Regional Partnerships and Jumbled Jurisdictions: The Changing Face of Regional Economic Development in New Zealand

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Introduction

Prior to the 1990s, governance for economic development in New Zealand was relatively centralised. Processes of regionalisation and regionalism have subsequently occurred, driven by a mix of neo-liberal and 'third way' policies and at least partly motivated by a period of increased regional economic disparities. This has resulted in a fragmented regional governance environment of overlapping service regions and jurisdictions for economic development. Overlaying this framework, over the past four years the Ministry of Economic Development has fostered the bottom-up establishment of 26 economic development regions. This paper discusses the roles of central government, local government and non-government organisations as key partners in this new environment. It begins with an overview of New Zealand's recent economic history and accompanying institutional reforms, followed by a description of the key agencies involved in regional economic development in contemporary New Zealand. The paper concludes with a discussion of the importance of partnerships for regional economic development.

1 The views expressed in this paper are those of the authors and do not necessarily reflect the views of any organisation with which the authors are affiliated. The intention of these views is to inform and stimulate wider debate. The authors would like to acknowledge feedback on earlier drafts from Dorian Owen, David Gait and Tracy Wilkinson.

New Zealand's Recent Economic History

Until the late 1960s New Zealand was recognised as having a relatively high average standard of living and low income inequality. Due to such features as its small population, central wage determination and uniform pricing of commodities, there was little concern about disparities in regional economic performance. Governance was highly centralised and economic policy tended to be interventionist.

Social problems associated with regional depopulation and unemployment began to emerge after the recession of 1967-68. In the early 1970s central government established a top-down Regional Development Programme to stimulate growth and expand local industries. 'Think Big' infrastructure projects were initiated in the late 1970s as part of a drive towards greater national energy self-sufficiency and to kickstart the utilisation of resources in specific provincial regions (Karagedikli *et al.* 2000, pp 326-327). Despite these and various other interventions, New Zealand continued to experience national economic growth of only around half the OECD average. Evidence also shows continued disparities between provincial and metropolitan regions in terms of average income, unemployment and other negative outcomes up to at least the mid-1990s (e.g. Population Monitoring Group 1989; Smith 2000; Karagedikli *et al.* 2000). The combined effects of globalisation, industry agglomeration and rapid economic reforms had a particular impact on regions that relied on primary production and manufacturing.

In the decade 1992-2001 New Zealand experienced a revived economic growth rate above the OECD average, including very strong economic activity during the latter four years of global downturn. National economic growth has been almost twice that of Germany and nearly three times that of Japan over the past decade (Kerr 2003). However, New Zealand now faces a capacity constraint due to skill shortages in many industries, and socio-economic disparities remain between urban and rural regions.

Regional Governance for Economic Development in New Zealand

In the period that followed the election of the Fourth Labour Government in 1984, the accepted wisdom was that market forces would ensure national economic growth eventually 'trickled down' to provincial areas. Central government disengaged from many functions in keeping with its broader agenda of 'Washington consensus' initiatives (Williamson 1994). Features of this agenda included increased fiscal discipline, redirection of public expenditure priorities and privatisation of public assets. Resulting service gaps have been filled, often by default, by a mix of private enterprise, non-profit organisations and territorial authorities (McKinlay 1990). The result has been a process of 'regionalism' (Bellamy *et al.* 2003) – a bottom-up trend in which communities demand a greater role in development initiatives. Overlaying this, in recent years there has also been a process of 'regionalisation' (Bellamy *et al.* 2003) by central government – the top-down creation of regions to improve service delivery. In summary:

- A number of central government departments and entities have been restructured into regionally-based offices;
- The Local Government Amendment Act 1989 rationalised a more complex regional governance environment into sixteen regional council areas and 74 city and district councils (territorial authorities);
- Regional councils, territorial authorities and tertiary education institutes have been given increased statutory responsibilities for regional development;
- New non-government organisations have emerged and some existing NGOs have taken on increased importance in relation to regional development;
- The economic potential of Maori tribal and sub-tribal organisations has grown through the restoration of land and other resources; and
- Central government has established a Ministry of Economic Development and a Crown entity (New Zealand Trade and Enterprise) with an explicit focus on regional development.

