THE LOCAL GLOBAL NEXUS: A CASE STUDY OF RICHARDS BAY

Claire Kathleen Goodenough

In fulfilment of the requirements for the degree of Master of Arts,
Discipline of Geography,
School of Applied Environmental Science,
University of Natal, Pietermaritzburg.

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South Africa's past industrial decentralisation policies have come under intense criticism for being economically inefficient and an inappropriate means of providing employment. The result of state intervention from the 1970s in the locality of Richards Bay/Empangeni, has led to the establishment of many unlinked, globally competing industries in the area, which the local economy has come to rely heavily upon. Public as well as private organisations of the area have in place many social upliftment initiatives developed in response to the high poverty and unemployment in the area. By employing survey research techniques to collect the necessary data, this research study undertakes a social scientific approach to analysing the socio-economic impact that these industries and large firms have had on the area and documents the current social investment initiatives they have in place. Local Economic Development (LED) initiatives, as a pro-poor response to community upliftment, are firmly placed in the local municipality's LED strategy, and from which, the area now receives considerable benefit. Results show that there is a positive public-private partnership approach to local development in the area with all sectors being actively involved in community benefit and poverty alleviation initiatives.
DECLARATION

I declare that this dissertation is my own unaided work. It is submitted for the degree of Master of Arts at the University of Natal, Pietermaritzburg, and it has not been submitted before any other degree or examination at any other university.

Declared by

Ms C. Goodenough

Supervised by

Dr T. Hill

On this 26 day of November, 2003
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<tbody>
<tr>
<td>BDC</td>
<td>Business Development Centre</td>
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<tr>
<td>CSI</td>
<td>Corporate Social Investment</td>
</tr>
<tr>
<td>DAPP</td>
<td>Downstream Aluminium Pilot Project</td>
</tr>
<tr>
<td>DTI</td>
<td>Department of trade and Industry</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GEAR</td>
<td>Growth, Employment and Redistribution</td>
</tr>
<tr>
<td>IDC</td>
<td>Industrial Development Corporation</td>
</tr>
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<td>IDZ</td>
<td>Industrial Development Zones</td>
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<td>ISI</td>
<td>Import Substitution Industrialisation</td>
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<td>KZN</td>
<td>KwaZulu-Natal</td>
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<td>MNC</td>
<td>Multi National Corporation</td>
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<td>NQF</td>
<td>National Qualifications Framework</td>
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<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
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<td>OPEC</td>
<td>Oil and Petroleum Exporting Countries</td>
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<td>RIDP</td>
<td>Regional Industrial Development Programme</td>
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<td>SDI</td>
<td>Spatial Development Initiative</td>
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<td>SAPS</td>
<td>South African Police Service</td>
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<td>SMME</td>
<td>Small Medium and Micro Enterprises</td>
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<tr>
<td>TIK</td>
<td>Trade and Investment KwaZulu-Natal</td>
</tr>
<tr>
<td>TNC</td>
<td>Trans National Corporation</td>
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<td>ZCB</td>
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"The importance of urban economic growth and regeneration in contemporary development is acknowledged globally, as is the need to implement appropriate development interventions" (Nel, 2001, p.1003)
CHAPTER ONE: INTRODUCTION

1.1 Overview

It is widely asserted that we live in an era where society is profoundly influenced by global processes, in which national cultures, national economies and national borders are dissolving. The nature and understanding of the controversial topic of globalisation reflects perceptions of the meaning as well as the understanding of the widespread adverse effects of this process on local economies, particularly on developing countries (Hines, 2000; Holton, 1998; Rogerson, 2000; Oman, 1994). The adverse effects of globalisation have been made more apparent by a strong bias towards developed countries, and ‘top-down’ approaches to development in developing nations through regulatory frameworks such as the Bretton Woods system, and as a result, the gap between the rich and poor, north and south countries has widened (Oman, 1994; Castells, 1996; Rogerson, 2000).

Due to apartheid policies and the imposition of sanctions, South Africa, to a large extent, experienced a phase of isolation from the process of integration into the global economy that other countries were experiencing prior to the 1990s (Addleson, 1990; Isaacs, 1997; Nel, 2001; Rogerson, 2000; Vosloo, 1994). The political decisions made during the apartheid regime resulted in the disproportionate geographic distribution of South Africa's population, and while the policy of industrial decentralization has been used as a regional development tool in many developed and developing countries around the world, it was firmly placed in South Africa's regional development programme from the 1950s (Rogerson, 2000). The Good Hope Plan dramatically increased incentives for industrial decentralisation by providing massive subsidies in the identified 'industrial development points' of South Africa (Hart, 2002). The success of such approaches to development has been seen in many countries of the world, such as the United States and Canada, where significant employment was created through the development of cluster industries that were
established as a result of the 'anchor project'. More broadly, South Africa's Import Substitution Industrialisation strategies became increasingly unsustainable from the mid 1980s as a consequence of the growing economic crisis and pressures that the apartheid government faced and the majority of employment opportunities that were actually created at the designated growth points were in fact low-skill, low-wage jobs leading to situations of widespread "poverty-in-employment" (Rogerson, 1994: 181). These pressures forced South Africa to employ a new dynamic, outward-orientated economic regime in order to become globally competitive from the 1990s (Harrison, 1995). The opening up of the economy affected industries that had been sheltered during the apartheid years, and they were now confronted with competition in local and international markets which in turn, led to the restructuring of the South African economy as a whole, as well as individual sectors and firms within it.

During the 1970s and 1980s the South African government offered large scale, capital-intensive, mainly resource-based industries 'carrot and stick' incentives in the hope of unleashing the inherent economic potential of the region (Addleson, 1990). In countries such as the USA, Canada, Australia and New Zealand this approach to development has led to the successful establishment of 'clusters' of various 'upstream', 'sidestream' and 'downstream' initiatives (Porter, 1990). Direct employment in the industries is often limited but is increased by the presence of supporting industries and enterprises developed around the 'anchor project', which in turn results in increased employment opportunities in the local economy from the direct and indirect spin-off of the initial industry. While this may have been the intention in theory and has been successfully implemented in countries around the world, debate exists to whether this is the case in the South African locality of Richards Bay where there is a strong presence of many large resource-based, capital-intensive industries. Research shows that large-scale, capital-intensive, resource-based projects directly support and promote Small, Medium and Micro Enterprises (SMME) development and thereby create indirect employment opportunities (Lewis & Bloch, 1998; Porter, 1990). However, given that unemployment in the Richards
Bay/Empangeni area is higher than National average, concern is raised to whether the amount of capital invested in the area through the establishment and consequential upgrading of the large firms positively impacts the socio-economic development of the area, or whether an alternative strategy is required.

The re-entry of South Africa into the global market has resulted in the incidence of a range of key processes such as a reduction in the state's role in economic development, privatisation, deregulation and trade liberalisation. As the role of the state within the economy is reduced and as localities and communities experience the various impacts of globalisation, different local responses emerge to global challenges. In many countries around the world, the retraction of direct welfare provision has been accompanied by a number of functions being decentralised into what has been termed 'development local government'. Local authorities have been called upon to confront massive redistribution pressures with minimum support and resources and under the auspices of local economic development, and secure socio-economic stability (Hart, 2002). Traditionally, South African municipalities focused on subsidies, tax holidays and free infrastructure or services in order to attract investment, particularly foreign investment. Internationally, Local Economic Development (LED) initiatives have emerged in response to the effects of global forces on local economies, using local resources to stimulate the local economy and create new employment opportunities (Nel, 2001; Rogerson, 2000). This new approach to local economic development therefore highlights the mobilisation of internal resources, capacities and skills, and the provision of support to local business, with varying approaches adopted by the government and municipalities, depending on the context. Therefore, debates regarding the role of local government in Local Economic Development, the privatisation of municipal services, deregulation and flexible by-laws, have all been placed within the context of globalisation so as to ensure effective and informed responses and decisions (Nel, 2001; Rogerson, 2000). The relationship between local government and civil society has a critical impact on the potential for local government to promote development. A partnership approach
to development whereby local government would establish a working environment with local organisations and provide the development framework to drive development and where civil society would assist in the implementation of the project, is considered to be significantly important when developing an area. While in the past, this was rarely the case in South African localities, the benefits of a more flexible approach to development with an increase in partnerships between local government and local organisations is being realised (Galvin, 1999). The Richards Bay/Empangeni area shows a strong link between the public and private sectors. Both are actively engaged in LED initiatives in an attempt to overcome the socio-economic challenges facing the area.

1.2 Aim and Objectives

The aim of this study is to critically investigate recent economic growth and development in the Richards Bay/Empangeni area and examine the key forces impacting on that growth, be they local, national or global. Furthermore, the study aims to establish why Richards Bay has emerged as a dominant role player in the local economy and to assess the role of the local competitive advantages and initiatives in that process. The importance of public/private partnerships in the area will be determined focussing on current initiatives from both sectors. In addition, the experience of Local Economic Development in Richards Bay/Empangeni will be assessed over time with a view to determining key policy and academic conclusions regarding issues of poverty alleviation, replicability and sustainability.

To achieve this, the objectives of this research are:

- To provide an overview of the early and recent history of the area;
- To determine the impact of national, provincial and local intervention on the development of Richards Bay as well as the impact that government assistance had on the area;
• To identify growth causing factors and to analyse the key outcomes;
• To investigate and document Social Corporate Investment practices from large corporate industries;
• To document the current approached to local economic development in the area;
• To investigate the implications of globalisation and localisation on the area.

1.3 Chapter Outline

This research has taken a multi-faceted approach to document the current understandings of local economic development in the Richards Bay/Empangeni area. Chapter One provides an overview of the research, outlining the aims and objectives that have been employed throughout the study. Although much of the information documented in this research comes from industries and organisations located in Richards Bay, reference to new developments in surrounding areas, particularly Empangeni, has been made throughout this research and clarity to a number of areas should be made at the onset of this research. Richards Bay refers to the town itself as a separate entity, before the amalgamation of the Richards Bay Transitional Local Council and other surrounding towns into the new municipal area. Richards Bay/Empangeni refers to the urban component of the greater municipal area; while uMhlathuze refers to the new municipal district of KwaZulu-Natal that includes Richards Bay, Empangeni and surrounding rural areas, Esikaweni, Ngwelezane, Felixton as well as certain Tribal Authorities.

Chapter Two provides an in-depth review of relevant academic literature and case studies pertaining to three broad topics, namely Globalisation, Regional Development and Local Economic Development. The chapter begins with a discussion on the process of globalisation and the effects this process has had on developed as well as developing countries. Within the South African context, the effects of globalisation are reviewed in light of the apartheid era that was in place during the years when globalisation had the strongest impact on the world.
Following this, the theory behind State Regional Development Assistance is reviewed, with a discussion on the approaches to regional development adopted across the globe. Regional Development Policy is then reviewed, focussing on the policy and practice in South Africa. Local Economic Development is assessed as a development intervention strategy at local level, in response to increased unemployment and poverty challenges at local level across the globe. Attention is also given to an examination of the policy and practice of local economic development in South Africa.

In Chapter Three, the methodology of this research is explored, with a focus on social research methodologies. Survey research methods were applied in this research and a social scientific approach was adopted to analyse the collected data. The theory and implementation of these methods are therefore documented in this chapter.

Chapter Four focuses on the development of the Richards Bay/Empangeni area. It begins with an overview of the early history and then focuses on development during the 1970s, development during the 1980s and development since the removal of significant government intervention. The decisions taken by government and the implications thereof are discussed in detail. The population growth rate and employment levels are compared over these periods with conclusions drawn regarding the impact of government intervention in terms of employment creation and the sustainability of economic development since the removal of state incentives.

Chapter Five discusses the more recent social investment strategies employed by the private sector in the area. Background information on each industry is given prior to documenting the Corporate Social Investment (CSI) strategies from the each of the Big Six industries. A positive result to the CSI has been the establishment of the Zululand Chamber of Business Foundation which began as a BHP Billiton CSI initiative and has over the years become a self-sustaining NGO and therefore this organization will be discussed in detail in this chapter.
Chapter Six Focuses on the more recent implementation of Local Economic Development (LED) in the uMhlathuze area. Past and present approaches to LED are discussed, documenting the key outcomes of this process in the area. Discussions and conclusions of the study are presented in chapters seven and eight respectively.
CHAPTER TWO: LITERATURE REVIEW

"Internationally it is conceded that LED is essentially an umbrella term that covers a variety of organised responses that localities face as national economies are re-regulated in the context of globalisation" (Rogerson, 2000: 399)

2.1 Introduction

The emergence of Richards Bay/Empangeni as an industrial node and one that contributes significantly to the national economy of South Africa can be attributed to a number of key political as well as economic forces that have impacted upon the development of the area. Globalisation has both positively and negatively impacted local economies worldwide, with the negative impacts being more apparent in developing nations, with the differing responses emerging from these developing countries to the effects of globalisation (Oman, 1994). For many years South Africa was excluded from the globalisation process. Re-entry into the global economy destabilised the country's existing industrial regional development policies that were in place at the time (Addleson, 1990; Hart, 2002; Rogerson, 2000). The Richards Bay/Empangeni locality directly benefited from the active regional development policy that the South African government pursued from the 1950s, which targeted industrial decentralisation strategies in peripheral areas of the country. More recently the democratisation of South Africa in the 1990s has brought about many changes in government policy and practice. Local Economic Development has emerged in the context of the political transition towards democracy and the government's retreat from traditional 'top-down' policy approach to regional development (Rogerson, 1994). The academic understandings of three broad topics that have played a significant role in the economic development of the area namely Globalisation, Regional Development and Local Economic Development, will be reviewed in this chapter in order to investigate the operation of these processes in the case study area.
2.2 Globalisation

The process of globalisation has been in operation for many decades and perhaps even centuries. However, economists and politicians world-wide have noted that the world has been experiencing significant changes since the 1970s which are as significant as the Industrial Revolution was. Globalisation is a much discussed and uncertain term with perceptions of the process being centred on at least three phenomena. Firstly, the relative decline in the US post-war economic hegemony and political leadership, along with the end of the Cold War. Secondly, there has been a rapid growth of global financial markets since the late 1970s facilitated by the deregulation of financial markets on the one hand and new information technologies on the other (Oman, 1994). According to Held and McGrew (2000), globalisation has an undeniably material aspect in terms of flows of trade, capital and people across the globe and it has been well documented that the global economy is a new reality and is possible due to the technological infrastructure and range of activities now available. This infrastructure includes networked computer systems, advanced telecommunications, fast transportation systems for people, goods and services with a planetary reach, and the information processing capacity to manage the whole system (Carnoy & Castells, 1999; Hambleton et al. 2002; Hines 2000). Therefore, with the aid of technological advances, there is an ever-increasing integration of national economies into the global economy through trade and investment rules as well as privatisation which is evident through an increasing reliance upon common global standards (Hambleton et al 2002; Hines, 2000). With foreign exchange transactions amounting to $600 billion per day in the late 1980s to an average of $1 trillion per day in 1993, financial globalisation has greatly diminished the power of central banks to control the value of currencies and accentuated exchange rate fluctuations. A third phenomenon is the globalisation of corporate activity. Like the globalisation of financial markets, the globalisation of corporate activity has been facilitated by government deregulation and the new information technologies which
in turn, have strengthened global inter-firm competition, as well as co-operation through corporate alliances (Oman, 1994; Hirst & Thompson, 1998).

