Competitive Cities: New Growth Policies & Urban Development

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The theme of this Panel Discussion

- With rapid urbanization in much of the developing world, cities are becoming the locus of the jobs challenge, a key nexus for global trade, but are also where economic inequality is felt most starkly.
- Cities’ success or failure in improving livelihoods and increasing economic opportunities for their residents cuts across urban management and economic development – beyond the technical challenges of building city roads and delivering treated water.
- How can cities and local governments tackle income inequality and economic segregation while increasing global competitiveness?
- What should cities be doing more of, and what should they be doing less of? Can new high tech industries provide an answer to this challenge? What else can cities do to change their own economic trajectory?
The City of Johannesburg (1,000 square miles) – location in the Africa context

Source: www.joburg.org.za
Johannesburg remains a focal point in the SA economy. The City economy (equivalent to that of Kenya) is also larger than most neighbouring countries – equivalent to the 8th biggest “country” in Africa or 66th in the world.

Metro population estimates - 2013

- City of Johannesburg: 4,622,046
- City of Tshwane: 3,047,094
- City of Cape Town: 3,801,767
- eThekwini: 3,514,060
- Ekurhuleni: 3,273,499
- Mangaung: 1,192,725
- Nelson Mandela Bay: 1,192,725

Metro economic output - 2013

Johannesburg accounts for 17% of South Africa’s economic output.
Economic development strategy must deliver economic transformation

Transformation requires engaging with the political economy

i.e. The society-wide systems of power that influence patterns of production, distribution and consumption

Economic transformation priorities

- **Industrial transformation**: Mitigate or reverse de-industriaslisation
- **Spatial transformation**: Transform Apartheid spatial patterns
- **Global City transformation**: Strategically position South Africa in global value chains and networks
- **Competitive market transformation**: Ensure South Africa generates successful small business
- **Institutional transformation**: Ensure institutions support development imperatives: State-State; State-Business and State-Community

City carries most of the burden of addressing South Africa’s 25% unemployment rate and undoing Apartheid economic relations
Cities, in the first instance, must deliver quality and efficient services that economic actors require.

City undertaking firm-level surveys (2014) that confirm firms need for security of quality supply of electricity and water. Safe and secure public transport that can enable shift-work, and low-cost and ample broadband data. Dense areas need effective urban management...

These services create a platform for effective further Economic Development interventions.

**Priority 1:** Economic Development interventions need an effective services platform that boosts the productivity of industry and businesses.

- Specialised business Hubs and technology Parks, incentives, economic development facilitation, etc.
- ICT data
- Public transport
- Electricity, water, urban management
**Priority 2: Go with the investor flow…**

### Sectoral share of JHB’s 1996 Economic output

- **1 Agriculture**: 0%
- **2 Mining**: 2%
- **3 Manufacturing**: 20%
- **4 Electricity**: 3%
- **5 Construction**: 3%
- **6 Trade**: 16%
- **7 Transport**: 6%
- **8 Finance**: 22%
- **9 Community services**: 27%

### Sectoral share of JHB’s 2013 Economic output

- **1 Agriculture**: 0%
- **2 Mining**: 1%
- **3 Manufacturing**: 16%
- **4 Electricity**: 2%
- **5 Construction**: 4%
- **6 Trade**: 16%
- **7 Transport**: 8%
- **8 Finance**: 32%
- **9 Community services**: 20%

### Johannesburg’s Economy: Sector Relative Growth 1996 to 2013

*Output in constant prices, Index 1996=100*

Data Source: IHS Global Insight, ReX 2014
Priority 2: ... and mitigate or reverse de-industrialisation. While it is a financial/business services City, there is a need to ensure City is encouraging productive, industrial activity in Joburg and SA. This means working with those regions within the City that are showing industrial promise (for niche sectors)

Annual average change in Joburg’s sectoral employment (broad economic sectors): 1996-2013

