

# **Rethinking Regional Development in the Western Cape**

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**Discussion Paper for the  
Integrated Development Planning Provincial Conference 2007**

Cape Town International Convention Centre  
7-8 May 2007

**The Department of Local Government and Housing  
Western Cape Provincial Government**



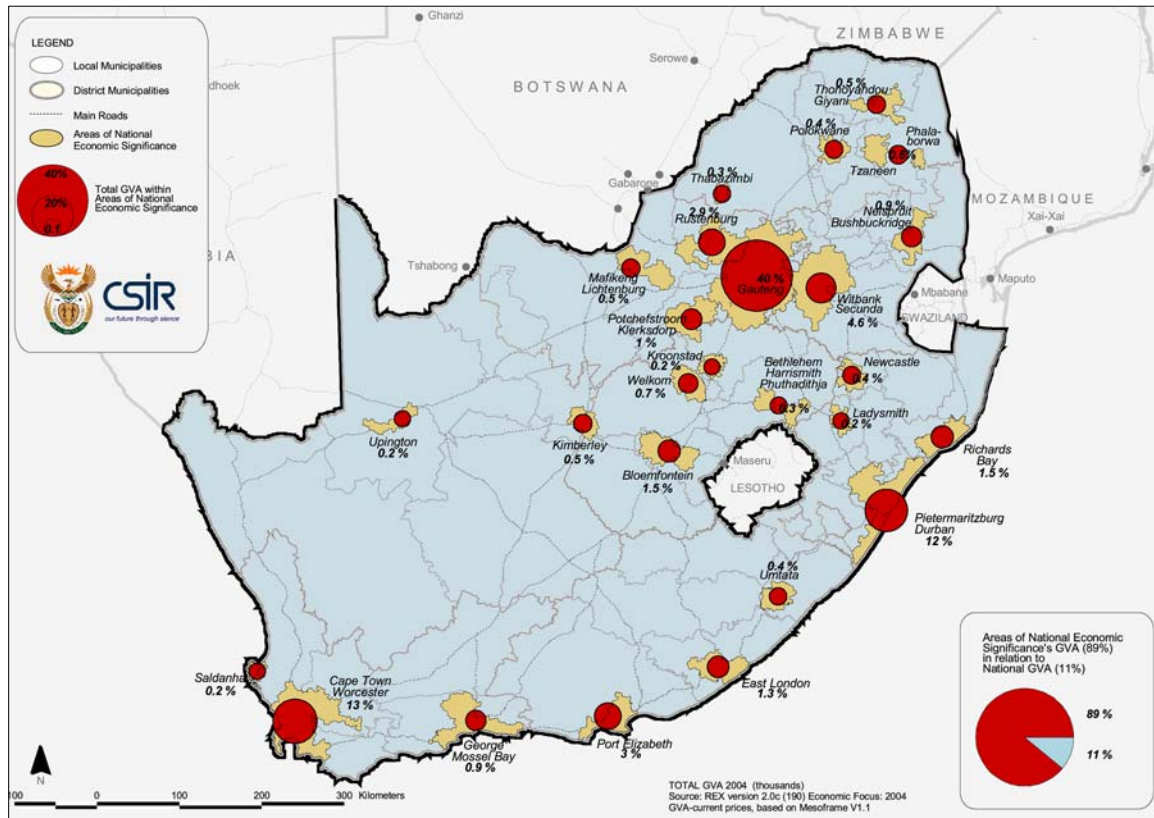
## Contents page:

Rethinking Regional Development in the Western Cape.....	i
Contents page: .....	ii
Executive Summary.....	iii
Rethinking Regional Development in the Western Cape.....	1
1. Aim and objectives of the paper .....	1
2. Argument and structure of the paper .....	1
3. Does a regional approach have local support? .....	3
3.1 National government on 'the city-region' .....	3
3.2 Provincial government on 'the city-region' .....	4
3.3 The metro view on 'the city-region' .....	5
3.4 The post Presidential Imbizo and 'the city-region' .....	6
4. What is the context in which regional development is growing internationally?.....	7
4.1. People: global demographics and human mobility and the regional challenge. ....	7
Key trends:.....	7
Global demographics and regions and cities.....	8
4.2 Globalisation of the economy, industrialisation, knowledge, science and trade.....	8
Key trends:.....	8
Globalisation and city-regions .....	9
4.3 Environmental imperatives and climate change/volatility .....	10
Key trends:.....	10
Environmental change and city-regions.....	11
4.4 Technology developments (ICT, nanotechnology and BioScience) .....	11
Key trends:.....	11
Technology and city-regions.....	12
4.5 Supra-national integration.....	12
Key trends:.....	12
Supra-national integration and city regions .....	13
4.6 The urbanisation of poverty and inequality .....	13
Key trends.....	13
The urbanization of poverty and inequality .....	14
5. Reintroducing regional development .....	14
5.1 A framework of new regional development .....	17
Practical implications.....	19
6. The 'value added' of a regional development approach. ....	20
6.1 What are the costs of not pursuing a regional approach? .....	21
6.2 How does a regional approach help in an overburdened policy environment? .....	21
6.3 What does adopting a regional development approach involve? .....	23
6.4 What do success and failure look like in regional development? .....	25
7. The way forward: making a regional approach work locally.....	26
7.1 The advantages of regional approaches .....	26
7.2 Who are the regional stakeholders and partners? .....	27
7.3 Where could regional development make a difference in the Western Cape? .....	28
8. Towards an agenda for action.....	29
Annexure A: Snapshot Report on the investment plans of public enterprises in the Western Cape	
Annexure B: Case Study on Melbourne and Victoria	
Annexure C: Auckland and North Island	
Annexure D: Toronto and Southern Ontario	
Annexure E: Singapore City and Island	

## Executive Summary

A new approach to regional development, which is centred on the countries' main city-regions, is being proposed by government as a key strategy to achieve South Africa's ambitions for accelerated and sustained growth. Within the national spatial development perspective the Greater Cape Town Functional Region emerges as a city region of national economic significance, with potential to play significant international roles for the country as a whole.

### Growth nodes in the South African space economy



Embracing a regional approach entails multi stakeholder agreement on its parameters and utility. This document's purpose is to make clear why a regional approach is necessary in the 21st century, how it is different from earlier regional strategies, and what it might entail to implement in the Western Cape generally and for the Cape Town Functional Region specifically.

A regional approach must be embedded in local policies and processes. The favourable local policy context, which includes the National Spatial Development Perspective; the draft Regional Economic Development Strategy; the Provincial Growth and Development Strategy, the Accelerated and Shared Growth Initiative of South Africa, the Joint Initiative for Priority Skills Acquisition; and the post-Presidential Imbizo process around 'the Greater Cape Town Functional Region' are shown to be overtly supportive of a regional approach. By contrast the policy silence of the State Owned Enterprises on the regional question is noted. A major stakeholder, the City of Cape Town, along with other municipalities in the Cape Town Functional Region have been supportive of the nascent regional process, though they are yet to give formal endorsement to a regional approach.

Moving to address the issue of why city regions have become such an important element of global policy making and strategy formation, **the paper describes six drivers of the rise of city region thinking:**

- The shifting demographics of rising populations, increasing mobility and immigration and steady urbanisation means that the metropolitan areas and poly-centric city regions have become the global hubs of population flows. In other words cities are bigger and more powerful places now than ever before.
- The changing structure of industrial production, trade and information has transformed cities as they have had to reorient their focus to their position on the global value chain. To do this cities have to improve the quality of life of residents, ensure business competitiveness. For secondary cities it is crucial to define niche services and advantages of the region within the global system.
- Cities both contribute to and are affected by global environmental changes. Adapting to and mitigating climate change and the sustainable management of ecosystem services on which large cities depend is a priority that necessitates a regional approach.
- Technology is restructuring cities internally and creating new opportunities for once peripheral cities to engage in the global economy. There are also major new investments and employment opportunities associated with ICT, nanotechnology and bioscience opening up specialist niches for cities in the world economy.
- Continental and supra-national integration (e.g. NEPAD, NAFTA, EU Integration and Enlargement) gives some cities important new roles in the regional system. More generally it re-balances the importance of cities and continental bodies with national systems of government.
- The urbanization of poverty and inequality means that cities must become key sites of welfare policy and redistributive action. The increasing proportion of the urban population who are poor, alongside the declining fiscal base of cities and the limited capacity of local government, is associated with increased inequality and a decline in overall quality of life indicators in the large cities.

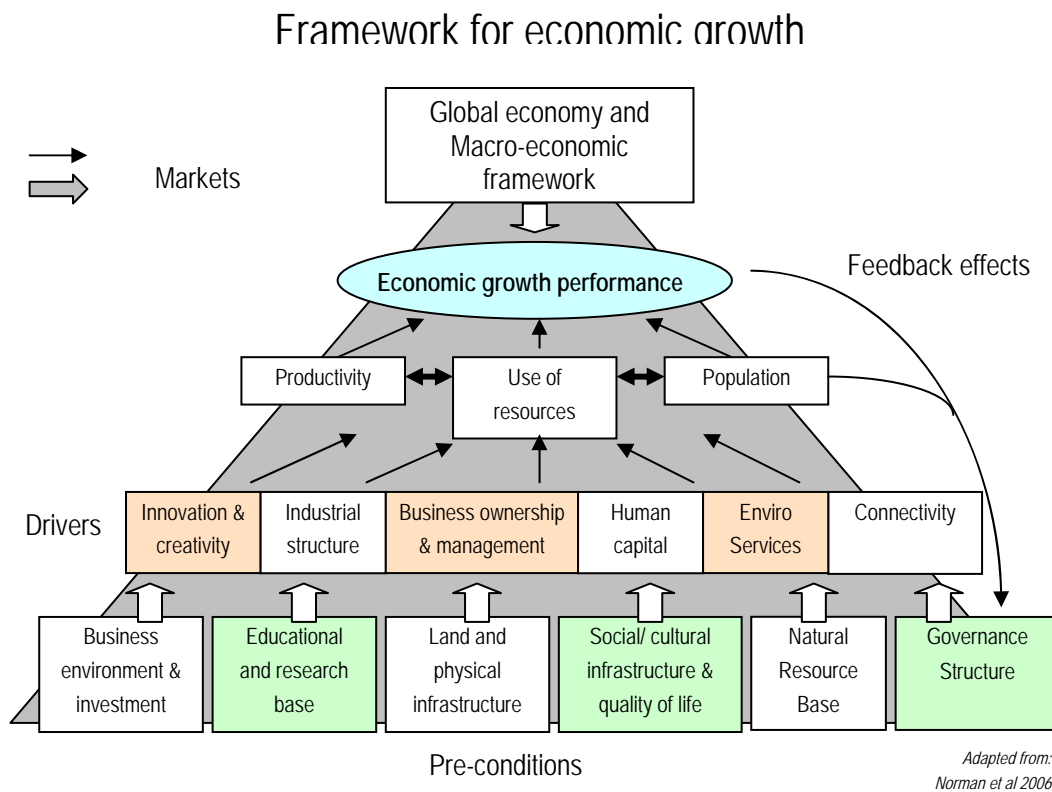
A city-regional approach therefore makes good practical sense in a global world characterized by new economic opportunities, shifting patterns of poverty and exclusion and increasing environmental uncertainty. But a regional approach today has very different connotations to the discredited regionalism of the past.

New regional policies do not try to re-locate industrial activity from one part of country to another or move people around against their will. Rather it is an approach that recognises the importance of co-ordinated and planned action at a level below the nation where there is a clear geographical space in which economic, social, and environmental dynamics are playing out. The new focus on regional policy is most closely linked to increasing awareness of the renewed growth of cities and their tendency to spill over beyond historic boundaries, and to rely on a much wider region around them for resources, trade, labour, logistics and infrastructure.

