

Reviewing Regional Policy

A discussion of the Urban Foundation's "Regional Development Reconsidered."

"Regional Development Reconsidered" is the third in the Urban Foundation's series of policy documents setting out its proposals towards "a new urban future". The main thrust of a number of these documents is to attempt to reorient development policy to a predominantly urban focus, and to an acceptance of large city growth. While the development of rural areas, small towns, and other nonmetropolitan areas is not entirely neglected, the focus of many of the documents published to date is on rationalising the urban emphasis, and developing policies to manage urban development. This is in contrast to past South African state development policies which have attempted to contain the development of the main cities, and have starved established urban areas of resources, focusing instead on pouring resources into the homelands.

"Regional Development Reconsidered" reflects this emphasis. Its main objective is to argue for the removal of the government's Regional Industrial Development Programme (RIDP) which is seen as a key element of the government's past development policy. The RIDP has developed and shifted over time, however, what has remained central are attempts to force and encourage industry to move to demarcated development points, particularly within homelands. These are either at a considerable distance from metropolitan areas (decentralisation), or, more recently on the 'edges' of metropolitan areas (deconcentration). Within Natal, the main functioning points are Ladysmith/Ezakheni and Newcastle/Madadeni (decentralisation), and Isithebe and Pietermaritzburg (deconcentration).

The bulk of the report is devoted to a critique of the RIDP, rather than to redefining regional policy, or developing a new framework for it. The alternative policy proposals are therefore the weakest part of the report. This partly reflects the Urban Foundation's laissez-faire approach and its discomfort with many aspects of traditional regional policy, most importantly, with attempts to develop economically weak areas, and to intervene in patterns of industrial location. Rather, their starting point is the centrality of economic growth in general, and a belief that this is best promoted in the largest cities. If other areas can develop particular sectors (agriculture, tourism etc.) on an economic basis, then they can be supported in doing so, but regional policy should not prop up 'lagging areas' as it has to often attempted to do internationally.

The RIDP has come under considerable scrutiny in the past decade. Numerous papers, reports and documents have attested to its inefficiency and ineffectiveness in developing poorer areas, and have pointed to its negative effects on the development of metropolitan areas. "Regional Policy Reconsidered" largely summarises this

literature. While a number of studies were specifically undertaken for the purposes of the report, they seem mainly to confirm the findings and arguments of the existing literature. As such, the report provides a fairly accessible summary of the literature on industrial decentralisation and deconcentration.

As in the general literature on this topic, the main lines of critique of the report are that:

- * The policy has been intimately bound up with the objectives of apartheid; it was largely set up as a support to influx control measures, and as a way of propping up the government's homeland policies. This has severely distorted the way in which policy has operated. While policies of industrial decentralisation elsewhere have proved to be problematic in various ways, in South Africa, there are additional problems as a result of the political context of the policy.

- * The policy is costly and inefficient in economic terms. the financial cost to the state has been enormous, however the economic benefits are rather dubious. Only 25000 jobs have been created, but at least half of these would have occurred spontaneously in any event, as a result of labour-intensive firms searching for cheap labour (particularly in the textiles and clothing industries). The effectiveness of state policy as such is debateable.

- * Growth in the designated points is largely unsustainable: the policy has subsidised both inefficient location and also firms which are marginal and could not survive without subsidy. In 34-42% of cases, firms will leave or close down once incentives are withdrawn. Further, these points are not attracting the type of industry which can act as 'magnets' for other industries. Most firms are small, marginal, labour intensive operations, with connections to metropolitan areas, rather than to the area they are located in.

- * The policy has had little positive effect on regional development. Growth within development points is weak and unsustainable, and has failed to induce generalised development processes. By concentrating only on industry, it has also neglected other sectors which might produce more sustainable growth. the RIDP has distorted patterns of growth within regions; it has artificially induced growth in some areas (often newly created towns within homelands), and has attracted development away from existing towns which may themselves be facing uncertain growth. The poor economic condition of the coastal metropolises (Durban, Port Elizabeth, East London, Cape Town) is cited as an example of this.

- * The policy has created very poor urban environments; there are few social facilities, and urban environments are generally sterile. In cases where development points have been created within homeland areas close to

existing urban areas (for example, Ezakheni – some 40km from Ladysmith), and in some deconcentration points (for example, Atlantis – some 40km from Cape Town) the policy has created a highly inefficient pattern of urban growth, which forces people into expensive and time-consuming commuting over long distances.

