Case study

INDUSTRIAL SPACE REVITALISATION

A Case-Study on Area-Based Integrated and Transversal Planning for Key Economic Spaces

national treasury
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

cities SUPPORT PROGRAMME

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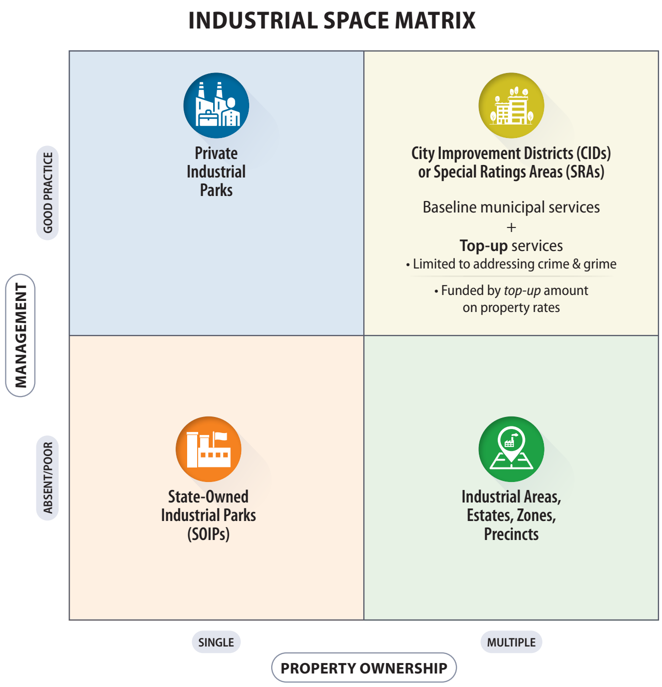
INTRODUCTION

The Economic Development component has two objectives: to champion a spatialised, integrated and participatory approach to economic development and to drive business process improvements within the metros, so that cities become more productive, competitive, inclusive and sustainable. Over the past decade, the spatialised or area-based planning approach has been demonstrated through pilots and/or engagements within townships, ports and logistics hubs, central business districts and industrial spaces – the latter is the focus of this case study.

Industrial spaces are designated areas of land that have been developed and zoned for industrial business activity. They are often referred to as "industrial parks", despite having different levels of formalisation and ownership, and come in a variety of single and multiple land ownership and governance models – public, private and mixed. Performance varies from globally competitive to distressingly poor (**Figure 1**).

Within these industrial spaces, firms and the workers that they employ are the primary actors. Firms vary in size, levels of formality and sectors, and the clustering of firms is often evident. Many industrial spaces are mixed and include informal economic activity, commercial activities and some residential properties, with linkages to the broader geographical area in which they are located. These linkages can be both positive (available labour, skills development and the broader value chain) and negative, as a result of poor community service delivery and high crime levels. Firms decide to stay, leave, expand or shrink based on their experiences and perceptions of the future performance of these spaces.

FIGURE 1 Ownership and management matrix of industrial spaces



This case study focuses on industrial parks in four metros: Devland (City of Johannesburg), Babelegi (City of Tshwane), Wadeville (Ekurhuleni), and Jacobs (eThekwini). The industrial spaces were chosen for their strategic location, next to large and marginalised human settlements with existing economic activity that was under threat from job losses.

The case study examines how, since 2019, four metro industrial park revitalisation (IPR) pilots have catalysed new ways of city and national engagement, resourcing and governance. The intention is to demonstrate metro-led, area-based, integrated, participatory and transversal planning that results in the public sector being more responsive and accountable for the performance of industrial parks.

CITIES SUPPORT PROGRAMME

The Cities Support Programme (CSP) is located within National Treasury's Intergovernmental Relations Division and is an acupuncture programme of the Integrated Urban Development Framework (IUDF) focused on the metros.[1] The CSP works as a change agent and vehicle for collaboration and integration, with an intentional focus to drive and embed a set of reforms within cities and the intergovernmental support environment – reforms aimed at improving the capacity of cities and creating an enabling intergovernmental fiscal system and policy environment to support improved spatial transformation and inclusive economic growth outcomes.

This case study is part of a series of case studies documenting the CSP's work, illustrating what was achieved against the CSP Theory of Change and lessons learnt on planning and implementing similar programmes. The intention is for these case studies to be used by other institutions and programmes to further embed this reform work within cities and the intergovernmental space.

The CSP's model refers to six types of change:

SUCCESS IN ACHIEVING INSTITUTIONALISATION AND CHANGE OCCURS WHEN DEMONSTRABLE CHANGE IS SEEN IN:

- **Behaviour** the way in which people lead and manage
- **Resourcing** how capacity and funding are assigned
- **Practice** processes and procedures
- **Governance** e.g., executive oversight, transversal collaboration, partnerships
- **Rules** at the level of system, policy, programme or administration, including bylaws.

The CSP engages with metros holistically, through components that address governance, fiscal and financial support, climate responsiveness and sustainability, economic development, human settlements and public transport.

1 The eight South African metropolitan municipalities (metros) are Buffalo City Metropolitan Municipality, City of Cape Town, City of Ekurhuleni, City of Johannesburg, City of Tshwane, eThekwini Metropolitan Municipality, Mangaung Metropolitan Municipality and Nelson Mandela Bay Metropolitan Municipality.

