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# **Patterns of territorial development and inequality from South Africa's periphery: evidence from the Free State Province**

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# Patterns of territorial development and inequality from South Africa's periphery: evidence from the Free State Province

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## **ABSTRACT**

The apartheid state had a direct impact on both territorial development and inequality in South Africa. The demise of apartheid coincided with economic globalisation and the establishment of the post-apartheid state, the intention of the latter being to promote development and address inequality. This paper assesses the successes and the failures in this regard over the past two decades. Its point of departure is a contextualisation of post-apartheid regional policies within the international context and in the midst of global economic change. The paper will then assess some of the key trends in development and inequality in the Free State Province over the past two decades. Consideration will be given to patterns of GDP growth and decline, sectoral growth and decline, job creation and decline, grant distribution, migration trends and a range of development indicators (HDI, the Gini-coefficient and people living in poverty) across the province (subregional differences/similarities will be mapped). The trends generally suggest that though fewer people are living in poverty and that development has increased, inequality has increased and there is an inability to participate in the mainstream economy. Essentially, we ask how peripheral areas in the developing world can address their vulnerability in the global village.

**Keywords:** Inter-regional inequality, regional development, South Africa, periphery, Free State

## 1. INTRODUCTION

Under apartheid (1948–1994), South Africa was largely isolated from the global village. From the 1950s, the South African economy was an inward-looking system with an emphasis on import substitution. This inward-looking economic approach was coupled with a rigid and race-based approach to spatial planning (Harrison & Todes, 2015). After democracy was established in the country in 1994, South African goods and services had access to world markets. South Africa likewise became accessible to the global economic environment. South Africa's reintroduction into the global village also had far-reaching implications for the peripheral areas of the country. The primary and secondary sectors (agriculture, mining and manufacturing) suffered the most significant impact. Historically, these were the sectors that provided jobs to the country's low-skilled workers and then especially in our case study area, the Free State Province. In addition to having to deal with the global economy, post-apartheid state policies also had to address the racial and spatial inequalities of the apartheid system. Government regulation as a means of addressing racial inequalities became a dominant feature of post-apartheid policy endeavours (Parnell & Crankshaw, 2013). In essence, government promulgated legislation to increase black people's participation in the economy (black economic empowerment and affirmative action), it increased labour regulations in key sectors of the economy, it addressed aspects of poor working environments (a prominent feature of the apartheid period), which included the introduction of minimum wages in key sectors of the economy, it introduced an extensive programme of social security (income safety nets for the aged and for children), it provided large sums of money to improve infrastructure access to marginalised population groups and it promoted security of tenure for the marginalised. In the process, so we argue, not much attention was however devoted to spatial inequalities.

This paper investigates changing patterns of economic development and inequality in a peripheral province. This investigation is set against the background of increased global connectedness and within an environment in which government is attempting to redress the racial inequalities associated with colonialism and apartheid. The focus is on the Free State Province. Even though the Mangaung Metropolitan Municipality is located in the province, it is still peripheral to the five main metropolitan areas (Cape Town, Ekurhuleni, eThekweni, Johannesburg and Tshwane). The province – in comparison with the other provinces – moreover has only limited areas of traditional land or what the international literature commonly refers to as *deep rural areas*. Consequently, the province has hardly benefitted from government's focus on rural development, which has concentrated on areas of traditional land. The Free State's rural areas mainly consist of commercial farming areas belonging to white commercial farmers. Essentially, we argue that continued spatial inequality in the Free State is the result not only of the risks associated with global markets and government's attempts to regulate specific aspects of racial redress (assuming that South Africa is flat) but also of the inability of local planning processes to generate change.

Against this background, the paper starts by providing some detail on the methods employed and the data used. Next, we discuss seven key issues associated with subregional or rural development that feature in the international literature. Later in the paper, development and inequality in the Free State over the past two decades are mirrored against these seven aspects. This is followed by an explication of the patterns of development and inequality in the Free State over the past twenty years. Finally, we make a number of concluding comments.

## 2. METHODS

The paper draws on three sets of data. National Census data are used frequently throughout the paper. Census data are available for 1991, 1996, 2001 and 2011. We also use economic data from Global Insight for 1996 and 2013 to support the Census data. Global Insight data are especially useful in that the Census data do not reflect subregional-level economic data. Third, we draw on a business survey conducted among 700 enterprises in the Free State Province in 2014. Essentially, our purpose is to interpret the data from the various data sets in order to understand both the basic trends and policy the responses that have contributed to regional inequality in the Free State. At the subregional level, we use data from the 19 local municipalities and one metropolitan area within the province.

### 3. LITERATURE REVIEW

According to Modrego and Berdegué (2015), there are three reasons why the study of territorial development and inequality is important. They argue that inequality between regions is an important indicator of overall inequality in a country, that place is important for individuals, households and communities and that risks of conflict may be associated with regional inequality. To these arguments may be added that the relationship between globalisation and increased regional inequalities have been well documented in the past two decades (Scott & Storper, 2003). Three factors seem to have contributed to increased regional inequalities: the dominant role of large corporations, a decline in the power of the nation state and the increasing role of regions as areas of economic significance (Smith, Rainnie, & Dunford, 2001). Within this context, Anríquez and Stamoulis (2007) stress the importance of dealing with rural concerns in attempting to address issues pertaining to poverty, inequality and food security. Yet, the outcomes of regional or rural development initiatives are mixed (Modrego & Berdegué, 2015). We have identified seven key issues pertaining to rural or regional development. We review these aspects so as to lay the foundation against which to mirror the South African case study. Though these seven themes by no means constitute an exhaustive list of issues pertaining to rural development, we do indeed consider them important within the South African context.

