

# **SPATIAL DEVELOPMENT INITIATIVES IN SOUTH AFRICA**

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## **PURPOSE**

The purpose of this paper is to :

- define Spatial Development Initiatives (SDIs), their objectives and guiding principles
- briefly describe the key characteristics of 5 of the ten SDIs
- indicate what role Transnet is playing in supporting these SDIs
- outline the process that is being followed to plan and implement SDIs and
- conclude with some concerns with the procedural and substantive aspects of the planning processes for SDIs.

## **INTRODUCTION**

Spatial Development Initiatives (SDIs) are government programmes to encourage investment and job creation in untapped areas with high growth potential. They are part of new perspectives in planning at regional and metropolitan level.

SDIs are usually linked to one or more natural resources such as minerals, agriculture, energy, tourism or forestry which act as an anchor and stimulus for the development.

Private sector investment and public sector resources such as property and funding may be mobilised to implement development projects in rural or urban localities with great need and under-utilised potential. SDIs provide a means of implementing the Growth, Employment and Redistribution (GEAR) macro-economic strategy by growing the economy, creating jobs and restructuring ownership in South Africa.

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<sup>1</sup> Views expressed in this paper are my own and do not reflect those of Transnet.

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## CONTENTS

1. INTRODUCTION
2. PURPOSE
3. BACKGROUND
  - 3.1 Business Development
  - 3.2 Policy of Business Development
  - 3.3 Functions of Business Development
  - 3.4 Concept of Privatization
  - 3.5 Development Potential
4. PROBLEMS
  - 4.1 The scale of development
  - 4.2 Lack of experience and expertise
  - 4.3 Delegation
  - 4.4 Communication
  - 4.5 Co-ordination
  - 4.6 Adjudication
5. PROGRESS
  - 5.1 The Burggraaff Committee's report
  - 5.2 Site two, Cape Town
  - 5.3 East London C.B.D.
  - 5.4 Kempton Park C.B.D.
  - 5.5 Johannesburg Station complex
  - 5.6 Victoria Embankment and Point area, Durban
  - 5.7 Germiston station re-development
  - 5.8 Residential townships for SATS
6. PREDICTIONS
7. ACKNOWLEDGEMENTS
8. ANNEXURE

## **THE OBJECTIVES OF SDIs**

The key objectives of SDIs are to :

- Generate sustainable economic growth and development in relatively under-developed areas, according to the inherent economic potential of the locality.
- Generate long term and sustainable employment for the local inhabitants of the SDI area<sup>1</sup> and for the nation in general.
- Maximise the extent to which private sector investment and lending can be mobilised into the SDI area. This has the added benefit of lessening the already unachievable demands on the government fiscus for the implementation of much-needed development projects.
- Exploit the spin-off opportunities that arise from this crowding-in of private and public sector investments
- Exploit the under-utilised locational and economic advantages for export-orientated growth of the SDI's. In terms of this objective, government is paying specific attention to an effective package of supply side measures, a revamp of the regulatory framework to facilitate export strategy, trade treaties, and the restructuring of major import conditions.<sup>2</sup>

## **TYPES OF SDIs**

There are several types of SDIs :

1. Regional Industrial SDIs (e.g. Southern Kwa-zulu Natal from Richards Bay to Durban / Pietersburg).
2. Agri-Tourism SDIs (e.g. the Wild Coast and Lubombo).

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<sup>2</sup> P. Jourdan, K. Gordhan et al, pp 2 and 3.

3. Mixed industrial and agri-tourism SDIs (e.g. the Maputo Development Corridor).
4. Focused Industrial Development Areas (e.g. the Industrial Development Zones (IDZ's) such as in the Gauteng SDI or at Coega in the Eastern Cape, local industrial parks (LIP's) and development nodes.
5. Metropolitan Corridors (e.g. the Cape Town corridor from Phillipi to Wynberg).<sup>3</sup>

The drivers and co-ordinators of these SDIs are either employed by the Department of Trade and Industry, or are specialists who have been seconded to the Department by the Development Bank of SA. Representatives from government departments, public enterprises, local authorities and non-governmental organisations are also key players in planning and project realisation processes. For example, project managers regularly convene workshops with stakeholders to co-ordinate and plan actions.<sup>4</sup>

Industrial Development Zones (IDZs) are key components of the SDI programme. A draft Development Zone enabling Bill was presented to Cabinet on July 1. A National Development Zone Authority (NDZA) will be responsible for the regulation, facilitation and administration of the IDZs. Each IDZ will have a local NDZA office staffed by core personnel to carry out the regulatory and approval process. The development and management of the zones will be undertaken by the private sector but where the Zone Development Corporation has a public sector shareholding, it will develop concessions with private developers for the construction and operation of the zone.<sup>5</sup>

All labour legislation will apply to these zones and expedited dispute resolution mechanisms and human resource development facilities will be offered at a local level. The proposed legislation contemplates that 5% of the total work force of an enterprise may comprise of foreign workers. International best practice environmental standards will apply to maintain both SA's natural environment and to facilitate enterprises meeting international standards necessary for easy access to work markets.

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<sup>3</sup> Ibid, p 2

<sup>4</sup> K Mahony, DBSA : Interview August 1998

<sup>5</sup> www.sdi.org.za: SDI Programme Update, July 1998.

Incentives proposed are duty free imports of capital goods, inputs and specialised support equipment, capital and profit repatriation mechanisms, VAT exemption when accessing local raw materials inputs and services for export.

New investments into an IDZ will benefit from world-class infrastructure, local and cost advantages, as well as existing fiscal incentives, linkages with the local market, expedited customs procedures, a single stop regulatory authority and innovative human resource utilisation and labour relations partnerships. The designation of a zone will be within a defined geographic area or enclosed controlled duty free area, close to a port or airport.

Feasibility studies for IDZs are being conducted around the ports of Richards Bay, Saldanha and East London. Plans for an IDZ in the proposed new Coega port are most advanced with technical preparations for land acquisition and port construction being finalised.<sup>6</sup>

### **Key principles for the implementation of SDIs** <sup>7</sup>

- **The “ crowding-in ” of investment and resources**

Public and private sector investment and resources are mobilised around key infrastructure projects. Such projects in the SDI are supplemented by various capacity building SMME development and local economic development projects.

Economic spin-offs and multipliers ; the harnessing of upstream and downstream potential and the transformation of existing (subsistence) processes to more effective production systems are all potential benefits arising from the “ crowding-in ” of resources and investments.

- **Effective utilisation of inherent economic potential to ensure sustainability**

The identification of the extent and nature of unutilised and under-utilised economic development potential is the basis both for converting comparative advantages to competitive advantages and to effectively utilise inherent potential.

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<sup>6</sup> Ibid.

<sup>7</sup> Based on Jourdan et al, January 1997, pp 3 to 6

- **Commitment to the process between all levels of government and their departments**

This commitment ensures integration of effort and resources, a more focused planning approach as well as speedier implementation of projects.

- **A focused planning process to generate momentum**

Impact and momentum need to be generated and sustained by a focused planning process which is driven at a quick pace. Technical expertise has and will be mobilised from both the public and private sector to back up this type of planning process.

- **Private sector investment in the SDI**

A partnership between the public and private sectors combines the (often unutilised) resources of the public sector with the expertise (e.g. risk and project management, marketing and business strategy) in a synergy which improves efficiency.

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### **THE TEN SDIs**

There are ten SDIs in South Africa at present, and they are:

Gauteng,  
Maputo Corridor,  
Fish River,  
Lubombo,  
Richards Bay,  
Wild Coast,  
West Coast,  
Coast 2 Coast,  
Platinum and  
Phalaborwa SDIs.

