

Towards a centre for excellence for research and teaching on city-region economies

Draft proposal for submission to the Gauteng Provincial Government
and other potential partners

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This proposal is intended to improve the quality and quantity of economic research on city-regions. It stems from consultations with officials followed by a workshop among researchers to address the weak evidence-base for economic policy-making and spatial transformation in Gauteng. A related challenge is the limited and stretched capacity within the SA research community to undertake robust analysis of urban and regional economic problems and policies. The proposal also addresses the weak capacity of government and other institutions to absorb the products of research.

Rationale

1. The basic features of the Gauteng economy are reasonably well known, including its overall structure and the key challenges of unemployment, sluggish growth, deindustrialization and spatial fragmentation. However, a disaggregated, finer-grained analysis is now required for understanding the processes of economic development and spatial transformation underway and for more nuanced and responsive policy-making. This means new sources of economic data at different spatial scales within the city-region and for detailed sub-sectors of the economy.
2. A more sustained and systematic programme of research is needed to develop a deeper understanding of the city-regional economy than is typically available through the work of consultants and contract research. More robust knowledge will help to strengthen strategic thinking and action within government and other spheres of society. Comparative research involving Gauteng and other city-regions in SA, Africa and the rest of the world will also stimulate useful learning and sharing of expertise with other places.
3. Technical research capabilities within the region need to be strengthened by building a new cohort of researchers and policy analysts with skills and expertise in urban and regional economics and the built environment (including land, housing, property development and infrastructure). Some of these qualified staff will end up working in government and thereby help directly to improve capabilities in policy-making, analysis, monitoring and evaluation.
4. The new research programme will run short courses, workshops and other events to improve dialogue, mutual understanding and trust between researchers, officials and decision-makers. These events will enhance the

capacity of government and other stakeholders to absorb the products of research.

5. A new research programme could develop over time into a centre of research and teaching excellence for southern Africa. This would constitute a major knowledge asset for Gauteng which could help governments across the sub-continent to deal with the challenges of fast-growing cities and help to realise the economic potential of urbanisation through better spatial planning and coordination, investment in essential urban infrastructure, programmes to catalyse economic development, and new instruments to mobilise public finance.

Core concept

Cities grow and prosper because the agglomeration of firms and households creates positive value and efficiencies for many different kinds of activity. Yet urbanisation does not automatically lead to prosperity, especially if it gives rise to congestion, overloaded infrastructure and inflated property prices because of land and housing shortages. The intensity and quality of the interactions and linkages between firms, households and other entities determines whether the demographic/physical growth of cities is productive and inclusive. These relationships can be mutually-beneficial and generate value, or they can be damaging, generate inefficiencies and raise costs. Therefore, the idea at the heart of this new initiative is to enhance development *of* the city-region, rather than to increase any investment or development *in* the region. In other words, the region is not just seen as a container of economic activity. The underlying objective is to improve understanding of the diverse interactions and externalities that make or break the prosperity of city-regions. This includes the links between rural and urban areas; firms, suppliers and customers; housing, transport and labour markets; and infrastructure and property development. All of these inter-relationships and connections are closely intertwined with wider regional and global economic flows which also need to be understood.

Vision

This proposal is intended to develop robust knowledge and sound technical capabilities in applied research on the Gauteng city-region economy, with a view to creating a centre of research and teaching excellence within the wider sub-continent. The research and teaching will have an economic focus but be multi-disciplinary in character, reflecting the crucial influence of institutions, social conditions and environmental factors on economic development, structural change and spatial transformation. It will employ mixed and complementary methods, both quantitative and qualitative, depending on the research questions and data available. Special efforts will be made to invest in new datasets and to fill gaps in current technical expertise, such as spatial econometrics and cost-benefit analysis. This will be a

profoundly collaborative effort to mobilise local capabilities in SA and to build strong relationships with reputable research centres in other African countries and further afield.

Initial activities

Several themes have emerged that warrant priority attention in the research programme. There is scope for further deliberation around these themes, as well as for additional themes to be inserted into the draft programme of work.

