Re-thinking the role of regional development funds in South Africa: Reflections on international experience

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Abstract

In 2010 the national government actively considered the introduction of a regional development fund to support the objectives of regional development in South Africa. Against this backdrop, this article critically reviews the historical application of regional incentives under apartheid and the recent international application of regional development funds. It is argued that a narrow focus on regional incentive funds represents an element of the 'old' paradigm of regional theory and regional development practice. In addressing the widening imbalances that exist in the space economy of contemporary South Africa it is prudent to link the application of 'regional development funds' to the modern paradigm of regional development planning. Within this framework, the regional development fund is no longer simply an enterprise-oriented fund centred on manufacturing. Instead, the regional fund is re-defined as a channel for supporting wider comprehensive interventions across multiple sectors and targeted to build regional competitiveness.

HEROORWEEG DIE ROL VAN STREEKSONTWIKKELINGSFONDSE IN SUID-AFRIKA: REFLEKSIE OP INTERNASIONALE ERVARING

In 2010 was die bekendstelling van 'n streeksontwikkelingsfonds om die doelwitte van streeksontwikkeling in Suid-Afrika te ondersteun aktief oorweeg deur die nasionale regering. Teen hierdie agtergrond gee hierdie artikel 'n oorsig oor die historiese toepassing van streeksvergoeding onder apartheid en die huidige internasionale toepassing van streeksontwikkelingsfondse. Daar word geargumenteer dat 'n klein fokus op streeksvergoedingsfondse 'n element van die 'ou' paradigma van streeksteorie- en streeksontwikkelingspraktyke verteenwoordig. In die aanspreek van die wye ongebalanseerdhede wat in die ruimte-ekonomie van kontemporêre Suid-Afrika bestaan, is dit wys om die toepassing van 'streeksontwikkelingsfondse' te koppel aan die moderne paradigma van streeksontwikkelingsbeplanning. Binne hierdie raamwerk, is die streekontwikkelingsfonds nie meer slegs 'n besigheidsgeoriënteerde fonds gesentreerd vir vervaardiging nie. In teendeel, die streeksfonds is herdefinieer as 'n kanaal om wyer alomvattende ingryping tussen verskeie sektore te ondersteun en word geoormerk om streeksmededinging te bou.

HO TADIMA HAPE MOSEBETSI WA MATLOLE A NTSHETSOPELE A LEBATOWA HO LA AFRIKA BORWA: TSE HLAHELANG MABAPI LE DIKETSAHALO TSA LEFATSHE LOHLE

Ka selemo sa 2010 ho kenngwa tshebetsong ha letlole la ntshetsopele la lebatowa ho tshehetsa maikemisetso a ntshetsopele ya lebatowa ho la Afrika Borwa ho ileng ha bewa leihlo haholo ke mmuso wa setjhaba. Tshallong morao ena, pampiri ena e tadima hape ka thata tshebediso ya dilemo tse fetileng ya ditjhelete tsa dikgothaletso tlasa mmuso wa kgethollo le tshebediso ya lefatshe lohle ya moraonyana tjena ya letlole la ntshetsopele ya lebatowa. Ho na le ngangisano ya hore ho na le tsepamiso e tshesanyane e beilweng ho matlole a kgothaletso a lebatowa a emetseng mokgwa wa kgalekgale wa kgopolo ya lebatowa esitana le phethehatso ya ntshetsopele ya lebatowa. Ho buisana ka ho sa lekalekaneng ho batsi ho etsahalang lefapheng la moruo Afrika Borwa ya kajeno ho a hlokeha ho hokela tshebediso ya matlole a ntshetsopele ya lebatowa ho moralo o motjha wa ntshetsopele ya lebatowa. Setshwantshong sena, letlole la ntshetsopele ya lebatowa ha e sa hlole e le letlole la tse shebaneng le tsa kgwebo feela le theilweng hodima tlhahiso. Ho ena le hore ho be jwalo, letlole lena la lebatowa le hlalositswe hape e le motjha wa ho tshehetsa bonamodi bo matla ho mafapha a mangatangata ebile a lebeletswe ho bopa (haha) tlhodiso ya lebatowa.

1. INTRODUCTION

Regional development has not been a major policy focus in the broad landscape of the first 15 years of development planning undertaken in South Africa after the democratic transition (Harrison, Todes & Watson, 2008; Nel & Rogerson, 2009). Robbins (2008: 6) points to the limited extent to which spatially referenced elements have been incorporated in major national economic development policies or frameworks. Since 1994 initiatives linked to regional development have been fragmentary in nature rather than a cohesive and comprehensive project. Relevant government policy initiatives have included, *inter alia*, the programme for Spatial Development Initiatives, encompassing the establishment of Industrial Development Zones; the launch of a number of regional and provincial development agencies; the development of the National Spatial Development Perspective and, perhaps most importantly, the pursuit of a suite of initiatives designed to energise local economic development programming (Nel & Rogerson, 2005; Harrison *et al*., 2008; Robbins, 2008; Nel & Rogerson, 2009; Rogerson, 2010).

The limited attention devoted to spatial issues and regional development since the democratic transition of 1994 stands in sharp contrast to the apartheid period when regional development planning represented a critical dimension for government planning, not least because it was inextricably linked to broader spatial planning for the apartheid project (Tomlinson & Addleson, 1987). During the late apartheid period, the heart of policy implementation was the initiation of generous regional development funds and application of incentives designed to encourage manufacturers to relocate their production operations from the country's major cities into the 'new industrial spaces' that were to be opened up in rural decentralised areas and, in particular, in the impoverished Bantustans or Homelands (Pickles, 1991;

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Pickles & Woods, 1992). The workings of this policy have been closely scrutinised with several observers viewing it as a failed attempt at regional development (Dewar, Todes & Watson, 1986; Wellings & Black, 1986a; Wellings & Black, 1986b; Wellings & Black, 1987; Rogerson, 1988). Subsequent assessments undertaken in the 1990s, however, point to certain positive impacts of the policy and even of the existence of 'little victories' achieved in terms of continued industrial growth taking root at certain localities (Driver & Platzky, 1992; Platzky, 1995; Hart & Todes, 1997).