The history of regional development suggests that very few regions have managed to change their historical pathways (Ospina & Hollenstein, 2015) and that many are caught in the structural histories (Modrego & Berdegué, 2015) from which it is difficult to escape. Despite this reality, regional development policies seldom consider these historical pathways. For example, Berdegué et al. (2015), in assessing territorial development in Latin America, argue that *“the majority of rural development policies are designed as if territories were flat, lacking a past and free of any deeply rooted constraint”*.

Existing research tends to suggest that continued support for agriculture – more specifically the diversification of agriculture – and an emphasis on diversification of rural economies are prerequisites for appropriate rural development strategies (Rodríguez-Pose & Hardy, 2015). The importance of rural non-farm industries is commonly stressed (Reardon, 1997; Lanjouw, 1999). Improved agricultural productivity also assists towards ensuring rural-urban linkages through both forward and backward economic linkages between agricultural and non-agricultural economies (Anríquez & Stamoulis, 2007). In addition, it has been recorded that improved agricultural production has also contributed to productivity in the non-farm sector (Mukherjee & Kuroda, 2002).

Though decentralisation has become conventional wisdom in many parts of the world, its influence on regional development has been rather mixed. Evidence does however suggest that decentralisation is closely associated with increased regional inequality in developing regions (Rodríguez-Pose & Ezcurra, 2010). One of the key concerns associated with decentralisation is local institutional capacity. Increasing pressure because of globalisation leaves some regions with limited choices, in spite of their having decentralised governance (Berdegué, Escobal, & Bebbington, 2015). Another issue is that decentralisation often occurs without the financial means to ensure local-level responses (Muldoon-Smith & Greenhalgh, 2015). Local responses associated with improving institutional competency have been an important point in driving regional development. Rodríguez-Pose and Hardy (2015) furthermore found that territorial development approaches – in that they ensured local participation by multiple stakeholders and effective coordination – have had the best chance of success.

The role of improved infrastructure in territorial development is commonly mentioned as a catalyst for addressing regional inequalities (Filipović & Njegovan, 2014). The provision of health, education and public infrastructure seem all to contribute to rural development. In some cases, the spatial targeting of education contributes positively to development (Rambla, 2006). Yet, Rodríguez-Pose and Hardy (2015) warn that infrastructure can also prove to be a “double-edged sword” for peripheral localities. Too large an emphasis on local infrastructure might ignore the importance for rural areas of connectivity. There is also evidence to suggest that localised infrastructure disproportionately benefits the higher income groups (Pianto, Tannuri-Pianto, Arias, & Sanfeliu, 2005). More specifically, infrastructure that improves rural-

urban linkages is considered more important than infrastructure which links smaller urban units with large urban areas (Start, 2001). The latter scenario has the consequence of increasing market access for urban dominant firms in rural areas. More recently, the importance of social infrastructure has also featured as a key determinant of infrastructure development in rural areas (Atkociuniene & Kiausiene, 2014).

The international literature on the topic emphasises the importance of urban-rural linkages for regional development (OECD, 2010). Berdegúe et al. (2015) point to the fact that urban centres in Chile and Colombia can have a positive role to play in regional development, while this is not true of areas that do not have regional centres. More specifically these authors maintain that “[T]he presence of a city in a rural-urban territory is associated with more economic growth in Chile and Colombia and to greater reductions of poverty in all three countries” (Berdegúe, Carriazo, Jara, Modrego, & Soloaga, 2015, p. 58).

We have already alluded to the fact that greater exposure to and links with the international context have brought opportunities but that they have also increased risks to peripheral areas. Local firms are often unable to compete with the new businesses that penetrate peripheral areas through improved connectivity (Reardon & Timmer, 2007). There is also a line of thinking that suggests that the increased global risks and vulnerabilities involved make it virtually impossible for peripheral areas to deal with concerns of regional inequality (Abdullah, Doucouliagos, & Manning, 2015). Yet, within this context, regions have become prominent entities in countering the negative impacts of globalisation.

There is significant international debate on issues pertaining to spatial targeting versus space-blind policies (Bentley & Pugalís, 2014; Barca, McCann, & Rodríguez-Pose, 2012). The World Bank (2009) has been vocal in its support of place-blind policies. The main argument is that market forces should determine where investments are to be made. It is further argued that governments seldom have the capacity to project such investments in advance. In contrast, Rodríguez and Hardy (2015) point out that there is a shift towards replacing place-neutral approaches with territorial approaches. According to this view, place-neutral policies have contributed to rural-urban disparities over the past two decades (Rodríguez-Pose & Hardy, 2015).

Later in the paper, the seven aspects just discussed are used to gauge regional development and inequality in the Free State Province of South Africa.

#### **4. SETTLEMENT PATTERNS, GEOGRAPHY AND MIGRATION**

A detailed overview of subregional development and inequality in the Free State is preceded by an overview of the settlement structure and migration trends.

