

# **The Role of Place-Based Policies in Economic Development**

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# Introduction

- International debate over how to address spatial inequalities
- 3 main approaches:
  - Traditional spatial rebalancing
  - Space-neutral
  - Contemporary place-based
- Relevance in global south? And SA?
- Paper draws from SA experience of spatial targeting to reflect on debate and policy implications in SA

# Spatial rebalancing

- Narrowing geographical inequalities and reducing unemployment and poverty in lagging regions
- Redistribute investment and jobs from wealthier to poorer regions, attract foreign investment
- Infrastructure and standardised inducements to mobile manufacturing
- Industrial decentralisation, export processing zones
- Widely criticised – narrow, unsustainable growth
- Infrastructure focused local area initiatives also criticised

# Space neutral approaches

- Growth is inevitably uneven spatially
- Maximise national growth through improved productivity and efficiency
- Emphasis on big cities and their agglomeration economies
- Respond to and reinforce market forces
- Remove constraints to growth in cities
- ‘People-based’ policies – provide social services wherever people are, and let them migrate to jobs
- Avoid spatial targeting

# Place-based development

- Maximise national growth through developing the potentials of places
- Strengthen unique assets of places and help them to diversify, become more competitive
- Wide range of possible strategies, adapted to context
- Promote local enterprise and innovation
- Institutions matter
- Requires working with local stakeholders, partnership, horizontal coordination
- Multi-level decision making across government and support
- Also requires government to make spatial implications of policies explicit

# SA contexts in comparison

- Weaker economy and concentrated ownership
- Deeper spatial inequalities
- History of efforts to suppress migration
- Weaker local institutions
- Difficulties in policy/implementation integration around space

# SA experiences and policy implications

- Overall shift from spatial rebalancing under apartheid (industrial decentralisation)
- To debates over space-neutral position in spatial policy
- And use of forms of place-based approach – regional (SDIs, SEZs) and area-based (township renewal)
- Some approaches mixed/hybrid

# SA experience and implications: spatial rebalancing

- Industrial decentralisation under apartheid as main form
- Huge costs and association with apartheid
- Created/grew some places
- Large concentrated business not responsive except in particular sectors
- Mainly effective in 1980s – competitive pressures on labour intensive industries, but conditions no longer exist
- Operation more influenced by institutional conditions than generally acknowledged
- IDZs perhaps a form? weak responses

# SA experience and implications: spatial rebalancing

- Are there potentials now?
  - Difficult given levels of concentration, industrial decline, focus on finance
  - But more potentials within cities, e.g. around townships? Not really tried/on agendas
  - Need more understanding of new/emerging industries and locational logics (e.g. call centres, warehousing etc)
  - Potentials around location of government offices, especially within cities?
  - More generally need to think through spatial implications of policy and locational decisions in government control

# SA experience and implications: space-neutral

- Influential in national spatial policy debates post-apartheid, especially NSDP
- Core argument of need to accept and support growth of big cities, significance of agglomeration economies, and reality of urbanisation is important - still insufficiently recognised in SA
- And providing the basis for spatial equity in social services – huge efforts here, but quality is still a concern
- Support for cities can go along with development efforts in other places – should not be either/or, although might need to be selective given limited resources and difficulties

# SA experiences and implications: place-based

- Variety of initiatives post-apartheid – SDIs, area-based initiatives (especially township renewal)
- Some quite successful initiatives like MDC, Lubombo, Cato Manor, some urban renewal eg. INK – innovative and developmental, although have been economic limits
- Also others where approach/model was not appropriate to context
- Crowding out of small business, limited extent is a major constraint to these approaches

# SA experiences and implications: place-based

- Context and potentials not always well understood – sometimes approaches too narrow, e.g infrastructure focus in township development projects
- Critical importance of strong institutions in running these projects, and appropriate support, coordination - often lacking
- Requires partnerships and local buy-in – takes time, and not always done
- Many initiatives that have not been sufficiently sustained or supported – often too short-term

# Conclusions

- Has been considerable experimentation, but we have not learnt enough from it.
- Insufficient analysis, preparation, strategic thinking, too many short-term piecemeal initiatives, not enough attention to implementation, so see developments and proposals that are half-baked/not thought through but extremely costly
- Partly reflects lack of national spatial policy/spatial framework that informs decision-making
- And the difficulties in achieving coordinated approaches across and within government – reflects political and institutional tensions and differences

# Conclusions

- Study suggests the importance of a coherent and consistent approach to national spatial policy that is considered across and through other policies and decisions
- Within this, a recognition of the significance of cities to national economic development, and the need to support them
- Need to recognise the spatial constraints created by the structure of the economy and its ownership.
- Places limits on what can be done through spatial rebalancing and place-based development
- We could do more to understand potentials for different locations in new/growing sectors and across government, especially within cities

# Conclusions

- There are also other places with economic potentials which can be developed, but it is challenging. It requires a rounded approach to development
  - Careful analysis and identification of potentials, blockages, linkages, constraints
  - Careful mix of locally appropriate strategies
  - Engagement with local stakeholders and partnerships
  - Capable institutions - to carry through the projects, supported by appropriate spheres of government
  - Multi-dimensional approach including enterprise development/support, technical assistance, skills development, infrastructure
  - Sustained support over a long time
- Given local institutional limits, may be important for government to support a small number of spatially targeted initiatives

# Conclusions

- Place-based approaches aren't a panacea but can influence development in progressive ways if appropriately designed and tailored to context