



Cities for citizens

Ambitious and sustainable



A note on methodology – about the question sets

We devised two closely aligned survey question sets on the developing agenda for city leaders around the world:

- ▶ One for the city mayor, or a chief executive (35 interviews) – the person with the vision to build a brighter future
- ▶ One for their strategy director or finance director (37 interviews) – the person who will oversee the planning and execution from an operational and financial perspective

We approached participants from a wide range and diverse set of cities around the world, in order to capture and gauge their views about their cities, their ambitions for them and their developing agenda as they collectively pursue the principal aim of economic growth.

What we aim to achieve

It was our intention that the results of the survey will provide city leaders everywhere with the knowledge and insights required to influence the developing city agenda – supported by comparisons and benchmarks, as well as trends, analysis and key developments as we see them emerging. We hope that the findings will help civic leaders in their efforts to create exceptional cities that combine a robust infrastructure and respond to the need to develop low carbon urban environments.

About the cities in our survey sample

The population size of the city or urban areas surveyed varied from 300,000 to 8.8 million¹ – and the average was 2,756,200.

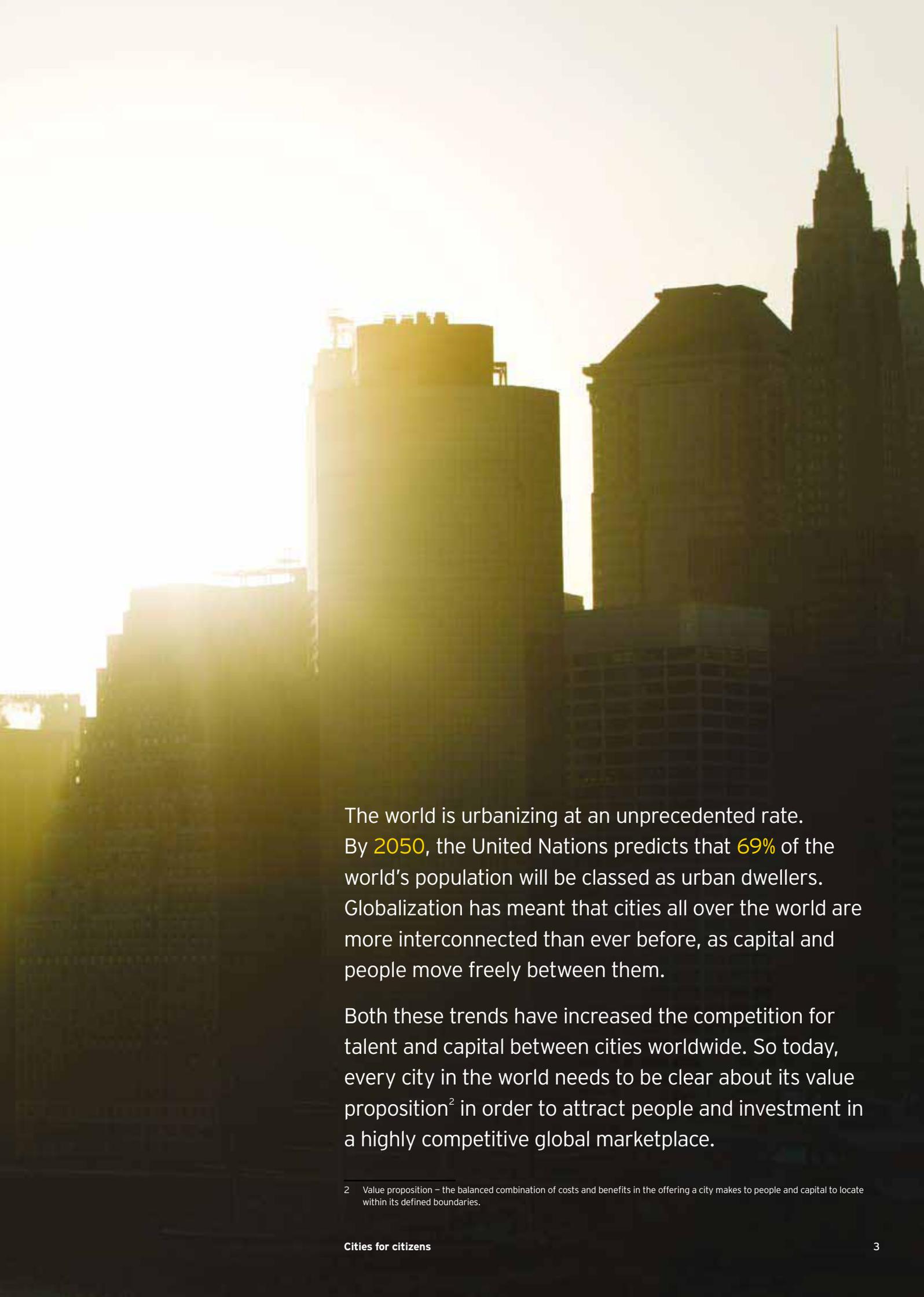
The employment base within our sample of cities ranged from 150,000 to 4.5 million, with the average being 1,380,200.

Migration into the city from outside on a daily basis for work varied from 50,000 to 1.26 million, with an average of 426,000.

The budgets available to city leaders to run these cities ranged from US\$33.5 million to US\$40.425 billion, with the average being around US\$4.768 billion.

This study was carried out by Ernst & Young, under the direction of Chris Staerck and Gemma Williams. Interviews were concluded in March 2011. Since then there may have been elections in some of the cities we surveyed, and the officials elected to specific offices may have changed.

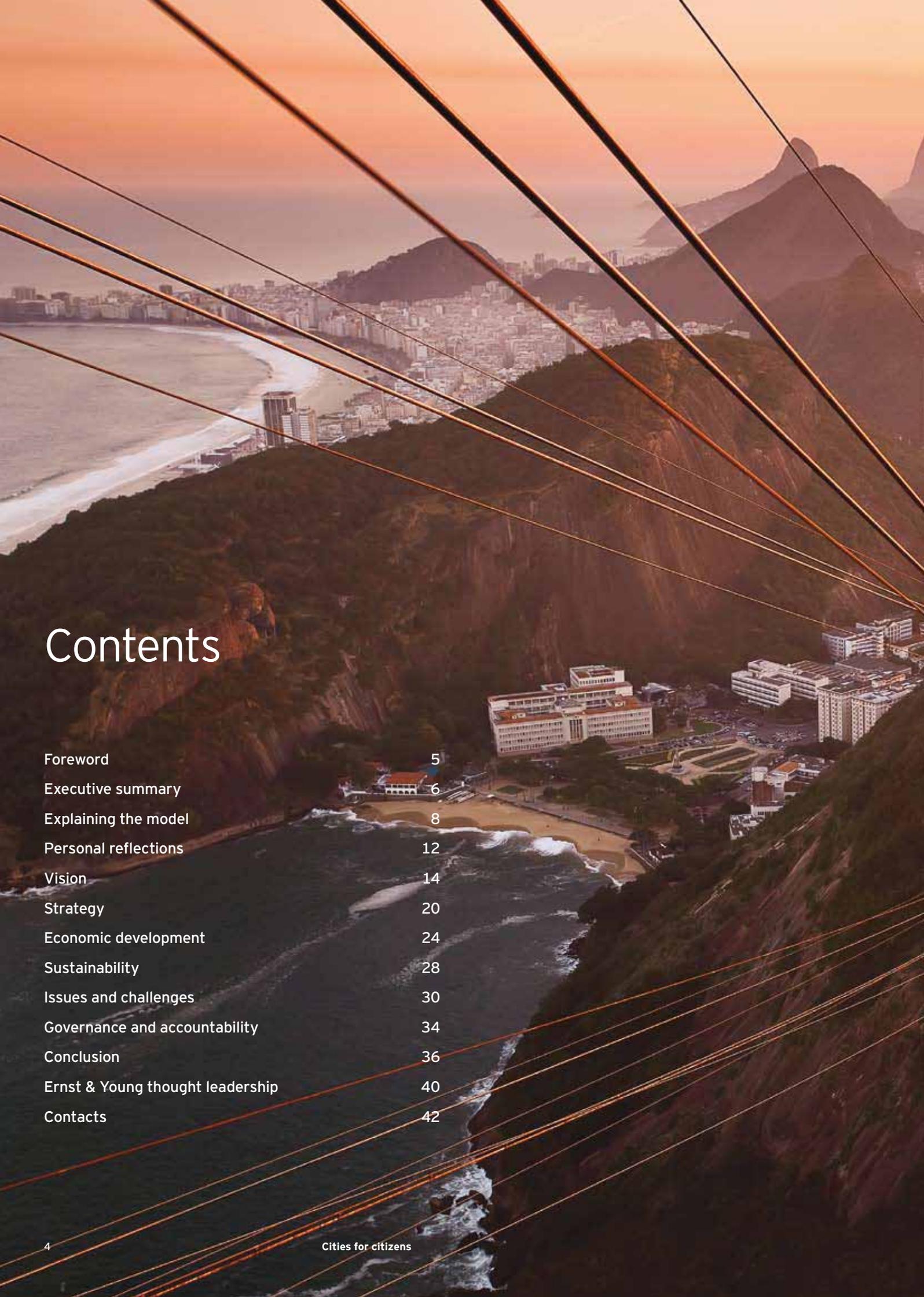
¹ Some cities were quite specific about not including the population of the wider metropolis they served.



The world is urbanizing at an unprecedented rate. By 2050, the United Nations predicts that 69% of the world's population will be classed as urban dwellers. Globalization has meant that cities all over the world are more interconnected than ever before, as capital and people move freely between them.

Both these trends have increased the competition for talent and capital between cities worldwide. So today, every city in the world needs to be clear about its value proposition² in order to attract people and investment in a highly competitive global marketplace.

² Value proposition – the balanced combination of costs and benefits in the offering a city makes to people and capital to locate within its defined boundaries.



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Foreword

Ambitious and sustainable: shaping tomorrow's great cities for citizens today

We all recognize that cities operate in a global competition for talent and investment in the increasingly urban world in which we live. Now, more than ever, every city in the world needs to be clear about its value proposition: citizens today have hopes and dreams that they look to their city leaders to help them deliver. But the reality is that comparatively few cities across the world are building for a future aligned with an ambitious vision that meets the needs of all their stakeholders, especially citizens.

This paper profiles an Ernst & Young model at the heart of a point of view we created and tested. It has been developed to help city leaders engage, enthuse and energize all their stakeholder groups and build the consensus needed to drive forward their strategy for urban development. The model is based on a quadrant with two axes: ambition and city sustainability. We tested our assumptions and the model, then concluded that to really test it we needed to broaden the scope and embed it into a survey for city leaders.

Consequently, Ernst & Young's Global Government & Public Sector Center conducted a survey of city leaders and their delivery chiefs, the purpose of which was to capture and gauge their views about their cities, their ambition for them, and their developing agenda. We shaped the questions around the point of view, highlighting the perspectives of the different stakeholder groups and some of the challenges city leaders face. Leveraging our network, we felt it was critical to talk to the city dignitaries personally through our local teams. Meeting them face-to-face through our network enabled us to explore what lies behind the answers and to understand their agenda. The 72 respondents we chose represent a wide range and diverse set of cities from around the world, as the summary (inside cover) of certain of their characteristics aptly demonstrates.

We would like to take this opportunity to thank all the respondents for taking the time to participate in this survey on the developing agenda for city leaders around the world. We also gave assurances that the anonymity of each respondent would be preserved. For this reason, the identity of individuals and cities has been intentionally withheld unless we have received express permission to disclose them.

The data and insights we collected from the survey make fascinating reading: we hope you enjoy exploring them, and we welcome the opportunity to engage with you and hear your views about your city.

Philippe Peuch-Lestrade
Global Government & Public Sector Leader

Alessandro Cenderello
Global Government & Public Sector
Markets Leader

Executive summary

The world is urbanizing at an unprecedented rate. In 1950, only 29% of the world's population was classed as urban dwellers. By 2050, the UN predicts that this will have risen to 69%. In 2000, 16 of the world's top 30 most populous cities had over 10 million inhabitants; the UN predicts that by 2025 only one of the top 30 will have fewer than 10 million.³

Shifting economic power from west to east and north to south has not only accelerated due to the global financial crisis, but it has also increased both the number and the sophistication of urban centers in all markets, especially the emerging markets. Globalization has meant that cities all over the world are more interconnected than ever before, as capital and people move freely between them – and these trends have increased the competition for talent and capital between cities worldwide.

Today, every city in the world needs to be clear about its value proposition in order to attract people and investment in a highly competitive global marketplace. Every city needs to provide a sustainable, vibrant community for its citizens to live, work and enjoy life. Cities also need to foster economic growth by providing the right conditions for business and to promote and protect innovation. City leaders need to ensure they build an entrepreneurial ecosystem that supports the commercialization of innovation and attracts foreign investors. These factors and trends represent a trigger point for action.

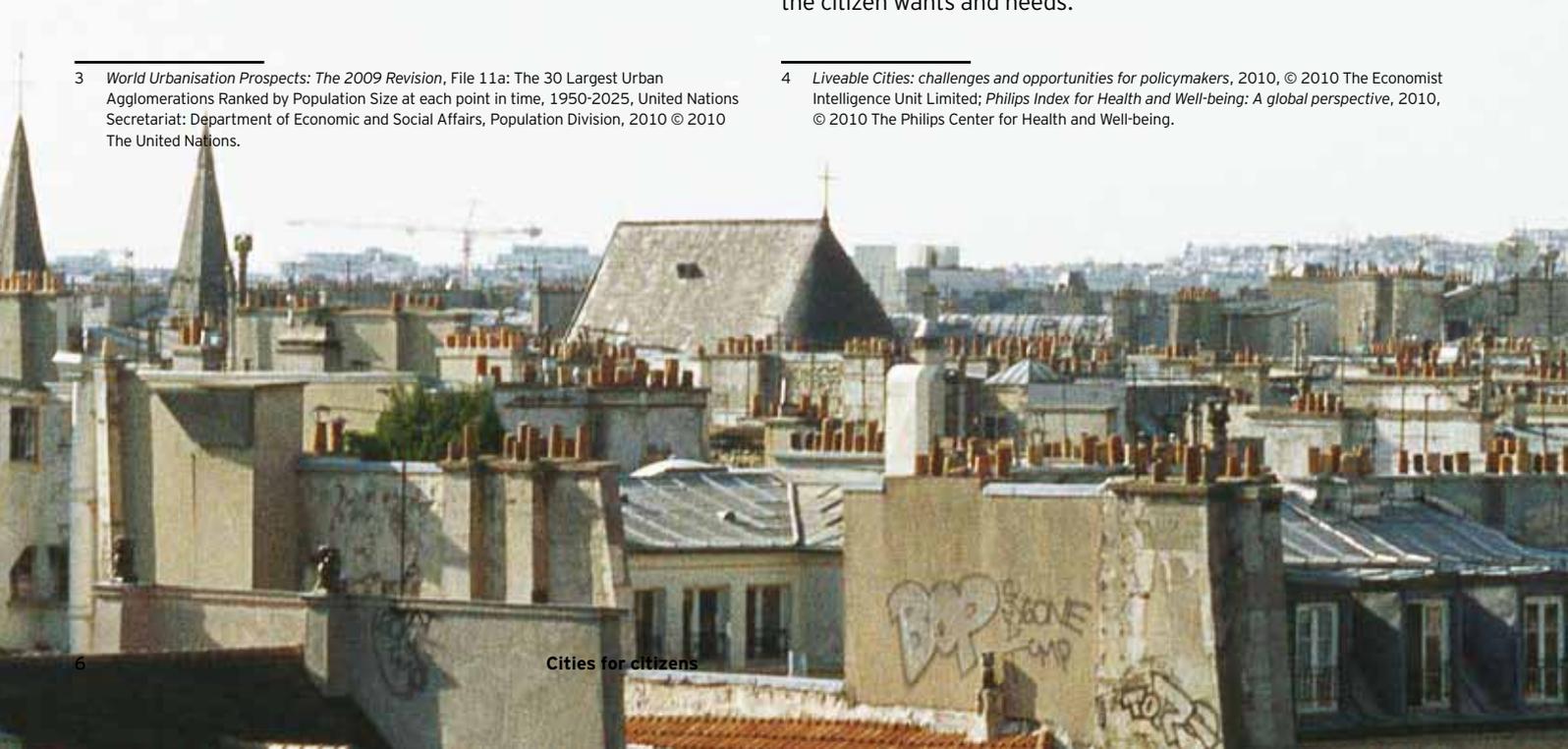
Competition for resources – the talented people and capital that drive innovation – has never been so fierce. As resources are more mobile than ever, they will migrate to those places that have the most aligned offer in terms of brand, strategy, investment, infrastructure, services and culture. Cities today face a unique set of challenges and issues from stakeholder groups competing for supply side (essentially money/capital) and demand side (people and power) resources.

