Spatial Targeting: Lessons from South African Experience

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Abstract

This paper is a background document for a workshop on spatial targeting, arising from the National Development Plan's argument for spatial targeting. The workshop will consider the next steps for spatial targeting, and the forms it might take in different contexts. The paper provides an overview of South Africa's experience of spatial targeting under apartheid and in the post-apartheid period, in order to draw lessons for spatial targeting in future. It does not cover initiatives comprehensively, but instead focuses on the most important initiatives at a regional scale (industrial decentralisation, spatial development initiatives and industrial development zones), and a series of 'local' area-based initiatives at another scale (the Special Integrated Presidential Projects, Urban Renewal Programme and Integrated Sustainable Rural Development Programme, Neighbourhood Development Partnership Grant, eThekwini's Area-Based Management Programme, and Urban Development Zones). The paper outlines the policies, their impacts, and draws lessons from their experience.

Key conclusions are that South Africa has had several programmes, which have had huge costs, but we have not learnt sufficiently from them. Most post-apartheid spatial targeting policies have been relatively short-term, so the impacts may be more limited than might otherwise have been possible. The indirect spatial consequences of mainstream policies have also been insufficiently recognised. The study shows the importance of strong institutions and institutional integration for

spatial targeting; the need to develop appropriate packages of support well designed for the context and policy objective; and the need for a strong understanding of economic contexts and dynamics. It also points to the importance of sustained support to a few carefully chosen places, but recognises that policy objectives may vary affecting the types of places chosen and the length of support. The paper shows the risks and difficulties associated with spatial targeting, including, inter alia, wasteful expenditure; corruption; subsidization of inefficiency; unproductive proliferation of places supported; and the uncertainties associated with targeting.

1. **Introduction**

In the post-apartheid period, there have been few sustained national policies which have explicitly aimed to target development spatially. While some policies such as the National Spatial Development Perspective attempted to make statements about where development should be supported, these have not had much influence, and policies have often gone in different directions (Harrison et al, 2008). Some policies and programmes of course have had a spatial element, and others have included levels of spatial targeting. More recently, South Africa's National Development Plan (2011) proposes a schema for spatial targeting, but does not elaborate on what it might involve. At the same time, the Special Economic Zones Bill, which enables the creation of various types of special zones and of incentives to support them, is currently going through parliamentary processes[1].

The question of whether government should attempt to target development spatially is much debated internationally, and most recently, the World Bank (2009) has argued that it should be avoided except in special circumstances. South Africa's attempts at spatial targeting under apartheid have also been extensively criticized. In contrast to policies under apartheid, which attempted to move development out of metropolitan areas, the National Development Plan talks about a range of situations and objectives for spatial targeting: corridors and nodes of

1 The Bill builds on but substantially reworks existing legislation for Industrial Development Zones.

competitiveness, where growth potentials can be enhanced (including the major cities); rural restructuring zones where different types of support are needed; and special intervention areas – both areas which have experienced decline, and areas with considerable growth potential or where inevitable growth needs careful management.

This paper is written as a background piece for a workshop on spatial targeting, which will consider next steps for spatial targeting, and the forms it might take in different contexts. This paper provides an overview of South Africa's experience of spatial targeting under apartheid and in the post-apartheid period, in order to draw lessons for spatial targeting in future. South Africa's history of spatial targeting includes many negative experiences, as well as some positive ones, and it is useful to learn from them to identify the risks associated with particular policy approaches and what needs to be avoided, as well as the positive lessons of 'what works'.

The paper focuses on the most important regional and local policies that have involved spatial targeting – it does not present a comprehensive assessment. For instance it does not consider local economic development programmes which is theory could have been undertaken in all municipalities, nor rural development, which has its own rationale. Nevertheless, some attention is paid to the Integrated Sustainable Rural Development Programme, one of the area-focused nodal programmes.

The paper considers programmes at two scales – the regional strategies of the apartheid and post-apartheid era, and a series of 'local' area-focused initiatives of the post-apartheid period.

The regional strategies were specifically focused on economic development, and have been well documented. They include:

- industrial decentralisation (under apartheid),
- spatial development initiatives (SDIs) (post-apartheid)
- Industrial Development Zones (IDZs) (post-apartheid)

While industrial decentralisation attempted to promote industrial development outside of metropolitan areas, SDIs tried to create development in areas with underused potential, but also included parts of metropolitan areas. IDZs were initially conceived as special zones within the SDIs with an industrial focus, but were only developed later in a few places.

The post-apartheid local area-focused initiatives have generally attempted to develop economically marginal or lagging areas (often former townships) within towns and cities. Most of these initiatives have taken the form of area based development, focusing on particular nodes of different sizes. The discussion includes brief reference to the Integrated Sustainable Rural Development Programme (ISRDP), which was implemented alongside the Urban Renewal Nodes, since the two programmes are sometimes assessed together, and the contrast between their operation and impact is instructive. In contrast to the regional initiatives, most of these forms of spatial targeting were not mainly or solely focused on economic development, although economic development is often part of the programme. The rationale and objectives of the initiatives, and the way they were organized differs significantly, but there were sometimes overlaps in the places chosen, the impacts, and a number of common lessons can be derived. For this reason, that section discusses the various initiatives together, rather than sequentially, enabling a common assessment of the lessons emerging. More weight is given to some initiatives than others, in part reflecting the extent and depth of the literature available, and the relevance of the initiative in terms of possible lessons for spatial targeting. The local area-focused initiatives considered include:

- The Special Integrated Presidential Projects (SIPPS), and the Cato Manor project, initially one of the SIPPs.
- The Urban Renewal Programme (URP) and the Integrated Sustainable Rural Development Programme (ISRDP)
- The Neighbourhood Development Parnership Grant Programme (NDPG)
- eThekwini’s Area Based Management System (ABM)
- Urban Development Zones (UDZs)

Each of the sections on the substantive policies is structured in terms of an elaboration of the rationale and objectives of the policy or policies; their content; the effects of the policy; and the lessons of the policy. Before moving onto this discussion, the following section points to the inevitable spatiality of policy, and provides a framework for thinking about spatial targeting.

The paper is based largely on a review of the literature, but also draws on a number of interviews specifically conducted for this research, and some undertaken for other projects in the past.

2. Spatial Targeting and the Spatiality of Policy[2]

In broad terms, a simple distinction between 'leading' and 'lagging' areas can be made, although there may be many shades between these two poles. Leading areas are ones which are growing rapidly in economic terms, often housing leading economic sectors and activities. Lagging areas are those that are less favoured by the market. The basic challenge for these areas is how to exploit the latent advantages they might have, and how to reduce the constraints that limit or inhibit investment in economic development. There are many reasons why some places lag behind others. Some arise from basic obstacles to development such as isolated location, poor basic infrastructure, low skills levels or deficient institutions. Other constraints may be more perceptual (such as reputation, image or stigma), and in theory these may be easier to address as a consequence. These issues may be relatively more important in South Africa than in other countries due to the history of separate development, the large socio-economic inequalities, and ignorance of the 'other'. While 'leading' and 'lagging' areas can be defined at a national scale, these kinds of differences also occur within cities. Nor do 'leading' areas necessarily retain their 'edge' – they are also vulnerable to competitive pressures, new leading sectors and activities in different places, and the changing nature of economies, inter alia.

Within spatial policy, a basic distinction can be made between 1) targeting place, 2) targeting people and 3) what the World Bank (2009) terms 'integration', i.e. policies to link leading and lagging areas (e.g through infrastructure improvements), and to ease movement from lagging to leading areas. For decades the relative value and importance of these different approaches has been debated. One debate relates to the significance of 'spatial equity' versus 'efficiency' or growth. In the 1950s and 60s, some economists argued that spatial inequalities could undermine long-term national growth through a failure to exploit areas with potential, through limiting the

2 This section draws heavily from notes suggested by Ivan Turok

development of markets and through ‘overheating’ of leading areas. Investing in lagging ‘places’ can be justified from this perspective. Others however saw ‘spatial equity’ as primarily a welfare concern, and argued that it is cheaper and easier to invest in people, and that people can move to opportunity. This is the approach adopted in the National Spatial Development Perspective and in the World Bank’s (2009) report. However this approach may reinforce spatial inequalities by denuding lagging areas of their most skilled and enterprising people. Integration may be important in reducing spatial inefficiencies which undermine the realization of development potentials, or which make access to employment and economic activities difficult. For instance, it is sometimes argued in the South African context that the distant location of many townships relative to areas of employment and poor transport links affects the productivity and efficiency of cities.   Integration may be more feasible in an urban setting than on a regional scale, since commuting to job opportunities in leading areas of the city is easier than on a regional scale. Integration however also includes infrastructural improvements that improve access to places (such as the Maputo Corridor, which enabled greater investment in Maputo), although in some circumstances, these links can also undermine otherwise protected local economies.

While investment in ‘place’ is often seen as a way of developing ‘lagging’ areas, the National Development Plan also argues for specific support and investment in ‘leading’ centres, to enhance competitiveness and to improve performance. The recognition that the growth of ‘leading’ areas – and thus of the national economy – might be enhanced by spatial targeting to provide the necessary infrastructure, to improve urban efficiencies and strengthen agglomeration economies, inter alia, is consistent with current international emphases on accommodating and supporting the growth of large cities, as drivers of national economic development[3]. Investment in ‘place’ to support growth can be coupled with measures support more equitable growth trajectories, or to enable redistribution and social inclusion within cities[4].

3 E.g. UN-Habitat, World Bank, Rockefeller Foundation and many others

4 As suggested by agencies such as the UN-Habitat, SA Cities Network, and as done by many SA cities.

There are different ways of investing in place, and particularly in lagging areas. The dominant approach has been to encourage inward investment from elsewhere. For decades, internationally and in South Africa, the main approach was to attempt to attract industrial development into lagging areas. Some policies focused on labour intensive low waged production, while others attempted to establish centres of more capital-intensive, highly skilled work within lagging areas. More recent policies have included a wider variety of initiatives including tourism related activities, and consumption driven growth such as retailing and consumer services. Within cities, some countries have used the location of government offices to drive development in lagging areas. Investment in infrastructure, land development, incentives, and softer support policies have also been used. Another approach is to stimulate internally-generated dynamism by a range of support policies to improve the competitiveness of local business, or by mobilizing local energy, community enterprises, housing upgrading and other construction-related activities, and social development initiatives. Of course, once growth starts, it may develop a dynamic of its own resulting in different patterns of development. Policy success is likely to depend on matching the requirements of investors with the resources and attributes of the locality. This includes the level of skills they require, the wages they can afford, and the kinds of property and infrastructure they need. There is little point in attempting to target activities in places where the local attributes are inappropriate.

Finally, it is critical to recognize that national policies often have spatial consequences, even if there is no explicit spatial targeting. Atkinson and Marais (2006) argue that because there has been an absence of strong national spatial policies in South Africa, spatial policy de facto has been driven by varying sectoral concerns. They note a number of tendencies. Some departments allocate resources to people regardless of their location (for instance social grants), while others streamline expenditure according to spatially specific criteria. Still others have adopted rules which affect spatial location indirectly, or depend on applications – which itself may have differential spatial effects due to unevenness in capacity. Some programmes are organized around particular zones or corridors, including some discussed here. The location of administrative offices of government may also make a difference, but is often not explicitly considered in these terms. In addition to these points, it is worth noting that macro-economic policies frequently have strong indirect spatial effects. All of these policies may go in different directions, and may enhance or undermine or have other kinds of interactions with policies which specifically make attempts at spatial targeting.

