Think piece for TIPS Forum
October 2008

Reflecting on South Africa's post-apartheid experience with spatially informed economic development programmes

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Please note:
This "think piece" is taken from a section of a working draft paper. As a "think piece" contribution it sets outs some thoughts that take some liberties with the evidence presented. It should not be quoted without permission of the author.

Introduction

The South Africa that emerged from the 1994 democratic elections was one characterised by widespread poverty and inequality with an economy that was suffering the effects of macro-economic mismanagement. The root causes of these problems were seen to have originated from within the distorted policies of a highly centralised apartheid state. Under these circumstances, combined with the recognition that the new post-apartheid provincial and local spheres of government were still finding their feet, nascent national economic policy frameworks did little to diagnose spatially differentiated elements that might have added some geographic sensitivity to their programmes. This was true for how policies responded to spatial differentiation with areas of significant economic activity, as well as in relation to zones of exploited underdevelopment that had been at the core of the Bantustan system. However, the launch of the DTI's Spatial Development Initiatives (SDI) in 1997 heralded something of a shift in thinking towards some measure of recognition of the benefit of more spatially differentiated national policies and programmes. This brief paper seeks to explore the manner in which subsequent policies and programmes – emerging primarily from the Department of Trade and Industry – responded to matters of spatial differentiation. The paper finds a lack of any serious engagement in such policy frameworks and programmes and makes some suggestions as to why this might be problematic and how possible responses could be conceived of.

Some ideas informing the perspective

Why should a country concern itself with matters of spatial differentiation in relation to national economic development policy frameworks? In responding to such a question two sets of issues arise. In the first case it is recognised that a variety of factors generally combine to generate forms of spatial inequality across nation states. This could be the result of explicit policies seeking to generate a bias of development in favour of one region[1] at the cost of another, or they could be the result of geographic factors relating to topography or climate. Such divergent development paths are also often, but not always, closely aligned with the character of urbanisation and related agglomeration effects described by Alfred Marshall (1961). Emerging from a recognition of these forces, a case is often made that national policy frameworks need to be informed by an understanding that various programmes might have very different effects in different sub-national spaces. It is therefore argued that some degree of consciousness about such complexities is necessary to not only optimise policy but also to mitigate some of its unintended effects.

However, a second set of issues also come into play when considering the imperative for a measure of spatially differentiated and informed national frameworks. These are related primarily to the emergence of regions and more especially major urban conurbations as the most critical nodes in any nation state's engagement with global economic processes. Furthermore, it is suggested, in the fields of enquiry that have supported these claims, that such spaces either thrive or struggle depending on the degree to which particular spatially bound factors can be matched with the securing of often more ephemeral factors in unique mixes to enable productivity increases, forms

[1] The term "region" is used here in relation to sub-national spaces and not as a term describing a group of nation states within a particular geographic region.

of innovation or other critical capabilities to be developed. Ohmae, (1995) argues that traditional nation states have become 'unnatural' units in a global economy and makes a case that economically functional boundaries of regions are often more significant. Storper (1997) claims that regional communities and firms are the building blocks of resurgent regional economies that, are today, driving globalisation processes. Others such as Maskell et al (1998) point out that processes of knowledge sharing and networking, core to new economic processes, are connected to dynamics arising from proximity but require something more than the simply taking advantage of basic agglomeration effects. In response to these trends Helmsing (2001), goes as far as to claim that, "… the only justifiable form of industrial (trade) policy is in fact regional industrial development policy" (Helmsing, 2001: 285)

Exploring spatial matters in South Africa's economic policy frameworks

How then has South Africa's national economic development programmes responded to these issues in the past decade and a half? Certainly the early post-1994 policy frameworks tended to treat any notion of regional differentiation and spatially informed policies with some deep suspicion.[2] At a macro level the Growth Employment and Redistribution Strategy (Department of Finance, 1996), commonly referred to as GEAR, made a case for accelerated trade liberalisation and enhanced export competitiveness as being key to the Country's growth prospects. However, GEAR limited itself to focusing on traditional macro-economic policy instruments and did little to explore the ramifications of such national choices, let alone propose policy responses, on different sub-national areas.[3] With the benefit of hindsight, it can be said that GEAR and processes that emerged from it had some profound regional impacts. Some of these included impacts resulting from a curtailing of social expenditure planned under the RDP through to the substantial loss of employment that particular areas suffered as a result of a decision to accelerate tariff reduction in clothing and textile sectors – noting that such activity was concentrated in some regions and not others.

