SOUTH AFRICAN LOCAL GOVERNMENT ASSOCIATION
SALGA
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South African CitiesNetwork

Economic Development in Municipalities: Metropolitan Case studies

Synthesis Report (B) of findings and insights

With research support by PEGASYS
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TABLE OF CONTENTS

1. Introduction 1
1.1. Case study approach 1
1.2. Synthesis report structure 2
2. Case study review 3
2.1. Direct function 3
2.2. Diffuse function 4
3. Findings 7
4. Recommendations and next steps 8

TABLE OF FIGURES

Figure 1: Study approach 2
Figure 2: Understanding the direct economic development function in cities 3
Figure 3: Historical diffuse function City of Johannesburg 4
Figure 4: Historical diffuse function eThekwini Metropolitan Municipality 5
Figure 5: Historical diffuse function City of Cape Town 6

1. Introduction

The South African Cities Network (SACN) and the South African Local Government Association (SALGA) have commissioned a follow-on phase to an original study exploring the economic development function in municipalities. The first phase of the study highlighted that economic development is not an isolated function and not the sole responsibility of the Economic Development Department, or Local Economic Development unit, but rather serves as a transversal municipal function. In addition, the study identified that imbedding and economic development focus within the economic development-planning-skills nexus of municipal functions is central to the ability of local governments to facilitate economic growth across the formal and informal economy spectrum.

With a focus on inclusive economic development in metropolitan cities, the study objectives of this follow-on phase are described as follows:

- Understand the municipal economic development institutional status quo within each case study, with an emphasis on how inclusive economic development relates to the institutional status quo;
- Inform subsequent work in which comparative and individual City diagnostics can be undertaken towards a design process for establishing general and specific organisational and institutional guidance on optimising an inclusive economic development function in cities.

Where the previous study developed case studies of four municipalities representing different municipal typologies (i.e. metropolitan, secondary city, small town, and district municipality), this phase of the study has focussed exclusively on three metropolitan cities, namely: the City of Johannesburg (CoJ), the City of Cape Town (CoCT), and eThekwini Metropolitan Municipality. Comparing similar cities with each other allows for the identification of trends, and opportunities to take forward into subsequent work on optimising the inclusive economic development function on cities. This report provides a synthesis and overview of the case studies and key findings.

1.1. Case study approach

Due to the complexity of economic development and challenges around its definition, this case study aims to understand the municipal approach to inclusive economic development through developing an understanding of the direct function (i.e. institutional function), as well as the diffuse function (i.e. systems function), to understand where these metropolitan municipalities have successfully mainstreamed inclusive economic development across a range of municipal functions. To develop these case studies, the following approach was adopted:

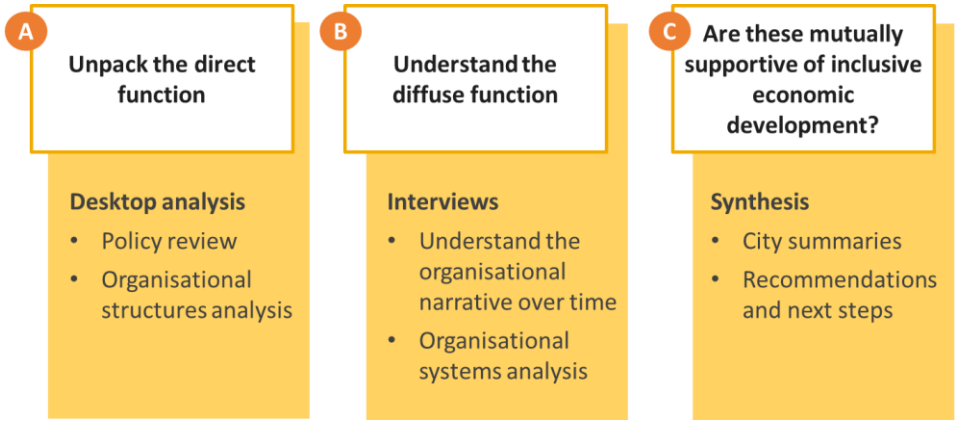

Figure 1: Study approach

In order to develop this understanding of how inclusive economic development is internalised within the municipality, this case study report presents a discussion of the following:

- Socio-economic profile: This chapter begins with a brief unpacking of the current status of the local economy and history of the spatial form of the region. This includes a description, the municipal socio-economic context (i.e. unemployment, education, demographics, etc.), the drivers of the local economy, and how the municipality fits in to the broader spatial economy of neighbouring regions and Kwa Zulu Natal more broadly.
- Municipal economic policy review: This chapter identifies local policies, frameworks, and studies which have been developed in response to the local economy, and should highlight the municipality's intentions regarding its economic development objectives. Through this discussion, this chapter provides insight into how the municipality articulates the strategic aspects of the inclusive economic development function.
- Organisational structures analysis: This chapter explores the organisational structures designed to implement the strategic policy response to economic development within the municipality. In addition, the historical narrative is explored to understand how the municipal interpretation of the economic development function as evolved over time and may potentially continue to evolve into the future.

1.2. Synthesis report structure

This report provides a synthesis of the above organised into the following chapters:

- Case study review
    - Direct function
    - Diffuse function
- Findings
- Recommendations and next steps

2. Case study review

The starting point for the case study development was the municipal integrated development plans (IDPs). These were selected as starting point because the Integrated Development Plans (IDP) are the cities' principal strategic planning instrument, from which various other strategic documents should flow, by informing planning and development in the City.

2.1. Direct function

To, understand how the case study cities, differ in their approach, a high-level review of the economic development-planning-skills nexus in each city was mapped, identifying the organisational structures dealing specifically with economic development and analysing these to understand how these interact with municipal planning and property functions.

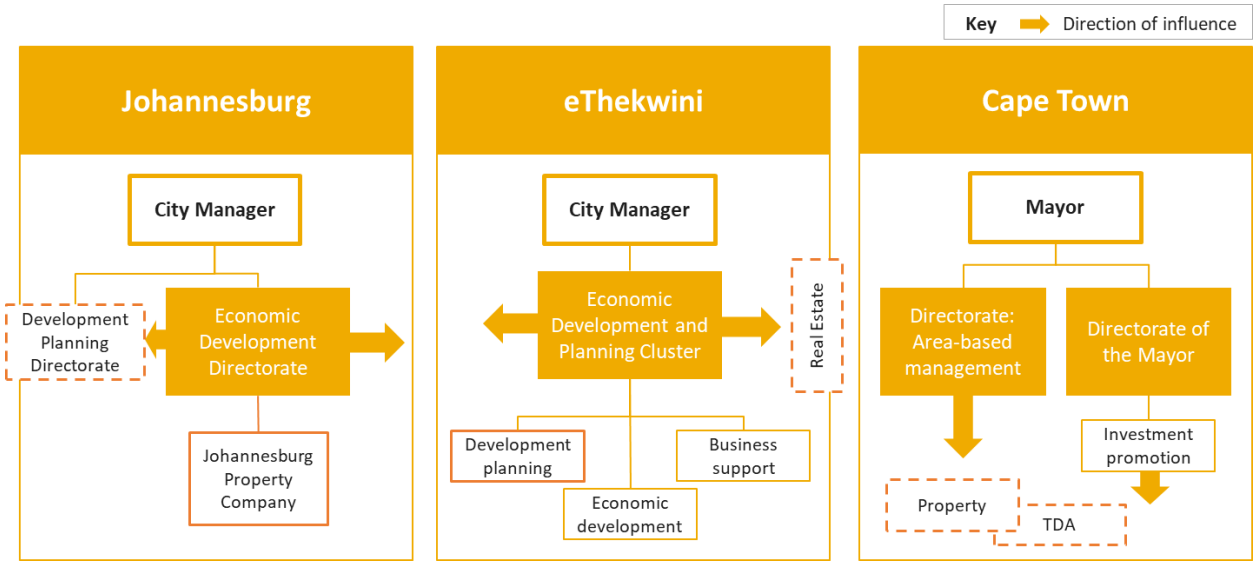

Figure 2: Understanding the direct economic development function in cities

- City of Johannesburg: In CoJ, it is noted that the while the Development Planning Directorate is outside of the Economic Development Directorate, the later includes a Spatial Economic Development Unit (describe above), and is responsible for oversight of municipal entities, including the Johannesburg Property Company (JPC). Further, the organisational structures a whole strongly related to economic development. Out of the 10 units within the department, 8 are mandated to perform specific functions and responsibilities in order to promote economic developed thus fulfil the pro-poor growth objective. The EPWP directorate is responsible for upskilling and empowering individuals.

