



**Economic Development Forum strategy and proposals for actions 2019-2021**

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**Chair - Nantes**

Politician: André Sobczak

Officer: Russell Marie

E-mail: [Russell.MARIE@nantesmetropole.fr](mailto:Russell.MARIE@nantesmetropole.fr)

**Vice - Chair - Helsinki**

Politician : Pia Pakarinen, Deputy Mayor

Officer : Iina Oilinki

## Introduction

The EDF agreed to maintain steering its work for the next three years in one overlooking strategy like in the previous period (2016-2018), rather than adopting three annual work priorities as in the past. This is a good opportunity to review the focus of the forum activities as well as realign its priorities to the needs of its members and ongoing changes for cities and their economies.

In line with the discussion of EUROCITIES' priorities, the EDF will identify future urban challenges particularly in terms of economic development and decide on which it may be meaningful to work on over the coming three years.

For this purpose, a session held at the EDF Spring meeting 2018 in Braga (P) helped to assess ideas of the main future urban challenges and related issues that cities face in economic development, with a Keynote by Brian Field, professor at University College London and former urban planning adviser for the European Investment Bank. The presentation explained how our urban economies have been shaped by *three current global trends*: (I.) the digital revolution (pace of technological progress), (II.) the transition to a circular economy (sustainable growth) and (III.) the pace of urbanization (employment, better way of life), in context with climate change, inequity and migration as the *major challenges cities face*. From the expert's point of view, urban development should be planning led. Equity, inclusion and social integration should inform all development decision.

The new EDF strategy 2019-2021 integrates, firstly, the results of this discussion with its main objectives, and secondly, helped to refine the debate with a survey among members, conducted as a follow-up to the EDF spring meeting, on the most important challenges on which the EDF should focus on.

In general, the forum is further working to identify:

- Future trends and challenges for our cities in terms of how they are able to stimulate local economic development, secure investment and create jobs.
- Recommendations for EUROCITIES EU policy work on related themes.
- Future strands of work for EUROCITIES on related themes.

Results and suggestions of this discussion are formulated for the new EDF strategy which will be finalized during the next meeting of EDF in Florence, 27-29 March 2019.

## New working methods for EDF

The EDF priorities will be implemented by members of EDF's four Working Groups, in coherence and complementarity with other EUROCITIES Forums and WGs activities: WG City branding and international economic relations, WG Entrepreneurship & SMEs, WG Innovation and WG Long-term Investment.

The discussion among members focused on brainstorming on new working methods for EDF. Members were active to provide inputs and share their ideas on new methods of cooperation to use in the EDF: the interactive approach adopted in Braga and Grenoble meetings was widely appreciated. Members also discussed about how to align approaches adopted both by EDF and other forums with a strong link the European polices, such as:

- Working by task force with yearly focus and creating concrete outputs such as projects and formulating lobby messages, as well as peer learning and sharing of best-practices

- Increasing the advocacy activity towards the EU institutions (especially the Commission) also in context of establishment of a new Commission next year.
- Providing an overview map of what is coming up at EU level on topics of interest for the forum to link to EDF priorities.
- Organizing more flexible types of meetings (possibility to attend more than one WG meeting during the forum, organization of webinars).

### **Cooperations of Working Groups**

Outcome of the discussion was also about how to align approaches adopted both by EDF and other forums on overlapping topics such as circular economy (Environment forum), FP9, digital innovation and data economy (KSF), social innovation and social entrepreneurship, labour market and skills (SAF). Many members have shown strong interest in working on this last topic, especially on digital skills. Suggestions:

- WG Innovation: connecting better to the debate on FP9/HorizonEurope with KSF, as well as connecting to the debate on digital skills
- WG Employment: cooperation with EDF on skills needs (e.g. impact of digitalization).
- WG Entrepreneurship and SMEs: working with SAF on the topic of social innovation and social economy.
- WG Public Services and Public Procurement: link with EDF and other forums (SAF, EEF) on green procurement, social procurement, procurement of innovation.
- WG City Branding and International Economic Relations: cross-cutting character of their policy area; working with other forums in future on initiatives linked to SDGs, cooperation and other social themes.
- EUROCITIES provided the roadmap of the other WGs, forums, task forces so that EDF can cooperate in their activities.

