The New Growth Path: Implications for SA’s Spatial Economy

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Outline

1. The New Growth Path
2. Spatial analysis in the NGP
3. Why spatial policy is important
The New Growth Path

- **Background**
  - Exceptional unemployment
  - Structural inequality and poverty
  - Narrow economic base, sluggish growth
  - Jobless or job-rich growth?
  - Contested explanations for under-performance
    - Infrastructure, skills, over-regulation
    - Macro-orthodoxy: internationalisation, fiscal austerity
    - Over-concentration and lack of competition
The New Growth Path

- Objectives
  - 5 million jobs in 10 years, decent work
  - Fairness/equity, cleaner/greener and more productive/ competitive
  - Social dialogue

- Developmental state
  - Leadership, planning, coordination
The New Growth Path

- **Spatial issues**
  - Inequalities linked with legacy of Apartheid
  - Rural underdevelopment and dependence on remittances and grants - former Bantustans
  - Rural areas developed as labour reserves (‘need’)

- **Regional integration**
  - BRICs – sources of investment and markets
  - Africa – wider markets (‘potential’)
  - SA as a financial, logistics and services hub
The New Growth Path

- Proposals – 5 jobs drivers
  1. Public investment in infrastructure – direct, indirect and efficiency benefits (short-term)
  2. Support for labour absorbing activities across main sectors (medium-term)
  3. Knowledge and green economies
  4. Social economy & public services
  5. Rural development and regional integration

“A critical element of the NGP is to ensure that the drivers leverage and reinforce each other based on their inter-linkages”
Strong sectoral perspective

- **Infrastructure** – energy, rail, water, local procurement, labour-based production, rural development
- **Agricultural** value chain
- **Mining** value chain
- **Green economy**
- **Manufacturing** sectors in IPAP2
- **Tourism** and certain high-level services
Urban blind-spot

“The microeconomic section of this package involves targeted measures to control inflationary pressures and support competitiveness and increased equity, which in turn makes the macroeconomic strategy sustainable and viable. It includes reforms in policies on skills, competition, industry, small business, the labour market, rural development, African integration and trade policy”

Mentions: rural = 35, urban = 4, metros = 3, cities = 1
Strong rural emphasis

- “While urbanisation will continue, a significant share of the population will remain in rural areas, engaged in the rural economy. Government will step up its efforts to provide public infrastructure and housing in rural areas, both to lower the costs of economic activity and to foster sustainable communities. …”
- “reprioritising budgets for housing and social services to address rural backlogs”
- Opportunities include agriculture, social economy, public services, tourism, infrastructure.
With some qualifications

- “A core task for the NGP is to break with this legacy through a coherent approach to spatial development backed by strong investment in infrastructure and the identification of viable and sustainable opportunities for historically disadvantaged regions. Rural development will necessarily depend largely on links to the main urban areas”

- “We need to recognise the importance of local governments in the metros in maintaining the centres of economic growth”
Other qualifications

“Enhancing rural employment requires finalisation of a spatial perspective that sets out the opportunities available and the choices we must make. … An effective rural development strategy … must be rooted in a realistic understanding of the economic potential of different regions of the country, including the quality of land, water and proximity to markets; and take into account long-term changes in settlement patterns with the end of apartheid residential laws”
And

- “government will develop a realistic spatial perspective on long-term settlement patterns and opportunities for employment creation and economic development”

- A detailed implementation plan will be prepared on “spatial development in South Africa”
Other spatial analysis

- After-thought: “Within metros, too, there are vast disparities and spatial challenges, with townships located far from most employment opportunities”
- “Provinces and localities must adapt the broad drivers in the growth path to their circumstances”
Regional integration

- Promotion of trade
- Investment in regional logistics, water, electricity, and telecoms infrastructure
- Developing productive capacity in agriculture, minerals beneficiation, integrated manufacturing supply chains
Weak spatial understanding

- Neglect of urban problems and potential!
- Spatial issues all about (historic) inequalities, not the active reproduction of differences via
  - Agglomeration economies – matching, sharing, learning
  - Externalities - positive and negative
  - Migration and other adjustment processes
  - Business (re)location
  - Role of public sector
- Top down view of places as passive containers
Rationale for spatial policy

- Inequality and redistribution (zero-sum or negative)
- Balanced development – over-heating, congestion etc (positive sum)
- Developing indigenous potential – exploiting opportunities. Places as (open) economic systems with their own drivers and dynamics
Forms of spatial policy

