

# **A CASE STUDY OF LOCAL ECONOMIC DEVELOPMENT IN RICHARDS BAY / UMHLATHUZE**

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**April 2005**

## **1. INTRODUCTION**

The consequences of state intervention from the 1970s onwards on the town of Richards Bay led to the establishment of many unlinked, globally competing industries that the local economy has become reliant upon. In parallel and in response to the emergence of a major urban centre of some 200 000 people, many of whom are impoverished and unable to find work in the large, capital-intensive firms, public as well as private organisations have initiated social upliftment initiatives, primarily in response to the very evident high levels of poverty and unemployment in the region. This paper discusses the socio-economic impact that these local state and private sector initiatives have had and outlines the current social investment initiatives that the latter have adopted. Local Economic Development (LED) initiatives, as a pro-poor response to encourage community upliftment, are firmly in place in the local municipality's LED strategy, and receive considerable support there-from. A key feature of the local economy however, are the poorly developed backward and forward linkages that the core-manufacturing sector has with the rest of the local economy and the paucity of small and medium enterprises in general and as suppliers/off-shoots to the major firms. The capital-intensive corporate companies dominate the local economy, but provide few employment opportunities because of their capital-intensive nature. As a consequence, corporate companies play a key role in pro-poor development through their Corporate Social Investment (CSI) initiatives. Both the local Municipality

(uMhlathuze), and the District Municipality (Uthungulu), are actively seeking pro-poor LED interventions and job creating opportunities through their respective Integrated Development Planning processes.

## **2. BACKGROUND AND THE IMPORTANCE OF LED**

Richards Bay has evolved from a small fishing village along the coast of northern KwaZulu-Natal to one of the key economic nodes of the country. The local municipal area surrounding and including Richards Bay (known as the uMhlathuze municipality) is rich in mineral resources including ilimite, rutile, zircon and pig iron. Other natural advantages include the area's diverse and intensively cultivated agricultural resources, for example sugar cane and tree plantations. The town is one of localities that directly benefited from the active regional development policy that the South African government pursued from the 1950s, which targeted support to industrial decentralisation points in peripheral areas of the country. It is also considered to be one of the few localities where government incentives targeted at industrial decentralisation was reasonably successful (Arinuth & Barns, 1998). State intervention and the decision to develop a deepwater harbour at Richards Bay, along with the extensive rail and road infrastructure in the mid-1970's, transformed the area into a modern and dynamic port centre, and as a result, has become one of the few urban centres in the country that continued to grow, despite periods of national recession, political uncertainty, and international economic pressures. The town has developed around the harbour that was its primary function, and now is the home to several global corporations that have contributed extensively to the economy of the area. The establishment of the country's first aluminium smelter in Richards Bay in 1971 was the catalyst for future development and more than R50 billion has been invested in the area since 1976.

Prior to the 1960s, South African intentional economic policies for the promotion of regional development outside the metropolitan areas was restricted to support for para-statal institutions such as Iscor, SASOL and Eskom. Formal government policy measures were designed in the early 1960s that emphasized industrial decentralisation and the location of diverse industries in undeveloped, peripheral regions (Addleson, 1990; Hart, 2002; Rogerson, 1994). To boost its apartheid policy, the state had, since the early 1960s, implemented growth pole strategies by providing incentives for manufacturers to locate in peripheral regions of the country. The primary rationale behind the establishment of growth poles in developing regions was the belief that the benefits of the pole will spread through the region and improve the quality of life of the population of that region (Dewar, 1987).

Democratisation in the early 1990's brought about many policy changes within the South African government, particularly in terms of development and social upliftment. Local Economic Development (LED) has emerged in the context of the political transition towards democracy and the government's retreat from its traditional 'top-down' policy approach to regional development (Rogerson, 1994). LED is not one particular strategy or theory, but rather it is a wide range of activities that are implemented at the local level in response to local developmental needs and it can be described as a locally-driven process designed to identify, harness and utilise local resources to stimulate the economy and create new employment opportunities. It is therefore a process by which public, business and non-governmental sector partners collectively (or independently) work together to create better conditions for economic growth and employment creation (Nel, 2001). LED occurs best when a partnership between the local authority, business, NGO's and most importantly, individuals is formed, and together they strive to improve the localities economic status by combining skills, resources and ideas.

Local Economic Development strategies are being implemented internationally at local levels. In post-apartheid South Africa, LED initiatives are widely practiced in municipalities across the country and encompass elements of what international literature refers to as both market-led (pro-growth) and market-critical (pro-poor) approaches to LED. The market-led approach to business development focuses on the pursuit of economic growth, investment attraction, expansion of the market, increased competitiveness and promotes entrepreneurship and individual self-reliance in the business sector. The market-critical approach to community development is associated more with support for emerging micro and community businesses and pro-poor related interventions. These overall goals are focussed on achieving local self-reliance, empowerment and participation (Philander & Rogerson, 2001).

The 1998 *Local Government White Paper* promotes local government as an essential tool for cooperative and good governance and to encourage socio-economic development. In particular, municipalities have been required to implement the concept of Integrated Development Planning (IDP) which entail engaging with the community to assess community needs; assess available resources; set a common vision, priorities and goals, as well as budgeting, plans for implementation and monitoring and evaluating programmes. In essence, the IDP is regarded as a tool to assist municipalities reach their development objectives of planning and implementation often through LED interventions (Rogerson, 2004).

### **3. LOCATION**

During the 1990's, the KwaZulu-Natal economy experienced significant growth with a recorded GGP growth of 2.6 percent per annum from 1991 – 1996,

compared to a national average of 1.6 percent. The manufacturing sector has experienced continued growth both nationally and within the KwaZulu-Natal province in particular. This can be attributed to the shift of emphasis in policy from inward industrialisation to an outwardly focussed economy, with a strong emphasis on exports and the promotion of value-adding manufacturing processes; secondly the reintegration of the South African economy into the global economy; and furthermore the success of KwaZulu-Natal in attracting foreign investment during the period 1991 to 2000.

With the shift in policy, the 1990's saw the removal of many incentives that Richards Bay had benefited from in the past; such as export incentives and electricity rebates. In addition to this, the Regional Industrial Development Programme (RIDP), which sought to provide incentives for spatially neutral areas as opposed to location-specific investment, was revised in 1991 and incentives under the Good Hope scheme of 1982 were terminated in June 1993, as stipulated by the new RIDP (Aniruth & Barnes, 1998).

Before the construction of the port and consequent developments, the population of Richards Bay had a growth rate of approximately 9 percent per annum which increased to 27,3 percent in 1980 (see Table 1). It is clear that the development that occurred in Richards Bay during the 1970's provided many new employment opportunities in the town which boomed as a result. Although the employment rate in surrounding areas also grew at this time, it was at a much slower rate than was experienced in Richards Bay (Stats SA, 2001).