2.2.1 Early Capitalism

The Industrial Revolution and the Second World War (1939-1945) were marked turning points in the history of capitalism, as stronger economic ties between countries where formed. The second half of the 18th century had seen the rapid increase of economic development in Europe with a brief surge of Italian and German colonialism. New inventions of machinery such as the steam engine fundamentally changed the way in which work was organised and as a result, the balance of political power shifted from the land-owner to the industrial capitalist and created an urban working class (Isaacs, 1997). Rapid industrialisation and capital accumulation stimulated and reinforced strong centripetal forces in the USA, Europe and Japan. The move towards greater integration between the northern and western states of the USA led among other things to the emergence of industrial growth poles and the 'manufacturing belt' in the north (Oman, 1994).

2.2.2 Globalisation in the 1950s and 1960s

Reconstruction of the economies of Western Europe and Japan, which had been devastated by the Second World War, took place post-war. Governments became more actively involved in the economy and controlled the overall level of unemployment and economic growth and redistributed income through taxes, and included the enforcement of massive taxes on imported goods (tarrifs) in order to protect national economies. The Bretton Woods international monetary system has been of particular significance for the post-war regulation of global economic activity as major international institutions were established immediately after the war ended to regulate economic activity in the world economy. The International Monetary Fund (IMF) was established with the aim to regulate exchange rates, the World
Bank to provide loan capital in order to achieve economic development, and the General Agreement on Trade and Tariffs (GATT) was established to negotiate tariff reductions in order to expand world trade (Oman, 1994; Hirst & Thompson, 1998; Holton, 1998).

This period also witnessed the creation of the United Nations organization, and the emergence of many new political states in Africa and Asia as well as the Korean War (1950-1953). Multinational corporations emerged in Europe and Japan followed by the spread of large scale industrial production, often referred to as Fordism, that is, production was organised on the basis of big factories employing large numbers of workers and output was produced in large volumes. This emerged in the United States and spread to other developed as well as developing nations, the latter in conjunction with government's pursuit of import-substituting industrialisation. Mass production was characterised by a detailed and relatively rigid compartmentalisation of functions within large organisations and thereby it achieved massive cost reductions through economies of scale in both the production and marketing of highly standardised products. The 1950s and 1960s also saw the rise in foreign direct investment (FDI) in many countries. While investment was in production to serve local markets, multinational companies came to compete with each other with the result that competition was then largely within the economies receiving or hosting the FDI (Dunning, 2000; Holton, 1998; Oman, 1994).

2.2.3 The 1970s Watershed

The original Bretton Woods system lasted in a strict sense until the 1970’s, and until then contributed to the re-stabilisation of the global economy and to the dominance of a market-orientated, global, capitalist economy (Carnoy & Castells, 1999; Garret, 2000; Holton, 1998; Oman, 1994). This post-war framework allowed the world economy to experience an unprecedented economic upswing of industrial growth which included South Africa, which also experienced an economic upswing, and led to most
white South Africans enjoying similar living standards to those in the industrialised countries (Isaacs, 1997). By the early 1970's however, the 'golden age' of capitalist expansion had reached its limits. The foundations upon which the post Second World War upswing rested started to crumble, economic growth slowed down, and government debt and unemployment started to increase (Carnoy & Castells, 1999; Holton, 1998; Oman, 1994).

The period following the Second World War is when many economists feel the start of the crisis in the world economy began along with the 'collapse of Bretton Woods'. The rise in oil prices demanded by the Oil and Petroleum Exporting Countries (OPEC) during the early 1970s led to inflation in the world economy and increased unemployment. It was also characterised by a decline in profitability of the major international companies, a decline in investments and a general decrease in the growth rate of the major economies of the world. The capitalist system therefore looked to the computer revolution and neo-liberal economic policies to try to resolve the world economic crisis (Isaacs, 1997). The significant increase in exports for many countries from the 1970's is a clear indication of the effects that globalisation has on competing countries. Research shows that from 1972 to 1998 Germany had an annual increase of 36 percent in its exports, Portugal and Spain showed a 62 percent and 95 percent annual increase respectively during the same period (Hambleton et al, 2002).

2.2.4 Implications for Developing Countries

Both the Bretton Woods and the post-Bretton Woods regulatory frameworks have come under consistent criticism for their bias towards developed countries and 'top-down' approach to development in third world countries (Hart, 2002; Rogerson, 1994). The conditionality of IMF and World Bank support for developing countries has been seen as economically destabilising as well as quasi-colonialist by overriding national political priorities (Hirst & Thompson, 1998). A number of areas of
weaknesses were identified by the critics of the economic institutions of the global system in the late 1970's. Continuing poverty and increasing inequalities between rich and poor countries was cited as one of the main symptoms of the failure of global regulatory institutions to secure world development and as a result, Third World countries were unable to service loans previously contracted with rich countries. The major problem in this respect was seen by many, as the increasing inequality between the northern and southern hemispheres (Holton, 1998). Investment from the advanced countries, which went primarily into export-orientated production of raw materials, gave rise to some concentration of capital in growth poles. The result however was often the emergence of a ‘dual economy’ characterised by relatively weak forward and backward linkages between the capital-intensive poles of primary export production and the rest of the local economy, (Oman, 1994).

As more countries were added to this global network of streamlined capitalism, the chance of economic survival for countries left out of the network was greatly reduced and the globalisation process soon moved beyond state control. Furthermore, the economic policies of large areas are homogenised by organisations such as the European Union and these countries become increasingly dependant on free movements of capital, goods and services, which follow the rules of profit making on a global scale. Institutional frameworks were developed by the United States, and the G-7 group to impose the respect of strict market rules around the world. As a result, organisations such as the International Monetary Fund, World Bank, and the World Trade Organization were strengthened in their roles to supervise the global economy. The fact that economies of all countries, including the United States have become largely dependent upon the performance of their financial markets, which are globally integrated, reduces state control even further. This has been well described by Jessop (1993), (cited in Hambleton et al, 2002) who described global processes as contributing towards the 'hollowing out' of the state. To deal with the pressures therefore, economic and political functions shift to other scales in order to compensate for the changes (Hambleton et al, 2002). Therefore to a large extent, the
state has lost economic control over monetary policies, and interest rates are now conditioned by global finance and often decided by independent central banks (Carnoy & Castells, 1999). Internationally, governments have sought new ways of dealing with the consequences of globalisation in order to adjust to this new situation which have included new international political and economic alliances (Knox, 1996).

As a result of globalisation, capitalism has spread with a marked increase in global power (Isaacs, 1997). The collapse of the centrally planned economies in the Soviet Union in 1989 and 1990 saw one of the most significant political changes within Eastern Europe. The Maastricht Treaty and convergence policies were seen as the only possible way to resist competition from both the United States and Asia by European governments and by doing so, the European Union increased its strength, but at the same time, submitted to the new rules of the global game, while adding it to the partial preservation of the heritage of the welfare state (Carnoy & Castells, 1999). As these countries are changing their economies from planned economies to market economies, the global market economy has expanded further to now include the economies of the former Soviet Union and Eastern Europe which were closed in the past (Isaacs, 1997).

Over and above the reduction in the levels of demand as a result of the globalisation process, is the threat to adequately paid employment worldwide. Industries and services relocate to countries where labour costs and environmental protection are lower and Trans National Corporations (TNCs) push for new trade agreements based on fewer constraints on the movements of firm and capital, goods and technologies. The resulting competition for cheap labour and the threat of further relocation, increases pressure on the security for adequately paid jobs. Furthermore, in order to keep private investment in national economies, funding of public services has been shifted towards corporate welfare (Hines, 2000; Oman, 1994). The result of globalisation is therefore to reduce the significance of developing country's 'comparative advantage' in low-skilled labour-intensive products.
2.2.5 Competitive Advantage

As is apparent by the previous overview of globalisation and its affects, many industries not only compete domestically, but internationally too. In his landmark book *The Competitive Advantage of Nations* Michael Porter (1990) asks why some nations succeed in international competition while others do not. Porter's (1990) account of the sources of national competitive advantage is largely consistent with a growing body of literature on how interdependence between firms, industries and public and quasi-public institutions affects innovation and growth in regional agglomerations. According to Porter (1990), the economic gain of a country is to produce a high standard of living for all its citizens and this is achieved not by a country's 'competitiveness', but on the productivity with which a nation's resources are employed. To raise the standard of living relies on a nation increasing its level of productivity. He described the differences between them in terms of 'competitive advantage' as opposed to comparative advantage, ie., natural resources, low energy costs, availability of labour etc. He distinguishes between the two terms by saying that 'competitive advantage is created not inherited'. Competitive advantage is essentially what makes it easier to create a successful business in some places than in others. The aim is to support high wages and command premium prices in international markets. Therefore, cheap labour and favourable exchange rates become meaningless in a competitive environment and the mere existence of economic assets is no guarantee of success. It is what is done with them and the economic environment created around them that counts.

Porter (1990) identifies four broad attributes of a nation that shape a competitive environment and is illustrated by the four elements of the famous 'Porter Diamond':

*Factor conditions* – these are the inputs necessary to compete in any industry and include not only the raw materials, land or cheap labour but also knowledge, skills,
specialised labour and financial markets which are usually the products of sustained investment that are necessary for an industry to compete.

**Demand conditions or the nature of the local markets** – Firms increase and improve their competitiveness when they are under pressure by a sophisticated and demanding local market, for example the needs and wants of the consumer for foreign and domestic goods as well as the existence of local industrial demand for related intermediate goods.

**The presence of related and supporting industries** are those linked by common technologies, distribution channels, skills or customers. These concentrations of interconnected companies and institutions are referred to as 'clusters' and their existence facilitates the exchange of information or ideas and promotes innovation and in turn encourage downstream industries.

**Firm strategy and rivalry** are the conditions of the nation that determine how companies are created, organised and managed, including attitudes towards competition, market institutions and other cultural and historical factors affecting how firms do business with each other, their employees and the government.

The four elements of the 'Porter diamond' can be used to illustrate the local economy of the Richards bay/Emangeni area, as the area is characterised by the presence of many large, resource-based, capital intensive industries. This will be elaborated upon in Chapter seven of this research.

**2.2.6 From Global to Local**

While there is widespread evidence that the world is becoming more and more integrated, there are also signs that the world is fragmenting at other levels.
Globalisation and fragmentation are vastly opposing forces. Signs of global fragmentation include:

- Many conflicts are now within nation states;
- Racism is on the rise;
- Large states are breaking up;
- Poor countries are marginalised;
- More social problems are emerging;
- Fragmentation and the search for national identities, for example, in Britain this led to the formation of the Scottish Parliament and the National Assembly of Wales and in Eastern Europe it led to the division of the USSR into 13 new states (Steyn, 2002).

Although progress has been made in terms of resolving some of the political conflicts throughout the world, renewed conflicts have also broken out. These conflicts have not only led to the mass loss of lives but also mass migration. The globalisation process has been uneven and mainly involves the rich, industrialised countries such as Germany, Japan and the USA, and the newly industrialised economies such as Taiwan. Poor countries, especially in Africa, have been excluded from the globalisation process and the global economy as a whole, which is evident from the limited investment and trade growth that has taken place in Africa. Other signs of social decline in the world include the rise of the AIDS epidemic, the rise in world unemployment, the increase in the gap between rich and poor, the increase in inequality and continuing environmental destruction (Isaacs, 1997; Rogerson, 2000).

The global power of TNCs, the WTO, IMF and the World Bank over national economies is increasing and has called for the need to consolidate the power of national and local communities. The policies bringing about localisation are the ones that increase control over the economy by communities and nation states, with the results being an increase in community cohesion, a reduction in poverty and
inequality and an improvement in livelihoods, social infrastructure and environmental protection, and consequently an increase in the important sense of security (Hines, 2000).

Localisation is not about restricting the flow of information, technology, trade and investment, management and other legal structures which further localisation, indeed these are encouraged by the new localised emphasis in global aid and trade rules. It is not a return to overpowering state control, merely government’s provision of a policy and economic framework which allows people, community groups and businesses to re-diversify their own local economies and requires widespread involvement. The huge potential of localisation includes devolved power, control of the economy, increased environmental and social protection and subtle technological developments (Cabus, 2001; Hines, 2000). As argued by Hambleton et al. (2002), local policies are not inevitable responses to the broad globalisation process, but rather they are international strategies emerging from struggles and negotiations over how to define and deal with the issues emerging in a global era.

Localisation can promote as well as build sustainable local communities to help rebuild local economies. It allows the achievement of social cohesion and economic renewal particularly through investment in labour-intensive infrastructural renewal. In the process of localisation, local businesses have a central role and much to gain (Hines 2000). As a result of the reaction to the crisis of Fordism, much attention is now being paid to the role of small, micro and medium enterprises (SMMEs) in restructuring to economic process (Cabus, 2001).

It has been suggested that the first step to localisation is to challenge the passive acceptance that globalisation is inevitable. To ‘think global, act local’ is a term that can be used to encapsulate policies needed to implement the process of localisation. Protective safe-guards, such as import and export controls will need to be introduced over a clearly defined transition period to all continents. This will not be old style
protectionism which seeks to protect a home market whilst expecting others to remain open as the emphasis will be on local trade. Any residual long-distance trade will be geared to funding the diversification of local economies and will need to overcome TNC opposition and so will need to take place at the level of groupings of countries, especially the most powerful – in Europe and North America (Hines, 2000).

Therefore, modern mass production and domestic mass consumption practices typical of 'Fordist' industrialisation in the 1950s and 1960s did not combine to produce self-sustaining growth, however. To sustain growth in many developing countries, governments turned to active promotion of export-orientated industrialisation which was popular in the developing countries of Taiwan, Korea and Hong Kong. Most developing countries however, continued to pursue import-substituting strategies, notably in Latin America and Africa (Oman, 1994). Regional development initiatives in South Africa such as the country's Import Substitution Industrialisation (ISI) Strategies had dominated industrial and economic development in the country since the early 1920's, but became increasingly unsustainable from the mid-1980s as a result of the growing economic crisis and pressures that the apartheid government faced (Addleson, 1990). The policy of industrial decentralization has been used as a regional development tool in many developed and developing countries and was firmly placed in South Africa's regional development programme (Dewar, 1987). The overall goal of regional development is to provide incentives or control mechanisms to a particular national area that is selected in order to attract private investment. It is believed that private investment can be influenced by state policies to develop commercial and industrial establishments in those national areas (Nel, 2002). However, with the increased pressures that South Africa faced, the country was forced to open up its economy in order to become globally competitive. The opening up of the economy affected industries that had been sheltered during the apartheid years due to past policies, and were now confronted with competition in local and international markets. This in turn led to the restructuring of the South African
economy as a whole, and of individual sectors and firms within it (Department of Provincial and Local Government, 2001).

2.3 State Regional Development

There are many reasons as to why governments intervene in the economic development of their country. Within the secondary and tertiary sectors, reasons for intervention include employment creation, sustaining the balance of trade, assisting industries against foreign competition, and maintaining strategically important industries (Healy and Ilbery, 1990). In determining a regional support policy, any government has to determine the relative effects of letting a region decline economically and leaving it underdeveloped, compared with the cost of infrastructure and incentives needed to develop it.

