

Spatial Economic Disparities in South Africa: Towards a New Research and Policy Agenda

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Introduction

International debates about spatial inequalities and uneven development are highly relevant to a country like South Africa, given its sizeable historic divisions, continuing large spatial disparities, and wide variations in infrastructure capacity between cities, towns and rural areas. Location matters greatly in such a large country with modest state resources and constrained institutional capabilities.

South Africa's spatial inequalities are substantial, both between and within regions. It is generally believed that these disparities are inequitable and that they are structural in character (i.e. deep-seated). However, views are mixed on whether or not they are economically inefficient. This is important for the formulation of effective policies towards urban, rural and regional development. The overt thrust of some current policies, such as the New Growth Path, is towards rural development. Other policies focus on industrial development zones in coastal regions, again with an uncertain rationale.

The theme of spatial inequalities has generally been neglected by SA economists in favour of social and sectoral analysis. It is also a highly sensitive subject for national policy-makers. Consequently, the policy tensions and trade-offs are generally not well understood. There is tendency among many policy-makers to focus on socio-economic 'need' and to ignore 'impact' or 'potential'. There are highly polarised views among many academics – either pro-urban or pro-rural. In fact it is probably fair to say that academic and policy debates about spatial development in South Africa have become trapped within a rather unproductive and sterile urban-rural dichotomy.

The purpose of this paper is to review current ideas and evidence about spatial inequalities in South Africa, and to start the process of laying out a broader agenda for research and policy. The paper outlines some of the conceptual issues that need to be addressed in analysing spatial economic patterns and processes. It considers the importance of various externalities that influence the location of economic activity. It also discusses the effectiveness of migration and commuting as adjustment mechanisms to spatial inequalities, and the role of human agency and institutions.

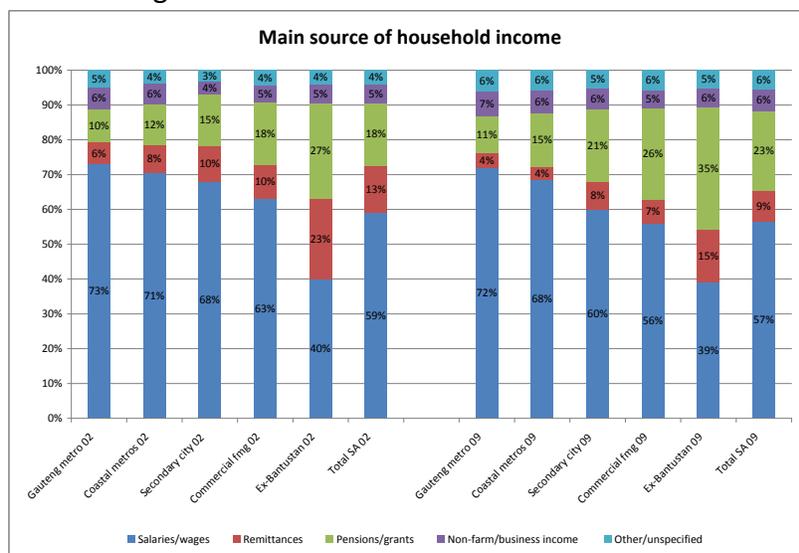
The first section presents some striking new evidence on spatial disparities drawn from the General Household Survey, Labour Force Survey and the 2001 Census. Section two summarises current thinking and identifies various weaknesses associated with it. The following section outlines an orthodox economic perspective on spatial inequalities. The final section starts mapping out a broader agenda, drawing on an economic geography perspective.

Recent evidence on spatial inequalities

Inequalities between regions

Employment is a crucial indicator of spatial inequality. The availability of jobs is a key measure of the state of the local economy, including the level of poverty. Lack of paid work forces households to rely on transfers from other family members (remittances), or from the state in the form of pensions or other social grants. An indication of the state of the local economy is the proportion of households whose main source of income is employment, compared with those dependent on social grants and remittances. Figure 1 shows this breakdown for different places in 2002 and 2009.

Figure 1: Main source of household income



Source: GHS, 2002 and 2009

Looking first at the right hand columns (South Africa overall), the proportion of households dependent on remittances declined from 13% to 9% between 2002 and 2009, and the proportion reliant on salaries/wages from work fell slightly from 59% to 57%. This was compensated for by the increasing importance of social grants – from 18% to 23% of households. This means that the state became the main source of income for 5% more households (one in 20) in 2009 than in 2002. This has helped to reduce absolute poverty and compensate for the inability of the labour market to create enough decent jobs for the expanding workforce. However, it would be healthier and more sustainable if reliance on employment was growing, rather than social grants.

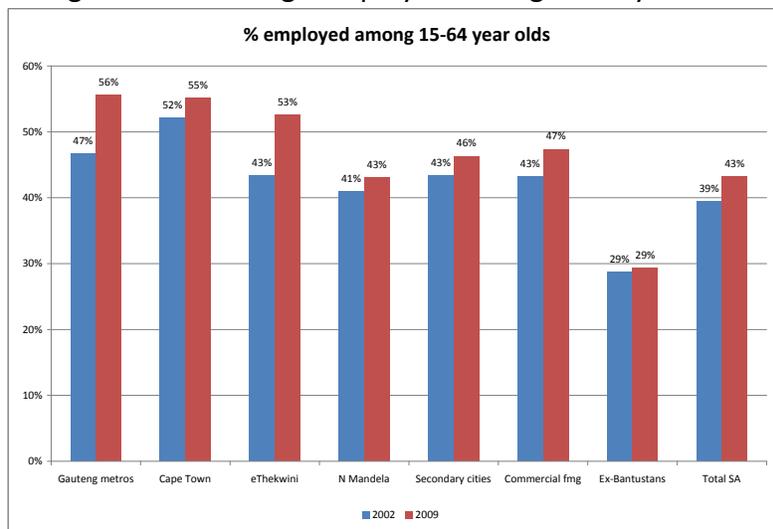
The effect was greatest in the rural areas. The state became the main source of income for more than a third of households in the former Bantustans in 2009, up from just over a quarter in 2002. It grew in importance mainly at the expense of remittances – either compensating households for shrinking transfers from relatives or reducing the pressure on relatives to remit funds home. In the commercial farming areas, social grants became

more important mainly at the expense of income from employment, which declined from 63% to 56% of households. Overall, it seems that the rural areas have been the main beneficiaries of the governments' expansion of social grants over the last decade.

The level of employment was more stable in the metros. As many as 70% of households in the metros derived their main source of income from employment in 2009, compared with 13% from social grants and only 4% from remittances. The metro economies are clearly more self-sufficient and resilient than the rural economies, which rely heavily on public and private transfers from elsewhere. It also appears that the economic gap between cities and rural areas has widened over the last decade.

