In other words, they reflect our contemporary planet of city dwellers, in all its complexity and contradictions.

Taken together, these six case studies clearly demonstrate that no single path leads to economic success. Each of these cities has pursued its own path to prosperity, accounting—consciously or unconsciously—for its particular competitive advantages, existing constraints, national policies, local scope and capacity, overall market trends, and even administrative and cultural traditions. These six cities are as different from each other as they are successful.

So what can other cities learn from these six success stories? More than any specific answers they arrived at or solutions they implemented, our six successful cities provide examples of how this process can work in practice, given particular scope conditions. The challenges these cities faced and overcame are not dissimilar to what the World Bank's clients encounter on a daily basis. Following are some categories of insights that apply beyond the specifics of geography, culture, political system, or individual personalities. They are, individually as well as collectively, among the global best practices in urban economic development.

City competitiveness: General or specific?

Cities seeking to improve their economic performance should consider both pursuing sector-specific initiatives and developing a favorable overall business climate. Practically all of the cities studied prioritized providing a business environment conducive to investment, company formation, and growth. Although most of them targeted specific sectors for proactive economic development efforts, they did not neglect the “bread and butter” industries—including those producing nontradable goods and services—that still account for the lion's share of employment and, in some cities, fiscal receipts. Evidence suggests that maintaining a welcoming, cost-competitive business environment was an important factor in these six cities' ability to retain and attract investors, including those in targeted sectors.

Successful cities do not rely only on attracting outside investment to spur economic growth. They balance business recruitment with assisting the growth of existing firms—

which typically account for the lion's share of new jobs in most economies—as well as with helping the formation of new businesses. Sustained long-term economic success in most case study cities has been observed across all these three main pillars of economic development: growth of existing firms, attraction of outside investors, and creation of new businesses. However, the following broad trends were observed:

- Cities with more formal, well-organized *municipal* economic development institutions (Bucaramanga, Changsha, Gaziantep) had a fairly balanced focus between the attraction of new outside investment and the expansion of existing firms.
- Cities relying mainly on economic development institutions at the *national* level (Kigali) or their local representatives (Tangier) had a stronger focus on the attraction of new firms.
- Cities with less organized formal economic development institutions had a stronger focus on the needs and expansion of existing firms (Coimbatore).
- Most of the cities were broadly supportive of the establishment of new firms. However, new business starts directly attributable to proactive economic development efforts did not account for a sizable share of economic activity in any of the six cities studied.

Institutional framework

No one preferred or optimal institutional arrangement exists for city-level economic development as long as somebody is in charge of it and is accountable for it. Countries have diverse approaches to local governance, including the administrative scope provided to their municipalities and metropolitan areas for a variety of functions. Likewise, the capacity to design and actually implement city-level economic development strategies and initiatives can lie with any institutional actor—public, private, national, or local.

Metropolitan economic development should be a shared responsibility of local government; higher tiers of government (regional, provincial, state, national); and local stakeholder groups, including the productive sector. In all cases studied, individual city economic development functions were carried out by some combination of these three sets of institutional actors. The specifics of which entity is best positioned to perform which economic development function depend on local circumstances as well as the broader national administrative and legal context. A city's proactive economic development efforts may, but do not necessarily have to, be led by the local government to be effective.

The local private sector can be an important partner, and sometimes a leader, in metropolitan economic development. Homegrown firms operate in the community and have an economic as well as social interest in its prosperity. They can play a crucial role in helping to identify constraints to com-

pany formation and growth, as well as impediments to the business climate that need to be addressed, and they provide valuable input into designing economic development strategies and workforce or skills formation programs. Companies may also be able to contribute financial or in-kind resources and leverage their relationship capital and commercial ties for the advancement of the city. For cities that have at least a reasonably well-developed private sector, including it as an integral part of the economic development effort makes a lot of sense.

The private sector can lead local economic development efforts in circumstances where public sector scope or capacity is limited. In some cases, the private sector is simply better positioned to lead on specific kinds of initiatives. For-profit firms are involved in economic development not just as a form of corporate social responsibility or as a public relations exercise, but because an economically successful city can benefit their business and enhance their bottom-line profitability in the longer run.