2.3.1 Approaches to Regional Development

Since the 1950s, the objectives of regional development have varied greatly. Justified on social rather than economic grounds, regional policy was regarded as a rescue operation for very small areas. High levels of unemployment experienced in certain regions as in the United Kingdom and Holland compelled the respective governments to diversify the region’s industrial structure and encourage self-sustained growth. Although this practice has continued into recent years, support for small areas with limited prospects of developing a significant labour market to attract private sector firms meant the economic costs incurred seldom generated the anticipated benefits, and as a result has come into conflict with policies aimed at stimulating regional and national growth (Vanhove, 1999). In Western Europe, regional development came as an important response to political, social and economic problems associated with the end of the Second World War (Temple, 1993).
In the late 1950s and early 1960s, focus shifted from social to economic motivation with regard to regional policy and the interdependence of regional and national policies was recognised. In Holland, governments started to place emphasis on development centres rather than industrialisation cores as before. In France, the Fourth National Plan was the first plan explicitly designed to tackle the regional aspects of economic development. A distinction was made between the less developed regions, where a vigorous policy of stimulation was needed to increase income, and the industrialised regions where a less intensive policy of assistance was to be applied. The result was a concentration of effort on selected towns which appeared to have greater potential to economically grow with appropriate support (Vanhove, 1999).

The Toothill Report in 1962 on the Scottish economy argued that regional policy should concentrate on developing selected areas within the declining region by means of comprehensive infrastructure programmes. In 1963, the National Economic Council of Britain identified the following outcomes for regional development intervention (Vanhove, 1999):

- encouraging industry to move to declining regions would reduce unemployment and contribute to national growth;
- pressure on labour markets in the expanding areas would be reduced by regional development;
- regional development would reduce the need to impose deflationary measures to reduce the demands in those regions; and
- there was no longer a need for policies that encourage the migration of people from less developed regions.

A third approach to regional planning developed in the 1960s. This was focused on encouraging a better distribution of the population and of economic development
Regional policy in the United Kingdom as well as France at this time was focused on better spreading of the population from the main cities London and Paris. Soon most countries in Europe were paying attention to the link between regional and physical planning and imposing measures to restrict growth of firms in the big cities and encourage growth in decentralised points. With the aim of making these targeted areas self-sustainable with regard to future growth (Temple, 1993). However, this approach did not have the desired effect that was hoped and instead hindered the free play of market forces (Nel, 2002).

Since the 1970s, a number of factors have influenced the change in approach to regional development so that it has become less structured and focused than before. The amount of funds available for regional development interventions has been reduced; there has been a policy shift to a greater reliance on market forces; the growing significance of EU regional intervention in member states and there has been a decline in the significance of traditional industrial activity and the increase of technical production and trans-national capital flows (Hart, 2002). As a result, it is difficult to recognize any one particular regional development trust. Instead, the period is characterised by a range of different development responses which have the following objectives (Nel, 2002):

- to pursue of strategies which work with the market and encourage new growth sectors;
- to reduce the number of qualifying regions as to focus attention on those areas that have growth potential;
- to address unique local problems through the pursuit of urban-based and/or inner-urban development strategies;
- to focus attention on small firms and support existing ones.
2.3.2 Regional Development Policy

Different countries pursue different approaches to regional development. The broader policies which are implemented in order to achieve regional development can have two varied foci (Nel, 2002). Firstly, the market approach bases its argument on the fact that regional difficulties are as a result of constraints of the operation of market forces, state intervention and a poorly developed entrepreneurial culture. According to this approach, regional development would involve reducing constraints on the market, removing state controls, promoting entrepreneurship and easing controls of labour. Secondly, the more common approach to regional development is based on 'intervention' and often referred to as 'state Keynesianism'. This approach is based on Keynes's argument in support of government intervention in a region suffering an economic crisis. Regional problems are viewed as being the result of structural weakness in an economy which requires direct intervention in an area to promote investment as well as industrial and commercial enterprise. Some of the most common interventions in this regard include: support for the development of social and physical infrastructure, support for existing firms, and provision of supply-side incentives to new firms and the establishment of regional development agencies (Nel, 2002).

In order to satisfy national goals, a country is likely to undertake specific industrial strategies which are aimed at reducing poverty; achieving a more equitable distribution of wealth; creating employment; diversifying the economy; and generating increased foreign exchange by adding value to exports. The formulation and implementation of country's industrial strategy is therefore influenced by the availability and range of capital, raw materials and cheap labour (Porter, 1990). During the 1970s and 1980s, many developing countries focused on the further processing of natural resources prior to export as an industrial development strategy, in the belief that countries with abundant resources had an advantage over other countries, and as a result, resource-based industrialisation (RBI) was strongly
promoted as an alternative to import substitution industrialisation (ISI) in these developing countries (Roemer, 1978).

2.3.3 International Examples

The passing of the Special Areas Act of 1934 marked the commencement of regional development in the United Kingdom. This Act was designed to address the regional differences of unemployment in the country. Four areas of the country, Central Scotland, the North East Coast, Cumberland and South Wales were earmarked for funding to provide assistance in infrastructure improvements. The 'carrot and the stick' approach was introduced in the Barlow Report in 1940 which provided incentives for industries to locate in certain areas while applying deterrent measures to restrict growth in others. In 1945, the Distribution of Industry Act provided infrastructure in the designated areas ('Development Areas') and later in 1951 provided financial assistance for industries to establish factories in those areas. In the 1960s, five larger areas were targeted for assistance, namely Merseyside, the North, the South West, Scotland and Wales. Assistance was aimed at providing infrastructure and investment grants and depreciation allowances. During this period, areas for limited assistance were identified and restrictions on growth in the London area were vigorously applied (Temple, 1993). The Industry Act was passed in 1972 which sought to encourage any development that would contribute to national economic growth in the hope that the growth would 'spread' to less developed areas. The joining of the UK and the then European Commission led to the availability of funds to promote regional development. However, from the late 1970s an evaluation of the past 40 years revealed that the desired outcomes had not been achieved with a large portion of the population still remained unemployed. From the late 1970s to 1990s significant changes were introduced. A stronger emphasis was placed on industrial development policy as opposed to regional policy with a greater reliance on market forces. Furthermore, control measures were abolished and significant reductions were made to the size of the assisted areas. The need to enhance the
competitiveness of assisted areas was strongly argued by the government White Paper on Regional Industrial Policy which was released in 1995 (Temple, 1993).

Mineral-rich economies such as Brazil, Cameroon, Nigeria, Indonesia and Malaysia, focused on resource-based industrialisation as an attempt to fulfil broad macro-economic goals in order to accelerate growth, promote a healthy structural change and encourage spatial decentralisation, while also increasing the value to exports and creating employment and income at local level (Roemer, 1978). RBI investment and planning in Malaysia was designed to capture the flexibility of project diversification and was implemented relatively successfully during the 1980s, and investment in RBI projects did not exceed more than one-tenth of national investment (Auty, 1987).

2.3.4 Regional Development Policy and Practice in South Africa

During the apartheid regime, the growth of the South African economy slowed drastically as a result of the effects of poverty and unemployment that the country was experiencing at the time (Seneque Smit & Maughan-Brown, 1993). Before the 1960s, intentional economic policies for the promotion of regional development outside the metropolitan areas of the time were restricted to para-statal institutions such as Iscor, Sasol and Eskom. Formal government policy measures were designed in the early 1960s which emphasized industrial decentralisation and the location of industries in undeveloped, peripheral regions (Addleson, 1990; Hart, 2002; Rogerson, 1994). Richards Bay is one of many localities in South Africa that experienced phenomenal growth and industrial development due to industrialisation decentralisation policies that were in place in the 1960's. Furthermore, it is considered as one of the few localities where government incentives targeted at industrial decentralisation has been successful (Arinuth & Barnes, 1998). During the 1980s, the regional industrial development programme (RIDP) was introduced, which was a more vigorous approach designed to further encourage the location of
industry in undeveloped areas of the country, and contained some of the most generous incentive packages in the world (Rogerson, 1994).

The particular form of industrial decentralisation policy in South Africa is that based on Perroux’s theory of growth ‘poles’ or ‘centres’ (Dewar, 1987). It is clear that in order for a growth pole to be successful, it must be able to achieve sustainable growth without dependence on subsidies. There are a number of factors which would influence a growth pole in its development which would include the area’s ability to attract propulsive industry; its ability to benefit from economies of urbanisation; and the form of the initial incentive package. Propulsive industries are characterised by being large, modern, fast-growing and capital intensive. They form part of the most advanced sector of an economy and have a high degree of backward and forward linkages to other industrial sectors. Innovation and growth in propulsive industry allow it to lower the cost of its product thereby stimulating the growth of forward linked industries. Backward linked firms in turn benefit from increased production in response to growth from expanding propulsive industry (Dewar, 1987). From the early 1920s, the pursuit of import-substitution was an industrial development strategy employed by the South African government and involved the protection of local industries through high tariff barriers and heavy state involvement in high-wage, capital-intensive, resource-based industries.

With the transition process that South Africa began to experience in the 1990s, industrial policy was seen as a way to address the legacies of apartheid capitalism. Although much was done in these terms, South Africa in the 1990’s did not have a clear industrial strategy that could have brought about a coherent set of industrial policy measures (Bond, 2001). Resource based industrialisation was seen by South Africa, like many other developing nations, to be capable of yielding sizeable long-term returns after a relatively short period of time (eight to ten years). In order to create competitive advantage in resource-based industries as well as attract labour-
intensive downstream activities, direct state intervention in the local economy was essential (Roemer, 1979).

Government thinking in terms of industrial policy was therefore assessed in the roles of the Department of Trade and Industry (DTI) as well as the Industrial Development Corporation (IDC). In general terms, the industrial policy orientation has shifted towards what the DTI called a supply-side orientation, where reduced import tariff and export-led growth has replaced the previous model of import substitution industrialisation. New agencies for the support of small and medium enterprises have since been created and legislation regarding competition has been reviewed. Furthermore, government through the DTI, has formulated two major programmes among others to fulfil the objects set by the Growth, Employment and Redistribution (GEAR) and the Reconstruction and Development Programme (RDP). These include the Spatial Development Initiatives (SDI) and within this Industrial Development Zones (IDZs) with the view to attract investment to certain regions (Coetzee et al, 2001). A key objective of both the SDI programme and the GEAR strategy is to resolve the unemployment and unskilled labour crisis and help overcome the lack of international competitiveness inherited from the legacy of apartheid in South Africa (Bond, 2001).

2.3.4.1 The Spatial Development Initiative

As a key investment strategy, spatial development initiatives (SDI’s) are the practical implementation of the national government’s macro-economic GEAR policy in attempt to improve the functioning of government in targeted regions of the country where there is the potential for growth (Jordan, 1998, Crush & Rogerson, 2001). The SDI programme was conceived in 1995, implemented in 1996 and is one of several development corridors in which national government is supporting provincial and local governments to facilitate private sector investment and to involve wherever
possible disadvantaged communities in the benefits of the new investment (Gibb Africa, 2000, Crush & Rogerson, 2001).

Through the Department of Trade and Industry (DTI), the SDI programme has identified 12 regions in South Africa where the programme will be implemented and have been selected for their under-utilised economic development potential. In these locations, conditions are being established to attract both local and international investors. Constraints to investment have been identified and specific joint action plans have been adopted by government, agencies and other players to remove them which include attempts to address both hard and soft infrastructure needs, provide regulatory and institutional frameworks to support investment, and maximise the ability of local people to benefit from the new economic activity (Jordan, 1998).

The combined South African SDI's have identified nearly 800 investment opportunities with the capacity to create 85,000 new employment opportunities (Gibb Africa, 2000). The Richards Bay/Empangeni SDI is one of three development corridors in the province of Kwa-Zulu Natal. The other two are the Lubombo SDI which covers the agricultural and tourism area north of Richards Bay and the Pietermaritzburg/Msunduzi SDI in the province's midland region.

The SDI strategy recognises that government should be the facilitator for private sector investment rather than the initiator of direct employment creation. SDI strategy is also in line with the government’s policy to utilise State assets more effectively by involving the private sector. It undertakes to facilitate and to ‘de-bottleneck’ processes involved in making investments (Townsend, 2003). These often involve the leasing of state assets and the forming of commercial ventures with communities to ensure empowerment of previously disadvantaged communities.

A wide range of SDI projects involve the concession of State and community owned assets to the private sector through the process of Public-Private Partnerships. With
the emphasis on the economic empowerment of disadvantaged communities wherever possible, national government and its agencies have developed a range of financial packages to support them in commercial ventures with private investors. A wide variety of packages are available from institutions such as the Industrial Development Corporation, which increasingly supports small and community-based enterprises (Gibb Africa, 2000; Jordan, 1998). The underlying principle is to turn communities into legal entities and to provide procedural frameworks enabling both them and private investors to engage on level terms.

2.3.4.2 Industrial Development Zones

The concept of IDZs bears many similarities to a free trade zone. It is essentially an industrial estate built in the vicinity of a port or major transport route. IDZs are built in order to attract foreign direct investment into a country thereby encouraging employment creation, increasing exports and enhancing the international competitiveness of industries in South Africa (Walker, 2001).

According to IDZ Regulations (1999), one of the main criteria for the location of an IDZ is that it must be contiguous to a port which thereby limits the potential locations for the establishment of any proposed IDZ. The diversification of the industrial base in Richards Bay to accommodate downstream and value-adding industries is seen as essential for the long-term sustainable growth of the Empangeni/Richards Bay sub-region. An IDZ is therefore envisaged for the Richards Bay port, which is hoped to enhance economic upliftment through employment arising from the stimulation of such industrial growth (Gibb Africa, 2000; Jordan, 1998).

The objective of the SDI as an integral part of South Africa's GEAR policy is to attract inward investment and through GEAR, acknowledge the power of globalisation and make South Africa attractive to foreign investment (Crush &
Rogerson, 2001). Of critical importance to South Africa’s re-entry into the global economy and accommodate the forces of globalisation has been the introduction of the conservative neo-liberal economic policy GEAR, by the South African government (Hart, 2002; Rogerson, 2000). According to Hart (2002), the introduction of the GEAR policy at the time of reconstruction of the local state in mid 1996, was deeply significant. While in many countries around the world, the retraction of direct welfare provision has been accompanied by a number of functions being decentralised into what has been termed ‘development local government’. Local authorities have been called upon to confront massive redistribution pressures with minimum support and resources and under the auspices of local economic development, and secure socio-economic stability (Hart, 2002).

Local Economic Development strategies are being internationally implemented at local levels. In South Africa, LED initiatives are widely practiced in municipalities across the country. The local municipality of Richards Bay/Emangeni and local stakeholders of the area are no exception to this trend. The LED strategy is therefore a pro-growth response to accommodate the process of globalisation by shifting the responsibility of economic development to local levels.

2.4 Local Economic Development

2.4.1 LED Defined

In South Africa it is recognised that there is a need to stimulate economic growth and thereby increase employment opportunities. However, because of the social and racial history that South Africa has experienced, it requires new approaches to confront its present social and economic needs. Therefore efforts in post-apartheid South Africa are being made to address the wrongs of the past at the legal, social and economic levels. In doing so, a variety of dimensions in terms of infrastructure, housing, social facilities, community organization, transport and economic
sustainability are needed in order to restore vitality to an area or community (Nel et al., undated).

Internationally, LED is essentially an umbrella term that encompasses the response of localities to the effects of global forces on national economies (Rogerson, 2000). Therefore in general terms LED 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 (Artworks, 1998). It is therefore 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. The World Bank (cited Nel et al, undated) describes LED as the process by which public, business and non-governmental sector partners collectively work to create better conditions for economic growth and employment creation. Therefore, LED occurs best when a partnership between the local authority, business, NGO's and most importantly, individuals is formed and together strive to improve their economic status by combining skills, resources and ideas.

