

# More explicit regional policy for South Africa, please Mr President

Ernst Drewes

*Peer reviewed and revised*

## Abstract

South Africa has a long and well-documented history with regard to the design and implementation of national development and regional policy. With the first official policy initiatives in the 1960s, it was decided by the then National Party that a policy of separate development (apartheid) of ethnic groups had to be implemented in the national space economy. In this sense, there is no doubt about the explicit nature of this policy, as it had very specific spatial objectives and implications from the national level down to neighbourhood level. With the democratisation of the Government in 1994, this negative policy connotation led to the establishment of numerous spatial development policies without any significant 'spatial' application. At the moment, however, numerous national government departments implement spatial investment programmes on a spatially explicit basis, with little coordination between these spheres and sectors of government. Research has shown that, on a global level, national and regional development policy increasingly has to be focused on a selected number of cities with inherent economic agglomeration benefits. This article aims to provide a scientifically based perspective on what the policy approach of the Presidency's envisaged National Spatial Framework (RSA, 2012) should include, *i.e.*, an explicit and spatially selective approach focused on cities with existing agglomeration economies.

**Keywords:** National planning; regional policy; National Development Plan; agglomeration economies; secondary cities

## MEER UITDRUKLIKE STREEKONTWIKKELINGSBELEID VIR SUID- AFRIKA, ASSEBLIEF MNR PRESIDENT

Suid-Afrika het 'n lang en goed-gedokumenteerde geskiedenis met betrekking tot die formulering en implementering van nasionale- en streekontwikkelingsbeleid. Die eerste amptelike beleidsinisiatiewe is in die 1960's deur die Nasionale Party daargestel toe 'n beleid van aparte ontwikkeling (apartheid) van die verskillende etniese groepe in die nasionale ruimte geïmplementeer is. Daar is geen twyfel aan die eksplisiete aard van dié beleid nie, aangesien dit spesifieke ruimtelike doelwitte op nasionale tot plaaslike vlak gehad het. Met die verkiesing van 'n demokratiese regering in 1994, het die negatiewe konnotasie wat eksplisiete beleid dra, die gevolg gehad dat menige beleide intussen daargestel is sonder enige noemenswaardige ruimtelike fokus. Tans is daar egter verskeie nasionale regeringsdepartemente wat ruimtelik-eksplisiete programme implementeer, met min koördinasie tussen hierdie verskillende sfere van die regering. Navorsing toon dat, op globale skaal, nasionale en streekbeleid toenemend op 'n beperkte aantal stede met inherente ekonomiese agglomerasiovoordele gefokus moet wees. Hierdie artikel het ten doel om 'n wetenskaplik-gefundeerde benadering daar te stel wat in die Presidensie se voorgestelde Nasionale Ruimtelike Raamwerk ingesluit kan word (RSA, 2012). Die raamwerk behoort gebaseer te wees op 'n eksplisiete en ruimtelik-selektiewe benadering, gefokus op stede met bestaande agglomerasiovoordele.

**Sleutelwoorde:** Nasionale beplanning; streekontwikkelingsbeleid; Nasionale Ontwikkelingsplan; agglomerasio ekonomieë; sekondêre stede

## 1. INTRODUCTION

According to the United Nations (UN), national governments worldwide are designing and implementing a new generation of national urban development policies or regional policies. These policies are more "... aware of the gravity of the issues at stake, more ambitious in scope, and more integrated in approach than earlier urban policies" (United Nations Habitat, 2014: 4). The latter approach to spatial planning and development should cover a range of regional policy instruments that include plans, programmes, projects, organisational instruments and financial tools. A critical issue is, however, that these measures and instruments must be implemented in combination, *i.e.*, in a targeted and integrated manner, with explicit objectives (RSA, 2014a: 82; United Nations Habitat, 2014: 5). This relates to maximising potential gains in productivity, job creation, and increased quality of life from the spatial concentration of socio-economic activities, *i.e.*, agglomeration economies (United Nations Habitat, 2014: 10). Against this background, this article aims to evaluate South Africa's latest policy responses, aimed at increased economic development, the efficient use of regional resources, and the attainment of social progress through continued urbanisation.

The article first investigates the theoretical and empirical implications of explicit regional policy, as well as agglomeration economies. Next, it explores the existing policy responses to urban and regional development in South Africa and compares these with the approaches of other countries. The final section of this article addresses policy and implementation proposals for the South African space economy.

## 2. IMPLICIT AND EXPLICIT SPATIAL POLICIES

Whether to adopt and formulate regional policy *per se*, or to rely on implicit policies is of primary significance in the process of realising development goals. Regional policy is defined as a subset of national policy that influences the distribution of economic resources regionally. In this context, it aims at increased economic activity and is guided by objectives for the organisation of the national space economy (Friedmann, 1966: 5; Goodall, 1987: 401). For the purpose of this research, it is important to realise that policies that do not have a specific spatial dimension are even more important in the development of especially economically marginal areas than policies with specific spatial bounds (Tinbergen, 1964: 43; Kuklinski, 1975: 441; O'Loughlin, 1979: 171; United Nations Habitat, 2014: 79).

The process of development, in developing countries, in particular, involves a reallocation of resources, both sectorally and spatially. The task of regional policy is to facilitate and promote this reallocation (Williams, 1996: 70; Arndt, Gawron & Jähnke, 2000: 1904). However, the traditional pre-occupation with economic growth leads to a strong emphasis on macro- and sectoral strategies, while the spatial repercussions of development are either left aside or treated independently. This is a serious oversight, since nearly all economic policies have unintended side effects on the spatial distribution of activities. In a sense, the majority of national policies are, therefore, spatial. However, some are 'implicit', while others are 'explicit'.

