



## INCLUSIVE ECONOMIC GROWTH

SACN Thematic Session I | SA URBAN CONFERENCE 2017 | eThekweni  
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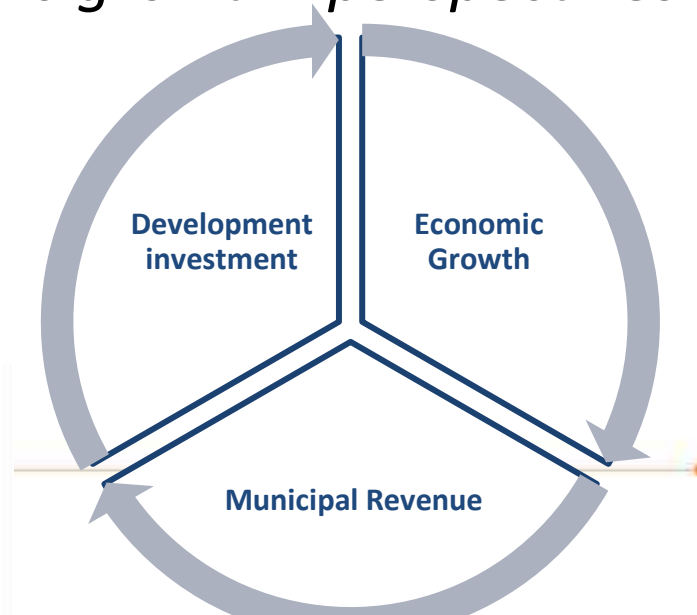
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# ROLE OF “CITIES” IN NATIONAL ECONOMIES

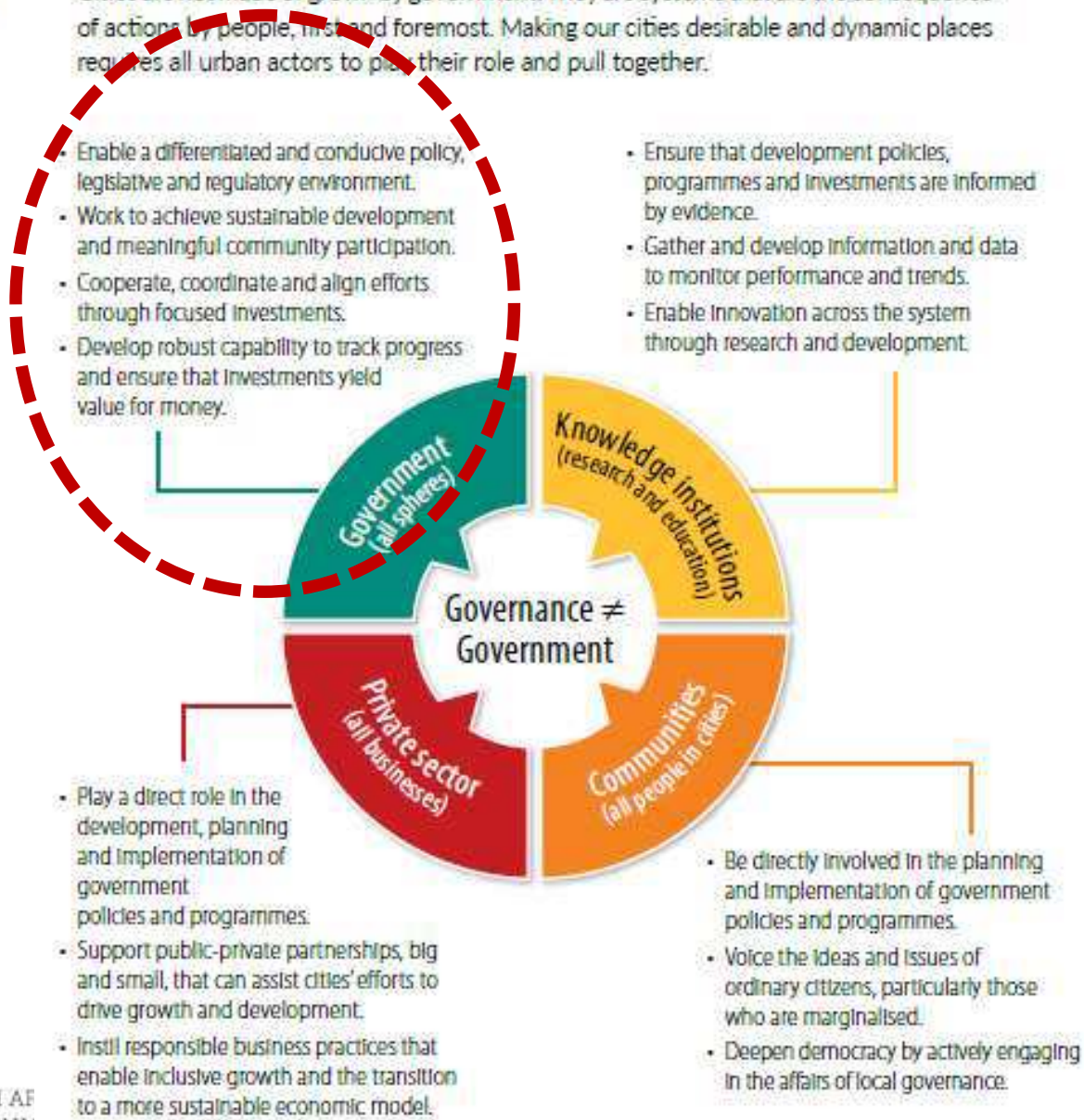
- Cities play an important role in economic development. Cities provide economies of scale, agglomeration, and localisation; they provide efficient infrastructure and services through density and concentration in transportation, communications, power, human interactions, water and sanitation services. (UNHabitat)
- *“Inclusive economic growth” perspectives*





## Governance ≠ Government

Cities are not made or grown by government. They are systems that are the consequence of actions by people, first and foremost. Making our cities desirable and dynamic places requires all urban actors to play their role and pull together.



