THE SPACE ECONOMY:
An important consideration in spatial development planning

Programme: EDD-SACN Social Dialogue
Document Type: Dialogue Report
Document Status: Final
Date: 19 April 2013
CONTENTS

1 Introduction ........................................................................................................................................... 4

2 Why the Space Economy is a key component of spatial development planning: .................... 5

3 Strategic approaches to addressing spatial economic inequality (1994 to 2012) ................. 6
  3.1 Functional Economic Regions ........................................................................................................ 6

4 An informed (evidence-based) approach to planning for the space economy: The Western Cape’s PERO ................................................................................................................................. 9

5 Moving forward to improved spatial economic planning outcomes: .................................. 12
  5.1 What hampers effective spatial economic planning? ................................................................. 12
  5.1.1 No single and coherent repository of economic data: ......................................................... 12
  5.1.2 The institutional organisation of spatial economic planning ............................................. 12
  5.1.3 No single clear national spatial vision to date ...................................................................... 12
  5.1.4 Plan abandonment .................................................................................................................. 13
  5.1.5 Short-termism in budget allocation models .......................................................................... 13
  5.1.6 Weak incentives and poor regulation of the private sector ..................................................... 13
  5.1.7 Weak inter-governmental relations ....................................................................................... 13
  5.1.8 The primacy of political and administrative boundaries and territories ................................ 14
  5.1.9 Invisibility of flows of goods and services in less formal sectors/markets .............................. 14
  5.1.10 Knowledge gaps in understanding forces of change that impact the space economy ........... 14
  5.2 What action is needed? .................................................................................................................... 14
  5.2.1 Building and maintaining a well-researched evidence base .................................................. 14
  5.2.2 Understand what is working and what is not working ............................................................ 15
  5.2.3 Engage with local specificity .................................................................................................... 15
  5.2.4 Understand the private sector .................................................................................................. 15
  5.2.5 Improve inter-governmental relations ..................................................................................... 16
  5.2.6 Engage local communities and businesses ............................................................................ 16
  5.2.7 Plan with appropriate time horizons and see the plan through ............................................ 16
  5.2.8 Prioritise ..................................................................................................................................... 17
  5.2.9 Reconcile sectoral plans and spatial plans .............................................................................. 17
  5.2.10 Evaluate interventions against a universally agreed set of principles/ minimum performance criteria: ......................................................................................................................... 17
  5.2.11 Clarity roles and responsibilities and partnerships between key actors: ............................... 17

6 Key issues for further dialogue: .......................................................................................................... 18
ACRONYMS

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>EDD</td>
<td>National Department of Economic Development</td>
</tr>
<tr>
<td>GDPR</td>
<td>Gross Domestic Product per Region</td>
</tr>
<tr>
<td>IDZ</td>
<td>Industrial Development Zone</td>
</tr>
<tr>
<td>MINMEC</td>
<td>Minister and Provincial Members of Executive Council</td>
</tr>
<tr>
<td>NDP</td>
<td>National Development Plan</td>
</tr>
<tr>
<td>NSF</td>
<td>National Spatial Framework</td>
</tr>
<tr>
<td>PERO</td>
<td>Provincial Economic Review and Outlook</td>
</tr>
<tr>
<td>PGDS</td>
<td>Provincial Growth and Development Strategy</td>
</tr>
<tr>
<td>SACN</td>
<td>South African Cities Network</td>
</tr>
<tr>
<td>SEZ</td>
<td>Special Economic Zones</td>
</tr>
<tr>
<td>SIP</td>
<td>Strategic Infrastructure Projects</td>
</tr>
</tbody>
</table>
1 Introduction

This report serves as a summary of the second in a series of knowledge sharing sessions jointly held by the Department of Economic Development (EDD): National Social Dialogue and Strategic Frameworks Programme; and the South African Cities Network (SACN). The sessions are intended to contribute to a knowledge network by inviting a diverse set of perspectives to advise policy making and business planning.

