



DELIVERING LOCAL DEVELOPMENT:

IRELAND

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DELIVERING LOCAL DEVELOPMENT IN IRELAND

Overview

The Department of the Environment, Community and Local Government (DECLG) in Ireland has initiated an ambitious and far reaching reform agenda which will establish local government as the key deliverer of local development and require a new alignment between local government, local development companies, the community and voluntary sector and other stakeholders. The reforms are a transition from a centrally led fragmented system of local development to a more coherent set of framework conditions.

For over three decades the OECD LEED Programme has worked with national and sub-national governments:

- To improve the quality of public policy, implemented at the local level, through continuous monitoring and assessment of current practices;
- To enhance knowledge on innovation in local economic and employment development and the renewal of local economies by developing indicators which allow for comparisons; and
- To build capacity in the design, implementation and evaluation of local economic and employment development strategies in Members and non-Members.

It is within this context that the DECLG invited the LEED Programme to share insights and guidance from its approach to delivering smarter local development. The purpose of this project is not formally to review the proposed reform of local government, alignment process and new policy environment across government but to assist in shaping the new system to ensure that a robust and sustainable local development environment is created. This report is based on the information gathered during a number of focused meetings with relevant stakeholders carried out in early 2013, as well as inputs from international experts who have joined the LEED Delivering Local Development expert team on this project, and the relevant policy documents. It is important to stress that these reforms are still very much underway and the landscape is constantly shifting as new legislation, policy documents and strategic directions are being prepared almost weekly. Thus this report does not focus on the detailed plans of the reform outlined but on the general direction which is being taken.

Ireland's Experience of and Approach to local government

For a variety of historical, institutional, geographic and programmatic reasons, local government in Ireland did not evolve in the same direction as in most other EU and OECD countries. Irish local government did not acquire the full range of remits undertaken by local governments elsewhere. Broadly speaking, Irish local government has played a narrow set of tightly defined roles in the provision of local amenity, utilities, and infrastructure. This distinctive 'Irish Model' has both advantages and disadvantages.

The advantages are:

- The national departments of government can tightly motivate, organise, and control their local suppliers of services.
- Local supply organisations have acquired distinctive specialisations and high levels of expertise in delivering a narrow spectrum of services.

The disadvantages are:

- The system is costly because it requires the simultaneous support of multiple local agencies doing different things.
- The system militates against locally integrated approaches and therefore fosters coordination failure.
- The system relegates local government to a niche player and fails to fully exploit the potential of local government and local democracy as a strategic tier for co-ordination and innovation. There is a major opportunity cost here in the failure to develop far sighted, broadly based, and longer term social and economic strategies for Irish local economies and communities, relying instead on a programmatic model for delivering short to medium targets, rather than processes of change.

Historically, national government and arms length agencies have played lead roles in the delivery of local development and other public services in Ireland which has meant that Local Government appears to have had somewhat reduced levels of network organising, innovation, and capacity building processes than Local Government in other OECD countries. One consequence of this is that the Local Government voice has been less visible and audible than it would be elsewhere. This reform process is an opportunity for Local Government to step up to being better organised, more proactive and influential. Notwithstanding this, local authorities are multi-function agencies carrying out a wide range of functions that are under the policy remit of government departments other than DECLG.

The Minister for the Environment, Community and Local Government, Mr Phil Hogan T.D, set out a reform agenda which has the potential to recalibrate local government and local democracy in Ireland towards the rest of the European Union and OECD countries. When considering new functions for assignment to local government, responsibility at national level, including funding, policy and accountability, should normally not alter and that local authorities should report to, and be supported by, the relevant Government Department or other national or sectoral agency. Following publication of the Action Plan, there has been further engagement between local authorities and the:

- Department of Jobs, Enterprise and Innovation on the restructuring of micro-enterprise supports locally and the establishment of Local Enterprise Offices in local authorities.
- Department of Transport, Tourism and Sport on restructuring the Rural Transport Programme, and
- Department of Social Protection on the development and implementation of a new Local Authority Labour Activation Scheme which will provide short-term quality and suitable working opportunities for unemployed people who are economically, educationally or socially disadvantaged while at the same time assist in their personal, educational and social development by carrying out beneficial work within communities

Ireland's journey towards a modern system of Local Government that is able to lead and shape local economic and social development will be an important reform process and not without some challenges.

A challenging context for local development

Ireland has embarked upon a series of substantive reforms which will set a new context for local economic development. These reforms are taking place under extremely challenging economic circumstances as the crisis and its aftermath are still playing themselves out. For example, there is a long way to go before sovereign debt concerns are fully addressed and there remain major challenges in the asset portfolios of financial institutions and others. Although job creation and disposable income levels are

rising in the faster-growing economies, in Europe overall the growth of job creation and consumer spending is very slow and will be so for some time.

The crisis has also accelerated the process of global restructuring that was already in flow, fostering different paces of growth and development in many places, increased mobility of capital and jobs, new trade and investment patterns, and additional challenges, for example, for peripheral locations. This will require local areas to rethink economic and investment strategies and set in place the right framework conditions to stimulate growth and create jobs.

Fiscal restraint in many OECD countries is reducing both the size of transfer payments between higher tier and local governments, and in many cases local governments are being asked to undertake a wider range of activities with fewer resources, although in some cases local governments are provided with the freedom or opportunity to utilise new revenue-raising instruments. Overall, local governments are poorer and the scope to use new instruments or to mount public and private funded local development is limited by the weaknesses in demand from private capital. Consequently, the skilful use of public budgets to achieve transformative investments and changes, in addition to achieving efficient service delivery, has become more pressing.

Across OECD countries the outcomes of the crisis are combining to create a new environment for economic development in public services (OECD 2009, OECD 2013). In public services the shift is decidedly towards integration of disparate efforts within new arrangements that reflect better accountability and flexibility. In economic development the shift is towards connecting better with both growth markets and new sources of capital through enhanced local arrangements that can build strategies for the future.

The reforms present Ireland with the opportunity to follow this path. However, this is dependent upon clear rules of engagement being established for all stakeholders to ensure that they transcend existing barriers of mistrust and fragmentation.

Guiding policy document: Putting People First

Putting People First (2012), an Action Plan for Effective Local Government, articulates a fundamental change in the Irish model of local governance. The report defines the future in terms of the halting of the current model of separated local delivery of national services and other public policy interventions by specialised local agencies, and its replacement with the steady and progressive evolution of Irish local democratic self-government as the key tier of local administration for all public services, with funding and resources being provided by the relevant Government Department who shall retain policy responsibility. This is a fundamental change of direction. It has substantial consequences for both how the local tiers of administration are organised and also the disposition of all departments of the Irish Government towards Local Government.

Putting People First recognises that for local government in Ireland to develop the capabilities and capacities exercised in other countries it will be necessary to:

- Reduce the number of local governments and increase the capabilities of the larger and merged authorities.
- Improve the system of elected leaders to provide clarity of authority and medium term perspectives.
- Increase the technical capacity and skills base in some disciplines of local government staff and clarify their scope vis-à-vis elected members.

- Transfer into local government bodies some of the activities now being undertaken by ‘stand-alone’ local bodies that report to national departments (e.g. in the areas of local development, local enterprise support and in the longer term working more closely with the Department of Social Protection on the provision of services, particularly case management, for the registered unemployed occupying social housing).
- Establish a medium term agenda for local government improvement.
- Establish new local government financial mechanism so that there is progression towards the self-financing of local self-government.
- Generate a consensus and expectation across National Government that local government in Ireland will evolve to become the primary local partner of all departments of national government in delivery of local services and policies.

Putting People First marks a change of direction for Ireland, change that will align the Irish approach much more with the approaches adopted by other OECD members.

Putting People First is also about aligning all aspects of the local development system. To respond to the historic mandate deficit of local government in Ireland a highly respected system of delivery was created through a partnership approach. National and local government recognise the importance of the ‘bottom up’ approach which has emerged in Ireland and served it well over recent decades. Over the last year as part of the reform agenda the Minister established an Alignment Steering Group which would report its findings directly to him and was given a mandate to review the role of local government in local and community development and consider the role and contribution of local and community development programmes delivered by the local development sector. From this review a series of recommendations were put forward which will be embedded in the implementation of the Putting People First reforms. The final recommendations set out to:

- Create a national Local and Community Development Policy.
- Establish an Interdepartmental Group (IDG) to secure a whole-of-government approach to local and community development programmes and interventions.
- Require a County/City Local and Community Plan to be developed by each area to span the 5 year electoral cycle and to encompass all state funded local and community development interventions.
- Establish a Local Community Development Committee (formerly referred to as Socio-Economic Committees) in each county and city council to oversee the Community/City Plan and programmes. The Committee (LCDC) will oversee programme funding and match resources to priorities, and it is proposed that it will be the vehicle through which LEADER is implemented for the 2014-20 EU funding period.
- Align strategic planning for local and community development programmes with local authority boundaries.
- Improve efficiency, setting administration costs at a more sustainable level and establishing a shared approach to budget allocation and determination.
- Develop existing impact measurement and assessment systems to reflect national priorities, including job creation. Programme development, delivery and impact assessment will be supported by cross-government data sharing and best practice dissemination.
- Mandate DECLG and the IDG to manage the change process and oversee a support and capacity building initiative across all relevant sectors.