- eThekwini Metropolitan Municipality: It is noted that while Development Planning (covering spatial and land use functions) lies within the same cluster as economic development, together with the skills development focussed SMME and Business Support functions, the property management function lies outside the department under the Finance Department under the Administrative Cluster. The function is exercised by

the Real Estate unit. While these units and departments interact on a project basis, the strategic planning linkages are limited.

- City of Cape Town: It is noted that the Directorate of the Mayor: Enterprise and Investment is the primary driver of the economic development function, it is observed that the department acts as an internal consultancy with the municipality, engaging with other departments as projects demand. In terms of the economic development-planning-skills nexus, these engagements to occur with the property, planning, and infrastructure functions. This top down approach to influencing the organisational culture regarding the mainstreaming of inclusive economic development is unusual and shows promise, but appears to be based on the ability of personalities within the team to engage well with colleagues in different departments and advocate for the integration of economic development as a transversal function. It is clear that the City is attempting a strategic approach firmly grounded in a transversal approach to economic development through a focus on attracting investment, connecting people through public transport investment, and regulating development.

2.2. Diffuse function

This chapter seeks to understand the institutional drivers of the inclusive economic development agenda within the case study municipalities and how these enable the diffuse, transversal aspects of the inclusive economic development function, through (1) a review of the evolution of the economic development function, (2) identifying key municipal drivers of the economic development function, (3) understanding perspectives of successful inclusive economic development approaches and initiatives.

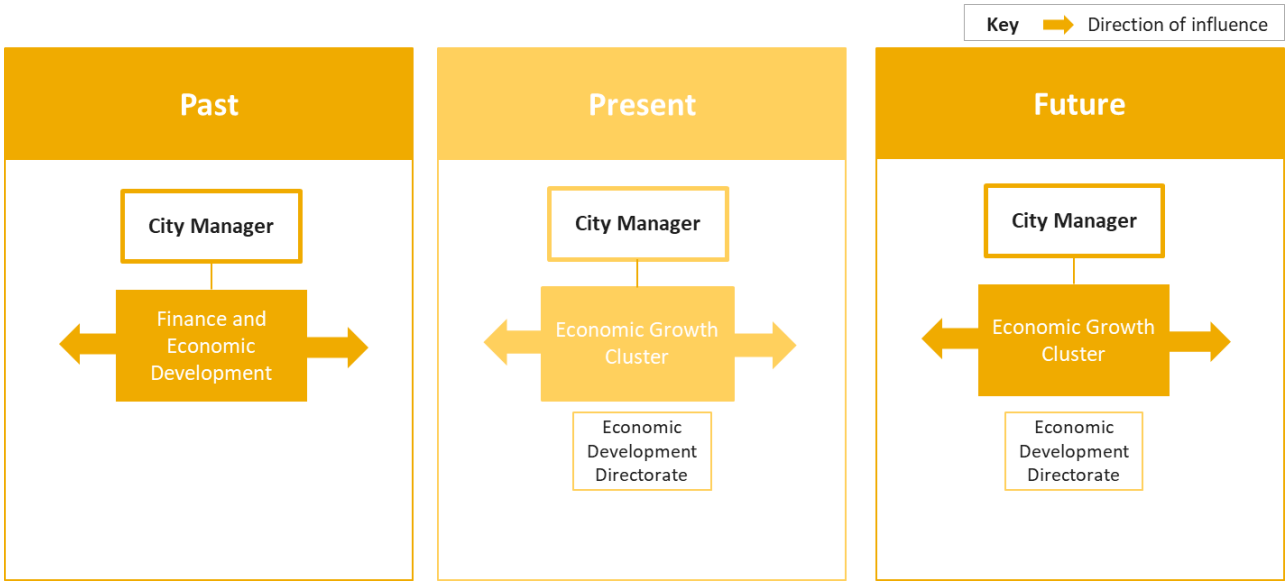

Figure 3: Historical diffuse function City of Johannesburg

- City of Johannesburg: The evolution of the economic development in CoJ is characterised by two key aspects, (1) the integration of strategy land identification and development functions within the Economic Development Department; and (2) the impact of clustering key complementary functions at a decision-making level. Improvement in the effectiveness of the Economic Development Department to influence

other decision-making processes under the guise of the GDS 2040 and its focus on economic development as the primary objective, may have significant potential realise the prioritisation and mainstreaming of inclusive economic development within the municipality. However, through the policy review, as well as the discussion of the direct and diffuse functions, it is clear that promotion of the informal sector is focused on trading and the provision infrastructure and facilities for traders, with the intention of providing opportunities for informal traders to become formal traders.

