



Australian Government



Regional
Development
Australia

Strategies for regional growth

Regional Development Australia Factsheet No.1

Regional growth strategies help to guide decisions on growth, change and development in regions, and form a foundation for economic and community development.

The early focus for regional development in Australia and elsewhere was on reducing disparities between regions. The approach saw funds allocated to disadvantaged regions in an attempt to equalise standards of living, infrastructure or employment. Overall, the results of these policies in different countries were disappointing, with little consistency in economic outcomes for the regions where resources were invested. This led to a shift in policy goals and implementation mechanisms towards integrated regional development plans and strategies. The main objective now in many OECD countries is to tap underutilised potential in all regions within a country to enhance regional and national competitiveness.

Key policy approaches recommended by the OECD include a mix of soft and hard capital (including capital stock, labour market, business environment, social capital and networks).

OECD research shows that integrated regional development plans and strategies incorporating the following policy initiatives are most likely to be successful:

Investing in infrastructure

- Infrastructure is important, but needs to be implemented along with human capital and innovation initiatives for it to have an impact on growth.
- Growth outcomes are most likely to appear when supported by economic specialization, innovation, and integrated and consistent governance in the region.
- OECD analysis suggests that it takes about three years for infrastructure investment to positively influence growth in regions.

Investing in people and providing jobs

- Regions with well-educated populations generally grow faster than others.
- A more flexible labour market reduces unemployment and creates jobs.
- Improving the skills and competences of the workforce, especially the population that is highly attached to their regions of origin (for example, adult learners who are less mobile than younger students), has positive outcomes.
- Investment in tertiary education takes about three years to have a positive impact on regional growth.

Promoting innovative regions

- There is a desire to support domestic firms to become more competitive.
- Cluster policies and similar instruments have been useful to build co-operation and exchange among firms.
- The focus has now shifted towards innovation policies.
- Innovation positively influences regional growth rates.
- However, innovation is a longer-term process and initiatives to foster innovation appear to have a positive influence on regional growth after five years or so.

Higher education institutions help foster regional innovation

- Many higher education institutions have taken steps to respond better to the needs of the regions in which they are located, and are now involved in regional engagement, urban planning, and perhaps, most significantly, collaboration with firms.
- Reforms in the governance of universities can increase their flexibility and autonomy and, thereby, promote better interaction among universities, public research organisations and firms.

Australia Government regional development policy initiatives are consistent with the OECD research and include:

- Investment of \$26.7 billion on road and rail infrastructure through the Nation Building Program over the 6 year period from 2008/09 to 2013/14.
- Investment in tertiary education and research, and supporting innovations in strategic sectors.
- Providing funding for the construction or refurbishment of a building in rural and regional primary schools, with further funding for maintenance and minor works for all schools.
- The Regional and Local Community Infrastructure Program, part of the Nation Building Economic Stimulus Plan, has more than \$1 billion available to local authorities to build and modernize community infrastructure.
- The Regional Development Council, comprising Ministers from the Australian Government, State/Territory governments, and the New Zealand government as well as the Australian Council of Local Government. The aim of the Regional Development Council is to facilitate more effective cooperation across all spheres of government in order to achieve sustainable economic, social and environmental outcomes for regional Australians.
- The Australian Council of Local Government – a consultative forum for all local governments in Australia on the delivery of local infrastructure and services.
- Regional Development Australia, where the Australian and State/Territory governments are establishing a network of regional advisory committees, with aim of engaging communities, encouraging regional development activities, and improving the delivery of government programs.

For Further Reading:

OECD (2009), How Regions Grow, available at <http://www.oecd.org/dataoecd/18/45/42446805.pdf>

OECD (2009) Roundtable on regional policy, available at <http://www.oecdobserver.org/news/fullstory.php/aid/2852/>

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