



ERLN LEARNING EVENT REPORT

Economic Development at the Sub- National Level 2015

ERLN is an initiative of



I. Introduction

The Economies of Regions Learning Network (ERLN) Conference was a first of its kind event for the network, focussing on the theme of Economic Development at the Sub-National Level. The conference was held on 15 and 16 October 2015 at the Protea Hotel Fire & Ice in Menlyn, Pretoria, hosted by the Government Technical Advisory Centre (GTAC) and the ERLN, in partnership with the University of the Witwatersrand's Development Studies Programme, Trade & Industrial Policy Strategies (TIPS) and the Isandla institute.

The conference aimed to bring together research on relevant South African and international experiences on approaches to sub-national economic development that contributes to job creation and economic growth; sharing knowledge and information amongst policy makers, practitioners and academics. This high-level event saw the participation of around 200 delegates, from government, representatives from non-government organisations, academic institutions and civil society. In addition, more people followed the opening event through webcast.

The structure of the conference took the form of plenary sessions and parallel sessions. These sessions allowed for the sharing and analysis of experiences and dialogue and were arranged around five key themes relevant to regional and subnational development, namely: (1) Instruments and tools for regional economic development; (2) local government and local development; (3) building regional and local development strategies; (4) foreign direct investment (FDI) and firm performance; and (5) spatial inequality. This report summarises the proceedings and outcomes of the ERLN Conference on Economic Development at the Sub-National Level.

About the ERLN

The ERLN is project managed by GTAC, National Treasury. It is aimed at bringing together economic development practitioners in all spheres of government in a spirit of enquiry and cooperation and to strengthen their agency as leaders in the regional economic development arena.

Day 1 Proceedings – Thursday, 15 October 2015

1.1 Opening Speeches

The first ERLN conference was opened by National Treasury Deputy Finance Minister, **Mcebisi Jonas**, who emphasised the importance of leadership and collaboration for economic innovation and inclusive growth as central to economic growth and industrialisation. He focussed on four themes for the conference, namely governance, connectedness (particularly through the triple helix), competitiveness and leveraging the importance of place. He emphasised the role of collaborative leadership and highlighted the need to build trust between government and private sector for achieving regional development.

The keynote address was delivered by **Uma Adusumilli**, Chief Planner at the Mumbai Metropolitan Region Development Authority (MMRDA) in India. Adusumilli spoke about the Indian context of Mumbai's regional plan. She discussed the success of MMRDA as an institution responsible for planning and development of MMR (Mumbai Metropolitan Region); and drew attention to the responsibility of the Metropolitan Planning Committee to bring balanced regional representation into Regional Planning and Development.

Following the lessons shared from an international perspective, **Rashid Seedat**, Head of Gauteng Planning Division of the Gauteng Provincial Government, elaborated on the vision and strategy for the Gauteng Region. Seedat explained that the Gauteng Province has emerged as a city-region over the past two decades as a result of demographic, economic and spatial factors. He stressed that rapid population growth would place strain on existing infrastructure. Moving forward with a vision for the region, he indicated that plans to transform, modernise and reindustrialise the Gauteng region are on track. The vision behind the transformation and modernisation of the region is to build a city that is able to respond adequately and appropriately to future development and a growing population. Provincial government and local municipalities have agreed to work together in several areas to make the vision of a transformed Gauteng City Region a reality. The Gauteng Provincial Government has adopted a ten-pillar programme that seeks to promote reindustrialisation, decisive spatial transformation and economic modernisation of the provincial economy. These pillars are: (i) radical economic transformation; (ii) decisive spatial transformation; (iii) accelerated social transformation; (iv) transformation of the state and governance; (v) modernisation of the economy; (vi) modernisation of the public service and the state; (vii) modernisation of human settlements and urban development; (viii) modernisation of public transport and other infrastructure; (ix) re-industrialising Gauteng as the country's economic hub; and (x) taking a lead in Africa's new industrial revolution.

