01 Benchmarking the way cities and regions around the world are responding to the global recession

Researched and written by

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For the Gauteng Provincial Department of Economic Development

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Gauteng City-Region Observatory

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Summary recommendations

This report includes a wide range of actions, being initiated in different parts of the world, from which the Gauteng Provincial Government can learn. Useful international partnerships could also be struck up around implementation, monitoring and evaluation. This section summarises key recommendations from the report, but many more detailed suggestions appear in the subsequent pages.

Use the Barcelona Principles to guide action

In March 2009, a set of local leaders from around the world gathered in Barcelona, under the auspices of the OECD, to consider the impact of the current economic crisis on their respective localities, and to generate a shared approach in responding to its impacts. The workshop emerged with a set of ten principles – which have become known as the Barcelona Principles – that can be used to guide strategic responses in localities affected by the crisis, regardless of where they are in the world. The Barcelona Principles provide a useful starting point for our thinking about what should be done by provincial and local government in the Gauteng city-region, and are set out below.

1. **Don't waste the crisis, respond with purpose and leadership**

   It is critical to provide strong, united provincial and local leadership, jointly articulating a shared vision for Gauteng

2. **Make a strong case for public investment**

   Continue expenditure and push hard for significant national investment in Gauteng – the Gauteng city-region will drive the South African recovery

3. **Develop a long-term economic strategy**

   Gauteng must have a long-term strategy, and support the sectors that are key to long-term growth

4. **Act purposefully in the short term focusing on people, jobs, businesses, incomes, etc.**

   Balance long-term goals with short-term support for people and businesses affected by the crisis

5. **Build mechanisms to attract investment now and in the future**

   Flexible, innovative investment vehicles will be needed now and after the recession recedes – and the global competition for investment will be even more fierce than beforehand

6. **Build long-term cross-sectoral relationships**

   South Africa is already a world-leader in this regard. This strength should be built on at sub-national level

7. **Effective public works and maintain major investments in infrastructure, events etc.**

   Again, South Africa is a significant exemplar here (road upgrades, mass public transit investments, etc.), but there is a danger that these will be cut back at the sub-national level. Bring forward planned investments to inject resources and create jobs

8. **Stay close to the people**

   People are hurting the most: help with short term job opportunities (especially for youth), debt counselling, and support for non-profit organisations working closely with communities, etc.

9. **Stay open to the world**

   Gauteng needs skills, and needs to develop our own and pull in more from the rest of the world

10. **Build local/national alliances**

    Align GPG actions with both local and national spheres.

In addition, we suggest the following short, medium and longer-term recommendations.

Short-term

- Prepare now for the economic upturn
- Working with the DBSA, IDC and other players managing available funding set up by the National Response Framework, **develop and roll-out a medium-term counter-cyclical fiscal stimulus package** that boosts provincial and local government capital spending
- Assemble a **high-level multi-stakeholder group** to monitor the crisis and develop a shared, long-term strategic response for government, business, labour and civil society focusing on the growth of the Gauteng city-region
- **Host gatherings** where local buyers and producers can meet each other
- To build certainty and confidence, develop and roll out a clear **communication strategy** to share the longer term strategic response and the medium term fiscal stimulus package with government stakeholders, business and communities. Enhance **accountability** by sharing progress towards the goals that have been communicated
- **Don't freeze posts, fill all critical vacancies** in local and provincial departments within six months
- Where budgets do need to be cut, **take a strategic resource re-allocation rather than a universal percentage reduction approach, and cut expenditure on unnecessary items.** For example, limit overseas travel by public representatives and officials, and cancel public functions whose only purpose is marketing

- **Publicise tenders** and make registration, procurement and contracting procedures simple
- **Pay all invoices within 14 days**, especially for SMEs – speed up and target Operation Bhadala
- **Weight preferential procurement points to reward local procurement**
- Accelerate existing **housing programmes**
- With a view to sustainable human settlement development, **take advantage of depressed property prices to buy land** where good market opportunities exist.
- Roll-out **public works** (building on the successes of Zivuseni and other provincial programmes) that target youth, women, low educated people for employment and training
- **Proactively seek out poor people** who should be receiving Free Basic Services, social grants, etc.
- **Support the provision of debt counselling facilities set up under the auspices of the National Credit Act**
- **Engage the financial services sector** to progressively loosen credit lending criteria
- **Engage the private sector** over work-sharing and other mechanisms to protect jobs and people

Medium-term

- Support and grow those **sectors identified as key to the long-term growth** and sustainability of Gauteng
- Promote **economic diversity** in the local economy
- Maintain infrastructure spending, and focus on **quality of place**
- Draw in the **Further and Higher Education** sectors to help with re-skilling the workforce
- **Entrepreneurship training for young people** should be a priority area
- **Brand and position** the Gauteng city-region in the global hierarchy
- Invest in **re-skilling the workforce for new, green technologies**
- **Engage with the national sphere** to secure as much support as possible – the Gauteng city-region will be expected to drive the South African recovery, and needs support to do so
- Be bold, take risks, be willing to **learn by doing** – government needs to **innovate** and support innovation

Long-term

- Work with the national sphere, NEPAD, AU and others for a global re-structuring of 'the rules of the game' for **equitable and sustainable global trade** for all
- Foster far greater economic and governance integration within the Gauteng city-region in order to realise in practice the slogan '**collaborate locally to compete globally**'
- Continually measure progress towards meeting robust targets for **carbon emission reduction** and implement green technologies harnessing Gauteng's abundant natural resources
- Plan now for the development of more **knowledge-intensive industries that can support higher productivity and incomes**. These industries include ICT, pharmaceuticals and high-level services
- An effective **diversification strategy** is needed, with a stronger effort to mobilise domestic funding and production of inputs and avoid excessive dependence on unstable, short-term international capital inflows and to maintain a competitive value for the rand.

Introduction

This report

The Gauteng Provincial Government Department of Economic Department (GPGDED) approached the Gauteng City-Region Observatory (GCRO) to provide them with a fast turn-around report that benchmarks sub-national responses to the economic crisis globally. Our brief was to provide **a review of what cities and regions are doing in response to the crisis in other parts of the world**, and to emphasise the action side of the story – what is being done, rather than analysing the differing nature and impact of the crisis in different places.

The report is filled not so much with specific recommendations as a **suite of possible interventions that the Gauteng Provincial Government may wish to choose from and implement**. They are sourced from different parts of the world, and the GCRO can provide on-going comparative monitoring over time if required.

Methodology

This report is based on sourcing and analysing reports from across the world that are themselves recording the responses of sub-national units to the unfolding economic crisis. Some are very locale-specific, others provide country or multi-country reviews. The opening sections of this report – which analyse the impact of the economic crisis in Gauteng - are based on official datasets produced primarily by Statistics South Africa.

Two brief points need to be made. First, the crisis is unfolding around us, and the interventions described in this report are either still being designed or are in their pilot or early stages of implementation: as such**, it is impossible to provide any evaluative guidance as to their long-term impact or efficacy**. Some may look good on paper but fail in the field, others the reverse. Over time, as evaluative data become available, GPGDED should re-visit the issue, as suggested above.

Second, the data used here are a mix of original and secondary analysis, and we inevitably echo the views of the many authors whose work was reviewed. We reference the relevant piece/s wherever possible, but there is a great deal of repetition and overlap in the literature; our report draws extensively on the work of others; and we have doubtless failed to reference each and every point. We remain indebted to the authors cited in the 'References' section at the end of the report. More is being produced on a near-daily basis. If GPG does indeed set up a monitoring task team, as suggested, a key early task will be to **compile a database of relevant literature, and produce regular digests of key findings**; or to approach GCRO to do so.

Section 1: Which crisis?

> *While recently we have heard much about how problems on Wall Street are a ecting innocen*
> *people on Main Street, we need to think about those people around the world with no streets.*
> *Wall Street, Main Street, no street: the solutions devised must be for all.*
>
> *(Ban Ki-Moon, United Nations Secretary-General)*

South Africa, like the rest of the developing world, is locked into a deeply unequal global economy that must change fundamentally if development and prosperity are to be genuinely shared across the globe. **Managing the current crisis should be located within a broader strategic framework that seeks a sustainable future by creating a more fair, inclusive world than existed prior to the crisis.** Achieving inclusive economic growth and creating decent jobs requires a level global playing field.

Gauteng is the economic engine of South Africa, and sub-Saharan Africa. It is part of the globalised world economy, and is being directly affected by the economic crisis that has spread across the globe during 2008 and 2009. The effects of the crisis are growing, and – as cities and sub-national regions across the world are finding – **the crisis is exacerbating existing fault-lines**; cities and regions with existing **low skills or structural unemployment** problems are suffering more than others; **low-diversified economies** are hard-hit, especially those **locked into export markets**, and will be slowest to pull out of the crisis.

Many cities across the world – as a result of the economic crisis – have come to learn what Gauteng knew some years ago when it adopted the city-region perspective, namely that they need to **collaborate locally to compete better globally**. From Helsinki to various UK cities (which are grouping themselves under Multi-Area Agreements (MAAs)), the notion is gathering momentum that collaboration among local economic spaces allows for more effective competition at the global level. When considering the crisis, one of the key strengths available is the **broader, economically integrated Gauteng city-region**.[1]

It is often said that one **should not waste a good crisis** – it is a moment of opportunity, not merely one of gloom and despondency. It is equally important to stress the fact that the poor must not bear the brunt of the crisis, as the National Framework makes clear. This report describes how many cities and regions are responding positively to the crisis, and putting in place the building blocks for how they want to look and operate when the upswing occurs. Some have actually done well – Toronto's conservative fiscal policies are now very attractive to markets, Paris and Warsaw are benefitting from returning skilled workers, while Bilbao has put in place new socio-political-economic partnerships.[2] Pittsburgh is regarded as probably the most successful US city, having 're-invented' itself as a creative, dynamic hub focusing on new high-tech and creative sectors.

For Gauteng Province, the question is: **what would be regarded as 'successful' management of the crisis** for this province and the cities and municipalities it contains, as well as those integrally linked to it economically (i.e. the broader Gauteng city-region)? Is the goal to return to the pre-crisis period up to 2007 – a period of **high growth**, certainly, but coupled to growing **inequality**; an **energy** crisis; **food price inflation** that most severely hit the poor; an **export-driven** economy that has proved **vulnerable** to international fluctuations; a massive **carbon footprint**; **climate change**; on-going **poverty** fuelled in part by on-going migration to Gauteng by people from across Africa and South Africa; a **skills shortage** in many sectors; and so on.

Self-evidently, simply returning to the *status quo ante* would not amount to successfully negotiating the crisis. **The rules of the game need to be re-written and fairly applied**. The way **the developmental state** manages the economic crisis will have to be a subtle balancing act:

- **helping citizens**, both the long-term poor and those directly affected by the crisis and the recession it has induced;
- supporting the **sectors, firms and employees** most hard hit by the crisis;
- **co-ordinating** work with the national sphere as well as other provinces;
- **integrating** the work of all government agencies in Gauteng; and
- working with the national sphere, the region, the continent and the developing world to try and secure **a more equitable and fair global economic environment**.

Leadership and the crisis in the Gauteng city-region

The economic crisis, which began in 2007 and has gathered pace since then, impacting on societies and economies across the globe, is impacting on jobs and the labour market, economic sectors, people, places and governments. The crisis demands **strong, charismatic *local* leadership**. National strategies, such as South Africa's National Framework, are vital. But the global literature is clear: we "ignore how recessions play out locally at [our] peril"; we need to focus attention on "the large cities … that can drive the recovery, as well as recognising the areas that need most support to survive and prepare for better times".[3]

And that means local leadership, **to simultaneously support people, support businesses, develop a shared long-term strategy, position the Gauteng city-region for long-term development and investment, and communicate clearly with all stakeholders**. This takes different forms across the world, as the following examples suggest. But we should be clear: in addition to longer-term recommendations that follow later, the Gauteng Provincial Government can take simple steps immediately, to have a significant impact on the crisis:

- **Fill all vacancies** at local and provincial spheres within three months (Derby publishes all council vacancies on a daily basis in local newspapers)
- **Pay all invoices within 14 days**, especially for SMEs (as do Cherwell and Newcastle in the UK) – speed up and target Operation Bhadala
- **Limit overseas travel by public representatives and officials** (as in China)
- Make **government parking freely available** for cultural events, or to stimulate the retail sector (global)
- **Publicise tenders**, make procedures simple (Swindon runs courses for local SMEs on how to apply for and win tenders)

- **Weight tenders to reward local procurement** (Oxfordshire County Council purchases 52% of *all* services from local SMEs)
- **Host gatherings** where local buyers and producers can meet each other (as in Belfast)
- **Engage banks** to make credit available (global)
- **Proactively seek out poor people** who should be receiving Free basic Services, social grants, etc. (as has Lancashire County Council)
- **Provide debt counselling** (global)

None of these items will cost money – but they could have a major impact on the people and businesses being affected by the crisis. They allow space for **strong leadership to achieve short-term but significant and visible impacts**. As the head of the UK Local Government Association has noted, local leadership is critical because

> *when things go wrong councils step in both to kick start the economy when it hi*
> *bo om and to provide a safety net for people in need*

People in Gauteng are looking to the Premier for the leadership seen in some of the larger, more successful cities and city-regions in the world. Some of the **sub-national initiatives being implemented in response to the recession** appear in Table 1 below. They are a mix of short-term, easily implemented measures, and some longer-term items. They also range from modest to large in scale.

Table 1: Some responses to global crisis by various cities and city-regions

Support people	• Los Angeles is creating 16 500 jobs for at-risk youth in new green technologies • Multiple cities are training the recently-unemployed in 'green' technologies • Hong Kong offered a one-off 50% tax cut for individuals • Many cities are offering debt counselling and support services • Investing in skills training is happening across the globe • Shanghai is targeting 150 000 graduates and school leavers for vocational training • Wakefield (UK) is providing interest-free loans to people at risk of losing their homes • Auckland (via the OMEGA project) is attracting and integrating skilled migrants into its workforce

Support businesses	• Birmingham, Oxfordshire and other British county councils are strongly emphasising local procurement to bolster local providers • Swindon (UK) is energetically publicising available tenders to local firms • Local governments are seeking to reduce the cost of doing business through service cuts, deferred payments, innovative partnerships and other mechanisms • Glasgow has developed special procurement vehicles (SPVs) to keep local development moving, and different examples of making credit available exist (Essex has created a council-run bank to make credit available) • Some take equity in local firms, in return for investment (as in Cardiff) • Some are using major global sporting events to grow new businesses, especially SMEs (e.g. New Zealand with Rugby World Cup 2011)
Position for long-term development	• New York is pushing broadband investment • Barcelona is sticking to its long-term vision, and spending accordingly (and got an AA+ credit rating in return) • London has developed a consensual recession strategy • Mumbai is cost-saving (e.g. planned underground rail will now be above ground for long stretches) and simultaneously branding globally
Leadership	• Many local areas have rallied behind charismatic local leaders, such as the Mayor of New York • Leaders across the global city-regions monitor the crisis and report to stakeholder groups to develop consensus around appropriate responses, positioning and the way forward • Those leaders forge co-ordinated responses from often fragmented governance spheres, economic and social sectors, etc. despite often silo-based national support such as the American Recession and Recovery Act (ARRA) • Above all, leaders communicate, with all sectors and citizens
Prepare for the upturn	• Innovation, green technologies, skills attraction and a re-trained workforce working in an inclusive (local and global) economy are key to the future

Local crisis, local response

There is no one-size fits-all response to the crisis at sub-national (or national) level. But the local is where the crisis is being most acutely felt; where it will (or will not) be challenged; and decisions taken in Gauteng (at provincial and local level), as the economic powerhouse of sub-Saharan Africa, are critical. Sector support – 'bail out' or other – must focus on **sectors that have been identified as key to long-term growth and social and environmental sustainability**. Long-term potential must be considered alongside the short-term pain being suffered by firms and workers. This includes the need for far more thinking about **innovation in labour-intensive sectors.**

The crisis is highlighting fault-lines in societies, including South Africa:

> *local economies that entered the crisis with the biggest challenges such as low skills or employment levels are those which are most likely to be most [5] negatively impacted*

Or, phrased slightly differently, "economic crises tend to reinforce and accelerate the underlying, long-term trends within an economy".[6] Which is why virtually every piece written about the crisis makes the same point: **the crisis is also an opportunity to put in place long-term changes – so don't waste a good crisis!** This requires that GPG develops a **strategic approach to how it responds to the crisis**: throwing money in a 'spray and pray' manner may provide a short-term palliative but does not offer a long-term solution.

The need for a strategic response

But this means (a) balancing short, medium and long-term responses, and (b) ensuring that there is a clear *strategy* informing how the provincial and local spheres respond. That too requires leadership: like Hong Kong, the Premier could put in place a **Task Force to monitor** the unfolding recession and help nurture **integrated responses** as required (vertical and/or horizontal integration); and like most major city-regions, the Premier could form a **high-level stakeholder group** – comprising government, business, labour, academics and others – to develop a long-term strategic vision (presumably informed by the G2055 process) "that differentiates the locality from others and makes a compelling case for the future"[7] and also **communicates that vision**, bringing confidence to markets, consumers, the media, and others.