- Important role of governments in economy:
  - **Public administration and services**
  - **“Framework conditions”**
  - **Enablement of innovation**
  - **Public sector information management**
  - ❖ **Land ownership and governance**



# POLICY CONTEXT FOR ECONOMIC FUNCTION

## Constitution

- Section 152: The objects of local government are— (a) to provide democratic and accountable government for local communities; (b) to ensure the provision of services to communities in a sustainable manner; (c) **to promote social and economic development**; (d) to promote a safe and healthy environment; and (e) to encourage the involvement of communities and community organisations in the matters of local government.
- Section 153 (a): A municipality must structure and manage its administration and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community.

## White Paper on Local Government

- “Local government committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs, and improve the quality of their lives.” (1998)

## Chapter 8 of the National Development Plan (NDP)

- “South Africa needs an economy that is more inclusive, more dynamic and in which the fruits of growth are shared equitably. - The main challenge in planning for urban areas is to enable job creation linked to sustainable livelihoods... This should be at the heart of what municipalities do and how they function. ” (NDP, 2011: 38, 284).

## IUDF Policy Lever 6: Inclusive Economic Development

- “cities and towns that are dynamic and efficient, foster entrepreneurialism and innovation, sustain livelihoods, enable inclusive economic growth, and generate the tax base needed to sustain and expand public services and amenities. ” (IUDF, 2016: 82).



# IUDF PRIORITIES

## 1. Strengthen the economic role of municipalities

2. Strengthen municipal institutional capacity in economic development
3. Support municipalities in building and using economic intelligence
4. Initiate differentiated economic development strategies for cities and towns
5. Strengthen roles and leverage partnerships with other economic stakeholders
6. Create the local conditions for supporting enterprise development and growth
7. Progressively improve inclusive economic infrastructure and services
8. Support community-based enterprises and work
9. Support urban livelihoods and the informal sector

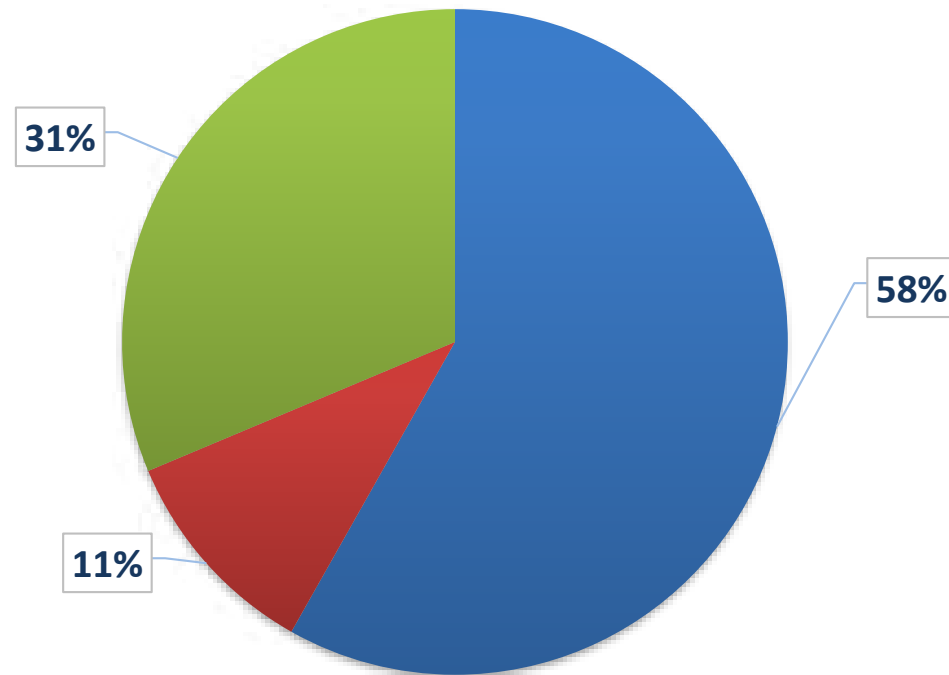
- *Longer term: specialisation, productively extending local value chains, regional strategies, etc.*