Regional approaches vary in form. Typically they include an *analysis* of what is happening at regional level; the development of a *vision and a set of long range goals* for the region and the articulation of a *plan* of how public, private, civic, and other organisations will work together to

help deliver the vision for the future of the region. Regional development strategies often set 15-20 year time horizons.

In order to build a general consensus on what a regional analysis entails the paper provides a **framework for applying a regional approach**. Adapted from the work of Norton et al. (2006), this approach, which reflects the priorities of accelerated, shared and integrated development promoted in the Western Cape, also emphasises feedback effects that occur between development outcomes and development inputs.



Applying the model implies:

- The development of a region or a city requires multiplicity of inputs that are not usually under the control of a single body.
- Weaknesses in the pre-conditions for development will prevent the drivers of development from working.
- Both the pre-conditions and the drivers influence the other. If these inter-dependencies are not understood it detracts from the effectiveness of each area.
- Feedback effects occur which have the impact of reinforcing growth or of 'locking in' under-performance.

Having identified the drivers of the increasing dominance of city regions, defined new regionalism and outlined what a new regional framework might entail, the paper shifts to explore **the added value of adopting the new regional approach** by looking at:

- the opportunity costs of ignoring the city-region;
- how a regional approach helps in an overburdened policy environment;

- what a regional approach practically involves; and
- what success and failure look like in regional development.

In summary, regional development approaches are now being pursued implicitly or explicitly because they make a positive contribution to development and facilitate collaboration between parties in areas of complex negotiation. A regional approach is effective because:

- The geographical focus enables the cumulative effects of different policies to be more visible, the impacts of larger drivers to be recognised, and the gaps better understood.
- The emphasis on institutional collaboration provides for a more optimal use of resources and for other efficiencies such as shared use of intelligence and resolution of implied tensions between policy goals.
- The region communicates better with governmental and private sector organisations what it can contribute, what its goals and needs are, and how they can get involved.

The alternative to a regional approach is to manage all inputs as sectoral policies of national ministries and SOEs as if there were no links between the services they provide and the impacts that they have. The costs of this approach are formidable and include global invisibility, the fiscal costs of silo infrastructure management and the inability to deal with issues that are inherently regional, especially spatial planning and ecological management.

Rather than overburden an already loaded policy environment, working regionally can help achieve national development objectives of accelerated shared growth through the collaboration of multiple partners at the sub-national level.

### **So, what does adopting a regional development approach involve?**

Regions do not have mandates or formally delegated powers and functions. There is no recipe for making a regional approach work and getting a city region to thrive. Key ingredients for getting a regional strategy to work are spelt out, with regional leadership topping the list.

Because developing a regional strategy involves partnerships and not clearly mandated roles and responsibilities it is crucial to understand how the different sectors and stakeholders can and should contribute. A list of typical partners and their roles is detailed and the importance of getting the support of business leadership is highlighted, as an essential part of the regional approach entails business and government and civil society working together.

In moving ahead with a regional approach for Cape Town useful lessons can be gleaned from other successful city-regions (annexure A provides four case studies of such regions). These include but are not limited to having one co-ordinating plan with a strong and compelling story line, expanding capacity to implement the plan (this means developing a range of financing, developmental and institutional tools that will give practical application to the regional concept); a strong economic agenda and partnerships with local, provincial and national public sector, local and regional private sector and global partners and a *collaborative leadership group that leads, empowers, focuses on the big picture and leverages resources to deliver, and aggregates otherwise disparate efforts.*

The final section of the paper suggests that there is every indication that we are already following a regional approach, especially in the Greater Cape Town Function Region, and proposes that we would do better to do this explicitly rather than implicitly. A key first step involves defining the region as this determines the stakeholders and will shape the analysis and vision.

The advantages of adopting a city regional focus are likely to be felt both within and beyond greater Cape Town.

- Positioning even the most important African city-regions into the global economy is not easy. Secondary city regions, like Cape Town, will grow their international position and increase their market share of global production, distribution and consumption not by *claiming* global city status, but by making sure they function optimally and that they develop their distinctive economic niches.
- The national objective of accelerated growth and the imperative of reconstruction demands that the Cape Town city region mobilize economic growth in the 8% range if the country is to meet the 2014 targets of a 6% increase in GDP.<sup>1</sup> The chance of reaching 8% economic growth by 2010 is greater if the regional stakeholders work together and not in isolation.
- Locally, natural and fiscal resource constraints and political fluidity mean cooperative and strategic regional collaboration is an essential part of a good governance agenda. The fact that the Cape Town is so dominant, demographically and economically, compounds the imperative to embrace a city regional approach to development.
- A regional approach would be especially useful in the Western Cape, and this has to do with the fluid, and sometimes volatile, nature of politics in the region.

If we are to take this debate and policy imperative forward constructively, it is vital to recognise in more practical terms what we could be doing differently in future. There are already instances where regional cooperation is already in effect, or a regional approach is ripe for implementation. Examples are provided in the text.

### **Towards an agenda for action**

The race is one to reposition the state to become much more effective in driving and opening up a development path that will lead to accelerated shared growth. Getting greater Cape Town to achieve higher than national average growth is thus essential and demands a regional approach.

In light of the iterative nature of a preparing and implementing a Regional Development Strategy process and the imperative of securing multi party agreement on the regional strategy, it is important to underpin the process with world class research that reveals the competitiveness imperatives that face the regional economy. The Organisation for Economic Cooperation and Development (OECD) Territorial Review methodology is highly suited for this task. OECD Territorial Reviews provide an independent, academically rigorous, and comparatively informed analysis of the strengths and weaknesses of the region's productive platform and the critical actions that must be embarked upon by governance coalitions in the region. An OECD Review Process will commence in July 2007.

A number of further practical steps seem appropriate:

- i. Deepen the regional development perspective in the revision and finalisation of the Provincial Growth and Development Strategy (PGDS) which is due in June 2007.
- ii. Review and revise the outcomes of the recent Growth and Development Summits/Compacts in the province to reflect a stronger regional perspective.
- iii. Review and revise the Integrated Development Plans (IDPs) and Local Economic Development (LED) strategies of municipalities in the province to incorporate the implications of a regional development perspective and its impact on the 2008/9 budgets.
- iv. Create dedicated intergovernmental forums for the three functional regions to ensure optimal economic development and infrastructure planning and coordination alongside the environmental management imperatives. (The Intergovernmental Relations Act makes provision for this.)
- v. Make sure that the Economic Agency Review process of the Province is informed by a regional development perspective and seeks to advance it.
- vi. Engage with the national policies that impact on economic development and infrastructure investment to advance regional development imperatives of the Western Cape. Some of the policy processes that need to be engaged include: the NSDP, the Regional Economic Development Strategy and the draft Industrial Policy Framework of Department of Trade and Industry (DTI), the Sustainable Local Economic Development Strategy of the Department of Provincial and Local Government (DPLG), and not least, the future evolution of Growth and Development Compacts.
- vii. Identify what the research and development and knowledge management requirements are of a regional development approach for the Western Cape.
- viii. Engage the media to build a broad-based understanding and debate about the imperatives of regional development in the province.

Partners that will have to drive this exciting agenda towards shared growth include: provincial government, key national departments dealing with the economy, all municipalities, organised business and their leaders, labour, civil society organisations, the universities and the media.



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## 1. Aim and objectives of the paper

Development occurs in geographic space. Hence our ability as a country to accelerate growth and reduce unemployment and poverty is principally tied to the growth potential of different areas and regions. According to the NSDP, developing a coherent understanding of regional economic development and territorial patterns of economic development, social exclusion and resource use is of paramount importance in achieving our objectives<sup>1</sup> (The Presidency 2006).

The *Ten Year Review* made clear that South Africa would not meet its targets on economic growth, poverty reduction or the environment if we carry on as we have done for the last 12 years. In its response to this challenge government uses the National Spatial Development Perspective (NSDP) to make clear that focusing development action on improving the economic performance of the fast growing regions in the nation, like the Gauteng Global City Region or greater Durban and Cape Town areas, are important for everyone in the country. In other words, *regional development* holds the key to accelerated and sustained growth.

But what does a regional approach to development actually mean? The overarching purpose of this document is to make clear *what* a regional approach entails in the 21st century and to make the case for *why* adopting a regional strategy would be useful, here and now. To this end we have 6 more specific objectives:

- i. Stimulate discussion and debate about the new regional development approach.
- ii. Place the opportunities and challenges facing the Western Cape in a broader international context.
- iii. Inform a locally applicable approach to regional development that takes account of the broad commitment to shared and sustainable growth.
- iv. Understand what a regional development approach might entail and what it would take to make it work in this region.
- v. Inform the development process of the development strategy for the Cape Town functional region that is currently underway.
- vi. Prepare a way forward in the development of regional plans for other parts of the province.

## 2. Argument and structure of the paper

The paper makes a general *argument* that adopting a city-regional approach makes good practical sense in a global world characterized by new economic opportunities, shifting

patterns of poverty and exclusion and increasing environmental uncertainty.

The debate about regions must be time and place specific, taking account of local political realities and current policy processes while embracing global trends and understanding the opportunity costs of regional strategies. The rest of the paper is thus structured in five main parts that:

First, we set out the local policy context within which a regional approach would need to be located and with which it would need to intersect including:

- The National Spatial Development Perspective (NSDP);
- The draft Regional Economic Development Strategy (REDS) published by the Department of Trade and Industry in 2006;
- The Provincial Growth and Development Strategy (PGDS);
- Local government policies (including the IDPs and local economic development strategies);
- The twin national programmes to raise the growth rate: Accelerated and Shared Growth Initiative of South Africa (AsgiSA) and the Joint Initiative for Priority Skills Acquisition (Jipsa);
- The post-Presidential Imbizo process around 'the Greater Cape Town Functional Region';
- The silence of the State Owned Enterprises.

Second, we outline the international drivers of the rise of city region thinking, these include:

- Global demographics, human mobility, and immigration;
- Globalisation of the economy, industrialisation, knowledge, science and trade;
- Environmental imperatives and climate change/volatility;
- Technology developments (ICT, nanotechnology and bioscience);
- Continental and supranational integration (e.g. NEPAD, NAFTA, EU Integration and Enlargement);
- The urbanization of poverty and inequality.

Third, we introduce the new regional approach by:

- Contrasting old and new regional approaches; and
- Providing a framework for applying a regional approach.

Fourth, we explore the added value of failing to adopting the new regional approach by looking at:

- the opportunity costs of ignoring the city-region;
- how a regional approach helps in an overburdened policy environment;
- what a regional approach practically involves; and
- what success and failure look like in regional development.

Lastly, we identify a way forward, looking at what adopting a regional perspective might mean locally for the Western Cape.

### 3. Does a regional approach have local support?

The answer to this question is generally YES, although there are very important players, who despite generally positive position statements on the regional issue, have not yet expressed a consolidated view at a the highest policy level or who, like the State Owned Enterprises (SOEs), remain silent and whose views on the regional approach remain unknown. That said, it is clear that the regional approach has already garnered significant support from diverse quarters.

Surprisingly, given the contested nature of politics in the Western Cape, talk of the importance of the region and especially of the centrality of the Cape Town city-region can be found across political parties and spheres of government. Growing local awareness of the regional question is articulated in the major policy positions of government from the NSDP, the PGDS, various local government policies (including several IDPs and the City of Cape Town's economic, environmental and long term planning position documents). Finally, the post-Presidential Imbizo process on Greater Cape Town has already begun a major process of regional reflection and consultation and it is the obvious intergovernmental vehicle for taking the regional process forward.