We need to make the most of what is already in place and promote innovation, energy efficiency and economic inclusion. **We need to exit the crisis stronger, more equitable and more sustainable, than we entered it**. For example, some cities, such as Sheffield and Toronto, are building new long-term trade policies on the **explicit assumption** that **major municipal-level investors in future will come from the East,** not the West.

The focus of attention must be **the entire economic space, not just municipal level (or other administrative units).** The broader Gauteng city-region (GCR), which is based on the functional economy that stretches from Witbank and Secunda through Sasolburg, incorporates Rustenburg and the whole province of Gauteng, provides a powerful basis for weathering the storm while setting in motion the structural changes we need to see more inclusive economic growth, lowered poverty, lowered inequality, greater service delivery and enhanced quality of life for all citizens.

The reason for this is that **cities and city-regions with diversified economies, a high skills base and strong leadership, are surviving better than others**; "the competitive advantage of the world's most successful city-regions seems to be growing, not shrinking" and the 40 largest mega-cities remain home to 18% of the global population, while producing two-thirds of global economic output.[8]

The crisis will inevitably change the economic landscape, as Richard Florida has noted with reference to the United States: the crisis "will accelerate the rise and fall of specific places *within* the U.S. – and reverse the fortunes of other cities and regions".[9] And it will do the same in South

Africa. **How we respond now** – at sub-national level, focusing on the Gauteng city-region – is **critical in determining how the GCR exits the crisis:** weakened and falling behind in the global context, or strengthened and united behind a common long-term strategy.

Aligning with global strategies

Finally, it is important that Gauteng is aware of what is happening globally, in order to learn from – and, where appropriate, act with – others. The latter may be tricky: OECD documents for example talk of consensus around key goals of innovation, energy efficiency and **economic inclusion**[10]**,** while its official response document intoned:

> *The crisis demands tough decisions now but it must not turn our a ention away* ***serious structural challenges***.[11]

But structural challenges in the global distribution of power and access to trade have not been changed thus far, and whether the OECD (and other multilateral agencies) take this to include a **geo-political shake-up that creates a genuinely level playing field for the developing world**, is open to question. But that is exactly what lies at the heart of the issue. Trade not aid; and fair trade, not the *status quo ante*. **Transformation** should be the touchstone for South Africa's approach to the post-crisis global economy, a point made in South Africa's 'National Framework' document.[12]

The contagion has spread across the world that is "engaged in the same global flows of capital and similar sectors to Anglo-American local economies"[13] and also economies heavily reliant on exports, such as our own. **Trade is at the heart of the recovery. But the rules of the game have to become more inclusive**, or the developing world will always be developing, never developed. **Alliances** in the AU, NEPAD, and among the BRIC countries and others will be key in forging a progressive alliance seeking a fairer future.

There is a very useful set of principles, the 'Barcelona Principles', generated from a consultative workshop of local leaders from across the world that was organised by the OECD in March 2009, which provide a robust globally used check-list against which to assess the interventions of GPG, and to ensure that a strategic thrust informs its actions.[14]

Table 2: The Barcelona Principles

1. **Don't waste the crisis, respond with purpose and leadership**
   It is critical to provide strong, united provincial and local leadership, jointly articulating a shared vision for Gauteng
2. **Make a strong case for public investment**
   Continue expenditure and push hard for significant national investment in Gauteng – the Gauteng city-region will drive the South African recovery
3. **Develop a long-term economic strategy**
   It is critical to have a long-term strategy, and to support the sectors that are key to long-term growth
4. **Act purposefully in the short-term focusing on people, jobs, businesses, incomes, etc.**
   Balance long-term goals with short-term support for people and businesses affected by the crisis
5. **Build mechanisms to attract investment now and in the future**
   Flexible, innovative investment vehicles will be needed now and after the recession recedes – global competition for investment will be even more fierce than beforehand
6. **Build long-term cross-sectoral relationships**
   South Africa is already a world-leader in this regard. This strength should be built on.
7. **Effective public works and maintain major investments in infrastructure, events etc.**
   Again, South Africa is a significant exemplar here (road upgrades, mass public transit investments, etc.), but there is a danger that these will be cut back at the sub-national level. Bring forward planned investments to inject resources and create jobs
8. **Stay close to the people**
   People are hurting the most: help with short-term job opportunities (especially for youth), debt counselling, support for non-profit organisations working with communities
9. **Stay open to the world**
   Gauteng needs skills, local and international
10. **Build local/national alliances**
   Align GPG actions with both local and national spheres.

Section 2: Causes and consequences

International roots of the crisis

From the late 1980s, the world economy has grown relatively steadily, despite occasional cyclical downturns. From around 2000, growth fuelled a boom in **commodity prices**. That benefited South Africa, which **remains dependent on mining-based exports**. But the international economy grew increasingly reliant on unsustainable borrowing by the US, which was the dominant source of demand for traded consumer durables.

Increasingly, however, **deep global imbalances emerged** that required a substantial **restructuring of the accumulation process**. China and other Asian countries, as well as Germany, saw exports of manufactures (and in the case of India, services) as a way to stimulate growth. But the global North, and especially the US, could not maintain exports to pay for its imports. The US borrowed from the Asian countries, led by China, to maintain consumption. In the mid-2000s, the US deficit on its current account ranged around 5% of its GDP, or over USD700 billion. Most Asian countries had complementary surpluses on their current accounts, which were invested largely in various kinds of US securities. This recycling process underpinned lower interest rates and soaring stock markets in the global North.

These trends had a profound impact on the US economy, which in turn led quite directly to the financial crisis of 2008. **The US lost productive jobs and capacity** for much of the past ten years, but maintained its status through ownership of production and military power, technological leadership and its position as 'consumer of last resort.' In this context, the **financial sector expanded at an extraordinary rate**. In effect, as the US grew less competitive in consumer manufacturing, companies moved into the financial sector – and lobbied for deregulation, which **boosted their short-run profits but added to systemic risk**.

Profits from the financial sector climbed from an average of 25% of all domestic US profits in the 1990s to 35% between 2000 and the third quarter of 2008. US companies also relied increasingly on profits from outside the US. These profits rose from 18% of all US corporate profits in the 1990s to 27% from 2000 to the second quarter of 2008.

As this pattern of growth depressed median incomes while interest rates remained low, middle-class Americans borrowed increasingly against their houses. Meanwhile, the US saw a shift to defined-contribution pensions. In the early 1980s, 85% of Americans had defined-benefit pensions; a decade later, the proportions had essentially reversed. **Relying on home loans and the stock market in this way let most US households maintain their living standards but with reduced savings and increased risk.**

The overextension of US consumer debt proved the weak link in the chain. It led to widespread defaults and ultimately a broad financial crash across Europe and the US, with collapsing house and stock-market prices. The average US household saw 25% of the value of its assets disappear, resulting in a sharp fall in demand. Major financial institutions in the US and Europe had to write off billions in bonds. As the banks became more risk averse, the **flow of credit even to viable producers** shut down. The result was a severe recession across the global North. The IMF expected the GDP of the 'advanced economies' to drop by almost 4% in 2009.[15]

The rapid drop in consumer demand in the global North meant that China and other East Asian countries experienced **a sharp fall off in export sales**, even though their financial institutions were mostly not directly affected. As a result, growth also slowed across Asia. Chinese growth was predicted to fall from a reported 13% in 2007 to 7,5% in 2009, and the country lost millions of jobs in export industries.

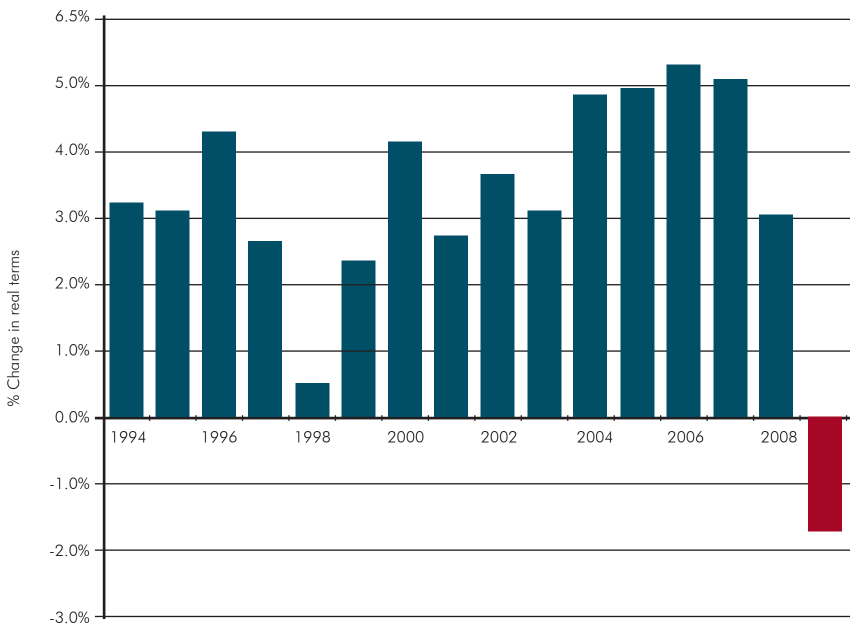
The structural roots of the crisis make it difficult to predict medium-term outcomes. It seems virtually impossible for the US to return to the overheated consumption of the 2000s. That, in turn, means that the **Asian economies can only grow if they can expand domestic and regional markets.** Strong stimulus packages in both countries have been linked to proposals for **a new growth path** – in the US, based on revival of technological leadership and infrastructure expenditure; in China, rooted in both infrastructure renewal and subsidies for consumer durables.

Still, it seems likely that the world economy will grow fairly strongly for several years before the new structure of growth takes off. **That reality constrains South Africa's policy choices**.

The crisis and South Africa

We have already noted that the crisis has exposed the fault-lines that exist within local economies, in South Africa as elsewhere in the world. The structure of the South African economy left it particularly vulnerable to the global downturn. On the one hand, despite significant reductions in poverty and unemployment in the 2000s, it was still characterised by **unusually low levels of employment and deep inequalities by world standards**. On the other, through the mid-2000s South Africa grew **increasingly dependent on mining-based exports and short-term capital inflows into stock and bond markets**. Both these economic pillars were hard hit by the global downturn. The following table shows the latest available data on the GDP. It demonstrates that South Africa both benefited from the relatively rapid global growth of the mid 2000s and experienced a decline following on the international downturn in early 2009.

Figure 1: GDP growth, 1995 to first quarter 2009 (a)



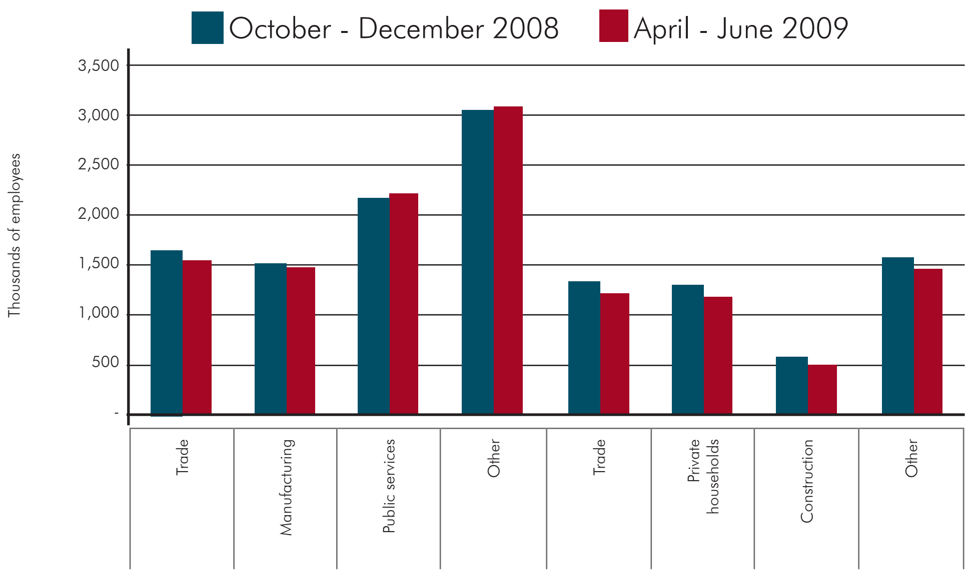
Note a Growth for rst quarter compared to third quarter seasonally adjusted Sou South Africa. GDP data. Downloaded from www statssa gov iz May

The main declines occurred in **the mineral value chain, including heavy industry, and in the auto industry**. The decline in mining reflected the serious drop in the prices of minerals and coal. While gold recovered fairly rapidly, in mid-2009 other commodities remained well below their peaks. Coal export prices dropped by over a third in 2009.[16]

For South Africa, **the weakness of minerals markets was particularly worrying**. High metals prices had reinforced dependence on mining-based exports in the mid-2000s. The mining value chain, including coal-based heavy chemicals, accounted for almost two thirds of total exports in 2008.

The economic decline from late 2008 to mid-2009 had **a serious impact on employment**. In the **formal sector**, the number of jobs dropped by 61 000, or 0,7%, from the last quarter of 2008 to the second quarter of 2009. The **informal sector was hit even harder**: it lost 404 000 income earners, or 8,5% of the total. Half the losses were split between **self-employed hawkers and domestic workers**. This shrinkage probably resulted quite directly from lower incomes in the formal sector. Another 15% of job losses took place in informal construction as the housing sector stagnated.

Figure 2: Employment in the fourth quarter of 2008 and the second quarter of 2009 (not seasonally adjusted)

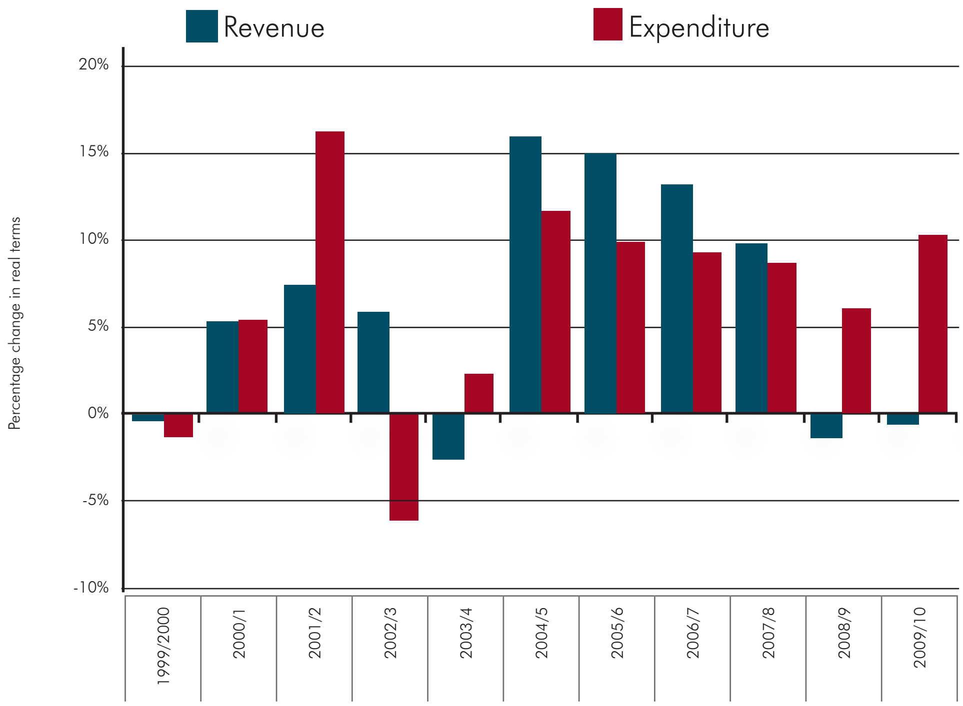


Source Calculated from Statistics South Africa Quarterly Labour Force Survey Quar Downloaded from www statssa gov za in July

A particular concern was the concentration of **job losses amongst young people and less educated elementary workers**. Working-age adults aged under 30 years old, who already faced an unemployment rate of close to 40%, accounted for virtually all job losses in the first half of 2009.

The crisis also **cut deeply into government revenues**. In the 2009/10 budget, the Treasury predicted that the state's income would decline by 1,3%. In the event, it seemed likely that the decline would be at least twice as steep, although the final outcome for 2009/10 remained uncertain.[17] This fall came after eight years of rapid growth in both government spending and revenues.

Figure 3: Government revenue and expenditure, 1999 to 2009 (actual to 2008, budget and medium-term expenditure framework forecast thereafter)



Source Calculated from National Treasury Medium Term Budget Statement and Budget Review Pretoria De ated using CPI

Finally, South Africa seemed particularly vulnerable to **fluctuations in international capital flows**. During the global upswing, when international liquidity was high, new investment relied increasingly on inflows into the equity and bond markets. By 2008, foreign funds accounted for around three quarters of new investment. The spike in short-run capital inflows in the mid-2000s had a major impact on the structure of growth. They strengthened the rand, which in turn constrained growth in manufacturing while fostering a deficit on the balance of trade.