In attempting to strike the right balance between these two forces, city leaders must also consider the unique set of challenges and issues they face from their competing stakeholder groups. So how does a city leadership engage, enthuse and energize all its stakeholder groups and build the consensus needed to move on a progressive journey toward a compelling vision?

Ernst & Young believes that a combination of ambition and sustainability underpinned by great leadership is needed to build a strategy. This must be backed by robust analysis and insight in order to sell the vision to all stakeholders and move the ambition toward a reality that will attract the required resources. Stakeholder engagement is critical: in our study, the top three criteria among the policy-makers we surveyed (city identity and brand, social inequality and economic progress) are not aligned with what the Philips' *Index for Health and Well-being* and Economist Intelligence Unit's *Liveable Cities* report are telling us about how to manage citizen expectations.⁴ In focusing on the "wow" it is essential not to lose sight of delivering the "now" that the citizen wants and needs.

³ *World Urbanisation Prospects: The 2009 Revision*, File 11a: The 30 Largest Urban Agglomerations Ranked by Population Size at each point in time, 1950-2025, United Nations Secretariat: Department of Economic and Social Affairs, Population Division, 2010 © 2010 The United Nations.

⁴ *Liveable Cities: challenges and opportunities for policymakers*, 2010, © 2010 The Economist Intelligence Unit Limited; *Philips Index for Health and Well-being: A global perspective*, 2010, © 2010 The Philips Center for Health and Well-being.



Clearly, as we have discovered, city size is not important – all cities have the ability to deliver a vision and be the best they can be. And the perspectives of city leaders on what they would like their cities to be famous for in 10 years reflect this – “we want to be the best small city in the world,” said one.

However, many cities, and indeed their national governments, currently face financial hardship stemming from the impact of the global financial crisis: tax receipts are shrinking as a result of the downturn while public deficits increase out of proportion. A mixture of different funding streams must be considered, as reliance on central government is, for most, no longer a viable option. Our survey shows that cities will almost double the amount of debt/investment they seek to raise to deliver their vision for a brighter future.

City leaders must engage, enthuse and energize all their stakeholders in order to build the consensus needed and move on a progressive journey toward a compelling vision.

Consequently, great financial management is needed: if the city treasury runs dry through poorly managed finances, then citizens and businesses will have to pay higher taxes. Will this attract or deter wealth creators and talent from migrating to the city? The answer is obvious. Managing the numbers, modeling options and their impact, and optimizing resources are vital capabilities each city requires because businesses, citizens, investors and donors alike will all expect city leaders to ensure that maximum stakeholder value is assured from every item of expenditure. Leaders must encourage transparency in city reporting and embrace direct accountability to the people. If you are doing a great job, tell them and let them review your performance!

Doing more with less and considering new delivery models involving the private sector will by necessity become the new norm. Simply assuming that capital markets can be relied on to fund additional debt is misplaced – appetite and capacity are limited. Therefore, creating markets and engaging with the private sector to co-deliver key aspects of city life could not only lead to performance improvement, but also create local growth. In fact, in 2010, Ernst & Young surveyed 12,000 citizens from 24 countries and 70% think that publicly operated enterprises are less efficient than private firms:⁵ all the more reason to explore market-based alternatives – especially as levying taxes is always unpopular. Developing citywide income earning enterprises for some services in partnership with commercial operators may even increase political popularity!

⁵ Government as best in class shareholder, Ernst & Young, 2010, © 2010 EYGM Limited.

Explaining the model

Trends in urban migration

The world is urbanizing at an unprecedented rate. In 1950, only 29% of the world's population was classed as urban dwellers. The UN predicts that by 2050 this will have risen to 69%. Regionally, this figure will be 90% in North America, 88% in Latin America, 84% in Europe and 75% in Oceania. As a result of this trend and population growth, cities are becoming more densely populated. In 2000, 16 of the world's top 30 most populous cities had more than 10 million inhabitants. By 2025, the UN predicts that only one of the top 30 will have fewer than 10 million – China alone will have 5 cities in the top 30.⁶

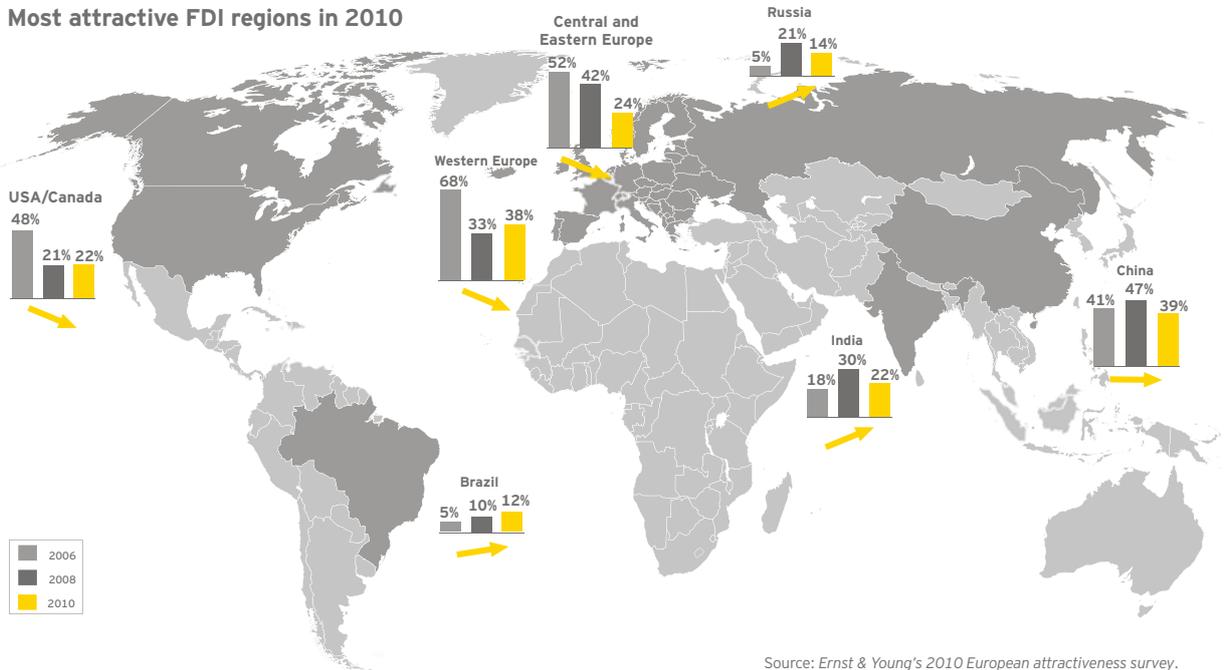
Now is the time to act

Shifting economic power from west to east and north to south – accelerated due to the global financial crisis – has increased both the number and the sophistication of urban centers in all markets, especially in the emerging markets. And globalization has meant that cities all over the world are more interconnected than ever before, as capital and people move freely between them.

Economic power is shifting from west to east and north to south

The foreign direct investment (FDI) map below, taken from *Waking up to the new economy: Ernst & Young's 2010 European attractiveness survey*, aptly demonstrates that capital is shifting from west to east and north to south. More than ever, cities must be sure of their value propositions if they are to attract wealth creators and talent to secure the investment and jobs required to thrive.

Most attractive FDI regions in 2010



Source: Ernst & Young's 2010 European attractiveness survey. Total respondents: 814. Respondents selected 3 possible answers.

China (39%) edges out Western Europe (38%) as the most attractive region for FDI and reclaims its 2008 title, gaining six percentage points in its investor attractiveness rating. These top two FDI magnets are followed by Central and Eastern Europe (24%), then India and North America (22% each). With growth in prospect in 2010, investors are returning to their hunt for higher returns, leading to a global FDI competition, which results in the leveling of the playing field.

⁶ World Urbanisation Prospects: The 2009 Revision, File 11a: The 30 Largest Urban Agglomerations Ranked by Population Size at each point in time, 1950-2025, United Nations Secretariat: Department of Economic and Social Affairs, Population Division, 2010 © 2010 The United Nations.

“The metropolises of our times are admired when they become places where people live with a free and open spirit, and when people see progress in their personal or professional aspirations.”

Jordi Hereu, Mayor of Barcelona, Spain

Now that both these trends have increased the competition for talent and capital between cities worldwide, every city in the world needs to be clear about its value proposition in order to attract talent and capital, and to provide a sustainable, vibrant community for its citizens to live, work and play. This represents a trigger point for action. Cities, in whatever condition,⁷ need to compete for an ever-shrinking pool of resources in order to be competitive and strive toward being the best they can be.

Competition for resources

Competition for resources – the talented people and capital that drive innovation – has never been so fierce. And resources are more mobile than ever. So they will migrate to those places that have the most aligned offer in terms of brand, strategy, investment, infrastructure, services and culture. Cities also face a unique set of challenges and issues from stakeholder groups competing for supply and demand side resources.

⁷ The city condition reflects the starting position when the leadership defines the ambition to strive toward. It can be financially sound or bankrupt; growing or shrinking in size by citizen numbers and businesses located there; and well run or mismanaged, or even corrupt.

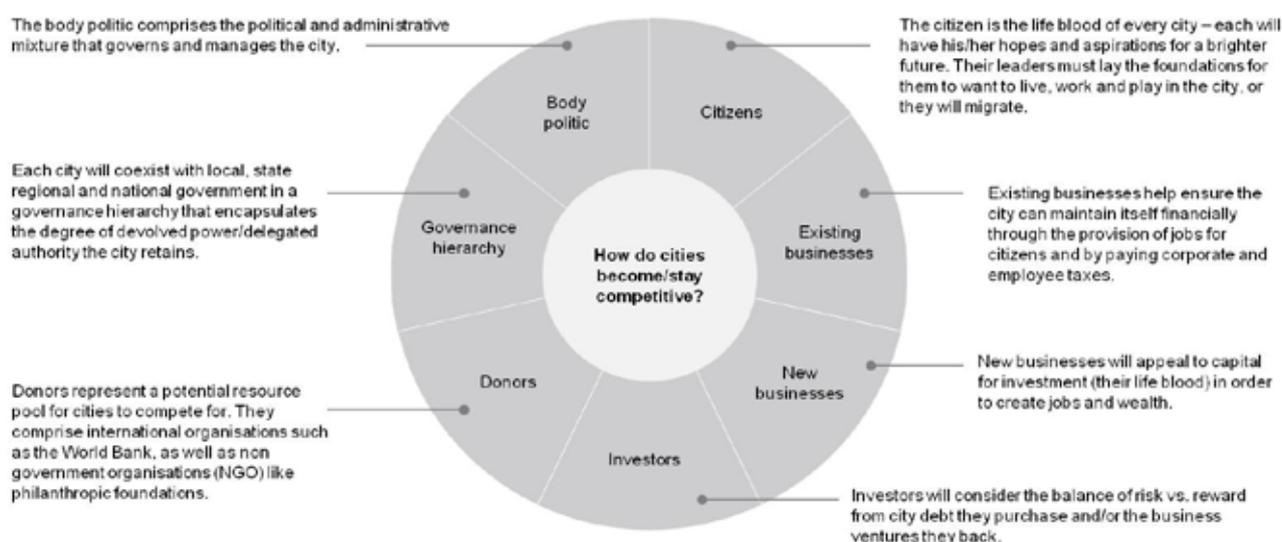
- **Supply side:** this resource is essentially money/capital – the degree to which a city can secure finance from its citizens, donors and investors (and how this is impacted by the nation's governance hierarchy). This is a key issue in the many Western cities that are facing unprecedented budget deficits and in emerging cities where vast inequalities in wealth mean there are many citizens who use infrastructure but don't pay tax.
- **Demand side:** this is impacted by people and power, the population size and levels of migration directly impact the level of financial resources a city needs from higher levels of the governance hierarchy and those it can generate independently. Power is also a key factor. If a city's leadership and governance is viewed positively by current and prospective citizens, this will impact migration, and so increase the demand for supply side resources.

In attempting to strike the right balance between these two forces, city leaders must also consider the unique set of challenges and issues they faces from competing stakeholder groups.

The stakeholders

The diagram below represents the various stakeholder groups competing for a city's resources. These will vary on a city-by-city basis.

While all cities are different and each faces a unique mix of multiple and competing stakeholders, there are some underlying themes that hold in terms of applying an urban strategy to increase a city's attractiveness to businesses and investors.



“Cities that tailor their proposition to address the concerns of wealth creators and entrepreneurs stand a better chance of securing the early interest of new businesses and investors.”

Marc Lhermitte, Coordinating Partner of Ernst & Young’s International Location Advisory Service network



Building a strategy

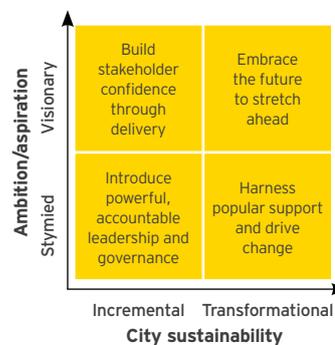
Building a strategy for urban success – in terms of its attractiveness to innovative people and businesses, and creating an environment that is high performing, creative and balanced – requires a combination of sustainability and ambition, underpinned by leadership.

This must be backed by robust analysis and insight in order to sell the vision to all stakeholders and move the ambition to reality by securing the right resources.

Ernst & Young has developed a simple model that demonstrates the key requirements for city leaders based on the quadrant to which they are mapped. The quadrant has two axes: “ambition/aspiration” and “city sustainability.”

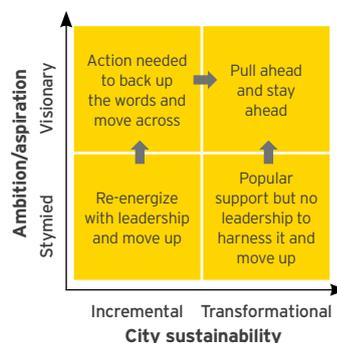
Ambition/aspiration

Defined as the clear articulation of a future state bought into by all stakeholder groups. To make the journey to the future state a reality, it will be championed by great leadership; embraced by the body politic; and supported by the governance hierarchy, donors and investors.



City sustainability

Defined as the ability of a city to manage and grow its resource base – social, economic and environmental. A sustainable city will be well run and financially sound, growing in size by citizen numbers and businesses located there, and in harmony with its local/regional environment.