Emerging from a concern that GEAR was not having its desired effects in generating growth the DTI identified that a number of "infrastructure bottlenecks" were constraining exports as well as incoming FDI. These so-called bottlenecks were primarily seen to be a result of more than a decade of reduced public investment and were primarily seen to be connected with major transport infrastructure. Out of this process the Spatial Development Initiatives were launched, with an initial focus on dominant export hubs and corridors but subsequently were expanded to incorporate areas that had prospects to yield significant tourism investment (Wild Coast, Lake St Lucia and Northern Cape). Specialist teams were put together to develop a case for major public investment that could be directly connected with yielding significant new private investment with an export orientation. These teams tended to work to a

[2] This was influenced, in part, by disputes over debates about federal solutions that had been supported by some parties at the pre-democracy negotiating table.
[3] GEAR did make some reference to a greater focus on regional development with respect to industrial policy in the introduction to the document but the only specific programme mention was an extension of the Regional Industrial Development Programme grant scheme for small and medium businesses. The RIDP had its root in a subsidy scheme to support businesses in apartheid-era decentralised industrial parks adjacent to Bantustans but became available to any qualifying business regardless of location under the amended scheme.

national brief and, despite working closely with local role players, it was stated that prospects for them securing public investment was connected with their ability to meet national goals and anything less than this was dismissed as parochial. This perspective was reinforced by a focus of the SDI process on large conglomerates and transnational corporations and the sidelining of enterprises serving local markets in the emerging programmes such as the Industrial Development Zones (IDZs).

During this era of the mid-to-late 1990s Provinces began to emerge as players in the field of economic development. The first Provincial Growth and Development Strategies emerged and capacity started being built at the Provincial level to support various regional growth and development initiatives. However, despite the existence of a national forum in the form of the DTI's MinMEC gatherings, the DTI did little in the way of developing systemic working relationships with Provinces. More often than not tensions emerged between national processes such as the formation of Trade and Investment South Africa and the parallel formation of Provincial investment and trade development agencies. At the time, the Minister of Trade and Industry regularly complained about how embarrassed his officials were when crossing paths in various international airports and hotel lobbies with an assortment of Provincial marketing bodies. Such tensions were often aggravated by competing perspectives of what regions had to offer: for TISA the Western Cape was a tourism hub but for Wesgro the Province was a region with a vibrant emerging manufacturing base with strong technological underpinnings.

This era also saw some of the Country's major cities starting to assert themselves in not only developing their own economic programmes, but also in trying to secure greater responsiveness by the DTI to the local needs of firms. This not only resulted in tensions with Provinces that sought to be the exclusive voice in bring regional issues to the national level but also placed greater pressure on the DTI who were being asked to accommodate multiple new factors in the design of their programmes and policies.

Despite the emerging role of provinces, their impacts in direct and indirect terms on national policies and programmes, as well as that of the various larger cities, tended to be quite limited. Perhaps the one exception was that related to the DTI's attempt to initiate national cluster processes in some selected industry sectors. Some provinces and cities picked up the remnants of these less-than-successful endeavours and used the programmes, designed to support them, to initiate a wide range of inter-firm networking processes with a strong sub-national identity. The success of these processes – such as those related to different regional automotive clusters – suggested to the DTI that there was some scope to respond to new forms of industrial policy that might be more effective than homogenised national initiatives, or at least could add value alongside such national programmes.

