

Regional Development Strategy

Ministry of Economic Development

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Contents

- [Introduction](#)
- [Executive Summary](#)
- [Background](#)
- [Sustainable Development and Regional Development](#)
- [A Regional Development Strategy](#)
- [Regional Development Programme](#)
- [Implications for Closing the Gaps](#)
- [East Coast](#)
- [Principles of Engagement](#)
- [Parameters of Government Response](#)
- [Consultation](#)
- [Fiscal Implications](#)
- [Legislative Implications](#)
- [Compliance Cost Statement](#)
- [Publicity](#)
- [Recommendations](#)

Introduction

1. This paper seeks Cabinet Committee's agreement to a broad strategy for government engagement in regional development and the principles for that engagement, and for further work to be undertaken on establishing the parameters of government response to regional development including the implementation of a regional development programme.

Executive Summary

2. Regional development is about applying sustainable development on a regional scale. The overall aim is to assist individuals, firms, industries and communities within regions to identify local opportunities, develop capability and capacity to respond to opportunities, and exploit opportunities.

3. Currently there is a piecemeal approach to policy and programmes that assist regions. A wide range of public and non-government agencies are involved in regional and local development policies and initiatives across New Zealand. For the most part, there is little co-ordination of activities horizontally across public and private sectors, within regions, and vertically between the layers of government agencies. 3.

4. Government has a key role to play in regional development by providing leadership to overcome the difficulties associated with the small scale and scope of activities in regions and in improving the effectiveness and reducing the costs of its own policies at the regional level. This involves facilitating local solutions that both reflect the government's clear and credible vision of the future, and employ national objectives to help identify regional priorities.

5. Three key principles on which to base a regional development strategy are:

- a. an approach based on making the most of what the region has rather than solely a vehicle for transfers from prosperous regions to less prosperous regions
- b. engagement with the local community that allows and facilitates the development of local strategies to respond to local opportunities, and that integrates social, environmental and economic concerns
- c. a "whole of government" response where the activities of central government are integrated into regional strategies together with local players.

6. It is proposed that the Government's regional development strategy be developed within a clear and credible vision of the future and national objectives and include:

- a. facilitating and supporting a bottom-up approach to develop a local or regional strategy consistent with national objectives
- b. building capability and capacity and developing regional infrastructure
- c. acting as a catalyst to harness or create significant opportunities (investments or events)
- d. coordinating, within a clear and credible vision of the future and a set of national objectives, the development and delivery of a coherent government response for delivery of tangible benefits for regional development.

7. The overall outcome is not just about lifting the performance of a region itself. Improving the regional environment ultimately aims to contribute to and reinforce individual, business, industry and community development.

8. The regional development approach is consistent with the goal of the Cabinet Committee on Closing the Gaps, to provide Maori, Pacific peoples and all those in lower socio-economic circumstances with the opportunities to control their own development and achieve their own objectives.

9. This approach is also consistent with the outcomes of "*The Forum: Central and Local Government Working Together*" held on 7 March 2000 (POL (00) M 5/1 refers). The local government sector has expressed high expectations of portfolio Ministers working with sector representatives to advance these issues.

10. It is important to have a programme that will offer support and funding for these activities. It is proposed that a new Regional Development Programme be developed to provide financial support for:

- developing local and regional economic development strategies and for undertaking strategic "audits"
- capability and capacity building at the regional level in developing and implementing the strategies
- implementing demonstrator or flagship regional development initiatives.

11. There are a number of key questions to consider for implementing the strategy and programme, including determining what a region is, how to engage with a region, and when to engage. It is also important to define the boundaries of the response the government is prepared to make. Major issues to consider here are funding available for each region, criteria and conditions to be applied, and the extent to which central government is prepared to change what it does.

12. The Minister for Industry and Regional Development, in consultation with the Minister of Finance, the Minister of Maori Affairs and other relevant Ministers, will report back to both Cabinet Economic Development Committee and the Cabinet Committee on Closing the Gaps on 31 May on:

- i. proposals and priorities for the Regional Development Programme
- ii. proposals and priorities for engagement with all regions
- iii. proposals for the government response to regional strategies.

13. The East Coast (Gisborne and Wairoa districts) has been identified as a priority region where a well managed regional development strategy is both needed and could make a real difference. The Ministers of Economic Development, Maori Affairs and Associate Maori Affairs (Economic Development) are working together with local government, iwi and the wider community to develop the regional development strategy and programme to be launched on the East Coast in May 2000.

Background

14. On 10 April 2000 Cabinet agreed that Vote Industry and Regional Development should cover:

- policy advice on the development of policies to directly assist industry and regional development
- the implementation of assistance programmes
- the monitoring and evaluation of assistance programmes (CAB (00) M 12/3 refers).