Explicit policies in this context, for instance, refer to efforts to combat intra-urban efficiency problems, to promote cities of different size classes, or to mould the national settlement pattern (Richardson, 1977b: 39). Other explicit actions include industrial protectionist measures that discriminate against existing industrial concentrations, spatially discriminatory tax policies favouring certain areas, and various

sectoral support policies that favour rural peripheries (Richardson, 1977b: 39; European Commission, 1997: 52; Arndt *et al.*, 2000: 1904). These sectoral development strategies have a significant spatial consequence, as economic activities are not distributed equally among the cities, and locations vary in their comparative costs.

A common error in developing countries is also to pursue difficult and possibly unattainable explicit development policies while failing to recognise that contradictory and stronger implicit development policies are already being unconsciously implemented as part of national sectoral plans. The "... subjugation of explicit to implicit policies is merely a reflection of the subjugation of spatial planning to sectoral planning" (Richardson, 1977a: 3). Achieving reconciliation between the two, or reordering priorities would increase efficiency and save on scarce resources.

Although the quantitative impact of explicit spatial policies can be difficult to measure, there is considerable qualitative knowledge about what kinds of intervention have better prospects for success. For instance, the distribution of population is determined by three sets of forces, of which the individual impact is difficult, and perhaps even impossible to unravel. These forces are market trends and the dynamics of the aggregate development process; the implicit spatial impacts of macro-economic and sectoral economic policies, and explicit spatial policies. According to Richardson (1987a: 208- 209), it is widely believed that explicit spatial policies are the weakest of the three sets of forces. Richardson observed that, more often than not, implicit spatial policies are in conflict with explicit spatial policies, resulting in the redistribution of population being constantly undermined by primate city and core region biases inherent in many policies.

Implicit spatial policies include import substitution, subsidised urban services, and internal terms of trade distortions. These policies,

therefore, have a definite impact on where people live and work. At the same time, there is also a growing awareness and specific evidence that the effects of implicit incentives on business location decisions are much stronger than explicit incentives that favour decentralised location (Tolley & Thomas, 1987: 5).

Richardson (1981: 272-273) identified certain general considerations in the development of explicit spatial policies and strategies, the first being the size of a country. It is obvious that a regional development strategy in small countries, with only one primate city surrounded by its hinterland, will differ drastically from a large country with a space economy best represented as a group of interrelated but semi-independent regions, each with its own urban hierarchy. In the latter countries, the design of urban and regional development strategies is much more complex, as it needs to embrace a wider number of regions and many more cities reaching further down the national urban hierarchy. Topography and transport are two other relevant spatial considerations, and are often interrelated; for example, mountains could constrain the evolution of the inter-urban road system. Many countries lack the homogeneous flat plain assumed in the traditional spatial theories (Christaller, 1966), and high mountains limit spatial interaction between regions (European Commission, 1997: 54).

Differences in political structure among countries also affect the implicit or explicit nature of spatial development strategies (European Commission, 1997: 46; Arndt *et al.*, 2000: 1904). A centrally planned economy will implement a development strategy in a different way from a market-oriented economy, mainly because the choice of regional policy instruments is different. Countries and regions also vary widely in their cultural heritage and modes of behaviour. It is a known fact that migration patterns are strongly influenced by cultural factors (Richardson, 1981: 273; Mouqué, 1999: 22). Whether migrants move as individuals or families, the incidence of circular

return migration, the strength of links with areas of origin, and how fast migrants are assimilated in urban life – all these aspects of rural-urban migration are impacted by cultural influences. Policies that ignore these heterogeneous cultural factors are likely to be ineffective (Armstrong & Taylor, 2000: 301).

Thus, regional policy may be directed at regional welfare; at improvements in the regional conditions of production through investment in infrastructure and social overhead capital, or through the spatial recomposition of the labour force in more easily exploited geographical concentrations. It may attempt to influence the locational decisions of firms by offering inducements to investment in particular regions in the form of tax incentives, grants, subsidies, and so on. It can be viewed as an attempt to modernise and restructure the productive base of the economy by inducing a locational shift that corresponds to a more effective pattern for efficient production (Meyer, 1968: 10; Knowles & Wareing, 1983: 290; Armstrong & Taylor, 2000: 304; United Nations Habitat, 2014: 12; Polese, 2015: 1447). Alternatively, regional policy may be designed as a means of counterbalancing the regional effects of restructuring (Johnston, Gregory & Smith, 1986: 399). Given the multifaceted nature of the regional problem, it is hardly surprising that regional policy has varied over time and space in terms of its determinants, formal content, relative significance, and goals.

### 3. AGGLOMERATION ECONOMICS AND SELECTIVITY

After decades of neglect, the advantages of agglomeration economies in development thinking in Europe have come under the spotlight again (ESPON, 2011:14; Armstrong, 2011: 348). It ties into the concentration forces identified by Krugman (1991) in his view on the new economic geography. Under a national spatially selective approach, in which the focus is

on agglomeration economies, certain cities or regions are selected as preferred locations of development. These locations receive disproportionate shares of infrastructure investments and/or become major beneficiaries of financial incentives (Richardson, 1987b: 239; Armstrong & Taylor, 2000: 256). The instrument used to operationalise this concept refers to a 'development fund' from which funds may be borrowed to initiate projects that subsequently facilitate the generation of resources for repaying the loans. For example, cities may receive loans in the order of their date of application, or the government may introduce eligibility criteria, allowing some to climb the application list. If the government's fiscal resources are sufficient, a grant/loan combination may be offered with the grant proportion varying by type of project or by city. The reasoning behind this concept is that this requires only a modest amount of seed capital, because, once the scheme comes into full swing, periodic repayments finance new loans (Richardson, 1987b: 239).