Figure 2 shows the proportion of the working age population (WAP - here defined as 15-64) in employment in different parts of the country. Between 53-56% of the WAP in the major metropolitan areas was in employment in 2009, compared with only 29% in the former Bantustans and 47% in the commercial farming areas. This is a very striking disparity and it presumably goes a long way towards explaining strong rural-urban migration flows. Furthermore, the gap has widened over the last decade, with the employment rate growing strongly in the major metros, but standing still in the former Bantustans. The employment rate in the metros increased despite sizeable in-migration of job-seekers from elsewhere, who have added to the supply of labour.

Figure 2: Percentage employed among 15-64 year olds

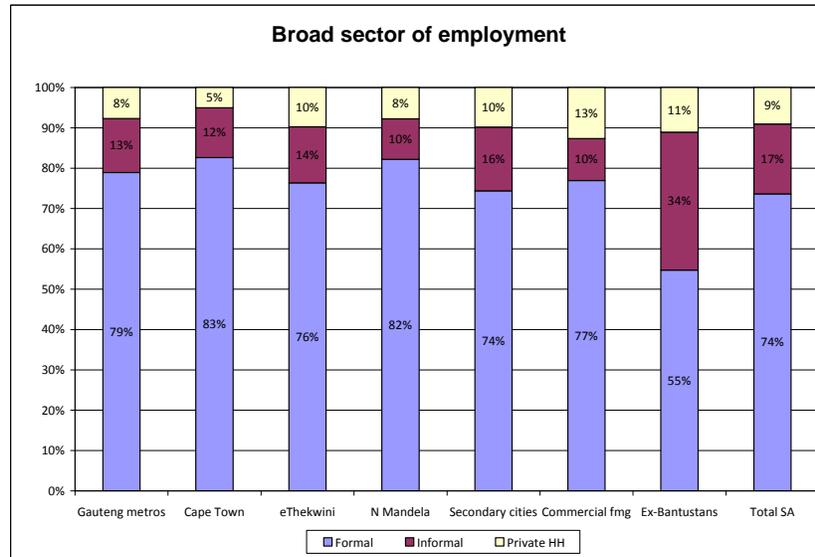


Source: GHS, 2002 and 2009

These labour market differences between places are confirmed by information on the type of employment available from the Labour Force Survey. Roughly four-fifths of workers in the metros are engaged in formal employment, compared with only 55% in the former Bantustans (figure 3). One in three workers in the former Bantustans are in the informal economy, nearly three times as many as in the metros. Putting this information together suggests that the informal economy is second best to the formal

economy and chosen because of the lack of an alternative. Work in private households (domestic workers) does not vary nearly as much across the country.

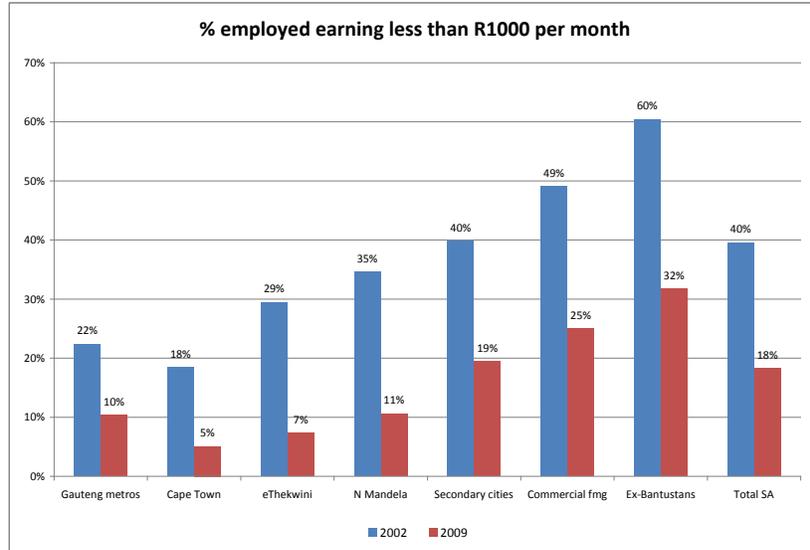
Figure 3: Broad sector of employment



Source: QLFS, 2010

Earnings also tend to be higher in the metros than in the rural areas, suggesting that their economies are more productive. Figure 4 shows the proportion of employed people (formal and informal) earning under R1000 a month in 2002 and 2009. The proportion of workers earning under R1000 was three times higher (26%) in the non-metro areas than in the metros (9%) in 2009. Cape Town and eThekweni had the fewest people earning very low incomes. The former Bantustans had the most. One qualification to add is that the cost of living is higher in the cities because of housing and service costs, so a given level of income goes further in the rural areas. This may help to explain why the disparities in the incidence of hunger between the metros and rural areas (shown above) are narrower than the earnings disparities shown here.

Figure 4: % employed earning less than R1000 per month

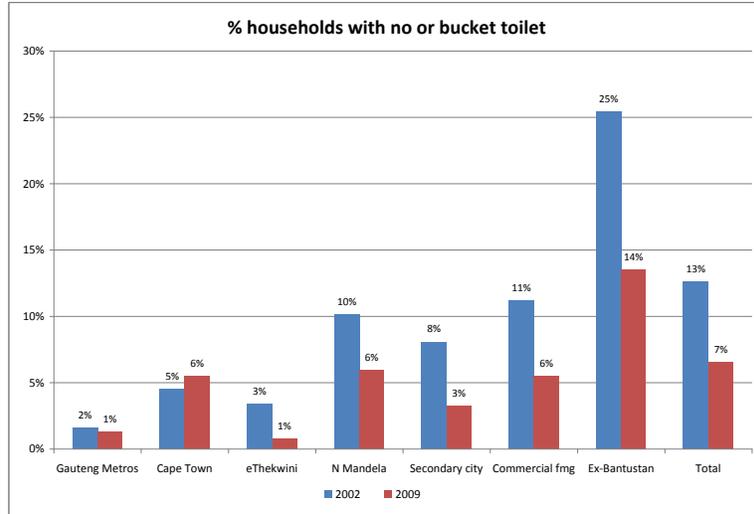


Source: GHS, 2002 and 2009

The changes between 2002 and 2009 are also notable. The proportion of workers earning under R1000 a month has fallen sharply everywhere, mainly because of wage inflation. Of course this doesn't mean that all these people are better off, because the cost of living has also increased. However, the following figure shows that there appears to have been a bigger reduction in the proportion of workers earning under R1000 in the metros than in the rural areas. The proportion of such workers in the metros has fallen by nearly two-thirds (from 24% to 9%) and the proportion elsewhere has fallen by about half (from 54% to 26%). The incidence of low earnings in the rural areas may be another driver of rural-urban migration.