Persons	1996	2001
African	153202	250062
Coloured	1478	2504

Indian	8054	9835
White	28377	26789
Total Population	196183	289190

Table 1: Population in uMhlathuze: 1996 - 2001

Despite the decision by government to revise policy and remove incentives that the local economy had enjoyed, Richards Bay has continued to grow which is an indication of the competitiveness and economic vibrancy of the town and its industries, despite its relatively remote location. The end of the 1990's saw a rapid expansion of the commercial sector and, in particular, the area experienced a boom with the construction of a second aluminium smelter, namely the Alusaf Hillside smelter in the early 1990's and the Hillside 3 Expansion Project in 2001. By the end of the project in 2004, the company had trained approximately 2 400-construction workers in various skills in conjunction with the Department of Labour.

Annual gross output from the Richards Bay region has shown consistently high growth rates over the last few decades and, in terms of total economic output, the area is third in the province behind Durban and Pietermaritzburg. In 1997, the area contributed 7,6 percent to the total gross geographic product of the province and 5,5 percent to total formal employment. An annual economic growth rate of 6 percent has been maintained since 1980. The largest contributing sector in the area is manufacturing, followed by transport and finance. While the manufacturing sector's contribution to the gross geographic product is high, it employs a low percentage (10%) of the workforce. Social services and institutional sectors employ 40 percent, and trade, transport, utility and construction sectors employ 22 percent of the working population (Townsend, 2003).

The local uMhlathuze municipal economy that includes Richards Bay, Empangeni and surrounding rural settlements, is based on a sophisticated industrial environment paralleled by the competing needs of rural, disadvantaged communities. Although the local municipality is relatively prosperous in comparison to others in KwaZulu-Natal, according to the 2001 census, the unemployment rate stood at 40% and 46% of all households survived on an income of less than R800 per month. This represents an estimated figure of approximately 40 000 unemployed compared with the 1996 census which recorded 22 000 unemployed. Thus, despite the significant development that has taken place in Richards Bay, not all have benefited, and the unemployment rate remains alarmingly high.

Porter (1990) records that normally large-scale, capital-intensive, resource-based projects directly support and promote Small, Medium and Micro Enterprises (SMME) development and thereby create indirect employment opportunities. Unemployment (as a percent) in the Richards Bay area is higher than the national average, and has increased dramatically in uMhlathuze from 1996-2001, even though the actual number of jobs has increased. However, with the changing municipal boundaries as a consequence of the demarcation process, these figures do not provide a clear picture other than indicating that although many new jobs have been created, the unemployment level still remains alarmingly high – a case of figures not telling the whole story and the need for local understanding to the situation.

Other significant features of the local economy are; the aluminium and ilmenite smelters, which are major users of electricity and are reliant on low cost electricity, this accounts for the fact that uMhlathuze consumes 8% of the total power generated in South Africa. The cost advantage existent in the country will be lost in approximately 2007/8 when Eskom runs out of surplus generating

capacity and begins to invest in new, more costly, power stations. A perceived crucial weakness of the local economy is the void of clustering activity. Concern is raised as to whether the amount of capital invested in the area through the establishment and consequential upgrading of the large firms positively impacts on the socio-economic development of the area, and although in theory, the establishment of the many large corporate companies should have had downstream impacts in terms of job creation, in reality this has not been the case in Richards Bay.

Furthermore, the tourism sector is regarded as undeveloped and the area is reported to have a “drive-through” and poor image, due to the very evident high levels of air pollution and ‘un-sightliness’ of the large industries. However, the Zululand Birding Route is rapidly gaining popularity in the area amongst local and foreign visitors and there is scope to further develop the avi-tourism niche, and this would provide significant economic spin-offs (Uthungulu, 2004). At present the tourism market is dominated by business-related visitors (62%).



## 4. KEY ROLE PLAYERS

### 4.1 THE LOCAL MUNICIPALITY

Although a defined Local Economic Development plan and strategy has only recently been implemented within the municipality of uMhlathuze, the concept is not new to the area. In September 1998, a Local Economic Development Forum was established for Empangeni. The town of Empangeni is approximately 15 km north of Richards Bay and has a commercial and light industrial function, and since 2000 has formed part of the uMhlathuze Local Municipality, along with Richards Bay. The LED committee of Empangeni grew out of a council initiative to establish a fresh fruit and arts and crafts sales outlet. This was undertaken in the hope of stimulating economic growth through the promotion of small-scale agriculture and tourism opportunities. The Council provided land and approximately R 420 000 to initiate the project and it was proposed that the project would be managed by the private sector. In parallel, a consultant was appointed to facilitate a LED strategy for the town and a LED committee was formed to manage the project and identify other opportunities for economic growth. The focus that was identified and prioritised through a number of workshops with key stakeholders was a craft market and tourism facility. It was believed that this would create new employment opportunities and have a strong multiplier effect which would attract tourists to Empangeni.

Phase 1 of the Centre project included a restaurant, tourism office, ablution facilities and a craft market of 13 stalls. The National Government's LED Fund provided R1,9 million, R120 000 was donated by the British Government and a further R500 000 was donated by the then Uthungulu District Municipality. Unfortunately, since the establishment of the Centre, few of the businesses have managed to survive and many of the stalls are now vacant. The lack of expected business and revenue has forced shop owners to relocate to high traffic areas or

shut down entirely. The Empangeni Arts and Crafts Centre has been termed a 'white elephant' in the town. While the location might be suitable, the failure to make the centre a successful enterprise can be attributed to the lack of marketing, the high prices, the lack of variety, the lack of commitment from tour busses stopping at the Centre (which was expected by the crafters), poor access, as well as the lack of parking and therefore lack of local support to shop there. This can be partially attributed to the lack of publicity and general marketing of the Centre and shop owners felt that more could be done to attract local people, as well as outside visitors to the Craft Centre, which would then increase their income. The LED committee disbanded after the establishment of the Centre. While the amalgamation of the former TLC's into the new demarcated municipal areas largely contributed towards that disbandment, the failure to produce a successful project served to add to the general lack of commitment and interest from the LED committee. The municipality are aware that the Centre has not been as successful as was anticipated, and are attempting to alter the function of the Centre by hosting events such as a monthly fresh produce market, theatre productions and fashion shows as a means of attracting people. Despite the lack of success, the learning experience has proved invaluable in terms of what is often perceived as a good approach and what, in reality, would be a possible success – however it is not only about planning but also marketing which is crucial.

A later LED strategy was devised by the new uMhlathuze Municipality in August 2003 and has a stronger pro-growth focus. Local Economic Development is seen as "a sustained and united effort by local stakeholders to identify and harness local resources, advantages and opportunities so as to create sustainable employment and economic opportunities and improve the quality of life for all especially those who are most disadvantaged" (City of uMhlathuze, 2003). By working through a partnership approach, the goal of the strategy is to

increase the number of employment opportunities by at least 2 000 jobs per year for the next 5 years, through building on local advantages, and success will be measured in terms of the number of sustainable jobs created.