The spatial impact of ‘ordinary’ national policies can often be stronger than policies which explicitly attempt to target particular areas for development. It is important for policy-makers to consider the potential spatial impacts of policies, for instance, choices about the direction of energy policy may benefit different areas of the country – a focus on solar and wind might promote growth in the Northern Cape, whereas the current reliance on coal benefits Mpumulanga and more recently Limpopo. Under apartheid, the predominant focus on import substitution-led industrialization tended to concentrate growth around the market, i.e. in Gauteng, despite industrial decentralisation policies which attempted to promote growth elsewhere.

3. Industrial Decentralisation

3.1. Rationale and Objectives

Industrial decentralisation policies are perhaps South Africa’s longest running form of explicit spatial targeting. Forms of industrial decentralisation policy were in place from the 1940s to 1996. In broad terms, the objective of the policy was to promote industrial development outside of the major cities, and particularly in or near homeland areas. For much of this period, industrial decentralisation attempted to support apartheid policies of homeland development by providing jobs in these areas, and to constrain the growth of the African population in cities, but the orientation of policy shifted over time, as did its rationale.

In the 1940s, the idea of industrial decentralisation was raised by diverse bodies as a way of managing African urbanization, and to respond to unemployment and poverty in the reserves. Policy makers were also influenced by technocratic ideas from elsewhere. Some Industrial Development Corporation assisted projects were established in peripheral areas to draw on rural labour. At this stage however, policy was partial and piecemeal (Glaser, 1987).

Industrial decentralisation policy proper began under apartheid in the 1960s, and initially focused on the development of areas bordering homelands ('border areas'), but particularly those with the greatest chance of growth, close to existing metropolitan areas. Both 'job creation for the black population' and 'alleviating overcongestion' were advanced as reasons for the policy (Dewar et al, 1984, p.4), but the intention was that it should not undermine economic growth. In 1965, decentralisation policy was broadened to include areas of high unemployment for whites, coloureds and Indians. In 1967, policy shifted to attempting to control metropolitan growth and particularly the growth of the African workforce in cities, since impact of previous policies had been limited. From 1968, industrial decentralisation policy was used in support of homeland development, and to provide an economic base for areas created through relocation, as industries were now encouraged to invest within them. In response to protests by business about metropolitan growth control (including a near investment strike) a 1971 Commission modified the policy, reducing metropolitan controls, and increasing incentives for decentralisation, on the argument that the policy should not negatively affect economic growth (Dewar et al, 1984).

Although apartheid and homeland development were paramount in the policy, it did include technocratic elements, such as the development of large 'growth poles' through locating heavy industry outside of the Pretoria-Witwatersrand-Vereening Area (PWV), and through industrial development in new planned ports. The 1975 National Physical Development Plan took this further by setting out development axes, growth poles, growth points, deconcentration points and planned metropolitan areas as a counter balance to 'over-concentration' in metropolitan areas, and to respond to the out-migration of whites from rural areas (Dewar et al, 1984).

From 1982, the industrial decentralisation programme was revised and expanded as part of the state reform initiatives of the time. Industrial decentralisation would serve to support homeland development, and job creation there was emphasized in the context of an 'urban insider/rural outsider'[5] strategy. However the policy was constructed as 'regional development', spanning both homelands and adjacent

5 Dividing the African population into those with rights to the city, versus those confined to areas in and around homelands.

‘white’ areas. Some saw the policy as laying the basis for ‘regional federalism’ (Cobbet et al, 1987), although the homeland theme remained dominant.

In the context of rising resistance to apartheid and as state reform faltered, state policy shifted towards more of a market-led agenda. Business critiques of industrial decentralisation were embraced to a greater extent than before, and the policy was reviewed by the Development Bank of Southern Africa (DBSA) in 1989 (Platzky, 1995). Although the state did not accept the review committee’s preferred recommendation to drop industrial decentralisation in favour of regional development on the basis of comparative advantage, it modified the policy in significant ways. Based on the argument that ‘market failure’ and distorting macro-economic policies had strengthened the PWV at the expense of the coastal metropoles (DBSA, 1989), it reworked incentives to support all areas outside of core metropolitan areas. This policy was put in place in 1991 and continued until it was dismantled after an assessment in 1996.

For a few years thereafter limited support was available for localities experiencing decline or restructuring as part of a broader package of industrial incentives, in terms of the Manufacturing Development Programme, but this has since fallen away.

3.2. The Content of Policy

Industrial decentralisation policy included a combination of financial incentives to industrialists, and the development of industrial parks and related infrastructure, particularly in the homelands[6]. The nature and form of financial incentives shifted with policy changes, but in general they increased over time. From the 1970s, incentive packages were differentiated to reflect the relative attractiveness of the area in terms of distance, environment and other locational factors. Until the 1980s, however, they were not very significant. The new Regional Industrial Decentralisation Programme in 1982 included quite substantial incentives, favouring labour-intensive industries. Incentives on offer were differentiated, with the highest incentives in peripheral homeland areas, and lower incentives in deconcentration points (within 100km of the metropolitan areas) and outside of homeland areas. The

6 See Dewar et al(1984) for a compilation of the detail of incentives on offer from 1960 to 1982.

different regions of the country were also weighted with some receiving higher levels of incentives than others (Dewar et al, 1984). The new incentive package from 1991-1996 reduced incentives and reoriented them to support greater capital intensity and technology upgrading. A package oriented to small firms was also introduced. It also introduced a new form of spatially differentiated incentive, with the highest incentive available outside of the PWV, Cape Town and Durban, and a moderate incentive (60%) on the periphery of Cape Town and Durban. The post-apartheid location based incentives took the form of tax holidays, but were a small part of a broader package offered to industry.

In addition to these incentives, at the height of apartheid and until the late 1980s, labour legislation and conditions were differentiated between metropolitan, border and homeland areas. Job reservation[7] did not apply in border areas and homelands; wages in border areas were lower, supposedly as a result of lower productivity there; and from 1970, minimum wages in homelands were abolished. Unions were also outlawed in several homelands. It is worth noting that differential wages in certain industries are still in place, although levels of differentiation are not as great as before.

For some years, as noted above, incentives on the periphery were coupled with measures to control growth in metropolitan areas. This took the form of restrictions on the expansion of industrial land in the cities. Industries were also unable to expand their factories or employ more African workers without permission, particularly affecting labour intensive industries. This latter measure was softened by reforms in 1971, but ‘non-locality bound’ industries with a high proportion of African workers, were forced to move to decentralized areas. These ‘direct controls’ were dropped in 1982 (Dewar et al, 1984).

It is apparent that very many different places were favoured to varying degrees over time. Each new round of policy brought a new set of places which were supported, and in most rounds, large numbers of points were designated as some kind of special place, eligible for incentives. This tendency was exacerbated by the ability of local politicians and interests to influence the designation of towns – notwithstanding the otherwise quite top-down nature of the policy. By the end of

7 Reserving certain categories of work for whites

apartheid, all places outside of the PWV and of central Cape Town and Durban, had been eligible at some point for some sort of incentive. Still, a far narrower set of places were designated as industrial decentralisation points prior to 1991, but even in the previous round (1982), there were some 55 deconcentration and industrial development points. The common theme however is that the PWV and the major metropoles of Cape Town, Durban and Port Elizabeth were generally excluded. Some places were specifically created as decentralisation points or massively developed from very small towns under this programme (sometimes coupled with others), including Atlantis in Cape Town, Richards Bay and Isithebe in KwaZulu-Natal, and Rosslyn near Tshwane, inter alia. In some cases, small towns such as Newcastle and Ladysmith were designated as decentralisation points, while industrial estates offering higher incentives were established in adjacent homelands, near to residential areas. Industrial estates offering decentralisation incentives were established in homeland towns such as Butterworth in the Transkei, and in some places, such estates were established in or close to resettlement areas, such as Dimbaza in the Eastern Cape and Botshabelo in the Free State. Decentralisation incentives played a role in the growth of a number of secondary cities, in some cases through the availability of incentives and industrial sites in the homeland parts of these towns.

The policy fell under various national departments and was implemented from the centre. Nevertheless, some local municipalities played active roles in recruiting and supporting industries in some cases (e.g. Newcastle). Within homelands, homeland development corporations, which were established to promote development in these areas, generally had branches or agencies which developed industrial sites and buildings[8], and managed and supported these areas.

3.3. The Effects of the Policy

There seems to be wide agreement that until the 1980s, the policy was not very effective in terms of creating jobs on the periphery. McCarthy (1983) found that a maximum of 150,000 jobs were generating between 1960 and 1980, compared to 115 000 annual entrants onto the homeland labour market. Bell’s (1973) seminal

8 Particularly since industrialists could not own these sites, but rather leased the buildings.

study of decentralisation in the 1960s argued that government figures for employment created in decentralisation points were an overestimation, and most jobs would have been realised without government intervention. On this basis, he argues that the policy created at most 11 600 jobs – compared to official figures of 87 000 for that decade. Critics argued that there was little indirect job creation, and that considerable numbers of jobs were lost due to metropolitan controls. For instance, Rogerson (1982) notes that refusals of applications for expansion of factories or employment in metropolitan areas affected 320 000 workers between 1968 and 1978. Relocations which did occur were primarily to the benefit of Cape Town and Durban and not the decentralisation points. In addition, much of the decentralisation which did occur was to deconcentration points close to metropolitan areas (MCarthy, 1983).

The new round of incentives in the 1980s however had very different effects. In the context of recession in the 1980s, some 147 000 jobs were created in decentralisation points between 1982 and 1987, compared to around 200 000 in the previous 21 years (DBSA, 1989; Platzky, 1995). Employment growth in these peripheral areas was much faster than in the cities (some of which saw employment decline in manufacturing[9]), as labour-intensive jobs, particularly in the clothing industry moved out. A major debate in the 1980s concerned whether decentralisation was driven by (now much increased) incentives (e.g. Tomlinson and Addleson, 1987) or by market forces (Bell, 1986). Bell (1983, 1986) convincingly showed that competitive pressures in the clothing industry were significant reasons for the growth of employment in decentralisation points. Certain parts of the clothing industry are highly labour-intensive and have not benefited significantly from technological improvements. These mobile industries have tended to move internationally and within countries to access lower waged labour. In the 1980s, firms in South Africa faced increased competition from low-waged industries in the East, in part due to the growth of illegal imports into the country. Firms relocated to or established in decentralisation points to benefit from the much lower wages which could be paid in these areas, and in some cases from the banning of union activity in homeland areas or their weaker organisation. While the more generous incentives may have played a role, they often worked in concert with market

9 E.g. see Harrison (1994) on KwaZulu-Natal

pressures in labour intensive industries. Some international – mainly Taiwanese – firms in these sectors also moved into some of the decentralisation points as economic change in these countries drove up wages, making labour intensive production unviable there (Hart, 2002).

It is interesting to note that although the structure of incentives was very different in the revised RIDP of the 1990s, this pattern continued as increased import penetration in the clothing industry put pressure on firms to move to peripheral locations where wages were lower. In addition, studies showed patterns of peripheral growth in the clothing industry even without incentives (Hart and Todes, 1997). Harrison and Todes' (1996) study of the impact of the 1991 RIDP in KwaZulu-Natal showed that only 39% of projects and 37,5% of employment in firms was concentrated in Durban. Within KwaZulu-Natal, the largest beneficiary was Isithebe, which had been the most successful decentralisation point in the previous era. Overall in the province, it promoted the growth of metropolitan Durban and old industrial decentralisation points. The study also suggested that incentives were not critical to the survival of most firms, nor had they played a role in the location of these industries[10]. This point was corroborated by other case studies on the effects of the RIDP in the rest of the country (BDA, 1996; Sharp and Speigel, 1996; Luiz and van der Waal, 1997). The National Productivity Institute's (1996) financial studies however disagreed with these assessments and argued that most firms would not have survived without incentives.