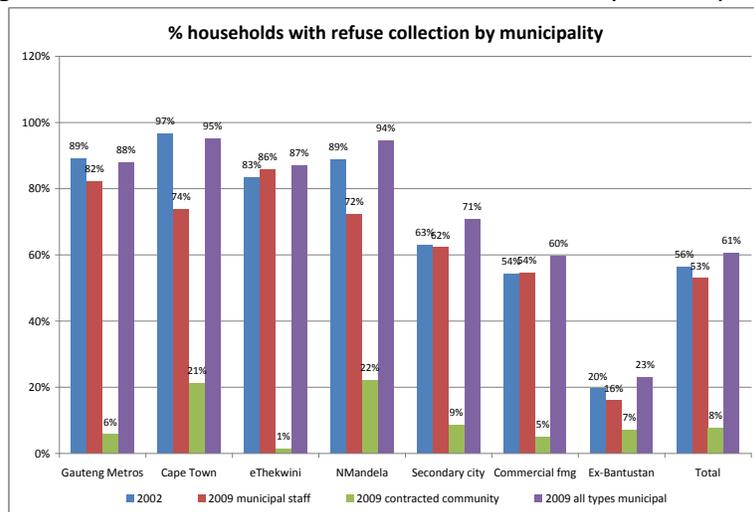
Spatial inequalities can also be assessed in relation to access to basic services, sometimes described as the 'social wage'. Sanitation is a basic need, important for hygiene as well as human dignity. The standard indicator is the number of households in each area with no access to toilet facilities or just a bucket toilet. How many households are in this position, and what changes have occurred across the country? Figure 5 shows that households in the metros and secondary cities have better access to toilet facilities than in the countryside. There are few households in the cities with only rudimentary sanitation, despite the number of informal settlements. Looked at in more detail, the proportion of households in the Gauteng metros and eThekweni with basic sanitation was only 1% compared with 6% in Cape Town and Nelson Mandela Bay, and 3% in the secondary cities. Over the period 2002-2009, there have been substantial improvements in sanitation throughout the country, and a general narrowing of the gap between rural and urban areas. There was least scope for improvement in the metros because people there already had good access to toilet facilities.

Figure 5: % of households with no or bucket toiletⁱ



The removal of solid waste is a second dimension of sanitation, and important for health and safety reasons and well as environmental quality. Standards of refuse collection are generally higher in the cities than elsewhere because of efficiencies arising from the concentration of population and the legacy of uneven institutional capacity from the past. There have also been improvements in most areas over the last decade, although not on the same scale as sanitation. The 2009 survey questions were slightly different to 2002 to allow for the growth of contracting out of service delivery to members of the community. Figure 6 shows that households in most parts of the country have better access to refuse collection than in 2002. Households in the metros were better-off to begin with and appear to have experienced limited further improvement, perhaps because of the pace of in-migration and the growth of informal settlements. Households in the former Bantustans seem to have particularly poor access to municipal refuse collection (they lacked municipalities under apartheid), but some improvement over the last decade, along with the commercial farming areas and secondary cities.

Figure 6 % of households with refuse collection by municipalityⁱⁱ

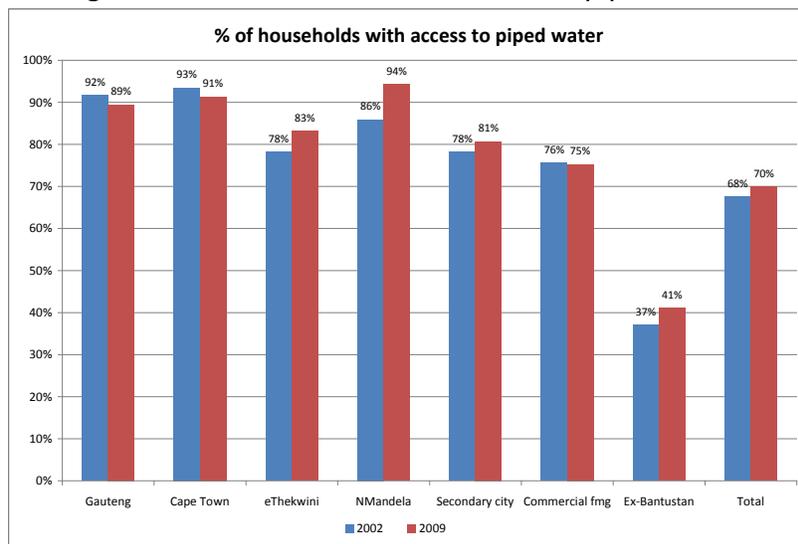


GHS 2009 also included questions about environmental problems in the areas where people lived. Overall, nearly one in three (32%) felt there were problems with littering and waste removal in their areas. The proportion was highest in the former Bantustans (40%), followed by the secondary cities (34%), commercial farming areas (31%) and metros (26%). This is consistent with the pattern of responses on refuse collection. People seem to feel that the quality of the environment is higher in the metros than elsewhere, despite the concentration of informal settlements and people here.

In addition, one in three households across the country (33%) said there were problems of land erosion, air pollution or water pollution in their areas. The proportion was highest in the former Bantustans and secondary cities (39%), followed by the commercial farming areas (33%) and metros (27%). This is also broadly consistent with the other environmental responses. It suggests that people in the metros are less dissatisfied with the quality of their environment than in other parts of the country.

Piped water is a key infrastructure requirement for people’s health and everyday living. How many households in each area have no access to piped water, and how much improvement has there been? Figure 7 shows that people in the metros and secondary cities have better access to piped water than elsewhere. Just over one in ten metro households have no access to piped water (off or on-site) compared with nearly one in five in the secondary cities. eThekweni is somewhere in between, perhaps because it include a sizeable rural catchment. There is a much bigger problem in the former Bantustans, where more than half the population has no access to piped water. In addition, the improvement in access to piped water has been more limited over the period 2002-2009 than in sanitation. Nelson Mandela Bay, eThekweni and the former Bantustans appear to have had the biggest increase in access to piped water, with a slight deterioration in other metros, presumably because of rapid household growth. Consequently, the disparity between rural and urban areas has narrowed slightly.