Taken together, these factors meant **South Africa had an unusually high deficit on its current account in the mid-2000s**, at around 5% of the GDP. Capital inflows declined somewhat with the international crisis, but remained reasonably strong. The rand only depreciated by around 20% in the first half of 2009. If a further crisis led to a reduction in short-run foreign investment, however, South Africa seemed likely to face **painful adjustments** mediated through a further weakening in the rand, making imports substantially more expensive.

In sum, the international crisis affected South Africa **directly through reduced demand for exports**, which in turn had a **multiplier effect that led to major job losses**. At the same time, it reduced government's fiscal space, **making a counter-cyclical policy harder to sustain**, and pointed out the economy's vulnerability to fluctuations in international capital flows.

Section 3: Anatomy of the crisis

The crisis described above has had a devastating effect on South Africa, and the Gauteng city-region in particular. When compared with what is being experienced in other parts of the world, the available data suggest that the economic crisis has had a wide range of impacts on South Africa and its core economic region which are **at least as severe, if not more so, than those seen in other countries and city-regions**. What is perhaps surprising is how little media attention is being paid to the severity of the fall-out from the crisis.

To illustrate both the width and depth of the impact two tables are presented below. The first, drawn from Clark, compares the most prominent negative impacts of the global crisis on cities and city-regions across the world, showing what effects have been felt where. The table has been supplemented with a line summarising the principal negative impacts of the crisis on the Gauteng city-region, on the basis of the evidence presented in the second table. (Please note that Clark's table is not based on systematic data collection, as he notes himself; the Gauteng city-region data have been more systematically assembled.) This second table provides an anatomy of the crisis in South Africa, Gauteng, and selected Gauteng municipalities for which data is available, showing the rapid changes in economic circumstances over 2008 and 2009, since the highs of 2006 and 2007, across a wide range of indicators. It highlights the key issues needing attention which are summarised below.

Impacts on growth rates, firm survival, business conditions, financial stability, trade and confidence rates

- Growth rates have stalled in South Africa from highs of between 5% and 6% in 2006, 2007 and the first half of 2008. **On a seasonally adjusted annualized basis, GDP declined by 6,4% in the first quarter of 2009 and 3% in the second quarter. On a quarter by quarter, constant 2000 prices basis, GDP for the second quarter of 2009 declined by 2,8% compared to that for the first quarter of 2009.**
- **Utilisation rates of available productive capacity in the manufacturing sector have declined** from around 85% in mid-2006, 2007 and 2008, to 78% in mid-2009. Over two thirds of the underutilisation of capacity is attributable to a **collapse in demand**. (In previous years less than half of the underutilisation was attributable to a lack of demand.) The collapse in manufacturing production is further visible in indexes of the physical volume of manufactured product and the value of sales: **volume declined 17,1% and sales value 19,6% in June 2009 compared to the same month last year**. The Gauteng Barometer suggests this national impact has been severely felt in the city-region, with the **manufacturing index dropping 22.1% between June 2008 and June 2009**.
- As manufacturing activity has declined, so the demand on electricity supply has decreased. For the year July 2008 to June 2009 (2008/09), **electricity supplied by Eskom to South Africa as a whole dropped 4.2% over the previous year, and 4% to Gauteng.**
- The collapse in demand driving the declines in manufacturing production are also reflected in **retail sales and car sales figures**. From year on year growth rates in the months of June

2006 and June 2007 of around 10%, retail sales growth declined to less than 1% in June 2008 as high inflation, high interest rates, and the National Credit Act began to impact on household spending. But by **June 2009 monthly retail sales dropped 6.7%** from the same month the previous year. According to both Statistics South Africa and the National Association of Automobile Manufacturers of South Africa (NAAMSA) data, **passenger car sales fell 17-18% in June 2009** compared to the same month last year. These figures are especially worrying as final consumption expenditure by households represents 60% of GDP.

- Deteriorating local trade conditions have seen more businesses closing down. During the economic peaks of 2006 and 2007, the number of **voluntary and compulsory liquidations and insolvencies** dropped sharply and then remained static. For the year July 2007 to June 2008 they **increased 12,1% and then a further 16,3% in 2008/09**.
- These economic impacts have translated into a **sharp deterioration in business confidence**. A wide range of business confidence indexes, compiled from different sources, have all moved dramatically into negative territory over the last year, tracking similar shifts in trade and business activity indexes. Perhaps most startling, the **Gauteng Barometer Growth Index declined 17% between June 2008 and June 2009.**
- Measures showing huge declines over 2008/09 mask some **slightly more positive data** that has come through over the last few months. **Market capitalisation of the Johannesburg Securities Exchange fell 8.6% in dollar terms between July 2008 and July 2009**. However the JSE, which saw index highs of over 30 000 in the early part of 2008 fall to a mere 18 000 in early 2009, has **recently clawed back some gains with its all-share index at around 24 000 in mid-2009**. More positive market sentiment for the year ahead is also reflected in the South African Chamber of Commerce's Trade Expectations Index and the Bureau for Market Research's Consumer Confidence Index. It is yet to be seen whether, and how fast, this recent renewal of optimism will translate into actual improvements in economic conditions.

Impacts on employment

- As business has been impacted by the crisis, **employment has been affected** across South Africa and in Gauteng. The Quarterly Labour Force Survey shows that between the second quarter of 2008 and the second quarter of 2009, **Gauteng firms shed 108 000 jobs.** On the strict definition of unemployment, the number of unemployed people increased from 1,134,000 to 1,188,000. The number of discouraged work-seekers remained static at around 160 000. The **unemployment rate rose from 21.8% to 23.1%.** And the absorption rate, the percentage of people of working age who have found a place in employment, dropped to a mere 55,3% (the international average is usually well above 60%).
- Some industry sectors have been more seriously affected than others. Manufacturing and **construction** employment have both seen declines over the last year of more than 10%.
- **Informal sector** employment has been very seriously affected. Data suggest that **youth unemployment**, always a serious issue, is being further aggravated by the crisis.

Impacts on construction activity and the property market

- In recent years, the South African economy has seen strong growth in the construction sector, underpinned by a vibrant property market. Evidence provided by a range of indicators suggests the property market has collapsed, and construction especially of residential accommodation has slowed. Data drawn from deeds registry transactions and that provided by banks on the basis of mortgage loans issued, show that across most parts of Gauteng nominal house prices have declined by 3% to 4% between mid-2008 and mid-2009. An exception is Ekurhuleni, where house price inflation is flat. Tshwane seems to have been particularly badly affected, with both Lightstone and ABSA data showing year on year declines in average house prices of over 4% (nominal).
- Building plans passed by municipalities in Gauteng for office space, shopping space, and industrial and warehouse space surprisingly shows a healthy increase over 2008/2009. The same is true of building plans actually completed. A possible explanation is that some developers may be taking advantage of lower interest rates and the lower price of building materials to accelerate developments that have been on the drawing board. Elsewhere in the world, local authorities are working hard to bring forward planned developments and maintain existing commitments.
- However residential property development has declined precipitously. Building plans passed (as measured in square meters) declined 21,4% in 2007/08 and fell a further 37,7% in the year July 2008 to June 2008. The square meters of residential building plans completed in the province fell 12.3% and then 7.5% in the two years. This massive decline in residential development will have significant effects going forward. Not only does it suggest that goals of ensuring that all South Africans have decent shelter are unlikely to be met; housing development has significant second round impacts on the economy in that provision of new housing drives demand for household goods and services, which means that fewer houses being developed will be felt in even weaker aggregate demand.

Impacts on bank lending, household debt and savings

- Job losses, lower opportunities for new start-up businesses and a weaker housing market impact on household incomes and affordability levels, and their ability to manage debt. The available evidence speaks to **an increase in the number of civil cases for debt** being recorded in magistrates offices over the last year, both for businesses and for private individuals.
- Comprehensive datasets on bank lending practices in South Africa are not easily available, but media reports indicate that the banking industry has responded to perceived sharp increases in risk in the domestic environment by **significantly tightening lending criteria**. Most South African banks have stopped Cost Inclusive (108% LTV) loans, and have capped loan to value (LTV) at a maximum of 95%. This means new home buyers must have capacity to put up significant deposits and below prime mortgages are hard to find. This has **neutralised the positive effect of interest rate decreases**. Similar effects are being seen in the company loans market.

- A significant tightening of the credit market, despite a positive interest rate trend, has a self-reinforcing effect on the economy: as banks try to shield themselves from increased risk in the market place; they add to the **inability of people and firms to manage that risk,** compounding market risks still further.
- While difficult to measure precisely, a similar negative logic is at work in the area of household finances. As the risk of employment losses increase, and as it becomes more difficult to borrow money, households are inclined to spend less and save more. This is positive from the perspective of the country's national accounts, but **lower household spending drives down economic growth**, adding to the perception of risk.

Impacts on migration, travel and tourism

- As the economic crisis has taken hold across the world, and disposable incomes have shrunk, international business travel and tourism have been affected. Airports Company of South Africa data show that international arrivals at OR Tambo International Airport climbed steadily by about 10% per year from the mid-2000s. However**, over the year (July 2008 to June 2009) international arrivals dropped by almost 200 000 passengers , or 5%.** Domestic travel in South Africa seems to have been even more affected. Thirteen percent growth rates in the number of domestic arrivals at OR Tambo over 2006 and 2007 gave way to a mere 2,7% growth in the year July 2007 to June 2008. And **over 2008/09 there was a massive 13,3% fall, with 700 000 less domestic arrivals than the previous year**.

Impacts on government finances and fiscal stance

- Deteriorating economic and employment conditions are beginning to impact on government revenues. National government has predicted a R60 billion shortfall on projected revenue in the current tax year. Deficits at the national (and by implication provincial) level may be covered by borrowing, but there is evidence of significant pressure on operating revenues at local government level. Two years ago, metropolitan municipalities were safely collecting three quarters of their projected operating revenue for the year by the third quarter (March). **In March 2009, third quarter revenue collection rates had declined significantly, with the City of Johannesburg having collected only 61,8% of the operating revenue projected for the full year**.
- This is not necessarily a crisis since revenues were still up in actual terms, and expenditure on some items may have reduced, but there is a good chance that **many municipalities ended the 2008/09 financial year with significant deficits on their operating accounts**. Since municipalities are not permitted to budget for a deficit going forward, this situation can only be addressed through **reduced expenditures**. A much more conservative fiscal stance at sub-national levels of government may seem logical and prudent, but **local-level fiscal contraction is negative in that it directly counteracts any efforts at deficit financed stimulus spending at the national level**. Weaker aggregate demand is much more difficult to address when municipalities are being forced to cut back on infrastructure spending, filling of vacant positions, or the amount of free basic services provided.

Table 3: Crisis indicators by city/region (from Clark 'Recession', with Gauteng added)

	Locality	Unemployment and job losses	Social concerns	Decline in growth rates	Firms closing / downsizing	Worsened business conditions	Financial sector turmoil	Trade reduction
Western Europe	Aarhus							
	Barcelona	•		•	•			
	Basel							
	Berlin				•			
	Bilbao	•			•			
	Birmingham							
	Brussels	•			•			
	Cardiff	•			•			
	Cologne					•		
	Glasgow	•	•					
	Hamburg					•	•	•
	Helsinki	•	•		•			•
	Lille				•			
	Liverpool	•			•			
	London	•	•		•		•	
	Lyon				•	•		
	Marseille	•	•					•
	Milan	•				•		
	Munich	•						•
	Paris	•				•		
	Rome	•	•		•	•		
	Turin	•		•		•		
	Zurich	•					•	

Trade reduction	Tourism reduction	Business confidence reduction	Consumer confidence reduction	Construction or Investment reduction/pause	Property market decline	Identity, competitiveness of status weakened	Uncertainty	Fiscal budget reduction
	•				•			
	•							
					•			
				•				•
	•		•	•	•			
		•						
				•				•
•				•				•
•	•		•					
		•						
	•	•		•				
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	•			•	•			
	•				•			•
			•		•			
						•		•

	Locality	Unemployment and job losses	Social concerns	Decline in growth rates	Firms closing / downsizing	Worsened business conditions	Financial sector turmoil	Trade reduction
Central and Eastern Europe	Budapest		•					
	Prague	•						
	Riga	•	•					
	Vienna	•						
	Warsaw		•				•	
North America	Los Angeles	•	•					•
	Miami							
	New York	•			•	•	•	
	Pittsburgh	•			•			
	Toronto	•	•	•				
Asia	Beijing		•			•		•
	Hong Kong	•		•	•	•	•	•
	Mumbai					•		
	Shanghai	•		•				•
	Singapore	•	•	•	•	•	•	•
	Tokyo	•	•			•	•	
Australia	Auckland	•		•		•		
Africa	Cape Town		•	•				
	Gauteng City Region	•	•	•	•	•		•
	Evidence of impact from data assembled (refer to table 4)	Section 2	Section 4	Sections 1.9, 1.10	Section 1.7	Sections 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, 1.8, 1.10		Sections 1.10, 3.4

Trade reduction	Tourism reduction	Business confidence reduction	Consumer confidence reduction	Construction or Investment reduction/pause	Property market decline	Identity, competitiveness of status weakened	Uncertainty	Fiscal budget reduction
	•							•
	•			•				•
								•
		•						•
•	•					•		•
		•	•	•	•			•
						•		•
				•	•			
•					•			
•						•		•
	•			•		•		•
•				•	•			•
•	•					•		•
							•	•
	•	•					•	
			•	•			•	
•	•	•	•	•	•		•	•
Sections 1.10, 3.4	Section 5	Sections 1.10, 3.5	Sections 1.10	Sections 3.3, 3.4, 3.5	Sections 3.1, 3.2		Sections 1.8, 1.10	Section 6

Table 4: Anatomy of the crisis indicators

INDICATOR	SCALE
1. Economic activity	
1.1 Utilisation of productive capacity in the manufacturing sector	
% utilisation of all manufacturing capacity	National
% underutilisation of all manufacturing capacity	National
Part of % underutisalition of manufacturing capacity attributable to insufficient demand	National
1.2 Manufacturing production and sales	
Index of the physical volume of manufacturing production (2005=100)	National
Annual % change in the index of the physical volume of manufacturing production (2005=100)	National
Annual % change in the value of sales of the manufacturing industry (current prices)	National
1.3 Retail sales	
Total retail trade sales for the year July to June at constant (2000) prices (Rand millions)	National
% change in total June monthly retail trade sales at constant (2008) prices	National
1.4 Generation and sale of electricity	
Wholesale electricity delivered by Eskom to South Africa for the year July to June (Gigawatt hours)	National
Annual % change in wholesale electricity delivered by Eskom to South Africa	National
Wholesale electricity delivered by Eskom to Gauteng for the year July to June (Gigawatt hours)	Provincial
Annual % change in wholesale electricity delivered by Eskom to Gauteng	Provincial
1.5 Vehicle sales	
New vehicle sales for the year July to June	National
Used vehicle sales for the year July to June	National

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
85.4%	85.9%	84.4%	78.0%		As at May of each year
14.6%	14.1%	15.6%	22.0%		As at May of each year
7.4%	6.6%	7.6%	15.0%		As at May of each year
106.6	108.9	115.1	95.4		As at June of each year
6.5%	2.2%	5.7%	-17.1%		June year on year
13.6%	12.6%	27.1%	-19.6%		June year on year
$449,005	$497,464	$509,313	$496,368		July to June of each year
11.9%	8.8%	0.8%	-6.7%		June year on year
209,746	220,227	222,261	212,872		July to June of each year
2.4%	5.0%	0.9%	-4.2%		July to June of each year
56,956	61,523	61,593	59,117		July to June of each year
3.6%	8.0%	0.1%	-4.0%		July to June of each year
99,386	111,273	105,938	77,785		July to June of each year
49,868	56,954	57,468	56,102		July to June of each year

INDICATOR	SCALE
Annual % in total vehicle sales for the year July to June	National
% year on year change in passenger vehicle sales for June monthly sales	National
% year on year change in commercial vehicle sales for June monthly sales	National
1.6 Freight volumes	
Freight transportation: % change in total national payload for the quarter April to June of each year	National
Freight transportation: % change in total national income for the quarter April to June of each year	National
1.7 Liquidations and insolvencies	
Voluntary and compulsory liquidations for the year July to June	National
Annual % change in number of voluntary and compulsory liquidations	National
1.8 Johannesburg Stock Exchange	
Domestic market capitalisation (US$ millions)	National
Annual % change in domestic market capitalisation in US$	National
Annual % change in domestic market capitalisation in local currency	National
1.9 % change in the quarterly value added by industry and GDP at constant 2000 prices	
Agriculture, forestry and fishing	National
Mining and quarrying	National
Manufacturing	National
Electricity, gas and water	National
Construction	National
Wholesale and retail trade, hotels and restaurants	National
Transport, storage and communication	National
Finance, real estate and business services	National
General government services	National