The outcome is summarised in Table 1. Despite an intention by central government to rationalise regional governance there is now a jumble of jurisdictions. A summary follows of the role and regional structure of the key agencies engaged in New Zealand's complex and fragmented economic development environment.

Table 1: New Zealand's regional development environment

Regional agencies	Functions	Type
New Zealand Trade and Enterprise	Information sharing, coordination and co-funding to support economic development in 26 self-identified economic development regions, including the metropolitan regions of Auckland and Wellington.	Central government entities
Department of Work and Income	Employment-search, income support services and social development initiatives, delivered through 11 regional offices.	
Te Puni Kokiri (Ministry of Maori Development)	Promotion of higher socio-economic achievement for Maori, delivered through 13 regional offices.	
Tertiary Education Commission	Funding of all post-compulsory education and training, and fostering of education development initiatives, delivered through 11 regional offices.	
Territorial local authorities	Provision and maintenance of physical infrastructure, town planning, regulation services, recreational services, enablement of community-specific decision-making and action, and promotion of sustainable development for New Zealand's 74 territorial authority areas.	Autonomous statutory entities
Regional councils	Management and regulation of effects on the physical environment, land transport planning, contracting of passenger services, enablement of regional decision-making and action, and promotion of sustainable development in New Zealand's 16 regional council areas.	
Community trusts	Investment and regional distribution of funds for charitable and other purposes, sometimes including economic development.	
Economic development agencies	Information sharing, coordination and advocacy for the promotion of region-specific development.	Non-government entities
Chambers of Commerce	Information sharing, coordination and advocacy on behalf of (primarily) small to medium sized enterprises.	
Industry clusters and associations	Leadership, information sharing and coordination on behalf of specific industry groups.	
Maori trusts and incorporations	Promotion of development for Maori businesses and communities.	
Tertiary education providers	Provision of post-compulsory education and training, and active collaboration and cooperation with businesses, communities and Maori organisations.	

Adapted from Killerby and Smith 2001.

Note: A wide range of other government and non-government agencies also contribute to regional development (e.g. Community Employment Group of the Department of Labour; Community Development Group of the Department of Internal Affairs; Ministry of Agriculture and Forestry; Ministry of Fisheries; district health boards; regional tourism organisations; private gaming trusts, etc).

New Zealand Trade and Enterprise

Since 1999, New Zealand's national economic development agenda has been augmented by concerns for social cohesion and regional development (Treasury 1999). This has included a commitment to modest levels of economic intervention through a newly-formed Ministry of Economic Development (MED) and an associated Crown entity now known as New Zealand Trade and Enterprise (NZT&E). NZT&E's responsibilities include an industry and regional development portfolio that provides funding and other assistance for strategic planning and development.

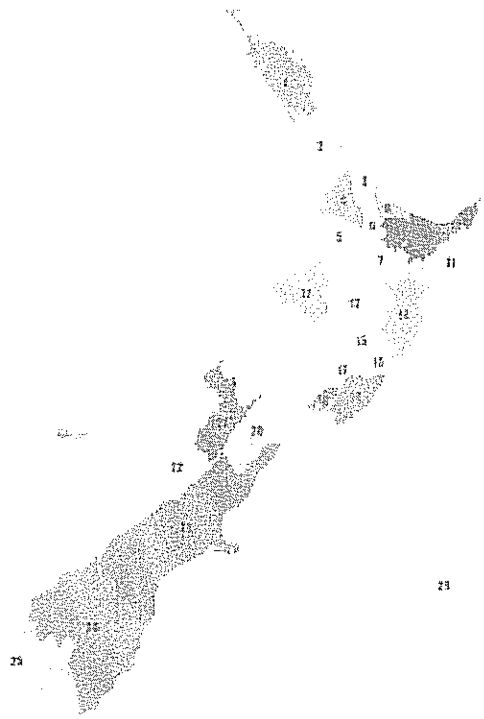
The cornerstone of NZT&E is the Regional Partnership Programme (RPP), which is designed to encourage endogenous economic development in cities and provincial areas. Regional partnerships typically include a context-led mix of government and non-government organisations which collaboratively identify local development priorities and implement an agreed regional strategic plan. Similar initiatives exist in other OECD countries (Schöllmann and Dalziel 2002; Macpherson 2003; Dalziel *et al.* 2003).