<table>
<thead>
<tr>
<th>Sector</th>
<th>Region A: Midrand / Diepsloot</th>
<th>Region B: Randburg / Rosebank</th>
<th>Region C: Roodepoort</th>
<th>Region D: Soweto</th>
<th>Region E: Sandton / Alexandra</th>
<th>Region F: Inner City / Southern Joburg</th>
<th>Region G: Deep South / Ennerdale / Orange Farm</th>
<th>JHB</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Agriculture</td>
<td>5.2%</td>
<td>4.1%</td>
<td>3.8%</td>
<td>2.6%</td>
<td>4.8%</td>
<td>3.2%</td>
<td>2.7%</td>
<td>4.1%</td>
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<tr>
<td>2 Mining</td>
<td>-2.9%</td>
<td>-6.6%</td>
<td>-12.2%</td>
<td>-9.7%</td>
<td>-7.0%</td>
<td>-8.9%</td>
<td>-4.2%</td>
<td>-8.2%</td>
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<tr>
<td>3 Manufacturing</td>
<td>3.4%</td>
<td>1.4%</td>
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<td>-0.1%</td>
<td>1.4%</td>
<td>0.5%</td>
<td>1.1%</td>
<td>1.4%</td>
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<td>4 Electricity</td>
<td>5.8%</td>
<td>3.4%</td>
<td>4.2%</td>
<td>3.2%</td>
<td>3.8%</td>
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<td>3.8%</td>
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<tr>
<td>5 Construction</td>
<td>5.3%</td>
<td>2.6%</td>
<td>5.6%</td>
<td>0.6%</td>
<td>1.5%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>2.4%</td>
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<tr>
<td>6 Trade</td>
<td>6.5%</td>
<td>4.2%</td>
<td>5.9%</td>
<td>2.6%</td>
<td>4.1%</td>
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<td>7 Transport</td>
<td>7.7%</td>
<td>5.0%</td>
<td>6.1%</td>
<td>3.1%</td>
<td>5.3%</td>
<td>4.1%</td>
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<td>8 Finance</td>
<td>4.9%</td>
<td>3.2%</td>
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<td>3.3%</td>
<td>2.6%</td>
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<td>3.3%</td>
</tr>
<tr>
<td>9 Community services</td>
<td>7.5%</td>
<td>4.3%</td>
<td>6.7%</td>
<td>3.3%</td>
<td>4.7%</td>
<td>3.6%</td>
<td>4.4%</td>
<td>4.6%</td>
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</table>
**Priority 3:** Transform spaces in a manner that promote economic efficiencies. Densification promotes markets and more economically viable infrastructure delivery.
Priority 3: … and convert non-revenue areas of the City into revenue-generators.

- Tax incentive 100% for private sector investment in renovation or new construction in low- or non-revenue generating buildings and precincts.
### Priority 4: Benchmark as Global City, operating within network of Global Value-Chains. Joburg as most competitive in Africa, and 8th cheapest in the world.