The importance of regional issues and planning has revived in South Africa in recent years, to a large extent as a result of the release of the National Spatial Development Perspective (NSDP) in 2003. This document clearly identified that there are spatial economic inequalities in the country which need to be addressed by means of appropriate interventions. The document identified areas of development potential and provided a point for reference in terms of issues of economic intervention and development. From 2006 a re-kindling of interest is evident on behalf of national government concerning questions of regional development (Nel & Rogerson, 2009). This renewed interest is reflected, for example, in the publication by the Department of Trade and Industry (DTI) in 2006 of the (draft) regional industrial development strategy (RIDS). Essentially this policy is viewed as the "DTI's attempt to respond to calls for supporting forms of industrial development in impoverished areas of the country" (Robbins, 2008: 6). The (draft) Regional Industrial Development Strategy explicitly identifies the future introduction of a regional industrial development fund (South Africa. Department of Trade and Industry, 2006: 68). Further signals of a growing interest in regional funds emanate from Department of Trade and Industry statements that a potential new regional fund "would enable the developmental state to strategically intervene to facilitate regional and local economic development, and assist in helping the under-developed regions reach their full economic development potential" (South Africa. Department of Trade and Industry, 2009: 1). It is significant also that in response to the limited progress of local economic development throughout much of South Africa, during 2009 the Department of Cooperative Governance recommended that "incentives for regional and local economic development should be reviewed" (South Africa. Department of Cooperative Governance, 2009: 98). In addition, during 2009-2010 the Department of Trade and Industry commissioned both a think piece and research on options for regional development funding. Interviews conducted with senior DTI officials in February 2010 confirm that a regional industrial development fund is currently under policy consideration.

Overall, by end-2010 with another round of reassessments taking place also on the directions for national Local Economic Development planning, the arena of spatial policy was in flux. Essentially, the fluidity of the policy environment is about changing the directions of 'the developmental state' in South Africa, in particular following the global financial crisis (South Africa, 2010: 4). It is evident that post-2009 the new government has expressed a commitment to long-term planning and coordination which is reflected in the creation of a National Planning Commission and the launch of the New Growth Path (see The Presidency 2009; South Africa, 2010; Turok, 2010). The New Growth Path announced that "Creating more and better jobs must lie at the heart of any strategy to fight poverty, reduce inequalities and address rural underdevelopment" (South Africa, 2010: 3). In terms of the implications for spatial policy little is directly stated in existing available documentation. The New Growth Path makes a (re)commitment to address spatial inequalities at inter- and intra-urban scales with special mention of the spatial divide inherited from the apartheid era between the metropolitan areas and "the densely settled rural areas of the former Bantustans" (South Africa, 2010: 30). The specific role of regional policy may become clearer with promises made of a forthcoming "spatial economic strategy" which will "indicate how the job drivers affect different provinces, municipalities and rural areas, linking in to the rural development strategy and industrial policies" (South Africa, 2010: 30). Additional clarity may emerge from commitments to "develop a realistic spatial perspective on long-term settlement patterns and opportunities for employment creation and economic development" (South Africa, 2010: 30) as well as a forthcoming implementation plan for "spatial development within South Africa" (South Africa, 2010: 32).

It is against this fluid policy background concerning spatial development in South Africa and of a renewed interest in establishing a regional development fund in South Africa that it is appropriate both to briefly examine the country's past experience of using regional development funds and to look forward and build on the international lessons of 'good practice' in the potential application of regional funds. The discussion is presented in three major sections. First, a critical historical review is undertaken of the apartheid period during which South Africa introduced what was described as the world's most generous programme of incentives for regional development (Rogerson, 1994: 110). Attention is confined mainly to the apartheid period as this represents the period when a direct regional development fund was in operation. In the second section the changing context of regional development and of the redefinition of regional funds is examined from the perspective of the Global North. Thirdly, attention turns to the application of targeted regional incentives and funds for supporting regional development drawing on a range of experiences from the Global South. The conclusion offers a caution for South African policymakers to avoid past mistakes and instead to draw strength from new regional theory concerning the use of regional development funds for supporting regional development.

2. RE-VISITING REGIONAL DEVELOPMENT FUNDS UNDER APARTHEID

Although regional development programmes in South Africa date back to the 1930s, the most energetic initiatives were those launched during the 1980s in support of apartheid programming (Rogerson, 1988: 235). In particular, between 1979 and 1981 government sought to galvanise support from the private sector for its project of industrial decentralisation and for regional development as a whole (Tomlinson & Hyslop, 1986). Of special note were two high-profile gatherings of government bureaucrats, technocrats and leading representatives of capital which were held in 1979 at Johannesburg's Carlton Hotel and at the Good Hope Centre in Cape Town in 1981. The outcome of these gatherings was announced in 1981 as a "new development strategy for Southern Africa" (Rogerson, 1988: 235).

Within this new framework for development planning, national government sought vigorously to further its long-established goals of promoting industrial decentralisation and deflect manufacturers away from the existing four metropolitan areas – and, in particular, from the Pretoria-Witwatersrand-Vereeniging (PWV) region – towards a set of designated 'growth centres' and 'growth points' in less developed regions of the country, as described by Dewar et al. (1986); Wellings & Black (1986a); Wellings & Black (1986b); Tomlinson & Addleson (1987); Wellings & Black (1987); Pickles (1991), and Rogerson (1994). The number of localities which were designated for support increased markedly. This development undoubtedly would be one factor in the long-term 'failure' of the programme. Essentially, South Africa was applying its own apartheid-warped variation of the strategy of 'growth centre' planning. The details of this growth centre planning under apartheid have been detailed in several investigations (Tomlinson & Hyslop, 1986; Wellings & Black, 1986b; Dewar, 1987; Pickles & Woods, 1992).

Growth centre planning is underpinned by the theory of 'growth poles' or lead activities which would trigger growth at particular localities (Parr, 1999: 1195-1197). The planning of growth centres was a well-established international approach towards regional development planning in the 1970s and 1980s (Dewar, 1987: 160). Its essential notion was to concentrate government resources (through infrastructure and incentives) at select locations with economic potential and use government support to develop the select localities to a point at which their growth would be 'self-sustaining' and thus no longer require government support as leverage. It was important that the selected locations as 'growth centres' be chosen on the basis of demonstrated economic potential as opposed to simply political considerations. Consensus among international regional planning scholars was that, given the complexities of growth pole planning, it was prudent to concentrate government funding upon only a small number of localities – maybe two to four at maximum. From 1982, however, South Africa began planning for the sustainability of what might have been the world record for planned 'growth centres'. Under the 1982 strategy, incentives were to be available theoretically at 49 so-called Industrial Development Points and eleven deconcentration points. The vast majority of these growth centres had 'not' been determined on economic grounds but instead their selection was influenced by political considerations. The inevitable consequence was that whatever funding was made available for regional development, funding was spread so thinly that its impact was insufficient for any one of the selected growth centres (even those with economic potential) to reach a desired state of cumulative or 'self-sustaining' growth (Rogerson, 1994: 110).