Richardson (1987b: 239) mentions that, when comparing the merits of selective approaches, several issues have to be considered. The first is that self-selection combines 'top-down' and 'bottom-up' decision-making, in the sense that the government lays the foundation for local participation, the extent of participation depending on the city's self-reliance and dynamism. The end result of this 'development fund' is improved central/local communication, cooperation, and coordination. On the other hand, pre-selection does not involve the individual cities at all, except to pressurise the government for inclusion among priority cities. Under normal circumstances, the early beneficiaries from the self-selection scheme are likely to be cities with demonstrated managerial capacity and at least an emergent local revenue base (Richardson, 1987b: 239). To the extent that there is a positive association between local government capacity and economic potential, these are likely

to be the cities that are better off in both areas (OECD, 2014: 51). From this point of view, the self-selection approach is more appropriate if policymakers are growth-oriented rather than equity-oriented.

The problem with pre-selection is that national government investment resource constraints can severely limit the number of cities or regions that are able to participate in a priority investment programme (Richardson, 1987b: 240; Glasson, 1985: 317; Armstrong & Taylor, 2000: 224; Hall & Pfeiffer, 2000: 320). If the eligibility criteria for investment include the design of effective cost-recovery plans, these funds will help cities improve their long-term viability. The self-selection approach, however, also has certain risks. The first is that complicated loan preconditions may require detailed feasibility studies, cost-recovery plans and other technical packaging, which, in turn, may encourage the growth of a consultancy industry geared to help cities obtain loans. While this is not intrinsically negative, there is a danger that priority in disbursements may depend more on the quality of the consultants than on the merits of the development projects.

A second risk is that, if the eligibility rules place considerable power in the hands of the funding bureaucrats, corruption may be a serious concern (Richardson, 1987b: 239-240).

Selectivity, in general, and its spatial application, in particular, is of great policy significance, especially in developing countries where spatially comprehensive developmental actions are often an unrealistic goal. As a consequence, there has been a global shift towards increased selectivity since the 1990s (Jung, 1982: 83; Bachtler & Michie, 1993: 719; Martin, 1998: 535; European Commission, 1997: 112; OECD, 2014: 19). This approach is based on Hirschman's (1958: 184) theory of unbalanced growth which specifies that the creation of deliberate imbalances is a superior way to achieve growth. This is especially relevant in South-Africa's pro-rural approach to national development since 1994 (Drewes & Van Aswegen, 2013).



Selectivity may take an objective, subjective or incremental form. Objective selectivity refers to the even distribution of development expertise and resources throughout the national space economy.

Subjective selectivity suggests the operation of development in 'problem', 'non-problem' or 'high potential' areas, or selected sectors. It pays attention to the worst problems and strives to attain maximum returns from resources under the highest potential. A major practical difficulty with subjective selectivity is the identification of fruitful projects with the potential to induce direct or complementary beneficial impact.

Incremental selectivity is geared towards cutting down the number and range of policies and decisions to only those with the most promising potential outcomes (Riddell, 1987: 20- 21). However, critical as one may be of selectivity, it has credibility because of the implausibility of comprehensive development in the face of reality – the need to produce some projects and make some decisions, especially viewed in the competitive nature of cities on an international level.

The second theoretical underpinning of this section refers to the concept of agglomeration economies and its relevance to spatial selection, especially in a developing economy such as South Africa. The concept refers to the association of productive activities in close proximity to each other, which gives rise to external economies associated with the collective use of infrastructure, transportation, communication facilities, and the service industries (Johnston *et al.*, 1986: 5).

Hirschman (1958), Richardson (1977b) and Wheaton & Shishido (1981: 30) all demonstrated that, where economic growth is initialised by taking advantage of agglomeration economies, inequality increases initially, but tends to subside again over time during more advanced stages of development.

Agglomeration economically driven development leads to a greater concentration of people, economic

entities, infrastructure and institutions in one place, which means that resources are used more efficiently. These benefits mainly come from transport costs savings: the only real difference between a nearby firm and one across the continent is that it is easier to connect with a neighbour (Glaeser, 2010: 1). Of course, transportation cost must be interpreted broadly, including matters such as exchanging goods, people, and ideas. The connection between agglomeration economies and transport costs would seem to suggest that agglomerations should become less important, as transportation and communication costs start to fall. Yet, a central paradox of our time is that, in cities, industrial agglomerations remain remarkably vital, despite easier movement of goods and knowledge across space.

In terms of relevant policy formulation, Hirschman (1958) stated that the creation of deliberate imbalances is a superior way to achieve growth. According to Hirschman (1958: 183-184), there can be little doubt that an economy must first develop one or several regional centres of economic strength within itself in order to acquire higher income levels. This need for the emergence of growth centres in the course of the developmental process means that international and interregional inequality of growth is an inevitable condition of growth itself. Therefore, in a geographical sense, growth is necessarily unbalanced and evident only in some urban agglomerations.

When considering an economy that has experienced growth at two different points in time, many sectors will be found to have forged ahead. Industry, agriculture, capital and consumer goods industries, as well as many other sectors have their own rate of annual increase (Hirschman, 1958: 62). According to Hirschman (1958: 62-63), development has "... proceeded in this way, with growth being communicated from the leading sectors of the economy to the followers, from one industry to another, from one firm to another. In other words, the balanced growth that

is revealed by two still photographs taken at two different points in time is the end result of a series of uneven advances of one sector followed by the recovery of other sectors. If this recovery overreaches its goal, as it often does, then the stage is set for further advances elsewhere". Myrdal (1957: 26) supports this view by maintaining that, if "... things were left to market forces unhampered by any policy interferences, industrial production, commerce, banking, insurance, shipping and, indeed, almost all those economic activities which in a developing economy tend to give a bigger than average return – and, in addition, science, art, literature, education and higher culture generally – would cluster in certain localities and regions, leaving the rest of the country more or less in a backwater". The play of forces in the market, therefore, tends to increase, rather than to decrease the inequalities between regions.

