

# Green industrialisation: lessons from the regional development approach in Atlantis, Western Cape

Georgina Ryan  
Trade and Industrial Policy Strategies



# Outline

## ▶ **Context**

- Economic Development Challenges
- Questions: What are the criteria in achieving regional economic development? **What does SEZ designation framework bring to regional development in South Africa?**
- Looking at the instrument of SEZs as it is applied in Atlantis
- The choice of Atlantis as a case study

## ▶ **Lessons learnt in five thematic areas**

- Policy alignment
- Institutional arrangements
- Market dynamics
- Attracting investors
- Socio-economic development

## ▶ **Reflections based on the lessons**

## ▶ **Conclusion**

# Economic Development Challenges

## ▶ SA legacy

- Underdeveloped rural areas, small towns with limited economic potential, cities and metros that were spatially divided by race
- Compounded by unemployment and slow economic growth

## ▶ Sustainable Development: Need for a green economy

*Alternative approaches needed; working at the sub-national and regional level*

## ▶ Important issues

- How to link rural and urban areas, as a source of market demand and infrastructure
- The role of cities as a key component of growth
- Infrastructure investments, value chains and clustering, innovation and competitiveness

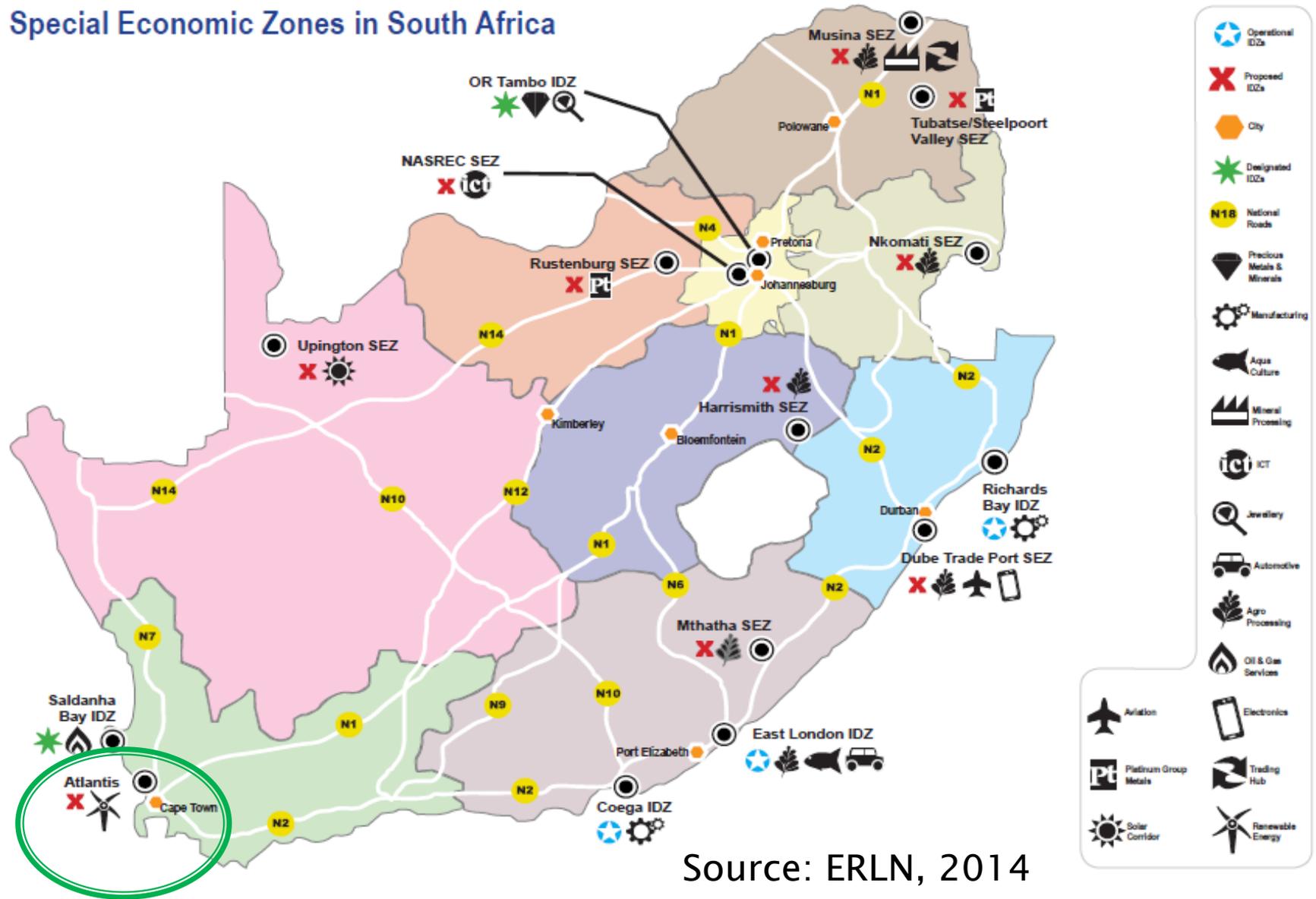
# Research question

- ▶ For regional economic development: what are the success criteria?
- ▶ Unpacking the question by looking at the instrument of SEZs
- ▶ **Main question: What does SEZ designation framework bring to regional development in South Africa?**
- ▶ Answering the question by way of a case study on Atlantis, Western Cape
- ▶ Case study methodology
  - Based on desktop review of SEZs, Atlantis feasibility study; semi-structure interviews with key stakeholders for the planned Atlantis SEZ
  - Paper developed with the support of GreenCape– Atlantis SEZ Project Management Office

# SEZs as a tool for regional economic development

- ▶ Departure point: ‘Industrial development is key to the creation of a successful and prosperous nation, as well as regions’(dti, 2013)
  - Special Economic Zones is but one of several industrial development tools and it is being refined for more effectiveness
- ▶ Building on lessons from the IDZ programme
  - IDZs– positioning in world economy, attracting FDI, export value-added commodities
- ▶ New SEZs– objectives
  - diverse regional development needs and context