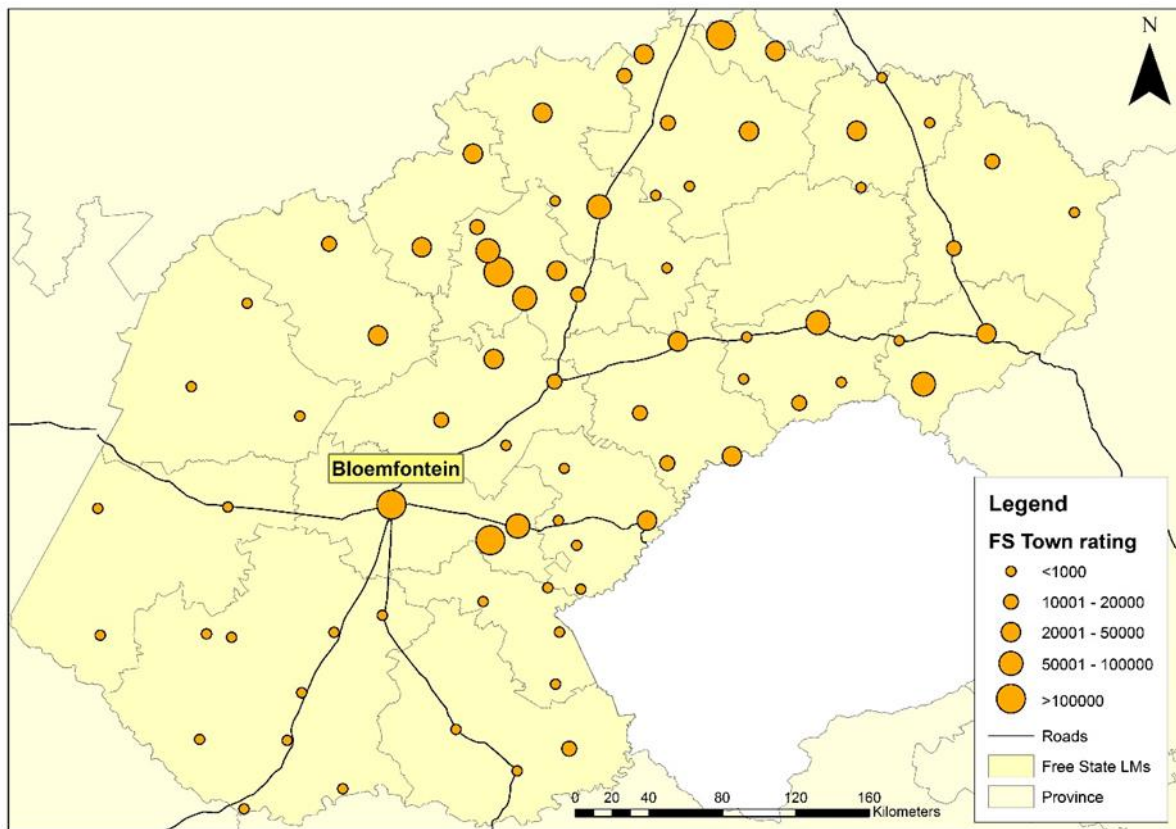
##### **4.1 The settlement structure**

As regards settlement structure, the Free State can be divided into 74 urban areas with mainly commercial farming areas filling the spaces between the urban entities. Also, there are two areas that fall under the jurisdiction of tribal authorities, areas that can be described as being deep rural. These urban and rural settlements are distributed across 20 municipal areas (see Figure 1).

We have categorised the urban areas in five categories:

- Urban areas with fewer than 10 000 citizens (37 towns)
- Urban areas with between 10 000 and 19 999 citizens (14 towns)
- Urban areas with between 20 000 and 49 999 citizens (13 towns)
- Urban areas with between 50 000 and 99 999 citizens (6 towns)
- Urban areas with 100 000 or more citizens (four large urban areas – including one metropolitan area)

**Figure 1: Settlement structure of the Free State province**



Many towns developed as regional services centres. These centres provided trading space, access to education and health and financial services to the surrounding commercial farming areas. A number of factors have been responsible for growth in the four main large urban areas. While Bloemfontein is the provincial capital, Botshabelo owes its population of nearly 180 000 people to displaced urbanisation under apartheid planning. (Both cities now form part of the Mangaung Metropolitan Municipality.) Effectively, Botshabelo is a distinct economic extension of Bloemfontein. The metro's growth is related to its status as provincial capital, the fact that it hosts two universities and has an expanding role as regional services centre for large parts of the province (Marais, Van Rooyen, Lenka, & Cloete, 2014). The growth in Sasolburg (located in Metsimaholo Local Municipality) is associated with the historical location of SASOL. (Initially a state corporation linked to South Africa's attempt to generate fuel from coal under the apartheid regime, SASOL has more recently become an international energy and chemical company.) Over the past twenty years, SASOL has been privatised and has become a global leader in energy production. The town of Sasolburg has benefitted substantially from this process. Finally, mining is the main reason for the size of Welkom (in Matjhabeng Local Municipality). Reference will be made to these places in the rest of our discussion.

This has now resulted in a sharp coastalisation of Africa development, source of significant territorial inequalities. These territorial inequalities generate enormous consequences like the demographic changeover of African populations in favor of these coastal areas. The new geography of Africa is a geographical imbalance that aggravates spatial inequalities for which alternatives solutions should be considered from a strong development programme.



## 4.2 Urbanisation

Marais and Pelsler (2006) assessed post-apartheid migration patterns in the Free State. We build on this earlier assessment by including data from the 2011 Census (see Table 1).

**Table 1: Population changes for urban and rural areas in the Free State, 1991–2011**

Area	1991	1996	2001	2011
Total urban <sup>1</sup>	1 655 566	1 902 007	2 048 846	234 4221
% urban	63.7	70.5	75.7	85.4
Rural: commercial farms	630 537	520 465	399 177	203 902
% commercial farms	24.3	19.3	14.7	7.4
Rural communal land (deep rural)	312 320	273 778	258 809	197 166
% rural communal land	12.0	10.2	9.6	7.2
Total for the province	1 598 423	2 696 250	2 706 832	2 745 289
Total urban (annual growth rate since previous period)	n.a	2.8	0.8	1.4
Total urban (annual rate of decline since previous period)	n.a	-3.8	-2.6	-6.5
Total urban (annual rate of decline since previous period)	n.a	-2.6	-6	-2.7
Total for the province (annual growth rate since previous period)	n.a	0.7	0.4	0.1