A bottom up view suggests that the regional approach has already gained considerable ground.

#### 3.1 National government on 'the city-region'

The position of national government is clear. While wall-to-wall local government and the increasing pre-eminence of the IDP is reaffirmed as the core tool of integrated planning, as is the now legally imperative of improving intergovernmental relations through the Premiers Co-coordinating Forum, the argument is made that there is still a need to do more to kick start the development process, reduce poverty and increase growth.

Acting in more spatially and institutionally appropriate ways, especially by acknowledging the regional dynamics and contributing roles of different players has been highlighted by the Presidency in its guidelines on how to apply the NSDP in the Districts and Metros (Box 1) as an opportunity to make a difference.<sup>2</sup> It is particularly important to note that the NSDP accepts that the regional domain lies beyond any of the spheres of government (see italics).

#### Box 1: The regional approach in the NSDP

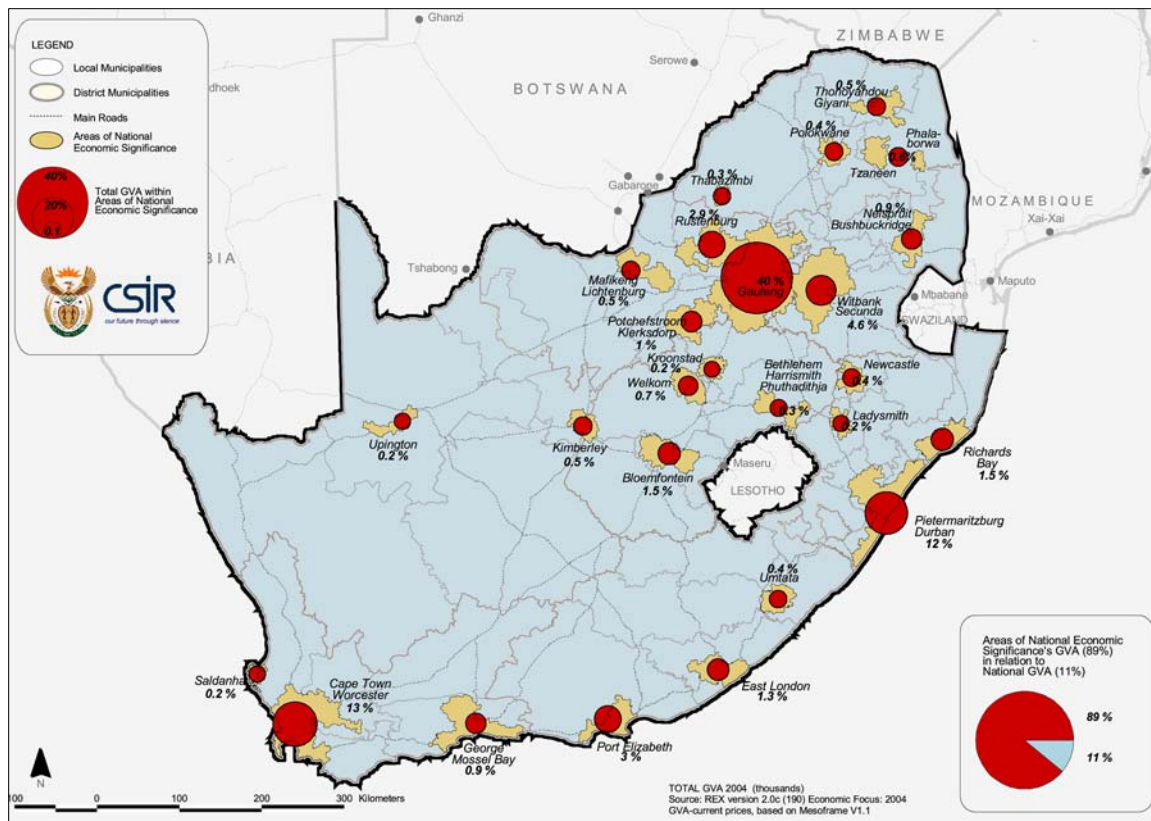
“Contextualising and applying the NSDP has to be understood within the perspective that the overall performance of our economy hinges on the growth and development potential of regions.... While there are no universal rules, an emerging consensus is that the depth and quality of institutions are a crucial common denominator in initiating and sustaining economic growth in regions and that poverty and inequality are more likely to be addressed if redistributive interventions are combined with strategies to maximise an areas unique economic potential. This immediately raises the question of what we mean by a region. *The concept of a region does not equate to districts/metros, and thus requires further elaboration....* Generally it is held that regions are not mere spatial entities but are seen as part of a wider set of economic connections and institutions...there are two policy implications flowing from this conception. One, local effort has to work through these broader economic connections and institutional obligations and two *there can*

*be no simple division of responsibilities between national, provincial and local institutions.”*

The NSDP’s illustration (Figure 1) of areas of very high economic potential not only confirms the role of the major cities as drivers of regional growth, but highlights the fact that the areas of national economic significance often extend beyond the boundary of the metros and key secondary cities. Greater Cape Town alone contributes 13 % of GVA (higher than the contribution of the Durban-Pietermaritzburg region) and is a region of national economic significance. Although the economic scale of greater Saldanha and greater George are tiny in comparison (0.2% and 0.9%) they rank among only 26 core economic nodes in the country.<sup>3</sup>

The NSDP thus makes it clear: **getting the economy of the Greater Town city region working optimally is a national priority.**

Figure 1: Growth nodes in the South African space economy



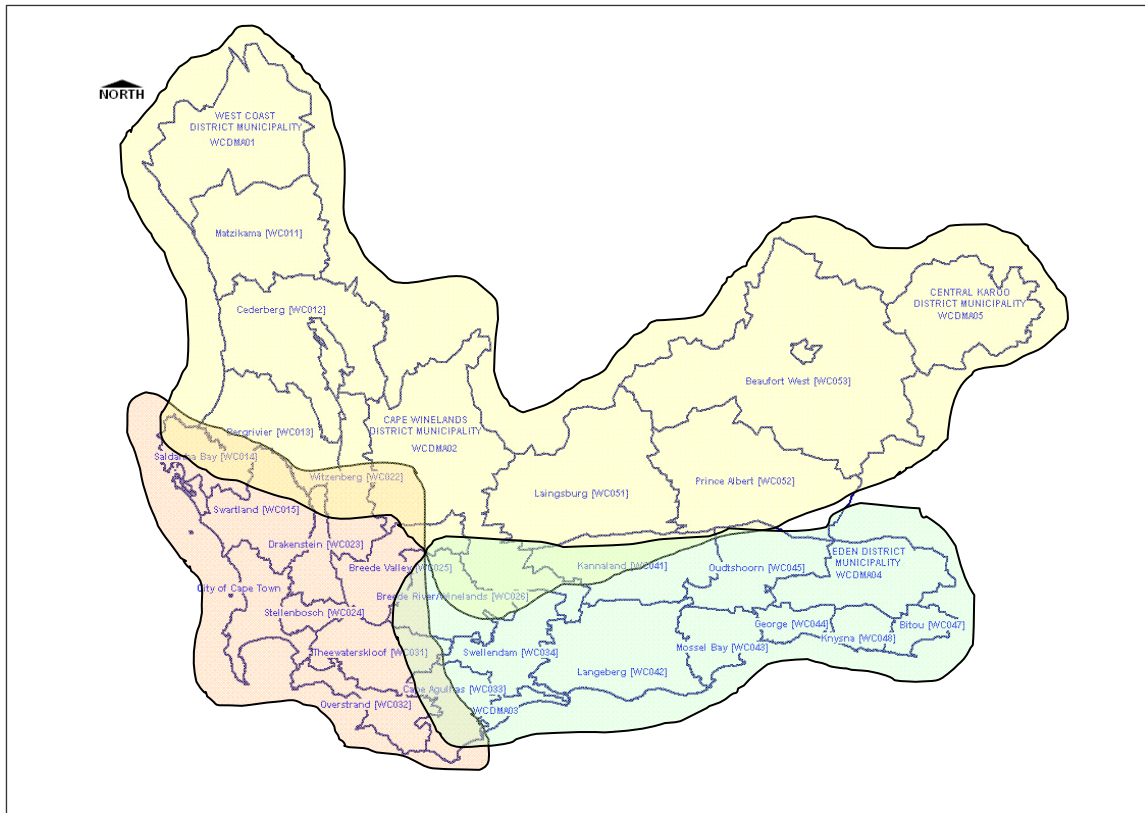
### 3.2 Provincial government on ‘the city-region’

In marked contrast to the traditional position of provincial government in the Western Cape, that has historically focused development attention on its hinterland, the draft *iKapa Elihlumayo* argues that the provincial growth strategy should be spatially informed to deliver on the shared growth and integrated development agenda - and this means concentrating on the urban centres and growth corridors.

Based on a social, environmental and economic analysis of the Western Cape, the primacy of the Cape Town Functional Region was identified as a critical factor in triggering accelerated

growth. Two further sub regions were identified – the Southern Cape coast (centred on the George/Knysna emerging urban strip) and the rural hinterland (Figure 2).

Figure 2: Three Functional Regions of the Western Cape



The Western Cape PGDS is at pains to make clear that a city-regional approach is not urban bias:

The Province's development strategy must reflect and capitalize on its largely urban character of settlement while making sure that natural and rural areas are protected and effectively integrated into the larger Provincial Spatial economy. The Greater Cape Town Functional Region (CTFR) is the key driver of the Provincial economy and as a key Provincial asset that is a hub in a bigger system, in which smaller settlements share and interdependent future.... An economically strong and growing city (6-8%) has many advantages and can create positive effects for the whole Province, including bigger markets for producers; better infrastructure, education and specialised health care; technology transfers and an international profile. Development failure in the city will mean failure for the region as a whole.<sup>4</sup>

### 3.3 The metro view on 'the city-region'

Strictly speaking, it is not possible to speak of the Cities' position on the regional issue. This is because the IDP does not address regional issues directly, though it highlights infrastructural investment like the Berg River dam that will service the City population from outside of the municipal border and service restructuring, for example around bulk energy and land fill options. The City IDP is, rightly, concerned to articulate and plan for the integration of public action within the municipality. Its' vision does however reach outwards with ambitions to compete globally and to assume a leadership role in Africa.<sup>5</sup> This,

alongside the overtly regional arguments that have been made by the City with respect to waste management, biodiversity, open space systems, long term spatial planning and infrastructure spending suggest that the metro is very sensitive both to its regional dominance and its dependence on its hinterland.

The City and adjoining Districts are playing a leading role defining the Agenda for Action on the Cape Town Functional Region. The City is also pursuing a series of internal policy processes, including the agreement on a spatial development plan, that will crystallise its' view on the nature and form of the city–region and the precise view of what institutional forms this will embrace and define how the City will be involved.