While the policy did have a significant impact, at least from the 1980s, outcomes were uneven spatially. KwaZulu-Natal for instance was a significant beneficiary of the 1982 scheme, accounting for 28% of new employment. On the whole, small peripheral places, such as Ulundi, did not attract many firms. Rather places which benefited were reasonably close to the cities (such as Isithebe or Rosslyn) or on major routes (such as Newcastle and Ladysmith/Ezakheni). However simple location factors are only part of the story, and not all deconcentration points managed to attract many industries. Clearly wages and labour related issues were key.

10 The KZN study also suggested that the 1991 RIDP at the level of the firm facilitated the upgrading of machinery and technology. It has had little effect on skills upgrading, training, improvements in wage levels, or better labour relations and had led to the creation of only limited employment (at least compared to previous packages). It had not directly effected growing intra-area linkages or agglomeration economies.

In addition, the role of particular institutions in actively recruiting firms and in shaping development of their areas was also important. In the 1990s, the role of marketing agents in recruiting firms into Pinetown, which had not previously received incentives, was evident (Harrison and Todes, 1996a). Platzky's (1995) study of Isithebe shows the importance of the KwaZulu-Finance Corporation (KFC) in recruiting firms, and shaping local development. It worked to ensure a diversity of kinds of economic activity (at least in the 1980s) to avoid excessive dominance of clothing firms and low waged activities, as well as to extend linkages. Hart (2002) shows the role played by the Newcastle municipality in bringing in Asian firms, and the way the establishment of a Taiwanese community in the town laid the basis for further growth of this sort, and served to shape the trajectory of development in the area. Conversely, the role of poorly performing local municipalities and institutions also needs recognition: for instance studies on Butterworth in the late 1980s and early 1990s showed how ongoing political conflict and poor management underpinned the decline of this industrial decentralisation point – before the removal of incentives.

A common critique of industrial decentralisation policies was that they led to narrowly focused local economies, with poor local linkages. In addition, only low waged work, offering poor labour conditions was offered. Platzky's (1995) study showed significant differences in the three industrial decentralisation points she examined. While Isithebe had diversified beyond a reliance solely on the clothing industry, and was beginning to show evidence of local linkages and local embedding (i.e. ties to the local economy), this was not the case in the other places studied. Similarly, unions were well established in Isithebe and wages had risen in the area. A pattern of 'cumulative advantage' was beginning to emerge. Hence the picture is more complex. In Richard's Bay, the 'growth pole' form of development had resulted in the establishment of a small number of large, capital-intensive, but poorly linked industries. While these accounted for quite rapid economic growth in the area for many years, the form of growth was problematic: each wave of major new investment resulted in land and other price spikes in the local economy, and employment generation was limited (Todes and Vaughan, 1999). Some firms were highly dependent on cheap electricity, which has limited development in the post-apartheid era. Hence there are likely to have been variations in the extent to which decentralisation resulted in broader patterns of local development.

It is certainly the case that in many decentralisation points, low waged work and poor labour conditions were predominant, especially since labour intensive industries such as clothing were the predominant beneficiaries of the policy. However several studies showed that wages supported local livelihoods, despite their limitations. Women were prepared to work for these low wages, if the alternative was no wages at all (Phalatse, 2000; Nattrass, 2000). This point has been highly controversial in the post-apartheid era, where the validity of wage differentials over space has been debated (e.g. see a major study by Natttrass and others, 1998), and where legislation forcing rising minimum wages are claimed to be leading to the collapse of some remaining sectors of the clothing industry in former decentralisation points, such as in Newcastle (Nattrass and Seekings, 2013).

Finally, what of the claim that the removal of incentives would lead to the collapse of decentralisation points? It is 17 years since the ending of the RIDP, and even longer since the end of the very generous incentives of the 1980s. Unfortunately, there are few studies of the fate of industrial decentralisation points in the post-apartheid era (but see Phalatse, 2000; Hawkins, 2010). It is nevertheless apparent that several of these places have collapsed or declined, although some continue, such as Rosslyn or Richards Bay. Some authors, such as Phalatse (2000) argue that the withdrawal of incentives is the most important reason for decline in her study of Mogwase in the North-West. However she acknowledges the role of other factors – global competition, trade liberalization, poor market conditions, and unionization. Black and Roux (1991) argued that the very generous incentives of the 1980s attracted firms which were unprofitable, and removed the pressure for efficiency. When these were withdrawn, industries collapsed. Yet the decline of many decentralisation points also needs to be seen within the context of the broader reconcentration of development in metropolitan areas, and the shift increasingly to a finance and consumption economy. Trade liberalization, import penetration and rising minimum wages have all served to narrow the space for local development paths based on low wage industries, which were the main type of industry attracted to decentralisation points. The very sharp decline in employment in the clothing industry is a case in point. In many respects therefore, the current position of many decentralisation points is likely to be strongly linked to dynamics within their key economic sectors (see e.g. Hawkins, 2010 on Newcastle). The withdrawal of incentives – but particularly of the 1980s incentives – may have played a role in a number of places, but was not the only factor. In some towns, institutional factors, such as weak and conflictual local government, as in Butterworth, were critical.

3.4. Lessons

One of the key debates about industrial decentralisation concerned the effects of incentives. It is difficult to be definitive about these impacts, but it is likely that effects were mixed – over time, across places, and particularly between sectors. Ruiz and van der Waal's (1997) study for instance showed that while incentives were an important reason for location in Nkowankowa, they were the 'icing on the top' for firms in Brits. Similarly, Harrison and Todes (1996) argued that the 1991 RIDP was just one factor shaping where and how growth was occurring. In the clothing and other labour intensive industries, as noted above, it worked with pressures in the market to encourage movement to the periphery. Further, while several authors argue that the very high incentives of the 1980s supported firms which were inefficient and unsustainable, Platzky (1995) showed that incentives of the 1980s had some benefits in providing small firms with finance that they could not otherwise have accessed, and in supporting some sectors which would otherwise not have survived. The lessons that emerge from this are that the effects of incentives are complex and difficult to predict with certainty: there are likely to be significant variations and differences in their impact and significance. Incentives interact with broader pressures in the market, and these vary across sectors. The specific design of incentives will also be important (see e.g. footnote 5 above). The experience of industrial decentralisation however shows that there are significant risks and dangers associated with incentives: they may be a wasteful expenditure, or could subsidise inefficient firms. They might simply encourage relocation, rather than promoting broader growth and employment creation. The costs per job may also be high as several studies of decentralisation argued (e.g. Wellings and Black, 1984)[11], and there are obvious trade-offs in terms of government expenditure. Hence the use and design of incentives needs careful consideration.

The impacts of industrial decentralisation were also shaped by a range of factors and dynamics beyond the design of the policy: global economic processes, national policies including macro-economic policies, sectoral trends, and locality dynamics. In some readings of the policy, these factors were more important than incentives, and certainly need explicit consideration in the design of any form of spatial targeting.

One of the ironies of industrial decentralisation policies is that although it was a major programme of government under apartheid, for many years it was contradicted by policies of import substitution-led industrialization, which tended to concentrate growth in the cities with their large markets. Hence industrial decentralisation remained an isolated policy with limited impact. The lesson here is that spatial targeting needs to be seen within the context of broader government policies, particularly more powerful macro-economic policies. Industrial decentralisation was most effective in creating jobs in low-wage, labour intensive industries, but this was shaped by competitive pressures within the clothing industry in the 1980s and early 1990s. The very sharp dropping of tariff barriers in the post-apartheid era, illegal imports, rising statutory wages, and increasing levels of unionization, inter alia, resulted in declining employment in the industry, including in former decentralisation points, which had usually attracted basic low skilled work in this sector. It seems that the conditions for low waged labour intensive work on the periphery no longer exist. There are enormous conflicts in Newcastle, for example, where remaining Taiwanese and Chinese clothing firms attempt to continue with this trajectory.

While industrial decentralisation was in many respects a ‘top-down’ policy, it was also shaped by local dynamics. As discussion in the previous sections have shown, some local politicians were able to influence which places received incentives; some local municipalities were highly proactive in marketing their municipalities, bringing in and supporting firms; and conflict within local government, poor municipal

11 Several studies made claims about the costs per job. These vary significantly and hence are not included here.

capacity and resulting infrastructural decline contributed to industrial collapse in some places. Hence any kind of spatial targeting needs to take account of local dynamics and capacities, as these are likely to shape the policy on ground.

Linked to this, the role of institutions is key. Platzky's (1995) work on Isithebe shows how the KFC shaped development there, encouraging diversification beyond low waged clothing firms and embedding of firms within the local economy. A common criticism of industrial decentralisation was that it encouraged the establishment of firms which were poorly linked to the local economy. Platzky (1995) shows that this was not the case everywhere, but more importantly, it suggests that policies and practices to encourage local linkages and embedding are critical.

The experience of industrial decentralisation also reinforces concerns about highly capital intensive resource based forms of decentralisation that are poorly linked to the local economy, particularly where they are located in smaller towns with few complementary activities and industries. In these contexts, there are also risks of encouraging local inflation (in land and housing markets, inter alia). The appropriate location of these industries needs consideration in the light of these issues.

The discussion of the effects of the policy in the previous section has demonstrated considerable variation in impact across places. Some places attracted firms, others did not. Places that attracted firms were generally well located (on reasonably good routes, with access to appropriate infrastructure, close to cities etc); were run by competent municipalities or other institutions; tended to be larger; and offered attributes consistent with sectoral demands. There are also levels of 'path dependency' in local economies. Any spatial targeting policy is likely to be shaped by these effects. Attempting to support the development of places which have little chance of success is a major risk of spatial targeting, particularly since there are inevitably political pressures to spread government support. It suggests the need for careful consideration of which places are supported and why.

A common criticism of industrial decentralisation policy was that too many places were supported, that one or two places should have received sustained support over time (e.g. Dewar, 1987). The experience of industrial decentralisation does support this argument, although it suggests that 'winners' may be difficult to predict with certainty. The importance of support over the long-term also emerges as a lesson, but not all places chosen are successful, and there is little point in supporting poorly performing places, or places with distorted forms of development over the long-term. Hence there is a need for careful monitoring and evaluation of places supported through spatial targeting.

Spatial targeting policies may also have unintended and unexpected consequences (Platzky, 1995). Hart (2002) and Todes (1998, 2001) research on Newcastle shows the twists and turns in its development trajectory, and how initial plans for decentralized development in the town were reshaped. Initially chosen as a site for the third Iscor steel plant in the late 1960s, planned development was scaled back in the early 1970s as recession set in. As restructuring occurred in the steel industry internationally, the Newcastle plant went through several rounds of retrenchments. Drawing on incentives in the 1980s, the municipality actively recruited labour-intensive Taiwanese clothing and other firms into the town, shifting the predominant pattern of development. By the mid-1990s these were under pressure, some had downsized or shut down, and some new firms had come in. In the post-apartheid era, this pattern of very low-waged industrial development has come under pressure (Nattrass and Seekings, 2013), and many firms have closed - although some long-standing firms have survived in particular niches (Hawkins, 2010).