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
	12.7%	-2.9%	-18.1%		July to June of each year
			-16.7%		June year on year
			-31.9%		June year on year
			-10.30%		q April to June year on year
			-9.40%		q April to June year on year
2,948	2,929	3,284	3,819		July to June of each year
-13.0%	-0.6%	12.1%	16.3%		July to June of each year
$616,841	$778,706	$726,051	$663,871		As at end July of each year
43.7%	26.2%	-6.8%	-8.6%		July year on year
50.4%	30.5%	-4.5%	-1.6%		July year on year
-10.3%	2.2%	20.0%	-0.6%		Quarter 2, year on year
-2.1%	0.6%	-4.5%	-9.5%		Quarter 2, year on year
4.1%	5.0%	5.2%	-15.1%		Quarter 2, year on year
2.9%	2.8%	-1.0%	-2.6%		Quarter 2, year on year
12.9%	17.1%	14.0%	13.2%		Quarter 2, year on year
7.4%	5.9%	1.6%	-3.5%		Quarter 2, year on year
6.5%	5.9%	3.9%	0.9%		Quarter 2, year on year
8.4%	5.0%	6.0%	-0.1%		Quarter 2, year on year
2.9%	3.6%	3.7%	3.7%		Quarter 2, year on year

INDICATOR	SCALE
Personal services	National
Total value added at basic prices	National
Taxes less subsidies on products	National
GDP at market prices	National
1.10 Key economic activity and confidence indices	
SA Reserve Bank Leading Indicator (2000=100)	National
SA Chamber of Commerce and Industry: Monthly Business Confidence Index (BCI) (2005=100)	National
Bureau for Economic Research (BER) / RMB Business Confidence Index: <50 is negative	National
SA Chamber of Commerce and Industry: Monthly Trade Activity Index (SATAI): <50 is negative	National
SA Chamber of Commerce and Industry: Monthly Trade Expectations Index: <50 is negative	National
BER / Investec & Kagiso Securities Purchasing Managers Index: <50 is negative	National
Bureau for Economic Research / FNB Consumer Confidence Index: net balance	National
Gauteng Barometer: Annual % change in the Mining index	Provincial
Gauteng Barometer: Annual % change in the Manufacturing Index	Provincial
Gauteng Barometer: Annual % change in the Construction Index	Provincial
Gauteng Barometer: Annual % change in the Transport and Communications Index	Provincial
Gauteng Barometer: Annual % change in the Electricity Index	Provincial
Gauteng Barometer: Annual % change in the Trade Index	Provincial
Gauteng Barometer: Annual % change in the Financial Services Index	Provincial
Gauteng Barometer: Annual % change in the Gauteng Growth Index	Provincial
Gauteng Barometer: Annual % change in the Gauteng Barometer Index	Provincial

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
5.7%	4.9%	4.6%	3.4%		Quarter 2, year on year
4.9%	5.0%	4.6%	-2.5%		Quarter 2, year on year
5.6%	4.5%	3.6%	-6.0%		Quarter 2, year on year
4.9%	4.9%	4.5%	-2.8%		Quarter 2, year on year
125.4	126.0	121.7	105.4		At June each year, March 2009
99.1	99.6	92.8	83.2		As at July of each year
81	80	45	26		As at June of each year
54	52	43	42		As at July of each year
68	67	50	56		As at July of each year
57.8	55.4	43.0	37.3		As at July of each year
20.0	21.0	-6.0	4.0		As at June of each year
-12.9%	-1.3%	-13.4%	-10.1%		June year on year
2.7%	7.5%	2.5%	-17.9%		June year on year
10.5%	13.2%	-0.3%	-18.8%		June year on year
17.1%	4.2%	1.8%	-3.0%		June year on year
7.4%	4.5%	-1.6%	-4.3%		June year on year
15.9%	6.7%	-3.3%	-15.9%		June year on year
16.4%	10.0%	-9.1%	-23.5%		June year on year
12.1%	7.8%	-3.3%	-17.0%		June year on year
10.8%	0.1%	-10.5%	-12.7%		June year on year

INDICATOR	SCALE
2. Employment	
2.1 Labour Force Survey (results for Gauteng, 2nd quarter of each year)	
Working age population (15-64 yrs)	Provincial
Labour Force	Provincial
Employed	Provincial
Unemployed	Provincial
Not economically active	Provincial
Discouraged work seekers	Provincial
Other	Provincial
Unemployment rate (official definition)	Provincial
Employed as a percentage of working age population (absorption rate)	Provincial
Labour force participation rate	Provincial
2.2 % change in the number of employed by main-industry sector for Gauteng	
Agriculture, hunting, forestry and fishing	
Mining and quarrying	
Manufacturing	
Electricity, gas and water supply	
Construction	
Wholesale and retail trade	
Transport, storage and communication	
Financial intermediation, insurance, real estate and business services	
Community, social and personal services	

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
		7,076,000	7,149,000		2nd quarter of each year
		5,195,000	5,141,000		2nd quarter of each year
		4,061,000	3,953,000		2nd quarter of each year
		1,134,000	1,188,000		2nd quarter of each year
		1,881,000	2,008,000		2nd quarter of each year
		169,000	160,000		2nd quarter of each year
		1,712,000	1,848,000		2nd quarter of each year
		21.8%	23.1%		2nd quarter of each year
		57.4%	55.3%		2nd quarter of each year
		73.4%	71.9%		2nd quarter of each year
			-38.0%		Quarter 2, year on year
			-4.1%		Quarter 2, year on year
			-10.4%		Quarter 2, year on year
			5.3%		Quarter 2, year on year
			-13.0%		Quarter 2, year on year
			-7.2%		Quarter 2, year on year
			-2.5%		Quarter 2, year on year
			6.3%		Quarter 2, year on year
			5.8%		Quarter 2, year on year

INDICATOR	SCALE
Private households	
Other	
Total	
3. Residential, commercial and industrial development	
3.1 Annual house price inflation	
Annual house price inflation: Gauteng	Provincial
Annual house price inflation: Johannesburg	Municipal
Annual house price inflation: Ekurhuleni	Municipal
Annual house price inflation: Tshwane	Municipal
3.2 Average house prices (nominal)	
Gauteng average house price	Provincial
Annual % change in Gauteng average house price	Municipal
Johannesburg central and south average house price	Municipal
Annual % change in Johannesburg central and south average house price	Municipal
Johannesburg north and west average house price	Municipal
Annual % change in Johannesburg north and west average house price	Municipal
East Rand average house price	Municipal
Annual % change in East Rand average house price	Municipal
Pretoria average house price	Municipal
Annual % change in Pretoria average house price	Municipal

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
			-3.6%		Quarter 2, year on year
			-62.7%		Quarter 2, year on year
			-3.6%		Quarter 2, year on year
17.0%	13.2%	3.4%	-3.0%		June year on year, March 2009
14.6%	13.4%	3.3%	-3.7%		June year on year, March 2009
18.2%	12.3%	2.7%	0.2%		June year on year, March 2009
17.2%	12.8%	3.1%	-4.4%		June year on year, March 2009
872,446	967,423	990,354	989,682		2nd q of each year, but 3rd 2006
	10.9%	2.4%	-0.1%		2nd q of each year, but 3rd 2006
800,615	880,013	878,194	857,327		2nd q of each year, but 3rd 2006
	9.9%	-0.2%	-2.4%		2nd q of each year, but 3rd 2006
1,086,789	1,214,462	1,270,957	1,250,875		2nd q of each year, but 3rd 2006
	11.7%	4.7%	-1.6%		2nd q of each year, but 3rd 2006
771,076	865,130	907,866	924,260		2nd q of each year, but 3rd 2006
	12.2%	4.9%	1.8%		2nd q of each year, but 3rd 2006
945,428	1,060,621	1,069,468	1,025,337		2nd q of each year, but 3rd 2006
	12.2%	0.8%	-4.1%		2nd q of each year, but 3rd 2006

INDICATOR	SCALE
3.3 Building plans passed and completed in Gauteng	
Residential building plans passed by larger municipalities: square meters	Provincial
Annual % change in square meters of residential building plans passed by larger municipalities	Provincial
Office and banking space building plans passed in larger municipalities: square meters	Provincial
Shopping space building plans passed in larger municipalities: square meters	Provincial
Industrial and warehouse space building plans passed in larger municipalities: square meters	Provincial
Annual % change in square m of office, shopping & industrial plans passed by larger municipalities	Provincial
Residential building plans completed in larger municipalities: square meters	Provincial
Annual % change in square meters of residential building plans completed by larger municipalities	Provincial
Office and banking space building plans completed in larger municipalities: square meters	Provincial
Shopping space building plans completed in larger municipalities: square meters	Provincial
Industrial and warehouse space building plans completed in larger municipalities: square meters	Provincial
Annual % change in square m of office, shopping & industrial plans completed by large municipalities	Provincial
3.4 National cement sales	
Regional sales (South Africa, Lesotho, Botswana, Swaziland) of cement in metric tons	National
Annual % growth / decline in regional sales of cement	National
Export sales of cement in metric tons	National
Annual % growth / decline in export sales of cement	National
Year to date (January to July) sales of cement in metric tons for Gauteng	Provincial
% change in year to date (January to July) sales of cement in metric tons for Gauteng	Provincial
3.5 Key building industry indices	
Bureau for Economic Research / FNB Civil Confidence Index: <50 is negative	National
Bureau for Economic Research / FNB Building Confidence Index: <50 is negative	National

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
6,741,541	6,627,849	5,212,675	3,248,676		July to June of each year
27.2%	-1.7%	-21.4%	-37.7%		July to June of each year
381,380	480,521	436,562	443,077		July to June of each year
448,295	431,767	471,935	714,251		July to June of each year
632,750	876,018	860,611	929,615		July to June of each year
31.4%	22.3%	-1.1%	18.0%		July to June of each year
4,274,148	4,510,686	3,957,718	3,660,146		July to June of each year
25.7%	5.5%	-12.3%	-7.5%		July to June of each year
259,161	262,846	374,365	482,194		July to June of each year
284,389	249,959	358,977	363,963		July to June of each year
169,941	362,902	365,548	523,898		July to June of each year
-9.6%	22.7%	25.5%	24.7%		July to June of each year
13,583,512	15,108,278	15,126,579	13,796,191		July to June of each year
11.2%	11.2%	0.1%	-8.8%		July to June of each year
196,618	152,044	191,287	188,439		July to June of each year
-31.0%	-22.7%	25.8%	-1.5%		July to June of each year
		2,905,105	2,293,866		January to July
			-21.0%		January to July
91	85	71	48		June to June of each year
82	88	50	29		June to June of each year

INDICATOR	SCALE
4. Debt, bank lending, savings	
Civil cases: Johannesburg magistrate's office	Municipal
Civil cases: East Rand magistrate's office	Municipal
Civil cases: West Rand magistrate's office	Municipal
Civil cases: Pretoria magistrate's office	Municipal
Civil cases: Vereeniging and Vanderbijlpark magistrate's office	Municipal
Civil cases: Total for Gauteng magistrates' offices	Provincial
Annual % change in civil cases for Gauteng magistrates' offices	Provincial
Number of civil cases for debt of private persons recorded for the year July to June	National
Annual % change in civil cases for debt of private persons recorded for the year July to June	National
Number of summonses for debt of private persons for the year July to June	National
Annual % change in summonses for debt of private persons recorded for the year July to June	National
5. Migration and tourism	
Number of international arrivals at OR Tambo (Jhb) International Airport	Provincial
Annual % change in number of international arrivals at OR Tambo (Jhb) International Airport	Provincial
Number of domestic arrivals at OR Tambo (Jhb) International Airport	Provincial
Annual % change in number of domestic arrivals at OR Tambo (Jhb) International Airport	Provincial
6. Municipal revenues and expenditure	
% collection of annual budgeted operating revenue to the 3rd quarter (March): Johannesburg	Municipal
% collection of annual budgeted operating revenue to the 3rd quarter (March): Ekurhuleni	Municipal
% collection of annual budgeted operating revenue to the 3rd quarter (March): Tshwane	Municipal

MID-2006	MID-2007	MID-2008	MID-2009	SEVERITY	DATE OF DATA
155,959	208,062	198,262	235,093		July to June of each year
59,563	59,460	54,813	60,574		July to June of each year
62,645	52,188	31,940	36,360		July to June of each year
134,087	154,883	141,085	143,356		July to June of each year
32,613	37,088	25,532	24,529		July to June of each year
444,867	511,681	451,632	499,912		July to June of each year
-2.6%	15.0%	-11.7%	10.7%		July to June of each year
1,392,623	1,417,650	1,253,800	1,326,994		July to June of each year
-1.5%	1.8%	-11.6%	5.8%		July to June of each year
1,208,898	1,238,030	1,076,885	1,131,534		July to June of each year
-0.9%	2.4%	-13.0%	5.1%		July to June of each year
3,248,103	3,551,499	3,848,695	3,657,291		July to June of each year
7.8%	9.3%	8.4%	-5.0%		July to June of each year
4,610,756	5,218,352	5,361,850	4,650,415		July to June of each year
13.8%	13.2%	2.7%	-13.3%		July to June of each year
	73.5%	71.3%	61.8%		Year to date (July to March)
	77.7%	74.7%	72.0%		Year to date (July to March)
	75.1%	70.4%	67.3%		Year to date (July to March)

Section 4: City and regional responses to the crisis: a snapshot of selected sites[18]

Most of this report is organised thematically, but this section describes different cities and city-regions and their main responses to the economic crisis and recession that has followed it. The places included here all have useful comparative lessons for Gauteng.

Aarhus

The leading growth centre in Denmark, with 300 000 residents (including 40 000 students) and economic strengths in ports, alternative energy, IT, food, healthcare and education. Aarhus University is in the world's top 100 universities, and Aarhus increasingly is recognised as a global knowledge centre.

Aarhus's emphasis on robust economic sectors (as above) has helped shield it from the worst of the recession. It has a diversified economy, and food, health, energy and IT remain in constant demand.

Responses:

- Aarhus City Development Team engaged in long-term urban strategy development
- City set 20-year development goals (20 000 new homes, 50 000 new jobs, 10 000 new study places, CO2 neutral by 2030)
- Branding and positioning itself in the European/global hierarchy
- Docklands and canals to be key to branding and identity
- Invested in wind power and alternative energy innovation
- Doubling harbour capacity
- Recruiting international students to local Business School to attract skilled workforce
- 'The International Community' – corporates, university, the local municipality and counties – focusing on improving growth and development in Aarhus
- Constantly developing an international policy, consciously trying to raise international profile and reputation
- Long-term strategic vision underpins all responses to recession

Barcelona

The capital of Catalonia and second largest local economy in Spain, with a population of 5 million in the metropolitan region. Radical changes in the last 20 years – catalysed by the Barcelona Olympics and 2004 Universal Forum of Cultures, local authorities have invested in major infrastructure projects. Urban renewal has been 'culture-led' around architecture, museums and hotels.

It has a strong background in manufacturing based on the motor industry, chemicals, textiles and food production. But as some of these have declined, FDI has been key and has resulted in a diversified local economy.

GDP growth dropped from 3.6% in 2007 to 0.6% in 2008 and the city is in recession. Unemployment reached 8.4% by the end of 2008, up by 2.6%. But the diversified economy kept Barcelona in a better position than much of Spain, including customer service, medium to advanced technology and the like. Careful budget management got Barcelona an AA+ rating. The industrial sector is being hard hit, real estate market has declined and tourism has fallen.

Responses:

- Barcelona remains fixed on its long-term development strategy of transforming from a manufacturing to a knowledge city
- Reviewed Metropolitan Plan to ensure appropriateness of investments given the downturn, but focus remains on on-going urban transformation
- Will spend Euro 1028 million on public investments
- Develop an innovation district for media, ICT, energy, biotechnology and design, with 1400 firms and 42 000 jobs; also developing a food cluster
- International branding and tourism promotion
- Unions, private sector and government signed Local Agreement for Quality Employment to develop common labour market strategy
- *Barcelona Activa* (local development agency) specialises in SMEs, skills development, SME and entrepreneurial support and careers advice
- *Strong local communication from local leaders*
- Clear vision of where Barcelona is heading

Paris (City of Paris)

The city has a GDP of Euro 480 billion and a population of 11.3 million. Paris has a highly skilled population, 17 universities and engineering/business/management schools, training 560 000 students per year. It has Europe's highest concentration of R&D, high-speed telecommunications and the world's number one conference city.

The last quarter of 2008 saw the global crisis impacting Paris, with unemployment rising to 6.8%, but the strong financial sector has seen a return of skilled professionals to Paris. The property market has slumped, and demand for office space has dropped. Many construction projects have been stalled indefinitely. Airport arrivals were down by more than 8% and hotel occupancy by 10%.