Although there are different opinions as to the character of agglomeration economics, (Glaeser, 2010: 2), Duranton & Puga (2004: 47) again confirm that "... the concept of urban agglomeration economies is robust to many different specifications and microeconomic mechanisms". Duranton & Puga (2004: 2) argue that agglomeration economies can be classified into three functions, namely: matching, learning and sharing. Accordingly, cities enable firms to match their requirements for labour, premises and suppliers better than small towns, as these markets are larger with more choices available. Secondly, firms benefit from the greater flow of information in larger urban complexes. These improve creativity and innovation, resulting in more valuable products and processes. Thirdly, larger cities give firms access to a better range of shared services as a result of scale economies for infrastructure providers. In short, agglomeration economies save costs, promote innovation, and increase the competitiveness of the local economy (United Nations Habitat, 2014: 10).

This resurgent interest in agglomeration economies has resulted in significant policy application

in numerous countries since 2000. According to the Armstrong (2011: 348), agglomeration economies have come back into policy fashion after some decades, focusing attention on the general availability and diversity of resources in a location with a high density of different activities (ESPON, 2011: 14).

#### 4. INTERNATIONAL AND SOUTH AFRICAN CASE STUDIES

The questions raised in this article refer to the appropriate use of national development policy in identifying centres where agglomeration economies exist, and explicitly selecting them for a specific development role in the national space economy. In policy terms, the translation of explicit spatial policy, combined with the selection of urban centres with sufficient agglomeration advantages, implies the identification of large urban centres or secondary cities as appropriate centres of development, as part of a national development policy or strategy. This empirical section is based on the evaluation of both quantitative and qualitative data from global case studies.

In various international examples, the national or even international governing structures increasingly utilise the instruments of urban selectivity and agglomeration economies to further their developmental goals for the region. The European Union (EU) has recently funded a major research programme into finding ways to further strengthen their secondary cities (ESPON, 2011), as these selected cities generally reflect the fastest population and economic growth in their respective regions (South African Cities Network, 2012: 6). Similarly, the World Bank has designed a global urban development strategy directed almost exclusively at secondary urban centres (World Bank, 2009).

This approach is widely used throughout the developed world, as well as in numerous developing countries. First-world countries such

as Switzerland (OECD, 2014: 280), Germany, Poland, and Romania (ESPON, 2013: 25) all focus their development and national investment policies on large or secondary cities as a result of the appropriate economies of scale present in the areas. Similarly, countries where funding is much more scarce, the national spatial development and investment focus is on a selected number of urban centres with appropriate levels of agglomeration economies. These include countries such as the Czech Republic (OECD, 2014: 230), and South Korea (OECD, 2014: 150).

Quantitative research has also demonstrated the impact of spatially focused policy on relevant urban hierarchy structures. These empirical studies found that, when a city doubles in size, the nominal wages of the resident population is raised by 10 per cent as a result of an increase in labour productivity. This has been confirmed in numerous countries, including the United States of America, Japan, and Sweden (Kim, 1997). In this regard, Tabuchi (1998: 12) also confirms “that while city bigness enhances productivity of firms, it also brings net agglomeration economies to households.” On a global level, the OECD (2014: 18) states that “... larger cities serve as hubs or service centres through which trade, financial and other flows are channelled. OECD estimates suggest that the so-called ‘agglomeration benefits’ of cities in the form of higher productivity and the resulting wage premia are of the order of 2% to 5% for a doubling in population size. Thus, between a city of, say, 100 000 inhabitants, and a city of 6 million, the productivity gap could reach 20% to 30%”. The McKinsey Global Institute (2011) report, which specialises in, and advises on global economic policy, also reiterates that secondary cities are the principal drivers of global economic growth. Accordingly, and contrary to common perception, large and megacities have not been the drivers of economic growth since the late 1990s. Instead, they calculate that some 577 “... fast-growing ‘middleweights’ (i.e. secondary cities) will contribute more than 45 per cent

of global growth until 2025, gaining share from megacities” (MGI, 2011: 4).

In South Africa, however, the government has lacked any real appetite for explicit regional policy since the election in 1994. Since then, the sentiment has been pro-rural and focused on the basic needs of the previously disadvantaged people of the country (Drewes & Van Aswegen, 2013; United Nations Habitat, 2014: 59). A great deal has been said about spatial planning and policy-making since 1994 (Turok & Parnell, 2009; Oranje & Merrifield, 2010; Todes, 2011; Drewes & Van Aswegen, 2013). This section aims to focus on more recent national policy developments (since 2012), with specific reference to implicit policies with focused spatial impact.

In 2012, a need was identified for the coordinated and focused implementation of a plan at a national level to eradicate poverty and exclusion in South Africa, from which the National Development Plan (NDP) emanated (RSA, 2012). As far as the need for a national plan is concerned, the main argument of the National Planning Commission (NPC) referred to the poverty cycle and to the exclusion of the majority of people from opportunities for further education. The report outlined the major challenges that South Africa faces, with the focus on two major areas, namely the need to eliminate poverty and to reduce inequality.

According to the NDP, it aims to create a virtuous cycle whereby opportunities are expanded, leading to building the capabilities of the nation, resulting in a reduction in poverty and community development, ultimately giving rise to higher living standards and completing the cycle where opportunities for the next generation are expanded. The intended result of the NDP (2012) was summarised as follows: Creating jobs and livelihoods; expanding infrastructure; transitioning to a low-carbon economy; transforming urban and rural spaces; improving education and training; providing quality healthcare; building a capable state; fighting corruption and enhancing accountability;

transforming society, and uniting the nation. At the core of the plan, lies the "... dire need for growth and development" (RSA, 2012).

From a spatial planning perspective, the NDP also proposes the development of a National Spatial Framework (NSF), involving government, business and civil society, in order to create a collective vision. This has not been done yet. However, numerous implicit sectoral policies have been designed and implemented over the past five years that will have a large impact on the formulation and implementation process of such a plan or framework. The following programmes have explicit spatial implications and are based on the previously mentioned selective approach (see section 3). They were, however, compiled implicitly by numerous government departments and are also administered separately.