1. **Economic data.** There are major deficiencies in the quality of economic data at the provincial, municipal, district and local levels. This is a serious handicap to detailed economic research on city-region economies and to the creation of baselines for monitoring economic change and transformation over time. Efforts are required to explore the scope for using existing administrative data collected by SARS, StatsSA and municipalities themselves (e.g. property rates, electricity supply or water supply). The feasibility of undertaking original business surveys also needs to be examined, recognising the trade-off between breadth and depth in the type of information that can be collected in this way. Some work also needs to be undertaken on the scope and limits of other economic datasets for metro-level analysis, including the Labour Force Survey and the General Household Survey.
2. **Propulsive industries.** Little is known about the drivers of economic growth and decline in SA's city-regions, i.e. the leading tradeable sectors whose performance has powerful multiplier effects on the rest of the local economy. Mining and manufacturing have traditionally performed this role, but their contribution has declined over time. Many traditional manufacturing industries (such as heavy engineering and clothing and textiles) have contracted, while others (such as food processing) are enjoying a revival in fortunes. New potential engines of growth in business and financial services, information and communications technology, the blue and green economies, the creative industries, pharmaceuticals, specialised chemicals and other sectors need further research. This includes their linkages to suppliers, markets and sources of finance, their changing technologies, skill requirements and labour practices, and their locational imperatives. Work is needed on the barriers to growth and investment in these propulsive industries, and the local operating environments required to accelerate their expansion. These conditions are bound to vary greatly between business districts, municipalities and city-regions.
3. **Labour-absorbing sectors.** Some of the leading industries are highly productive, technologically advanced and internationally competitive, and may generate

relatively few jobs directly. Further research is therefore required into those sectors that currently generate most jobs and have the potential for further job creation. What are the main obstacles faced and what can the different spheres of government do to facilitate their growth and to ensure decent working conditions, rather than casual and precarious practices?

4. **Back-to-basics.** Many firms complain repeatedly that local, provincial and national governments are unresponsive and ignore their everyday requirements for dependable and affordable public services. These range from electricity, water, sanitation and refuse collection, to reliable public transport and a clean and secure surrounding environment. Firms also complain about the skills and competencies of school leavers and other sections of the workforce. Research is required to explore the relative importance of these constraints, the impact they have on business investment decisions, and how they vary between different kinds of firm and different locations. The underlying causes of these complaints also require deeper analysis, including the reasons why municipalities and other entities struggle to meet the routine and apparently straightforward requirements of local firms.
5. **Urban land-infrastructure-finance nexus.** The relationships between the type and quality of transport infrastructure and private investment in property development and business location are poorly understood. The same applies to water, electricity and other urban infrastructure. Consequently, municipalities are generally poor at recouping the value created through such investment – e.g. through development charges. This is a serious missed opportunity at a time of unprecedented public investment in urban infrastructure. Further research is required to explore the significance of this missed opportunity and new ways of addressing the problem.
6. **Economic aspects of spatial transformation.** Economic fundamentals (such as high land prices) are often said to be the main obstacles to social inclusion and transforming the apartheid city. As a result, low incomes communities are often excluded from urban employment opportunities and forced to incur very high transport costs by living on the periphery. Further research is required into the economics of inclusive and affordable housing, and higher density living in public transport corridors. This includes the cost implications of regulations governing the amount of living space, car parking, building standards and the opportunities for cross-subsidisation from middle-income housing and commercial development. What levels of subsidy and trade-offs are required to develop low income housing in and around well-located urban areas?
7. **External linkages.** Municipalities and provinces have a poor understanding of the role of cities in the wider urban system of SA and surrounding nations. The

interactions between cities and their hinterlands, and between different cities, need further research. For the enduring success of the SA spatial economy, it is important to establish (i) the ways in which cities make a positive contribution to the development of surrounding territories, (ii) the extent to which the fortunes of cities (including secondary cities) are dependent on each other, and (iii) whether any of these relationships are particularly imbalanced in a way that threatens the long-term stability of SA's urban system. The relationship between Gauteng's growth and the prosperity of the rest of the country is one of these issues that warrant further analysis.

8. **Comparative studies.** What can SA city-regions learn from the economic development trajectories, urban infrastructure programmes and spatial planning policies in other parts of the world? Comparative research on the factors underpinning rapid economic growth and spatial transformation in cities as diverse and far apart as Nairobi, Addis Ababa, Lagos, Sao Paulo, Delhi and Shanghai could be useful in widening horizons and introducing new perspectives and ideas for policy and practice.

Institutional arrangements

The proposal is for a hub and spoke arrangement, i.e. a small core of researchers within the hub to guide and coordinate activity, which will be linked to wider network of individuals and groups of researchers in other universities and institutions. It is proposed that the hub comprises a joint initiative of the GCRO and HSRC. This partnership will be cemented by a formal agreement, which will specify the particular roles and responsibilities of the two organisations. The individuals involved already have experience of working together. The GCRO has a proven track record of applied research for Gauteng Province and the metros. The HSRC has a strong track record of economic research for national, provincial and metro government. The spokes will consist of contracts between the core partnership and other organisations and/or individuals. These contracts will specify particular research projects or tasks, such as developing a new dataset or undertaking a particular sectoral or local/regional analysis.

The research programme will develop strong relationships with parallel initiatives and activities, such as the Economies of Regions Learning Network (ERLN). The programme will be overseen by an advisory group comprising a mixture of research users, funders and researchers. International relationships will be facilitated by Ivan Turok's membership of the board of the Regional Studies Association and his role as Editor-in-Chief of the leading international journal *Regional Studies*.

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