Responses:

- 18% increase in infrastructure spending - houses, roads & transport, education and R&D, social work and health, culture and urban planning
- A sequence of redevelopment projects including a global science and technology hub
- Competitive clusters constitute a key part of positioning the economy in high-tech IT sectors key to future growth
- Taxes were increased by 9%, and a new 3% property tax to be introduced
- Created a Monitoring Committee for Employment
- Focus on vocational training, supportive social policy, youth targeted for employment, loans to SMEs guaranteed
- SMEs targeted for a range of support measures

Warsaw

Completely rebuilt after the second world war, Warsaw is the capital of Poland and enjoyed a major boom after entering the European Union. Classified as a gamma city, on a par with Johannesburg, it has the biggest concentration of electronics and high-tech industry in Poland, and a growing consumer market. Warsaw has a population of 2 million, has the country's leading university and has a skilled workforce.

The recession has not had a major impact, mainly because Polish growth is fuelled by direct investment and local demand more than foreign trade – unlike South Africa's dependence on exports. But the financial sector has been hard hit. Unemployment stands at just 2.7%.

There has been a rise in skilled workers, as they returned to Warsaw from other countries where they were often unable to get appropriate-level employment. Nonetheless, about 1000 workers marched through the city, burning tyres in protest at the way government was managing the economy (in March 2009) – but the city avoided the large-scale violent protests witnessed in many other European cities.

Responses:

- No strategy has been released
- Infrastructure investment continues – a football stadium, science centre, waste disposal, new hospital, etc.
- Simplified investment procedures in place to facilitate investments and PPPs
- 4500 unemployed people to be employed in PWPs or professional re-training programme
- SME access to credit eased through local credit guarantee fund
- Cutting bureaucracy's expenditure on new cars, advertising and so on
- Local government officials' incomes frozen
- Expenditures limited to only necessary items
- Local authorities to fight harder for EU funds

New York

The most populated city in the US with 8.5 million inhabitants, New York is a leading global city with a global influence in finance, commerce, culture, fashion and entertainment. With London and Tokyo, it is one of three global 'command centres' for the world economy.

Much of its revenue derived from the financial sector and it was thus hard hit by the crisis and recession. "New York now faces a pronounced downturn and significant reputational issues."[19] The city runs a massive deficit, is expecting to lose 328 000 jobs, but tourism remains high and a n important revenue stream.

Responses:

- Moved to close a $6.6 billion deficit through multiple cost savings, possible tax increases, pension reform, etc.
- ARRA will allow transportation projects to proceed in all five boroughs – altogether, $1.1 billion will be spent on infrastructure projects, mainly financed by ARRA
- Local government is facilitating private loans to SMEs
- City, academic institutions and commercial landlords developing ready-to-use (including administrative support) space for new SMEs
- Careers Centres trying to place people in work – 5000 in first quarter of 2009
- Very proactive in seeking national sphere funding across multiple areas including 'ready-to-go public infrastructure', local fiscal assistance, municipal credit markets, workforce development and social services

London

The capital of the UK, with 7 million residents and European home to 33% of the world's largest companies. The London economy contributes some 17% of the UK GCP, and the London stock exchange is the largest in the world.

But the drivers of success were hardest hit by the recession – financial services and high global connectivity. Job losses are increasing, and shops, branches (banks, tourism) and chain-stores (such as Woolworths) closing. House prices have plummeted, and revenues are dropping significantly. Right-wing political activity (notably targeting immigrants) is expected to rise.

Responses:

- Economic recovery Action Plan (long-term vision) – over 50 actions including bringing forward planned and maintaining existing ones
- Sector-based set of responses including tourism, promoting trade, helping the financial sector, supporting SMEs, economising bureaucracy, supporting home-owners, support the recently unemployed, invest significantly in infrastructure
- High-level stakeholder meetings and workshops from all sectors to help finalise the Action Plan

Beijing

China's capital, with a population of 14.4 million in 2008, Beijing is the 16th largest urban space in the world. Despite the global slowdown, Beijing enjoyed annual growth of 9% in 2008. Growth remained strong, building in part on the successful Olympic Games. Over-supply of office property has emerged as a problem, but house prices remain very high. The housing market has been affected in other Chinese cities, but not Beijing.

The industrial sector has remained under pressure as orders have dropped and financial inflexibility has had an impact. The total value of Beijing's export in the first quarter of 2009 dropped by 35.4% and threatened the growth trajectory of the city. This has been accompanied by a sudden rise in labour disputes, and growing worker/employer tensions.

Responses:

- Beijing's mayor stated the goal to be "maintaining steady yet rapid economic development in the capital"[20]
- Promotion of industrial development – including the creation of 'super-large enterprises'
- New diversified funding for companies and SMEs
- $700 million set aside to stimulate industrial development
- Loans available for setting up new businesses (both first and second loans available)
- Subsidies for employers who employ locally resident job-seekers
- 10 000 community work jobs created
- trying to build the financial services platform through new local channels of investment
- 15% increase in infrastructure expenditure, notably transport
- Moves underway to stabilise the housing market
- Goal of removing 80% of high-emission vehicles from the roads and reducing pollution by 300 000 to 400 000 tons per year
- Foreign trips and related expenditure by government officials cut significantly.

Section 5: Thematic analysis and recommendations

This section of the report is thematically organised, focusing on saving industries and jobs, public works, deepening the social safety net, the housing market, economic restructuring, skills and migration, quality of place, counter-cyclical spending, municipal budget contraction, regional investment agencies, and leadership.

5.1 Saving industries

Data reveal that **virtually every industry has been negatively affected by the recession, although the impact has not been evenly felt across the world or within countries.** The global recession has weakened demand for products and reduced export earnings, especially in mining and manufacturing sectors. It has also made it difficult for firms (large, small and medium-sized) to obtain credit from financial institutions, impacting their ability to finance working capital and expansion plans.[21] This has led to declining levels of production and returns in various industries.[22]

The impact that the recession has had on industries has raised a number of social concerns. According to Juan Somavia, Director-General of International Labour Organisation (ILO),

> *We are facing a social recession with potential security risks In nearly all countries around world job losses are mounting job creation is slowing unemployment and working pover is increasing o en dramatically As good jobs disappear especially in developing countries women and men struggle to survive in the informal economy or back in the villages whe poverty is rife.*[23]

Industry downturn, with corresponding job losses and/or reduced earnings, has also seen people across the world losing their houses and vehicles to repossessions. In many contexts it has made it difficult for people to **pay for government services**, culminating in the reduction of public sector revenues.

Among the first priorities in any co-ordinated response to the unfolding crisis must be **to shield industry from the effects of the recession,** and to **protect existing formal sector jobs**. This section considers what cities and city regions have done around the world to protect local firms from the recession. The next section looks at what cities and city-regions are doing to save jobs. Below are examples of the manner in which various cities are protecting their local businesses from the economic meltdown:[24] Most have been directed towards supporting small and medium-sized enterprises (SMEs).

Direct government investment in SMEs

Glasgow has set up a Business Investment Fund which is being extended to target SMEs. This Business Investment Fund will allow **the City Council to offer much more flexible terms than**

the banks are currently willing to offer. The loans will be repaid in ways which are much more convenient to small and medium-sized businesses allowing repayment holidays and flexible interest rates appropriate to how the business is performing. Funding in return for equity in the company is another potential avenue being explored.

Government contracting

In Glasgow, work is also underway to **assist local business access major public sector contracts** through the Supplier Development Initiative, through the inclusion of Community Benefit clauses within all major Council capital projects, and through faster payment of invoices. **Enhancing local procurement** seems to be a key response world-wide.

Loan guarantees and facilitated access to bank financing

In Hamburg, **support for SMEs** focuses on information (featuring for instance a unique telephone based consulting service for entrepreneurs) and **state backed guarantees**. The Garant Bank can supply guarantees up to EUR 1 500 000 per SME, of which 80% are backed by the local and national government. Application for guarantees amounting to EUR 100 000 or less will be electronically processed within 24 hours.

On 23 September 2008, Christian Sautter, deputy mayor of Paris, introduced nine actions to support employment and business activity. Among these was an increase in **SME loans** guaranteed by Oseo. The locality is already supporting financing of SMEs by subsidising of institutions that offer loans of trust, solidarity loans and own equity. The municipal team will develop the system 'Paris Finance Plus' which will offer Oseo guarantees for SMEs looking for banking loans.

In Warsaw, through a local credit guarantee fund, small firms will be helped to obtain credit necessary for the continuation of operations. Warsaw also obtained EU funds for investment in human capital. The money will be used for **training 300 people to set up their own business and providing 100 people with grants.**

The City of Vienna together with the Vienna Economic Chamber, the Vienna Chamber of Labour and the five largest Vienna banks launched a week-long campaign for Vienna's small and medium-sized enterprises (SMEs) in February 2009. **SMEs will receive grants** totalling EUR 700 million from the Vienna economic stimulus package. Renate Brauner, Vice Mayor and Executive City Councillor of Finance, Economic Affairs and Public Utilities, explained this initiative as follows:

> *In view of the very di cult situation the purpose of this joint campaign is to rest again and to support Viennese enterprises with wide ranging consulting This repres important concrete step towards kick starting corporate nancing again*

Los Angeles has prioritised **the small-business owners and entrepreneurs**. The locality's Business Team will assist over 1000 local, small businesses throughout Los Angeles. A new Office of Small, Local and Disadvantaged Business has been dedicated to use federal funds to help locally-oriented firms succeed across the city. In March 2009, a USD 15 million loan fund was introduced to **increase credit opportunities for small businesses,** while from July 2009, the Community Development Department will make an additional USD 15 million available.

As part of New York's five borough economic recovery plan, the local government is facilitating **private given loans to small businesses**. Through the Department of Small Business Service, the local government has launched professional development classes to help entrepreneurs sharpen their skills.

In April 2009, Pittsburgh announced the creation of a new low-interest loan programme geared toward small business expansion and creation. Focusing on high-tech companies, The Pittsburgh Entrepreneur Fund will provide up to USD 200 000 for growing businesses and young entrepreneurs. This fund will help to create at least 100 new jobs and leverage more than USD 3 million in private investment.

Advisory services

In Auckland, government is expanding and promoting Small Business Relief Packages for SMEs, which **provide advisory services to struggling business operators**. The Business Package includes a rejuvenated Biz 800 hotline, free business health checks, and a free monitoring service. The Small Business Relief Package was welcomed by the Auckland Chamber of Commerce. The SME sector – making up 95% of all businesses and the largest employer group overall – is the most vulnerable sector in New Zealand business.

In March, the Auckland region launched an online Business Opportunity Guide aimed at providing local businesses with the information they need to **cash in on Rugby World Cup 2011**. Developed by AucklandPlus, the development agency declared that the sporting event is an economic opportunity the city cannot afford to miss.

In 2008, AucklandPlus also began a two-year pilot scheme of PLATO New Zealand, an international business monitoring and peer support programme. The two-year pilot in Auckland offers owners and managers of small and medium sized businesses a unique opportunity to **receive comprehensive training and mentoring alongside like-minded companies.**

5.2 Saving jobs

The ILO has pointed out that during 2008 and 2009, **global unemployment will rise** to 50 million. In the ILO's view, with approximately 45 million new job seekers entering the global labour market every year, the global job crisis is likely to worsen as the recession deepens and lengthens. In industrial countries, the OECD average unemployment rate reached 6.9% in January 2009, 1.3% higher than the previous year. **There were over 6 million more unemployed persons in the OECD area in January compared to the previous year**. In many OECD countries, labour market conditions are deteriorating. **Young people, immigrants, low-skilled and older workers** are victims of unemployment. **Temporary workers** are also particularly vulnerable. The IMF's latest forecasts of the global economy suggest that the upturn will only re-emerge in 2010 with a bleak recovery thereafter.[26] South Africa has by far high levels of unemployment. As noted earlier, the labour market absorption rate has declined as a result of the recession.

It remains to be seen whether the South African government will achieve its 2014 objective of creating decent and sustainable jobs. In light of the global recession it is critically important to protect jobs. The ILO's Director-General, Juan Somavia, expressed the point clearly:

> *Current forecasts therefore cannot be allowed to become a reality We need a stro*
> *be er global e ort to bring forward recovery and make it job intensive and poverty*
> *Furthermore a central component of crisis response measures must be stronger and*
> *functioning labour markets and social protection systems to deal with the emergency bu*
> *to shape a pa ern for inclusive and sustainable growth*[27] *in the future*

A number of cities across the world are responding to rising and recession-driven social problems through a variety of labour market intervention measures. A summarised in Clark (2009) and in Lee *et al* (2009), **city responses to job losses** in the localities have thus far been around the following themes: 1) **workforce investment**, 2) **tax cut or freezes** and 3) **social initiatives**. Below are examples of the manner in which different cities have responded to increasing levels of unemployment. The Gauteng city-region and South Africa as a whole can learn from these city responses given our exceptionally high levels of unemployment.

Job placements

With people struggling to find employment and with the job market flooded, a service which supports the placement of the unemployed into newly created **apprenticeships** and jobs is key. Los Angeles has introduced a strategy to put 16 500 young people in job placements. **Community colleges** across the locality will become home to WorkSource Centres, which aim to connect students to jobs and education to job placement.

Newcastle City Council and partners (including JobCentre Plus, the PCT, Northumbria University and Newcastle College) are working together as the Newcastle Futures Partnership to open three "Resource Centres" across the city. Set to open by June 2009, these will offer early interventions on employability, skills assessment, mental health and debt advice to those made redundant. The Resource Centre will provide job search and job hunting technique support (including access to the internet for job searching), skills assessment, with increased access to higher skills partners such as Newcastle University and Newcastle College, mental health and well-being advice and debt advice.

In Turin **companies are being subsidised** when they employ people currently out of work.

Specialist support to those facing redundancy

Offering effective and specialist support of those at risk of redundancy and those made recently redundant helps maintain civic morale as well as maintaining and boosting productivity and employment. The Birmingham JobCentre Plus has expanded its Rapid Response Service, responding to redundancies with a **tailored package of support for individuals at risk**, or people who have recently lost their jobs.

Another approach used in a number of cities and regions involves **government lobbying private sector employers** to allow **short-time work, work-sharing and to lobby for a fair deal for workers.** A good example is Belfast, which lobbied Ford to ensure fair redundancy packages.

In Barcelona, the municipality is trying to **stay close to the unemployed** and communicate effectively to **understand their needs**. A Local Agreement for Quality Employment has been signed by the key actors of the city economy (trade unions, private organisations, local council and regional government) to develop a common labour market strategy, including a specific programme to tackle new unemployment. *Barcelona Activa*, the locality's development agency, is highly rated and in the face of the recession the work they do has become even more important. The new business incubator centre is particularly important.

Skills development and training

Re-skilling for the new economies after the recession is important to increase productivity and reduce joblessness. In February 2009, it was announced that Glasgow Locality_Council is to be offered additional funding from the Scottish Government of almost 6 million pounds to help create additional **new apprenticeships for school leavers**.

In Vienna, a labour market package of Euro 33 million is targeting 2 500 additional people for re-training. Shanghai is targeting 150 000 youth and graduates for vocational training. One of the key strategies is to **re-train recently unemployed workers in new green technologies, so that training/re-skilling is geared towards sustainable, clean new technologies**. **Apprenticeships for youth** are being widely applied, notably in the UK, to tackle **youth unemployment,** which is a global priority.

Higher education institutions are active in this area, especially in the UK. A Newcastle University scheme **invited local SMEs to apply for a voucher** worth up to 5000 pounds to use for training or advice from the university in January 2009.[28] **Oxford Brookes University will be training 2 000 people in 2009.** In Liverpool, John Moores runs a 'World of Work' (WoW) programme that aims to equip students with the skills needed for success in the world of work. WoW is a four stage process that involves an online virtual interview to assess current skills, training to address skills gaps, the production of personal statements and an employer interview. Participating students are allocated a coach from the WoW Delivery Team to support through the process. In light of the current economic situation, the Graduate Development Centre at Liverpool John Moores is also running an intensive programme of workshops and support during May and June 2009 to fast track final year students through the WoW process to help improve job prospects.

It may be an appropriate moment for GPG to **draw the higher education sector** more deeply into its deliberations about how best to respond to the crisis.

Careers advice and targeting young people

By offering careers advice to school and university leavers, localities are positioning themselves for more effective job market penetration and productivity. In March 2009, it was announced that almost USD 3 million in stimulus money from the Pennsylvania Department of Labour and Industry had been given to the Pittsburgh region for **workforce investment**. Most of the money will be used for **additional training programmes and for an expanded summer youth programme**.

5.3 Promoting public works jobs

To achieve the levels of employment required in the very short run requires a **re-engineering of existing public employment schemes**, as foreseen under EPWP Phase II. In particular, we need to recognise that **creation of employment has merit on its own**, even if we cannot ensure the same value-for-money in the goods and services provided as we expect from our public service as a whole.