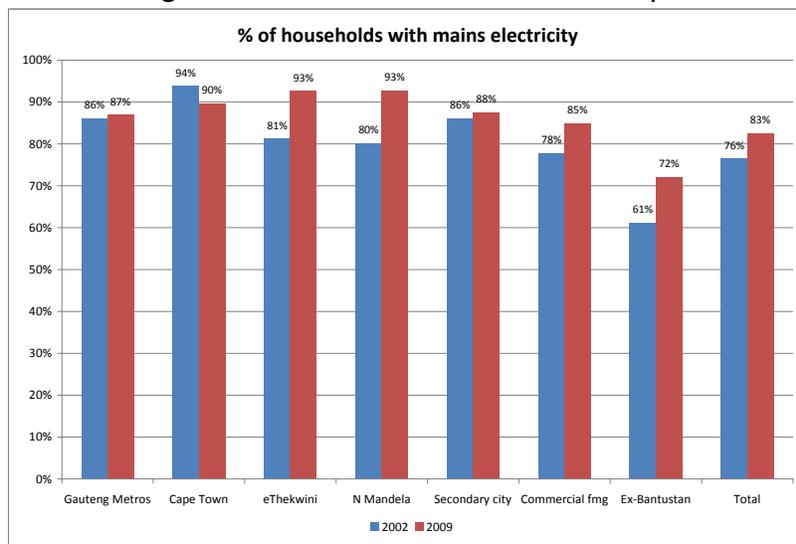
Figure 7 % of households with access to piped waterⁱⁱⁱ



Some evidence is also available on the quality of water supply. The proportion of households who said that their water was not safe to drink, not clear, did not taste good, or smelt bad was 3% in the metros compared with 8% in the secondary cities, 8% in the commercial farming areas and 21% in the former Bantustans. This is consistent with the data on the supply of piped water.

Electricity is much safer, cleaner and more reliable for cooking, heating and lighting than the alternatives of paraffin, wood, coal or candles. How many households in each area have no access to mains electricity, and how much improvement has there been? Figure 8 shows that the levels of access to electricity are generally much higher than to water. People in the metros and secondary cities tend to have better access to electricity than elsewhere, especially in the former Bantustans. Over the period 2002-2009, there appear to have been reasonably large improvements in access to electricity throughout the country, especially in the countryside, eThekwin and Nelson Mandela Bay, resulting in a narrower gap between rural and urban areas. There have also been some improvements in electricity access in the Gauteng metros, unlike in the case of water, waste collection and informal housing. It seems that the supply of electricity has been better able to keep pace with household growth and urbanisation than other basic services.

Figure 8 % of households with electricity^{iv}



Wood and paraffin are alternative sources of fuel for cooking and heating, and more widely used by poor households. In 2009 only 9% of households in the metros used wood or paraffin compared with 17% in the secondary cities, 21% in the commercial farming areas and 48% in the former Bantustans.

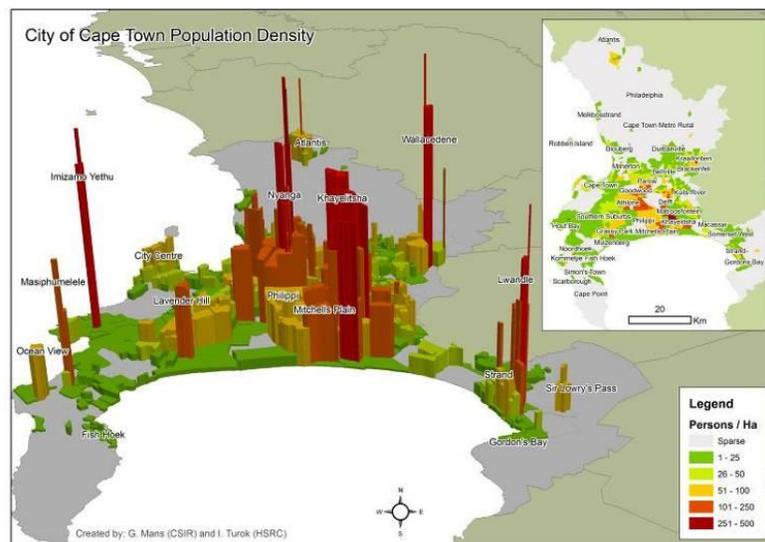
In summary, access to services (sanitation, water, waste collection and electricity) is much better in the cities than in the countryside. Yet over the last decade the situation

has improved in most places, especially in the rural areas, thereby narrowing the gap with urban areas.

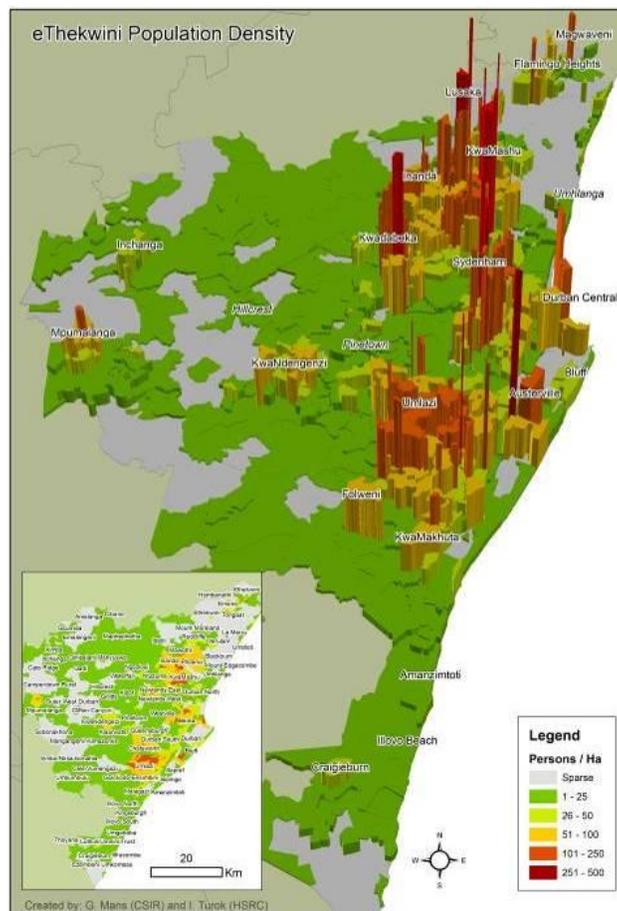
Inequalities within cities

Similar statistical evidence is not available within cities because of the sample sizes and sampling procedures of the GHS and LFS. A rather different kind of evidence is available from density maps of each city. These convey a powerful sense of local socio-spatial inequalities, reflecting the position of different communities within the local property market as a result of their variable disposable incomes. The height of each column on the map represents the population density of that particular zone of the city, based on the 2001 census. The area of the base (or 'footprint') of each column is the geographical extent of that zone. Consequently, the volume of each column reflects the total number of people living in the zone. The colour coding reflects different density levels – green is very low while red is very high.

