The New Growth Path:

Implications for SA's Spatial Economy

Prof. Ivan Turok
HSRC

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

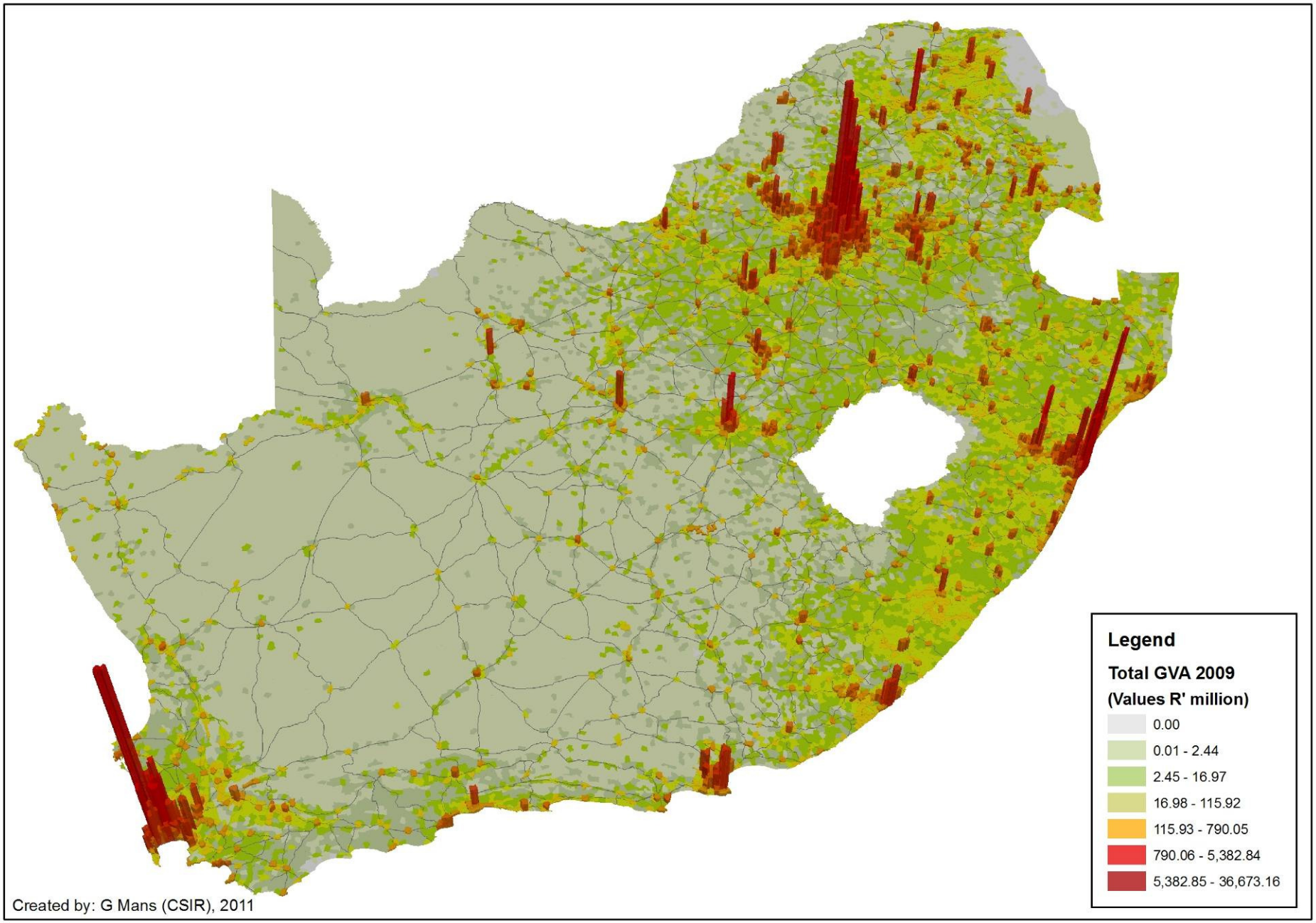
- Reactive to market forces, trends and events (spatially-blind)
- Deliberate spatial targeting (conscious direction)
- Integrated place-based policies
  - Build on existing strengths (local knowledge)
  - Exploit indigenous potential
  - Tackle vested interests and blockages