Above all, in light of the impact of job losses on the youth, we need to **give our young people a way to contribute to their communities and to society as well as some way to earn a modest amount for themselves**. That is crucial for our society in the long run as well as to reduce the impact of the crisis on working people and poor communities

Specific opportunities include:

- Encouraging municipalities to provide funds to communities to **employ young people on a limited, part-time basis** to meet whatever needs they identify, whether cleaning the streets, maintaining green areas, providing security at taxi ranks, home-based care for people with AIDS or AIDS orphans, or painting murals and engaging in other cultural activities. Gauteng has already seen pilots of this kind of project, as has the National Department of Public Works in collaboration with the Presidency, from which we can learn.
- Fast-tracking a mechanism to **subsidise NGOs and CBOs** to undertake similar community-based activities.
- Focusing wherever possible on **green technologies**, such as retrofitting RDP houses with solar geysers.
- Working with our **departments of health and education** to find ways to deploy young people to relieve the burden on our professionals by providing auxiliary services of all kinds.
- Developing programmes to **protect the environment**, especially recycling, identifying excessive electricity use in public areas and finding water leaks, which provide employment opportunities on a large scale.

The idea of providing opportunities on a large scale must address some important challenges. Above all, this approach cannot provide full-time, permanent positions or very high pay. At most government may provide some help to the worst-hit households while giving youth in particular a chance to engage with their communities when they cannot find a job. In addition, **government must find a way to overcome the regulatory, institutional and budgetary obstacles that stand in the way of rapid roll out of these important programmes.**

5.4 Deepening the social safety net

The economy is in recession, and businesses are battling, but **it is people who are really hurting**. And as we saw in Section 3, in the current phase, it is the **most vulnerable workers who are bearing the brunt** – those in the informal sector, domestic workers and so on, are showing major job losses. It is reasonable to assume that as the recession takes hold and economic conditions worsen, we will see **growing job-shedding in the formal sector**.

We have already seen how, world-wide, the recession is expected to **re-draw the spatial economy**, severely maiming or killing off whole towns, cities, economic sectors, and so on. We have also seen how the recession **compounds existing lines of fracture within economies**, and in Gauteng this includes structural and long-term unemployment, racialised poverty, and inequality. What we have is growing unemployment – compounding already excessively high rates of unemployment – among young, female and low educated citizens.

Across the globe, '**supporting people'** is one of the primary responses to the crisis and the recession it has caused, reflected in the Barcelona Principles, and in the actions of national, regional and local authorities. In Gauteng, there is a double problem – **helping the unemployed and now helping the newly unemployed**, who are growing in number. This alongside other priority target groups – people affected by HIV and AIDS, the elderly, children, and so on. As the National Framework put it,

> *We need social solidarity to ensure the crisis does not damage the fabric of society with greater means have a responsibility to those without such means*

But this is not straightforward. Minister Pravin Gordhan recently told the National Council of Provinces:

> *when we tabled the budget we said that we will protect the poor build capacity for term growth sustain employment growth maintain a stable debt level and address sectoral barriers to growth and investment The economic outlook has changed since then but v remain commi ed to those objectives*

The challenge, of course, is **how to prioritise these multiple goals, and allocate resources accordingly**. This is as much a provincial and local as it is a national challenge.

Deprivation & social protest

In the United Kingdom, the point has been made that local authorities have to address **on-going deprivation31**, not merely focus on the newly unemployed or those who have just lost their homes. Social exclusion, poverty and inequality remain key targets there as here.

We have already seen a growing number of protests, reported as being related to 'service delivery'. This may or may not be true – for example, there were 'riots' (according to the OECD) in various European cities, such as those following trade union marches in Paris in January 2009, and 'social concerns' caused by the crisis have been reported in Glasgow, Helsinki, London, Marseille, Rome, Budapest, Riga, Warsaw, Los Angeles, Toronto, Beijing, Singapore and Tokyo.[32] The fact that **social tensions are rising across the globe in response to the pressure exerted by recession may**

provide a useful lens through which to examine and understand protest marches happening in South Africa: we are far from alone.

Tax cuts or freezes

To provide relief to citizens some cities and city regions have been quick to implement and communicate **local tax freezes and even cuts**. This response is also symbolic and resonates with citizens. In Rome, the government has cut ICI taxes (a rate on housing paid by citizens to the local administration). This is a great help as ICI was a significant tax on citizens.

Social initiatives

To address the problems and vulnerabilities of particular socio-economic groups, cities have **introduced, accelerated or expanded programmes aimed at improving the social and living conditions of their citizens**. The Province of Milan has created a EUR 25 million programme, called *Alziamo la testa*, to help low income families and sustain employment. Much of its impact will be in the heart of Milan itself.

In November 2008, the Manchester City Council became the first authority outside London to sanction a top-up to the minimum wage. At £6.75 an hour, the "Manchester Minimum Wage" is worth £1.01 more than the national minimum wage of £5.74 and is benefitting 850 lower paid council employees. Manchester City Council intends to work closely with other public sector organisations to encourage take up across the city and improve the lives and working conditions of low wage city employees.

Debt counselling

Governments in many cities are providing **debt counselling** (either themselves or via partnerships with non-profits). This can be done through information dissemination, support groups, individual counselling – a range of options exist, and are already being implemented. Cities such as Cardiff, for example, have gone as far as providing an adult learners course on 'coping with the recession'.

Working with the third sector

The **non-profit sector** has an important role to play, and is widely used as a partner elsewhere in the world. It is better-positioned to reach poor people where they live, and can provide much-needed debt counselling, emergency food provision, skills training – a whole gamut of services. But the sector has been under intense pressure in South Africa as donors have moved to support government, skills have been hard to access, and user fees almost impossible to charge. In the South African National Framework, reference is made to **using non-governmental organisations (NGOs) in emergency food relief33** – but nothing about **providing support to NGOs**, many of whom are facing deep-seated funding crises of their own. If government wants non-governmental organisations (NGOs) and community-based organisations (CBOs) in particular, to help in this crisis, core funding and paying appropriate fees – on time – will be a prerequisite. It will also be

a very good investment in the future, since a robust third sector is a key part of the democratic fabric.

As summarised by Clark, responses tend to focus on **job creation and placement; rapid and targeted responses; skills development and training; and careers advice and targeting youth.34 Social initiatives were found in Cape Town, Warsaw and Milan, but these tended to be overshadowed by the categories cited above.** Above all, the message is to **prepare for the upswing**, which will occur first and be strongest in talent-rich areas – which means, above all, **re-training recently unemployed and training the unemployed in *relevant skills*** so that Gauteng can take full advantage when the economy turns around.

5.5 Supporting the housing market

Elsewhere, government has intervened in the **housing market**, given the massive housing crisis that heralded the onset of the broader global financial crisis. Governments have sought to address the loss of homes; to keep developers building; to improve access to credit; some are providing interest-free loans to people at risk of losing their houses.

As explained in Section 2, while the underlying conditions of the current economic collapse were global imbalances, **the proximate cause was the bursting of a housing bubble**, widely dubbed the 'sub-prime financial crisis'. In this moment Western financial institutions were suddenly confronted with the brutal question of exactly how many 'toxic assets' they had on their books. Their inability to answer inevitably resulted in a **freezing of transactions across the financial system** – the so-called 'credit crunch' – as financial players could no longer make viable appraisals of, and assign values to, the risk of doing business with other players.

Over the last year financial systems, businesses and households across the world have all taken fright at what has happened in the United States. A dramatically heightened sense of risk all round has led to a crisis of confidence, and in turn a significant deterioration in market conditions. One of the areas most severely affected has been the **housing market**. In no small measure because the current downturn 'originated' in a 'sub-prime' housing market collapse in the US, financial institutions across the world have dramatically adjusted their appraisals of lending risk, and significantly tightened their lending criteria. The result has been a credit crunch, even in countries such as South Africa where banks did not have toxic assets on their books. In turn there has been a **steep decline in home building activity.**

Reduced housing delivery is a problem from a number of perspectives. There is the obvious problem of fewer households being able to access decent shelter. More people in informal settlements, backyard shacks and central city slum buildings for longer periods has a human and political cost. But it also has **second round negative economic effects.** More households in sub-standard shelter means more unstable communities with less commitment to building lives and futures in urban areas. Fewer households in good homes means lower purchases of household goods and services over the long run, which means less aggregate demand. And fewer households with housing assets means less capacity to borrow against collateral to invest in productive activities or decent education, things that in turn make a big difference to future economic potential.

Cities and city regions in other parts of the world are grappling with this issue, both in trying to understand it, and doing something about ii.

Understanding the challenge

A useful preliminary insight comes from a report prepared for the Leeds City Region in February 2009. It pointedly notes that recessions in the United Kingdom **always** reduce private sector delivery of housing, and that it **always** takes a very long time for residential building activity to resume to pre-recession highs.

> *A feature of private sector housing is the sharp falls in periods of economic recession the s and again in the early s and the extended periods needed back to previous peak levels – typically 15 years.*[35]

The report projects two scenarios, one in which housing delivery rates rise again to pre-crisis completion levels by 2025, leaving a shortfall of 37 000 needed homes in the region, the other a more intense UK downturn of up to eight years in which completion levels never rise again to pre-crisis rates of delivery, leaving a shortfall of 130 000 units.

This analysis has important implications for the Gauteng city-region. It implies the need to do equivalent **long-term modelling of the implications of a collapse in private sector delivery**, the need to recognise the possibility of drastic scenarios, and the need to **act urgently to address the worst case projections.**

A further important conclusion from Leeds is that economic circumstances and housing market conditions are in **dynamic interaction**. Hence, residential property markets in that locality are projected to remain depressed for so long, because, inter alia:

- Uncertainty over future employment prospects, along with more restrictive lending practices, will reduce the demand from new house buyers;
- Lower levels of employment, particularly young people and graduates, will reduce new household formation as young people stay in shared accommodation for longer;
- The overall number of economic migrants from other countries will likely decline, further depressing demand for jobs.[36]

While not all these relationships apply in Gauteng (indeed the city-region is likely to see a return of highly skilled immigrants, and reduced emigration), the lesson is that part of the solution to the housing market downturn is to be found in **helping to improve economic conditions more broadly**. In other words, the measures learnt from other cities and regions on how to save industries, protect jobs and retool for the future, if introduced here, will all have reflexive positive effects on housing delivery.

Public sector housing delivery

Much of the UK literature proposes that the answer to the collapse in the housing market is for **government to resume its role as the primary deliverer of housing to society**. In the mid-1960s and 70s, state led mass public housing programmes in the UK delivered over 125 000 housing units per annum.[37] This programme was dramatically scaled back over the last four decades and today only a few hundred council houses are built in the UK each year. The private sector, and registered social landlords, have never been able to pick up the difference, leaving an estimated 4 million people waiting for social housing.[38] This will worsen with the economic downturn.

A muscular new role for local authorities in public housing delivery is therefore seen as the most important solution to a collapse in private sector delivery. But there remain questions about whether local government in the UK can rapidly gear up the capacity to drive another generation of council-housing, given that this expertise has not existed in most local authorities since the 1980s. **In this area it is clear that the Gauteng city-region is at a significant advantage over peers elsewhere**. The Gauteng Provincial Government, working closely with municipalities, has driven an ambitious RDP housing programme since the mid 1990s, and over the last five years much of the capacity for delivery has been internalised into department structures. The conclusion to be drawn from the UK direction is that this considerable advantage needs to be capitalised on, with a **further acceleration of public sector delivery in well located and sustainable human settlements in the short-term.**

While it has a big advantage over other regions and cities, there are still a number of lessons that the Gauteng city-region can learn from what is being done to counter the residential property market collapse elsewhere.

Buying land for future development

A number of cities and states in other parts of the world have been quick to take advantage of the collapse in property prices to buy land for future potential development. The Glasgow City Council, for example, will **use an £83 million Housing Association Grant for social housing to buy land while prices remain low, and purchase actual newly constructed units that developers are unable to sell**.[39] In greater Washington (D.C.), **six municipalities** have elected to submit a joint application for ARRA funding to "pursue one multi-jurisdictional strategy for dealing with foreclosed and abandoned properties, including bulk acquisition, rehab, resale, and rentals; financial assistance to homebuyers; and transformation of some parcels to permanent supportive housing".[40]

Purchasing of **reasonably priced, well located land is an obvious win**, especially now that Breaking New Ground policies have evolved to the point where the national Ministry has been re-framed as one focused on sustainably located and structured Human Settlements, and where a National Housing Agency has been established to assist provincial and local government to take first options on well-located land for housing. It may be also be possible for the Province and municipalities to di**rectly procure housing units, especially in sectional title complexes in deteriorated inner city areas**. The Washington example suggests that provincial and local government may be able to collectively negotiate with the financial services industry to take identified repossessed properties that meet certain criteria off the hands of banks unlikely to recover value from them through resale in the short term. With national government support this may be a component of phase 2 Financial Services Sector Charter commitments, assuming this initiative can be resuscitated after the successful close-out of the first phase in December 2008.

Direct assistance to developers

Councils across the world require developers to make what are here called '**development contributions**' to cover the cost of bulk infrastructure that the municipality is obliged to install because of the development, costs of which they would otherwise have been able to save. Development contributions then become part of the cost structure of the development. Where developments are stalled because the financial model of the developer suggests the project may be too risky in the environment ahead, it is possible for a municipality to relinquish claims on the up front development contributions normally required. For example **Birmingham City Council agreed in June 2008 to allow developers to stagger a £5m payment towards transport improvements** to keep the key £500 million Birmingham Arena Central development on track.[41] Similar approaches would be feasible in the South African context, and could be extended to other areas, especially as regards electricity substation and transformer installation requirements and costs usually borne up-front by the developer.

5.6 Economic restructuring

Understanding the opportunity and challenge

The restructuring of the international economy poses important questions about the long-term development strategy for South Africa and its key urban regions. Above all, if consumer demand remains relatively depressed in the US for the medium term, the prospects of development based on exports of consumer durables and foreign funding seem substantially bleaker. Instead, **economic diversification may have to look more to local and regional markets**, funded more by mobilisation of local resources than international markets.

In the mid-2000s, South Africa was still in many ways **a classic mining-based economy**. Although mining contributed only about 10% of the GDP and employment, it still accounted for over half of exports. Typically, this type of economy booms when commodity prices soar, but experiences little diversification into new industries. Moreover, the benefits of growth tend to be relatively concentrated, **so inequalities remain pronounced**. When commodity prices slump, the economy then faces a sharp downturn, particularly in imports and state revenues (which in turn limits both economic and social programmes).

A central question thus becomes how both mineral prices and international demand for consumer durables will develop in the next five to ten years. That, in turn, depends largely on how long it will take for the US and China to achieve sustainable growth. If metals prices stagnate for much of the coming decade, the likelihood is that the rand will be weakened and South African **manufacturing and services will become more competitive**. But if **global growth is also weak, we cannot expect to grow** based on a strong increase in exports to the global North.

In short, South Africa – and Gauteng in particular - **needs to identify a development strategy that will be viable** if the restructuring of the global economy

- rules out a simple return to the growth path of the mid-2000s, one based on **high minerals prices** and the consequent **short-term foreign investments**, and

- means that it is not possible to assume an infi**nite market for exports of consumer durables** on the East Asian model.

The challenge is to define how **government could support employment creation on the necessary scale in light of the structural changes in the world economy**. This, in turn, requires a phased approach.

In the *short term* – the next two or three years – **the state can only support large-scale creation through various kinds of support for employers**. These kinds of schemes could include both direct employment by the state, as in the traditional EPWP or its off-shoots, and subsidies to communities, NGOs and businesses that could generate large-scale employment.

They could also include a much greater emphasis on **local procurement**, both through maintenance of investment in infrastructure by all spheres of the state and for other goods and services. **For instance, if the metros in Gauteng procured buses locally instead of internationally, they could help protect the local auto industry from the worst of the global downturn**. Ideally, **every agency of the state should allocate nine of the ten points provided for preferential procurement to local producers, at least for the duration of the downturn**.

In the *medium term* – three to six years – government can **identify industries that can grow based on domestic and regional demand**, even if the rand remains relatively robust and/or overseas markets seem fairly constrained. In the event, **production of basic goods for the poor, services, construction and agricultural goods seem able both to compete and to find domestic and regional markets while creating employment on a large scale**. These industries will, however, require consistent state support through provision of appropriate and affordable infrastructure and skills as well as measures to stimulate regional growth. To take some examples amongst many, growth seems possible:

- Through **better management of the current provision of health and education services** for the region and international consumers. Currently the value of these kinds of exports for the economy is not tracked at all. Yet it is clear from a cursory assessment of Gauteng's leading educational and health institutions that foreigners are a major source of income.
- In **production of plastics and lower-level consumer equipment** for household use across the region.
- In production of **equipment and construction materials for the national build programme**, if local procurement could be better managed by the relevant state agencies, notably Eskom and Transnet.

At the same time, the mining industry seems likely to remain the main source of exports for the foreseeable future. That means every effort must be made to ensure it remains competitive and to maximise export revenues, for instance by ensuring adequate infrastructure and skills and minimising unnecessarily costly requirement geared to narrow BEE.

In the *long run* – when employment has reached something like international norms – South Africa will **require more knowledge-intensive industries that can support higher productivity and incomes**. These industries include ICT, pharmaceuticals and high-level services. **But we must**

not wait before planning and beginning to put in place the infrastructure, skills and strategies needed to achieve this. **Plan now for the upswing** and the new economy.