# THE STATE OF URBAN ECONOMIES:

## 1) ECONOMIC SIZE

Economic production (GVA 2013)  
Percentage contribution for all places

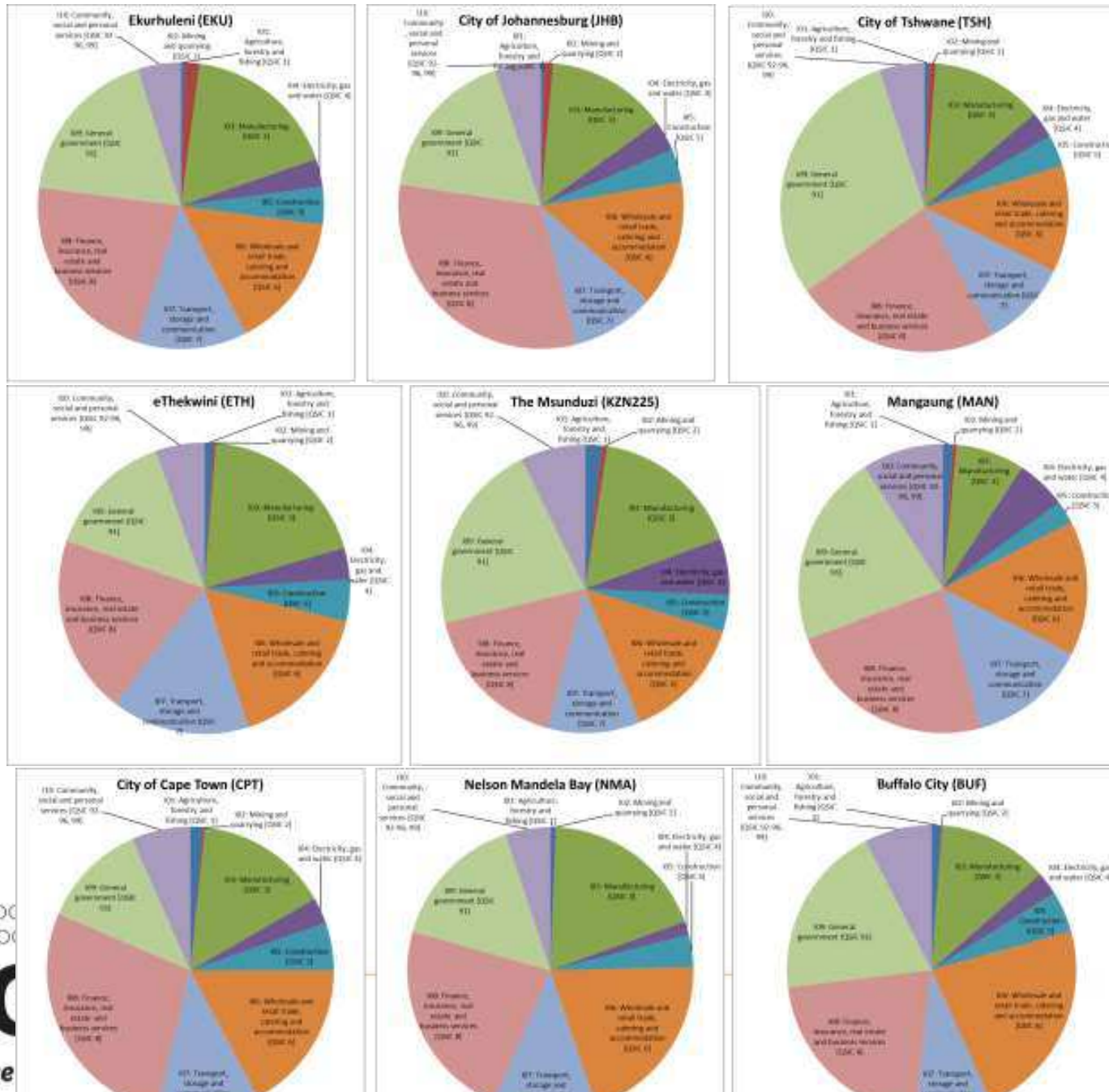


■ Metros (9)   ■ Secondary Cities (21)   ■ Rest of municipalities (227)



