

## STIMULATING COMPETITIVENESS: ACTUAL ISSUES FOR NATIONAL, REGIONAL, URBAN AND CLUSTERS ADMINISTRATION

Meine Pieter Van Dijk

Erasmus University, Netherlands

*This paper analyzes factors that determine the competitiveness of countries, cities or regions in a global economy. To stimulate competitiveness authorities and business can use different policies at the different geographical levels (country, región, city, clusters).*

*The objective of this paper is to make countries, cities or regions more competitive in a global economy, by linking them up to global value chains. We will argue that clusters are one way of increasing global competitiveness. Also competitiveness of cluster will be discussed and policies to promote the competitiveness at different levels will be listed. Finally, the factors influencing competitiveness will be analyzed.*

**Keywords:** competitiveness, national level, regional level, city level, enterprise competitiveness, cluster competitiveness, promotion policies, factors influencing competitiveness

### Background

Competitiveness is differing from comparative advantages. Tab. 1 lists the differences and emphasizes that competitive advantage is not inherited but can be acquired through competitive, technical, organizational and managerial innovations, which are considered as sources of economic growth.



**Meine Pieter Van Dijk**

PhD (Economics) from Free University, Amsterdam, the Netherlands

He is an economist and professor of Water Services Management at UNESCO-IHE Institute for Water Education in Delft, professor of Entrepreneurship at MSM and professor of Urban Management at the Institute of Social Studies and at the Economic Faculty of the Erasmus University in Rotterdam (EUR), all in the Netherlands.

He is member of the research schools CERES and SENSE. He worked on and in developing countries since 1973 and as a consultant for NGOs, the Asian Development Bank, the Inter-American Development Bank, the World Bank, different bilateral donors and UN agencies.

He recently edited a volume of the International Journal of Water on the role of the private sector in water and sanitation. His recent books are on Managing cities in Ethiopia (eds, with J. Franssen, Delft: Eburon, 2008), Managing cities in developing countries, the theory and practice of urban management (2006, Cheltenham: Edgar Elgar) and with C. Sijbesma (eds., 2006): Water in India (New Delhi: Manohar).

E-mail: [vandijk@ihs.nl](mailto:vandijk@ihs.nl)

## Competitiveness at the National Level

Competitiveness at the national level is defined by the World Economic Forum (2015) as the set of institutions, policies and factors that determine the productivity of an economy. At the national level the following factors form macro-economic and political underpinnings of competitiveness: stable political and economic environment, political and legal institutions.

Table 1 Competitiveness & comparative advantages  
(created by author)

Comparative advantage	Competitive advantage
<p>Comparative advantage used to be the basis for competitiveness evaluating until the end of the 1970s.</p> <p>The comparative advantage of a country is based on differences in factor costs of production (such as taxation, labour, energy, land, construction or raw materials).</p> <p>Comparative advantage is static and given.</p>	<p>Competitiveness is the term used to indicate the performance of enterprises, clusters of enterprises, cities, regions and even whole countries</p> <p>Focused on productivity and efficiency.</p> <p>Competitive advantage is achievable through strategic planning.</p> <p>The competitive advantage is not inherited but can be acquired through competitive, technical, organizational and managerial innovations.</p>

The challenge is to select a limited number of the variables and to find good operationalisations for these variables (which could eventually be slightly different from region to region). It will be difficult to opt for a complete different approach and better to follow the approach of the World Bank or the World Economic Forum (WEF, 2015). We have applied it so far for different countries (for example, China versus India Van (Van Dijk 2006)), different regions (for example, Arusha versus Kilimanjaro in Tanzania (Van Dijk, 2007)), different sectors (for example, IT in Malaysia and in China (Goes & Van Dijk, 2009) and different IT clusters (for example, Bangalore versus Nanjing (Van Dijk, 2003)).

## Competitiveness of the Cities

The economic development of cities is influenced by their competitiveness, which is one of new urban managers' attentions. FDI attracted by a city is a good indicator of the

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city's competitiveness. Jacobs (1970) suggested that there were dynamic cities before were dynamic agricultural communities. She argues that cities have a huge impact on the surrounding areas. The development of cities is considered to be an example of moving from an import substitution policy to eventually developing an export orientation. This creates employment and wealth. Such a city has indeed a big impact on the neighbouring rural areas and will eventually stimulate these areas to develop their export again to cities, which originally provided the ideas, technology and necessary inputs.