Shifting to this kind of growth path will require **significant institutional changes within the state**. There is little capacity in government to encourage growth in services and agriculture, and generally in industries geared to domestic and regional markets. Moreover, the government has not published policies on how it can engage with the Southern African region in ways that would support economic growth and diversification. Finally, an effective diversification strategy requires a stronger effort to mobilise domestic funding and production of inputs in order to avoid excessive dependence on unstable, short-term international capital inflows and to maintain a competitive value for the rand.

The opportunity of 'green growth'

The OECD has pointed out that countries can overcome the economic crisis through Green Growth. The extract below expresses the point succinctly:

> *The crisis is no excuse to delay tackling climate change and other urgent enviro challenges Recession can also open up new opportunities don t waste a c*
>
> *The OECD Strategic Response to the Financial and Economic Crisis is supporting cou to recover from the crisis and to create a stronger cleaner and fairer world economy economic recovery have o en proven propitious to implementing structural reforms The provides both an opportunity and an incentive to improve e ciency in the use of e materials and for the development of new green industries and businesses developm can bene t both the economy and the environment Over the longer term movir a low carbon economy can also help to increase energy security and reduce vulne to oil price shocks. New public and public and private sector investments will be needed to deal e ectively with many of the most pressing environmental challenges for exar innovative energy e cient buildings and transport systems alternative energy supplies as renewable and smart electricity grids pollution control as well as investme environmental infrastructures, such as increased forest area and measures to protect coastlines or reduce ood risks Investments will be needed to facilitate adaptation to the clim that is already locked in to climate proof infrastructure and protect urban areas in the environment is thus an important element of many of the stimulus packages in place by governments in OECD and emerging economies Countries are also wo ensure that the right policy frameworks are in place to encourage private investments that support environmentally sustainable long term[42] growths*

In the US, **green technology and green jobs has been identified as key to short-term recovery and medium to long term economic restructuring**.

One global city that has incorporated the Green Growth agenda remarkably in its response to the economic crisis is New York City's Five Borough Economic Opportunity Plan. This is a comprehensive strategy to bring New York City through the current economic downturn as fast as possible. It focuses on three major areas: **creating jobs** for New Yorkers today, **implementing a long-term vision** for growing the city's economy, and **building affordable, attractive neighbourhoods** in every borough. As part of this plan, New York is paying for the **retrofitting of old buildings – government pays for the work *and* the workforce training in green technologies**.

Many other cities and regions in the US are taking a similar approach. California is using training in green technology to reach at-risk youth, in considerable numbers – **linking innovation to social targets and economic interventions**. Philadelphia is re-training the workforce in **green technology** and then linking them to work opportunities. Seattle is undertaking a comprehensive **domestic retrofit** programme working with **non-profits** and local parastatals. In Kansas City, the 'Green Impact Zone' is a 'troubled' 150 block inner city area, where **green investments are seen as key to triggering economic recovery of this depressed area** – the point being that green retrofits are not by design middle-class suburban interventions. Similar targeting could easily occur in Gauteng. In Chicago, 17 municipalities are collaborating to provide green transport.

Underpinning the US approach is the American Recession and Recovery Act (ARRA). To some extent the ARRA stimulus package has hit 'the silo effect': "The use of existing programmes works against interdisciplinary solutions".[43] Nonetheless, ARRA worked from the premise that stimulus packages should be designed in ways that **stimulate innovation, including through investing in broadband, green technologies, and education and training systems**. The intention is to prepare for the future through a low-carbon recovery, by avoiding funding going to initiatives that "**lock-in traditional, polluting energy production"**, and instead supporting interventions that "promote cleaner, climate-friendly alternatives".[44] Gove**rnment needs to consciously foster integrated and innovative solutions** in the way it packages interventions.

Innovation

Innovation is a key theme in the global literature, whether linked with new 'green' technologies or not. The SA National Framework has argued "that South Africa should develop strong capacity in … green technologies and industries", and is in sync with the global literature on this issue, though it talks much less about innovation than that literature.[45]

Innovation – the successful exploitation of new ideas – is clearly fundamental to long-term economic growth and success. As Florida has argued,

> *innovation in the long run is what keeps cities vital and relevant*
>
> *the economy is di erent now It no longer revolves around simply making and movin things Instead it depends on generating and transporting ideas The places that thrive those with the highest velocity of ideas The highest diversity of talented and creative peop the highest rate of metabolism*

Milan, for example, has invested in an innovation programme that includes R&D in fashion, energy and food sectors, with the work done by SMEs set up by local youth, funded by government, universities, private sector and national research foundation.

US cities are also using ARRA funds to drive huge investments in **broadband**, seen as key to innovation. In Massachusetts, all Cape Cod authorities – including schools, police and so on – are forming a new public private partnership to install and maintain 225 miles of fibre optic cable to serve the entire area.

5.8 Skills and migration

Issues of skills and their migration have been widely discussed in South Africa for many years, and in this report we make a few brief points. The issue is of **fundamental importance to the future of the Gauteng city-region**. As Florida has argued, skills attraction and the capacity to innovate are critical to both surviving the crisis and thriving thereafter. Global economic geography has changed, as he notes, in a 'sad and unjust' manner:

> *The ability of di erent cities and regions to a ract highly educated people or h*
> *has diverged The pull of innovative places already dense with talented worke*
> *grown stronger creating a snowball e ect Talent rich ecosystems are not easy t*
> *and to realize their full economic value talented and ambitious people increasingly*
> *live within them.*

Florida was talking to Americans about America, and one could argue that the dramatic recent growth of cities in China, India and Brazil suggest that talent-rich ecosystems can indeed spring up in new places, and fairly swiftly. But that is a quibble: the point remains that **skills are the basis of economic growth as they are of innovation; and innovation is key to future growth**. The global literature also makes the point (with reference to multiple countries) that the crisis has hit hardest cities that had low skills levels, not those with high skills profiles – for example, London and south-east England, despite the presence of the financial sector, have been far less affected than the old industrial cities of northern England. As Lee *et al* note,

> *Skills are the key determinant of how well local areas have performed in the recession: the lower*
> *the skills pro le of an area the worse it has been a ected by the recession*

Skilled workers can also switch more easily to new sectors, industries and technologies, and are environmentally better suited to surviving the recession.

Quality and reputation of place

Part of the issue is '**quality of place' – not something cited in South Africa's National Framework, but an important consideration for a global city-region such as Gauteng**. Cities and city-regions have to be attractive to highly skilled people – to bring them in, and then to keep them. As a result, Liverpool in the United Kingdom, a cultural hub, has supported over 100 free cultural events, to maintain its global profile as a culture centre. Pittsburgh launched a campaign on '6 'Burgh Reasons Why I Love My Neighbourhood' to enhance civic pride. Miami is working hard to fast-track public investment in transport, sporting arenas, and so on. Riga dropped taxes on outdoor cafes to help sustain key local businesses and maintain the city's reputation of enjoying a dynamic café culture.[50] In other cities, the key response has been to keep spending on infrastructure improvements, broadband upgrade or installation, in order to maintain quality of place and improve readiness for the upswing. What have the cities in the Gauteng city-region done in this regard?

In the crisis, a key challenge is to **maintain the local and global standing of a city or region**. This requires an integrated strategy – a long-term vision (global), maintain expenditure on improvements and upgrades (in most city-regions), a robust branding strategy (Mumbai has been very active in this area, for example, to reinforce its identity as an IT hub and keep and attract skilled people), close working relations with the media (global), and strong leadership. As Clark has noted,

> *local economies with clearly articulated visions and identities will get the opportunity to thrive if they act on opportunities and deliver on [51]their strengths*

Paris and Warsaw have seen **high-skilled diasporas returning** in the areas of health, IT and higher education. South Africa has seen the same, and Gauteng should bolster **targeting the skills it needs for sectors key to future growth**, whether South Africans or not.

5.9 Counter-cyclical government spending

> *As the green shoots of economic recovery that many people spied this spring have turned brown, questions are being raised as to whether the policy of jump-starting the economy through a massive fiscal stimulus has failed. Has Keynesian economics been proven wrong now that it has been put to the test? That question, however, would make sense only if Keynesian economics had really been tried. … In the United States, only about a quarter of the almost $800 billion stimulus was designed to be spent this year, and getting it spent even on "shovel ready" projects has been slow going. Meanwhile, US states have been faced with massive revenue shortfalls, exceeding $200 billion. Most face constitutional requirements to run balanced budgets, which means that such states are now either raising taxes or cutting expenditures – a negative stimulus that offsets at least some of the Federal government's positive stimulus. At the same time, almost one-third of the stimulus was devoted to tax cuts, which Keynesian economics correctly predicted would be relatively ineffective. Households, burdened with debt while their retirement savings wither and job prospects remain dim, have spent only a fraction of the tax cuts.*

As captured in the phrase "we are all Keynesians now"[53], there seems almost universal agreement that **the most important short to medium-term solution to the current economic crisis is huge, co-ordinated fiscal stimulus packages aimed at resuscitating aggregate demand**. However, in his most recent opinion piece, "Stimulate or die", Joseph Stiglitz succinctly captured the nature of the tightrope that governments must walk in pursuing large scale fiscal stimulus packages. The extract says three things.

First, and perhaps most importantly, it reiterates a point that Stiglitz has made repeatedly, that counter-cyclical fiscal packages aimed at providing a massive stimulus to the economy are usually introduced at the national level, where national government is able to budget for large deficits, and fund these deficits through borrowing. In most countries however, including the US, UK and South Africa, **sub-national spheres of government are not permitted to budget for a deficit on their operating expenditure accounts**. Strict laws require them to produce **balanced budgets each and every year**. While in-year changes in circumstances mean that not every year will end in a surplus or a net balance, **ongoing deficits cannot be deliberately planned for**, and a municipality that ends a year in a deficit position will be required to either quickly raise taxes or decisively cut expenditure to restore balance in the subsequent year.

This means that in a recession, confronted with declining own revenues, **provincial and local government will almost inevitably act in ways that counteract national fiscal stimulus packages, severely blunting their effect**. The extent to which the contractionary effect of tax increases and expenditure cuts counteracts the stimulus provided by increased national spending of course depends on how much sub-national spheres of government spend annually relative to national government. With a combined annual spend of over R100 billion in a relatively small area, the effect from provincial and local government budgets in Gauteng is not insignificant.

Second, Stiglitz highlights the fact that some parts of government in the US have used the stimulus funding they have received to introduce **tax cuts.** (We saw the same had occurred in Hong Kong and elsewhere.) Tax and service charge cuts during a recession, when both business and households are struggling financially, may seem like a logical thing to do to give the economy some breathing space. But Stiglitz is clear that tax cuts, however tempting they may seem, and however much government is under pressure from communities to introduce, **simply waste the effect of intended stimulus spending as the relief is simply banked as savings**.

Third, Stiglitz points out that the US ARRA package, however impressive it may have seemed when announced, has been **sluggish in roll-out**, with only a quarter of the planned spending due to be effected in its first year, and spending even on fully-formulated and ready to implement ('shovel-ready') projects slow to get going. This is a challenge that is endemic to large scale project financing and execution everywhere. It may take years for even a dramatic new project to be designed and implemented, however adept the project principals and managers are. Stiglitz provides an important cautionary note here, that **any new proposal for stimulus spending must take into account the time it will take to get the proposal off the ground, and measures to accelerate the process must be consciously recognised and planned for up-front**. An example is dealing up-front with regulatory restrictions that traditionally prudent officials will not want to violate for the sake of speed.

Cities and regions are grappling with the issues that Stiglitz raises in various ways that provide important lessons for the Gauteng city-region.

Countering budget contraction at the municipal level

There is some evidence already that **municipal revenues have not been as robust as projected at the start of the 2008/09 financial year**, and that this is leading municipalities in the province to cut expenditures. The international literature suggests that where belt tightening is inevitable, however undesirable it may be from the point of view of fiscal stimulus, **cuts should be made**

not across the board but carefully and strategically. This is the message now being articulated by the National Treasury, with finance Minister Pravin Gordhan having recently indicated to the National Council of Provinces that there would be a need to shift expenditures to what is most necessary to protect communities from the downturn and to lay a foundation for a more rapid recovery. [54]

However, over and above this approach some parts of the world are innovating. A bold recommendation has emerged from the UK think-tank, New Local Government Network, on how to give municipalities greater financial flexibility in order to cope with the downturn. They propose:

> *If the accounting rules allowed authorities to balance their books over a three year cycle t a number of new policy choices will become available to local councillors and at no cost over the medium term to the taxpayer Sending an explicit signal to chief executives leaders that the Government expects greater latitude in approaches to medium term policy commitments could deliver the following*
>
> - *The ability to give residents council tax discounts in a particularly di cult economic year.*
> - *The ability to retain sta facilities and programmes which would otherwise face termination because of the in-year balance requirement.*
> - *The ability for councils to take advantage of circumstances when their income growth exceeds expectations and facilitate a dividend to service users or taxpayers in future years.* [55]

The procedures by which ARRA funding is distributed in the US provides another possible means **to assist municipalities to negotiate contractionary pressures**. Under ARRA, a lot of the available funds are being spent via state level and local level government, rather than directly from national government. **National government could similarly increase funds to local government in the current period as a once off dispensation**, using the existing intergovernmental fiscal arrangements for distributing conditional grants. Changing matching contribution requirements for MIG funding, while increasing the allocation in the short term, could also give municipalities some flexibility. **These are all options which GPG can consider negotiating with the national sphere.**

5.10 Regional investment agencies

A brief word about regional investment agencies that work in ways similar to the Gauteng Economic Development Agency (GEDA). They are seen to play "a fundamental role in increasing the resilience and ensuring the recovery of the local economy in the face of recession conditions."[56] For example, *Barcelona Activa* continually reviews employment policies, human capital, business creation and business growth, to ensure the response to the recession is as strong as it should be.[57] Elsewhere in the world, GEDA-type agencies have **crafted new investment vehicles, helped unlock existing potential, enlarged the implementation scale (as GEDA would, when**

operating across the Gauteng city-region as a whole), crucially they have aggregated disparate investments for both economies of scale and enhanced impact, have been heavily involved in marketing, and have helped increase the pace and scale of investment. In short: they are key allies.

For Clark, they are important players that have a set of important, strategic roles:

- Foster coalitions for growth initiatives
- Co-ordination of local actors
- Co-ordination of investors
- **Monitoring local economic space**
- **Strategic planning**
- **Infrastructure and investment advocacy**[58]

Working alongside GPG, GEDA should be playing highly active roles across many of these areas. But the global literature suggests that GEDA-type agencies have a more **proactive role**, particularly in **crafting new, innovative vehicles for investment**, and making sure that vehicles suit the current local and global economic conditions. In other words, **the combination of 'Business Unusual' and the recession demand creative thinking about investment tools, which GEDA should be leading**. GEDA-type agencies have a **flexibility** local authorities do not – they are not bounded by administrative borders and so **can work at different (often larger) spatial levels and can adapt to meet the needs of investors through flexible spatial scales**.

Investment agencies are seen to have a key role to play in **linking employment and skills policies** more closely than they may have been in the past; and in **convening multi-sectoral partners, at regional and local level, to help develop a shared response to the crisis that is aligned to the national response**. GEDA-type agencies are generally regarded as being well-positioned to play this facilitating role.

Above all, however, it is their **creativity in crafting new tools or vehicles for investment that is seen as key – new tools, making sure existing tools are being fully utilised, crafting joint vehicles so risk is shared across multiple partners, enhancing impact by aggregating and focusing individual investments, leveraging assets and investment, and working to refresh the identity of place** – these are all areas where GEDA could (and may well already be) add substantial value to the work of GPG.

5.11 Leadership

Throughout this report, and throughout the global literature**, local leadership** (which here means sub-national – provincial and local) **emerges as absolutely critical.**

Cities and city-regions have been the engines of growth in the last decade and more and "local leaders have become increasingly responsible for enabling places to thrive"; but now that recession is biting hard, *these same leaders must act to mitigate the impact of the recession on people and places to prepare their cities be er for the upswing that will come and the intense competition it bring*

The last phrase is particularly key: **post-recession, competition for investment will be even more fierce than before it began, and Gauteng has to be prepared for this**.

Leadership can refer both to decisively leading on particular initiatives that make a difference to an ailing local economy, and to new ways of working in and across government

Leading on bold initiatives

While the precise nature of the initiatives will differ from context to context, it is clear from the literature that bold and decisive programmes are required to lift a city or region out of economic malaise.

A wide array of initiatives cover the globe, ranging from Cardiff to Prague to Riga to Auckland to Hong Kong to New York. As demonstrated in this overview, cities and regions have moved quickly to put in place rate relief, or new tourism promotion programmes, or special purpose vehicles for leveraging capital investment, or new forms of public/private partnerships or new methods to ensure local/national alignment). Local leaders have also deployed **task teams** (such as in Hong Kong) to monitor the local situation and help leaders co-ordinate responses from multiple sectors, worked to **improve access to credit** (for consumers and businesses), **increased demand for local firms and retailer**s by shifting their own procurement practices, and sought to **reduce business costs** wherever possible.