- Development of mining towns

In 2013, the Presidency announced an investment strategy related to the need to provide quality housing for people residing and working in mining towns. Initially, a budget of R1 631 917 billion for the 2013/2014 financial year had been set aside for the upgrading of informal settlement sites, as well as the erection of new houses across mining towns in South Africa (RSA, 2013). This housing and infrastructure programme was initially earmarked for two regions in the North-West province (see Table 1), and would be expanded to other mining towns in the following financial years.

This initial programme was then expanded in 2015 with a budget of over R9 billion for the revitalisation of mining towns and the eradication of informal settlements (De Bruyn, 2015). Of this newly established budget, the national government contributed two-thirds, and relevant mining companies the rest.

- Social Housing Programme (Restructuring Zones)

The provision of state-subsidised or social housing is a global phenomenon. In South Africa, a specific 'authority' has been established to oversee the administrative and financial

process of social housing provision. Accordingly, the Social Housing Regulatory Authority was established in 2010 as part of the Department of Human Settlements. In South Africa, social housing provides rental accommodation for the upper end of the low-income market, with the secondary aim of creating sustainable human settlements.

From the outset, however, it was determined that this programme and the subsequent subsidy would only be implemented in selected urban areas (see Table 1). The explicit aim of this strategy is the "... intervention in the land market: either to protect lower income people from displacement or to bring lower income into areas of economic and other forms of opportunity from which they would otherwise be excluded" (Social Housing Regulatory Association, 2010).

- Industrial development zones

Similar to numerous countries in the world, the South African government, in an effort to reposition itself in the world economy, established the Industrial Development Zones (IDZ) programme. This programme's main focus is to attract foreign direct investment and export value-added commodities at a purpose-built industrial estate that leverages domestic and foreign fixed direct investment in value-added and export-oriented manufacturing industries and services (RSA, 2014b).

The Coega IDZ in the coastal city of Port Elizabeth is the largest IDZ in Southern Africa. Similarly, three more IDZs were also explicitly identified, namely East London, Richards Bay and the OR Tambo International Airport in the Gauteng province.

- Special economic zones

Since the establishment of the first Special Economic Zone (SEZ) internationally, approximately fifty years ago, there has been a rapid increase in their use as development instruments, particularly in developing economies. According to the International Labour Organisation (ILO), there were 176 zones in 46 different countries in 1986, and today more than 3 000 SEZs exist in about 135 countries (Nyakabawo, 2014).

Special Economic Zones (SEZs) are defined as geographically designated areas set aside for specifically targeted economic activities, supported by special arrangements and systems that are different from those that apply in the rest of the country. The Industrial Policy Action Plan (RSA, 2014b: 17) identified a number of cities (see Table 1) as key contributors to national economic development. They are supposed to function as growth engines towards government's strategic objectives of industrialisation, development and employment creation.

Therefore, the purpose of the SEZ programme is to (Nyakabawo, 2014; RSA, 2014b):

- promote regional development;
- expand the strategic industrialisation focus to cover diverse regional development needs and context, and to
- provide a clear, predictable and systemic planning framework for the development of a wider array of SEZs to support industrial policy objectives, the Industrial Policy Action Plan (IPAP), and the New Growth Path (NGP).
- Neighbourhood development programmes

National Treasury has recently embarked on a spatially focused investment and development programme, namely the Neighbourhood Development Programme. Their approach is based on the fact that two-thirds of the country's population depends on social and economic services located in urban centres. These cities face a number of challenges, of which the historically distorted spatial form is foremost on their agenda.

Accordingly, people living in marginalised areas spend vast amounts of their disposable income and time on transportation between their homes and the better-located centres of opportunity. Such sprawling and highly segregated land-use patterns impose significant costs on poor households and the environment, and divert public resources from poor to rich households (RSA, 2014c).



Table 1: Spatial application of departmental or sectoral policies

City	Mining towns (presidential package)	Social housing (restructuring zones)*	Industrial development zones	Special economic zones	Neighbourhood development programmes	Secondary cities*
1	Apel	Bloemfontein	Kempton Park	Saldanha Bay	East London	Klerksdorp
2	Burgersfort	East London	Port Elizabeth	Harrismith	Durban	Newcastle
3	Groblerdsdal	Port Elizabeth	Richards Bay	Upington	Bloemfontein	Richards Bay
4	Hoedspruit	Cape Town	East London	Ballito	Krugersdorp	Middelburg
5	Krugersdorp	Pretoria			Pretoria	Stellenbosch
6	Middelburg	Klerksdorp			Witbank	Witbank
7	Mogwase	Potchefstroom			Klerksdorp	Pietersburg
8	Randfontein	Johannesburg			Johannesburg	Mafikeng
9	Rural-Rustenburg	Rustenburg			Port Elizabeth	Ellisras
10	Welkom	Pietermaritzburg			Nelspruit	Nelspruit
11	Westonarea	Ekhuruleni				Welkom
12	Witbank	Durban			Vereeniging	Secunda
13		Kimberley			Pietermaritzburg	Brits
14					Newcastle	Rustenburg
15					Pietersburg	Potchefstroom
16					Rustenburg	Upington
17					Kimberley	Kimberley
18						Paarl
19						George
Implemented by	The Presidency	Dept. Human Settlements	Dept. of Trade and Industry	Dept. of Trade and Industry	The Treasury	

\* According to South African Cities Network (2012). Shaded areas reflect use of secondary cities by explicit policy.

As such, the implications for this government initiative is to focus on the urban agenda and to support the spatial transformation of 18 specific urban centres (see Table 1). The emphasis of this strategy is to shift infrastructure investments towards the creation of efficient and effective urban centres through an approach of spatial targeting of public investment, primarily infrastructure.