* The policy has failed to meet its objectives of slowing urban growth. It has had a negligible impact on migration to large cities. However, this objective is itself quite wrong. There is no 'optimal city size', and in fact South African cities are small by international standards. City size does not impede economic growth, nor are large cities necessarily more difficult to manage. The issue is one of the structure and management of cities, not their size. Deconcentration and other apartheid urban policies have actually exacerbated rather than solved these problems.

* Internationally, regional policies focusing on industrial decentralisation have been discredited. As in South Africa, they have not proved to be effective, and there is a shift away from them towards market-based 'bottom-up' development policies based on local economic development and comparative advantage.

There is much that is valid in this critique; industrial decentralisation has been intimately tied to apartheid objectives, and it has contributed to the creation of a highly distorted pattern of industrial and urban growth. Further, it has supported exploitative working conditions and practices, and has resulted in a poor quality of life for workers. The difficulty with the Urban Foundation's approach is at two levels. The first is at the level of analysis, and primarily certain detailed elements of analysis (1). The second, more importantly, concerns policy prescription. This will be the focus of our discussion here.

A central problem is that the document focuses overly on the issue of economic growth, at the expense of social concerns. While the document refers to issues such as poor urban environments, and inefficient patterns of urban growth, and to an extent to low skills and wages in development points, these are not the main concerns. There is no exploration of who has come to occupy these jobs and why they have done so. Presumably, this is assumed away as the result of influx control, but this does not explain why, five years later, and in areas such as Natal where influx control has been mediated by the proximity of homeland borders (2), these poorly paid jobs are still taken up. Because these people are not a central concern for the Urban Foundation, there is no consideration of how policy change will affect them, nor how their survival chances can be assured through alternative policies.

This is not a frivolous issue. Although the policy has not provided employment on anything like the scale necessary, it has been more significant than is sometimes assumed. In the 1980s, some 175000 jobs were created in a context of economic recession where the growth of industrial employment more generally has stagnated (Development Bank, 1988). Within a regional and sub-regional context, it has been even more significant. Nearly a third of all jobs created by the policy (28,3%) since 1982/3 are within Natal (Ibid.), and a number of towns in Natal have been dependant on the policy – either historically or at the present time. That it has resulted in a

distorted form of development in a number of these areas cannot be disputed. However, in at least some areas, the withdrawal of the policy is likely to have serious repercussions. The populations dependent on those towns are far larger than the number of jobs created would suggest. For example, there are some 290000 people in the functional subregion containing Ladysmith and Ezakheni. Not all of these people are dependant on the RIDP policy, however, levels of migrancy are relatively low, and industrial employment is the main form of employment in the subregion. These people cannot simply be forgotten: policy needs to focus more directly on the future of people in these areas. It cannot simply be assumed that they will easily find other alternatives, nor that the alternatives proposed by the Urban Foundation are alternatives for those people or those areas.

The Urban Foundation's policy proposals have two main thrusts. The first is the emphasis on regional development, and the development of towns and cities on the basis of their comparative advantage. Regions, towns and cities should develop the sectors in which they have a competitive advantage, and specialise in them. This implies a potential shift away from the present focus on manufacturing to other sectors such as a tourism, agriculture, and so on. The responsibility for development is shifted to the market and to the private sector, who are expected to play an active role in development. Regions, towns and cities would compete with each other for development, and for funding from central authorities. Weaker regions and smaller towns might also find new roles in supporting rural development activities, and would benefit from the more intensive development that land reform might bring about. Areas which could not support themselves would, however, still receive equal access to social services and transport.

Secondly, the development focus should shift from the smaller towns and weaker regions to the metropolitan areas and secondary cities – particularly those outside of the Pretoria-Witwatersrand-Vereeniging (PWWV) area. This may be assisted by a decentralisation of service and governmental functions, by improved urban management and infrastructural development, as well as by the removal of hidden biases in macro-economic policy which operate against these areas. To a certain extent, the emphasis of private-sector driven development, and on comparative advantage is also likely to accomplish this shift: there can only be few agencies (apart from homeland development corporations) in smaller towns and weaker regions capable of initiating the kind of development processes envisaged, and many such areas will battle to find their 'comparative advantage'.

The shift to the cities is in a number of respects an obvious and necessary one. It is undoubtedly the case that the controls on development, and inadequate finance and infrastructural development have led to poor conditions in urban areas, and may have undermined the growth of the comparatively weak coastal metropolitan areas and secondary cities. Further, as an earlier report shows, the majority of people are already, and will in future be, living in these areas. It makes sense to attempt to improve the management of these cities, and to make them more capable of dealing with the growth in numbers that will be expected in the future.