Finally, the social impacts of decline need to be noted. Under apartheid movement out of places such as these was difficult, especially for women, who were the main workers in low waged industries such as clothing. There are no restrictions on movement now, and studies show that women increasingly move in search of employment. Nevertheless, there are limits to employment in the cities, and some groups of people find it difficult to move. Mosoetsa’s (2010) research shows the devastating impact of employment decline on households, including in some former decentralisation points. Creating places that are likely to fail over the longer term should therefore be avoided – although the limits of prediction have been noted.

4. Spatial Development Initiatives

4.1. Rationale and Objectives

Spatial Development Initiatives (SDIs) were conceived in 1996 as a way of generating growth and investment in regions with significant, but unrealised potential for growth. SDIs attempted to 'unlock' this potential through targeted interventions in improving infrastructure and facilitating new investment, which was expected to lead to the generation of wealth and job creation (Jourdan, 1998). The concept was linked to the GEAR macro-economic strategy and emphasized export oriented and private sector led growth (Taylor, 2001; Crush and Rogerson, 2001; Bek et al, 2004). Hence the policy attempted to address apartheid spatial distortions, but in ways which would enable these areas to become competitive internationally. In addition, they would assist in economic empowerment through fostering small, medium and micro-enterprises (Crush and Rogerson, 2001; Jourdan et al, 1996), thus broadening the ownership base of the economy (Platzky, 2000). Like some of the local initiatives discussed later, a subsidiary objective was to encourage integration and coordination between government departments and spheres (Platzky, 2000). The policy built on the experience of the Maputo Development Corridor (MDC), which since 1995 had attempted to generate development through a new toll road (N4) built through a public-private partnership, the redevelopment of the Maputo port, and linked initiatives to stimulate growth along the route from Mpumulanga to Maputo. The programme ended in 2000/1, but some SDIs continued in other forms.

4.2. The Content of Policy

The programme was set up under the Department of Trade and Industry (DTI), with the assistance of the Development Bank of Southern Africa (DBSA), and was funded with R400m from the Reconstruction and Development Programme. The SDI was seen as a short, sharp intervention by central government, lasting 12 to 18 months[12], after which it would be handed on the provincial or local investment promotion agencies. In the first phase, investment opportunities and bottlenecks (generally infrastructure) were identified, and small project teams were set up in each SDI to work with government departments to address bottlenecks and to 'fast-track' development. Public-private partnerships were used to enhance delivery of infrastructure, such as toll roads. 'Anchor projects' - strategic investment

12 In practice, most SDIs lasted for much longer - around three years.

opportunities seen as potential magnets for investment, capable of generating local linkages and multipliers, were identified and marketed, as were ancilliary 'bankable' projects (Jourdan, 1998). Investors were encouraged to enter into joint ventures with local small, medium and micro-enterprises (SMMEs) in order to ensure black empowerment. The project team would also be involved in a host of supportive activities to improve the environment for private sector investment: building the capacity of small entrepreneurs, skills development, environmental assessment, ensuring appropriate regulatory frameworks were in place, and encouraging economic actors to work together (Platzky, 2000; Crush and Rogerson, 2001). In addition, in order to address poverty and unemployment, most SDIs initiated programmes to develop local linkages, promote downstream activities, and to encourage more labour intensive and higher value added activities linked to anchor projects (Altman, 2001, Walker, 2001). Strategies also included a focus on training and skills upgrading, and small-scale projects (particularly in agriculture, tourism, and related activities).

Initially the focus was on manufacturing (Crush and Rogerson, 2001)[13], but later the concept was broadened to include other economic activities, particularly agriculture and tourism, in response to concerns that SDIs were doing too little to address poverty and unemployment (Crush and Rogerson, 2001). Some 11 SDIs were identified throughout South Africa: the Maputo Corridor, the Phalaborwa SDI, the Platinum SDI, the West Coast Investment Initiative, the Fish River SDI, the Wild Coast SDI, the Richards Bay SDI, Durban and Pietermaritzburg, the Lubombo SDI and the Gauteng Special Zones. Both the Maputo Corridor and Lubombo SDI were conceived as cross-border initiatives, linking to neighbouring countries. Most SDIs were in rural areas or smaller towns, but SDIs were also used in cities. For instance the Gauteng SDI emerged out of provincial initiatives to promote economic development, and was later included as an SDI although it did not really fit the intentions of the programme (Rogerson, 2004). The focus of SDIs varied, depending on their perceived regional strengths and potentials. Not all SDIs fitted the model described above, for instance, Richards Bay already had major infrastructure and

13 Export-oriented Industrial Development Zones (IDZs) were to be established in several SDIs, but in practice were only developed later

anchor projects, and operated more like a local economic development programme (Interview with Jourdan, 2003).

Several structures were set up to support the programme, including a special unit in the DBSA, a Public Private Partnership unit, and a Community-Public-Private-Partnership Development Programme. An Overall SDI Coordinating Committee (OSDICC) was set up, bringing together SDI project managers and senior government and parastatal officials to develop ways to fast-track projects. OSDICC also fed into the Cabinet Investment Cluster (CIC), which brought together Ministers whose work impacted directly on the investment environment, and dealt with decisions on large new investments (Jourdan, 1998). Political champions - high level elected representatives at provincial and national levels – were appointed to ensure support for the SDI process within government, and to raise its public profile.

4.3. The Effects of the Policy

SDIs were generally successful in developing infrastructure, although in some cases, blockages remained. The public-private partnership approach allowed a leveraging in of investment, and the development of infrastructure which would not otherwise be possible[14]. The development of infrastructure such as roads in rural areas, and programmes such as malaria control (in the Lubombo SDI) improved quality of life. In some SDIs – particularly those in rural areas, the complexity of issues such as around land, and contestation around projects (e.g. see Kepe, 2002 on the Wild Coast SDI) however considerably slowed or prevented planned development. Nor could SDIs necessarily get government departments and agencies to promote development in the interest of SDIs, for instance, the idea that Richards Bay port should be further developed to allow containers was never accepted by Portnet.

It is difficult to comment definitively on the economic impact as data was not collected systematically (de Beer et al, 2001). Nevertheless, evaluations conducted around 2000/2001 suggested that growth and private sector investment had been disappointing (eg. see Platzky, 2000) – apart from in the MDC. This finding underpinned a downgrading of the programme. Crush and Rogerson (2001) cite an

14 However there was contestation around some projects, such as toll roads

evaluation in 2000, which recorded some 688 active SDI projects, at an investment of R164 777m and an estimated employment creation of 100 000 – primarily in the MDC[15]. The impact of global economic crises at the time (such as the Asian crisis) and the poor macro-economic conditions in South Africa all affected growth and foreign investment (Platzky, 2000; Rogerson and Crush, 2001).

Growth was spatially uneven. While some SDIs managed to attract private sector investment, such as the Maputo Corridor, others did not. Some SDIs were chosen for political reasons (Jourdan, 2003) and were not attractive to the private sector. In some cases, projects put to investors were not realistic (Taylor, 2000). Case studies on SDIs show that it was affected by varying institutional and political conditions in different places (see Budlender and Shapiro, 2001; Rogerson, 2001). Some SDIs, such as Durban never got off the ground due to differences in conceptualization of SDIs between local, provincial and national government.

The Maputo Corridor however was highly successful in terms of delivery on projects and their impact on growth, investment and employment. Over the 1996-2001 period, growth rates of the order of 7% p.a, some USD6100m in private sector investment, and around 65,000 temporary and permanent jobs were realized (De Beer, 2001). Movement between South Africa and Mozambique increased by 27% p.a., while the extent of imports rose by 58% and exports by 55% over the 1995/2001 period (De Beer, 2001). Campbell et al (n.d.) show that growth along the corridor in 1996-2002 was significantly higher than in areas further away. The MDC included a range of innovative projects including SMME enterprise development linked to the toll road, linkage and cluster studies, LED programmes, and capacity building. De Beer (2001) argues that these were successful in extending impact and creating linkages, but few figures are available as evidence. It is sometimes argued that the MDC could have gone much further in supporting small business development. Critics for example argued that small cross-border traders were not sufficiently considered in the planning of a new border facility (Peberdy and Crush, 2001).

15 It is not clear what the basis of this data is, but Altman (2001) comments that data bases held by DTI and the Industrial Development Corporation of (IDC) are often unreliable

Several SDIs focused on resource based industrialisation, and most private sector investment was minerals-based (Altman, 2001). Key concerns raised include the high cost of investment relative to the number of jobs; the poor linkages from these plants into the local economy; the high levels of skills required relative to local skills available; and the limited jobs created (Bond, 2002; Taylor, 2001; Pretorius, 2001; Walker, 2001; Driver, 1998; Fitschen, 1998; Lewis and Bloch, 1998). Taylor (2001) argues that most jobs in SDIs were low-waged, low-skilled, casual and temporary. Typically, massive numbers of temporary jobs were created in the construction phase, encouraging in-migration, followed by a small number of much more skilled jobs later on (for instance in the Saldahna steel plant), offering little to migrants or for sustainable local development.

Some rural SDIs never really got off the ground, but the more successful Lebombo SDI, focused on conservation and tourism, was highly effective as a programme, adding capacity to an area where this was limited. It implemented several innovative and developmental projects, including extensive support for SMMEs, and created around 4500 jobs (mainly temporary). Tourism operators however were slow to respond to opportunities (Adebayo and Todes, 2003).

Despite its limitations, the SDI programme needs to be seen as innovative for its time – it included programmes that were relatively new in South Africa (such as linkage programmes), it experimented with new institutional forms, and had important positive effects in terms of training and capacity building.

4.4. Lessons

First, the SDIs demonstrate that the special agency institutions which were used to run SDIs can be highly effective. In the case of SDIs, they attracted a dedicated and committed staff, and created capacity in areas where this might have been limited. They had the flexibility to operate in a non-bureaucratic manner, and could link to a range of stakeholders, to different levels of government, and to communities. They were also able to push through a range of development projects, and to move with changing conditions. They could operate beyond existing local government, and even provincial and national boundaries. However there are also limitations. Insufficient support was given to SDIs at national level, and weak integration between government departments, and the absence of clear national strategy in certain areas, impeded development. Although OSSDIC was set up nationally to co-ordinate between departments, attendance by high level ministers dropped off after a while due to time demands. Nor did SDIs seem to have a special status in government spending. Thus merely setting up special agencies and structures is not enough – the way they are institutionalized and supported is critical.

A weakness of the special agency form taken by SDIs is that it is vulnerable to politics and individuals. The MDC received considerable support from its provincial premier, but when he was replaced with another premier who was less interested in project, support declined. While direct links to high level politicians may have been important, a stronger and clearer institutional base and set of powers is also required. Similarly, Taylor (2001) argues that SDIs were too dependent on particularly personalities with drive and energy. Good links to provincial and local government, as well as to local stakeholders are also important.

Second, the very short-time frame of the SDIs was problematic. It can take years for projects to be realised, and 'unblocking' can be a time consuming process. Some authors argued that the emphasis on speed meant that participatory processes were too limited where they were needed for projects, such as in rural areas, undermining support. In some cases, such as the MDC, the SDI was shut-down before it could fully realize its potential. In this case, a number of innovative projects were cut off. Arkwright (2003) argued that only 25% of possible investment had been realized at the time. Although some of the project continued in a different form, many of the more developmental programmes were curtailed.

