

# Regional Economic Development

A summary

# Defining RED

- Big area of interest and evolution
- Regions vary greatly in size
- Generally takes macro policy and conditions as a given
- Broader than the mandate of cities, towns and hinterlands
- Requires operating within govt and also within markets – multi-stakeholder
- Fluid boundaries with geographic scope varying considerable depending on the industries and regions
- Investment in regions is based on competitiveness of targeted activities in that region
- Regions succeed in clusters
- ***Key question for South Africa is: What is the right jurisdiction for regional action? Functional city region? Provincial?***

# The world at night

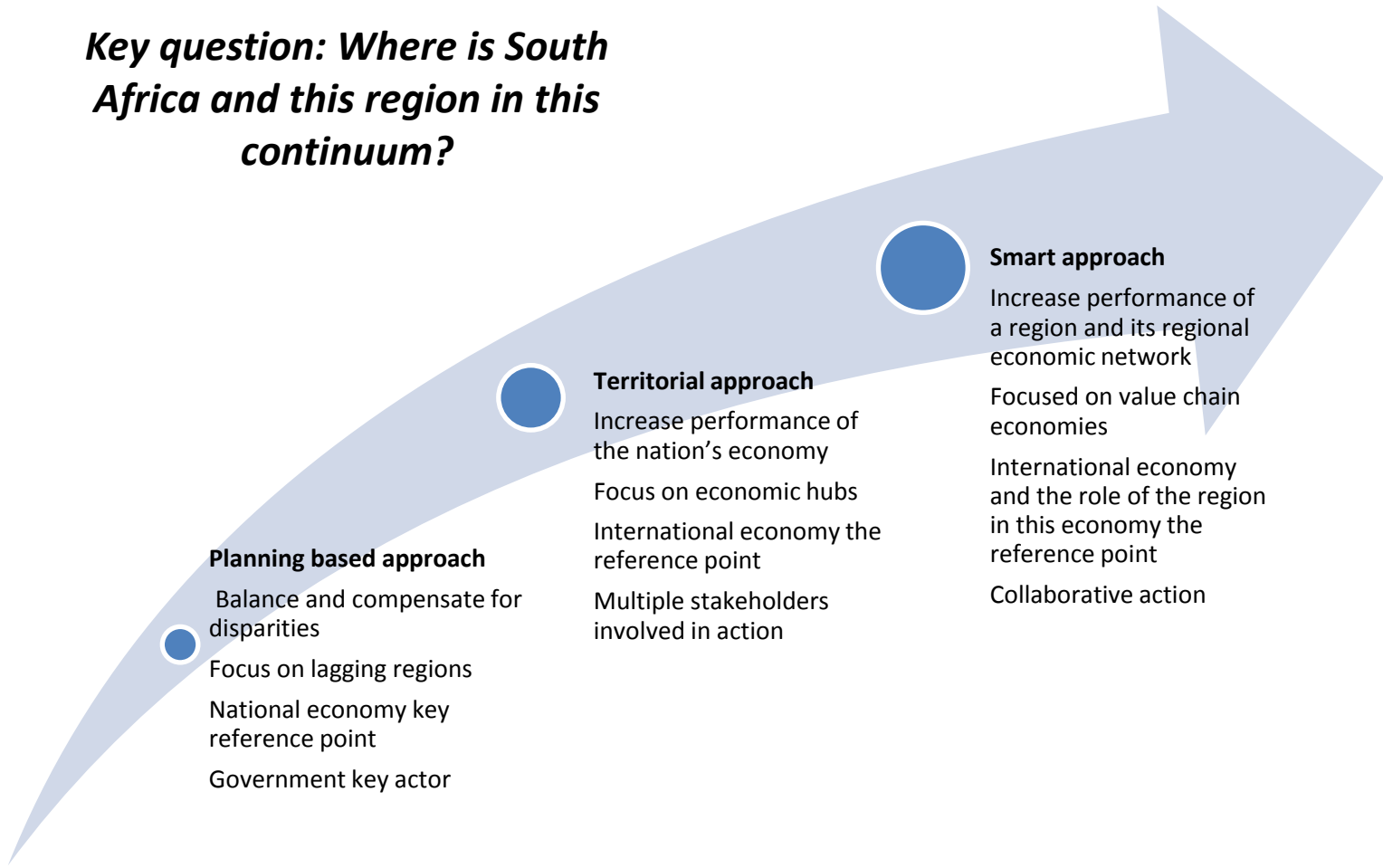


# Regional approaches

- Many different approaches to regional economic development regardless of where in the policy continuum regions are namely:
  - Regulatory approach
  - Infrastructure approach where the provision is large scale infrastructure is used to stimulate economic activity
  - Incentive based approaches such as China's EPZs
  - Collaborative, co-investment approaches such as those used in several EU countries
  - Networked approaches
- ***Key question: What have been SA and this regions dominate approaches?***