The IDG has now been established and draft Local and Community Development Policy has been prepared and has been shared with other Government Departments for their initial consideration.

Putting People First is further supported by a Programme for Government 2011-2016 commitment to “merge local enterprise and job support functions of local, regional and national agencies into a single business and enterprise unit within Local Authorities”, the dissolution of County and City Enterprise Boards with local delivery of their function being undertaken by Local Enterprise Offices (LEOs) which are being established in each County and City Council and the integration, by local authorities, of the enterprise support elements of their Business Support Units with LEOs will provide an integrated micro-enterprise support service at local level. In creating a new environment for economic development all Governments Departments with an economic development mandate (e.g. the Department of Jobs, Enterprise and Innovation, the Department of Communication, Energy and National Resources, the Department of Agriculture, Food and the Marine etc.), with the support of the DECLG have a unique opportunity to design in partnership with local government a truly fit for purpose approach.

Full implementation of the reforms is scheduled for 2014.

The Value of Local Government Leading Economic Development

Globally, few, if any, administrative and government systems are designed with economic development in mind. National and federal governments tend to organise into sectoral ministries (e.g. Transport, Environment, Agriculture, Skills, Industry, and Health). Local or regional governments, where they exist, tend to repeat these sectoral divisions of effort by departments or ministries. Local agencies that deliver these sectoral policies tend to be highly specialised (e.g. Transport authorities, Colleges of Education, Police departments, Hospitals and Health Authorities). However, concerted and on-going efforts will be required to build the new system in Ireland.

Local economic development is a cross cutting and integrated activity where the physical development of a place is linked to public service inputs, place management, and wider drivers of change such as employment, skills, investment, enterprise, innovation, productivity, quality of life, and positioning. It involves mechanisms to engage local people in shaping and fostering that future, and participating in the new or renewed society and economy that it will bring about. The leadership of this kind of local integration is broadly understood to be a key role of local government. Over the past 20 years the roles of local governments as convenors, vision setters, coalition builders, and the primary local interlocutor with national governments and supra-national systems have been developing in most OECD countries. This approach is supported by analysis designed on one hand to better integrate drivers of productivity within local strategies, and on the other hand to avoid co-ordination failures in the ways that local strategies and local funding streams are managed.

The rationales for such roles being played by local governments are several:

- i) The integration imperative (efficiency, effectiveness, co-ordination) calls for a single point of primary co-ordination and this logically needs to be a primary organisation that can furnish leadership, promote partnership, and be accountable to the citizens.
- ii) It is helpful if the leading organisation also has wider responsibilities for key public services, quality of life, land use, infrastructure and other important factors and is therefore able to shape development actively and to internalise and resolve potential tensions and pressures.
- iii) The leading organisation should have some level of fiscal connection to the economic performance of the locality and therefore be motivated to seek effective sources of sustainable growth.

One result of this recognition of the primary role of local government in local development is that there has been substantial investment by local governments and others in building up these roles across OECD countries. Effective governance systems for local development have required both innovation and reform in order to be effective. Three key elements of such systems are important:

- *Capable local government.* Only broadly based and competent local government is able to integrate the different factors of local development such as liveability and amenity, infrastructure, skills, planning and land, and local identity with a market interface to employers, entrepreneurs, investors, and other mobile stakeholders. Local governments are also the appropriate organisations competent to take long-term decisions about the future of a place in an accountable manner, and as such they must play the convenor role.
- *Specialist agencies/entities* can engage effectively in market based processes (investment markets, labour markets, capital markets, visitor economies for example). Such vehicles often develop within the local government system, and as arrangements mature they take on the character of partnership vehicles between local governments and other stakeholders,
- *A well co-ordinated system* (local development system) of public, private, community and voluntary organisations can have an impact delivering successfully. By working together through a shared, common development agenda and with clear understanding of their complementary roles and responsibilities, and spheres of joint working towards an agreed end state.

Role of national government in strengthening local development

In addition, as local development has become a more effective tool, it has been necessary to adjust the roles of national governments. In most cases this involves:

- Defining a lead department and lead ministers for local development issues.
- Agreeing inter-ministerial and inter-departmental co-ordination arrangements to bring together government action.
- Enhanced co-ordination and streamlining of investment and supervision arrangements with local tiers.
- Increased devolution of responsibility from multiple departments to the local tier, including scope and flexibility for the creation of distinct arrangements in different localities.
- Increased devolution in the fiscal system so that local development can bring a direct fiscal feedback to local governments and can enhance their incentives and discipline and drive up innovation.

Latvian example: Administrative territorial reform as part of austerity driven restructuring

In recent years Latvia has embarked upon a series of reforms as it has set about restructuring its economy. Latvia provides some learning points which are pertinent to Ireland. It has pursued a reform agenda within a broader context of austerity driven restructuring which brings particular challenges with respect to retaining skills, protecting services and developing effective working relationships between stakeholders and delivery partners. Relationships between sectors, tiers of government, the private sector and trade unions matter more than ever in this type of scenario. Some of the key lessons from the Latvian experience are outlined below.

After regaining independence, the Republic of Latvia comprised 590 municipalities, including 7 cities and 26 regional governments. Such administrative-territorial division was evaluated as too fragmented and

hindering local economic development due to an insufficient resource base for most local authorities. The national government initiated the process of reforming the local government structure by amalgamating local authorities and their respective territories into larger units to create the necessary resource base for further development. In 1998 a law on administrative territorial reform was adopted to establish economically viable localities with local authorities that are capable of delivering high-quality services to their citizens.

Until 2008 the reform process was led in the form of voluntary amalgamation that could be initiated by local authorities themselves, but by 2006 only 30 local authorities had implemented the amalgamation process on their own initiative. Amendments to the law on administrative territorial reform were adopted which defined the process and gave financial support to local governments (EUR 284 000 for each amalgamated unit) for finishing the reform by 2009. By the end of 2008, after wide consultations with local authorities, a map of the revised administrative territorial structure was adopted by the Parliament of Latvia (Saeima) and local elections were organized within the newly defined areas of local governments. Thus, a ten year reform process started as a voluntary process and in the end was finished by a top-down decision by the Parliament.

Since 2009, Latvia comprises 119 local authorities (9 republican cities and 110 novadi) and the number of local municipalities with less than 4 000 inhabitants reduced from 452 to 36. The 26 regional governments were abolished and most of their functions (except for planning and organization of public transport services), together with relevant infrastructure, were taken over by local authorities. Considering that one of the main concerns of local politicians and inhabitants during the reform process was related to the risk of reducing service accessibility, the premises of former local authorities were transformed into local service centres that operate as a part of local government administration.

In summary, the three main results of local government reform were:

- i) increased territorial scale of local governments;
- ii) devolution of regional competences to local level;
- iii) restructuring of local service-provision system.

The Ministry of Environmental Protection and Local Government of Latvia conducted ex-post evaluation of the local reform in 2012. The results reveal both positive effects and unresolved issues.

Positive effects of local reform:

- concentration of financial resources empowered many local authorities to attract public and private investment resources;
- concentration of human resources has increased capacities of local administrations;
- concentration of financial resources increased efficiency of budget spending (allowed to reduce administrative costs);
- increased territorial scale has improved local democracy (no more local governments with one party list running for local elections);
- areas of local governments that were created around regional development centres have benefited from increased urban-rural cooperation.

Unresolved issues:

- administrative territorial structure after the reform is still too fragmented and comprises local areas of extremely different scales (the smallest local municipality has a number of inhabitants around 1000, the largest – around 700 000) and thereby unbalanced potentials for service provision, economic development and opportunities for further decentralisation;
- the largest part of local government areas are not created around any of the perspective regional growth pole. Administrative division of urban and rural areas prevents to create benefits of urban-rural collaboration.
- almost one third of local governments have at the same time low tax income and high administrative costs (due to being small in scale) as well as high depopulation trends that create serious risks in terms of their development perspectives.