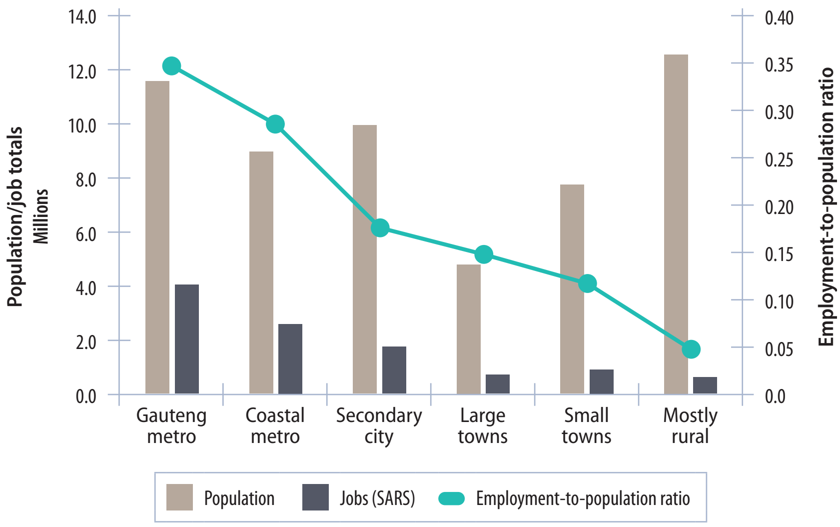
THE PROBLEM

South Africa has many well-located industrial spaces, which are failing to realise their full economic and social potential. They are shedding jobs and firms, resulting in greater vacancies and higher incidences of crime. Many of the worst performing industrial parks are owned or managed by public sector entities (national and provincial economic sector departments, provincial-owned entities and municipalities), that appear not to value the economic, social and financial contributions of these spaces, with governance and other issues remaining unresolved for years. In some industrial spaces, the public sector delivers infrastructure investment programmes aimed at revitalisation but without addressing the fundamental factors affecting performance, such as unreliable service delivery, lack of maintenance, weak park/urban management, unresolved land governance issues, crime and safety, inadequate public transport and service delivery protests in surrounding communities. Poor infrastructure maintenance, safety and vandalism result in tenants finding alternative business spaces. The result is low returns on investment and an inability to halt the decline of these industrial spaces.

Industrial spaces in metros

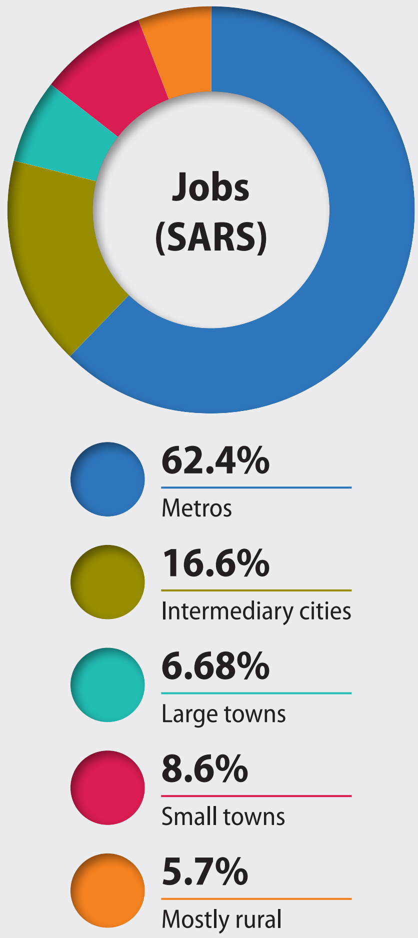
The eight metros contribute 60% of South Africa's gross domestic product (GDP) and over 60% of jobs, which rises to 80% when intermediate cities are included. Of all the different types of municipalities, metros have by far the highest employment to population ratio (**Figure 2**).

FIGURE 2 Job contribution of different municipalities in South Africa



Source: SEAD-SA

Note: Based on available spatialised and anonymised tax data



Over half (57%) of the top 30 urban industrial spaces within metros are shedding jobs instead of creating or retaining jobs (**Figure 3**).[2] This is of serious national concern, given that most manufacturing activity within the country takes place in urban industrial spaces.

FIGURE 3 Top 30 industrial spaces in metros based on job contributions and growth (2014–2021)

INDUSTRIAL SPACE	METRO	JOBS CONTRIBUTED (2021)	JOB GROWTH (2014–2021)
Blackheath SP	Cape Town	2 574	75.95%
Boksburg South	Ekurhuleni	3 053	68.61%
Bryanston	Johannesburg	9 679	32.82%
Ferndale	Johannesburg	3 354	29.26%
Bluff	eThekwini	8 874	24.81%
Equestria	Tshwane	2 611	23.82%
Rosslyn Industrial	Tshwane	3 283	23.47%
Thornhill Estate	Johannesburg	6 142	15.20%
Edenvale Ext 1	Ekurhuleni	3 234	10.03%
Salt River	Cape Town	3 004	7.67%
Epping Industria SP2	Cape Town	3 339	6.33%
Bayhead	eThekwini	3 353	5.39%
Prospecton	eThekwini	7 388	1.10%
Bedfordview	Ekurhuleni	3 177	–3.99%
Berea	eThekwini	7 868	–6.11%
Edenvale SP	Ekurhuleni	3 195	–7.72%
Wadeville	Ekurhuleni	9 595	–8.78%
Sapref	eThekwini	2 818	–10.01%
De Waterkant	Cape Town	2 537	–11.43%