Table 1 summarises the various cities in South Africa that are targeted by specific investment initiatives. As reference to the discussions in Sections 2 and 3, the last column provides a list of the secondary cities in South Africa, *i.e.*, cities with measurable and significant agglomeration economies (excluding metropolitan centres).

Table 1 illustrates the spatial implication of the five implicit policies mentioned. If one accepts the theoretical principles discussed earlier (sections 2 and 3) and the proven qualitative and quantitative results of agglomeration economies worldwide, it follows that it had little impact on the choice of development nodes. It displays a sectoral focus for relevant government departments with little or no integration or coordination evident between them.

Table 1 also shows the departmental responsibility of these policies and programmes. This illustrates the “silo-effect” that development economists have warned against since the Second World War, *i.e.*, various government departments have their own vision for the development of regions or the national space as a whole. This goes against all policy principles for sustainable and efficient development of a country or region as a whole.

Further, the “mining towns” identified through the Presidential Package (Table 1) require special reference, as it can be argued that these are non-central places (Richardson, 1987b). However, existing policy and legislation prescribe that the expansion of mining villages must be halted and that expansions in this regard must be facilitated at nearby, sustainable towns (RSA, 2009). Therefore, it makes no sense, for example, to identify a ‘town’ such as Apél (see Table 1), which has no economic income base, except to serve as a dormitory town for nearby mines. A secondary city such as Burgersfort is only 30km from Apél, with a diversified local economy, and conforms to the principles of a secondary city, and most likely to the

basic requirements of agglomeration economies (South African Cities Network, 2012: 54).

An important issue that is absent from the above summary of development initiatives refers to the so-called Presidential Infrastructure Programme (PIP), which forms one of the main spatial focus areas in the mentioned National Development Plan (2012). This programme was designed at a national level and based on the implementation of large-scale infrastructure developments. It is supposed to play a critical role in the national drive towards economic development and job creation. In order to address these challenges and goals, national government established the PIP to, among others, (RSA, 2012) develop a single common National Infrastructure Plan that will be monitored and centrally driven, and develop a 20-year planning framework beyond one administration to avoid a stop-start pattern to the infrastructure roll-out.

The identified projects will provide new infrastructure, assist in terms of rehabilitating and upgrading existing infrastructure, and also play a crucial role in facilitating the regional integration for African cooperation and

economic development on the African continent. These spatially focused projects include (KPMG, 2014):

1. Unlocking the northern mineral belt through rail infrastructure and logistics development to connect Mpumalanga and Gauteng.
2. Durban-Free State-Gauteng logistics and industrial corridor has strengthened the logistics and transport corridor between South Africa's industrial hubs.
3. South-Eastern mode and corridor development will develop the N2 Wild coast highway, thus improving access into KwaZulu-Natal and manganese rail capacity from the Northern Cape.
4. Unlocking the economic opportunities in North-West Province.
5. Saldanha-Northern Cape corridor development, strengthening marine support capacity for oil and gas and through the expansion of iron ore mining production.

Although the spatial focus of these large investment projects must be commended, the question arises as to why the National Development Plan – of which the NIP forms part – still has not adopted any form of spatial focus. Secondly, no mention is made of any linkage to a nodal development strategy.

In conclusion, the empirical data given in Table 1 illustrates the compartmentalised approach the government is following to develop the national space economy. If one compares the other empirical case studies, as discussed earlier, and also refers to the classical theories of interaction between nodal areas via development corridors and the subsequent development of agglomeration economies (Christaller, 1966; Friedman, 1966; Hirschman, 1958), the existing development approach in South Africa is incoherent and ineffective.

## 5. POLICY FORMULATION PROCESS

Although it is not the aim of this study to derive an appropriate regional policy, it is deemed necessary

to provide input with regard to the relevant policy formulation process. In South Africa, this relates specifically to the National Development Plan (NDP) and the National Spatial Framework (NSF). According to Hansen, Higgins & Savoie (1990: 291), this type of spatial policy, more than any other policy, must be flexible and able to accommodate changing circumstances. This flexibility, however, requires a governmental or organisational structure capable of introducing and applying changes quickly.

The policy-formulating body (usually the government) must first decide on the importance of explicit regional policy. Such a government body should, first, decide whether it wants to formulate regional policy, or to let a free-market system prevail. As such, the existence of agglomeration economies does not in itself give guidance about optimal regional policy (Gleaser, 2010: 13). If explicit regional policy is decided on, the first step, traditionally, is the formulation of goals and objectives (Christensen, Berg, Salter & Stevenson, 1986: 17). If possible, these objectives should be quantifiable. For example, one of the major goals of such regional policy is usually to increase productivity and income in strategic areas. Accordingly, it would be possible to evaluate the success rate of the newly introduced policy after a specified period of time in terms of these numbers (see section 4). With specific reference to the NDP, Terreblanche (2014: 154-157) confirms that measurable goals must be formulated and specifically targeted if ever the country wants to attain the many general goals specified for 2030.

In addition to specifying regional policy goals as precisely as possible, the policy-making body needs to identify the range of policy options available to meet these goals. It should be determined whether there are alternative ways to achieve these goals, and if so, to determine the costs and risks associated with each. During this second stage of formulation, the proposed new policy must first be compared to the

existing policy (if any), as well as a “do-nothing” or free-market approach (Armstrong & Taylor, 2000: 365).

Ongoing monitoring must be performed to measure the success or failure rate of an implemented policy as they occur. This allows the policy-making body to adjust in the case of negative feedback or insufficient progress. It involves the collection and analysis of relevant information (as identified in the first phase), which is essentially the effect of the policy as it occurs. This process is also essential in an effort to determine whether public money is spent appropriately (Armstrong & Taylor, 2000: 365).