Of particular relevance for Ireland are the following observations from the Latvian reforms and many of the reform processes in other OECD countries have sought to bring together these key components:

- The aims and strategic orientations of the initiated reform process should be publicly discussed and politically accepted. Political will and public support are crucial for reforms of such scale but both of these factors are very unstable. Therefore, once built, they have to be constantly nurtured during the whole reform process.
- A voluntary, bottom-up approach is democratic but the Latvian experience highlights that is not always the most effective approach to achieve the desired result, especially if the need for change is urgent, as it can take time to win local stakeholders over and there is always an element of risk aversion and of waiting to see what other localities do first. A top-down approach after a period of consultations with local authorities can be a legitimate and more effective way to balance local initiative and national strategic interests when carried out in a transparent and consultative manner.
- Disregarding whether a top-down or a bottom-up approach is chosen, motivational instruments have to be provided to local governments to stimulate thinking around potential benefits rather than losses emanating from a reform process. This is not only a matter of additional resources that may become available but should also be about more competencies and powers, more discretion, different status and respect.
- Functional and fiscal powers need to be clearly articulated and increasing the long term functional and fiscal capacities of local government is vital.
- Local government reform should not be viewed and implemented in isolation from other tiers of government. There should be an overall vision or strategic framework that is linked to the overall regional and national development goals and perspectives.

Local economic development: balancing three different goals

One way to summarise all of these different changes is to conclude that local economic development needs to draw upon three organisational approaches:

- i) *The whole of government approach.* Local authorities need to address the economic dimensions of a wide range of public services and regulatory roles and leverage their commitment to economic development rather than simply mount economic development programmes. National governments need to co-ordinate their input to the local sphere better.

- ii) *The inter-governmental system.* Multiple levels of government can impact on local economic development and therefore need to be engaged in some vertical alignment and multiple municipalities may be within one region, as such horizontal coordination is key.
- iii) *The non-governmental partnership.* Many of the interventions required need to take place within markets and be led by institutions and firms and increasingly the third sector, so a substantial non-government element is required in the leadership and implementation of local economic development.

Clearly local economic development goals will vary between different localities but most local economic development programmes tend to focus on a balance of three different goals.

- **Local Growth:** the growth of a local economy usually requires changes to how resources are organised to meet the business and investment climate, connectivity and promotion/marketing. Overall the need is to increase demand for the goods and services of the region and to improve the productivity of the economic systems.
- **Local Development:** the development process usually involves deliberate attempts to shape the sectors, locations, and firms/people who are the channels for growth. Sometimes this means supporting physical development projects, in other cases it means organising sector targeted efforts, and in others still it means working on the skills of SME owners, for example.
- **Local Inclusion:** this is about finding means to ensure that the opportunities and benefits of growth and development are targeted in ways which improve participation of people who are otherwise excluded or participate in sub-optimal ways. There are often multiple barriers to effective participation so this means it is essential to combine interventions such as spatial development, skills and education, with social support and other mechanisms.

Whilst some public inputs, such as accessible and transparent framework conditions, better business climate, improved skills, and enhanced infrastructure, will support all three types of goals, for the most part these require different tools and approaches. Across OECD member countries too many local economic development programmes try to achieve only one part of this triangle or seek to pursue outcomes with the wrong tools. The success of the new Irish model will be dependent upon articulating and developing the appropriate tool kit by focusing on the three dimensions, and new bodies and new plans (City and County Plans) should align these goals.

In addition to the three different goals, there are three main ingredients of a successful local development process: strategy, delivery system and leadership.

Box 1. Roles of Strategy, System and Leadership in the Local Development Process

Strategy - Builds vision and purpose, defines risks, frames choices, and articulates common and shared agendas, prioritisations and agreements about means to secure the future.

System of delivery - Locates roles of specialist bodies and of all other organisations involved. Creates the team and the roles of each organisation. Provides a mechanism to co-opt organisations into the effort. Can renew the purpose of organisations.

Leadership - Provides initial impetus for change and early vision. Builds relationship and confidence. Engages people in the long term and empowers individuals, teams, and communities to think beyond short term interests and immediate constraints. Sets pace and scale of vision. Identifies opportunities and catalysts.

Local Economic Development Tools

Different tools and approaches are required for each kind of local development goal. For example infrastructure projects or incentive programmes that have the potential to boost growth will not also deliver inclusion unless the barriers to work are also tackled. At the same time initiatives that foster social development or urban regeneration will not necessarily lead to economic growth unless they are part of wider programme that tackles barriers to growth. Local development requires careful planning and organising, based on evidence and analysis, and consideration of different options. Recent OECD analysis (New Growth and Investment Strategies, 2013) highlights the new imperatives for local economic development following the economic crisis which reveal a major new focus is on how to use land assets, tax incentives, and financial engineering to leverage external investment to stimulate growth and job creation. There is substantial investment capital seeking opportunities and there are new dynamics in investment markets for infrastructure, real estate, and utilities which local government needs to be ready to attract. There are many different approaches that can be taken by national and local governments here, and there are different philosophies concerning what is the eventual goal.

Economic growth is generally supported through tools that raise productivity, increase market access, and stimulate demand side interest. These include recognised LED (local economic development) actions such as:

- Business and investment climate improvements (e.g. tax, regulation, tariffs, visas,)
- Investment tools and resources
- Infrastructure
- Higher level skills
- Promotion for FDI, trade, tourism.
- Liveability that improves quality of life for economic actors

Tools for local development

To support the development of particular firms, sectors, or locations LED typically uses:

- Sector and cluster development programmes and networks
- SME and entrepreneurship initiatives and support services

- Spatial development initiatives such as local infrastructure, urban redevelopment, intensive district management
- Sites and land redevelopment for specific purposes

Tools for local inclusion

To address inclusion LED strategies typically employ:

- Better access to opportunity areas
- Labour market interventions especially in skills and employment and recruitment practices
- Procurement and contracting for smaller firms from larger entities
- Social infrastructure such as health, schools, childcare
- Enabling policies such as welfare reforms
- Community and local economic development

An effective local economic development strategy needs to integrate and align strategies for growth, development, and inclusion within a common agenda. Local development will be most effective when there is a correct balance between all three types of intervention.

Manchester's approach to economic development and governance: collaborative approach

Manchester's approach to economic development and economic governance has proved well-designed to maximise the area's comparative advantages and so be a positive sum game that contributes to national economic development.

Greater Manchester's collaborative approach is not a new phenomenon (e.g. the building of the Manchester Ship Canal). Manchester has shown public-private coordination and leadership ahead of its time. Its most recent phase of collaboration has its roots in the establishment of the Greater Manchester County Council in 1974, which – even though it only lasted 12 years until abolished by national government diktat – was the first phase of a series of developments aimed at creating institutions within the conurbation that can best address the particular needs of its functional economic area. Over time, a sophisticated institutional arrangement has developed. The creation of the Association of Greater Manchester Authorities (AGMA) in 1986, a voluntary collective of ten local authorities, was a watershed moment that led to the creation of a number of bodies to collectively serve in the areas of marketing and tourism (Marketing Manchester), inward investment (MIDAS), economic development and strategy (New Economy) and business support (the Business Growth Hub).

The most recent phase of collaboration has been supported by the commissioning of, and response to, the Manchester Independent Economic Review (MIER) (2009). The review looked into the city's economic strengths, weaknesses and longer-term drivers of growth, and was instrumental in identifying and articulating what the conurbation needs for growth. Following on from the production of the MIER, Greater Manchester produced a strategy for future growth, with input from a wide-range of stakeholders and a long period of consultation. This Greater Manchester Strategy (GMS) provides a strong framework for economic development delivery across the conurbation. On the back of the long history of partnership working between local authorities and between the public and private sectors in Greater Manchester, the MIER and the GMS also illustrated to central government an unparalleled knowledge of its own economic and social challenges, a crucial factor in Greater Manchester being announced as the first Combined Authority in the country in April 2011. For the first time this gave Greater Manchester a statutory

framework to coordinate key economic development, regeneration and transport functions across the conurbation.

Shortly after the announcement of the Combined Authority, the Government also approved AGMA's proposal for a Local Enterprise Partnership (LEP), designed to support business and grow the local private sector. One of the Combined Authority and LEP's first achievements was the signing of the Manchester City Deal with government. The centrepiece of this deal is the government's agreement in principle to a hugely ambitious "earn back" model, where up to £1.2bn invested in infrastructure improvements by Greater Manchester authorities will be paid back as real economic growth is measured. The "earn back" agreement is significant because it starts to turn the tide of ever-increasing centralisation and gives Greater Manchester a tax lever to pull to support growth. Additional agreements on business support, inward investment and skills, alongside a £100 million investment fund, mean more weapons in the armoury than most to kick-start local growth.

