

CITY-REGION ECONOMIES: A NEW RESEARCH INITIATIVE

City-region economies is a new HSRC initiative aimed at understanding the process of inclusive growth in cities and regions, and the factors and forces inhibiting shared and enduring prosperity. We are also interested in why some cities are more successful than others, and what policies and practices can improve conditions on the ground, writes *Prof Ivan Turok*.

The looming water crisis in Cape Town epitomises the broader challenges of governing South Africa's big cities in at least three ways.

First, the city's vulnerability to external shocks (an extreme weather event in this case) has been amplified by rapid population growth within a confined geographical area.

Wherever people converge in major settlements, environmental hazards and social risks escalate, including congestion, pollution, contagion, crime and overloaded services. These consequences need effective management if cities are to be resilient and survive in the long-term.

Second, the drought is a stern test of the capacity of the city's institutions and citizens to find common cause and pull together. The bigger and more diverse the city, the more difficult it is to organise collective action.

The immediate imperative in Cape Town is to cut back on water use to avoid Day Zero, when the taps are turned off, because of the humanitarian and economic disaster that will ensue. This requires all households, firms and farms to adapt their behaviour and make sacrifices, along with unpopular measures taken by civic leaders to restrict consumption. It is uncertain whether this can be achieved.

Third, beyond the current crisis, it is essential to boost investment in infrastructure — to extract groundwater, recycle wastewater, desalinate seawater and expand dams.

Urban infrastructure is inherently expensive, with long pay-back periods.

The design and delivery of these projects will also have to be accelerated to avoid recurring water crises next year and thereafter.

Doubts surround the ability to scale-up investment sufficiently and to fast-track project approval procedures because both require active support and alignment across all three spheres of government, when the track record of cooperation is poor.

The positive effects of cities

Focusing solely on urban vulnerabilities and incapacities is misleading and one-sided because large cities also generate enormous benefits for society.

Economic development is the most important outcome of spatially-concentrated activity. This is why people flock to cities in the first place.

The jobs and livelihoods unleashed by the forces of agglomeration are a magnetic attraction. Sizeable tax revenues raised in cities also fund public education, health, transport, basic infrastructure and other essential services.

Various mechanisms drive prosperity in cities. Most are poorly understood and barely recognised in South Africa, because of the tortured history of urbanisation and consequent political ambivalence towards cities. Above all, cities facilitate intense interactions between people, firms and other entities.

Proximity between diverse activities means that they feed off each other, creating an interconnected system with powerful spill-over effects on investment, innovation, output and incomes. They also help employers and workers to match their labour market needs, and to share common services and infrastructure.

Clustering together and networking also enable enterprises to specialise around particular products or tasks (a division of labour), which amplifies their capabilities. Performing complementary functions generates buzz and synergies, as people collaborate, compete, share ideas and learn from each other. This spurs creativity, stimulates talent and accelerates progress all round through a spontaneous, internally-generated process.

Distinctive strengths

Every city has distinctive strengths reflected in their core activities with output exported to other places. Specialisation in these tradable sectors raises productivity and enables a greater variety of goods and services to be produced.

Gauteng was founded on gold mining and subsequently diversified into manufacturing and financial services. Durban and Cape Town's original advantages were their seaports, and logistics remains vital to the economies of both cities.

A key objective of the new research initiative is to undertake deep dives into the core specialisations in each city in order to consider what might be done to strengthen their development.



Residential flats in Braamfontein are sought after by people hoping to gain access to urban opportunities in Johannesburg.
Photo: Adziwilli Nematandani

Which sectors are driving the local jobs machine and what obstacles are holding them back? In addition, what existing assets, skill-sets and public goods can be built upon to bolster these industries, and what strategic information and intelligence about markets, technologies and new products could usefully be provided by public bodies and intermediaries?

An investigation has begun into the role of knowledge-intensive tradable services in Gauteng's economy. These neglected professional functions can enhance the technical capabilities of manufacturing, mining and agriculture.

They include built environment services such as engineering, real estate, design and management consultancy. Digital technologies and cheaper air travel mean these services can now be traded externally. Burgeoning urbanisation in Africa has created new markets; everything from contracts to build shopping centres and housing estates to satellite cities, power stations, dams and other infrastructure.

Backward linkages to local construction firms and the suppliers of plant, equipment and building materials could spread the benefits back home.

Building inclusive cities

The very success of cities can make them less accessible and less welcoming. Many of the mechanisms of urban exclusion work through the land market, and need to be better understood through research.

Market processes tend to reinforce the inherited spatial inequalities of the apartheid city.

Higher household incomes increase demand for land and raise property prices, which displace poor households and informal traders from well-located areas and make places unaffordable for incomers.

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Existing residents often oppose the zoning of land for additional house-building (especially low income housing) in order to preserve the character of their neighbourhoods and to protect their property values.

Intense pressure and competition to gain access to urban opportunities add to the hurdles facing people living elsewhere.

The inflated costs and sheer unavailability of adequate housing force many poor people to occupy marginal sites on the urban periphery or to squat on leftover land that is unsuitable for shelter, such as under power lines, on road reserves, near landfill sites and along river banks

Living conditions are unsafe and often hazardous because of the risks of flooding, fire and contagious diseases. People live precarious lives just battling to survive.

Informal settlements are a blight on the country and raise questions about why they are tolerated.

These dense environments don't generate the productive activity and incomes one might have anticipated. They are symptoms of inertia and unresponsiveness in the system that produces the built environment.

Meagre investment and weak institutional oversight seem to be at the heart of the problem, so anything goes. Studies are in progress to examine how shack communities can be upgraded without destroying their social fabric.

Governing cities

A consistent question is how effectively South Africa's cities are governed. Powerful metropolitan municipalities were created in 2000 to bring about social, economic and spatial integration of divided and dysfunctional cities. This has proved to be much more difficult than envisaged, and progress has been slow. Economic under-performance has deprived cities of the public and private investment required to support transformation. And policy mistakes have been made in key sectors, like housing and transport.

We need to ask probing questions about whether our cities have sufficient powers, technical capabilities and leadership to balance the complex pressures faced, and to become more productive, inclusive and resilient.

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