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Spatial Inequalities and Policies in South Africa: Place-based or People-centred?

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Abstract

There is a robust international debate about how best to tackle spatial inequalities within nations and regions. The paper discusses three contrasting approaches: spatial rebalancing, space-neutral and place-based. They vary in the scope and purpose of government policy, from redistributing economic activity, to facilitating aggregate growth, and realising the economic potential of less-developed regions. The paper applies this framework to analyse South Africa's five decades of experience of spatial policies. The context is one of stark spatial inequalities, uneven institutional capabilities, and mounting political pressure for change. Under apartheid, spatial targeting was highly instrumental and played a role in reproducing social divisions at considerable financial cost. Since the end of apartheid there has been much experimentation with spatial initiatives, but without any overarching vision or policy framework. A cautionary conclusion is that there are risks of extravagant spending in marginal locations when political pressures are strong, public institutions are weak and economic disciplines are lacking. Another is that place-based policies have potential, but require stronger vertical and horizontal policy alignment to stand any chance of tackling entrenched spatial divides. Enhanced local institutions involving private sector and community stakeholders are also essential for spatial policies to respond to the specific challenges and opportunities encountered in each place.

Key words: local and regional development; spatial targeting

Chapter 1: Introduction

There is a renewed battle of ideas about the best way to tackle spatial inequalities within nations and regions (Barca, 2009; OECD, 2009; World Bank, 2009; McCann, 2016). The contest between different approaches has been spurred by heightened competition for investment in a context of economic volatility and geopolitical uncertainty. A popular backlash against globalisation in many lagging regions has added to the pressure for new solutions to uneven development, reflected in international commitments to 'leave no-one behind' in the Sustainable Development Goals and other agreements. A series of other contemporary challenges also threaten regional prosperity, including growing protectionism, rising social inequality, disruptive technologies, resource scarcity and fiscal austerity. Meanwhile, new theories of economic growth have also invigorated the spatial policy debate, with their emphasis on endogenous (internal) causal processes, agglomeration economies and institutions (Pike *et al.*, 2010, 2017; Glaeser, 2011; Barca *et al.*, 2012; Storper, 2013). These notions all stress the influence of geography on economic performance. The issues at stake are multi-dimensional and cut across established academic disciplines and policy silos.

Some simple distinctions are immediately apparent. On the one hand, it has been argued that governments should avoid singling out particular regions for special support ('spatial targeting') because it is more reliable and efficient for market forces to determine which places prosper (World Bank, 2009; Glaeser, 2011; Cheshire *et al.*, 2014). Successful towns and cities will emerge more or less spontaneously and it is almost impossible for governments to turn-around localities whose economic base has collapsed. They should conserve their resources and respond to places with proven demand for business growth and household preferences. As these areas prosper, stronger links to poorer regions through trade and migration ('economic integration') will spread income and narrow the wealth gap (World Bank, 2009). Redirecting jobs and resources to under-performing regions will merely curb economic efficiency, hamper growth and reduce aggregate welfare. Instead, governments should focus on 'space-neutral' (or 'spatially-blind') policies which target poor people and equip them with the capabilities to access opportunities wherever they arise. Large cities are most likely to function as engines of growth because of the advantages of economic concentration and density for productivity and innovation (Wojan, 2016; Lall *et al*., 2017). In other words, there is a kind of inevitability to spatial outcomes that governments shouldn't interfere with because it's futile to fly in the face of economic reality by trying to buck the market (Gill, 2010).

On the other hand, it has been argued that governments should have explicit spatial targeting policies because there is potential for growth in many regions besides big cities (Barca, 2009; OECD, 2009; Storper, 2010; Dijkstra, 2013). Private firms and markets cannot be relied upon to realise these opportunities because of inadequate information, risk-aversion, inertia or other failures. Collective action by governments and civil society can improve the fortunes of places by creating conducive environments to guide private investment decisions and to support productive activity. Governments can and should do more than respond passively to business location choices and household migration patterns

after the event because inefficient forms of urban development may get locked-in. Policies should be sensitive to latent local assets and under-utilised resources, and address the binding constraints that hamper investment and growth, such as weak institutions. A growing literature on 'place-based' development suggests that local and regional assets and know-how are foundations of national prosperity (Barca *et al.*, 2012; Hildreth and Bailey, 2014). Places are 'sticky' in that they attract and embed productive investment, human capital and associated resources through intense local interactions. These synergies can generate economic dynamism by creating and strengthening comparative advantage through distinctive territorial capabilities, technologies and economic specialisations which are steadily upgraded and enhanced over time (Storper, 2013).

This process of growth is always imperfect, uncertain and uneven, as regions follow different paths. Effective governance, leadership and collaboration among stakeholders can shape their development trajectories. Joint problem-solving, mutual learning and focused action to address specific local needs can all help to foster progress. Places function as active agents to stimulate and sustain productive activity, and not inert containers or receptacles for the location decisions of firms (Pike *et al*., 2010, 2017; Barca, 2011). Furthermore, economic integration through trade between regions is no panacea because it may widen rather than narrow the prosperity gap by reinforcing the strengths of well-endowed areas and depleting the resources of other territories. Leading cities may become disengaged, or 'decoupled', from their surrounding regions and more entwined with other global cities, so the spread effects may never filter through (McCann, 2016). Economic activity and political power may become over-concentrated in the primary city and the resulting inflationary pressures and congestion may act as a brake on national growth (Amin et al, 2003; Martin, 2015). Migration is also not a smooth or painless process. It may cause social dislocation and instability, sometimes in both places of origin and destination. Therefore, spatial policies can have valuable national as well as local benefits, including realising the untapped potential of less-developed areas, mitigating the costs of disruptive territorial divides, and relieving bottlenecks in over-heated regions.

There is a long history of spatial targeting policies in European countries. They have evolved from traditional efforts to steer investment and jobs from affluent to poor regions through large financial incentives and major infrastructure schemes, towards more complex regional development strategies managed by partnerships of local and regional stakeholders (Pike *et al*., 2017). Advocates of the space-neutral approach criticise them for going against the grain of market forces, hindering agglomeration tendencies, adding to the tax burden, and jeopardising growth (World Bank, 2009; Nathan and Overman, 2013; Cheshire *et al*., 2014). Proponents of place-based policies criticise them for different reasons - their top-down, standardised character, aiming to attract similar industries using identical instruments, and not doing enough to build upon existing regional assets, to renew local institutions, or to modernise outdated economic structures (Barca *et al*., 2012; Pike *et al.*, 2017). Indeed, the European Union (EU) has steadily reduced support for physical infrastructure projects and the subsidies that governments are permitted to offer firms in order to prevent wasteful beggar-my-neighbour behaviour between regions and to stop them from trying to prop-up declining industries with slim chances of survival (Garcilazo, 2011; Turok, 2004).

The EU's new place-based policies seek to boost development from within by bolstering indigenous strengths and branching out into new and related economic activities (Barca, 2009; Barca *et al*., 2012; Hildreth and Bailey, 2014; McCann, 2016). They are not restricted to the poorest regions, and resources are not allocated according to standard formulae. Strategies are more nuanced and negotiated among stakeholders to encourage greater creativity and adaptability over time. They are broader in scope than traditional regional policies, recognising the need to overcome diverse local constraints and unlock the unique potential of each place. Fresh thinking is encouraged by mobilising different sources of expertise, energy and networks. A multi-level approach is important, involving national authorities and sometimes international bodies injecting ideas, resources and disciplines, such as ensuring citizen accountability and regular evaluation to improve policy performance over time. External actors need to challenge entrenched local interests that may have narrow, self-seeking agendas, parochial tendencies or weak institutional capabilities (Barca, 2011; Tomaney, 2013; Boschma, 2014).

The purpose of this paper is to examine South Africa's (SA) five decades of spatial targeting policies in the light of these debates, and using a three-fold framework of spatial rebalancing, space-neutral and place-based approaches. The intention is to contribute new insights into the theory and practice of spatial policies by exploring evidence from a quite different context beyond Europe. SA is one of the most unequal and unevenly developed countries in the world. It also experienced a remarkably peaceful transition to democracy two decades ago, indicating some success in terms of national cohesion. Large parts of the country were deliberately under-developed historically and entire communities were forcibly removed off well-located urban land to marginal areas on the periphery. The black majority of the population was disempowered educationally and left with inferior healthcare and other public services. A coercive migrant labour system was the only option for many men to earn a livelihood. The entrenched social and spatial inequalities have created enormous pressures for social redress and spatial rebalancing. They coincide with formidable obstacles to change, such as very uneven institutional capabilities and infrastructure in different places. Such immense geographical disparities cannot be resolved simply by devolving decision-making to disadvantaged regions or accelerating rural-urban migration. The paper analyses the experience of regional policies in the apartheid and post-apartheid eras, including industrial decentralisation and special economic zones. Area-based initiatives focused on the former black urban townships and decaying inner cities are also assessed. The evidence base includes a unique collection of original programme evaluations, together with a range of secondary literature and insights from interviews with key actors.

A mixed picture emerges from the analysis. SA has examples of long-standing spatial policies driven by narrow ideological objectives that generated few enduring benefits, despite offering some of the most generous incentives available in the world. They neglected economic principles and lacked understanding of the underlying problems or empathy for the communities concerned. There are also more recent examples of well-conceived initiatives that were hampered by poor government coordination and vision, resulting in duplication of effort, inconsistency and dissipation of resources. A third group of initiatives have had surprisingly positive outcomes in inauspicious places. This is attributable more to determined implementation than to sound design. Capable organisations with energetic, well-connected leaders were able to mobilise substantial public and private investment.

Several wider lessons for spatial policy also emerge from SA's eclectic experience. Spatial targeting is not inherently inefficient and ineffective. However, it is not necessarily straightforward or successful either, and there is considerable scope for improvement. Generalisations about the superiority of particular kinds of spatial policies are problematic because so much depends on the national and local context, and on the conditions of implementation. Spatial policies are potentially valuable mechanisms for coordinating and focusing government action, yet they need to be grounded in economic realities and institutional capabilities. Spatial initiatives are most useful if reinforced by other state powers and resources, and implemented in partnership with other actors.

Three particular issues warrant more attention in the literature on spatial targeting. First, all spatial policies are conditioned by the structure and dynamics of the economy. It makes a big difference whether the economy is open to new enterprise, competition and diversity, or whether ownership, control and know-how are concentrated and there are many barriers and rigidities in the system. Transforming spatial trajectories is much more difficult in a relatively stagnant, unchanging economy. Second, social cohesion makes it easier to introduce and sustain spatial policies. SA's experience is that launching initiatives in very deprived environments is difficult because communities are fractious and institutions fragile. Development efforts need strategies for building trust, stability and shared agendas. Third, institutional capacity is required at local and national levels. State capacity is often weakest and least reliable in the places that most need support. One cannot assume the existence of an organised state capable of absorbing devolved powers and resources, devising innovative plans and implementing agreed decisions. Special efforts are necessary to build and maintain competent and accountable local and regional governments, with oversight and support from central government.

The balance between national and local action ought to vary depending on the circumstances. Additional national investment, enhanced technical assistance and a more assertive role in tackling governance shortcomings may be required where spatial divides are deep. A targeted approach that concentrates on a limited number of places to begin with is more realistic and credible than spreading expertise widely and thinly. National spatial strategies and arrangements to align sectoral policies and funding streams are also important. These and other policy recommendations need to be founded upon a much more substantial base of research and evidence.

The structure of the paper is as follows. Chapter two provides a review of the literature on spatial targeting. The third chapter examines the context of SA, including the changing spatial economy and historical evolution of national spatial policies. Chapter four analyses the history and contemporary experience of regional policies, from efforts to deconcentrate industry under apartheid to recent special economic zones. The fifth chapter focuses on national area-based policies post-apartheid, including schemes to develop township economies. Chapter six concludes by drawing the evidence together and reflecting on the wider implications for contemporary debates about spatial policies.

Chapter 2: International experience and concepts of spatial policies

2.1 Introduction

Looking back over the history of spatial policies, and at the risk of over-simplification, it is possible to identify three broad approaches, each with a different rationale and character. Table 1 summarises their essential features. *Spatial rebalancing* aims to narrow the prosperity gap between regions, i.e. to promote economic convergence. The main mechanism is to steer productive investment and jobs from prosperous to poorer regions, and to attract foreign direct investment. Financial inducements are based on standard rules and eligibility criteria to ensure predictability and certainty for investors. Improvements in physical infrastructure also play a part in accommodating mobile manufacturing plants and other major projects. The short-run economic impacts are most important for policy-makers and firms benefit from the lower costs of doing business, such as labour and land.

Table 1: Different Approaches to Spatial Policy

	Spatial rebalancing	Space-neutral	Place-based
Goals and objectives	Narrow the prosperity gap between regions and reduce unemployment in poorer areas.	Aggregate economic growth via agglomeration economies and economic integration.	Each region develops to its potential by building a more durable and dynamic local economy.
Mechanisms	Steer investment and jobs from leading to lagging regions. Attract foreign direct investment.	Facilitate economic density, scale economies and connectivity. Remove barriers to migration.	Strengthen local assets, know-how and institutions. Develop more productive and innovative enterprises.
Policy instruments	Standard financial incentives. Improved physical infrastructure. Streamlined business regulations.	People-focused public services. Connecting infrastructure. Deregulation to expand housing supply in fast-growing cities.	Holistic and integrated strategies based on developing distinctive human capabilities and novel activities.
Style of government	Centralised and predictable. Special purpose agencies to expedite implementation.	National institutions and universal programmes to meet the essential needs of people and firms.	Responsive city and regional government. External partnerships. Multi-level governance.
Economic rationale	Static benefits of business relocation to lower cost regions. Possible reduction in overheating and	Ongoing benefits to economic growth via the efficiency and productivity derived from agglomeration	Dynamic benefits derived from local experimentation, learning, adaptation and differentiation.

	congestion in core regions.	economies.	
Social and political rationale	Social solidarity and political stability.	Popular acceptance of urbanisation and uneven development.	Build strong and resilient foundations for shared and lasting prosperity.
Where is the policy focus?	Relatively poor regions and localities.	Large cities.	Every region and locality.

Source: Authors' creation

The *space-neutral* approach aims to maximise aggregate growth through increased efficiency. It is assumed that an expanding economy will narrow spatial disparities by spreading income and investment from the buoyant core to surrounding regions. The logic is to facilitate economic concentration and economies of scale in a few big cities through labour migration and connecting infrastructure. Policy instruments are designed to respond to and reinforce these 'natural' processes by people-centred actions and urban infrastructure, rather than to steer business in contrary directions. The economic benefits are supposed to be more dynamic than from spatial rebalancing, and stem from the ongoing cost savings and productivity gains associated with economic density and agglomeration. The outcome is expected to be a higher rate of national growth and higher average incomes.

The *place-based* approach is concerned with improving conditions in a wider group of regions by helping to realise their potential through development from within rather than transfers from elsewhere. The priority is to strengthen the distinctive assets, knowledge and human capabilities of each territory and support upgrading and diversification into new and more sophisticated activities. Policy instruments are tailored to the local context and geared to promoting indigenous enterprise and innovation through learning and collaboration. The economic benefits are derived from the emphasis on creativity, experimentation and differentiation, i.e. undertaking more complex tasks and enhancing the qualitative character of growth rather than more of the same. The ideal outcome is the emergence of a distinctive growth trajectory for each region so as to moderate zero-sum, or 'head-to-head', competition between regions.

These are clearly generalisations that obscure variations within each policy concept and similarities between them. There are also distinctions between the spatial scales of different interventions that cut across the three approaches. Regional development policies tend to focus on the economic and infrastructure dimensions of development, while local, or area-based, programmes stress the broader human development aspects, such as community well-being and living conditions. The logic is that regional policies relate more closely to functional economic units, particularly metropolitan labour markets or commuting catchment areas. Local development relates more closely to the scale of everyday life, including the territory covered by people's immediate social networks and journeys to shopping, school or recreation. This distinction is not fixed and definitive, just as the differences between regional and area-based policies should not be exaggerated.

2.2 Spatial rebalancing

The first generation of spatial policies was driven by social and political pressures to reduce the gap between rich and poor regions. The diversion of state resources was intended to demonstrate solidarity and promote national cohesion, as well as to improve material conditions in the target areas (Pike *et al*, 2017). A regional policy was introduced in the UK when heavy industries in the north were devastated by the Great Depression in the 1930s, causing mass unemployment and social unrest. *Assisted Areas* were designated within which companies could receive sizeable incentives from central government in return for creating and maintaining jobs. New industrial estates and advance factories were also built to attract mobile industry. In United States, a more comprehensive approach was followed in the Tennessee Valley, an agricultural region also damaged by the Depression. A government agency was established that invested heavily in infrastructure (e.g. electricity generation and flood control), technical support (e.g. developing and manufacturing fertilizers) and attracting new industries to the region. Italy introduced a regional policy in the 1950s to reduce poverty and stem out-migration from the depressed South of the country. It included major subsidies for industrial relocation and investment in new roads, irrigation schemes and other infrastructure.

These policies sought to rebalance inequalities by transferring economic activity from affluent to poorer regions, and by stimulating demand in depressed regions, influenced by Keynesian economic ideas. The emphasis subsequently shifted in many countries to attracting foreign direct investment, using the same policy instruments. Following similar thinking, some countries sought to rebalance the national urban system by supporting the growth of secondary cities and towns in order to relieve congestion in the biggest cities (Parr, 1999). In all cases they relied on large financial transfers between regions orchestrated by central government. In many countries there were physical controls placed on firms in the prosperous areas intended to restrict their expansion and spur them to shift activities to less-favoured regions. Manufacturing plants were the focus of attention because of their perceived locational mobility. Manufacturing also comprised more manual occupations than services, which helped to absorb unemployment among less-skilled workers. Constructing infrastructure was also labour-intensive and provided an additional stimulus to job creation.

A major criticism was the somewhat uninspired nature of this approach, which often failed to engender self-sustaining growth (Barca *et al*., 2012; Pike *et al.*, 2017). The new activity rarely became anchored in the region and did little to overcome structural rigidities and obsolescence. It encouraged investment *in* the region, rather than all-round development and transformation *of* the region, i.e. a narrow sectoral rather than a broader territorial emphasis. The same policy formula was followed in different places, and generally managed by central government to ensure consistency. Beneficiaries were often mature assembly plants or branch factories seeking state subsidies, but lacking product design, marketing or other value adding functions. Little technology or know-how were transferred to the region and few spillovers were generated. The new jobs were secure as long as the factories operated efficiently, product sales were healthy and the subsidies were sustained. Yet the strategic capabilities and skill-sets to conduct their own research, development or marketing for the next generation of products were missing. It was difficult for less-favoured regions to modernise without the entrepreneurial, technological and financial competencies to build companies with their own products, processes and services.

There were various economic justifications provided for this approach. One argument for redirecting activity to depressed regions was to offset overheating and congestion in the labour and housing markets of the core region (Kaldor, 1970; Armstrong and Taylor, 2000). Decentralisation would reduce inflationary pressures and enable interest rates to be lowered, which would benefit the whole economy. Another argument was that economic and political power was concentrated in the leading region and draining the rest of the country of vital human and financial resources (McCann, 2016). These ideas were never fully accepted in most countries. For example, in 1983 the UK government famously declared that there was no economic case for regional policy.[1] The size of the incentives and eligible regions were promptly scaled down. There was a parallel concern within Europe about ever-increasing state subsidies being extracted by major corporations playing regions off against each other, or being misused by governments to protect domestic industries from external competition (Turok, 2004).