Following on from the rich debate generated in the first dialogue session addressing “Spatial Transformation”, held on 29th January 2013, this second Social Dialogue session, held 27th March 2013, explored the Space Economy as an integral component of spatial development planning in South Africa. It stimulated debate through a series of presentations and through working group discussions that explored the various approaches and roles of the state toward regional spatial economics.

As input to the dialogue session two speakers shared their perspectives on the Space Economy in South Africa as a vital component of Spatial Development Planning.

Damon Mathfield of the Department of Economic development led the input with a recap of the various national planning initiatives undertaken since 1994. This provided a backdrop for his ensuing input on EDD’s joint initiative with the CSIR in developing a first series of Spatial Perspectives and Decision Support Tools on Functional Economic Regions in South Africa.

Following this presentation was a presentation of the Western Cape’s Provincial Economic Review and Outlook (PERO) as an example of evidence-based spatial economic planning and budgeting. Marcia Korsten of the Western Cape Provincial Treasury explained how the PERO tool enables the province to understand the regional spatial economy and more efficiently allocate budgetary resources.

The two presentations were followed by a working session in which all participants chose to join one of three groups in order to discuss and compile responses to three key questions posed to them. These were:

1. What are the key questions emerging around connecting economic development with spatial planning and development

2. How could the state plan more effectively spatially with respect to economic space?

3. What issues and challenges, questions and opportunities emerge for social partners, i.e. the private sector, civil society, research and academia?

Responses to these questions were presented by each group. The core ideas and arguments presented by both the speakers as well as by the discussion groups have been distilled and summarized herein.
2 Why the Space Economy is a key component of spatial development planning:

One of the main aims of Spatial Development Planning on a national and regional scale is to achieve the optimum organisation and use of land resources in order to meet the social environmental and economic needs of present and future generations.

In order to achieve this, it is essential to understand flows of capital, labour, produce, raw materials, value chains and information on a spatial plane across nations and their regions. In this context the “space-economy” is defined as comprising of spatial regions as contiguous spaces that share common or related flows and markets for economic activities such as labour and land markets and infrastructure platforms. It is the spatial manifestation of hundreds of individual economic decisions, actions and connections that together influence space and are in turn influenced by space.

Over the past few decades, spatial planners and economists in South Africa have grappled with the multiple and complex ways in which the economy has a socio-spatial impact and how the spatial locations of activities, people and amenities in turn have an impact on the local, regional and national economy.

It might be a truism to say that economic decisions at all scales have a spatial impact and that spatial location and spatial physical interventions have an economic impact but the implications and causalities of this statement have rarely been unpacked by and for planners, economists and state policy-makers.

Since the demise of Apartheid (post-1994), there have been a series of initiatives at a national and regional scale that have attempted to set out, firstly, a useful analysis of the space economy of the country and, secondly, proposals for intervening in the space economy in a way that achieves real spatial redress of economic inequality and income disparity.

No matter the intervention crafted by the state, the super-ordinate goal has been redistribution of economic opportunity. This is necessary because of the stark realities of a South African geography of extreme wealth disparity, spatially rooted poverty, and unequal access to opportunity and amenity.

With this as a departure point, inputs to this social dialogue session helped to create a timeline of the state’s attempts at achieving this goal by targeting its investment in various types of spatial initiatives. Much of the value of this session came from reviewing which approaches have been attempted over the years and the lessons learnt from each of these.

---

1 This is a working definition gleaned from inputs made in this dialogue session.
3 Strategic approaches to addressing spatial economic inequality (1994 to 2012)

The first speaker at this session, Damon Mathfield of the Department of Economic Development, reviewed the various spatial development planning responses that the state has taken to tackling economic development since 1994. Below is a diagram representing some of the key plans and approaches devised thus far:
THE SPACE ECONOMY:
An important consideration in spatial development planning

NSDF - National Spatial Development Framework
1995
- Aims: Coordinate Public Spending and Infrastructure
- Proposed Approach: Map all govt investment
  Presuade stakeholders to align efforts
- Strengths: Was the first attempt at mapping all public sector investment spatially
- Weaknesses: Failed to persuade stakeholders resistant to central instruction
- Lessons Learnt: Many stakeholders did not want their investment decisions prescribed by national government