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


Legend
Total GVA 2009
(Values R' million)
0.00
0.01 - 2.44
2.45 - 16.97
16.98 - 115.92
115.93 - 790.05
790.06 - 5,382.84
5,382.85 - 36,673.16
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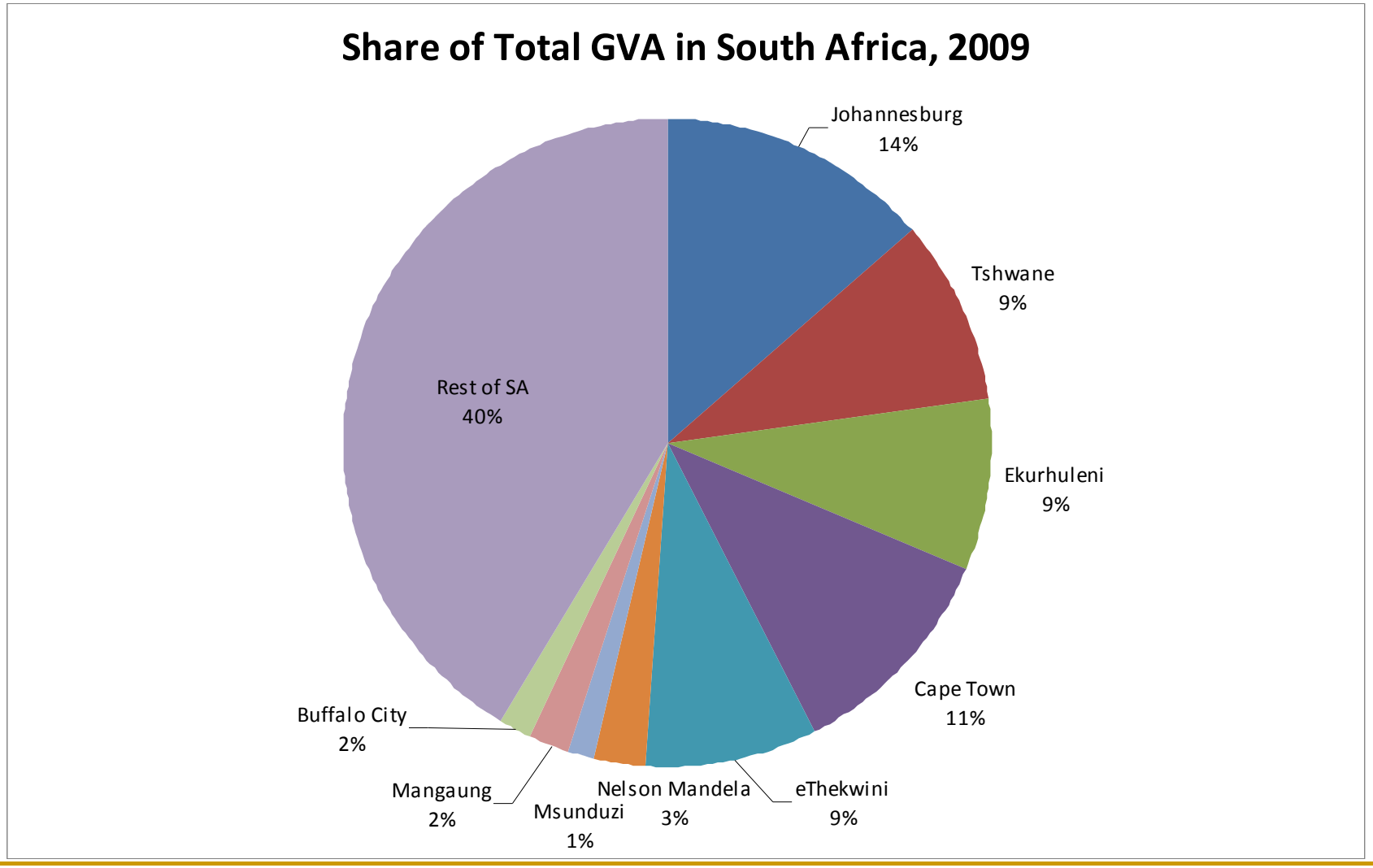
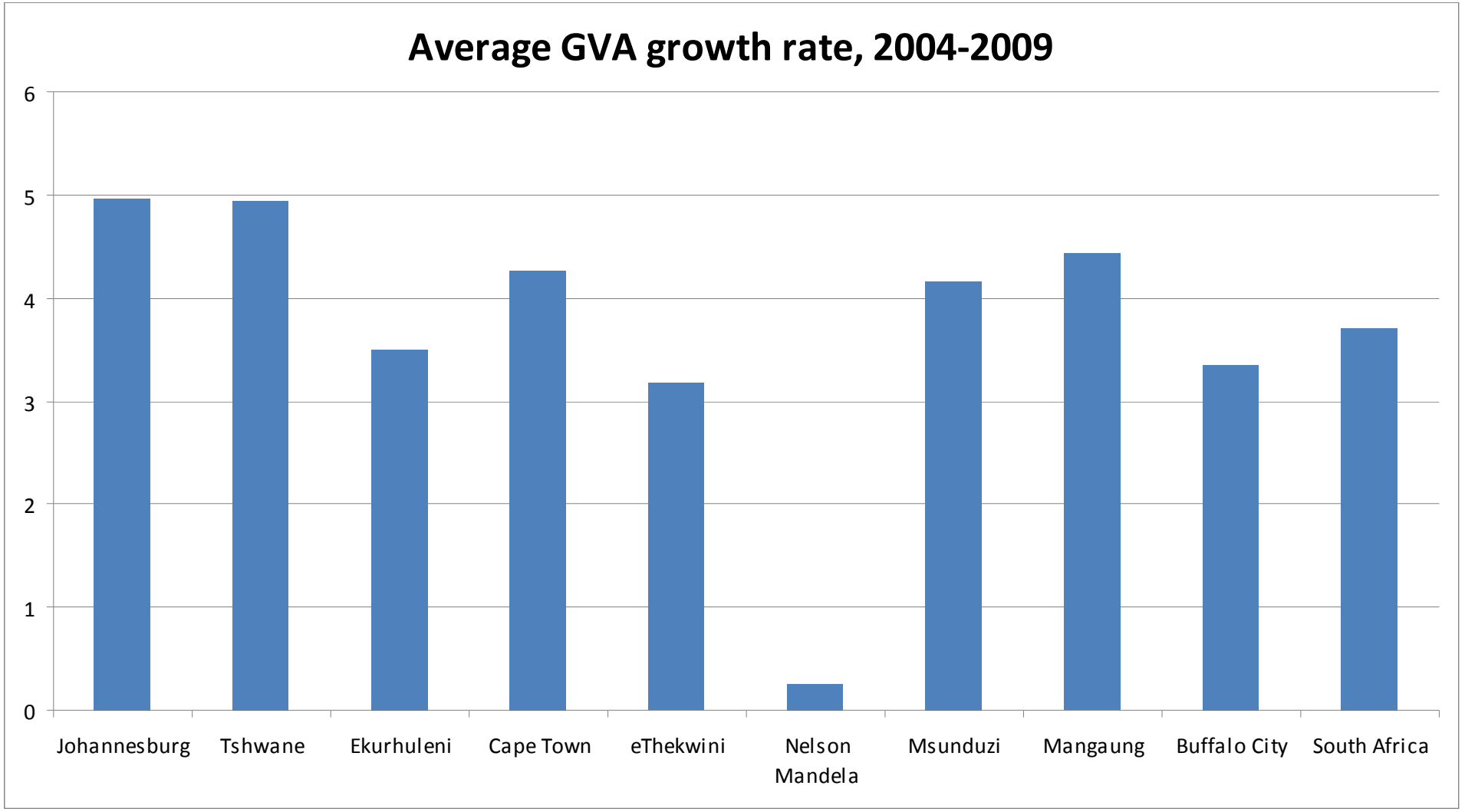