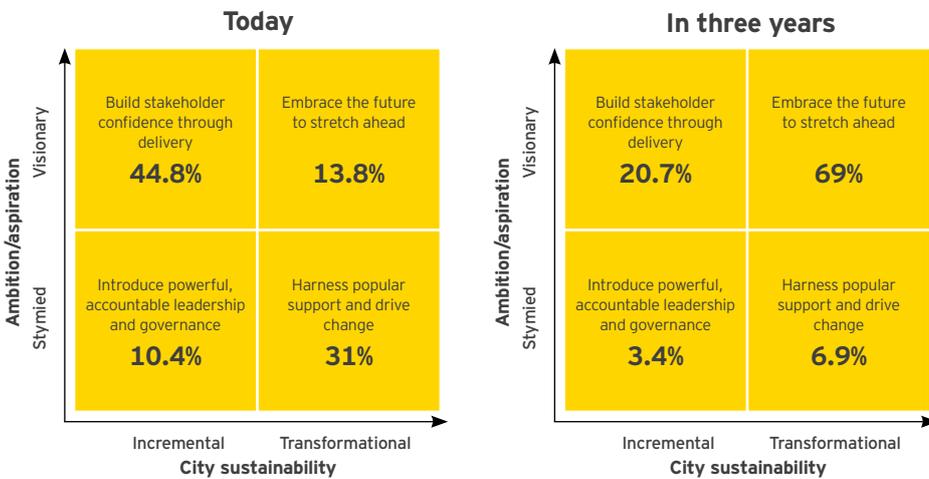
Cities need to undertake change in order to migrate toward the top right corner. Once there, the aim should be to maintain that position.



As stated earlier, cities operate in a globally competitive environment for talent and investment. Their citizens have hopes and dreams that they look to their leaders to help them deliver. Cities that are not constantly seeking to embrace the future and meet citizen expectations will lose competitive advantage to rivals that do. It is vital that they build for a future aligned to an ambitious vision that meets the needs of all their stakeholders and carry them forward on a shared journey.

Where did the survey sample fit into the model?

In the Ernst & Young model, in which quadrant do you place yourself today, and where do you see yourself in three years' time?



We were not surprised to discern that the majority of respondents saw themselves in the top left or bottom right hand quadrants of our model, with a focus on harnessing popular support to drive change and building stakeholder confidence through delivery. A question we can pose at this point is this: how realistic is it to expect that every city we interviewed will actually be able to migrate as they have declared over the three-year period?

In fact, are the findings here more aspiration than reality? If this is the case, what actions must city leaders and policy-makers undertake to ensure the political/executive functions are aligned with the administrative/delivery capabilities to enable success?

Personal reflections

What motivates someone to take the job of mayor? In many cases, they will stand for election to secure a popular mandate, and be open to media scrutiny – not all of it pleasant. We asked each mayor or city leader this question, and it is interesting to note that fewer than 10% gave answers that could be seen as furthering their own political careers. They gave a variety of reasons for why they took on their current role, a selection of which are recorded (anonymously) below in three broad categories.

To deliver change and make a difference

- ▶ I think the opportunity of being a mayor gives you a chance to implement everything you wanted to toward transforming a city.
- ▶ To build the city's economic capacity up to a world-class level.
- ▶ To continue bringing innovation to public management.
- ▶ I wanted an opportunity to be involved with change, improvement and redirection, especially enterprise services.
- ▶ To deliver a better form of governance model – the Council is currently not optimized for decision-making.
- ▶ My experience in public administration led me to assume a personal commitment to the building of a different future for the city.
- ▶ To get this city moving – which was my campaign slogan.
- ▶ To ensure that the city is a growth engine for the entire region.
- ▶ This city is already great but still has great potential: economically, socially, culturally.
- ▶ To contribute in an effective way to change our political and organizational culture.

A personal affinity with the city

- ▶ This is my city. I have a tremendous opportunity to make an impact and a difference in the community I love.
- ▶ I have worked in this city for 25 years; being its mayor is one of the most demanding jobs in the country.
- ▶ It is an honor to be Mayor of one of the world's leading cities.
- ▶ To do something for my home city, to help shape it.
- ▶ I love politics, I love my country and I love my city.

A passion for serving

- ▶ A public service ethos combined with a passion for strategy.
- ▶ I love public service – I have spent 18 years in an elected office.
- ▶ A great personal challenge as it is the most exciting political position in our country.
- ▶ My previous success in business proved to me that I can set and attain ambitious goals ... so I decided to go for it.
- ▶ My strong political vocation.
- ▶ Normal political career planning.

“The reason, I think, has to do with active citizenship. After devoting our lives to raising a family, having a comfortable financial position and succeeding in our careers, then I think we should give something back to society.”

Marcio Lacerda, Mayor of Belo Horizonte, Brazil

Tales from two cities – interviews from London and Bogotá



In profile: Boris Johnson – Mayor of London

Underpinning his administration's actions is the ambition to “bring out the very best in London – helping its companies to grow, its communities to thrive and its people to prosper.”

“It's an honor to be Mayor of one of the world's leading cities, particularly leading up to the Olympic Games in 2012.

“We are our own role model but each city has its own strengths to learn from. We would like to have the dynamism of New York, the civility of Vienna, the spectacular setting of Sydney (though who knows what can be achieved with the Thames Gateway!), and the joie de vivre of Paris. We are also keeping a close eye on ‘the new kids on the block’ such as Sydney and Singapore.

“I am excited about the future. In 10 years' time, I want Londoners to be able to look back at the Olympic Games and remember how it exceeded expectations; for large employers to all be paying a living wage – and therefore for London to be making a genuine contribution to fairness; crime to have continued its downward trend; and for the young to be continuing to engage with the economy, for example, to be the best city in world for school results.”



“There is a formal commitment to reduce London's carbon emissions by 60% from 1990 levels by 2025.”

“Crossrail, involving the construction of twin tunnels under central London, will link Heathrow Airport, the West End, the City of London and Canary Wharf.”

“A cycle hire scheme was successfully launched last year. When complete, it will provide 6,000 bikes from 400 docking stations across nine London boroughs and the Royal Parks.”

“We want ours to be an inclusive city, one that guarantees equity and the full enjoyment of human rights.”

“We are planning for our city to be recognized as one of the top five most important business centers in Latin America which will serve as a primary engine of development for the country.”

“Broad participation by the private sector will be achieved, serving as an example on the continent of strategic alliances for progress, growth and social justice.”

In profile: Yuri Chillan Reyes – Secretary General of the Office of the Mayor of Bogotá



In the 2010 América Economía Intelligence ranking of the best Latin American cities in which to do business, Bogotá occupied eighth place.

“From this perspective, we understand the need to make Bogotá a capital that projects itself internationally every day, so that it gains position progressively as a city that is a business platform in the region. It has everything to be so.

“I want to help build a different future for Bogotá and Colombia. I identified with a vision of public management that seeks to combine the exploitation of global advantages and advances in infrastructure, technology and economic progress, with the requirements of social justice and the principles of equity and solidarity as central components of citizenship.

“One of the reasons for the city's progress is the model of cooperation between the public and private sectors, recognized as one of the most successful in Latin America. Internationally, Bogotá is perceived to have made substantial improvements in its security, business environment, connectivity and quality of life.”



Vision

To get elected or secure appointment, each leader has to present a vision, possibly in a manifesto, outlining the direction they want to take the city on its journey to a better and more prosperous future. Understanding this vision is vital: not only in terms of as a presentation of the leadership's ambition for the city, but it is also important to gauge how fellow city stakeholders (including citizens) view it and continue to feel affinity toward it throughout its life cycle.

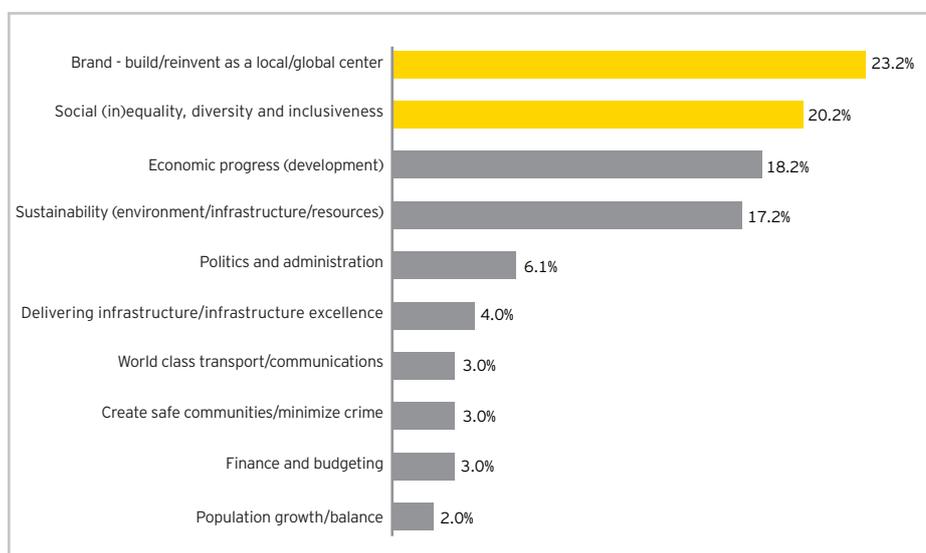
We will return to the latter theme later in this report. To begin with, we asked each mayor or city leader what they wanted their city to be famous for in 10 years' time. A selection of the comments are recorded (unattributed) below and are intended to convey to the reader a sense of what lies behind their current vision in terms of how they want their city to be perceived externally.

- ▶ The best big city on Earth!
- ▶ The best small city in the world.
- ▶ We want to be in the premier league of world cities.
- ▶ The greenest big city in the world.
- ▶ The greenest, affordable, city in the world.
- ▶ A world model for urban policies.
- ▶ We will be the boating capital of the world.
- ▶ We want to be caring and economically viable.
- ▶ We will have the same high life quality standards as we observe in developed countries.
- ▶ A high quality of life and social cohesion.
- ▶ A city that promotes justice and equality to its citizens.
- ▶ A safe and responsible city – because citizens are crucial, not institutions.
- ▶ A place where people want to live, work and play.
- ▶ One of the most attractive places in Europe for generating and attracting talent and creativity.
- ▶ A fun and functional city.
- ▶ An attractive world metropolis with a rich history.
- ▶ I want us to be famous for being a modern city, but with a historical identity.
- ▶ A growth engine for the region.
- ▶ One of the most important business centers in Latin America.
- ▶ An international city for conferences and trade fairs.
- ▶ We will be a center of culture, music, literature and learning.
- ▶ We will be an exemplar of a low carbon economy: small enough to provide controlled testing; large enough to demonstrate rollout for other cities.

“I want innovation and enterprise at the heart of our development and growth strategy. We have a long track record of our two universities commercializing their research and patenting their inventions, which continues today, and we aim to leverage this much more for the city in the future.”

Martin Reeves, Chief Executive at Coventry City Council, UK

We pursued this theme in more depth by asking them to list up to three “wow” factors that would be at the heart of the vision: aspects of their city that will hold up to stakeholder scrutiny and be recognized externally, i.e., what comes to mind when outsiders think of their city. Building a city brand such that it has global renown for something ranked highest, followed closely by acclaim for being socially inclusive and embracing diversity. What was equally interesting was that having safe and relatively crime-free communities ranked as one of the lowest scoring criteria.



We assessed the comments submitted by each respondent and then allocated them to 1 of 10 broad criteria. The criteria definitions and the results are provided in the table above. Consequently, while these comments have been subjected to editorial interpretation, they do conform to the broad definitions provided in the sidebar box.

But are these “wow” factors in line with what citizens say makes them want to live, work and play in a city? In our model, we identify people as the demand side of the equation: they have individual and collective demands and needs that policy-makers and politicians must strive to deliver. Looking at The Economist Intelligence Unit’s *Liveable Cities: challenges and opportunities for policymakers* report and The Philips Center for Health and Well-being’s *Philips Index for Health and Well-being: A global perspective Report 2010*, we discovered that the top three criteria (city identity and brand, social inequality and economic progress) among the people we surveyed are not aligned with what these reports are telling us about managing citizen expectations.

In a later section, we compare these “wow” factors with the issues and their associated challenges that our respondents articulated. The purpose of these comparisons is to try and determine how the focus of attention given to delivering the vision relates to the biggest issues faced and the challenges that must be addressed to overcome them.

Criteria definitions

- ▶ **World-class transport/communications:** increase urban mobility through metro and cross-city connectivity
- ▶ **Create safe communities/minimize crime:** make the city safer
- ▶ **Finance and budgeting:** well managed, self-sufficient, tax-friendly for citizens
- ▶ **Population growth/balance:** a diverse mix of people living there, and wanting to migrate there
- ▶ **Politics and administration:** transparent and accountable, engaging with citizens and stakeholders, a model of good governance
- ▶ **Delivering infrastructure/infrastructure excellence:** a great socioeconomic blend, with a reputation for delivery excellence
- ▶ **Economic progress (development):** such as improving citizen economic well-being to building a science park or business hub
- ▶ **Sustainability (environment/infrastructure/resources):** various factors from energy and the developed landscape to symbiosis with the region
- ▶ **Social (in)equality, diversity and inclusiveness:** a rich mix to promote better living and attract more people
- ▶ **Brand – build/reinvent as a local/global center:** fame globally, culturally and economically



What do citizens say that they want?

Insights we have drawn from some of the findings in the *Liveable Cities Survey* and the *Philips Index for Health and Well-being* report have a direct bearing on our study conclusions.⁸ Both of these reports focus on what citizens say makes them want to live in a city. It is interesting to look at some of their needs, as expressed in the findings, and see how aligned these are with the direction our respondents are pointing their vision and strategy.

To attract people and especially talent, the three most important criteria for policy-makers to deliver successfully on are job creation, transport and safety.

Failure to do so may result in depopulation or the best talent migrating out of the city and a less-skilled workforce remaining, which might adversely affect perceptions of the city by wealth creators and investors as well as impact the socioeconomic balance of the city.

Liveable Cities: challenges and opportunities for policymakers

Commissioned by Philips, the Economist Intelligence Unit conducted a study of 575 urban professionals, seeking their views on what matters most in making a city liveable. Some of the report's findings of interest to our study are:

- ▶ The top three most important factors that make a city an attractive place in which to live and work are: jobs market and cost of living (58%), public transport, road links and parking (47%) and safety and security (44%).
- ▶ The main motivating factors for why the respondents live in the city are: to seek better work opportunities (39%), born in the city/always lived there (29%) and posted there by an employer (24%).
- ▶ The primary factors to improve city life and make it less stressful are: public transport, road links and parking (59%); the general environment and cleanliness (35%); and the jobs market and cost of living (30%).
- ▶ The primary benefits for their employer in being located in the city are: access to talent/labor (63%), the city's high profile and a good reputation (54%) and transport links to other key cities/markets (37%).
- ▶ To make the city more competitive for business, the main priorities for the city mayor/leadership to focus on are: improving public transport/roads (61%); improving schooling/education (33%) and encouraging multinational companies to set up business (32%).

Philips Index for Health and Well-being: A global perspective Report 2010

This study focuses on the thoughts and drivers of health and well-being among citizens. It is based on responses from 31,566 people in 23 countries. Key findings of interest are:

- ▶ Economic factors are a key driver of stress: having enough money to pay bills (55%), the economy (52%) and losing one's job (47%) all scored highly among citizens.
- ▶ Within the survey, global city dwellers identified safety/crime, access to health care/hospitals, and availability of employment as the most important criteria for consideration when choosing a community in which to live.