Meanwhile, research within a political economy tradition suggested that regional policy was reinforcing tendencies within multinationals to disaggregate their various functions and separate them physically across regions in a new spatial division of labour (Massey, 1995). It made business sense for them to locate their routine production in lower cost, peripheral areas, especially with the available incentives. However, the additional jobs often proved transient because the plants lacked the wherewithal to adapt to changing market conditions, or could be induced to move elsewhere by more generous incentives. The pursuit of a 'quick-fix' also meant that little was done to spur the formation and growth of new, locally-based enterprises.

A different case was made for targeting particular industries *within* the lagging regions. 'Growth poles' were about implanting propulsive industries that would generate large multiplier effects because of their backward and forward linkages. Having a focal point on which to concentrate investment and services would be more efficient and have a bigger catalytic effect than spreading the effort throughout the region. This concept was influential in many parts of the world from around the 1960s, although it never lived up to its promise (Storper, 1991; Parr 1999). Identifying the key industries in advance was a difficulty. Pursuing a concerted strategy to build constellations of firms around them was another problem. As a result, the transplanted operations developed few local linkages and remained 'cathedrals in the desert' (Hardy, 1998). In several developing countries, the drive to launch new capital cities, and to shift the locus of power from the coast to the interior, were justified on the basis that this would stimulate the economy of neglected regions, in line with a simple version of growth pole theory. However, the new urban centres ended up mostly accommodating state administrative functions and the wider economic impacts were negligible (Cain, 2014). Many turned out to be expensive mistakes that diverted substantial resources from more valuable economic and social projects elsewhere (Parnell and Simon, 2014). Nevertheless, the idea of using the physical presence of government to stimulate regional growth was an important principle with potential for more creative

[1] Such arguments have re-emerged in recent years following the widening of the North-South divide (Martin, 2015; McCann, 2016). The point being made is that the UK's recent growth has been based on too narrow a foundation of a few industries in a few regions, namely London and the South-East. This is unstable and wasteful of talent and resources in other regions.

application. It has resurfaced in the UK recently in recognition that the highly centralised system of government spending and political control militates against places outside London and acts as a 'counter-regional policy' (Martin, 2015; McCann, 2016).

The concepts of free trade zones, export processing zones and enterprise zones differ from growth poles in their less discriminating approach to industrial selection. These special economic zones (SEZs) date back at least 50 years and have become increasingly popular around the world (Farole, 2011). Rather than target a few sectors for priority attention, they embrace a range of activities that fulfil certain minimum requirements, such as having a high export content. Their focus on particular localities enables investment in modern infrastructure to be concentrated in places with better growth prospects than the rest of the region, such as seaports and airports. Hence some of them should probably not be classified under the spatial rebalancing rubric. Their restricted geographical focus establishes a 'special' status, including streamlined regulations, extra financial benefits, enhanced logistics and greater visibility for decision-makers.

China has considerable experience of using SEZs to stimulate large-scale industrialisation. Sleepy coastal towns and fishing villages such as Shenzhen enjoyed inherent geographical advantages when they were designated as priority locations to start manufacturing export goods during the 1980s. The combination of simplified procedures, special tax breaks, exemptions from customs duties and large reserves of low cost migrant labour proved enormously attractive to foreign investment and launched China's remarkable transformation from an agrarian society (Miller, 2012; OECD, 2013; World Bank, 2014). The special attributes of SEZs were reinvented over time as new areas were designated in order to give them a distinctive character and novel advantages over other areas. China designed SEZ regimes that were tailored to the context in which they were introduced and integrated into wider economic strategies. The state's commitment to bold experimentation meant piloting far-reaching reforms of national regulations to maximise the impact of SEZs.

A similar determination to adapt zone regimes to their particular regional circumstances and deliberately learn from the experience has not been apparent to the same extent elsewhere. Consequently, SEZs have generated very mixed results around the world (Farole, 2011). The globalisation of trade and investment, enabled by the disaggregation of manufacturing into global production networks and value chains, has been an important trend in their favour. Against this has been a tendency to see SEZs as separate initiatives or privileged enclaves, rather than part of broader economic transformation strategies covering skills development, regional clusters and supply chains, and public-private partnerships.

Spatial targeting took on a quite different, more localised form in many advanced economies from around the 1960s with the discovery of areas of concentrated poverty in the inner cities of large industrial conurbations. Many governments in Europe and the US became more concerned with treating social and environmental problems in run-down neighbourhoods than with steering growth (Oakley and Tsao, 2006; Cochrane, 2007; Musterd and Ostendorf, 2008). Intensified international competition and under-investment were causing many factory closures and leading to vacant and derelict land and buildings. Working class communities were most vulnerable to the job losses and experienced rising

poverty and exclusion from the rest of society (Wilson, 1997; Jargowsky, 1997). There were social protests and street riots in many European and US cities as governments seemed to retreat from their post-War commitment to full employment, and as households slipped through the safety net of the welfare state. Immigration from the former colonies contributed to an atmosphere of racial tension and mistrust.

The threat to national stability and political legitimacy forced a government response, especially as local authorities found it difficult to skew their stretched resources towards poorer districts. In the UK the Urban Programme was launched and the US equivalent was called the War on Poverty. The focus was on marginalised neighbourhoods suffering from multiple deprivation and social stress, including low income, poor education, sub-standard housing, ill-health, family breakdown and rising crime. Extra resources were provided to enhance local schools, health facilities, social services and policing. Joint working was encouraged between teachers, social workers, health officials, police officers and other professionals to treat the problems faced by poor families is a more holistic way. Many area-based initiatives also made efforts to involve communities in decision-making through local partnerships, and to introduce new approaches to social regeneration through community-based organisations.

Yet there was a tendency to perceive local problems independently of the economy or public policy more generally. Urban policy was treated as a special instrument designed to address selected aspects of under-performance within poor neighbourhoods. It offered some compensation for their economic problems and for the inability of mainstream policies to ensure community well-being. However, there was little attempt to address the structural and systemic causes of poverty by rebuilding local economies and creating jobs. Observers criticised area-based projects for being too fragmented, reactive and neglectful of sustainable solutions (Cochrane, 2007; Musterd and Ostendorf, 2008; Syrett and North, 2008; Turok, 2008; Lawless, 2012). At worst they merely ameliorated poor living conditions, instead of being catalysts for socio-economic development. There wasn't the political appetite to test more radical policy reforms or to deliver solutions at anything like the scale of the SEZs in China.

Some forms of area-based targeting also focused on physical structures, including the condition of the housing stock, derelict land and buildings. Run-down areas were perceived to encourage anti-social behaviour and to deter private investment. Damp and decaying housing was linked with ill-health, insecurity and other social problems. Improvements in physical structures were highly visible and relatively easy for governments to engineer. This helps to explain the higher levels of support for physical renewal and investment in bricks and mortar. The assumption was that improved liveability would stabilise communities and reduce the social malaise. Yet independent research questioned the social and economic benefits of physical improvements in the absence of broader economic progress and deeper social reforms (Lupton, 2003; van Gent *et al.*, 2009; Lawless, 2011). Furthermore, well-located neighbourhoods were prone to gentrification as they were upgraded and existing residents were displaced by better-off incomers.

There was a broader concern that urban initiatives treated places in isolation, neglecting the regional context and interactions with surrounding districts (Wilson, 1997; Jargowsky, 1997).

They were inward-looking and didn't do enough to connect residents with wider opportunities (Andersson and Musterd, 2005; Syrett and North, 2008; Turok and Robson; 2007). There was insufficient attention paid to the sequencing of actions and mitigation of gentrification. Rather like traditional regional policy, there was an implicit assumption among senior decision-makers that urban policy was zero-sum (merely concerned with shuffling resources and opportunities between areas), with no impact on national prosperity (Turok, 2008). The lack of a clearly articulated economic rationale consistently held back government support. The outcome was many short-term, piecemeal initiatives promoted by separate agencies, often with unwarranted fanfare. This precluded a more integrated approach, including stronger links between urban and regional policies, and across the social and economic dimensions of development.

2.3 The space-neutral approach

A space-neutral perspective emerged partly because of the difficulties facing redistributive spatial policies in a more competitive global environment with stressed public finances. Mobile capital and talent made it more difficult to anchor private investment within territories and threatened escalating public subsidies as governments bid for investment and sacrificed environmental and welfare standards in a 'race to the bottom'. There were growing criticisms that scarce taxpayer funds were being wasted on unviable projects in places with little prospect of self-sustaining development, given how easy it is for governments to throw money at symbolic initiatives. They lack the knowledge or foresight to anticipate the myriad individual decisions that genuinely shape spatial outcomes. Some economists also argued that balanced or equitable development is misguided because growth is inevitably uneven and driven by powerful market forces which cannot be reversed (Cheshire *et al.*, 2014). The World Bank (2009) pointedly criticised the EU's regional policy on the grounds that it promoted dispersed rather than concentrated development, thereby undermining productivity and innovation, and depressing growth.

The World Development Report (WDR) (World Bank, 2009) put forward a clear alternative to spatial targeting. It advocated a 'spatially-blind' or 'place-neutral' approach, i.e. policies that apply to all locations. These focus on meeting the essential needs of households, such as clean water, sanitation, energy, healthcare and education. These 'people-centred' policies ensure that the fate of individuals is not determined by where they happen to be born, because they acquire the capabilities to get jobs elsewhere. The outcome will be efficient and equitable because people will move to the most productive places, thereby reducing unemployment in their original areas and satisfying the increasing demand for labour at their destinations. This spatial 'adjustment' mechanism is said to operate relatively smoothly and freely. Urbanisation reinforces agglomeration economies and thereby fuels productivity, knowledge creation and aggregate growth, in line with the New Economic Geography paradigm (Glaeser, 2011; World Bank, 2013; Glaeser and Joshi-Ghani, 2013).

There is a secondary role for public policy to enable the expansion of the most successful cities by removing bottlenecks and barriers. This means responding to growth pressures as they emerge. For example, land-use planning controls that restrict the supply of housing should be relaxed (Cheshire *et al.*, 2014). New investment is also required to expand the transport network and other urban infrastructure. In due course cities will grow to a point

where the diseconomies of scale exceed the advantages. This will lead naturally to deconcentration as core costs escalate and constraints on labour supply and land prompt firms to relocate to secondary cities and towns. The centripetal forces of concentration will in due course generate centrifugal tendencies to disperse activity. It is futile to try and revive former industrial cities or to tackle physical dereliction and decay in run-down areas. People matter not places, and people are mobile, so they should be the focus of support. The fair way to do this is through universal education, health and other welfare services (World Bank, 2009). These promote national cohesion and social stability because everyone benefits, whereas spatial policies are divisive because they favour some communities over others.

The central argument of the WDR is that economic growth is inevitably unbalanced, but it can still be inclusive (World Bank, 2009). Inclusive growth can be attained through economic integration of leading and lagging regions, which enables trade, resource transfers and migration. A similar logic applies to inequalities within cities. Run-down and deprived neighbourhoods reflect the sorting effects of the housing market (Cheshire *et al*., 2014). People with low skills are susceptible to unemployment and end up living in areas with the lowest quality, least desirable housing. The appropriate solution is to improve their skills so they can compete more effectively in the labour market, not to spend large sums trying to revitalise the parts of the city in which they live. Targeting districts for enterprise and economic development will simply mean that jobs get displaced from neighbouring areas, with no reduction in local unemployment and at substantial public cost (Einiö and Overman, 2016).

The WDR also advocates growth policies at regional, national and international levels (see also, World Bank, 2013). The priority is to create *spatially-blind institutions*, including universal public services and laws to ensure efficient land and labour markets. As growth takes off and urban centres emerge, *transport and communications infrastructure* is needed to connect places and facilitate agglomeration and economic specialisation. *Spatial targeting* policy (benefitting a specific area) should only be introduced much later on to tackle the most intractable localised problems. It should be "used sparingly since this is where misallocation is most likely" (Deichmann *et al*., 2011, p.167). Spatial targeting is only recommended for highly-urbanised countries with very divided cities and large regional disparities (World Bank, 2009).

The message for low and middle income countries is that regional inequalities are inevitable since growth focuses on a few places with inherent advantages. Yet with access to decent schools, health facilities and other public goods, less-developed regions will catch up and poverty will fall. These market-driven transitions take time and require patient people-centred policies. There is no alternative since special economic zones, big infrastructure projects and other 'quick fixes' are likely to become white elephants. Policies that siphon off resources and jobs from dynamic cities will dampen aggregate growth by undermining agglomeration, reducing productivity and depriving urban economies of the public investment they need to fuel further expansion.

Several criticisms can be levelled at this analysis. First, the space-neutral approach assumes that most government policies have uniform geographical impacts, despite evidence to the

contrary. Many policies that are supposed to be spatially-blind have unequal impacts and outcomes because of differences in the conditions of implementation between areas, especially human capital and institutions. The delivery of effective schools, clinics and basic services all depend on capable local authorities staffed by competent professionals. This cannot be taken for granted in less-developed regions. National innovation policies have very uneven impacts because the capacity of firms and universities to absorb this support varies greatly between regions (Morgan, 2016). Major government facilities are located disproportionately in big cities because recruiting scarce skills is much easier. Military spending, strategic installations and national research institutes also have unequal impacts. These differences tend to accumulate over time and reinforce spatial divisions, unless deliberate efforts are made to offset and reverse them (Martin, 2015; McCann, 2016).

Second, a space-neutral approach is unequivocal about the gains from economic integration between regions. It assumes that trade and factor mobility are equalising forces. This neglects historic evidence that if places have unequal endowments at the outset, connecting them may enlarge spatial inequalities (Armstrong and Taylor, 2000; Pike *et al*., 2017). Dominant regions may draw resources from poorer areas and pull further ahead. Compensating transfers could be outweighed by a widening division of labour between them. Local economies dominated by low value activities face systemic barriers that hamper upgrading. Spatial inequalities may be cumulative, with divergence more likely than catch-up (Amin et al, 2003; Martin, 2015). Similar points apply within cities, where enclaves of concentrated poverty may persist without countervailing interventions. Perhaps the key point is that an exclusive policy focus on people is likely to widen the differences between places, because of the sorting effects of people with different incomes choosing where they live and leaving less-advantaged groups behind, trapped in exclusionary spaces.

Third, the approach is underpinned by a simple causal model which holds that urbanisation in low income countries accelerates industrialisation, which raises productivity, creates wealth and reduces poverty. Because cities are engines of growth, the bigger they are, the better for prosperity (Wojan, 2016). Over time the benefits extend outwards to the periphery and spatial gaps are reduced. There is a kind of law-like, physical determinism to this way of thinking that ignores the diversity of regional economies and trajectories. Countries, regions and cities do not follow the same historic growth paths. Evidence from around the world shows that the relationship between urbanisation and development is also highly variable and that cities do not necessarily drive prosperity (OECD, 2006; McCann and Acs, 2011; Turok and McGranahan, 2013). Local and national circumstances determine how urbanisation unfolds and the balance between its positive and negative effects. City-level planning is vital in anticipating and preparing for growth by coordinating business, household and public infrastructure investment decisions to ensure a coherent urban form.

To sum up, economists' recognition of geography's contribution to development is an important shift from the previous blind spot. However, the space-neutral approach neglects the influence of local institutions, the qualitative character of growth, and the enduring economic imbalances between places. These realities complicate the notion that cities naturally fuel inclusive economic growth. Government policy is given a circumscribed role, with undue faith in the ability of market forces to reduce inequalities.

2.4 Place-based policies

Recognition of the pitfalls of relying on external resources to revitalise regional economies has prompted serious reflection by the EU, OECD and other organisations (Barca, 2009; OECD, 2006, 2009). The emerging policies have been influenced by the concepts of endogenous growth, human capital, knowledge-based economies and institutions (Barca *et al.*, 2012; Pike *et al*., 2017). Place-based policy contrasts with the non-interventionist stance of the space-neutral approach and traditional top-down spatial policies. There is an assumption that governments can influence local economic trajectories if their policies are carefully-designed and well-executed by resourceful, competent and accountable institutions (Morgan, 2016). Regional and local identities also matter, implying that particular places and communities cannot be left behind in the pursuit of narrow ideologies.

A fundamental pillar of the place-based approach is that development strategies should be tailored to and embedded within their geographical context (Barca, 2009; OECD, 2009). Neglecting contextual diversity is a serious criticism of previous models. Place-based policies should build upon local capabilities and resource endowments in seeking to grow and branch out into new directions. Local assets and know-how provide the foundation on which jobs, incomes and prosperity are most likely to be sustained, but they also need long-term investment, upgrading and injection of fresh ideas and techniques to undertake more complex tasks over time. Space and location shape the development possibilities of particular territories and the life chances of individuals. The spatial context matters in ways that go well beyond physical geography and natural resources. Social, cultural and institutional characteristics (such as the quality of regulations, government capacity, local leadership and learning capabilities) also have a bearing on the rate and character of economic development (Barca *et al.*, 2012; Morgan, 2016).

Strategies should address the distinctive growth constraints facing different places, and aim to utilise and enhance unique local attributes, untapped knowledge and ideas, and other under-employed resources. Regions may have geographical advantages that could be exploited more effectively, such as a gateway location, regional service centre or tourist attraction. Astute development organisations may be able to improve or develop the market by raising finance to provide patient risk capital, support long-term business decisions, or stimulate productive activity in forms that would not occur spontaneously. They may be able to facilitate the diffusion of knowledge and technology, and align the skills and competences required by business with those supplied by colleges and universities. These tasks require integrated approaches rather than narrow sectoral programmes, piecemeal incentives or discrete pieces of infrastructure. This also necessitates governments making the spatial dimension of their policies and investment priorities more explicit (Barca, 2009).

A second principle of the place-based approach is that decision-making should not be left to narrow local interests. National policies and templates are unlikely to be responsive to local conditions because central government is too distant and distracted by other matters. Yet local decision-making is vulnerable to parochialism and elite capture, or wedded to the past. Selected local interests may engage in opportunistic behaviour at the expense of the majority. Urban land is particularly susceptible to speculation and other forms of rent-

seeking that inhibit coherent development. Established property owners may resist additional housing or industrial development in their areas out of self-interest. Elected leaders may be preoccupied with short-term, partisan agendas and factional conflicts. The ideas of partnership, collaboration and mutual accountability can reduce some of these risks.

In addition, some of the knowledge and technology required for local development is not readily available and must be produced by consulting external actors. Successful development needs decision-making to be open to new insights, and based on dialogue and debate (Barca *et al*., 2012). Openness to external inputs can help to prevent insularity and cosy consensus. Engaging diverse stakeholders across the business sector, civil society and government can resolve problems, build confidence and harness wider expertise and networks. Different constellations of commercial, technical and political interests need to generate shared understandings as a foundation for investing their resources and know-how in local development (Morgan, 2016). This requires cooperation and coordination of different policies, organisations and actors in pursuing an agreed strategic agenda, and perhaps even a social contract. Promoting common values, building partnerships and encouraging a sense of shared destiny and community can also reduce opportunism and speculation.

Multi-level planning, decision-making and co-financing are also important to enable local, regional and national perspectives to be factored into policy choices. National and regional authorities can provide resources and technical support for local capacity building. They can set parameters governing how public funds are spent, in order to prevent wasteful competition, duplication of effort and malpractice (Barca, 2011; Tomaney, 2013; Boschma, 2014). They may inject new insights and advice on practical policy instruments from development experience elsewhere into the local process. External authorities can also provide checks and balances to improve transparency and accountability to citizens, to bolster civic leadership and to build investor confidence. Lastly, there is an important role for multi-level arrangements to enhance national understanding of local conditions in order to sensitise their policies to needs on the ground.