A city can be successful even without a dedicated economic development agency or department, and some cities studied have multiple entities responsible for different facets of economic development. However, coordination and strategy development are facilitated by the existence of a single entity as a focal point for a city's economic development endeavors—whether it is a department of the city government, an independent EDO, or even the local chamber of commerce or other entity performing this function.

More important than which entity leads a city's economic development efforts are what specific functions it performs and how effectively it does so. Here again, issues of scope and capacity come into play. Successful cities tend to rely on dedicated economic development professionals to lead these efforts.

Strategic planning

Cities can post exceptional economic outcomes with or without a formal economic development strategy or a structured planning process to develop one. However, the process of creating a formal strategy can be an effective tool to facilitate coordination among different institutional actors involved in economic development and may enable them to more easily tap into national support mechanisms (for example, if a city has selected some sectors from a longer list of those targeted for development by the national government). The six cities studied differed according to whether they had formal economic development strategies, implementation mechanisms and lines of accountability, and measurement of results. But in all cases they showed a good degree of alignment in terms of broad vision and priorities.

Effective economic development strategies are based on sound analytics, including global industry trends, product and market knowledge, competitive strengths and vulnerabilities, and identification of areas of opportunity and the specific actions necessary to capitalize on them. Most cities

that did have educational development strategies used a structured and often quite sophisticated process to assess the city's competitive position as well as external trends and opportunities and then formulated a long-term strategy to address those opportunities.

Interventions

Proactive interventions can significantly affect the quantity and quality of a city's economic growth and are a valuable tool for enhancing prosperity. A variety of specific interventions were used in our six case study cities, generally with fairly high success rates measured in terms of their economic influence. These interventions fall into the following broad categories:

- Business climate improvements
- Industry sector targeting
- Investment attraction
- Entrepreneurial assistance
- Export facilitation
- Place making and branding
- Strengthening of human capital

Successful cities not only seize on opportunities when they present themselves but also create opportunities where none are apparent. Through systematic and painstaking analyses of market trends, successful cities can identify areas where they stand the best chances of achieving results. Economically successful cities forge their own paths and pursue growth where it made sense, rather than jump on bandwagons and follow the latest economic development fads (biotech, software, clean technology, and the like).

Notes

¹ In various competitiveness rankings and city benchmarking exercises, cities are usually compared across a combination of quantifiable criteria (jobs, foreign direct investment, exports, business costs, and so on) and subjective criteria (livability, diversity, and so on). Sometimes, social criteria such as crime rates and health outcomes are also included. In our analysis, we adhere to only two sets of quantitative criteria: growth in GDP and in employment, both in absolute terms and relative to the national economies in which the cities are located. Competitive cities were considered to be those cities that outperformed their national economies in terms of GDP and job growth over a sustained five-year period (2007–12).

² These cities are in no way without their own challenges, nor are they predicted to have sustained growth in the future. We studied these particular cities to understand why they had such exceptional economic growth; we extracted transferable lessons in each case to offer suggestions for other cities seeking similar outcomes. No city operates in a vacuum; some conditions and factors will be unique in every case.

³ In this report, the terms *private sector*, *productive sector*, and *for-profit firms* are used interchangeably. They denote enterprises of any size engaged in the production of goods or services, regardless of actual ownership or company size, as well as their membership organizations, such as industry associations or chambers of industry or commerce. Along with government and academia, the private sector is one of the three key stakeholder groups with a role in local economic development.

⁴ Data on cities' economic structures were obtained from their respective national statistical sources, World Bank field research, or both. Sector definitions and industry classifications vary from one city to another, and reliable, consistent data for making statistically sound comparisons between the cities are not available. Nonetheless, the Competitive Cities Knowledge Base team has been able to observe general patterns among the cities and draw some broader conclusions about the similarities and dissimilarities of their economies and how those economies have evolved over time.