There are two conclusions to draw from these findings that resonate with our study:

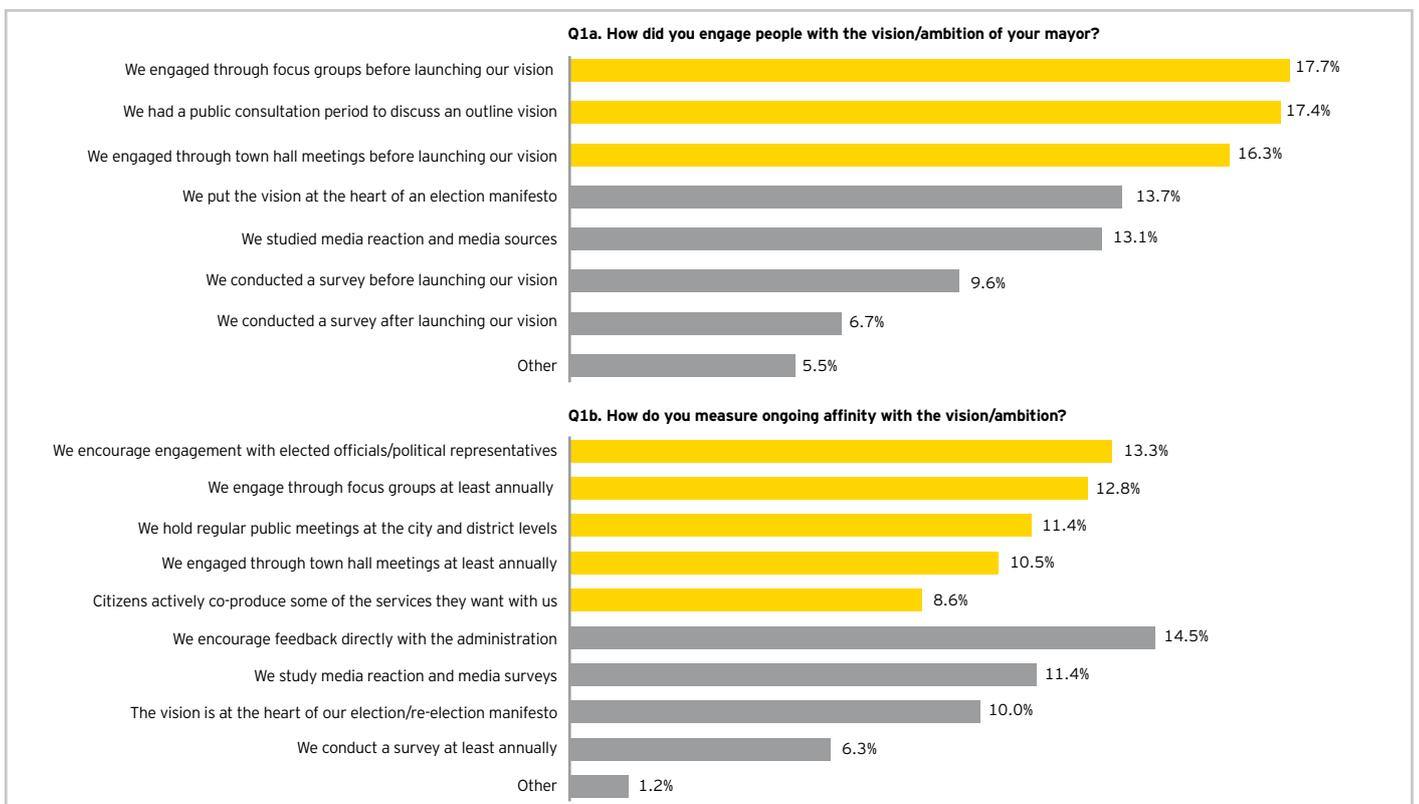
- ▶ Cities that consistently deliver economically for the individual can leverage this to help them (i) retain and attract talent and (ii) attract investment to create more jobs.
- ▶ The perception of safety, the availability of health infrastructure and the feelings of employment security all need to be taken seriously by policy-makers if they wish to retain and grow their population, especially talent.

⁸ Note: these criteria and questions were drawn from the *Liveable Cities: challenges and opportunities for policymakers* report (© The Economist Intelligence Unit Limited 2010), and the *Philips Index for Health and Well-being: A global perspective Report 2010* (© The Philips Center for Health and Well-being 2010).



Engaging people with the vision and measuring their ongoing affinity with it

Having created a vision and the strategy to support its delivery, how engaged are people with it? What variety of mechanisms is used to engage people with the vision and then measure their ongoing affinity with it? This was something we put to our respondents. We wanted to determine the degree of engagement they have with the citizens they serve, and whose future they are helping to shape.



Q1a. Respondents were asked to select a yes/no answer to whether or not they engaged in the range of various engagement mechanisms presented. Of the total 100% possible, a “yes” was recorded in 41.0% of cases.

Of all activities, 51.4% involve direct engagement with people (focus groups, town hall meetings and a public consultation period), but this is only from 41.0% of the total possible, which means that just 21.1% of respondents undertook these types of activity.

Q1b. Respondents were asked to select a “yes/no” answer to whether or not they engaged in the range of various engagement mechanisms presented. Of the total 100% possible, a “yes” was recorded in 40.9% of cases.

Of all activities, 56.6% involve direct engagement (focus groups, town hall meetings, engagement with elected officials, public meetings at city/district levels, and citizen co-production of services), but again, this is only from 40.9% of the total possible, which means 23.1% of our respondents undertook directly interactive engagement activities.

What is interesting to note in these two charts is the degree of direct interaction with people via different mechanisms (denoted as the yellow bars) where a “yes” was recorded in each of the two questions. Direct engagement with people is admired in cities: on pages 18-19 of this report, we highlight several cities that were viewed by this survey sample as role models. In second place was Copenhagen, which was specifically commended for adopting an “interactive approach to engaging with its citizens.”



And the most admired city is ...

We asked our survey pool to tell us which city in the world they most admired or viewed as a role model to emulate. You might be forgiven for expecting it to be a global capital or a megacity, but if you did then you would be wrong. The first place city was Barcelona, followed by Copenhagen, and then London in third position. It is quite interesting to note that only one of these is a global capital/megacity – London. For these types of cities, it can be reasonably argued that they will always develop because of their sheer scale.

But what about lower-tier cities and capitals in smaller countries? It is equally possible to accept that they have developed an approach of their own that makes them a role model for others to emulate. The reasons given for Barcelona and Copenhagen each point toward the creation of differentiators that have made them stand out and push ahead with their own transformation – be it symbiosis between the city and its surrounding region, a brand that puts talent attraction in the mix to help accelerate economic development, and in particular for Barcelona its positive Olympic legacy.

We asked Barcelona's mayor, Jordi Hereu to comment on why he thought his city was the most admired. He said, "The metropolises of our times are admired when they become places where people live with a free and open spirit, and when people see progress in their personal or professional aspirations." This comment reinforces the contention in our point of view that every city in the world needs to be clear about its value proposition: citizens today have hopes and dreams that they look to their city leaders to help them deliver.



1st Barcelona

Barcelona emerged clearly in the lead as the city most admired among our survey pool. Some, but not all, of the reasons given reflect how it used its Olympic legacy to accelerate city development. One respondent stated: "It made a profound impact – a clear, cohesive, economically literate vision that could be used to drive change. Through their Olympics, they achieved in 4 years what could have taken 20 or more." They leveraged the scale of the Olympic Games to "strongly develop and drive entrepreneurship, with a strong focus on job creation and urban renewal," and with "a good talent-attraction policy."

Others look up to Barcelona for being a "great example of a global city at a regional level," and as "a great example of strategic planning and urban development," which illustrates the theme we make about lower-tier cities and capitals in smaller countries developing an approach of their own that makes them a role model for others to aspire. A Latin American admirer even went as far as to say: "Barcelona is always a step forward compared with the rest of all Latin cities."

But this final comment sums it all up neatly: "It successfully built on a major event such as the Olympics to build and diversify the city's economy. The local culture encourages a 24-hour active and safe city. And it has achieved great innovation in architecture and public spaces throughout the city."



2nd Copenhagen

Copenhagen is second, and sustainability features quite prominently in the reasons cited. The city is admired for the way it has successfully managed a structural change without losing its own special character.

It is in the process of transforming itself into the heart of a city-region growth engine for the Øresund region as well as the city of Copenhagen itself. Maintaining its position as one of the best cities to live in will in part ensure talent is attracted, a vital component in its sustainable economic development.

Along the way, it has adopted an interactive approach to engaging with its citizens, especially about development and the environment. Indeed, connecting to citizens was the theme of another commentator that admired "the ability to connect the people to the place through small, albeit sometimes expensive, infrastructure changes."

Long-term goals have been formulated and communicated to support long-term decisions, such as the desire to be carbon-neutral by 2025, and the administrative and authoritative structures in place to shape and deliver the vision and strategy are seen by some to support and not compete with each other.



3rd London

London is third, and its approach to urban mobility is often mentioned. A perfect and constantly developing system of public city transport that combines modern technology with environmental awareness is lauded – particularly taking the tough decision to introduce congestion charging for vehicles, and integrating environmentally friendly cycling in the city transport system. In fact, one city stated that London's public transport system represents a level of quality and efficiency that it views as a benchmark.

London is also seen as an important hub for the business world, able to provide the kind of infrastructure and facilities that professionals require. Equally it is looked up to for its diversity and how it creates coexistence among different groups of people.

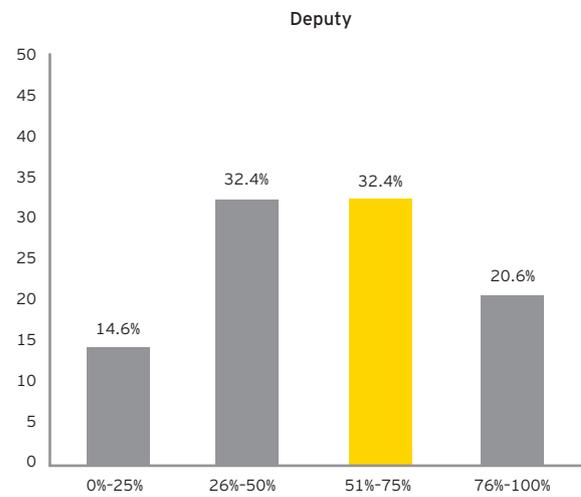
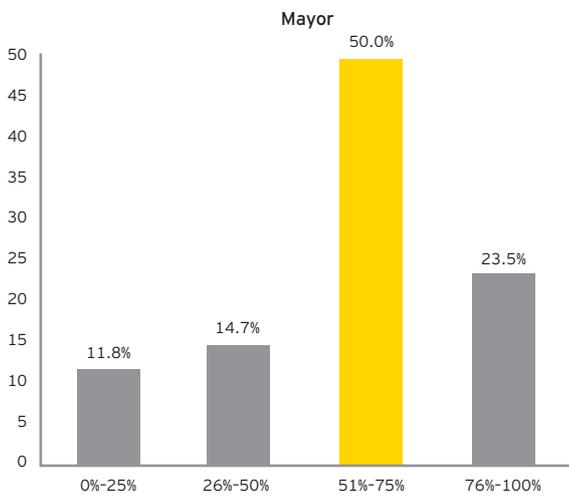
Finally, London will be hosting the 2012 Olympics. The initiatives it has undertaken both during the selection process and in preparation for the event may be seen as an example both to follow and to elaborate upon for cities aspiring to host a major sporting event.

Strategy



The strategy that has been adopted to make the vision a reality sets out the framework for delivery and the impact it will have on all the city stakeholders. But is it “on track”, and are the key activity streams the most appropriate?

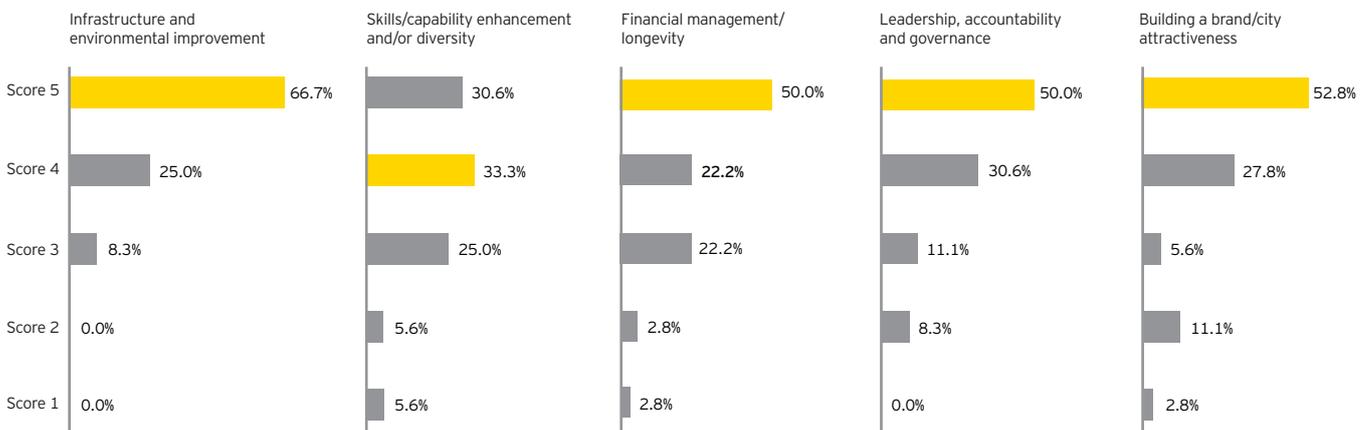
How on track are you to successfully delivering the current strategy?



In these two charts, we are demonstrating a comparison between the answers given by each respondent pool to the same question. The Mayors are clearly more optimistic, reflecting the fact that they tend to be political appointments so are less risk-averse than public servants, who were more cautious in their responses – it would seem then that every good leader needs a worrier.

The degree of divergence between the two respondent pools is not sufficiently pronounced to cause undue concern. However, in the following cities, both provided answers that were perfectly aligned with each other: Barcelona, Belo Horizonte, Bogota, Curitiba, Ghent, Izmir, Kiev, London, Lviv, Lyon, Manchester, Perth, Salvador, Strasbourg, Vancouver, Vilnius and Vitoria.

What are the key activity streams in this strategy?





We chose these criteria specifically. While infrastructure and environmental improvement, and building a brand or city attractiveness are both desired outcomes, leadership, accountability and governance, and skills or capability enhancement and/or diversity are required inputs. In our opinion, what binds them all together is financial management and longevity.⁹

World-class financial management is critical to the successful execution of policy priorities as well as the day-to-day running of a city. In our model, the supply side of the equation is categorized as money (the financial resource a city can secure) from all its stakeholders. Managing resources effectively and striking a fine balance between income and expenditure requires a high degree of competency and capability, much as one would expect to find in a well-run corporate entity – except in this instance the shareholders are the citizens and the businesses located in the city and its environs.

The pressure on city leaders and administrations to “get the numbers right” is unprecedented in the current fiscal climate – national government is in many cases reducing its financial support. Our colleagues in Germany recently conducted a survey of 300 municipalities,¹⁰ and the financial position they face clearly demonstrates the point we are highlighting.



Survey of German municipalities

In February 2011, Ernst and Young’s Government & Public Sector practice in Germany conducted a study of 300 municipalities. Its findings demonstrate that, despite the economic upswing, many German cities are still struggling to recover from the downturn. While there is a rise in tax revenue, expenditures such as social spending and labor costs are increasing despite best efforts at cost reduction.

- ▶ 54% described their own financial situation as bad or very bad – one in three have had to submit a budget consolidation plan in 2010.
- ▶ 55% plan to cut communal services.
- ▶ 86% are planning to raise fees and taxes.

Summing up the study, Hans-Peter Busson, Coordinating Partner, Government & Public Sector for Germany, Switzerland and Austria says:

“Many German cities are basically bankrupt. Mayors and treasurers are scanning their budgets for potential savings – this will be painful for the population, but there is no other solution since the debt of most is far too high already. Now is the time to increase revenue, reduce expenditure, streamline administrative structures and optimize work processes.”

The study concludes that the long-debated reform of local finances in Germany has lost nothing of its urgency – indeed municipalities need more freedom of action and more control over their tax revenues and expenditures.