Of course multi-level governance and cross-sector coordination are difficult to achieve because policy fragmentation and compartmentalised working are deep-seated in public bureaucracies worldwide. Two ways of reducing these divisions are through transversal area-based or issue-based institutional arrangements. Either can provide a strategic framework and intermediary bodies that - over time - bring greater coherence to a range of sectoral policies, instruments and initiatives so that they complement and reinforce each other. The packaging of different interventions creates synergies which enhance their individual contributions. It is difficult enough to shift the trajectory of a local economy without policies contradicting each other. Priorities are bound to vary in different localities depending on the existing level of cooperation, the quality of local institutions and the nature of the challenges faced.

Recognition that institutions matter for development means that physical geography and urban size cannot determine locational performance on their own. Smaller cities are not necessarily less productive than big cities, and mega-cities can be particularly difficult to

govern (OECD, 2006; Dijkstra *et al*., 2013). Large and small cities may both underperform because of inertia or vested interests holding them back. Governments should not neglect smaller cities and towns, but rather engage with local institutions to increase their impact. One starting point is to tackle physical impediments or bureaucratic constraints that hinder investment. Trying to identify specialised activities in which localities are best suited is also worthwhile. This requires building on local capabilities and supporting innovative ideas by combining insights from different actors. Unlocking the potential of all cities and regions will contribute more to national prosperity than focusing on a few big cities (Farole *et al.*, 2011; Wojan, 2016).

2.5 Conclusion

Tackling uneven development is more difficult in a highly competitive and volatile global economy subject to technological disruptions, migration pressures, constraints on public investment and popular disaffection. Decision-makers face many complex dilemmas about whether to target people or places; to focus on areas of greatest need or development potential; to build on existing economic structures or branch out in new directions; to promote change from the centre or assist initiatives to emerge from the grassroots; and to plan for the future or respond to market processes. Spatial policies have gradually shifted over time from steering investment through fixed incentives and hard infrastructure, towards growing from within by developing local assets and know-how. Some observers advocate a space-neutral approach, in which the priority is to target poor people and improve their capabilities, thereby playing down territorial differences. Others favour a place-based approach, in which localities pursue their development potential by investing in under-used resources. The former assumes that governments are weak and make poor economic development decisions. The latter assumes that governments can acquire the capabilities to shape economic outcomes. The place-based approach is newer and less easy to define because it combines different policy mechanisms, depending on local economic and social realities. There is a surprising lack of robust empirical research to evaluate the validity of many of these arguments and propositions.

Chapter 3: Spatial Inequalities and Policies in South Africa

3.1. Introduction

The territory of SA is one of the most unequal and visibly polarised in the world (NPC, 2012). For many years spatial divisions were deliberately engineered and often brutally imposed. Geographical disparities originally arose from the way in which colonial institutions and practices exploited the country's natural resources. The indigenous black African[2] population was forced into rural reserves and their access to urban livelihoods was strictly

[2] The use of racial categories in this paper reflects prevalent realities in South Africa, and is not meant to condone them. The apartheid categories were 'white' (people of European descent), 'coloured' (people of 'mixed race'), 'Asian' or 'Indian' (people of Asian descent) and 'black' (people of African descent). In this paper, the term 'black' is used to refer to people of African and Asian origin and those of 'mixed race', while the term 'black African' refers only to people of African descent, following current Census classifications.

controlled. Residential segregation policies created racially-divided cities and towns, with unequal access to jobs and amenities. From 1948 the apartheid government enlarged these spatial fractures through laws imposing separate urban development and establishing the rural reserves as self-governing, ethnically-defined homelands, or 'bantustans'. Entire communities were forcibly removed off prime urban land and relocated to peripheral areas. Land and space were used as cruel instruments of social separation and subjugation. Industrial decentralisation policies were introduced to create jobs in and around the bantustans in order to contain migration pressures and thereby keep people of different races apart. The logic resembled spatial rebalancing in that efforts were made to steer mobile manufacturing plants from the cities towards these locations.

The first democratic government elected in 1994 was faced with a stagnant economy, a fiscal crisis, entrenched social and spatial inequalities, and a high risk of political instability. Economic activity was concentrated in the metropolitan areas, but almost half the black African population lived in and around the bantustans with sparse opportunities. The government faced an agonising choice - whether to support private investment and employment growth where it was already established (in line with space-neutral ideas), or to promote redress and redistribution by favouring development in marginalised areas. In practice, it has generally eschewed this dilemma and its spatial policy has been ambiguous as a result. This partly reflects suspicions about spatial policy following the deplorable practices of the past, along with the all-encompassing framework of the ruling party, with its assorted values, factions, interest groups and patronage networks. The weak systems of long-term planning and coordination within government are also responsible for this predicament (NPC, 2012).

As a result, places have been treated reasonably even-handedly in terms of investment in economic infrastructure. In contrast, expenditure on most social programmes has been skewed towards rural areas, reflecting higher levels of poverty and need for public services (see below). There has been no explicit policy towards rural-urban migration or the management of urbanisation. In addition, urban land, space and location have been dealt with in a much more passive and reactive manner than under apartheid. A range of spatial programmes have been introduced, but in a fragmented and inconsistent way. The government's broadly neutral stance towards SA's territory has avoided the serious dislocation and damage to communities inflicted in the past, and ensured basic social stability. Yet there has been no sustained effort to rectify or reengineer the spatial legacy of systematic exclusion, or to shift the path-dependent pattern of economic growth towards, say, a more employment-intensive trajectory (Bhorat and Mayet, 2013; Black, 2016). Indeed, some sectoral policies, such as free housing, have paradoxically exacerbated inherited spatial divisions by confining poor households to cheap peripheral land. They have therefore reinforced the burden of an 'apartheid tax' imposed on poor black households.

In the absence of an overarching rationale and policy framework, spatial initiatives have had various objectives, including attracting private investment, steering state spending, encouraging local enterprise and improving public services. There has also been an ongoing debate between advocates of a space-neutral position (implying a focus on big cities) and proponents of various forms of spatial targeting (including more concerted programmes focused on rural areas or urban townships). In the vacuum of national spatial policy, particular initiatives have emerged through advocacy by specific groups and individuals

within or close to government. They have been influenced both by international ideas and domestic experiences. Many programmes have taken on hybrid forms in practice, including elements of spatial rebalancing and a place-based approach. There has been considerable experimentation, with much to learn from the accumulated experience, both positive and negative.

This chapter provides an overview of the SA context, examining the evolution of uneven development and contemporary trends. It also considers how the debate over spatial policy has changed in the apartheid and post-apartheid eras. Subsequent chapters examine the range of explicit spatial policies in more detail.

3.2. From Colonialism to Apartheid

During the eighteenth and nineteenth centuries, the spatial economy developed around Dutch and British colonialism centred on seaports, agriculture, trade, administration and military activities in a few large towns linked to a network of smaller centres. The discovery of gold in the late nineteenth century shifted the focus to Johannesburg and its hinterland (now Gauteng province), which quickly became the dominant economic hub. In subsequent decades, major reinvestment and economic diversification occurred within the same region, as a few powerful corporations established manufacturing, banking and other tertiary activities linked to mining (Harrison and Zack, 2012). This commanding nexus became consolidated as a 'mineral-energy complex' (Fine and Rustomjee, 1996) that dominated the entire national economy, buttressed by very considerable state support. Although industrial diversification occurred during the twentieth century, ownership and control of the economy remained highly concentrated, with four conglomerates controlling the lion's share of economic activity in 1994 (Philip *et al.*, 2014; Black, 2016).

The growth of mining also created powerful pressures that undermined the black African peasantry and reinforced uneven development. Black Africans had previously been forced into waged labour on farms, but the growing demand for labour on the mines led to more draconian measures (Turok, 2014). The 1913 Land Act laid the basis for spatial segregation by confining the black African population to only 13% of the land. This marginalised peasant agriculture and removed competition with white farmers, thereby forcing black Africans into waged labour. Men migrated to the mines on a temporary basis, while their families remained in the reserves. This helped to keep wages low and boosted profits, although conditions in the reserves soon deteriorated from overpopulation on unproductive land. The 1923 Native Urban Areas Act cast black Africans as temporary sojourners in the towns and strengthened influx controls, thereby reinforcing the cheap migrant labour system. It also introduced the idea of residential segregation of different racial groups by preventing black Africans from purchasing or renting land in white areas.

From the mid-1920s, a new government representing white working class and agricultural interests instituted measures to promote industrialisation and elevate the position of poor whites and Afrikaners. It put in place import substitution programmes and created a group of state-owned enterprises, particularly in sectors linked to the mineral-energy complex, such as iron, steel, chemicals and electricity. Subsequent governments extended these policies and established an Industrial Development Corporation (IDC) to accelerate industrialisation. The focus of these largely-successful endeavours was on national

economic development. There was no consideration given to regional policy until the 1940s, despite the hardship and deteriorating living conditions in the reserves.

Controls on the movement of black Africans to the cities began to break down during the 1940s, and the Smuts coalition government began to explore alternatives. Rapid industrialisation, rising urban wages and strong migration pressures prompted a range of public bodies to advocate industrial dispersal from the cities. Several government councils investigated the desirability of regional policies as a way of limiting black African urbanisation. However, the reports were equivocal and industrialists argued for freer population movement to the cities to meet their increasing demand for labour. The IDC established several projects in rural areas, close to natural resources or sources of labour, but most of its investments were in urban areas (Glaser, 1987). Hence prior to 1948, regional policy was limited and very piecemeal.

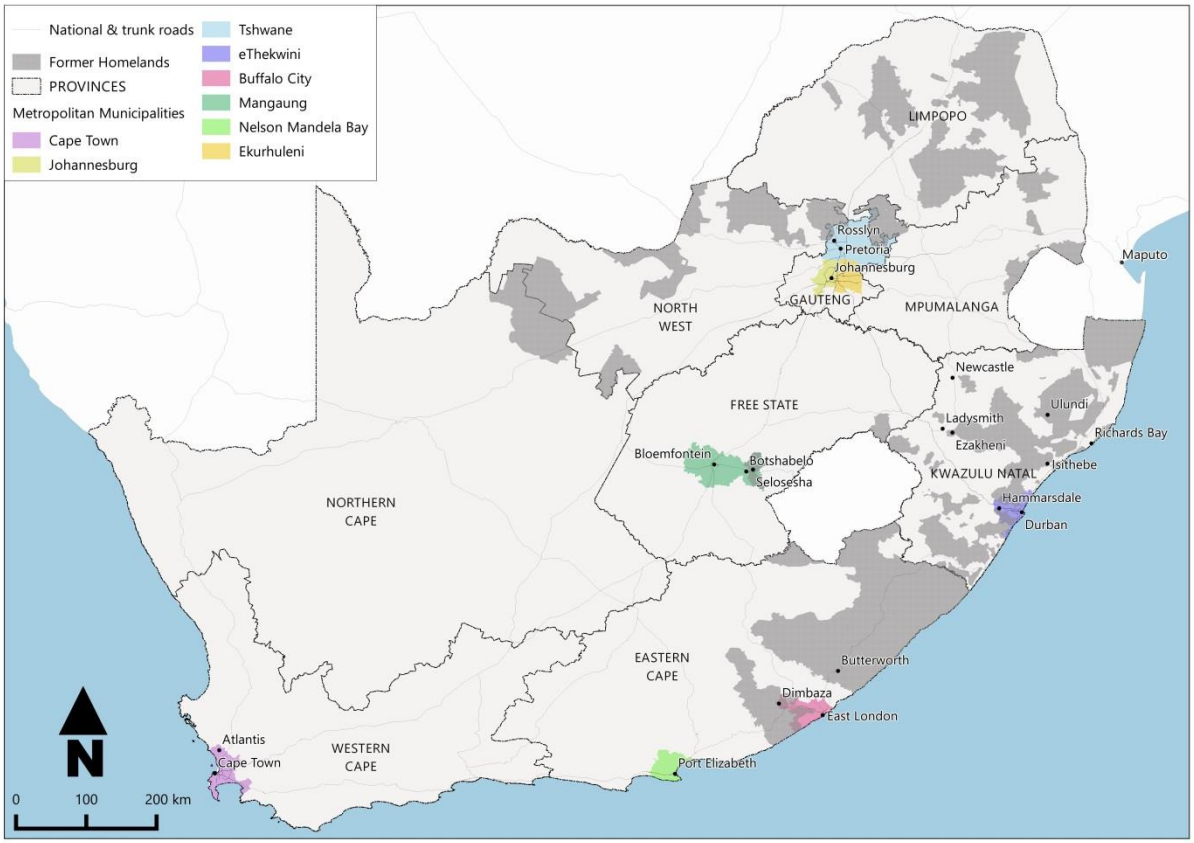


Figure 1: Former Homelands, Current Provinces and Metropolitan Municipalities

A new Nationalist government was elected in 1948, representing the interests of the white working class, white agriculture and Afrikaner business. It introduced the oppressive apartheid system and extended race-based spatial policies, including the elaborate system of bantustans, tough influx controls regulated through pass laws, and segregated neighbourhoods. Most bantustans were isolated from the main economic centres (Figure 1), although several bordered on large cities and towns such as Durban, Pretoria and East London. This created fragmented settlement patterns with long distances between places of home and work. Within cities and towns, racial segregation was imposed by law and separate residential areas known as 'townships' were created for black Africans, coloureds and Indians, generally on the edge of cities. Some three million people who did not fit the

blueprint were forcibly removed from urban areas or evicted from 'white' farms (Turok, 2014). Townships were developed as dormitory spaces through large public housing projects, with limited low-order retail and social facilities and basic public services. Black African entrepreneurship was restricted by the state, even in these areas. Influx controls were intensified to limit access by black Africans to towns and cities and the number of people arrested for pass law offences increased to about 750,000 a year by the mid-1960s.

Regional policy in the form of industrial decentralisation was used to support apartheid from 1960, although it had additional objectives as well, as the following chapter explains. The 1975 National Physical Development Plan was the country's first spatial plan. It was based on a spatial rebalancing kind of logic, couched within the language of growth poles and growth centres. These policies had several important effects, although the departments dealing with regional policy were relatively weak within government (Oranje and Merrifield, 2010), and their efforts were overshadowed by more powerful processes. For example, national economic policy gave top priority to import substitution, which tended to reinforce the concentration of industrial activity in the major centres, where the main markets for consumer products and intermediate goods were located.

Economic growth began to slow in the late 1960s, reflecting deteriorating international conditions and the internal contradictions of apartheid, including skill shortages and thin local markets (Gelb, 1991). SA's race-based regime impeded adjustment to a more dynamic growth path founded upon higher productivity and superior skills (Bhorat *et al*., 2014). As material circumstances in the bantustans worsened, many black Africans devised ways of moving to the cities, and popular resistance to the apartheid system increased. The state responded with a series of 'reforms', including stronger attempts to steer jobs to the homelands. This did not quell the political opposition, and mounting economic problems eventually brought about the collapse of apartheid, ushering in extended negotiations for change. After two decades of economic contraction, international sanctions and organised opposition at home and abroad, the ruling National Party accepted a negotiated transition to democracy. Many authors have argued that this settlement gave excessive concessions to established economic interests, which prevented more far-reaching social progress in subsequent years (Hart, 2013; Philip *et al.*, 2014; Habib, 2013; Bundy, 2014). The counter-argument is that the economy was in serious trouble, civil war was possible and there was a risk of large-scale capital flight. The key point is that the circumstances of the 1990s political transition had a sizeable influence on the trajectory of the spatial economy in the following decades.

3.3. The Spatial Economy and Settlement Patterns in 1994

The first democratic government inherited a very depressed economy with extraordinary levels of unemployment and extensive poverty. Concentrated ownership of capital and know-how, a narrow economic base and relatively capital- and energy-intensive heavy industry coincided with low productivity, limited innovation, poor international competitiveness and flat-lining employment levels (Bhorat *et al.*, 2014; Black, 2016). SA was one of the most unequal countries in the world. Some 90-95% of wealth was owned by 10% of the population and highly racialized (Philip *et al*., 2014; Orthofer, 2016). Stark social inequalities were reflected in deep spatial disparities etched into the landscape of cities and regions.

One symptom was a major disjuncture between the location of the population and jobs. Some 43% of black Africans still lived in the former bantustans, where formal economic activity was sparse (Harrison, 2013; Turok, 2014). More than half (57%) of economic output (Gross Value Added (GVA)) and 52% of jobs were generated in the main metropolitan areas, where only 34% of people lived (Turok and Borel-Saladin, 2013). Three-quarters of rural households were destitute and depended on state social grants and family remittances from the cities for survival. Public infrastructure and service levels were also seriously deficient in the bantustans, which had suffered from weak and often corrupt governing institutions (Chipkin and Meny-Gibert, 2011).

Looking in more detail, several bantustans were linked to selected cities. In addition, accelerating urbanisation meant rising poverty and hardship in urban areas (Turok and Borel-Saladin, 2014). Harrison (2013) captured this diversity by dividing the spatial economy into three categories. An 'inner core' of the metros, major secondary cities, some mining towns, tourism belts and selected parts of the bantustans accounted for almost 80% of GVA and 54% of the population in 1996. An 'outer core' of large towns with service functions, medium-sized mining towns, dormitory settlements linked to the inner core areas and large population clusters around the homeland capitals accounted for 12% of GVA and 22% of the population. 'Peripheral' areas with even less economic activity included smaller towns, other bantustan settlements and dispersed rural communities.

A mismatch between where people lived and worked was also very apparent within the cities and towns. Apartheid policies and modernist planning had created sprawling, fragmented settlements, with average population densities rising with distance from the centre and highest in black townships and squatter settlements on the edge (SACN, 2011). Despite state initiatives to promote township shopping centres in the 1980s, their economies remained very thin, forcing workers to commute long distances at high cost (NPC, 2012). The flight of offices and retail from the CBDs to historically white suburban centres during the 1990s exacerbated these divisions. Township infrastructure and services were poor because of under-investment during apartheid and the history of race-based local government. Urban restructuring and township transformation soon became important expressed objectives for the post-1994 government (NPC, 2012; Harrison and Todes, 2015). It was recognised that overcoming spatial fragmentation would improve access to jobs and amenities, and increase the functional efficiency of cities.

3.4. Economic Dynamics and Settlement Patterns since 1994

Political stability helped to restore modest economic growth after 1994, but little was done about many of the country's structural problems (NPC, 2012; Bhorat *et al.*, 2014). Social reconciliation and nation-building were immediate priorities of the government of national unity. Another was to stabilise the macro-economic situation and attract foreign direct investment by removing industrial subsidies, import protections and controls on financial and product markets associated with the apartheid government. In practice, the average growth rate rose to almost 3% per annum between 1994 and 2004, reaching 5% in the subsequent boom years before the global downturn in 2008. Since then, South Africa's economic performance has been lacklustre, attributable partly to depressed global commodity prices, political and regulatory uncertainty, conflictual labour relations, low rates of fixed investment and infrastructure bottlenecks (Bhorat *et al.*, 2014; Black, 2016).

The deputy Finance Minister argued recently that the 1994 national consensus has reached its limit and was now unravelling. It had paved the way for democracy and introduced vital social reforms, but did little to alter the structural features of the economy that produce a vicious cycle of slow growth and high inequality (Jonas, 2017).