15. This paper outlines the proposed strategy and approach for regional development. An accompanying paper addresses industry development.

16. Both Labour and Alliance party manifestos outlined directions for regional development. Alliance Party Policy as articulated in Partnership 2000, stated:

"The era of partnership has begun. The Government will work with the private sector, local authorities, Maori economic entities and community groups to meet economic, environmental and social needs at national, regional and local levels."

17. The Labour Party manifesto proposed a Local Economic Assistance Fund (LEAF) to *"encourage the development of local economic initiatives."* Working in partnership with local authorities, the *"specific functions of the LEAF will be to fund:*

- *The research and development of local economic strategies*
- *The identification and development of local economic clusters, and the civic entrepreneurs needed to champion that process*
- *Specific promotional activity*
- *Identified and specific initiatives to secure investment in regions."*

18. There is a clear direction toward partnership between central government and regions, locally driven development, and the need for sustainable development that integrates economic aspirations with social and environmental needs, considering long-term effects as well as short-term.

19. These issues were identified as matters of shared interest at *The Forum: Central and Local Government Working Together* held on 7 March 2000 (POL (00) M 5/1 refers). The local government sector has expressed high expectations of portfolio Ministers working with sector representatives to advance these issues.

20. This provides a context for thinking about regional development in terms of sustainable development. This involves a broad base for thinking about policy and programme objectives that combines economic, environmental and social concerns, using a dynamic perspective that also considers indirect effects in addition to direct effects.

Sustainable Development and Regional Development

21. A focus on sustainable development recognises the wide range of inter-related issues that impact on industry and regional growth and subsequent wealth and job creation, such as human capability, infrastructure, regulations, and the sustainable use of natural resources. An accompanying paper discusses the concept of sustainable

development. Regional development could adopt a narrow focus solely on business and employment growth, but this would ignore significant factors in the environment that impact on individuals, businesses, industries and communities. For this reason a narrow focus would be limited in its ability to create jobs, close the gaps and foster sustainable development. Given this, a broader focus for regional development policy is necessary to weave the issues into a cohesive fabric that will underpin local strategies for sustainable, inclusive growth.

22. Regional development is therefore about applying sustainable development on a regional scale. The aim is to assist individuals, business and communities within regions to identify local opportunities, develop capability and capacity to respond to opportunities, and exploit opportunities. It is an approach based on using local competitive advantages, making the most of available resources, businesses and people, rather than providing a vehicle for transfers from prosperous to less prosperous regions.

23. As indicated in the accompanying paper on sustainable development, a critical next step will be communicating this approach both within the public sector and with key stakeholders, including the development of a clear and credible vision of the future and a set of national objectives. The vision and national objectives will help define the parameters of and priorities for the government's engagement with regions.

A Regional Development Strategy

24. Currently there is a piecemeal approach to policy and programmes that assist regions. A wide range of public and non-government agencies are involved in regional and local development policies and initiatives across New Zealand. There are over 20 government departments involved such as Work and Income New Zealand, the Department of Internal Affairs, the Ministry of Education, the Ministry of Agriculture and Forestry, Te Puni Kokiri, the Ministry for the Environment, the Ministry of Economic Development, the Ministry of Transport, and the Department of Corrections. Local government and economic development agencies play a key role at the regional level. For the most part, there is little co-ordination of activities horizontally across public and private sectors, within regions, and vertically between the layers of government agencies.

25. Given the government's goal of sustainable, inclusive regional development and the existing situation of uncoordinated ad-hoc initiatives, government has a key role to play in regional development. Government is responsible for providing leadership to overcome the difficulties associated with the small scale and scope of activities in regions, and in improving the effectiveness and reducing the costs of its own policies at a regional level. This includes facilitating the development of local solutions that reflect the government's clear and credible vision of the future, and that employ national objectives to help identify regional priorities.

26. It is crucial that a good strategy for government involvement is established. Three key principles on which to base a regional development strategy are:

- a. an approach based on **making the most of what the region has** rather than solely a vehicle for transfers from prosperous to less prosperous regions
- b. **engagement with the local community that allows and facilitates the development of local strategies** to respond to local opportunities and that integrates social, environmental and economic concerns
- c. a "**whole of government**" response where the activities of central government are integrated into regional strategies together with local players.

27. Given these principles, the role of central government is to complement regional activities in four key areas:

- a. facilitate and support engagement with the region and a bottom-up approach *to develop a local or regional strategy* that integrates social, environmental and economic concerns, and builds local co-ordination and co-operation. A key role for the Government is to provide leadership, and in the first instance to act as a catalyst to bring the main stakeholders¹ together to engage in a regional development process
- b. promote sustainable economic development through *building capability and capacity and developing the regional infrastructure* upon which community, business, and individuals rely
- c. act as a catalyst to *harness or create significant opportunities* (investments or events) for regional development
- d. coordinate, within a clear and credible vision of the future and a set of national objectives, the development and delivery of a coherent government response for delivery of tangible benefits for regional development. A coherent government response will involve working across agencies and with regions to define and articulate the possible activities of central government for integration into regional strategies.