# Special Economic Zones in South Africa

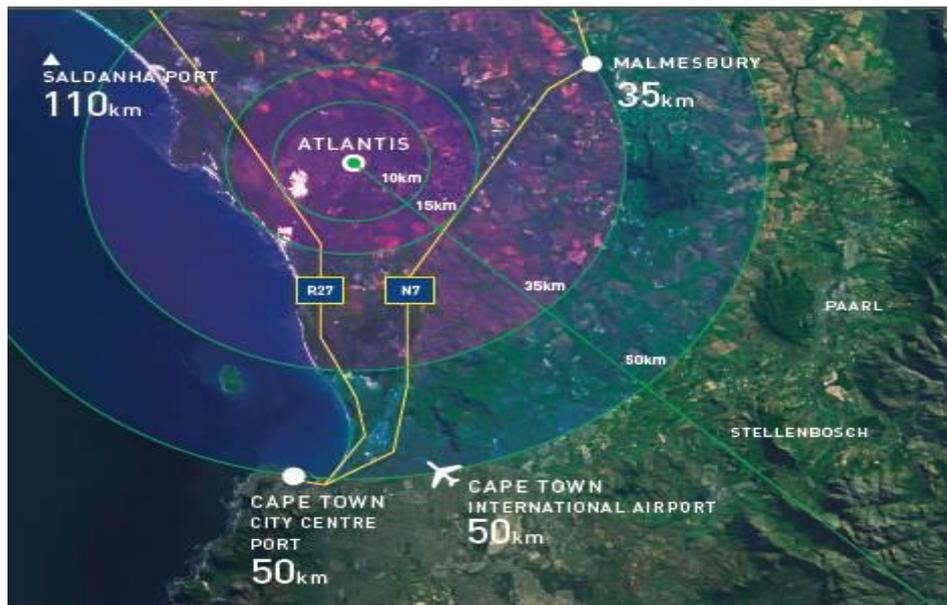


Source: ERLN, 2014

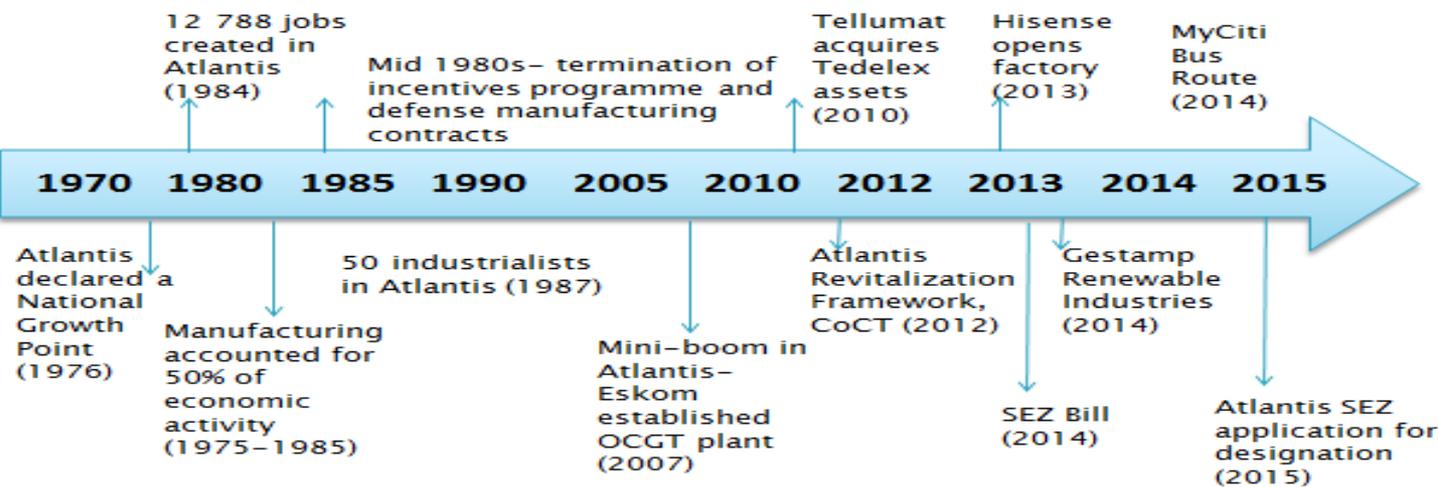
# Choosing the case study

- ▶ Sector interest in the green economy; development of an ‘emerging sector’
- ▶ The location of Atlantis near Cape Town– a major growth point
- ▶ Historical spatial development history of Atlantis– Group Areas Act, industrial development initiatives
- ▶ Designation readiness and progress in application; and broader green economy work in the region

# Rationale for Atlantis as a greentech hub



- ▶ Market demand
- ▶ Economic fundamentals
- ▶ Site specific geographic advantages
- ▶ Infrastructure/labour and ‘policy’ in place



# 5 lessons from the approach to regional development in Atlantis

SEZ Framework Criteria	Innovations in the case of Atlantis
<b>Policy alignment</b>	
Atlantis well aligned to national and local policies for development	The WCG Green Economy Strategy is particularly strong – right policies and projects; the advantage of greentech focus since 2010/11
<b>Institutional arrangements</b>	
Meeting the OSS requirements (One Stop Shop Model)	The GreenCape sector development agency skills, capacity and initiatives (WISP) are value adding
<b>Market Dynamics</b>	
Sufficient market demand	Understanding significant greentech opportunities within REIPPP and beyond; strategic position of Atlantis
<b>Attracting investors</b>	