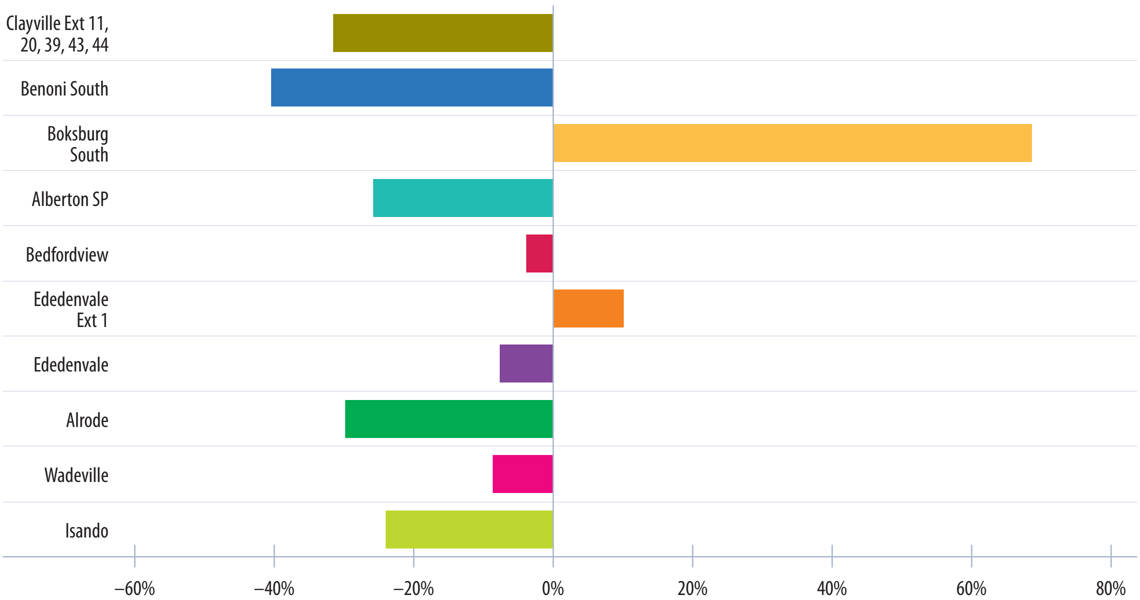
2 The data is sourced from spatialised and anonymised tax data. This is an administrative dataset that may have limitations in terms of actual geographical boundaries or names of spaces. However, the data is largely accurate of formal firm activity, and as such the job growth trends in the table are illustrative of current economic trends. The data can be sourced from www.spatialtaxdata.org.za

INDUSTRIAL SPACE	METRO	JOBS CONTRIBUTED (2021)	JOB GROWTH (2014–2021)
Durban Central	eThekwini	5 041	–17.45%
Ferguson	Nelson Mandela Bay	3 097	–20.14%
Isando	Ekurhuleni	9 746	–24.14%
Selby	Johannesburg	5 988	–24.69%
Coronationville	Johannesburg	4 634	–25.62%
Alberton SP	Ekurhuleni	2 902	–25.84%
Alrode	Ekurhuleni	4 557	–29.86%
Clayville Ext 11,20,39,43,44	Ekurhuleni	619	–31.62%
Johannesburg SP	Johannesburg	2 700	–36.90%
Doornfontein	Johannesburg	5 224	–37.02%
Benoni South	Ekurhuleni	2 546	–40.43%

Source: SEAD-SA

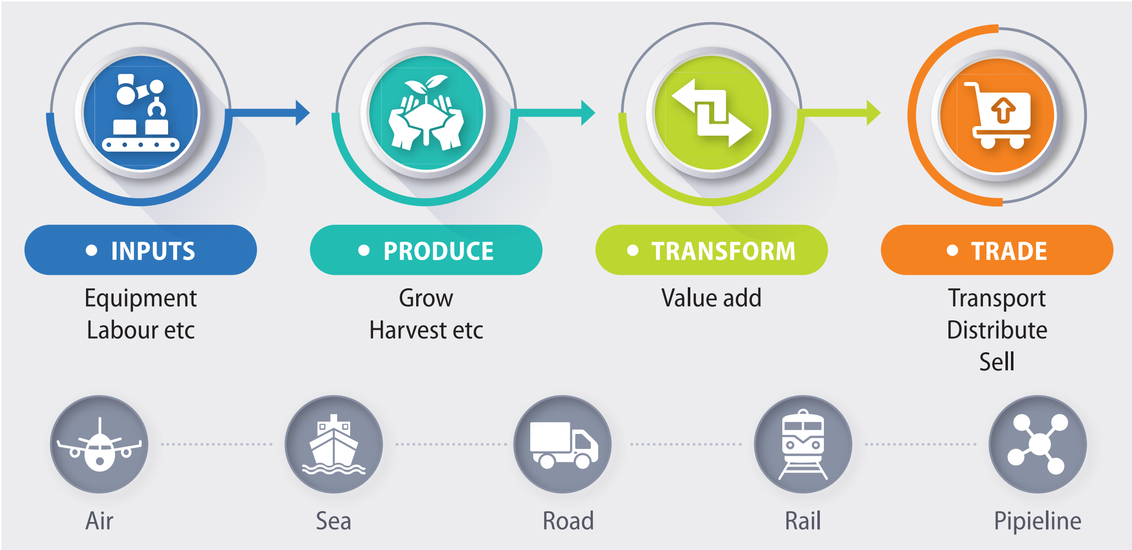
South Africa's manufacturing hub is Ekurhuleni but, of 10 industrial spaces, only two (Boksburg South and Edenvale Ext 1) showed positive job growth between 2014 and 2021 – the slowest job growth was –40.43% in Benoni South (**Figure 4**).