## 6. WAY FORWARD

Regional and national spatial policy is different from, for example, industrial development policy, transportation policy, or energy policy, as it cannot be promoted effectively within the framework of being treated as any other traditional vertical sector within the national system. Instead, this type of policy should be conceptualised as a horizontal slice cutting across nearly all other sectors (Richardson, 1987b: 243). The main reason for this is that so many sector-specific investments take place in urban areas, but it also reflects the fact that planning and policies outside the urban areas have indirect feedback into urban and regional development (as illustrated in Table 1). It is the goal of the majority of regional development policies to either slow down the further growth of negative externalities experienced in the metropolitan regions, or alternatively an effort is made to balance the economic development of rural or peripheral areas with the metropolitan regions.

The above discussions have sought to show that spatial planning policy should be explicit in terms of its geographical application. Secondly, it shows that, at this stage of national spatial development (2015), South Africa has to focus the explicit policy on cities where sufficient agglomeration economies exist. Thirdly, it shows that the international focus of spatial planning policy is on



secondary cities, in particular – not only in first-world countries, but also in developing countries. Fourthly, this research shows that the impact of explicit spatial measures can be measured quantitatively in terms of wages and productivity.

Conversely, the research illustrates that, at present (2015), there is no explicit national spatial planning policy. Secondly, it illustrates that numerous government departments run their own implicit policies and programmes that promote investment in specific towns and cities in South Africa. It also shows that numerous regional infrastructure projects are being implemented with no integration of the previously mentioned departmental programmes and policies. Fourthly, it indicates that the towns and cities identified through these sectoral policies have little in common with the cities that have been identified as nodes (secondary cities) with sufficient agglomeration economies that can advance economic development effectively. Lastly, this research illustrates the need for an integrated approach towards spatial planning policy, combined with an explicit spatial focus.

This synthesis implies the following, *i.e.*, a national plan and policy should be designed that coordinates the spatial investment initiatives from the various government departments. This ‘plan’ must reflect on international best practice and prioritise its investment focus into cities that are well positioned for increased development, *i.e.*, large and secondary cities. It should also be linked to the national infrastructure plan in terms of timing and spatial focus. In the NDP (RSA, 2012: 280), it was said that a “spatial development framework” will be formulated. It is hoped that these principles can be adopted within the proposed framework.

## REFERENCES LIST

- ARMSTRONG, H. & TAYLOR, J. 2000. *Regional economics and policy*. Oxford: Blackwell.
- ARMSTRONG, H. 2011. In: El-Agraa, A. (Ed.). *The European Union: economics and policies*. Cambridge: Cambridge University Press. pp. 348-363.
- ARNDT, M., GAWRON, T. & JÄHNKE, P. 2000. Regional policy through cooperation: From urban forum to urban network. *Urban Studies*, 37(11), pp. 1903-1924, October.
- BACHTLER, J. & MICHIE, R. 1993. The restructuring of regional policy in the European Community. *Regional Studies*, 27(8), pp. 719-725.
- CHRISTALLER, W. 1966. *Central places in Southern Germany*. Englewood Cliffs, N.J.: Prentice-Hall.
- CHRISTENSEN, C.R., BERG, N.A., SALTER, M.S. & STEVENSON, H.H. 1986. *Policy formulation and administration*. Homewood, ILL.: Irwin.
- DE BRUYN, C. 2015. R9bn-plus budgeted for revitalisation of mining towns. *Mining weekly*, 11 March.
- DREWES, J.E. & VAN ASWEGEN, M. 2013. National planning in South Africa: A temporal perspective. *Town and Regional Planning*, 62(2013), pp. 21-29.
- DURANTON, G. & PUGA, D. 2004. *Micro-foundations of urban agglomeration economies*. Cambridge: National Bureau of Economic Research.
- ESPON. 2011. *Secondary growth poles in territorial development in Europe*. Liverpool: John Moores University.
- ESPON. 2013. *Second tier cities and territorial development in Europe: Performance, policies and prospects*. Liverpool: John Moores University.
- EUROPEAN COMMISSION. 1997. *Regional development studies: The EU compendium of spatial planning systems and policies*. Brussels: European Communities.
- FRIEDMANN, J. 1966. *Regional policy: A case study of Venezuela*. Cambridge, MA.: The MIT Press.
- GLAESER, E.L. 2010. Introduction. In: Glaeser, E.L. (Ed.). *Agglomeration economies*. Chicago, ILL.: University of Chicago Press, pp. 1-14.
- GLASSON, J. 1985. *An introduction to regional planning*. London: Hutchinson.
- GOODALL, B. 1987. *The Penguin dictionary of human geography*. Harmondsworth, UK: Penguin Books.
- HALL, P. & PFEIFFER, U. 2000. *Urban future 21: A global agenda for twenty-first-century cities*. New York: E. & F.N. Spon.
- HANSEN, N.M., HIGGINS, B. & SAVOIE, D.J. 1990. *Regional policy in a changing world*. New York: Plenum Press.
- HIRSCHMAN, A.O. 1958. *The strategy of economic development*. New York: Norton.
- JOHNSTON, R., GREGORY, D. & SMITH, D. (Eds). 1986. *The dictionary of human geography*. Oxford: Blackwell.
- JUNG, H. 1982. Regional policy in the Federal Republic of Germany. *Geoforum*, 13(2), pp. 83-96.
- KIM, S.J. 1997. *Productivity of cities*. Aldershot, UK: Ashgate.
- KNOWLES, R. & WAREING, J. 1983. *Economic and social geography*. London: Heinemann.
- KPMG. 2014. *Unpacking the National Infrastructure Development Plan*. [online]. Available from: <<http://www.sablog.kpmg.co.za/2014/03>> [Accessed: 2 April 2015].
- KUKLINSKI, A.R. 1975. The spatial dimension in policy and planning. In: Kuklinski, A.R. (Ed.). *Regional development and planning: International perspectives*. Leiden: Sijthoff, pp. 433-444.
- MARTIN, P. 1998. On the frontier of globalization: Development and discourse along the Rio Grande. *Geoforum*, 29(3), pp. 217-235.
- MCKINSEY GLOBAL INSTITUTE (MGI). 2011. *Urban world: Mapping the economic power of cities*. San Francisco, California: McKinsey & Company.
- MEYER, J.R. 1968. Regional economics: A survey. In: Needham, L. (Ed.). *Regional analysis: Selected readings*. Harmondsworth, UK: Penguin Books, pp. 7-18.
- MOUQUÉ, D. (Ed.). 1999. *Sixth periodic report on the social and economic situation and development of the regions in the European Union*. Brussels: European Commission.
- MYRDAL, G. 1957. *Economic theory and under-developed regions*. London: Duckworth.
- NYAKABAWO, W. 2014. *The geographic designation of Special Economic Zones*. Pretoria: TIPS.