1.2 Plenary Session 2: Framework Issues

In the session exploring framework issues in South Africa, **Alison Todes**, from the Wits University's School of Architecture and Planning, explored the role of place based policies in economic development. She highlighted that various forms of approaches such as place-based and space-neutral have been attempted in South Africa. However, there is insufficient analysis, strategic thinking and not enough attention paid to implementation. There have also been challenges in implementation in different contexts/geographical locations – reflecting weak institutional coordination. She suggested that we need to better understand the constraints placed on regions to understand the potential of implementing certain approaches which entail a rounded approach to development taking context into consideration.

Sara Grobbelaar, from the Stellenbosch University, spoke on inclusive innovation systems. She said new bottom up processes of engagement are required and there is a need to support the development of various entry points in order to ensure a dynamic depth of meaningful diffusion. This requires a learning approach to understand the context of existing innovation platforms. **Arulsivanathan Naidoo**, from Statistics South Africa, pointed to the need of sharing knowledge and research aimed at informing and strengthening strategies. He promoted the free access to data, software and training made available by Statistics South Africa.

1.3 Parallel Sessions

1.3.1 Theme 1: Instruments and tools for regional economic development (part 1)

Panellists discussed the role of Special Economic Zones (SEZs) and regional economic development. On the role of SEZs within the local economic development context of KwaZulu-Natal, **Jennifer Houghton and Nomkhosi Luthuli**, from UKZN, looked at the indirect impact of the Dube TradePort. They analysed the role of IDZ as a 'responsible developer' and the role it plays in social development in the region. They stated that it is responsible for attracting FDI, diversifying exports, creation of jobs and increasing the global competitiveness of KwaZulu-Natal and Southern Africa. They emphasised that consideration of these zone developmental effects is especially important in light of the continuing drive to implement SEZ policies in each of the nine provinces in South Africa.

Georgina Ryan, from TIPS, focused on the regional development approach in Atlantis, Western Cape. She highlighted that SEZ designation brings coordination of current greentech ambitions – attracting greentech firms both domestic and foreign; broader industry support across companies – large, medium and small; and skills development strategy for the region. She also suggested that some criteria needs to be met to ensure SEZ success, i.e. market demand, basic infrastructure, labour and alignment to national and local policy. **Chris Wood**, from SAIIA, presented on specialised SEZs at the Border based on Asian examples –

across China and Vietnam Border development zones driving development and promoting regional development.

1.3.2 Theme 2: Local government and local development

The overarching objective of the session was to foster discussion regarding local government and development in addressing socio-economic issues. **Lochner Marais**, from UFS, focusing on mine downscaling, highlighted that the notion of planning for mining decline should be conceptualised in policy. He emphasised that a substantial number of mining settlements will never be revitalised if they are supported by the government strategy on distressed mining areas. The current emphasis on providing adequate housing and living conditions in declining mine areas results in households being locked in at locations with very little economic viability. The notion of a post-mining economy is seldom considered in the existing government strategies.

Thabani Madlala, from TIPS, focused on the relationship between formal and informal sectors of the South African economy. He highlighted that little attention has been paid to a competitive market that exists between mass merchandisers and their smaller counterparts in the informal sector. He suggested that government needs to carefully weigh the costs and benefits of associated with the development of large businesses in second economy areas. **Kate Philip**, from TIPS, presented on innovations in public employment programmes (PEPs). She highlighted that PEPs can strengthen pathways to employment and self-employment, provide work experience and training relevant to livelihood strategies as well as access to networks and life skills.

1.3.3 Theme 3: Building regional and local development strategies

Estelle Cloete, from EDP, focused on the Western Cape Economic Development Partnership and outlined how partnerships are a vehicle for systems improvement and innovation. She made a call that we need to build a true development coalition in which all actors (government, public development agencies, private sector, civil society, labour union) play mutually supportive roles. It is highly desirable that economic development activity between public, private, and institutional sectors, with substantial vertical and horizontal collaboration on public sector side.