Source: Marais & Pelsler, 2006

As has already been outlined by Marais and Pelsler (2006), the percentage of the urban population increased steadily after 1991 and by 2011, 85% of the population of the province was living in urban settlements (even if a large percentage of these happened to be living in small towns). Population declines were furthermore recorded for the commercial farming<sup>2</sup> and communal land areas. Interestingly enough, the population in commercial farming areas declined by 6.5% between 2001 and 2011. Two main reasons are thought to have contributed to these patterns. First, South Africa's policy of opening its economy to the global economy after apartheid not only brought the commercial farmers in direct competition with imports from across the globe but also opened world markets to South African farmers (Marais L. , 2006). Increased global competition resulted in mechanisation. Mechanisation indirectly led to the rise of larger farming units and to the fact that there was less manual labour. As a result, the number of employment opportunities for low-skilled farm workers declined rapidly over the past two decades. Migration to urban areas (including the small towns) was the most prominent option open to farm workers who had lost their jobs. Secondly, the decrease in the numbers of people residing on commercial farms is likewise attributable to the unintended consequences of government policies. Historically, farm workers only enjoyed limited security of tenure on commercial farms (Atkinson, 2007). In 1997, the post-apartheid government introduced the Extension of Security of Tenure Act to improve this situation. The Act made provision for farm workers to reside permanently on farms if they were older than 60 or had resided on the land for more than ten years or had become disabled while working for the landowners (Republic of South Africa, 1997). The Act however also had unintended consequences (Atkinson, 2007). The most prominent unintended consequence was that it contributed to increased levels of urbanisation. Farmers were unlikely to provide on-farm accommodation for those who had resided on the farms for a period of less than ten years (Hartwig & Marais, 2005). In fact, some farmers provided housing in nearby towns in order to avoid having to provide housing on the farms (Hartwig & Marais, 2005). Consequently, the problems were shifted onto the urban planning system of many Free State towns. Linked to security

<sup>1</sup> *Urban* is defined as areas that are dominated by the planning definition of urban land. In the South African context, the definition denotes areas in which township establishment has taken place (in legal terms, the land was designated as urban and not as farm land or communal land).

<sup>2</sup> Commercial farmers are mainly white farmers.

of tenure legislation, labour legislation was also tightened after 1994. Following a period of limited labour regulation under apartheid, government attempted to improve the basic conditions of employment and introduced a minimum wage. It appears that increased regulation has contributed to declining employment in agriculture, increased mechanisation and, as a consequence, high levels of urbanisation.

The population decline on communal land also requires some comment. Within the context of influx control, apartheid legislation was instrumental in channelling the urbanisation of black people away from the core urban areas (Platzky & Walker, 1985). In the Free State, the black population was channelled to areas of displaced urbanisation such as Botshabelo, Thaba Nchu and Qwaqwa. Although Botshabelo did not have any communal landownership, large sections of Thaba Nchu and Qwaqwa were governed by traditional authorities. Table 1 suggests that approximately 115 000 fewer people were residing on communal land in 2011 than had been the case in 1991. The abolition of influx control in 1985 and the disbandment of the policy of orderly urbanisation in the early 1990s 'normalised' the situation. Large numbers of people have consequently also left the areas to which they had been channelled under apartheid. The same trend is also visible in respect of Botshabelo where the population has remained stagnant since 1991 (Marais L. , Ntema, Rani, & Cloete, 2016).

## **5. PATTERNS OF GROWTH AND INEQUALITY IN THE FREE STATE**

In this section, we shift our emphasis to an understanding of the economy and of employment. Essentially, we gauge patterns of economic development and employment creation. More specifically, we focus on those areas that have grown in economic and employment terms and find the reasons for these growth trends. At the outset, it should be mentioned that the Free State's contribution to the national economy decreased from 5.81% in 1996 to 4.90% in 2013. These figures largely suggest that other regions have grown much faster than the Free State. Table 2 and Table 3 provide key statistics with regard to economic change, development and inequality in the Free State.

**Table 2: Employment, population and GVA growth linked to the share of the economy per municipal area in the Free State, 1996–2013**

Municipality	Employment growth and decline, 2001 and 2011	Population growth and decline, 2001 and 2011	% GVA growth, 1996–2013	Share of economy 1996	Share of economy 2013
Letsemeng (intensive agriculture and diamond mining)	-1 794	-4 219	68.6	0.84	0.99
Kopanong (extensive agriculture)	-834	-6 908	41.8	1.13	1.11
Mohokare (extensive agriculture)	-508	-2 175	35.4	0.63	0.60
Naledi (extensive agriculture)	-1 004	-3 165	25.9	0.36	0.32
Masilonyana (extensive agriculture and gold mining)	-3 453	-1 075	-9.2	1.88	1.19
Tokologo (extensive agriculture)	-2 035	-3 469	21.9	0.31	0.27
Tswelopele (extensive agriculture)	-1 728	-6 089	17.8	1.06	0.87
Matjhabeng (extensive and intensive agriculture and gold mining)	3 544 <sup>3</sup>	-1 709	-14.7	22.89	13.61
Nala (extensive and intensive agriculture)	-1 820	-17 044	32.6	1.54	1.43
Setsoto (extensive and intensive agriculture)	-5 071	-10 597	28.1	2.41	2.15
Dihlabeng (extensive and intensive agriculture)	2 797	-634	33.9	3.87	3.61
Nketoana (extensive and intensive agriculture)	1 322	-1 627	23.9	1.21	1.04
Maluti-a-Phofung (traditional area, extensive and intensive agriculture)	3 175	-24 765	30.6	5.84	5.32
Phumelela (extensive and intensive agriculture)	-176	-4 156	13.7	0.80	0.63
Mantsopa (extensive and intensive agriculture)	-905	-4 286	34.1	1.14	1.07
Moqhaka (extensive and intensive agriculture and diamond mining)	-6 419	-7 360	64.1	6.84	7.82
Ngwathe (extensive and intensive agriculture)	3 516	1 710	39.1	2.45	2.38
Metsimaholo (extensive and intensive agriculture, petrochemical hub and coal mining)	12 389	33 153	131.9	14.08	22.77
Mafube (extensive and intensive agriculture)	2 540	1 239	26.4	1.17	1.04
Mangaung (extensive and intensive agriculture, provincial capital)	53 363	101 991	54.4	29.5	31.8
Free State	56 899	38 815	43.4		