As Dewar (1987: 164) points out, internationally it was generally recognised that in order to initiate the development of growth centres "the provision of some form of economic incentive is necessary." The rationale for incentives is "to overcome the 'initial' disadvantages of a new location which exist prior to the build-up of urban agglomeration economies" (Dewar, 1987: 164). The international consensus was that incentives should be specifically tailored to attract the leading investors or 'growth pole' industry. In addition, the incentives would be temporary and "removed as soon as growth processes have been initiated" (Dewar, 1987: 164). Nevertheless, as argued by Wellings & Black (1986a) and Wellings & Black (1986b), the South African practice departed from international 'good practice' in certain major respects and these departures had important consequences for the track record of the policy as a whole.

First, incentives were not designed for the specific requirement of particular industries (Dewar, 1987). Rather, they were applied in a generic fashion to all types of manufacturing and all aspects of the production process. The international experience shows that a non-discriminatory incentive system mainly attracts industries that are either 'lame ducks' or branch plants (Dewar, 1987: 165). The former represent industries that have been attracted only on the basis of the incentives on offer. The problem with branch plants is often that they have a limited catalytic impact on welfare in the recipient location due to the fact that most production is in the form of 'routinised processes' which require, at best, low skill (and low-paid) workers. In addition, a further problem is that during times of economic downturn, branch plants are often the first factories either to be closed down or to have their production downsized. All these problems were reflected in the experience of those decentralised areas of South Africa which received generous incentives in the 1980s. The weaknesses of decentralisation planning have been catalogued and reviewed in several studies (Wellings & Black, 1986a; Wellings & Black, 1986b; Wellings & Black, 1987; Pickles, 1991; Pickles & Woods, 1992; Phalatse, 2001a; Phalatse, 2001b). For example, at Butterworth, the majority of the industries attracted to this Transkei industrial growth point had headquarter offices outside the region and less than one-third were 'independent' enterprises. Moreover, linkages of these plants to the rest of the locality were limited such that overall multiplier effects were minimal (Dewar, 1987: 165).

A second departure from international good practice with incentive programmes was that in South Africa, many of the companies that were attracted to decentralised growth points were, in many respects, dependent upon them. Using the example of Butterworth, Dewar (1987: 165-167) showed that nearly two-thirds of firms ranked the availability of concessions as the most important reason for selecting Butterworth for their plant location. This finding is indicative of the 'lame duck' syndrome of investors which were mobile, to the extent that their location choice was based only on incentive availability. Once again, this points to problems in the design of the incentives which were non-discriminatory and simply sought to attract any type of industrial investor irrespective of appropriateness or their short- or long-term multiplier impact for the locality or region (Dewar, 1987: 165). Another problem with the non-discriminatory nature of incentives was that desired cumulative growth processes through inter-industry linkages were not emerging (Rogerson, 1994: 110).

As has been documented in a range of studies, investors at the growth centres could qualify for a range of different forms of incentives as was the case in the pre-1982 period (Wellings & Black, 1986a; Tomlinson & Addleson, 1987; Pickles & Woods 1992; Platzky, 1995). After 1982, however, greatest significance attached to a differentiated system of cash payments that would be paid to companies and based upon the numbers of workers that were hired. The value of these cash payments was geographically differentiated across the various regions on the basis of 'prioritised need' on the

grounds of existing levels of unemployment. The highest levels of incentives were made available to investors in those regions with the highest unemployment and thus highest needs, such that the growth centres in several of the Homelands received the largest incentive payments. Enterprises could qualify for a guaranteed cash payment on a monthly basis for each worker that was hired. The level of agreed incentives was guaranteed to investors for a period of seven years (Rogerson, 1988: 237). In an international comparative analysis, these labour incentives (along with other packages of grants and support for subsidised rentals or relocation costs) in South Africa were viewed as extraordinarily generous (Cobbett, 1987; Rogerson, 1994: 110).

In many parts of South Africa, given the weak basis for labour organisation, the incentives for which firms could qualify were at or even above the level of wages paid to low-skilled workers. Incentive packages reached the point at which unscrupulous investors could simply 'farm' labour and thus theoretically make guaranteed profits at growth centres without producing or manufacturing anything at all. In other words, the amount of wages paid out to certain types of workers at growth points was less than the monthly cash payment that enterprises received (and was guaranteed for seven years) by the state. Abuses of the incentive system were increasingly exposed in the 1980s. Reports appeared of industrial estates in the Ciskei where little production seemingly was taking place (Rogerson, 1988: 237)! Worker exploitation, dehumanising work environments and cheating of the state incentive system were widespread in many of the Homeland growth centres. Some of the worst worker abuses were documented by Cobbett (1987) at Botshabelo in the Free State. Women workers, who often are the most marginalised and readily exploitable category of labour, were particularly vulnerable to the exploitative practices that were opened up for manufacturing capital to take advantage of labour at the Homeland growth centres in the 1980s as shown in works by several researchers (Hirsch, 1987; Pickles, 1991; Fairhurst & Phalatse, 1999; Phalatse, 2001a; Phalatse, 2001b).

Overall, the effects of South Africa's industrial decentralisation programme and the impacts of the generous incentive systems for manufacturers introduced from 1982 generated much controversy (Bell, 1986; Wellings & Black, 1986a; Wellings & Black, 1986b; Wellings & Black, 1987; Bell, 1987a; Bell, 1987b; Platzky, 1993; Platzky, 1994; Platzky, 1995; Bell, 1997; Hart & Todes 1997; Fairhurst & Phalatse, 1999). At the heart of the debate was the so-termed 'Bell hypothesis' put forward by the economist Trevor Bell (1986, 1987a & 1987b). In several works, Bell (1986, 1987a & 1987b) argued that the most important influences upon geographical patterns of industrial change in South Africa were 'market forces' rather than the influence of government intervention, including through the application of industrial incentives. Likewise, Wellings & Black (1986a & 1986b) wrote of debates between interpreting industrial decentralisation as a result of 'spontaneous restructuring' in response to market forces or as 'tool of apartheid', meaning linked to the impacts of government incentives. Spontaneous restructuring was related mainly to a process of structural adjustment occurring in certain traditionally unskilled and labour-intensive industries in the face of enhanced international competition (Bell, 1997: 10). Lively debate was sparked by evidence in the 1980s that the proportionate share of national manufacturing that was accounted for by the four metropolitan regions (i.e. PWV, Metropolitan Cape Town, Durban and Port Elizabeth) was in decline. In corresponding fashion, the proportionate share of manufacturing occurring outside the metropolitan areas, including in decentralised areas, was rising (Rogerson, 1988: 242). The significance of Bell's hypothesis was that it suggested decentralisation planning had to a large extent been ineffective, as the prime cause for geographical patterns of industrial change was 'natural market forces' (i.e. certain types of industry were moving away from the metropolitan areas in any event). In addition, it is argued that the extraordinarily generous incentives on offer to manufacturers were an unnecessary drain on state resources (see Bell, 1997).