### **3.4 The post Presidential Imbizo and ‘the city-region’**

Following the December 2005 Presidential Imbizo an intergovernmental process to address the development impasses of Cape Town was established. The ‘Proposed Agenda for Action’ was signed off by all three tiers of government and called directly for the adoption of a regional approach:

It is further recognized that the functional urban region requires co-ordination and planning that typically transcends the boundaries of metropolitan areas and encompass a wider hinterland connected by commuter flows, economic linkages and shared facilities. Many major strategic challenges thus transcend city boundaries and must also be addressed at a more regional scale. <sup>6</sup>

The document was specific about the geographical scope of the city region and what the tasks are that might emanate from a regional plan, these include among other things, to:

- Set the major public transport spines and thus determine the settlement footprint;
- Establish a set of incentives and disincentives to promote densification and mixed use-mixed income settlement;
- Establish a sustainability regulatory framework;
- Identify suitable land within a regional context for in-fill and new development to accommodate household growth;
- Identify the most appropriate sites for economic diversification such as the potential for new manufacturing and beneficiation linked to Saldanha and Atlantis;
- Protect and upgrade open space assets (wetlands, parks, river corridors and the coast);
- Establish the long term requirements for key transport hubs. In this regard, the respective roles of Saldanha and Cape Town as complementary ports, and their competitive positioning in the national economy, require particular attention.

Even before the Plan of Action was completed working groups on specific aspects of intergovernmental city-regional co-operation (notably transport) had emerged or had taken on new legitimacy and focus.<sup>7</sup> But the resolution of the scope and institutional status of ‘the Regional Plan’ that was highlighted as a priority in the Plan of Action has yet to be defined or implemented.

Ideally this document, which makes an argument for a more sustained and directed city-

regional approach, with lessons drawn from other places and regional experiences, will inform and energise the greater Cape Town Functional Region process towards a development strategy.

#### **4. What is the context in which regional development is growing internationally?**

This section demonstrates that the current spur for regional development is fuelled by 6 major trends or drivers that are impacting the whole world, but are now recognised as having quite precise spatial and consequences. The mega-trends that underscore the rising significance of city regions also impact on them, shaping their future.

In order to contextualize the global shifts towards sub-national and supra-national regionalization, key trends and future projections are set out, followed by a brief examination of the relationship between the mega-trend and the way this plays out at the scale of the city region. Our emphasis is on trends that drive sub-national regionalization.

##### **4.1. People: global demographics and human mobility and the regional challenge.**

###### **Key trends:**

- As of 2005, world population stood at 6.5 billion.<sup>8</sup>
- World population is currently growing at 1.2% annually. The addition of the sixth billion took place in a 12-year period, between 1987 and 1999. This is the shortest period within which the world has gained a billion persons. The addition of the next billion, the seventh, is expected to take about 13 years.<sup>9</sup>
- In 2005, the less developed regions accounted for 81% of the world's inhabitants, with China and India together (2.4 billion) representing 37% of the world total.<sup>10</sup>
- 30% of the world's population lived in urban areas in 1950, 49% in 2005 and half the world's population is expected to live in urban areas by 2007. The world's proportion of urban population is projected to reach 61% in 2030.<sup>11</sup> The megatrends in population are causing rapid urbanisation, re-urbanisation, and rapid metropolitanisation. By metropolitanisation we mean the tendency for cities to spill over their historic borders, and for groups of neighbouring cities and towns to become increasingly inter-dependent.
- 95% of the world's urban population growth in the next two decades will be absorbed by cities in the developing world, and other cities in the developed world to which they migrate.
- There will be lots of smaller cities and towns as well as some very big cities. The proportion of people living in very large urban agglomerations or mega-cities is relatively small. In 2005, 4.5% of the world's population resided in cities of 10 million inhabitants or more. By 2015 that proportion is expected to rise to 5%. In contrast, 25% of the world's population lived in urban settlements with fewer than 500 000 inhabitants and by 2015 that proportion will likely rise to 27%.<sup>12</sup> This presents a big challenge for regions to be effective organisers of urban development and of economic development that embraces a multiplicity of urban areas.

## **Global demographics and regions and cities**

For regions and cities, global demographics have an important set of inter-related impacts. More people being alive means that more people are living in cities and utilising the regional resources around them. Cities and metropolitan regions are growing as a consequence. And more immigration means much more diverse cities and metropolitan regions in the future.

Larger cities and their metropolitan regions are growing much faster as a result of this global trend. Larger metropolitan regions in developing countries are capturing the major share of urban–rural population shifts just as the cities spread out into the rural areas through unmanaged growth. Metropolitan regions are becoming the hubs of global population flows.

In regional development terms, rapid population growth or decline has a major implication for integrated planning and service delivery. This lays stress upon the need to integrate infrastructure investment, housing development, and land use planning. It also requires much better integrated human services such as health, education, and housing, and it places stress on the environmental impact of population growth that has to be managed at the local and regional levels. Managing social and demographic trends cannot be disassociated from economic development and the way this plays out at the city regional scale.

## **4.2 Globalisation of the economy, industrialisation, knowledge, science and trade**

### **Key trends:**

- World trade grew from US\$579 billion in 1980 to US\$6.272 trillion in 2004, an increase of 11 times.<sup>13</sup>
- Global GDP grew by 5% in 2004, the highest rate since 1976. The United States and emerging Asian countries, notably China and India, have been the principal engines of growth, accounting for more than half of global GDP growth.<sup>14</sup> However, growth in global GDP is forecast to slow. It fell to around 4% in 2005 and is likely to be slightly lower in 2006.<sup>15</sup>
- Global trade is increasingly based on globally integrated, city based, supply chains that span the globe, often organized through transnational corporations (TNCs). Between 1993 and 2004 the number of parent TNCs residing in developing countries rose from 2,700 to 14,000 and from 33,500 to 45,000 in industrial countries.<sup>16</sup>
- In the last twenty years or so, the total assets of foreign affiliates of multinationals in the world have increased 18-fold; their employees have tripled in number; and their exports have quintupled.<sup>17</sup>
- Over 40% of all goods exported by developing countries, including basic commodities and manufactures, are today directed to other developing countries. South-south trade is increasing at an annual rate of 11% - nearly twice as fast as total world trade.<sup>18</sup>
- Globally, the average daily turnover in foreign exchange market transactions was \$200 billion in 1986. Today, that figure stands at well over \$2 trillion and the daily value of financial derivatives transactions, invented in the late 1980s, has reached well over \$1 trillion.<sup>19</sup>
- *Metropolitan regions and cities play a fundamental role in the global economy.*



*Urban-based economic activities account for up to 55% of gross national product (GNP) in low-income countries, 73% in middle income countries and 85% in high income countries.*<sup>20</sup>

- The global economy is 'produced' in metropolitan regions and cities, by international companies. Metropolitan regions are increasingly linked and interdependent through flows of global activity.
- In response to socio-economic trends, a hierarchically organised network of metropolitan regions around the globe has emerged. In particular, Tokyo, New York and London have emerged as 'global city-regions,' acting as the command and control centres of the global economy. City-regions such as Hong Kong, Los Angeles, and Shanghai are close to rivaling these established global cities. But each city-region also has distinctive important domestic and wider regional roles.

### **Globalisation and city-regions**

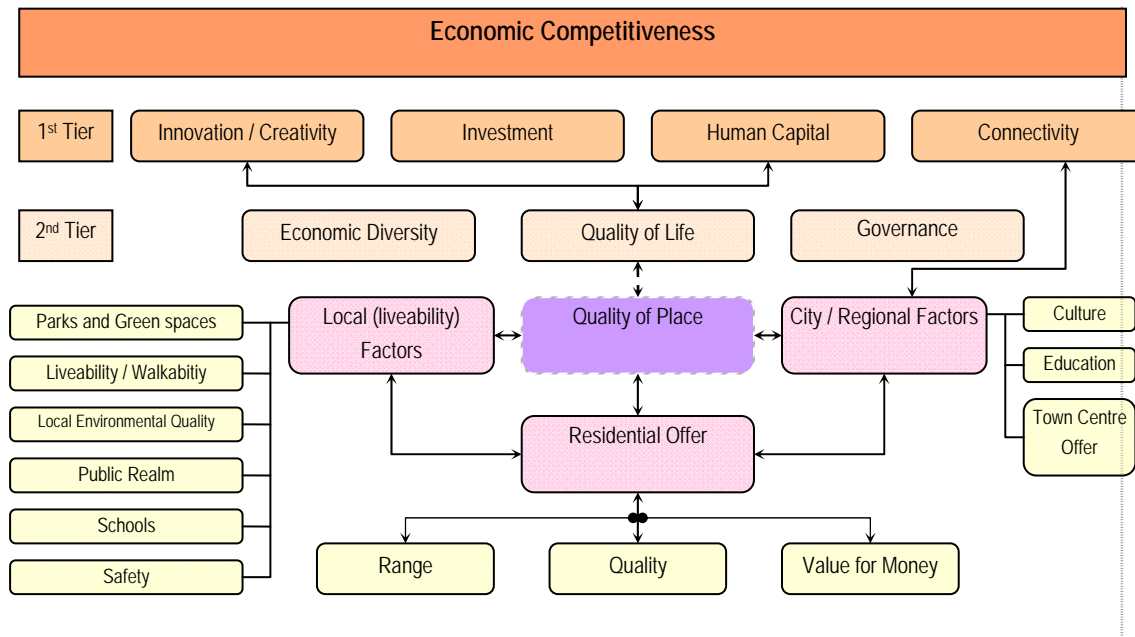
We can trace some distinctive implications for regions and cities in terms of the global economy. Some regions and cities will increasingly specialise more directly in certain activities within global value chains (e.g. in knowledge rich activity, or in advanced services, or entertainment and visitor economy) and we will see a continuing division of labour between higher cost regions in the developed world and lower cost regions in other parts of the world. But, the leading city-regions in the developing world will also become major competitors for high value command and control economic functions, so competition will increase overall. In this context city-regions want to be better globally connected to facilitate international activity, and they want to offer a highly productive business environment combined with a high quality of life (see Figure 3). City-regions also find that they have to integrate better internally to become productive and efficient and this requires much better co-ordination across metropolitan regions.

Having effective economic strategy that brings together a region with its component cities and towns is the key to success.

For all city-regions, this means that they have to attend to their position in international value chains of critical economic sectors, not just their role in the national economy, and they have to muster the resources and the ingenuity to re-engineer and reinvest in their own productive platforms and logistics; what we call urban regeneration and regional infrastructure. This requires a deep institutional collaboration within regions and cities, and new kind of local economic governance. But they also need to attend to their quality of life and their overall attractiveness to both existing and potential investors. (These linkages are illustrated in Figure 3.) This activity has to be guided and shaped deliberately. They especially need the services of global firms to help them do this.

The overall implication is that regional development has to help cities and regions to chart their course in a much more open international economy which frees them from rigid national systems and allows them to identify and exploit their niche advantages. Cities and regions have to become more entrepreneurial on their own behalf, while contributing to the national good.

Figure 3: Quality of Place and Competitiveness



(Source: UK Government, 2007)

### 4.3 Environmental imperatives and climate change/volatility

#### Key trends:

- Over the past 100 years, the average global temperature has increased by approximately 0.6°C.<sup>21</sup> It is expected to increase by between 1.4°C and 5.8°C this century.<sup>22</sup>
- Global mean sea level is projected to rise by 9 – 88 cm by the year 2100.<sup>23</sup>
- At present, estimates for the cost of mitigating climate change suggest that the figure is in the range of 0.4%-1% of global GDP.<sup>24</sup>
- Cities both contribute to, and are affected by, environmental and climate changes. This is especially true of coastal cities.
- Although cities occupy just 2% of the Earth's surface, their inhabitants use 75% of the planet's natural resources.
- Metropolitan activities generate close to 80% of all carbon dioxide emissions as well as significant amounts of other greenhouse gases.<sup>25</sup>
- *City-regions generate large 'ecological footprints.'* The ecological footprint of London is 120 times the city's area. An average North American city with a population of 650,000 requires 30,000 square kilometres of land to service its needs. In contrast, a similar sized, but less affluent, city in India requires 2,800 square kilometres.<sup>26</sup>
- City-regions affect the natural climate as urban areas tend to create 'urban heat islands' where the urban air temperatures can be as much as 5°C hotter than the surrounding countryside. This occurs when natural land cover is replaced by roads and buildings.
- Globally, 1.5 billion city-regional residents endure levels of outdoor air pollution that exceed maximum recommended levels. As many as half a million deaths can be attributed to particulate and sulphur dioxide air pollution alone, mostly from vehicle

exhaust emissions.<sup>27</sup>

- Approximately 40% of the world's population lives within 60 kilometres of the coast and three quarters of all large city-regions are located on the coast. Melting ice caps will result in a rise in sea level which will threaten coastal infrastructure, whilst a thaw will also reduce the stability of city-regions located on permafrost.