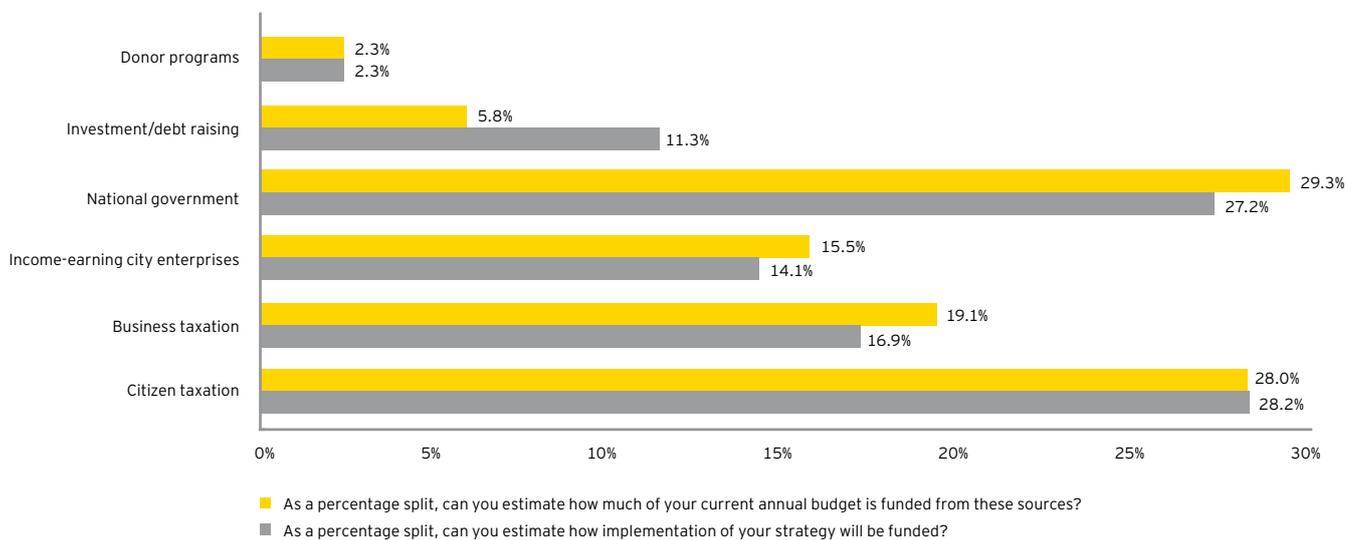
⁹ Note: Where a 1 or 2 is scored does not mean that the city is poor in this category – they may no longer view the category as of high importance, or they are proficient enough for it to no longer warrant a high degree of focus. Interpretation of this data must not succumb to unconscious bias.

¹⁰ Source: Kommunen in der Finanzkrise: Status quo und Handlungsoptionen 2011. Ergebnisse einer Befragung von 300 deutschen Kommunen – February 2011, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft.



Current and future funding

Striking a fine balance between managing income and expenditure requires a high degree of rigor. It is made all the more complex when the funding mix is added into the equation. Reliance on the national government at a time of ballooning public debt is no guarantee of financial sustainability, as our survey results in the chart below demonstrate. We asked how the current budget is split, and how the future strategy was going to be funded.



Analyzing the overall results, in the current economic climate, it is surprising that the reliance on national government for funding has not decreased by considerably more than 2%, and that income-earning city enterprises have not risen by more than 1.5%.

It is equally surprising that business taxation has risen by over 2% when it could be argued that reducing this category of taxation is necessary to encourage more businesses to start or locate, thereby raising the tax take through increases in volume not value. Financial sustainability is vital, and world-class financial management capability is essential to enable city policy-makers to model different funding scenarios and consider the implications they raise. While the largest overall swing is in "investment/debt raising," the data shows that the variations are not heavily pronounced.

In the table to the right are the largest swing variations per category, both up and down, as recorded for an individual city.

It is interesting to note that one city intends to reduce its reliance on national government from 49% of its current funding to 0%, while another intends to increase the amount of investment/debt it secures from 0% to 73.5%.

Raising debt is one way of augmenting public finances without having to raise taxation on citizens and businesses, both of which are politically unpopular, likely to have a significant impact on citizen migration and business start-ups and location strategies. Debt, however, comes at a price and capital markets face more demand than they can meet.

| Swing variations by category | Up | Down |
|---------------------------------|----------|---------|
| Citizen taxation | 49%-57% | 70%-50% |
| Business taxation | 10%-15% | 60%-40% |
| Income earning city enterprises | 40%-50% | 20%-0% |
| National government | 15%-30% | 49%-0% |
| Investment/debt raising | 0%-73.5% | 14%-10% |
| Donor programs | 0%-2% | 7%-5% |



Securing debt and funding infrastructure – Ad Buisman, Coordinating Partner of Ernst & Young’s European Construction Group

To attract business, investors and talent cities must have excellent infrastructure. It goes without saying that urban development requires investment – particularly in transportation, utilities and communications – but the competition for capital and developers is now global. It is now estimated that the world will need to spend US\$53 trillion over the next 25 years to address the global infrastructure deficit.

Ad Buisman says that “in a global context, we all know that governments are facing unprecedented levels of public debt, but equally if they are serious about addressing their infrastructure deficit, then they must seek or provide sufficient liquidity to really make it happen.” He continues, “If they do not have the resources, or even the skill sets, to manage large infrastructure projects, then they will need to partner with the private sector.”

So what does this mean for cities? Well for a start, branding is critical, so a unique offering is required. With this in mind, as they create their investor prospectus, Buisman feels that city strategists would do well to consider these two challenges:

1. **Risk allocation** – a fair balance of the risks allocated between investors and government is attractive. Early identification of the acceptable levels of risk and the most appropriate ownership of risk are important steps in preventing future surprises. For example, public sector entities tend to be overly optimistic about a project’s costs and time lines and about its potential to generate revenue – so be realistic.
2. **Available funds** – the competition for available funds is fierce. Private sector investors and financial institutions do not have the appetite or the inclination to invest the kind of money that is required, so innovate to attract the levels of debt needed.

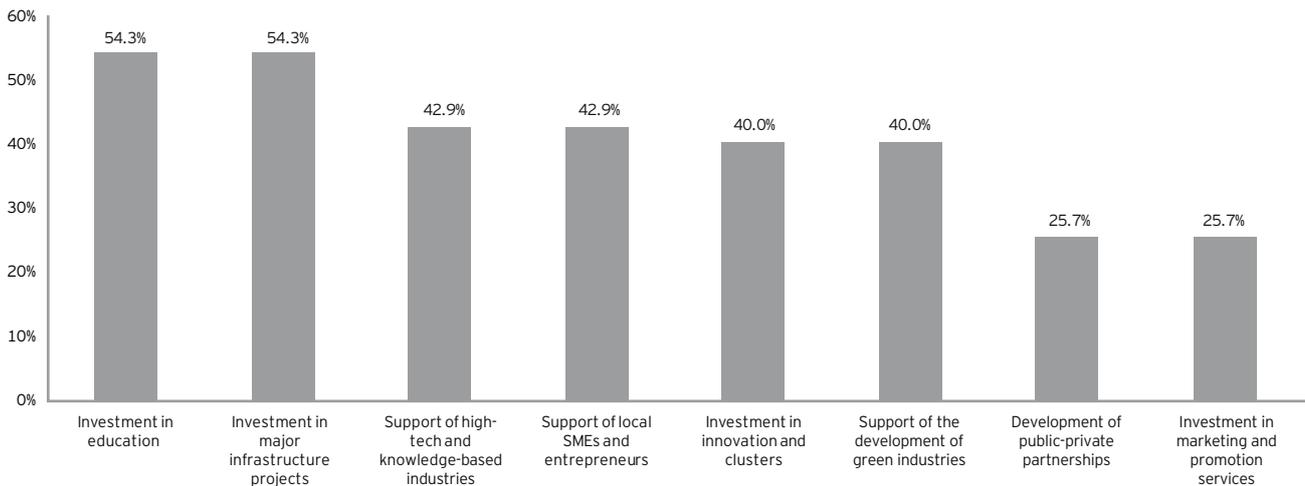
There is hope. But innovative thinking about delivery models is required. If the city administration embraces monetizing the cash-flow streams of existing assets, it can use this as security to pay for the debt needed to fund new ones. Effectively though, co-ownership and co-delivery means that pay-as-you-go becomes inevitable. As Buisman states, “The alternative is raising taxes, and we all know that this is much less popular!”

“If they do not have the resources, or even the skill sets, to manage large infrastructure projects then they will need to partner with the private sector.”

Ad Buisman

Economic development

Developing the city sustainably so that it can manage and grow its economic, social and environmental resource base will usually require striking a fine balance between competing stakeholder demands. In our survey of the mayors' finance or strategy directors, we presented them with eight options and asked them to highlight their priorities for the economic development of their city. In this section, we highlight some of the issues and consideration associated with each option as well as the percentage of respondents that are undertaking each activity as a priority.



Investment in education (54.3%)

Business needs talent. Companies, small and medium-sized enterprises (SMEs) in particular, depend on access to the right skills in order to focus on growth. If SMEs have to spend scarce resources – money and time – on training new workers, then generally they will not hire them. It is therefore essential that the skills base is in place across the life cycle of citizen education – from primary to adult education, and vocational to specialist R&D-led learning. Promoting innovation and adopting measures in support of innovation are now at the very top of investors' priorities. In *Ernst & Young's 2009 European attractiveness survey*, 25% of investor respondents made a direct correlation between improved education in innovation-intensive sectors and their decision whether to invest in a European location.¹¹

Investment in major infrastructure projects (54.3%)

Robust physical infrastructure (transport, communications, banking systems, technology, utilities business and science parks) at the city level is vital. Additionally, government at all levels (national, regional, city and local) is increasingly looking to infrastructure as a means of stimulating the economy. Naturally, transport (from airports and ports to roads and rail) features highly as an area of focus due to both its economic and financial benefits. As the World Economic Forum's *Global Competitiveness Report 2009-2010* states, "Extensive and efficient infrastructure is an essential driver of competitiveness."¹² The quality and availability of infrastructure directly affects where businesses locate and expand their operations. However, investor appetite and liquidity shortages mean funding is not guaranteed. Major infrastructure projects will require substantial marketing: branding is critical, so a unique offering is required that balances risk with reward, and takes a transparent approach to sharing robustly modeled financial scenarios in the investor prospectus.

¹¹ *Waking up to the new economy: Ernst & Young's 2010 European attractiveness survey*, © 2010 EYGM Limited.

¹² *The Global Competitiveness Report 2009-2010* © 2009 World Economic Forum



Support to high technology and knowledge-based industries (42.9%)

Creating a city-based and/or regional-cooperation platform for high-technology industries – for research and development, and to enable knowledge transfer – requires a high degree of cooperation from multiple stakeholders: city, local and sometimes regional or even national government authorities, universities, research centers and private sector partners alike. Stakeholder alignment is essential: financiers, be they from private and/or public sector organizations, will want assurance that all are aligned and focused on delivery of a successful outcome before project finance flows into the development. Good clear governance, robust business modeling, and “political” support are the keys to securing stakeholder engagement at the outset and the broad buy-in required to turn a strategic goal into reality.

Support to local SMEs and entrepreneurs (42.9%)

SMEs and their entrepreneurial spirit play a critically important role in every city economy. They account for 60% to 70% of jobs in most OECD countries, and more importantly, also account for a disproportionately large share of new jobs.¹³ At the city level, there are five core criteria to focus on to create the right conditions that support SMEs:

1. **Provide positive entrepreneurial business policy** – World Bank research has proven that the most obvious way of supporting SMEs is to promote entrepreneurship by reducing the barrier of entry for small firms, enabling deregulation and supporting lower direct business costs.¹⁴
2. **Reduce bureaucracy and red tape** – excessive red tape squeezes the flexibility of firms, destroys an entrepreneurial culture and increases the cost of doing business. Also, lower the cost of bidding for public contracts; provide easier access to the procurement system and early payment.
3. **Ensure taxation is fair** – lobby nationally for business-friendly taxes, and set local city taxes fairly. Taxation policy can either crowd out entrepreneurs or encourage them to support the tax base.
4. **Create a globally competitive local skills base** – a strong educational and skills base boosts the ability of SMEs to build their competitive advantage and employ new staff.
5. **Provide robust infrastructure** – every city needs a strong infrastructure to enable entrepreneurs to flourish, from communications and transport, to a solid technology backbone.

Investment in innovation and clusters (40.0%)

Developing science and business parks to promote the clustering of similar businesses, encourage knowledge sharing and to cultivate research and development is important if a city seeks to build competitive advantage in a particular industry or sector. While at first glance this might sound relatively straightforward, the reality is far from it. For example, in France “competitiveness clusters” are clearly structured and labeled partnerships that involve SMEs, large companies, research centers, universities and local authorities cooperating around collaborative research projects.

The different stakeholders must be brought together, engaged to share their ideas and issues, organized and supported to draft a business case that can then be submitted to the state, so that they can be considered an approved innovation cluster (there is a biotech competitive cluster in the Medicen Paris Region). The aim of these projects is to develop synergies between the different players and create competitive advantage. But do they work? And if so, how can this be verified? It is advantageous to regularly evaluate the strategy, audit performance against the stated objective, and consider improvements and refinements in the context of an updated strategy.

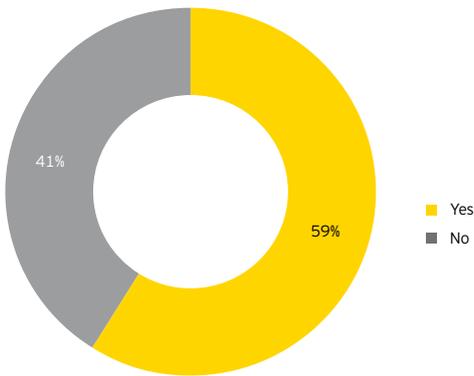
Within our survey pool, the largest single budget allocated to developing a cluster policy is €750 million (in Europe), and the largest number of city employees dedicated to implementing one is 2,000 (in South America).

¹³ OECD Tax Policy Study No. 18: Taxation of SMEs: Key Issues and Policy Considerations Oct 09

¹⁴ IFC- World Bank's Ease of Doing Business Index: <http://www.doingbusiness.org/features/Highlights2010.aspx>



Have you developed a specific cluster policy?



Support of the development of green industries (40.0%)

A strong engineering, science, technology, research and development heritage, together with a financial services sector and substantial investor base, and coupled with access to natural resources, are all significant drivers when it comes to going green. But at the city level, what is the first step necessary to pick up the pace? Any city with the ambition to become a regionally or globally recognized center of excellence in a green industry needs to create a development plan that fulfills three complementary economic aims:

1. Create wealth and economic growth from these activities to consolidate and generate employment in the city/region
2. Develop a brand in the “green” space to heighten international awareness and attract outside investment
3. Embrace innovative ideas that reduce the impact of economic and human activities on the environment

For this development plan to be taken credibly, it must be backed by robustly modeled financial options and forecasts that complement the strategy and build confidence among stakeholders.

Development of public-private partnerships (25.7%)

Around the world, government at all levels has increasingly turned to public-private partnerships (PPPs) for designing, building, financing and operating public infrastructure. At the city level, while PPPs are unlikely to ever replace traditional infrastructure financing and development, they can be an important tool for city leaders hoping to address infrastructure shortages. Given the deficits many face, it is generally accepted that the private sector can and should play a larger role in the financing of infrastructure in partnership with the public sector.

A thorough understanding of risk is needed; PPP is all about pricing risks and rewards. Adequate risk sharing is a key requirement in successful PPPs. Different types of risk need to be borne by the party that can manage it best.

- ▶ **Revenue risks** – poor modeling of volumes and price entry points may impact income streams.
- ▶ **Financial risk** – project cash flow may fall short of the level needed to repay loans and capital invested in the project.
- ▶ **Exchange rate risk** – for projects financed on international capital markets.
- ▶ **Political risks** – government actions that could impair the ability to generate earnings.