Manchester is a useful learning model on how to build sub national capacity and develop economic development powers and responsibilities through local authorities coming together to create additional critical mass and lobbying power. It has built its tool kit over the last 20 years, serving as a reminder that economic development and investment are long term and thus reforms should be contextualised for short, long and medium objectives. While clearly on a much larger scale than any Irish city, it could serve as a useful comparison for Ireland's local authorities nationally (indeed the population of Manchester is larger than that of Ireland). However, it could also serve as a potential model for greater co-ordination of functions in Dublin. While this has already begun to occur as part of the Dublin Region scale, there is room for a more unified approach from local authorities in Ireland's capital to continue to leverage greater investment, both from the private sector and national government.

Another insight from the Manchester model has been the need to better identify future sources of growth and advantage in a more global market, and to steer strategies away from consumption based activities and towards production and productivity led strategies. In Manchester, this has placed greater emphasis on institutions of knowledge creation. Knowledge creation is both an input to enhanced productivity via labour skills and enterprise, where it can drive innovation and it is also a source of revenue through traded higher education. This links the Manchester experience to a wider trend in local development where there is also a renewed focus on education and other 'knowledge creating' organisations and how they can best be integrated into strategies for national competitiveness and local development. Most countries realise that these are competitive assets that need to be managed as part of the local development system. In many countries universities are being reformed to make them more focussed on their economic roles. There are also renewed efforts to increase entrepreneurship, both in the form of small firm formation and in relation to civic society and public institutions. This reflects recognition that FDI will not deliver enough jobs on its own and some endogenous growth is also required, and the need for public institutions to be flexible and 'hungry' in their contribution to local development.

Local Leadership and Economic Development

A key task of local leadership is to determine the balance required between the three elements discussed above and the different geographical scales at which the tools need to operate. Local economic development is often led or facilitated by local governments. However, as it is a 'market-facing' activity that operates over longer time frames, broader geographies, and wider institutional collaboration than is usual for local government services or regulatory roles, it requires distinctive leadership arrangements.

It is a 'vision driven' activity that seeks to define a path into the future and to shape the behaviour of other actors, most of whom are not in the control of governments and public bodies. It also requires sensitive understanding of external factors such as contested investment and investment returns, business

cycles and market forces, as well as a deep appreciation of local assets, endowments, and distinctiveness. Effective local and regional strategies also require deep cross border and cross sectoral collaboration, as well as effective and compelling communication of choices made and investments taken. They must inspire confidence in order to act as co-ordination vehicles and to compel market engagement. Working with businesses and investors to reduce the risks involved in investing or expanding in a location is a key attribute of economic development leadership. This requires exceptional leadership skills amongst local government leaders and their partners. The skills of assessing choices and options, visioning, communicating, partnership and alliance building are to the fore.

Local economic leadership must also recognise that many of the economic stakeholders in a local economy do not exercise a vote in elections. Businesses, commuters, tourists, investors, students, infrastructure and logistics providers are not enfranchised in local elections despite the fact that they are major economic stakeholders. Important implications arise from this: local and regional leaders must find means to engage them in economic strategies despite having no direct mandate to represent them or lead them, and, leaders must seek to reconcile their interests with one another through visioning and agenda building, as well as aligning their needs and interest with those of residents. Reconciling the needs and aspirations of residents with those of economic stakeholders is not always straightforward, especially in a context where economic growth and quality of life are often perceived to have major tensions and trade-offs between them.

Local economic leadership also requires the mobilisation of active support from residents for processes that will often involve change, growth, diversification, and relinquishing old customs and habits in favour of new ones. Due to these differences from other aspects of government and public services delivery, local economic development requires very specific and complex kinds of leadership in local government. This leadership must:

- i) Understand local economies and the changing rationale and skills for intervention in markets.
- ii) Be able to communicate a clear and common economic agenda and to broker and lead coalitions of actors from different sectors, and to set out a common agenda for them to work through together.
- iii) Be able to sequence and balance interventions at different scales (e.g. in framework conditions such as tax and regulation, in demand side interventions such as marketing and promotion, in supply interventions such as skills and property).

What should this type of leadership focus on? There are some common elements that appear to underpin successful local economic development leadership:

- i) Vision, strategy, and agenda setting
- ii) Evidence based leadership that sifts alternatives to intervene and engage markets
- iii) Customer orientation that recognises business and investors and people as customers
- iv) Systemic leadership that embraces all the entities that can impact on local economic performance
- v) Collaboration and alignment between different tiers of government and horizontal alignment
- vi) The advocacy role of leadership that makes the case for better ways to organise or regulate the economy

There are examples of effective leadership already in place in local authorities, and of city managers, elected officials and council employees engaging with a wide range of other stakeholders to bring about economic growth in their area. Thus, there are not necessarily skills or attributes unknown to local Irish

government and in many cases it is matter of developing the leadership abilities which are already there and rewarding good leadership at this level. It was also evident during the stakeholder meetings that others in localities display strong leadership abilities e.g. local chambers office, the community and voluntary sector and local development companies.

Box 2. Taking leadership in reviving the self-confidence and image of a city, and creating jobs in the process

Waterford has been hit hard by the economic crisis and the South East region has the highest unemployment levels in the country. It has been affected by the departure of Waterford Crystal which was a significant local employer and which was a real blow to the confidence of the city.

Waterford City Council has taken leadership in dealing with the fall-out of the closure and reviving the self-confidence and image of what is a very historical and proud city. It managed to come to a deal with Waterford Crystal that it retains premises in the city centre, thus still ensuring that coach loads of international visitors arrive daily in the city and pump much need money into the local economy.

It has shown imagination and a 'can do' attitude in an innovative project which it has set up to completely regenerate a large block of derelict commercial property in the heart of Waterford City. Through this it has worked with the Public Employment Service and training providers to get the unemployed and young people into work through tailoring national employment schemes to local needs. The City Council has been able to restore commercial property that was approaching dereliction in a very cost effective manner and these will be used for arts and crafts type activities that will complement the tourism offering in the city and improve the public realm in Waterford city more generally. This project has been delivered by a combination of the Redundant Apprenticeship Scheme and Community Employment Scheme and has up to 30 participants. It has allowed redundant apprentices to complete their on-the-job training in a real and meaningful work environment which they otherwise may not have been able to access, gain full apprenticeship accreditation and improve their chances of finding full-time, stable employment. The Community Employment Scheme engages trades and general operatives who otherwise would have been unemployed. The participants and their work are supervised by an Executive Engineer from the Council.

Waterford City Council has also been seeking to facilitate economic return and improve the image and buzz factor in the city. It hosted the International Tall Ships Race in 2005 and 2011 and put up around half of the financing. It was the largest event in Ireland in 2011 and was considered a huge success nationally and internationally, bringing 420 000 visitors to the city over three days. It produced an immediate economic return of over EUR 28 million.

Source: CCMA, 2012 - Local Authority Support to Enterprise and Business

Empowering local government

National government can play a leadership role by empowering local government throughout the reform process; this is as essential as having it as the ultimate goal. Empowerment is a process that cannot be imposed upon lower tiers of government and stakeholders. Whilst the reforms are centrally led a stronger leadership dialogue between tiers of government has begun to emerge. This has required a change in thinking at both national and local government level as what local government can achieve and a belief that it can actually achieve this. A key element to success will be that distinctive arrangements can be encouraged in different locations and that local government should lead a process of agreeing local arrangements with local partners.

Reforms should explicitly ensure meaningful devolution of functions to local governments and not be substituted by displacement or minor devolution of functions and roles that are not so important to local economic development. Devolution should not be about transferring more administrative roles to local governments and should be coupled with actions to increase fiscal discretion of local governments. Readiness and capacity to take up devolved functions should be measured objectively and capacity gaps reduced (as far as possible) before the devolution takes place. The reform agenda in Ireland is happening at a rapid pace and support will need to be given to local authorities beyond 2014.

Many local authorities in Ireland have already proven themselves to be capable deliverers however; the reforms are taking place at a time of on-going budget constraints which inevitably can affect service delivery. Local authorities should be allowed to continue to innovate and respond to local challenges in flexible ways. Building an effective and rigorous evidence base against which local policies and actions can be developed and monitored will be an essential feature of the new system. National and local governments, in partnership with other agencies should develop framework which will allow for locally appropriate interventions whilst establishing national standard.

Private sector leadership

Recent LEED analysis (OECD 2013) identifies a new period of business leadership in economic and employment development. This appears to be the case in Ireland too. There are a range of key roles that can be developed and supported at the local and national levels. In many OECD countries it is business led lobbies and organisations that recognise the need for more coherent local economic management as often business organisations understand the impacts on duplication and fragmented system better than other stakeholders, and as ‘customers’ of local development services they know well where the rigidities lie. At the same time many improvements can be made in the local business climate by better aligning things like planning, transport, and environmental regulations, and therefore business lobbies are often closely associated with the campaign for better integrated local government.