The objectives of LED in uMhlathuze are to create sustainable jobs and economic opportunities through activities such as industrial development, SMME support, tourism development and infrastructural development. Furthermore, the investment strategy and incentives employed in the LED strategy should enhance competitive advantage. SMME development is seen as crucial in creating employment in the area and, while investment is seen as important to economic growth, low levels of education and skill have been cited as being a major obstacle to potential investors in the area. The LED strategy is based on six key focus areas that aim to harness economic and employment opportunities (City of uMhlathuze, 2003). These are:-

#### ***4.1.1 Clustering for Growth***

The strategy recommends that industrial and SMME development should be focussed on developing clusters offered by downstream manufacturing and spin-offs from the smelting of titanium, iron and aluminium, as well as from surrounding activities such as the harbour and shipping. Furthermore, the aim is to cluster development around timber and the agricultural sector. To achieve this, the cluster process will be initiated with industrial stakeholders to identify gaps and opportunities in downstream industries, supplier firms and supporting infrastructure. Programmes by the Zululand Chamber of Business, the Municipality and Industrial Development Zone (IDZ) will be aligned and focused on attracting local entrepreneurs to fill the gap and maximise job potentials.

#### ***4.1.2 Critical Infrastructure and Services***

The following projects have been prioritised by the LED strategy, based on their potential contribution to job creation:

- Upgrade of the John Ross Highway linking Richards Bay to Empangeni;
- Construction of a local power station that will ensure a long-term advantage to local bulk users;
- Upgrade the harbour container handling facility, and further develop the port with the addition of a passenger terminal, a dry-dock and a fruit export terminal;
- Establish the surrounding regions of Esikaweni, Ngwelezane and Nseleni as economic nodes;
- Develop and implement a housing programme;
- Facilitate the early resolution of land claims;
- Address the overcrowding in Section 21 schools; and
- Address service backlogs

#### **4.1.3 'Soft Infrastructure' for Competitive Advantage**

To create an environment conducive to business growth and development in uMhlatuze, the LED strategy identified a number of priorities, including the establishment of a local economic development partnership that represents the interests of all the local stakeholders with the capacity to lead the economic development of uMhlatuze. The activities of local stakeholders will gradually be integrated through information sharing, joint priority setting and planning. Specific local needs in terms of education and skills will be identified to implement a development programme that addresses these problems in partnership with the SETA's, Department of Labour and NGO's. Furthermore, unnecessary regulatory obstacles to local and foreign investment will be streamlined and satellite offices of the Business Development Centre will be established in the surrounding townships of Esikaweni, Ngwelezane and Nseleni. Access to local venture capital will be facilitated for business start-up and

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expansion by researching good practice and encouraging or initiating the establishment of appropriate local institutions. Furthermore, the establishment of the IDZ is encouraged. Finally, and most crucial, is that a best practice programme be developed and initiated to combat crime which is currently perceived to be inhibiting growth and investment.

#### ***4.1.4 Jobs for Tourism***

To maximise the job creation potential of uMhlathuze, a tourism development strategy will be developed, in consultation with local stakeholders. Cultural and eco-tourism should be promoted and a SA Host partnership established in order to promote the area as a tourist-friendly community.

#### ***4.1.5 Creating Jobs through Agriculture and Forestry***

In partnership with various role players, uMhlathuze will maximise job creation potential by developing an agricultural strategy for the municipality, that balances agricultural output with the creation of sustainable livelihoods, as well as leads to the identification and promotion of robust niche crops suitable for small scale production. Clustering agricultural projects to improve efficiency and sustainability through possible recycling opportunities will be investigated.

#### ***4.1.6 Retaining and Growing Existing Businesses***

uMhlathuze recognises the need to encourage local businesses to remain in the community and assist them to grow and create employment, by conducting a series of Business Retention and Expansion (BR&E) programmes and responding promptly to the outcomes. The first BR&E programme was conducted in August 2003 and surveyed 60 businesses in the Empangeni area. As a consequence thereof, a number of recommendations were made, under the headings "Crime Prevention", "Growing the Market", "Roads, Traffic and Infrastructure", and "Business Support". During 2004, a crime prevention

strategy was completed and a managing team appointed by the municipality to implement the strategy. A number of new investors were headhunted and have since become established in the area. The Magistrates court and police station received substantial upgrading by the government which has improved the appearance of central business district, and other slum areas have received attention from the Municipality. A renewed drive by the public and private sectors to harness central government support to upgrade the John Ross Highway (linking Empangeni to Richards Bay) resulted in government commitment to commence construction in 2005. The municipality have committed R1 million to the upgrading and resurfacing of the “Rail” area, zoned for light industrial and commercial activity. The Zululand Chamber of Business has initiated a drive to increase exposure and membership and coordinate relevant training workshops for SMMEs.

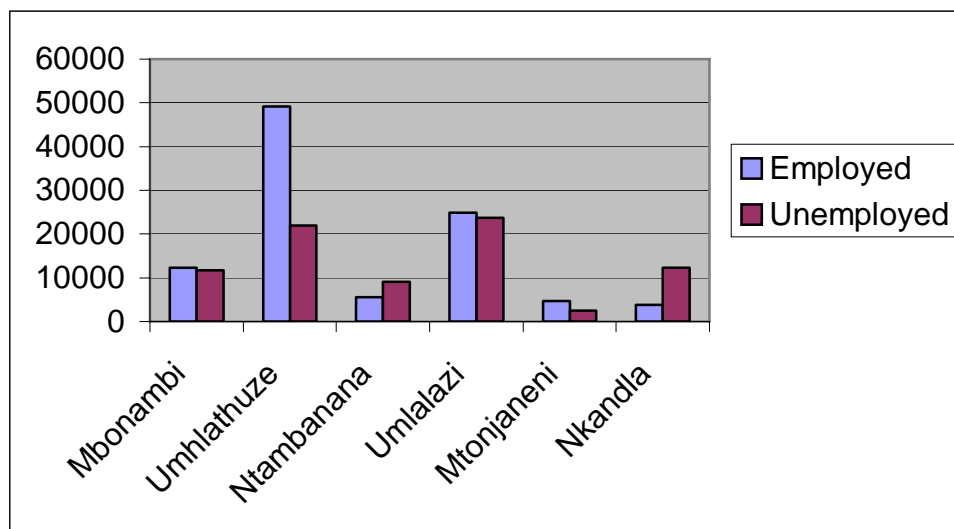
#### **4.1.7 Assessment**

While the LED strategy addresses issues that are inhibiting investment in the area (such as the upgrading of the John Ross Highway) and provides recommendations that will ensure growth in the future, few recommendations will directly benefit the poor. Recommended projects that are pro-poor, are still at a planning or pre-feasibility stage, with very little on the ground. At present, few objectives set out in the LED strategy have been implemented for a number of diverse reasons. For example the establishment of the IDZ is expected to create a number of local jobs for uMhlathuze. However, due to the environmental sensitivity of the area, approval from Environmental Impact Assessments and Feasibility Studies are delaying many of the developments from taking place, which is frustrating potential investors, resulting in the expected development in Richards Bay, possibly being diverted elsewhere. This last point raises the thorny issue of environmental protection and the value placed on such issues when compared to expansion of development and potential job creation in a region

which so evidently requires both – protection of the natural environment and poverty alleviation through employment opportunities.