FIGURE 4 Job growth in Ekurhuleni (2014–2021)



Source: SEAD-SA

FIGURE 5 South Africa's economic value chain and logistics network



The repercussions of under-performing metro industrial spaces are felt throughout the country's economic value chains and logistics networks, which link rural and urban areas and drive the national economy (**Figure 5**).

Manufacturing activities are largely concentrated in urban industrial spaces, with agriculture, forestry and mining being large contributors of rural economies. The decline of industrial parks, through firm closures and job losses, weakens the entire value chain and shrinks markets and services for rural economies. In the current hostile economic climate, the failure of industrial spaces to generate and retain jobs is a huge threat to the future economic performance of cities and the country. It will translate directly into a decline in economic growth, lower levels of social security and cohesion, and the shrinkage of the fiscus due to the inability to collect rates, taxes and service charges. As South Africa battles to attract new investment, it cannot afford to lose firms and jobs due to the mismanagement of these strategic economic assets.

Management of industrial spaces

Within all industrial spaces, the public sector's key mandates, roles and responsibilities relate to planning and land-use management; provision of basic services, such as water, sanitation, energy, roads, transport and communication; regulation of land-use, environmental health and safety, the built environment, and labour and business activity; business support; urban management; and business and community safety. Although these responsibilities are spread within and across all spheres of government, local government's planning, service provision, regulatory and urban management functions place it at the centre of industrial space revitalisation. Besides the metros, the Department of Trade, Industry and Competition (dtic) is the lead public sector economic actor for industrial space revitalisation and has pivotal policy and investment roles. Other actors include national and provincial departments (and their respective agencies) responsible for small business development, employment and labour; safety and security; environmental affairs; energy; roads and transport; and human settlements.

Department of Trade, Industry and Competition

In 2015, the dtic launched its Industrial Park Revitalisation Programme (IPRP), which provides infrastructure within the country's "older" (pre-1994), state-owned and managed industrial parks, many of which lie outside the metro boundaries. The IPRP's objectives are to remove barriers related to infrastructure; enable market access and firm competitiveness; develop economic regions; build strategic, industrial capabilities and clusters on the back of the old industrial assets and estates; improve occupancy rates; and retain and expand firms. The dtic envisages that all industrial parks within South Africa (both public and private) will operate under the IPRP and its legal framework. The dtic contracted the Development Bank of Southern Africa (DBSA) to implement the programme in 27 industrial parks, through five progressive phases (**Figure 6**).

FIGURE 6 The IPRP's five implementation phases

PHASE 1 Security infrastructure upgrades, fencing, lighting, critical top structures and electrical requirements, partly to address reported high crime levels.

PHASE 2 Regulatory compliance issues pertaining to landfill sites, waste and water treatment plants, fire, health safety requirements and renewable energy initiatives.

PHASE 3 Engineering designs and construction of new and existing roads, bulk water supply and sewage treatment plants or industrial effluent control.

PHASE 4 Electricity infrastructure upgrades and new top structures built in line with the expansion programme of the parks.

PHASE 5 Development of vacant land and support of sustainable industrial clusters in the parks.

Most parks are in phases 1 or 2 because the roll-out of the programme has unfortunately been dogged by challenges linked to funding limitations, work stoppages by business forums, labour unrest, theft and vandalism of new infrastructure investments, and poor contractor performance. Since inception in 2015, R514-million has been spent, and a work programme with a budget of R600-million is being implemented. In addition, a presidential stimulus package with a potential budget of R3-billion has been earmarked for the programme. This capital investment programme is supported by the dtic's economic incentives for specific sectors and firms.

In addition, the dtic's National Cleaner Production Centre of South Africa (NCPC-SA) located at the Council for Scientific and Industrial Research (CSIR) assists industries to implement resource-efficient and cleaner production programmes. Direct support for parks and their tenants includes technical assistance for developing environmental management and energy management plans, integrating green procurement, resource efficiency, cleaner production, waste management, and energy efficiency into operations. The dtic also leads the Global-Eco Industrial Park Programme-South Africa (GEIPP-SA),[3] providing technical assistance to a selected group of parks, aligned closely to the IPRP.

At the outset of the metro IPR pilot programme, the dtic and National Treasury's approaches differed quite substantially as reflected in **Table 1**.

TABLE 1 Differences between National Treasury and dtic focus/approach to IPF

FOCUS/ APPROACH	dtic	NATIONAL TREASURY
Spatial	Targeted industrial parks within "lagging" regions, especially state-owned industrial spaces in former "decentralisation points", to promote more even economic development across the country.	Targeted metro industrial spaces, due to their contribution to GDP and jobs, and access to skills, innovation, markets and economic/social infrastructure.
Institutional	Industrial parks mainly managed by provincial departments responsible for economic development and their respective agencies. Relationships with municipalities are often weak.	Industrial parks with mixed management arrangements – could be provincial, metro, the private sector or mixed.
Financial	Reliance on national public-sector capital and incentive budgets, with the challenge of low return on investment within their industrial parks due to poor urban and asset management, theft and vandalism.	Attempted to influence metro budget spend within industrial spaces, with the challenge that metros were not prioritising or integrating public spend within these spaces, and to mobilise national resources.
Environmental	The dtic actively promoted eco-industrial parks through their work with the NCPC and the GEIPP. This approach deepened National Treasury's approach to industrial park revitalisation and offered policies, protocols, standard operating procedures and technical assistance. Initially, the metros were not a primary focus of the GEIPP-SA.	