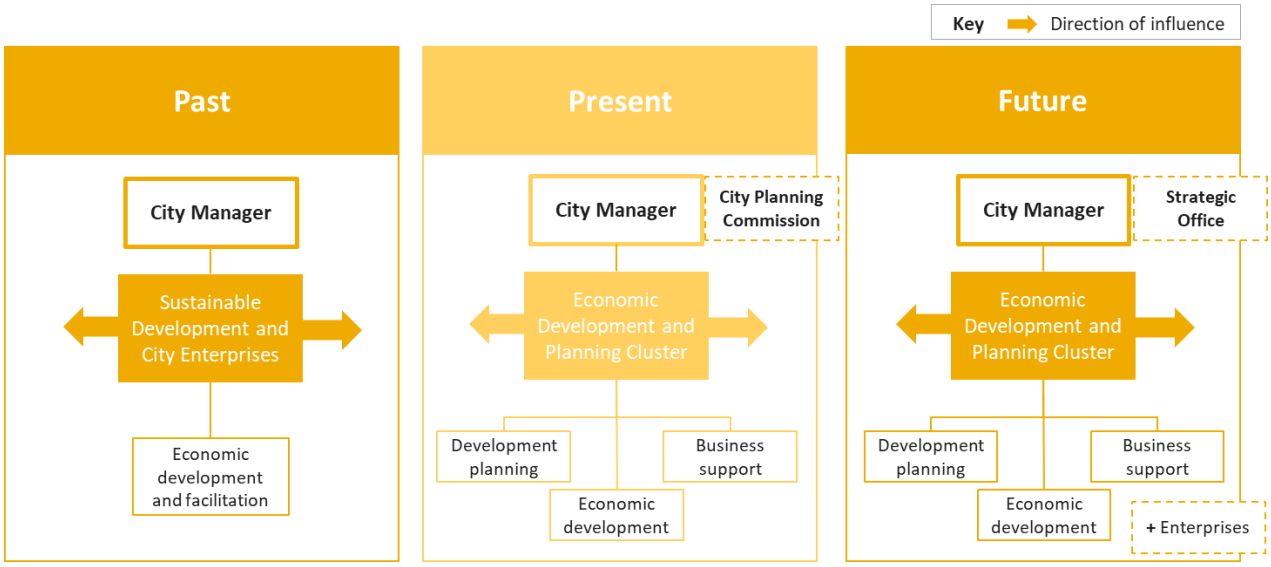

Figure 4: Historical diffuse function eThekwini Metropolitan Municipality

- eThekwini Metropolitan Municipality: The evolution of the economic development is characterised by three key aspects, (1) the connection of spatial planning and economic development as practical functions clearly linked to IDP outcomes; (2) the impact of City enterprises and the location of these within the municipal structures; and (3) the establishment of the City Planning Commission, that served to offer strategic advice to City leadership on holistic integrated development considerations. The potential consolidation of strategic economic development functions into a Strategic Office highlights a shift in political approach to economic development, and may have significant potential realise the prioritisation and mainstreaming of inclusive economic development within the municipality.