⁵ Clearly, these generalizations are very broad, but examples from individual cities are quite revealing. For instance, Rwanda's postconflict society does not yet have an indigenous private sector with sufficient capacity to assume any major role in economic development-related activities. In practice, government (especially at the national level) drives a lot of the initiatives, although Kigali's mayor has undertaken interventions to enhance the city's appeal as a business and tourism destination. Circumstances differ in China and Morocco, but there, too, government has driven a lot of the initiatives that have resulted in the creation of private sector jobs and growth.

⁶ This process has been far from seamless, and corruption remains a serious issue (a de facto "hidden tax") the world over. For example, Bucaramanga's former mayor is in jail for misuse of public funds, and business leaders in some other cities studied have reported being approached for "voluntary" contributions by public officials. Still, all six cities have undeniably made tremendous strides in improving transparency and public accountability, as well as lightening the burden that the tolerance for corruption imposes on local businesses.

⁷ This report does not delve into the specialization versus diversification debate often brought up in the context of local economic development. Given their fairly large but not yet megacity size, most of these successful cities have relatively diversified economies with multiple growth engines; none is a one-industry town. Conventional tools for assessing the degree of specialization used in high-income countries of the Organisation for Economic Co-operation and Development (Herfindahl-Hirschman Index, location quotients, shift-share, and so on) were not widely applied in these cities, nor would they have been as insightful, given the substantial rates of informality and general data reliability issues. By targeting a few (usually no more than a handful) individual sectors for growth, most of these cities have followed a strategy of diversified specialization. Whether these industries had higher rates of concentration than their national economies, for example, mattered less than the contribution they were making to local know-how, employment, and tax receipts, as well as their potential to drive tomorrow's economic growth.

⁸ For example, Rwanda strove to attract talent from its diaspora population, encouraging people to return and work to help rebuild the country. It

also attracted high-caliber universities, such as Carnegie Mellon University, to help develop talent at home. Changsha prioritized the attraction of high-level talent by seeking individuals to contribute to research, local firm competitiveness, and the start-up of new firms in targeted sectors (such as 3D printing). Changsha successfully leveraged resources such as its low-cost labor pool and large consumer market (that is, market opportunities) and made efforts to improve its levels of human capital by addressing the quality of vocational degree programs, promoting links between programs and the private sector, and rewarding firms that introduced training programs (with tax incentives if programs became government certified). Bucaramanga promoted collaboration between local universities and private sector firms. At the free trade zone, the city leveraged national resources and local capacity to offer firms customized training programs for their employees.

⁹ For example, within Colombia, Santander Department—of which Bucaramanga is the capital—has a reputation for always submitting to Bogotá on time its applications for programmatic support or funding, usually ahead of most other regions. The Bucaramanga Chamber of Commerce assists its members in identifying national sources of support (for technology development, training, funding, export assistance, and the like) and in submitting timely applications. Accordingly, although these support programs are theoretically available to all Colombian firms, those in Santander tend to make much more extensive use of them.

¹⁰ The most dramatic example of such an effort is the recruitment French automaker Renault to Tangier. That investment, in turn, attracted dozens of that automaker's tier 1 suppliers. The ripple effect through the local economy was measured in the tens of thousands of jobs, most of them paying much more than the average local wage.

¹¹ For example, successful cities built new access roads or railroads to business facilities such as factories, designed and funded customized workforce training programs, sent potential employees to "finishing schools" to acquire job-specific skills, and even researched and catered to the idiosyncrasies of individual foreign corporate executives (such as hosting a dinner for them and making sure to serve their favorite brand of beverage).

¹² In Tangier, local leaders (from the regional governorate or wilaya, EDOs, and workforce agency) made sure that Renault had what it needed to expand production locally. Renault is now in the process of doubling its annual vehicle output while gradually expanding its local supplier network and increasing vehicles' local content. Land adjacent to the existing plant has already been allocated for the next expansion phase, when in addition to Renault- and Dacia-branded vehicles, the Tangier plant will begin producing cars under the Nissan brand, some for the Moroccan market but especially for export.

¹³ In this context, entrepreneurial assistance means services designed to facilitate the formation and growth of companies in the metropolitan area. This assistance can be to long-established businesses, to recent start-ups, and even to students and unemployed individuals who may have ideas about productive activities but lack the know-how and financial means to make them happen.