At the end of the pilot, the dtic and National Treasury agreed to consolidate their approaches and support to IPR in the country. This is a major reflection on the quality and depth of engagement and partnering that took place during the metro IPR pilot programme.

3 The programme falls within the framework of the Global Eco-Industrial Parks Programme in Developing and Transition Countries currently implemented by the United Nations Industrial Development Organization (UNIDO) and funded by Switzerland's State Secretariat of Economic Affairs (SECO). The project builds on the Global Resource Efficient and Cleaner Production Programme and creates synergies with other UNIDO and SECO projects in South Africa.

BACKGROUND/OVERVIEW

Following requests from four metros, the industrial park revitalisation (IPR) pilots were initiated in December 2019. The CSP sourced a service provider, AFMAS Solutions, through the Development Bank of South Africa (DBSA) to implement the pilot programme with the objective of building the capacity of cities:

1. To retain and expand investment by firms, through "getting the basics right".
2. To retain and expand employment opportunities in proximity to townships and informal settlements.
3. To put in place institutional urban management mechanisms to ensure the effective and ongoing management of these spaces.
4. To build community awareness regarding the value of these spaces in terms of employment generation and economic inclusion and development.
5. To build local business networks to facilitate access to available incentives, markets and business support.

The IPR pilots were included in the City Support Implementation Plans entered between National Treasury and city managers, and the participating metros had to agree upfront to include outputs from the Industrial Space Revitalisation Plan in their respective city plans and budgets, and to allocate city project leads to drive the implementation of the pilots and revitalisation plans.

Figure 7 describes the general project flow, although implementation was less linear and more fluid, with some steps running concurrently and progressing at different pace within the four metros.

FIGURE 7 **Initial design of the Metro Industrial Space Revitalisation programme**

Note: BR&E refers to business retention and expansion surveys

The imposition of COVID-19 lockdowns in the country meant a delay in the participatory research phase (Step 3). The in-person, firm-level engagement processes and surveying, which were meant to start in the first half of 2020, were shifted online. The delay also disrupted early attempts at building metro commitment and ownership of the pilots and new approaches to industrial space revitalisation.

Engagement

The stakeholder engagements and business retention and expansion (BR&E) surveys undertaken with firms produced some basic learnings that informed both the site-specific industrial space revitalisation plans that were developed and the institutionalisation approach that was adopted by the CSP and metros.

Importantly, they informed an Industrial Park Revitalisation Framework (**Figure 8**) that illustrates the different building blocks for revitalisation. The framework reflects a fundamental message from firms – that 60% of revitalising an industrial space came from getting the basics rights in terms of safety and security, services and infrastructure and land governance.

The stakeholder engagement processes have been sustained throughout all the planned and executed steps in the pilots. The transversal nature of IPR meant that a broad range of metro departments had to be mobilised and coordinated within the pilot sites. Although some metros had area-based or regional service delivery teams in place, the industrial space as a unit of city delivery was at an even smaller geographical scale. To fill this gap, transversal city industrial park teams were put in place. Throughout this process, internal metro stakeholder engagement was critical to ensure the buy-in of relevant officials at all levels. Translating IPR plans into tangible actions through project-specific charters required the identification, delegation and commitment of responsible officials for implementation.

Metro engagement with external stakeholders during the IPR planning and implementation phases was challenging, especially where private sector representatives were absent. A breakdown of trust between the public and private sectors, due to service delivery and urban management failures within the parks, meant that facilitated engagements and ongoing interaction was required. In some instances, the private sector stepped in to fill public sector gaps, such as enhancing the reliability of electricity supply, providing waste management services and ensuring business safety.

It became evident that there were circumstances in which the private sector could not and should not wait for the public sector to deliver and either public-private partnerships were required, or the private sector should deliver on its own.

Resourcing

One of the criteria for participating in the IPR pilots was that metros were required to commit to Executive Management Team buy-in to the IPR Plans and to the alignment of these plans with their internal plans and budgets. A key message from the pilots was that the first stages in IPR needed to focus on "getting the basics right", which fell directly within the core service delivery mandates of the metros, and often broader public sector. This meant that IPR, in its initial stages, did not require new financing instruments but rather the mobilisation of existing instruments, primarily at metro levels.

However, once the basics are in place, the opportunity exists to take these spaces to the next level in terms of performance, resilience and competitiveness. The IPR pilot programme was successful in mobilising and formalising key technical assistance and financing partners for the metros through memorandums of understanding (MOUs). Metro resourcing partnerships were forged with:

- The dtic's IPRP in Babelegi, on capital investment and unblocking land-governance issues within state-owned industrial spaces.
- The dtic's NCPC and GEIPP-SA, with a specific focus on training metros in eco-industrial park planning and approaches and supporting energy security and efficiency in the Wadeville and Babelegi industrial parks.
- Productivity SA in all four metro pilots, supporting firm- and sector-level productivity improvement.
- The World Bank's Smart City initiatives around safer cities, within Babelegi through engagements on business safety with the private sector.
- The Department of Mineral Resources and Energy and GIZ, through the Supporting South Africa's Energy Transition (SAGEN-GET) and Energy Efficiency in Public Buildings and Infrastructure (EEPBIP) programmes.