# 2) ECONOMIC ROLE

## Metro GVA by industry 1993 - 2016



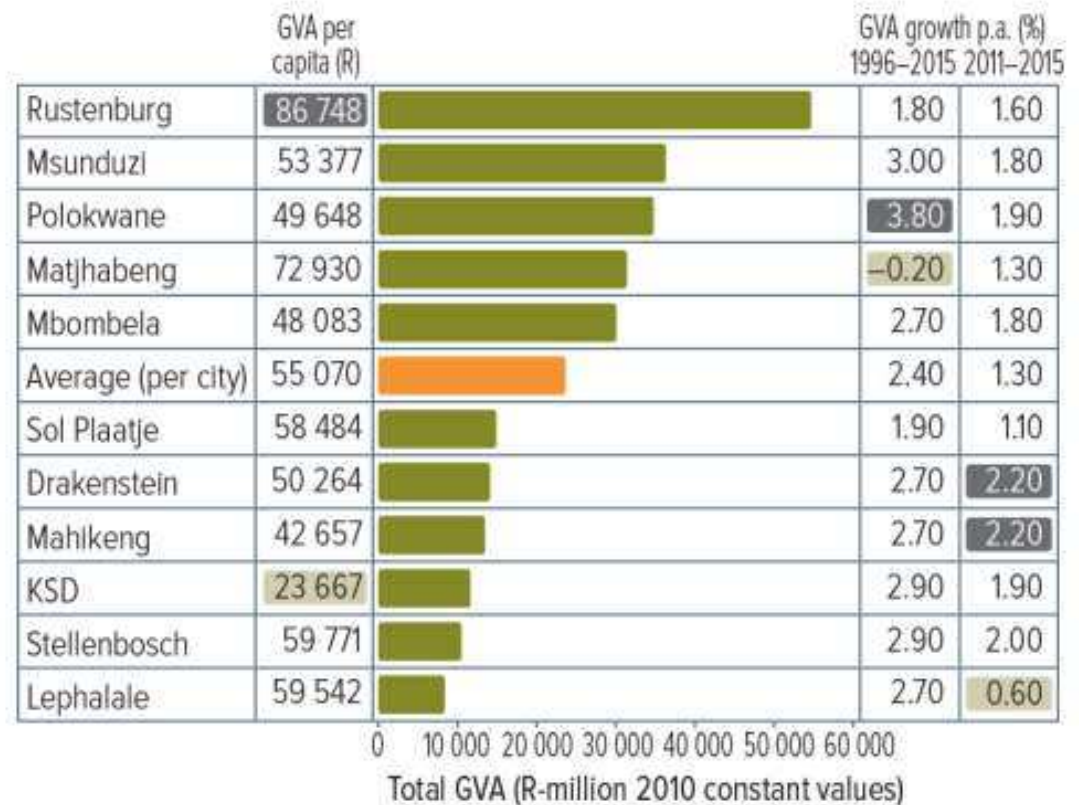


# DIFFERENTIATION: SECONDARY CITIES

## SPATIAL TRANSFORMATION: Are Intermediate Cities Different?



- Contextual:
  - Economic vulnerability
  - Mining economies
  - Traditional land
  - Market forces
  - Financial vulnerability and performance
- Institutional:
  - Quality of governance
  - Planning capacity
  - Financial management



Size of economy and economy growth (1996–2015)