¹⁴ Changsha and Tangier both displayed highly effective mechanisms for kicking problems upstairs—that is, alerting decision makers at higher tiers of government about issues, obstacles, and constraints. Such mechanisms are particularly important for cities in more centralized countries, because lower tiers of government may lack the scope and capacity to address them. Even in much more decentralized countries (for example, Colombia), central government assistance was sometimes sought to address specific issues.

¹⁵ Notwithstanding this effort, however, the export intensity (measured in terms of volume of exports relative to metropolitan GDP) remains relatively low for most of these case study cities. The production of nontraded goods and services, consumed entirely in the local market, remains the backbone of many of these metropolitan economies, though this situation is gradually changing. In addition, serious data limitations exist when attempting to measure subnational exports. The measurement problem is even more acute for service exports (including tourism). For some countries, addressing these data gaps is a greater priority than for others, but cities have relatively little say.

¹⁶ In practice, few of these models were pure because they combined elements of different approaches.

¹⁷ For example, Rwanda strove to attract talent from its diaspora population, encouraging people to return and work to help rebuild the country. It also attracted high-caliber universities, such as Carnegie Mellon University, to help develop talent at home. Changsha prioritized the attraction of high-level talent by seeking individuals to contribute to research, local firm competitiveness, and the start-up of new firms in targeted sectors (such as 3D printing). Changsha successfully leveraged resources such as its low-cost labor pool and large consumer market (that is, market opportunities) and made efforts to improve its levels of human capital by addressing the quality of vocational degree programs, promoting links between programs and the private sector, and rewarding firms that introduced training programs (with tax incentives if programs became government certified). Bucaramanga promoted collaboration between local universities and private sector firms. At the free trade zone, the city leveraged national resources and local capacity to offer firms customized training programs for their employees.

¹⁸ For example, in Tangier stakeholders from both the public and private sectors interact through a dedicated body called CRAM (Comité Régional d'Amélioration de l'Employabilité), which brings together the region's governor (*wali*); the Regional Investment Commission; the local office of the national workforce agency; professional associations (for example, the organization representing the automotive industry); and the local university. CRAM has four specialized commissions for targeted sectors in the region (automotive and aeronautics, offshoring, transport and logistics, and tourism) that analyze the workforce studies prepared by the national workforce agency; assess local industry training needs; develop concrete action plans; and periodically assess, validate, or correct the plans as needed.

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APPENDIX

Hypotheses for Competitive Cities Case Studies

As noted in the main body of the report, the CCKB team developed and applied a set of standardized research hypotheses to all six successful cities studied. The objective was to ensure the comparability of findings and to enable the drawing of salient lessons from the findings. The hypotheses are presented below in their entirety.

1. **City Competitiveness: General or Specific?**

Cities posting exceptional economic performance have made strategic bets on specific industrial initiatives, rather than just improving their general investment climate. By specific industrial initiatives, we mean public investments that are geared to the needs of particular growth industries (e.g. industry-specific tax and regulations; vocational skills and customized worker training programs; sector-specific infrastructure; club goods; investment promotion; etc.). By general investment climate, we mean tax and regulations more broadly, basic institutions such as land and housing markets, trunk infrastructure, primary and secondary education, and other investments that affect industries more equally. Indeed, some high-performing cities actually operated with a rather *poor quality* overall investment climate.

A closer look at the components of city economic outcomes reveals the following ingredients of success:

- a. **Successful cities often have a main “theme” – one area where they particularly excel.** Such themes can include the presence of a flagship university, an anchor company catalyzing private-sector investment, excellence in research/technology commercialization, a strong entrepreneurial ecosystem, or exceptionally high degrees of openness to the global economy.
A focus on developing and/or producing tradable goods and services (rather than non-tradables). Tradable goods and services are the only way that a city can grow the size of its economic pie, while non-tradables such as construction or retail only recirculate existing income.
- b. **High-performing cities have nurtured not only new investments but also new business starts and the growth of existing firms.** Cities might enjoy short-term economic success based on just one or two of these pillars, but sustained growth over the longer term relies on all three pillars.