SDI's - Spatial Development Initiatives
1997 - 1999
- Aims: Link growth nodes using investment corridors to catalyse overall economic growth - growth will then spread benefits to marginal areas
- Proposed Approach: Prioritise social and economic infrastructure investment in corridors that link growth nodes
- Strengths: Significant development in the Maputo Development Corridor. Overall 11 SDI's were initiated
- Weaknesses: Mixed results: inadequate linkages between planning and operation of large scale infrastructure and spatial planning. Insufficient linkages to spread benefits.
- Lessons Learnt: Need to learn about what made the Maputo Corridor more successful than other SDI's - what was done differently

NSDP I and II
2003 and 2006
- Aims: Analyse SA's main social, economic and environmental trends spatially to develop guidelines for infrastructure investment and development spending
- Proposed Approach: Concentrate fixed infrastructure investment in areas of highest economic development potential; Target all social development spending in high poverty/need areas; Channel future settlement and infrastructure in growth nodes and corridors that link main growth centres and the benefits will spread
- Strengths: Provided a spatial economic atlas for the country; Stimulated the debate about space-economy on a national scale
- Weaknesses: Assumed that poverty is concentrated in rural areas
- Lessons Learnt: Areas of economic opportunity and highest poverty concentrations are often co-located; Investing in high growth areas can exacerbate apartheid spatial inequality

New Growth Path
2009
- Aims: Put the country on a new growth path to drive job creation and economic inclusion; Address deep rural development deficits
- Proposed Approach: Revitalise rural development, focus on Homelands and Bantustans (historically disadvantaged); Identify viable economic opportunities in these areas and boost with public investment; Calls for the finalisation of a spatial perspective on economic development to inform government spending
- Key Job Drivers: Infrastructure: Energy, Transport, Communications, Water, Housing; Main Economic Sectors: Agriculture and Agriprocessing, Mining and Beneficiation, Manufacturing; New Economies: Green economy, Knowledge Economy, Social Capital. The social economy, the public Sector, Spatial opportunities: Rural Development, African Regional Development

National Development Plan
2011
- Aims: Many developmental aims. Spatial development aims are focussed on the need to address inherited spatial divisions as SA's spatial structure exacerbates exclusion
- Proposed Approach: Pertinent to the space-economy - the NDP calls for a spatial targeting structure to include a national competitiveness corridor that connects Gauteng and eThekwini; nodes of national competitiveness, the Cape Town and eThekwini city-regions and Nelson Mandela and Buffalo City regions; rural restructuring zones; resource-critical regions; transnational development corridors; and special intervention zones including job intervention zones for regions that have lost over 20 per cent of their jobs over the past decade, growth management zones, and green economy zones.

National Infrastructure Plan
2012
- Aims: To create a significant number of new jobs; strengthen service delivery; support the integration of African economies
- Proposed Approach: Identify the poorest areas and develop 18 Geographic Strategic Infrastructure Projects (SIPs); Presidential Infrastructure Coordinating Commission to propose a 20-year planning framework
What emerges from an analysis of the above diagram is an enduring ambivalence about the allocation of state public infrastructure investment and social development spending between marginal high-need economically depressed areas and areas of high economic development potential and or high growth.

Much of the presentation content and the dialogue that ensued in this session recounted the merits and demerits of various approaches to the space economy that have been taken by the state since 1994.

In broad terms the above interventions/plans all point to a shifting between the following five key approaches to state-led intervention in the space economy:

1. **To focus state investment in rural/depressed areas as economic drivers that will yield social development benefits and alleviate poverty**
   
   This would prioritise spending in the highest need areas in a bid to stimulate local economies and boost job creation in these areas.

2. **To focus state investment in Growth Nodes and Corridors:**
   
   Physical public infrastructure investment would be targeted in these areas on the assumption that benefits from stimulating the overall space economy in areas of high economic potential and high growth will accrue to the macro-economy in general and will indirectly address poverty and economic exclusion.