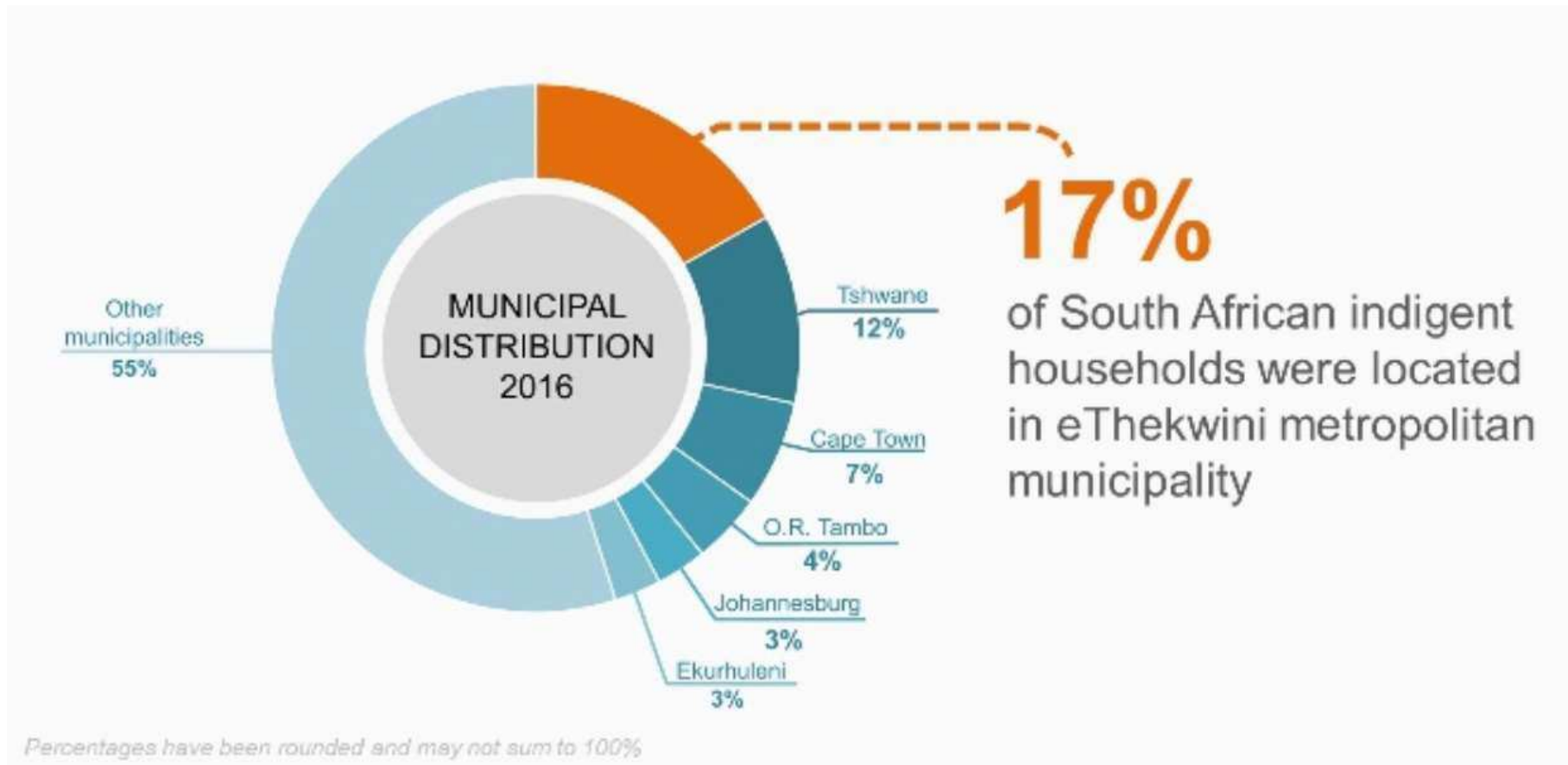


## ...ECONOMIC ROLE

- Finance largest for 6 metros (COJ, CPT, EKH, ETH, NMB, MAN); TSH and MSU are government
- Metros are only 8% of primary sector, but over 60% of secondary and tertiary sectors.
- Majority Finance sector GVA and Transport sector
- Secondary cities tend to be primary sector-based
- Differentiation means implications for varying role of government – regulatory, facilitative, dirigiste



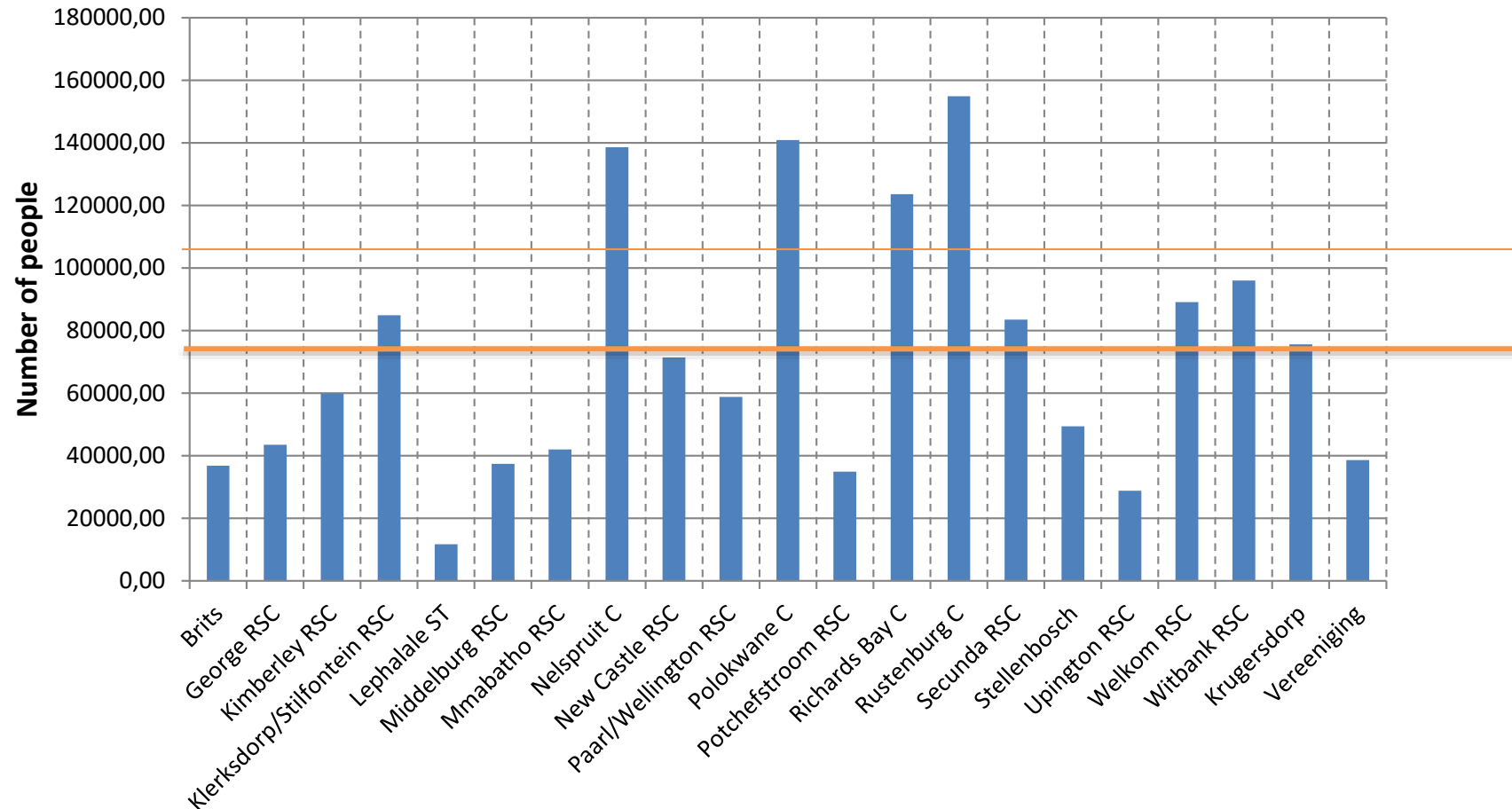
### 3) "QUALITY" OF ECONOMY





# EMPLOYMENT

## Extent of employment - Secondary cities



### Secondary Cities

■ Sum of Employment 2013

— Averages (6 city; 9 city)



## CONCLUSIONS ABOUT “STATE OF ECONOMIES”

- Size:
  - Large, 70%
- Role:
  - Differentiated (Metros secondary and tertiary, ICMs tertiary and primary)
- Quality:
  - Opportunity, Poverty and Inequality

“The South African cities... have all shown marked declines in their rankings... fundamental problems the result of **labor inefficiency, low productivity, high unemployment, decreasing competitiveness and poor education**. It is only in areas of established infrastructure – financial and physical – and relatively high levels of governance, that the South African cities retain the potential to improve the economic well-being of their growing populations”.