Governance

As stated earlier the management of industrial spaces is often spread across different government departments and spheres, and transversal collaboration both within cities and between cities and other public sector role-players is essential. Therefore, a key part of the framework was to put in place institutional mechanisms that would enable coordination within the metro, among businesses and across broader stakeholder groupings – both public and private. Critical points of metro institutionalisation were:

- Three of the four metros adopted a formal Executive Management Team in their Industrial Space Revitalisation Plan.
- Metro transversal teams were set up, to be responsible for coordinating metro roles and responsibilities within the pilot industrial spaces and advocating the establishment of internal municipal service districts where feasible.
- Industry associations were established, to strengthen the level of engagement between the metro and industry where they had not existed previously or were defunct.
- Multi-stakeholder platforms were facilitated, and new management arrangements proposed where existing ones were not performing, such as management associations (non-profit companies).
- MOUs were signed between the metros and national agencies to secure ongoing and additional support for firms within these spaces.

METRO PERSPECTIVES ON WHAT WORKED/DIDN'T WORK

Below is a summary of feedback received from the four participating metros regarding their experiences of the CSP's Metro Industrial Space Revitalisation pilot programme. It should be acknowledged that the different metro contexts contributed to the range of experience presented.

STRENGTHS	WEAKNESSES
• A well-informed programme headed by knowledgeable individuals who brought global experience and understanding that is sometimes lacking at local level. • Relevant support that assisted the metro in conceptualising and putting in place an approach to industrial revitalisation. • Mobilisation of stakeholders at local, provincial, and national level. • Shift in approach to economic development and investment retention, as a result of understanding local businesses' challenges and opportunities, which enabled systematic development of responses. • Identification of the need for the city to develop a comprehensive IPR Strategy to be implemented in all of its industrial spaces. • Recognition that IPR is an economic priority and the development of the IPR strategy that identified interventions and institutional mechanisms to drive implementation. • The establishment of committees focused on fast-tracking service delivery in industrial parks and initiating collaborative projects. • The establishment of the IPR Forum in the City of Tshwane to resolve issues facing the industrial parks supported by the Tshwane Economic Development Agency, PSA and NCPC. The dtic is convening a Project Steering Committee for the industrial park revitalisation in Tshwane. • MOUs with national stakeholders such as the NCPC and PSA.	• Lack of senior management support for IPR as a cross-cutting issue and of buy-in from some of internal city sectoral stakeholders. • Delays in approvals and decisions related to the adoption of the IPR plan. In some cases, this was due to political instability. • Lack of trust from the business community. • Unrealistic expectations from various stakeholders. • The need for more work with local stakeholders. • The city's inability to commit because industrial parks are owned by North-West and Mpumalanga provincial government. • Lack of budget to implement the programme due to city financial problems. • The need to pull human resources from other departments, to support the economic development department, due to the vacant post of Deputy Director IPR (resigned three years ago).

OPPORTUNITIES	THREATS
• Unlocking of institutional issues holding back the performance of cross-border industrial spaces. • Finalising and approving the city institutional mechanisms to deliver on the programme. • Budgetary allocations to effectively implement the plan. • More local-level support in each city and industrial space. • IPR strategy approval that unlocks the institutionalisation of the IPR work.	• Too many competing issues and priorities based on what politicians emphasise – unfortunately, industrial revitalisation is not on the political agenda. • The lack of an internal programme sponsor who was politically connected, such as a Deputy City Manager or similar high-level champion. • Political interference in project budget allocation in some metros e.g. City PEP.

LESSONS LEARNT

A resounding message from the metro industrial space revitalisation pilots was that many of the reasons for these spaces underperforming lie directly at the door of the public sector. In addition to the metro feedback, the lessons draw on the broader experience of the dtic-led industrial space revitalisation programmes in South Africa,[4] based on the respective targeting of city and state-owned industrial spaces.

Commit to transversal collaboration

The responsibility for managing industrial spaces is spread across the metros and indeed all spheres of government, and so transversal collaboration is crucial for well-governed and optimally performing industrial parks. Metro transversal and site-specific IPR teams can result in a quick turnaround in basic service delivery and urban management. The collaborative and practical approach adopted by the CSP technical assistance team and their counterparts within the dtic, NCPC, GEIPP and the PSA contributed to a growing shared understanding of, and approach to, industrial space revitalisation in the country. A small team of like-minded individuals within these national agencies worked closely together, involving each other in their respective programmes – in both policy formulation and programme design and implementation – and slowly building trust and consensus. This culminated in a presentation to the Economic Development Coordinating Forum (EDCF) 10 × 10[5] co-chaired by the dtic and National Treasury in March 2023 and a joint Industrial Park Revitalisation Summit co-hosted by the dtic and National Treasury on 20–21 April 2023 and financed by SECO where the EDCF 10 × 10 resolutions were endorsed. (see Recommendations section).