Refer to Illustration 1.

Key aspects of five of these SDIs, as well as an indication of Transnet's role in each case, are set out below.

## 1. GAUTENG SDI

The Gauteng SDI is the latest SDI, also referred to as the first of the Second Generation SDIs, to be added to the list and has an industrial and manufacturing focus. The CSIR's report <sup>8</sup> identifies four development areas or economic zones in Gauteng, viz Johannesburg International airport ; Alrode ; City Deep and Rosslyn. Refer to Illustration 2.

Gauteng controls 40% of S.A.'s gross domestic product and therefore existing industrial and manufacturing zones in Gauteng need to maintain their competitive advantage as globalisation takes its toll. These zones need to be strengthened by upgrading infrastructure which will facilitate more rapid movement of goods locally and internationally, for example. It has become critical that the existing industrial manufacturing economic zones continue to provide sustainable jobs, and not follow job loss trends in the highly populated Gauteng conurbation. <sup>9</sup>

Transnet plays a multi-faceted role in each of the four economic zones within the Gauteng SDI. Not only does Transnet provide a passenger and freight transport service to, from and between these zones, it also owns large freight and shunting yards, unutilised tracts of land and a diverse portfolio of buildings in or adjacent to the zones. Transnet can therefore make an extensive contribution to the success of the Gauteng SDI.

## 2. MAPUTO DEVELOPMENT CORRIDOR (MDC)

The objectives of the MDC are to reconstruct and integrate regional economies as well as to maximise social development for disadvantaged communities along the corridor.

The MDC links Southern Africa's most powerful industrial centre in Gauteng to the poorest country in the world (Mozambique).

Mozambique's GDP is about \$ 1,5 billion, whereas MDC investment is \$2,3 billion. The MDC employs 20 000 people. A proposed \$2 billion iron and steel project is expected to boost Mozambique's GDP by 8%. <sup>10</sup>

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<sup>8</sup> CSIR "Facilitating Provincial Trade and Industrial Strategy through the Gauteng SDI," May 1998.

<sup>9</sup> J. Spiropoulos, consultant to DTI, Discussion, 20 August 1998.

<sup>10</sup> The Star, 27 August, 1998: 'Corridor pumps investment to Maputo'.

One of the five major infrastructure projects of the MDC is the R1,4 billion 440 km Witbank – Maputo toll road, which has been awarded to Trans-African Concessions on a 30-year Build-Operate-Transfer (BOT) concession. SMMEs acquired 20% of the design and construction work in SA which amounted to 600 small contracts. <sup>11</sup>

Transnet has been involved in the design and construction of the railway lines and the port side facilities, and its Spoornet division will become the rail transporter of passengers and freight. <sup>12</sup>

The MDC will have a positive effect on Mpumalanga's tourism industry providing an additional 12% increase in direct jobs up to 2005, according to a Grant Thornton Kessel Feinstein study on the corridor's socio-economic effects. <sup>13</sup> MDC projects are coming on stream now, and the intended benefits will become more viable in the immediate future. <sup>14</sup>

### 3. THE FISH RIVER SDI

Projects with the greatest development potential have been identified within the Port Elizabeth and East London metropolises and their respective hinterlands. Existing strengths are built on to "kick-start" industrial, infrastructural and tourism development projects. <sup>15</sup> Refer to Illustration 3. A vast number of projects have been listed in the categories 'Investment Opportunities', 'Potential Projects' and 'Development Opportunities'.

The economic impact of these investment opportunities has been analysed by the Industrial Development Corporation (IDC). Economic impact analysis is defined as the evaluation of the relationship between initial spending in a specific sector and the total effect this generates on the economy. Input-Output models depicting inter-regional and industry production and supply relationships are the most common method of conducting impact analyses. <sup>16</sup>

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<sup>11</sup> Ibid.

<sup>12</sup> Jourdan et al, January 1997.

<sup>13</sup> Business Day, 20 July 1998 : " Corridor will be big boost for Mpumalanga tourism ".

<sup>14</sup> J Smith, DTI, Discussion 3 September 1998.

<sup>15</sup> Centre for Investment and Marketing in the Eastern Cape (CIMEC): Fish River SDI , 1997, p.2.

<sup>16</sup> IDC, "Committed to Development in the Eastern Cape," 1997, p.5.



The IDC sets out its economic impact analysis for the Fish River SDI in a series of tables. Refer to Illustration 4. The IDC's impact analysis indicates that the various projects will place the Eastern Cape on a significantly higher growth path, further diversify the industrial base and strengthen local supply relationships.<sup>17</sup>

The IDC are preparing impact analyses for all ten SDIs in South Africa, based on common assumptions, by December 1998.<sup>18</sup>

The Coega IDZ 20km east of Port Elizabeth is one of the 'Investment Opportunities' and will be developed by the Coega Development Corporation (Pty) Ltd. Refer to Illustration 5.

This planned deep water port was to have been concessioned as the first private development of a port in SA, but the urgency with which the infrastructure is required has necessitated a decision that the port development be undertaken by Portnet, a division of Transnet.

Phase 2 – implementation of the Coega IDZ – has been defined and a budget approved. Funds for implementation were transferred from the Department of Transport to the DBSA on 31 March 1998. The delivery timetable has the port operational mid-2000 with completion early 2001. A land assembly process is underway.<sup>19</sup>

Portnet has indicated that it will inject up to R1,5 billion into the development of the deepwater port at Coega. Portnet has already spent R20 million on design work and will spend an additional R20 million on the detailed planning phase of the project. Fuel tank farms and ore loading facilities might be relocated from Port Elizabeth harbour to Coega. Relocation costs would be offset by developing the vacated land in Port Elizabeth harbour along the lines of the Cape Town waterfront.<sup>20</sup>

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<sup>17</sup> Ibid, p.6.

<sup>18</sup> R. Joubert, IDC: Discussion, 2 September 1998.

<sup>19</sup> www.sdi.org.za: SDI Programme Update, July 1998.

<sup>20</sup> Business Day, 7 July 1998: "Portnet to put R1,5 billion into deep water port."

#### 4. THE LUBOMBO SDI

The Lumbombo SDI is a tri-lateral initiative involving Mozambique, Swaziland and South Africa. Refer to Illustration 6.

Details of a number of key agricultural and tourism projects were released at a conference for investors held on 6 May 1998 in Durban. Anchor projects will be opened for tenders by August 1998. A marketing strategy and the packaging of anchor projects is being pursued.

A key infrastructure project is a tar road through the SDI to link the major South African coastal road, the N2, to the Mozambique capital of Maputo and the upgrading of secondary roads. Tourism anchor projects being proposed <sup>include</sup> are the Ponta do Ouro-Kosi Park, and Futi/Tembe/Usutu transnational tourism nodes, the Greater Saint Lucia wetland park, a tourism cluster at ~~Late~~ <sup>Late</sup> Sibayi, ~~an integrated Mlawula-Hlane wildlife project, the Lavumisa-Pongola Trans-Frontier complex and the Lumbombo tourism train route.~~ <sup>an integrated Mlawula-Hlane wildlife project, the Lavumisa-Pongola Trans-Frontier complex and the Lumbombo tourism train route.</sup> In all, 694 projects have been identified to the estimated value of R1 148 billion in the tourism, education, craft, commercial and agriculture sectors, including substantial opportunities for communities and small businesses.<sup>21</sup>

#### 5. RICHARDS BAY SDI

A number of potential investment opportunities have been identified such as 25 industrial projects and three anchor projects in the tourism sector. Refer to Illustration 7. This SDI is working towards a meeting with selected tourism investors in September 1998.