(MasterCard Cities Growth Index, 2015)



# MUNICIPAL CASE STUDIES





# INSTITUTIONAL STUDY

Case studies: institutional study of metros, secondary cities and districts.

- *Our Cities are limited internally by:*
  - *Constitutional framework for cities*
  - *How they conceive of their role*
- *Therefore they have to be empowered and strengthened:*
  - *Vertically: through appropriate legislation and enablement*
  - *Internally: more purposeful and improved arrangements*
  - *Externally: improved relationship with private sector & communities*



# STUDYING LOCAL ECONOMIES

Policy & Strategy

Econ Structure

Infrastructure

Intelligence

Etc...

Inistitutional



"Keyhole" approach

Local Economic Development Unit

History and Evolution of Economic Development in the Municipality

Local policy and framework context

Networks and institutional arrangements

Organisational considerations



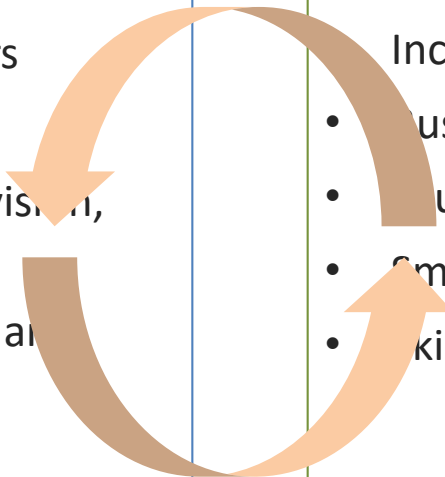
# VIEW OF ECONOMIC DEVELOPMENT FUNCTION

## Strategic economic development functions

- Municipalities as land owners
- Planning authority function
- Infrastructure planning, provision, and maintenance
- Municipal strategic planning and decision-making

## Local economic development "LED" functions

- Income / Job-creation initiatives
- Business facilitation
- Tourism
- Small business support programmes
- Skills development programmes



**Organisational tension between strategic economic development and "LED" functions**

**Municipalities**

- Social and systems infrastructure investment
- Increasing tax base and raise revenue





# INTERPRETATION OF INCLUSIVE ECON-DEVELOPMENT

## Johannesburg

- Interpreted as community or people-centric approach to economic development (potentially a stakeholder specific comment)
- SMME Hubs – existing and proposed expansion
- Actioning PPFMA guidelines

## eThekweni

- Radical economic transformation strategy based on major development projects
- Linked to actioning PPFMA guidelines
- BBBEE and youth development opportunities
- Rural connections through agri-processing initiatives

## Cape Town

- Inclusive economic development is an area that officials acknowledge can be improved
- Area-based planning is currently the focus of more inclusive economic planning
- Transit-oriented development (TOD) used as a “catch-all” approach to drive the city’s spatial and economic strategy

It is clear that the concept of inclusive economic development is understood differently between the various offices officials interviewed, and this may reflect variations in interpretation between departments and municipalities. Apart from a mention by eThekweni, the economic development focus is urban.



# DIFFUSE FUNCTION: ORGANISATIONAL SYSTEMS

## Johannesburg

- **Struggling to laterally influence other departments**
- Cluster decision-making as key integration tool: Monthly meetings including development planning, risk assessment, transport, legal, JDA, governance.

## eThekweni

- Leadership focus on economic development
- Cluster model used as key integrated decision-making tool
- **Struggling to influence across the municipality**, and receive buy-in from parallel departments re: project assistance
- EDGE - Economic Development and Growth in eThekweni

## Cape Town

- Using project based-collaboration, the economic development team takes an internal consulting approach, leveraging interpersonal relationships
- Mayoral leadership has spearheaded the concept of economic development as “everyone’s business”
- EPIC - Economic Performance Indicators for Cape Town

Leadership needs to drive the economic development agenda, it should be “everyone’s business”, to support mainstreaming. Communication and collaboration systems should be project based to ensure energy is maintained. Property and planning are strategic departments for economic development success. However, these relationships need to be strengthened across all three municipalities.