Local leaders need consciously to help boost investment and expenditure – by **maintaining state expenditure** in infrastructure and job creation (including through public works programmes), and again, small things can make a big difference, including **'buy local' campaigns, promoting local retailers, offering promotional vouchers for investors and consumers who do so**, and so on. In Glasgow, the council has adopted a flexible land disposal policy to **reduce pressure on developers**, and are also allowing **deferred payments, staged payments, joint ventures, profit shares and a whole range of innovative financing vehicles** to keep confidence high.

This is particularly important given that **the recession will test public/private relations**, as the private sector will look for greater flexibility, reduced costs of doing business and the like, and **local leaders will have to balance these demands against the needs of the poor and marginalised**.

Bold leadership also requires initiatives that seem counter-intuitive, and that are difficult to sustain because they seem to increase the risks for government. In most cases, the first impulse of any government faced with declining revenues will be to cut costs. But belt tightening is not the solution to a global collapse in demand. As Paul Krugman argues, exactly the opposite is needed, and indeed what has made a major difference in the US over the last six months: "unlike the private sector, the federal government hasn't slashed spending as its income has fallen", it has kept paying social security, Medicare, wages and the like, and "**all of this has helped support the economy in its time of need**". Moreover, orthodoxies - and the mental blockages they can create

- are being overturned in the process: "And yes, this means that budget deficits – which are a bad thing in normal times – are actually a good thing right now."[60]

Above all, leaders must ensure that **Gauteng is preparing for the upturn**, which is already being heralded in Europe and the USA; and that when the upturn comes, it is not a case of 'back to business', but that the crisis has created the space to transform the rules of the game locally and globally.

New ways of working

Leading on bold initiatives is often only possible if government finds new ways of working which don't assume that existing institutional arrangements are adequate for the task. The current crisis has highlighted this issue very sharply.

The Brookings Institute[61] has argued that the five characteristics of '21st century high-performance organizations' should also be the hallmarks of government investment during the recession, to promote creative, innovative responses. Those characteristics include

- **working towards a long-term vision,**
- **multi-sectoral partnerships,**
- **embracing integrated solutions,**
- **catalysing private investment, and**
- **appropriate use of information management for performance maximisation**.

These are challenging goals for government to achieve in its own work. They are equally challenging for large parts of the private sector to realise in practice. They signal the

need to **foster innovation through government co-ordination and integration; drawing in other partners including investors, private sector agencies and others; taking risks; learning by doing (and from analysing mistakes); and generally investing now in the conditions for innovation**. In short the message is: don't simply support existing vehicles, but **proactively seek or foster new, multidisciplinary and multi-sectoral interventions**. Don't lock-in the silo mentality and way of working, but use the crisis to foster a long-standing goal of integrated governance and delivery.

New ideas for bold new ways of working are emerging from the UK. For example, the New Local Government Network has put together a set of proposals that piece together many of the initiatives highlighted in this report into a bold package. The package is anchored on a proposed set of **new institutional arrangements** in which parts of government that have traditionally worked in self-interested silos can come together to plan a way out of the crisis. The package proposes, inter alia:

- Regional partnerships structured in such a way as to be able to receive longer-term funding commitments from central government, and 'pool' funding from various partners;
- **A single capital pot for economic development and regeneration** would allow spend to vary between themes and projects in a more responsive way and support a more integrated

approach. This could be supported by a new regional catalyst fund, where central government matches funds generated at the local level through the own-efforts of those in the partnership. This money would be paid back by the sub-regional partnership over an agreed period from the efficiency savings that sub-regional collaboration brings;

- Regional partnership players encouraged to, and provided clear incentives for developing ambitious plans for the areas they jointly govern, what the NLGN called "Multi-Area Agreements" based on the concept of "Total Place";
- Legislative exceptions to encourage and facilitate collaboration that would otherwise be held back by traditional regulatory provisions. The NLGN proposes **a new three year statutory financial balance window-period** (in which balanced budgets do not have to be produced every year) available for local authorities that agree to participate in the sub-regional partnerships.[62]

The idea of the Gauteng city region already provides a solid basis for thinking about a similar package in South Africa's economic heartland. It would be possible to conceive of a **structured partnership between provincial, local and national government working across Gauteng to draw available funds from the pots set up under the National Response Framework (money available from the DBSA, IDC, etc.), drive up local government capital budgets, and catalyse private sector contributions, in order to focus spending on building the economic foundations for the upturn** (whether it be infrastructure requirements needed across the region, the sponsorship of green jobs, a co-ordinated approach to a much larger scale public works programme, or other initiatives). This Gauteng city-region partnership could be convened in the short term in time for provincial and local budgeting cycles for 2010/11 now getting under way.

Communication

For bold leadership communication, as ever, is critical. The literature suggests that government leadership is best exercised by developing and communicating **a long-term strategy and vision for the city or region, ensuring that it forms the basis for multi-sector relationships and action**. The strategy must cohere the actions and statements of government.

Communication should be both inwardly focused and can target investors (as in Cardiff), the global media (New York), other leaders or communities (Toronto). Local leaders have to keep on top of the local economic and social situation, convening both **high-level stakeholder groups and community-level meetings**, to instil investor, business and consumer confidence. New York Mayor Bloomberg, for example, has argued that **transparency is even more important in 'bad times'**, when the public really does want to know how public funds are being spent, and has created an **on-line monitoring tool for citizens to check government progress against targets**. Pittsburgh has organised public events to stress the importance of saving, while Tokyo has ensured collaboration at the local level via its Small Business Centre and Chamber of Commerce.

Section 6: Conclusion and recommendations

The 'snapshot' of city responses presented here highlights the urgency and magnitude of local responses to addressing the impact of the recession on business, people and long-term positioning for development and investment. Local government, business and city leaders have responded by developing a variety of interventions. Apart from economic stimulus packages aimed at protecting large enterprises, this review indicates that a considerable number of cities are providing support to small and medium-sized enterprises. Unlike in South Africa, where a considerable number of small, medium and micro enterprises (SMMEs) tend to be survivalist, in these countries, the SME sector is well-developed and is envisaged as one of the critical sectors worth rescuing for recovery purposes.

In South Africa, on 19 February 2009 the Framework for South Africa's Response to the Economic Crisis was developed by a leadership group consisting of representatives of Labour, Business, Government and the Community constituency. In early August 2009, President Jacob Zuma announced several programmes that the social partners have agreed upon in order to implement the country's framework response to the economic crisis. These include:[64]

- Setting up a training layoff scheme as one alternative to retrenchment for workers and companies affected by the recession.
- Steps to strengthen the ability and capacity of the South Africa Revenue Service (SARS) to address customs fraud that has led to many job losses.
- Support for distressed companies in a number of sectors.
- Payments by government to small, medium and micro-enterprises (SMMEs) and other businesses within 30 days.

The key lesson for the Gauteng city-region and South Africa as a whole is that the **urgency of response is crucial in times of the recession**. While South Africa's framework is significant in itself, the central challenge is to ensure that it is **timeously implemented**. This is where the essence of effective leadership as advocated by the Barcelona Principles[65] comes in. Clark correctly argues that "**the vital ingredient is local leadership**. Local leaders who see this crisis as a means to achieve and accelerate progress on longer term goals and to make reforms which overcome narrow vested interests and institutional rigidity, will prove that there are important dividends to be won from leadership in a crisis, which cannot be won at many other times."[66] In other words, effective leadership is critically important if cities are to weather recession storm and "not waste the global economic crisis".

As in South Africa, the global recession has intensified unemployment and poverty. Gauteng-based city responses to the economic crisis are yet to be developed. In addition to the National Framework, **there is an urgent need for local government, business and city leaders in the Gauteng city region to develop measures to mitigate the crisis in their localities. These need to align with a provincial strategy, and with the national.** For the Gauteng city region and South

Africa as a whole, the challenge is to identify sectors that will drive the recovery and create post-crisis prosperity.

Job creation and helping the unemployed through a variety of labour market measures is vitally important if the Gauteng city-region is to successfully ride out the recession storm. This is critical if the government is to meet its 2014 targets. It is clear that the private sector will not create sufficient number of jobs at least until (and probably after) the global economy recovers. This calls for the creation of more sustainable public works, infrastructure and green jobs.

As the engine of South Africa's economy, it is imperative for Gauteng to **prepare itself for the recovery**. To do this, the Gauteng city-region needs to assess which economic sectors will drive the recovery and how.

Gauteng will be vital to South Africa's global economic recovery. Therefore, **investing in skills** will be a key determinant of city success in Gauteng in times of recession and recovery – however "there are questions about the extent to which cities are investing in skills linked to economic development, retention of jobs and development of jobs."[67] In the UK, cities such as Belfast, have worked in partnership with various universities to stimulate entrepreneurship among graduates.[68]

All in all, this review of city responses to global job crisis indicates that many cities are responding innovatively to alleviate the effects of rising unemployment in spite of limited funding and powers.[69] These city responses offer valuable lessons for the Gauteng city-region. The key lesson for the Gauteng-city region is the significance and urgency of local responses and effective leadership to the economic crisis.

A host of detailed recommendations appear above, and are not repeated here. There are some key lessons that have emerged from the study, and they are listed below:

- Prepare for the upturn.
- Leadership and communication are critically important.
- Be bold, take risks, and be willing to learn by doing.
- Ensure that interventions during the crisis are informed by and contribute to a long-term vision for the local economy.
- Support those sectors identified as key to the long-term growth and sustainability of Gauteng.
- Promote economic diversity in the local economy.
- Maintain infrastructure spending, and focus on quality of place.
- Draw in the Further and Higher Education sectors to help with re-skilling the workforce.
- Worry about branding and the global positioning of Gauteng and act accordingly.
- Invest in re-skilling the workforce for new, green technologies.
- Invest in innovation.
- Invest in entrepreneurship, especially among the recently unemployed.

- In the short term, help the poor, the recently unemployed, people in debt, as well as businesses.
- Engage with banks to erase access to credit.
- Engage with the national sphere to secure as much support as possible – the Gauteng city-region will be expected to drive the South African recovery, and needs support to do so.
- Help trigger growth by local procurement, supporting the retail sector, paying bills on time, filling all government vacancies as quickly as possible.

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Anatomy of the crisis data (table 4) references

Utilisation of productive capacity in the manufacturing sector	Statistics South Africa: Time Series (http://www.statssa.gov.za)
Manufacturing production and sales	Statistics South Africa, Statistical Release: P3041.2 June 2009 (http://www.statssa.gov.za/Publications/statsdownload.asp?PPN=P3041.2&SCH=4447)
Retail sales	Statistics South Africa: Time Series (http://www.statssa.gov.za)
Generation and sale of electricity	Statistics South Africa: Time Series (http://www.statssa.gov.za)
New vehicle sales for the year July to June	Statistics South Africa: Time Series (http://www.statssa.gov.za)
% year on year change in passenger vehicle sales for June monthly sales	Investec New Vehicle Sales update from NAAMSA data (http://www.investec.com/en_za/#home/research/latest_reports.html)
Freight volumes	Statistics South Africa: Statistical Release: P7162, June 2009 http://www.statssa.gov.za/Publications/statsdownload.asp?PPN=P7162&SCH=4453)
Liquidations and insolvencies	Statistics South Africa: Time Series (http://www.statssa.gov.za)
Johannesburg Stock Exchange	World Federation of Exchanges: Time series (http://www.world-exchanges.org/statistics/ytd-monthly)
Percentage change in the quarterly value added by industry and GDP at constant 2000 prices	Statistics South Africa: Time Series (http://www.statssa.gov.za)
SA Reserve Bank Leading Indicator (2000=100)	South African Reserve Bank Time Series: KBP7090N (http://www.resbank.co.za/qbquery/timeseriesquery.aspx)
SA Chamber of Commerce and Industry: Monthly Business Confidence Index (BCI) (2005=100)	SA Chamber of Commerce & Industry (http://www.sacci.org.za/index.php?option=com_content&view=article&id=29&Itemid=39)

Bureau for Economic Research / RMB Business Confidence Index: <50 is negative	Bureau for Economic Research (http://www.ber.ac.za/RunTime/POPContentRun.aspx?pageidref=1848)
SA Chamber of Commerce and Industry: Monthly Trade Activity Index (SATAI): <50 is negative	SA Chamber of Commerce & Industry (http://www.sacci.org.za/index.php?option=com_content&view=article&id=28&Itemid=38)
SA Chamber of Commerce and Industry: Monthly Trade Expectations Index (SATEI): <50 is negative	SA Chamber of Commerce & Industry (http://www.sacci.org.za/index.php?option=com_content&view=article&id=28&Itemid=38)
Bureau for Economic Research / Investec & Kagiso Securities Purchasing Managers Index: <50 is negative	Bureau for Economic Research (http://www.ber.ac.za/RunTime/POPContentRun.aspx?pageidref=1847)
Bureau for Economic Research / FNB Consumer Confidence Index: net balance	Bureau for Economic Research (http://www.ber.ac.za/runtime/popcontentrun.aspx?PageIDRef=1824&documenttype=Kagiso%20PMI)
Gauteng Barometer: Annual % change in the Gauteng Growth Index	Sake 24 Gauteng Baromter (http://www.sake24.com/general/Documents.aspx)
Labour Force Survey (results for Gauteng, 2nd quarter of each year)	Statistics South Africa, Statistical Release: P0211 2nd Q 2009 (http://www.statssa.gov.za/publications/statsdownload.asp?PPN=P0211&SCH=4440)
% change in the number of employed by main-industry sector for Gauteng	Statistics South Africa, Statistical Release: P0211 2nd Q 2009 (http://www.statssa.gov.za/publications/statsdownload.asp?PPN=P0211&SCH=4440)
Annual house price inflation	Lightstone: Residential property index (http://www.lightstone.co.za/LSC/Content/NewsRoom/HousePriceIndex.aspx)
Average house prices (nominal)	http://www.absa.co.za/absacoza/content.jsp?/Home/News-&-Market-Information/Absa-Publications/Economic-Research/Property-Research

Building plans passed and completed in Gauteng	Statistics South Africa: Time Series (http://www.statssa.gov.za)
National cement sales	Cement and Concrete Institute (http://www.cnci.org.za/inf/genstats.html)
Bureau for Economic Research / FNB Civil Confidence Index: <50 is negative	Bureau for Economic Research (http://www.ber.ac.za/RunTime/POPContentRun.aspx?pageidref=1873)
Bureau for Economic Research / FNB Building Confidence Index: <50 is negative	Statistics South Africa: Time Series (http://www.statssa.gov.za)
Number of civil cases for debt of private persons recorded for the year July to June	Airports Company of South Africa Passenger data (http://www.acsa.co.za/home.asp?pid=133)
Number of arrivals at OR Tambo (Jhb) International Airport	National Treasury (http://www.finance.gov.za/legislation/mfma/media_releases/s71.aspx)
% collection of annual budgeted operating revenue	National Treasury (http://www.finance.gov.za/legislation/mfma/media_releases/s71.aspx)

End-notes

1 Clark, G. (2009). *Recession Recovery and Reinvestment The Role of Local Economic Leadership* *Crisis* (LEED, OECD, Paris), p.62; see also Lee, N. Morris, K. and Jones, A. (2009), *Recession and Recovery How UK Cities can respond and drive the recovery* (The Work Foundation).

2 All of these statements are true of South Africa, which barely features in the global literature on responses to the crisis

3 Lee, A. and Huxley, J. LEED presentation, 2009, quoting Naomi Clayton from The Work Foundation.

4 Councillor Margaret Eaton in *in Global slowdown local solutions councils helping people and b* (UK Local Government Association, London) 2009, p.2.

5 Clark (2009) *op cit*. pp.38/9.

6 Florida, R. *How the crash will reshape America*

7 Clark (2009) *op cit.* p.72.

8 Florida, R. *How the crash will reshape America*

9 *Ibid*.

10 Clark (2009) *op cit.* p.81.

11 OECD (2009). *OECD Strategic Response to the Financial Crisis Contributions to the Global E* (Paris), p.7.

12 Republic of South Africa. *Framework Response to the Economic Crisis* August 2009, section 6.2 p.21.

13 *Ibid* p

14 The principles are widely available; some of the examples here come from Clark 'Recession'.

15 IMF (2009a). *World Economic Outlook*. Washington D.C., 8 July.

16 IMF (2009b). *World Economic Database Commodity Prices Coal Price Index for South Afric* Downloaded from www.imf.org in July 2009.

17 Gordhan, P. (2009).

18 The summaries in this section are derived from Clark (2009) *op cit*. His report includes brief profiles of some 40 cities and city-regions world-wide, and readers are encouraged to read the report in full to get a detailed flavour of how very different cities are responding world-wide.

19 Clark (2009) *op cit*. p.234.

20 Clark (2009) *op cit*., p.300.

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