3. **To focus Physical infrastructure investment in growth nodes and corridors while focussing basic services and social investment in poverty-stricken areas**
   
   This approach assumes that in areas of low economic potential state investment would be directed to providing minimum basic services and human capital development opportunities. It assumes that areas of high growth and economic potential are not areas of extreme poverty and social development need.

4. **To create efficient spatial linkages between economic growth nodes in order to support flows of goods and services and optimise value chains:**
   
   The corridor approach relies on transportation linkages to spread benefit by concentrating investment along major trans-regional transportation routes with the intention that more remote areas will develop linkages to the corridor. It is also done with the intention that increase in economic activity along the route will provide Local Economic Development Opportunities and allow local producers to access trans-regional economic value-chains.
5. To prioritise state infrastructure investment and catalytic development spending in rural areas and lagging regions in order to urgently address spatial economic inequalities and exclusion.

This would presumably mean that high-growth nodes would be expected to self-fund infrastructure upgrading relying on their high local economic output to generate the revenue that would make this possible.

### 3.1 Functional Economic Regions

The National Development Plan 2011 calls for spatial targeting and highlights certain key space-economy interventions that need further planning. Taking their cue from this plan, the Department of Economic Development in collaboration with the Department of Trade and Industry and the CSIR (Council for Scientific and Industrial Research) have begun a planning process to delineate and analyse functional economic regions.

Their approach will consider the functional economic relationships occurring across a contiguous space by analysing regional value chains, market trends, sector territories, economic clusters and transportation flows amongst other aspects of the space economy. Their intention in defining functional regions is to “improve cross-boundary infrastructure planning, ensure better integration of a wider network of human settlements and support the sharing of economic assets to secure economies of scale”

Some of the rationale for this initiative is captured in the following content presented at the session:

- It is evidence based and thus provides an opportunity for more effective planning across sectors as opposed to the more linear silo approach
- Development of spatial economic perspective that will essentially support Government’s new Infrastructure build programme and SIPs
- Potentially provide the economic layer to the National Spatial Framework (NSF) proposed in the National Development Plan (NDP)
- To create space for cross boundary planning. Allowing municipalities that configure into functional economic regions to collective plan catalytic interventions
- To be provide a basis for structures like the MINMEC, Infrastructure Cluster and the PICC to prioritise high-impact infrastructure investment across the country
- To provide a basis for EDD to proactively determine intervention areas to ensure the impact of strategic economic interventions of the Department are maximized
• To enable the potential basis for Provincial Economic Development Departments to support economic planning on a regional basis with Provinces strengthening the economic component of the PGDS (Planning Scale: Sub-Province but bigger than District)

• To allow for planning that is based on an understanding the potential of economic value chains over space
• To provide a spatial platform for scaling up jobs by maximizing opportunities resulting from high impact initiatives

• To ensure greater leverage off major structuring elements such as transport and development corridors

• To provide an economic context/platform for key spatial initiatives of government such as the SIP, IDZ and new SEZ programmes

The proposed economic development approach is to create an integrated national system of growth nodes with “well-articulated strategic functional economic linkages to less-developed areas (rural areas)” to help unlock latent economic potential and create more inclusive and wide-spread regional development.

It is proposed that the development corridor is where secondary cities and regional service centres will get to anchor their key value chains in a broader economic region. Then a set of Regional Local Economic Development interventions developed by the EDD should be implemented to unlock potential in lagging economic regions (especially rural ones) and to link them to leading ones.

This Functional Economic Regions initiative is already underway.

4 An informed (evidence-based) approach to planning for the space economy: The Western Cape’s PERO

The second presentation input made to this social dialogues session was a presentation by Marcia Korsten of the Western Cape Provincial Treasury who explained how the province links economic performance information to spatial mapping in order to better inform budgeting and intervention in economic development. It does this by compiling an annual Provincial Economic Review and Outlook (PERO).