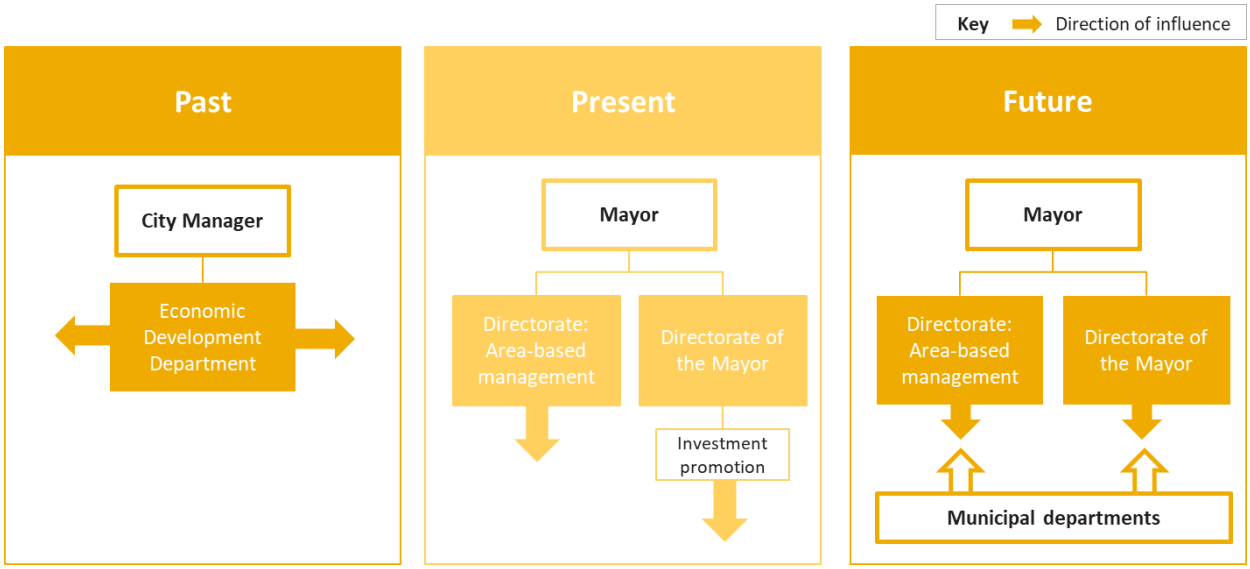

Figure 5: Historical diffuse function City of Cape Town

- City of Cape Town: The evolution of the economic development is characterised by three key aspects, (1) political focus on inclusive economic development to enable spatial transformation (2) focus on attracting investment and growing the city economy; and (3) internal consulting approach to integrate economic development considerations across all municipal functions.

3. Findings

Key project findings reflect the challenges faced by cities seeking to mainstream inclusive economic development within municipal planning and decision-making:

- **An active political champion is key differentiator:** Driving the economic development agenda requires political vision and support. However, there are negative implications if economic development is more of a political than strategic priority (e.g. focus on BBBEE or RET is potentially an obstacle to attract big investors).
- **Identify inclusive economic development champions and provide them with a clear mandate to engage with officials across the municipality using a strategic project-based approach.** Despite a political champion, champions on the level of officials are critical to mainstreaming inclusive economic development into lower levels of municipal decision-making.
- **While cities seek to exercise the economic development function, inclusive economic development is often not clearly articulated, and often is not currently a clear city priority:** While the three metros explored support social upliftment through a wide range of projects, overall the strategic direction is focused on strategic investment promotion and business attraction.
- **This is illustrated through a renewed focus on city competitiveness and international positioning:** While this may appear to be an outward focus, significant focus is placed on facilitating an attractive environment for investors, which supports a focus on municipal infrastructure investment (e.g. transport and urban systems).
- **It appears that part of the reason that cities are not focused on "inclusive economic development" is that the concept is difficult to define:** One interpretation for this is that inclusive economic development is complex, and a focus on municipal competitiveness and investment is simpler strategic objective.
- **The influence of National Treasury grants and programmes on cities is clear:** Evidence of a focus on place-based interventions and "catalytic projects" through the BEPP process, as well as PPMFA regulations (these revised regulations require organs of state to identify tenders, where it is feasible, to sub-contract a minimum of 30% of the value of the contract for contracts above R30 million). The EPWP programme is delivered through a NT grant, and is often cited by municipalities as a successful economic development programme, highlighting job creation as a key metric. The impact of national and provincial economic development programmes through grants and procurement guidelines are powerful interventions to facilitate inclusive economic development. In addition, the positive impact of the Integrated City Development grant (ICDG) regarding the alignment of inter-departmental projects, prioritisation, and clustering is noted. Despite the limited monetary contribution of that particular grant.

4. Recommendations and next steps

The IUDF makes the case for inclusive economic development, and provides high-level guidelines for implementation. However, metropolitan municipalities are struggling to define, prioritise, and implement inclusive economic development. It is therefore recommended that the SACN and SALGA undertake the following:

- It is recommended that the SACN and SALGA partner with one municipality, and understand what inclusive economic development means in that place in order to drive and test practical interventions.
- Due to the positive response of cities to National Treasury levers, seek opportunities to influence grant guidelines to encourage cities to mainstream economic development as a central cross-cutting municipal function, including monitoring and evaluation processes that seek to ensure the outcomes of the IUDF.
- Identify partnerships to improve concept development and prioritisation within cities.