The composition of growth has been skewed towards the tertiary sector, particularly consumer-driven and financial services. Manufacturing investment has been modest and focused on capital-intensive sectors, resulting in weak job creation (Black, 2016). Bhorat *et al*. (2014) argue that an implicit social contract between government, business and organised labour has underpinned a "growth path favouring capital-intensity over labour-intensity … heavy manufacturing over light" (p.33). SA has not moved up global value chains towards products and services based on innovation and design. Exports continue to be dominated by minerals, such as coal and platinum. Employment growth since 1994 has been pedestrian and insufficient to absorb new entrants to the labour market, resulting in rising unemployment to between 26-38% depending on the definition (Turok, 2014). Rising state spending on basic services, healthcare, education and social grants (amounting to two-thirds of the national budget) has lifted more than 3.5 million people out of poverty and hardship (National Treasury, 2017). However, inequality has continued to creep up because highly skilled and wealthy households have become better-off (Philip *et al*., 2014).

Several authors argue that the orthodox, market-friendly economic policies arising from the compromises of the transition are partly responsible (Bundy, 2014; Habib, 2013; Hart, 2013). For example, the decision to liberalise economic controls enabled major conglomerates to shift their primary share listings, headquarters and other interests abroad (Jonas, 2017). The sudden withdrawal of tariff protections and state subsidies exposed manufacturing and agriculture to the shock of global competition, causing extensive closures and redundancies (Philip *et al.*, 2014). Political pressure to alter the demographic (racial) profile of business leadership led to cosmetic changes to the boards of companies and the creation of a new black elite, but no real challenge to concentrated ownership and little new wealth creation (Bhorat *et al*., 2014). The dominant position of major firms in supplying goods and services to low-income consumers has also constrained the opportunities for small business growth (Philip *et al.*, 2014). Post-apartheid land reform programmes, agricultural policies and rural development initiatives seem to have brought little improvement to incomes and living standards in the countryside (Cousins, 2014; Philip *et al.*, 2014).

Meanwhile, the growth of financial services, a debt-funded consumer spending boom and the burgeoning real estate industry have reinforced spatial concentration in Gauteng, and to a lesser extent the other cities. There had been some dispersal of labour-intensive industries such as clothing and textiles during the 1980s in search of incentives and lower wages (see Chapter 4). However, these sources of employment contracted sharply after the mid-1990s. The metros increased their share of national employment from 52% to 58% between 1996 and 2012 (Turok and Borel-Saladin, 2013). The secondary cities performed poorly with their more specialised economies focused on mining, distribution or selected manufacturing industries. Put simply, the sectoral make-up and spatial distribution of the economy have narrowed over the last two decades. Migration patterns have naturally followed economic activity, leading to greater concentration in the cities. The rate of population growth in each city has tended to correspond with the rate of employment growth, producing a better

alignment than before (Turok and Borel-Saladin, 2014). This is beneficial in terms of access to opportunities and balanced development. It is misleading to refer to 'excessive' urbanisation, i.e. workforce growth outstripping jobs to a greater extent than elsewhere. Yet there remains a serious employment shortfall in the cities, just as there is elsewhere.

The urbanisation rebound was not surprising following the removal of apartheid controls, although it is difficult to separate this from the economic shifts noted above. The level of urbanisation rose from 53% in 1994 to 63% in 2011 (Turok and Borel-Saladin, 2014). The metros' population grew at an average of 2.4% per annum, compared to national rate of 1.5%. The growth of Johannesburg (3.2%) and Tshwane (3.9%) was particularly rapid (Todes, 2014). Gauteng also attracted migration flows from other African countries, some of which were in turmoil. The supply of formal housing in the big cities failed to keep pace with population growth, resulting in burgeoning shack dwellings. Deficient housing, basic services and jobs are sources of growing discontent and social unrest in the major urban townships and informal settlements.

Changes in the mining industry mean that traditional male migrant labour has been replaced by more complex movements of men and women to cities. Many are engaged in precarious livelihoods in the informal economy, domestic work, construction and security (Cox *et al.*, 2004). There is some debate about the extent to which urban-rural links have been maintained by these households (Posel and Marx, 2011). There has been movement out of the bantustans, although they continue to operate as areas of social reproduction with disproportionate numbers of children and older people. They remain heavily dependent on financial transfers from the cities (through social grants and fiscal redistribution), with the highest poverty rates in the country (Noble and Wright, 2013). The damaging character of contemporary migration patterns was demonstrated all too vividly by the Marikana disaster in 2012, where police confrontation with striking mineworkers led to many deaths. The protestors' grievances arose partly from the fact they were living in squalid shack settlements in order to remit part of their earnings to their families back in the rural areas (Alexander *et al.*, 2012).

Within the towns and cities there has been some racial desegregation as black people have moved into inner cities and suburbs previously reserved for other groups. However, the population of the townships and informal settlements has increased much more strongly, and major new state-sponsored housing schemes have been built on the outskirts. Basic public services in the townships have generally improved since they are now run by large metro authorities, which stress the need for redress and redistribution in service delivery. Established townships such as Soweto now include middle-income groups alongside very poor communities. There has also been a modest increase in township economic activity (particularly shopping centres, *spaza* shops[3] and informal trade), although it remains consumption-oriented and is dwarfed by the growth of new office complexes, business parks and shopping malls in middle and upper-income suburbs, often far away and inaccessible by public transport (Harrison and Todes, 2015). These blatant disparities in wealth and income also help to explain the increasing disaffection and unrest among township residents.

3.5. Post-Apartheid Governance and Spatial Policies

[3] Small, generally informal, shops offering convenience goods.

Orthodox macro-economic policies post-apartheid have been accompanied by strongly redistributive social policies, including social grants, basic services, free housing, health and education (Habib, 2013; Bundy, 2014). Spatial equity in terms of human development has been an important undercurrent, based on a commitment to universal entitlement and citizenship. The 1996 Constitution gave all households the right to essential services, irrespective of location, depending on the resources available to the state and the feasibility of provision. Hence the nature of each service could vary depending on whether the population was concentrated or dispersed in scattered settlements. In any case the result has been relatively rapid roll-out of electricity, water, sanitation and other municipal services (i.e. people-centred programmes) in hitherto neglected areas with large backlogs (Turok and Borel-Saladin, 2014). The budget

> "redistributes substantial resources from the urban economy to fund services in rural areas … Metropolitan municipalities account for 70% of personal income tax revenue, but receive only 31% of local government transfers. Similarly, the 61 mostly rural local municipalities also receive 31% of transfers to local government, but account for 5% of personal income tax revenues" (National Treasury, 2017, p.71).

A new system of provinces was created that incorporated the bantustans and deliberately erased their boundaries (Figure 1). The main responsibilities of the provinces are healthcare and education. They receive 43% of the national budget, which is allocated according to a formula. This also favours rural areas because of their higher poverty and demand for public healthcare and schooling. Thus government funding per capita to the mainly rural provinces of Eastern Cape and Limpopo is more than a quarter higher than it is for Gauteng (National Treasury, 2017, figure 5.1). There is clearly a difficult balance to be struck between spending to alleviate poverty and investment to prepare for a more inclusive and sustainable urban future.

An uneven patchwork of small municipalities was consolidated in 2000 to create large authorities, supposedly with enhanced administrative capabilities and the scope to redistribute resources from affluent to deprived communities. Municipal powers were expanded to include social and economic development, and local tax revenues were supplemented by national grants. The budget allocates more than double the funding per capita to rural municipalities than it does to the metros (National Treasury, 2017, figure 5.2). Some of the principles of what elsewhere are now called place-based policies were introduced through Integrated Development Plans required of every municipality. They were intended to provide a vision of the area backed by a 5-year strategy that was to be supported by other parts of government. Many municipalities also introduced area-based initiatives and local economic development schemes to upgrade their poorest districts.[4]

Although most public services have improved throughout the country since 1994, differences persist within and between municipalities. These reflect disparities in economic conditions, institutional capacity and professional skills. Skewing more public funds towards the poorest municipalities has not translated into more equitable outcomes, partly because they have been unable to spend the resources effectively. Integrated development across government has been a prominent objective, but implementation has consistently fallen

[4] This paper does not discuss local economic development since it is not spatially targeted in the sense defined earlier. For a review, see Nel and Rogerson (2016).

short (Harrison *et al*., 2008; Presidency, 2014; Bhorat *et al*., 2014). Coordination has been poor at all levels, partly because of inexperience and because the ruling party is a broach church encompassing diverse ideas and groupings. It has lacked a coherent development philosophy or strategy for the country, resulting in disparate policies and priorities between departmental silos and spheres of government (NPC, 2012; Jonas, 2017).

The first attempt to create an overarching national Reconstruction and Development Programme (RDP) in the mid-1990s failed because of these tensions and the power of orthodoxy. The ruling party has since succumbed to patronage politics, rent-seeking and factionalism variously centred on particular personalities or resource streams (Habib, 2013; Bundy, 2014; Jonas, 2017). Some internal differences were to be expected because the post-apartheid government has a far wider political constituency than the apartheid state. It has had to balance powerful demands for redress and recompense for historic injustices against the need to retain scarce professional skill-sets and business experience. It has also had to incorporate unsympathetic and ill-equipped officials into the public service, including former bantustan officials. Pressures for cadre deployment and political appointments have further hampered the building of an effective state administration capable of implementing a sophisticated development agenda (Chipkin and Meny-Gibert, 2011; NPC, 2012; Turok, 2014).

The ambitions of developmental local government have been particularly difficult to realise. Hart (2013) argues that municipalities face impossible structural conditions, with high levels of poverty and constrained resources. Ineffectual leadership, undue political interference, financial mismanagement and a growing culture of patronage and nepotism are additional problems (COGTA 2009a; SACN 2011; FFC 2011; Pieterse and Van Donk 2013). Spatial connectivity and integration would be difficult enough for highly capacitated city governments to engineer. For rural municipalities with weak tax bases and deficient technical skills it is probably a pipedream (FFC, 2011). Several metros have developed a stronger appetite for urban integration and spatial restructuring through experimentation and innovation, sometimes backed by particular national departments, such as the Treasury (Turok, 2016).

Recognition of institutional weaknesses has had a big influence on national spatial policies and support for spatial targeting. Post-apartheid spatial thinking has shifted away from apartheid spatial rebalancing towards a combination of space-neutral and place-based policies. Periodic attempts have been made to introduce explicit national spatial policies, partly as a means to strengthen government coordination and to guide the country's future territorial development. Disagreement over whether to support an essentially space-neutral approach or some form of spatial targeting has been a major stumbling block. The result has been a series of programmes influenced by different ideas about spatial targeting, including traditional attempts to steer investment in a particular direction.

The 2003 National Spatial Development Perspective (NSDP) was the first explicit national spatial policy.[5] It originated a few years earlier when several departments called for action

[5] An earlier initiative to develop a National Spatial Framework to improve spatial synergies in government by consolidating provincial spatial plans failed since these plans were weakly developed and there was resistance by government departments to centrally directed spatial development (Harrison *et al*., 2008; Oranje, 2010).

to address the "lack of coordination in state expenditure and investment in the different sectors and spheres of government" (Oranje and Merrifield, 2010, p.34). Disjointed investments in roads, seaports and other economic infrastructure reflected different agendas and were dissipating public resources. Another concern was that some forms of government spending seemed to perpetuate apartheid spatial patterns.

The country's economic difficulties meant that stronger growth was the paramount concern of the NSDP (Platzky, 1998; Oranje, 2010). The resources available for capital investment were scarce and expenditure decisions had to be judicious. The NSDP authors were influenced by space-neutral type arguments put forward by the business-sponsored Urban Foundation (UF) (1990) in its earlier critique of apartheid regional policy. The UF maintained that attempts to disperse industry flew in the face of economic forces, undermined the performance of cities and meant unsustainable growth on the periphery. Anticipating the World Bank (2009) report, it said that government should embrace the growth of big cities and stop diverting resources towards marginal areas.

The NSDP authors were also keen to avoid reinforcing inherited geographic distortions, including large populations in settlements with no economic base. Tough choices were needed to start transforming these patterns. Echoing space-neutral ideas, the NSDP suggested that "efforts to address past and current inequalities should focus on people not place" (Presidency, 2006, iii). It was fair and reasonable for social programmes to invest in areas of need, but costly economic infrastructure should focus on areas with genuine development potential, in the expectation that people would migrate there:

> "government spending on fixed investment should be focused on localities of economic growth and/or economic potential in order to gear up private-sector investment, to stimulate sustainable economic activities and to create long-term employment opportunities" (*Ibid*.)

The background research stressed the importance of agglomeration economies and noted Gauteng's long-standing dominance. The policy subtext was to support growth in Gauteng and other metropolitan areas, although the authors avoided framing it this way because of political sensitivities and opposition from rural supporters. Nevertheless, the NSDP still had a difficult passage in government. Key consultants on the policy subsequently stated that:

> "resistance to the NSDP arose because it challenged the basic assumption of the ANC and government at the time that poverty alleviation should be focused mainly in rural areas, where it was believed that 'the poorest of the poor' were located, while economic growth would be supported mainly in urban areas" (Oranje and Merrifield, 2010, p.37).

There was also a widespread belief in the ANC that rural-urban migration was socially damaging, and that cities could look after themselves financially. In fact it took at least a decade for the basic ideas of the NSDP to gain any traction in government. Meanwhile, other policies went in contradictory directions (Harrison *et al*., 2008).

A 2006 revision of the NSDP toned down the space-neutral thinking by arguing that the 26 most important economic centres and their hinterlands should be targeted for support. These accommodated a much bigger share of SA's population than the major cities alone. Yet the NSDP still had little impact. The whole endeavour was criticised for supporting relatively well-off groups and attributed to the "neo-liberal … class project" of President Thabo Mbeki, who was recalled by the ANC in 2008 (Oranje and Merrifield, 2010, p.38). A separate initiative to introduce a national urban policy shortly afterwards was also side-lined (Turok and Parnell, 2009), as the priority shifted towards rural development, reinforced by the election of populist President Jacob Zuma, whose power base and predispositions were in the countryside.

Debates about whether to support growth wherever it emerges or to steer it elsewhere have been ongoing post-apartheid, particularly as spatial inequalities were so strongly associated with apartheid. The tendency to conflate poverty with rural areas, and economic orthodoxy with spatial concentration, has made the conundrum particularly difficult. It is all too apparent in the New Growth Path (NGP), an economic policy framework introduced by President Zuma in 2009. It states that the government will skew resources towards rural areas to address housing and service backlogs, but ignores the much faster growing backlogs in the cities as a result of urbanisation. It mentions the word 'rural' 35 times, 'urban' four times, 'metros' three times and 'cities' once (Turok, 2014). Several proposals to support predominantly rural 'distressed areas' have emerged from the NGP, including plans for major infrastructure corridors, industrial zones and tourism facilities (Rogerson and Nel, 2016).

In the absence of an explicit national spatial framework, a variety of divergent initiatives have co-existed. The spatial programmes and projects discussed in the following two chapters emerged through piecemeal efforts by many different actors and agencies within or close to government. They were responding to different territorial concerns and drew selectively on international experience. Ideas that resonate with place-based development have proved to be quite influential, although earlier generations of international and domestic spatial policies have also had a bearing on the approaches adopted.

An important strand of policy effort has been a series of area-based initiatives aimed at developing former townships and other deprived localities, discussed in Chapter 5. Two themes running through these projects have been redress for historic neglect through more coordinated and responsive governance, and investment in public infrastructure to improve living conditions and livelihoods. The long track record of regional initiatives is discussed in Chapter 4. Economic development has been their overriding objective, pursued through various special measures and governance arrangements. Economic considerations have featured more strongly than in the localised initiatives, although implementation of this has been uneven.

Recognition that coordination and long-term planning were systemic weaknesses in government led to the establishment of a National Planning Commission (NPC) in 2010. The process encouraged reflection on the country's spatial problems, and created an environment in which new ideas could emerge. The resulting National Development Plan (NDP) included a chapter entitled 'transforming human settlements and the national space

economy' which went beyond simple spatial rebalancing or space-neutral approaches (NPC, 2012). It argued that spatial policies needed to address a range of issues and take different forms accordingly. Uneven economic development was a reality, yet there were opportunities in less-favoured regions that could still be unlocked. Consistent with place-based thinking, it advocated a differentiated policy with multiple spatial targets, including:

(i) major cities and development corridors with strong growth potential, but whose competitiveness needed to be enhanced;
(ii) rural restructuring zones where the population was consolidating in new settlements and there was agricultural, tourism or mining potential;
(iii) resource critical regions providing vital ecosystem services (such as water and biodiversity) and/or mineral deposits, and requiring careful management of competing land-uses, and
(iv) special intervention areas facing unique problems of decline or potential for rapid growth (NPC, 2012).

An underlying theme was that urban and rural areas are interdependent and should not be treated in isolation. The NDP also advocated the formulation of a national spatial framework and stressed the need for compact, coherent and connected urban development. This prompted a new stream of policy work which culminated in an Integrated Urban Development Framework approved by the Cabinet in 2016 (COGTA, 2016; Pieterse and Cirolia, 2016). The NDP raised concerns about the poor territorial alignment of different government policies and programmes, which triggered an internal review of spatial policies led by the National Treasury. This found many examples of fragmented and inconsistent spatial initiatives, which dilutes their impact and is confusing for investors and other stakeholders. The review reiterated the plea for an overarching national framework for spatial development, coupled with better coordination of key funding programmes for housing, transport and other infrastructure. It also advocated stronger regional and local partnerships to draw relevant actors and interests into a shared agenda for developing particular places. This remains work in progress, without an obvious political champion at national level.

3.6. Conclusion

The post-apartheid government inherited entrenched social and spatial inequalities and fractured state institutions. The negotiated political transition and grim economic situation further complicated the possibility of reorienting the spatial economy. Growth has been tepid and concentrated in Gauteng and the other cities, although not through any deliberate intention or planning. Some mining regions and secondary cities have also experienced growth. The former bantustans show little sign of recovery and remain dependent on transfers. Basic public services in rural areas have improved, although people continue to migrate towards the cities and 'adjust' to the reality of unequal growth. This is consistent with a space-neutral perspective and has brought some benefits. Households seem better-off in cities than elsewhere, on average, and there is closer alignment between the geography of jobs and population across the country than there was two decades ago.

Yet the migration process is unsatisfactory in other respects, being socially-selective and yielding patterns of temporary movement and precarious livelihoods stretched over long distances. There is a serious shortage of jobs throughout the country, so unemployment and

poverty are very high everywhere. There are no islands of generalised prosperity or well-being, except within wealthy suburbs and gated communities. Compared with many other middle-income countries, it appears that opportunities for faster and more inclusive economic development have been missed, both in the cities and elsewhere, through infrastructure shortfalls, deficient workforce skills, inappropriate regulations and incapacitated state institutions (NPC, 2012; Bhorat *et al*., 2014; Black, 2016). Large parts of the country are rich in natural resources, mineral deposits, tourism attractions and renewable energy potential, such that a more pro-active spatial policy could have achieved more than the reactive stance of space-neutrality.

Spatial policy has shifted from treating land and space as instruments of social engineering, to the current more diffuse, ambivalent position that recognises past injustices but is uncertain what to do about them. Many initiatives have been taken, albeit in a piecemeal and often half-hearted manner without any overarching national strategy. Some conform to a traditional spatial rebalancing approach, while others chime with place-based ideas. Efforts to formulate a more cogent urban policy to unlock the economic potential of cities and to promote physical restructuring have struggled to gain traction as a result of capacity constraints and because they are perceived to neglect rural poverty.

The NDP introduced new perspectives with the potential to transcend traditional dualisms – between areas of need and potential, rural and urban, regional and local – by advocating a more nuanced approach. This holds out the prospect of addressing the distinctive issues in different places with differentiated policies. It remains to be seen whether this is sufficiently clear and compelling to garner support within the state, in the face of many competing agendas. There is a risk of excessive priorities and permutations in seeking to be all-encompassing. Concrete policies and programmes are still some way off, which is one of the reasons why it is vital to learn from past experience.