However, this does not mean that conditions outside of

the major cities can be neglected. Regional policy is not dealing with a clean slate – rather it needs to confront the issues and problems which have emerged as a result of past policies. These include the fact that many people do live in peripheral areas, and are dependant on ‘artificially’ created local economies with weak economic bases; and that in some of these areas there are problems of inefficient spatial and institutional organisation, deplorable living and working conditions and so on. This is not to suggest that the policy of industrial decentralisation has to be continued despite all its faults. Rather, at least one of the central starting points for policy needs to be the welfare of people in places created by apartheid, and the development alternatives that are available to them. This is not a concern for the Urban Foundation.

It is an irony that one of the supposed points of departure for the Urban Foundation (and one of its critiques of the RIDP) is that regional policy has tended to focus on place instead of people, and that this needs to be reversed. However, the Urban Foundation’s policy merely replicates this emphasis in a different way; it focuses squarely on the development of areas (through comparative advantage etc.), and ‘people’ concerns are hardly present. There is no necessary correspondence between where development through comparative advantage can occur and actual need, and there is no guarantee that people presently dependant on industry would be absorbed into the proposed rural development schemes. Similarly, policies to equalise access to social services are not necessarily sufficient to create alternatives for people either within the area, or elsewhere. Far more attention needs to be focused directly on the future of people in those areas and possible alternatives for them in both the short and long term.

Ironically, the focus on ‘comparative advantage’ and competition between areas might shift the focus of local and regional policy even further away from considerations of social need. It is quite likely to strengthen local business lobbies attempting to attract growth, and to allow business to play one town off against another. A possible result might simply be local economic policies which attempt to replicate what the state has previously done (ie, attract industry through financial inducements), except on a far weaker basis. Towns may feel compelled to deregulate on health or environmental regulations, with long-term negative effects. This is potentially a problem for large metropolitan areas as well as smaller towns.

An emphasis on comparative advantage is not necessarily the most secure economic basis for an area. It encourages economic specialisation, making the area potentially more vulnerable to change. The decline of the Port Elizabeth – Uitenhage (PEU) area, for example, can partially be attributed to overspecialisation and dependence on the motor industry, and therefore to its vulnerability to the industrial restructuring which has been occurring within that sector (see Bell, 1987) (3).

The emphasis on comparative advantage, and the reliance on markets is only one version of ‘bottom-up’ development. While there has certainly been a shift in policy thinking internationally away from a sole reliance on induced industrial development, and towards processes of endogenous and locally integrated development, the document presents a particularly conservative version of this approach. There are other approaches, with far more developmental connotations. In adopting a conservative approach, the Urban Foundation also neglects some of the more positive origins of regional policy, namely, a concern for the welfare of people in places affected by economic decline.

A final, and related issue needs consideration. The report assumes that without the distorting effects of the RIDP, and with the removal of biases contained in macro-economic policy, and certain infrastructural improvements, the coastal metropolises and secondary cities will bloom. Unfortunately, this may not be the case – the economic weakness of these areas may reflect deeper changes in industrial organisation, as in the case of PEU. Are similar processes of restructuring and relocation occurring in the textile industry in Durban? What will be the effect of technology changes on the clothing industry in both Cape Town and Durban? And of struggles around the motor industry in East London? The point perhaps is that large cities are not invulnerable to processes of economic decline (even without the ‘distorting’ effects of policy), nor is development static anywhere. From this perspective, the stated goals of the Urban Foundation’s policy – that is of promoting economic growth, and encouraging the development of a sustainable hierarchy of settlements do not sufficiently grasp the nettle of the problem of uneven development – legitimately the central concern of regional policy. □

NOTES

1. For example, there is a tendency to overgeneralise about trends in industrial organisation and location; there are contradictions in the explanation of growth in development points, and in discussions about the effect of incentives; and there is an uncritical acceptance of a hierarchy of urban centres, and processes of hierarchical filtration of development. This is much contested in the literature.
2. In many towns in Natal, the fact that there are KwaZulu areas within commuting distance means that people have been able to migrate to cities more easily than they have elsewhere – despite influx controls.
3. How PEU can then be cited in the Urban Foundation’s report as an example of poor linkages is something of a mystery!

REFERENCES

- Bell, T. 1987. “Is industrial decentralisation a thing of the past?”, in Tomlinson, R. and M. Addleson (eds) *Regional Restructuring under Apartheid; Urban and Regional Policies in Contemporary South Africa*, Ravan, Johannesburg.
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