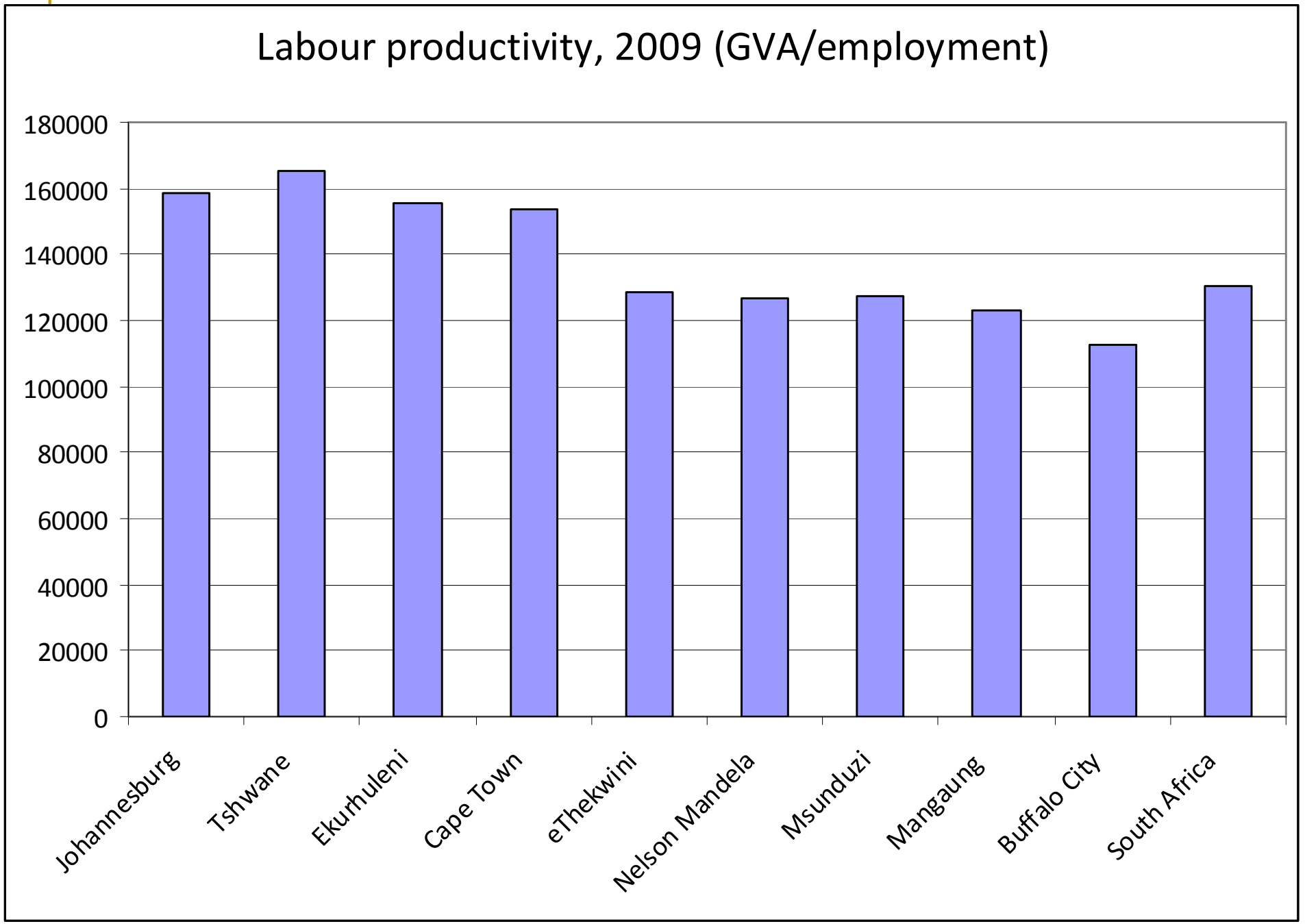
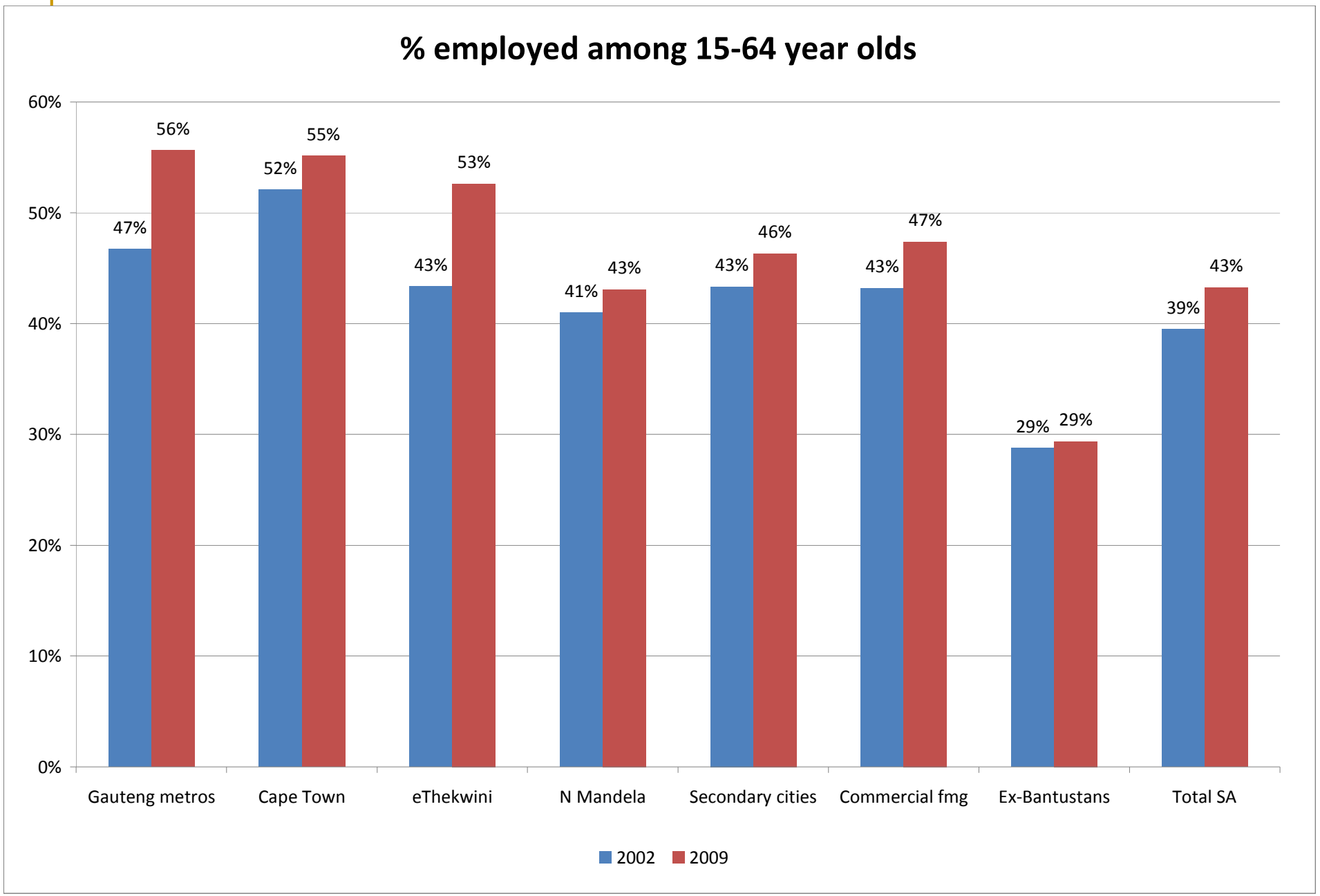
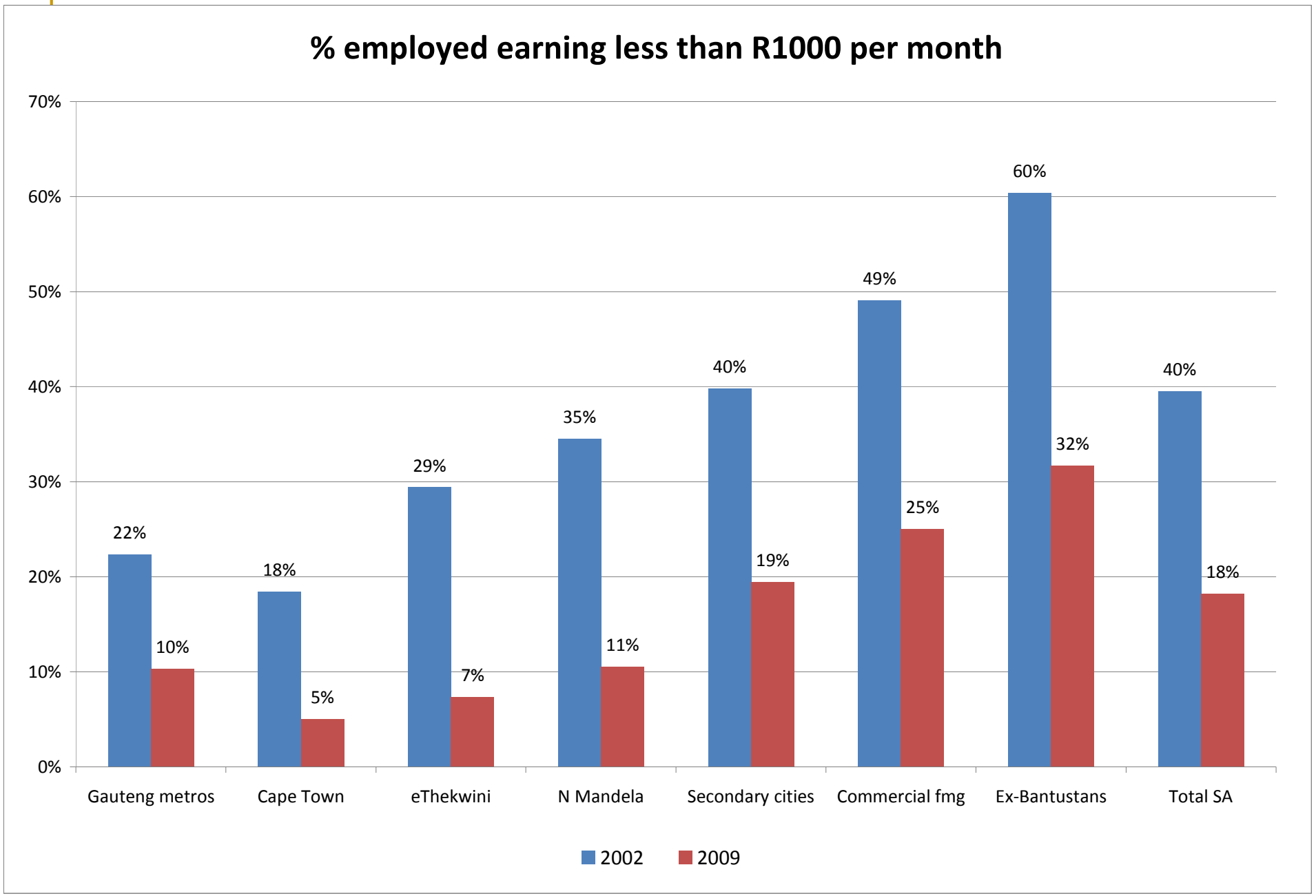
City economies