Chapter 4: The Experience of Regional Development Policies

4.1 Introduction

Chapter 3 identified some of the major challenges facing spatial policies in SA, and how the objectives have been transformed over time. Chapters 4 and 5 analyse the experience of spatial targeting in more detail, using the three categories identified in Chapter 2. In broad terms, policy has shifted from spatial rebalancing under apartheid towards different forms of place-based development. The space-neutral perspective has also been influential, but more as a persistent critique of spatial targeting than a concrete alternative. In practice many of the actual programmes have been hybrids, influenced by international thinking along with domestic realities. The main dimensions according to which spatial policies vary are their objectives, target areas, instruments, resources, timescales and institutional arrangements.

This chapter discusses three types of policy that have sought to address the regional distribution of economic development. The chapter outlines the objectives of each policy, then its content and what is known about its impact and effectiveness. There have been few systematic evaluations undertaken of these policies. This is symptomatic of the general weakness of evidence-based policy in SA, at least until recently. The paucity of robust

evidence limits the precision of the present analysis and the possibility of definitive comparisons based on cost-effectiveness or other criteria.

The chapter begins by examining SA's most sustained form of spatial policy, industrial decentralisation. It was introduced in 1960 and enjoyed unusual longevity until 1996. The chapter then considers the post-apartheid Spatial Development Initiatives between 1996 and 2001, followed by the Industrial Development Zones. One of the messages to emerge is that regional development cannot be achieved by following a formula, such as offering financial incentives. It depends on the dynamic interactions between a mixture of factors in a particular place and time, any of which can jeopardise success. Governments have been inclined to tinker with different levels of incentive and eligibility criteria, when shifting the economic trajectory of a place usually requires much more than this.

4.2 Industrial Decentralisation

The Regional Industrial Decentralisation Programme (RIDP) was introduced in 1960 to steer jobs away from the major cities in order to restrict the black African urban population. It coincided with the apartheid state developing its policies for homeland resettlement and influx controls. This was a period of buoyant economic growth, seemingly offering many opportunities to disperse expanding factories. It was also a period when political resistance to apartheid policies was repressed, so implementation could proceed.

The initial focus was on areas bordering the bantustans ('border areas'), particularly those located close to the cities and appearing to have the best growth prospects. It was rationalized in terms of 'alleviating over-congestion' in cities and creating jobs near the homelands (Dewar *et al.*, 1984, p.4). The RIDP was broadened in 1965 to include areas of high unemployment for whites, coloureds and Indians. It was strengthened in 1967 with restrictions imposed on business expansion in the cities in an effort to limit the continuing growth of the black African urban population. The RIDP became a more deliberate tool to bolster homeland development from 1968, with the idea of providing an economic base in these areas. Meanwhile firms in the cities became frustrated with restrictions on their expansion and threatened an investment strike. In 1971 a commission of inquiry was set up which relaxed the controls and enhanced the incentives for relocation, to avoid harming economic performance (Dewar *et al*., 1984). Industrial dispersal as spatial rebalancing had clearly come into conflict with efficiency and growth objectives. The tension between ideology and economic realities continued later on, forcing the state to compromise by pursuing a more facilitative approach emphasising carrots rather than sticks.

The RIDP was subsequently extended to incorporate new planning concepts drawn from international experience. An influential idea was to create large growth poles by locating heavy industry outside the Pretoria-Witwatersrand-Vereeniging (PWV) region (now Gauteng). This included new seaports which would improve the efficiency of importing raw materials and exporting finished products. The IDC and state-owned enterprises, such as the iron and steel company (Iscor) played vital roles in implementation through very substantial direct investment. This illustrated the value of a capable state, able to coordinate sectoral and spatial policies, and fuelled by buoyant tax revenues during a period of relative economic strength.

The 1975 National Physical Development Plan (NPDP) went further with highly ambitious proposals for development axes, growth areas and deconcentration points to counteract 'over-concentration' in the big cities and to accommodate white out-migration from rural areas (Dewar *et al*., 1984). Many of the designated areas had already received some support under earlier policies, but the level of incentives was enhanced. Several new places were also established to encourage industrial dispersal, such as Atlantis, a new settlement aimed at relocating coloured people from Cape Town. It attracted some 50 factories and 12,788 jobs by the late 1980s (Ryan, 2015). Most firms were branch plants or relocations from Cape Town, and were dependent on skilled labour and managers commuting from the city. They contracted sharply when the incentives were withdrawn in the 1990s (Nel and Meston, 1996).

The RIDP was expanded again in 1982 as part of wider reforms to apartheid and in response to the shifting political conditions. The priority was reaffirmed to support homeland development through job creation. An 'urban insider/rural outsider' strategy became more apparent to divide the black African population into those with rights to the city and those confined to the homelands. The policy was construed as regional development spanning the homelands and adjacent 'white' areas. This was more flexible than the restrictive homeland boundaries applied previously. The homelands were now portrayed as being within South Africa (Oranje and Merrifield, 2010).

As resistance to apartheid mounted, the economy stagnated. Government reforms faltered and state policy became less ideological and more market-friendly. Business critiques of the RIDP were acknowledged, leading to a major review by the Development Bank of Southern Africa (DBSA) in 1989 (Platzky, 1995). The tension between space-neutral ideas and spatial targeting went to the heart of the matter. The DBSA's report recommended replacing industrial decentralisation with a policy focused on developing the comparative advantage of regions. Their argument was that the state should not try to steer investment to places without proven economic potential. The government rejected this idea, but modified the RIDP in significant ways. It accepted the DBSA's alternative suggestion to modify the policy on the basis that firms tended to overestimate the advantages of the PWV, hence there was market failure (DBSA, 1989). There was also an argument that macro-economic policies had strengthened the PWV at the expense of the coastal metropoles.[6] The government extended the areas eligible for incentives to everywhere outside the core metropoles, so spatial targeting was diluted. These revisions were made in 1991 and the RIDP continued until it was dismantled by the post-apartheid government in 1996.

4.2.1 Policy Content

The main instruments of the RIDP were investment incentives and the creation of industrial parks and associated infrastructure. The composition of these subsidies changed and the value increased over time (Dewar *et al*., 1984). The 1982 RIDP included sizeable employment incentives which benefited labour-intensive industries, especially in the remote bantustans. Much smaller incentives were available in deconcentration points within 100km of the cities. The incentives were lowered in 1991 and reoriented towards

[6] This debate remains relevant today, as macro-economic policies have arguably contributed to economic concentration in Gauteng, linked to the growth of financial services, and the decline of labour-intensive manufacturing.

raising competitiveness by encouraging capital intensity and technology upgrading. A package for small firms was also introduced following criticisms of their neglect. A new form of spatially differentiated incentive was put in place, with the most generous subsidies available outside the PWV, Cape Town and Durban. On the periphery of Cape Town and Durban, 60% of the incentive was available.

Between the 1960s and the late 1980s, labour legislation also varied between metropolitan, border and homeland areas. Job reservation[7] did not apply in border areas and homelands; wages in border areas were lower; and minimum wages in the homelands were abolished in 1970. Trade unions were also outlawed in several of the homelands.[8] This demonstrates an unusually concerted approach to spatial targeting that included labour market deregulation. It explains why regional policy in SA is sometimes described as offering some of the most generous location incentives of any country in the world (Rogerson and Nel, 2016).

Incentives on the periphery were also complemented by growth restrictions in the cities. This was achieved by controlling the expansion of industrial land and limiting the growth of labour-intensive factories. These tough controls were softened in 1971 following business opposition, but 'non-locality bound' (i.e. mobile) industries with a high proportion of black workers were forced to move elsewhere. These constraints were withdrawn in 1982 when the emphasis shifted to positive incentives (Dewar *et al.*, 1984).

Eligible areas varied over time, and each policy revision seemed to introduce a new set of assisted areas. The designation of many different locations undermined a basic principle of targeting, i.e. selectivity. This tendency was exacerbated by the ability of local politicians to influence the designation of towns. The cities of the PWV, Cape Town, Durban and Port Elizabeth were generally excluded. Specially-created decentralisation points included Richards Bay and Isithebe in KwaZulu-Natal (KZN), Rosslyn near Tshwane, and Atlantis near Cape Town. The emphasis on deconcentration in the 1975 NPDP and the 1982 RIDP reflected both the desire to reduce urban congestion and the difficulty of persuading firms to move further into the bantustans (Dewar *et al.*, 1984).

Richards Bay and Saldanha were created as new ports and growth poles following the 1975 NPDP. Sizeable resources went into developing their infrastructure. In other places, such as Newcastle and Ladysmith (both in KZN), small towns were designated as decentralisation points, while industrial estates offering bigger incentives were created in adjacent homelands. Large industrial estates with advance factories were set up in homeland towns, such as Butterworth in the Transkei. They were also created in or close to resettlement areas, such as Dimbaza in the Eastern Cape and Botshabelo in the Free State. Vigorous efforts were clearly being made to reshape the economic geography of these regions in line with changing settlement patterns.

4.2.2 Policy Impact

In practice, the RDIP did not prove to be very effective at creating jobs in peripheral locations during its first two decades. McCarthy (1983) found that a maximum of 150,000

[7] Reserving certain categories of work for whites.

[8] There has been much debate about the importance of labour regulations, and whether they should be relaxed in Special Economic Zones. Some critics argue that the failure of Industrial Development Zones in SA in the last decade is partly attributable to the lack of labour market deregulation (CDE, 2012).

jobs were generated between 1960 and 1980, compared to 115,000 new job seekers entering the homeland labour market each year. Bell's (1973) seminal study of decentralisation in the 1960s showed that government statistics were exaggerated. The policy created 11,600 jobs at most, compared to the official figure of 87,000. Critics argued that there was little indirect job creation through multiplier effects, and that many jobs were lost through metropolitan restrictions. For example, rejected applications for the expansion of factories in the cities affected 320,000 workers between 1968 and 1978 (Rogerson, 1982). Many factories which relocated from PWV moved to Cape Town or Durban, not to marginal locations. When they did move to designated deconcentration points, it was usually to those closest to the cities, such as Hammarsdale near Durban (McCarthy, 1983).

The enhanced incentives of the 1980s had far bigger impacts. Despite the slowdown, about 147,000 jobs were estimated to have been created in decentralisation points between 1982 and 1987 alone (DBSA, 1989; Platzky, 1995). Employment growth in these areas was greater than in the cities, some of which experienced net job losses in manufacturing (Harrison, 1995). Many labour-intensive jobs moved out, particularly clothing factories. Tomlinson and Addleson (1987) argued that decentralisation was driven by the elevated incentives. Bell (1983, 1986) showed that competitive pressures in the clothing industry had a bigger effect on factory relocation. Labour-intensive segments moved to access cheap labour. During the 1980s firms were facing intensified competition from Asia, exacerbated by illegal imports. Many transferred their routine, low-skilled activities to decentralisation points where they could pay lower wages and where unions were weak or banned. State incentives may have contributed to these decisions, but in conjunction with market pressures. Some foreign clothing firms also started up in these locations. Taiwanese companies were well-represented because wages were rising at home, making labour-intensive production less viable (Hart, 2002; Pickles and Wood, 1989). The key point is that internal dynamics within particular industries played a vital role in enabling the RIDP to take effect.

The revised RIDP in 1991 skewed the incentives towards capital investment. Nevertheless, import penetration continued to pressurise clothing firms to shift to lower-wage locations. There were also signs that the clothing industry was growing in the periphery even without incentives (Hart and Todes, 1997). A study of the 1991 RIDP's impact in KZN showed that only 39% of projects and 37.5% of jobs were located in Durban (Harrison and Todes, 1996). The place that benefited most was Isithebe, which was also the most successful decentralisation point in the 1980s. The study also found that the incentives did not play a major role in these factories' location decisions and were not critical to their survival. This finding was supported by other studies of the RIDP elsewhere (BDM, 1996; Sharp and Speigel, 1996; Luiz and van der Waal, 1997). The National Productivity Institute's (1996) financial studies questioned these assessments and argued that most firms would not have survived without the incentives.

All things considered, it seems that the RIDP policy had a sizeable short-term impact, especially during the 1980s. Its impact varied greatly between locations, indicating that other factors were also involved. KZN was a major beneficiary of the 1982 RIDP and accounted for 28% of the new jobs. Small peripheral places, such as Ulundi, attracted few firms. Places that benefited most were reasonably close to the cities (such as Isithebe and

Rosslyn) or on major transport routes (such as Newcastle and Ladysmith). Labour-related issues also appear to have influenced which locations attracted investment.

While the RIDP has been presented as classic top-down and run by central government, the role of local institutions in recruiting firms and shaping local development was also important (Platzky, 1995; Hart and Todes, 1997). Homeland development corporations were responsible for managing the policy in their areas and developing industrial sites and buildings[9]. Platzky's (1995) study of Isithebe shows the importance of the KZN-Finance Corporation (KFC) in actively seeking out firms to attract. It worked to ensure some economic diversity to avoid dominance by low-waged clothing factories and to deepen local linkages. This did not happen in Botshabelo or Selosesha, which were run by different agencies. Hart (2002) shows the role played by the Newcastle municipality in recruiting Asian firms, and how the creation of a Taiwanese community laid the basis for further growth and development. Local institutions could also perform poorly and undermine development. Studies of Butterworth show that while the rapid withdrawal of incentives in the 1990s was a catalyst for widespread industrial closures, the problems were exacerbated by ongoing political conflict and poor management in local government (Hosking and Haines, 1997; Hofmeyer and Maasdorp, 1993). This led to the collapse of infrastructure, crime, rising wage demands and labour disputes.

Industrial location policies are commonly criticised for promoting narrow local economies with weak linkages and poor quality jobs (Dewar *et al*., 1984; Tomlinson and Addleson, 1987). Platzky (1995) showed substantial differences between the three destinations she examined. Isithebe diversified beyond clothing and showed signs of local embedding, but this was not the case elsewhere. Unions were also well-established in Isithebe and wages were rising, suggesting that a pattern of cumulative advantage was beginning to emerge. Nevertheless, many of the larger unionised firms closed or relocated after the incentives were withdrawn and trade liberalisation occurred after 1994. The initial job losses were not as severe as in the other decentralisation points, but many of remaining jobs were in poorly-paid Taiwanese garment factories. Several of these firms moved out of SA by 2009, linked to the recession and rising statutory minimum wages (Hunter, 2010).

Growth poles were supposed to generate more integrated local economies. Richards Bay managed to attract a few large, capital-intensive factories (e.g. two aluminium smelters, a truck factory and a fertilizer plant), but with weak local linkages. Output increased for many years, but relatively few jobs were created. Each wave of new investment resulted in land and other price spikes in the local economy, which might have deterred other factories from locating there (Todes and Vaughan, 1999). The smelters' heavy demand for cheap electricity has proved to be unsustainable in the context of national energy crises, and has also hindered further inward investment. This illustrates another way in which these policies can impede broad-based development.

A fundamental question is whether the RIDP's impact was sustained or a short-lived? Critics argued that it induced artificial development and that whatever investment took place would collapse when the incentives were removed (Tomlinson and Addleson, 1987; Urban Foundation, 1990). Unfortunately, there is little systematic evidence about the ultimate fate of the decentralisation points (but see Phalatse, 2000; Hawkins, 2010; Hosking and Haines,

[9] Industrialists could not own these sites, but rather leased the buildings.

1997; Nel and Meston, 1996; Hunter, 2010). It appears that many of these places have indeed slumped. Places such as Dimbaza and Butterworth that were propped up by subsidies were devastated by their sudden withdrawal in the 1990s. Funeral parlours for the victims of HIV-Aids became the biggest users of the empty factory premises. Phalatse (2000) suggests that the removal of incentives was the main reason for the decline of Mogwase in the North-West, although other factors were also important, including global competition, poor market conditions and unionization. Black and Roux (1991) argued that the generous incentives of the 1980s attracted firms which were unprofitable and removed the pressure for efficiency. When the subsidies were withdrawn, the companies went bankrupt.

Yet it is also clear that some places have avoided dramatic decline. Rosslyn and Richards Bay are two examples, although both continue to benefit from other forms of state support (see below). In addition, there were broader economic shifts occurring that damaged the prospects of peripheral locations. For various reasons which have not been properly investigated, there has been a general reconcentration of economic activity in the large cities over the last two decades. It appears to be linked to the growth of financial and business services, retailing and consumption, as suggested in Chapter 3. Trade liberalization, import penetration and labour regulations have also hindered the growth of low-waged industries most attracted to peripheral locations (Bhorat *et al.*, 2014). Employment in clothing has continued to contract throughout the country, affecting all places with such factories (Nattrass and Seekings, 2013). The fate of particular decentralisation points is therefore bound up with broader shifts in their main industries. The termination of incentives probably contributed to their problems, but it was not the only factor.

4.2.3 Discussion

SA's experience of industrial decentralisation bears similarities to trends elsewhere (see Chapter 2), with some important differences. Firms recruited to the periphery were engaged in routine, low-skilled activities, and it was difficult to attract a wider range of industries. Mobile plants usually did not become embedded or get upgraded, and their presence was often not sustained when the incentives were curtailed. The reasons for this were not simply attributable to flaws in policy design. Wider political and economic factors were also involved.

An irony of industrial decentralisation is that it was undermined by other imperatives. The government's industrialization drive through import substitution in the 1960s and 1970s tended to concentrate growth in the cities because of their large markets. Even under a centralised government with a strong spatial vision, regional policy was subordinate to national growth policies. Industrial dispersal can be interpreted as compensation for aggressive influx controls in that it tried to substitute jobs in and around the bantustans for migration to the cities. It worked best for industries under intense competitive pressures and seeking low-waged labour and subsidies, such as clothing. When conditions changed post-apartheid, these industries struggled to survive anywhere.

The RIDP was also affected by the highly concentrated ownership of SA businesses. Although there is insufficient research on its relationship to spatial concentration, it seems that many SA corporates saw little advantage in the policy. The main beneficiaries were foreign firms in low-wage sectors; some small firms in need of the subsidies; a few state-owned enterprises; and some larger resource-based industries. A study of the beneficiaries

found that “decentralised firms are not typically part of the modern, advanced capital-intensive sectors of manufacturing” (DBSA, 1989, p.44). Some 57% of firms indicated that their plant was the only one in the business, while 34% indicated that theirs was the major plant in the enterprise. Some 62% of applications were for new ventures, with a minority for expansions (22%) or relocations (14%). This is consistent with Addleson and Tomlinson’s argument that conglomerates were growing through mergers and acquisitions, leading to “a rationalization of production among existing plants within an extended group [rather] than … relocation of the plants themselves” (1987, p.238).

The policy was based on the assumption that most factories are mobile and that they will relocate if offered generous incentives. This was patently not the case. A DBSA (1989) study of businesses that decided not to leave the cities found that only 18% of them had made a serious evaluation of the possibility of relocation. Their main reasons for remaining *in situ* were to retain access to skilled, stable labour and proximity to their markets. Only a minority of firms facing exceptional cost pressures could contemplate the disruption of relocation. The RIDP was also insufficiently sensitive to the importance of local institutions in creating conducive conditions for incoming investment, including robust infrastructure and ongoing support to help firms integrate into the local economy and society. These weaknesses are typical of top-down spatial rebalancing policies.