Sources: StatsSA (2013) for population and employment figures; Global Insight (2014) for GVA growth and economic share

Five important points emerge in respect of the above table. First, only four municipalities increased their share of the Free State's economy between 1996 and 2013. Whereas Mangaung (the largest economy in the Free State) increased its share from 29.5% to 31.8%, Metsimaholo (the third largest economy in 1996 and the second largest economy in 2013) increased its share from 14.08 to 22.7. Two smaller

<sup>3</sup> This follows a period of rapid employment and population decline between 1996 and 2011 (cf. Marais, 2013).

municipalities that increased their share of the Free State's economy were Letsemeng (diamond-mining town and limited intensive agricultural practices) and Moghaka (regional services centre based on intensive and extensive agriculture with some diamond mining). Second, two municipalities (Matjhabeng and Masilonyana) experienced economic decline – both historically linked to gold mining (Marais L., 2013a). Only four municipalities experienced population growth (Metsimaholo, Mangaung, Mafube and Ngwathe) and this growth in Metsimaholo and Mangaung was closely associated with increased economic growth. With the exception of Mangaung, these municipalities are all located in the northern parts of the province. Perhaps this suggests some migration towards municipalities in the north. Fourth, in only seven municipalities there was an increase in the number of people employed between 2001 and 2011. Four of these seven municipalities happen to be places in which population growth was reported (Metsimaholo, Mangaung, Mafube and Ngwathe). Three other places (Matjhabeng, Nketoana and Maluti-a-Phofung), though having experienced negative population growth, nevertheless experienced positive employment growth. Matjhabeng's case should be understood in terms of the fact that between 1990 and 2001, mine employment declined by about 100 000. Finally, reflections from mining areas suggest that some of the most volatile indicators are associated with such municipalities.

Before we consider inequality and poverty indicators, some reference should be made to employment and unemployment. We have already referred to the fact that employment in the province decreased between 1996 and 2011. Some increase was recorded between 2001 and 2011 but, as we have indicated, this increase in employment was largely experienced in Mangaung and Metsimaholo amid the decline experienced in 16 of the 20 municipal areas. (Table 3 further investigates the issues of unemployment and development.)

The highest household income increases were recorded in Mangaung and Metsimaholo. These two municipal areas also had the highest GDP per capita and the highest HDI ratings (and the highest increases in terms of people employed). However, the highest levels of inequality were also recorded in these two areas. The growth in Mangaung happened to be closely associated with an increasing regional functional role, the growth in student numbers at the two universities and with the fact that Bloemfontein is the provincial capital of the Free State. In Metsimaholo, the privatisation of SASOL and the exponential growth of SASOL from a coal to a petrol firm that included a wide range of business activities were central to this economic growth. The growth in both areas is however largely based on their roles in the knowledge economy.

**Table 3: Household income, unemployment, Gini-coefficient, HDI and GDP per capita per municipal areas in the Free State, 1996–2013**

Municipality	Absolute number increase in household income, 2001 and 2011 (ZAR)	Unemployment rate	Gini-coefficient		HDI		GDP per capita (2005 values)	
			1996	2013	1996	2013	1996	2013
Letsemeng	32 789	22.2 (32.6)	0.58	0.58	0.49	0.58	16 903	24 802
Kopanong	41 508	27.3 (36.0)	0.55	0.57	0.50	0.57	15 099	21 772
Mohokare	37 509	31.9 (40.4)	0.53	0.59	0.46	0.56	11 861	17 123
Naledi	28 558	26.7 (42.9)	0.54	0.59	0.48	0.56	9 938	17 123
Masilonyana	29 709	39.1 (47.1)	0.52	0.57	0.49	0.55	18 074	17 756
Tokologo	17 581	27.7 (34.7)	0.56	0.58	0.45	0.56	8 230	9 419
Tswelopele	38 138	35.1 (44.1)	0.56	0.58	0.47	0.55	13 429	18 543
Matjhabeng	40 742	37.3 (42.1)	0.56	0.61	0.57	0.63	30 380	31 407
Nala	34 168	36.3 (46.5)	0.56	0.58	0.50	0.56	12 327	17 449
Setsoto	31 091	36.1 (45.0)	0.56	0.59	0.50	0.58	14 229	18 543
Dihlabeng	47 068	29.1(35.7)	0.58	0.60	0.55	0.62	23 755	26 573
Nketoana	37 449	30.8 (40.3)	0.54	0.58	0.47	0.57	12 541	16 819
Maluti-a-Phofung	22 709	42.1 (51.9)	0.55	0.55	0.52	0.57	10 874	15 423
Phumelela	33 072	25.7 (39.2)	0.53	0.56	0.45	0.56	11 330	12 839
Mantsopa	33 929	29.5 (35.7)	0.55	0.59	0.52	0.60	15 206	20 266
Moqhaka	38 615	35.6 (39.9)	0.59	0.59	0.54	0.61	25 820	45 469
Ngwathe	33 594	35.5 (41.3)	0.54	0.59	0.52	0.59	13 814	18 860
Metsimaholo	58 548	32.4 (35.4)	0.56	0.62	0.63	0.65	95 508	152 522
Mafube	33 346	33.7 (43.0)	0.55	0.57	0.50	0.57	14 901	17 265
Mangaung	59 380	28.0 (32.3)	0.58	0.62	0.61	0.65	31 818	38 516
Free State	43 613	32.9 (39.2)	0.58	0.61	0.55	0.61	24 964	34 912

Sources: StatsSA (2013) for population and employment figures; Global Insight (2014) for GVA growth and economic share; the expanded definition of unemployment is provided within brackets

Now that we have highlighted the main trends from Table 3, we ask how these trends should be interpreted. The first important point is that the province's economy is increasingly being concentrated in two areas, namely Mangaung and Metismaholo. Mangaung is the Free State's capital, it hosts large numbers of staff employed in provincial and national state departments and is a well-known educational centre with prominent high schools and two universities (Marais, Van Rooyen, Lenka, & Cloete, 2014). Metismaholo owes its growth to growth in the knowledge-intensive South African petrochemical industry. Apparently, the economic growth is associated with population and employment growth. Both areas experienced considerable population and employment growth in the period between 2001 and 2011. The second main point is that despite their having experienced economic growth, employment and population nevertheless declined in the majority of the municipalities. Though the economy became more efficient, it failed to contribute to job creation in the majority of the municipalities. Increased globalisation both directly and indirectly resulted in job losses and migration. In the rest of the paper, we shall argue that these global pressures, coupled with government's intention to regulate significant parts of the economy, have to date served to increase problems of inequality in the Free State.