2.4.2 International Experience of LED

Local Economic Development (LED) has been internationally recognised in recent years as a key response to the combined interchange of a variety of key forces which characterise the contemporary era (Nel et al, undated). Key trend among these include (Artworks, 1998, Nel et al, undated):

- The growing internalisation of economic, political and cultural life;
- Changes in the nature of politics as the growing need for more substantive citizen participation;
- The rise of the information or network society which is transforming the nature of communication and interaction between all spheres of society.
It must be emphasised that these major economic, political and technological changes have impacted unequally on different parts of the world. Many developing countries (particularly in Africa) have felt the negative economic and social impact of global change. This has resulted in many countries becoming increasingly marginalised and impoverished (Artworks, 1998). The noted global trends are not unique to any specific location. Though occurring at different rates, the effects of globalisation, global economic crises, and the rate of prominence accorded to the notions of enhanced democratization and the transfer of power have helped to ensure that local economic initiatives and self-reliance are distinguishable trends around the globe (Nel et al, undated). The growing competition between local areas and the rise of neo-liberalism highlights the importance of the changing economic and political conditions in which LED initiatives are implemented (Woods, 1996). These trends have contributed towards a global move to decentralise government. Local government across the world is implementing support systems at local level to ensure socio-economic sustainability. Through the process of networking between local actors, a greater appreciation of specific needs and problems can be achieved (Helmsing, 2001).

The effects of globalisation are characteristically uneven in different parts of a country and are more particularly apparent in urban areas and have therefore reinforced a movement for co-ordination and strategic management at the municipal and regional level. While the consequences of globalisation may have provided new windows of opportunity for development in some localities, in others it has precipitated economic crisis. Internationally municipalities are therefore required to fundamentally reassess their roles and responsibilities as well as the way in which they carry out these responsibilities in their specific localities (Artworks 1998; Rogerson, 2000). As a consequence of globalisation more roles are produced for local governments, and so have the importance of LED initiatives been realised (Philander & Rogerson, 2001). In South Africa these universal challenges have been accompanied by the additional challenges of transition and democratisation (Nel,
The process of decentralisation has ultimately forced local governments to take a greater interest in the economic development of their areas of jurisdiction and in many countries has resulted in the entry of local government in public/private partnerships (Helmsing, 2001).

The major characteristics of LED can be sub-divided into a number of key categories. Firstly it is important to note that the focus of LED differs fundamentally from place to place around the world. With this in mind, two broad orientations may be discerned namely Market-led approach to business development or alternatively Bottom-up or Market-critical approach to community development (Bond, 2001; Rogerson, 2001; Nel et al., undated). 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. On the other hand, the market-critical approach to community development is inclined to be 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. A common concern to both these approaches is unemployment (Philanders & Rogerson, 2001). Generally, both approaches are equally valid and it can be argued that both should be pursued in conjunction with each other as is clearly the case in South Africa. This will guarantee that the needs of a wide spectrum of stakeholders are met which will provide for balanced growth and ensure that capital generating large business can generate meaningful spin-offs for the small and emerging business sectors (Nel et al., undated). When pursuing either market-led or market-critical development, implementing agencies such as local governments and development associations, regularly practice standard intervention measures which address the needs for financial, infrastructural, information, planning and training support. Nel et al. (undated) have identified five major categories for intervention:
1. Financial Support;  
2. Land and Building Development;  
3. Information and Marketing Assistance;  
4. New Planning and Organization Structures;  
5. Training and Employment.

The above strategies should not be seen as a resounding success or as the introduction to a new phase of economic regeneration and growth. LED does however represent a serious attempt by local stakeholders on behalf of their communities to promote and sustain economic development in spite of recessionary forces (Nel, 2001).

Between the 1960's to early 1980's, the focus of LED strategies was aimed at mobile manufacturing investment, attracting foreign direct investment and hard infrastructure investments. In order to achieve this, cities used massive grants, subsidised loans, tax breaks, and subsidised hard infrastructure investment (www.worldbank.org/urban, 2003). From the 1980's to mid 1990's, the focus shifted towards the retention and promotion of existing local businesses with an emphasis still being on inward investment attraction. To achieve this, cities provided direct payments to individual businesses, advice and training for SMME's, technical support, business start up support as well as some soft and hard infrastructure investment (Delany, 2003a).

From the mid 1990's onwards, the focus has shifted from individual direct firm financial transfers to making the entire business environment more conducive to business. Generally, a greater emphasis has been placed on soft infrastructure investments, public/private partnerships, and the leverage of private sector investments for the benefit of the public and highly targeted inward investment attraction to add to the competitive advantages of local areas. In order to achieve this, cities are developing holistic strategies aimed at growing local firms, providing a
competitive local investment climate, supporting and encouraging networking and collaboration, encouraging the development of business clusters, encouraging workforce development and education, closely targeted inward investment to support cluster growth, and supporting the quality of life improvements (www.worldbank.org, 2003).

2.4.3 Approaches to Local Economic Development in South Africa

The early thinking about LED in South Africa was strongly influenced by both the experiences of Britain and the USA where a substantial amount of literature had been generated. In Australia it had been used as a response to declining towns and therefore had meaning in South Africa (Rogerson, 2000). LED in South Africa, has been linked to development local government and has been interpreted as an outcomes-based local initiative that is driven by local stakeholders for local community benefit (Hart, 2002; Philanders & Rogerson, 2001).

The policy and practice of LED has become remarkably well established in South Africa (Nel et al., undated). Northern 'urban entrepreneurial' style approaches in the large cities, where it offered a way to reconstitute the competitive basis of declining localities, through to many community and NGO based initiatives which are more in keeping with the strategies pursued by developing countries where the negative impacts of globalisation are deeper, are more widespread and difficult to counter (Nel, 2001). The South African concept of LED encompasses elements of both international market-led and market-critical approaches (Philanders & Rogerson, 2001).

As a result of the political status of the country, a large portion of the 20th century was characterised by strong central government control which suppressed the emergence of LED initiatives in towns and cities of South Africa which lead to the erosion of local autonomy (Nel, 1999). Therefore, LED in South Africa can only really
be seen as a post-1990 phenomenon. With democratisation in the country and as a response to the severity of the economic and unemployment crisis that South Africa faces as a result of its political history, the country now boasts numerous emerging LED endeavours (Nel, 2001). These are linked to the national government's understanding of LED. In South Africa, the main aim of an LED approach is to create jobs through economic growth; embark upon sustainable rural development and urban renewal; and promote poverty alleviation strategies (Department of Provincial and Local Government, 2001).

2.4.4 National Policy with respect to LED

"From a policy perspective, LED finds accord with the post-apartheid government's pursuit of neo-liberal economic strategy and a commitment to devolve powers of government to the local level and to support community-based endeavours" (Nel, 2001: p1009)

Traditional approaches to economic development in South Africa have been focused on efforts to recruit new investors into the country with the use of a number of incentives such as tax breaks, reduced rates and cheap land in keeping with international trends of the 1960s and 1970s (Bond, 2001; Department of provincial and Local Government, 2001). The range of LED activities introduced across South Africa partly mirrors international trends, with the adoption of both market-led and market critical approaches (Rogerson, 2000). With the focus still on creating employment and poverty alleviation as these remain the two greatest challenges facing government with nearly half of all South Africans living below the poverty line (Department of Provincial and Local Government, 2001).

There are various Acts of Parliament and policies which inform local governments of South Africa on LED actions. The pro-poor responsibilities that local municipalities have in South Africa are recalled in a South African policy document entitled
Refocusing Development of the Poor. This document proposes that LED should be turned into the lead sector in targeting the marginalised, rural areas. The focus is to target low income communities, be holistic and all round ‘pro-poor’. Another draft policy is the government’s ‘Urban Renewal Strategy’ which has a clear focus on issues of urban and rural regeneration with targeted commitment for township areas (E.U. Report 2002; Nel et al., undated).

The basis for the current policy framework for LED was originally set down in the South African Constitution and elaborated in the Reconstruction and Development Programme (RDP) which made implicit references to the notion of LED through apparent support for community-based development and locality-based initiatives (Bond, 2001; E.U. Report 2002; Hart, 2002; Rogerson, 2001; Nel et al., undated). However, during the first years of the RDP, LED generally took second place to housing and infrastructure programmes. With the problems of rising unemployment, poverty and social exclusion, the sustainability of the RDP housing and infrastructure programmes attracted increasing concern. Therefore, in order for public sector-driven social investment programmes to be sustainable, improvements were made in terms of addressing unemployment and rural development (Nel, 2001).

The major post-apartheid local government enactments such as the Local Government Transition Act, now requires local municipalities to promote democracy, economic and social development as well as environmental safety, while previously, the main functions of local government had mostly been focused on service provision and regulation. In order to pursue this, the main instrument by local government is to draw up Integrated Development Plans that promote economic development and address spatial and transport planning, infrastructure, development and regulation. Under the Municipal Systems Act, all local authorities are required to prepare annual and five-year IDPs that set out development targets with detailed projects and programmes (E.U. Report, 2002).
The 1998 White Paper on Local Government was the first policy paper that focused on the scope of developmental local government. Other Acts and policies that assist in the implementation of LED policy include the Municipal Structures Act, the Municipal Systems Act, and the Municipal Services Partnership policy. The formulation of LED policy was produced by the Department of Provincial and Local Government in September 2001 (Department of Provincial and Local Government, 2001).

As well as development strategies and government policies, there are a further range of general government development initiatives which have LED implications (Nel, 2001). The Small Business and Local Business Service Centre (LBSC) programmes of the Department of Trade and Industry can result in changes in local economies. Various national advice and funding agencies have been established and support is available for local organisations under this programme (Nel, 2001). Broader national programmes such as the Spatial Development Initiatives (SDI) and Industrial Development Zones (IDZ) aim to encourage development of small, medium and micro enterprises (E.U. Report, 2002).

As a consequence, local authorities are now challenged to play an active role in supporting economic growth and development. The constitution specifically calls upon local authorities to "promote the social and economic development of the community" as well as provide the traditional functions of delivering services and administrating by-laws (Artworks, 1998). According to Galvin (1999), the potential for local government to promote development in South Africa relies heavily on state-society synergy. Therefore, a supporting and successful relationship between government and civil society plays an important role in economic growth of localities in South Africa. The relationship between local government and civil society groups varies according to local circumstances. Three scenarios have emerged when considering the relationship between local government and civil society. Firstly, local government can compete against civil society through party politics where local
government would dominate development with a struggle from civil society to change perceptions. Secondly, local government and civil society could agree on their respective roles without the benefit of full cooperation which would result in gaps and duplication and therefore limit development. The third scenario, local government would establish a working environment with supporting local organisations. Local government would provide the environment conducive to development while civil society would assist in the implementation. This last approach is supported and encouraged by the White Paper with a section on development local government (Galvin, 1999).

2.4.5 Sources of Funding for LED

Funding an LED initiative has been seen in South Africa as being somewhat controversial. Although local authorities are encouraged to engage in local economic development initiatives but often find it very difficult, primarily because local authorities often do not have a statutory responsibility to deliver LED services (Rogerson, 2000; Nel, 1999). According to the Department of Provincial and Local Government (2001) “Local government authorities must generate and access available LED funds, and establish networks and partnerships with local role-players to realise LED initiatives” (Department of Provincial and Local Government, 2001: p49). In light of this, there has been a significant emergence of funding programmes offered by different government departments in recent years to encourage and assist towards promoting LED in municipalities.

In order to implement LED strategies, local municipalities are required to shift budgets to the point of delivery. To support this trend, part of national revenue has been allocated to local government. There are however, some financial interventions available that support LED based on national and provincial funding avenues. The Department of Provincial and Local Government (DPLG) has assembled a directory of funds available for LED. The Local Economic Development Fund (now merged
into the consolidated Municipal Infrastructure Programme Fund), which provides financial support up to a maximum of R1.5 million to municipalities engaging in projects that will lead to job creation, poverty alleviation and redistribution. Although the Fund only provides support for poverty relief schemes, the impact is wide-spread across the country (Department of Provincial and Local Government, 2001; E.U. Report, 2002; Nel et al., undated). Innovative municipalities, in both declining and growing regions, are targeted by the Fund. Furthermore, the Department administers the Social Plan Fund, which provides for 'Regeneration Study Grants' to local authorities which are experiencing large-scale retrenchments. Although these are only used in emergency situations, recent large-scale retrenchments in the mining and textile industries, both particularly significant economic generators in KZN, could lead to the Social Fund becoming a more prominent tool for LED in the future (E.U. Report, 2002).

To aid municipalities in their restructuring processes, the DPLG have two programmes in KwaZulu-Natal for the implementation of the municipal aspects of the LED support programme. These are the Local Government Restructuring Grant and the Local Government Support Grant, worth more the R450 million (E.U. Report, 2002). Beyond the direct role of local government, there are considerable funding sources to promote economic development. Some sources of national funding are targeted directly at investment stimulation. The Department of Trade and Industry (DTI), Industrial Development Corporation (IDC) and related agencies administer a number of entrepreneur incentive schemes to encourage foreign investment and enhance competitive industries (Department of Provincial and Local Government, 2001).

There are other sources that exist to promote related LED projects such as local culture, environment and tourism. These include the Department of Environment and Tourism programmes for Tourism Development and Infrastructure, Coastal Management and Waste Management. Additional environmental funds include the
National Land Care Programme (Department of Agriculture), and the Working for Water programme to clear invading alien plant species and create employment opportunities. Human resource development and capacity building linked to LED have emerged as important areas of national policy and substantial national funding is available to support such activities. The Departments most involved in the administration of these funds include Education, Labour, Housing and Land Affairs (E.U. Report, 2002).

The financing by local government is therefore changing in line with shifts in policy and legislation. The Integrated Development Plans (IDP) are now becoming the budgeting tools for local governments. If LED is stipulated in the IDP of the local municipality, it is assured allocation of resources from the municipal budget (Department of Provincial and Local Government, 2001).

2.5 Conclusion

Over the past years, foreign trade and cross-boarder movements of labour, technology and capital have been widespread and with it has come the decline in demand for less-skilled labour and an increased demand for higher-skilled labour. Widespread economic restructuring has therefore led to the increased income gap between the two groups and a rapid increase in unemployment levels, reaching crisis proportions in both developed as well as developing nations (Beneria & Bisnath, 1996; Slaughter & Swagel, 1997). The processes of increased flexibilisation and insecurity in labour markets, informalisation, technological changes and downsizing of the industrial workforce have resulted in increased polarisations and increased poverty for those who have become unemployed and lack the necessary skills required by current labour markets. Poverty is therefore linked to an inability by the economic system to generate a sufficient number of jobs to absorb the unemployed as well as the underemployed (Beneria & Bisnath, 1996).
It is clear that globalisation can have severe negative consequences on developing nations which highlights the necessity for an alternative system and the reality of the global economy cannot therefore be ignored. Being globally competitive is of vital importance to the development of South Africa, yet in being so, the interests of the poor should be advanced as far as possible. Export-led growth will essentially depend on the development of capital-intensive industries, while at the same time engagement with the global economy leads to the decline of labour-intensive industries. Transnational movements between countries have increased the demand for more skilled labour at the expense of less-skilled workers, causing the gap between the two groups to expand.

To sustain growth in developing nations, many countries such as Taiwan, Korea and Hong Kong, turned to the active promotion of export-orientated industrialisation, while other countries, particularly in Latin America and Africa, continued to pursue import substitution strategies. Regional development policy in South Africa focused on import substitution industrialisation (ISI) and industrial decentralisation strategies. However, this approach came under intense pressure and criticism for its underlying political motivation and failure to create significant employment.