Cecil Madell, from CPUT, spoke about regional economic development in the SA context. He highlighted that economic development theories and policies should have internal logic, plausible, consistent, reliable and relevant for diverse regions; and be based on a clear understanding of the roles of the state, capital, society and space. He stated that the state, from a policy position perspective, actively needs to encourage

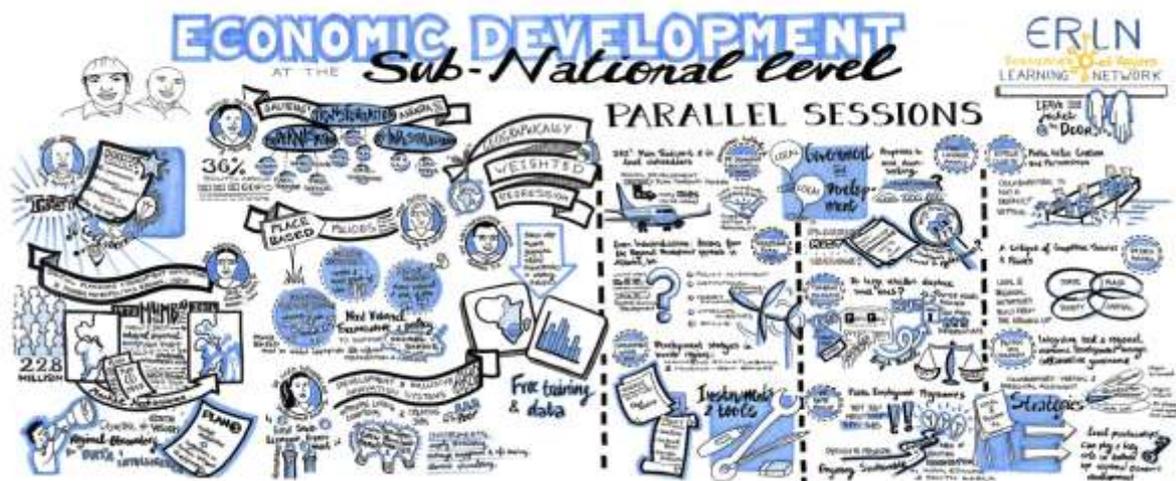
and resource substantive and qualitative research in order to uncover and develop the understanding of regions and then cautiously respond through appropriate policy.

Petrus van Niekerk, from SALGA, explained that the trend towards regionalism has led to an increasing focus on sub-national regional collaboration in economic development and served as a framework to consider inter-local and intra-regional planning. He stated that new partnership arrangements often take time to mature before formal institutionalisation is completed, highlighting the need for local and regional economic development (L&RED) policy and programmes to consider channelling more support toward partnership incubation based on local institutional dynamics.

Day 2 Proceedings – Friday, 16 October 2015

2.1 Graphic harvest feedback

Throughout the conference, Graphic Harvester **Sonja Niederhumer** captured the proceedings of the day in a visual illustration of the key highlights. At the beginning of day two of the conference an overview and recap of the previous day was presented, summarising the main outcomes of the day in an accessible and vibrant graphic.



2.2 Plenary Session 3: The space economy and the cities

Glen Robbins, from UKZN, highlighted that South Africa continues to miss out on the opportunity to work with forms of industrial policy that capture (growing) regional differentiation and to meet firms and institutions in the spaces where they operate. He explained that city and province level processes tend to be disconnected from higher level policy initiatives, and local knowledge does not contribute to the construction of an economic policy agenda which recognises prospects and constraints of the local. He suggested that we need a careful interrogation of what “national interest” means as it is generally deployed in service of a spatially-devoid or spatially-obscured agenda.

Ivan Turok, from HRSC, stressed that it is vital to reconcile the urban expansion and compaction approaches in order to avoid duplication of effort and dissipation of scarce resources. If both continue, it is likely that both will fail. He highlighted that there is a need for careful planning of decent and functional living and working environments; and a need for serious analysis of what approach is appropriate in the circumstances. He concluded the discussion by stating that surplus government land should be released for infill development to create mixed-use neighbourhoods with jobs and amenities; and transport officials need to work more closely with planners and developers to make transit-oriented development a reality.