### **Economic Development Forum - Strategy**

The EDF strategy is based on a long-term vision, one of the prosperous cities, about long-term challenges and opportunities to achieve the vision of the prosperous city; and five key priorities that link cities priorities in the field of local economic development in the medium term with EUROCITIES potential to add value.

It is necessary that the activities of EDF are more linked to European policies. The work of the Forum will continue to be reinforced by the work on cohesion policy, Sustainable Development Goals (SDGs), Urban Agenda for EU, metropolitan cooperation and integrated urban planning.

#### **Vision of the prosperous city:**

- A city in which everyone can share economic success, through diverse employment routes, decent wages and high skill levels.
- A city where new businesses can thrive, new industries are created and innovation can support traditional industries.
- A city that invests in infrastructure, such as transport, including cycling and walking as well as ICT-based infrastructures.
- A city with a high economic reputation that attracts investors, businesses, visitors, students and employees.
- A city that invests in education and life-long learning

### **Five priority policy areas for EDF period 2019-2021:**

1. Innovation and New Forms of Economic Models.
2. Supporting Entrepreneurship, SMEs and Businesses.
3. Impact of Digitalization & Technology on Urban Economy.
4. Long-Term Investment & Financial Model for Urban Development.
5. City Attractiveness and its Economy Impact.

Next to the five priority themes which are at the core of local economic development, this document also aims to propose concrete actions for each theme, which can be delivered by the forum as a whole and in particular by its four Working Groups. The work plans of EDF working groups complete this strategic document.

### **Cross-cutting policy areas:**

EDF will also focus on three cross-cutting policy areas in cooperation with different Forum and Working Groups:

- a. Public Procurement
- b. Governance of Urban Economic Development
- c. Social Economy & Labour

### **Priority themes**

#### **1. Innovation and New Forms of Economic Models**

##### **Context:**

##### *Innovations, Industry, Infrastructure*

Innovations are beneficial both for companies and for Member States in order to survive and develop in a market environment, 'create value', and enhance competitiveness. Innovation is driven by collaboration, interaction and competition among different actors, for example high quality universities and research institutes, organizations financing and investing in R&D, entrepreneurs, capital investors and specialized business services and large corporations.

These factors relate to the generation of knowledge and ideas, their commercialization and business activities. But these are not all the success factors in innovation ecosystem. The dynamics of the innovation ecosystems are largely dependent on the culture and social diversity.

Cities and local governments have very different roles and responsibilities in different parts of Europe. Never the less they are parts of the innovation ecosystem; they support innovation by facilitating the interactions and the work of the many players involved at local level such as universities, research institutes, local businesses, development agencies and third sector organisations. Cities can support innovation, co-creation of innovation and the commercialization of products and services with a variety of tools, like funding instruments for innovation, incubators and accelerators, public procurement, providing specific space and infrastructure, reducing regulation and bureaucracy to foster innovation, and so on. Cities are also procurers of innovative services and products and marketers of the local ecosystem both nationally and internationally.

Ensuring that the right conditions (ecosystem) are in place locally, they foster both technological as well as social and public sector innovation, including supporting social businesses and social entrepreneurship. Hence, cities itself act (and have to act) as innovation-incubators and innovation motors.

## **New Forms of Economic Models**

Cities are at the centre of these economic transformations. These changes bring both opportunities and challenges. Cities need to make the most of opportunities as well as deal with challenges. Cities are fully engaged in the 'smart city agenda' where their role as catalysts of innovation in their territories is clear and cities also support the development and promote Corporate Social Responsibilities in context of creation of inclusive growth.