This was a particularly insightful presentation as it shows how the economic spatial planning process can begin, as a first step, with a credible well-researched, spatially referenced, evidence base upon which to prioritise spatially and sectorally-appropriate funded intervention.
Not only is the PERO useful as an information gathering process but it is a critical informant to the prioritization and budgeting processes of provincial government enhancing its allocative efficiency.

The Western Cape’s PERO is an example of a tool that would improve spatial understanding of economic dynamics and investment needs in a region. If conducted annually it is a dynamic tool that would enable government to respond to shifts in the regional and provincial economies, improving its resilience to both macro- and micro-economic shocks. Furthermore, it provides an analytic reference point for economic development strategies and interventions. It contextualizes the challenges of inclusive growth. It informs budget policy and allocation.

Four Main Focus areas of the PERO:

1. **Macro-Economic Performance and Outlook:**
   
   This provides an analytical backdrop for reviewing the economic performance of the Western Cape by analysing global and national economic trends. It uses this analysis to formulate a medium term outlook, growth forecast and risk assessment for the province.

2. **Sectoral Economic Performance in the Western Cape:**

   The PERO reviews performance in each sector of the provincial economy, identifies main growth driving forces and identification of key constraints hampering leading industries in the province. It also looks at export potential and performance.

   Critical to understanding the space economy, is its mapping of regional spatial economic performance.

3. **Understanding Labour Market Dynamics:**

   This component of the PERO analyses statistics for employment, unemployment, labour force and discouraged work seekers. It takes a retrospective look at labour market trends (2008-2012) against social demographic statistics in order to identify key issues impacting labour supply.

4. **Socio-Economic Development Trends:**

   A number of key social development indicators are analysed to assess economic impact and needs profiling.

   Some of the findings contained in the PERO 2012 that highlight its usefulness as a tool for economic spatial development planning are the regional mapping of economic output. Other key findings are available in the annexure to this summary report.

   Overall the PERO is a way of improving the effectiveness of the provincial budget in meeting economic growth and socio-economic development goals and its responsiveness to both national and provincial strategic objectives.

   It also provides a platform for continued measuring and monitoring of the results of implementation.
5 Moving forward to improved spatial economic planning outcomes:

The discussion generated by the two presentations made at this session as well as the input made by the discussion groups addressing key questions posed, yielded a number of important observations and proposals for more effective planning of the space-economy.

These have been analysed and summarized as follows:

5.1 What hampers effective spatial economic planning?

What have been the obstacles to achieving a spatial economy planning goals as set out in spatial and sectoral plans? An analysis of the dialogue in this session reveals the following key challenges to more meaningful and sustainable intervention in the space economy.

5.1.1 No single and coherent repository of economic data:

Many discussants referred to the need for planning and policymakers to have a single, coherent and accessible source of economic data that relates to various spatial scales and sectors.

It is acknowledged that such data may well exist in individual line departments of government, in state research entities and economic development agencies. The problem has been twofold; firstly, there is no easily identifiable and accessible online platform where this data can be accessed and regularly updated.

Secondly, the data that does exist is often not spatially referenced or geo-coded. This has proven to be a major obstacle in spatial planning and can result in a lack of spatial analysis of local economic realities.

5.1.2 The institutional organisation of spatial economic planning

The institutional housing of spatial economic planning functions is often unclear. In the local, regional and national spatial economic planning has been conducted by the RDP office, the office of the Presidency, the Department of Land Affairs, the national, provincial and municipal Economic Development Departments, Municipal Planning departments, municipal strategy units, and state-owned development agencies such as Blue-IQ, GEDA, and the Johannesburg Development Agency.

This confusion has diffused efforts and has not managed to conclusively address ambivalence about allocation of resources between rural/marginalized areas and high value growth nodes in achieving spatial economic planning objectives to address poverty and spatial economic exclusion.

5.1.3 No single clear national spatial vision to date

As discussed earlier in this report there has been ambivalence on how to allocate budget in relation to the space economy and thus how to structure a national spatial vision that would guide this process.
The National Development Plan calls for more detailed coherent national spatial planning framework and there are moves afoot to develop such a plan.