Cape Town (Figure 9) has an unusually skewed form, with the bulk of the population (but very few jobs) concentrated in the south-east and a relatively sparsely populated central city and inner suburbs (with most of the jobs). Cape Town has many very dense (informal) settlements and they are quite scattered around the periphery (the red spikes). These function as entry points to the city for poor rural migrants. There are no well-located informal settlements around the central city or in the inner suburbs. There is one disconnected settlement well beyond the urban periphery (Atlantis), although its share of the metro population is smaller than in many of the other cities. Mitchells Plain is the largest formal township, originally built for 'coloureds' in the 1970s and 1980s, now full of backyard shacks because of housing shortages. Khayelitsha was declared a township for 'Africans' in the 1980s, and has grown rapidly from scratch despite its poor access to opportunities. The population of the former 'white' southern and northern suburbs combined is less than either Mitchells Plain or Khayelitsha.

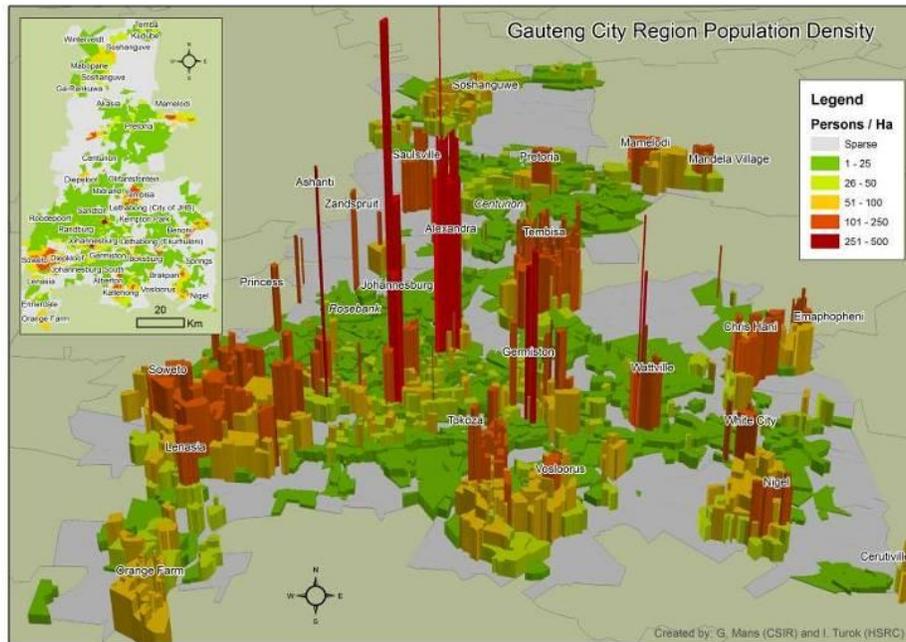


eThekweni (Figure 10) appears to have a more fragmented spatial form. There is no single dominant contiguous area of medium-high population density. Instead there are three large, separate residential zones of medium-high density: (i) the central city and inner western suburbs, (ii) the northern townships including KwaMashu, Inanda and Lusaka, and (iii) the south-western group of townships around Umlazi. Each of these zones includes localised areas with particularly high density. The rest of the metro seems to consist of low density suburban sprawl, traditional rural areas, and about eight quite separate outlying moderately-sized settlements of medium density, such as Flamingo Heights in the north and KwaNdengezi in the south-west. eThekweni's fragmented character partly reflects the regional topography of undulating hills and valleys which complicate coherent physical development.



The three metros of Johannesburg, Tshwane and Ekurhuleni are combined together in figure 11 because of their proximity and interdependence. The map conveys the overall impression of an exceptionally fragmented settlement pattern. Gauteng bears very little resemblance to an integrated metropolitan area or a monocentric city-region. Like Durban, there is no single dominant contiguous area of medium-high population density. The figure reveals the sheer scale and density of Soweto's population and its separation from central Johannesburg. Midrand, Sandton and Rosebank are shown to

be insignificant in residential terms. Population densities in Alexandra and parts of Johannesburg city centre are exceptionally high. The scale and density of Tembisa are also considerable, and there are long distances between Pretoria and its two major displaced townships, Soshanguwe and Mamelodi. The isolation of Orange Farm in the south is also apparent.



One of the reasons Gauteng developed a dispersed form was the lack of immediate constraints on urban growth at the time of rapid expansion of the mining industry and in a context of large sparsely populated and generally infertile tracts of land. The contemporary splintered structure of Gauteng and the separation between residential communities and employment nodes implies a need for high levels of movement across the region.

The conventional wisdom about spatial inequality

There has been renewed concern about spatial inequalities in South Africa since the Zuma Government came to power. For example, the 2009 ANC election manifesto identified rural development as one of five national priorities:

“people living in rural areas continue to face the harshest conditions of poverty, lack of access to land and basic services. The ANC is committed to a comprehensive and clear rural development strategy” (ANC, 2009).

About a year later, in his Freedom Day speech, President Zuma issued a sharp reminder of the country’s failure to address the legacy of urban segregation: “Our people still

have to daily confront the impact. Many still live in areas once designated for black people away from economic opportunities and civic services” (27th April, 2010).

Towards the end of 2010, the New Growth Path emphasised the rural problem:

“Apartheid left South Africa with an extraordinary spatial divergence between the economic centres of the country ... and the densely settled rural areas of the former Bantustans, which have very limited economic resources and investments” (Economic Development Department, 2010, p.45).

The NGP mentioned the word ‘rural’ 35 times, ‘urban’ four times, ‘metros’ three times and ‘cities’ once. There appeared to be some reluctance in acknowledging the role of cities: “While urbanisation will continue, a significant share of the population will remain in rural areas, engaged in the rural economy. Government will step up its efforts to provide public infrastructure and housing in rural areas, both to lower the costs of economic activity and to foster sustainable communities. ...” The NGP also mentioned skewing other funds towards rural areas: “reprioritising budgets for housing and social services to address rural backlogs”.

The recent Diagnostic Overview produced by the National Planning Commission devoted considerable attention to geographical disparities, both rural and urban. It mentioned ‘rural’ 13 times, ‘urban’ five times, and ‘cities’ seven times:

“Spatial challenges continue to marginalize the poor ... In general, the poorest people live in remote rural areas. In the cities the poorest live far from places of work ... the situation has probably been aggravated since 1994, with many more people now living in poorly located settlements” (National Planning Commission, 2011, p.19).

These quotations highlight seven points that sum up the conventional wisdom about spatial inequality in South Africa. This account is obviously a simplification, but it gets to the heart of mainstream thinking. First, the issue is seen primarily as a divide between urban and rural areas. Colonial and Apartheid policies forced people into peripheral and infertile areas that functioned as labour reserves for the urban economy and mining areas. The historic urban-rural divide has since been reinforced by the decline in commercial agriculture and small scale farming in many parts of the countryside. The resulting large differences in life chances encourage adults of working age to migrate towards centres of economic and social opportunity.