Incidentally, a similar lack of appreciation of the importance of place and location in economic development was apparent within the post-apartheid government. The Minister of Labour between 1994 and 1998 and subsequent Governor of the Reserve Bank between 1999-2009 recently stated: “You put a tax break before a company and they rush for it. So, if you provide certain industrial zones with tax breaks and other incentives, I promise you, the logic of capital says they will go to those places” (Mboweni, 2015). Interestingly, he made these remarks in the context of a revealing reflection on the government’s decision to withdraw the RIDP incentives:

> “We removed the tax benefits that had been provided for some of the sub-industrial zones that had been created around SA. We made a mistake. We were too angry about the bantustan system, without thinking strategically. We removed all those benefits and companies just moved back to the East Rand and other places. All those industrial zones became shells, basically” (Mboweni, 2015).

4.3 Spatial Development Initiatives (SDIs)

SDIs were introduced in 1996 around the time the RIDP was wound up. They were conceived as a way to generate growth in regions with significant unrealised potential, recognising that this would require more than simple incentives. SDIs attempted to ‘unlock’ this potential by targeted interventions to improve local infrastructure and actively facilitate new investment (Jourdan, 1998). The concept recognised the importance of coordination across government (Platzky, 2000) and followed the new government’s macro-economic strategy in encouraging exports and private sector-led growth (Taylor, 2001; Crush and Rogerson, 2001; Bek *et al*., 2004). The idea was to address apartheid spatial distortions, but in ways which would enable these areas to become internationally competitive and to promote exports. A subsidiary objective was to foster economic empowerment through small, medium and micro-enterprises (SMMEs), thereby broadening the structure of the economy (Crush and Rogerson, 2001; Jourdan *et al*., 1996; Platzky, 2000).

In these respects the policy bore similarities to European place-based approaches, and was indeed influenced by that thinking. Yet the focus was still on attracting inward investment and external expertise, thereby resembling traditional spatial rebalancing. Some SDIs could also be seen as variants of growth poles with their focus on large infrastructure projects (such as Coega near Port Elizabeth) or resource-based capital-intensive projects (such as the Mozal aluminium plant near Maputo). These and several other SDIs were clearly tied to the dominant mineral-energy complex in SA's economy (Bhorat *et al*., 2014), and did little to assist diversification. Linkages to local enterprises were often neglected in these instances (Bek *et al.*, 2004). Hence the SDI model was a mixture of spatial rebalancing and place-based thinking.

The SDI programme built on the experience of the Maputo Development Corridor set up in 1995. It attempted to generate development along a new toll road (N4) built through a public-private partnership. It was also involved in redeveloping the Maputo port and efforts to stimulate growth along the Mpumalanga-Maputo route. The SDI programme ended in 2001, although several of the projects continued under other guises.

4.3.1 Policy Content

The SDI programme was established under the Department of Trade and Industry (DTI) with assistance from the DBSA and funding of R400m (around US$30m) from the RDP office. Each SDI was supposed to be a short, sharp institutional intervention lasting 12-18 months, after which it would be handed over to the provincial or local investment promotion agency. In practice, most SDIs lasted for around three years. In the first phase, investment opportunities and blockages (generally infrastructure) were identified, and small project teams were set up to work with government departments to fast-track development. Public-private partnerships were used to enhance the delivery of infrastructure by providing extra funding. Strategic investment opportunities that were thought to be capable of generating local spinoffs ('anchor' projects) were identified and marketed, along with ancillary 'bankable' projects (Jourdan, 1998).

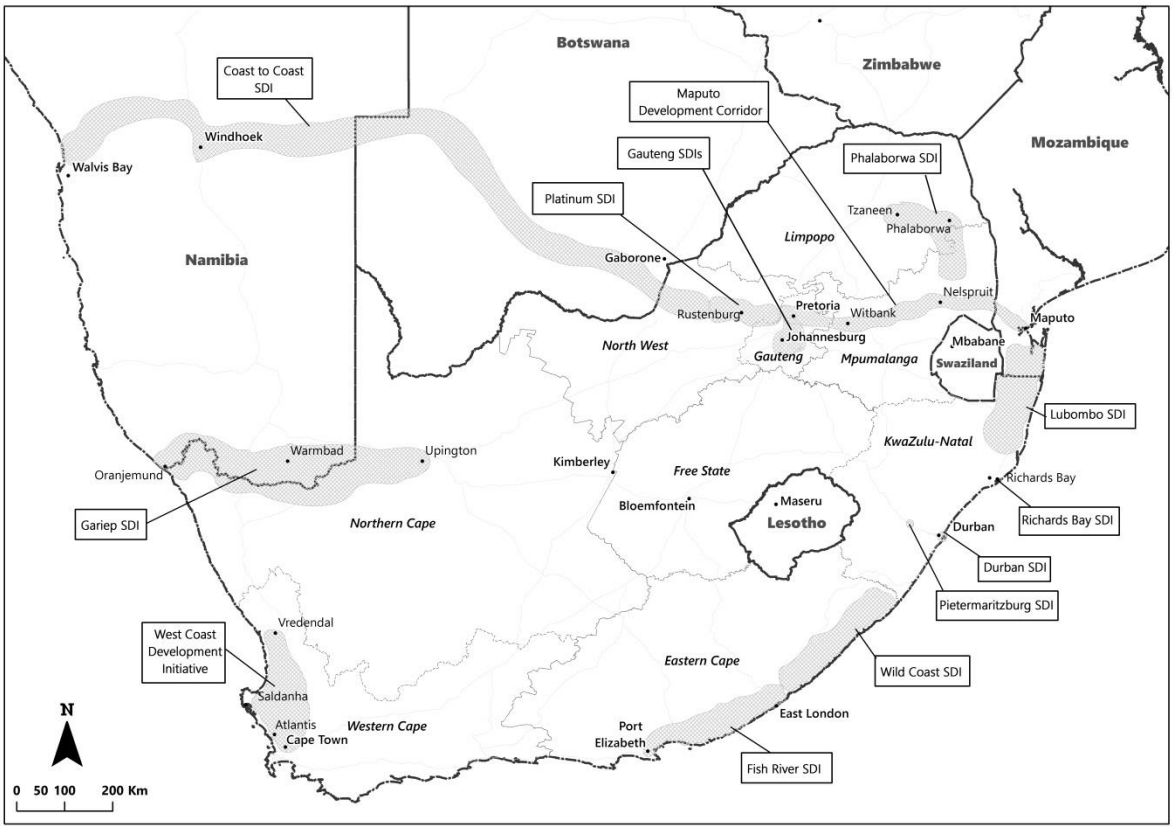
There were attempts to promote linkages to local businesses where they existed. Investors were encouraged to enter into joint ventures with local SMMEs in order to assist black empowerment. The project teams were also involved in a range of support activities to improve the environment for private investment: skills development, environmental assessment, improving regulatory frameworks and encouraging actors to work together (Platzky, 2000; Crush and Rogerson, 2001). In order to address unemployment and poverty, some SDIs initiated schemes to promote downstream activities and encourage more labour-intensive and higher value added activities (Altman, 2001; Walker, 2001). Other efforts included training and skills upgrading, and small-scale agriculture and tourism projects. Some SDIs were well-conceived, broadly-based initiatives, whereas others were rather narrow and detached from their local economies (Bek *et al*., 2004).

The initial focus was on manufacturing,[10] but the concept was soon broadened to include economic activities with a more direct impact on unemployment and poverty (Crush and Rogerson, 2001). Eleven SDIs were identified throughout SA: the Maputo Corridor,

[10] Export-oriented Industrial Development Zones (IDZs) were supposed to be established in several SDIs, but in practice they were only developed later on.

Phalaborwa SDI, Platinum SDI, West Coast Investment Initiative, Fish River SDI, Wild Coast SDI, Richards Bay SDI, Durban and Pietermaritzburg, Lubombo SDI and the Gauteng Special Zones (Figure 2). The Maputo Corridor and Lubombo SDI were conceived as cross-border initiatives involving neighbouring countries. Most SDIs were in rural areas or small towns. The Gauteng project emerged out of provincial economic initiatives, and was later included as an SDI although it did not really fit the programme's intentions (Rogerson, 2004). The focus of each SDI varied according to the region's perceived strengths and potentials. For example, Richards Bay already had major infrastructure and anchor projects, so the focus was on addressing bottlenecks and extending linkages around the existing economic base (Interview with Jourdan, 2003).

Figure 2: Spatial Development Initiatives in South Africa



Several structures were set up to support the SDI programme, including a special unit in the DBSA, a Public-Private-Partnership unit in Treasury, and a Community-Public-Private-Partnership Development Programme. An Overall SDI Coordinating Committee (OSDICC) brought together SDI project managers and senior government and parastatal officials to help accelerate progress. OSDICC also fed into the Cabinet Investment Cluster (CIC), which brought together ministers whose work impacted on the investment environment and dealt with decisions on large new investments (Jourdan, 1998). Political champions – high-level elected representatives at provincial and national levels – were appointed to ensure support within government and to raise the SDI's public profile. The point is that it was a serious programme with considerable political backing, at least early on.

4.3.2 Policy Impact

SDIs were reasonably successful at developing infrastructure. The PPP approach generated some additional investment that would not have occurred otherwise. New roads in rural areas and programmes such as malaria control (in the Lubombo SDI) improved the quality of life. In some SDIs, the complexity of underlying land-related issues and social disputes seriously impeded planned development. Kepe (2002) describes these problems in the Wild Coast. Several SDIs struggled to get other parts of government to provide the necessary support. For instance, Richards Bay SDI wanted to expand the port to allow containers, but this was never accepted by the state entity Portnet. The Durban SDI never got off the ground because of disagreements between the three government spheres.

Several SDI evaluations conducted around 2000 suggested that private investment did not live up to expectations (Platzky, 2000). This helps to explain why the programme was downgraded. One evaluation identified 688 SDI projects involving total investment of R165,000m (US$12,500m) and approximately 100,000 jobs created (Crush and Rogerson, 2001). Wider economic uncertainties linked to the Asian financial crisis and poor macro-economic conditions in SA hampered investment at the time (Platzky, 2000; Crush and Rogerson, 2001). Local factors were also important, including the fact that some locations were chosen for purely political reasons and could not attract private investment (Jourdan, 2003). Several project proposals put to investors were simply unrealistic (Taylor, 2000). Poor institutional and political conditions in several places also hindered SDI processes (Budlender and Shapiro, 2001; Rogerson, 2001).

The Maputo Corridor was by far most successful at delivery on the ground. A substantial R80,000m (US$6,000m) in private investment and 65,000 temporary and permanent jobs were realized over the 1996-2001 period (De Beer, 2001). The movement of people and goods between SA and Mozambique increased by 27% per annum, imports rose by 58% and exports by 55% over the same period (De Beer, 2001). This SDI included innovative projects such as SMME development linked to the toll road, cluster studies, LED programmes and capacity building. De Beer (2001) argues that these created many local linkages and deepened the impact. Against this, critics have suggested that the Corridor could have done more to support small business development. For example, small traders were not sufficiently considered in planning a new border facility (Peberdy and Crush, 2001).

Several SDIs focused on resource-based industrialisation and most private investment was related to mineral extraction, processing and exporting (Altman, 2001). This reflects the dominance of the mineral-energy complex, but raised obvious concerns about the level of public investment relative to the jobs created and the weak linkages into the local economy (Pretorius, 2001; Walker, 2001; Driver, 1998; Fitschen, 1998; Lewis and Bloch, 1998). Taylor (2001) argues that most jobs in SDIs were low-waged, low-skilled and casual. This is partly because many temporary jobs were created in the construction phase, which encouraged in-migration. Relatively few jobs remained afterwards, and these were mainly high-skilled (e.g. in the Saldanha steel plant), so those who had migrated in search of work were left stranded.

Some rural SDIs never developed any momentum because of the obstacles faced. The Lebombo SDI focused on conservation and tourism and was relatively successful because it brought technical capacity to an area where this was lacking. It implemented several novel

and imaginative projects, including extensive support for SMMEs, and created around 4,500 jobs altogether, although most of them were temporary (Adebayo and Todes, 2003).

4.3.3 Discussion

The SDI programme was certainly innovative for its time. It experimented with new institutional forms, helped with capacity building and included linkage programmes that were new to SA. Projects worked well in some areas, but less so where inappropriate locations were selected. It was not well-suited to places with complex social dynamics, such as the Wild Coast, or cities, where the Gauteng SDI soon morphed into something else. It seemed to work best where special agencies were established that could recruit dedicated and committed staff. These agencies provided essential technical capabilities and could operate in a flexible, non-bureaucratic manner across administrative and functional boundaries. They functioned as vital intermediaries between different stakeholders, spheres of government and communities, capable of adapting to shifting conditions. They also championed and pushed through a range of important development projects on the ground.

There were several limitations of this approach, including a tendency to treat SDIs as substitutes for national action. Most projects suffered from insufficient support from key government departments and poor inter-departmental coordination. For example, a national strategy towards seaports might have helped align investments by the national port authority with the port-related SDIs. The special arrangements that were made at the outset to provide high level political support for the SDIs did not last long. The projects had no special status in government spending, so they battled for resources. Personalities played a big part in determining success, rather than procedures, systems or objective evidence, and of course people were vulnerable to politics. The Maputo Corridor received considerable support from its provincial premier, but when he was replaced this disappeared.

The short timeframe of the SDIs was problematic. The emphasis on speed meant that participatory processes were too limited where they were really needed, such as in rural areas. The lack of consultation undermined local support and ultimately jeopardized the projects. The Maputo Corridor SDI was wound up before it could realize its potential and several innovative schemes were terminated. Arkwright (2003) argued that only 25% of the full investment potential had been achieved at the time. Although some of the projects continued in a different guise, many of the interesting elements that added extra value were curtailed. Consequently, many projects did not progress beyond the relatively ‘quick win’ elements focused on capital-intensive, energy-hungry resource processing schemes (Bhorat *et al*., 2014). An important message is that realising development potential is clearly not a quick fix.

To conclude, the SDI programme can be seen as a form of place-based policy because of its adaptation to local contexts and creation of institutional capacity. There was also an element of spatial rebalancing through attracting investment from elsewhere. Therefore it was a mixed approach, implemented in different ways in different places, and not always connecting with local economies and communities. It appears to have been most effective when the place-based aspects were emphasised, i.e. strong institutions and a rounded approach focused on local potential. Yes this was only successful under certain circumstances and more could have been achieved if the embedding effects had been sustained.

4.4 Industrial Development Zones (IDZs)

IDZs were initially mooted as part of the SDI programme, but their introduction was delayed until 2000. They were specially-built industrial precincts linked to a seaport or airport and designed for export-related activities. They were flagship schemes intended to promote economic and employment growth through attracting foreign direct investment and exporting value-added commodities (DTI, 2012). The emphasis on fixed incentives aimed at mobile investment defines them as a form of spatial rebalancing.

4.4.1 Policy Content

Four IDZs were designated at the outset: Coega, East London, Richards Bay and OR Tambo International Airport. All were publicly owned and run, in some cases with provincial or municipal involvement. IDZs were supposed to offer environments with world-class infrastructure and utilities linked to an international port of entry; streamlined administration; a customs-controlled area allowing duty and VAT-free import of raw materials; service areas for suppliers; tax holidays and export incentives, and access to government business support programmes. However, the customs advantages could not be implemented, and most of the incentives were also available outside the zones (Chinguno, 2009). The special status of the IDZs boiled down to the quality of the physical infrastructure within them. The DTI spent R6,000m (US$450m) on the programme by 2013 (DTI, 2013a).

4.4.2 Policy Impact

It is widely agreed that the IDZs were very slow to make an impact, even after more than a decade (DTI, 2012; CDE, 2012; Nel *et al*., 2013; McCullum, 2011). Only three IDZs became operational during the 2000s, and another two were established in 2013. From 2002 to 2013, some 42 investors were attracted into the three zones, R3,000m (US$225m) was invested and 48,800 jobs were created (DTI, 2013a). Most of these were short-lived construction jobs, and only 5,200 direct jobs were created within firms in the zones. Most firms had capital-intensive processes and weak local linkages. The IDZs were thought to be held back by SA's poor international competitiveness for manufacturing and its vulnerability to rising import prices (McCullum, 2011).

The development of the Richards Bay IDZ was also constrained by land and environmental issues (Interview with Coetzee, 2013). It attracted a single investor by offering a large supply of cheap electricity. Subsequent energy constraints have inhibited the attraction of further investors (Financial Mail, 22/1/2015). In addition, the port only deals with bulk cargo (coal exports), while the IDZ aims to develop other export-related industries. Efforts to reconcile these conflicting agendas have not succeeded (Chinguno, 2012; Coetzee, 2013).

The Eastern Cape IDZs have recently become slightly more successful. By 2012, Coega had attracted 21 investments valued at R9,000m (US$675m) and generating 2,800 jobs, although most were relocations from elsewhere within the region (Chinguno, 2012). Its performance improved subsequently, with 10 new investors in 2013/4, R2,000m (US$150m) worth of investment and 4,400 non-construction jobs (CDC, 2015). In 2016 Coega announced SA's largest single foreign direct investment in manufacturing in 40 years, with an R11,000m (US$830m) Chinese vehicle assembly plant. Production is scheduled to start in 2018 and 2,500 direct jobs are anticipated in phase 1.

The East London IDZ has mainly attracted existing component suppliers to the Mercedes Benz factory elsewhere in the city, which the firm asked to relocate into the zone. As with most automotive operations, these are capital intensive with modest job impacts (Chinguno, 2012). Investment in the East London IDZ has also been growing, with a total of R4,400m (US$330m) invested by 2014, and 3,000 direct manufacturing and related service jobs created (Financial Mail, 22/1/2015).

4.4.3 Discussion

Evaluations of the IDZ cost-effectiveness undertaken a few years ago were damning. An annex to the 2013 Special Economic Zones (SEZs) Bill that proposed replacing them with SEZs summarised the problems succinctly:

> "a weak policy and legislative framework; poor institutional and governance arrangements; *ad hoc* funding arrangements that render long-term planning in the IDZ impossible; lack of IDZ-specific incentives; lack of targeted investment promotion; lack of programme definition and strategic direction, and poor coordination and integration" (DTI, 2013b, p.17).

IDZs resemble SEZs as a form of spatial policy. While they grew out of the SDIs, developing the wider region has been played down. Unlike international IDZs or SEZs, there is little special about these zones, so their distinctive attractions are limited. Sizeable state investment has been slow to stimulate private investment and job creation. Poor leadership and coordination across government have been major hindrances, acknowledged by government's own assessment quoted above.

The 2014 SEZ Act offered more generous incentives. It permits public-private partnerships to establish SEZs, with streamlined governance and institutional arrangements. Whether this resolves the previous problems remains to be seen. The initial response of business has been slightly more positive than before, albeit still rather lukewarm (Financial Mail, 22/1/2015). A stronger regional agenda is also apparent from the inclusion of a wider range of eligible areas with opportunities for distinctive local industrial clusters, such as agro-processing, solar power and mining (DTI, 2015). Yet Nel and Rogerson (2014) argue that the SEZ incentives do not address the development constraints of peripheral regions sufficiently, such as the limited resources, poor infrastructure and deficient skills. In addition, by promising an SEZ to each province, political considerations have clearly intruded. The impact is bound to be very uneven, with a big risk of substantial public investment in places with slim prospects of self-sustaining development.

4.5 Conclusion

The SA state has been able to influence the location of economic activity, although the process has not been straightforward and the outcomes have been very mixed. The emphasis since the 1960s has been on steering investment to less-favoured regions using fixed incentives and improved infrastructure. In some cases, ideological objectives greatly outweighed economic considerations, resulting in scant impacts. Other initiatives produced bigger effects by targeting viable locations (e.g. close to major transport routes and sources of suitable labour) and complementing changes occurring within industry. The growth of

clothing firms in and around the homelands during the 1980s was an example. Moving to the assisted areas helped companies under pressure to cut costs. Thousands of jobs were created within the firms themselves, along with many temporary jobs in the construction of the infrastructure.