The publication of the Micro-economic Reform Strategy and the Integrated Manufacturing Strategy in the early post-2000 period were closely watched by those in favour of greater attention to sub-national dynamics and processes in building lasting forms of competitiveness. However, the two documents – as with their predecessor policies – remained largely focused on crafting new policies in new fields with little or no consideration given to instruments that might connect more closely with sub-national agendas. These strategy frameworks did appropriately indentify the imperative for effective policy and programme responses to a host of issues such as skills, innovation and empowerment processes. But even in these fields there was not much of a suggestion that anything other than national departments might be able to formulate and orchestrate effective actions in response to the challenges. The DTI (2002) identified new sources of competitiveness that needed to be nurtured through these policies as being the adoption of ICTs, broader technology adoption, matters of time and efficiency and integration into value chains. Despite the global trend in both developed and developing country industrial policy frameworks at the time, the policy documents remained largely silent on how localised foundations of competitiveness can be nurtured to generate new and more diversified foundations for a nation state's economy. Where geography was mentioned it tended to be only in relation to the necessity of policy responses being sensitive to distributional matters in regions where poverty was widespread. For the Integrated Manufacturing Strategy (IMS) the "region" was relevant only in respect to closer integration on trade and industrial policy matters with SADC neighbours.

The IMS led to the production of a range of Customised Sector Programmes (CSPs) which were seen to be tools to convert broader goals into programmes relevant to the specific dynamics of different sectors. These CSPs have been emerging in the past few years and have, in some cases, identified important dimensions of the geography of production and competitiveness. However, their translation into action programmes has been less clear as the DTI has grappled with severe capacity constraints and competing agendas such as those related to empowerment. Where there has been some notable success at least some of it appears to be closely related to the ability of a variety of stakeholders in a particular locale being able to pick up on key strands of the CSPs and mobilising around them. Here the example of the tool-making initiative that had its roots in initiatives within heavy industries in the Ekurhuleni Metro stands out as a prime example. In this case the national is by no means irrelevant, but it is fundamentally local processes that allow for a coherent set of actions to be crafted that have a close alignment with industries specific needs.

During 2007, the DTI launched a new phase of industrial policy with the publication of the National Industrial Policy Framework (NIPF). This tended to seek to advance many of the key aspects of the IMS but identified four sectors of the economy that would receive priority attention for their potential to drive the growth and employment objectives of National Government's Accelerated and Shared Growth Initiative of South Africa (ASGISA). The NIPF makes a claim for a more active industrial policy framework at a national scale but within this once again reduces the spatial question to being essentially about two issues: infrastructure to support investment and exports and the necessity to secure development outside the traditional growth poles of the economy. The optimistic observer might see the recognition in the document that industrial policy is not the preserve of any one government department as opening up the door of opportunity for a greater plurality of approach but this is not taken much further than a call, as is also made in the Macro-economic Reform Strategy, for greater levels of inter-governmental coordination.

The NIPF sets out a vision with the following focus areas: diversification away from traditional commodity and non-tradable services; a move towards knowledge intensive industrialization; the promotion of labour absorbing productive activities; the promotion of greater levels of empowerment of marginalised groups and marginalised regions; and contributing to the development of the continent. There is little here for sub-national spaces to meaningfully hook into beyond the rarely mentioned issue of areas denuded of economic activity. With the minor exception of suggestions of some localised facilities in the craft and tourism sectors, the Industrial Policy Action Plan (IPAP) does little more than the NIPF in setting out a coherent picture of how effective industrial policy interventions can be crafted in distinct and rooted ways at the sub-national level.

The DTI has also, of late, proposed the implementation of a Regional Industrial Development Strategy (RIDS) with a distinct sub-national focus. The RIDS policy is the DTI's attempt to respond to calls for supporting forms of industrial development in impoverished areas of the country. It is expected that in its first instance the RIDS programme will allow for some measure of infrastructure and institutional support upgrading for a number of the declining industrial estates created under the apartheid governments decentralisaton strategy (Babalegi, Dimbaza, Madadeni etc). As the DTI has taken on a much greater interest in the issue of local economic development it has also begun to explore more innovative forms of localised strategy responses to economic challenges. However, this is very much a set of activities confined to the DTI's commitments around generating improved distributive impacts rather than driving economic competitiveness of leading regions.