## 6. REFLECTIONS ON TERRITORIAL DEVELOPMENT WITHIN THE FREE STATE OVER THE PAST TWO DECADES

Whereas the above section profiled the changing trends in respect of regional development within the Free State Province, our focus now shifts to evaluating the relevant factors discussed in the literature review within the context of the Free State.

### 6.1 The historical pathways and change

The assessment of the data largely points to a continuation of historical pathways. However, there are also examples of historical pathways having come to an abrupt end or having changed over time. The Free State as political and subregional entity developed when colonial settlers moved across the Orange River in the early 1800s. This movement largely displaced existing populations in the area. According to Bernstein (1998, p. 1), dispossession under colonial rule in South Africa “... *was more extensive and systematic, more protracted, and probably more violent, than elsewhere in Africa*”. In 1854, the Orange Free State gained its independence as a republic. The South African War resulted in the British taking control of the area in 1900 and between 1902 and 1910, the area was known as the Orange River Colony. In 1910, the Orange Free State became one of four provinces of the Union of South Africa. In 1994, the Free State Province became one of nine provinces in a democratic South Africa.

Three examples of continued pathways should be mentioned. First, despite some changes (to be discussed below), the relationship between farming communities and their closest urban centres remains valid. The notion of a central place with a school, church and health facilities remains important – probably the more so in the case of low-skilled farm workers than that of commercial farmers. Yet, the province’s capital (Mangaung/Bloemfontein) has extended its regional services function to include larger parts of the province. A second continuation has been a sustained emphasis on maize, wool and meat. Agricultural diversification has been slow. Rather, innovation in respect of existing products (for example, genetically modified seeds to resist drought and also artificial insemination) has dominated change. A third continuation has been the fact that the farming fraternity remains dominated by white commercial farmers and then largely by the family farm (and not by agribusiness involved in farming). Despite much emphasis on land reform, the numbers of black commercial farmers or small-scale peasant farmers remain limited. The continued dominance of the family farm is closely related to the continuation of the mainstream agricultural products (mainly low-valued maize, meat and wool) as opposed to innovation. Fourth, the growth of Metsimaholo’s petrochemical industry builds on a historical functional role in this respect.

There have also been changes to some of the above pathways, some having been less pronounced than others. The first substantial changes were those in the agricultural production systems. Up to the early 1990s, commercial agriculture (dominated by white commercial farmers) was protected by the apartheid government (Bernstein, 1998). By 1995, however, the sector had been completely integrated into the global economy where it subsequently enjoyed little protection. The outcomes were mechanisation, increased farm sizes and an increase in shifts to mixed farming (so as to minimise risks). Although some diversification occurred (such as game farming), the main products still were maize, wool and meat. As a result, substantial losses occurred in employment in the agricultural sector. A second major pathway deviation came in terms of mine downscaling in Matjhabeng. Although the data do not reflect this, there were substantial job losses and also a population exodus in the area between 1996 and 2001 (Marais L., 2013a). A third change was that the relationship between farming communities and their closest urban areas also changed over time.

## **6.2 Diversification of agriculture and the non-farm economy**

Agriculture has historically been the backbone of the economy of the Free State so that, by the early 1980s, more than 20% of the Free State's economy was linked to agriculture. By 1996, this figure had dropped to 5.3% and by 2013, to 3.97%. Despite this proportional decline and the volatility in terms of agricultural output (essentially due to climate-related factors), agriculture has nevertheless managed to grown slowly over the past two decades. Because more than 40 000 jobs were lost in agriculture between 1996 and 2013, only four of the 20 municipalities managed to increase the number of people working in agriculture between 1996 and 2013. These municipalities were Naledi (44 more), Tokologo (about 400 more), Maluti-a-Phofung (about 400 more) and Phumela (about 500 more). As already noted, these declines are closely related to increased exposure to global markets, mechanisation and government policies (Atkinson, 2007). Furthermore, agriculture is dominated by maize and livestock (including wool). The lack of diversification in agriculture is probably the main reason for the decline in employment in the sector as farmers were generally looking to add efficiency gains to their production processes. In practice, this resulted in mechanisation and job losses in the sector.

A recent survey of farming enterprises suggests that farming is dominated by the family-farm model. More than 55% of interviewed farmers indicated that the respective farms had been in family hands for more than a generation (Centre for Development Support, 2015). Sheep, cattle and grain accounted for more than 70% of the farming activities of the farmers who were interviewed. Local and provincial markets absorbed nearly 80% of products being produced, while only 7% were destined for export. Commercial farmers identified the following key risks associated with their enterprises: uncertainty about land reform, increases in input costs, labour-related problems, insecurity on farms, crime, political antipathy towards commercial farmers, poor roads, climate change and veld fires.

Though commercial agriculture in the Free State is well established, pressures related to global warming and climate change could influence future agricultural practices in the province. Further agricultural diversification is unlikely in the short-to-medium term. The existing urban linkages associated with agriculture are well established.