The IDZ location still has to be resolved by identifying and assembling a sizeable tract of land close to the port. Bottlenecks to development include the deteriorating condition of the John Ross Highway, capacity to handle industrial and domestic waste and the need for a container terminal.<sup>22</sup>

Transnet's Spoornet and Portnet divisions are involved in on-going improvements to rail and harbour infrastructure.

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<sup>21</sup> [www.sdi.org.za](http://www.sdi.org.za) SDI programme update, July 1998.

<sup>22</sup> Ibid.

## **THE SDI PLANNING PROCESS**

The SDI web site contains a tabel entitled " Planning procedures for SDIs " which describes 7 planning phases which should occur after Cabinet has approved the SDI. <sup>23</sup> It was felt that certain additional phases (those with background tone) should be included to provide a more comprehensive understanding of the SDI planning process. Refer to Tabel 1.

The SDI programme, and along with it its planning process, have evolved rapidly in a relatively short space of time. Development corridors have become SDIs, some of which now include Industrial Development Zones. The proposed second generation of SDIs (e.g. the Gauteng SDI) now more closely resemble the international concept of Special Economic Zones (SEZs). <sup>24</sup>

Each SDI or IDZ is unique, and therefore planning processes adopted by the various project managers will vary to suit the specific circumstances, whilst still conforming to the key principles for implementation already outlined. The SDI project managers and their support teams focus on four main areas of work : <sup>25</sup>

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- Policy Analysis** : The different types of SDIs, their development impact, funding options, empowerment opportunities and management systems are assessed. The extent to which SDIs can generate economic growth is evaluated by drawing on international and local best practice.
- Development Programming** : Projects which will form part of an SDI investment programme are identified. Socio-economic impacts are analysed and assessed, the project process is conceptualised and an implementation strategy is formulated.

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<sup>23</sup> [www.sdi.org.za](http://www.sdi.org.za): "Planning procedures for SDIs," July 1998.

<sup>24</sup> Ibid. SDI Programme Update, July 1998.

<sup>25</sup> African Connexion International : " SDIs generate competitiveness, growth and development," 1998.

- Project Appraisal** : Advice for funders and investors on financial structuring options for projects is provided.
- SDI Evaluation** : SDI-specific evaluation criteria and systems for providing the necessary information to support the on-going planning process are developed.

The SDI programme management structure for South Africa is clarified in Illustration 8.<sup>26</sup> The overall SDI Co-ordinating Committee (OSDIC) has representatives from amongst others the Departments of Trade and Industry, Transport, Agriculture, Communications, Constitutional Development, Labour, Environmental Affairs & Tourism, Land Affairs, Minerals & Energy Works and Public Enterprises.

Representatives of organisations such as the DBSA, CSIR, IDC, MINTEK, Spornet, Portnet and the Agricultural Research Council, as well as all the SDI project managers, are also committee members of OSDIC.

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### **THE SDI APPROACH : PROCEDURAL AND SUBSTANTIVE CONCERNS**

The concerted efforts by various stakeholders to ensure that SDIs deliver the critically required socio-economic benefits throughout South and Southern Africa deserve committed support. However, concerns do arise about the process and substance of the SDI approach.

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<sup>26</sup> [www.sdi.org.za](http://www.sdi.org.za) : slides used in presentations, 1998.

## **PROCEDURAL CONCERNS**

- A primary concern is whether decisions taken are based on integrated evaluation of the consequences of alternative courses of action prior to implementation. This concern arises from a possibly incorrect perception that market forces are allowed to determine SDI strategy and outcomes in an unbridled fashion.

Costs and benefits; negative and positive impacts as well as favourable and unfavourable consequences of proposed projects need to be identified and juxtaposed in comparative matrices to determine which strategy combination will be optimal for a particular SDI or IDZ. Tabel 2 provides an example which could form the basis for testing strategy combinations.<sup>27</sup> Evaluations of spatial, socio-economic and technological strategies and their impacts could be made available to potential investors and other stakeholders to clarify SDI strategy, procedure and purpose.

- A fluid, evolving and dynamic SDI process is more difficult to steer towards optimal outcomes and requires more management effort and planning input to ensure that objectives are achieved.
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- Rapid planning and delivery, whilst maintaining momentum, require equally rapid public participation and consultation processes to ensure buy-in. This may consequently be more difficult to achieve, as will proper training and education programmes where time frames are unduly compressed.
  - Whilst the transparency and comprehensive information updates provided for the “wired few” at the SDI web site are excellent, it is hoped that appropriate communication is provided for those interested and affected stakeholders without internet access.

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<sup>27</sup> Brink, B. : “ A Regional Development Plan for West Suriname, ” 1979.

## **SUBSTANTIVE CONCERNS**

- A primary substantive concern with SDIs and IDZs is that, while they intend to provide critically needed temporary and permanent jobs, they might do so at the cost of rural development. Market and investor driven developments, where not within clearly defined parameters and stringently monitored, have tended to promote economic, spatial and social inequity : “ growth poles ” with rural peripheries increasingly marginalised and dependent on the centres or corridors.
- Will SDIs and IDZs under-utilise, optimise, maximise or exploit human and natural resources in their areas ? Different positive and negative impacts are created by the various degrees of utilisation of available resources.
- What evaluation methods and criteria are being used to ensure that planning leads to greater co-ordination between SDI and IDZ projects, less social polarization within regions, more employment opportunities for the unemployed throughout Southern Africa and prevention of random destruction of precious eco-systems ?
- Too much may be expected from the private sector for the provision of infrastructure which will enable and support the SDI. For example, investments in tourism generally require incentives as well as quality infrastructure to ensure viability. Tourism policies and incentives should be explicit to reduce the risk presented by an investment.<sup>28</sup>
- SDIs and IDZs are being planned, promoted and implemented more or less simultaneously. Local and international investors may be forced to choose between similar projects that are concurrently available throughout Southern Africa. Counter-productive competition between SDIs could be fostered in this way.
- Finally, a presentation slide indicates that “SDIs are not a substitute for provincial growth and development plans ; poverty alleviation strategies ; rural development strategies ; holistic infrastructure provision ; overall employment strategy ; urban / metro planning and RDP delivery!”<sup>29</sup> This disclaimer calls into question the extent to which SDIs actually support and are integrated with such strategies or programmes.

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<sup>28</sup> G. Saunders, Grant Thornton Kessel Feinstein, interview on 5 August 1998.

<sup>29</sup> [www.sdi.org.za](http://www.sdi.org.za) : Slides used in presentations, 1998.

New passenger train a boost for trade and tourism

# Trans-Lubombo links Durban and Maputo via Swaziland

Lush green fields of sugar cane roll away over the horizon, sparkling rivers zigzag across the tranquil landscape and mountains rise majestically into the air to touch the sky. If this sounds like the opening scene of a video for the Tourism Board or if it sounds too good to be true, it is not.

If you want to experience the above, watch wild animals roam the open fields and experience cultural diversity, then read on.

Spoornet Main Line Passenger Services (MLPS) launched the Trans-Lubombo train service in June this year. The Trans-Lubombo is a new passenger train service linking South Africa, Swaziland and Mozambique. The train's name is taken from the Lubombo mountain range that marks the border between the three countries.

The Trans-Lubombo departs from Durban station heading north through sugar cane plantations towards its first stop at Empangeni. The train crosses from South Africa into the Kingdom of Swaziland at the small border post of Golela and then from Swaziland into Mozambique at Goba. From there, it is a three-hour journey to Maputo.

This new train service is a joint venture between Spoornet Main Line Passenger Services, Swaziland Railways and

Mozambique Railways and Ports. The Trans-Lubombo is also a first for Swaziland as this country never had a passenger train service before.