28. The regional development approach can then be seen as a process through which a number of people and institutions are mobilised in a given locality to create, reinforce and stabilise development activities using as best possible the resources of the area. It is a bottom-up approach to improve incomes, employment opportunities and quality of life in localities, and add value to economic development, environmental and social policies designed and implemented by central government. The level of government engagement and response will vary across regions according to particular regional economic, social and environmental characteristics.

Regional Development Programme

29. To advance the broad regional development strategy, it is important to have a programme that will offer support and funding for the activities outlined in paragraph 27 above. A lack of capability and resources to research, develop and implement regional economic development strategies is an important issue for many regions. The approach that is proposed is built from LEAF as outlined in the Labour Party policy documents and Alliance regional development policies.

30. A new Regional Development Programme could provide financial support for:

- developing local and regional economic development strategies and for undertaking strategic "audits". This will be particularly important for those regions which have not gone far down the path in developing a comprehensive sustainable economic development strategy
- capability and capacity building at the regional level in developing and implementing the strategies
- implementing demonstrator or flagship regional development initiatives.

31. Principles and parameters for the new Regional Development Programme will need to be developed. Any initiative will need to be consistent with New Zealand's international trade policy commitments. The Regional Development Programme will be managed by Industry NZ.

Implications for Closing the Gaps

32. The regional development approach will have significant implications for closing the gaps. The bottom-up approach is consistent with the goal of the Cabinet Committee on Closing the Gaps, to provide Maori and Pacific people communities with the opportunities to control their own development and achieve their own objectives. Regional development is about self-determination and ensuring that all people are prepared for and able to effectively contribute.

33. This approach will help all people in lower socio-economic circumstances. The overall outcome is not just about lifting the performance of the region as a whole. It is also about improving the position of disadvantaged groups within the region, both for their benefit and so that they can better contribute to the development of the region.

34. Improving the regional environment ultimately aims to contribute to and reinforce individual, business and community development by identifying in each region the aspects that most directly act as a barrier, and acting collectively to lift the standards in that area. This includes:

- educational achievement, literacy and numeracy
- the availability of skilled labour and infrastructure
- values and attitudes.

35. In addition, it is about maintaining and enhancing those aspects of the region which positively contribute to the quality of life in all sectors of the community, including environmental conditions, amenities and cultural activities.

36. As part of the work programme on Closing the Gaps, officials were asked to report on how LEAF will allow Maori to research and develop local economic strategies and identify and develop local economic clusters, prior to reporting to the Cabinet Economic Development Committee (CAB (00) M 10/2F(1) refers). Given the tight timeframes involved in reporting back on the Regional Development Programme, it is proposed that the Minister for Industry and Regional Development, in consultation with the Minister of Finance, the Minister of Maori Affairs and other relevant Ministers, report back to both the Cabinet Economic Development

Committee and the Cabinet Committee on Closing the Gaps by 31 May 2000 on the proposals and priorities for a new Regional Development Programme.

East Coast

37. The purpose of regional development is to make a tangible difference to the lives of New Zealanders. The East Coast (Gisborne and Wairoa districts) has been identified as a priority region where a well managed regional development strategy is both needed and could make a real difference. The Ministers of Economic Development, Maori Affairs and Associate Maori Affairs (Economic Development) are working together with local government, iwi and the wider community to develop the regional development strategy and programme to be launched on the East Coast in May.

38. The lessons and outcomes from this first initiative will feed in to the final Cabinet proposals for the new regional development approach and programme.

Principles of Engagement

39. There are a number of key questions to consider for implementing the strategy and programme.

What is a region?

There is no right answer to this - it will require pragmatic judgement so that regions are neither so large as to be unwieldy or so small that a sensible strategy cannot be developed. The principle should be that within a region economic development outcomes are closely related. Regions include the major cities of New Zealand.

How to engage with a region?

This will need to be region specific as there is no one right way of doing things. As ownership of the strategy and a bottom-up approach matter there is a need to reach as many people as possible. Engagement will need to include local government and all major groups. The process will be ongoing.

When to engage?

It is not possible to have an initial engagement with all regions at the same time. We need to identify priority regions where the initial focus will be. This will be guided by the Government's vision and set of national objectives. The goal will be to have a regional development programme running in all parts of the country by the middle of 2002.