- Reactive to market forces, trends and events (spatially-blind)
- Deliberate spatial targeting (conscious direction)
- Integrated place-based policies
  - Build on existing strengths (local knowledge)
  - Exploit indigenous potential
  - Tackle vested interests and blockages
Integrated place-based policies

- Strategic approach to infrastructure investment
- Build local support for development and change
- Sectoral and spatial integration (embeddedness)
- Build local human and institutional capabilities
- Connectivity (internal and external)
- Local public goods, training, innovation
- Partnership (horizontal coordination) – business, state, shared services, universities, labour
- Partnership (vertical coordination) depts, DFIs
Costs of neglecting cities

- May neglect immediate obstacles to growth (power, water, infrastructure, skills, environmental regulation, ‘ratepayer mentality’ …)
- May neglect areas of greatest potential
- Confused signals to parastatals and DFIs about priority areas
- Failure to exploit relatively capable local institutions and develop them further
City economies

Share of Total GVA in South Africa, 2009

- Johannesburg: 14%
- Tshwane: 9%
- Ekurhuleni: 9%
- Cape Town: 11%
- eThekwini: 9%
- Msunduzi: 3%
- Nelson Mandela: 3%
- Mangaung: 2%
- Buffalo City: 2%
- Nelson Mandela: 1%
- Rest of SA: 40%
% employed among 15-64 year olds

- Gauteng metros: 56% (2002), 52% (2009)
- Cape Town: 55% (2002), 52% (2009)
- eThekwini: 47% (2002), 53% (2009)
- N Mandela: 43% (2002), 41% (2009)
- Commercial fmg: 47% (2002), 46% (2009)
- Ex-Bantustans: 29% (2002), 29% (2009)
- Total SA: 43% (2002), 47% (2009)
% employed earning less than R1000 per month

- Gauteng metros: 22% (2002), 10% (2009)
- Cape Town: 18% (2002), 5% (2009)
- eThekweni: 29% (2002), 7% (2009)
- N Mandela: 35% (2002), 11% (2009)
- Secondary cities: 40% (2002), 19% (2009)
- Commercial fmg: 49% (2002), 25% (2009)
- Ex-Bantustans: 60% (2002), 32% (2009)
- Total SA: 40% (2002), 18% (2009)
### Broad occupation category - formal sector employment

<table>
<thead>
<tr>
<th>Category</th>
<th>Gauteng metros</th>
<th>Cape Town</th>
<th>eThekwini</th>
<th>N Mandela</th>
<th>Secondary cities</th>
<th>Commercial fmg</th>
<th>Ex-Bantustans</th>
<th>Total SA</th>
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<tbody>
<tr>
<td>Less-skill non-manual</td>
<td>33%</td>
<td>31%</td>
<td>29%</td>
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<td>28%</td>
<td>28%</td>
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<td>High-skill manual</td>
<td>10%</td>
<td>14%</td>
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<td>10%</td>
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Major service delivery protests

Johannesburg: 46
Cape Town: 34
Ekurhuleni: 23
N Mandela: 17
Tshwane: 15
eThekwini: 11
Buffalo City: 7
Msunduzi: 1
Mangaung: 0
## Top five ranked national priority issues

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<tr>
<td><strong>Cape Town</strong></td>
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<td>2003</td>
<td>Unemployment (74%)</td>
<td>Crime/safety (67%)</td>
<td>HIV/AIDS (46%)</td>
<td>Poverty (23%)</td>
<td>Corruption (17%)</td>
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<td>2008</td>
<td>Crime/safety (74%)</td>
<td>Unemployment (69%)</td>
<td>HIV/AIDS (50%)</td>
<td>Poverty (32%)</td>
<td>Education (14%)</td>
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<td><strong>eThekwini</strong></td>
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<td>2003</td>
<td>Unemployment (80%)</td>
<td>HIV/AIDS (70%)</td>
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<td>Housing (16%)</td>
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<td>Poverty (33%)</td>
<td>Xenophobia (10%)</td>
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<td><strong>Ekurhuleni</strong></td>
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<td>HIV/AIDS (72%)</td>
<td>Unemployment (71%)</td>
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<td>Poverty (52%)</td>
<td>Human rights (7%)</td>
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<td>Crime/safety (54%)</td>
<td>Poverty (41%)</td>
<td>Service delivery (15%)</td>
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<td><strong>Metro total</strong></td>
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