Third, economic potentials are uneven spatially. However there is inevitably strong pressure to attempt to include a range of areas in economic programmes in order to distribute development, as occurred with the SDIs. As might be expected, outcomes varied significantly between areas. If a model of development on the basis of underused potential is to be used – and there are places where it is appropriate, such as in the MDC – then this potential needs to be investigated and demonstrated, rather than simply assumed. Simplistic assumptions that a new transport route will necessarily have a dramatic impact on development should be avoided (Harrison and Todes, 1996b). Rather, this model of development should be confined to a few areas where results are more likely to be certain, and where it is appropriate to the context. For instance, it does not seem well-suited to development in cities (the Gauteng SDI soon morphed into something else), nor is it appropriate for dealing with complex social dynamics, as in the Wild Coast.

Fourth, aspects of SDI methodology are useful, including the focus on a few anchor projects. However projects need to be mutually reinforcing, and financiers and investors need to understand the interrelationship between infrastructure and economic projects. Other key success factors emphasized in the literature include the importance of financially viable projects; good technical capacity to package projects; appropriate marketing; high profile world class investors, which helps to attract smaller investors; active support and involvement with the private sector; and institutional and financial support for the SDI (De Beer et al, 2001). Alignment between levels of government and political commitment are also key. A strength of the SDI concept is that it moves quickly to action, but these types of initiatives need to be seen within the context of broader planning processes – they do not substitute for them. It is important to clarify the role of different planning processes and their linkages.

Fifth, the limits of the type of anchor projects that were undertaken in several SDIs is evident – several were intensive resource based projects with limited local employment effects (such as Saldahna Steel, Mozal), some produced only low-wage temporary work (such as the N4 toll road). Analysts thus argue that there is a need to plan spin-offs and linkages to ensure that developments do not remain ‘cathedrals in the desert’, and that they have an impact on unemployment and poverty. Active efforts need to be taken to embed development within the local economy, and to ensure that upstream and downstream activities occur. Further, specific attention needs to be paid to the promotion of SMMEs, and to providing the necessary supports to these operators, and those in the informal sector. The importance of training, and upgrading skills to meet those required, and to move beyond low-wage work associated with construction and related activities is also of importance. Most of the literature stresses the need to develop strategies to go beyond the dominance of low waged, temporary work. In this regard, a more integrated strategy needs to be developed over the longer term.

Sixth, national policies have key direct or indirect spatial consequences, which spatial targeting programmes such as SDIs cannot reverse. For instance, national decisions on what kind of ports would be supported where have undermined potentials in Richard's Bay, including those envisaged by the SDI, and later IDZ. There is a need for greater synchronization of these programmes at national level. More broadly, there is a need to cohere national economic policies and their spatial consequences with any type of spatial targeting.

Finally, it is critical to set up a programme of monitoring and evaluation from the beginning. This has been an important gap in the South African context, making it difficult to gain a very definite grasp of the impact of the SDI programme.

5. Industrial Development Zones (IDZs)

5.1. Objectives and Rationale

IDZs were initially mooted as part of the SDI programme discussed above, but were only implemented from 2000. IDZs are specially built industrial zones linked to a port or airport, designed for investment in export and related industries. They were intended to promote growth and employment creation through encouraging foreign direct investment and the export of value-added commodities (DTI, 2012).

5.2. The Content of the Policy

Four IDZs were designated and licensed: Coega, OR Tambo International Airport, East London and Richards Bay. All are publicly owned and run, but in some cases with the involvement of provincial or municipal government. By 2012/13, the Department of Trade and Industry (DTI) had spent some R6b on the programme (DTI, 2013a). In terms of the legislation, IDZs offered the development of industrial areas with world class-infrastructure and utilities linked to an international port of entry; streamlined administration; a custom controlled area allowing duty and VAT free import of raw materials; service areas for service and supply industries; tax holidays and expert incentives and access to government supply-side programmes. However, extraterritorial customs secured areas were not implemented, and many of the incentives are the same as those available outside of the zone (Chinguno, 2009).

5.3. The Effects of the Policy

It is widely agreed that the policy was unsuccessful (DTI, 2012; CDE, 2012; Nel et al, 2013; Chinguno, 2009, McCullum, 2011). Only three IDZs are actually operational – the OR Tambo airport IDZ is still to be established. From 2002 to 2012/3, some 42 investors were attracted into the three zones, R2,8b was invested and 48 758 jobs were created, mainly short-term construction jobs. Only 5169 direct jobs were created in firms in the zones (DTI, 2013a). Firms attracted were mainly in capital-intensive industries. Backward linkages into the local economy have been weak, limiting local economic impacts. The strong integration of these zones into the international economy have made them vulnerable to global economic crises and pressures, such as rising import prices (McCullum, 2011).

The development of the Richards Bay IDZ has been constrained by land and environmental issues (Interview with Coetzee, 2013), and has only attracted one investor, brought in by the availability of cheap electricity. Since the 2007 power crises, it has struggled to attract investors. Further, there is a lack of complementarity between the intentions of the IDZ and the port, which only deals with bulk cargo, reducing its attractiveness (Chinguno, 2012; Coetzee, 2013). As the previous section showed, initiatives to change this policy have not been successful. On the face of it, the Eastern Cape IDZs have been more successful. Coega has attracted 21 investments valued at R9,2b, which have generated 2837 jobs, but most were relocations from other industrial areas. The East London IDZ has mainly attracted original equipment manufacturers supplying Mercedes Benz, which asked them to move into the zone. These are highly capital intensive firms with an investment of R1m per job, and only 1450 jobs (Chinguno, 2012).

5.4. Lessons

IDZs grew out of SDIs and in this sense might be seen as a kind of spatial targeting, but regional development does not appear to have been a strong focus in the policy or in the way it has been set up. The East London IDZ has perhaps gone furthest in this regard, drawing in firms sometimes from across the country into the zone (Chinguno, 2009). In other cases, such as Coega, it has simply encouraged relocation within the city – perhaps a benefit for addressing urban spatial inequalities since Motherwell is close to Coega, and urban renewal programmes in Motherwell include skills development linked to employment in Coega. Overall, however, IDZs cannot be seen as a positive model or approach to spatial targeting: government investment has been enormous relative to private investment and job creation, and local linkages have been poor. If this kind of approach is to be used, careful attention needs to be given to linkages and embedding within the local economy.

Several authors argue that institutional issues have been key to the failure of IDZs, in particular, the lack of a comprehensive policy framework and lack of appropriate guidance; poor inter-agency coordination; and problems in governance, planning, implementation, management and operation (Chinguno, 2010; DTI, 2012). The annexure to the 2013 Special Economic Zones Bill summarises these problems as:" a weak policy and legislative framework; poor institutional and governance arrangements; *ad hoc* funding arrangements that render long term planning in the IDZ impossible, lack of IDZ specific incentives; lack of targeted investment promotion, lack of programme definition and strategic direction and poor coordination and integration" (DTI, 2013b, p.17). Clearly these issues need to be appropriately addressed in any kind of spatial targeting.

In addition, there is need to ensure that the basic conditions for zone success (such as the establishment of a container port in Richards Bay) are not contradicted by national policies (such as Portnet's plans). Further, there needs to be synchronicity between policies and programmes affecting key elements of infrastructure and the zone, and amongst departments and agencies. Alternatively it can be argued that zones should not be set up which are dependent on infrastructural and other conditions which cannot be met. More broadly, the energy intensive model of development in some zones is arguably problematic, given South Africa's constraints in this regard.

Critics have argued that internationally such zones tend to be operated by the private sector, in contrast to the situation in South Africa (CDE, 2011), and that greater private sector involvement is necessary.

The limits of an infrastructure driven approach has been emphasized, as has the failure to put in place other kinds of support such as marketing, skills or logistics (Nel et al, 2013). These issues need consideration in any kind of spatial targeting. Good physical infrastructure is a necessary but not sufficient condition for development.

Several critics (including government's own assessment – see DTI, 2013 quoted above) argue that the IDZs do not offer investors more (including incentives) than what is available outside of the area, and promised customs secured areas and one-stop centres have failed to materialize. Nor are investors in these zones treated differently from those elsewhere (CDE, 2012). The lack of exemption from labour, social and environmental regulations has also been a concern for investors (McCallum, 2011). IDZs seem to have been unable to attract significant investment under these circumstances. The CDE (2012) and others argue that special zones must be 'special' in these senses. What needs to be 'special' to make such zones work is open to debate, and is certainly controversial.

6. Local Area Focused Initiatives

6.1. Objectives and Rationale of the Policies

The **Special Integrated Presidential Projects (SIPPS)**[16] were launched in 1994 as part of a broader set of lead programmes to initiate the Reconstruction and Development Programme (RDP). The aim was to "kickstart development in major urban areas, focusing on violence torn communities and communities in crisis" (RDP White Paper, 1995). SIPPs were seen as fast-track pilot projects aimed at immediate delivery of basic services (infrastructure, housing, community facilities) and job creation within an overall framework of transformation. However they were also intended to set precedents for more participatory modes of planning and

16 Despite a similar acronym to the Special Infrastructure Priority Projects identified by the Presidential Infrastructure Coordinating Committee (PICC), this is a very different, much earlier initiative.

development, for more integrated forms of governance and finance, and to point to blockages to integrated governance. While SIPPs were seen as short-term, 5 year projects, several continued beyond this period (Rust and Napier, 2002). The **Cato Manor Development Project (CMDP)**, which aimed to redevelop a large tract of well-located land[17] in Durban for a mixed income population, including the very poor, using new planning principles to promote integrated development, was one of these, and continued until 2002.

The **Urban Renewal and Integrated Sustainable Rural Development Programmes** were introduced in 2001 as 10 year nodal programmes intended to address poverty and underdevelopment in a selection of rural areas and townships through the coordinated action of various spheres of government to provide infrastructure, basic services and social services on an accelerated basis (COGTA, 2010). The establishment of rural nodes in particular was in part rooted in concerns about the failure of rural development, linked to poor coordination of projects and activities. Hence the nodes were also seen as spaces for new styles of governance, with improved intergovernmental coordination and integration, and more participatory modes (COGTA, 2009).

The **Neigbourhood Development Partnership Grant Programme (NDPG)**, located within National Treasury, was introduced in 2006 as a 10 year programme to provide technical assistance and a capital grant to improve the " quality of life for township residents through the creation of economically viable and sustainable township neighbourhoods" (National Treasury, 2007, p. vii). The unit would support "neighbourhood development projects that provide community infrastructure and create the platform for private sector development and that improve the quality of life of residents in targeted areas." (Ibid.) Like several previous programmes, the intention was also to promote knowledge, best practice and innovation in township development. Since 2012, however the programme has taken new directions, with a far greater focus on promoting economic growth than before.

eThekwini's Area-Based Management Programme (ABM) was a 5 year programme (2003-2008) initially conceived in 2001 as pilot project for area-based

17 The land was partially vacant as a consequence of removals in the 1960s

local governance as a prelude to rolling it out across the city. Objectives were to test different approaches to ABM, to build capacity to engage in ABM, to deepen democracy, to improve service delivery, and to promote economic development. A new municipal manager from 2002 however argued that the programme should be seen as a form of strategic targeting of interventions, rather than a prelude to wall to wall ABM in the city, although in other respects the programme continued as planned (Todes and Francis, 2006). Nevertheless, assessments of the programme noted the continuing confusion over the focus of the programme (Chris Albertyn Associates, 2008).