Historically the lack of coherence in national spatial planning has contributed to the inertia in achieving redress of inherited Apartheid spatial legacy of inequality and exclusion.

5.1.4 Plan abandonment

A review of the timeline of national plans and strategies mentioned above points to a worrying trend of plan abandonment every 3 or 5 years. There seems to be little institutional tenacity in committing to a longer term plan and following it through to effective implementation. When obstacles to implementation arise or when there is a change in departmental or political leadership, the plan is abandoned and a new one is formulated. The result is the creation of plans with very little traction and a very small chance of being implementation.

5.1.5 Short-termism in budget allocation models

Many inputs related to the short-term approach to budget allocation and spending. Many capital infrastructure investments only receive funding for one or two budget cycles (financial years). This means that implementers have to hurry the first phase of implementation and often lose the budget allocation required for subsequent phases over the long term. This often results in a significant reduction in the overall impact of the infrastructure or spending and its ability to meet its intended development objectives as only part of the planned initiative is ever really implemented.

5.1.6 Weak incentives and poor regulation of the private sector

Both regulatory and incentive mechanisms of the state have been weak in directing the type and location of economic investment by the private sector.

A shallow understanding of the needs and behaviours of private capital, specific sectors of the economy, and of leading industries hampers our ability to design the appropriate incentives or regulations that would realize socio-economic development goals.

In some cases legislation governing financial management (and preventing corruption) in state entities curtails the creation of creative place-based incentive schemes that would allow planners to attract the right types of economic investment in depressed regions.

5.1.7 Weak inter-governmental relations

Many of the hurdles to effective integrated spatial economic planning highlighted in the session pointed to systemic difficulties and unwillingness amongst state departments and entities at all three sphere of government to plan collaboratively across functional and spatial boundaries and share responsibilities in implementation.
Unfortunately the cliché of working in silos has for the main part retain its validity and has hampered multi-sectoral multi-disciplinary work in planning and implementing spatial initiatives.

The ways in which performance of human resources is managed in individual line departments at all spheres of government exacerbates this problem.

5.1.8 The primacy of political and administrative boundaries and territories

Discussants at the session repeatedly highlighted the difficulties in planning and implementing regional spatial economic initiatives in cases where these traverse political or administrative boundaries.

Spatially bound budget allocation, spatially delineated political constituencies and territorial performance management make cross –border planning for functional economic regions and value-chains significantly slower and more difficult.

Due to the ways in which state functions have been divided between administrative boundaries, there is often an inherent competitiveness for resource allocation, for performance and possessiveness over departmental budget allocations that can often result in a stalemate over prioritization, roles and responsibilities.

5.1.9 Invisibility of flows of goods and services in less formal sectors/markets

Another topic that received some mention was the difficulty in planning for the informal sectors of the economy due to their relative invisibility and less permanent spatial location.

5.1.10 Knowledge gaps in understanding forces of change that impact the space economy

The dialogue generated in this session also referred to significant gaps in contemporary analyses of the space-economy. Environmental changes, political decision-making, migratory flows and settlement dynamics are all forces of change that are inextricably linked to effective planning for the space-economy. Yet, these are often poorly understood and not adequately analysed in terms of their impact and influence on the space-economy.

While the above points briefly summarise challenges to effective spatial economic development planning, the session produced a set of useful proposals for how the state could intervene to improve spatial planning for the space economy.

5.2 What action is needed?

Discussants called for decisive action on the part of the state in the following key areas:

5.2.1 Building and maintaining a well-researched evidence base
• Starting point of effective spatial economic planning is research. Practitioners need to have the relevant spatial and economic information available on a common easily accessible and regularly maintained platform to inform planning policy and implementation. This needs to be built on the basis of a thorough engagement with practitioners and policy-makers at all spheres about which types of data are required and how it will be collected and used.

• Information must be shared and maintained on a regular basis. This needs to reach all spheres of government and be made available to the public too.