Train travel is fast becoming a market niche in South Africa's tourism industry, which is fast becoming part of the country's mainstream economy. The Trans-Lubombo is very well positioned to cater for tourists. The spectacular route

can be viewed from the comfort and safety of the train that provides all the amenities a long-distance traveller can wish for.

This service will also strengthen regional ties among the three countries involved by enhancing free movement, promoting tourism and stimulating trade.

The Trans-Lubombo is an ideal mode of transport for traders and will provide a much-needed service. Traders from Mozambique, travelling to Durban to buy stock, had difficulty in finding a cost-effective route between the two places. The Trans-Lubombo is the best mode of transport for this market as it can carry the traders' bulky and large volumes of stock.

The train offers sleeping accommodation and is competitively priced at R152 for a single fare between Durban and Maputo. Bedding is available at an additional cost of R18.

Food and beverages may be purchased on board the train and the twin dining car is operated under franchise from the BJ's group. BJ offers full restaurant facilities and an à la carte menu in an

air-conditioned dining car. A take-away menu is also available as well as a full bar service.

The train leaves Durban every Tuesday and Friday at 19h35 and arrives in Maputo at 18h15 the following day. The return leg leaves Maputo every Thursday and Sunday to arrive in Durban the following day. All passengers require passports – and visas for Mozambique.



## **CONCLUSION**

SDIs and IDZs have emerged from the National Spatial Development Framework (1995) as regional development strategies around which to mobilise government, donor, finance institutions and private sector investment.<sup>30</sup> They intersect provincial and political boundaries thereby facilitating inter-provincial and inter-national cooperation.

The SDIs and IDZs have attracted massive investments and the impact and spin-offs of IDZs such as the Maputo Development Corridor and Port Coega will be realised only in years to come.

Transnet's contribution in realising SDIs is substantial and its logistical role in providing efficient, cost effective transport via various modes from, to and between SDIs will be crucial for their success.

Present planning, public participation and communication processes are cause for procedural concern. Substantive concerns include the promotion of inequity, the extent of utilisation of available resources and a possible over-reliance on the private sector to fund mission-critical infrastructure.

Time will tell whether SDIs and IDZs will provide social justice and sustainable benefit for all South Africans.

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<sup>30</sup> Harrison P and Todes A : " The Development Corridor Route, " 1996.



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DBSA's countries of operations, showing spatial development initiatives (SDIs)