## **6.3 Decentralisation, institutional buy-in, coordination and participation**

Under apartheid there was tight political control over spatial planning and more specifically over urban space (Harrison & Todes, 2015). This control came amid a system of local government and provincial administrations that focussed mainly on the white section of the population. Post-apartheid local government's first step was the creation of an integrated non-racial local government system. A number of factors influenced the decentralisation process and the application of developmental local government as envisaged at the end of the 1990s. On the one hand, South Africa is highly decentralised. The country is divided into eight metropolitan municipalities and 226 local municipalities. Local municipalities are further clustered into 44 district municipalities. The Free State has 19 local municipalities, one metropolitan municipality and four districts. The promulgation of the Municipal Systems Act (2000) made provision for developmental local government and local planning. The Act placed the need for local economic development at the core of local government's mandate. On the other hand, the history and current practices of the ruling party suggest a centralised approach. Councillors and mayors are appointed centrally by the party. The result is that patronage lies with the ruling party's elite rather than with the electorate. A range of national/centralised policy approaches has also rendered local innovation difficult. Two examples are centralised electricity provision (allowing only for small differences in terms of the cost of energy) and limited regional differences in respect of both labour legislation and minimum wages. In addition, local government is hampered by a lack of revenue and by poor governance, below-par financial management and corruption (Todes & Turok, 2015). If one couples the above reality with high levels of poverty, the outcomes are less than satisfactory. Intergovernmental finance transfers were implemented to deal with infrastructural inequalities and to provide subsidies for households unable to afford basic services. The outcome is that municipal bank accounts have become mere transit stations for intergovernmental transfers driven largely on the principle of addressing the existing infrastructural

inequalities created under apartheid. Whereas local plans and LED initiatives have been of poor quality (Harrison, 2006; Human, Marais, & Marais, 2008), there are only limited funds to support such initiatives.

Further to the poor local plans and the half-hearted attitudes toward decentralisation, some comment is required in respect of local buy-in, coordination and participation in local development planning processes. Local participation processes generally exclude commercial farmers and their farm workers who together constitute the backbone of many small-town economies. Local business participation has likewise been limited (Human, Marais, & Botes, 2009). Although plans have most often included the ideas of the local political elite and the constituencies they represent, it is not they who drive local economies. The result has been that the business and farming communities have most often been excluded from these processes. Harrison (2006) already alluded to poor coordination between different spheres of government.

The result of local planning processes has often been an inability to implement, lacking a common vision and experiencing difficulties in respect of finding budgets to support local plans. Linked to these has been poor coordination on the part of government. This state of affairs has not helped to promote regional development endeavours in the Free State. This has caused some scholars to conclude that *“the ambitious aim of developmental local government have been particularly difficult to realise”* (Todes & Turok, 2015, p. 27). Ironically, Harrison and Todes (2015) argue that it is the private sector and not the public sector that is shaping spatial change.

#### **6.4 The role of infrastructure**

Todes and Turok (2015, p. 27) note that though substantial improvements have been achieved in the provision of basic infrastructure, *“spatial inequalities remain a persistent problem both within and between municipalities”*. Evidence from the Free State Province suggests remarkable improvements in basic infrastructure. So, for example, the number of households with waterborne sanitation in the Free State increased from 280 000 to 560 000 between 1996 and 2011. The provision of these higher levels of infrastructure is generally evenly distributed across the various municipalities of the Free State.

There is scant evidence that the provision of basic infrastructure has assisted in reducing economic inequalities among the various municipalities. The Gini-coefficient has increased and employment has decreased in the vast majority of municipalities. Why then has the provision of this infrastructure not played a substantial role in terms of reducing inequalities and creating jobs? First, it should be noted that the substantial investment in basic infrastructure has not been accompanied by investments in roads infrastructure. The Free State Growth and Development Strategy noted that 60% of the roads in the province (national roads excluded) are in a poor or very poor condition. The second reason is that the extension of infrastructural services has not always been accompanied by effective service delivery. The current drought in southern Africa has left many towns without water and a business survey of Free State-based enterprises has noted that businesses had been without water for 15 days and without electricity for 12 days. IT services are an example of other productive infrastructure that has experienced low levels of investment.

#### **6.5 The importance of rural-urban linkages**

The literature has indicated that global influences tend to reduce the importance of rural-urban linkages. Historically, these linkages were well developed in the Free State and most small towns played crucial roles not only in respect of providing health and educational services but also of providing trading spaces to the commercial farming constituencies they served. More recently though, commercial farmers have tended to bypass the small settlements for these services, while small settlements' regional services functions have remained important especially to the needs of farm workers (Atkinson, 2007).

In economic terms, the linkages between farms and agribusiness have largely been filled according to evidence of a most recent enterprise survey undertaken in the Free State (Centre for Development Support, 2015). Agribusinesses are generally closely associated with local farmers' value chain. Yet,



according to the survey, the existing linkage between agribusinesses and farmers is at risk in terms of uncertainties associated with land reform, changing commercial patterns associated with increased game farming as opposed to both livestock and crop farming, exchange rate volatility, crime, unreliable power supply, lengthy (import-related) delays in South African harbours and poor road conditions (associated with market access).

## **6.6 Vulnerabilities associated with market shocks**

In our literature review we have already alluded to the risks associated with increased links to global markets and the shocks and vulnerabilities associated with agriculture were likewise earlier discussed. We now reflect on the vulnerabilities associated with mining and manufacturing.

Similar to agriculture, gold-mining was one of the cornerstones of the Free State's economy between the Second World War and the early 1990s. Since the early 1990s, considerable decline has however taken place and both Masilonyana and Matjhabeng have experienced considerable economic decline (Marais L., 2013a; Marais L., 2013b) as a direct result of resource depletion. Apart from this, increased regulation in respect of labour legislation, increased labour cost, the increased cost of electricity, the dangers of deep mining and the increased global linkages of mining companies have also contributed to mine downscaling and to job losses (Crankshaw, 2002).