• Research findings and datasets must be geo-coded and be available on a GIS platform in order to map where money is being allocated in space.

5.2.2 Understand what is working and what is not working:

• Discussants raised the importance of analysing factors that led to the success of previous spatial economic planning interventions and those that contributed to the failure of initiatives. Lessons from national, local, provincial, regional planning are all very important ways in which planners can improve their future effectiveness in this field.

• Related to this is the need to measure and monitor the extent to which various infrastructure investment initiatives have succeeded or failed in leveraging reciprocal private sector investment and broad-based socio-economic benefit.

• It was also felt that there may be useful relevant lessons to be learnt from international experiences: e.g. Curitiba in Brazil.

5.2.3 Engage with local specificity

• Calls were made for planners and policy makers to understand the local economic history and uniqueness of the area.

• For successful implementation and realization of broad-based gains, there is a need to understand what locally specific factors led to the success or failure of previous investment.

• There is much value in examining local economic dynamics in order to assess risk and improve sustainability. There may be area-specific or region-specific barriers to entry into the formal economy for many people. Unlocking these helps to spread the economic benefit of state investment.

5.2.4 Understand the private sector

A closer engagement with both sector-specific private capital and with the private sector investments community in general will yield valuable information that enables government to plan, regulate, incentivise and implement more appropriately and in a more sustainable manner.

• This session asked that the following questions be addressed in improving government’s understanding of the private sector:
• How does the private sector make investment decisions?
• What are private sector perceptions?
• What motivates the private sector to invest in an area?
• What would be needed from government in order to create an attractive investment environment for the private sector?

• Furthermore, calls were made for clear policy directives that strategically channel private sector investment in areas where it is needed.
• There has been an implicit assumption on the part of government that if government leads investment in an area, the private sector will follow. This has not always worked and is a broad assumption that needs to be tested.

5.2.5 Improve inter-governmental relations

• What is needed in terms of intergovernmental relations in order to ensure coordination across boundaries, competencies and spheres?
• Throughout this session there were numerous calls for improved planning coordination and implementation at a national level and across all spheres and line functions of government.
• This would require a significant effort on the part of the state to review its institutional architecture, its budget allocation, financial management, and performance management systems and processes to allow work to be programmed across political and administrative boundaries.

5.2.6 Engage local communities and businesses

• Improve methods of engaging with local communities and businesses in the planning, implementation, operation and monitoring phases of intervention.
• Involve civil society in a meaningful way and learn from their on-the-ground local understanding of the space economy.

5.2.7 Plan with appropriate time horizons and see the plan through

• The planning time horizon is important. Some good policies are discarded too soon.
• Plans should be formulated in a way that makes them resilient to changes in administration and political leadership.
• The government needs to commit to a plan for a long enough period to allow implementation to run its course through all viable proposed phases before discarding the plan in favour of a new one. The plan itself will not be perfect but robust and resilient state systems that can adapt to address implementation hurdles will make it possible to sustain commitment to the plan.
5.2.8 Prioritise

- Group discussions called for government to enhance its impact in addressing poverty and spatial economic exclusion by implementing a few things well rather than spread state resources too thinly over too many projects.

5.2.9 Reconcile sectoral plans and spatial plans

Discussants raised the need to:

- Articulate sectoral analysis and planning spatially in order to truly understand the space-economy needs and implications across geographic space.
- Ensure that spatial plans more accurately capture sectoral flows, interdependencies and value chains across political and administrative boundaries.

5.2.10 Evaluate interventions against a universally agreed set of principles/ minimum performance criteria:

Reference was made to the key principles for spatial planning contained in the National Development Plan 2 of 2011. These are:

- Spatial Justice
- Spatial Sustainability
- Spatial Resilience
- Spatial Quality
- Spatial Efficiency

Together these relate to the goals of eliminating poverty and addressing inequality and can provide a basis for evaluating planning policy, strategy and implementation.