Recognise the economic importance of city industrial spaces

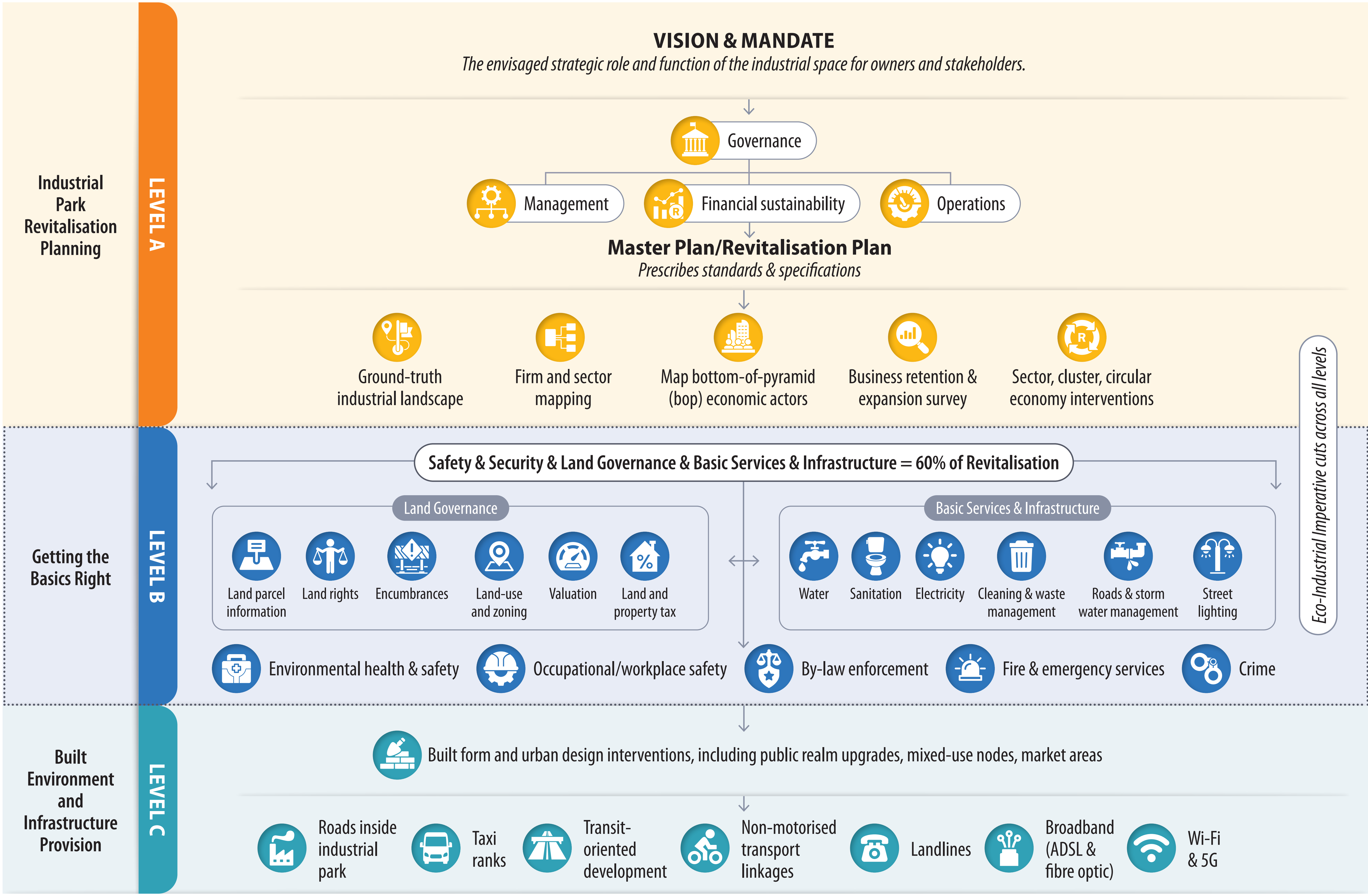
Many city industrial spaces perform broader national and regional economic development roles – beyond their city geographical boundaries. Viewing them as strategic national economic assets should inform the way they are managed and supported. Furthermore, city priorities should acknowledge the financial and broader economic contribution of industrial spaces, which often contain large numbers of firms from diverse sectors, making them significant contributors to metro revenues. The political prioritisation of city industrial space revitalisation is required to unlock the necessary resources.

Build capacity and institutional models to manage industrial spaces

Unmanaged or badly managed industrial spaces are under-performing, and firms located in under-performing spaces battle to obtain insurance, raise capital or qualify for incentives. Even the substantial investment being made in state-owned industrial parks is not resulting in the required turnaround of these spaces. This is because many of these parks are managed by state entities that operate as property rental firms, not industrial park managers. For metros, the capacity to drive industrial space revitalisation varies, with the pace of implementation often directly linked to the commitment level and institutional influence of the project leads. The capacity to manage and revitalise industrial spaces needs to be developed, while peer-to-peer learning and exchanges between municipalities are important for sharing good practice and learning from the mistakes of others.

4 Some of which have been captured in the DPME review of the IPRP.
5 The EDCF 10 x10 includes heads of all provincial treasuries and departments of economic development.

FIGURE 8 Metro Industrial Space Revitalisation Framework



Acknowledgements

Tshwane, Jo'Burg, Ekurhuleni and Ethekwini, the private and civil society sector partners in each pilot site, Babelegi, Devland, Wadeville and Jacobs, national champions in the Department of Trade and Industry, National Cleaner Production Centre, Productivity SA and the Global Eco Industrial Park Programme, and AFMAS Solutions, the CSP's service provider who acted as the project lead and facilitator.

City industrial spaces have diverse land and urban governance arrangements. The main challenge is to ensure that these arrangements unlock the full economic potential of the space. A critical success factor in the governance of an industrial area or economic space is co-governance, which involves multiple stakeholders. Fit-for-purpose institutional models for strategic and operational management are needed for industrial parks. The Municipal Services District Model may be the most suitable management model for city industrial spaces and lends itself to partnerships with the private and civil society sectors.

Reinvest park revenue within industrial parks

Revenue generated from rental, rates and services is often not re-invested within the industrial space, resulting in decaying infrastructure and services, which affects the sustainability of the space. The lack of proper infrastructure maintenance results in tenants negotiating reduced rental rates or offsets when they do their own maintenance, while the vandalism of railway lines negatively affects the ease of transporting goods and services, which limits the opportunities for the industrial parks to attract both domestic and foreign investments.