The implications of the Bell hypothesis were profound and did not go unchallenged. The works of Tomlinson & Addleson (1986 & 1987) involved extended surveys of manufacturers in decentralised areas. Their findings on the changing spatial structure of South African manufacturing suggested that "to downplay the role of the official decentralisation policy, as Bell does, is certainly premature if not incorrect" (Tomlinson & Addleson, 1986: 381-382). As a whole, the research of Tomlinson & Addleson (1986 & 1987) suggested 'modifications to' rather than outright rejection of the core tenets of the Bell hypothesis. In particular, they contend that even if prior to 1982 a general trend towards decentralisation might have been attributed without the effects of state incentives, after 1982 the situation was dramatically changed. It was argued that after 1982 industrialists could not afford to ignore the very lucrative packages of incentives on offer in decentralised areas and, in particular, at the Homelands growth centres. This was reflected in the advance of what Pickles (1991: 68-69) termed 'factories in the fields' and of peripheral industrialisation.

From the mid-1980s emerged a growth of criticism concerning the industrial decentralisation programme and especially of the application of lavish industrial incentives designed to attract industrialists away from the metropolitan regions into the decentralised areas. The range of criticisms and arguments included the following:

- The rising costs of the programme to national fiscus in terms of funding for incentives to industrialists, and accompanying arguments that these funds might be better applied to improve conditions (housing, services) in urban townships;
- The major beneficiaries of the investment incentives increasingly were foreign investors (mainly from Taiwan, Hong Kong and Israel) rather than South African enterprises;
- Little evidence existed at the majority of growth centres of signs of growth becoming cumulative and thus reaching a point at which government support and leverage would no longer be required;
- The fact that many growth centres showed absolutely no signs of growth at all, especially those growth centres that had been selected on political grounds rather than economic considerations and demonstrated potential;
- The argument that the whole incentive programme was designed to prop up the state's failing project to support and give legitimacy to the 'economic independence' of the so-termed Homelands;

- The abuse of industrial incentives by certain unscrupulous investors and growing scandals about the employment ('farming') of large numbers of non-productive workers;
- Revelations about the exploitative labour conditions endured by especially women workers in factories at Homeland growth points, and
- Arguments from proponents of the Bell hypothesis that the majority of industrial decentralisation shifts as recorded away from the metropolitan areas were the result of spontaneous restructuring and market forces rather than the result of the generous systems of incentives.

Overall, a chorus of critics made the point that funding of the regional industrial development programme was highly costly, politically motivated, largely unsuccessful and wasteful of scarce development resources (Rogerson, 1994: 110). Accordingly, at the end of the 1980s, an official rethink on regional policy was launched. This was led by a panel of experts appointed by the Development Bank of Southern Africa. The findings and recommendations of this study produced a revision in the regional development policy and a substantial scaling back of the industrial incentive system (Bell, 1997). Most critically, the revised and much reduced incentive system removed the favoured treatment, which had been given to industrialists located in the Homelands (Rogerson, 1994: 111). The consequence was the phasing-out of incentives which, in turn, saw the closure of factories in many former Homeland areas (Phalatse, 2001a: 149-150) The grounds for retaining incentives were now mainly to support the victims of apartheid planning whose livelihoods were threatened, as several former Homelands industrial areas now become 'redundant' or 'abandoned' industrial spaces in the post-apartheid space economy (Platzky, 1993; Platzky, 1995; Phalatse, 2001b). As viewed by Driver & Platzky (1992: 11-12):

> In spite of all the criticisms of industrial decentralisation policy, it may not be helpful to dismiss it altogether. It has made South Africa different from other developing countries in that it has helped to slow rapid migration to a poverty-stricken prime city. It has provided some jobs – mostly for women, built some infrastructure, and given some people in the most remote areas independent incomes and exposure to industry.

It must be acknowledged that not all peripheral localities which benefited from industrial decentralisation incentives later declined after the removal of incentives (Harrison *et al*., 2008: 99). Investment in several areas remained relatively strong in part because of growing foreign competition which underpinned decentralisation trends based on competitive pressures towards low-wage areas, particularly in sectors such as clothing production (Harrison *et al*., 2008: 99). In certain places Platzky (1995) maintains that the leverage of incentives and institutional support occasioned the crystallisation of a more diversified, locally embedded and sustained growth trajectory setting these areas apart from the record of low-wage branch plant locations.

The transformation of certain localities, which were formerly dependent on low-wage industry, into more diversified economies provides a challenge to the notion that investment incentives under apartheid merely nurtured the growth of branch plant economies in decentralised locations. Hart & Todes (1997) highlight the need also to understand the significance of certain 'local factors' which impacted upon the continued flow of investment into particular decentralised localities, most importantly around the Newcastle/ Madadeni area of KwaZulu-Natal. Although decentralisation progressed here in the immediate post-apartheid period, the later research conducted by Robbins, Todes & Velia (2004) disclosed that sharp employment declines were in evidence as a consequence of heightened international competition. Indeed, alongside Babelegi and Dimbaza, among others, Madadeni is now one of several declining industrial estates created by the apartheid government's decentralisation strategy which are expected to be the focus of some infrastructure and institutional support upgrading with the implementation of support promised through RIDS (Robbins, 2008: 6).

3. CHANGING INTERNATIONAL CONTEXT FOR REGIONAL DEVELOPMENT

Internationally, the 'playing field' for undertaking regional development has changed radically over the past few decades and markedly so since the heydays of the operations of South Africa's former regional industrial development fund (see e.g. Pike, Rodriguez-Pose & Tomaney, 2010). Among others, Tomaney, Pike & Rodriguez-Pose (2010: 771) maintain that neoliberalism has shaped the international ideology of economic development and consequently the pattern of regional development across the world for the past thirty years. In accounting for the shifting context and associated theories of regional development several observers draw attention to the importance of globalisation as a force in altering the rules for undertaking regional development (Drabenstott, 2006: 123). Illustratively, Bachtler & Yuill (2001: 70) assert "there has been a fundamental change in all aspects of how regional development is conceptualised and how regional policy is conceived and delivered."