Proving financial and non-financial incentives to investors	Regional collaboration and innovation in preparing spacing for development for greentech companies
<b>Skills development</b>	
Providing support for skills development	Undertaking a skills audit; and collaboration in the triple helix support for renewables skills

# 1. Policy Alignment

- ▶ Green Economy Agenda driven by national and provincial policy– supported by targeted sectoral policies
- ▶ The SEZ designation is an industrial policy tool for targeting the support to greentech
  - Helps focus the industrial development support
  - Through effective clustering advances the greentech sector
- ▶ The strong provincial green economy strategy is a key driver of supporting greentech in Atlantis
  - Provincial strategies for the green economy replicable across the country, already in Gauteng and KwaZulu–Natal
  - SEZ designation in Atlantis, a logical next step for greentech

# Policy alignment for Atlantis as a greentech hub and SEZ

Constitution (1996)– Bill of Rights

## National Planning and Economic Framework

(National Development Plan, NPC, 2011) (New Growth Path, EDD, 2011)

### National Environmental Management Act (1998)

**Green Economy**

**Energy Policy**

**Industrial Policy**

**Innovation Policy**

**Spatial and Infrastructure**

GE Accord (EDD)  
NSSD (DEA)  
Greenfund (DEA)  
Other sectoral policies: Transport; DoE SWH, Carbon Tax (NT)

IEP (DoE)  
IRP (DoE)  
REIPPP (DoE, NT, Eskom)