It is notable that this approach is somewhat in contrast to the Presidency's National Spatial Development Perspective (2006), which suggests that the country needs to recognise that meeting the bulk of citizens developmental needs would require substantial attention being given to those urban centres with demonstrated economic potential. The suggestion in the NSDP is that the unique and often quite different economic platforms of these urban centres must be placed higher up the national agenda where key national choices are being made. As these centres are already the hosts to more than two thirds of national economic activity and are host to more than 50% of the population their economic prospects must be of particular concern in national policy frameworks. However, in real terms the NSDP has not translated beyond being one of a number of "perspectives" – for instance it is notable that in ASGISA there is little in the way of an explicit reinforcing of the intentions of the NSDP.

Reflecting on the implications

The motivation behind this paper has been essentially twofold: firstly it has been to examine the degree to which key spatially referenced elements have been taken on board in major national economic development policies or frameworks in South Africa; and secondly, as the answer to this first concern is "not much" it has been to reflect on to what degree this might be something of a shortcoming and in what way this might be a shortcoming. The rather sketchy overview of primarily DTI-related frameworks and programmes has shown some irregular dipping into agendas which embrace a notion of regions as generating particular forms of competitive advantage. However, the overwhelming evidence is that these policies generally pigeon-hole spatial issues into: (a) a need for supporting infrastructure in particular locales; and (b) a requirement to support a spatially more distributive spread of economic activity with poor regions in mind. There is almost nothing in terms of an explicit recognition that the experience from many other countries that the framing of national competitiveness agendas must, at the minimum, seek to incrementally build differentiated regional or local capabilities through collaborative programmes responsive to unique local circumstances.

If this is the case, then to what degree might this be a problem for the Country and in what specific ways? In the first instance it is plain for many observers of the DTI and its machinations that it has increasingly struggled to be relevant to the constituency of firms other than through its quasi-regulatory functions in the fields of company registration, trade administration and empowerment enforcement. Successes in the field of industrial policy have been few and far between and developmental services to business have been generally patchy and have struggled to sustain themselves. A number of surveys have shown that firms see the DTI as at best distant and at worst irrelevant. Some of the DTI's own restructuring advisors have for a number of years suggested that a re-definition of the role of the DTI, in partnership with localised government and business associations, could enable it to be much closer to its constituency in terms of services but also to help it generate a network of intelligence sources for the framing of national agendas that are rooted in diverse local processes. In these terms the failure to respond to these new aspects of industrial policy agendas by the DTI has left the country with a less effective institutional base for industrial policy than might have been the case had a different approach been adopted. This is by no means to say that the conditions exist for some immediate form of decentralising of the DTI as an institution and in terms of its policy and programme development processes, but it does point to a serious gap that needs ongoing attention.

However, it is not only in terms of institutional design that South Africa could be losing out. The substance of policy and programmes is overly concerned with a contrived sense of national agendas that are expected to be integrated, in delivery, through remote national bureaucratic manouvres. Under these circumstances it is expected that nationally framed initiatives, hatched with a handful of industry lobby groups and self-appointed lead firms, can substantially alter competitive dynamics in what are often relatively fragmented and regionally hetrogenous clusters. International and local experience suggests that such national processes are often necessary, but are more often than not insufficient to build the types of sustained networks and relationships between a variety of role-players required to support competitiveness processes that firms can directly tap into. For those with experience of such sub-national processes they report a combination of suspicion and dis-interest by DTI officials who often appear to be more accustomed to their Pretoria boardrooms than the meeting rooms of chambers of commerce or production team meeting facilities of manufacturing enterprises.

South Africa's competitiveness challenge has its foundations in many factors. A substantial number of these relate directly to macro-economic and global processes. Many also connect very clearly with particular national challenges unique to South Africa because of its distorted development path. These conditions suggest that there is a necessity for a country such as South Africa to have a bold industrial policy framework that seeks to systematically address a wide range of constraints and to exploit a mix of opportunities that might exist. However, for the often positive intentions underlying such frameworks to reach the bulk of enterprises in the Country, they (the frameworks) need to be informed by substantially deeper forms of localised intelligence. Furthermore, they require localised networks to make them real and accessible to producers not only in geographically isolated districts but also in complex urban centres which remain largely untouched by the DTI’s and broader government economic agendas.

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