### **Environmental change and city-regions**

City-regions experience significant risks from climate change and exploitative ecological service extraction that will fall unevenly to different places at different times. Regions have to understand and address their own distinctive environmental challenges and also consider how far they can contribute to tackling the overall challenge of global environmental change. Both of these are difficult to do, but are activities that benefit from city-regions acting together (e.g. to produce the plan around disaster responses, catchment management, coastal management or land use change).

So, for city-regions there is a need to develop a governance system which can address the long term environmental change agenda in effective ways. This is difficult because it is rarely the most urgent issue facing individual citizens and yet it is fundamental to long term success. Therefore, a key part of the governance response has to include public education and participation in environmental imperatives. Bold leadership may also be required for example with reducing CO<sub>2</sub> emissions by charging or regulating vehicle use or altering building standards or development guidelines.

A regional development approach takes an integrated long term view of a region and its resource base and it tries to link these environmental drivers with economic and social goals, in taking practical measures to advance the development of people and place.

## **4.4 Technology developments (ICT, nanotechnology and BioScience)**

### **Key trends:**

- Technology is restructuring cities and regions. Technological developments are having an impact upon the ways in which cities are organised and operate. For example, technological changes in retailing have substantially reshaped the purpose of city and town centres and technology support is a rapidly expanding sector of the urban labour market.
- With the emergence of new growth economies in Eastern European and non-OECD developing countries, world ICT spending was up 5.6% a year between 2000 and 2005.<sup>28</sup>
- Internet access has grown rapidly in the early twenty-first century. Between 2000 and 2006, total world internet usage grew by 200.9% and the continental figures were: Africa (625.8%), Asia (245.5%), Europe (193.7%), Middle East (479.3%), North America (112.0%), Latin America (361.4%) and Oceania (141.0%).<sup>29</sup>
- In 2004, global spending on nanotechnology exceeded US\$8.6 billion and in 2006, and will exceed \$9.6 billion. Government spending accounted for over US\$4.6 billion of the total.<sup>30</sup>
- More than \$32 billion in products incorporating emerging nanotechnology were sold

in 2005, more than double the previous year. In 2014, an estimated \$2.6 trillion in global manufactured goods will incorporate nanotech, or about 15% of total output.<sup>31</sup>

- In 2006, the global biotechnology industry was worth almost US\$400 billion. Nearly 300,000 people are employed in biotechnology-dedicated centres and more than 7,000 biotechnology firms exist (93% are privately owned). The US, France, UK, Germany, China and Australia are emerging as world leaders in the biotechnology industry.<sup>32</sup>

### **Technology and city-regions**

Long term technology trends have 3 different impacts on shaping the regions and cities of the future. They enable the physical restructuring of regions and cities through technological facilitation of trade, commerce, and production, education, public services, retail, entertainment, and other life style choices. They change the relative connectedness of regions and cities through ICTs, so that new relationships and flows can occur between regions and cities over distances. They provide some regions and cities with an opportunity to be hubs of particular technologies, or content, and to have the production or use of such technologies as a driving economic rationale.

So for city-regions the future is about adjusting the physical region to utilize the technologies in an optimum way. It is about generating new relationships through technology. For some regions it is about becoming more specialised in the production of certain technologies. These future scenarios all raise governance issues, especially about how to co-ordinate between the different players in science and technology (within universities, firms and think tanks) with wider regional leaders and asset holders.

## **4.5 Supra-national integration**

### **Key trends:**

- There has been growth in supra-national regional rather than national trade agreements, reaching a total of approximately 200 in 2006.
- Key supra-national regional organisations, including NAFTA, the EU, ASEAN and Mercosur, have emerged in order to promote economic and/or social integration. Other organisations which exist include APEC (The Asia-Pacific Economic Cooperation Forum), FTAA (Free Trade Area of the Americas), MEFTA (Middle East Free Trade Area Initiative) and an African free trade area was launched in 2000.
- In 2003, the EU, with its 15 member countries (although this has now been expanded to 25) represented just 6 % of the world's population but accounted for more than a fifth of global imports and exports, making the Union the world's biggest trader.<sup>33</sup>
- In January 1994, Canada, the United States and Mexico launched the North American Free Trade Agreement (NAFTA) and formed the world's largest free trade area.
- Between 1993 and 2005, trade among the NAFTA nations increased 173%, from \$297 billion to \$810 billion.<sup>34</sup>
- The Association of Southeast Asian Nations or ASEAN was established on 8 August 1967 in Bangkok by five original Member Countries (Indonesia, Malaysia,

Philippines, Singapore, and Thailand). Since then, Brunei Darussalam, Vietnam, Lao PDR, Myanmar and Cambodia have also joined. The ASEAN Free Trade Area (AFTA) was launched in 1992.

- The ASEAN region has a population of about 500 million, a total area of 4.5 million square kilometers, a combined gross domestic product of almost US\$ 700 billion, and a total trade of about US\$ 850 billion.<sup>35</sup>
- Mercosur is South America's leading trading bloc. Known as the 'Common Market of the South,' it aims to bring about the free movement of goods, capital, services and people among its member states.
- Mercosur was set up in March 1991 by Argentina, Brazil, Paraguay and Uruguay under the Treaty of Asuncion. The 1994 Treaty of Ouro Preto gave the body a wider international status and formalised a customs union. Brazil and Argentina are Mercosur's economic giants whilst Bolivia, Chile, Colombia, Ecuador and Peru are associate members; they can join free-trade agreements but remain outside the bloc's customs union.
- The bloc's combined market encompasses more than 250 million people, accounts for more than three-quarters of the economic activity on the continent and has a combined GDP of US\$1.1 trillion.<sup>36</sup>

### **Supra-national integration and city regions**

For regions and cities, the impact of continental and supra-national integration is already visible. Growth in continental integration has given rise to more 'hub' cities and regions. It has also had the consequence of concentrating resources more in some regions than others and it has raised the importance of cross-border inter-regional collaboration.

Within Southern Africa there has been an enormous political focus on getting the NEPAD agenda working and collaborating in Southern Africa through SADC. Only recently has the critical role of large urban centres such as Gauteng or Cape Town been developed. This is in marked contrast to say the EU where promotion of the city-region has emerged as a major strategy for promoting the supranational block's global interests.

## **4.6 The urbanisation of poverty and inequality**

### **Key trends**

- The poor cities are growing much faster than rich cities. The average annual rate of change of the urban population of the less developed regions reached 3.4% per year in the period 1975-2005 compared with 0.8% in the more developed regions.<sup>37</sup>
- Poor regions will be centres of fastest urban growth in smaller settlements. In the future, the growth rate will continue to be particularly rapid in the urban areas of the less developed regions, averaging 2.2% per year during the period 2005-2030. In contrast, the urban population in the more developed countries will grow at an annual rate of change of only 0.5%.<sup>38</sup>
- Urbanisation is associated with poverty and poor health for the majority. In cities in the developing world, one out of every four households lives in poverty. 40% of African urban households and 25% of Latin American urban households are living below the locally defined poverty lines.<sup>39</sup>

### **The urbanization of poverty and inequality**

The increasing proportion of the urban population who are poor alongside the declining fiscal base of cities reduces opportunities for local or sub national redistribution efforts of welfare support.

The new geography of poverty and disadvantage is complex and is the product of both adjustment to new economic realities, and of policy, co-ordination, and leadership failures in the public sector.

Weak urban governance impacts directly on the poor as capacity to deliver services, provide social support, uphold the rule of law and protect the environment or manage land are compromised.

These six drivers are changing the geography of production, consumption and distribution as we know it and are making the city-region more important for government and investors. *The emergence of the city region as the primary hub of the new world order creates a powerful reason to see integrated regional development policies as an imperative for government.* That 'the region', and especially the 'city region' is with us for the foreseeable future seems inevitable. It is therefore prudent to chart a developmental course using the regional scale alongside the traditional city, province and national prisms. This does not mean another formal sphere of government is required.

In this new global context, cities can only succeed if the region around them is well organised and successful. Because there are no examples of successful city-regions that have failing cities within them we have to acknowledge our common future and the importance of working together.

## **5. Reintroducing regional development**

In the 21st Century cities and regions have become much more important to national progress, but the best means to help cities and regions to develop successfully are only now being discovered.

'Regional policies' have seen a major expansion throughout the world in the past 25 years. These are not the regional policies that were pursued in the past, and that were widely discredited in South Africa because of their association with homelands. As we shall see the new regional policies do not try to re-locate industrial activity from one part of country to another or move people around against their will.

New 'regional policies' are being encouraged by national and sub-national governments and by inter-governmental organisations as means to promote the balanced development of nations and to address the consequences of global change, including global environmental change. At its most simple regional development is an approach which emphasises the importance of co-ordinated and planned action at a level below the nation where there is a

clear geographical space in which economic, social, and environmental dynamics are playing out. Typically, this space covers a major city and its broader hinterland, or a series of smaller connected cities and towns, or a rural/coastal zone with a network of smaller centres.

The focus on regional policy is most closely linked to increasing awareness of the renewed growth of cities and their tendency to spill over beyond historic boundaries, and to rely on a much wider region around them for resources, trade, labour, logistics and infrastructure. City regional policies are born out of the expansion of the urban functional area into its traditional hinterland.

Regional policy is seen as *complement* to local, provincial or national policies for economic development, social development, environmental protection, and infrastructure investment. It is not an alternative to such policies, but a means to ensure that investment and planning are well co-ordinated at the sub-national level at which activities occur. The aim of regional policies is to make sure other government policies do not have excessive unintended negative impacts within individual regions or cities or across the country which may undermine the accelerated shared growth objectives of the country.

Regional development can be orchestrated in a wide variety of ways and with higher or lower degrees of formality. Some regional policies simply involve better co-ordination mechanisms between Government departments as they implement existing policies at regional level. Others involve the creation of special purpose institutions such as regional development agencies jointly owned by multiple stakeholders. Others still involve the development of new tools and collaboration arrangements between local municipalities and much more intensive public-sector co-operation. The regional approach is also useful in bringing business, which tends to operate outside of administrative boundaries, and the public sector together.

How regional development is operationalised in any place is a local choice that has to be made with local circumstances in mind. As a result it can have varied foci and will take highly differentiated institutional forms.

However, there are some things that regional development almost always involves. These include:

- i. An analysis of what is happening at regional level economically, socially, and environmentally combined with an *assessment* of how far policy interventions are actually helping to address the key challenges faced. This work also includes defining what the 'region' is in terms of how the 'regional unit' actually functions. It is often a different geographical space from traditional administrative boundaries.
- ii. The development of a *vision and a set of long range goals* for the region, resulting from intensive multi-party dialogues, and from the assessment of where the regional is succeeding and where it is not yet addressing its own challenges fully.
- iii. The articulation of how public, private, civic, and other organisations will work together to help deliver the vision for the future of the region and its strategic

goals; how they will adapt their policies and programmes to achieve wider regional benefits, and how they will combine efforts to find additional resources and tools to do the things that are not yet being done.