# DIRECT FUNCTION: ORGANISATIONAL ANALYSIS

## Johannesburg

- 1 of 9 directorates
- 10 departments within Economic Development directorate
- Municipal entity approach, directorate oversees 4 entities incl. Johannesburg Property Company
- Lateral approach to influence economic development

## eThekweni

- 1 of 10 clusters
- Consisting of three units covering the spectrum of economic development functions
- Challenge of influencing between units and clusters

## Cape Town

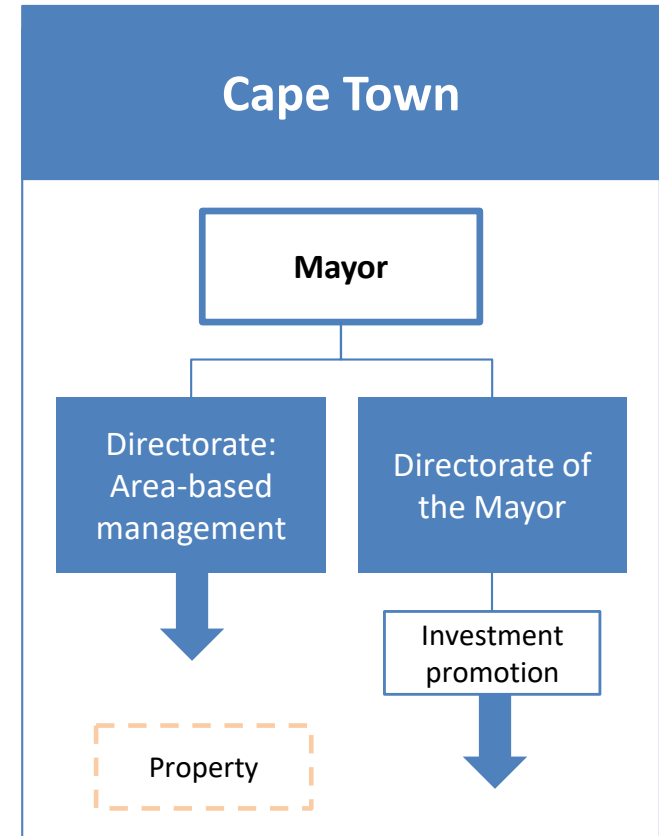
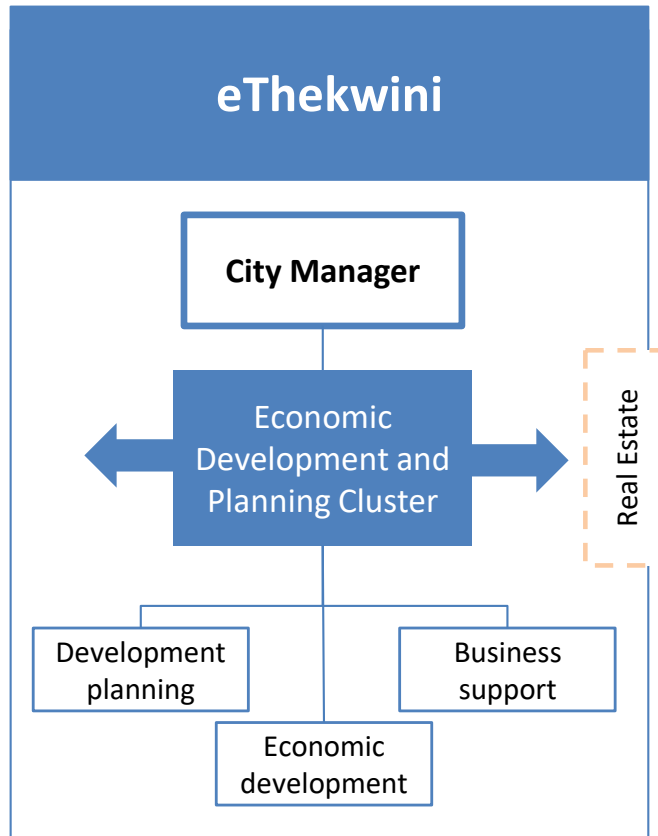
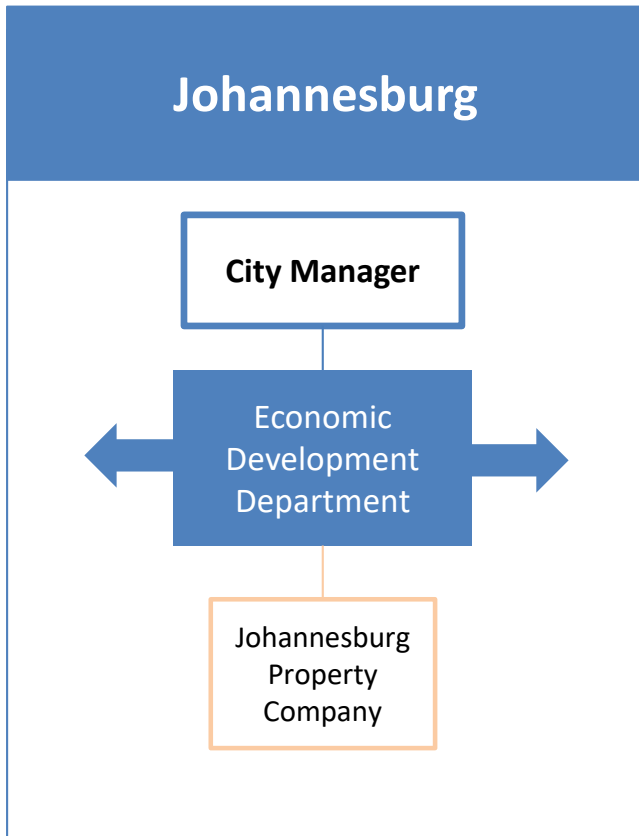
- Investment facilitation located within the Directorate of the Mayor
- Area-based Management Directorate - City Manager
- Top down approach to influencing the organisational culture re: economic development

The case study cities provide three different organisational approaches to maximising the influence of the economic development function. While CoJ and eThekweni are focused on aligning strategic clusters internally, CoCT is focused on developing a cross-cutting, outward-focussed, strategic economic development function.