5.2.11 Clarify roles and responsibilities and partnerships between key actors:

The space economy must be understood as the product of both intended planned action (what the state wishes) and choice (what economic and social players choose to do). It is, therefore, imperative to clarify the desired role of Government, Private Sector, Civil Society and Academia in relation to improved spatial development planning for the space-economy.

One of the fundamental decisions to be made in this regard is whether the state should be the provider of all services, or the facilitator of the provision of services. If the answer is both, to what extent would it play each role, if not equally? Answering these questions would also clarify whether the state is the planner and implementer, or only one of the two.

---

2 Developed and released by the National Planning Commission in 2011.
Furthermore, participants also raised the need to include education and academia as key partners alongside government, the private sector and civil society, creating a ‘quadruple helix’ in realising spatial economic planning goals. The reason for this is that education and training is the key partner of government in skilling people to enable them to meaningfully participate in the economy, and R&D is the backbone of innovation which is the foundation of modern economies.

Overall there was a strong feeling that the state needed to more effectively engage in partnerships with all members of this quadruple alliance in order to improve leveraging of its investments.

6 Key issues for further dialogue:

There remain a few questions that would need further engagement discussion:

1. How much spatial structuring is too much? The conundrum facing spatial planning and government policy is that on the one hand it cannot be too prescriptive, yet on the other there is a need for bold direction on spatial planning for the space economy. Have we learnt where to draw the line?

2. Do we need another layer of spatial development frameworks that deal with functional regions and that traverse administrative boundaries? What are the relevant tools needed for effective planning and implementation in relation to space-economy initiatives?

3. What are inherent intuitional systemic barriers to implementation of spatial development planning within the government system and how can these be practically removed?

4. What are the practical mechanisms by which a physical infrastructure investment successfully leverages private sector investment and stimulates the local economy? Are there real examples of these to be shared? Where and for what reasons has intended leverage potential not been realised?
The following slides are excerpts of key findings of the PERO 2012.

An analysis of growth by sector depicted below is useful in highlighting which sectors in the province are growing the most, and which are displaying negative growth.

Spatial Mapping of the Gross Domestic Product per Region (GDPR) as depicted below helps indicate each area’s percentage contribution to the Province’s GDPR. This enables the Province to understand where its most economically productive areas are located and where provincial support is needed to both support and enhance economic activity.
The analysis of key economic sectors produced in the PERO provides key information that can be used for spatial and budgetary planning. Below is an example of findings for the agricultural, forestry and fishing sector:

**Agriculture, forestry and fishing**

- Sector grew by 2.2 per cent between 2000 and 2010, with growth occurring alongside the retrenchment of farm workers at an annual rate of 7.8 per cent.
- Directly contributed 4 per cent to Western Cape GDP in 2010 and employed 6.5 per cent of the regional workforce.
- While WC accounted for 14.7 per cent of GDP in 2010, the WC agricultural sector accounted for 23.2 per cent of national agricultural GDP, exporting more than 50 per cent of its annual production.
- Gaining new significance in the 21st century because of the global food shortage. Global food production needs to increase by 70 per cent by the year 2050 in order to meet the demand generated by this rapid population growth.

*Importance from a provincial perspective: Trade opportunities and key role in reduction in poverty within rural population.*

There is also a labour-market analysis contained within the PERO. Below is a sample of what the Labour Market Analysis offers in terms of an improved understanding of economic needs.

**Labour market dynamics**

- While 15 to 24 year olds only make up 16.8 per cent of the provincial labour force, their share of unemployment is twice that.
- Africans remain over-represented in unemployment and under-represented in total and formal employment.
- Unemployment amongst those with incomplete secondary education grew by almost 15 per cent per annum, with unemployment amongst matriculants growing at a similar rate – together these two categories account for 82 per cent of unemployment and 95 per cent of unemployment growth.
- Unemployment amongst males notably grew rapidly at nearly 17 per cent per annum.
- Continued ‘aging out’ of individuals with no formal education in provincial labour force, employment and unemployment.
- Small numbers of discouraged workers in the province (and hence the small gap between narrow and expanded unemployment estimates) related to a lack of isolated, deep rural areas.