3.1 Historical development of regional development

Historically, the origins of regional policy are generally considered to be linked to government interventions undertaken in the 1920s and 1930s. For Bachtler & Yuill (2001) the United Kingdom is viewed as the 'cradle' of regional policy thinking. The British government established the first regional policy with the Special Areas Act introduced to offer incentives encouraging investors to locate factories in areas of high unemployment. Similar interventions using regional aid were introduced in parts of Scandinavia at the same time. Following the Second World War regional policies were revived with a broad policy canvas, namely that regional policy "would enhance national development by taking up employment slack in the problem regions whilst relieving inflationary and other pressures in more prosperous congested areas" (Bachtler & Yuill, 2001: 7). The central focus of regional policy was 'regional convergence' and reducing disparities between regions or the so-termed 'core-periphery' spatial divide. Theoretical underpinnings of regional policies were traditional location theories (Christaller, Weber) which were "concerned with explaining variations in the location of economic activity with reference to the attributes of regions or urban areas, such as the cost of land, transportation costs, market size and the availability of workers" (Bachtler & Yuill, 2001: 8). Policy interventions in Western Europe were allied to influence these factors and involved subsidies to reduce costs of investment, employment or

transport and provision of cheap land or factory premises.

By contrast, in the United States awakening regional interventions took the form of industrial recruiting with the goal of luring factories to depressed localities or regions (Drabenstott, 2005: online). This strategy was underpinned by export-base theories which examined regional economic development from a demand-side perspective and "posited that money must flow into a region for it to grow" and that the "only way to get more money was to export more" (Drabenstott, 2006: 124). Anchored upon these foundations a host of subsidies or tax breaks were introduced by many states and designed to lure companies, usually industrial enterprises, to particular regions. As the United States' experience of industrial recruitment was closely aligned to 'local economic development' programming, debates about regional interventions to a large extent centred on the experience of Western Europe, where 'national governments' were the policy drivers. Across Western Europe approaches to regional policy were broadly similar. The central policy goal was spatial equity in terms of equalising geographical variations in standards of living, infrastructure or employment within particular countries. Generally, four sets of regional policy intervention were applied:

- Infrastructure investment, especially in rural areas;
- Direction of state-owned or state-controlled industries to problem areas;
- Development controls on manufacturing activity in prosperous regions, and
- Fiscal incentives in the form of spatially differentiated grants, loans, tax concessions or depreciation allowances.

Overall, it is argued that despite this range of policy interventions, the actual policy focus was quite narrow as it concerned mainly influencing the location of manufacturing activities. Policy design was top-down and done by central government which determined which regions qualified for assistance, mainly in the form of hard infrastructure and enterprise direct financial support (Bachtler & Yuill, 2001: 9).

3.2 The demise of regional policy and the rise of new regionalism

During the 1970s and early 1980s regional policy went into decline as a result variously of the oil shocks of the 1970s and the onset of deregulation. Under the impress of neoliberalism, in the 1980s the political agenda in Western Europe moved sharply against active government intervention in the space economy, especially by the provision of regional fiscal incentives. Rather, the trend throughout both Western Europe and the United States was towards privatisation, deregulation and market liberalisation (Bachtler & Yuill, 2001; Drabenstott, 2005: online, 2006; Tomaney *et al*., 2010: 771). Regional policy came under critical scrutiny and in many countries reduced in political significance such that many scholars began to speak of the 'death of regional policy' (Rogerson, 2009). Certainly, the policy goals of reducing regional disparities and promoting convergence were downgraded, budgets for regional policy were cut back and support coverage for 'problem areas' was substantially curtailed. Accompanying the retreat of national governments from active regional policy intervention was the rise of a 'new regionalism' as reflected in the growth of a "new regional and local dimension to economic development" (Bachtler & Yuill, 2001: 10). Planning practices in Western Europe showed a convergence with what was occurring in the United States, where national government limited its activities in spatial development and devolved greater responsibility for economic development programming to states and localities (Drabenstott, 2006: 125).

In Western Europe, however, an important factor in 'new regionalism' was regional institution building which occurred in several regions as a by-product of political decentralisation and delegation of authority for economic development to sub-national authorities (e.g. in Scotland and Wales). Importantly, 'new regionalism' was marked by the proliferation of 'bottom-up' initiatives for development (Rogerson, 2009). This influenced regional theory towards a much stronger focus on 'endogenous regional development' which led to a renewed emphasis upon the role of entrepreneurship and support for small and medium enterprises. In addition, both in the United States and Western Europe there was recognition of the critical role of technology support as decisive for regional growth and prosperity. Underpinning all these shifts in theory and policy was the advance of globalisation which meant that in circumstances of rapidly shifting global markets, regions were continually forced to find new competitive strengths or niches (Bachtler, Wishlade & Yuill, 2003; Tomaney *et al*., 2010: 771). As a whole, a dramatic shift occurred away from old strategies of regional development – using industrial recruitment or financial incentives as drivers for policy – to newer strategies which focused more "on the region itself, namely helping entrepreneurs and skilled workers build on their strengths, innovate and seize new market opportunities" (Drabenstott, 2006: 123).

3.3 The modern paradigm of regional development

Since the 1980s there has been further consolidation of the theory and practices of what Bachtler & Yuill (2001) style the 'modern' paradigm of regional development. At the heart of the 'modern' paradigm is the building of regional competitiveness (see Pike *et al*., 2010). Under conditions of accelerating globalisation, Drabenstott (2006: 125) observes "regional economies must constantly create new value in global markets by exploiting their indigenous strengths." It is stressed that in a globalised production environment "successful regions are those that can develop and maintain agglomeration economies in competitive sectors" (Bachtler *et al*., 2003: 7). From the 1980s new concepts relating to regional industrial development began to emerge. The competitiveness of regions "was increasingly attributed to the ability to innovate, particularly within the context of environments that facilitated learning, interaction and networking between enterprises" (Bachtler & Yuill, 2001: 10). New theories of regional development centred on innovation, 'industrial milieux', learning, clusters and networks (Drabenstott, 2005: online; Rogerson, 2009). Importantly, it was acknowledged that "competitive advantage increasingly implied the ability and capacity of regions to facilitate the generation, acquisition, control and application of knowledge and information, in the interests of innovation" (Bachtler & Yuill, 2001: 10).