The initial goal of the RPP was to develop around 20-30 economic development regions characterised by a strategic vision based around regional economic strengths. The co-funding component involved up to NZ$100,000 per region for strategic planning, a further NZ$100,000 for capability-building and up to NZ$2 million for a 'major regional initiative' (MRI). The programme has led to the creation of 26 self-identified economic development regions which include regional council areas, individual territorial authority areas (cities and districts) and clusters of territorial authority areas (refer Figure 1). To qualify for funding, regions are required to demonstrate active collaboration between key stakeholders. A number of regions have now qualified for their initial round of MRI funding, which is instigating new technology parks, centres of research excellence and other initiatives. Some regions are now well into their 'second round' of RPP funding and are also thinking creatively about other funds that are available through NZT&E (e.g. for sector-specific cluster development, education-led initiatives, and projects that foster an enterprise culture).

Department of Work and Income

The Ministry of Social Development (MSD) was established in 2001 through amalgamation of Work and Income New Zealand (WINZ) with the Ministry of Social Policy. Although the merger was initially criticised for its haste, it is now recognised as the precursor for a drive towards 'joined-up government' (James 2001). Under the previous administration, the Ministry of Social Policy had been built into a major agency that incorporated social welfare policy, disabilities, labour and other portfolios. WINZ was itself a hybrid of income support and employment services, administering more than NZ$13 billion of transfer payments annually. The current administration's intention is that the re-branded Department of Work and Income (DWI) will be the social equivalent of NZT&E, with an increasing focus on social investment for sustainable development.

Figure 1: Economic development regions

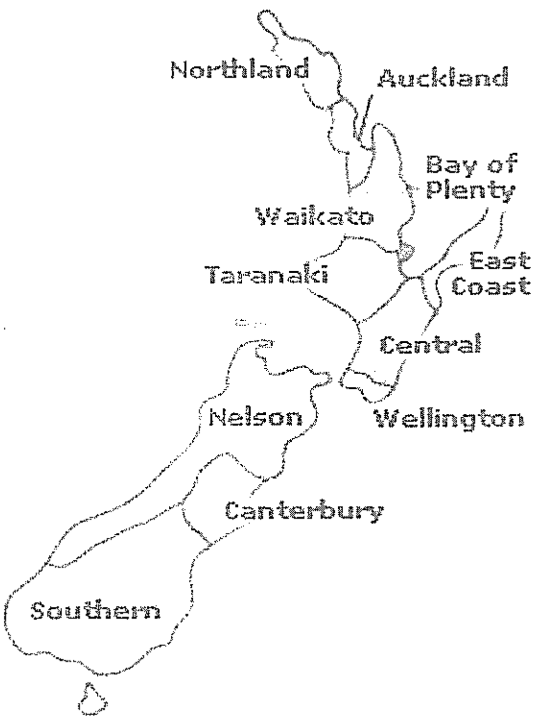


1. Northland
2. Auckland
3. Coromandel
4. Waikato
5. King Country
6. South Waikato
7. Taupo
8. Western Bay of Plenty
9. Rotorua
10. Eastern Bay of Plenty
11. Tairawhiti
12. Taranaki
13. Wanganui/ Ruapehu/ Rangitikei
14. Hawke's Bay
15. Manawatu
16. Tararua
17. Kapiti/ Horowhenua
18. Wairarapa
19. Wellington
20. Marlborough
21. Nelson/Tasman
22. West Coast
23. Canterbury
24. Otago
25. Southland
26. Chatham Islands