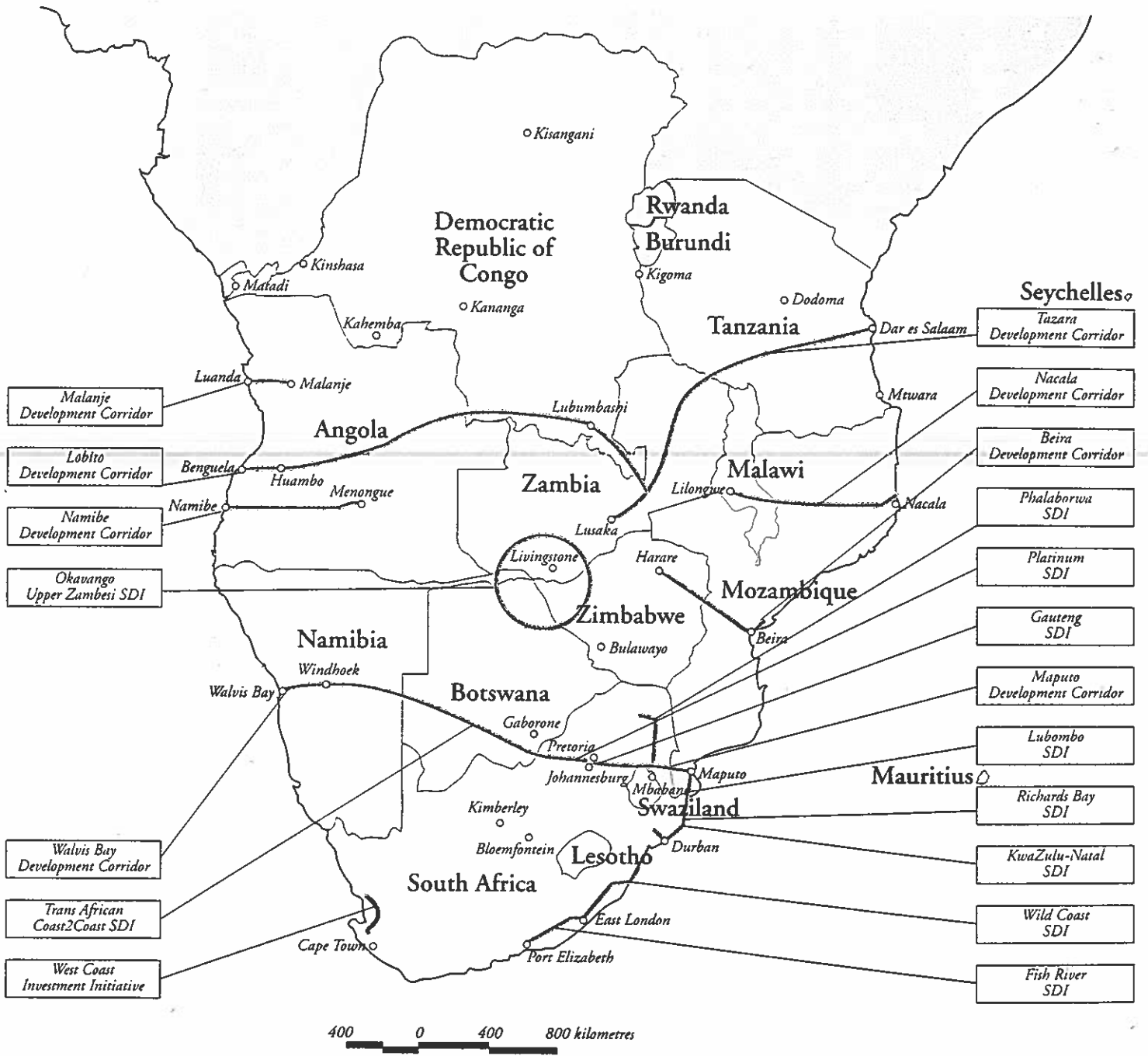


ILLUSTRATION 1

# Gauteng SDI

Spatial Development Initiative

Phase 1



**Legend:**

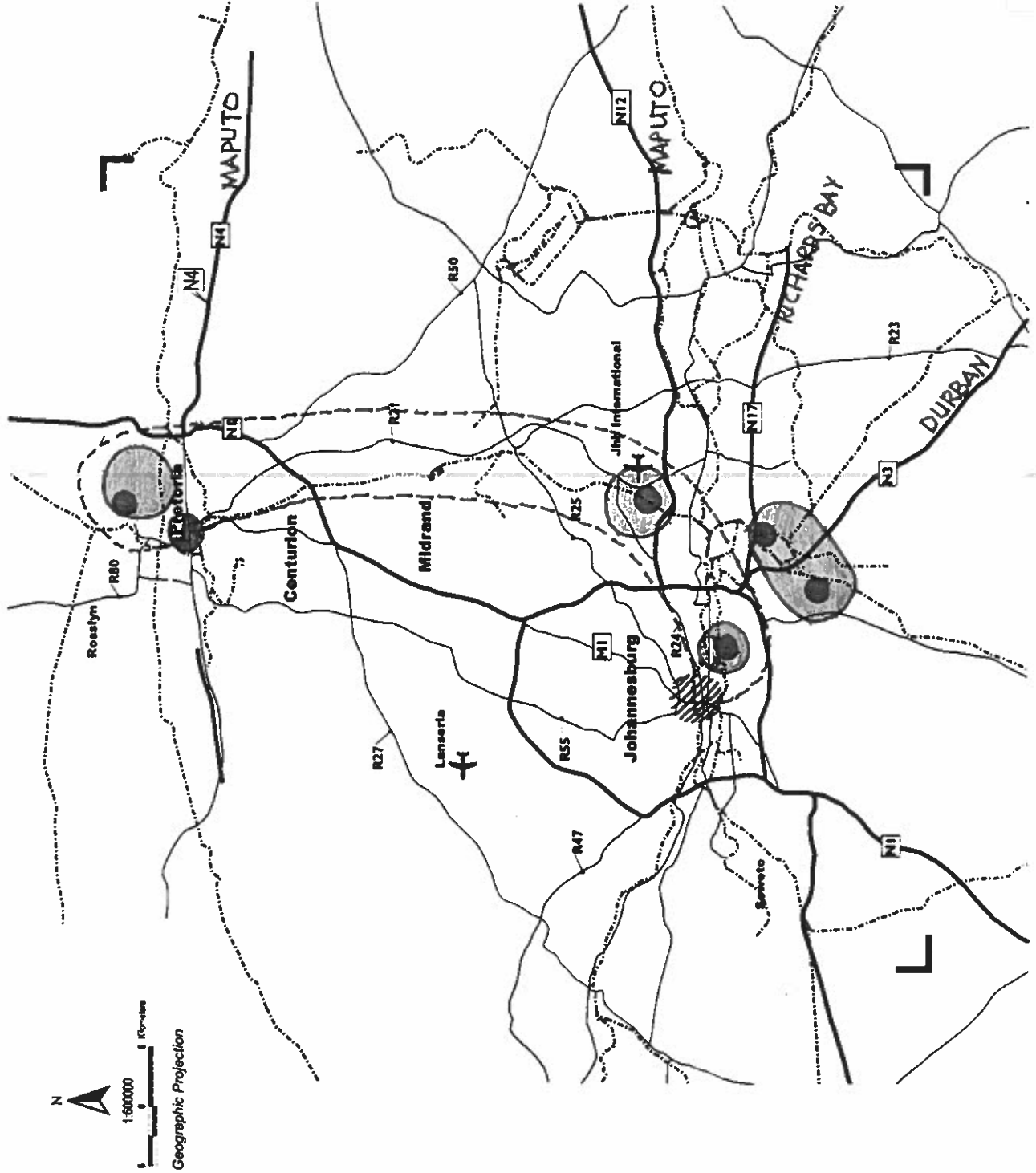
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- Rail line
- - - Arterials
- Freeways

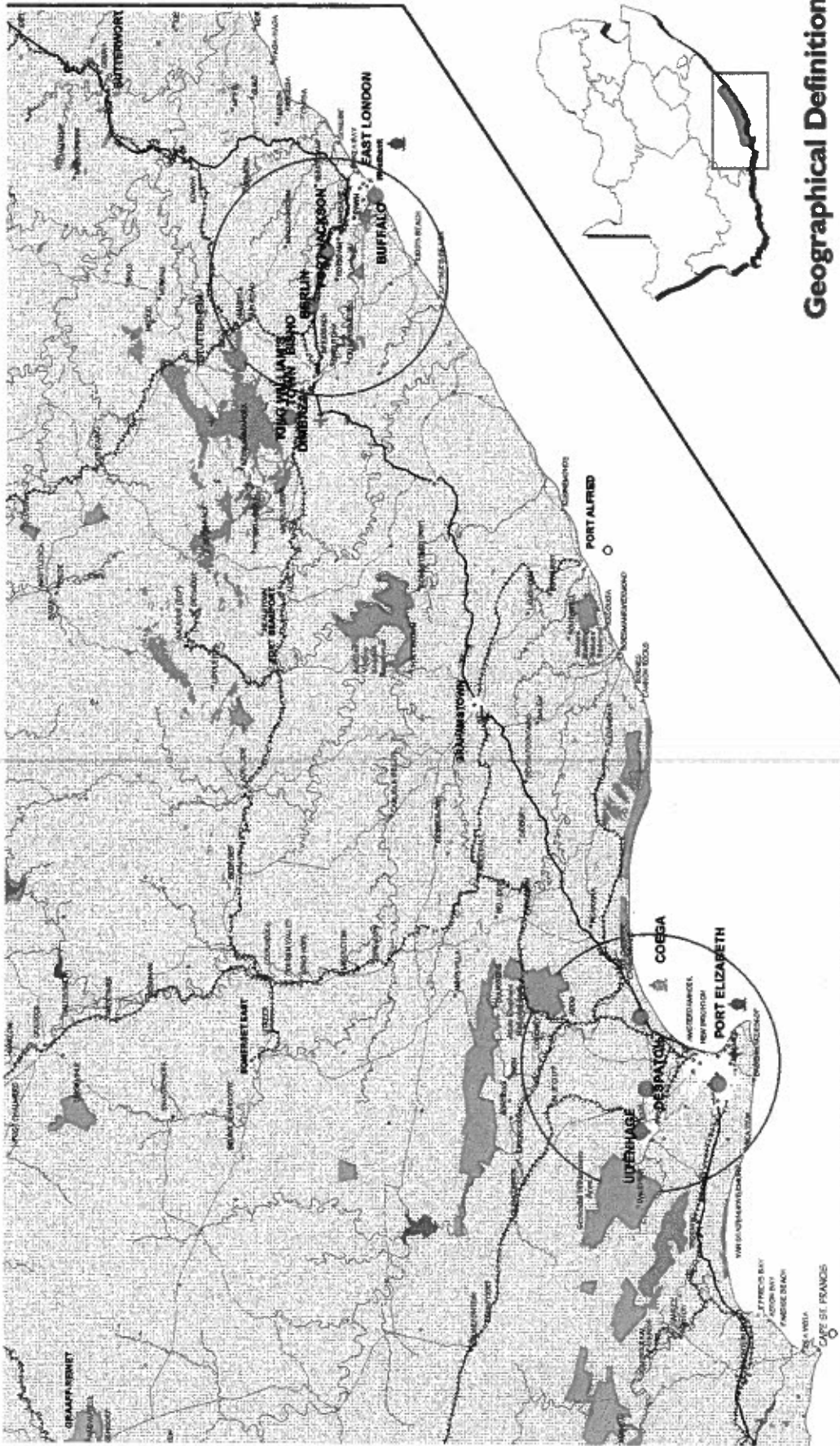
Date: May 1998

Source:

Prepared for Gauteng SDI project

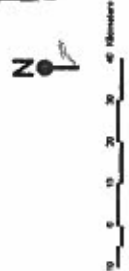
ILLUSTRATION 2





Geographical Definition

**FISH RIVER**  
Spatial Development Initiative



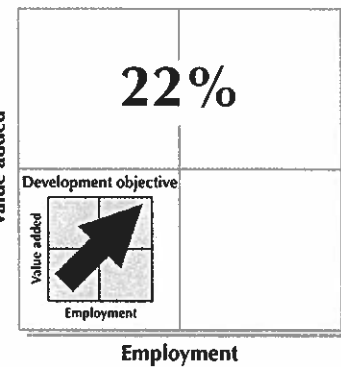
- LEGEND**
- Towns
  - Airports
  - Industrial Sites
  - Industrial districts
  - Harbours
  - Rail lines
  - Forestry Areas
  - Water bodies
  - Nature & Conservation Parks
  - Metropolitan Areas
  - Road network
  - National Routes
  - Arterial

ILLUSTRATION 3

## INVESTMENT OPPORTUNITIES

Investment opportunities	Rand million	
	Investment	Production
Agriculture	65	22
Mining	-	-
Food, Beverages & Tobacco	610	216
Clothing, Textiles, Leather & Footwear	106	42
Wood Products, Furniture, Paper & Printing	1 400	562
Chemicals	278	114
Non Metallic Mineral Products	750	193
Basic Metals	5 827	2 517
Metal Products	5	2
Machinery	34	15
Transport Equipment	100	40
Other Manufacturing	2	1
Services	2 503	331
<b>Total</b>	<b>11 680</b>	<b>4 055</b>

Source: Fish River Spatial Development Initiative – Investment Projects.