Urban Development Zones (UDZs) were intended to promote urban renewal in inner city areas through private sector property investment. A secondary objective was to promote broader economic development and job creation. The programme was expected initially to run from 2004 to 2009, but was then extended to 2014.

6.2. The Content of Policy

Some 7 **SIPP**s were initially defined, increasing later to 13 projects in all provinces. Projects varied from large-scale multi-dimensional initiatives to more limited defined projects. They were located in both urban and rural areas, major cities and smaller towns. Some R1,88 billion was budgeted from RDP funds and R1,87b was spent. Funds were granted on condition that matching funds were available from provincial and local government and that they carried the recurrent costs of projects, so at least another R3,62b public, private and donor funds were brought in, although the amounts varied significantly across projects. SIPPs were chosen inter alia, on the basis of their visibility, relevance and potential for impact, their capacity to be implemented, their contribution to the creation of viable communities, and alignment with housing policy objectives. The largest and most visible projects were Katorus in East Rand, Cato Manor in Durban, the Integrated Serviced Land Project in Cape Town, and Duncan Village in East London. In each area, a dedicated project team was set up, but structures and lines of responsibility varied. Since local government was in a transitional phase, SIPPs often had considerable autonomy in their operation, although structures to relate to various spheres of government were set up. The SIPPs programme initially fell under the RDP office, and later, when it closed, it was moved to the Department of Housing (Rust and Napier, 2002).

It is apparent that economic development was not a very strong focus of the SIPPs, and that much of the programme focused on infrastructure and service delivery. In **Cato Manor**, which had a longer life than many of the other SIPPs due to funding from the EU, economic development only emerged as a thrust halfway through the programme. Much of the project concerned integrated planning and development of infrastructure, housing, services and facilities, as well as a number of innovative projects and initiatives around safety, public health, sustainable livelihoods and community education. Local economic development initiatives ranged from the development of sites and sometimes buildings for offices, retail and industry to support for cooperatives and small business, vocational and training initiatives and tourism promotion (Nel et al, 2004).

In contrast to the SIPPs which received dedicated funding, the **URP** and **ISRDP** were expected to attract funding from all spheres of government due to their high profile and status as Presidential Projects. Rather the intention was that these projects would encourage integration and coordinated action between government departments. Some of the URPs however did manage to attract their own funds. In addition, the Department of Provincial and Local Government (DPLG) provided additional equitable share allocations to nodes on condition that they were used in the node, and to compensate them for the increase costs of operating and maintaining infrastructure (COGTA, 2009.)

Seven urban renewal nodes were defined in most of the largest cities, mainly covering townships previously reserved for Africans, which showed high levels of poverty and unemployment. These nodes were often larger than the previous SIPPs – compare for example Cato Manor (planned to house around 180,000 people) to the Inanda KwaMashu Ntuzuma (INK) area (around 500,000 population). The urban nodes however were relatively contained compared to the rural nodes, which covered whole districts or in a few cases, local municipalities. Initially ten rural nodes were defined on the basis of poverty, infrastructure backlogs, and population density, but another three were added to ensure a national spread (COGTA, 2010). While the urban nodes generally had dedicated project teams, rural nodes were often run by officials (some relatively junior) in district or local government, sometimes along with responsibilities for other programmes such as the Integrated

Development Plan (IDP) or Local Economic Development (LED). Anchor projects – generally large multi-tiered projects – were defined in each node to focus development, and to enable integration and coordination between departments. In urban areas, these tended to be infrastructure-led projects such as the Bridge City development in Durban, and the Khayelitsha CBD programme in Cape Town, while in rural areas, they focused on water infrastructure, agriculture, tourism and enterprise development (Ibid.). While the main focus of these programmes was at local level, national support and coordination occurred through an Interdepartmental Task Team of the Social Sector Cluster, chaired by DPLG/COGTA. Projects were also supported through complex systems of local, provincial and national champions.

By contrast, the **NDPG** was set up as a unit in National Treasury to provide municipalities with technical support and capital grants to plan and undertake township development delivering a "social, economic and financial 'return'" (National Treasury, 2007, p. vii). By 2011, some R8.8b had been spent on 90 townships in 57 municipalities (National Treasury, 2011). In addition, considerable effort went into training and the production of booklets on good practice and guidelines. Municipalities could apply for funds from the NDP Grant, and were required to produce township renewal strategies in which their projects were located. The NDPG overlapped with the URP, and many of these projects benefited from its grants. However a much wider range of townships were supported, including in small towns and dense rural areas such as Bushbuckridge. Some R5.18b was allocated to metros and secondary cities, and the remainder to small towns and dense rural settlements (Ibid). In 2012, the programme shifted to focus more strongly on projects constructed in terms of a network approach, focusing on developing fewer strong integrated nodes at a regional scale, and linking routes and corridors. The 8 metros and 10 secondary cities are targeted. Programmes previously focused on small towns and rural areas have been handed over to the Department of Rural Development and Land Reform (Interview with Van Niekerk, 2013). Since this new programme is still in development, and there is no basis yet for assessment, it will not be considered further here, however reasons for the shift will be discussed in considering impact and lessons.

EThekwini's ABM programme was supported by a grant from the EU, and a programme office and five ABMs were established. Some of these built on earlier or current area based initiatives, such as INK, Cato Manor, and iTRUMP (covering the inner city, including the former Warwick Junction project), but others addressed specific problem areas such as the Southern Development Basin (an industrial area) and the rural ABM, designed to develop expertise in dealing with rural areas. While much of the expenditure in these areas was in line departments, the EU funding enabled the establishment of dedicated area teams, gave them some leverage in the projects executed in their areas, and enabled them to develop a wider range of projects not normally funded by line departments.

Finally, **UDZs** provide for an accelerated depreciation allowance on tax on the value of new buildings and investments to existing buildings. Some 15 municipalities were invited to demarcate UDZs in inner city/CBDs that once provided a significant part of municipal rates, and had undergone real or nominal decline. These areas also had to be prioritized in the municipality's IDP and fiscal measures had to be in place to support regeneration in the area.

Thus the nature and content of programmes varied, but all targeted what might be seen as lagging areas through some form of area initiative.

6.3. The Effects of Policies

The impact of these initiatives has varied, and is also not straightforward. The following sections outlines the overall performance of each of these programmes, and then discusses the economic impacts of all of the programmes together. Discussion of the UDZs is confined to the latter section, since this is the focus of available material.

6.3.1. Special Integrated Presidential Projects

Evaluations of the SIPPs (based on evaluation of a few of the more significant projects – see Rust and Napier, 2002) were generally very positive: these were generally effective projects which delivered on housing, infrastructure and services, and also included innovative projects and approaches. Some even received

Un-Habitat Best Practice awards, including Cato Manor. Cato Manor, for example managed to deliver in a highly conflictual and contested local political context, and was able to put in place participatory processes that were relatively unusual at the time. However successful SIPPs programmes were often islands of excellence within their municipalities (Rust and Napier, 2002).

6.3.2. Urban Renewal Programme and Integrated Strategic Rural Development Programme

The URP nodes have also been seen as relatively successful in terms of delivery of infrastructure and services (although these were often delivered by and through line departments), and in the establishment of anchor projects. Some innovative projects such as the INK social programmes and the Mitchell's Plain violence prevention programme were also undertaken. Like the SIPPs, some of these projects managed to deliver in complex and difficult environments. However not all URP nodes were successful – there was less success and impact in the some of the Eastern Cape URPs, apparently due to institutional, political and staffing problems. The ISRDP nodes on the whole were less successful than the URPs, but experience was mixed. The huge areas covered, the frequent lack of dedicated units or weak institutional position of those responsible for the programme, the lack of budgets and the difficulty of attracting and retaining skilled staff all affected the programme. There were some good projects in some rural nodes, but in others they were marginal, with many small failing projects. Enterprise projects in rural areas were often challenging. The strong urban nodes (often metros) were better able to leverage national and provincial resources and attract investment of other levels of government, from donors and the private sector. By contrast, while national and provincial departments did spend in the rural nodes, it was not necessarily on nodal projects (COGTA, 2010).

Anchor projects in nodes worked well in crowding in public and private investment, but mainly in the URPs, and much less in the rural nodes, in part since there was much less private sector interest in rural areas. In rural areas, anchor projects mainly focused on water, agriculture and tourism. In some cases these were overambitious, for instance, the Ugu Fresh Produce Market costing R20m failed to generate the necessary volumes. (COGTA, 2010).

The dominant thrust of URPs was towards infrastructure and housing, and they were relatively successful in these areas. Social and economic projects received less attention, in part since the programme emphasized speed and scale of delivery. In 2006, programmes were criticized for not being innovative enough or sufficiently people-centred. Interestingly however over the 2001-8 period, crime reduced in urban nodes due to improved infrastructure such as roads and CCTV cameras. Visible policing and joint crime prevention initiatives also helped to create greater safety (COGTA, 2009).

The nodal programme did not always improve integration and coordination, especially in rural areas. Difficulties in cooperation between line departments and nodal units are noted in a number of contexts, but there were also successes, for instance, the Alexandra Renewal Project's use of Service Level Agreements. In some municipalities, URP units were not well anchored in municipal administrations. Nodal plans were not always well aligned with municipal plans such as IDPs and SDFs. Effective coordination occurred with some national and provincial departments, but not with others, especially in the social sector (COGTA, 2010).

6.3.3. Neighbourhood Development Partnership Grant Programme

The NDPG was very different from the nodal programmes, but because the URP nodes were already running they were in a good position to draw on these funds. Nevertheless, the NDPG had a far wider reach to a large number of places, including small towns. Some 59% of funding went to metros and secondary cities, the rest to smaller towns. A 2010 assessment found that the programme performed well across its Key Performance Areas, but it faced a number of challenges linked to generic problems of local government (National Treasury, 2010). Evaluations in 2009 noted that a third of projects needed urgent intervention and support, and this rose to 40% by the 2010 evaluation. The 2009 assessment found that some 30% of municipalities supported did not prove good environments and attracting investment there would be difficult. Over 50% of municipalities supported were rated as medium/low capacity (National Treasury, 2009). A 3 year assessment in 2010 (National Treasury, 2010) noted a number of programme challenges – lack of municipal capacity, political interference in projects, corruption, high staff turnover, technical obstacles, and land issues (National Treasury, 2010). The breadth of the programme and the large number of projects and municipalities to be supported put strain on the unit – one reason why the current focus is on fewer places, and only on secondary cities and metros. Unfortunately no assessments have been done on the impact of the programme on small towns and more rural municipalities.

The NDPG helped to focus attention and resources on townships, which were often absent from explicit consideration within municipal plans (Interview with Pernigger, 2013). Through its training programmes and development of resource books, it built skills and capacity in the field. On the whole it was effective in delivering projects, but like the URP, projects were mainly infrastructural projects, with limited attention to social and economic development (Interview with Karuri-Sabina, 2013). An early programme document questioned whether projects were sufficiently strategically focused on transformational impact (National Treasury, 2007). Questions have been raised on the value add and impact of the programme (Interview with van Niekerk, 2013) – a reason for the shift in focus in 2012, and whether the NDPG funds in some cases displaced spending that would have happened through other programmes (Karuri-Sabina, 2013).