Second, lack of income means that rural migrants are forced into backyard shacks and overcrowded informal settlements on the urban periphery. They struggle to gain a foothold in urban labour markets because of their limited skills, their marginal locations and poor transport connections to the city centres and expanding suburban economic centres. Public services battle to keep pace with urbanisation, resulting in increasing

backlogs in housing, water, sanitation, electricity, schools and health centres in many townships and informal settlements. Overcrowded services reduce the quality for citizens and affect educational, health and other outcomes.

Third, the gap between urban and rural areas is a more significant problem than that between suburbs and townships because it is greater and largely responsible for driving urbanisation. The growth of poor urban communities is seen mainly as a consequence of rural poverty. A policy for rural development should therefore take precedence over urban policy because it can help to stem rural-urban migration and curb the growth of troublesome shack settlements.

Fourth, the single most important dimension of the urban-rural and suburb-township divides is physical distance. Distance determines the size of the gap because it is a major obstacle to mobility and communication, and it hinders the ability of farmers and other rural producers of goods and services to access urban markets. It also constrains urban tourists and other consumers gaining access the countryside and spreading the benefits of urban prosperity. Distance adds to the cost of providing infrastructure in rural areas, which further undermines their economic performance and living conditions. The emphasis on distance tends to mean that the economic linkages and interactions between places are not well understood. In the urban context, distance obstructs township residents searching for and retaining employment because of the transport costs incurred. Therefore distance worsens the scale and intensity of poverty.

Fifth, and following on from this, space and location are essentially seen as issues of equity rather than efficiency. In the conventional wisdom, geography is not considered very significant in relation to economic performance. Localities and regions are inert, passive containers for economic activity, so firms can make relatively free location choices. The physical separation between firms and the bulk of the population is no major constraint on business productivity and growth, nor is it a source of inefficiency for the economy as a whole. This could be because there is a large labour surplus, particularly of low-skilled workers. The burden of distance is perceived to be born mainly by the workforce.

Sixth, the obvious policy response to physical distance and separation is to subsidise the cost of travel to poor communities and to improve transport connections (roads, rail and buses). South Africa has a long history of transport subsidies aimed at people in low paid employment obliged to endure long journeys to work. The enormous pressure on the transport network caused by dispersed development patterns has also created a parallel system of informal minibus taxis. Although these are flexible and responsive to need, fares are generally high, safety is poor and conflict between rival operators is rife.

Seventh, one of the missing elements of the conventional wisdom is any awareness that geography and place may make a positive contribution to economic development by influencing productivity and innovation. In fact this perspective is dominated by equity

considerations to the neglect of efficiency and growth concerns. It is predominantly short-term in that the positive possibilities of urbanisation are neglected. The word 'city' or 'cities' featured only once in the 134 pages of the Fifteen Year Presidency Review of South Africa (Presidency, 2008), and that had a negative association with crime.

Another limitation is that spatial inequalities tend to be explained by historical factors alone. There is little consideration of contemporary forces that reinforce and exacerbate spatial gaps. Rural development is the priority to rectify historic injustices and to stem forced migration to the cities. There is little apparent awareness of the dangers involved in skewing public funds away from urban areas, when these are the areas in which backlogs are rising (and where service protests are concentrated) because people are choosing to move there. Apartheid also left a serious legacy of segregated cities and dispersed patterns of urban development.

There is also little awareness of the drawbacks of spatial policy dominated by transport measures, including reinforcing dispersed development patterns and continuing high levels of personal mobility. Ambiguous attitudes towards migration also mean that the process is not planned and managed very well, resulting in the growth of overcrowded and poorly-serviced informal settlements.

The perspective of geographical economics

Until quite recently economists tended to ignore the role of space and place. Their views were popularised by phrases such as the 'end of geography' (O'Brien, 1992), the 'death of distance' (Cairncross, 1995) and the 'world is flat' (Friedman, 2005). However, within the last decade or so economists have rediscovered agglomeration and physical proximity ('density') as fundamental drivers of growth, particularly under conditions of globalisation (Krugman, 1995; Glaeser, 2011). Big dense cities are believed to offer advantages for sharing infrastructure, matching resources, generating new ideas and mutual learning between firms. Consequently, there is increasing discussion of an interconnected global economy dominated by large cities, while secondary cities, towns and rural areas diminish in importance.

The perspective of this field of 'geographical economics' is almost the other side of the coin of the conventional wisdom outlined above. The main emphasis is on the virtues of density and physical proximity rather than the costs of distance. A key proposition of geographical economics is that urban density can stimulate and sustain long-term economic development by enhancing productivity and creativity. As a result, growth is always unbalanced and some areas (cities) have more potential than others. This perspective is dominated by efficiency considerations to the neglect of equity and distributional outcomes.

Density refers to the growing concentration of people and firms in selected places. There are considerable economic advantages of scale, scope and specialisation

associated with urban agglomerations. Cities increase the opportunities available to firms and workers, and reduce the risks to which they are exposed. Firms can find specialist skills easier in a bigger labour pool, and have access to a greater range and quality of shared business inputs and transport facilities. They gain from a thicker flow of information through informal contacts or movement of key workers, which helps to spread ideas about how to improve goods and services. Physical proximity and the scale of activity determine the significance of these benefits – the larger the better. Industrial diversity and cultural variety can add to the dynamism and creativity.

Cities are also part of broader economic systems and resource flows, located within regional, national and global contexts. They function as metropolitan service centres, transport gateways and logistics hubs within a larger hinterland, naturally extending the benefits of prosperity as they grow. Connectivity facilitates the supply of energy, food, water and other natural resources from their surrounding regions, and enables cities to contribute through remittances from employment, higher order services and technology diffusion. Prosperous cities are also linked into wider international networks and trade relationships to access knowledge, resources and markets.

The clearest elaboration of geographical economics for low and middle-income countries was the 2009 World Development Report (WDR) (World Bank, 2008). Titled *Reshaping Economic Geography*, the report was an ambitious attempt to set the intellectual agenda for spatial policy in the years ahead. It sought to provide robust principles and guidelines about how to understand and respond to geographical inequalities, with the intention to steer to government policies and investment priorities. It also provided a lucid framework for spatial policy analysis.

The WDR offered governments the bold promise of a way to reconcile one of the fundamental challenges involved in tackling uneven development, namely to reduce social inequality without undermining economic growth. The central argument of the WDR was that economic growth will inevitably be unbalanced, but development can still be inclusive. It argued that the way for governments to ensure inclusive growth was by promoting economic efficiency and integration, while providing universal welfare services to the population wherever they live. Economic efficiency and integration are best achieved through international trade, specialisation, economies of scale, and connecting leading and lagging regions. Governments should focus their efforts on enabling economic concentration and growth to occur in favourable locations and pursuing ‘people-based’ policies in less advantageous locations.