Yet this did not generate resilient economic development. Transplanted activities were often routine in their levels of skill, technology and products. Most remained weakly embedded locally and did little to spur further enterprise or human capital development. Spatial policies that alter relative locational conditions through incentives and infrastructure tend to have little influence over the future viability of firms. They do not promote upgrading, modernisation or diversification to higher value, more sophisticated products. This is a weakness of spatial rebalancing because the regional problem can't be solved this way. In some places, local institutions went beyond this by actively recruiting firms and creating a supportive environment, but they lacked the know-how to help firms anticipate and adapt to changing market conditions. Later on, nothing was done to manage decline by assisting workers affected by redundancy to retrain or move elsewhere. Consequently, the sudden withdrawal of the incentives post-apartheid devastated many of the former industrial decentralisation areas.

The SDIs had a more flexible methodology and more dynamic capabilities, in tune with a place-based approach. They operated as intermediaries between stakeholders and could champion all sorts of new and innovative projects, although they were not sustained for long enough to generate real momentum. Their freedom of manoeuvre helped to make things happen in places that were depressed or locked into the past. In contemporary conditions such schemes might identify rural opportunities in commercial forestry, renewable energy, game farms or activity-based tourism. Yet special initiatives are not enough to resolve intractable political conflicts or dysfunctional local governments. They are also no substitute for national action to address strategic infrastructure constraints. The IDZs illustrate the investment capacity of national government, although they also highlight the risks of extravagant spending on symbolic projects when the political pressures are strong and financial disciplines are weak.

A final observation relates to the effects of targeting particular places for attention. Singling out a few locations for special treatment enabled focused effort, provided visibility to attract external interest, and allowed scarce skills to be deployed selectively. However, the political difficulties of this process also undermined the impact. The high profile of designated places often resulted in pressure for too many areas to be designated, thereby diluting their effectiveness. It also caused initiatives to be curtailed or side-lined by political leaders before they achieved their potential. This has been a particular problem since 1994, with insufficient staying power to implement projects, create confidence and build momentum. Sustaining special arrangements has proved difficult politically, given the pressure to incorporate and control them within local or provincial government. The lack of an overarching national spatial framework has exacerbated these problems and meant inconsistent support across government.

Although SA has experimented with new and innovative approaches to regional development, they have not been sufficiently well-conceived and developed to be truly

effective. There has been insufficient research and systematic learning from these initiatives to inspire confidence that decision-makers know what work's best. The following chapter identifies similar concerns in relation to locally-based initiatives.

Chapter 5: The Experience of Area-Based Initiatives

5.1. Introduction

The government has introduced a variety of area-based initiatives post-apartheid, intended to ameliorate poverty in the townships and to revitalise the inner cities. There has been greater appetite for spatial targeting to tackle concentrated hardship within cities than for targeting at the regional scale. Area-based policies have coincided with efforts to extend basic infrastructure and services across the cities, which is consistent with space-neutral ideas. Area initiatives have also been used to a lesser extent in rural areas. Spatial targeting in the countryside is discussed briefly here since it illustrates some of the difficulties of catalysing local development in context of dispersed populations.[11]

Like many urban programmes in Europe and the USA, SA initiatives have been very ambitious in scope, including complex social reconstruction and development objectives. Similarly, the emphasis in practice has often turned out to be more physical - upgrading the environment, infrastructure and housing - partly because this is easiest to execute. Some initiatives have followed a place-based approach, in the sense of broad-based strategies involving multiple stakeholders and different parts of government. There has been considerable emphasis on institutional development and citizen participation, alongside more tangible outcomes. For example, initiatives have sought to introduce new approaches to governance, innovation and experimentation, to expand training and capacity building in government, and to pursue social redress, transformation, and urban renewal. This is all consistent with place-based thinking.

The definition of a 'local area' for these initiatives has varied greatly. Many are very large in terms of demographics or territorial extent, especially compared to international equivalents focused on a single neighbourhood or business precinct. Local areas in SA have ranged from central business districts to huge townships with several hundred thousand people. Urban townships have been prominent objects of spatial targeting. This is often where most people live, quite unlike the deprived neighbourhoods targeted in the North that are home to a disadvantaged minority. The progressive upgrading of the townships, and the deepening of democracy through popular participation, are therefore vital for the stability and cohesion of the country as a whole. In some rural contexts, whole district councils ranging over hundreds of square kilometres and up to a million people have been the target area. In many respects they are more accurately described as regions than localities.

Four major government programmes are discussed here. They differ in their institutional design, funding arrangements and operational focus. The first two attached greater

[11] There have also been area-based initiatives organised by municipalities. The most important was eThekwini's Area-Based Management Programme. This is not discussed here since the focus is on national policies. Robinson *et al*. (2004) discuss some of the early initiatives.

emphasis to strengthening local institutions and coordinating action at locality level (essentially a 'bottom-up' perspective), while the latter two have been more concerned with ensuring that national support is tailored to the needs of different areas (more of a 'top-down' perspective).

Special Integrated Presidential Projects (SIPPs) were launched in 1994 as part of a range of programmes to initiate the RDP. The aim was to "kickstart development in major urban areas, focusing on violence-torn communities and communities in crisis" (RDP White Paper, 1995). SIPPs were pilot projects to accelerate delivery of basic services and to create jobs within a framework of social transformation. The urgency was palpable because these areas had recently been wracked by conflict and instability. For example, the Kathorus group of townships on the East Rand had been the epicentre of a violent power struggle between 1990 and 1994 that claimed at least 3,000 lives (Bonner and Nieftagodien, 2001). The SIPPs were also intended to introduce more participatory methods of planning and development (to give people a stronger voice) and more integrated forms of governance and finance. They were initially seen as short-term, 5 year projects, although several continued beyond this (Rust and Napier, 2002). The Cato Manor Development Project (CMDP) in Durban was one of these. It continued until 2002 with supplementary funding from the EU. Its remit was to redevelop a large tract of well-located land[12] for a mixed income population, including the very poor, using new planning principles to promote integrated development.

The **Urban Renewal Programme (URP)** and **Integrated Sustainable Rural Development Programme (ISRDP)** were introduced in 2001 as 10 year nodal schemes intended to address poverty and underdevelopment in a selection of urban townships and rural areas. The mechanism was coordinated action by various spheres of government to accelerate the provision of infrastructure, basic services and social services (COGTA, 2010). The establishment of rural nodes was partly rooted in concerns about the failure of previous rural development efforts, linked to poor coordination of activities. Hence the nodes were also seen as spaces to experiment with new styles of governance, with improved intergovernmental collaboration, and more public participation (COGTA, 2009b).

The **Neighbourhood Development Partnership Grant (NDPG)** was introduced in 2006 as a 10 year programme to provide technical assistance and a capital grant to improve the "quality of life for township residents through the creation of economically viable and sustainable township neighbourhoods" (National Treasury, 2007, p. vii). Support was provided for "neighbourhood development projects that provide community infrastructure and create the platform for private sector development and that improve the quality of life of residents in targeted areas" (*Ibid*.). Like several previous programmes, the intention was also to promote good practice and innovation in township development.

The **Urban Development Zones (UDZs)** were more narrowly focused on the renewal of run-down inner cities through property (re)development. The incentive was channelled directly to the private sector, unlike the three other programmes. The purpose of stimulating private investment in property was to encourage economic development and job creation. The programme was originally planned to run from 2004 to 2009, but was then extended twice to 2019 because of its apparent success in several major cities.

[12] The land was partially vacant because the community had been forcibly removed in the 1960s.

The chapter draws on a limited academic literature and a range of government reports, supplemented by interviews with officials who played key roles in these programmes, or who observed them closely from other parts of government. Most interviewees were no longer directly involved, and were able to reflect thoughtfully on the programme's strengths, limitations and wider lessons. Several of the reports are also frank and forthright in their assessments, making them a useful basis for analysis.

5.2 Policy Content

Seven **SIPP**s were defined at the outset, increasing later to 13 projects in all provinces. They varied from large multi-dimensional initiatives to more narrowly-defined schemes. They were located in urban and rural areas, major cities and smaller towns. The SIPPs were selected on the basis of their visibility, relevance and potential for impact, their capacity to be implemented, their contribution to the creation of viable communities, and their alignment with housing policy objectives. The largest and most visible projects were Kathorus, Cato Manor, the Integrated Serviced Land Project in Cape Town, and Duncan Village in East London. A dedicated project team was set up in each area, with varying structures and lines of responsibility. Since local government was still in a transitional phase, SIPPs often had considerable operational autonomy. The SIPPs programme initially fell under the RDP ministry, but it was later moved to the Department of Housing (Rust and Napier, 2002).

The SIPPs had large budgets from national RDP funds (altogether R1,880m (US$140m)). The funds were granted on condition that matching resources were secured from provincial and local government, and that they also bore the recurrent costs of the projects. Most of the money was spent on the provision of essential infrastructure (clean water, sanitation, storm-water drainage, electricity and surfacing roads), free housing and community facilities (community centres, clinics, childcare facilities, public safety, community education, recreational amenities, sports fields and public spaces). Economic development was not very prominent in most SIPPs.

The **URP** and **ISRDP** did not receive the same level of dedicated government funding as the SIPPs. It was assumed they would attract funds from all spheres of government because of their status as presidential projects. Encouraging coordination between government departments was a major objective. Seven urban renewal nodes were defined across the major cities. Most covered townships with high unemployment and poverty, and many were larger than the previous SIPPs. For example, in Durban the Inanda KwaMashu Ntuzuma (INK) area (with around 500,000 people) was much larger than Cato Manor (planned for 180,000 people). The rural nodes covered whole districts or municipalities. At the outset there were ten rural nodes, defined on the basis of poverty, infrastructure backlogs and population density. Another three were added later to ensure a national spread (COGTA, 2010). While the urban nodes had dedicated project teams, the rural nodes were often run by municipal officials with other responsibilities as well. Large 'anchor' projects were defined in each node as a focus for departmental coordination. In urban areas these tended to be integrated development schemes, such as Bridge City in Durban and the Khayelitsha CBD programme in Cape Town. In rural areas the focus was on water, infrastructure, agriculture, tourism or enterprise development (*Ibid*.). National coordination was supposed to occur through an Interdepartmental Task Team chaired by the national department of local

government. There was also a complex system of local, provincial and national champions for each project.

The **NDPG** was set up as a focused unit within National Treasury to provide municipalities with technical support and capital grants to undertake township development delivering a "social, economic and financial return" (National Treasury, 2007, p. vii). By 2011, some R8,800m (US$660m) had been spent on 90 townships in 57 municipalities (National Treasury, 2011). Considerable effort also went into training officials and producing good practice guidelines. To apply for funds, municipalities had to produce township renewal strategies in which their projects were located. Many URP projects benefited from NDPG grants because they were already operational and were well-placed to secure the funding. However, the NDPG supported a much wider range of townships, including in small towns and dense rural areas such as Bushbuckridge. Some 59% was allocated to metros and secondary cities, and the remainder to towns and rural areas (*Ibid*.).

Since 2012, the NDPG has changed focus to promote higher density, mixed-use development along public transport corridors that link townships to central cities. This represents a shift from a spatial targeting approach to one that emphasizes connectivity between residential areas and economic centres. The NDPG is now solely concerned with the eight metros and 10 secondary cities. NDPG supported projects that were previously focused on small towns and rural areas were transferred to the Department of Rural Development and Land Reform because of capacity constraints within the National Treasury (Interview with Van Niekerk, 2013).

Finally, **UDZs** provide for an accelerated depreciation allowance to reduce tax on investment in new buildings and improvements to existing buildings. Some 15 municipalities were invited to designate UDZs in core urban areas that had gone into decline following the relocation of businesses to suburban nodes and outlying business parks. These areas had once made a major contribution to municipal rates, but were now experiencing physical decay, vacant and derelict buildings, and a loss of confidence among land owners and investors. One of the conditions of national approval was that the target areas had to be an explicit priority in the municipality's IDP and resources had to be made available to support regeneration efforts. This was to ensure alignment between local and national policies.

5.3 Policy Impact

Assessing the impact of these initiatives is difficult because of their diverse objectives and the paucity of systematic evidence. The following sections outline the overall performance of each programme separately, and then discuss their economic aspects all together because they share certain features in common. Discussion of the UDZs is confined to the latter section.

5.3.1 Special Integrated Presidential Projects

The official evaluations of the larger SIPPs were generally very positive about the scale of activity they generated (Rust and Napier, 2002). They were effective at delivering housing, infrastructure and services. They also incorporated elements of innovation in their approach. Some SIPPs received Best Practice awards from UN-Habitat. Cato Manor

succeeded in providing substantial amounts of infrastructure and housing in a highly charged, conflict-ridden environment, although it took several years before it had established sufficient trust and credibility for delivery to proceed. It pioneered mechanisms to encourage community engagement, outreach and support that were unfamiliar in the country at the time (Robinson *et al.*, 2004). These achievements were offset by the standardised housing design. Being located close to the heart of the city warranted higher density development, but no flexibility was allowed for in the national housing model. The projects run by SIPPs were often judged to be islands of excellence within their municipalities (Rust and Napier, 2002). Unfortunately there is no systematic evidence available to judge whether they had an enduring impact on socio-economic conditions.

5.3.2 Urban Renewal Programme and Integrated Strategic Rural Development Programme

The URP nodes were also considered quite successful at delivering basic infrastructure. They were often implemented through the municipal line departments. Having formal URP status put pressure on these departments to focus their efforts there. Innovation was a feature of some of these schemes, such as the INK social programmes and the Mitchells Plain Violence Prevention through Urban Upgrading programme, funded by the German government. Like the SIPPs, some of these projects managed to operate reasonably well in very tough environments. Yet several URP nodes were unsuccessful, including some of those in the Eastern Cape, because of political and institutional complications.

The ISRDP nodes were generally less successful than the URPs. They had to cover huge rural areas and lacked dedicated implementation units and budgets. The institutional position of those responsible for delivery was weak and they found it difficult to attract and retain skilled staff. There were many small, isolated projects that struggled to gain any traction and momentum. Supporting the growth of small enterprises in rural areas seemed particularly difficult. The urban nodes found it easier to attract national and provincial funding and to crowd in investment from the private sector and foreign donors. When national and provincial departments did invest in the rural nodes, it was not necessarily in ISRDP projects (COGTA, 2010). Some of the rural anchor projects were simply overambitious. For instance, the Ugu Fresh Produce Market cost R20m, but failed to attract sufficient farm produce to be viable (COGTA, 2010).

The URPs devoted less attention to socio-economic objectives, such as developing people's skills, because of the pressure to accelerate physical delivery. Improving schools, hospitals, and other social services was not part of their remit, despite these being serious obstacles to human development in most areas. In 2006 the URPs were criticized for being insufficiently innovative or people-centred. A positive outcome was the fall in crime in the urban nodes between 2001 and 2008 because of improved roads, CCTV cameras and visible policing (COGTA, 2009b).

Institutional coordination of project planning, budgeting and implementation was a general challenge, particularly in rural areas. The integrated area-based approach of the URPs and ISRDPs did not align well with the functional perspective of line departments. It was also difficult to find the most appropriate institutional location for the projects within labyrinthine municipal and provincial administrations, so many struggled to mobilise support (COGTA, 2010). These experiences are unsurprising bearing in mind the uneven

capacity within government in SA, reinforced by political divisions and power dynamics. Yet there were also some successes. The Alexandra Renewal Project devised service level agreements with municipal departments to secure their involvement.

There were also limitations in the way many projects were set up, from a technical and institutional perspective. Common-sense advice was often neglected, such as the need for clear focus, strong vision, integrated planning and budgeting, sound management and avoidance of political interference (COGTA, 2009b, 2010). Identifying political champions to mobilise support sometimes worked well. Yet in other cases the political champions lost interest, were too busy or were ineffectual. Sometimes there were too many champions, which diluted their support (*Ibid*.). Many projects were slow to get going because of political resistance and procedural delays in acquiring and developing land (Interview with Leon, 2013). The Alexandra Project never resolved the fundamental land and housing problems in the central area. These continue to bedevil the township's revitalization.

5.3.3 Neighbourhood Development Partnership Grant

A three-year assessment of the NDPG undertaken in 2010 found that it performed reasonably well across its objectives, but was undermined by municipal weaknesses (National Treasury, 2010). Indeed, more than half of the 57 municipalities were rated as medium or low in their technical capacity (National Treasury, 2009). As a result, 40% of NDPG projects were found to require urgent support. Their main challenges were political interference, corruption, high staff turnover, technical obstacles and land issues. The Treasury's NDPG unit was stretched far too thinly to support all the NDPG municipalities.

The NDPG encouraged many municipalities to devote more attention to their townships, which were somewhat neglected by their line departments (Interview with Pernegger, 2013). It sought to build skills and competence through its training programmes and resource materials. It was reasonably effective in delivering physical infrastructure, although former officials suggest that insufficient attention was paid to human, social and economic development (Interview with Karuri-Sebina, 2013). This raised doubts about its ultimate impact, which contributed to the shift in focus in 2012 (Interview with van Niekerk, 2013). Questions have also been raised about whether the NDPG substituted for funding that would have been secured from other programmes (Interview with Karuri-Sebina, 2013).

5.3.4 Common Economic Pitfalls

Most area-based initiatives incorporated an economic development component. These took various forms, including: (i) small business advice, financial support and networking; (ii) dedicated space for informal traders to operate; (iii) support for craft production; (iv) cooperatives and marketing; (v) job training and skills development; (vi) cultural and heritage tourism; (vii) food production and urban agriculture; (viii) preparing land for industrial and commercial activity, and (ix) making townships more investment friendly through business improvement districts and enhanced security (DPLG, 2006; Nel *et al.*, 2004).

Physical infrastructure was typically a much larger feature of their efforts, as is the case internationally. There was an implicit assumption that investment in infrastructure would lead to economic development and jobs – a kind of 'build it and they will come' supply-side

philosophy. There was little understanding of the multiple factors influencing the demand for property in their areas. There were instances of poor planning and insufficient appreciation of market forces in all these programmes. It was often assumed that designated nodes and corridors would attract more private investment than they did, resulting in an oversupply of land. This occurred even in the most lauded projects, such as Cato Manor, where the demand for commercial and industrial land and premises was greatly overestimated. Most initiatives could not anticipate the take-up of land and premises because of their poor grasp of property market dynamics. They viewed their localities in isolation of the wider urban economy.

Most initiatives also struggled to expand the base of SMMEs in their areas. Some found it easier to implement public works programmes offering temporary work experience (COGTA, 2010). Karuri-Sebina (2014) demonstrates that many NDPG projects had a narrow understanding of township enterprise. Her study of two townships identified a range of unrecognized entrepreneurial activities. Hence there are potential opportunities that might be uncovered using a more careful approach rooted in the locality. Strengthening human capital, vocational skills, micro-finance and business competences are important ingredients of any township revitalization strategy. Even so, SMMEs struggle to compete with and break out of the stranglehold exerted on local consumer markets by SA's powerful producers and retailers (Philip *et al*., 2014).

Township economic initiatives often seem too insular, unambitious and detached from wider city development efforts using the core functions of municipalities (Robbins, 2012). They don't do enough to alter the marginal economic status and negative perceptions of townships. Few attempts are made to encourage private firms, public entities or even municipal branch offices to locate in and around the townships rather than in established centres (interview with Karuri-Sebina, 2013). This would require a concerted approach to overcome the fear of the unknown and perceived risks of moving to unfamiliar locations. Public bodies could make financial savings if they sold or leased their valuable central city properties and occupied cheaper premises in the townships. Light manufacturing operations, call centres and other large employers of less-skilled workers would also benefit from proximity to residential areas and lower property costs. Despite the political salience of township transformation, it seems that the idea of spatial rebalancing through transferring investment and jobs has not featured strongly.