# ORGANISATIONAL ANALYSIS

Key → Direction of influence

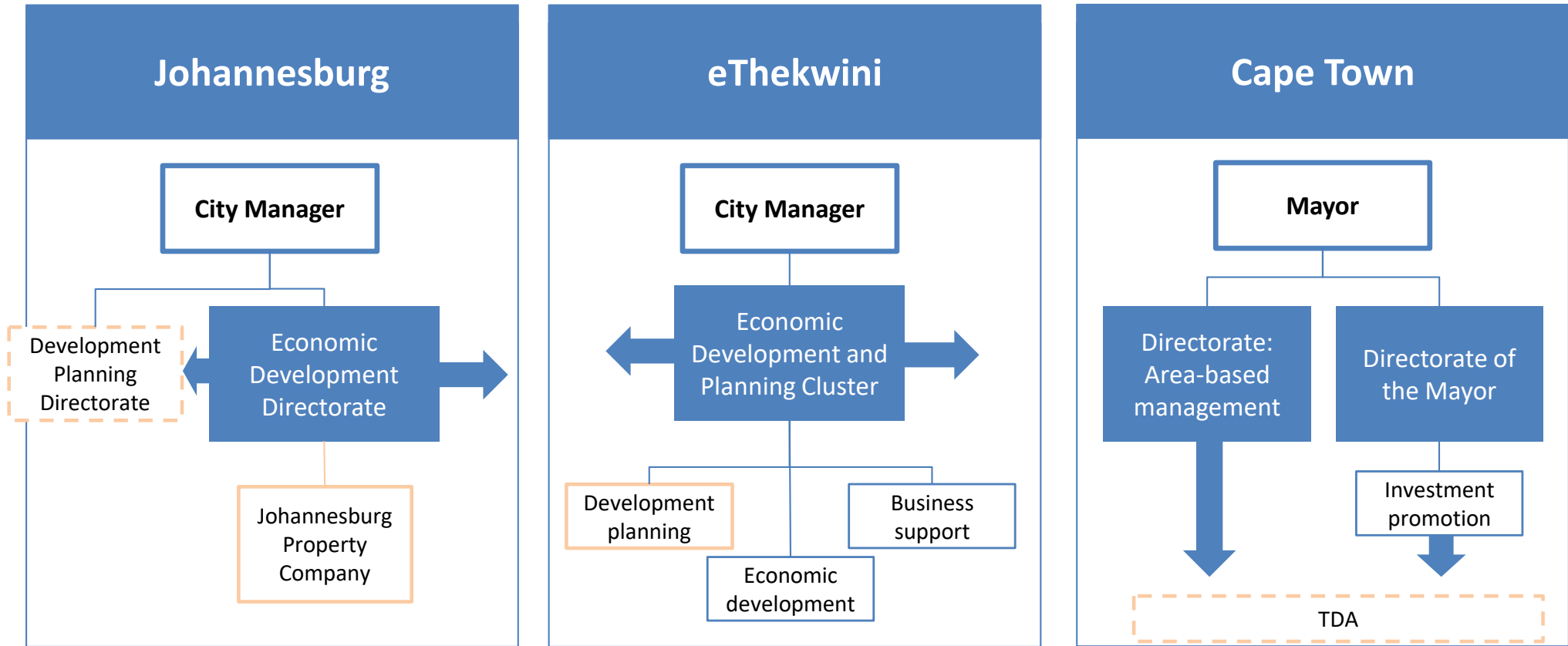


In all municipalities the leadership strongly influences the understanding and practices around economic development. In addition, the location of economic development departments plays a role identifying the strategic significance of economic development within municipal decision making. As illustrated, the organisational approach differs between the case studies.



# ORGANISATIONAL ANALYSIS

Key → Direction of influence



Understanding the relationship between planning and the economic development departments. CoJ and eThekweni these are clustered, where eThekweni is most closely institutionally located. In CoCT, the area-based planning function is centralised politically, but the daily land use and planning functions are located within the TDA. However, CoJ has a spatial economic development department embedded within the economic development directorate.



## OVERALL PROJECT FINDINGS

1. The IUDF makes the case for inclusive economic development, and provides high-level guidelines for implementation.
2. However, metropolitan municipalities are struggling to define, prioritise, and implement inclusive economic development.
3. Our Cities are limited internally by:
  - Constitutional framework for cities
  - How they conceive of their role
4. Therefore they have to be empowered and strengthened:
  - i. Vertically: through appropriate legislation and enablement
  - ii. Internally: more purposeful and improved economic governance
  - iii. Externally: improved relationship with private sector & communities



## KEY QUESTIONS:

1. What **functions** do cities need to hold in order to drive effective inclusive economic growth?
2. How can the **economic governance architecture** for cities be improved? (internally and inter-governmentally)
3. How can cities improve their **relationships** with private sector and communities?
4. **How else** can a city practically drive inclusive economic growth?

SOUTH AFRICAN LOCAL  
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