NIPF (dti)  
IPAP(dti)  
Incentives  
IDZ+ SEZs (dti)

Innov Plan (DST)

IPCC (Pres)  
SIPS (Pres)  
SPLUMA (DLRDL)

### Western Cape Province

Green Economy Strategic Framework

SEZs Driven by WCG and CoCT support

Greentech in the Western Cape

### City of Cape Town

Atlantis Revitalization Framework

CoCT Energy initiatives

Spatial Development Framework; City IDP

WCG Greentech

Atlantis Greentech hub

Atlantis SEZ

International Engagements

Climate change, biodiversity, pollution

M&E Framework  
(14 Outcomes)



# 2. Institutional arrangements: significant agency by development players



### 3. Market dynamics– sufficient demand secured through national policy on renewable energy

- ▶ REIPPP: 4 bid windows since 2011, 92 IPPs, 6,327MW, 11 in installed capacity, R53.2 billion in foreign investment
- ▶ Western Cape Green Economy opportunities
  - >R15bn market growth and >12 000 new direct jobs by 2019
- ▶ Atlantis: sufficient for small–scale greentech
  - Conservative estimates are the Atlantis as an SEZ will attract 9 greentech firms (2 large, 5 medium, 3 small); 7 greentech suppliers; create 1060 direct permanent jobs and bringing in R600 million in FDI in the short to medium term.
- ▶ SEZ designation will promote greentech businesses, provide support for development, take industrial policy beyond local content requirements– and link the industry to global value chain in the greentech sector– especially the wind manufacturing sector in the case of Atlantis

# Market dynamics in renewables and greentech

- ▶ Fundamental factor for success for an SEZ is an understanding of the markets in the greentech sector
  - Requirements in the market ( GRI investment)
  - Barriers to entry (smart meter standard)



**Tellumat**



# 4. Attracting investors: creating an enabling environment

- ▶ Suitability of Atlantis as industrial node for greentech– land availability and infrastructure
- ▶ The City of Cape Town provides financial and non-financial incentives to investors in greentech– most notably an enabling environment innovation– fast-tracked land disposal of two sites in Atlantis
- ▶ The SEZ will add financial incentives and business support to target greentech clustering
- ▶ In the case of Atlantis the role of the City has been key in fostering the enabling environment
  - Key partnerships and collaborations between investment promotion agencies, provincial and local government and agencies– example of the GRI investments– Spanish wind tower manufacturer acquiring site for manufacturing facility

# 5. Socio-economic development: skills development

- ▶ Labour market of Atlantis is suited to industrial development plans– skills development for the renewable energy industry and greentech is needed
- ▶ The SEZ will provide skills development support for businesses
  - Supporting regional economic development through triple helix collaborations
    - Regional/Atlantis skills audit underway
    - SARETEC– South African Renewable Energy Technology Centre

# Reflections based on the lessons (1)

- ▶ SEZ designation brings the following to regional economic development in Atlantis
  - Coordination of current greentech ambitions (green economy strategy)– focused attention on attracting greentech firms both domestic and foreign
  - Broader industry support across companies– large, medium and small
  - Additional support to investors (OSS model)– an enabling environment for businesses
  - Skills development strategy for the region

# Reflections based on the lessons (2)

- ▶ Innovations in the case of Atlantis were driven at various levels of government and in collaboration with stakeholders and the private sector:
  - National policy: the REIPPP programme and its benefits for greentech manufacturing in SA
  - Provincial government– green economy strategy
  - City of Cape Town– incentives and enabling environment
  - GreenCape Development Agency: partnerships and projects
  - Triple helix collaborations in skills development
  - Private sector investments and FDI in manufacturing facilities
- ▶ The interventions in many cases are replicable in other parts of the country for regional economic development

# Reflections based on the lessons (3)

- ▶ SEZ success in promoting regional economic development:
  - Some criteria needs to be met to ensure SEZ success– ie market demand, basic infrastructure, labour and alignment to national and local policy
  - SEZs need to be supported by broader industry support and particularly skills development
  - The SEZ in Atlantis will be a testing ground for how to support business in the green economy in the country

**Trade and Industrial Policy Strategies**  
Supporting policy development  
through research and dialogue

Thank you for your attention

[www.tips.org.za](http://www.tips.org.za)  
[georgina@tips.org.za](mailto:georgina@tips.org.za)  
+27 12 433 9340