The WDR argued further that economic development depends on efficient, well-regulated markets for land and labour. Land markets are crucial at the urban scale. Efficient land markets respond to changing patterns of demand (e.g. from industry to offices) and adapt to facilitate agglomeration and economies of scale through increasing densification over time. Flexible labour markets are vital at the regional scale to ensure that people in lagging areas migrate towards opportunities in more dynamic areas.

The WDR also drew out policy implications to promote economic development through urbanisation and regional growth. It gave advice for how to increase density and reduce distance. The main message was that the key instrument is to put in place *spatially-blind institutions*, i.e. policies that apply to all locations. This includes laws and regulations to ensure efficient markets, coupled with government provision of basic welfare services such as education, health, clean water and safety from crime (people-based policies). This is intended to ensure that people's life chances do not depend on their place of birth and that they are equipped to take advantage of economic opportunities wherever they arise.

Once such national institutions and programmes are established and low income economies are progressing towards an intermediate stage of development, the second priority is *transport and communications infrastructure* that connects places and facilitates agglomeration, mobility and economic specialisation (i.e. integration). Only at a higher stage of development might a third policy be appropriate - *spatial targeting*, i.e. programmes that benefit a specific area (place-based policies). This may be necessary as a last resort to tackle the most difficult development problems, but should be "used sparingly since this is where misallocation is most likely" (Deichmann et al, 2011, p.167).

An important message was that low and middle income countries should not divert resources into trying to prevent or improve overcrowded 'slum' settlements, beyond providing basic household services. The WDR said that spatial problems of this intensity can only be properly addressed once countries attain higher incomes. In the meantime, they need to accept concentrated poverty as a fact of life. A related message was that large regional inequalities are also inevitable in such countries since growth tends to focus in the early days on a few places with some natural advantage or head-start. But with access to decent services and facilities, lagging regions will gradually catch up and poverty will fall.

The WDR said that these market-driven transition processes may take time and require patient and predictable universal people-based policies. They eventually produce catch-up and convergence through trickle-out. It said there was no alternative since subsidised industrial zones, major infrastructure schemes and other 'quick fixes' are most likely to become white elephants. Furthermore, spatially-targeted initiatives that divert jobs from the most dynamic urban economies and siphon off their surplus resources may damage overall growth and national income by restricting agglomeration forces, reducing productivity and efficiency, and depriving growth areas of the investment they need to fuel further expansion.

In South Africa, the National Spatial Development Perspective (NSDP) (Presidency, 2003) was similar to this approach in encouraging investment in people-based services everywhere, but economic infrastructure to be focused on the cities and major towns (Harrison et al, 2008; Turok and Parnell, 2009). The NSDP contained spatial guidelines,

principles and priorities to steer investment. At the heart of it was a clear distinction between areas with economic potential and those whose prospects were doubtful. The areas of potential were defined as the 26 largest economic centres in the country and their hinterlands. The latter were effectively defined as areas of out-migration. The NSDP recommended that state investment in economic infrastructure be focused on the former, while the latter should benefit from investment in people (education, skills, job information and subsidies to migrate). All areas would continue to be entitled to universal basic services, rights that are embedded in the Constitution, so the state would still have a very substantial presence in rural areas.

The logic of the NSDP was that economic investment should go to where it would be most cost-effective and that discretionary investment in marginal areas should focus on preparing young, economically active people to be productive and mobile. Basic public services would enable the remaining older and dependent population to live more comfortable and dignified lives. The document also suggested that disadvantaged areas should be linked with areas of opportunity and that the contribution of urban centres in servicing rural hinterlands should be recognised. The NSDP proved controversial because it was interpreted as endorsing the status quo (with its supposed urban bias); having a pro-growth, competitiveness emphasis (reflecting market forces rather than channelling them); a narrow focus on innovation, high value and knowledge-based development; and using a simplistic concept of 'potential' which disguised different possible forms of spatial development and the likelihood that preferences and patterns might change over time (Harrison et al, 2008). It also said nothing about environmental concerns (DEAT, 2008).

Consequently, the cabinet was reluctant to approve the NSDP and the document had little influence over national departmental policies and investment decisions (Patel and Powell, 2008). Separate programmes were approved by the government that were contradictory and reflected concerns about rapid urbanisation, uneven regional development and rural poverty, including the Integrated Sustainable Rural Development Programme in 2001, the Geographic Spread Programme in 2005 and the draft Regional Industrial Development Strategy in 2006 aimed at promoting economic development in peripheral and lagging regions (Harrison et al, 2008). The tensions were a sign both of technical disagreements among policy advisers and officials, and political disagreements among people representing different economic interests and geographical constituencies. The government as a whole was clearly unconvinced about the particular importance of cities and unable to agree upon a consistent spatial policy, or even an explicit policy towards migration (Pillay, 2008; Presidency, 2008).

The NSDP did, however, have more effect at provincial level. For example, the Western Cape Provincial Spatial Development Framework distinguishes clearly between areas with growth potential and areas of social need. The Western Cape Province has also commissioned two studies to help identify such areas in 2004 and 2010. Areas of potential emerge as the Cape metropolitan area and its surrounding towns, together

with the coastal tourism area in the East (Mossel Bay-George-Plettenberg Bay) and the coastal industrial area around Saldanha. Areas of greatest need include the less-accessible inland rural areas and towns of the province. Better transport links to the more prosperous core was supposed to help improve conditions in the lagging periphery.

The main weaknesses of the geographical economics approach are as follows:

- A heavy emphasis on the economic importance of density, resulting in a focus on the role of major cities, a tendency to neglect the importance of secondary cities and towns, and a pessimistic view of rural prospects.
- The advocacy of economic integration between regions as a solution to spatial inequality without any qualifications, which assumes that external trade and factor mobility are necessarily beneficial to both the areas of origin and destination.
- Neglecting path dependency - if places have unequal assets and capabilities at the outset, the outcome of linking their economies may be wider rather than narrower spatial inequalities. Well-endowed places may well pull further ahead by sucking in talent, capital and other resources from poorer areas.
- Neglecting the role of human agency and local and regional institutions because of the focus on market forces and national institutions.
- Insufficient recognition of diverse performance among cities.
- Neglect of the costs to households and communities of adjustment via migration and commuting. Neglect of the social and environmental costs of excessive residential densities.

A broader framework for analysis and policy

The analysis of spatial inequalities and imbalanced development needs to go beyond density and distance. Spatial disparities are dynamic and can be cumulative and self-reinforcing. There are other fundamental dimensions and drivers of uneven economic growth beyond physical geography, such as human agency and institutions. Similarly, space and place can have a variety of both positive and negative effects beyond the spillovers and externalities already discussed. Equity and distributional considerations are important along with concerns about efficiency and growth. Consequently, a broader analytical framework is required to understand spatial development.