In a globalising world, the practice of local economic development is potentially an important strategy for sustainable development in post-apartheid South Africa. Recent economic strategising adopted by South Africa, has highlighted the 'pro-poor' approach to development, in light of the globalisation process and its effects. Using the uMhlathuze municipal area as a case study for South Africa, the following chapters will highlight the transformed approach towards industrial development and economic growth by South African government. Since 1994, this approach has moved from the previous promotion of resource-based, capital-intensive industries to an approach with strong emphasis on poverty alleviation, employment creation, and 'pro-poor' approaches to development.
CHAPTER THREE: METHODOLOGY

"In our everyday lives we use research to evaluate ideas and conclusions"
(Hoggart et al, 2002: 41)

3.1 Introduction

When undertaking any research it is important to choose the correct methodology as this will determine the relevance, accuracy and significance of the research results. Collection of primary data in this study relied predominantly on interviews and surveys and reflected the opinions of those interviewed. These opinions were interpreted by the researcher and documented as follows in this research and therefore comments made in this research are those reflected by the researcher and not the interviewees. This chapter will consider the social research methodologies that were employed and options chosen, and thereby provide background into the research methodology.

The ultimate goal of the social sciences is to produce an accumulating body of reliable knowledge which can explain and predict empirical phenomena (Nachmias & Nachmias, 1981). Social scientists aim to provide general explanations to 'why' questions. According to Nachmias & Nachmias (1981) there are two basic types of explanations: deductive and probabilistic/inductive. Deductive explanations call for universal generalisation while probabilistic explanations link the phenomena to be explained to an earlier occurrence.

Social research is a complex and pluralistic process, diverse in its purpose and methods, and is based on a variety of theoretical and ideological structures. The methodology of the social sciences has evolved in a slow process of growth. In this process criticism has always performed an important function. Through the continuous change of ideas and information, it has become possible to develop
commonly accepted rules and procedures and to develop corresponding methods and techniques (Nachmias & Nachmias, 1981). According to Sarantakos (1993), there are three main perspectives or paradigms that have influenced the structure, process and direction of social research. These are positivism, interpretive social science and critical theory. Positivism is the oldest theory in the social sciences and was the dominant school of thought for the largest part of the history of social sciences. Although in more recent years the theory of positivism seems to have been neglected by social science as a basis of methodology, it is still influential. The interpretive perspective is derived from the works of Giovanni Batista Vico (1868-1917) and most important of all Weber (1864-1920) and focuses on the understanding of human behaviour. Critical social science was developed out of the works of Karl Marx (1818-1883) and includes combinations of conflict theory, critical sociology, feminism and Marxism (Sarantakos, 1993).

The three perspectives, although clear in theory, are somewhat more complex in reality. However, despite internal diversity, the perspectives share many common principles and display many basic similarities. Two major methodologies have emerged in the social sciences as a result of the similarities and differences in the nature and principles of the various perspectives. These are known as quantitative and qualitative methodology, each of which contains theoretical and methodological principles (Dwyer & Limb, 2001; Sarantakos, 1993).

Quantitative methodology is based on the positive or neo-positive philosophy. Its structure, process and theoretical background have constituted the standards for the methods of the social sciences for more than a century. The theoretical principles propose that reality is objective and that human beings are determined by their social world. The task of the sociologist therefore is to discover the scientific laws that explain human behaviour. Furthermore, facts should be kept apart from values. Theoretically natural and social sciences share common logical and methodological foundations and the logical form of theory is deductive (Sarantakos, 1993). The
overall goal of quantitative methodologies is to isolate and define categories as precisely as possible before the study is undertaken, and then determine again with great precision, the relationship between them (Hoggart et al, 2002).

The emergence of humanistic geography in the 1970's as an explicit critique of the quantitative methods that prevailed in geographical research provided the impetus for the exploration of qualitative methodologies by geographers (Dwyer & Limb, 2001). Qualitative methodology as an alternative to traditional, established quantitative research has developed through a cooperative effort involving a number of factors. As a result, the structure of this methodology is diverse and to a certain extent not as explicit or distinct as that of quantitative methods (Kitchin & Tate, 2000). Qualitative methodology tries to capture reality in interaction and it employs no random sampling techniques. The research procedures used produce descriptive data that describe interactions in the social world. This school of thought grew in popularity among young sociologists and social scientists after the Second World War and more especially in the 1980s following on from the previous popularity of quantitative approaches.

While it is considered by some that the two methods are contradictory and fundamentally different, they are seen by others as two ideal types that can be simultaneously employed in exceptional circumstances (Sarantakos, 1993). In social research both qualitative and quantitative methods are employed according to the nature of the research question, the available resources and the type of information required.

In this research, the social world will be seen as something that is dynamic and changing and constantly being re-constructed through the intersection of cultural, economic, social and political processes. Furthermore, the inter-subjective encounters between the researcher and researched is seen as central to the research process. A wide span of techniques which include in-depth, open-ended questions will be
employed in this research. Qualitative methodologies are suited to the intentions of this research and as a result will be employed to conduct the study.

3.2 Research Design

Nachmias & Nachmias (1981) describe research design as the system that guides the investigator in the process of collecting, analysing and interpreting investigations. They continue to state that research design is a logical model of proof that allows the researcher to draw conclusions concerning causal relations among the variables being explored. Research design is a process rather than an event. However, a difficulty arises when trying to undertake research which is bridging the gap between describing how it should be done and how it is actually achieved (Hoggart et al., 2002). The course that a piece of research follows will be particular to that piece of research: it is affected by factors such as the research topic, the techniques of data collection, the experience and personality of the researcher, the politics of the research, the types of people or situation being studied, as well as available funds.

For many researchers, identifying a research topic can prove to be difficult. It is important to recognise linkages between research questions and target audiences and it is critical that a topic captures the researcher's imagination, for this will sustain personal interest as the project progresses. As Hoggart et al. (2002) suggests, the key to a successful project is to find a topic that intrigues the researcher as well as attracts others. While the idea of originality in research is important, originality is not necessarily only that the topic has never been thought of or researched before, but it can also be when a project adds value to previous work. This can be achieved by asking the same question in a different setting or introducing a new consideration to a known topic.

When developing the research design, expertise from others' experience should be integrated. The proposed research questions should be credible, directed and feasible
to investigate. Research designs must be suited to research questions, approaches and contexts and result from a series of decisions made from knowledge of the available academic literature. Deciding on the research questions and the focus of the project should be undertaken before deciding on which methods to use as the questions asked will influence which methods are employed. A literature review serves different purposes. It contextualises the research questions within broader empirical traditions and in so doing, provides evidence of the significance of the project and its contribution to knowledge, that is, it validates what the researcher wants to achieve (Dwyer & Limb, 2001). During the research design process many important decisions are made regarding theoretical context, methods, practicalities and ethics that largely determine the outcomes of the research project. It is therefore necessary to be flexible in the research process, which will allow the researchers to modify their decisions and so respond to unexpected events and opportunities.

3.3 Data Collection

3.3.1 Methods of Data Collection

A relationship between the researcher and the respondents is made through the methods of data collection. The next step therefore is to choose methods that will enable the researcher to collect relevant information. The decision regarding the methods of data collection will be influenced by many factors (Sarantakos, 1993). Multiple data sources have the advantage of drawing on different perspectives from a study population, as well as encompassing different segments of that population (Hoggart et al, 2002). There are many methods of data collection with each being useful, relevant and effective and these should be considered as supplementary to each other. In principle, qualitative and quantitative methods have the same purpose: to collect the data that will provide the basis for further thinking and operation (Sarantakos, 1993). There are three general forms of data collection: observational methods, survey research, and non-reactive techniques. Each of these
general forms consists of a number of particular methods (Nachmias & Nachmias, 1981). For the purpose of this research, surveys were used to collect data, and will therefore be reviewed in more detail.

Survey research is one of the most important areas of measurement in applied social research. The broad area of survey research encompasses any measurement procedures. Observation is a survey technique used by many social science researchers. However, if direct observation by the researcher is not possible, other methods may be used in order to elicit information from respondents and thereby gain the required information. Nachmias & Nachmias (1981) identifies three major methods that are used in order to gain information from respondents when direct observation is not possible: the personal interview, the questionnaire and the telephone survey.

3.3.2 Interviewing

Recently, much attention has been drawn to in-depth interviewing as a survey technique as knowledge of the method broadens (Dwyer & Limb, 2001). Interviewing is a form of questioning characterised by the fact that it employs verbal questioning as its principle technique of data collection and has become the most commonly used qualitative technique in social research. Interviews are prepared and executed in a systematic way (Kitchin & Tate, 2000). They are controlled by the researcher to avoid bias and distortion, and are related to a specific research question and a specific purpose (Sarantakos, 1993).

Interviews are a far more personal form of research than questionnaires. In the personal interview, the interviewer works directly with the respondent. Unlike with mail surveys, the interviewer has the opportunity to probe or ask follow-up questions and, it is generally easier for the respondent, especially if what are sought are opinions or impressions.
In qualitative methodology, interviews are normally semi-structured and open and use a standard technique of data collection. Emphasis is placed on depth and detail and the data that is gained through interviewing is of great value (Hoggart et al., 2002). Interviews vary significantly in structure, length, intensity, order and type of questions, and interviewee participation.

There are three formats that the interview may follow. The structured interview takes the form of the interviewer asking the respondent predetermined questions in a predefined format. There is no deviation from the interview schedule, and the interviewer does not probe into points of interest that may arise (Kitchin & Tate, 2000; Sarantakos, 1993). The most structured form of interview is the schedule-structured interview where the wording and sequence is fixed and identical for every respondent. Therefore, differences in responses can be attributed to the differences in respondents and not variations in the interview (Nachmias & Nachmias, 1981). The second form of interview is the unstructured interview. In this interview format, the interviewer has no set questions, and the interview is exploratory in nature. This format allows the interviewer a high degree of freedom to manipulate the structure and conditions of the method (Sarantakos, 1993). Such interviews are often conducted when a researcher is trying to elicit more information regarding an unfamiliar topic or field. The non-schedule-structure interview refers to situations that have been analysed prior to the interview and where the respondents are given liberty in expressing their responses. The researcher can therefore obtain detail of specific emotions and personal reactions from the respondent. The non-schedule interview is the least structured form of interviewing; no formal set of questions are used nor are the questions asked in any specific order (Nachmias & Nachmias, 1981). The third and final format that an interview may take is a combination of the structured and unstructured, namely the semi-structured or guided interview. In the semi-structured interview, although the interviewer is provided with an interview guide, there is ample freedom to formulate questions and to determine the order of
the questions (Sarantakos, 1993). This interview structure is popular as it allows the researcher or interviewer to adapt the interviews to the individual and their background while still ensuring that the same ground is covered in all the interviews that are held. This option is also more versatile than the structured and unstructured format, and it allows for more detail to be obtained on points that are raised and which may be of interest as directed, probing questions may be asked (Nachmias & Nachmias, 1981). Common to all these forms of interviews is the level of contact between the researcher and participant.

The cost of personal interviews is significantly higher than any other form. These costs include time spent conducting the interview, travel time and time spent processing the data gathered from non or semi-structured interviews. However, there are many advantages associated with using personal interviews as a form of collecting primary data. A personal interview results in a higher response rate as opposed to a questionnaire. Furthermore, in a personal interview, the interviewer can collect additional information from the respondent that may aid the researcher when interpreting and analysing the results (Nachmias & Nachmias, 1981; Oppenheim, 1996).

The outcome of this research relied heavily on personal interviews with the selected sources. The costs associated with that included time spent on travelling the distance to Richards Bay/Emangeni, and time spent conducting the interviews. Added to this cost was the researcher's participation in the LED strategy employed by the local municipality which required many trips to Richards Bay and will be elaborated on later in this chapter. The contact made with the relevant people associated with LED in the area, allowed the researcher to follow up these interviews telephonically and electronically via e-mail.
3.3.3 Questionnaires

An alternative method to data collection, is through the use of questionnaires. The use of questionnaires is a popular method of gathering information in the social sciences (Sarantakos, 1993). As with interviews, questionnaires are also a popular means of establishing information about the respondent, such as their behaviour, opinions, beliefs and experiences because of the variety of ways in which they can be conducted and distributed. Questionnaires are regarded as an important instrument of research and tool for data collection (Oppenhiem, 1966).

Questionnaires also come in three formats. The open-ended format allows respondents the freedom to construct their own answers to the questions asked. The second format is that of the close-ended questionnaire. This uses rating scales, multiple choice questions, and questions which are restricted to yes and no answers. A disadvantage of this type is that the researcher may not be able to list all possible answers, and when using rating scales, respondents may often feel that their answer falls between two alternatives. Finally, there is the option of a combination questionnaire, which incorporates questions which are both open-ended and closed-ended. This is the most popular questionnaire option, as it allows for a variety of answers, while at the same time it limits the possibility of irrelevant answers on key research points, as these questions can be of the closed-ended type. Using questionnaires is regarded as an impersonal survey method. However, under certain research circumstances this can be seen as useful (Nachmias & Nachmias, 1981).

Each survey will have associated problems, but when drawing up a questionnaire, it is essential to bear in mind some general considerations. Firstly, one must always consider the level of literacy of the respondents, Secondly, the method of approaching respondents in order to get a positive response rate. Thirdly, it is important to aim for conciseness, and to maintain neutrality where necessary, and finally the order of questions should be carefully considered (Oppenheim, 1996).
Questionnaires are a popular form of data collection because they are less expensive than other methods; they produce quick results and are a stable, consistent, uniform measure of collected data. However, the nature of questionnaires as an instrument is associated with many deficiencies such as they do not allow for prompting and probing of questions; they do not provide an opportunity to collect additional information while they are being completed; and a partial response is possible due to a lack of supervision (Sarantakos, 1993). Furthermore, a badly structured question may lead to incorrect responses to what is actually being asked.

While the questionnaire method was not used in this research, it was an option to consider as an alternative or inclusion to the interview techniques. However, by participating in the formulation of the LED policy, a close relationship between the researcher and relevant stakeholders had been established, eliminating the need to use the questionnaire method, and therefore the use of personal interviews was employed.

3.3.4. Triangulation

The research design will describe the number and nature of methods to be employed in the research project. Normally, the research will employ one basic method, taken from one methodological context, the quantitative or qualitative. In certain cases, if the research conditions require it, a combination of methods will be employed. Researchers often combine different methods of data collection when studying the same social issue and this is often to the benefit of the research undertaken (Kitchin & Tate, 2000). Such combination of methods is called triangulation (Nachmias & Nachmias, 1981). The possible elaborations of triangulations are endless and are employed for a number of reasons. It allows the researcher to obtain a variety of information on the same issue; to achieve a higher degree of validity and reliability; and to decrease the dependence on single sources of evidence. According to Hoggart et al (2002), "...we can have more faith if researchers call on different types of data,
use more than one investigator, interpret evidence through different theoretical lenses and use more than one data collection technique” (Hoggart et al., 2002, p. 69). Triangulation is therefore an acknowledgement that social research is rarely decisive and that confidence is often best established by collecting and presenting a number of viewpoints.

3.3.4 Sampling

An important consideration for researchers when designing a project concerns the type and number of respondents to be included in the study. Sampling enables the researcher to study a targeted population from the entire population. There are two basic types of sampling: Probability and non-probability sampling (Hoggart et al., 2002; Nachmias & Nachmias, 1981; Sarantakos, 1993; Schutt, 1996). In the selection process, probability sampling employs strict probability rules. This method is used to select successively smaller geographical areas within which respondents are selected (Hoggart et al., 1993). The key element in probability sampling is that the selection of participants for the study is done on a random basis, which prevents the biased selection of participants, whilst also providing an unpredictable cross-section of the total population. Therefore, probability sampling allows computation of the accuracy of selection and offers a high degree of representativeness (Sarantakos, 1993; Shutt, 1996).