Source: New Zealand Trade and Enterprise website

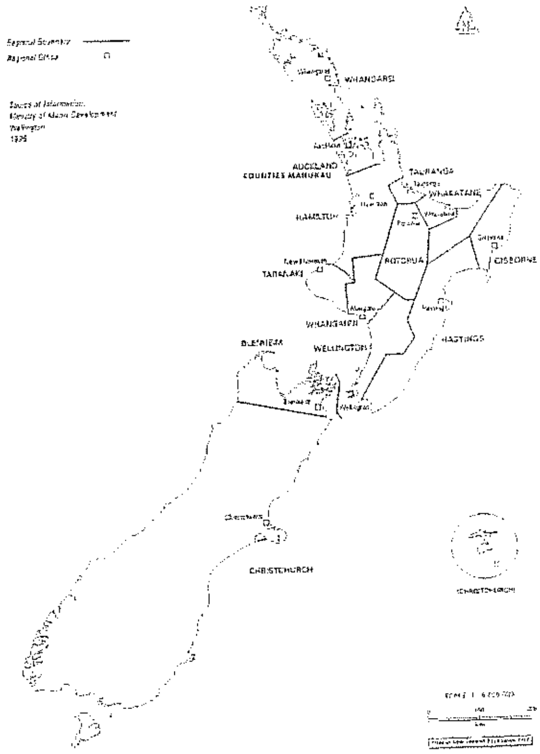
DWI inherited a regional structure of 11 service delivery offices, each of which undertakes strategic planning to ensure it is responsive to local needs (see Figure 2). In some cases the DWI regional boundary corresponds with a single economic development region (e.g. Northland, Auckland), while in other cases the regional DWI staff liaise with key partners in three or more separate economic development regions (e.g. Bay of Plenty, Central). Some offices were recently combined to create a total of nine regions nationally (see Figure 3). The new regional structure was based on consideration of tribal boundaries, geography, relationships with other government agencies, numbers of Maori living within each region, and deprivation statistics (TPK 2004, p 16). As with DWI, some TPK offices are now finding they are liaising with key partners across a variety of different NZT&E economic development regions (e.g. in the Waikato and Bay of Plenty areas).

Figure 2: Social development regions



Source: Ministry of Social Development website

Figure 3: Maori development regions as at March 2004



Source: Te Puni Kokiri 2004

Te Puni Kokiri

Established in 1992, the Ministry of Maori Development – Te Puni Kokiri (TPK) – plays a significant role in economic development through its dealings with Maori organisations and incorporations. A key focus involves working with Maori businesses and communities to establish development strategies and build capacity. The Ministry also works closely with other government agencies to ensure a Maori agenda is incorporated into national and regional decision-making. Until mid-2004, TPK delivered services and funding through 13 regional offices.