At a time when private companies and investors are risk averse and confidence is low, it may be necessary for the city administration to provide support to projects that mitigate the risks.



Investment in marketing and promotion services (25.7%)

Marketing and promotion activities help the city to portray its brand to potential investors, businesses looking to locate, and to talent and citizens of the future. Clarity about the proposition is essential to ensure these activities deliver the impact sought, especially for investment promotion agencies. Before marketing and promotion commences, Ernst & Young recommends that each city should:

- ▶ Analyze city attractiveness to foreign direct investors
- ▶ Evaluate city strengths and weaknesses to align or reconcile perception with reality
- ▶ Engage with the national investment promotion agency to leverage national assets
- ▶ Identify its current and desired customer base
- ▶ Benchmark the city with national and international best-in-class competitors
- ▶ Create and leverage an economic action plan for the city (supported by robust financial modeling)
- ▶ Develop a brand and brand strategy for the region or city

Location, location, location: what do businesses want?

Economic development requires substantial investment – from national and city government, and businesses alike. Securing large-scale investments from multinational corporations, be they home domiciled or overseas owned, represents a good way of kick starting economic activity. But what makes them choose where to locate?

Based in Paris, Marc Lhermitte heads Ernst & Young's International Location Advisory Service network, providing selection knowledge to international business leaders and advisory services to government officials and development agencies for positioning, cluster and infrastructure strategies.

"In a world still coming to terms with the impact of the crisis," he says, "we have discerned that when our corporate clients explore international location options, they increasingly find themselves looking at a multi-polar, complex and unstable world. Today, new options bring new location strategies and a sharpening focus on the balance of risks and rewards in economies everywhere."

He continues, "Investors now look at a complex variety of costs, quality and risks factors before selecting their business locations. Fast-growth, lower-cost locations have become formidable rivals to the established powerhouses of Europe and the US. But they also present new risks – political, social, financial – and quality issues such as insufficient infrastructure or uncertain productivity."

Of interest to city leaders and their development teams are the questions Marc and his colleagues are hearing more often from companies as the current crisis has raised new questions and new doubts about the right location choices:

- ▶ What is the best option to reduce costs, while securing growth and controlling risks?
- ▶ Are there hidden costs and gains in certain strategic locations?
- ▶ What are the real benchmarks and best practices to maximize success when choosing a new location?
- ▶ What are my "X-shoring" alternatives: offshoring, nearshoring or even re-shoring?
- ▶ How can I best prepare for the rebound?
- ▶ Is the choice I am making today the right choice for tomorrow?

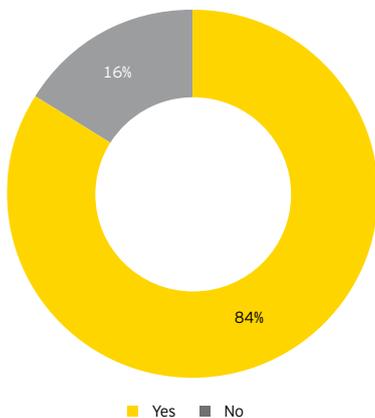
Cities that tailor their proposition to address these concerns stand a better chance of securing the early interest of new businesses and investors.

"Investors now look at a complex variety of costs, quality and risks factors before selecting their business locations."

Marc Lhermitte, Coordinating Partner of Ernst & Young's International Location Advisory Service network

Sustainability

Do you have a specific sustainable development policy?



Building a sustainable development policy requires striking a fine balance between the position taken to overcome three significant, interdependent barriers – policy, capital and infrastructure. Without a stable long-term policy framework conducive to investment, capital is unlikely to be invested at the necessary scale.

Consequently, infrastructure – such as new energy efficiency units for homes and businesses – will not be built at the rate required to enable green growth. To break this cycle, the key factor is producing a coherent long-term set of policies that are centered on clear, long-term national and city objectives for growth, jobs, energy security and carbon reduction.

City leaders should also direct policy and financial support at a few specific technologies, as the two case studies for Paris and Stockholm demonstrate, rather than being diffused across a wide range of areas, which can prevent individual technologies from establishing a conclusive competitive advantage.

And finally, city residents must be made aware of the potential for new jobs and investment that a green economy represents. However, there is much in our survey to be thankful for. The journey toward a low-carbon, more resource-efficient world has already begun; and cities, it is clear, are proving to be pivotal participants in this global transition.



Case Study 1: Stockholm

Stockholm was chosen in February 2009 as Europe's first ever Green Capital, and has declared that by 2030 it will reach its self-imposed target of becoming a zero carbon emissions city.

Key initiatives it has chosen that will support delivery of this vision include:

- ▶ Fueling public transport vehicles with biogas from human sewage
- ▶ A low emissions vehicles program
- ▶ An extensive residential retrofit program
- ▶ Encouraging the use of micro-renewables



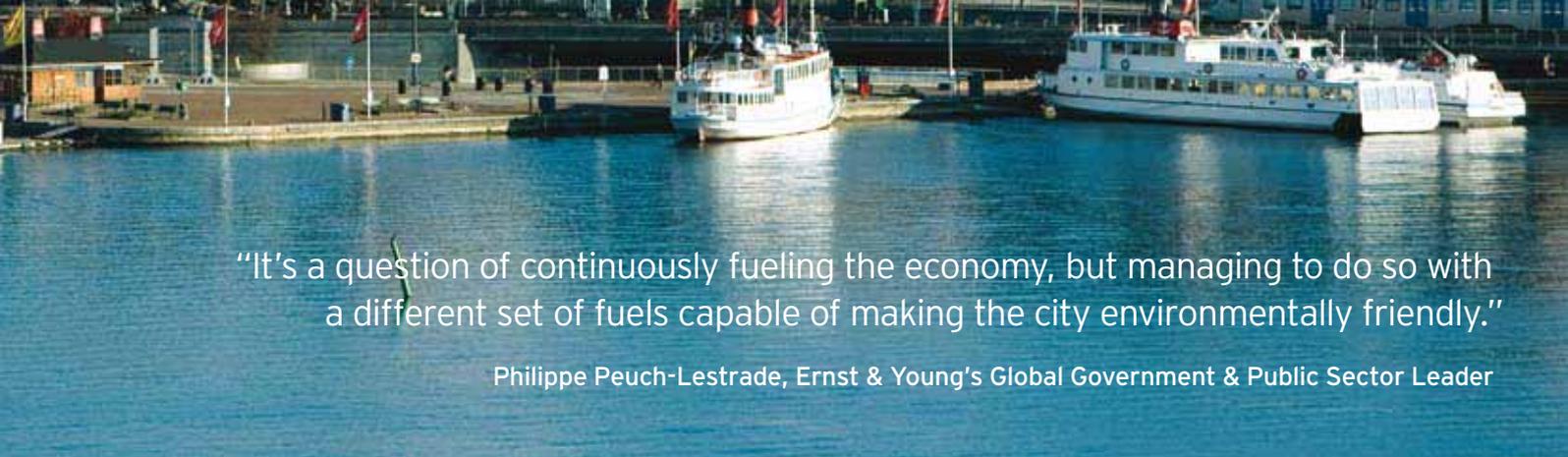
Case Study 2: Paris

As part of the Paris Climate Plan, the city will reduce carbon emissions by 70% by 2050.

However, realism is at the heart of the plan – it is widely acknowledged that success is contingent upon working closely with the private sector.

Key initiatives the city of Paris is implementing to enable achievement of the plan include:

- ▶ Creating a business center for enterprises involved in energy efficiency
- ▶ Encouraging partnerships to deliver green housing
- ▶ Establishing a green zone in the 19th district
- ▶ Creating an incubator as well as committing city purchasing power to clean technology to stimulate collaboration in R&D

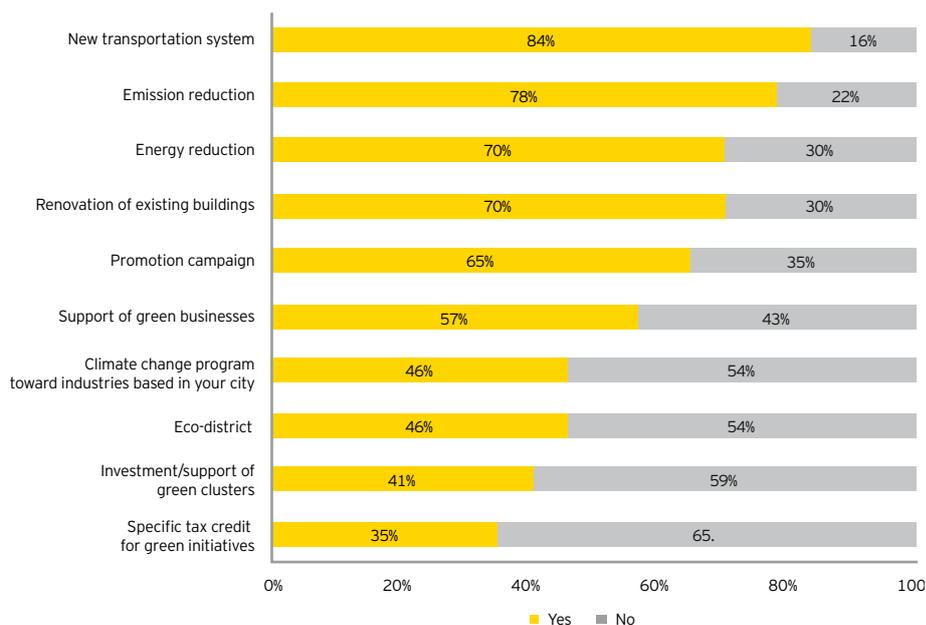


“It’s a question of continuously fueling the economy, but managing to do so with a different set of fuels capable of making the city environmentally friendly.”

Philippe Peuch-Lestrade, Ernst & Young’s Global Government & Public Sector Leader

What activities have you initiated to implement this policy?

Unsurprisingly, in this range of activities, the degree of implementation by survey respondents varies: delivering a greener new transport system ranks highest (is infrastructure a “safe” option?) And given the tight economic position many cities find themselves in, it is equally unsurprising that only 37% are taking bold action and offering a tax credit for specific green initiatives.



Going green is a huge opportunity

When the United Nations Environment Program (UNEP) launched their report *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication*, at the opening of the UNEP Governing Council/Global Ministerial Environment Forum in Nairobi in February 2011 to ministers and policy-makers from over 100 countries, they asserted that investing about 2% of global GDP (circa US\$1.3 trillion) into 10 key sectors could fast-track the transition toward a low-carbon, resource-efficient “green economy” that could also help reduce poverty.

One of the report’s major findings is that a green economy supports growth, income and jobs. However, in the short term, economic growth under a green scenario may be less than under business as usual, but post-2020 and beyond, moving toward a green economy would outperform business as usual by both GDP growth as well as per capita growth. The report says that the agriculture, buildings, energy supply, fisheries, forestry and industry (including energy efficiency, tourism, transport, waste management and water sectors) are keys to greening the global economy.¹⁶

The opportunity for cities is in early adoption. As Philippe Peuch-Lestrade, Ernst & Young’s Global Government & Public Sector Leader says, “It’s a question of continuously fueling the economy, but managing to do so with a different set of fuels capable of making the city environmentally friendly: cities should establish policies and build facilities to support economic growth, including attracting corporate investments and talented citizens, and to take into consideration the need for low carbon urban environments.”

¹⁶ <http://www.unep.org/greeneconomy/GreenEconomyReport/tabid/29846/Default.aspx> and Backing is needed to build a bright future, *The Daily Telegraph*, 28 February 2011, via Dow Jones Factiva, © 2011 Telegraph Group Limited, London

Many cities (and many countries) see green jobs as a central part of their economic recovery plans, and consider that a competitive advantage can be gained by developing a city knowledge base to leverage into other markets. The two case studies (Paris and Stockholm) demonstrate how a city can combine a variety of measures to deliver a strategic plan.¹⁵

How cities can deliver a low-carbon future is one of the many challenges uniting civic leaders around the world. With clean technology having the potential to become a key contributor to long-term economic growth and job creation, sustainability has evolved into a key priority – wherever a city is located.

¹⁵ Content for both the Paris and Stockholm case studies came from publicly available material, not the survey: we promised participants anonymity.

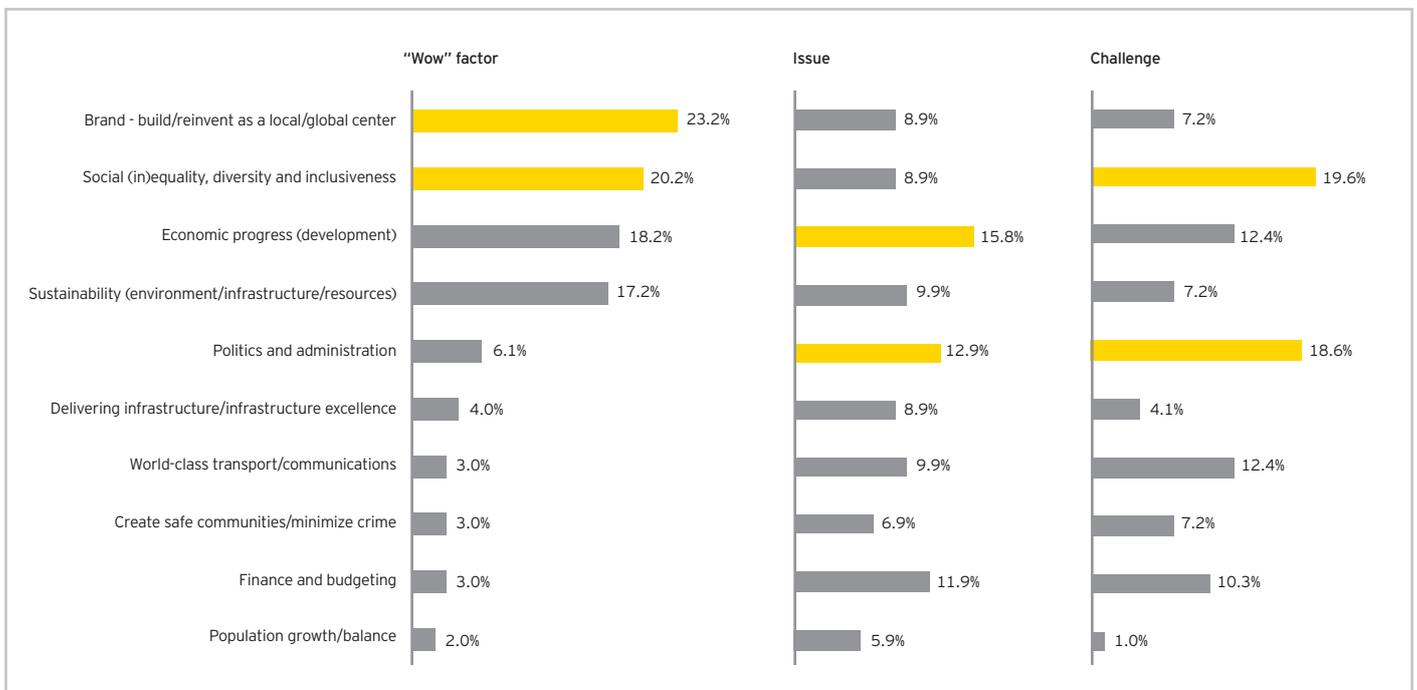
Issues and challenges

Clarity around the issues each city faces and how they are going to be resolved provides greater insight into the effectiveness and efficiency of city management and resource allocation. Some might naturally think that the bigger the issue, the more focus needed and the greater the budget required to address it. This does not always hold true – especially bearing in mind the tough financial position in which many cities find themselves.