6.3.4. eThekwini's Area-Based Management Programme

The performance of eThekwini's ABM was also variable, but has been judged to be positive overall (Chris Albertyn Associates, 2008). ABMs were successful in leveraging expenditure by government, and many projects (563) were run. There was some evidence of innovation, and the flexibility provided by the EU budget enabled impact. The mix of professionals in teams enabled good community relationships. ABMs enhanced service delivery by line departments, but there were sometimes tensions with line departments – a problem also experienced by URPs[18]. The various ABMs had different successes, for instance, the rural ABM was valuable in pioneering new approaches that could not have been done by line departments . Service improvements and infrastructure projects, as with the SIPPs and the URPs accounted for the lion's share of projects (76%). Projects were not assessed in terms of their potential economic and social returns and impacts, and the ABM programme

18 In addition, there was an overreliance on the city manager and personal relationships to provide linkages, suggesting that overarching programme structures were ineffective in enabling integration

may have contributed to the proliferation of small capital projects, without sufficient attention to operational costs.

6.3.5. Economic Impact

What was the economic impact of these programmes, most of which were in economically marginal parts of towns and cities? Unfortunately, no baseline economic studies were conducted, nor has there been systematic documentation or assessment of economic impact, other than in relation to the UDZs and in some projects, such as Cato Manor. Apart from the UDZs, the economic focus of programmes was not always strong, with the assumption that infrastructure investment would lead to economic development. Nevertheless, most programmes did include an economic element, and a variety of initiatives were undertaken. These include the planning and development of land for industry, office and retail including new CBD areas, corridors and nodes; making township environments more business and investment friendly through crime management, CIDs and design; training and skills development; business advice, support and networking; preferential procurement for local small business; space for informal traders to operate more successfully and some efforts at effective regulation; tourism, especially cultural and heritage; craft production; food production and urban agriculture; cooperatives and marketing; and links with external business (DPLG, 2006).

In all nodal and township programmes, there were instances of poor planning – an oversupply of land for industry and retail for example, and assumptions that nodes and corridors would attract more development than occurred, reflecting a lack of understanding of market dynamics. This occurred even in some of the most lauded programmes such as Cato Manor. A common complaint in most programmes was that they were insufficiently innovative in understanding local economic dynamics. In ABMs, there were no labour market surveys and skills development programmes, and too many survivalist projects. Economic development could be seen as at the beginning of a long-term process, but there was limited short-term effectiveness. Some idiosyncratic projects were chosen, and there was a lack of expertise in feasibility studies for commercial and industrial projects.

It is often argued that LED initiatives were not sufficiently linked to overall economic planning in the municipality and as located within a metropolitan context. Initiatives thus tended to be quite internalized. For instance, no attempts were made to encourage firms or organizations (including government and municipal offices) to locate within or close to townships rather than in upmarket nodes (interview with Karuri-Sabina, 2013), or to develop some part of value chains for particular products in these areas (Robbins, 2012). Ngixa (2012) for instance critiques the Khayelitsha node for its lack of an industrial focus, but notes that developers prefer to locate in Airport Industria nearby.

COGTA (2010) points to a tension between creating an enabling environment at a municipal level and implementing projects to create jobs in the short-term. While there are many good LED projects in the nodes, there are also many examples of failed projects – on the whole, initiatives to create jobs directly or to fund SMMEs have not delivered a good return on investment and the jobs have not been sustained. Tourism projects have had mixed success. The outcomes of diverse small scale projects and support strategies has been variable, and often assessments are equivocal. The Cato Manor LED assessment of its diverse strategies (Nel et al, 2004) was generally positive, but noted problem areas and argued that it was too soon to make a proper assessment. In some assessments, analysts argue that initiatives have done little to transform the largely economically marginal status of townships – yet it is a long road.

The growth of shopping centres in townships is the most obvious outcome of the programmes aimed at township development, and in particular the anchor projects. Shopping centres could be seen as the 'low hanging fruit' (Interview with Pernigger, 2013), and is part of a broader trend towards the growth of shopping centres in townships. Demacon's (2010) study shows that some 76 township shopping centres have been built since 1995, accounting for 65% of all township shopping centres and 75% of floor space. Almost half (32) of these centres have been built since 2005. The average size of shopping centre also grew from 6500m2 to nearly 20,000m2, and some 54 300 jobs have been created in these centres. Growth has been strongest in the largest cities and towns. Impacts on local business have been complex and are debated. Local business benefits from the improved range of facilities and services, but competition remains a concern. Studies show that how local business performs depends on the distance from the centre (e.g. business may suffer within a range of 2-5km from the centre) and the type of activity, but there are variable outcomes, depending on the context (TTRI, 2012; Donaldson and Du Plessis, 2012), e.g. Lighthelm (2010) shows that 48% of firms within 5km of the Jabulani Mall in Soweto closed down within 2 years.

Finally, the spatial selectivity of market response is clearly evident in the Demacon (2013) study of UDZs which finds that the four largest metros accounted for 90.7% of new investment. These larger municipalities also did more marketing. Results were strongest in places where there was a combination of supportive municipal programmes and initiatives, such as in the City of Johannesburg, which showed the highest growth in investment and employment. In Johannesburg, the Johannesburg Development Agency, the use of CIDs, the broader budgetary prioritisation of the inner city, and its clear role in the City Strategy, were some factors in supporting growth[19]. Demacon (2013) estimates that some 65,000 construction jobs and over R11.8b investment was attracted to the Johannesburg inner city, some of it focusing on housing development, including affordable housing. Overall, while some R917m tax was forgone nationally, investment was leveraged at a ratio of 1:27 within the main municipalities, with a ripple effect of some 78165 temporary jobs in construction. Demacon argues that there was no displacement effect, but that 80% of investors would have done the investment without the incentive. Clearly the success in attracting investors tied into broader processes of change occurring in the area, accelerated by municipal initiatives. Yet there are other perspectives which are critical of inner city revitalization initiatives, arguing that many of these have served to exclude the poor from the inner city. For instance in Cape Town, inner city revitalization and long-term processes of gentrification may have improved the economy of the inner city (Sinclair-Smith and Turok, 2012), but the area is increasingly inaccessible to the urban poor (Pirie, 2007).

6.4. Lessons

Several of the reports on these local area focused initiatives devote considerable attention to deriving lessons from the experience. These include very detailed

19 Interestingly however there is little link with the Urban Restructuring Zones, area based support of social housing initiatives (HDA, 2013).

consideration of managerial and project related issues. For the purposes of this paper, the focus will be on the broader issues of which emerge from the analysis and the documents.

First, the area-based, special unit approach used in a number of these initiatives is potentially a very effective way of dealing with complex problems in an integrated and innovative way, and can have impact. There are advantages in the use of flexible, multi-disciplinary teams. However, it requires very skilled, experienced, dedicated and committed staff, with excellent leadership. This is not an easy condition to meet. The impact of excellent staff and leadership was evident in the SIPPs and Cato Manor, and to a lesser extent in the URPs[20] and ABMs. It was difficult to attract or retain such staff in the ISRDP nodes, and high turnover was damaging. While it may be desirable to develop skills and capacities within municipalities and their ordinary departments as opposed to setting up special units, as intended by the NDPG, there are significant dangers if appropriate staff are not present.

Special units need the autonomy and authority to act, but they also need to relate appropriately to line departments in various spheres of government. This requires careful attention to institutional positioning and relationships in particular contexts. It is clear from the many assessments that have been done that inter- and intra-governmental coordination is very difficult to achieve, and it cannot be expected to occur easily or automatically. This also suggests that requirements for high levels of coordination and integration across and within spheres of government may need to be confined to a few projects.

Second, the availability of dedicated funds ring-fenced for development in the area seems to be important in enabling impact, as occurred in the SIPPs. In the ISRDP, the lack of special funding sources limited what the programme could achieve, and meant that nodal agencies had little authority or leverage to enable projects consistent with their vision. The URPs seem to have been able to leverage in funds to a greater extent, but also suffered to a degree from this problem. There are of course dangers that this funding will displace funds that would have been spent in the area, and this needs to be carefully monitored.

20 Assessment reports note that lack of experience and the need for mentoring in some of the URPs and ABMs

In addition, the question of how operational costs are managed needs explicit consideration. Most programmes discussed focused on infrastructure development produced through capital funding. There is a danger of dropping projects onto municipalities which do not have the operational funding or capacity to manage them (Interview with Leon, 2013), and this surfaced in some cases.

Third, for area-based local programmes to be successful, they need to be set up well, institutionally, technically and politically. Their objectives and focus needs to be clear, and there needs to be strong vision. They need to be well managed, with good business and project plans, and their planning should be well linked into the municipality's planning (IDPs and SDFs) and budgetary processes. Projects need to link to strategic objectives, rather than being chosen on a political basis. While these points might seem obvious, deficits in this regard were noted in several of the programmes discussed (e.g. see COGTA, 2009, 2010). The NDPG's insistence on township renewal strategies within which projects were to be located was important in emphasizing the need for appropriate planning, and contrasted with concerns that some of the SIPPs and URPs operated as islands. Projects with a significant infrastructural component need well developed, realistic spatial plans. They also need strong political acceptance and support, flexible structures to negotiate obstacles, clear structures of accountability, and good links to community and stakeholder organizations as relevant. The buy-in of the municipality, politicians and local communities is critical, especially when initiatives run in existing communities.

Many area-based initiatives have worked with the idea of political champions. In some cases this has worked well, but in several cases, political champions lost interest, were unresponsive, did not have time or had little impact. Sometimes there were too many layers of champions. While achieving political buy-in and acceptance is critical, the political champions idea seems to have been overplayed. If it to be used, it needs to be confined to a very few high profile projects.

Fourth, it needs to be recognized that area-based initiatives need long time spans to deliver. For instance, the SIPPs and some of the URPs had to deal with complex local politics and other dynamics, difficult land issues, and so they took years before they could deliver. Projects are often contested, and there can be intense conflicts who over who benefits from and controls projects etc. The more successful SIPPs were already running before they became SIPPs. The Cato Manor project took 2-3 years before any delivery could occur. Similarly the ABMs spend the first 2 years getting established. The 5 year span of ABM meant that what could be achieved was limited, especially as it was difficult to get new staff in the last 18 months. At least 10 years, but preferably longer is needed to achieve results.

Fifth, while area based projects tend to be seen as good vehicles for dealing with complex local problems and contexts, and delivery in well established and funded projects is impressive, outcomes are often uneven – not simple 'wins'. For instance, the Alexandra project has had many successes, but was still unable to deal with the core land and housing issues in the main part of the area. For all its innovation, much of Cato Manor's urban development pattern still resembles much more standard housing projects – the effect of the dominant mode of housing finance and delivery.

Sixth, integrated area based initiatives need to have a relatively narrow geographic focus: compare the better performance of the URPs against that of the ISRDPs. While rural nodes might be more challenging inherently, the very large geographic areas covered by the rural nodes added to the complexity and uncertainty about responsibility, and made it more difficult to manage.

Seventh, the spatial unevenness of impact is very evident from the discussion in the previous section: successful programmes were evident in some areas and municipalities and not in others. In general terms, programmes in the large metros were more successful than others, and there was least success in rural areas. This may reflect the availability of more skilled, experienced professionals and the greater capacity of local government in these areas, and their ability to mount, relate to or support programmes of this sort. Even where stand alone units are put in place, it is critical to have adequate capacity to link to these developments, and to deal with ongoing operational consequences. Bringing together multiple sources of funding also requires significant municipal capacity. Some municipalities, such as eThekwini have had years of experience in area-based initiatives of various sorts and could build on these strengths. It can thus be expected that area-based interventions will have greatest impact in areas of high capacity, particularly in some of the largest metros.