Tertiary Education Commission

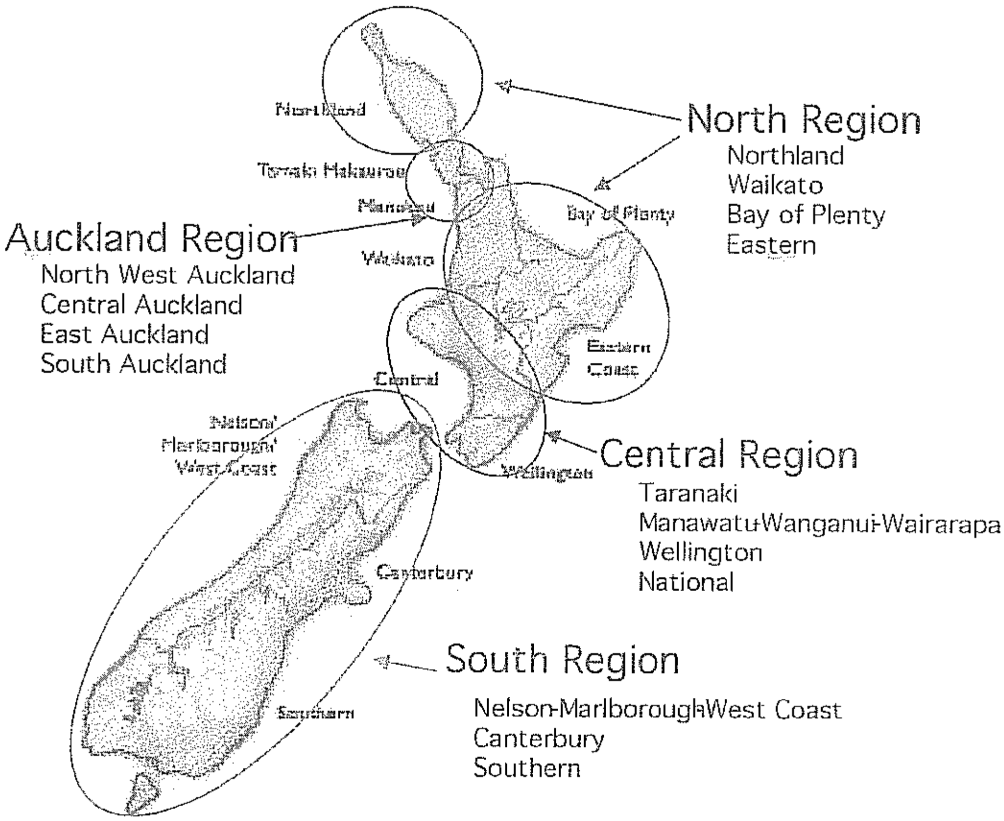
The Tertiary Education Commission (TEC) was established by statute in 2002, amalgamating the former funding agency for post-compulsory training (Skill New Zealand) with much of the tertiary education component of the Ministry of Education. TEC is now responsible for funding all post-compulsory education and training offered by universities, tertiary institutes, colleges of education, waananga (Maori tertiary institutes), private training establishments, foundation education agencies, industry training organisations and adult and community education providers. One of its key roles is to oversee the implementation of the Tertiary Education Strategy 2002-07 (TES), including an active role in facilitating collaboration and cooperation between the tertiary education system and other stakeholders. Its interim Statement of Tertiary Education Priorities 2002-03 encourages tertiary education institutes to establish institutional Charters and Profiles that value engagement in regional economic and community development.

During 2003-04 TEC undertook an organisational review which included a re-structuring of regional service structure. As a result, TEC moved from 11 regional areas to just four regional areas containing 15 area offices (plus satellite offices in Tauranga and Gisborne). Figure 4 shows the former regional boundaries overlaid by the four new regions with their area offices listed. The disparity between TEC's structure and that of other agencies and organisations requires some area offices to liaise with key partners across a variety of economic development regions.

Territorial local authorities

Since the late 1980s, institutional reforms have facilitated stronger governance powers for regional councils and territorial local authorities (TLAs). The *Local Government Amendment Act 1989* gave TLAs (city and district councils) a broad mandate to contribute to the social, economic and infrastructure development of their communities, along with considerable discretion in terms of rating policies, level and range of services provided and methods of service delivery (Wallis and Dollery 2000). In response, many began to play a greater role in economic development on behalf of their communities, including tourism-focused business district upgrades, branding, co-ordination of marketing efforts and facilitation of industry clusters (Local Government New Zealand 2001a). There has also been an emerging focus on employment and training issues through initiatives such as the Mayors' Taskforce for Jobs.

Figure 4: Proposed tertiary education regions as at February 2004



Source: Tertiary Education Commission

The regional framework created by the *Local Government Amendment Act 1989* comprises 74 TLAs, including four unitary authorities (i.e. regional councils with TLA responsibilities) (refer Figure 5). The architects of the Act tried to ensure the new configuration encompassed identifiable communities of interest (Wallis and Dollery 2000, p. 10). In the case of the regional council boundaries, consideration was also given to major river catchment areas.

Most of New Zealand's 26 economic development regions comprise a cluster of two or more TLA boundaries. Hence, sustaining the effectiveness of the economic development regions requires TLAs to engage in ongoing partnerships with adjacent councils and other stakeholder agencies. In parallel with this, the *Local Government Act 2002* has an explicit focus on inter-agency collaboration and public engagement.

