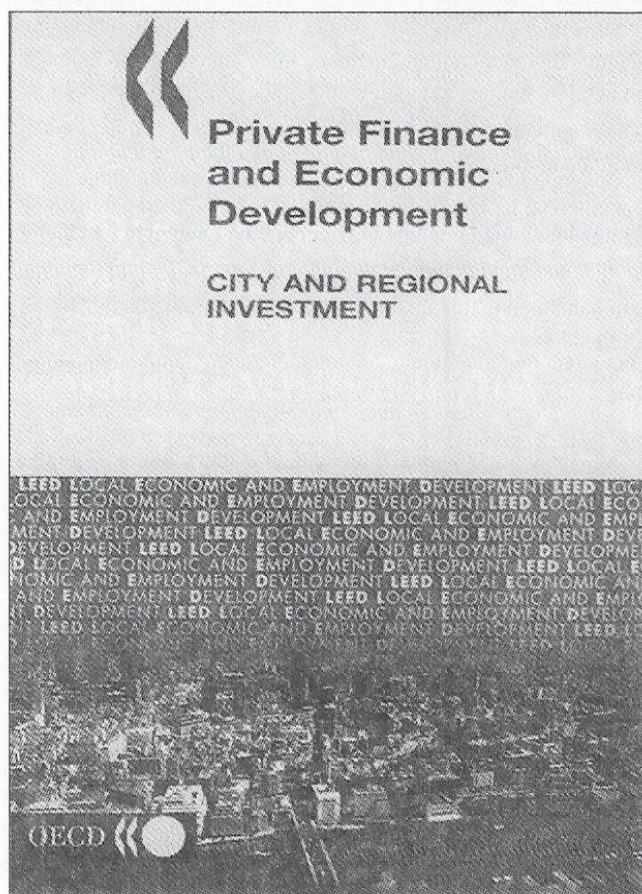


PRIVATE FINANCE AND ECONOMIC DEVELOPMENT: CITY AND REGIONAL INVESTMENT



Private Finance and Economic Development: City and Regional Investment

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Private Finance in City and Regional Development

Local governments are being called upon to take an increasing role in securing economic competitiveness and social cohesion in their cities and regions. However, the public sector, often experiencing fiscal constraints is not able either to address the multi-dimensional needs of local development and or solve major development projects alone. In order to plug the funding gap, it is also necessary to engage the private sector.

The main theme of the reviewed book is how to leverage private finance for local economic development activities, particularly in OECD cities and regions. By identifying, comparing and assessing some of the emerging tools and instruments in OECD countries, this book follows an ambitious goal to provide advice and inspiration to city and region governments and development agencies seeking to get private finance in their own economic development efforts.

The book presents the main messages of an OECD LEED Programme, forum of Cities and Regions Conference that took place in London in 2002. It combines the report from the conference along with detailed papers on various experiences around the world.

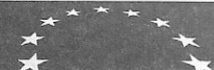
The issues of leveraging private finance are examined in the respect of three main potential target fields:

- Community building, primarily in economically disadvantaged urban neighbourhoods
- Support of small and medium-sized enterprises, with focus on the instruments to improve access to finance for SMEs
- Brownfield regeneration, which is seen as a topic of increasing importance of sustainable urban development as well as the major field of practical application of public-private partnerships

The book also describes trends in European and US-American strategies towards attraction of private investment and provides practical examples of ways in which municipalities may work with and benefit from, comparing at the same time the North American and European approaches.

In conclusion it sets out some key overall messages for city and region policy makers and reviews some of the instruments available and identifies some of key lessons that should be taken into account if leveraging private finance is to be successful.

The main conclusion is that the private sector can act as a partner with the public sector over a range of activities, such as regenerating derelict land in inner cities,



supporting the social and economic development of marginalised communities and participating in public efforts to overcome barriers to small firm development. However, appropriate instruments and structures must be put in place to remove some of the information gaps and other risks that currently prevent private companies from making profitable investments in these areas. A wide range of such instruments are examined, such as targeted tax incentives, municipal bond issues, community development financial institutions, easing of planning restrictions, public guarantees for private investment and removal of new investment from the liability chain for environmental contamination. It is shown that in working together, it is particularly important to build long-term

structures that will sustain private sector interest over time, rather than attempt to interest the private sector in a series of individual one-off transactions.

The information and analysis gathered in the book provides sources of inspiration and learning, but not ready made solutions to import, as stressed by the authors. In this relation, it is discussed here the potential for transfer of policy instrument from one area to another. It is concluded that the process of policy borrowing requires much analysis and reflection in order to consider the differences between the originator and adopter.

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