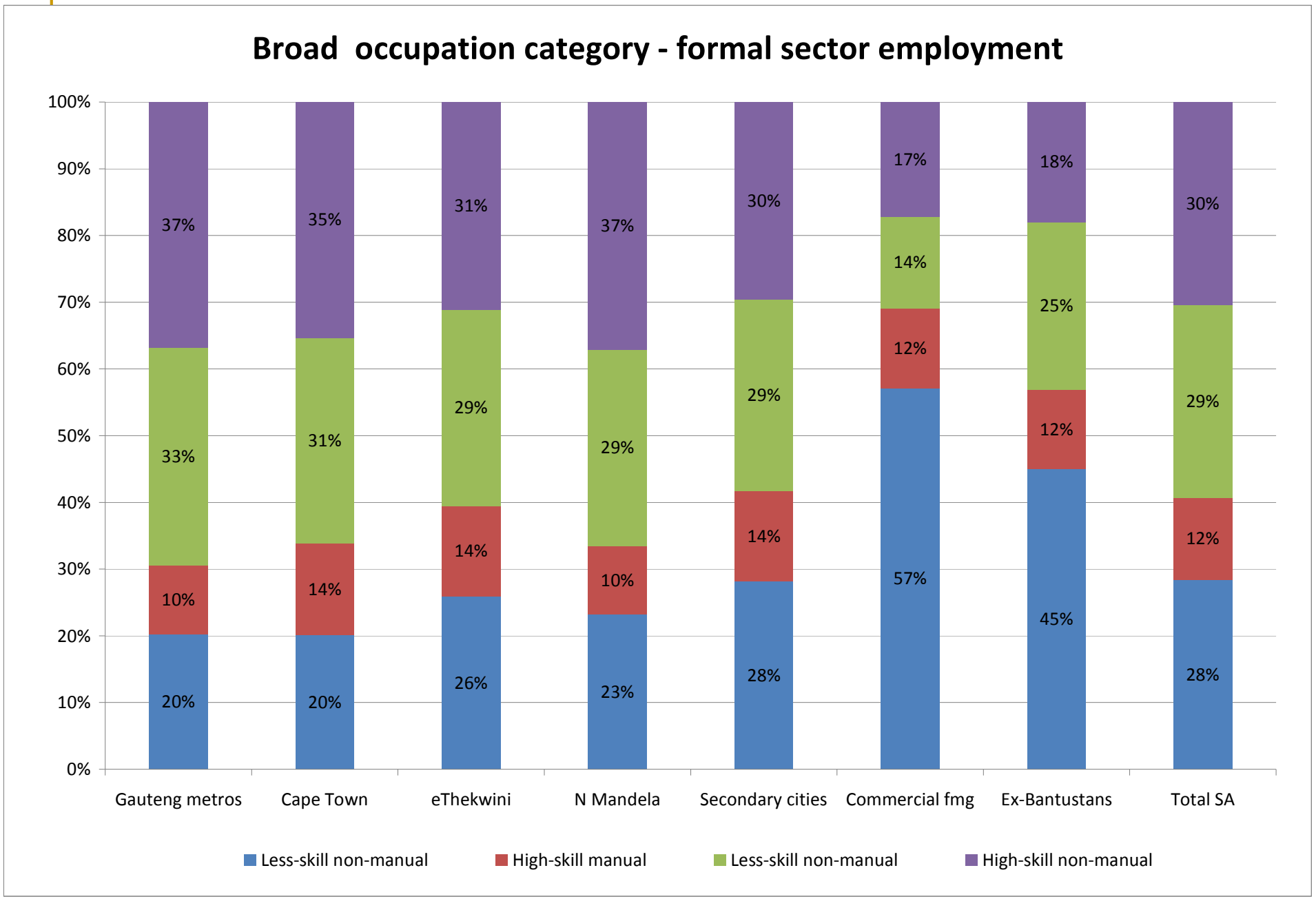


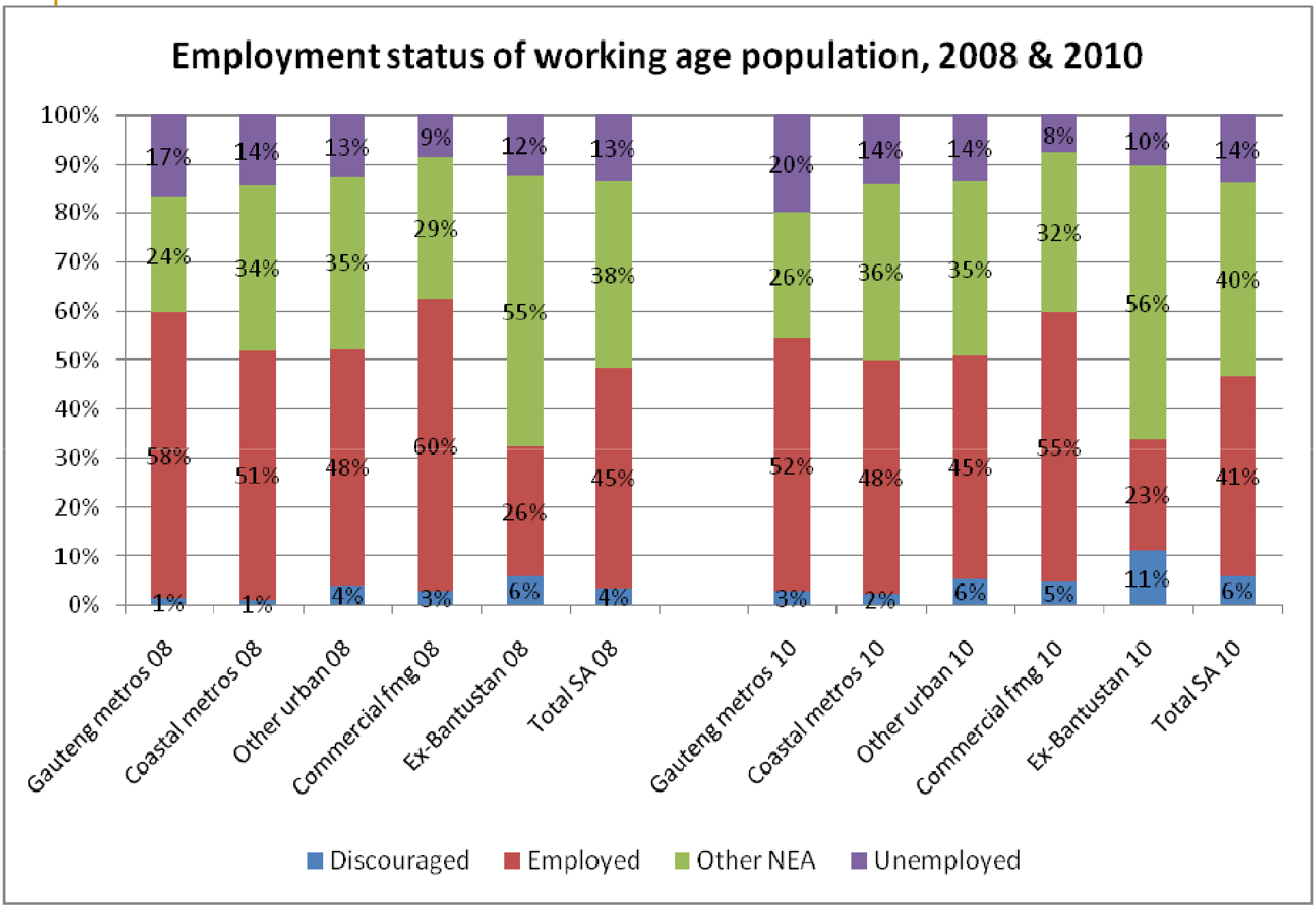

Average GVA growth rate, 2004-2009
6
5
4
3
2
1
0
Johannesburg
Tshwane
Ekurhuleni
Cape Town
eThekwini
Nelson Mandela
Msunduzi
Mangaung
Buffalo City
South Africa