Figure 5: Territorial local authority regions

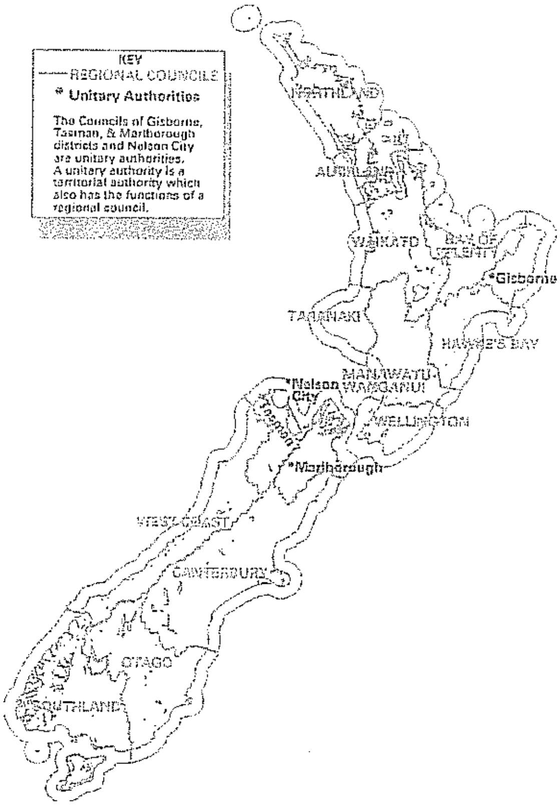
Source: Local Government New Zealand website (a)

In particular, section 12(1)(e) enshrines inter-agency and intra-regional collaboration as a key principle of local government and section 13 requires all TLAs within each region to establish triennial agreements containing protocols for communication and co-ordination. The Act also requires councils to adopt a facilitation and leadership role, engaging their constituencies to identify key community outcomes and fostering collaborative efforts to achieve these. Most TLAs (if not all) have identified economic development as a key community outcome, and many are currently reallocating resources into what has historically been a non-core activity.

Regional councils

Reorganisation of the local government sector over much of the past fifteen years has been characterised by a concern that regional councils should not become so powerful that they override the interests of TLAs (Wallis and Dollery 2000). Until recently, regional council responsibilities were defined primarily in terms of environmental management, though not completely excluding involvement in social and economic development activities. There was some post-reform polarisation in the approaches of different regional councils, with some favouring a literal interpretation of their environmental protection mandate and others preferring a more holistic approach to regional governance. The *Local Government Act 2002* was a change of direction from previous legislative reforms, defining the new purpose of regional councils as 'to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future'. In response, many regional councils are expanding their role in social and economic development, including the provision of funding and other support for regional growth strategies and the formation and fostering of new partnerships for economic development. There are 16 regional council areas, including the four unitary authorities (see Figure 6). Some regional councils have assumed a coordination and liaison role in relation to economic development, enabling more effective collaboration between TLAs, central government departments and other regional partners. A number of regional council boundaries correspond with a single economic development region, while others cover three or more (e.g. Waikato, Bay of Plenty).

Figure 6: Regional council regions



Source: Local Government New Zealand website (b)

Community trusts

A relatively unique aspect of New Zealand's regional development environment is the role of regionally-based statutory community trusts. The model arose from a philosophy that economic reforms should be pursued 'in the interests, as perceived by government advisors, of maximising taxpayer wealth' as opposed to government wealth (McKinlay 1999, p. 8). This philosophy was reflected in Treasury's 1987 brief to the incoming government, which argued that the proceeds from the privatisation of public assets should accrue to the true owners (e.g. taxpayers) by way of a share allocation. Over the period 1988 to 1992 community trusts were formed through deregulation and corporatisation in the banking, electricity distribution and infrastructure sectors. The banking reforms resulted in 11 regional community trusts throughout New Zealand which regularly distribute profits to community groups from an asset base of more than NZ$2billion. Community trusts arising from other reforms have added to the jumble of jurisdictions. The overall value of assets held by community trusts is in excess of NZ$5 billion. Each trust has a relatively high degree of autonomy, and several have become directly involved in economic development initiatives (e.g. in Northland, Otago and Southland). McKinlay (2002, p. 14) argues that in cases where a trust's deed of incorporation does not currently allow it to invest directly in economic development, trustees have a moral responsibility to seek changes to the deed so that public wealth is distributed in a way that optimises public benefit.