The non-probability sampling type is less strict and makes no claim for representativeness. Non-probability sampling methods can be divided into two broad types: accidental and purposive. Most sampling methods are purposive in nature. Purposive sampling can be very useful for situations where a targeted sample needs to be addressed quickly and where sampling for proportionality is not the primary concern. With a purposive sample, the opinion of the target population is likely. Accidental or convenience sampling methods rely on samples that are available and
convenient and not necessarily representative of the population at large (Trochim, 2000).

The main difference between probability sampling and non-probability sampling is that non-probability sampling does not involve random selection and probability sampling does. Therefore non-probability samples cannot depend upon the rationale of probability theory. With a probabilistic sample, there is a high probability that the sample has been well represented. There is less assurance with non-probability samples that the population has been well represented. Generally, probabilistic or random sampling methods are preferred over non-probabilistic ones, and are considered to be more accurate and rigorous (Hoggart et al, 2002; Sarantakos, 1993). It is generally left up to the researcher to decide which sample should be chosen and are usually chosen for exploration and qualitative analysis.

3.4 Data Analysis

The analysis of the data allows the researcher to manipulate the information collected during the study in order to assess and evaluate the findings and arrive at some valid, reasonable and relevant conclusions (Sarantakos, 1993). While in quantitative research the process is relatively clear and unambiguous, in qualitative investigations, it is confusing and subjective and needs to take into account ethical interpretational considerations. The issue here concerns mainly the procedures employed in qualitative analysis, as well as the extent to which counting and quantification can proceed. The stage at which analysis takes place also varies. While the majority of qualitative researchers undertake analysis during the time of data collection, for others, data analysis takes place after data collection. The studies which utilise, generate and analyse qualitative data are regarded by many researchers to be as complex as methods used to analyse quantitative data (Kitchin & Tate, 2000).
The process of presenting data visually by qualitative researchers is varied. While some employ methods of presentation used by quantitative researchers in their original or modified form, in other cases different forms of presentation are used. Tables and graphs are useful tools of presentation in qualitative research, but the structure of presentation does not seem to adhere to any strict rules and procedures, given that graphs and tables in qualitative research are always tailored to serve the needs of the particular study. Different techniques for specific purposes and for specific projects are used in social research (Hoggart et al, 2002; Kitchen & Tate, 2000). Analysing and presenting the collected data therefore depends entirely on the study undertaken and the methodologies used.

3.5 Methods used in this research

3.5.1 Research Design

The research design of this study drew from a range of expertise through a review of available academic literature. Globalisation is a contemporary topic with many views and opinions widely publicised. The process affects the South African at local levels and more specifically in the case study area of Richards Bay/Empangeni. One response at local level to this change has been through Local Economic Development which has been used in many localities across the globe and more recently in South African towns and cities including Richards Bay/Empangeni. The responses to economic challenges at local level were therefore studied in light of what has been practiced internationally. As a result of the study being an ongoing process for 2 years as well as the number of sources that this study relied upon, a flexible approach was adopted during the research in order to respond to unexpected events and opportunities that occurred during the course of this research such as unavailability of people that were to be interviewed in the survey due to restructuring of their particular organization.
3.5.2 Data Collection

Social research methods were used in the development of this study and therefore survey research techniques were used to collect the necessary data. As Local Economic Development is most successful when run in a partnership between private and public sectors as well as parastatals, representatives from all sectors including spin-off organisations were interviewed.

The interviewer's role is multifaceted. The respondents need to be located and an interview date set. When there are a number of interviews to be set, this can prove to be time consuming as interviews with different respondents cannot always be made on the same day, as was the case in this research study. As well as time consuming, it can also increase travel costs as mentioned earlier in this chapter. In order to gain the required information from respondents, the interviewer has to be motivated and able to communicate this motivation and convince the respondent of the importance of the research. In this research, respondents were generous with their time and enthusiasm for the subject being researched which assisted the researcher in gaining in-depth, conclusive results.

Interviews in survey methods become the measures of data collection. It is therefore important to gather quality data from the interviews and in this respect, respondents need to be informed about certain aspects of the interview and interviewer of the research study. Therefore, respondents in this research were informed about the research topic which the researcher is representing, as well as the sampling logic and process behind the study.

For this research, purposive sampling methods were used to select the industries and organisations who would be interviewed. The six largest industries were chosen to be interviewed because they are collectively known in the area as the 'Big Six' due to their economic impact on the area. Spin-off organisations from the private sector
were interviewed due to their involvement in Local Economic Development and community-benefit initiatives; for example, The Zululand Chamber of Business (ZCB), The Zululand Chamber of Business Foundation (ZCBF), and The Zululand Centre for Sustainable Development Centre (ZCSD). Project managers as well as the people working on the projects directly, were included in the survey as they enabled the researcher to formulate first hand opinions of the projects. The uMhlathuze Municipality was interviewed which represented the public sector with parastatals such as the SDI completing the focus points of interviews. Within each organization, the person interviewed depended on who was best equipped to answer the questions as well as who was available to do so. Purposive sampling methods were also used to select shop owners of the Empangeni Arts and Crafts Centre who were interviewed.

The people that were interviewed and their positions in the various organisations are tabulated as follows:

*Table 3.1 People Interviewed in this Research*

<table>
<thead>
<tr>
<th>Organization</th>
<th>Title</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Municipality</td>
<td>Director of Development and Planning</td>
<td>Mr Neil Muller</td>
</tr>
<tr>
<td>Municipality</td>
<td>LED Planner</td>
<td>Mr Hennie Smit</td>
</tr>
<tr>
<td>Municipality</td>
<td>Councillor</td>
<td>Jan van der Westhuizen</td>
</tr>
<tr>
<td>ZCB</td>
<td>Chairman</td>
<td>Mr Don Paynter</td>
</tr>
<tr>
<td>BDC</td>
<td>CEO</td>
<td>Mr Raj Ramchander</td>
</tr>
<tr>
<td>ZCBF</td>
<td>CEO</td>
<td>Mr Luis van Zyl</td>
</tr>
<tr>
<td>ZCBF</td>
<td>Board Members</td>
<td></td>
</tr>
<tr>
<td>ZCBF</td>
<td>DAPP Foundry Manager</td>
<td>Mr Jack Jacobs</td>
</tr>
<tr>
<td>ZCBF</td>
<td>Students being trained</td>
<td></td>
</tr>
<tr>
<td>ZCBF</td>
<td>Project beneficiaries</td>
<td></td>
</tr>
</tbody>
</table>
The interview questions were designed so that the interview would be conducted in a semi-structured manner, which allowed for the respondent to elaborate on responses and issues raised by the questions were open for discussion. The same questions were asked for each of the 'Big Six' industries, the local municipality, the SDI, the ZCSD, the ZCB and the ZCBF (Appendix A). This allowed for comparison of initiatives that each organization was involved in and resulted in many links between all sectors and their social involvements being highlighted. The crafters at the Empangeni Arts and Crafts Centre were asked a different set of questions (Appendix B).

The topic of research was firstly explained to the respondent, that is, Local Economic Development. As Local Economic Development is relatively new to the area and being initiated by the local municipality, it was discovered by the researcher through
the process of interviewing that the private corporations of the area had in place Corporate Social Investment (CSI) initiatives which related to Local Economic Development in terms of its community development and job creation focus.

Recording the interview is important in terms of gathering relevant, quality data. Using audio and visual recorders can make the respondent feel uncomfortable and therefore affect the repose of the respondent. The pen-and-paper approach was used to record the interviews of this research to ensure a more comfortable environment for the participant and responses were recorded immediately to ensure accuracy. A limitation to using this approach that was experienced, however, was a loss of contact with the respondent while recording the data on paper. The flow of the interview is therefore stilted which can be avoided by using audio recorders.

3.5.3 Participatory Research

At the time that the first interview was conducted with the local municipality in 2002, a local economic development policy for the municipality was being drafted by an appointed outside consultant. As it was recognised by the municipality that having a local economic development strategy was important and necessary for the area, the Deputy Director of Development and Planning, offered a place for the researcher to become involved in the process of developing the local LED policy. This involved attending LED workshops with key stakeholders and drafting a LED Working Document that resulted from these workshops held.

The process of developing the LED strategy began in February 2002 with the appointed consultant drawing up a draft proposal of the LED strategy and policy to be developed and implemented. This document gave background details of the area, the role of local government and the suggested process to follow in developing a LED strategy and plan for the area. A task team with representatives from the formal and informal sector, parastatals, public sector and civil society was formed who
attended workshops approximately once or twice a month, depending when everyone was able to meet. Different representatives were invited to attend the workshops each time until a task team was developed with stakeholders from each sector. The LED Task Team consisting of individuals from different background were invited to share their expertise on different aspects pertaining to the local economy. The main conclusions reached by the task team and the implementation of the LED strategy in uMhlathuze will be discussed in the results of this research document.

3.6 Conclusion

It has been said that interviewing requires in-depth understanding that is best communicated through detailed examples and rich narratives. In essence, interviewing is appropriate when research seeks to unravel complicated relationships or slow evolving events. As mentioned, the LED process initiated in uMhlathuze is an on-going process and as a result of being apart of the meetings held to develop the LED policy for the local municipality, the researcher can be seen as a credible witness of the data collected and documented in this study. Furthermore, by being involved in the process, the researcher was able to make contacts with the relevant people and thereby obtain the relevant data, assisted in developing this research study. Participating in this LED initiative acted in many ways as an open link to in-depth discussion on topics that would have been asked during individual interviews. By attending task team meetings, the relevant information was discussed in an open manner and the researcher was therefore able to gain full insight of the research topic from many different perspectives.

Further contribution by the researcher to the LED process was a LED workshop held early in the development of the formulation of the uMhlathuze LED policy. All stakeholders and interested parties were invited to attend which led to great exposure of the new, evolving LED process in the area. The formulation of the LED policy proceeded with greater speed and depth as a result of the workshop, as more
people were exposed to the process and therefore gave greater input into the process. The applied process of implementing LED was therefore achieved through participation of the researcher and researched.
CHAPTER FOUR: RICHARDS BAY

“...The (decentralisation) policy is grossly inefficient from an economic point of view; it is an inappropriate means of providing jobs, and it has a negligible impact on the overall location of manufacturing activity” (Addleson, 1990: 173).

4.1 Early History of the Area

This chapter focuses on early plans and developments in the Richards Bay locality and the implications thereof on surrounding areas. The newly formed City of uMhlathuze consists of two urban settlements, namely Richards Bay and Empangeni. The amalgamation of Empangeni and Richards Bay into one jurisdictional area, the City of uMhlathuze is expected to eventually synergise the two towns into a metropolitan area. It was argued by the Executive Committee of the uMhlathuze Municipality that giving the area city status would serve as a way to attract investment and development to the area (CSIR & VUKA, 2002). Before this contemporary planning, these towns grew separately and in many ways they still are separate. State intervention and the decision to build a deepwater port in Richards Bay along with the extensive rail and road infrastructure in the 1970’s, had a major impact on the growth of both Empangeni and Richards Bay. In order to understand the present status of the area and current approaches to local economic development, it is necessary first to understand the origin of the two settlements of Empangeni and Richards Bay and the role that government intervention played in the industrial and economic development of the area.
Map of KwaZulu-Natal showing Area of Interest

Legend
- Area of Interest
- KZN Towns
- National Roads
- KwaZulu-Natal

Scale 1 : 3 000 000
Cartographic Unit, University of Natal, Pietermaritzburg, 2003

Fig: 41: The Location of Richards Bay/Empangeni
4.1.1 Empangeni

Not far from present day Empangeni, King Shaka established his royal kraal Bulawayo, overlooking the uMhlathuze River (Minnaar, 1989). Empangeni is said to have originated with the arrival of the American Rev Aldin Grout and his wife Charlotte who established the mission station Inkanyezi in 1841 on the Mpange River, a tributary of the uMhlathuze River (Cubin, 1994; Minnaar, 1989). However, the mission station was short lived, because in 1842 the local King Mpande ordered the closure of the mission. Other missions opened in later years but as a result of the 1879 Anglo-Zulu War, all missions were destroyed. Once peace had returned to the area Norwegian Rev Schreuder developed the first Lutheran mission station in 1895. This was the first modern urban settlement in Empangeni and the largest in the Zululand area (Barker, 2001; Cubin, 1994; Minnaar, 1989).

The town's commercial function emerged with the establishment of a pioneer store in Empangeni on 26 January 1894 (CSIR & VUKA, 2002). “This was the beginning of the development of Empangeni as the commercial hub of Zululand” (Cubbin 1994, p 32). Perhaps the most significant development for the town was the location of the magistrate’s court in Empangeni initiated by Major Thomas Maxwell in 1897. This decision turned the town into an administrative centre - an important function it still fills today (Cubin, 1994; CSIR & VUKA, 2002). In the same year Zululand and Tongaland were annexed as part of the colony of Natal (Minnaar, 1989).

Nineteen-hundred and three saw the development of the first railway station in Empangeni which proved to be a crucial element in the growth of the town. In October of 1904 land was set aside in Zululand for white settlers to plant sugar. Empangeni was sustained by the agricultural sector and more specifically the sugar industry which lead to the declaration of Empangeni as a village in 1906. The Sugar Mill opened in 1911 and played an important role in the emergence of Empangeni’s
light industrial sector. The amalgamation of the village, rail and mill saw the birth of a formal municipality and a town in its own right in 1931 with a population of approximately 647 people (Barker, 2001; Minnaar, 1989; CSIR & VUKA, 2002).

Two decisive growth periods can be distinguished in the development of the town, the first being a period of industrial expansion after the Second World War. Evidence of this was in the growth of the population figures with an approximate population of 703 in 1936 and 1,037 ten years later (Minnaar, 1989). Secondly, growth in Empangeni occurred due to spin-offs from the stimulation and development of Richards Bay as a harbour and industrial centre in the 1970’s and 1980’s. This encompassed residential development as well as commercial and retail support of the residential component.

4.1.2. Richards Bay

Richards Bay has evolved from a small fishing village in northern KwaZulu Natal to one of the key economic nodes of the province. The area surrounding and including Richards Bay (uMhlathuze) is rich in mineral resources including ilimite, rutile, zircon, pig iron and coal. Other natural advantages include the areas diverse and intensifying agricultural resources and production. Sugar cane plantations along the Indian Ocean coastal belt form the mainstay of the agricultural sector. This area is also a large producer of sub-tropical fruit. Forestry operations are well established with evident pulp and paper mill industry (Townsend, 2003).

The town takes its name from a British commodore, Sir Frederick William Richards, who sailed into the bay to supply troops during the Anglo-Zulu war of 1879. His map was the earliest to record the uMhlathuze lagoon as ‘Richards Bay’ (Cubin, 1997; Townsend, 2003). The first development to take place was the establishment of Zululand Fisheries by George Higgs in 1906. In 1907 a wagon track from Empangeni was completed and in 1928, a hotel and store were built (CSIR & VUKA, 2002).
The government’s recognition of the need to exploit the coal deposits on the south-eastern shores of Africa and to develop a viable British harbour north of the Thugela prompted investigations to develop the Umhlathuze Lagoon. However, when Zululand was incorporated into Natal, Durban became the preferred site for the harbour (Seneque Smit & Maughan Brown, 1993; Townsend, 2003).