The graph below correlates answers provided to three questions raised in our survey:¹⁷ the “wow” factors at the heart of the city vision, the top issues being faced by each city, and which issues pose the greatest challenges. Through this correlation, we are trying to ascertain if the focus of future activity (to deliver the vision) is aligned with the greatest need and what this might tell us about the allocation of resources. Are more resources being channeled to deliver the “wow” factors than is appropriate?

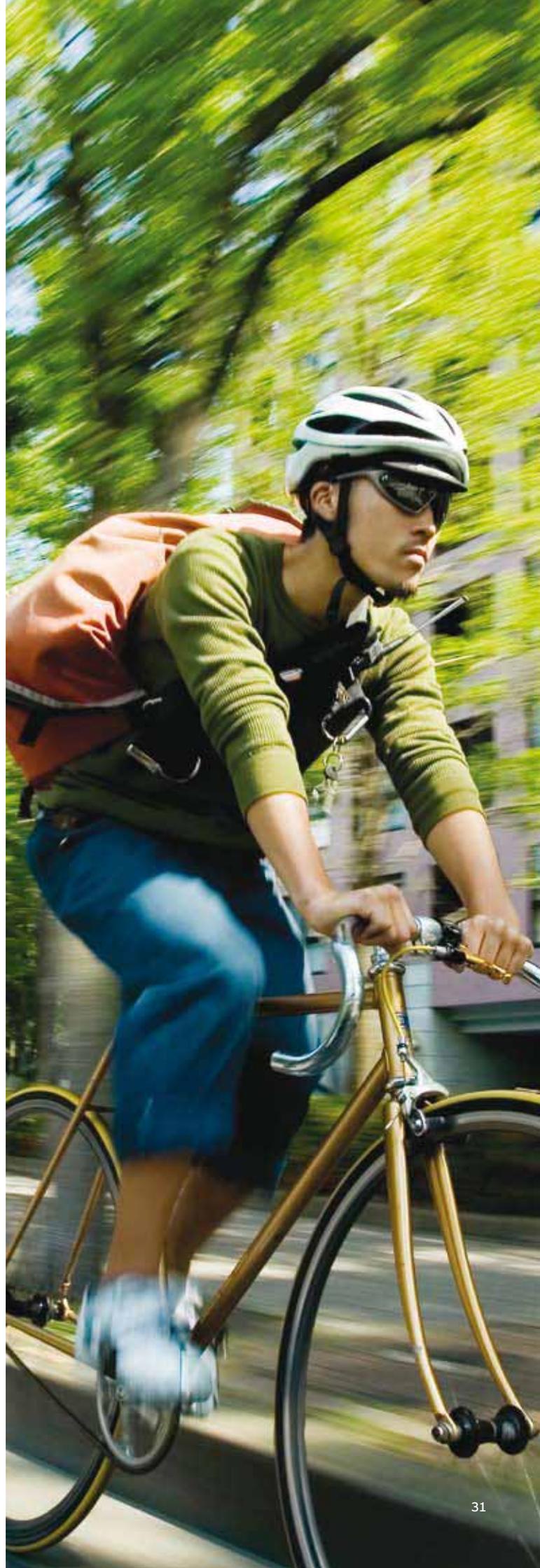
Having good transport links, safe communities, steady/balanced migration, a firm grip on managing resources, a well-run administration and political accountability/transparency are what many might consider to be the basic criteria every city should “get right” all the time. And while these criteria are less attractive than those our respondents have articulated will be driving their vision and focus of activity, in comparison, they generally pose hard questions and big challenges – as can be seen.

¹⁷ What is your vision for the city? List three “wow” factors and explain them. Rank the top three issues you are facing. What are the top three issues in which you are currently facing the biggest challenge and why?



Criteria definitions

- ▶ **World-class transport/communications:** traffic congestion, and tackling public transport inefficiency and the lack of connectivity to improve urban mobility.
- ▶ **Create safe communities/minimize crime:** the need to make the city safer, particularly related to violent crime.
- ▶ **Finance and budgeting:** the city to be well managed, self-sufficient, tax-friendly for citizens, but it faces a funding shortfall, or needs to raise debt to deliver the vision.
- ▶ **Population growth/balance:** not enough people live in the city; it needs a diverse mix of people to live/migrate there to grow in order to attract more businesses, investment and talent.
- ▶ **Politics and administration:** transparent and accountable, engaging with citizens and stakeholders, a model of good governance is the aim, but not always the case.
- ▶ **Delivering infrastructure/infrastructure excellence:** a great socioeconomic blend of infrastructure, with a reputation for delivery excellence ensuring it is on time, on cost, on quality and on benefits.
- ▶ **Economic progress (development):** improving citizen economic well-being and creating jobs for all that pay a decent wage, attracting businesses to offer opportunities, building clusters and hubs.
- ▶ **Sustainability (environment/infrastructure/resources):** developing sustainably so that society, economy and environment are in harmony.
- ▶ **Social (in)equality, diversity and inclusiveness:** create better education, housing and job opportunities for all to promote better living and attract more people.
- ▶ **Brand – build/reinvent as a global center:** becoming famous globally (economics, culture etc.) to change the perception of the city to attract citizens/investors.





When linked back to the data produced by the *Liveable Cities* and *Phillips Index* reports (see page 16), we have to ask the question, “Is too much attention being focused on the ‘wow’ instead of the ‘now’”? Clearly, in today’s fiscal climate, balancing the allocation of resources among competing priorities is no simple task. But essential services must remain on the delivery radar – citizens demand no less.

Many cities across the globe face a similar situation as the thoughts of Canberra’s Gary Byles demonstrate; how to balance finite resources against competing priorities and still deliver a portfolio of services that satisfy multiple stakeholder expectations. For many cities, the current funding challenge they face can only be met by an approach to financial planning that ensures a significant shift in focus and behaviors. If the financial plan is driven by the city’s strategic goals and transparency of the services that contribute most to these objectives, this will allow the city leadership to allocate scarce resources to the areas of greatest priority.

Capital prioritization – an honest reflection

Facing up to the demands of meeting citizen expectations in a tight economic environment calls for a pragmatic approach to prioritizing the allocation of scarce resources. For Gary Byles, Chief Executive of Canberra (the Australian Capital Territory), making tough choices is nothing new – something his 32 years in the Army prepared him for admirably.

“Balancing the delivery of required services against value-for-money considerations is no easy task,” he says, “especially when you add to that the pressure of getting a budget back into surplus while still rolling out expected services.”

He continues, “We’re taking a realistic approach though – where we now have to consider whether the balanced model of providing everything required to an acceptable, functional standard is preferable to a different model where we do fewer things really well.” But he’s a realist and accepts that “if we adopt this latter approach, we potentially have to find alternative ways to fund/shift the management of the things left off the list into the private and not-for-profit sectors.”

“Obviously, this is not a singularly Australian conundrum as many cities are in a similar position,” states Uschi Schreiber, Ernst & Young’s Oceania Government and Public Sector Leader.

Commenting further she says, “Gary is right; a priority-based budgeting approach like this will help to ensure strategic priorities are allocated the resources they need. For non-core priorities, you have to think outside the box – but keep a sharp focus on the outcomes you want to assure your provider delivers maximum public value.”



Essentially, the focus of the budgeting process shifts to the value of services and outcomes, rather than blanket cost cutting. A service-led approach, supported by insight and rigor, will drive ownership across the city organization and build confidence in the annual plan. This is partly because the increased transparency of the costs of services and their contribution to priorities will support the optimal allocation of resources – particularly around marginal decisions. This approach, called priority-based budgeting, is a good way of ensuring that resources are appropriately aligned to the outcomes that will best deliver strategic goals.

Having chosen the strategic priorities on which to focus and considered where to allocate resources, what more can be done? For a start, broadening innovation in delivery models is highly recommended – after all, the way all services are delivered is a topic open to debate and opinion, including public opinion. In 2010, we surveyed 12,000 citizens from 24 countries: 70% of them think that privately run enterprises are more efficient than publicly owned and operated ones. But commissioning delivery of services from the private sector is not straightforward as the case study presented here on the UK demonstrates.

Commissioning services

In the UK, city authorities (in fact all local authorities) are facing major twin pressures: one, the forthcoming period of successive spending reductions; and two, the desire for greater diversification in the local public service supply chain. Consequently, to meet both these challenges, city authorities will have to go beyond the “tried and tested” efficiency drives of the past and refocus themselves on the very way they operate.

“In short,” says Stephen Church, UK Local Government Partner, “they will need to become strategic in outlook and commission the delivery of outcomes to assure the improved performance and cost savings taxpayers demand.” He continues, “This is new territory for many, and to be honest there is still some confusion about strategic commissioning and what it is all about. Before going to market, it is essential to understand exactly what it is you are buying.”

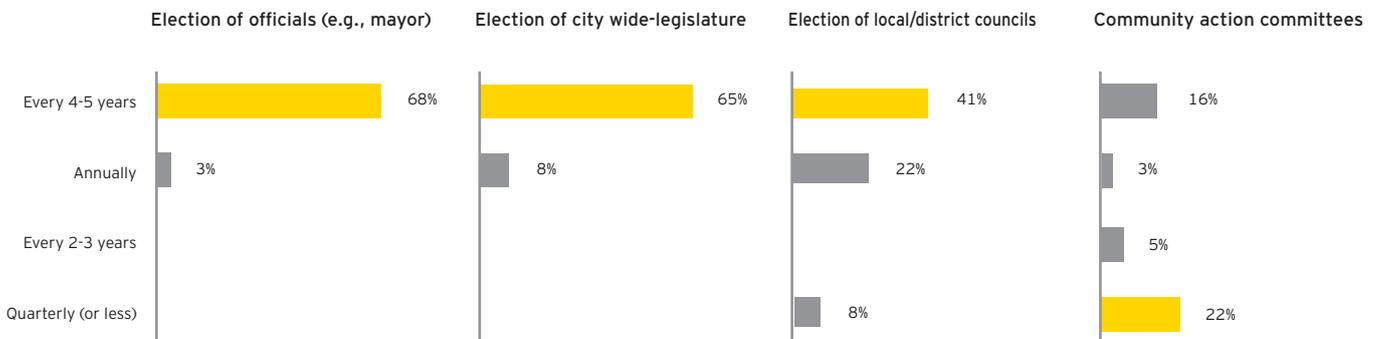
Essentially, undertake pre-commissioning due diligence through service redesign and gain insight about how “outcomes” can be delivered. Consideration of how services are configured on a ‘current state’ and ‘future state’ basis is part and parcel of any intelligent approach to strategic commissioning – you can’t achieve one without the other. As Church says, “Only once you have redesigned services around what customers actually want should you then consider commissioning.”

If the financial plan is driven by the city’s strategic goals and transparency of the services which contribute most to these objectives, this will allow the city leadership to allocate scarce resources to the areas of greatest priority.

Governance and accountability

Empowerment to deliver an ambitious and sustainable vision and strategy should be balanced by clear governance and accountability to citizens. Without these, there is no legitimacy. Therefore, clarity around the constitution of city-wide political and governance structures enables a better understanding of the degree to which city leadership has been empowered to deliver the vision, and be held to account for it.

Representing the voice of the citizen and listening to them



There are few major surprises here: 26% of city leaders in our survey are not directly elected, 31% of respondents do not elect local/district councils, and 51% do not utilize community action committees.

In another question, when asked who they were held to account by – a board of directors, an executive committee, an elected legislature or citizens – it was surprising to find out that only 71% of respondents stated they were held to account by citizens. We naturally assumed that this answer would be 100%.

Why is this important? In the aftermath of the global economic crisis, concerns about accountability, transparency and sustainability have surged back to the top of the political agenda. A new appreciation is emerging that the public sector, from the national to the local level, needs a robust and uniform set of transparent accounting standards to bring greater accountability and efficiency to government.

Building a world-class financial management capability with improved public finance accounting standards will ensure transparency. After all, the better the quality of the accounts, the easier auditing becomes and the more likely it is that government funds will be used in ways that enhance the lives of citizens.

“I’m extremely happy to be recognized for our ability to involve the citizens. We are committed to involving the Copenhageners face to face – not least in the development of our city. That is how we combine modern solutions with quality of life.”

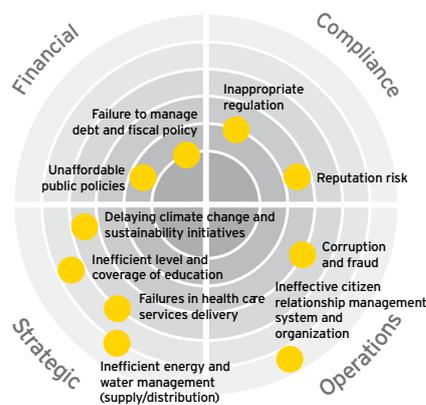
Frank Jensen, Lord Mayor of Copenhagen, Denmark

Without clear governance structures and accountability to citizens, there can be no legitimacy to deliver the vision.



Additionally, according to the *Ernst & Young Business Risk Report 2010*, the 10th most significant risk for government and the public sector was “ineffective citizen relationship management systems and organization.”

The Ernst & Young Business Risk Report 2010: the top 10 risks for government and public sector



1. Failure to manage debt and fiscal policy
2. Unaffordable public policies
3. Inappropriate regulation
4. Reputation risk
5. Corruption and fraud
6. Delaying climate change and sustainability initiatives
7. Failures in health care services delivery
8. Inefficient level and coverage of education
9. Inefficient energy and water management supply/ distribution
10. Ineffective citizen relationship management systems and organization

Consequently, a city with a dynamic leader at the fore (supported by a political consensus built on a citizen mandate) will be stronger if it is reinforced by a governance model that links the voice of the citizen to the leadership. Building and strengthening a good governance framework, with independent monitoring organizations in place to ensure transparent reporting, are pre-requisites to delivering a vision. It is through this mechanism that citizens and investors are assured that accountability is a core city value, and an apparatus is in place to tackle corruption.

Investors and wealth creators will view a city more positively if it embraces transparency, independent monitoring and robust governance. These aspects of political and administrative life become synonymous with the city brand – so it's good for business. Good governance, transparent reporting and accountability to citizens are critical success factors in tackling corruption – which is not just a developing world phenomenon as the recent parliamentary expenses scandal in the UK demonstrates.

Good governance makes all the difference – Liliana Junqueira, Ernst & Young’s Government & Public Sector Coordinating Partner, Brazil

It has been broadly discussed and accepted by now – by academics, policy-makers, and citizens – that good governance and accountability are necessary preconditions for successful economic development. Therefore, all governments should consider the building of an efficient and effective government apparatus as top priority on their agendas.

According to the World Bank, over the last two decades, Latin American countries have seen some radical transformations in the state’s organization and structure as well as in the relationship between the state, citizens and markets. Some of these transformations were: establishing and embedding democracy; decentralization of governments’ political, administrative and fiscal structures; and increased competition in different aspects of economic activity. These movements are creating opportunities for change in accountability mechanisms that link policy-makers, citizens, users of services and providers.

Brazil is on its path in this so called “modernization” process, implementing a very unique new public management movement. The dominant strategy in this process is a great focus on the quality of services provided to the citizens; introduction of results-oriented modernization programs; and improvement of operational efficiency. It is important to emphasize that, in this area, some states are ahead in comparison to central government. Of course, the move is only beginning, and the country still has a long journey make.

Although some Latin American governors are on the right path of stakeholder engagement, they ought to consider the fact that public opinion and organized civil society have been playing a major role in this process by improving the effectiveness of social accountability mechanisms. These actors should definitely be more involved and better empowered in the governmental governance agenda. They are important elements for governments to accomplish their development targets.

Conclusion

The twin trends of globalization and urbanization mean 21st century cities face unprecedented challenges. Competition for resources is global, not local, because people and capital are highly mobile. Today, every city leader in the world needs to clearly outline a vision that appeals to citizens and investors alike to attract and retain the resources they need for the city to grow. Otherwise, resources will migrate to competitor cities that are more aligned in their offering in terms of brand, strategy, investment, services and culture.