## 4.2 THE DISTRICT MUNICIPALITY

The local municipality of uMhlathuze falls within the borders of the broader District Municipality of Uthungulu and is one of six local municipalities that fall within the jurisdiction of the Uthungulu District Municipality (UDM) and is considered to be the economic core of the District. The chart below (with figures taken from the IDP) displays comparative levels of employment between the six Local Municipalities of the study area. Note the high levels of unemployment (45% in Uthungulu as a whole), which can be equated with high levels of poverty and hardship.



The vision of Uthungulu is or it to be “an economically sound district with effective infrastructure and a district municipality that empowers people; protects the environment and demonstrates leadership excellence”. The mission is to “to create a prosperous district by providing a high standard of essential services; supporting sustainable local economic development; and encouraging community participation in service delivery projects” (Uthungulu, 2003).

Uthungulu partners with a number of local as well as foreign investors on many local projects and programmes, for example the partner for Water and Sanitation is a programme that is managed by the British Government. Furthermore, the District has strong ties with the Chinese and Taiwanese governments who have recently established clothing factories in the district. The Indian government have funded projects such as a tea plantation as well as a latex foam factory. Local partners include the Zululand Chamber of Business, the SDI/IDZ, the Industrial Development Corporation as well as local municipalities.

Many of the District's LED projects are still in the planning phase, with very little in operation. Some of the planned projects include efforts to attract the establishment of a local film office in Richards Bay, in order to capitalise on the spin-offs associated with that industry. The Executive Committee is committed to provide further funding to the Nkandla Essential Oils project by providing two new distilleries, as well as developing a production expansion plan for the Nkandla area. The Nkandla Essential Oils project was initiated in 1999 under the auspices of Oxfam GB and has had a number of other donors such as the KZN Agricultural Development Trust, and the Department of Agriculture.

The Asisebenze programme was launched in August 2004 and aims to provide business awareness and advice to budding entrepreneurs of the District and is run in partnership with the Business Development Centre. Approximately 120 people visit the dedicated business advisors monthly to seek assistance on business start-ups and access to finance and skills development.

**Agriculture is the largest employer in the District and is believed, by the Municipality, to have significant potential for growth - this has become a strong focus of the District in terms of promoting pro-poor development. The**



**Department of Agriculture and Environmental Affairs in KwaZulu-Natal (DAEA) has established various strategies aimed at unlocking the agricultural potential of the Province, securing tenure of land and food security in favour of disadvantaged rural communities (82% of Uthungulu District Municipality are said to be rural-based). These strategies have benefited an estimated 20% of the total number of resource poor rural families in the Province.**

In order to ensure that the rural poor benefit from both departmental and municipal efforts to ensure a better life for all, the District is focused on implementing specific programmes and projects aimed at benefiting the rural poor. These include improving accessibility to resources and to support services.

#### **4.3 PRIVATE SECTOR**

Throughout the world, charitable giving is widely practiced by individuals, community organisations and businesses. In South Africa, the business contribution to community development is termed corporate social investment (CSI) and involves identifying every aspect of society on which a company has impact, through its core as well as non-core activities (Joseph, 2001). The CSI concept of extending business' obligations to contribute to the wellbeing of communities in which they operate, sell products or from which they draw their employees was introduced in South Africa in the early 1970's (Rockey, 2004). For some companies, CSI is a relatively new notion that is only now attracting executive's attention.

Corporate Social Investment is a key phrase in the terminology of large industries in the Richards Bay area. These can be individual initiatives or combined with the endeavours of other organisations, for example through the Zululand Chamber of Business Foundation, which implements and manages many of the

corporate industry's social investment initiatives, as well as large projects with other partners. Although some companies have had community development departments in place since establishing in the area, for some of the large industries, CSI departments are relatively recent. While the initiatives that the companies focus on are mainly centred on skills development, education and health care, these are not the only areas that the corporate companies target in their CSI schemes, but are common to most. The CSI programmes tend to support initiatives that address local development needs, thereby achieving the overall aim to uplift the quality and standard of living for communities living in the areas affected by their operations. The so-called 'big six' industries of Richards Bay, namely RBM, RBCT, Foskor, Ticom, BHP Billiton and Mondi Kraft, play a leading role in CSI in the region however, they are not the only industries that make significant socio-economic contributions to the economy, but they are the largest in terms of capital invested. It is interesting to note that all are resource-based industries and most focus on production for export.

#### **4.3.1 Mondi Kraft**

The company focuses on social investments in the area of its operation which includes Richards Bay and the surrounding settlements and promotes capacity building and self-reliance through the transference of skills. The portfolios of the CSI department are Education and Training; Health and Welfare; and Small Business Development. Other areas of concern are Sport and Recreation, Employee Care and Community Related Exhibitions. Within the Education and Training portfolio, Mondi Kraft invests in the upliftment of education standards as it sees this as a direct investment in the company's future economic prosperity. Its' employees are offered specialised training courses to upgrade skills and their level of education, including ABET (Adult Basic Education and Training). The company supports 50 schools by annually donating funds for development and the improvement of educational and sports facilities.

Within the Health and Welfare portfolio, the main focus is on HIV and AIDS. The organisation was one of the founding supporters of the Ethembeni Care Centre at Amangwe Village, which is managed by the Zululand Chamber of Business (ZCB). The Care Centre provides quality medical care and confidential counselling to patients requiring terminal care. The land and contractors facilities were donated by Mondi for the construction of the Village.

The company believes that the solution to unemployment in the region is job creation on an informal level and the empowerment of small and medium entrepreneurs. Projects applying for support undergo a selection process based on the individual merit and self-sustainability of the project. Partnerships exist between Mondi Kraft and various community Forums such as Ukhanyiso who, with the assistance of Mandi Kraft, manufacture and supply wire fencing to local businesses, as well as the Khangela Sewing Club who supply the Mondi Kraft Corporate Clothing Shop with tracksuits. Mondi Kraft supports projects managed by the Zululand Chamber of Business such as the Furniture project, by providing funding and technical assistance to the project (Mondi Kraft, 2004).

#### **4.3.2 Richards Bay Minerals**

In order to create long-term business value, RBM states that it's commitment is to integrating sustainable development considerations into all aspects of the operation; economic, environmental, and social, linked together by corporate governance. The sustainable development philosophy is based on the 10 principles of the Sustainable Development Framework of the International Council on Mining Metals. RBM provides 25% of the world's demand for titanium-group minerals and is the major supplier for domestic demand and employs

approximately 1 750 full-time staff and 800 contractors and has been operating in Richards Bay for over 27 years.

Training and Career Development is a focus of the company and this has resulted in 7 400 employees attending various training courses, 195 employees receiving financial assistance for tertiary education and learnerships, and 37 apprenticeships have been awarded. In 1993, RBM built a complex of 8 mini factory units to accommodate local entrepreneurs, these units include a panel-beater, mechanic, welder and a seamstress - this project venture has led to the creation of 28 permanent jobs.

RBM has 'adopted' 23 rural schools which receive financial assistance for renovations and maintenance. In excess of R1 million was provided for interventions at 16 schools during 2004. English and science programmes have been introduced to many of the primary schools and drama-based HIV and AIDS education programmes are provided to students in high schools. Like Mondi Kraft, RMB also supports the Amangwe Village and donated R500 000 towards upgrading their buildings and equipping the child advocacy centre.