Table 2 - Variables measuring competitiveness at the national and the regional level  
(created by author)

Competitiveness at the national level	At the regional level
Stable political environment Sound political & legal institutions A stability pact, such as agreed upon for the introduction of the euro Per capita GDP or GDP growth Presence of one or more dynamic sectors or clusters Share of manufacturing or mining Share of exports to GDP, or their growth Macro economic indicators (rate of interests, inflation, FDI, etc) Unemployment rate Health indicators Education indicators Infrastructure indicators Doing business index Environmental index Innovation index Development of the financial sector (if available at the regional level) Local, government or foreign direct investments Legal context (will not be different at the local level)	Regional per capita GDP, or GDP growth Presence of one or more dynamic sectors or clusters & Regional investments Share of manufacturing or mining Share of regional exports to regional GDP, or their growth Regional economic indicators (tax level, transport cost, distance to the coast, incentives, etc.) Unemployment rate in the region Regional health indicators Regional education indicators Regional infrastructure indicators Doing business index (if available at the regional level) Environmental index (if available at the regional level) Innovation index (if available at the regional level) Development of the financial sector (if available at the regional level, number of banks could be taken as a proxy) Aid going to the region Remittances going to the region

The biggest economic potential is often in the smaller and intermediate cities, rather than in these big or mega cities. The competitiveness of cities can be measured by their enhanced capacity to attract private sector investment and promote employment. We will examine ways to enhance urban competitiveness, including making the management of urban infrastructure more effective in developed countries. The factors influencing competitiveness at the urban level can be separated in economic and strategic determinants (Tab. 3).

Table 3 - Factors influencing urban economy competitiveness  
(Kresl & Gappert, 1996)

Economic determinants	Strategic determinants
Factors of production	Governmental effectiveness
Infrastructure	Urban strategy
Location	Public-private partnerships
Economic structure	Institutional flexibility
Urban amenities	

In Tab. 3 some suggestions for developing countries are summarized to help them to compete in the global economy. However, a lot of research remains to be done in this field. Improved competition will certainly require incentive policies, improved infrastructure and service delivery and releasing the initiatives of different urban actors.

Table 4 - Increasing urban competitiveness, options for developing countries  
(created by autor)

- |   |
|---|
| <ol style="list-style-type: none"> <li>1. Analyze sectors where your city can be competitive (tourism, leather, etc.);</li> <li>2. Notice the importance of coordinated policies at different level of government;</li> <li>3. Use successful examples of exported products or services for the demonstration effect!</li> <li>4. Promote the presence of skilled labour and innovation systems;</li> <li>5. Create the right environment for private sector development</li> </ol> |
|---|

What are the kind of reforms that are usually pursued if a city wants to become more competitive and improve service delivery? They may concern the governance of the city, its institutions or the utilities. The New public management often offers a number of principles for such reform, which were already mentioned. More autonomy is important in this public administration theory and comes with more accountability. The challenge is to obtain the best combination of reforms, or the best fit for a city. Improved service delivery can be achieved by introducing urban reform, based on the principles of New Public Management:

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1. Obtain more autonomy through decentralization
2. Improve accountability
3. Introduce customer & market orientation
4. Improve financial cost recovery systems

The challenge is to find the best combination of reforms, fitting in the local situation and addressing the pertinent issues in particular city. Tab. 5 summarizes suggested reforms for urban water utilities. Depending on the local situation a combination of these measures would have to be selected as the appropriate answer to the issue.

Table 5 - Set of suggested reforms for water utilities  
(Van Dijk, 2006)

Internal functioning	In relation with the context in which the utility functions
<ol style="list-style-type: none"> <li>1. Prepare business plans</li> <li>2. Promote corporate culture</li> <li>3. Introduce internal decentralization</li> <li>4. Involve staff</li> <li>5. Show leadership</li> <li>6. Recruit competent staff</li> <li>7. Develop Human Resource</li> <li>8. Development activities</li> <li>9. Introduce internal contracting</li> <li>10. Introduce internal contracting</li> <li>10. Introduce internal benchmarking</li> <li>11. Introduce internal competition</li> </ol>	<ol style="list-style-type: none"> <li>1. Link increasing user fees and improved customer orientation</li> <li>2. Install an independent Board</li> <li>3. Define roles board and service delivery organization</li> <li>4. Obtain financial autonomy</li> <li>5. Get your O&amp;M cost paid</li> <li>6. Organize customer surveys</li> <li>7. Deal with complaints</li> <li>8. Introduce external contracting</li> <li>9. Introduce Benchmarking</li> <li>10. Improve transport</li> <li>11. Improve technology used</li> </ol>