## INVESTMENT/CONSTRUCTION

### Annual contribution to economic activity

Value (R millions)	Fish River SDI	Rest of Eastern Cape	Rest of SA	Total
Production	2 127	101	889	3 118
Value added	1 003	52	419	1 474
Employment	29 000	3 000	7 000	39 000
% increase				
Production	3,3%	1,6%	0,1%	0,2%
Value added	3,1%	0,6%	0,1%	0,3%
Employment	3,4%	1,3%	0,1%	0,4%

### Labour demand

Total employment (Construction and operational) by skill level	Rest of SA	Eastern Cape (INCL SDI)	Eastern Cape (UNEMPLOYMENT)
Managerial, technical and professional	4 000	11 000	4 000
Skilled labour	6 000	19 000	49 000
Semi-skilled labour	3 000	10 000	27 000
Unskilled labour	12 000	37 000	707 000
<b>Total</b>	<b>25 000</b>	<b>77 000</b>	<b>787 000</b>

## OPERATIONAL

### Additional economic activity

Value (R millions)	Fish River SDI	Rest of Eastern Cape	Rest of SA	Total
Production	4 421	332	2 071	6 823
Value added	2 086	156	1 026	3 267
Employment	38 000	8 000	17 000	63 000
% increase				
Production	6,9%	5,4%	0,2%	0,5%
Value added	6,5%	1,7%	0,2%	0,6%
Employment	4,5%	3,6%	0,2%	0,7%

The increased demand for labour would lead to a shortage of managerial, technical and professional staff in the Eastern Cape. This shortage would either be filled by an inflow from other provinces, or by ensuring that sufficient training is provided to fill future demand from the available workforce within the province.

46 000 of the new Eastern Cape employment opportunities created would be sustainable.

## CONCLUSION

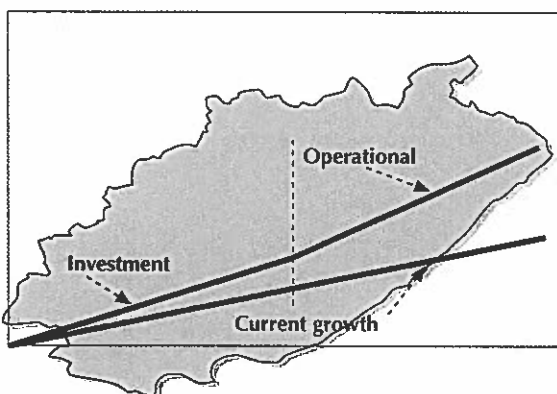
The Eastern Cape would benefit significantly from the investment opportunities in the Fish River SDI.

Since the region is dependent on the rest of South Africa for a large amount of its material inputs for production and final consumption goods, the benefits will spill over to the rest of the South African economy.

The projects would place the Eastern Cape on a significantly higher growth path, and contribute to the diversification of the industrial base and the strengthening of local supply relationships. In the normal course of development, it is anticipated that, to maintain competitiveness, a number of the up and downstream activities, and relating and supporting industries would relocate or start-up in the Eastern Cape, contributing to higher growth in the medium to long-term.

The Fish River SDI represents the ideal springboard for future growth in the Eastern Cape.

## CONTRIBUTION TO GROWTH



# If you're planning on major expansion

## P.E.'s Coega harbour development is the place to be!

Our bay opens out onto worldwide export markets. Which is why the proposed harbour development site at Coega is the ideal location. There's room to locate. Room to expand and develop. Space for satellite industries. Close proximity and easy access to the established infrastructure of Port Elizabeth - already the home of major companies. So remember. If you're looking to invest or relocate. More than ever, P.E. is the place to be!

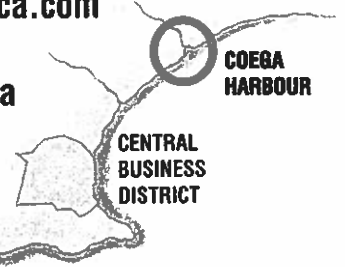


For more information, phone our man on the spot, André Crouse at (041) 5063263. Cell: 083 251 9417.

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**PORT ELIZABETH**

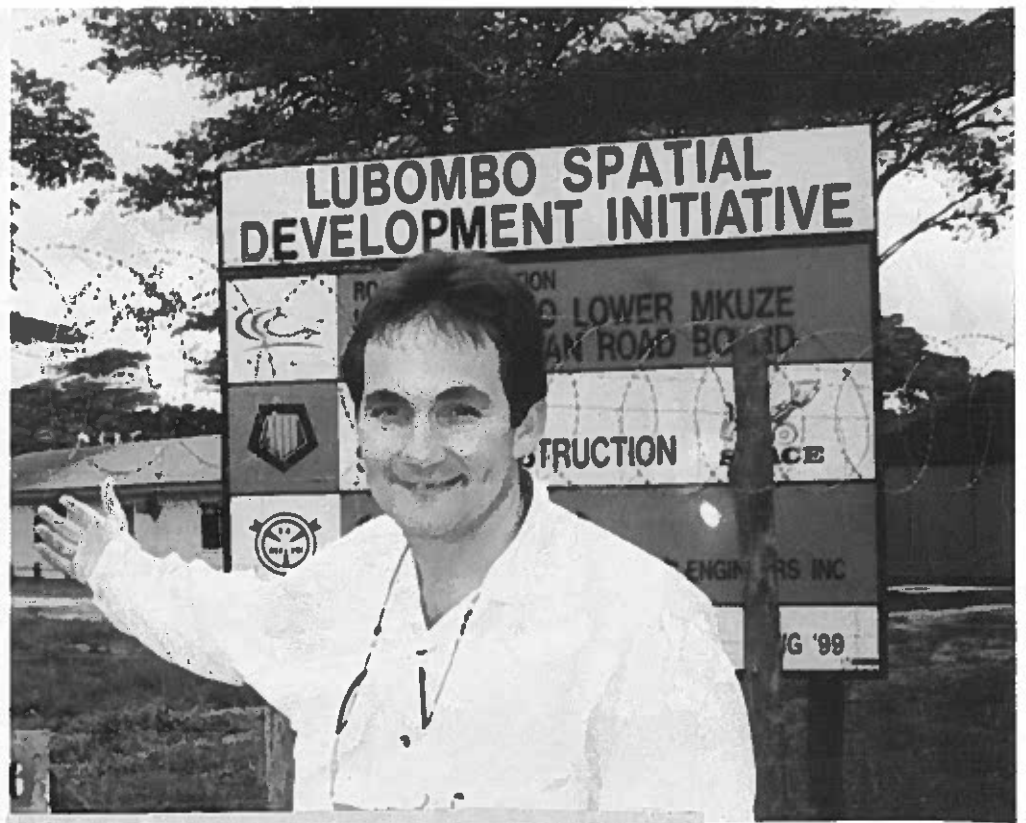


*The City of Opportunity*

ILLUSTRATION 5



Lubombo SDI project director  
Andrew Ziloumis . . . the  
potential for the plan to work  
is tremendous.