In more recent years, the decision to finally develop a deepwater harbour in Richards Bay transformed the area into a modern and dynamic port centre, and it became one of the few urban centres of the country that continued to grow despite periods of national recession, political uncertainty, and international economic pressures (CSHR & VUKA, 2002). In 1967 Prime Minister B.J. Vorster announced the proposed establishment of the harbour, the first major industrial enterprise in Richards Bay. Richards Bay has since developed around the harbour as its main function, with the presence of many heavy industries characterising the town.

4.2 An Overview of the Economic Development in the Area

Until the late 1960s, the Richards Bay/Empangeni region remained an essentially peripheral and undeveloped economy. However, as a result of massive state intervention in the 1970s, the sub-regional economy has been transformed into an established dynamic node of economic growth. The major elements of intervention have been (Seneque Smith & Maughan-Brown, 1993):

- The construction of Africa’s largest deepwater harbour at Richards Bay;
- The construction of an electrified railway line linking the inland coal fields to the province of Gauteng;
- Financing of major industries such as Sappi, BHP Billiton and Richards Bay Minerals through the State’s Industrial Development Corporation (IDC).
With early history of the area already established, development of the area from the 1970's will be recounted over three periods: 1970-1979, 1980-1989, and the era post significant government support.

4.2.1 Development from 1970 - 1979

Due to growing congestion at Durban and the demands of increasing export market (particularly for coal), it was decided by the then Railways and Harbours Administration to investigate a suitable site for an additional harbour along the KwaZulu Natal coast. Richards Bay was chosen after inspections at Kosi Bay, St Lucia and Sodwana Bay for its availability of land surrounding the bay that had the potential to be developed for the purpose of industrial use; the ease of dredging operations; the size of the bay; as well as for the ease of integrating the area into the existing rail network (Aniruth & Barnes, 1998; Barker, 2001; DCDP, 1983; Seneque Smith & Maughan-Brown, 1993; Walker, 2001).

The plan for the new port city was prepared in November 1965 and sought to assess its influence on surrounding areas as far a field as the then Eastern and Southern Transvaal. A feasibility study confirmed the viability of constructing the harbour. With the new port in mind, the Industrial Development Corporation decided to establish an aluminium smelter at Richards Bay, with an initial domestic aluminium industry being established in 1969. A Town Board was established at Richards Bay in order to coordinate this development which was agreed on between the then Administrator-in-Executive Committee of Natal and the Minister of Planning (Seneque Smith & Maughan Brown, 1993; DCDP, 1983). In terms of the decentralisation policy that was in place, further industrial and economic development in the country should proceed in decentralised growth points in order to achieve a more balanced distribution of population and economic growth in the country. It was therefore decided in 1969 by the then Minister of Planning that such a point in Natal would be declared in Richards Bay (DCDP, 1983).
On 28 July 1976 the then Minister of Planning and the Environment spelt out what the implications of developing a port at Richards Bay would be in terms of development of the area. The decision to establish a deep water harbour at Richards Bay by the State meant that government had accepted responsibility to regulate development in the area and furthermore had to carry this responsibility through to ensure that synchronized development did in fact occur (DCDP, 1983). However, the decision to promote and encourage development in Richards Bay was made with the view that industrial development and growth in Empangeni would not be affected and Empangeni would continue to grow despite the rapid growth that was expected in the neighbouring town Richards Bay.

4.2.2 Development from 1980 - 1989

In September 1980 the then Department of Community Development and State Auxiliary Services, laid down the following general guide lines for the establishment of industries at Empangeni (DCDP, 1983):

- Industrial growth in Empangeni should be allowed to develop at a rate consistent with the national average and not at the abnormal rate it was experiencing due to the investment in Richards Bay;
- Before further development was encouraged in the town, environmental issues such as air pollution and waste water disposal had to be determined;
- Infrastructural needs had to be met in Richards Bay before they could be developed in Empangeni;
- Regional service industries had to be developed in Empangeni;
- Agricultural land with a potentially high yield could not be used for industrial development in Empangeni;
- Preference was given to locally orientated industries due to the limited availability of flat land with rail facilities.
The Industrial Development proposals released by the Economic Planning Branch Office of the Prime Minister in November 1981 endorsed the sentiments contained in the National Physical Development Plan (DCDP, 1983). In March 1982, agreement by representatives of the various state departments had been reached and was approved by the South African Government. These measures were then published in an information newsletter entitled 'The Promotion of Industrial Development: An Element of a Co-ordinated regional Development Strategy for Southern Africa', issued as a supplement to the SA Digest of 2 April 1982 by the Department of Foreign Affairs and Information. Richards Bay was designated in 1982 as an industrial growth point by the 'Good Hope Plan: 1982-1990'. From this, Richards Bay benefited from incentives designed to attract industrial development into the region and in many regards at the expense of its neighbouring town, Empangeni (Aniruth & Barnes, 1998; Hart, 2002; Seneque Smith & Maughan Brown, 1993).

The roles of various urban communities in the area were focused on industrial development. Those basic industries that were directed at national and international markets would be encouraged to develop in Richards Bay which would therefore fulfil a national and regional and international function. Therefore, fragmentation of available industrial land was discouraged in preparation for potential future large land users. “Therefore, the focus of development was on Richards Bay which had an extensive industrial component, large enough to accommodate the medium to long term needs of the sub-region as a whole” (DCDP 1983, p95). Furthermore, industrialists choosing to locate their businesses in Richards Bay were eligible for short and longer-term incentive packages (Aniruth & Barnes, 1998).

At the time, office and shop development in Empangeni fulfilled the important function as back-up for the industrial development taking place in Richards Bay. However, with the development of the port came the decision that further commercial development was encouraged to take place in Richards Bay as opposed to Empangeni which would assist in providing an ordered urban structure for the port.
city, but which would have major economic implications for Empangeni that previously fulfilled this function. The 1980's saw many new businesses establishing in Richards Bay. Many of these were encouraged by the port and the raw materials available in the area.

The anchor industries that largely contribute to the socio-economic status of the area have become strongly export-orientated and continuously have to upgrade and reassess productivity in order to remain internationally competitive. While growth of the local economy is largely dependent on the fortunes of those companies, growth of the global industries relies on the international trade market for the retail of their products. Global forces therefore play a critical role in the socio-economic development of the area. As the global phenomenon progresses so does the dependence of the social economy of Richards Bay.

4.2.3 Development after the Curtailing of Significant Government Support in the 1990s

The KwaZulu-Natal economy experienced significant growth in the early 1990's. The province as a whole, recorded GGP growth of 2.6 percent per annum from 1991 - 1996 compared to a national average of 1.6 percent. The continued strength and growth in the manufacturing sector in KwaZulu-Natal is of significance, specifically viewed in the light of the already high percentage contribution of this sector nationally. This higher than average growth can be attributed to a number of factors (www.kzn.org.za, 2003):

- The shift of emphasis in policy from inward industrialisation to an open outwardly focussed economy with a strong emphasis on exports and the promotion of value-adding manufacturing processes;
- The reintegration of the South African economy into the global economy; and
The success of KwaZulu-Natal in attracting foreign investment during the period 1991 to 2000.

The 1990's saw the removal of many incentives that Richards Bay had benefited from in the past, which included 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 to be terminated by June 1993, as stipulated by the new RIDP (Aniruth & Barnes, 1998; Hart, 2002).

The Richards Bay economy has continued to grow despite the decision by government to revise policy and remove incentives that the local economy had had enjoyed. The end of the 1990's saw a large influx in the commercial sector of Richards Bay, with the construction of several new shopping centres containing a variety of chain stores and supermarkets (Aniruth & Barnes, 1998). The area particularly experienced a boom with the construction of the Alusaf Hillside smelter in the early 1990's. The year 2001 saw the beginning of the Hillside 3 Expansion Project. In keeping with national policy, Black Economic Empowerment companies were contracted during the expansion project to the commitment value of approximately R 115 million. By the end of the project in 2004, approximately 2 400 construction workers will have been trained in various skills by the company in conjunction with the Department of Labour (Hillside News, 2003).

Of particular significance to Empangeni has been the recent construction of Ticor's heavy minerals mining and processing operation. This international company is one of the largest in the Richards Bay/ Empangeni area in terms of its contribution to the local economy.
Bell Equipment was established in the early 1950's as a fledging enterprise providing engineering and equipment repair services to the pioneer farming community in Empangeni and more broadly, Zululand. In the 1970's the company provided engineering services to the construction consortium, building South Africa's largest Deep water port in Richards Bay. By acquiring the rights to distribute John Deere machinery in South Africa in the 1990's, Bell Equipment now has their machines distributed in both America's, strongly placing the Richards Bay-based company in the global market, with independent dealers of Bell Machinery now situated worldwide. In Europe, regional offices are in the United Kingdom, France and Germany. Asian business is supported by facilities in Singapore and Australia (Bell Equipment, 2003a).

More recent development shows that Tata Steel, India's largest steel producer is considering establishing a R442 million ferrochrome smelter in Richards Bay. Tata Steel's first investment in South Africa is expected to create 115 permanent employment opportunities through outsourcing to local contractors and further 1 000 jobs are through construction are expected to be created during the 18 months it would take to build the smelter. Should the authorities agree to the proposed smelter on the basis of an environmental impact assessment (EIA), and the feasibility study proves the project to be technically and economically viable, the proposed project is scheduled to commence construction in 2004 and plant commissioning in 2005 (ACER, 2003)

These expansions and developments have therefore occurred despite the retraction of many government incentives to promote industrial development. However, the initial developments as a result of government intervention such as the deep water port may still be providing the necessary incentives for the present and future developments of the area. Therefore through the infrastructure that has been established by the previous government policies, industrial expansion of the area is still being encouraged.
4.3 The Port

As one of the world's leading deepwater ports, the Port of Richards Bay which was originally established as a bulk port to export coal, now efficiently handles in excess of 80 million tons of cargo per annum, representing approximately 57 percent of South Africa’s seaborne cargo and making it the country's leading port in terms of volume handled (Townsend, 2001). In terms of land and water surface, the port comprises of 2 157 hectares of land surface and 1 443 hectares of water surface, making it the largest in South Africa, with only 40 percent of that land developed to date and thereby furthering the potential for future port-related development.

The port has several cargo-handling terminals and facilities, many of them being privately owned, which contribute to the economic growth of the local economy. The dry bulk terminal, operated by SA Port Operations, imports and exports a variety of ores, minerals and woodchips, and is one of the world's most advanced and productive bulk-handling facilities. The coal exporting terminal is operated by Richards Bay Coal Terminal Company, Ltd, and is the largest single coal exporting terminal in the world with an open storage area of 6.7 million tonnes and the capacity to export 72 million tonnes per annum (Townsend, 2003).

The National Ports Authority (NPA) is actively pursuing further planning and development through a Port and Development Framework (PDF) that will guide the expansion of the port in the short as well as long term (Townsend, 2002). Immediate private terminal development plans at the port include a dry dock, a passenger/fruit terminal and a second coal export berth, as well as further development to the waterfront area as a recreational node. The harbour has undoubtedly been a key determinant of investment in the past. The proposed expansions and developments in the port such as the passenger terminals are expected to have a great spin-off effect in terms of generating employment opportunities. Since its establishment in
1976 (see plate 4.1), the port of Richards Bay has remained crucially important for the attraction of previous and potential future investors to the area.

Plate 4.1: RBCT and the harbour on the day of opening, 1976

Plate 4.2 The harbour, 2003
4.4 Population

The economic expansion in the area has been accompanied by many social and political changes. One of the political changes that have affected the area has been the role of local government in South Africa as well as the demarcated areas assigned to it. The restructuring of the former Richards Bay and Empangeni/Ngwelezane Transitional Local Councils (TLC) and their amalgamation with surrounding rural areas into the new uMhlathuze Municipality in 2000 clearly illustrates this. From the early 1970s to mid 1980s, Empangeni and Richards Bay fell into the Lower Umfolozi Magisterial District which included the settlements Felixton, KwaMbonambi, Mtunzini, eNseleni, Esikawini, Ngwelezane, and Vulindlela. Empangeni and Richards Bay now fall within the uMhlathuze Municipal District (KZ282) which include the towns and settlements Ngwelezane, Esikaweni, Vulindlela, Nseleni, Felixton, Madlebe Tribal Authority, Dube Tribal Authority, Khoza Tribal Authority, and Mkhwanazi Tribal Authority. Taking these changes into account comparisons over the last four decades, may be difficult. In order to indicate growth in the region since the 1970s, population and employment figures will be examined over the last three decades. For comparative purposes, population figures for Empangeni and Richards Bay have been extracted from total population figures in the areas concerned as both these towns form a crucial focus in this thesis and with the incorporation of other settlements into the study area over the years, comparison could become uncertain.

According to the 1970 census figures, Empangeni had a population of 7 523 and Richards Bay a population of 598 from a total Lower Umfolozi population of 38 150. Although population numbers in the two towns differ significantly, the demographic distribution is comparatively similar.
In 1980 the population at Empangeni had increased to 12 430 and Richards Bay to 7 247 people from a total of 65 396 in the region (Stats SA, 1980 census). In the ten year period between 1990 and 1980, the white population in both towns increased significantly, while the black population decreased. Townships surrounding Empangeni and Richards Bay were developing at this time. The apartheid regime in the country allocated many black areas to tribal authorities which artificially altered demographics. This helps explain the apparent decrease in the black population in the more urban towns of Empangeni and Richards Bay.
predicted, the predicted demographic percentages are comparatively accurate. The 2002 uMhlathuze Integrated Development Plan reveals that the population composition is such that 14 percent of the population is white, 1 percent Coloured, 4 percent Indian, 78 percent African and 3 percent Other. Growth in the area has therefore decreased in relation to what was expected in terms of the area being one of the fastest growing regions of the country in the 1970's. It can be deduced therefore that after the curtailment of significant government support, while industrial expansion seems to be continuing, the population growth in the area has significantly decreased.

According to 2001 Central Statistical Services information, the geographic distribution before the amalgamation of the uMhlathuze Municipality was as follows (CSIR & VUKA, 2002):

<table>
<thead>
<tr>
<th>AREA</th>
<th>NUMBER OF PEOPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Empangeni Municipality</td>
<td>26 166</td>
</tr>
<tr>
<td>Richards Bay Local Council</td>
<td>72 670</td>
</tr>
<tr>
<td>Remainder of KZ282</td>
<td>97 397</td>
</tr>
<tr>
<td>TOTAL</td>
<td>196 879</td>
</tr>
</tbody>
</table>

In terms of socio-economic considerations in the recently established uMhlathuze economy, there is uncertainty and lack of agreement on the actual population figure for the area with significant discrepancies between the census figures and the municipalities own figures. The total population has been estimated by the Demarcation Board in 2001 as 196 183 persons which strongly correlates with the Central Statistics (2001) figure of 196 879 persons. However, the 2000 voting statistics of uMhlathuze have a registration figure for the area of 104 000 which has been deemed 80 percent of the total number of registered voters. The total number of
registable voters for the area is estimated at 130 000 persons. According to Central Statistics figures, 40 percent of the municipal area is older than 18 years and therefore eligible to vote. With this taken into account, population figures for the area are estimated at 325 000 persons (CSIR & VUKA, 2002). Although the discrepancy concerning the population figures in the area exists, for the purpose of consistency, the uMhlathuze IDP (2002) uses figures from the Demarcation Board to determine socio-economic conditions of the area.

In 1970 3.8 percent of the Lower Umfolozi population resided in Empangeni and remained at this figure in 1980. Richards Bay had a population 0.3 percent of the total area population residing in the town in 1970 which increased to 2 percent in 1980. The absence of change in numbers in Empangeni means that newcomers to the area moved to Richards Bay. Since then there has been intensive residential development in Richards Bay which is shown in the more recent figures in the 2002 uMhlathuze IDP. This reveals that 13 percent of the area’s population now live in Empangeni and 37 percent in Richards Bay.