The local development system

Analysis of local development identifies the importance of the local development system. The local development system is a term which describes the network of public, business and non-governmental sector partners which work collaboratively within a defined area to create better conditions for economic growth, social cohesion and employment generation. Local development systems might be tightly or loosely organised, precisely orchestrated, or rather imprecisely oriented. LEED analysis of local development across OECD countries reveals a prevalence of “co-ordination failures” where opportunities to better calibrate and integrate inputs to local economic performance are not taken for a variety of reasons resulting in underperformance (OECD 2010). Without a healthy local development system, local development progress becomes a far more difficult task.

Local development systems tend to be relatively complex, as they require effective coordination between many different types of organisations or stakeholder groups. This potential constraint is also the local development system’s most significant strength. It is often the task of local government to construct a system which holds together all its various component parts (public and private sector organisations; citizens and businesses; knowledge-based institutions and development agencies and companies) in a positive tension which makes maximum use of all available resources, expertise and experience. The local development system, therefore, involves both the structure within which development-orientated organisations are organised and the key relationships between them (OECD 2010). These systems are fundamental to local development success.

Local development is a multi-disciplinary practice which requires expertise, experience and delivery capacity that no single organisation has. As a result, organisation and collaboration are essential to deliver effective local development. At best, these systems involve high levels of vertical and horizontal co-ordination across a multitude of partners to address a number of key themes which support the holistic and sustainable development of a local economy. Relationships are pragmatic and constructive and the application of resources is broad and deep, but notably efficient. At worst, key relationships break down through a lack of trust and because of competition for work and resources, personality clashes and other such frictions. Gaps may also exist for key work streams necessary to deliver effective local development.

Conversely, some systems are so complex, contested and convoluted that it is not clear who does what and forward momentum dissipates.

Derry~Londonderry: Strategy, System and Leadership

The County/City Local and Community Plans which will be developed under the authority of the proposed Local Community Development Committees should play an important role in helping shape the new local development system which will emerge from the reforms. The Plans should be seen an opportunity to build capacity amongst stakeholders and embed a culture of analysis, monitoring and collaborative working amongst key stakeholders. An approach relevant for the creation of the County/City Local and Community Plans in advance of the legislation being brought forward is the approach which emerged in Derry~Londonderry, Northern Ireland. It has created “one plan” which sets out the roles for all of the major stakeholders in achieving the regeneration of the city, and has managed to get agreement, sign off and buy in from all as a result of a major consultation process. An indicator of its success and high profile in Northern Ireland, it was included in Stormont’s Programme for Government. Local authorities and stakeholders in Ireland can look to the One Plan as an example of how to develop an integrated strategy for local economic and social development. This has also taken place at a time of significant (and on-going) local government reform.

Derry~Londonderry is a border city which like local government throughout Ireland has limited powers for economic development and there were a plethora of plans, strategies, agencies and public bodies involved in local economic development. The city did not have a vision that was clear, compelling or shared. Furthermore, the economic fundamentals for Derry~Londonderry were weak. It sat at or near the top of the league table of UK urban areas in a range of measures including the unemployment rate; youth unemployment; economic inactivity rate; proportion of the population with no or low qualifications; low wage levels; and the low concentration of professional services employed. The city was lacking in terms of the characteristics which drive transformation – clear sense of vision, leadership, energy, structures and relationships.

One Plan was unveiled in 2011 as the city’s regeneration blueprint, following a massive consultation process throughout the city. The new plan envisages an additional £500m in wages and profits in Derry’s economy as well as fiscal balance boost of some £200 million annually. One Plan is an integrative strategy that brings together different interests united behind a shared vision and supported by delivery capacity to match that vision. It has been used as the catalyst for reform because it is about new thinking and new understanding, and focussing on the longer-term. One Plan is built on three fundamental principles:

- i) Integration – economic, physical, social, environmental, organisational
- ii) Participative process – whole-system, multi- disciplinary approach
- iii) Robust evidence bases – providing focus to the ‘real’ or ‘actual’ challenges

It represents a whole-system approach to local development, characterised by a can do approach; cooperation; openness and transparency among key players across different sectors, with partnership and participation fundamental components of change. It sets out clear objectives and priorities supported by a broad range of stakeholders and provide an effective organisational framework. It ensures adequate resources and capacity to deliver. The regeneration plan for Derry~Londonderry is not just about reversing years of decline but also reshaping the future of the city. What makes this unique for Derry~Londonderry is that it will seek to ensure this is both equitable and sustainable in impact by working together through the vision and mission with one voice to grow the local economy to provide more jobs. It is about ensuring that everyone realises their potential and has the necessary skills and training to take up these jobs - particularly for those experiencing inequality and unemployment. It promotes equality and sustainability in

ways that impact positively on people through improvements in their well-being and daily lives. There are still significant steps to go before it is fully implemented and the economic downturn is continuing to take its toll, however it has provided much needed momentum to the city's key players and coalesced them around a single vision – no easy task.

To deliver this step change successfully the One Plan requires a multi-disciplinary approach involving many organisations and individuals with a wide range of expertise, experience and capacities. Collaboration between seemingly separate entities across a system for local development is key as is the continuing principle of interdependency and connectedness. Also key to delivering successfully is the attraction of sufficient funding. With investment funds at a premium, the need to articulate a clear return is paramount in securing the scale of funding required to bring the regeneration plan to fruition. Monitoring the implementation of the Plan and the extent to which its activity contributes to the Mission and Vision will be critical in measuring progress and impact to 2020. The city has an agreed, robust baseline of the socio-economic conditions within the Derry~Londonderry area. It is against this that the impacts of this One Plan will be measured.

Building more effective linkages is also a key consideration in the One Plan - in particular creating the structures and relationships which link Derry~Londonderry in an effective way to the rest of the North West of Ireland, Belfast and London. One Plan provides the framework for this cross border and greater coordination and collaboration in areas through the creation of the North West Partnership Board, with equal representation from the Derry~Londonderry Strategy Board and the Donegal County Development Board.

This has taken place against the backdrop of a significant reform of local government in Northern Ireland which will see the creation of new authorities and devolved powers, and will empower local government and its stakeholders to deliver local economic development. The reform process will see the current 26 local authorities reduced to 11 by April 2015, and result in a range of functions transferred from central to local government including planning; local economic development (including urban regeneration and tourism); and rural development.

The Plan has been led from an arm's length body of the Northern Ireland Executive but in advance of the Reform of Public Administration becoming operational in 2014 the responsible unit will move to the city council. The move will help build the economic development capacity of the local authority and to allow it to take full ownership of the Plan.

Some local governments in Ireland have taken a lead in creating local economic development strategies – see box below.

Box 3. Taking a lead in economic strategy development: Kilkenny County Council

Kilkenny is a relatively affluent county in Ireland, with a population of approximately 100 000 (2011). It has been heavily affected by the economic crash and had an unemployment rate above the national average. Kilkenny County Council (KCC) decided to strengthen Kilkenny's position and solidify its image as a place for investment, research and as a tourist destination. It has taken a pro-active role in marketing the county and region as a place to do business, actively seeking foreign direct investment and expansion opportunities. In 2010 it launched an Economic Development Strategy– Invest Kilkenny, developed in the policy context of the National Strategy for Sustainable Enterprise. The Strategy pushes for long-term strategic change and is being implemented across a range of sectors. Invest Kilkenny is aimed at promoting Kilkenny as a great place to do business based on its connectivity, high quality workforce, business supports, availability of industrial land, and quality of life.

It works with key stakeholders to position Kilkenny as a prime location for corporate headquarters, and to develop sectors such as life sciences and biopharma, financial services and creative endeavours. It has selected target areas for fast-tracked investment including Kilkenny City, Belview Port and districts towns. A key element of Invest Kilkenny is focusing on third and fourth level education and research, agri-food, and services development. An Information Community Technology (ICT) Research and Innovation Centre has been opened in the NUIM Maynooth Kilkenny Campus in a joint initiative between Kilkenny's local authority, Waterford Institute of Technology and Carlow Institute of Technology. This new research centre will mark the continued growth of the TSSG Kilkenny Centre, an internationally recognised centre of excellence for ICT research and innovation, employing 140 research staff and students. Kilkenny's local government has also become the first in Ireland to launch a micro-site in Chinese as part of a bid to attract investment from the Far East.

