



### **Regional Development needs a fresh approach.**

'The delivery of regional economic development (RED) in New Zealand needs a far stronger focus than it currently has. The main issue is in how we do it, but strategy and policy could do with a brush up too' says the Chair of Economic Development NZ, Dr David Wilson.

During the last two years as Chair I have witnessed ten regions and their regional development agencies (RDA's) be subject to large scale reviews by their respective council owners with seven experiencing significant changes in executive leadership and re-structures. This is not new, and while readjustment and realignment to regional needs is essential, constant reviews are somewhat endemic. Auckland, Northland, Southland, Manawatu, Rotorua, Nelson are the most recent in a long line.



A recent Local Government NZ (LGNZ, 2016) survey presented at the EDNZ 2017 conference found that Councils on average contribute between 2% and 4% of their total operating expenditure on economic development services. It also found that less than 50% of councils engaged in economic development had a definition of economic development, that it was unclear how councils determined which economic development activities to support, that there were a diverse range of governance arrangements, and a diverse range of services supported, and that a lack of definition and clarity in terms of goals led to poor performance assessment. On the other hand reviews of economic development services show that, for the large part, RDAs are doing extremely well with the resources that they have.

Is this Local Governments fault? Would addressing these findings solve the problem? I do not believe so. Local Government struggles with the question of having to fund what is, for all intents and purposes, a national issue. The real problem is that RDAs are and have been under-resourced for a long time given the task they are confronted with. To demonstrate; the Ministry for Business Innovation and Employment has an operational revenue of around \$3.9Bn, close to 1.5% of GDP. This is before you add in other ministries such as MPI, MSD and TPK who all have regional development programmes and expenditure. All RDAs combined across the country, funded mainly by Local Government, have a total operating revenue of approximately \$200m; 0.007% of GDP. This imbalance is stark.

The real issue is a lack of subsidiarity – that is placing the resources at the level where you can gain the greatest effect. Regional development is an all-of-government issue not a local government issue. Clearly, greater alignment of government efforts and resources is required.

On strategy and policy, there is a level missing in our economic development thinking, that is the regional level. We tend to concentrate on macroeconomics (government settings on things like interest rates, tax and trade) or micro economics (business development). Regional economics is

missing. This meso (middle) level is where the greatest gains can be made and we are muddling through. This is where you can genuinely influence the long term economic structure, capacity and resilience of our regions and thus our national economy. Our regions are big enough to matter, and small enough to influence.

With these things in mind there are a number of solutions that EDNZ will be raising with the new Government including:

- Greater subsidiarity in the system to allow regions some headroom to tailor efforts to improve their economies
- Co-creation of a ten-year national economic development strategy focused on all aspects of economic development, not just business growth, reviewable every three years to align with council long term plans to stimulate quality private sector investment and decision making
- Alignment of economic and social development strategies at a national level; particularly where they cross over in skills development and the development of coherent regional skills programmes to match future skills needs
- A funding framework that enables a portion of wealth generated in respective regions to stay in the regions for investment in strategic economic development projects
- The co – creation of a performance assessment framework for RED that cascades from central government goals but is informed and tailored to assess regional programmes and activities
- Stronger inter-regional strategic alignment and connectivity, for example in infrastructure
- The development of a best practice resource and continuing professional development for economic development professionals
- The appointment of a Minister for Regional Development

‘Growing NZ Inc through the building blocks of local and regional economies needs far more attention than it has had in the past. Regions growing apart is unacceptable and hinders national development. Regional development must be a top priority for the incoming government.’ Said Dr Wilson

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Chair of Economic Development New Zealand

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### **About Economic Development NZ**

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### **About Dr David Wilson**

David is currently the CEO of Northland Inc and Chair of Economic Development NZ.

David has been involved with a wide variety of projects in local and regional economic development, metropolitan, business and industry sector development, corporate citizenship, governance, sustainable economic and socio-economic development.

David Wilson, was previously Director of the Institute of Public Policy at AUT, and took up the role leading the regional economic development agency and tourism organisation Northland Inc in September 2013.

As director of AUT's Institute of Public Policy, Dr Wilson designed and lead an academic programme dedicated to economic development professionals and holds a PhD in regional economic development.

Dr Wilson comes from a commercial background including experience in small, medium and corporate businesses in sales, marketing, product management and business unit management and owned and operated his own retail business for 15 years.

As an academic he played a key role in the design and implementation of the 'Metropolitan Auckland Project' which formed the basis for the Auckland region's economic development plan 2006-2010. He was also on the Metro governance team and the Auckland Regional Economic Development Forum overseeing the plan's implementation and worked on the design of ATEED during transition.