## Lubombo SDI shapes up as an investment lure

STAR '98/08/24

RAVIN MAHARAJ

Durban — Clearly defined investment projects and opportunities in the Lubombo spatial development initiative (SDI) were being packaged and prepared for investors with clear tendering procedures, Andrew Zaloumis, the project manager of the SDI, said last week.

The SDI, which has an estimated project value of R1,2 billion, should create 4 000 jobs in tourism and agriculture. It officially stretches across eastern Swaziland, southern Mozambique and north-eastern areas of KwaZulu Natal.

SDIs, which were introduced by the department of trade and industry, aim to create jobs, stimulate economic growth and promote regional co-operation in the Southern African Development Community.

Zaloumis said that about 150 secondary tourism and agriculture projects in South Africa, valued at more than R750 million, were being planned by communities, the private sector, and the government.

The value of RDP investment in agriculture, health, education and capacity-building projects had risen to R117 million.

The SDI sought to create stable regional investment and a regulatory framework so that private sector investment could be attracted into the area, he said.

A priority in the strategy to "crowd in the private sector" was to encourage joint ventures, partnerships and small businesses that ensured entrepreneurial activities for local residents who were previously excluded from participation in the mainstream of the economy.

Reviewing progress made so far, Zaloumis said a team was undertaking a road design study from Ponta do Oura to Maputo, Mozambique. The N2 highway from Richards Bay to Pongola was being upgraded and the preliminary feasibility study for the Swaziland sector of the road, off the N2, had been completed.

In addition, the SDI was preparing investor proposals and prequalification documents would be released in October.

The opening up of border posts, transnational and regional co-operation, and environmental management were also receiving attention, Zaloumis said.

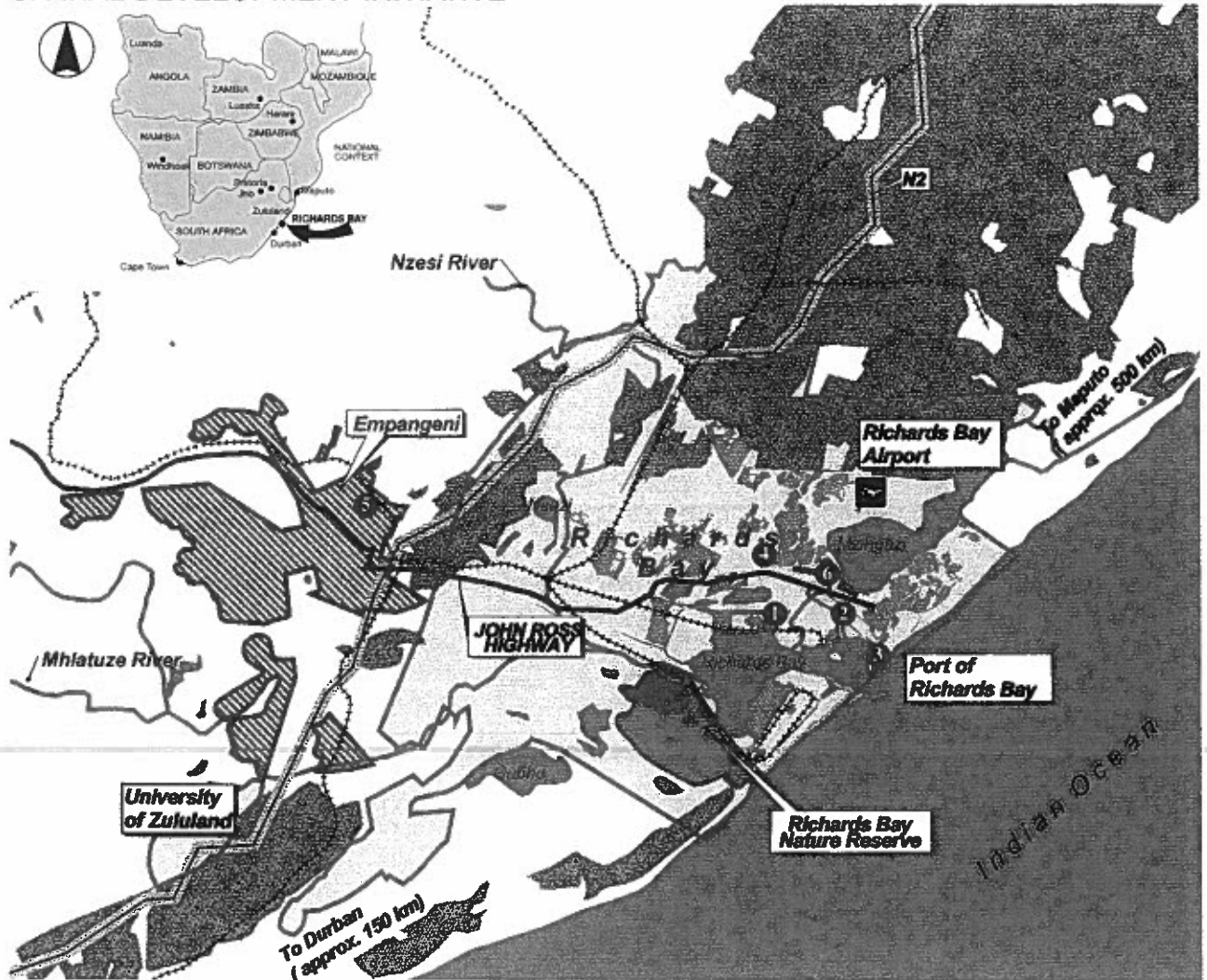
Advanced discussions with the World Bank to provide a grant fund to market the SDI internationally were being held.



# Richards Bay

## SPATIAL DEVELOPMENT INITIATIVE

5 0 5 10 15 Kilometers



### Orientation Map of RICHARDS BAY SDI



Economic Profile of SDI region:

**FORMAL POPULATION (1997):** approx.  
 Richards Bay & Empangeni TLC's: 128 080  
 Population Growth (1997): 2.5% per annum

Total GGP (1997): approx R3705 million  
 US\$740 million

Growth in GGP (1988-97): approx 6.4% per annum

Natural Resources: Sugar, Wood, Heavy Minerals

#### INFRASTRUCTURE

Electricity (total supply): 1700 MegaWatt  
 Port (import & export): 79.2 million ton per annum  
 Rail: 74 million ton per annum

- ① Passenger Terminal
- ② Borough Marina
- ③ Aquarium
- ④ Community Park
- ⑤ Conference, Information & Tourist Centre
- ⑥ Lake Mzingazi developments

- Waterbodies
- Parkland
- Open Sandy Areas
- Developed Areas
- Forestry Areas
- RICHARDS BAY TLC
- EMPANGENI TLC

- Airport
- Provincial roads
- Railway
- Conservation
- Main rivers
- National Road (Conceptualised)