Under the Invest Kilkenny banner, much is being done by KCC to promote tourism and firmly set Kilkenny as a place to visit. In late 2012 a EUR 5.5m tourism investment was announced for a new "Medieval Mile" project, and is phase one in a EUR 15m development package over the next four years to be delivered by KCC and Failte Ireland. The project is expected to strengthen the city's retail mix and make it more attractive for IT companies and corporate headquarters, with Failte Ireland contributing to international brand development and positioning.

There is joint working with other local authorities in the region to ensure a stronger region. This stems from the realisation that investors do not look at the county level but at the larger regional picture when making investment decisions. For example, the Belview Port is being developed in partnership with Waterford City Council, as well as the IDA. There is also co-working between Waterford to develop the Waterford Gateway.

Sources: www.thejournal.ie/kilkenny-tourism-654624-Oct2012; Invest Kilkenny, "Kilkenny Campaign in Cruise Control" hand out; PR, "Taoiseach opens new world class Kilkenny Research and Innovation Centre: Centre will lead creation of high quality jobs in the South East"

Building the system in Ireland

To ensure a holistic and sustainable form of local development, it is essential that all necessary work streams are identified and delivered. But before constructing and populating a local development system, it is first necessary to isolate needs within it and specific organisations to deliver these requirements. Otherwise, delivery arrangements may not dovetail with the delivery requirements.

Defining the local development systems in each local government area will make an important contribution to implementing the alignment process in Ireland. Mapping out the system for each area will be important. Typically maps of local development systems contain the full range of organisations from the public sector, private sector, civil society as well as higher tiers of government. Specifically, this includes: local government (mayoral offices and other departments); regional government departments; national government departments; community and not-for-profit organisations; business leadership groups, universities and think tanks, infrastructure groups; the media; advisers and consultants; and delivery partners. This will mean that existing providers of community and local development interventions can be identified and the recognized strengths of the Irish model built upon. Building quality and effective working relationships between the delivery partners with any system is critical to its long-term success.

Capacity will need to be reviewed as an on-going process which captures the benefits and avoid the constraints of local and global change. In some cases, a re-evaluation may be stimulated by a period of crisis or because the local area has never formally defined its local development system.

Local development in Ireland: the alignment process

Local development in Ireland has been delivered over recent decades by a network of Local Development Companies and community and voluntary organisations. In many cases, they have been funded directly from national government through Pobal which is also responsible for monitoring and evaluation.

Box 4. Local Community Development

Community and voluntary bodies play a large role in working with local residents to tackle unemployment and improve job readiness, as well as having more general community development functions. Although they generally have a small geographical remit, government departments and national agencies are their major conduits of funding and four nationally administered programmes accounted for over 80% of their core funding in 2008 (DECLG, 2011).

A network of area-based partnerships (not-for-profit companies governed by boards) was created to tackle structural unemployment and social exclusion in disadvantaged urban and remote rural areas in response to the unemployment crisis of the early 1990s. By 2008, there were over 90 such partnerships - subsequently renamed Local Development Companies. These partnerships have retained a high degree of autonomy under Service Level Agreements with a range of Departments and funding agencies. The number of Local Development Companies was reduced through mergers to 50 and they have become larger, mainly county-based entities.

In addition, since the 1980's the Community and Voluntary Sector has played a unique role in supporting communities to define the needs of the disadvantaged, Travellers and minority groups, in both urban and rural areas, and in developing effective responses to these needs, was clearly illustrated and increasingly recognised by the state. As a result, a range of initiatives that used community work approaches were funded and supported because it was acknowledged that solutions to poverty, social exclusion and inequality are best and most appropriately designed with the participation and input of those affected. Government recognized in a 2000 White Paper that the Community and Voluntary sector plays a crucial role in a mature democratic society, quite separate to and independent of the institutions of Government.

In an OECD review of the Irish partnership model, a number of strengths were highlighted including their practical problem solving approach, the informal alliances and cross-sector networks which they have brokered, and the platform they have given to disadvantaged communities to have a more direct say in policy making (OECD, 2001). However, a number of weaknesses in local development activities came increasingly into focus during the 'boom' years, when resources were relatively abundant. These included significant overlap in service provision, with groups in the same locality receiving funding from different sources to provide the same type of service (Department of Finance, 2009; Department of Public Expenditure and Reform, 2011).

The multiplicity of channels and programmes through which national funding reached local groups suggested an inadequacy of local area intelligence at the national level to ensure funding was adequate to need and that it was used efficiently (Department of Finance, 2009). There was no formal mechanism at the national level for gathering and processing what was learned by the differently organised regional and local operations of government departments and national agencies. Furthermore, City/County Development Boards did not have the impact expected of them, particularly in integrating local services and supporting local economic development (DECLG, 2012a and 2012f). Relationships between local government and Local Development Companies have varied, ranging from 'collaboration to competition' (Indecon consultants, 2008).

Source: OECD 2013

The numerous stakeholder meetings which took place during the course of OECD project revealed that local government and local delivery in Ireland previously operated within a low trust/low empowerment equilibrium. This constituted a big psychological hurdle for the reform process. Because local government has not been more broadly empowered in Ireland there is a confined sense of the vision of what better local government would do, and there is limited motivation to make the reforms work. Equally, because there are indications that, as local government is not fully trusted beyond its core remits (infrastructure, utilities, amenities, for example) there are difficulties in generating the good will necessary to make a reform of this kind work. Any lack of trust in part reflects the fact that the historic role of Local Authorities has been limited and they have not yet had opportunities to fully build the relationships required in all fields.

However, the reforms should enable a variety of different local arrangements to emerge under the leadership of local government so that the potential for synergies, innovations, and collaboration can be better exploited, while meeting national objectives. It should not be a template approach where all the local governments have to implement the same model.

Major reform processes tend to result in hesitancy, lack of trust and lack of understanding amongst stakeholders and affected institutions. Ireland is no different. Tensions are inevitably exacerbated by the significant economic reforms which have led to institutional and individual uncertainty and vulnerability.

RECOMMENDATIONS

A number of priority issues emerge which will ensure that the reforms can be implemented in the vein intended by the Irish Government. The recommendations cover actions for national government, local government, the local development sector, business, and trade unions and will be as important in the full implementation phase of the reforms as they are in the lead in period.

National Government

Clearly articulate the vision and future phases of devolution

Whilst the overarching vision set out by Minister Hogan is clear, DECLG should more clearly articulate the post reform scenario and reflect the “whole of government” approach from which the Action Plan for Jobs benefits to maintain momentum amongst stakeholders. The reforms are an integral part of Ireland’s recovery and should be communicated as such on an on-going basis. This requires a much clearer explanation and understanding of a post crisis Ireland from a local perspective. At the same time it is important to develop a shared vision of the future role of Local Government and thus local development in Ireland as it gradually acquires competences beyond the set of activities defined in the first phase (Local Development and Enterprise). The Interdepartmental Group could define the broad character of the reforms and how alignment will create a better system for delivering local development so that other Departments are better engaged. In addition, it will be important to set out some clear benchmarks for the local governments capabilities required to trigger the following phases of devolution, so that the judgements about when Local Government is ready for further empowerment are made on the basis of proven capability rather than any other criteria. This provides a rolling system for ‘earned autonomy and empowerment’ of Local Government.

Central Government Co-ordination: The Interdepartmental Group

Reforms of this kind require Central Government to work differently. They need to set the vision, accelerate the devolution and empowerment process, and achieve much better inter-departmental co-ordination on local government issues. When a Central Government empowers a lower tier of Government it is also involves a cultural change. Central Government has to become more of an enabler of Local Government action and set the right framework for it without proscribing what must be done. As proposed in the Alignment Report, the new Inter-Departmental Group should be an important new co-ordination mechanism and enable the reforms to be implemented. The Action Plan for Jobs benefits from a Taoiseach endorsed IDG and it would seem logical to link the two. Ministers should ensure meaningful dialogue between the two groups to ensure maximum impact.

Collaborative working between the Department of Jobs, Enterprise and Innovation and DECLG has been effective in establishing the Local Enterprise Offices and the Interdepartmental Working Group (and its sub-groups) have benefitted from the close involvement of local authorities.

Making the case - Communicating to engage

The Irish reforms are being implemented at a rapid pace which highlighted the need for an on-going communication process. Reforms of this kind require a ‘campaigning style’ of communication which continues during the implementation phase. The impact of good communication cannot be underestimated. It galvanises key stakeholders into action and can create the necessary sense of unity within localities when major reforms are being planned. Because the reforms are taking place within the context of the global

economic crisis it is particularly important to ensure that communication balances style with real substance.

2014 will be a particularly challenging fiscal year in Ireland and further budget reductions are envisaged, thus making an ongoing communication a vital element of the reform agenda. DECLG in synergy with local government and others will need to build on the momentum of recent months to build a strong and effective local development system.

