

## Executive Summary

Spatial development initiatives (SDI) are a new investment strategy in South Africa with the objective of generating economic growth in under developed areas. While SDIs have a geographic focus, they also have an economic focus, such as; industry, agriculture, or tourism.

The Maputo Development Corridor is a SDI that combines industry, agriculture and tourism. It is located between the city of Witbank in South Africa and the port of Maputo in Mozambique. The key objectives of the corridor are to rehabilitate the core infrastructure of rail, road and port, to facilitate investment along the corridor, to ensure that its impact is maximized at the community level, and to guarantee environmental sustainability by developing strategies of holistic environmental management. The primary objective of this report is to determine what steps have been taken to ensure that the corridor impacts positively on local communities. This report will identify implementation criteria for local level development and then evaluate their effectiveness in ensuring that the corridor impacts at the local level.

The study area is limited to Mpumalanga province in South Africa, specifically, the communities of Witbank, Nelspruit and Middelburg. This report is not a corridor impact assessment, as many projects are still underway. Rather, I am specifically interested in the organizational steps leading to the implementation of local development measures. With the use of development plans and project information documents I have outlined the key organizational steps taken to ensure that community level benefits are maximized. They are as follows: the establishment of the Maputo Corridor Company, the creation of community level benefits through policies and programs, the initiation of

investment projects in communities, the coordination of local agencies, and the involvement of communities through a formal process.

With proper coordination of these steps, local people and emerging businesses can benefit from the corridor program. Community level benefits can be achieved in many ways, for example, by entrepreneurs bidding directly for projects, entering into equity arrangements with larger companies, or direct employment. Furthermore, training and funding is made available with the help of local entrepreneurial centers in the hope that local entrepreneurs will establish small, medium and micro-enterprises (SMME).

Once the organizational steps were identified I then used key informant interviews, fieldwork observations, and newspaper articles as a way to evaluate them. The three chosen communities provided the opportunity to speak to local planners, politicians, entrepreneurs and academics as a way of investigating the effectiveness of structural organization. Witbank, Middelburg and Nelspruit are not presented as case studies in this report; rather, they are used to develop an understanding of community level implementation, which then allows for generalizations to be made about local organizations. What the research has shown is that although the key organizational steps were taken at national, provincial and local levels, there remains a high level of frustration at the local level. There are eight central reasons for local level deficiencies of corridor implementation. These are;

1. The provincial SMME desk acted only to convey information to interested parties and did not play a role in the policy level of corridor formulation. This lack of involvement divorces policy from implementation.
2. When tender opportunities were received by local entrepreneur centers many interested people did not have the skills needed to bid for these opportunities. The intended training had not taken place.

3. There is a risk to emerging businesses when engaging in corridor projects. Many businesses must relocate to areas closer to the corridor, creating a subsequent fear that when returning to home communities, after corridor opportunities have diminished, the local clientele may be lost.
4. Local governments were not invited to actively participate in the annual conference for small, medium and micro-enterprises. This left an information void between provincial and local governing structures.
5. Larger companies view sub-contracting as an economic risk and are unwilling to enter into equity agreements with emerging businesses.
6. Black businesses and women generally have limited accessibility to capital, making it difficult to cover start-up costs associated with business endeavors.
7. There was no communication with municipalities in the first six months of corridor planning. This led to anger and rebellion when the Maputo Development Corridor program was finally discussed with community stakeholders.
8. Due to incomplete community land use plans, a land use planning conflict has arisen between communities and the province. The province, supporting certain land use designations promoting corridor needs, may be at odds with the community, as many local land use plans and designations are incomplete.

Although the Development Bank of Southern Africa (DBSA) anticipated constraints to achieving local level benefits, many of the above issues were not considered. These unforeseen organizational problems have been brought to light through key informant interviews with people who work in local government and are responsible for much of the communication between emerging businesses and the provincial coordinating agency (the SMME Desk).

Considering the constraints presented above, listed below are general recommendations for local level SDI implementation. Recommendations are based on the Maputo Development Corridor study and may be useful for future local implementation processes.

**1. Implement the Land Development Objective**

As outlined in the Development Facilitation Act,<sup>1</sup> this process will help to identify community goals, land use designations and desired development patterns for the area. With this understanding a community may be in a stronger position to negotiate when SDI technical task teams approach local stakeholders.

**2. Completion of Provincial Planning Acts**

These acts will help identify rules of procedure, regulations and legal entities that are important when implementing large-scale projects affecting water supply, industrial growth and environmental concerns.

**3. Increase training facilities**

Training facilities are needed in order for new entrepreneurs to participate in SMMEs. This training can be done through existing local technical institutes and colleges.

**4. Consider and alternate SDI management structure**

A SDI management structure that caters to local involvement and input can help in the implementation of community level benefits. At the policy phase of project development, the policy formulators as well as implementers need to congregate and inform each other.

**5. Establishment of local business service centers**

Centers have as their main purpose to disseminate local economic development information and facilitate local training.<sup>2</sup>

**6. Supply draft SDI plans to local councils**

By supplying plans to local councils SDI technical task teams can share ideas on industrial development, environmental standards and local objectives.

**7. Continue "tender training" sessions**

This training will increase the local knowledge base and decrease dependency on outside organizations to provide training.

**8. Create a relationship between the SDI "exit strategy" and provincial "entrance strategy"**

By working together from the beginning, each implementation structure can re-enforce and sustain mutually acceptable policies, procedures and strategies.

**9. Involve local councilors**

Involve local councilors in the SMME process in order to develop and maintain communication channels between the province and local areas.

<sup>1</sup> Juta Statutes of South Africa 1997. Vol. 6. Development Facilitation Act 67 of 1995 2-536.

<sup>2</sup> As described in a key informant interviews:

Moriti Ngale of the Black Management Forum in Witbank, June 17 1998.

Li Pernegger. Key informant from the Johannesburg Southern Metropolitan Local Council. May 25 1998.

See Key Informant Interviews, Appendix 5.

**10. Reconsider the role of town planners**

Reconsider the role of town planners in the SDI planning and implementation process. Town planners may have valuable information on site analysis, community networking, land use designation, and service availability such as water, electricity, and waste disposal.

**11. Provide a forum for local concerns, complaints and suggestions**

Currently, concerned citizens are filing complaints in local council offices. These offices have no organized relationship with, for example, TRAC or the Maputo Corridor Company.

Successful local implementation of SDIs is dependent on many factors. In the future, the above points may be useful in targeting organizational objectives and areas of concern. Ensuring community level corridor impacts is only one objective of four, therefore, challenges faced by this objective cannot be used to evaluate the entire corridor project. What the findings do present is that although organizational structures are in place, they may not be effective or fully functioning. It is only when speaking to the people that are responsible for following through with national-level mandates, that the complexities of implementation can be understood.