Carlos Esteves (from the eThekweni Municipality) spoke about implementing bus rapid transit (BRT) in eThekweni. He stated that more and more cities are turning to BRT as a way of cost-effectively expanding public transit services to help relieve traffic congestion, reduce carbon emissions, and increase mobility options for commuters. He highlighted the extent to which BRT was imposed as a preferred model nationally despite compelling arguments for alternatives that made better use of existing transport infrastructure. He also highlighted that the move from the current public transport to the proposed system has multiple and compounding challenges which drive capital and operating costs upwards. In particular, continued spatial inequality, with human settlements developed far from economic activity adds huge operating costs. In addition, these include: increasing safety and security will require increased staffing requirements and concomitant operating costs; and increasing accessibility to a fully universal access compliant across the full system will increase infrastructure and fleet costs as well as operating costs. He concluded by stating that there is a need to actively challenge the current private-car mentality in both administrative and political leadership approaches.

2.3 Plenary Session 4: Secondary cities – infrastructure investment in growing cities

Lochner Marais presented findings on the study of 21 secondary/intermediate cities in which 6 case studies were analysed – Polokwane, Emalahleni, Emfuleni, uMhlathuze, George and City of Matlasana. He spoke about population distribution and what is happening in secondary cities. He highlighted that these cities play an important role in managing urbanisation, contribute to international competitiveness, and are important for the country at a national scale and perform significant regional services and social roles. Yet, despite these important roles, most of the cities appear to be locked into growth pathways that will be extremely difficult to break. These cities are also more vulnerable than metropolitan areas, as they rely on mining and energy creation and/or on one dominant manufacturing subsector, and have a small but significant dependence on global markets. He suggested that planning frameworks for intermediate cities should consider their vulnerabilities and foster appropriate partnerships for economic development. Furthermore, issues of good governance and demarcation are important for ensuring that these cities can play their small (but important) international and national roles in addition to serving rural populations

Louis Scheepers, from the Saldana Bay Municipality, discussed the challenges facing growing secondary cities and that municipalities have a fiscal challenge. He also made a call that planning is required. **Busso Von Alvensleben**, from KfW German Development Bank, stated that in order to strengthen the financial viability as well as to increase the long-term sustainability of the urban upgrading projects, private sector investments need to be crowded in.

2.3.1 Theme 1: Instruments and tools for regional economic development (part 2)

Noleen Pisa, from the University of Johannesburg, spoke in the context of North-West Province and highlighted that the four elements namely; the manufacturing sector, the services sector, technological innovation and service innovation are vital for an economy's growth and competitiveness. Methodologies used for the study included Structural Path Analysis (SPA) and Power of Pull (PoP). She pointed out that the clusters have great potential to have high transformative power through service innovation as they comprise different sectors and this can facilitate cross sectoral fertilisation and the formation of new business models. She suggested that the trade cluster can be catalyst of structural change and industrial modernisation and government can play a pivotal role in cluster formation.

Rae Wolpe, from Impact Economix, explained that cluster initiatives need public sector funding in both the establishment phase as well as the implementation stage to allow for trust and relationships to develop and deepen. Cluster initiative activities should include activities which attempt to maximise public goods where cost recovery is difficult or impossible including and/or where various market failures exist. The use of the Cluster Initiative Maturity Benchmarking Tool (CIMBT) holds potential to enhance the performance of Cluster Initiatives and their impacts on improving cluster competitiveness.

Regan Melody and **Masibulele Zonyana**, from the City of Cape Town, highlighted that the EPWP (Expanded Public Works Programmes) seems to be overachieving on the Economic Growth Strategy (EGS) set goals and taking a lead in the inclusive and opportunity city strategic focus areas. It is taking initiatives in bridging the skills gap within the infrastructure sector. They discussed that at the centre of EGS of most of the larger metropolitan areas in South Africa is the creation of an environment that will enhance economic growth that creates jobs. In order to drive this environment, the strategies of these local governments must be clear about the tools they will use and these tools must be related to the regions' competitive industries. They also pointed out that Cape Town now has its own database; and a database of 5000 job seekers.