Regional policy has been revived in the context of developing a more

sophisticated approach to improving regional capabilities and attributes. The policy response has been the consolidation of "a new type of regional policy concerned with the strategic management of regional development" (Bachtler & Yuill, 2001: 11). Several distinctive facets of the 'new approach' to regional development can be discerned.

- First, it involves a broad sphere of action, which covers a range of different policy sectors including physical and economic infrastructure, business development, human resources, tourism and the environment.
- Second, national policies for regional development encompass economic development in all regions rather than those specially selected for 'regional policy' purposes.
- Third, the new approach is distinguished by a pro-active approach to development using a multi-annual programme of measures which are targeted at the business environment for private sector development and upon 'soft' as opposed to hard infrastructure.
- Four, the new paradigm embodies a distinctive approach to policy implementation, "which is collective/negotiated, led by regional authorities and involving a wide range of partners from local government, the voluntary sector, business and social communities" (Bachtler & Yuill, 2001: 11).
- Five, the spatial coverage of regional policy has been subject to change with 'regional aid area maps' becoming ever more fragmented as a result of "growing pressures to designate areas which are not only disadvantaged but which also provide suitable locations for development generally and inward investment in particular" (Bachtler & Yuill, 2001: 15). Accordingly, the designation of areas for assistance has become a reflection as much of regional opportunity as of regional disparity.
- Six, in respect of policy instruments in Western Europe, regional grants represent the central element of regional incentive packages. Typically, regional development grants may support the development of variously investment aid, business start-up support, training, business environment development, and development aid for small and medium enterprises.
- Finally, it is important to understand that regional incentives are "only a part of the business aid scene in designated aid areas" (Bachtler & Yuill, 2001: 17). Other support is available through rural development assistance or aid for small and medium enterprises. Critically, the existence of these diverse funding opportunities has heightened the importance of policy coordination at regional level in order to achieve successful regional programmes. Above all, this places a premium on the development of well-articulated and quality regional and local strategic planning.

Of note is that a critical role in reshaping contemporary or modern regional policy has been assumed by new approaches to addressing regional policy in the European Union. Faludi (2009: 2) points out that since its formation, the European Union always has had a territorial agenda. For Stoquart & Schubert (2010: ii), the long experience of the European Union in territorial development "constitutes today a gold mine of successful experiences worth reflecting upon." Indeed, of any national or international body, the most comprehensive, well-funded and thoroughly managed source of regional support is that of the European Union (Wishlade, 2009: 1-2). The recent history of the European Union clearly reveals one of its key hallmarks as the pursuit of defined regional strategies (Roberts, 2003: 1-24; Rodriguez-Pose & Fratesi, 2003: 7; Stoquart & Schubert, 2010: 22). As consecutive enlargement has precipitated constant increases in regional differences, it is evident that in order to reduce gaps in development between regions and its citizens, "the European Union uses regional policy" (Iribas & Pavia, 2010: 99). The main purpose of this policy is considered "to speed up economic convergence in less-developed regions, to strengthen regional competitiveness and attractiveness and to adapt, change and encourage the development of regional labour markets" (Iribas & Pavia, 2010: 99).

Structural and cohesion policies are the key vehicles to achieve the objectives for regional development (Rodriguez-Pose & Fratesi, 2003; Wishlade, 2009; Stoquart & Schubert, 2010). Lima & Cardenete (2008) assert that contemporary regional policy in the European Union is based upon two concepts: solidarity and cohesion. Taken together, these two concepts "aim to narrow the gaps of income and wealth between the poorer regions and countries and those that register a better behavior in terms of European Union key indicators" (Lima & Cardenete, 2008: 1445). Nevertheless, the challenge of achieving economic and social cohesion has to be contextualised within the overarching European Union priority of improving competitiveness (Bachtler *et al*., 2003: 3). The regional policy budget represented one-third of the total budget of 213 billion Euros for the period 2000-2006. One of the main policy instruments is the Structural Funds which account for 195 billion Euros with 70% of this amount concentrated in so-called Objective 1 regions where Gross Domestic Product is less than 75% of the European Union average (Rodriguez-Pose & Fratesi, 2003: 7, 2004: 97). Among others, Bachtler & Wren (2006) point out that programmes comprise a range of interventions through a mix of financial instruments. At the core of bidding for structural funds is the preparation of fully costed multi-annual programme for regional development which sets out priorities and use of funds. The programme approach focuses on 'multi-annual, multi-project, multi-partner contracts' and includes economic and social analyses of the region, a strategy, set of targets, details on how local funds will match European Union funds, and an Environmental Impact Assessment (Bachtler & Wren, 2006).

Against this background of a shifting panorama of regional theory and practice of regional industrial development as well as an accompanying redefinition of 'regional funds', attention turns in the next section to analyse experiences from the Global South in regional development. In particular, the focus is upon regionally targeted programmes and the use of regional development funds which have parallels to those in South Africa.

4. THE APPLICATION OF REGIONALLY TARGETED FISCAL INCENTIVES

National governments in many countries have a long history of deploying incentives in order to stimulate the growth potential of undeveloped or lagging regions. Fiscal incentives have been widely applied to attract industrial

investors, in particular, and to stimulate the growth potential of lagging regions. Often the fiscal incentives were targeted at selected localities or 'growth centres' which were designated by national governments as bases for catalysing development in lagging regions or established in order to function as centres for revival of a depressed regional economy (Parr, 1999: 1195-1200). The rationale for spatially explicit programmes is "to compensate for location specific disadvantages, such as transport and logistics costs, infrastructure conditions, factor price differentials and lower levels of public services and amenities" (Carvalho, Lall & Timmins, 2006: 7).

Despite their considerable fascination and enthusiasm among policymakers in both developed and developing countries, the detailed international review by Parr (1999) demonstrates that the strategic application of government incentives to attract investors to select growth centres (or new towns) "could only be judged as unsuccessful." Likewise, World Bank research suggests that across the experience of the developing world "the evidence on the impacts of fiscal incentives is mixed" and that there is no conclusive evidence that such policies "have succeeded in transforming the fortunes of lagging regions" (Deichmann, Lall, Redding & Venables, 2008: 234). These conclusions are supported by a brief examination of the policy experience of applying incentives in South Korea, Mexico and Thailand.

