Spatial Growth Strategies: Realizing the Benefits of Geographically-Targeted Approaches

The World Bank Group helps client governments design spatial growth strategies that will lead to greater levels of investment, create jobs, and provide efficiencies to industry through shared infrastructure.

Context

In recent years, a number of countries have experimented with various strategies to correct market and governance failures within and across industries. One approach is to work with spatial strategies such as growth poles, growth corridors, and special economic zones (SEZs).

A spatial approach allows for better coordination and a focus on specific investments and policy reforms that will maximize private sector investment. Spatial tools enable bundling for cost-effective delivery of support to industries. This can involve shared infrastructure and services geared toward specific industries, the coordination of reforms at different levels, and readily available convening power to bring together public and private sector actors. Sector or spatial factors can also affect the incentives for firm entry and growth. Investors can see the advantages in cost and efficiency of firms working in close proximity. Access to essential public goods such as land and traditional physical and common-use infrastructure is a key part of these calculations.

When implemented correctly, spatial tools can lead to increased private sector investment directed to areas of excellence and higher productivity in select industries that, with proper linkages, will result in positive spillovers to the broader economy and significant sustainable job growth.

What we offer

We help countries custom-design spatial growth strategies that will lead to greater levels of sustainable investment and job creation. Our clients are usually heads of line ministries, such as industry, commerce, and public works, SEZ authorities, and investment promotion agencies. The support we provide is structured around two core issues: identifying the spatial growth tools available; and selecting the best tool and optimizing implementation of the chosen approaches.

The spatial growth tools available

- Growth poles and corridors are simultaneous, coordinated investments in various sectors focusing on a particular geographic area to support self-sustaining industrialization in a country. They help exploit agglomeration economies to spread resulting prosperity from the core of the pole to the periphery. An industrial cluster, an IT park, an SEZ, a tourism zone, an agribusiness corridor, and even a city can all be viewed as growth poles. They can develop organically, such as the IT sector in Bangalore, or as a result of deliberate government actions, such as the tourism growth pole in Puerto Plata in the Dominican Republic.
- SEZs are delimited geographical areas that provide enhanced "hardware" (infrastructure) and "software" (investment climate) to businesses to attract investment and energize exports. They are often part of growth poles and can allow for rapid development of priority sites for specific market opportunities. They often serve as effective pilots for wider reform while creating jobs and facilitating the monitoring and enforcement of social and environmental compliance.

Selecting the best tool and optimizing implementation

- Identification of the priority market and government failures that the spatial growth strategy will address helps unlock the greatest volume of investment.
- Strategic diagnostics help determine the best spatial growth tool to tackle the constraints identified. Diagnostics include benchmarking, demand surveys, and identifying comparative advantages and market opportunities for sectors.
- Decision support systems include a scenario approach examining a base case, aggressive case, and conservative case, cost-benefit analysis, feasibility, and environmental and social sustainability.
- Facilitation of public-private dialogue can play a key role in formulating and implementing projects.
- Institutional and regulatory assistance helps establish streamlined public and private institutional setups with minimal overlap and international best practices in a custom-built regulatory framework.
- Assistance with project design and implementation incorporates accumulated lessons learned from similar projects in more than 30 countries.
- Green and low-carbon zone development is advanced by developing industry guidelines and action plans on how to increase competitiveness and optimize energy and resource use.

Relevant publications

WEF Africa Competitiveness Report, 2013, Chapter 2.3 – Growth Poles: Raising Competitiveness and Deepening Regional Integration

Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development

Special Economic Zones: Progress, Emerging Challenges, and Future Directions

Low-carbon Zones: Practitioner's Handbook

Our work in action

In **Bangladesh**, the World Bank Group helped address the country's scarcity of industrial land by assisting with the drafting of a complete regulatory and institutional framework enabling the formation of new, private SEZs. This framework has now been enacted, and the first two SEZs have been licensed under the EZ Act, one under a public-private partnership, the other an entirely private SEZ. Assistance was also provided in the area of social compliance and low-carbon development. As a result of the World Bank Group-funded labor counselor program, labor standard compliance among EPZ companies has risen from 30 percent in 2005 to 93 percent today. Through its Low-Carbon Zones Program, the SEZs have also been able to generate investments while lowering greenhouse gas emissions.

In **Madagascar**, a $165 million project contributed to a ten-fold increase in the stock of formal enterprises and a near seven-fold increase in the number of formal jobs in the growth poles of Fort Dauphin and Nosy Be since the start of implementation, despite a complex political environment. The project successfully integrated a number of reforms to improve the business climate and job creation around these growth poles. Building on the first project, a second $50 million phase will expand to growth poles in three additional regions.

For further information

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