



Recession, Recovery and Reinvestment

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Living in interesting times.....



"...CASH...CASH..."

Global recession: local impacts and responses

- What is the crisis?
- What impact on local development?
- What opportunities for local development?
- What principles to guide local leadership?

Global recession, local impact

The impact of, and response to the economic crisis in 41 local economies:

- Aarhus
- Auckland
- Barcelona
- Basel
- Beijing
- Berlin
- Bilbao
- Birmingham
- Brussels
- Budapest
- Cape Town
- Cardiff
- Cologne
- Glasgow
- Hamburg
- Helsinki
- Hong Kong
- Lille
- Liverpool
- London
- Los Angeles
- Lyon
- Marseille
- Miami
- Milan
- Mumbai
- Munich
- New York
- Paris
- Pittsburgh
- Prague
- Riga
- Rome
- Shanghai
- Singapore
- Tokyo
- Toronto
- Turin
- Vienna
- Warsaw
- Zurich

Different places experience impacts and respond differently

- National contexts
- Local institutional context
- Depth and strength of markets
- Trajectory before crisis started
- Size and function of city economy

Local impacts of the economic crisis and downturn

- i. Slow-down in actual and forecasted growth rates
- ii. Firms restructure, delay investments, enter administration or close..
- iii. Job losses.
- iv. Home repossession.
- v. Fiscal Impacts: growing city budget deficits.
- vi. Property market decline.
- vii. Civic unrest
- viii. International trade and tourism.
- ix. Loss of confidence.
- x. Uncertainty.
- xi. Reduced connectivity.

Local responses to the downturn #1

i. **Effective leadership.**

- *Strategies.* e.g. Barcelona re-employment programme, Toronto International Positioning, Madrid Reform Programme.
- *Taskforces.* e.g. Birmingham: The Prospectus Group.
- *Communication.* e.g. Glasgow: “We must stick together and do what is right for our city” – Cllr Steven Purcell.

ii. **Council Tax increases.** e.g. Marseille: “Due to budgetary constraints, including the contraction of the financial assistance of the principal partners of the city, it was decided to implement a tax increase of 4.9%.” – City Mayor.

iii. **Investing budgets to stimulate growth.** e.g. Paris: 2009 budget gives priority to housing, innovation, solidarity and urban planning.

Local Responses to the downturn #2

- v. **Infrastructure.** e.g. London: MPs to support the GBP 9 billion plan to build a third runway at Heathrow Airport.
- vi. **Advocacy with central government.** e.g. New York City: 'Financial Recovery Bill: Priorities for the City of New York' Report.
- vii. **Investing in human capital skill building and SME support.** e.g. Lyon: support targeted at the SME community.
- viii. **Bail out key sectors/attractions.** e.g. Miami: the city commission rescue theme park Jungle Island with a \$2.4 million subsidy.
- ix. **Branding.** e.g. Mumbai. Chief minister suggested that the entire metropolitan region be branded to enable it to have a higher profile.
- x. **Innovative financing & PPPs.** e.g. Miami: Miami-Dade County \$2.5 million over 3 years to firms with financial expertise in structuring PPPs.

Local Leaders Prioritising SMEs

26 out of the 41 cities implemented SME support initiatives to ensure economic resilience through:

- Free advocacy
- Winning business
- Specialist financing
- Specialist training
- New support vehicles
- Rate/tax relief

The 10 'Barcelona Principles' principles for recovery

- I. Don't waste the crisis, but respond with leadership and purpose.
- II. Make the case for public investment, public services and taxes and other sources of investment.
- III. Build a robust long term strategy which align long term drivers and identify future sources of jobs, enterprise and innovation.
- IV. Purposeful short term action is needed focused on retaining productive people, business, incomes, jobs and investment projects.
- V. Build the tools and approaches to attract and retain external investment.

The 10 'Barcelona Principles' principles for recovery

- VI. Build long term relationships with private sector, trade unions and other key partners.
- VII. Ensure the sustainability and productivity of public works, infrastructure and major developments/events.
- VIII. Stay close to the people.
- IX. Stay open to the world.
- X. Communicate and align with national and higher tier governments.

The Crisis has not changed the long term drivers for local development

- ✓ Knowledge Economy & Technology
- ✓ Globalisation & Trade
- ✓ Human Mobility and Diversity
- ✓ Demographics and Old and Young
- ✓ Sustainability: governance and environmental

.....**Still the drivers for long term success**

It has added some more drivers....

It has stalled some progress.....

It requires new approaches.....

It provides a catalyst for wider change.....

.....**Pro-active City and Regional leadership required.**

The Principles in Action

- Scottish Enterprise has used the Barcelona Principles in undertaking a review of its “**Downturn Action Plans / 2009 -12 Business Plan**” (‘Working for Economic Recovery and Growth’)

<http://www.scottish-enterprise.com/se-operating-plans-current>

- “They are being used to **inform policy**, provide **short-term operational responses** and place action in a longer, more structural change perspective.”
 - *Kevin Kane, Director, Policy Development, Scottish Enterprise*
- “In the coming months, not doubt **these principles will evolve** and adapt and I hope that Scottish Enterprise will both **contribute and benefit.**”
 - *Kevin Kane, Director, Policy Development, Scottish Enterprise*