Economic development agencies

Regional development gained a new face in 1996 with the inception of the Economic Development Agencies of New Zealand (EDANZ). Members include a mix of territorial authorities and non-government organisations. EDANZ promotes regional alliances through networking and information sharing and lobbies in support of regional development issues. EDAs are proactive in developing a wide range of regional initiatives, and are often the service delivery end of Regional Partnership Programme initiatives in NZT&E's 26 economic development regions. EDAs are increasingly recognised as a key agency for establishing regional coherence across various jurisdictional boundaries.

Chambers of Commerce

There are at least 31 Chambers of Commerce throughout New Zealand, representing more than 20,000 businesses. These non-government organisations play an important role in supporting small to medium sized enterprises (SMEs), including their role in promoting partnerships with central and local government and EDAs. Large metropolitan Chambers of Commerce have a long recognised lobbying role at the central government level.

Industry clusters and associations

In recent years both the business sector and government have been actively pursuing the formation of industry clusters to create competitive advantage (Cluster Navigators 2001). Industry clusters have been shown to create economic opportunities through innovation, information sharing and coordination (Porter 1990). While many of these initiatives are at the national level, there is also increasing recognition of the importance of industry clusters in addressing regional issues (e.g. Rowe forthcoming). In late 2002 NZT&E initiated an Industry Cluster Development Programme that provides grants for cluster facilitation in key industries. With or without government support, industry clusters and associations are playing an increasingly important role in regional development initiatives, often through networking with EDAs in support of SMEs.

Maori trusts and incorporations

In 1994 a NZ$1 billion appropriation was established for the settlement of historical grievances between Maori and central government. To date more than NZ$647 million has been committed for settlement with claimants throughout New Zealand (Office of Treaty Settlements 2003). Overall the Maori commercial asset base earns more than NZ$1.9 billion annually (NZIER 2003, p. 5), including an estimated NZ$700 million in agricultural revenue and NZ$299 million in fishing revenue. The restoration of assets, including land, fisheries, geothermal and other resources has prompted a significant and growing number of trusts and incorporations undertaking economic activities. Maori organisations have a major vested interest in geographically-based development initiatives, and are taking an increasingly active role in regional partnerships.

Tertiary education providers

As noted above, the Tertiary Education Strategy defines a new role for tertiary education providers, emphasising the importance of strong relationships with other sectors to support greater innovation and higher productivity. A system of Charters and Profiles requires tertiary education providers to articulate their strategic focus on the basis of community needs, particularly in relation to Maori and Pacific communities. There is some evidence that international exemplars are informing the development of links between tertiary education and community regeneration (Macpherson 2003). In parallel with this, NZT&E and other government entities have instigated the Polytechnic Regional Development Fund to strengthen partnerships between tertiary institutes, industry, economic development agencies and Maori organisations. To qualify for funds tertiary institutes must develop proposals in partnership with key stakeholders and demonstrate coherence with regional development strategies.

Discussion – Partnerships and regional development

Case study and empirical evidence suggests that collaborative decision making is an important prerequisite to collective action and sustainable development (Narayan and Pritchett 2000). In the words of Ostrom (2000, p. 199): 'The greater the level and salience of the potential joint benefit and the existence of a supportive political system, the higher the probability that collective action will be undertaken'. Additional benefits from a partnership approach are realised through the accumulation of social capital in the form of new structures, processes and relationships (Killerby and Wallis 2002). Social capital is increasingly recognised as a key determinant of economic performance (e.g. Bollard and Choy 2000; Narayan and Pritchett 2000). It is typically defined as an umbrella term that includes trust, cooperation and networks that facilitate collective action (e.g. Putnam 1993, p. 167). Broadly defined, social capital encompasses norms and networks within the institutional environment as well as within civil society.