Improving urban service delivery requires a number of initiatives: initiatives by local governments or other stakeholders, tapping new sources of finance, and improving the regulatory framework. Batley (2007) draws the attention to non-state service providers. That often play a vital role in basic services provision. Some governments recognize their importance and see the need to collaborate with them in order to improve services.

For example, in Beira, the second largest city in Mozambique, a newly elected mayor wanted immediately after taking up the post in 2003 to improve the capacity of his councillors and technical staff and decided to ask the population about the importance and quality of different urban services. Their entry point was a municipal scorecard, a short questionnaire on which a carefully stratified sample of inhabitants would score the efforts of

Beira's municipality to improve services for which the municipality is responsible in a decentralized framework. The same approach has been used in India, where regularly surveys of citizen access, use and satisfaction with public services are produced (World Bank, 2006).

### **Competitiveness at the Cluster Level**

Firms prefer a location that could save cost and has easy access to markets. This leads firms and industrial activities to spatially concentrate in certain, usually urban areas. The region or area concerned could increase prosperity from the firms' business activities and benefit to the maximum from urbanisation and economies localisation. Enterprises in the cluster together do better than those who are not part of a cluster. Cluster competitiveness is related to:

- The development level of cluster
- The trajectory: in which direction is it moving
- The role business organizations
- The role local government
- Export possibilities
- International conjuncture

Factors determining the dynamics of clusters

- The initial size and quality of the cluster
- Its place in the urban hierarchy
- The degree to which local knowledge-resources are exploited
- The structure and quality of the local demand for ICT products and services
- The quality of the urban living environment
- Cluster-specific policies

### **Competitive Advantage at the Enterprise Level**

Competitive advantage at the enterprise level is the capacity of a firm to gain, maintain and expand its share in markets for final products. Firm level competitiveness depends on:

- Operating practices
- Strategies
- Business inputs
- Infrastructure and on
- Policies constituting the environment in which a nation's firm compete

As an example we can discuss efforts to promote the competitiveness of micro and smallenterprises in urban Tanzania.

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Policies to promote the urban informal sector in Tanzania are original and urban based (Van Van Dijk, 2008). In order to empower informal sector, the government has prepared the Property and Business Formalization Program (PBFP). The Program seeks to facilitate the transformation of informal (extralegal) properties and businesses into formal legal entities. Its aim is to enable Tanzanians to use the formalized resources as collateral in accessing credit from financial institutions and thereby enhance economic growth and ultimately reduce poverty.

Table 6 - Reasons to register a business according to the Business Registration and Licensing Agency (BRELA)  
(Van Dijk, 2008)

<p>Giving your business undertaking its legal life</p> <p>Giving you the exclusive right to personally use your company and business name</p> <p>Enabling you to enjoy the pride of being an honest Tanzanian or Foreign business undertaker</p> <p>Giving you the right to enter with confidence into the competitive business arena using your company name and business name corporate identity</p> <p>Granting you exclusive legal right to enjoy the product of your invention or innovation</p> <p>Protecting your intellectual property rights, thereby stimulating the urge for further inventive, innovative and creative activities</p> <p>Enjoying protection of your literary and artistic works against infringement and privacy</p> <p>Affording you the chance to contribute to national economic prosperity</p>
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The formalization approach has already started in Dar es Salaam. The slogan is that BRELA provides business legality in Tanzania. Besides registration they are also granting patents, overseeing copyrights and involved in business and industrial licensing. Mainstreaming informal enterprises into formal sector faces some challenges, which include: inadequate knowledge of the dynamics of the informal sector, and inadequate strategically located areas for allocating space to the informal sector operators. This activity is just one of a series trying to promote micro and small enterprises in urban Tanzania, which does not mean that local authorities do not chase these entrepreneurs when they occupy space in the centre of Dar es Salaam.

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