RBM's sustainable development approach to CSI is strongly environmentally biased. RBM spends approximately R23-million annually in capital investment to enhance environmental management. Since receiving ISO 14001 accreditation in the late 1990's, the company continually endeavours to maintain these standards. Over R10 million was spent during 2003 on the company's Dune Rehabilitation Programme, whilst other concerns in this portfolio are air quality maintenance and fresh water monitoring activities (RBM, 2004).

#### **4.3.2 Richards Bay Coal Terminal**

The relevance of coal export from the South through facilities such as that at Richards Bay, in an increasingly globalised world, takes on enhanced significance when one considers that the world's demand for coal, especially for use in power generation, is expected to increase by 4 percent per annum (p.a.) (Nel et al, 2003). RBCT provides direct employment to approximately 520 people and a further 200 people are indirectly employed through contract operations. Through the involvement of its employees, RBCT purports to raise the living standards of the communities within the area that the company operates. Commitment to projects is facilitated through the Corporate Social Investment (CSI) group that focuses on education, primary health care, job creation and the preservation of the environment (Barker, 2001).

RBCT perceive CSI as a means to promote the development and self-sufficiency of local communities in order to contribute to the creation of an environment in which RBCT business can be conducted successfully. Their main objective is to facilitate the improvement of the quality of life of RBCT employees, through involvement with employee communities and to facilitate community development programmes. The primary focus is on education projects and secondly, on SMME development, health, sport, environment and social services. Presently RBCT is involved in financially aiding the Dube Conservation based Community Development Project that began in March 2003. Dube is a rural community situated south of Richards Bay, on the neighbouring Mhlathuze Estuarine Sanctuary. Despite being in close proximity to urban areas, Dube is one of the poorest rural communities in the province and is characterised by high unemployment with limited health and education facilities. The community relies on the natural environment for survival through illegal gill-net fishing for subsistence and commercial purposes, as well as the harvesting of mangroves for domestic construction purposes. These practices are negatively affecting the

environment, but the underlying poverty in the area is forcing more community members to engage in these now un-sustainable activities.

The project aims at addressing the poverty and unemployment in the area by targeting the community members who use the sanctuary and progressively creating alternative employment opportunities for them. The project objectives are to develop a Nature Guide Learnership programme for 15 – 20 community members, develop a canoe-based eco-tourism and team building adventures, develop a Fish Care based Environmental Education Programme and to develop infrastructure at the site. Organisations that are involved in the project include: the Wildlands Trust, Ezemvelo KZN Wildlife, and Simunye Community Tourism. As the project is still in its preliminary stages, with it having been established in April 2003, success (in terms of self-sustainability and number of created jobs) is difficult to ascertain. The Wildlands Trust have contributed R200 000 towards this project which has been matched by RBCT. Through this initiative 20 permanent jobs have been created and skills training provided by the Department of Environmental Affairs in terms of environmental education. As this project expands, it is envisaged that more jobs are likely to be created (RBCT, 2004).

#### **4.3.4 Ticor**

Ticor is a public listed Australian Company which owns 40 percent of Ticor South Africa. Kumba Resources Ltd, the previous mining division of Iscor, owns the remaining 60 percent. Ticor South Africa involves the investment of R 3 billion p.a. in mining, refining and smelting sands to produce titanium slag and is based on high-grade mineral sands deposits. Construction of the first smelting furnace was completed in 2003 and will reach full capacity by 2007.

Their CSI is focussed on four portfolios, namely Education, Health and Welfare, Skills Training, and Business Development. Within the education portfolio, Ticor emphasises and encourages children in local schools to learn science and mathematics. They have partnered-up with the Department of Minerals and Energy on a programme to promote careers in mining and to encourage further studying.

Within the Health portfolio, Ticor has a working relationship with King Goodwill Zwelitini on the Biyethi AIDS Awareness programme that aims to promote AIDS education through cultural awareness. To date, 27 000 maidens have been trained over a 3 year period. A flagship project in the Training portfolio is the South African Women in Mining (SWIM) project that is being run in partnership with the Department of Minerals and Energy and Mintech. It aims to educate women through ABET to qualify in the Mining trade (Townsend, 2003).

#### **4.3.5 BHP Billiton**

BHP Billiton is the world's largest, diversified mining company which employs 17 000 people in its South African operations. Corporate Social Investment at the Richards Bay smelters is focused on four portfolios namely, Health Care Promotion and Welfare Services; Education, Training and Skills Development; SMME and Business Opportunities Development; and Conservation of Environment and Cultural Heritage Values. At a national level BHP Billiton has, since 1993, implemented an extensive HIV and AIDS awareness and education campaign. The Hillside and Bayside smelters were one of the first large industries to contribute towards the establishment of the Enthembeni Care Centre at Amangwe Village. The Centre was awarded the Mail & Guardian Investing in the Future Award in 2002 and was recently identified by the Department of Social Services and Population Development as one of three best-practice models nationally.

An example of the Education, Training and Skills Development portfolio project is the Partners-in-Education Network (PEN) schools project with funding worth approximately R2 million and initiated by Bayside and Hillside smelters in 1996 as part of a multi-faceted approach to address educational needs in the Zululand region. Through this project, 38 schools were 'adopted'. Assistance is provided for 3 years per school and the project currently benefits over 32 000 scholars and 800 teachers annually.

The Downstream Aluminium Pilot Project (DAPP) is a SMME and Business Opportunity Development project that aims to create an environment where trainees are trained in all aspects of the aluminium casting industry. Apart from providing a practical and technical training ground, the project is aimed at assisting potential local entrepreneurs to establish their own manufacturing enterprises. During 2004, 19 students were trained, and 7 of the students who were trained in 2003 have been employed. The project is housed at the Zululand Chamber of Business Community Park in Richards Bay, who provides marketing and administrative assistance. Enseleni Aluminium Ventures is an operating SMME, run by 4 entrepreneurs who were trained through the DAPP project. The primary objective of the project is sustainability; however the project has still to reach this stage.

The Schools Conservation Project is a partnership initiative between WESSA (Wildlife and Environment Society of South Africa), the ZCBF (Zululand Chamber of Business Foundation), the Department of Education and BHP Billiton Aluminium. BHP Billiton has extended its support for the PEN schools project (mentioned earlier) by funding a conservation project that aims to 'green' the 38 adopted schools, by exposing them to the Enseleni Nature Reserve (located approximately 20km North of Richards Bay), so that the reserve could become a



useful resource with regard to environmental conservation learning outcomes (BHP Billiton, 2004).

#### **4.3.6 Foskor**

The concept of CSI is relatively new to the company, with a Social Investment officer only being appointed in the past two years. This was a decision made by the Foskor Board of Directors, and although an internal one, the company hopes to directly benefit through increased exposure, and public image. While the Foskor Media Resource Centre is a project that has been running for a number of years, CSI funding in the past four months has been in the form of cash grants to initiatives such as the annual provincial Toy Story programme, a Coastal Clean-up at Port Durnford, Zululand Chamber of Business, and Black Management Forum (BMF) managerial leadership course. The Foskor Media Resource Centre was established in February 2003 and is located at the Zululand Chamber of Business Foundation and is jointly administered between the ZCBF and Foskor. This resource centre provides schools, scholars and small businesses with access to office equipment such as laminating, binding and duplicating as well as a substantial reference library. Foskor has identified fifty-eight local underprivileged schools, to use the sponsored equipment at no cost (Townsend, 2003).