Regional development strategies often set 15-20 year time horizons. The people and organisations that support and foster them are often contributing to a long term commitment to the success of the place that goes beyond their own jurisdiction and or immediate roles and time horizons. This is made easier by the fact that the geographical scope of the region rarely coincides directly with administrative areas.

Regional development is an intensely *collaborative* activity because it requires the whole of resources of the region to be well used, and also because the process of regional development usually goes beyond the immediate mandate of leaders in all sectors. It addresses long term outcomes that are often not considered by short term, or otherwise disjointed, interventions.

A major consequence of the increased mobility and openness of the economy is spatial disparity; stark differences in performance between and within places (often expressed in terms of population, economy, or public service performance). These disparities can, and do, occur at a number of levels:

- Between neighbouring nations who had previously experienced similar rates of development and growth;
- Within individual nations at sub-national levels where parts of the country adjust more quickly than others, or attain new assets that are not shared nationally;
- Within regions where significant disparities can occur between large and smaller cities and between urban and rural areas, and;
- Within cities and metropolitan areas where different districts (e.g. public housing or informal settlements) and different groups of people (e.g. racial and linguistic groups) experience exclusion and disadvantage relative to others.

There are important implications for how new policies should adjust to this complex geography of poverty and growth.

- National programmes alone will not work as the huge variety of local and regional conditions requires a high degree of flexibility with which interventions are designed.
- Regional re-distribution and other spatial re-allocations of resources have limited impact because they frequently take little account of basic market realities which do not easily permit the public sector to determine where firms will locate when they have many international choices.
- Growth does not trickle down to the most disadvantaged. Indeed, the goals of fostering growth and the goals of encouraging inclusion and tackling disadvantage are fundamentally different kinds of goals and they require distinctive tools. However, they can both be supported by key ingredients (fundamental infrastructures such as better transport, housing, education, sanitation, and health) and by leveraging natural regional geographies such as those of labour markets, supply and distribution chains, and user catchment areas.



- Policies to attract new foreign investment with infrastructure and incentives on their own prove to be unsustainable. Such policies on their own fail to recognise the need for investment to make a more fundamental attachment to an area by coming to depend upon distinctive local assets such as workers and suppliers, if it is to become long term. Excessive competitive bidding for foreign investment, of course, simply heightens the volatility of all economies overall.
- The capacity to devise and implement effective policies at the local and regional level is limited and has to be consciously built. Whilst local interventions covering regional geographies might be encouraged, acquiring the skills to mount and design them properly are at a premium, especially given the need to work across political and administrative geographies.

One consequence of these insights has been a widespread shift away from ‘old style’ regional policies, where governments sought to re-allocate growth and resources to lagging regions. The shift is towards ‘new style’ regional policies where the intention is to support all regions to grow to their optimum within an open international economy where there is no zero sum at the national level.

*New regional policies* have tended to optimise local sources of growth, as a complement to external sources, and to focus attention on fundamental ingredients of productivity, and the tackling of market, co-ordination, leadership, and policy failures, including specific measures to address poverty at local levels (e.g. through labour market integration and enterprise support). The contrast between policy types is illustrated by Table 1.

Table 1: Regional development policies substantial evolution since first developed in the 1950s

	<b>Traditional Regional Policies ‘Regional Planning’ 1950s to 1990s</b>	<b>New Regional Policies ‘Territorial Development’ 1980s to present</b>
Objectives	Balance national economies by compensating for disparities	Increase regional development performance
Strategies	Sectoral approach	Integrated development programmes and projects
Geographic focus	Political regions	Economic and ecological regions
Target	Lagging regions	All regions
Context	National economy	International economy and local economies
Tools	Subsidies, incentives, state aids, and regulations	Assets, drivers of growth, soft and hard infrastructures, collaboration incentives, development agencies, co-operative governance
Actors	National governments	Multiple levels of governments, private and civic actors. Implementation agencies.

(Adapted from OECD 2006)

## 5.1 A framework of new regional development

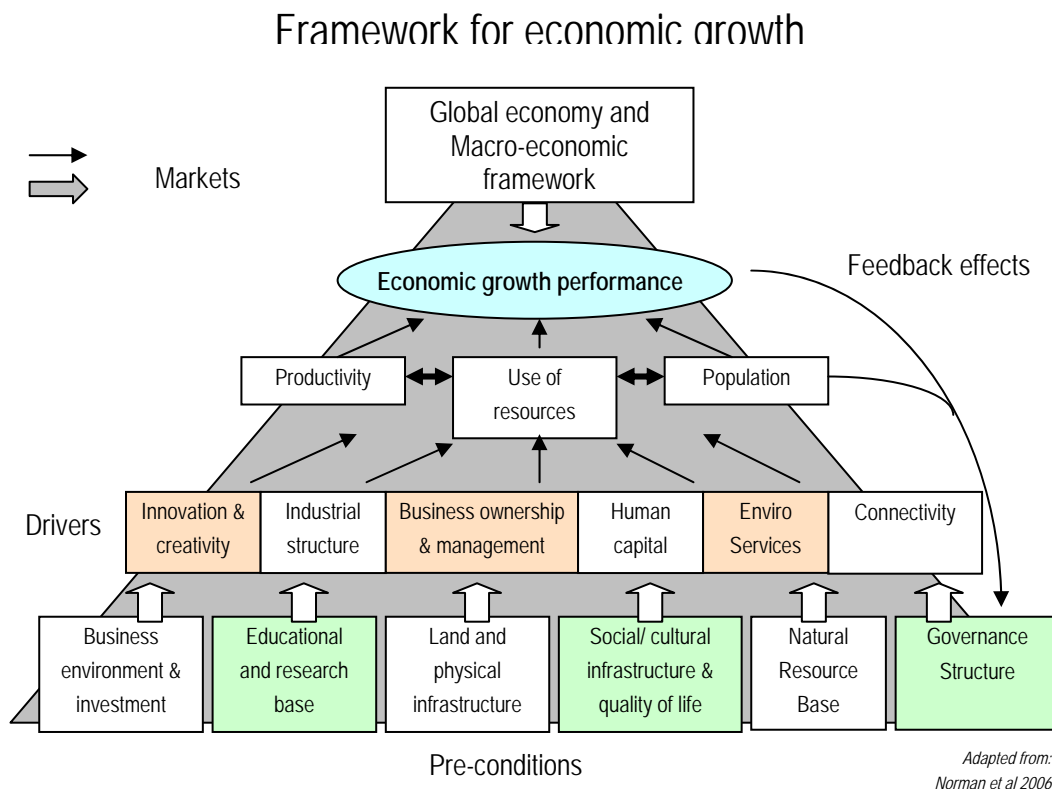
To respond to 21 century realities regional development has changed in terms of objectives, strategies, geographical focus, policy targets and context, the tools it employs, and those

whom it engages.

There are a number of different frameworks to explain how regional development works and what the factors are that really influence the performance of regions and cities. One of these initially developed by Norton, but adapted for the Western Cape where the physical environment is such a critical driver of growth and where social concerns are central, is illustrated below (Figure 4).<sup>40</sup> It shows the relationships between:

- Pre-conditions for development to occur (such as education, infrastructure, etc);
- Drivers of development (such as human capital, innovation, environmental quality);
- Headline measures of change (such as productivity, population growth, or resources utilisation); and
- Overall combined performance.

Figure 4



This approach, which reflects the priorities of accelerated, shared and integrated development promoted in the Western Cape, also emphasises feedback effects that occur between development outcomes and development inputs.

There are some important observations that come from even a simple review of this model. These might be summarised as:

- The development of a region or a city requires multiplicity of inputs that are not usually under the control of a single body, there is huge scope for co-ordination

- failure and to improve performance through better co-ordination.
- Weaknesses in the pre-conditions for development will prevent the drivers of development from working. The pre-conditions are the fundamentals for regional development to happen.
  - Both the pre-conditions and the drivers influence the other, they have positive spillover into other areas (for example increased human capital tends to increase creativity and innovation; improved environmental quality will influence industrial structure, etc). If these inter-dependencies are not understood it detracts from the effectiveness of each area. It also causes conflict within the different parts of government.
  - Feedback effects occur which have the impact of reinforcing growth or of 'locking in' under-performance which will need to be tackled systematically.

The implication of such a model of regional development is that it calls for:

- i. Information/data that can be prepared at the regional scale and over longer time frames.
- ii. Policy approaches which are integrated and co-ordinated at a regional level and that achieve strong collaboration across sectors and spheres of government.
- iii. A guiding set of goals to help influence resource decisions and relationships between different players.
- iv. Mechanisms to review progress on a comprehensive basis.
- v. Implementation arrangements which can address the multiple factors and systems.

This model of regional development shows why flexible multi-stakeholder approaches are important and why both overarching and sectoral leadership is essential.

### **Practical implications**

Locating roles and responsibilities for taking forward the complex regional development agenda becomes very important in this context.

- i. Firstly, regional development is not like orthodox public services, where a defined service is delivered to a relatively well known customer or population base within a defined geography. *Regional development operates both within governmental spheres and **within markets**, where the final impacts are developmental and not predictable, and where factors well outside the control of local and provincial governments impact upon the outcome.*
- ii. Regional development processes also happen within a **wider geographical space** than local government, and in some cases at a larger space than provincial or national governments, which implies that substantial inter-government co-operation is required.
- iii. Equally, the **time frame** in which regional development outcomes appear are more akin to business cycles (12-15 years) than to the electoral cycles (3-4 years) of governments.

Given all of these factors, it is highly desirable that regional development is orchestrated as:

- A partnership activity between public, private, and institutional sectors, with substantial vertical and horizontal collaboration on the public sector side.
- A long term effort that will produce only important milestones, rather full effects, within short time spans.
- As activity that is customer and investor oriented and utilises appropriate organisational vehicles to deliver this (such as development agencies).

If this is accepted it becomes clear then there are two roles for public sector organisations and governments, one largely internal and the other more externally focussed:

Firstly, attend to fundamentals of delivering economically sensitive public services in a very robust and effective way (these would include infrastructure, education, planning, amenity, etc). This would also include ensuring that there is the necessary co-ordination of public sector endeavours in place, such as co-ordination on investment into different types of infrastructures or the co-ordination of regulatory regimes.

Secondly, government would collaborate extensively, and foster co-operation at a broad regional level with private and public sector actors, to ensure that market sensitive development interventions are delivered in a professional and supported manner (these would include, planning and development, branding and promotion, support to businesses and investors, investment facilitation and financial engineering, management of commercial spaces, and fostering of entrepreneurship and innovation).

## **6. The 'value added' of a regional development approach.**

Regional development approaches are now being pursued implicitly or explicitly by many governments in all parts of the world. The forms of value added they provide in broad terms are:

- The geographical focus enables the cumulative effects of different policies to be more visible, the impacts of larger drivers to be recognised, and the gaps better understood.
- The emphasis on institutional collaboration provides for a more optimal use of resources and for other efficiencies such as shared use of intelligence and resolution of implied tensions between policy goals.
- The region communicates better with governmental and private sector organisations what it can contribute, what its goals and needs are, and how they can get involved.
- The region can experience positive benefits in terms of renewed civic capital and engagement with its own future.