Cities are supporting or adapting to the development of new sectors and new economy models, such as:

- Circular economy in context of sustainable economic development (organization of joint meeting between Task Force on Circular Economy and WG Entrepreneurship and SMEs March 2019, Brussels tbc).
- Sharing economy or the collaborative economy.
- Social economy
- Start up economy

## **Priorities, Strategic and Political Areas to focus on:**

- Support to industry, innovation, infrastructure.
- Fostering innovation.
- Open innovation.
- Innovation based economy (future post-2020-programmes after FP 9/ HorizonEurope).
- Cooperation: cities international attractiveness and branding strategies and gathering more data on cities competitiveness and internationalisation.
- Contributing to the relevant partnerships of the Urban Agenda for the EU.
- Cities logistics and retail (link with mobility and environment forums).
- Industry/production (new EU industrial policy strategy).
- Circular economy, sustainable growth and new business models.
- Sustainable Development Goals (SDGs), especially goal 8 and 9 (link with SAF).
- Transition to fossil fuel free economy.
- Impact of renewed industrial policy strategy of regions (RIS3 & cities).

## **Proposals for action for EDF in 2019-2021:**

- Establish a shared (minimum viable) understanding of the idea of innovation ecosystem.
- Continue catalogue of good practices on innovation ecosystems strategies to show what works well. Put these good practices on the EURO CITIES website.

- Develop a policy statement on cities supporting the development of innovation ecosystems based on the analysis of the good practices, in which we would identify specific barriers and needs to foster innovation at local level (WG Innovation).
- Lobbying for support creating innovation labs/test beds in cities for testing new ideas and solutions and fostering a culture of innovation amongst all local stakeholders (WG Innovation).
- Increase EUROCITIES visibility in European innovation related arenas, for instance the WIRE conference or the RIS3 platform..., the future European Innovation Council being set up.
- Cooperate with cities which are ICapitals, cooperation with DG RTD (WG Innovation).
- Exploring the potential of the sharing and collaborative economy, and also the impact it will have on cities competences and policies: exchange between member cities but also developing knowledge on the sector through inviting experts to an EDF meeting for instance. Monitoring and giving input to the European Commission work on the collaborative economy, including the development of a European agenda for the collaborative economy.
- Organising an EDF conference on these new and growing sectors of the sharing economy, the social economy and the circular economy/sustainable economy (with potential input from EUROCITIES social affairs and environment forums)- to be decided/ tbc as a theme of the 2020 Forum).
- Identifying procurement related constraints and main challenges for cities, and bottlenecks in the use of EU funds for procurement of innovation and in particular pre-commercial procurement, together with EUROCITIES working group on public services and Knowledge society forum (KSF) and sharing the results with the European Commission (organizing a joint meeting with WG PS PP during EDF in Munich 2019).
- Organising city-to-city mutual learning and knowledge transfer on how to use public procurement as a strategic tool for innovation, together with EUROCITIES WG on public services and knowledge society forum (for instance through study visits with peer learning exercises, link with a study visits planned by WG PS PP).
- In context of cities logistics and retail - possibility to attend the meetings of EuroCommerce to work on synergies.

## 2. Supporting Entrepreneurship, SMEs and Businesses

### Context:

Cities are building accessible systems of business support appropriate for all their companies (from early-stage, to SME, and through to global powerhouses), relevant to local challenges, sectors and opportunities, and reflective of the diversity of their business base and population. This is done for instance through supporting inclusive entrepreneurship (specific support programmes for women entrepreneurs, senior entrepreneurs, migrants, minorities or other specific groups of potential entrepreneurs),

Cities have knowledge of the local labour markets, the local and regional specialisation/potential that enables policies supporting SMEs to be better targeted to territorial needs.

Cities ensure that the right entrepreneurial ecosystem is put in place at the local level: they provide services, support and infrastructure that local entrepreneurs need, such as tailored advice, entrepreneurship training, setting up incubators (including in cooperation with universities and research centres) and providing seeds funding.

Cities also develop specific actions to support the internationalisation of their local businesses.