As our survey has shown, the respective size of a city is not important; all have the capacity to deliver a vision and attract resources, and in doing so become the best they can be. Strong leadership is needed; to underpin a vision that broadly appeals to the aspirations of individuals across the city's diverse spectrum of stakeholders, and to create a coherent strategy that is both ambitious and sustainable to deliver it.

However, many cities and national governments continue to face intense funding difficulties as they still come to terms with the financial crisis. How do they balance finite resources against competing priorities and still deliver a portfolio of services that satisfy citizen expectations? While there is no panacea to this question, one thing is certain – a mixture of different funding mechanisms (both public and private) must be considered.

Whatever the choices, whichever the journey taken, a world-class financial management capability is essential because financial sustainability is vital. Managing the numbers, modeling options, optimizing resources – these will enable city policy-makers to assess different funding scenarios and consider the implications they raise. Some cities have pinned their hopes to large infrastructure projects; to kick-start economic activity, and to attract business, investors and talent. But the competition for capital and developers is now global and investor appetite will not meet current demand. So city brand is critical, and a unique offering may be the deciding factor.

Prioritizing the allocation of resources to meet strategic goals is needed, along with innovative thinking about service design and delivery models. Building, owning and operating public service delivery organizations might have been the 20th century approach, but is it match fit in the modern age? Income-earning city enterprises, either co-owned and/or co-delivered with the private sector, are a better way to generate funds than raising taxes. Commissioning the delivery of services from, or in partnership with, the private sector is not straightforward. This will be new or unfamiliar territory for many cities. They will become better at defining the outcomes they seek, and more robust at testing the current state of the service against the outcome to ensure alignment with it. They will have developed depth of insight about the services citizens tell them they want, and will redesign where necessary to meet the expectations of all their stakeholders.

Investors and donors, as well as businesses and citizens will expect city leaders to ensure that maximum stakeholder value is assured. A world-class financial management capability will build stakeholder confidence in the leadership and the administration, which must strive to be transparent in their reporting and welcome accountability to citizens – their voters. If they are doing a great job, they should tell the voters and welcome the scrutiny that will follow.



The insights we have gathered from around the world tell a variety of stories with different perspectives. But similar core issues have emerged that every city faces, and there are critically important questions that should be front of mind for every city leadership.

| Front of mind | What could help | Potential prize |
|---|---|---|
| How do we know the vision is compelling enough to attract the talent and capital we need? | Create a framework to regularly test the affinity citizens and businesses have with it. | Stakeholder affinity with the vision may impact city voting behavior, and the migration of people and businesses. |
| Will the strategy make our city competitive in relation to our peers and attract the entrepreneurs we require to create jobs for our citizens? | Model alternative options and test the strategy with the broader business community, taking on board their perspective about the ease of doing business. | Supporting entrepreneurialism will encourage wealth creators to remain in the city. Engaging the business community regularly with the vision ensures that it can stay aligned with their needs. |
| Does our governance model and reporting framework embrace transparency and build confidence that we are truly held accountable? | Structure and empower independent organizations to freely monitor performance and financial management, and report openly about what they ascertain. | Investors and wealth creators will view a city more positively if it embraces robust governance, transparency and independent monitoring. Accountability will also drive performance improvement into city-wide bodies and deliver better taxpayer value. |
| How do we know that our investment strategy is sufficiently appealing to capital markets, and do we have a good enough mechanism in place to raise finance? | Branding is critical, so a unique offering is required. Create an investor prospectus that considers the allocation of risk and is realistic about the funds available in what is a highly competitive marketplace. | To attract the levels of finance needed, a fair balance of the risks allocated between investors and city government is recommended. Thinking innovatively about the repayment mechanism is equally attractive to capital. |
| Do we have a world-class financial management capability that will enable us to: prioritize the allocation of resources; model service delivery options; and demonstrate our financial competency to citizens, capital and wealth creators? | The financial plan must be driven by the city's strategic goals and transparency of the services which contribute most to these objectives. This will allow the city leadership to allocate scarce resources to the areas of greatest priority. | A service-led approach, supported by insight and rigor, will drive ownership across the city organization. It will also build confidence that the annual plan appropriately aligns city resources with the outcomes that will best deliver strategic goals. |

Whatever the choices, whichever the journey taken, world-class financial management capability is essential – because financial sustainability is vital.



We have set out below a simple-to-use diagnostic tool to assess where your city is in terms of delivering the vision you have articulated to attract the people and capital you need. The questions are aligned with the four quadrants in the Ernst & Young model, and reflect what we consider to be the top five issues to address and “get right” in each of them. The diagnostic is intended as an aide to enable city leaders and their teams to determine a relative position. If you would like to discuss this with us, we will be happy to engage with you.

Ernst & Young city model – self-diagnostic tool

| | |
|--|--|
| <p>Build stakeholder confidence through delivery</p> <ol style="list-style-type: none"> 1. How certain are you that your brand/proposition is attractive to wealth creators? Do you engage them in open dialogue, address their needs, and refresh your strategy to deliver on the promises you made to retain them (and the jobs they create for citizens)? 1 2 3 2. Do you have an engagement mechanism in place to keep all stakeholders aligned? Do you regularly engage stakeholders to ensure outcomes are translated into the benefits they relate to? 1 2 3 3. Is your financial reporting open and transparent (to create comfort among donors, the political hierarchy and capital markets that the vision is being delivered within budget and on benefits)? 1 2 3 4. Are you confident that you are: attracting skilled labor, incentivizing business to adopt cutting-edge disciplines and aligning city skills programs to the needs of businesses? 1 2 3 5. Do you regularly reassess investment priorities to ensure infrastructure projects are aligned with supporting delivery of the vision? 1 2 3 | <p>Embrace the future to stretch ahead</p> <ol style="list-style-type: none"> 1. Have you created a futuristic vision that embraces diversity and cutting-edge thinking, and have you built a new strategy to deliver it? 1 2 3 2. Because consensus is a critical success factor, has your leadership engaged all stakeholders to assure them of the benefits built into the new vision? 1 2 3 3. Do you financially model scenarios and options, then engage investors, donors and the national government to convince them of the vision's financial soundness? 1 2 3 4. Have you got a framework in place to stimulate market creation in new technologies and applications to attract skilled businesses? And have you aligned the city's educational infrastructure to support this enablement? 1 2 3 5. Do you have bold plans in place to regenerate the physical landscape with modern and futuristic “green” infrastructure that will capture the imagination of citizens far beyond the city boundaries? 1 2 3 |
| <p>Introduce powerful, accountable leadership and governance</p> <ol style="list-style-type: none"> 1. Have you created a compelling vision? Is this supported by a strategy that will enable the city to exceed the aspirations of all its stakeholders? Have you leveraged the vision and strategy to build your brand? 1 2 3 2. Is your city leader empowered to drive the vision forward? Is this empowerment balanced by strong accountability and a governance model that links the citizen voice to leaders and elected officials? 1 2 3 3. Do you have a robust business case with which to engage investors, donors and national government to seek and secure the funds needed to kick-start delivery? 1 2 3 4. Have you aligned your city-wide education and training policy to the skills and capability requirements business leaders say they need? 1 2 3 5. Do you assure businesses that the city embraces entrepreneurialism and it is creating the physical conditions necessary to support their success, as articulated in the strategy? 1 2 3 | <p>Harness popular support and drive change</p> <ol style="list-style-type: none"> 1. Have you refreshed your vision and strategy, and remarketed your city with a brand all stakeholders can relate to (before citizen frustration with inaction escalates too far)? 1 2 3 2. Do you build consensus across the political spectrum (especially with citizens) to drive change forward (and avoid stagnation and political entrenchment)? 1 2 3 3. Do you apply discipline to spending, striking the right balance between debt and income? And do you model longer-term projections and build a business case for investment that dovetails with the vision and strategy? 1 2 3 4. Is your city creating opportunities in education and learning that will attract/grow new and skilled businesses (and if needs be stimulate market creation) to increase and improve the city talent pool and send a powerful message to investors? 1 2 3 5. Have you aligned infrastructure development to the strategy and prioritized programs that will deliver tangible results from the outset – particularly job creation? 1 2 3 |



Ernst & Young 2010 thought leadership



Maximizing value from privatizations

As governments around the world explore a wide range of measures to restore economic stability, the more traditional options of tax increases and spending cuts are unlikely to be enough to dramatically reduce historic levels of national debt. Governments are exploring all means of raising funds to reduce deficits, including privatizations.

This study explores how financial value is traded off against other types of value and how to achieve and demonstrate effective outcomes from a privatization. Of all study respondents, 70% admitted that they felt that value had been lost during privatizations. This study also explores how governments can segment their portfolio of assets to identify “easy wins,” “tried and tested” and “new wave” opportunities. At a time when governments are challenged by an unprecedented need to raise funds, and the market is coping with the aftermath of a global recession, this study provides practical insights to help guide those embarking on the privatization journey. The report has a European scope.



Government as best in class shareholder

Over the past two decades, policy-makers in many countries have considered state-owned enterprises (SOEs) to be fundamentally flawed, doomed by their provenance to underperform the private sector. Indeed, in some respects, the analysis was correct in terms of it being measured through the bottom line. Traditional governance structures and vague missions have tended to make it difficult for SOEs to do anything but underperform. However, by paying careful attention to the structure and the mission, an SOE's parentage doesn't have to be a fatal defect. In this study, we show that the performance of a government enterprise can match or even exceed private company performance, provided its organizational structure and supporting regulatory structure are carefully engineered. In practical case studies, interviews with a variety of SOE experts, and a survey of 12,000 citizens in 24 countries, we found that SOEs continue to perform a vital economic and social role in many countries, tend to be well regarded by citizens for high levels of service and quality and can become much more efficient if their governance is improved. The results make fascinating reading. The report has a global scope.



Waking up to the new economy: Ernst & Young's 2010 European attractiveness survey

Our global economy has turned into a multi-polar world in which China, India, Brazil and the Middle East have now joined the traditional players of North America, Europe and Japan as both the destination and source of global investment.

Capital is now clearly flowing in multiple directions. New corporate giants are emerging to compete. Both opportunities and challenges have grown as a consequence. Old assumptions have been found wanting, but the new rules of competitive success have yet to be established.

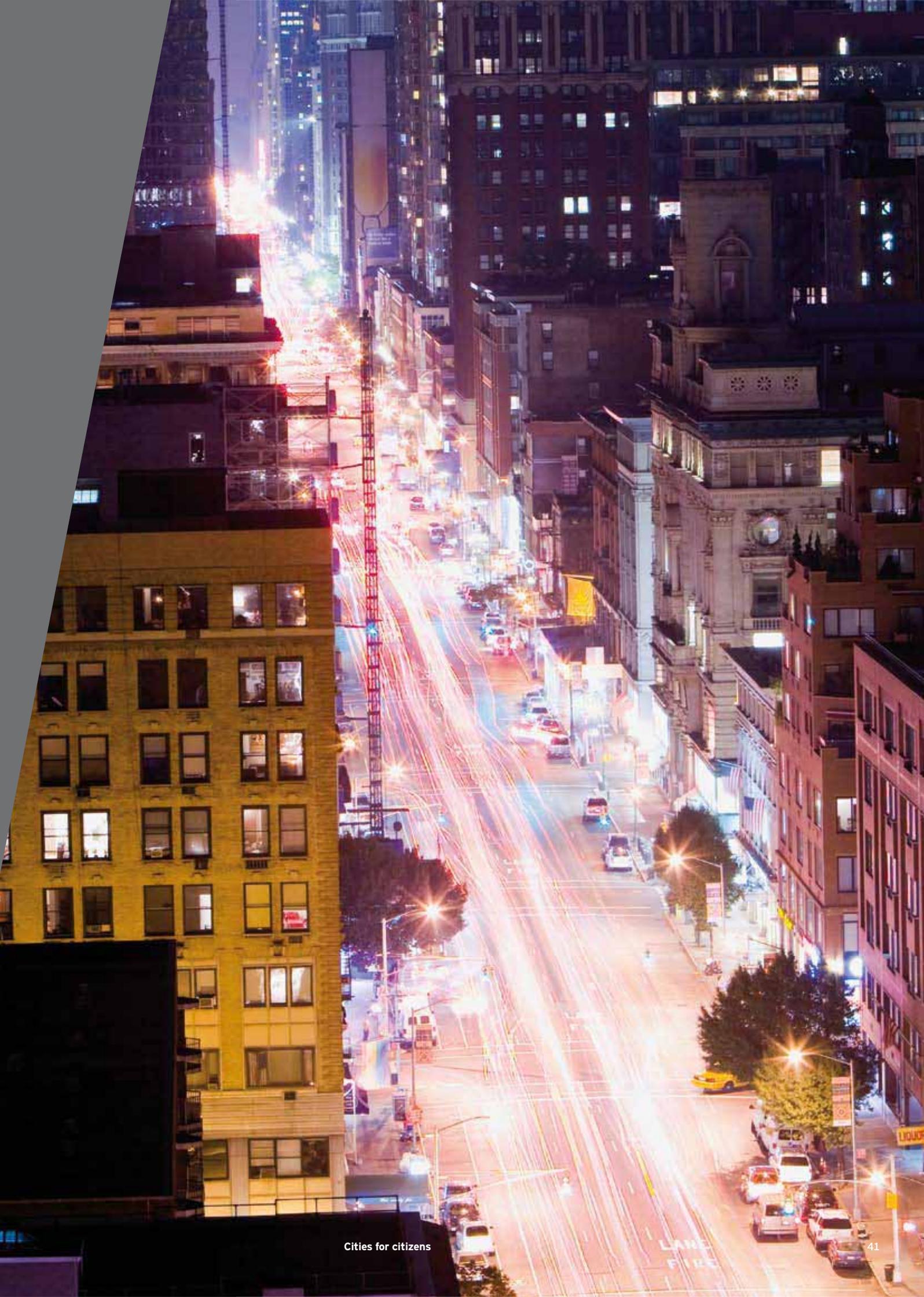
In this, Ernst & Young's eighth successive European attractiveness survey, we have interviewed 814 of the world's most demanding business leaders, all in search of their next international investment opportunities. The findings indicate that Europe needs a wake up call if it is not to lose ground to its more dynamic competitors.



Toward transparency: A comparative study of governmental accounting in Europe

In the aftermath of the global economic crisis, concerns about accountability, transparency and sustainability have surged back to the top of the international political agenda. Policy-makers are now beginning to recognize that the public sector needs a robust and uniform set of accounting standards.

The study examines how the debate around accrual accounting is progressing in 19 European jurisdictions, and in particular, whether International Public Sector Accounting Standards have proven to be a successful tool for simplifying adoption, and whether governments have made serious efforts to reform their public sector accounting systems. The results suggest that out of 19 European jurisdictions in 17 countries, over half of the entities surveyed at the local and national level converted to accrual accounting and that for several others, the question seems more “when” than “if.” However, the study also reveals that many jurisdictions for the moment prefer to use local business rules to IPSAS. These standards so far rather serve as orientation and guideline, out of which some elements are chosen.



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Around the world, governments and not-for-profit organizations are continually seeking innovative answers to complex challenges. They are striving to provide better services at lower costs and to ensure sustainable economic development, a safe environment, more transparency and increased accountability. Ernst & Young combines private sector leading practices with an understanding of the public sector's diverse needs, focusing on building organizations' capability to deliver improved public services. Drawing on many years of experience, we can work with you to help strengthen your organization, deliver value for money and achieve lasting improvement. Our Global Government & Public Sector Center brings together teams of highly skilled professionals from our assurance, tax, transaction and advisory services. We are inspired by a deep commitment to help you meet your goals, achieve your potential and enhance public value, today and tomorrow.

It's how Ernst & Young makes a difference.

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