4.1 The experience of South Korea, Mexico and Thailand

In Thailand the dominance of the Bangkok Metropolitan region has long been of policy concern (Kmonwatananisa, 2008: 1-4). During the 1970s and 1980s national government offered tax holidays to new firms locating in regions outside Bangkok. Nevertheless, it has been concluded that the "incentives did not result in a large shift of investment from Bangkok to regional cities" (Deichmann *et al*., 2008: 234). In the Thailand case, the disappointments associated with fiscal incentives programmes were attributed in part to issues of poor design. At the heart of Thailand's programme was the incentive of deductions from taxable profits. Nevertheless, manufacturers in regional cities faced persistent cost disadvantages, which significantly reduced the profitability of new firms. Moreover, the initial tax holidays were not a sufficient inducement to impact upon investor locational choices. Finally, the eligibility criteria were another design problem as they were based upon a minimum size cut-off (defined in terms of minimum capital investment, capital assets or production capacity) which precluded applications from small-scale or agro-based local firms (Deichmann *et al*., 2008).

During the 1960s and 1970s South Korea used block grants and other transfers to promote 'balanced regional growth' by seeking to divert industrial expansion away from the large agglomerations of Seoul and Pusan. As an outcome of these policies, whilst the dominance of Seoul and Pusan declined in the 1970s and 1980s, growth continued just outside the boundaries of these two major agglomerations as well as in a group of small and medium-sized centres along the already developed axis between Seoul and Pusan. Most critically, it was concluded that the objective "of moving firms from the country's large agglomerations to less developed provinces was thus not achieved" (Deichmann *et al*., 2008: 234). Likewise, in the case of Mexico, national government has a distinguished history of using fiscal incentives to nurture industrial development outside the three largest agglomerations of Mexico City, Guadalajara and Monterrey. Between 1970 and 1980 manufacturing investors locating outside these cities were eligible for a 50 to100% reduction in import duties and income, sales and capital gains taxes as well as accelerated depreciation and lower interest rates. Analysis of this programme suggests that "the impact on decentralisation was either insignificant or undesirable" (Deichmann *et al*., 2008: 234). Indeed, reductions on taxes in Mexico had minimal impact on location decisions and resulted potentially in lost public revenues. The objectives of a more 'balanced industrial development' in Mexico were achieved not by fiscal incentives but by a shift in national industrial development policy from that of import-substitution to export-orientation. With this national shift in industrial policy, a dramatic change occurred in the logic of industrial location. For export-oriented assembly work, the most favoured location for *maquiladores* was not Mexico City but towns close to the United States border which formerly were limited zones of industrial activity.

Overall, in each of the cases of Thailand, South Korea and Mexico fiscal incentives were applied to shift growth and investment away from large metropolitan agglomerations or cities towards smaller cities and lagging or peripheral regions. As a whole, the incentive programmes "were not adequate to offset gains from agglomeration economies and induce firms to start up or move to smaller centres" (Deichmann *et al*., 2008: 234-235). Accordingly, a survey of evidence on the determinants of industrial location across a range of developing countries points to the general weakness of spatially targeted fiscal incentives as policy instruments (Deichmann *et al*., 2008). The empirical evidence confirms the theoretical case that agglomeration benefits, market access and infrastructure endowments in large cities outweigh the costs of congestion, higher wages and land costs. Cross-country investigations point to the conclusion that fiscal incentives rarely succeed. Such incentives appear to exert an influence only for business location decisions 'among comparable locations.' The dominant pattern of industrial relocation in the developing world tends to be within and between agglomerations rather than from large cities to smaller cities or lagging regions.

The conclusion of a World Bank study is that instead of providing regional subsidies or tax breaks, policymakers should focus more attention on streamlining rules and regulations in order to make regional or local business environments more attractive (Deichmann *et al.*, 2008). The imperative to improve the local and regional business environment is reiterated in a number of recent works as a foundation for private sector support and participation in local and regional development (see e.g. Vietnam Competitiveness Initiative, 2006; Altenburg & Stamm 2008; International Finance Corporation, 2010a; International Finance Corporation, 2010b).

4.2 The case of Brazil

In the global South the experience of Brazil provides one of the few exceptional cases in the application of targeted fiscal incentives to achieve the objectives of regional development. Brazil is considered a case of national government according normative emphasis to 'balancing' geographically the distribution of population (Jones & Visaria, 1997: 4). As pointed out by Ogutcu (2002), while Brazil has five

major regional divisions, the country is in practice divided into two, namely 'Brazil One' or rich Brazil which comprises the south, south-east regions and the developed part of the middle west, and 'Brazil Two' or poor Brazil which includes the north, north-east, and the state of Mato Grosso. In particular, as shown in works by Harber Jr. (1983), Ogutcu (2002) and Carvalho *et al.* (2006), Brazil's 'regional problem' concentrates on the North-East, a region with a population of 47 million rich in resources but with a level of economic development far below the national average.

As industrialisation is the key driver of urbanisation and the dynamism of Sao Paulo anchored on industry, it is not surprising that deliberate policies of industrial decentralisation have been pursued using fiscal measures for encouragement. Brazil has a long record of using explicit spatial targeted interventions to enhance the prospects of 'lagging regions' such as the North-East (Haddad, 1997; Carvalho *et al*., 2006). As Haddad (1997) reveals, Brazil adopted a wide array of measures to foster industrialisation away from Greater Sao Paulo. Since 1988 it has been recorded that regional development has "topped Brazil's political and economic agenda" (Ogutcu, 2002: 4). Martine & Diniz (1997) disclose that while there is clear evidence of deconcentration of industrial employment outside the metropolitan areas, the trend of deconcentration has been more in terms of a geographical expansion of the dominant pole (Sao Paulo region) rather than an upsurge of investment and the rise of new industrial spaces well away from this region. Indeed, it is observed that entrepreneurs "appear to have chosen small cities – within a convenient radius of Sao Paulo but necessarily within the state of Sao Paulo, for purposes of industrial location and relocation" (Jones & Visaria, 1997: 16). Cheap land, aversion to labour regulations and agglomeration diseconomy costs of pollution underpin the reasons for locating outside Sao Paulo (Martine & Diniz, 1997: 226).