**Priorities, Strategic and Political Areas to focus on:**

- Support for innovation and start-ups, entrepreneurs and SMEs.

**Proposals for action for EDF in 2019-2021:**

- Looking at potential cooperation with the OECD on the promotion of local economic development.
- Taking into account global economic trends.
- Linking with the activities of Urban territorial related to local economic development.
- Organizing a joint meeting with Task Force on Circular Economy in 2019.

### **3. Impact of Digitalization & Technology on Urban Economy**

**Context:**

Four major interrelated shifts are affecting Urban economy: the spread of wireless broadband access; the diffusion of smartphones and mobile devices; the declining cost of moving, processing and storing data; and the diffusion of social media and platform business models. All in all, these trends are driving profound changes in the economy of our cities. They are linked to industrial change, the emergence and decline of business models, but also to the ways people interact with each other, how they work and consume.

From the perspective of consumers, digitalization provides convenience and allows for more informed choices and information gathering. However, in the short run, it means that many urban activities are disappearing, and ordinary shopping streets suffer the most. On the other hand, digitalization opens many new business opportunities and creates new jobs. Yet, in the short and medium run, the net effect of digitalization on jobs is unclear, and there are many threats. Many jobs are already disappearing, namely the more routinized ones that can be easily replaced by robots and algorithms.

Among the economic opportunities for cities we find new digital business formation, start-ups, jobs and revenues; More convenience, information and consumer choice (e.g. with ecommerce); New opportunities in urban manufacturing. On the other hand, cities also face many economic threats such as routine jobs replaced by robots and algorithms; Closing of traditional shops in cities and lack of product and business model innovation in incumbent industries.

**Priorities, Strategic and Political Areas to focus on:**

- Digital technologies & knowledge economy.
- New business models and technology.
- Data.
- Managing digitalization and technology development.
- Ensuring equal access to digital and technological innovation to different entrepreneurs.

**Proposals for action for EDF in 2019-2021:**

- Looking at cooperation opportunities with KSF on building digital skills for the resilience of

economic actors and businesses in cities.

- Select best-practices on “challenge-based procurement” and hackatons.

#### **4. Long-Term Investment & Financial Model for Urban Development**

##### **Context:**

Long-term investments are crucial for (Euro-)cities. EU funds, EIB loans and other financial instruments however fit only in part for cities. Currently, fiscal rules both on national and EU level (e.g. ESA 2010 rules) restrict cities investments. In the case of a debt-financed investment, the investment sum immediately burdens not only the debt but also the deficit of the respective local authority. As with double entry bookkeeping depreciation rules, ESA 2010 rules should make a clear distinction between public investment and operational expenses.

##### **Priorities, Strategic and Political Areas to focus on:**

- Supporting cities’ long-term investments (including lobbying for a ‘golden rule’ in EU Stability and Growth Pact to allow cities to further invest in future public infrastructure and services).
- Risk capital in private sector.
- Public private investment and new ways of finance for big transformations in the cities.
- Market access for new innovations (public/private).

##### **Proposals for action for EDF in 2019-2021:**

- Develop a position paper by the end of June 2019 in which cities commit to a common approach towards the European Commission for more flexible rules on the relation between deficit and investments.
- Evaluation and analysis of the current framework for LTI.
- Creating a common position paper towards EU Commission to enhance LTI (until June 2019).

#### **5. City Attractiveness and its Economic Impact**

##### **Context:**

The role of reputation in a sustainable and liveable city and region and how to attract the right target groups, global events and business investment.

##### **Priorities, Strategic and Political Areas to focus on:**

- Branding tools for the management of tourism fluxes and the impact of marketing on gentrification.
- Reputation governance tools to successfully manage the attraction and retention of congresses, trade fairs, international seminars, cultural and sports events.
- Increasing the profile of cities as superdivers places and attraction poles for particular groups of people.
- Sport promotion policies linked to the attraction of global sport events.
- Resilience of City brands to external shocks.
- Challenges of City brand legal registration of logos and trademarks.