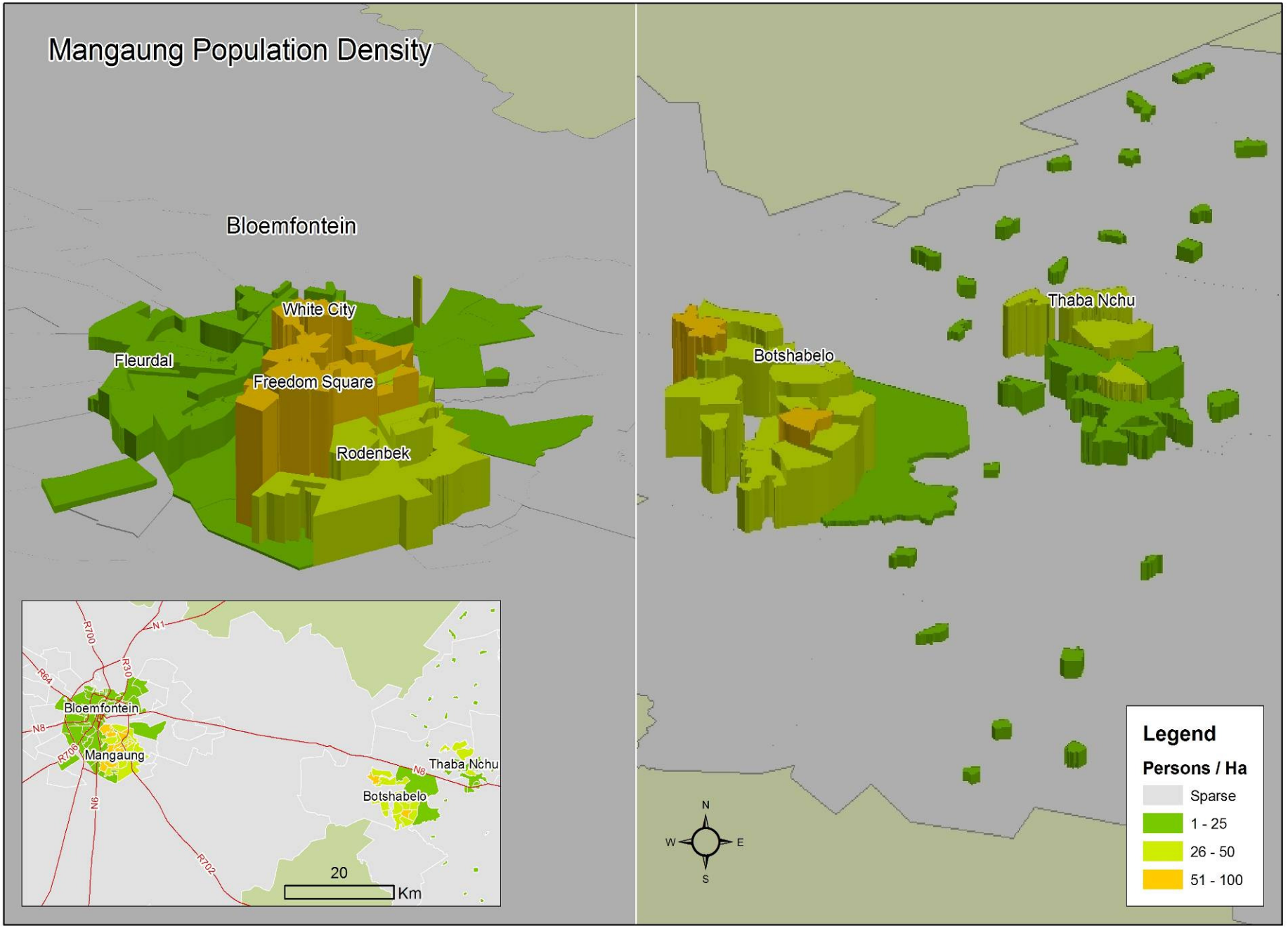

Labour productivity, 2009 (GVA/employment)
180000
160000
140000
120000
100000
80000
60000
40000
20000
0
Johannesburg
Tshwane
Ekurhuleni
Cape Town
eThekwini
Nelson Mandela
Msunduzi
Mangaung
Buffalo City
South Africa

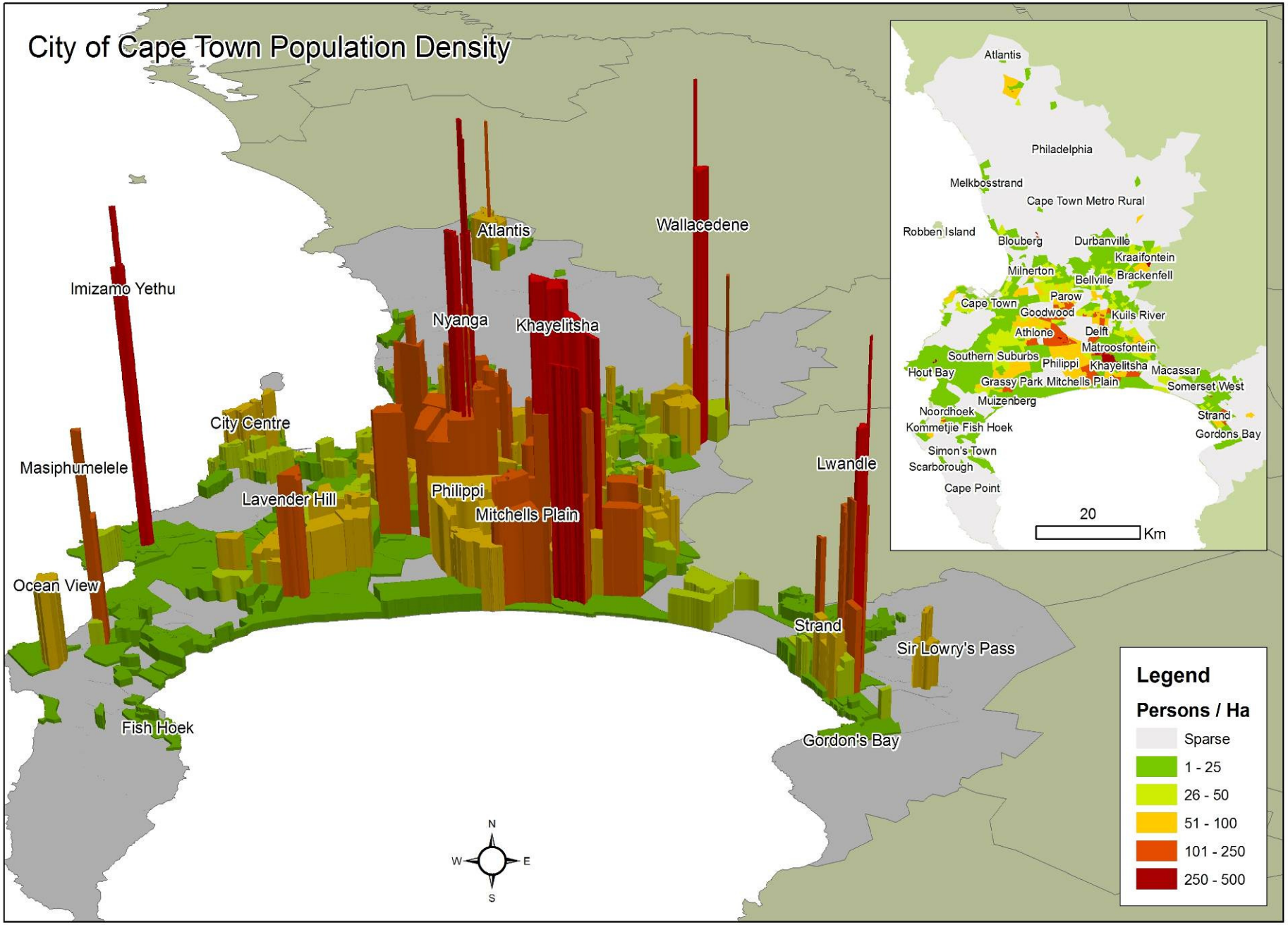

% employed among 15-64 year olds
60%
50%
40%
30%
20%
10%
0%
47%
56%
52%
55%
43%
53%
41%
43%
43%
46%
43%
47%
29%
29%
39%
43%
Gauteng metros
Cape Town
eThekwini
N Mandela
Secondary cities
Commercial fmg
Ex-Bantustans
Total SA
2002
2009