The spatial unevenness of economic impact was also starkly evident, with much greater impact in the large metros than in rural areas. This was partly an effect of stronger institutional capacity, but also reflected market trends. The outcome of any form of spatial targeting is likely to reflect these dynamics. This suggests the need to understand the different kinds of markets and their potential. Spatial targeting to move shift market dynamics may be easier in some areas than others (e.g. inner city areas where there are large concentrated markets, and better off townships), and this needs consideration in strategy development.

The anchor project approach worked well crowding in public and private investment, in part due to their strong spatial focus and link to market demand. However there were also overambitious projects, suggesting the need for careful market analysis. Further, while appropriate infrastructure development is clearly needed to support a range of developments, it does not necessarily lead to broader economic development in its own right. In economically marginal areas, there is also a need for a better understanding of what economic potentials exist or might be developed, linked to broader city and regional economies and value chains.

7. Conclusion

South Africa has had considerable experience of spatial targeting both in the apartheid and in the post-apartheid era, although it has taken on different forms. Many of these programmes and initiatives have made a difference, but it is often difficult to determine the extent and nature of their impact due to the lack of hard evidence of economic impact and public sector cost. In the post-apartheid era, there has been a lot of experimentation, but we have not learnt from it sufficiently from it because it has not been captured to the extent possible. In addition, most post-apartheid spatial targeting policies have tended to be relatively short-term, and have not been sustained for very long, so the impacts may be more limited than would have been possible with a longer-term focus. There has been a great deal of pragmatism and insufficient clarity about and conceptualisation of what government has been trying to do, so the experience is quite mixed. Spatial targeting in South Africa has also tended to be state-led, with few initiatives involving public-private partnerships.

Overall, the emphasis has shifted broadly from an economic focus under apartheid and in a few of the post-apartheid policies to more of a social needs focus. Arguably, there has been too little recognition of the important role of big cities in economic development, and how appropriate spatial targeting might be used to enhance their competitiveness, for instance through addressing spatial inefficiencies undermining urban productivity. There has also been limited focus within the cities and in local area initiatives on economic development, and particularly on industrial development (Interview with Donaldson, 2013). There has been too little attention to how municipalities might encourage and support industrial development, from land assembly and the development of appropriate infrastructure to more sophisticated support and development strategies. Much of the support for economic development in these contexts has been in relation to infrastructure, and to a lesser extent, a range of small projects. The benefits of the latter have not been properly assessed, while there are limits to the former, although it is also necessary. As Robbins (2012) and Karuri-Sabina (2013) argued, there is a need to locate programmes to develop lagging areas within cities within the context of larger overall programmes for urban economic development in particular cities, which conceptualise urban economic potentials and how economic development in lagging areas might benefit from their development.

The experience of spatial targeting in South Africa highlights the importance of integration between government departments, across and within spheres of government. There are few approaches that do not require such coherent action. Even under apartheid, the more limited and narrow focus on incentive-driven industrial decentralisation required the co-operation of a range of institutions, and as has been shown, conditions in localities and action by local municipalities made a difference. As the discussion of UDZ’s showed, impact was higher where UDZs were supported by well-developed local programmes and policies. Contemporary approaches involving a broader range of strategies, including ‘soft’ support such as business support, marketing, and the like, will require greater levels of integration and coordination than more limited incentive-based approaches. However it is also apparent that while South Africa has had many policies that require and call for integration, there are difficulties in achieving such integration, and there are risks for policies in depending on it.

Analysis of several of the programmes suggests that strong institutions and often specific funding sources are needed to support spatial targeting, particularly in the most lagging areas. As shown in the discussion of SDIs and many of the local area initiatives, special project units can be highly effective, but only if they have very skilled, experienced staff, with significant commitment to the project, and sufficient resources, space and autonomy to act. However there are downsides to special agencies - capacity is not built within municipalities, and they cannot be created everywhere. There are risks as well if they are not run by the right people. However, while initiatives to mainstream and embed programmes within the normal functioning of municipalities are in theory desirable, this approach is not very realistic in municipalities with poor governance capacities. Even in the large cities, capacity waxes and wanes, and well-coordinated, integrated development can be difficult to achieve. Hence explicit consideration needs to be given to the institutional model – to its location within or outside of government, and in what sphere, its level of autonomy and its linkages to line departments in various spheres. There are also difficulties if such agencies or responsibility is located in spheres of government without the necessary policy levers available to them, as has often been the case in the past.

Strong institutions are not only needed for local area-based initiatives. Their potential role in shaping economic development has been noted in relation to industrial decentralisation and SDIs. Examples were noted of organizations which enabled local development beyond narrowly focused economic activities (such as road construction) to encourage greater diversity, linkages and local embedding. There are also a range of well documented lessons with regard to the need for excellent management, for proper project planning and location of projects within appropriate municipal and other planning frameworks. Clearly any kind of special agencies or spatial targeting initiatives need political support, but the idea of political champions seems to have been overused, and other methods need to be explored.

A strong finding is that many forms of spatial targeting take long periods of time to take effect, especially in the most lagging areas. However in South Africa, we have many initiatives which have been undertaken for just a few years, and then are replaced by new approaches or initiatives. Especially where there are complicated area-based projects confronting multiple stakeholders and communities, and difficult land issues, it can take years to get going. This requires some judgment: shorter time periods for support is possible in areas that have limited constraints to development, such as some inner city areas and in areas like the MDC, but even in these cases, the literature suggests that a longer period would have been beneficial, and in the latter case, a highly successful project was cut off too soon, limiting its positive impacts. Clearly, however, this needs to go along with ongoing monitoring and evaluation, to assess the need for support and its effectiveness. There is also a need to design financial instruments and support to reflect possibly long lead-in times, i.e. to enable some years of technical support to enable the development of the programme, before more substantial capital and other funding comes in.

For spatial targeting to be successful, it is important to be selective and focus stretched capacity and energies on a limited number of places which have a real chance of success. There are real tensions here. There are inevitably political desires to spread development, and political decision-making with regard to which places receive support. There are difficulties in deciding which places are ‘in’ and ‘out’, and there may be positive spillover or negative displacement impacts on neighbouring municipalities. The tendency to include places in programmes which have little chance of success is one of the biggest risks of spatial targeting. Yet every programme demonstrates the spatial unevenness of impact.

It is also difficult to work completely against the market. Yet the market is not a single thing: there is a need for a nuanced understanding of the various types of market, how they are changing, and the varying potentials for economic investment in different places. Arguably, the South African spatial targeting policies have worked with too limited an understanding of economic dynamics and potentials. It is also important to appreciate how global dynamics and national policies shape these potentials. A key conclusion therefore would be to build on market potentials. There are of course, key debates and risks here. In many of the more successful cases, policies have worked with the market for investment in particular places and sectors, raising the question of whether government support is needed at all? Is it wasteful expenditure? There is a need for careful consideration of the types of support needed in particular contexts to avoid this.

There are differences in the potentials for spatial targeting within cities and in a regional and rural context. In theory, it should be easier to achieve within large cities which in their own right offer significant agglomeration economies and generally better institutional capacities. Of course, there are greater risks in terms of boundary hopping and displacement to benefit from any kind of incentives. This might be minimized by careful definition of areas where special conditions or supports apply. The increasingly polycentric nature of large cities also offers the potential to develop lower income areas close to new areas of growth. Yet while some new economic activities are occurring in and around townships and low income areas, the weight of growth has occurred around higher income areas in the last two decades, the effect in part of the predominant focus on consumption and service sector growth.

The study suggests that the design of the form of spatial targeting needs to be adapted to the context: not all forms of spatial targeting were appropriate to the environment in which they were used. For instance, the SDIs were not the most useful vehicle in big cities, but under certain circumstances, were highly effective in underdeveloped areas with potential. The National Planning Commission anticipates very different kinds of places for spatial targeting and varying objectives – they might therefore be designed in very different ways. The economic focus of spatial targeting initiatives might also be diverse, sensitive to local or regional potentials. A degree of flexibility and opportunism is likely to be necessary to 'catch the wave' of mobile and other investment.

A range of instruments can be used for spatial targeting, from tax and other financial incentives of varying values; to non-financial incentives through modifying regulations (e.g. land use controls); to investment promotion, imaging and marketing[21]; to business support, enterprise development and training; to investment infrastructure and land development, inter alia. The specific package of

21 Which has not been done very extensively or very well in South Africa

instruments to be used needs consideration in context. There are major debates about each of these elements (for instance on incentives), which is beyond the scope of this paper to outline.

It needs to be noted that there are considerable risks involved in spatial targeting, many of which have been noted in previous sections. These include risks linked to wasteful expenditure, potentials for corruption, support for places which have little potential, distorted local development, and weak and inappropriate institutions. There are also potential dangers for the overall economy, particularly if support for particular places goes along with control of growth in other areas, as occurred under apartheid. However it is assumed that this kind of approach would not be used in the current environment.

Finally, it is important to reiterate that most policies have spatial impacts, which are generally not recognized. There needs to be far more explicit attention to and consideration of the spatial implications of 'normal' policy.

In conclusion, the study showed that there has been insufficient ongoing monitoring and evaluation of the economic impacts of many of the programmes discussed. It was therefore difficult to assess the impact of these programmes from this perspective. There is an absence of baseline economic studies against which development can be measured in later years. In addition, there are too few studies of the long-term economic impacts of some the older programmes – from the position of industrial decentralisation points 20 years later to the long-term effects of initiatives around SDIs. There are also too few studies of the spatial organization of economic activities, the room for manoeuvre in terms of location, and the locational needs of firms in the current environment. There is a need for better information, a stronger evidence base and more research to support effective spatial targeting.

The following two boxes synthesise some of the key considerations for policy, and some of the tensions in direction and choices involved in spatial targeting.

Box 1: Key Considerations for Policy

- Use a package of instruments well-adapted to the purpose and context

- Institutions and institutional coordination are critical
- Consider the appropriate institutional vehicle, its position (in or out of government/local government), and linkages
- Leadership and sustained support are vital
- Excellent management, project planning and location of projects within appropriate planning frameworks is necessary
- Initiatives must be ‘special’, hence selective
- Target a few, well-defined places
- Spatial targeting takes time to have an effect
- Consider the economic context carefully – growth trends, market dynamics and business locational requirements
- Location matters greatly – what assets and advantages are there to build on
- Global economic processes, national policies and locality dynamics will shape development in particular places
- Some flexibility and opportunism is important – external awareness is needed
- Actions to embed economic activity in the local economy and to create linkages is vital
- Public sector costs are bound to be higher where needs are greatest and ‘market failure’ most severe
- Changing transport costs and telecommunications may make relocation easier for some activities
- Difficulty of picking the ‘winners’ with certainty
- Unintended outcomes of policies
- Indirect spatial consequences of ‘normal’ policy
- Risks – wasteful expenditure, corruption, subsiding inefficiency, proliferation of places support

Box 2: Tensions in Spatial Targeting

- Narrow vs wider geographic focus
- Short-term (catalytic projects) vs long-term, sustained efforts
- Economic emphasis vs social and physical orientation
- Breadth of scope vs narrow focus
- Special project agencies vs mainstreaming
- Internal vs external orientation
- Stabilising a situation/preventing further decline/crisis management and growth promotion/management
- Certainty/predictability and flexibility/pragmatism/adaptability
- A carefully-planned approach with a definite/strong vision vs just getting started, testing the water

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