- O'LOUGHLIN, J. 1979. Geographic contributions to policy studies. In: Nagel, S.S. (Ed.). *Policy studies and the social sciences*. New Brunswick, N.J.: Transaction Books, pp. 163-174.
- ORANJE, M. & MERRIFIELD, A. 2010. National spatial development planning in South Africa 1930-2010: An introductory comparative analysis. *Town and Regional Planning*, 56(2010), pp. 29-45.
- ORGANISATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD). 2014. *OECD regional outlook 2014: Regions and cities: Where policies and people meet*. Brussels: OECD Publishing.
- POLESE, M. 2005. Cities and national economic growth: A reappraisal. *Urban Studies*, 42(8), pp. 1429-1451.
- REPUBLIC OF SOUTH AFRICA (RSA). 2009. Department of Minerals and Energy. *The housing and living conditions standard for the minerals industry*. Pretoria: Government Printers.
- REPUBLIC OF SOUTH AFRICA (RSA). 2012. The Presidency. *National Development Plan 2030 overview: Our future make is work*. Pretoria: National Planning Commission.
- REPUBLIC OF SOUTH AFRICA (RSA). 2013. The Presidency. *Special presidential package*. [online]. Available from: <<http://www.thepresidency.gov.za/pebble.asp?reid=15837>>. [Accessed: 5 April 2015].
- REPUBLIC OF SOUTH AFRICA (RSA). 2014a. Cooperative Governance and Traditional Affairs. *Integrated urban development framework: draft for discussion*. Pretoria: Government Printers.
- REPUBLIC OF SOUTH AFRICA (RSA). 2014b. Department of Trade and Industry. *Industrial development financial assistance*. [online]. Available from: <[http://www.thedti.gov.za/industrial\\_development/sez.jsp](http://www.thedti.gov.za/industrial_development/sez.jsp)>. [Accessed: 5 April 2015].
- REPUBLIC OF SOUTH AFRICA (RSA). 2014c. National Treasury. *Neighbourhood development programme overview*. [online]. Available from: <<http://ndp.treasury.gov.za/default.aspx>>. [Accessed: 4 April 2015].
- RICHARDSON, H.W. 1977a. City size and national spatial strategies in developing countries. Washington, DC. (World Bank staff working paper no. 252.)
- RICHARDSON, H.W. 1977b. *The new urban economics and alternatives*. London: Pion Limited.
- RICHARDSON, H.W. 1981. National urban development strategies in developing countries. *Urban Studies*, 18(3), pp. 267-283.
- RICHARDSON, H.W. 1987a. Spatial strategies, the settlement pattern and shelter and services policies. In: Rodwin, L. (Ed.). *Shelter, settlement and development*. Boston: Allen, pp. 207-235.
- RICHARDSON, H.W. 1987b. Whither national urban policy in developing countries? *Urban Studies*, 24(3), pp. 227-244.
- RIDDEL, R. 1987. *Regional policy: The struggle for rural progress in low-income nations*. New York: St. Martin's Press.
- SOCIAL HOUSING REGULATORY ASSOCIATION. 2010. Urban development zones. [online]. Available from: <<http://www.shra.org.za/resource-centre/shf-archives/63-static/udz/90-urban-development-zones>>. [Accessed: 7 April 2015].
- SOUTH AFRICAN CITIES NETWORK. 2012. Secondary cities in South Africa: The start of a conversation. Background report. March 2012.
- TABUCHI, T. 1998. *Measuring urban agglomeration economics*. Tokyo: University of Tokyo.
- TERREBLANCHE, S. 2014. *Verdeelde land: Hoe die oorgang Suid-Afrika faal*. Kaapstad: Tafelberg.
- TINBERGEN, J. 1964. *Central planning*. London: Yale University Press. (*Studies in Comparative Economics*, Volume 4.)
- TODES, A. 2011. Reinventing planning: Critical reflections. *Urban forum*, 22(2011), pp. 115-133.
- TOLLEY, G.S. & THOMAS, V. 1987. An overview of urban growth: Problems, policies, and evaluation. In: Tolley, G.S. & Thomas, V. (Eds). *The economics of urbanization and urban policies in developing countries*. Washington, D.C.: World Bank, pp. 1-14.
- TUOK, I. & PARNELL, S. 2009. Reshaping cities, rebuilding nations: The role of national urban policies. *Urban Forum*, 20(2), pp. 157-174.
- UNITED NATIONS HABITAT. 2014. *The evolution of national urban policies: A global overview*. Nairobi: UN Habitat.
- WHEATON, W.C. & SHISHIDO, H. 1981. Urban concentration, agglomeration economies, and the level of economic development. *Economic Development and Cultural Change*, 30(1), pp. 17-30.
- WILLIAMS, R.H. 1996. *European Union spatial policy and planning*. London: Chapman.
- WORLD BANK. 2009. *Systems of cities: Harnessing urbanization for growth and poverty alleviation*. Washington, D.C.: World Bank.