It is tempting to ask whether there is an alternative to pursuing regional development? There

are, of course alternatives, but given the flexibility of different ways of orchestrating regional development, none of them exclude also adding a regional development dimension. Crudely put, the key alternative is to stick to a narrow compliance model of government and to manage all inputs as sectoral policies of national ministries, province, local councils and SOEs as if there were no links between the services they provide and the impacts that they have. The costs of this approach are formidable.

### **6.1 What are the costs of not pursuing a regional approach?**

It is clear that a number of unaffordable costs are attached to avoiding a regional development approach:

- The major cost is for the regions concerned to be invisible on the global map of where things are happening and where external investment is growing. The communications role of regional development policy is very important in telling the world what 'business' the region is in for the next period.
- Another cost is the financial costs of operating separate policies in their own silos without utilising and sharing costs and infrastructures.
- A third important cost is the loss of civic engagement that regional development approaches can foster, which have other positive benefits.
- Finally, there may be local costs, such as the inability to deal with major issues that are primarily regional in nature – like ecological concerns. The failure to create a safe relatively depoliticised space outside of rigidly determined electoral structures may also mitigate against getting the cross party and multi stakeholder consensus that is essential to getting the basis in place.

### **6.2 How does a regional approach help in an overburdened policy environment?**

A defining feature of the South African policy landscape is the vast proliferation of policies that emanate from various sectoral departments, provincial government and municipalities themselves. In theory these should all speak to each other through the intergovernmental systems but in practice this is difficult. Disjunctures between policies persist because policies adopt different starting points, use sometimes contradictory conceptual models and usually cause institutional overload because policies are more focused on ideal-type outcomes instead of *how* policy ideas are meant to be implemented in a world of imperfect information, uneven institutional systems and great capacity variation between places. In light of this, it is vital to ask whether the regional development perspective merely adds another layer of (unnecessary) policy development, or whether it can actually assist in decluttering the policy landscape to enable municipalities to pursue their shared growth objectives with greater effectiveness. The benefits of choosing a regional operational spatial scale may be summarised as:

- i. The region is seen to be the 'right space' for understanding the economy at the local and sub-national levels in an era of globally integrated markets and economies. It is

the space at which the dynamics of the labour market, property and housing markets, retail and local service/distribution markets are most clearly revealed. At this scale, strengthening these markets to make them more attractive for business growth can best occur (e.g. through supportive infrastructures and incentives to collaboration between firms).

- ii. The region *aligns* economic and political spaces, providing scope for alliances and co-operation between both public and private sector organisations as well as NGOs and others whose primary geographical reach is not municipal.
- iii. The region enables integration of ‘top down’ (national and international) programmes with ‘bottom up’ (local and regional) efforts. In the best examples, this can lead to effective local economic development, combined with strong national and inter-governmental support.
- iv. The regional approach can help to *make choices* about how to intervene: it focuses on doing the right things at the right spatial scale. For example:
  - It can make territorial branding more effective by ensuring that a national market geography is promoted rather than only a portion of it, thereby assisting marketing activities to properly address information asymmetries.
  - It can ensure that labour markets, housing markets, and related interventions are designed with ‘a full market effect’ in mind, not simply to adjust the local share of wider market activity.
  - Where resources and capacity are scarce it can offer a critical mass of activity and an optimum scale for resource mobilisation, effectively aggregating otherwise disparate local initiatives.
  - It can promote effective and efficient economic tools by addressing the whole portfolio of assets and opportunities across a wide area, sharing and pooling the risks and costs of intervention effectively.
- v. Regions can offer a suitable scale for economic development and poverty alleviation to align with other key strategies and interventions (e.g. service delivery, housing, education, health, environment, transport, utilities, property and land use).
- vi. Regional alliances can help avoid zero sum and wasteful competition between neighbours who pursue the same potential investments and drive down the cost for business and contribution of businesses to local fiscal revenues. The regional approach is less likely to focus on narrow cost base competition between neighbouring municipalities and is more likely to promote policies that will help the whole region become more competitive and productive in the international and open economy.
- vii. At its best, regional working can therefore help achieve national development

objectives of accelerated shared growth through the collaboration of multiple partners at the sub-national level.

### **6.3 What does adopting a regional development approach involve?**

Regions do not have mandates or formally delegated powers and functions. There is no recipe for making a regional approach work and getting a city region to thrive. Key ingredients for getting a regional strategy together include:

- Regional leadership grouping and collaboration;
- A regional strategy, identity, vision, and values;
- Regional infrastructure plans;
- Regional spatial and land use planning;
- Regional security;
- Regionally co-ordinated investment;
- Effective delivery of regional public services (including transport);
- Effective implementation of regional economic programmes;
- Regional marketing and promotion;
- Regional ecological service plans (water, land, air, waste, biodiversity).

Because developing a regional strategy involves partnerships and not clearly mandated roles and responsibilities it is crucial to understand how the different sectors and stakeholders can and should contribute. While there will be local variations it is likely that:

- Local and regional political leaders will provide overall legitimacy and high level support to the regional vision.
- National political leaders must accept and endorse the regional plan and be clear about how the national resources and capacities will support and contribute to its implementation.
- Parastatals and State Owned Enterprises who are often left out of local planning processes despite the fact that they are the big land owners and infrastructure providers can be very powerful actors in a regional process. By sharing capacity and knowledge and by working with local partners synergies in development opportunities can be found.
- A major objective of working regionally is to include the business sector. Most regional investment is made by the private sector and they will ultimately provide the jobs on which local prosperity rests. In addition business can contribute skills and connections and external linkages that will enhance the regional project.
- Regions generally have no formally elected representatives but trade unions and other organised civil society representatives must be involved.
- By using the local media (TV, print, radio and web) it is possible to engage the public much more actively in the regional process.

- The role of infrastructure, service and logistics providers is often overlooked, but key services such as power, ports and ICT are critical to a region's success whether or not they are state or privately provided.
- Successful regions typically engage the local Higher Education Sector directly, either as local service providers of specialist knowledge or as land owners, as a major labour market sector or simply as community leaders.
- Involving community organizations is essential, not just for political legitimacy but also because this constituency will articulate problems of exclusion that are often missed when leadership groups are assembled.
- There are obvious and critical roles for media liaison, technical and professional support, which are unlikely to be available in house as they might be in government.

It is worth singling out the importance of getting the support of business leadership for a regional approach. Assembling a regional business leadership group can help enormously with specific tasks that lie outside the traditional domain of government, like helping to prepare an investment prospectus or an advocacy/public relations strategy. More generally the involvement of business helps public leaders focus on the economy and its development in terms of competitiveness, job creation and sustainable development imperatives.

An essential part of the regional approach entails business and government and civil society working together to:

- i. Grow the regional market and customer base;
- ii. Persistently improve the productive platform;
- iii. Make the case for targeted public investment;
- iv. Act to reduce unemployment;
- v. Jointly agree on environmental sustainability parameters.

Once the partners have been identified and there is general agreement on the benefits of a regional process it is worth critical reflecting on other successful regional development initiatives. Successful pointers that have emerged from other city-regions include the importance of getting (annexure A provides three case studies of such regions):

- i. One co-ordinating Plan with a strong and compelling story line.
- ii. An investment prospectus that defines key shared investment priorities and identifies the means to meet them.
- iii. An economic agenda that operates across the province and municipalities and is not locked within one department.
- iv. Organised business leadership that is demanding and consistent and speaks to all parts of Government with a single agenda.
- v. A customer orientation in government: one that addresses employers, investors, visitors, entrepreneurs, traders, innovators, developers, infrastructure providers as



- key clients of the region and encourages their activities actively.
- vi. Focused number of top priorities, sectors, and spaces.
- vii. Expanding capacity to implement. This means developing a range of financing, developmental and institutional tools that will give practical application to the regional concept. This often includes development agencies.
- viii. A range of delivery vehicles that can attract external investment.
- ix. Problem Solving and Project Management orientation. Regional development involves actively solving regional problems.
- x. Strong economic agenda and partnerships with: Local, provincial and national public sector, local and regional private Sector and global partners.
- xi. *A collaborative leadership group that leads, empowers, focuses on the big picture and leverages resources to deliver.*

#### **6.4 What do success and failure look like in regional development?**

Ten ingredients of regional development success can be identified:

- i. Powerful, broad, and diverse leadership group.
- ii. Focus on long term success and health of region.
- iii. Aim for excellence.
- iv. Simple and popular plan for the region
- v. Incentives for collaboration.
- vi. Build momentum from success.
- vii. Winning external resources (eg from National Government or Donors).
- viii. Get the media on side.
- ix. Build trust explicitly.
- x. Learn together.

By contrast we can also identify ten factors why regional strategies fail:

- i. Strategy done for wrong reason/strategy has no focus or specificity.
- ii. Lack of leadership.
- iii. No communication, compacting, and conviction.
- iv. No assessment of local assets and distinctiveness.
- v. No assessment of demand side opportunities.
- vi. No responsibility amongst competent bodies.
- vii. Lack of tools or intentions to implement.
- viii. Lack of investment, capacity/resources.
- ix. Failure to solve problems as they arise.
- x. No support from higher tier of government, or neighbours.

A regional development approach that succeeds over the long term will put in place these enabling factors and tackle challenges systematically. For now, it is probably opportune to ask ourselves in the Western Cape where we stand with regard to both lists...

## 7. The way forward: making a regional approach work locally

Thus far we have focused on making the case for a regional approach and have begun to unpack what applying a new regional approach would entail only in general terms. The issue now is to address the question of whether or not a regional approach is appropriate for South Africa, for the Western Cape and for greater Cape Town? We think it is and that *de facto* we have begun to move in that direction already. As a result there is much to be gained by being more conscious and systematic about applying the new regional approach.

A first step must involve identifying the scope of the Cape Town city-region as this will inform the identification of stakeholders and strategy. Although neither the NSDP nor the PGDS include Saldanah in the CTFR, its functional and physical proximity to Cape Town make it a natural stakeholder (see Figure 1). Significant proportions of the economic activity of the Winelands, Overberg and West Coast districts also fall within the Cape Town functional region, plus 50% of the total provincial population who find themselves below the income poverty level live in this area. This is also the geographical scope of major ecological and landscape determinates of the 'bioregion', such as water catchments and mountain ranges as illustrated in the Provincial Spatial Development Perspective.

Table 2: City and district contributions to Western Cape GDP, 2004

	GDP 2004 (mil)	Share of SA (%)	Share of W-Cape (%)
South Africa	954 019		
Western Cape province	138 941	14.56	
Cape Town metro	106 386	11.15	76.57
Winelands district	14 524	1.52	10.45
Eden district	8 537	0.89	6.14
West Coast district	5 530	0.58	3.98
Overberg district	3 268	0.34	2.35
Central Karoo district	697	0.07	0.50

(Source: Quantec Research)

### 7.1 The advantages of regional approaches

The advantages of adopting a city regional focus are likely to be felt both within and beyond greater Cape Town.

- South Africa has re-entered the global economy with cities like Johannesburg, Cape Town and Durban playing and increasingly important national, continental and international roles. But, positioning even the most important African city-regions into the global economy is not easy. Secondary city regions, like Cape Town, will grow their international position and increase their market share of global production, distribution and consumption not by *claiming* global city status, but by making sure they function optimally and that they develop their distinctive economic niches.
- The national objective of accelerated growth and the imperative of reconstruction demands that the Cape Town city region mobilize economic growth in the 8% range if the country is to meet the 2014 targets of a 6% increase in GDP.<sup>41</sup> The chance of reaching 8% economic growth by 2010 is greater if the regional stakeholders work

together and not in isolation.