Partnership approaches to regional economic and social development are undergoing a renaissance in New Zealand. On the one hand, regional partnerships are a practical necessity for the effective delivery of policy programmes in a fragmented institutional framework. On the other hand, there has been a resurgence of interest at various levels in the application of community development principles and processes to alleviate adverse regional trends. Experience has been that New Zealand can no longer rely on its traditional national advantage in primary resource production, but must instead forge national and regional strategies to build on strengths and mitigate weaknesses (e.g. distance from global markets). The more recent period of renewed economic growth has brought new development challenges. Examples of recent regional partnership initiatives in New Zealand include the Northland Sustainable Economic Development Strategy (Killerby 2001), Eastern Bay of Plenty Economic Development Strategy (Kamau-Herring *et al.* 2002), Rotorua Employment Skills Strategy (Killerby and Rawson 2003), Auckland Regional Economic Development Strategy (Rowe forthcoming) and others (e.g. Local Government New Zealand 2001a and 2001b; Dalziel *et al.* 2003).

An obvious policy question is whether or not the jumble of jurisdictions in New Zealand helps or hinders the regional partnership approach. The existence of the jumble means that the replication or extension of successful initiatives to other regions or sub-regions may require the formation of new partnerships with differing sets of agencies. While this necessarily involves costly duplication and increased complexity in terms of planning and relationship-forming, it can also generate long term benefits as an investment in 'governmental social capital' (Knack 1999; Ahn and Hemming 2000). In addition, agency participation in a diverse range of regional partnerships may stimulate more creative solutions to regional development issues.

Given the importance of trust, cooperation and information-sharing as the holy trinity of social capital (e.g. Woolcock 2001), a number of additional lessons may be drawn in relation to the roles of regional partners. First, all agencies need to be aware of their respective mandates within the context of the overall social and economic development environment. Gone are the days when an agency could autonomously undertake a major development activity. Within the new framework, planning and decision-making must occur as part of a process of collaboration rather than a one-off consultation for accountability purposes.

Second, New Zealand's economic development regions have inherited a complex mix of national and regional strategies that were formulated in the absence of a unified vision of community regeneration. The *Local Government Act* creates a framework whereby regional councils and territorial local authorities are expected to facilitate greater strategic coherence and foster mutually beneficial alliances between and within regions. Many councils are currently grappling with how to integrate the existing patchwork of top-down and bottom-up strategies into their community outcomes process to increase transparency and public accountability. Regional councils face a particular challenge in forging an appropriate role for themselves within the regional economic development framework.

Third, non-government organisations are an integral part of the regional governance environment. For example, partnerships have emerged in which community trusts invest capital in public infrastructure projects subject to maintenance by territorial authorities. There is considerable scope for new partnerships for collaborative investment in strategic infrastructure (e.g. regional databases and economic development personnel). Maori businesses and organisations will also play an increasingly important role in regional development. Maori need to ensure they have effective, mandated organisations that can contribute effectively within the regional development framework. This may involve the establishment of new pan-tribal organisations with expert governance and management (NZIER 2003, pp. 89-98).

Fourth, regional development should ideally become more evidence-based as the structures for resource allocation become established. As yet there is little empirical evidence to evaluate the success of regional partnerships in New Zealand or elsewhere (Dalziel *et al.* 2003). Effective monitoring and evaluation processes should be planned and implemented, and capacity for this task should be built up in a way that is congruent with the partnership model. There may be a key role for tertiary education providers in undertaking semi-independent collaborative research. In addition, more cooperation is required between government departments, regional councils, TLAs and EDAs to establish a statistical monitoring framework for New Zealand's 26 economic development regions which supplements the existing national statistical framework.

Finally, it should be emphasised there is no blueprint for regional governance because different solutions are required to suit different contexts (Rush 2002; Bowles and Gintis 2002, p. 429; Bellamy *et al.* 2003, p. 16). The key requirements for a successful collaborative regional strategy are a unified national vision expressed as policies and processes, strong local leadership, and inter-agency collaboration. Having achieved this, the focus of key agencies should be on processes and structures that support capacity building, trust, cooperation and information sharing.

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