<table>
<thead>
<tr>
<th>City</th>
<th>Overall score</th>
<th>Economic Strength</th>
<th>Physical capital</th>
<th>Financial Maturity</th>
<th>Institutional Effectiveness</th>
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<tbody>
<tr>
<td>1 New York</td>
<td>71.4</td>
<td>54</td>
<td>92</td>
<td>100</td>
<td>85.8</td>
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<tr>
<td>2 London</td>
<td>71.4</td>
<td>41.9</td>
<td>90.2</td>
<td>100</td>
<td>83.8</td>
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<tr>
<td>3 Singapore</td>
<td>70</td>
<td>46</td>
<td>100</td>
<td>100</td>
<td>87.8</td>
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<tr>
<td>4 Hong Kong</td>
<td>69.3</td>
<td>43.8</td>
<td>100</td>
<td>100</td>
<td>85.3</td>
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<tr>
<td>4 Paris</td>
<td>69.3</td>
<td>43.1</td>
<td>93.8</td>
<td>83.3</td>
<td>72.7</td>
</tr>
<tr>
<td>6 Tokyo</td>
<td>68</td>
<td>50.5</td>
<td>100</td>
<td>100</td>
<td>76.3</td>
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<tr>
<td>7 Zurich</td>
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<td>30.1</td>
<td>98.2</td>
<td>100</td>
<td>96</td>
</tr>
<tr>
<td>8 Washington</td>
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<td>43.4</td>
<td>93.8</td>
<td>83.3</td>
<td>85.8</td>
</tr>
<tr>
<td>9 Chicago</td>
<td>65.9</td>
<td>40.6</td>
<td>90.2</td>
<td>100</td>
<td>85.8</td>
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<tr>
<td>10 Boston</td>
<td>64.5</td>
<td>37.9</td>
<td>94.6</td>
<td>83.3</td>
<td>85.8</td>
</tr>
<tr>
<td>40 Dubai</td>
<td>55.9</td>
<td>37</td>
<td>82.1</td>
<td>83.3</td>
<td>72.7</td>
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<tr>
<td>50 Rome</td>
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<td>29.4</td>
<td>92.9</td>
<td>50</td>
<td>63.3</td>
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<td>60 Buenos Aires</td>
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<td>34.6</td>
<td>69.6</td>
<td>50</td>
<td>54.4</td>
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<td>35.9</td>
<td>67</td>
<td>50</td>
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<tr>
<td>62 Sao Paulo</td>
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<td>67</td>
<td>58</td>
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<tr>
<td>67 Johannesburg</td>
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<td>28.7</td>
<td>66.1</td>
<td>50</td>
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<td>68 Delhi</td>
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<td>42.4</td>
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<td>33.3</td>
<td>52</td>
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<tr>
<td>73 Cape Town</td>
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<tr>
<td>76 Rio de Janeiro</td>
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<td>27.9</td>
<td>45.2</td>
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<td>59.6</td>
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<tr>
<td>94 Durban</td>
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<td>58.9</td>
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<tr>
<td>115 Nairobi</td>
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<td>29.6</td>
<td>39.3</td>
<td>16.7</td>
<td>23.2</td>
</tr>
</tbody>
</table>

The Economist Intelligence Unit 2012 International Competitiveness Benchmarking Report ranks Johannesburg 67th Globally on competitiveness and, 1st in Africa

(Aim is for continuous improvement)

- E.g. Open space free WiFi: Providing access to WiFi at parks, Open spaces, Schools, BRT stations etc.
**Priority 5:** Promote small business growth as a means to a competitive and re-generative economy. City doing this through facilitating creation of (generic) Business Hubs in all regions and specific ICT/ Green Technology Hubs. Also use of City procurement (75%) as source of demand for SME goods/services.

The Hubs are being created to encourage innovation, learning and collaboration.
Priority 6: Partnership with City-wide and region-specific business groupings as part of ‘voice regulation’ and ‘discovery’ process. In the end, choices involve contestation and compromise amongst a range of competing interests and City stakeholders.
Concluding remarks – challenges and opportunities facing City economic development

• Challenges:
  – Complexity – City Metropolis has inter-government dependencies (e.g. if national bulk water fails, then City water reticulation fails) and City economic development, in practice, is a transversal function (e.g. regulating street vending involves nine other departments such as roads, town planning, public safety, etc.)
  – Contestation – Stakeholders often face real-time and very present implications of City actions, and are thus active and mobilised. Stakeholder interests can start as “zero-sum” dynamic.
  – Capacity – City requires capacity to manage complexity and contestation. Decision-making must factor in the capacity that actually exists, and not in the theoretical “Ideal Type” models.

• Opportunities: The challenges oblige City to prioritise and sequence its actions carefully, and, wherever possible, work in partnership:
  a) Promote globally benchmarked standards and services to entire City
  b) Discover and promote investment projects that are potentially catalytic
  c) Actively project manage a few “game changer” projects (e.g. identity defining for City – City free broadband, Green City portfolio, wall-to-wall SME Hubs, etc)