2.3.2 Theme 4: FDI and firm performance

Tshepo Masipa, from the University of Limpopo, said that attracting FDI should not be seen as a means in itself, but as an opportunity to address inequality and poverty. He recommended that measures be taken to provide skills to the labour market. **Glen Robbins'** presentation was on selected spatial elements of medium and large manufacturing firms in eThekweni. He highlighted that the importance of manufacturing in

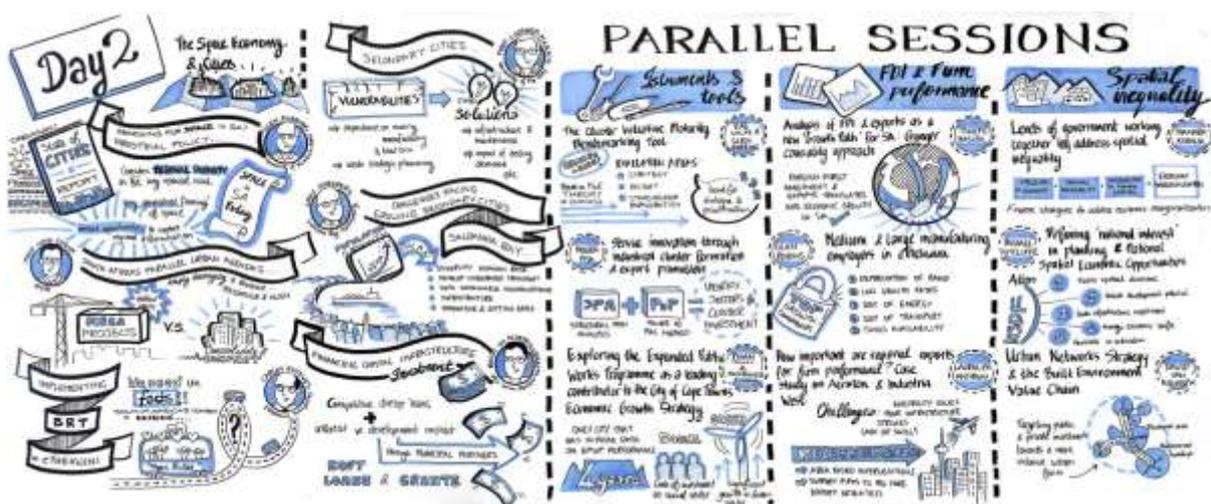
eThekweni often reinforced in municipal policies. Firms offer a critical tax base for the municipality in its redistributive fiscal system.

Lauralyn Kaziboni, from the University of Johannesburg, analysed the poor performance of manufacturing sector. She emphasised this has been the result of slow-economic growth, high unemployment levels, poor performance of companies and the inability to compete internationally. The effects have been seen through retarded economic growth, high unemployment levels, poor performance of companies and the inability to compete internationally.

2.3.3 Theme 5: Spatial Inequality

Shaakira Karolia, from the City of Tshwane, spoke about different levels of government working together to address spatial inequality. She highlighted key points that globalisation has led to a blurring of boundaries between supranational, national and local control functions. She emphasised the importance of local government as the sphere closest to the people, and cities as the anchors and drivers of national economies. **David Van Niekerk**, from National Treasury, focusing Urban Networks Strategy also stated that cities are the centres of socio-economic agglomeration.

Michael Sutcliffe, from City Insight, spoke about guidelines on national interest. He argued that the National Spatial Economic Opportunity Atlas will play an important role in the effective and efficient implementation of Spatial Planning and Land Use Management Act (SPLUMA), providing municipalities and provinces with information to allow them to develop Spatial Development Framework (SDFs), Integrated Development Plans (IDPs), Land Use Plans and Capital Investment Frameworks.



2.4 Closing

At the official closing, Kate Philip summed up by saying that in the opening session, our attention was focused on the role of cities as drivers of growth, and on the relevance of spatial inequality and spatial issues in constraining or enabling such growth. Both of these remained strong themes throughout the conference, with a complementary emphasis on the challenges confronting smaller towns, and on the kinds of tools available to promote economic growth and employment at the sub-national level – including clusters, SEZs, investment in transport infrastructure and much more. The conference also focused on different forms of partnerships, inside and outside of government and between different spheres of government: all in all providing much food for thought – and opportunities for networking. The official closing of the ERLN Conference was done by Dhiresh Ramklass who thanked the ERLN and GTAC as well as TIPS, Wits University, and Isandla Institute for organising the conference and the participants for contributing to making history and launching a new journey in economic development at the sub-national level, indicated that there could be another ERLN economic development conference in the coming years.

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