2. **Strategic Planning**

Inflection points in a city’s economic performance over time have been attributable to the specific actions/interventions of its policymakers and public officials. Policy interventions have been a critical part of changing a city’s development trajectory. Specific characteristics of an impactful strategic planning process may include

- a. **Analytics** to inform strategy development:
 - **benchmarking** the city’s economic performance in relation to its competitors; and
 - a **longitudinal analysis** looking at the city’s own past performance
- b. **A structured planning process** to:

- identify key economic development **issues** the city is facing, such as factors adversely affecting company formation, growth, and attraction, with a particular emphasis on **market and coordination failures** holding firms back from achieving faster growth;
 - identify the city's main competitive **strengths**, such as research excellence, human capital, or infrastructure facilities; and
 - formulate a **vision** of progress the city as a whole can make in a certain timeframe, including specific **measures** to address its problems and capitalize on the city's competitive strengths. The particular process utilized in each city will be documented.
- c. Assembling a “growth coalition” at the city level:** Bringing together public sector agencies with diverse external stakeholder groups from civil society, constructively engaging them in the strategic planning process both to provide input on key economic development issues, and to come up with suggestions for addressing them. Stakeholders engaged in this iterative dialogue can include: relevant public sector departments and agencies; universities and other entities with a role in workforce development and technology commercialization; private-sector participants elected by each sector (rather than just the “usual suspects” or largest incumbents); trade unions and organized labor; NGOs; the media; multipliers; and excluded or marginalized social groups (impoverished communities, castes, religious and ethnic communities, women).
- d. Strategic decision-making and prioritization:** A structured process for evaluating policy priorities and trade-offs between different public investment alternatives, including credible cost-benefit (or comparable) analyses.
- e. Viable funding mechanisms:** Economically successful cities have in place robust mechanisms and instruments to finance city-level interventions, including revenue capture and public-private partnerships (PPPs).
- f. Flexibility and adaptability:** The flexibility of the formal (or informal) plan to adapt to changing conditions is of greater importance than the plan's original design. Particular attention will be devoted to the process by which problems, challenges, and unexpected events are resolved along the way

3. Implementation Framework

The level of autonomy (fiscal/institutional/political) and powers enjoyed by a city government or local economic development authority – the “Mayor’s Wedge” – is a significant factor in being able to push through interventions resulting in improved economic outcomes. Critical actions include:

- a. Having a dedicated economic development agency or department:** This entity, tasked specifically with achieving strategic economic objectives, is most effective when it has the following:
- Sufficient **autonomy** (both financial and administrative) from public administration rules and procedures;
 - Adequate **funding** to meet its statutory responsibilities; and
 - A well-defined **geographical remit** (municipal, metropolitan, regional, state/provincial).

b. Efficient internal management: Successful cities are marked by the following three characteristics of internal management:

- **Competent teams with clear role designations, reporting structures, and incentives.** This includes an ability to solve inter-departmental coordination failures and implementation problems;
- **An enabling environment that promotes operational efficiency.** In particular, effective public management systems and structures (PFM, HRM, internal controls, IT Systems, etc.) that stand the test of time are essential for getting results;
- **A credible performance monitoring and evaluation function.** Monitoring and evaluation, at the heart of well-functioning organizations, is an essential tool to assess implementation against objectives, and to continually inform visions, strategies, policies and implementation effectiveness, including the following kinds of behaviors and routines: setting goals; prioritization among goals; developing policies; evaluation and measurement of performance; and incentive structures.

c. Private-sector and other stakeholder involvement in implementation: Depending on how developed a country's private sector is, for-profit firms (both indigenous and foreign-owned) can play a highly constructive role in implementing a city's economic development strategy, including through the following:

- Marshaling financial and in-kind resources;
- Integrating local small and medium-sized businesses into multinationals' global supply chains;
- Enlisting senior corporate leaders to act as the city's public champions (as a business location) and utilize their relationship capital;
- Engaging private-sector firms in workforce development, filling the talent pipeline by collaborating with educational institutions to transfer their know-how to younger/future workers, as well as to retrain existing labor that may lack the necessary skills;
- Harnessing the efforts of trade unions; and
- Involving other stakeholder groups from the "growth coalition", as applicable.

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