#### **4.4 Zululand Chamber of Business**

*“Fostering an environment conducive to economic growth and development”*

The Zululand Chamber of Business (ZCB), The Business Development Centre (BDC), Business Against Crime (BAC), and The Zululand Chamber of Business Foundation (ZCBF) have recently combined into a single organisation, the

Zululand Chamber of Business. It is envisaged that this incorporation will ensure 'shared services' by the existing structures and avoid repetition of projects and make communication between organisations, as well as communication with the other stakeholders of the area, more efficient.

The Zululand Chamber of Business is a Section 21 Company that comprises of voluntary members who, as an organization, provide advocacy services for the business community of Zululand and who have, in the past, been effective in representing the interests of these business community members. The primary focus of the BDC is on providing a linkage service between SMME's and large companies throughout the Uthungulu region. This activities of the BDC has led to the establishment of a very successful SMME Development Forum, which maintains a localised database of SMMEs. In addition to its general advice services, the Forum provides technical and financial assistance to SMME development.

The portfolios of the newly formed Zululand Chamber of Business are: Chamber and Business Development; Education, Skills and Rural Development; Health and Welfare; and Business Against Crime. The membership-driven portfolio of Chamber and Business Development encompasses two areas within the ZCB: Chamber, namely the long accepted platform for business in the region to address issues of concern, and the Business Development Centre (BDC), that aims to provide support services to business and to stimulate economic growth through initiating projects that promote self-employment. Some of the service that are offered by this portfolio include tender advice, access to and listing on the ZCB database, and administrative services such as bookkeeping. Some of the projects that the ZCB administer and manage in this portfolio include the Foskor Media Resource Centre, the Downstream Aluminium Pilot Project and the Zululand Careers Centre. Others include the Amathuba Project that is run in

partnership with The National Development Agency (NDA) and European Union (EU). This project was initiated in 2003 in Northern Kwa-Zulu Natal and aims to enhance the income-generating capacity of SMME's in disadvantaged households. Particular emphasis is placed on encouraging networking to open markets for products and services; providing support, training and mentorship and to improve overall competencies of the rural-based SMMEs (ZCB 2004).

The flagship project managed by the ZCB in the Health and Welfare portfolio is Amangwe Village. Amangwe Village is a partnership driven project between Mondi, BHP Billiton, Richards Bay Minerals, Richards Bay Coal Terminal, the United Nations Children's Fund (Unicef), and the Nelson Mandela Children's Fund. It is made up of three core categories of intervention: the Ethembeni Care Centre, Orphans and Vulnerable Children services, and outreach education and training initiatives. Working relationships exist with the Africa Centre for Population Studies, Department of Health, Welfare and Education; Lifeline Zululand; and the KZN Wildlands Trust.

The corporate companies in the Richards Bay area contributed significantly towards the initial establishment of the Zululand Chamber of Business through financial support as well as human resources. Over the years, the ZCB has come to rely less on donations from the Big 6 as it has become a more financially viable and sustainable organisation. Various sources of income for the ZCB are through rental of office space to SMME's at favourable SMME rates, as well as the annual "Zululand Expo" that brings exhibitors from across the country to the community park, as well as the traditional membership fees. Although financial grants from the Big Six have significantly decreased over the years, the ZCB still draws support from the corporate companies, particularly in terms of small business support that is offered by the chamber to established and emerging

entrepreneurs of the area. The Chamber in turn provides specialised services to the large companies as part of their membership benefits (ZCB 2004).

The ZCB plays a crucial function in the local economy in terms of coordinating public as well as private initiatives in the area. Currently, many projects implemented and managed by the ZCB are dominated by a corporate pro-growth focus and, as yet, pro-poor development is not well entrenched in their approach to development.

In terms of impact it is reported that some 75 000 people have been influenced by the various ZCB and other programmes to same degree and 3 500 have sought small business support or gained some form of employment.

#### **4.5 Local Collaboration: the Joint Development Forum**

Richards Bay is a good example of where there is a strong partnership between various private sector companies and local government. Local government enters into partnerships with specific role players for specific projects and, on a broader scale, where a number of investors participate in establishing a common project (as with Amangwe Village). Most coordination effort occurs through the Zululand Chamber of Business (ZCB) who administers Forums and Committees such as the Joint Development Form (JDF). The JDF consists of representatives from various organisations such as the Industrial Development Zone (IDZ), Business Women's Association (BWA), Black Management Forum (BMF), Uthungulu District Municipality and the uMhlatuze Municipality. The objectives of the Forum are:

- to create a discussion and networking forum;
- to extend partnership opportunities;

- to address projects of common interest, based on development priorities in the Zululand region;
- to share existing contacts to help build and maintain stronger relationships with all stakeholders; and
- to interact, share and synergise projects, in order to bring projects and funders together

The Forum provides an opportunity for stakeholders to address and fund projects of common interest. In so doing they avoid duplication of efforts and conserve local resources. More importantly though, the JDF helps to build and maintain strong relationships between all stakeholders which has resulted in the unique situation where the private sector can play a strong part in the socio-economic development of the area.

#### **4.6 KwaZulu-Natal LED Support Programme**

The Uthungulu District Municipality has recently been chosen as one of the preferred bidders to host the KwaZulu-Natal Local Economic Development Support Programme. Other areas of KZN, where the programme is to be implemented, are uMgungundlovu, Umkhanyakude, Uthungulu and Ugu. The programme will run for six years and is supported by the European Commission (EC), and has a total value of 37 million Euro. The programme is designed to assist the provincial Department of Economic Development (DED), in partnership with a broad range of stakeholders to accelerate the implementation of LED policies, programmes and projects within the province. The programme comprises a number of LED funding and technical assistance instruments, namely the Business Enabling Fund (BEF); the Local Competitiveness Fund (LCF), Networking and Co-operation Fund (NCF), as well as Technical assistance provided by the Programme Co-ordinating Unit (PCU). It aims at

creating a LED-enabling environment that provides greater coherence and focus to the currently diverse and disconnected LED support initiatives occurring at provincial and area level through the organisation of support services around projects that promote equitable economic growth.

A specific target of the programme is to facilitating enterprise growth and investment that will specifically benefit the poor. The programme will leverage investment and enterprise growth by facilitating and building institutional capacity and providing supplementary finance. Area specific diagnostic analysis and calls for proposals will result in the identification of LED initiatives, strongly supported by the private sector and/or community organisations. The programme will contribute by ensuring co-ordination of all interested parties and by removing eventual obstacles in accessing information, factors of production, finance and business services. Skill development, through the SETA, and capacity building will be prominent. Where appropriate, the programme will finance investment with supplementary resources to the ones already mobilised by the private sector and other sources.