- Locally, natural and fiscal resource constraints and political fluidity mean cooperative and strategic regional collaboration is an essential part of a good governance agenda. The fact that the Cape Town is so dominant, demographically and economically, compounds the imperative to embrace a city regional approach to development.

There is a further reason why a regional approach would be especially useful in the Western Cape, and this has to do with the fluid, and sometimes volatile, nature of politics in the region.

A brief overview of election results for the last 12 years reveals that there has been no dominant political party in power for any sustained period of time, either at Provincial, Metropolitan, District, or local Council level. Given the finely balanced and fluid nature of political control is a fact of life in the Western Cape, it would seem to be in everyone's interests that the major long term investment and development strategies – many of which take place at the regional scale that lies beyond that of a particular administrative boundary and which occur over much longer time frames than that of election cycles – should not have to be stopped or renegotiated each time there is a change or shift in power.

There are also potential dangers in focusing on regional issues. Like every other policy process and activity connected to government in the Western Cape the regional process will have to endure political uncertainty and fluidity. We argued earlier that the regional approach may be more robust in this regard than other processes that are more directly influenced by election cycles.

There is a further danger: policy overload. The regional process must not proliferate already onerous demands on officials, politicians or the public. A sharp focus on what are REGIONAL matters and on making the regional economy more productive and sustainable will help ensure that the process does not become burdened by all inter-governmental alignment and co-operation issues.

## **7.2 Who are the regional stakeholders and partners?**

The challenge in a regional approach is not to find all the players in the region but to identify players who have *regional interests*. Taking the Cape Town Functional Region as an example, those with REGIONAL interests would include:

- State Owned Enterprises such as ESKOM, PORTNET and ACSA are obvious players, but there will be others too.
- Almost all Businesses have a regional interest as their wish to expand their markets share from a local well capacitated base. But those whose production and distribution activities are spread across the region or who depend on large regional facilities such as the airport will be especially interested in a regional approach. Thus the tourism, fruit and fresh vegetable or tourism sectors, rather than say boat

building or clothing may want higher levels of engagement in the pursuing the regional approach.

- The hallmark of the Cape Town Functional Region is its World Heritage Status and it is imperative that the ecological custodians such as Table Mountain National Park, The South African Biodiversity Institute, the Botanical Society, Koegelburg Nature Reserve etc are brought on board in developing and working out how to implement the regional approach within the available ecological resources.
- Government involvement will obviously include the Provincial Government of the Western Cape and the City of Cape Town as anchor players, alongside those municipalities that make up the Cape Town Functional Region including Saldahna, Bergriver, Overstrand, Theewaterskloof, Drakenstein and Stellenbosch. Broadly then we are talking about the districts of Cape Winelands, West Coast and Overberg and the Cape Town metro. It may be prudent to think of other key government partners, such as Marine and Coastal Management, the Department of Provincial and Local Government or the Presidency. The Cape Town Partnership, WESGRO Cape Town Routes Unlimited and other key regional bodies will have much to contribute. (This landscape may alter depending on the findings and recommendations of the ‘Economic Institutional Review’ currently underway in the province.)

### **7.3 Where could regional development make a difference in the Western Cape?**

If we are to take this debate and policy imperative forward constructively, it is vital to recognise in more practical terms what we could be doing differently in future. Without pre-empting any future discussions and decision-making processes, we would point to the following examples of instances where regional cooperation is already in effect or ripe for implementation:

- Regional Identity and Branding – Cape Town Routes Unlimited is one well understood example of shared regional branding, but there could be many others, for example around wine or even by putting a national spotlight on the area “beyond the grape curtain” whose significant economic contribution is relatively hidden.
- Co-ordinating public investment – this is a multi-dimensional opportunity ranging from shared research on what is needed across the region and in this rather than other regions, to joint funding drives and shared asset management plans for aging infrastructure and public or private investments (such as large hospitals, the Waterfront or theatres).
- Securing benefits from 2010 and other major events– in the immediate future this is all about maximizing and sharing the benefits of Greenpoint and the associated transport and public space improvements, both during and after the World Cup. The region however is very well suited to hosting major events (that capitalize on existing events such as the jazz or whale festivals or the big sports events such as the Argus cycle race, but also establish new ones of regional significance).

- Failure to develop a regional asset management and investment plans has already had major negative consequences in the public transport, power, waste and water sectors. Big regional assets like the ports and airport are critical to the regional economy. Less visible assets like the agricultural land that is under threat from sprawl could well gain from a regional approach to its management.
- Increased regional growth and employment rates as well as regional co-ordination of welfare support.
- Environmental management, including disaster risk planning, ecological service integrity and biodiversity management are all most effective at the regional not municipal or sub council scale.
- Sector support, especially in tourism, business-process outsourcing and tertiary education are more cost effective and have higher impact across a regional scale.
- Regional planning of social investment, especially housing but also health and education facilities is essential if unnecessary duplication is to be avoided and limited resources are to be maximized.
- Regional management of scarce and threatened ecological services is essential in a fragile environment such as the fynbos kingdom. But it is not just biodiversity that is an environmental concern demanding a regional approach, water management, air pollution, the protection of agricultural land and coastal management are key processes that do not operate neatly within municipal jurisdictions.

## **8. Towards an agenda for action**

The race is on to reposition the state to become much more effective in driving and opening up a development path that will lead to accelerated shared growth—the precondition for addressing the interlocked crises of unemployment, economic exclusion and deepening inequality. This race is taking place at a time when the world’s markets are increasingly inter-dependent and inter-linked, which means we have to engage with the drivers of change that originate outside of our borders and are often beyond our control. Section 4 above provided some insight into these processes.

What is significant about the changing nature of the global economy is that the primary territorial vantage point of managing globalisation dynamics is shifting from national governments and macro economic instruments to local and sub-national governments with a focus on micro-economic policy instruments. (On the trade side, it is shifting to supra-national institutions.) More specifically, city-regions have clearly emerged on the global stage as the primary geographic territories where the global economy is anchored. However, for governments to respond to this trend requires a fundamental rethinking of what factors need to be coordinated at the regional scale to ensure effective management of economic development dynamics in a globalising environment.

The conceptual model reflected in Figure 3 above identified the preconditions and drivers at a sub-national regional level that should be coordinated and aligned to achieve better economic performance. However, contrary to some of the international thinking on these issues, we have also argued that economic performance in the Western Cape is not only about competitiveness, but also about social inclusion and environmental sustainability given our political history and the ecological services that most of our economic sectors and firms rely on. Thus, the model identifies preconditions and drivers within a sustainable development framework.

If government bodies and their social partners are to gear themselves for realising the accelerated shared growth target of 6-8% by 2010 it is critical that we create 'fit for purpose' institutions and processes to address the preconditions and drivers of higher than average rates of shared growth in the Western Cape.

In light of the disproportionate concentration of economic activity (and poverty) in the Cape Town Functional Region (which stretches from Cape Point to Saldanha, around to Worcester, and down to Hermanus), accounting for 90% of GVA in the province, it is critical to ensure the success of the Cape Town Regional Development Strategy process currently underway. In the short-term similar processes should be designed and embarked upon in the other two functional regions of the province as identified in the PGDS.

In light of the dialogical nature of a Regional Development Strategy process, it will be important to underpin the process with world class research to crystallise the precise competitiveness imperatives facing the regional economy. The Organisation for Economic Cooperation and Development (OECD) Territorial Review methodology is highly suited for this task. OECD Territorial Reviews provide an independent, academically rigorous, and comparatively informed analysis of the strengths and weaknesses of the region's productive platform and the critical actions that must be embarked upon by governance coalitions in the region. It is expected that the OECD Review Process will commence in July 2007.

Going forward a number of practical steps seem appropriate:

- i. Deepen the regional development perspective in the revision and finalisation of the PGDS which is due in June 2007.
- ii. Review and revise the outcomes of the recent Growth and Development Summits/Compacts in the province to reflect a stronger regional perspective.
- iii. Review and revise the IDPs and LED strategies of municipalities in the province to incorporate the implications of a regional development perspective and impact on the 2008/9 budgets.
- iv. Create dedicated intergovernmental forums for the three functional regions to ensure optimal economic development and infrastructure planning and coordination alongside the environmental management imperatives. (The Intergovernmental Relations Act makes provision for this.)
- v. Make sure that the Economic Agency Review process of the Province is informed by a regional development perspective and seeks to advance it.
- vi. Engage with the national policies that impact on economic development and infrastructure investment to advance regional development imperatives of the Western Cape. Some of the policy processes that need to be engaged include: the

NSDP, the Regional Economic Development Strategy and the draft Industrial Policy Framework of DTI, the Sustainable Local Economic Development Strategy of DPLG, and not least, the future evolution of Growth and Development Compacts.

- vii. Identify what the research and development and knowledge management requirements are of a regional development approach for the Western Cape.
- viii. Engage the media to build a broad-based understanding and debate about the imperatives of regional development in the province.

The partners that will have to drive this exciting agenda towards shared growth include: provincial government, key national departments dealing with the economy, all municipalities, organised business and their leaders, labour, civil society organisations, the universities and the media.

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### Notes:

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<sup>4</sup> 2006: Draft Provincial Growth and Development Strategy. Provincial Government of the Western Cape, Cape Town, p.39.

<sup>5</sup> City of Cape Town Draft IDP, 2007

<sup>6</sup> 2006: *A Proposed Agenda for Action: An Inter-Governmental Approach to the Development Challenges of Cape Town*; Initial Report of the Inter-Governmental Integrated Development Task Team for the Cape Town Functional Region

<sup>7</sup> These arenas have included Districts and local Councils who form part of the Greater Cape Town Functional Region.

<sup>8</sup> 'International Migration 2006' UN Population Division  
([http://www.un.org/esa/population/publications/2006Migration\\_Chart/Migration2006.pdf](http://www.un.org/esa/population/publications/2006Migration_Chart/Migration2006.pdf))

<sup>9</sup> 'Population Challenges and Development Goals' UN Population Division  
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<sup>13</sup> UNCTAD 2003 in 'State of the World's Cities 2004/5' UN Habitat

<sup>14</sup> Bank for International Settlements 08/07/2005  
(<http://www.bis.org/speeches/sp050708.pdf#search=%22urban%20global%20GDP%22>)

<sup>15</sup> 'Global Economic Prospects: Slower But Still Solid Growth in 2005; Worries About Growth and Inflation for 2006' Institute for International Economics  
(<http://www.iie.com/publications/papers/mussa0405.pdf#search=%22growth%20in%20global%20GDP%202005%22>)

<sup>16</sup> UNCTAD's World Investment reports in UNDP Administrator's speech 09/11/2005  
(<http://content.undp.org/go/newsroom/november-2005/statement-dervis-corporation-conference-20051109.en?categoryID=349492&g11n.enc=ISO-8859-1&lang=en>)

<sup>17</sup> UNDP Administrator's speech 09/11/2005 (<http://content.undp.org/go/newsroom/november-2005/statement-dervis-corporation-conference-20051109.en?categoryID=349492&g11n.enc=ISO-8859-1&lang=en>)

<sup>18</sup> UNDP Administrator's speech 09/11/2005 (<http://content.undp.org/go/newsroom/november-2005/statement-dervis-corporation-conference-20051109.en?categoryID=349492&g11n.enc=ISO-8859-1&lang=en>)

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- <sup>19</sup> UNDP Administrator's speech 09/11/2005 (<http://content.undp.org/go/newsroom/november-2005/statement-dervis-corporation-conference-20051109.en?categoryID=349492&g11n.enc=ISO-8859-1&lang=en>)
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- <sup>21</sup> 'The heat is on' 07/09/2006  
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