Regional development initiatives focused on North-East Brazil were triggered as far back as the late 1950s stimulated by government recognition of regional disparities and a severe drought in 1958 (Carvalho *et al*., 2006: 4). The initial strategy for supporting the North-East was to catalyse a regional growth pole in the form of an autonomous centre of manufacturing by attracting 'dynamic' or 'high growth industries', including metallurgy, machinery, electrical equipment and paper. In order to encourage investment the Brazilian government applied a number of policy instruments including fiscal incentives and direct public sector expenditures in the form of developing industrial land and infrastructure. In particular, the government of Brazil invested substantially "in large-scale infrastructure to integrate the national economy and lower business costs in peripheral regions" (Lall & Shalizi, 2003: 668). This programme of massive public investments in lagging regions is considered, as a whole, to have yielded "some positive results" (Government of Brazil, 2008). Of critical importance has been huge public investments made in telecommunications and improved road infrastructure. Lall & Shalizi (2003: 668) argue that investments in communications and roads integrated the North-East with the national economy. Nevertheless, these infrastructural developments also had perverse effects as they allowed firms from the South to access peripheral markets. It was observed that enterprises "in and around Sao Paulo achieved greater economies of scale by reaching distant markets in the North and North East" and further that several "plants formerly serving isolated regional markets had to close because they could no longer compete with national firms in Sao Paulo" (Lall & Shalizi, 2003: 668).

The Brazilian experience of using specifically investment incentives to stimulate regional development, however, has been mixed. The Brazilian record confirms the weakness of national governments applying fiscal incentives 'by themselves' as a means for regional development and points to significant issues concerning improving infrastructure in lagging sub-national regions in order to enhance their market access and by definition their attractiveness in terms of local business environment (Haddad, 1997; Lall & Funderberg, 2004). In the final analysis, the 'deconcentration' that has taken place in Brazil can be best described as "centralised deconcentration" as it "really involves expansion and strengthening of the dominant pole" (Martine & Diniz, 1997: 220). The essence of Brazil's fiscal incentive, according to Harber (1983: 134), is "a set of captive capital markets" for the sectors and regions that are to be supported. Between 1995 and 2000 investment incentive programmes for the North and North-East, funded by income tax deductions, averaged more than US $600 million each year but were shut down as a result of "accusations of mismanagement" (Carvalho *et al*., 2006: 4).

In addition to these unsuccessful fiscal incentives, however, another spatially explicit programme has been the Constitutional Fund programme which was instituted in 1989. The record of this particular funding programme, which centres on the provision of subsidised credit, is considered highly favourably. One detailed analysis produced for the World Bank concluded that the subsidised credit offered to firms by the Constitutional Fund programme "worked in terms of industrialisation in the Northeast" (Carvalho *et al*., 2006: 6). The Constitutional Funds programme goes back to 1989 when the Brazilian Congress approved three Constitutional Investment Funds targeted variously at the North-East, the Centre-West and the North. The core objective of these funds was to stimulate economic and social development in these regions "by extending credit to local entrepreneurs" (Carvalho *et al*., 2006: 7-8). Of note is that preferential treatment was given to micro- and small-scale agricultural producers and small-scale manufacturing to encourage both the use of local labour and local raw materials. The financing of the Constitutional Funds came from receipts drawn from income taxes and taxes on industrial products. Funds are transferred from National Treasury to the Ministry of National Integration (which is responsible for regional development) which then reallocates them to the operating banks, the direct channel for subsidized credit.

The major benefit operated under the Constitutional Funds is that of interest rate subsidies. It is evident that while market interest rates offered to private firms are 45% (2006) the Constitutional Funds "offer credit at 8.75 per cent to non-agricultural micro-firms; 10 per cent to small firms, 12.5 to medium sized firms and 14 per cent to large enterprises" (Carvalho *et al*., 2006: 8). For agricultural producers, the rates are even more favourable: 6% for mini-producers, 8.75% for small to average and 10.75% for large firms. With inflation rates running at 12.5% in certain years of the early 2000s these interest rates were negative in real terms. The subsidised credit funds were differentiated by sector, investment size and credit record of the borrower. Between 1989 and 2002 over US $10 billion was channelled through

the Constitutional Funds in subsidized loans to investors in the three beneficiary regions.

For South African analysts, the critical point to observe is that World Bank research shows that the allocations and financing provided under this Fund "have, in fact, been successful in inducing entry into lagging regions" (Carvalho *et al*., 2006: 25). The conclusion is drawn that these Constitutional Funds were successful and indeed yielded greater impacts in relation to funding costs as compared to other regional development incentives which have been operating in Brazil. Significantly, the Constitutional Funds are an anchor for Brazil's National Policy for Regional Development (PNDR) which was drafted in 2003 and formally institutionalised in 2007. The National Policy for Regional Developments considered to reflect the priority which the Brazilian government attaches to questions of regional development and reducing inequalities (Government of Brazil, 2008). The policy has "the dual purpose of reducing regional inequalities and unlocking the development potential of the Brazilian regions"; its focus is upon "injecting life into the regions and better distribution of production activities throughout the Brazilian territory" (European Commisssion, 2008: 4). It is considered that as a State policy "the PNDR is being implemented in a manner that will enable significant results to be achieved in regional matters" (European Commisssion, 2008: 4).

5. CONCLUDING REMARKS

Despite their chequered history under apartheid, the establishment of regional development funds is once again on the policy agenda in contemporary South Africa (South Africa. Department of Cooperative Governance, 2009; South Africa. Department of Trade and Industry, 2009). The international experience confirms one key lesson of the apartheid period, namely that the use of fiscal incentives as a vehicle for regional strategy is unpromising. Indeed, a focus on regional incentive funds represents an element of, what is described elsewhere, as 'old' regional theory and of the 'old paradigm' for regional development practice (Bachtler & Yuill, 2001; Bachtler *et al.*, 2003). In addressing the widening imbalances that exist in the space economy of contemporary South Africa it will be necessary to link the application of 'regional development funds' to the modern paradigm of regional development planning. Within this latter framework, the regional development fund is no longer simply an enterprise-oriented fund focused on manufacturing. Instead, the regional fund is redefined now as a channel for supporting wider and more comprehensive interventions across multiple sectors. These interventions are designed to build regional competitiveness and to enhance localised opportunities, often supporting locally crafted development initiatives which are responding to global economic changes and challenges.

Looking towards the possible introduction of a new regional development fund, South African policymakers should take cognisance of the recent experience of regional funds operating in the European Union and of the emerging experience in modern Brazil. That said, it is essential to be mindful of the specific economic and political contexts in which these 'good practice' examples have evolved and consolidated in respect of extracting policy lessons from these cases for South Africa (Van Zuydam, 1999: 4; Stoquart & Schubert, 2010: 4). At the close of 2010, spatial policy is once again under the policy microscope as assessments are taking place on the directions of local economic development policy and new directions for regional development are under discussion (South Africa, 2010: 32). In the final analysis the fluidity of the contemporary policy environment at the close of 2010 points to the imperative for fresh thinking and vibrant debate in South African regional planning scholarship as to recommending the most appropriate way forward for regional development as a whole and regional development funds in particular.

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