# SDI PROGRAMME RSA MANAGEMENT STRUCTURE

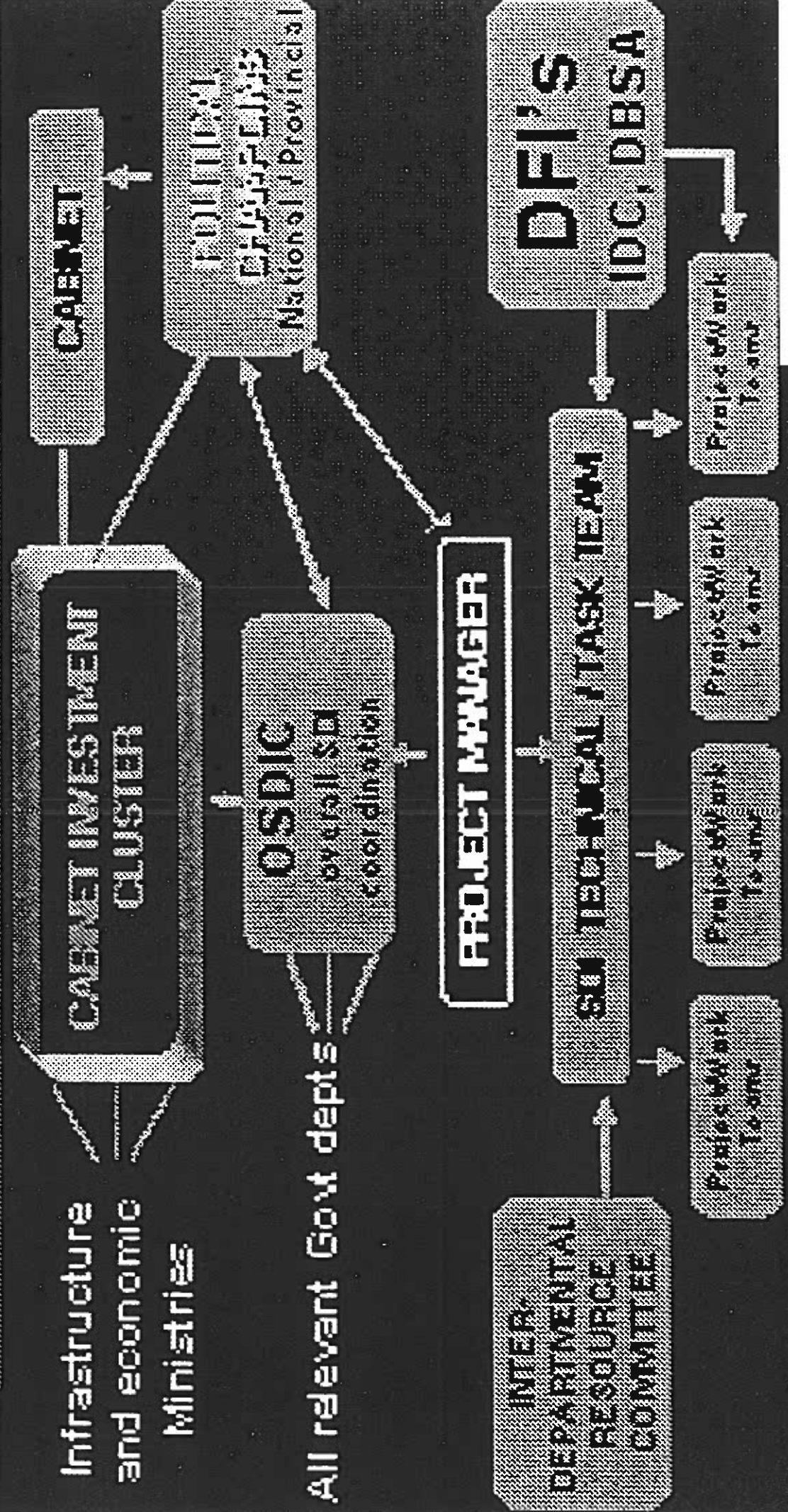


ILLUSTRATION 8

**PLANNING PROCESS FOR SDIs**

<b>PHASE</b>	<b>ACTIVITY</b>	<b>PRODUCT</b>
Visioning	Visualising various developments, based on perceived opportunities and knowledge, in a loosely defined spatial area.	A list of possible developments for the area.
Set Up	Gathering of socio-economic and institutional data on the loosely defined spatial area.	GIS ; Research reports.
Pre-Feasibility	Appraisal of data and development of a strategic conceptual development framework.	Strategic conceptual framework and spatial definition
Initial public participation	Present conceptual development to stakeholders at a workshop for input / comment, as well as to overall SDI Co-ordinating Committee (OSD/C).	SDI preferences, priorities, problems possible projects set out in a report.
Cabinet consideration	Consider and approve reporting on a new SDI.	Cabinet approval and budget vote.
Institutional	Establishment of structures at the political, official and technical capacity levels.	Political team; interdepartmental team; technical team (key development finance institutions and consultants)
Feasibility	Together with key stakeholders, further development of the conceptual framework into a terms of reference for more detailed appraisal. Appraisal which identifies lead projects for immediate action and the developmental programme of action required to take the project forward.	Terms of reference for appraisal Appraisal Lead projects
Packaging	Finalisation of a detailed development perspective document which indicates a list of viable projects.	Document
Launch	Launching of the SDI and establishment of investment promotion mechanism and implementation capacity	Conference Institutional capacity (in some cases new capacity, while in other cases use of existing institutions)
Exit Strategy	Establishment of a cluster process for selected sector in the SDI area.	Cluster facilitators in place for each cluster Cluster process active, involving sectoral directorate
Projects	Implementation and completion of specific projects.	Build, Operate, Transfer concessions ; BEE ; Temporary and permanent job creation

Decision area categories Strategy Combination	<u>SPATIAL</u> Ecosystem impact? Use of (existing) infra- structure?	<u>SOCIAL</u> Benefits to the poor? Alleviation social needs?	<u>ECONOMIC</u> Improved income for many? Feasibility/Risk?	<u>MANAGERIAL</u> Participation? Existing experience?
a) Large scale industry only	Concentration + large infrastructure = unfavourable impact U	Enclave offers few benefits to the poor, or alleviation of general social needs U	Limited income improvement Large investments = large risks = feasibility doubtful U	Top-down = little involvement in decision making. Experience is present, though know-how is still absent. U
b) LSI + Small scale industry	Industrial escalation/one sidedness = unfavourable U	Limited benefits offered by limited industrial employment U	As above, with slightly reduced risks. U	As above, with greater scope for participation and use of existing experience U
c) LSI + Large scale agriculture	Diverse types of infrastructure, including existing are required. M	Few opportunities, because many are excluded -- increased stratification. Bridge unskilled-skilled labour is absent U	Improved income, but not for many from exports. Risks are large, machines being expensive M	Few have know-how - 'the higher, the fewer', also as regards participation. U
d) LSI + Small scale agriculture	Reduced concentration = more favourable, New small scale infrastructure required M	Offers benefits to unemployed farmers, but no one else. Stratification because of extreme opposites U	Self-sufficiency reduces present import and risk margin. F	Extreme opposites in management/guidance difficult. Rights of farmers are overshadowed U
e) LSI + small scale industry + large scale agriculture	Ecosystem has a heavy onslaught. Existing infrastructure well used but large. U	No bridge between unskilled and skilled farming = exclusion of many. U	Export orientated = greatest benefits to top-layer. Expensive to implement U	As above with little scope for participation U
f) LSI + large scale agriculture + small scale agriculture	Stress on concentration gives small scale activity little chance -- over-concentration has negative impact. U	Includes many unskilled poor and could alleviate their social needs. Stratification farming industry M	Improved/improving of income is possible. Reduced risks. F	Small scale rights/participation are dominated by desires of top-layer. U
g) LSI + small scale industry + small scale agriculture	Concentration tendency is balanced/countered by dispersal. Infrastructure well used. F	Bridge unmechanised/mechanised farming is supported by small scale industry = benefits but stratification is likely. M	The fair balance between import-substitution and export reduces risks greatly F	Participation is possible and probable as top-down demands are balanced by bottom-up requests. F
h) LSI + small scale industry + large scale agriculture + small scale agriculture	Diverse (small) activities don't threaten ecosystem. Rural development is possible. F	Offers opportunity on a broad front. Bridge unskilled/skilled, Integrates and escalates many. F	Scope for rising up occupational ladder = possibility of (self) improvement. Risk of large scale activities are carried by small scale activities F	Comprehensive management is required. Participation is possible Existing experience is available. F

U = unfavourable impact    M = medium impact, being neither unfavourable or favourable  
F = favourable impact.