Focus on the economic case and Action Plan for Jobs

Local government has a fundamental role to play in creating the framework conditions necessary to achieve growth and jobs locally. The economic role of local government in helping to drive productivity, employment, skills, enterprise, trade and tourism is now much better understood across the OECD than it was 20 years ago. Key parts of the local government role are about establishing and communicating an attractive local business climate, and avoiding or overcoming 'lock in' and 'co-ordination failure'. Local governments add much value when they help to shape new visions for an area and actively draw stakeholders together to co-invest in the same vision of the future. The establishment of Strategic Policy Committees for Economic Development, in each County and City Council as part of the local government reform process should enable local authorities to develop and implement Local Development Plans. The national government when communicating the envisioned expanded functions of local government to the public and local stakeholders should focus on putting forward this and their ability to add value. The local government service has acknowledged that the Action Plan for Jobs is a national priority – everyone is on board to achieve the goal of more jobs – and developing a more explicit rhetoric between this national priority and alignment continues to be developed. Jobs are and will continue be the coalescing force around which reforms are communicated.

Identify cross sector champions

To ensure the successful implementation of the new system a broadly based set of champions need to be identified and mandated. This can also be a way to help people imagine a system that has not previously existed. The role of the champions should be to unify the existing fragmented scenario. Organisations such as Pobal are in a unique position to assume part of this role - they are perceived as honest brokers within a system which lacks trust and cohesion. Pobal as a not-for-profit intermediary that works on behalf of Government to support communities and local agencies, is uniquely placed amongst public bodies to play a convening/leadership role to help build the consensus amongst stakeholders as they build and deliver a new local development system. The CCMA should continue to play a strong role and remain fully engaged with the reforms. The Chamber of Commerce are keen advocates of the opportunity the reforms present for City/County Managers and could be important allies in developing the growth and job creation agenda.

Funding local development

Public expenditure in Ireland, including transfers to local government, remains under considerable pressure. All key delivery services are doing more with less. This raises particular challenges with respect to alignment as local government and community and local development budgets are at present distinct and subject to different monitoring and allocation mechanisms. The LDCP budget is now the lowest it has been since the creation of the programme. Maintaining continuity during the transition period and ensuring that the LCDCs and local government departments maintain service delivery levels, Government should consider maintaining the central role held by Pobal with respect to the monitoring and allocation of resources for community and local development. As the proven competent authority a clear on going role will facilitate the implementation of the reforms and contribute to building new institutional relationships at the local level.

Empowerment and devolution - meaningful devolution should be the ambition

Empowering local government throughout the reform process is as essential as having it as the long term goal. Empowerment is a process that cannot be imposed upon lower tiers of government and stakeholders. To date the reforms have been centrally led but to be truly effective a stronger leadership dialogue between tiers of government needs to emerge and will be important during the initial implementation years. The timeframe for the reforms has required that the main dialogue thus far has been between DECLG and local authorities, other government departments will become more engaged as the new system becomes operational. This will be particularly important for those which will devolve services delivery to local authorities. All reforms of this nature require a change in thinking at both national and local government level as what local government can achieve and a belief that it can actually achieve this. A key element over the longer term must be that distinctive arrangements can be encouraged in different locations and that local government should lead a process of agreeing local arrangements with local partners.

The reforms should explicitly ensure the meaningful devolution of functions to local governments and not be substituted by displacement or minor devolution of functions and roles that are not so important to local economic development. Devolution should not be about national government transferring more administrative roles to local governments. Stakeholders clearly demonstrated their expectations for devolution to involve also competences in education and training, child-care, policing, transport, tourism, agriculture, marine amongst others. Devolution of functions should be coupled with actions to increase fiscal discretion of local governments.

The effective delivery of local development and other public services to citizens is an important aspect of the reforms. It is important that new structures clearly articulate how existing services will be maintained and the benefits of the reforms for citizens and users of particular services.

Map out the planned system and understand the role of the second tier of government

Mapping out the system which will emerge in 2014 is important. This approach will enable stakeholders (including departmental officials) to work through the rationale of the reforms and its workings. This should clearly articulate the interrelationships between:

- National Level - Programme for Government; Putting People First; Action Plan for Jobs.
- Regional Level (Assembly) - Spatial / Socio - economic plan (set in the national context) and delivered in each respective county (the County plans in effect, forming the regional plan).
- County/City Level - Local County/City Plan developed by the new LCDC (facilitated and co-ordinated by the local authority with a clear economic development focus to reinforce the local and community development components).
- Local Delivery Partners - with the local authority in the lead.

Within this context enhancing the understanding (or lack of) of the role and function of the second tier of government is also important to achieving the aims of the reforms. The second tier is a combination of delivering the national programme for government and development and delivery of local services, in a regional context. Examples from OECD member countries could usefully define the role of the second tier and its functions in a regional and national context. The governance structure and its function need to be clarified.

Clarifying definitions

Local Government, Local Administration, Local Development, Social Development and Local Economic Development are words that have slightly different nuanced meanings in different countries. Language matters and there appears to be widespread definitional confusion by a number of stakeholders. Local government, local economic development, local development and local community development are used liberally depending on the stakeholder and their place in the reform. Rather than highlight difference a common language needs to be adopted which brings the plethora of actors together and enables a coherent local development system. This could be tasked to the Alignment Working Group to help build consensus and is something which will require on-going consideration.

Make hard choices at the outset

All processes of reform require hard choices to be made. Lessons from other countries highlight the need to avoid creating a cumbersome and inefficient system through not making hard choices at the outset. Creating committees and groupings to avoid tackling more fundamental reforms could create a weaker and more fractured system than currently exists. How new bodies will work and interact should be thought through and the IDG pursue its clear mandate to ensure coherence and collaboration. Designing a fit for purpose local development system early on also helps in monitoring progress and the impact of the process and post implementation. Thought should be given as to how the IRIS system and identification of KPIs for measuring success can be adapted. This could in turn contribute to building trust amongst stakeholders.

Build capacity for the longer term reform process

The new system will require different skill sets from those working in and with local government – both elected and non-elected representatives. There needs to be provision made for providing enough and the right kind of training, up skilling and capacity building so that local government has the skills it needs to deliver the right outcomes and win people's confidence and trust. Attention will also need to be on how existing skills and capacities are used to maximum effect. Further budget cuts are envisaged by a number of stakeholders as the reforms are implemented. This will put additional pressure on an already challenged system.

Local authorities, the community and voluntary sector and the local development companies have a combined skill set which needs to be respected. Some of the services to be devolved require highly specialised skills which need to be maintained. Local authorities will be empowered to co-ordinate and manage service delivery. Management, planning and oversight capacity will however need to be developed in local authorities to ensure optimum service delivery. Maximising the delegation of specialist delivery to external bodies with proven track records and competencies will ensure that services are delivered to high standards and in the best interest of end users and citizens. The LCDCs could play a role in defining how existing skill sets will be maintained and how they will be developed over time.

Balance trust and accountability

Trust is fundamental to any governance system. In Ireland the trust deficit between tiers of government and delivery bodies is significant but not unique. Central government should clearly demonstrate increasing trust in local government thereby stimulating more positive sentiments and creating a credit of trust on the part of local inhabitants. Building trust will be effective if empowerment is coupled with an appropriate level of accountability. Therefore, the reforms should be perceived and pushed forward as the process of building stronger and more responsible local governments. However, local development in Ireland is not just about local government creating trust based on collaboration between local government, local development companies, the community and voluntary sector needs to be a high

priority. Enfranchising delivery bodies will be an ongoing priority. The IDG, the AWG the CCMA and Pobal can all play a role in addressing this issue.

Clear road-map needed

When time-frames are tight any reform process should involve very definitive and precise steps that are clearly articulated and communicated. In this respect, a road-map is advised as a tool to push the reform process in a very timely, precise and confident way, as well as to demonstrate a very clear and strong political will to complete it in full or in part. The role of national government is to build confidence in the new system that it is creating. The road map should be matched with clear rules of engagement for all stakeholders and be used to communicate desired outcomes. The IDG needs to become a visible and authoritative body within and beyond government to set out clear objectives, opportunities and outcomes.

Local Government

A number of local authorities have been engaged in promoting local economic development for many years, engaging with firms on delivering essential services and infrastructure needed to support enterprise and promote economic development and employment. They work with other state agencies and local businesses to promote commercial and enterprise activity, as well as to ensure a high quality of life and make their localities attractive to people and jobs. Local authorities are increasingly recognising that they should be playing a stronger role in promoting innovation, supporting research and strategic clusters and hubs. Economic development will continue to be central to local authorities, and the sector will sharpen its role as the focal point for this and local development, in collaboration with other relevant agencies under local government restructuring.