The programme will also provide capacity building to local governments in relation to specific LED functions and will support the strengthening of the LED component of Integrated Development Plans and thereby enhance the developmental role of local government and related LED institutions. Its direct beneficiaries are public, private and civil society actors involved in LED, in particular the poor, historically disadvantaged and vulnerable groups, initially in the four 'learning areas'. Within each "learning area", the immediate beneficiaries will be the economically active and potentially active population, notably those involved in small, medium and micro enterprises and in collective economic activities (savings, producer and buyer groups), both in urban and rural areas. LED organized stakeholders, including District, Local and Provincial

government, business service providers and business associations, will benefit directly through involvement in consultative processes, representation on area stakeholder forums and capacity building (Gijima KZN, 2004)

## 5. DISCUSSION

The role that large capital-intensive industries that established in Richards Bay, initially as a result of the country's industrial decentralisation strategies, play in the socio-economic development of the immediate area is a highly debated topic and one of growing concern. It is true that the globally competing industries positively contribute towards the local as well as the national economy. However, a microeconomic feature of globalisation, in developing countries, is the decline in the share of variable, low-skilled labour costs in total production costs and the decline in significance of developing country's comparative advantage in low-skilled, labour-intensive products (Walker, 2001). In light of this, despite the fact that industrial growth in the Richards Bay area has been accompanied by employment spin-offs, it has been queried whether these are that significant in relation to the high investment involved and the needs (read job creation) of the surrounding or broader community (Arinuth & Barnes, 1998). We have a quandary of how best to serve the needs of the country – through economic development as a global player or looking more inward and taking greater cognisance of past social injustices and seeking to improve the livelihoods of local communities? The question arises, can both laudable ideals be successfully achieved, should one occur at the expense of the other?

With the high level of investment these companies have brought to the area, it has been questioned whether employment created as a result of investment at this magnitude, is significant. Since the resource-based industries require considerable investment in terms of establishment and upgrading in order to remain competitive, it can be questioned whether critical capital resources are achieving the maximum levels of productivity possible. And if so, at what social (to a lesser degree – depending on your persuasion – environmental) cost and is it a cost South Africa should be bearing in a climate of reconciliation? Indeed a quandary – can these industries have the best of both worlds, or more to the



point can we get the best of both worlds from them? A globally competitive player and a socially conscious local champion ?

As it is, the key objective of many government strategies and programmes to resolve the high levels of unemployment and unskilled labour crises that South Africa is experiencing, it is argued that the focus of industrial and economic strategies should be on labour-intensive as opposed to capital-intensive activities. In addition, it has been noted that there is an effective absence of any linkages between the large industries, and although they are continuously expanding to meet global demands, expansion is individualistically determined. It could be perceived that linkages between the industries would result in an enhanced depth and magnitude of industrial clustering in the area. Some level of diversification has occurred from the individual industries, however levels of unemployment in Richards Bay remain high (City of uMhlatuze, 2003). Construction and production of each new project has contributed towards temporary employment, but is followed by slumps in the number of permanent employees once the construction phase is complete (Walker, 2001). As a result of their export-orientation and the associated capital-intensive processes the local industries require to remain globally competitive, the local, social economy is suffering. As things now stand, clustering could, hopefully, result in diversification and downstream functions that could lead to greater employment opportunities – but this has yet to occur.

To exacerbate the issue (not yet a crisis) and to illustrate the point, the establishment of yet another large corporate company in the area has sparked debate and concern. TATA Steel, an Indian-based mining company is in the process of establishing in the new industrial development zone (IDZ) of Richards Bay. However, they have met with resistance from other competing companies in

the area as well as environmentalists. The large, multi-million Rand investment by TATA Steel is expected to create only 140 jobs once construction is complete.

### **5.1 Overall pro-poor orientation and impact of the municipality**

LED is not new to the uMhlathuze area, prior to the Municipal demarcation process, the town of Empangeni had a LED committee who were tasked with identifying opportunities that would stimulate economic growth through small scale agriculture and tourism activities. The Empangeni Arts and Crafts Centre was born out of this process, which was designed to benefit rural women in the area by providing a venue and exposure to produce and a point from which to sell their products. However, there was limited, if any, community consultation and participation prior and subsequent to the initiation of the project, hence it met with limited success that has been acknowledged by the LED committee. In an LED project of this nature, strong community participation and buy-in would ensure local ownership of the project and contribute to capacity building and possibly help to ensure long-term success.

The more recent uMhlathuze LED strategy, completed in 2003, was driven by a committee of various stakeholders and had a stronger pro-growth focus. Local Economic Development is seen as “a sustained and united effort by local stakeholders to identify and harness local resources, advantages and opportunities so as to create sustainable employment and economic opportunities and improve the quality of life for all, especially those who are most disadvantaged” (City of uMhlathuze, 2003). The strategy aim is to increase the number of employment opportunities by at least 2 000 jobs per year for the next 5 years by building on local advantages, and measures success by the number of sustainable jobs created. The objectives of LED in uMhlathuze are to create sustainable jobs and economic opportunities through activities such as industrial development, SMME support, tourism development and infrastructural

development. However, as the IDZ has taken longer to establish than anticipated, the number of jobs being created through industrial development has been delayed.

While the principle of poverty relief exists, the limited success of the Empangeni projects and the pro-growth emphasis of the 2003 strategy suggests that more could be done in terms of LED interventions. Balanced against this are the noteworthy range of corporate interventions and the role which the District Municipality is playing in trying to ensure greater levels of equity in the district.

## **5.2 Initiatives between Local Government and other actors and the degree to which these initiatives are having an impact in the case study area**

Over and above local government action, as detailed above, the district municipality, provincial / EU funding and corporate interventions all play in role in support of pro-poor LED. Steps undertaken to network the different role-players, through the Joint Development Forum and the Chamber are important and need to be taken further. It is still early days for the district municipality and the EU/provincial intervention and time will reveal whether redistribution can be achieved and whether the EU mechanisms truly does catalyse pro-poor development. Both interventions are significant and could yield valuable insight into mechanisms to achieve pro-poor development and its potential.

The corporate interventions by contrast, have been in place a lot longer. While such support, as detailed above is to be welcomed, the reality of the situation, in terms of direct business and employment impact, is that for the large capital-intensive industries to remain globally competitive the number of jobs is kept to a minimum and there is a tendency towards capital and technological intensive

models of operation. However, and one can make ones' own assumptions or judgement call on whether it is merely corporate guilt, a sense of community consciousness or attempting to keep the politically-motivated social issues at bay, the 'big six' industries do have CSI departments in place that are structured to deal with the social ills of our society, be it a legacy of previous governmental regimes or the social dis-empowerment, of poverty and unemployment. As mentioned, the corporate sector plays an important role in the development of the region. Corporate Social Investment has become more entrenched in industry policy within the local industries. While industry exposure and public image plays an important role in this, large budgets are being spent on social upliftment projects with the aim of improving quality of life, particularly for the communities from which they draw their workforce. While previously little attention was paid by the corporate industries as to what their money was being spent on, far more participation and involvement from management and staff, as well as local communities, is now visible within the CSI departments. It is also reassuring to see that a greater degree of public interaction and involvement is taking place, which is creating capacity within local communities and having an impact on poverty.