Build relationships with neighbouring communities

Poor working relations with neighbouring communities pose a threat to the performance of industrial parks. Protests around poor service delivery in adjacent neighbourhoods tend to affect the performance of industrial parks through road closures and vandalism of park infrastructure. Job-shedding and poor maintenance within parks lowers the perceived value of such assets to the community and hence its commitment to protecting the assets. In some parks, the vandalism of infrastructure was due to the lack of community and park security and, in certain instances, results from employers being unable to pay salaries to their employees. Central to the revitalisation of industrial spaces is community engagement and buy-in to the value and need to protect these spaces.

Adopt a phased and integrated approach

In many instances key building blocks for industrial revitalisation are missing, such as sound land governance, reliable basic services, functioning infrastructure, effective institutional arrangements, and a safe and secure environment. Given a context of limited resources and competing demands, lynchpin interventions should focus on getting the basics right. Safety and security, services and infrastructure and land governance should account for 70% of revitalisation focus and effort, and firm and sector support for about 30%. The crowding-in of the effort and resources of a range of stakeholders into a targeted industrial park, allows for quicker action, provides proof of concept and builds stakeholder trust.

Customise IPR Plans to specific site needs

Each industrial park is different in terms of its location, firm and employee representation, performance, land and park governance, institutional arrangements, the quality of services and infrastructure, vulnerability and resilience, and relationship to neighbouring communities. There is no one-size-fits-all approach, and so IPR plans need to be based on a bottom-up engagement process with the users and neighbours of the space. Cross-border state-owned industrial parks (in Gauteng and the North West) have particular accountability and management challenges that are undermining their performance and need to be unblocked at a national level.

Furthermore, public sector actors in these spaces have persistent historic and current debt levels, which contribute to weak inter-governmental relations, and electricity debts contribute to unreliable electricity supply. These issues can only be unblocked through agreements collaboratively driven by National Treasury and the dtic among relevant stakeholders.

PRINCIPLES FOR A RE-DESIGNED NATIONAL IPR PROGRAMME

In April 2023, the partnering between National Treasury and the dtic in the roll-out of the metro IPR pilots culminated in a joint dtic and National Treasury Industrial Park Summit that took place to ratify the recommendations for a redesigned and joint national Industrial Park Revitalisation Programme (IPRP) that would be based on the following principles:

Principles

- Adopt a targeted spatial approach focused on specific industrial spaces that are large job contributors, are well located but are shedding jobs.
- Concentrate public sector efforts on existing industrial spaces, instead of creating new parks.
- Utilise an evidence-based approach to identify these spaces, using spatialised tax data that is now available for all municipalities and stakeholder engagement.
- Get the basics right, i.e., the fundamental building blocks of land governance, urban management, service delivery, business and community safety.
- Mainstream an eco-industrial park approach across all intervention sites.
- Develop integrated industrial space turnaround plans in consultation with public, private and civil society stakeholders.
- Provide integrated public sector support in the targeted spaces – the key actors are the municipalities, dtic, the dtic's agencies (NCPC, PSA, IDC, etc.), provincial investment agencies, provincial departments of economic development and community safety and SAPS, and donors.
- Set clear performance targets for job retention and expansion and clear timeframes for turnaround plans.
- Link capital investment directly to turnaround performance incentives.
- Convene an oversight committee to hold partners and metros to account, comprising the dtic, National Treasury, the Department of Performance, Monitoring and Evaluation, the Department of Cooperative Governance and Traditional Affairs, the South African Local Government Association and provincial investment agencies.
- Address/review economic incentives to attract new or retain existing investment (SEZ incentive to be unlocked).

Components of the IPRP for next five years

The three components of the dtic/National Treasury's re-focused IPRP are the following:

1 A City Industrial Space Revitalisation Programme

This programme is aimed at retaining and expanding jobs in cities (metros and intermediate cities), initially through prioritising five well-located, productive industrial spaces (publicly and/or privately owned) that are under-performing and shedding jobs for urgent intervention. The programme will focus on:

- Getting the basics right.
- Mainstreaming an eco-industrial approach.
- Encouraging SMME participation.
- Supporting industry clusters.
- Enhancing firm productivity and competitiveness.
- Exploring new financing and management mechanisms.

2 A Cross-Border State-Owned Industrial Parks Revitalisation Programme

The land governance issues that inhibit park performance need to be unlocked urgently through transferring state-owned land and infrastructure assets to the metros in whose boundaries the parks are located. A national task team led by the dtic and National Treasury will work with relevant provinces and metros to agree on solutions. Metros will facilitate the development of park turnaround plans with all relevant internal and external stakeholders (including public, private and civil society sectors) with clear actions and turnaround plans. Capital investment will be sourced to incentivise implementation of turnaround plans.

3 A District Industrial Space Revitalisation Programme

This programme is aimed at unlocking performance in five high-potential and well-located (such as near the country's borders) industrial spaces within districts. A district industrial space revitalisation support team should be set up to work with district and local municipalities to get the basics right in these spaces:

- Reliable and quality service delivery.
- Effective land governance and urban management.
- Business and community safety.
- Small business participation in these spaces.
- Incentivising capital investment through ensuring that the basics are in place.

This journey is far from over, but there is a sense of satisfaction that the four metro pilots have managed to catalyse change at both metro and national levels. If this change is sustained, then hopefully the desired impact will be realised, of productive, competitive, inclusive and sustainable urban industrial spaces that contribute to faster rates of national economic growth and recovery.

Case study

INDUSTRIAL SPACE REVITALISATION:
Area-Based Integrated and Transversal Planning for Key Economic Spaces

Developed by
The Cities Support Programme: National Treasury (CSP-NT)

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