Similar points apply to spatial policy. The government needs a policy that goes beyond either rural or urban development. Urban and rural areas should not be seen in isolation. There may be a range of social, economic and political reasons for promoting more balanced development. Spatial policy also need to go beyond people-based services and improved transport connections to address the challenges identified. Recognition that places vary in their economic potential is important because resources are constrained and impacts will vary. Place-based policies have greater scope to realise

the distinctive potential of each area than top-down national policies and spatial targeting. Further work is needed to define and measure economic potential. It should not just be about sustaining existing growth areas because their may be unanticipated consequences, including environmental constraints and finite resources. Other places may have latent potential to be unlocked with state investment.

Previous research and evidence in South Africa suggests at least three additional dimensions beyond distance and density may be important in explaining the persistence of unequal growth. This is the starting point for a more fully-developed account of spatial inequalities. It is also the point of departure for a more sophisticated spatial development policy.

1. Land.

Land is a source of considerable relevance to development in both rural and urban areas, including issues of ownership, exchange and regulation. There are continuing historic grievances around dispossession and forced removals, as well as concerns about property rights being entrenched in the constitution. There are also concerns about the impact of communal ownership for the prospects for rural development. Insecurity of tenure in urban townships and informal settlements is also perceived to constrain investment and development. State ownership of land, environmental regulations and planning procedures are also widely seen as obstacles to the development and redevelopment of vacant and under-used urban land.

2. Institutions (non-state)

Sub-national institutions are seriously neglected in geographical economics because of the focus on market forces and national institutions. Such institutions can obstruct or accelerate growth. Local elites have considerable power to resist investment and hinder progress in order to protect their own positions. Not-in-my-backyard (NIMBY) pressure groups seeking to conserve their environment can be intense opponents of any physical development. Other elites engage in opportunistic, 'rent-seeking' (and sometimes corrupt) behaviour that extracts value from others and enriches a narrow group without adding to productive activity or enterprise. Traditional leaders are sometimes criticised for obstructing development. Successful growth processes tend to engage local interests, rather than assume their irrelevance.

Local institutions can promote development by ensuring stability and cohesion within communities. Communities can also be active forces for change. By acting in concert and taking a long-term view of potential, they may be able to exercise sufficient collective weight to reduce investment risks, instil confidence and stimulate productive activity in forms and places that may not occur spontaneously through the market. Different actors come together, engage in joint problem-solving, negotiate deals that create positive outcomes, and thereby draw in higher levels of public and private resources, skills, effort and energy. They can promote trust and support risk-taking by local entrepreneurs

and external investors. They can also foster a spirit of self-reliance and collaboration among local citizens. Local civil society organisations also perform vital roles in holding municipalities to account and facilitating public participation in the design and delivery of services.

3. **Institutions (state).**

Decentralised institutions of the state can also play a positive role in fostering development because of their superior local knowledge and their greater responsiveness to realities on the ground compared with national bodies. Local governments can provide leadership to align public investment streams to gain synergies, and technical capacity to plan and manage the development process more sensitively than remote institutions. In the cities this helps to mitigate the costs of agglomeration and to realise the potential. The financial resource base and administrative capabilities of municipalities are just as important as the actual policies pursued. Poorer municipalities may be compensated for a weaker tax base and capacity constraints by extra government support through 'equitable share' funding. The form of such support is important: is it to sustain welfare spending or stimulate development?

Other candidates for inclusion in a broader conceptual framework are: (i) Natural resources – the presence of scarce assets and locational features, such as minerals, coastal ports or abundant water supply; (ii) Amenities – the wider qualities of places that affect their attractiveness to mobile groups in the workforce, such as natural features (beaches, climate, scenery) and cultural attractions (heritage, arts, music); (iii) Human capital (educational attainment, workforce competences, specialised skill-sets, availability of talent); and (iv) Social and cultural diversity – there is evidence in some other countries that diversity promotes economic dynamism through the creative mixing of different ideas, knowledge and traditions.

Some of the main research questions to be addressed are as follows:

1. What does South Africa's changing settlement structure imply for efficiency and equity? Is growth becoming more concentrated in Gauteng and is this damaging or beneficial? What is the balance between convergence and divergence between other localities and regions? To what extent do the benefits of Gauteng's growth spread to the rest of the country, rather than being sucked in from elsewhere? Should secondary cities play a bigger role in national development? Are countryside towns contributing to wider rural development? How can the economic potential of different places be defined and measured?
2. Does settlement density make a significant contribution to economic development and employment growth? Is this why productivity and growth are higher in the metros than elsewhere? Are higher density rural areas better-off than more dispersed areas with thin markets? Is there a threshold beyond which population densities are excessive?

3. Is distance a major barrier to economic development and employment growth? What evidence is there that isolation from markets and suppliers undermines local prosperity. Does distance affect the propensity of rural dwellers to migrate? To what extent does the distance to jobs affect job search and job retention for township residents? Has distance become less of a constraint with the fall in transport costs over time?
4. How important are human agency and sub-national institutions in obstructing or accelerating growth and development? What are the most significant ways in which local institutions influence development outcomes?
5. What is the role of other factors and forces in spatial development, including land and other natural resources, amenities, human capital and social diversity.

Conclusion

Global debates about spatial inequalities and uneven development are highly relevant to South Africa, given its sizeable historic divisions, continuing large spatial disparities, and wide variations in infrastructure capacity between cities, towns and rural areas. Location matters greatly in such a large country with modest state resources and constrained institutional capabilities. South Africa's spatial inequalities are substantial, both between and within regions. It is generally believed that these are inequitable and that they are structural in character. However, views are mixed on whether or not they are economically inefficient. This is important in formulating effective policies towards urban, rural and regional development. The overt thrust of several current policies is towards rural development. Other policies focus on industrial development zones in coastal regions, again with an uncertain rationale.

The paper is a preliminary attempt to outline some of the conceptual issues that need to be addressed in analysing spatial economic patterns and development processes. It considers the importance of agglomeration and other externalities that influence the location of economic activity. It presents some new data on spatial economic disparities, and proposes a broader framework and set of research questions to strengthen an emerging research agenda on the spatial economy. This is also relevant to important policy questions, such as whether government should encourage further concentration of economic activity and migration in the main cities, or seek to do more to promote development in secondary cities, towns and rural areas?

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ⁱ Source: Statistics SA, General Household Survey, 2002 and 2009.

ⁱⁱ Source: Statistics SA, General Household Survey, 2002 and 2009.

ⁱⁱⁱ Source: Statistics SA, General Household Survey, 2002 and 2009.

^{iv} Source: Statistics SA, General Household Survey, 2002 and 2009.