# RED policy evolution

***Key question: Where is South Africa and this region in this continuum?***



**Planning based approach**

Balance and compensate for disparities  
Focus on lagging regions  
National economy key reference point  
Government key actor

**Territorial approach**

Increase performance of the nation's economy  
Focus on economic hubs  
International economy the reference point  
Multiple stakeholders involved in action

**Smart approach**

Increase performance of a region and its regional economic network  
Focused on value chain economies  
International economy and the role of the region in this economy the reference point  
Collaborative action

# Space for action

- Regional development in SA is a key but underdeveloped space for action on the economy
- Collaborative rather than transactional space
- About influence rather than authority
- Innovative and creative space
- ***Key question is how do different regions complement each other within the overall national plan and globally***

**RED TOOLS**

# Goals of RED

Requires balancing three different but interdependent goals namely:

- Economic growth: Increased demand for goods and services and improved productivity
  - The growth of a region usually requires changes to how resources are organised, business and investment climate, connectivity and marketing.
- Economic development: Development of targeted sectors, locations, firms and/or people who have the potential to be channels for growth
  - Targeted interventions to support and at this shape the development of a targeted group
- Economic Inclusion: Ensuring the benefits of growth and development are shared in ways which improve participation of people who are otherwise excluded or participating in sub-optimal ways
  - Involves a combination of infrastructure, spatial, skills and education and social support mechanism
- ***Key question: How has this region balanced these goals?***



# Economic growth tools

- Generally supported through tools that raise productivity, increase market access, and stimulate demand side interest. These include RED actions such as:
  - Business and Investment Climate improvements (eg rebates, red tape reduction, fast tracking planning approvals, etc)
  - Interventions that improve the quality of the living environment such as addressing crime and improving settlements
  - Investment Tools and Resources such as incentives and investment agencies
  - Infrastructure – soft and hard
  - High end skills training
  - Marketing and promotion interventions

# Economic development tools

- To support the development of particular firms, sectors, or locations RED process typically focus on:
  - Sector and cluster development programmes and networks.
  - SMEs and Entrepreneurship initiatives and support services.
  - Spatial development initiatives such as urban redevelopment, regeneration programmes and intensive district management.
  - Sites and land redevelopment for specific purposes.

# Economic inclusion tools

- To address inclusion RED strategies typically employ:
  - Addressing spatial inequalities often with better access to opportunity areas.
  - Labour market interventions especially in skills and employment and recruitment practices.
  - Interventions to support the development of new entrepreneurs and firms
  - Preferential procurement and contracting for HDI and smaller firms
  - Social infrastructures such as health, schools, childcare
  - Enabling policies in social welfare such as housing subsidies and child support grants.
  - Community and local economic development.

# Tools

## ***Key questions:***

- *What have been the primary tools used in South Africa and this region to enhance regional economic development?*
- *Have they been the right tools?*
- *What other tools are needed?*

# RED lessons

Regions need:

- An identity that resonates for multiple stakeholders
- A shared vision across stakeholders
- Excellent understanding of markets, customer interests and partner needs
- An enabling economic environment and the right climate for investors
- RED usually focuses on clusters – of firms, industries and geographic areas
- Reliant on relationships between stakeholders, firms in a sector, sectors and neighbouring regions
- Often these benefit from a multi-stakeholder engagement mechanism
- Innovation system that includes research, brokerage and financial capabilities
- Competitive cities supercharge regions and uncompetitive cities are a drag on regions
- Skills and capabilities across multiple industries is key
- A sequenced plan that starts with the quick wins – “step by step by step”
- Successful regions usually are tightly linked and integrated into a larger system of production with other neighbouring regions (e.g East Asian manufacturing complex links regions in China, Taiwan, Japan, Singapore, Vietnam etc playing different roles in value chain)