40. It is recommended that the Minister for Industry and Regional Development, in consultation with the Minister of Finance, the Minister for Maori Affairs and other relevant Ministers, report back to both the Cabinet Economic Development Committee and the Cabinet Committee on Closing the Gaps by 31 May 2000 with proposals and priorities for engaging with all regions.

Parameters of Government Response

41. It is important before going too far in the process to define the boundaries of the response the government is prepared to make. The focus of this could be on the new funding available. That, however, would distract from the main game of determining what really matters in an area and working together to achieve it. Major issues to consider here are:

- How much funding is available for each region and what criteria and conditions would be applied?
- To what extent is central government prepared to change what it does?
·Adjustments of departmental activities within appropriations should be possible, but what about moving funds between output classes or between votes? A principle could be that a response is possible as long as it is consistent with the objectives of government policy.

42. These are complicated questions. It is recommended that the Minister for Industry and Regional Development, with the Prime Minister, Minister of Finance and other relevant Ministers, consider the impacts of a "whole of government" approach on government's strategic management, accountability and purchase frameworks.

Consultation

43. The following agencies have been consulted during the preparation of this paper: The Treasury, the Ministries of Education, Agriculture and Forestry, Youth Affairs, Women's Affairs, Maori Affairs, Pacific Island Affairs, Environment, Fisheries, Foreign Affairs and Trade, Health, Housing, Justice, Research, Science and Technology, Transport, Cultural Affairs, Defence, Social Policy; the Departments of Prime Minister and Cabinet, Labour, Conservation, Inland Revenue, Internal Affairs, Corrections, Statistics, Courts, Child, Youth and Family; the State Services Commission, Audit Office, New Zealand Customs Service, Land Information New Zealand, National Library, Public Trust Office, Work and Income New Zealand, and the Education Review Office.

Fiscal Implications

44. There are no fiscal implications associated with this proposal.

Legislative Implications

45. There are no legislative implications associated with this proposal.

Compliance Cost Statement

46. There are no additional compliance costs associated with this proposal.

Publicity

47. A communications strategy around Economic, Industry and Regional Development issues is being prepared in consultation with my office.

Recommendations

48. It is recommended that the Committee

- a. **note** that regional development involves fostering sustainable development at the regional level by assisting individuals, firms, industries and communities within regions to identify local opportunities, develop capability and capacity to respond to opportunities, and exploit opportunities;
- b. **agree** that key principles on which to base government involvement in regional development include:
 - o an approach based on making the most of what the region has rather than solely a vehicle for transfers from prosperous regions to less prosperous regions
 - o engagement with the local community that allows and facilitates the development of local strategies to respond to local opportunities, and that integrates social, environmental and economic concerns
 - o a "whole of government" response where the activities of central government are integrated into regional strategies together with local players;
- c. **agree** that the Government's regional development strategy include:
 - o facilitating and supporting a bottom-up approach to develop a local or regional strategy consistent with national objectives
 - o building regional capability and capacity and developing regional infrastructure
 - o acting as a catalyst to harness or create significant opportunities (investments or events)
 - o co-ordinating, within a clear and credible vision of the future and a set of national objectives, the development and delivery of a coherent government response for delivery of tangible benefits for regional development;
- d. **agree** in principle to the development and implementation of a Regional Development Programme to support the regional development strategy by providing funding for:
 - o developing local and regional economic development strategies and for undertaking strategic "audits"
 - o capability and capacity building at the regional level in developing and implementing the strategies
 - o implementing demonstrator or flagship regional development initiatives;
- e. **note** that any new initiatives will be designed to be consistent with New Zealand's international trade policy commitments;
- f. **note** that the Minister for Industry and Regional Development, in consultation with the Minister of Finance, Minister of Maori Affairs and other relevant Ministers, will report back to both Cabinet Economic Development Committee and the Cabinet Committee on Closing the Gaps on 31 May 2000 on:
 - i. proposals and priorities for the Regional Development Programme

- ii. proposals and priorities for engagement with all regions
- iii. proposals for the government response to regional strategies;
- g. **invite** the Minister for Industry and Regional Development, with the Prime Minister, Minister of Finance and other relevant Ministers to consider the impacts of a whole of government approach on government's strategic management, accountability and purchase frameworks;
- h. **note** that the regional development strategy is consistent with the goal of the Cabinet Committee on Closing the Gaps, to provide Maori and Pacific Island communities with the opportunities to control their own development and achieve their own objectives;
- i. **note** that the Ministers of Economic Development, Maori Affairs, and Associate Maori Affairs (Economic Development) are working together with local government, iwi and the wider community to develop the regional development strategy and programme to be launched on the East Coast in May 2000.

Jim Anderton MP
Minister for Industry and Regional Development

¹A broadly focused, bottom-up approach implies that we need to bring together the local stakeholders from industries, human development and education, infrastructure, service provision, regulation and environmental management sectors.