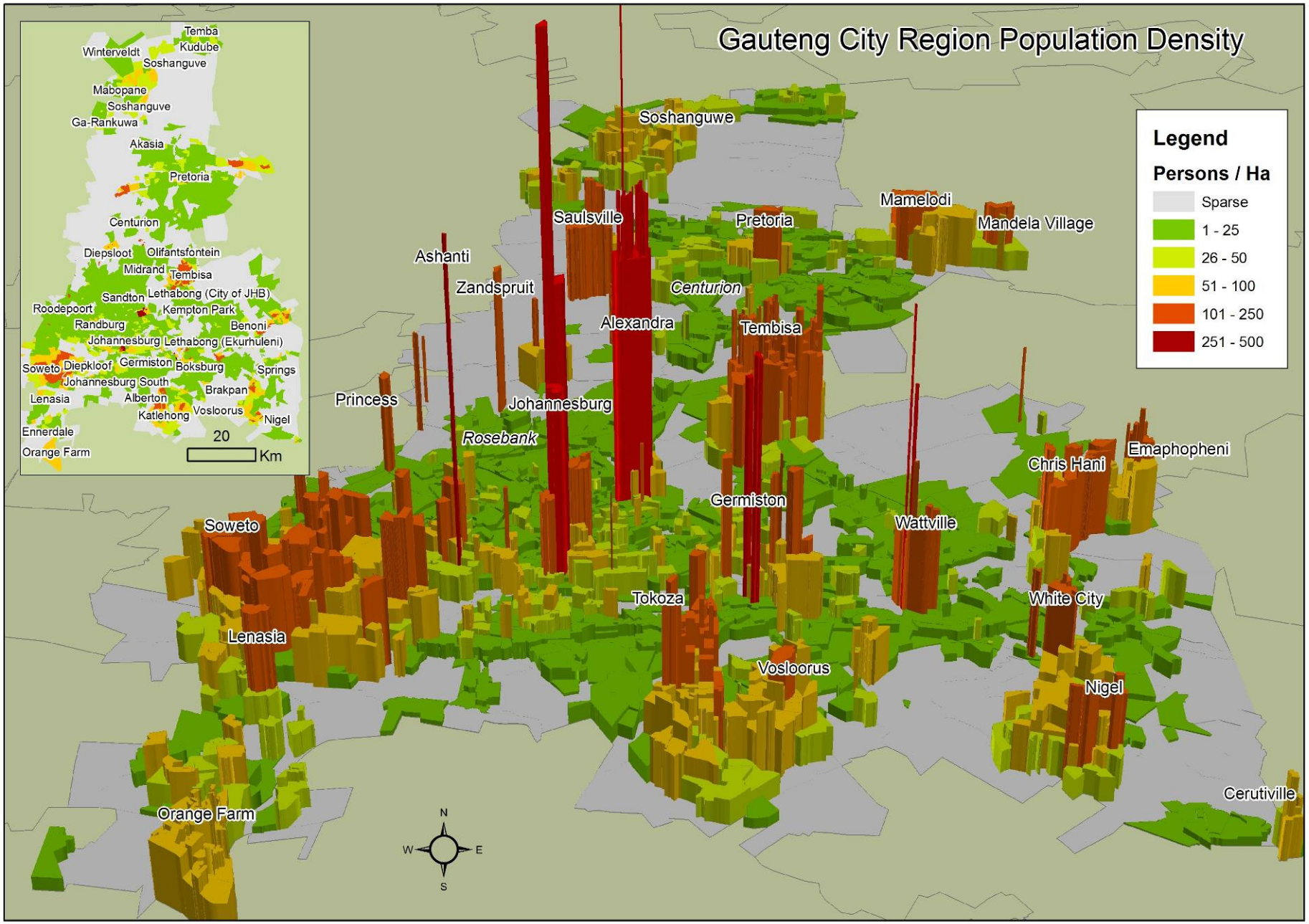

% employed earning less than R1000 per month
70%
60%
50%
40%
30%
20%
10%
0%
22%
10%
18%
5%
29%
7%
35%
11%
40%
19%
49%
25%
60%
32%
40%
18%
Gauteng metros
Cape Town
eThekwini
N Mandela
Secondary cities
Commercial fmg
Ex-Bantustans
Total SA
2002
2009


Broad occupation category - formal sector employment
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
37%
33%
10%
20%
35%
31%
14%
20%
31%
29%
14%
26%
37%
29%
10%
23%
30%
29%
14%
28%
17%
14%
12%
57%
18%
25%
12%
45%
30%
29%
12%
28%
Gauteng metros
Cape Town
eThekwini
N Mandela
Secondary cities
Commercial fmg
Ex-Bantustans
Total SA
Less-skill non-manual
High-skill manual
Less-skill non-manual
High-skill non-manual