While the CSI programmes have clearly had a significant success in terms of issues such as education and health-care, direct income / employment generating activity seems to have been rather limited. In addition, in some cases, the focus has been on improving conditions for their own employee base and not for the wider community.

Over and above these activities, the Joint Development Forum which links business and municipality is a good example of collaborative action to achieve common goals. In addition, the Zululand Chamber of Business has helped to synchronise support and maximise impact. Pro-poor LED is not the reserve of

one party and through time and hopefully enhanced levels of collaboration greater levels of impact will be achieved.

### **5.3 Cost effectiveness of directly-funded LED activities**

While all the municipalities have their IDP's in place and some (like uMhlathuze) also have an LED strategy, effort of all the local municipalities should be coordinated to fall in line with the greater District's plans. Whilst the District Municipality, Uthungulu and the local municipality uMhlathuze are considered to be financially well resourced, most efforts from these role-players, in terms of projects, are primarily in the form of plans, pre-feasibility and feasibility studies, with large portions of their budgets being allocated to these plans, and very little, if anything remaining for implementation. As a consequence, the municipalities rely heavily on funding from national government, donor organisations or the private sector to implement the planned projects. While the Zululand Chamber of Business are implementing projects that have sound objectives in terms of creating employment, many of the projects are run within the immediate Richards Bay area, and thus do not reach the poor in surrounding rural areas. This is mainly due to the fact that CSI initiatives are focussed on communities from which the corporate companies draw their workforce, many of which are in areas surrounding Richards Bay.

As the local economy of uMhlathuze is an industrial one and relies heavily on the manufacturing sector, the primary focus is on market-driven LED as opposed to the District Municipality where more emphasis is given to pro-poor initiatives, as 82% of the District's population is rural-based. There is a far greater challenge therefore for the District to support and service the rural-based municipalities that make up Uthungulu District. Uthungulu relies heavily upon the levies received by uMhlathuze levy payers to support the other local municipalities in the District. This is causing hostility between Uthungulu and uMhlathuze Municipalities as the

levy payers from uMhlatuze perceive that they do not receive the due benefits for their contributions to Uthungulu.

With regards to directly funded LED projects, the money invested has not had the desired impact as expected; for example the Empangeni Arts and Crafts Centre, where a large sum of money was initially sourced from the LED Fund. It is apparent that the Centre has not been successful. As a result more capital is to be injected into the project to change the structure of the building as well as the function, in the hope of attracting events and thereby more people to the Centre to make it a success. It is evident therefore that projects like Amangwe Village are more successful when undertaken in partnership with other role-players where responsibility and effort is spread while being carefully monitored and coordinated by one body such as the Zululand Chamber of Business.

#### **5.4 Key lessons learnt from this case study for policy and practice in SA.**

Whilst the pro-poor interventions in uMhlatuze are rather limited, relative to the massive scale of general pro-growth developments which has taken place in recent years, what has happened in the municipality in terms of pro-poor development does yield interesting lessons with respect to ways in which to catalyse pro-poor LED at the local level and the role different actors can play in this process, either individually or acting in partnership. Some of the key lessons are:

- a District Municipality, as part of its mandate to ensure equity and redistribution in the area under its control can play a critical role, firstly in terms of trying to ensure that all areas / communities are catered for and secondly in terms of serving as a networking mechanisms to link key stakeholders.

- The private sector clearly can play a role, largely through direct Corporate Social Investment projects which can make a meaningful impact on aspects of pro-poor development, such as skills training, social service support and small business support.
- The degree of coordination of private sector initiatives in the pursuit of joint initiatives is noteworthy. The role of the local chamber of business in this respect is equally important in that it acts as a mechanism to link various interventions, and it hosts /oversees various support and training ventures.
- The recent establishment of a joint LED forum for the area, through the encouragement of the local chamber and the municipality is noteworthy and can serve to coordinate future plans, endorsing the principle and practise of partnership.
- The mixed success achieved by the municipality in terms of pro-poor development is indicative of applied difficulties which exist, despite commitment to the process.
- Through time the EU / provincial funding support will also yield valuable lessons.

In conclusion, whilst one would like to see more applied pro-poor development and greater levels of participation, the uMhlatuze experience is an extremely useful indication of the role which: partnerships, the corporate sector and appropriate institutional mechanisms can play in pro-poor development.

## **5.5 Way Forward**

The success of LED in the Richards Bay area requires the continued involvement and commitment from a number of key role-players. The Uthungulu District

Municipality is responsible for promoting and facilitating regional economic development, as well as assisting the local municipalities to build capacity and deliver services within their areas of jurisdiction. To fulfil this responsibility Uthungulu District Municipality should accept a leadership role in LED and ensure operational and managerial good governance and network donor support and job creation opportunities to local municipalities. uMhlathuze Local Municipality needs to ensure that local communities are capacitated and empowered through the establishment of LED projects which will reinforce effective participation in LED planning within the local sphere. It also needs to place more emphasis on pro-poor developmental considerations and interventions. This process will provide the framework in which the District and Local Municipalities will take an active role and enter into future partnerships to improve the business environment. The private sector can continue to play a critical role in local economic development, as they have capacity and financial resources to implement LED activities, however, the Local and District Municipality need to ensure that good relations are maintained and efforts are coordinated in order for pro-poor local economic development to be effective.

The real potential to create employment and achieve pro-poor development in the Richards Bay area therefore is not in the construction of more large companies, but rather in the extent to which smaller firms cluster around them, through value-added downstream processing. Although this has been identified in the local Municipality's LED strategy, support for this process needs to come from both the private sector and the District Municipality. While the impact of LED activity is rather weak at this stage, partnerships and the coordinated approach to development should be enhanced in order for there to be more visible results at ground level. Through a combined, coordinated effort, a favourable environment conducive to the establishment of SMMEs can be



created which will fill in the “missing middle” that characterises Richards Bay and overcome the very real issue of un-employment and all its associated social ills.

CSI interventions, the support of the corporates, the joint development forum and the EU support will play a critical role in future LED interventions.

## **5.5 Conclusion**

In conclusion, and not to repeat what has been summarized above, to date the notion of pro-poor LED, although recognized, understood and provided for within the necessary documentation pertaining to the issues of economic development within the area has not been fully applied. This is because of difficulties which the municipality has experienced, the fact that the district’s plans are only just coming on stream and the economic aspects of CSI interventions have been more limited than the social.

This is also partly as a consequence of the dominance of big industry and the need to remain global players and the consequent adoption of a strong pro-growth model, with a reliance on down-stream and spin-off effects to develop the local economy. This attitude, incorporating the notion of CSI, has tended to restrict benefits if one is measuring up against a pro-poor stance.

Finally, in terms of governance, this case study shows the multi-faceted relationships between government agencies and various hierarchal tiers of local governance. Where interaction has occurred it has been successful and of great benefit. However, and in particular with regards neighbouring municipalities, there needs to be closer co-operation, a buy-in to the same approach and ideals and look beyond the demarcated boundaries to seek a broader view allowing for regional economic betterment.

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