Indeed, a number of local authorities are further advanced in undertaking these functions and have challenged 'the low aspirations, low change cycle' by proving that local authorities in Ireland have the potential to play a leading role in economic development. In many cases the experience, expertise and confidence is already there and some local authorities are prepared and able to run with the new functions.

In many cases the collaborative relationships and local knowledge are already there and the reform will be about formalising rather than forging these. They are also subject to annual audits and performance level indicators are published annually, the only public body which is subject to this, thereby ensuring a high level of accountability and reassurance.

For example, local authorities within the Dublin Region have been pro-active in driving forward economic growth and job creation in the capital city region. In order to overcome the limited input of the four local authorities in the region into policy making, they have been moving towards creating a 'clearing system'. The new system will allow the region to adapt policies and programmes where blockages can be clearly identified. The main focus is job creation this is a new type of relationship between local authorities and national government which is unique to Dublin.

Leading the case for the reform: Take on a more visible leadership role

Local government is set to become a more active part of the leadership of the reform from the outset and demonstrate vigorous appetite for the reforms, and a desire to build the vision and set new standards in local government capability. It is recognising and embracing the fact that its future no longer lies in dealing with "bricks and mortar" and is developing the confidence to take on broader policy issues, rather than adopting a passive role and seeing itself as an administrator of national policy. To achieve maximum impact more visible leadership will need to be taken at the national level on the broad agenda and to take leadership at the local level in defining the models and arrangements that will work best in different localities and demonstrating how they will add value. Local leaders and managers should form a visible

leadership group to act as a contact group with the national government and the local development enterprise sectors.

Particular thought needs to be given as to how local authorities will interact with the whole of government; options are available through membership of the regional assembly. This would likely be more effective than the IDG for securing a whole of government approach. It would also demonstrate a central government commitment to the 'second tier' and send a very strong message on the role of local government going forward.

Build local partnership focussed on best local arrangements

Ireland has built up a strong and internationally respected community and local development sector. Putting People First and the Alignment Report recognise their added value and the often unique role they have in meeting the needs of the most hard to reach and vulnerable in society. Their mandates are clear and the role they play valuable. More empowered local government will continue to need effective and innovative NGOs who are able to tackle key challenges. Endeavours to build stronger links between local government and local NGOs have the potential to benefit local development. At the same time, stronger leadership of local government in local development should not suppress initiatives and independent nature of local NGOs. Collaboration should be strategic (the main local actors should agree on a common strategy) and operational (the main local actors should agree on the roles that each party can take in order to implement the strategy). Any other forms of cooperation, especially the ones involving dependency, should be very carefully considered to avoid the risk that the capacity of one party is built at the expense of the other.

Cross border collaboration

A strategy for engagement with local authorities in Northern Ireland should be expedited for those counties along the border. For example, for the County Donegal socio-economic plan to work, the socio-economic plan in Derry~Londonderry needs to work. Likewise, a socio-economic plan for County Louth could not be developed in isolation from Armagh / Newry, similarly for Counties Leitrim, Cavan and Fermanagh. This is particularly relevant given that reform of local government in Northern Ireland is underway and will bring changes to the administrative geography of councils. Together with the transfer of local development functions it offers the potential for greater coordination and collaboration across economic geography and joint economic areas in the border region.

Indeed, building more effective linkages is a key consideration in the One Plan - in particular creating the structures and relationships which link Derry~Londonderry in an effective way to the rest of the North West of Ireland, Belfast and London. The policy context provides for exploring and exploiting future opportunities to deepen and strengthen co-operation particularly local economic development, spatial planning and related investment. The County/City Plan will also need to address the cross border challenge where relevant and can build on existing robust partnerships to do so.

Local Agencies in Impacted Sectors

Local Development Companies and the Community and Voluntary Sector

Defining the new system.

Over the last three decades local development companies and the community and voluntary sector have played a pivotal role in delivering local development. Alignment should ensure that their expertise and skills continue to play important roles. They address very specific needs which are not part of mainstream local government services at present. In the short to medium term they have important roles to

play in building a new delivery system in Ireland. Their interface with citizens places them in a unique position to help build confidence in the reform process.

Taking on clear and defines roles

The LCDCs and the County/City Plans provide an opportunity for each to make important contributions. Their experience and expertise should feed into the design and delivery of local development and should help shape local government over the longer term. The LCDCs offer the opportunity to strengthen collaboration between service deliverers and over time shape more fit for local systems. The Plan process offers the opportunity to ensure a wide form of engagement and that the needs of all citizens are met.

Local development companies and the community and voluntary sector engage with some of the most excluded and marginalised citizens. They have important roles to play in the new system as advocates of the most disadvantaged.

Business sector

Recognise the potential offered by the reform

The agreed reform has a larger purpose than changes to the way that local development and enterprise support are managed in Ireland. Local development and enterprise will be more sustainable and successful within an empowered local government system that can bring other dimensions to both local economic development and local investment. This reform should be viewed as an opportunity to create long term sustainability and better integration for enterprise and social development practices.

Bring expertise to design of local arrangements

Local development and enterprise sectors have much to bring to the reform process in terms of expertise, and this is recognised by both local and national government. This expertise needs to be used in the design of the new arrangements and not in mounting a defence of the historic arrangements. The new arrangements are to build upon what has been achieved.

Share the leadership of the case for the reform

Business organisations should actively lend their voices to the national case for the reforms and support momentum in the process wherever possible. Private sector leaders need to help foster a competitive business climate and they need to be an active partner in the arrangements that are established. Business led lobbies and organisations recognise the need for more coherent local economic management as often business organisations understand the impacts on duplication and fragmented system better than other stakeholders and as ‘customers’ of local development services they know well where the rigidities lie. At the same time many improvements can be made in the local business climate by better aligning things like planning, transport, and environmental regulations, and therefore business lobbies are often closely associated with the campaign for better integrated local government. Business also plays a key role in promoting an area for economic investments in a market context.

Business organisations should engage actively in local pilots to produce templates and innovations that can command confidence amongst employers, investors, and entrepreneurs. Private investors need to become more involved in changing economic requirements. Knowledge of growth sectors can sometimes be inadequate, leading to erroneous assumptions about the kinds of commercial and residential property mix required. Deeper partnerships with public sector bodies would help bridge the knowledge gap and enable banks and other investors to fund future development.

Support the internationalisation process and address the jobs challenge

Private companies can support the internationalisation process. Many private firms have greater international exposure than local governments do and they can have specialist knowledge of growing markets. These skills are vital to local governments that want to develop new international visibility and connection to meet future patterns of trade and travel. Private firms must address the jobs challenge, especially for young people without labour market experience. Many private employers are aware that a substantial proportion of the recent generation of school and university leavers are out of work, and there are risks that many will not enter the labour market for several years to come. Active participation in programmes to help younger workers gain access to employment experience is essential if they are to find routes into work.

Trade Unions

Trade Unions often have a key role to play in delivering local development as representatives of public and private sector employees. Specifically they can identify where companies and whole industries and sectors are in trouble and consider how they can best be supported. They also play key roles in building worker participation into restructuring and in supporting people who have lost their jobs. The reforms in Ireland have resulted in a significant number of job losses in the public and private sector. Trade unions represent many of the workers affected by local government reform and alignment. Maintaining a constructive dialogue throughout the reform process is essential. Ireland has considerable experience with respect to social partner engagement and the reforms present the opportunity for government, business and trade unions to draw on past experience and collaborate to help build a robust new system and define a new role for those working within it and benefitting from it.

Conclusions

This OECD LEED review has taken place during the first phase of a reform process. The intention of the review is to provide input and observation at this point in the development of the reform in order to strengthen its purpose and likelihood of success, with a focus on enabling these reforms to help Ireland develop, for the long term, the institutional arrangements and suites of tools to promote job creation and recovery that are used in other OECD countries. The findings could also play a role in guiding the first phase of implementation as local governments respond not only to the challenge of devolution but also in understanding the new context for economic development in the recovery. Ireland has embarked upon an ambitious agenda which overtime will establish the right framework conditions for inclusive growth

Adapting a local government system which can refocus local efforts on long term job creation and enterprise development, linked to leveraging the opportunities of new global growth geographies and dynamic capital flows will only work if the local arrangements have scale, flexibility, clear co-ordination and unified accountable local leadership. The reform that is in train promises to deliver much of this if it pursued with conviction and singularity of purpose. The effect will be to modernise the economic role of local government in Ireland and this will be an important opportunity seized in the context of a sound programme of recovery.

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