Between 1996 and 2013, the Free State lost nearly 90 000 jobs in mining and further job losses are expected. In Matjhabeng, mine employment decreased from 180 000 in the mid 1980s to just below 100 000 in 1996 and to approximately 27 000 in 2013. The implications for Matjhabeng were devastating. The area lost approximately 80 000 inhabitants between 1996 and 2001 and also experienced population decline between 2001 and 2011. Despite population declines, informal settlement growth occurred (Marais L., 2013a). While a small percentage of former mine workers settled in informal settlements in the hope of obtaining new mining jobs, living-out allowances for existing mine workers also contributed to increased growth in informal settlements (Marais & Venter, 2006). The most serious problem associated with job losses in mining (as also in agriculture) is that employability outside mining is limited. Unemployment levels in Matjhabeng are therefore high.

As for manufacturing, Nel et al. (2006) have already indicated that much restructuring has taken place in this sector in the Free State Province. Smaller firms have closed down and manufacturing enterprises have tended to centralise to the larger urban complexes of the province. Employment figures for manufacturing for the period between 1996 and 2013 indicate rather small growth for the Free State. Over this period, 12 of the 20 municipal areas in fact saw growth in employment in manufacturing. One of the largest decreases was reported in Mangaung where especially the textile industry in Botshabelo struggled (Marais, Van Rooyen, Lenka, & Cloete, 2014; 2016). Approximately 3 000 people are however still employed in manufacturing in Botshabelo. On average, firms employ approximately 58 workers each and 49% of the enterprises have a turnover of more than R5m. Compared with manufacturing enterprises elsewhere in the South Africa, these are relatively small enterprises with limited turnovers. The manufacturing industry in the Free State is furthermore largely linked to the local economy. For example, in 2013, 33% of those employed in manufacturing were employed in the production of food products, a percentage that is 6% more than the 27% recorded in 1996. This reality suggests two important patterns in the Free State. Firstly, it means that the production of goods other than food has not grown and could in fact have declined. Secondly, it suggests a close link between agriculture and manufacturing. This regional market orientation is confirmed by data from the SME Monitor. According to industrialists, 81% of the product markets are within the province. It should also be noted that a significant percentage of manufacturing input originates from outside the province. Dependence on the farming community is confirmed by the fact that manufacturing enterprises indicated that just more than 40% of their production went to farming enterprises.

According to the SME Monitor, the five most prominent business risks associated with manufacturing included labour-related aspects and labour costs, services costs and supply, accessing raw materials, a decrease in government expenditure and crime. Electricity was also the service to be rated as the most

important by the manufacturing respondents. As already mentioned, government has introduced strict minimum wages while services costs and supply have been identified as the second most important concern. Concern regarding access to raw materials also confirms the local dependence on raw materials and the fact that it should be related to the interdependence with agriculture. Interestingly enough, issues such as cheap imports and volatility in the exchange rate were mentioned but figured fairly low down on the overall priority list – which confirms the province’s local market orientation. Slightly less than 20% (19.7%) of the enterprises in this sector indicated that their location provided some form of competitive advantage. This lower-than-average rating suggests that manufacturing enterprises in general are probably more inclined to seek alternative locations. Yet, responses to the question regarding relocations suggested quite the opposite: only 4.5% of the manufacturing enterprises were considering relocation, as compared with the 8.2% recorded for the Free State.

## 6.7 Spatial targeting

Todes and Turuk (2015, p. 28) are of the opinion that “[O]n the whole, post-apartheid spatial policies have shifted away from the ‘spatial rebalancing’ associated with apartheid to a combination of space-neutral and place-based policies”. Historically, spatial targeting in the province was directed at two areas: the Qwaqwa area in what is today known as Maluti-a-Phofung and Botshabelo that is today located in Mangaung (Marais, Nel, & Rogerson, 2005). These developments entailed large-scale industrial stands earmarked for light industries and dominated by the clothing and textile sector (Marais, Van Rooyen, Lenka, & Cloete, 2014). A large number of these industries were owned by Taiwanese business people and hefty government subsidies largely maintained the production processes under the apartheid government. The advent of a democratic dispensation saw the phasing out of these subsidies accompanied by substantial job losses in the two areas (Marais, et al., 2005; 2016). Attempts by the Mangaung Metropolitan Municipality to find funds from national treasury for extensive industrial development within its boundaries have not been successful (Marais, Van Rooyen, Lenka, & Cloete, 2014).

## 7. CONCLUSION

This paper has described the subregional changes that have taken place in the Free State, a peripheral province of South Africa. Economic trends suggest that there is an increasing centralisation of economic activity in the province’s two main urban areas, that job losses occur despite economic growth and that its economy is being transformed from one dominated by the primary sector to a tertiary sector economy. At the social level, unemployment has risen and inequality is substantially higher even though the Human Development Index has improved over the past two decades. Both the direct and the unintended consequences of government policies have helped shape the Free State’s spatial economy since the demise of apartheid. The opening up of South Africa to the global markets in agriculture has forced farmers to mechanise, this having resulted in job losses in agriculture. Tighter labour regulations have had the same result. In mining, the diminishing presence of gold, tighter labour legislation and increasing linkages with international mining firms have all contributed to job losses. Although some centralisation has occurred over the past 20 years, manufacturing is still largely linked to the local economy.

Within this context, government has initiated a number of attempts at regulating the economy and at addressing inherent inequalities. This approach within the context of increasing globalisation has had very little impact on addressing regional development outside the two main urban agglomerations of the Free State. Although substantial gains have been achieved in terms of basic infrastructure provision, providing economic infrastructure to support urban-rural linkages has been neglected. The half-hearted approach towards decentralisation, the lack of spatial targeting, limited capacity and the below-par coordination of government investment have exacerbated rather than ameliorated regional inequalities. A long-term dependence on the family farm and the inability of the farming sector to shift to higher-valued products have further contributed to these patterns.

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