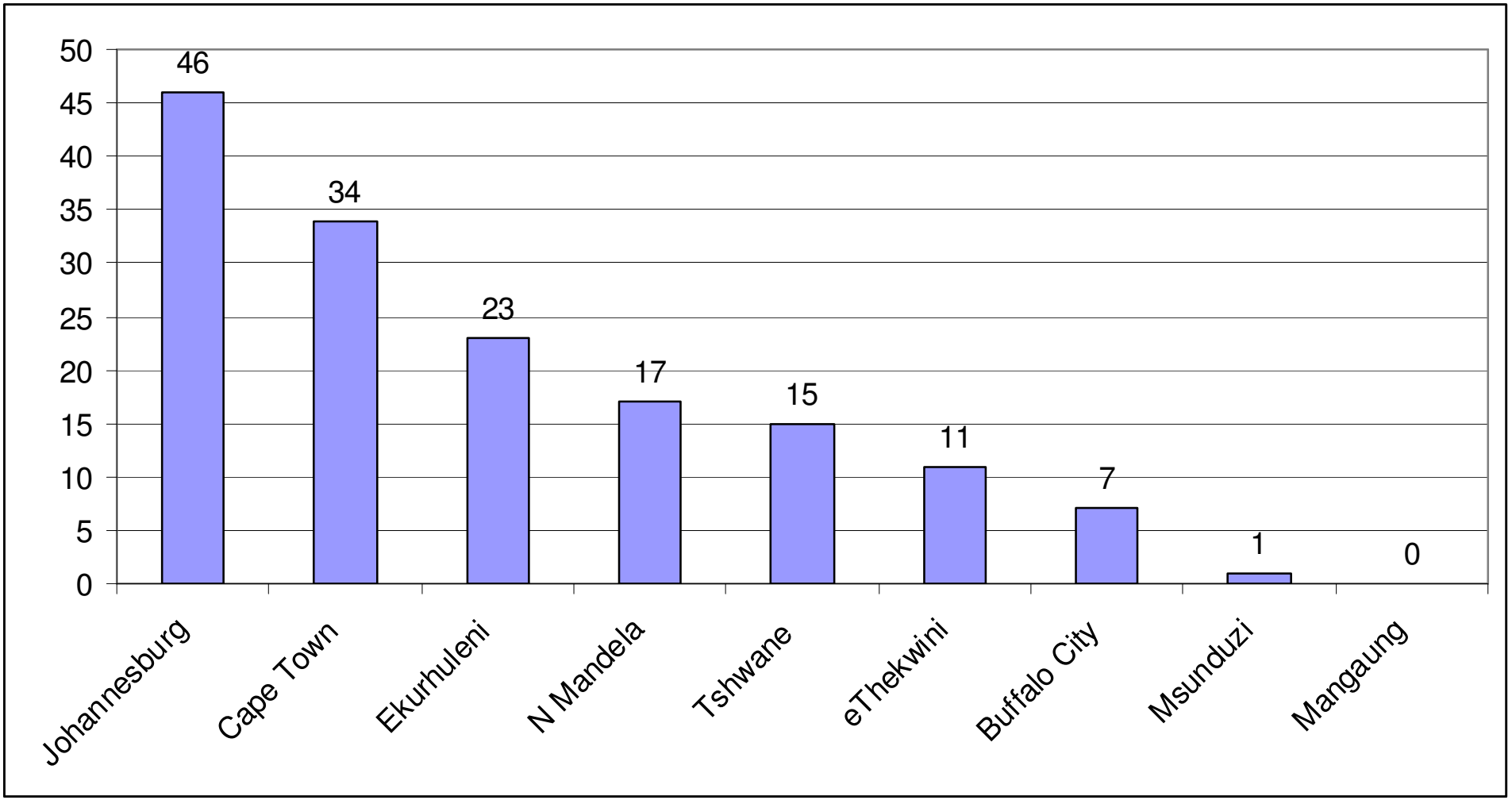

Employment status of working age population, 2008 & 2010
100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%
17%
14%
13%
9%
12%
13%
20%
14%
14%
8%
10%
14%
24%
34%
35%
29%
55%
38%
26%
36%
35%
32%
56%
40%
58%
51%
48%
60%
26%
45%
52%
48%
45%
55%
23%
41%
1%
1%
4%
3%
6%
4%
3%
2%
6%
5%
11%
6%
Gauteng metros 08
Coastal metros 08
Other urban 08
Commercial fmg 08
Ex-Bantustan 08
Total SA 08
Gauteng metros 10
Coastal metros 10
Other urban 10
Commercial fmg 10
Ex-Bantustan 10
Total SA 10
Discouraged
Employed
Other NEA
Unemployed


Mangaung Population Density
Bloemfontein
White City
Fleurdal
Freedom Square
Rodenbek
Botshabelo
Thaba Nchu
R700
N1
R64
R30
N8
R706
N6
R702
20
Km
N
W
E
S
Legend
Persons / Ha
Sparse
1 - 25
26 - 50
51 - 100


City of Cape Town Population Density
Atlantis
Wallacedene
Imizamo Yethu
Nyanga
Khayelitsha
City Centre
Masiphumelele
Lavender Hill
Philippi
Mitchells Plain
Lwandle
Ocean View
Strand
Sir Lowry's Pass
Fish Hoek
Gordon's Bay
N
W
E
S
Atlantis
Philadelphia
Melkbosstrand
Cape Town Metro Rural
Robben Island
Blouberg
Durbanville
Kraaifontein
Milnerton
Bellville
Brackenfell
Parow
Cape Town
Goodwood
Kuils River
Athlone
Delft
Matroosfontein
Southern Suburbs
Philippi
Khayelitsha
Macassar
Hout Bay
Grassy Park
Mitchells Plain
Somerset West
Muizenberg
Noordhoek
Strand
Kommetjie
Fish Hoek
Gordons Bay
Simon's Town
Scarborough
Cape Point
20
Km
Legend
Persons / Ha
Sparse
1 - 25
26 - 50
51 - 100
101 - 250
250 - 500


Gauteng City Region Population Density
Legend
Persons / Ha
Sparse
1 - 25
26 - 50
51 - 100
101 - 250
251 - 500
Temba
Kudube
Winterveldt
Soshanguve
Mabopane
Soshanguve
Ga-Rankuwa
Akasia
Pretoria
Centurion
Diepsloot
Olifantsfontein
Midrand
Tembisa
Sandton
Lethabong (City of JHB)
Roodepoort
Kempton Park
Randburg
Benoni
Johannesburg
Lethabong (Ekurhuleni)
Soweto
Diepkloof
Germiston
Boksburg
Springs
Johannesburg South
Brakpan
Lenasia
Alberton
Katlehong
Vosloorus
Nigel
Ennerdale
Orange Farm
20
Km
Soshanguwe
Mamelodi
Mandela Village
Saulsville
Pretoria
Ashanti
Zandspruit
Centurion
Alexandra
Tembisa
Princess
Johannesburg
Rosebank
Chris Hani
Emaphopheni
Germiston
Wattville
Soweto
Tokoza
White City
Lenasia
Vosloorus
Nigel
Cerutiville
Orange Farm
N
W
E
S

Major service delivery protests



Top five ranked national priority issues

		1	2	3	4	5
Cape Town	2003	Unemployment (74%)	Crime/safety (67%)	HIV/Aids (46%)	Poverty (23%)	Corruption (17%)
	2008	Crime/safety (74%)	Unemployment (69%)	HIV/Aids (50%)	Poverty (32%)	Education (14%)
eThekwini	2003	Unemployment (80%)	HIV/Aids (70%)	Crime/safety (49%)	Poverty (39%)	Housing (16%)
	2008	Unemployment (77%)	HIV/Aids (69%)	Crime/safety (56%)	Poverty (33%)	Xenophobia (10%)
Ekurhuleni	2003	Unemployment (81%)	HIV/Aids (68%)	Crime/safety (60%)	Poverty (47%)	Corruption (11%)
	2008	HIV/Aids (72%)	Unemployment (71%)	Crime/safety (56%)	Poverty (52%)	Human rights (7%)
Johannesburg	2003	Unemployment (80%)	HIV/Aids (47%)	Crime/safety (46%)	Housing (30%)	Poverty (25%)
	2008	Unemployment (66%)	HIV/Aids (63%)	Crime/safety (53%)	Poverty (39%)	Education (15%)
N Mandela	2003	Unemployment (75%)	Crime/safety (63%)	HIV/Aids (49%)	Poverty (25%)	Housing (24%)
	2008	Unemployment (62%)	Crime/safety (48%)	HIV/Aids (44%)	Poverty (30%)	Corruption (16%)
Tshwane	2003	Unemployment (71%)	Crime/safety (66%)	HIV/Aids (60%)	Poverty (28%)	Corruption (18%)
	2008	Unemployment (65%)	HIV/Aids (63%)	Crime/safety (54%)	Poverty (41%)	Service delivery (15%)
Metro total	2003	Unemployment (77%)	Crime/safety (58%)	HIV/Aids (57%)	Poverty (32%)	Housing (15%)
	2008	Unemployment (69%)	HIV/Aids (62%)	Crime/safety (58%)	Poverty (38%)	Education (10%)
Rest of SA	2003	Unemployment (83%)	HIV/Aids (48%)	Poverty (45%)	Crime/safety (42%)	Service delivery (16%)
	2008	Unemployment (75%)	HIV/Aids (48%)	Poverty (47%)	Crime/safety (43%)	Service delivery (18%)