The developers of industrial and commercial property have generally avoided the townships. Shopping centres are the exception. These were the target of several township anchor projects, and regarded as 'low hanging fruit' (Interview with Pernegger, 2013). This reflected a broader trend towards retail malls in the townships to capture the growth in local consumer spending. Some 76 township shopping centres have been built since 1995, accounting for 65% of all township shopping centres ever constructed, and 75% of floor space (Demacon, 2010). Almost half (32) of these have been built since 2005. Their average size also grew from 6,500m^2 to nearly 20,000m^2, and some 54,300 jobs have been created altogether. The impact of township malls on local SMMEs has been hotly debated. Local enterprises benefit from the improved range of facilities and services, but unfair competition is a serious concern. The impact on the performance of local businesses seems to depend on their distance from the centre (they suffer within 2-5km) and the type of

activity (TTRI, 2012; Donaldson and Du Plessis, 2012). Ligthelm (2010) shows that 48% of pre-existing firms within 5km of the Jabulani Mall in Soweto closed within two years.

Some of the UDZs have been far more successful at attracting other commercial and residential property development. The introduction of the programme seems to have coincided with a turnaround in the perceptions of CBDs, complemented by municipal efforts to revitalise their downtowns. Yet the impact has also been very uneven. The four largest metros accounted for 91% of new private investment in all the UDZs (Demacon, 2013). The UDZ incentives were most effective where the municipalities took active steps to market the scheme, improve the public realm and reduce crime and grime. The Johannesburg UDZ was most successful because it was actively promoted by the city's Development Agency, and used in conjunction with City Improvement Districts and a dedicated budget for the inner city. Demacon (2013) estimate that some 65,000 construction jobs and over R11,800m (US$890m) investment was attracted to Johannesburg's inner city, including the conversion of empty office buildings into affordable housing.

Across all 15 municipalities it is estimated that R917m (US$70m) of tax revenue was forgone by the UDZs, offset by investment leveraged at an impressive ratio of 1:27. This generated a ripple effect of some 78,000 temporary jobs in construction. Demacon argues that there was no displacement effect, although a striking 80% of investors would probably have gone ahead without the incentive. The same level of subsidy was probably not required in each city. The property market in Cape Town's CBD was already quite strong, so the incentive may have provided the developers with a windfall and contributed to an oversupply of offices. A separate concern in Cape Town is the buoyant property prices and eviction of low income communities from gentrifying areas on the fringe of the CBD. This is undermining an important policy objective to increase the supply of affordable, well-located housing (Pirie, 2007; Sinclair-Smith and Turok, 2012). The point is that automatic incentives applied without detailed knowledge of local property market dynamics may have counter-productive effects.

5.4 Conclusion

There has been a great deal of experimentation with area-based initiatives in SA since 1994, involving considerable public expenditure. The contexts have ranged from run-down inner cities to impoverished townships and marginal rural districts. The imperative to ameliorate poverty and treat social need has been a much bigger influence on the selection of target areas than realising economic potential. Consequently, area initiatives have had to operate in challenging environments of historic neglect and social distress. Some initiatives have been essentially top-down in character, while others have been shaped more from the bottom-up.

Their impact and effectiveness have been very mixed in practice. Some have invested sizeable public resources delivering major programmes of basic infrastructure, housing and public services which have improved the quality of life and dignity of thousands of people. Overcrowded townships have been made more liveable by enhanced public facilities, community centres, retail amenities and public spaces. An area-based approach has proved useful for addressing the inter-connected problems through visible state-sponsored agencies operating in the locality. These initiatives have probably been more responsive to community needs and dynamics than large municipal bureaucracies would have been.

In other places, area-based initiatives have struggled to mobilise resources, to create organisational capacity and to implement their objectives. They have encountered innumerable obstacles, interminable delays, recalcitrant officials and uncooperative community leaders. Projects were easily sabotaged by unsympathetic officials or jealous politicians elsewhere in government. Those in rural districts were the most problematic, partly because they were structured in ways that made it difficult to succeed, such as having impossibly large territories to cover. Area-based initiatives also cannot be expected to eliminate deep-seated social and economic problems or transform government policies.

The capacity of a local agency to take positive initiatives appears to have had an important influence on the outcome of these programmes. Working in pressurised environments of physical decay, discontent and competition for scarce resources required relatively autonomous organisations to go ahead and get things done. These are not places where the private sector is keen to invest. They are areas which were bypassed historically and where municipalities often find it difficult to function well because of heightened community frustrations and social tensions. Consequently, these places require special attention and an unconventional approach to governance.

An important aspect of this is the creation of technical capabilities to prepare and manage physical projects. Dedicated multi-disciplinary project units can undertake the varied tasks of conceiving, planning, financing, organizing and implementing development schemes on the ground. The successful area-based initiatives were able to assemble dynamic teams with the necessary skills and experience to carry out their mandate and deliver tangible outputs as intended. This was most important in cities and towns where the municipalities were weak, indifferent or thinly stretched. The relative autonomy of special units and dedicated teams also created space for creativity and innovation.

Another determinant of success is the legitimacy of area-based initiatives to act as instruments of change. Delivery requires at least the tacit approval of ordinary citizens, community leaders, elected politicians, public officials and other stakeholders. Effective projects built relationships with these groups to allay their fears and suspicions, to manage their expectations, and to promote trust and shared objectives. They also engaged with different spheres and entities of government to get their backing. At best they were able to cajole, encourage and persuade others to actively support their efforts to upgrade these locations. Building credibility and support often took considerable time, which was not factored into project timetables and financial frameworks. Insufficient patience among government departments and funders meant that several initiatives were terminated prematurely, before they achieved their potential.

Physical investments were favoured over social and economic projects because they were more visible and simpler to deliver. It was a matter of securing public resources and following established procedures to organize the activity. Producing public infrastructure, housing and related facilities did not rely upon an unpredictable private sector or other capricious stakeholders. Creating jobs and supporting business growth required different skill-sets, knowledge and external interactions. With more scope and time for experimentation, they might have done more to develop local enterprise, consistent with a place-based approach. They may also have capitalized upon the large retail investments in the townships for various economic spinoffs.

Summing up, SA's experience of area initiatives lends more support to the need for spatial targeting than to the space-neutral approach. There is sufficient evidence of worthwhile projects in unpromising locations to suggest that focused government action can add value and make a difference to conditions on the ground. Of course this is not straightforward and it requires concerted effort. More could have been achieved with greater influence over mainstream people-centred policies, such as education. The continuing underperformance of schools in deprived areas acts as a powerful brake on social progress. Finally, there has been insufficient effort to generate useful principles and practical lessons from the experience of area-based targeting in SA over the last two decades.

Chapter 6: Conclusion

6.1 Summary

SA is one of the most unequal and unevenly developed countries in the world, with exceptional gaps in living standards between and within regions. These reflect the long history of an economic and political system designed for a minority, which forced society apart and confined the poor majority to marginal rural areas and overcrowded urban townships. Spatial polarisation has persisted post-apartheid because the economic structure and distribution of know-how have not changed fundamentally and because the government's prime response to poverty and inequality has been social welfare, particularly outside the cities. There is a tendency among decision-makers to portray geographical disparities as a simple dualism between prosperous urban areas and deprived rural areas, overlooking their interdependence and internal differences. Uneven development is usually framed as an issue purely of equity and redress, with less recognition that it also has a bearing upon the functioning of the economic system and could be a source of inefficiency, insecure growth and missed opportunities. There is little appreciation of how much place and location matter for prosperity of the country as a whole, and of the need to factor spatial considerations more deliberately into economic and social policy-making.

In fact, spatial issues have been played down since 1994, partly because of their sensitivity and potential for sowing division. There has been no explicit national spatial framework, and no policy towards migration and urbanisation. There has been a tendency to react passively to business and household location decisions, rather than to be pro-active in trying to stimulate and manage development in particular kinds of places. The main response to spatial inequalities has been to skew substantial amounts of social spending towards marginalised communities in rural areas through social grants and free public services. This is broadly consistent with a space-neutral, people-centred approach. It has alleviated misery, maintained some level of cohesion and curbed political opposition to the ruling party. However, it hasn't offered a sufficient or lasting solution to the underlying problem of uneven development and lack of economic dynamism. Above all, people want jobs and livelihoods, and many are forced into long and costly migration and commuting patterns to centres of employment elsewhere. The resource allocations respond to population shifts but do not help fast-growing provinces and municipalities to plan ahead and invest in the infrastructure required for future expansion. This is one of the reasons why the government's approach has arguably failed to realise the economic potential of the

country's major cities. Meanwhile, the continuing fragmentation of urban development requires inefficient public transport subsidies, costly bulk infrastructure provision and poses problems for firms whose workers have to endure complicated and congested commutes.

In practice, there has been an eclectic mix of spatial programmes and initiatives implemented across SA over the last two decades. In some respects, this can be seen as a period of extensive trial and testing, using different development tools and techniques, many of which have originated in different parts of government. Energetic individuals and agencies have used the ambiguities in overall policy direction and political leadership to apply ideas from international experience and to pioneer new thinking based on domestic realities. Some of these initiatives appear to have been reasonably successful considering the inauspicious circumstances.

An alternative interpretation is less sanguine. The diversity of recent experience suggests the absence of a systematic approach and insufficient strategic thinking about the best way to tackle spatial inequalities. There has been very little objective and transparent analysis and measurement of areas of need or disadvantage that are eligible for special support. Considerable effort has been expended on piecemeal initiatives, but with little continuity and no attempt to consolidate the practical learning from experience. Some ill-conceived projects have been fast-tracked in different places with little public debate or reflection on the underlying principles, so efforts have been duplicated and mistakes repeated. With more rigorous evaluation and careful consideration of past efforts, the government could by now have been better-placed to establish an overarching spatial policy framework and to execute more effective strategies. A more substantial base of research and evidence on the problems, issues and dynamics discussed in this paper would also help to formulate more effective policies.

6.2 The relevance of different spatial policy approaches to SA

The space-neutral approach is relevant to current dilemmas facing SA in recognising the distinctive economic contribution of cities and in cautioning against extravagant public investments in marginal locations with little prospect of self-sustaining growth. However, it neglects the need to strengthen institutions in lagging regions and is too dismissive of the growth potential of smaller cities and towns. In addition, spatial inequalities within cities are not addressed. Therefore it risks perpetuating the polarisation between affluent and poor areas, which is a source of persistent frustration and grievance, particularly in the urban townships. The precarious character of contemporary rural-urban migration flows is also unsatisfactory. A recent indication of rising discontent was the outcome of the local government elections in August 2016, when the ANC lost majority control of four of the five major metros. Many township residents expressed their disaffection by abstaining or voting for the Economic Freedom Fighters, a new party advocating revolutionary change. The ANC's vote held up better in the rural areas.

The spatial rebalancing approach is also pertinent in suggesting that some forms of economic activity could usefully be located outside the big cities, or in major nodes within them, where there is more land available and labour costs are lower. Renewable energy, activity tourism and government back offices are potential examples. The case for larger-

scale spatial rebalancing is currently not compelling because of sluggish economic growth in SA, and the need to bolster and expand existing economic centres by reinvesting in urban infrastructure and productive capacity, rather than dissipating energy and resources elsewhere. Selective financial inducements and improvements in connecting infrastructure within less-developed regions can support certain transplanted activities. Yet doubts remain about their long-term viability without the high level functions and knowledge required to upgrade and adapt over time to shifting market conditions. Supporting higher rates of local enterprise formation and growth are also important for development to be sustained. There may be a stronger case for spatial rebalancing within cities through relatively low cost improvements to township economic infrastructure, which continue to be disadvantaged by their historic neglect.

The place-based approach is probably the most relevant approach to SA because it recognises the distinctive development trajectories of different places and the need to understand and strengthen local capabilities. It promises more responsive and integrated economic policies to improve business start-up, growth and dynamism in all regions, along with the necessary institutions and policy instruments to bring this about. For example, agriculture, agro-processing, fish-farming and commercial forestry have greater potential in many rural areas than is achieved at present. Enhancing the capacity and know-how of local governments to experiment with different ideas and to take bold initiatives is vital in fraught environments marked by uncertainty and social dissatisfaction. Having the credibility and networks to tap into the resources and capabilities of other spheres of government and other stakeholders in the business and community sectors is also critical to achieving a sufficient scale and breadth of activity to make a difference.

Summing up, it should be possible for the country to combine a spatially focused, place-based approach to drive economic growth with a commitment to ensure that no-one is left behind. Governments can respect geographical inequalities and diversity without undermining constitutional rights to public goods or alienating particular constituencies. Promoting greater prosperity, inclusion and political stability require treating places differently, while supporting them all to some extent, i.e. a differentiated approach. Places warrant varied policy mixes to tackle their specific constraints and to realise their distinctive potential. Society should be better-off with stronger growth, more jobs and improved living conditions if state spending is aligned more closely to the development problems and possibilities of different places. By tapping into diverse local experiences there should be more opportunities to experiment, observe and learn from the variety.

6.3 The implications of SA's experience for wider spatial policy debates

SA's experience of geographical targeting has several implications for recent ideas and debates about spatial policy. The importance of three particular factors appears to have been underestimated in the literature. First, the structure and dynamics of national economies exert a powerful influence on the possibility of altering regional trajectories and achieving more balanced outcomes. SA's concentrated economy and obstacles to new entrants have inhibited the emergence and growth of secondary economic centres with high levels of entrepreneurial dynamism. During the 1980s industrial firms considered moving away from the cities to lower cost areas because they were facing intense price

competition. Lacklustre growth since the 1990s has suppressed the pressures of congestion and overheating that might otherwise have spurred further dispersal. Expanding sectors, such as business and financial services, require proximity to their customers and specialised skills in the cities, so they are less mobile than routine industrial activities.

Second, social cohesion creates stability and makes it easier to introduce and sustain spatial policies. Hence it is to some extent a precondition of regional policy, as well as an objective or outcome. SA has extensive experience of marginalised communities being suspicious of state-sponsored initiatives and impatient for tangible progress on the ground. In pressurised environments, communication suffers, consultative processes get disrupted and planned projects are prevented from proceeding. Business interests also undermine confidence by withholding investment or locating elsewhere. In a context of insecurity, misunderstanding and mistrust, stakeholders struggle to reach agreement on development priorities and policy actions. The uncertainty and volatility engender a culture of short-termism and fire-fighting among public authorities. This diverts attention and energy away from the strategic planning and focused effort required to prevent problems arising in the first place.

Third, institutional capacity is required at local and national levels. Yet the SA case reveals that local governments are often weakest and least reliable in the places that most need support. They are most vulnerable to malfunction, nepotism and subversion by vested interests. Spatial policies cannot assume the existence of a well-oiled state capable of using devolved powers and resources effectively, devising innovative plans and implementing agreed decisions. Local and regional authorities lack the tax base of more prosperous places and can struggle to attract and retain competent professionals, thereby undermining policy continuity and institutional memory. Special efforts may be required to build and maintain robust and accountable local and regional governments, with oversight and support from central government. This is necessary to make complex judgements about priorities, encourage experimentation, and form partnerships with other organisations and actors.

6.4 The implications for different approaches to spatial policy

In addition to these general lessons for all forms of spatial policy, the analysis of SA's experience has implications for each of the three specific approaches. First spatial rebalancing should not be completely discarded as a form of territorial policy. There are some forms of economic activity that stand to benefit from the lower operating costs in lagging regions, especially during periods of rapid growth in booming regions when bottlenecks inhibit development. Selected types of foreign direct investment and routine industrial functions may favour less-developed regions if they trade in highly competitive sectors and are particularly sensitive to business costs. In conditions of low growth, the possibilities are more limited and there are risks in diverting investment away from core economic centres. In such situations it is also important to avoid providing subsidies that are excessive and unjustified in relation to the returns that will be generated.

Second, the spatially-blind approach provides a useful reminder that people-centred policies are crucial for social stability and national cohesion in a context of stark spatial and socio-economic divisions. SA's provision of social assistance, basic services, healthcare and education prevents destitution, lifts morale and improves life chances in deprived

communities. They also enhance human capabilities and productivity, and provide a foundation for inclusive economic growth and development. In addition, the space-blind approach highlights the special economic advantages of large cities in accelerating growth and structural transformation. The downside of their success is transport congestion, higher prices of land and property, and environmental degradation. Consequently, cities need disproportionate public investment in infrastructure and urban growth management (akin to a place-based approach), and should not be treated by fiscal policy in the same way as smaller settlements.

A major drawback of the space-blind approach is its restriction of the state's role to responding to market forces, which neglects persistent short-termism, inertia and other failures in private sector practices. These tend to reproduce and enlarge spatial inequalities, and the resulting imbalances make growth less secure and sustainable. SA's experience shows that collective action by the state and other agents can have a positive influence on development outcomes in less-favoured places. The space-blind approach also overlooks the inevitably uneven territorial impacts of national policies because of differences in the absorptive capacity of different areas. Local arrangements can add value to sectoral programmes by aligning different interventions to improve their effectiveness and tailoring their support to local conditions. In other words, spatially-blind policies still need local, place-based actions to strengthen human capital and institutions, especially in less-developed territories. For example, getting schools, hospitals and basic services in rural areas to function better is not just about providing more staff, buildings and other resources. It also requires the creation of conducive physical and social environments to attract and retain teachers, doctors and engineers, and to engage parents, patients, citizens and other stakeholders in driving up standards by holding service providers to account.

Third, the place-based approach supports stronger interventions, especially at the local and regional levels. A coherent and capable state can be more responsive to local conditions and provide different kinds of public goods and services in different places, all the while working with what's already there. It can foster collaboration among local interests and create a more favourable environment for investment and enterprise. Competent local institutions working in partnership can provide the infrastructure, technical assistance, business incubators, cheap premises, skills training and financial support to offset weak entrepreneurial traditions and to bolster regional capabilities and competitiveness. They can promote social trust and longer-term decision-making, which favour creativity and innovation. The place-based approach also supports stronger interaction among economic agents and mutual learning, which can foster specialisation and unique competitive strengths. Regular evaluation and feedback from external actors, and enhanced citizen accountability, can raise standards and improve performance.

Of course, the virtues of the place-based approach are not straightforward to put into practice, and it is not in itself a magic wand. The case of SA reveals that local institutions are often weak and incapable of resolving deep conflicts of interest or reconciling diverse priorities for development. Success is bound to be uneven between localities and regions, causing unease and tension. Hence there are important roles for national authorities to provide oversight, to establish coordination mechanisms and to strengthen capacity in the poorest regions. Flexibility in these multi-level governance arrangements is essential to

accommodate different set-ups and strategic concerns in different places, and to allow regular adjustment as circumstances evolve. SA shows that action surrounding the use and development of land is more important than generally acknowledged in place-based thinking, which tends to emphasize knowledge and other intangible factors. More efficient use of land is vital to create more productive and inclusive cities. Strengthening other local assets and capabilities in marginalised communities and linking them to better-off places is also part of the solution to overcoming disadvantage and building pathways to prosperity. A national spatial framework may help to contextualise local choices and clarify strategic opportunities for investment in connectivity and other forms of infrastructure.

Beyond these policy approaches, it is important for national governments to be more aware of the spatial effects of their sectoral policies, which have varying outcomes and impacts across their territories. It is also necessary to question assumptions in all approaches that the state formulates and implements spatial policies in a systematic manner. The research presented in this paper suggests a more complex reality.

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