- Regional branding.
- SDGs as a framework for branding/guidelines for strategy.
- Branding Europe together.
- Fresh food markets as municipal tools to promote economic dynamism, social cohesion, feelings of belonging to the community, and to fight retail desertification of city centres and deprived neighbourhoods.

**Proposals for action for EDF in 2019-2021:**

- Discuss different models of branding and collaboration on a regional level and share insights and best practices.
- Focus on similarities and differences with city branding.

**Cross - cutting policy areas in cooperation with different Forum and Working Groups**

**a. Public Procurement**

**Context:**

Public procurement is a strategic tool for cities to achieve economic, environmental and social objectives. Public procurement is also a powerful tool in testing new solutions for urban challenges, through procuring innovation and pre-commercial procurement.

Generally, the aim is to create economies that are dynamic, driving innovation, creating jobs and fostering inclusive labour markets.

**Priorities, Strategic and Political Areas to focus on:**

- Public innovation procurement.

**Proposals for action for EDF in 2019-2021:**

- WG PP PS meeting during EDF in Munich 2019.

**b. Governance of Urban Economic Development**

**Priorities, Strategic and Political Areas to focus on:**

- Economic governance.
- National/regional regulations.
- Governance and transparency in regulations and management (platforms, cities and national governments, cities in border regions).
- Innovation in the city administration (knowledge economy, local ecosystems).
- Competition, regulation.
- Urban transformation.
- Territorial marketing.

**c. Social Economy & Labour**

**Context:**

Too many people remain jobless and too many suffer from work poverty through low wages and insecure work. The level of skills in many cities remains too low and this is damaging to local growth and global competitiveness, and there are also important skill shortages.

Cities are trying to develop the right mix of supply and demand-side interventions, combining job creation measures with active labour market policies. This requires collaboration between cities, employers, educational and training bodies, NGOs, financial institutions, trade unions and experts.

#### **Priorities, Strategic and Political Areas to focus on:**

- Social economy and labour market.
- Skills & talent.
- Social inequalities.
- Future of work/life quality.
- Inclusive Labour market (integration of migrants, matching skills, digitalization).
- Decent work/inclusiveness, economic growth.
- Job creation and skills development.
- Competence resources and supply.
- Housing and its sufficient supply.
- Talent attraction.
- Life-long learning.
- Attracting, servicing and retaining expats: (trans)national policies, regulations and best practices.

#### **Proposal for restructure Forum and Working Groups**

The asset of the EDF is connecting cities and exchanging on current economic topics among experts of the cities. Therefore, it needs meeting formats that enhance the exchange of expert knowledge, such as compact information modules with enough time and possibilities to raise questions, discuss and brainstorm, as format to propose a city conference. The frequency of the meetings twice a year suits well to work on topics during these periods, in addition to the meetings and programs of each working group. The focus should thereby lie on discussion rounds and inputs of experts from city administration and science.

Moreover, each of the five priorities stated above should be assigned to at least one of the four EDF Working Groups, which will then be integrated into their working programs. The WGs will then have the leading responsibility to work on that topic. Cooperations between WGs or with other forums are highly welcome.

For a coordinated implementation of this proposition the distribution of EDF priorities could be carried out in line of the WGs, as follows:

- **WG Innovation**
  1. Innovation and New Forms of Economic Models
  3. Impact of Digitalization & Technology on Urban Economy
- **WG Entrepreneurship and SME**
  2. Supporting Entrepreneurship, SMEs and Businesses
- **WG Long-term investment**

4. Long-Term Investment & Financial Model for Urban Development
- **WG City Branding and International Economic Relations**
5. City Attractiveness and its Economic Impact

#### **Forum Meetings 2018/2019**

- 1) March 27-29 March 2019): EDF Spring meeting 2019 in Florence (I) on “Ecosystem of Innovation”
- 2) EDF Autumn meeting 2019 in Munich (D) on “Digitalisation and SME; Start up and scale up “