Age distribution in the area shows 43 percent of the population being under 19, and is therefore still relatively young. This is indicative of future population growth and high demand on social services, education facilities, recreational facilities as well as future employment opportunities. The economically active category is approximately 52 percent of the population. This indicates a fairly equal dependency level with the 52 percent economically active providing for the remaining 46 percent (CSIR & VUKA, 2002).

4.5 Employment

According to the Draft Guide Plan of 1983, 58.1 percent of the Lower Umfolozi population were economically active in 1970 and 41.9 percent unemployed and not economically active from a total population of 197 640 people. Within Empangeni at
that time, 7 532 were employed in 1970 and 12 180 in 1980 out of a regional population of 324 900, which is at a growth rate of 4.9 percent per annum. Richards Bay in 1970 had a population of 598 that were employed out of the total regional population of 197 640. In 1980, this increased to 6 660 out of the total population of 324 900, a growth rate of 27.3 percent. Clearly then, the development that occurred in Richards Bay has provided many new employment opportunities in the town which has rapidly grown as a result. Although the employment rate in Empangeni also grew at this time, it was at a much slower rate than the assisted stimulated development occurring in Richards Bay.

The following table illustrates the employment structure for Empangeni and Richards Bay in 1970. Each employment category is expressed as a percentage of the economically active population (DCDP, 1983).

Table 4.3: Employment Structure of Empangeni and Richards Bay, 1970 in percent

<table>
<thead>
<tr>
<th></th>
<th>Empangeni</th>
<th>Richards Bay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>5.8</td>
<td>0.3</td>
</tr>
<tr>
<td>Mining</td>
<td>0.4</td>
<td>0.7</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.2</td>
<td>6.4</td>
</tr>
<tr>
<td>Electricity / Water</td>
<td>0.6</td>
<td>-</td>
</tr>
<tr>
<td>Construction</td>
<td>11.1</td>
<td>41.9</td>
</tr>
<tr>
<td>Commerce</td>
<td>14.5</td>
<td>17.9</td>
</tr>
<tr>
<td>Transport</td>
<td>13</td>
<td>5.8</td>
</tr>
<tr>
<td>Finance</td>
<td>5.3</td>
<td>7.1</td>
</tr>
<tr>
<td>Domestic services</td>
<td>37.8</td>
<td>12.8</td>
</tr>
<tr>
<td>Not Economically Active</td>
<td>38.3</td>
<td>34.5</td>
</tr>
<tr>
<td>Economically Active</td>
<td>61.8</td>
<td>65.7</td>
</tr>
</tbody>
</table>
A high percentage of the economically active population is matched by the high percentage of people employed in the area at that time. Furthermore, this table shows that the number employed in the construction sector in Richards Bay as compared to Empangeni is significantly higher. Empangeni clearly remained an agricultural town with 5.8 percent of the economically active population employed in this sector as opposed to Richards Bay's 0.3 percent, while the development of the port and related industries required a high percentage of people in the construction sector. The uMhlathuze area has a large non-economically active population, with 46 percent of the population being under 15 years (CSIR & VUKA, 2002). It is therefore important to create new employment opportunities in the area as to ensure this large portion of the population is offered a place in the job market in the future.

Annual gross output from the uMhlathuze region has shown consistently high growth rates over the last few decades and in terms of economic production, the area is third in the province after 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 growth rate of 6 percent has been maintained since 1980. The largest contributing sector in the area is comprised of manufacturing, followed by transport and finance. While this manufacturing sector's contribution to the gross geographic product is high, it employs only 10 percent 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).

4.6 Discussion

The primary rationale behind the establishment of growth poles in developing regions is 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). To give effect to its apartheid policy in South Africa, the state has since the early 1960s,
implemented growth pole strategies by providing incentives for manufacturers to locate to peripheral regions of the country (Addleson, 1990). The large capital-intensive industries that have established in Richards Bay/Empangeni as a result of the country's industrial decentralisation strategies and the role they play in the socio-economic development of the area is a highly debated concern. It has been established that the large, globally competing industries positively contribute towards the local as well as national economy, and provide for a significant amount of direct employment opportunities. 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 in the globally competitive industries and furthermore, the reduced significance of developing country's comparative advantage in low-skilled, labour-intensive products (Oman, 1994; Walker, 2001). In light of this, despite the fact that industrial growth in the Richards Bay/Empangeni area has been accompanied by employment spin-offs, it has been queried whether these are that significant in relation to the high investment involved (Arinuth & Barnes, 1998). With the level of investment (approximately R40 billion since the 1970's) these companies have brought to the area, it has been questioned whether employment created as a result of investment at this magnitude, is as significant. Since the resource-based industries in Richards Bay 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 (Roemer, 1978). 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 labour-intensive as opposed to capital-intensive activities.

In addition, it has been noted that there is a lack of linkages between the large industries, and although they are continuously expanding to meet global demands, expansion is individual. Linkages between the industries would result in an
enhanced depth and magnitude of industrial clustering in the area, and while some level of diversification has occurred by the individual industries, levels of unemployment in Richards Bay remain high (Delany, 2003b; Porter, 1990). 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). The location of Richards Bay on the coast of South Africa, and the presence of the port in the town provides for a strong global link as most of the products manufactured in the town are exported. However, as a result of the export-orientation of the local industries to remain globally competitive, the local, social economy is suffering as a result. Many of the large corporate companies operating in the area have Corporate Social Investment (CSI) departments in place that are structured in order to deal with the concerns raised in this discussion, particularly poverty and unemployment. In the following chapter, background to the various industries and the social development strategies and initiatives of these industries will be discussed in more detail. Collectively RBM, RBCT, Foskor, Ticor, BHP Billiton and Mondi Kraft are termed the 'big six'. These are not however the only industries that make significant socio-economic contributions to the economy, but are the largest in terms of capital invested and are all resource-based industries, and will be the focus of the following chapter. In determining the extent and degree of impact these industries have had on the area in terms of employment created as a result of their establishment, attention should be drawn to the various SMME or 'cluster' industries that have established in the area as a result. Recently, a greater emphasis has been placed by the various industries of the area on incorporating SMMEs into the industrial network, however this is still to be realised in the area, as there is an apparent void of SMMEs and downstream activities related to the present resource-based industries of Richards Bay/Empangeni.
CHAPTER FIVE: KEY INDUSTRIES AND THEIR CORPORATE SOCIAL INVESTMENTS

The... Zululand Chamber of Business Foundation stands as a developmental example of national importance" (Dr Mangosuthu Buthelezi, 28 February 1997; cited in SA Success, 1997: 5).

5.1 Introduction

Corporate Social Investment (CSI) is a key phrase in the terminology of large industries in the study area and relates to the social responsibility initiatives and programmes that the large private industries invest in. These can be individual initiatives or combined with the endeavours of other organisations, for example the Zululand Chamber of Business Foundation, which implements and manages many of the corporate industry’s social investment initiatives. Although many 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 affected by their operations, through implementing poverty alleviation strategies. Background to each of the Big Six industries will be reviewed in the next part of this chapter, followed by their CSI initiatives. The most significant of these CSI initiatives has been the establishment of the Zululand Chamber of Business Foundation (ZCBF). This unique organization has brought much attention to the area in terms of its socio-economic contributions and will therefore be discussed in depth, detailing the ZCBF current initiatives
5.2 The Big Six

5.2.1 Richards Bay Minerals

Richards Bay Minerals (RBM) is a leading producer of Titanium slag, high purity pig iron, rutile and zircon. The company is based and operates in Richards Bay. The location of the operation was largely determined by the presence of rich ilmenite deposits along the coastal strip. The sphere of influence of RBM is however much greater than the immediate area, as 96 percent of raw materials are exported to Asia, Europe and the USA for the use in products which are sold around the world (Morrison pers.com., 2003).

The company is jointly owned by Rio Tinto plc and BHP Billiton. RBM was formed in 1976 to extract and process heavy minerals that occur on the dunes north of and south of Richards Bay from Mapelane approximately 25 kilometers to the north, to Port Durnford, approximately 20 kilometers to the south of Richards Bay. RBM is the trading name for two registered companies: Tisand (Pty) Ltd and Richards Bay Iron and Titanium (Pty) Ltd (RBIT). Tisand is responsible for the dune mining and mineral separation operations, and RBIT is responsible for the smelting and beneficiation process (RBM Social and Environment Report, 2001). The company employs approximately 1 900 people directly (both skilled and unskilled), and a further 900 through the outsourcing of contracts. Approximately 1 percent of the staff employed by RBM, are from outside the area, with the vast majority being local to the greater Richards Bay area.

5.2.1.1 RBM Social Responsibility

RBM has participated in community upliftment and social investment in the area for the last 25 years. This approach has contributed to the company's establishment as
a valuable part of the community. RBM invests in community projects through the Public and Community Affairs department and focuses on disadvantaged communities within a 50 kilometre radius. Local entrepreneurs are able to work from factory units supplied by the RBM Business Advice Centre. Through the skills transference programmes that RBM offers, communities are able to take ownership of the initiated projects and thereby self-sustainability is promoted by the company (Morrison, pers. com., 2003).

The social investment programmes supported by RBM therefore seek to uplift the community through meeting their basic needs. The company supports a holistic range of community initiatives within the Public and Community Affairs (PCA) Department in RBM, including:

**Education and Rural Development:** Since mining began in the area, RBM have contributed to the establishment of 25 schools and 10 pre-schools. The company continually assists in the upgrading and renovating of local schools. The development of Tisand Technical High School, in partnership with the KwaZulu-Natal Department of Education and Culture has become RBM's flagship success project (Morrison, pers.com., 2003).

**Primary Health Care:** Five clinics have been built by RBM that provide the surrounding communities with free health care. HIV/AIDS awareness is promoted by RBM through a programme in partnership with the University of Zululand aimed at grade 7 pupils attending the RBM assisted schools (Morrison, pers.com., 2003).

**Community Business:** Support is given for the establishment and development of small and medium and micro enterprises in the area to ultimately become financially self-sustainable businesses (Morrison, pers.com., 2003). In 1993, RBM built a complex of 8 mini factory units in the Tisand leased area to accommodate local entrepreneurs. Tenants in these units include a panel-beater, mechanic, welder and
a seamstress who makes school uniforms. This project venture has led to the creation of 28 permanent jobs.

In terms of employment, RBM gives preference to those living within the mine lease area of the company. This approach to employment is in support of the creation of local jobs and therefore enhances the trading environment of RBM. Furthermore, RBM promotes development of SMME's through the provision of basic infrastructure and business support from the Business Development Centre. As LED initiatives are designed to incorporate both the public and private sector, government support has been used in RBM initiatives such as the construction of Tisand Technical School. With a budget of approximately R13 million for social investment initiatives in the year 2002/2003 this department of RBM has provided for 180 permanent jobs (Morrison pers.com., 2003).

5.2.3 Richards Bay Coal Terminal

An impressive national industrial capacity built up during the Second World War suggested an increased importance for South African exports of coal and also for a generally expanded international trade. The Transvaal Coal Owners Association (TCOA) agreed during the 1960's to supply Japan with 27 million tons of coal over 10 years. The materials to be exported originated from Transvaal (now Mpumulanga), with the closest harbour being Durban which was busier than all South African harbours combined. Five sites were provisionally identified for the establishment of a new deepwater harbour: Sodwana Bay, Kosi Bay, St Lucia, Lake Sibayi, and Richards Bay (Barker, 2001). Richards Bay with an adequate lagoon area of 3 050 ha and link to the rail system that was being expanded offered the preferred choice. Furthermore, the town of Empangeni already existed as a base for initial works. It was agreed that the coal exporters would build and pay for the terminal while the government would finance and manage the harbour as well as the rail facilities from the collieries (Townsend, 2003). 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, which is expected to increase by 4 percent per annum (p.a.) due to continued economic growth. Rising demand is particularly noteworthy in the economies of high-growth developing countries. It is predicted that a 70 percent growth in demand will come from non-OECD countries, especially India and China. At present the USA consumes 25.8 percent and China 22 percent of the world's coal supply (Nel et al, 2003).

The design of the harbour was completed by the Council for Scientific and Industrial Research (CSIR) in September 1971 and handed to the Railways and Harbour Administration for their consideration. Construction of the port began in 1972. The company, Richards Bay Coal Terminal (PTY) Limited, was established on 30th December 1973. The official opening by the Prime Minister of the day, Mr BJ Vorster, was 1 April 1976 when the first coal was exported through the harbour. The port was originally designed to handle 12 million tons of coal per annum (mt/a). In 1978, the port's capacity was increased to 24 mt/a. In 1991, an upgrade was designed to increase capacity to 53 mt/a, but achieved 63 mt/a without further capital expenditure. The latest expansion to 66.5 mt/a was completed in 1999. All of RBCT's mined minerals are exported to Europe and Asia (Van Rooyen pers.com., 2003).

5.2.3.1 Social Responsibility

RBCT provides direct employment for approximately 520 people and a further 200 people are indirectly employed through contract operations. Through the involvement of its employees, RBCT strives 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 which focuses on education, primary health care, job creation and the preservation of the environment (Barker, 2001).
The purpose of the CSI is 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 quality of life of RBCT employees, through involvement with employee communities and to facilitate community development programmes. The primary focus of RBCT's involvement is on education projects. Secondly, focus is given to projects relating to SMME development, health, sport, environment and social services (Van Rooyen pers.comm., 2003).

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 cutting out the 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 activities.

The project therefore 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 Association (Van Rooyen
pers.com., 2003). As the project is still in its preliminary stages with it being 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, so more jobs are likely to be created.

5.2.4 BHP Billiton

The continued operation and profitability of the original Bayside smelter of what was then Alusaf, came under intense economic pressure with the removal of all export incentives by the Department of Trade and Industry in the early 1990s. The previous success of the smelter was largely reliant on these incentives which included provision of a protected internal market and export subsidies as well as a rebate on electricity costs, the loss of which has highlighted the high cost base of this aluminium smelter compared to other smelters around the world. The decision to construct a more modern smelter was therefore approved after extensive audits, pre-feasibility and feasibility studies were made (Walker, 2001). Bayside is a major producer of value added aluminium product, with an output of 180 000 tons of aluminium per annum of which effectively 100 percent is exported. The original Bayside smelter was the first major industry to be established in Richards Bay. Bayside industrial complex boasts the longest building in the southern hemisphere. Extensive changes have been made through the years in order to remain globally competitive, with current upgrade to the impressive existing facilities aimed at increasing product quality and production capability by a further 100 000 tons (Townsend, 2003).

In 1996 a second smelter, the R5.5 billion Hillside Aluminium smelter was completed with financing from Genmin, the IDC and other financial institutions. Hillside
Aluminium forms an essential part of the South African industrial scene and, as a significant producer of high quality aluminium for export markets, is a major foreign currency earner. The company has an annual capacity of 500 000 tons per year and continually focuses on low cost and high quality to ensure international competitiveness (Townsend, 2003).

5.2.4.1 Social Responsibility

The Corporate Social Investment division of BHP Billiton (Aluminium) has a Social Responsibility Programme in place that focuses on four categories, namely a Charter; Health, Safety, Environment and Community (HSEC) Policy; HSEC Management Standards; and the Customer Sector Group Policy.

The Charter directs the company in terms of focus areas for investment. This Charter ensures that (Mqaise, pers.com., 2003):

- There is long-term return for shareholders;
- Business partners' benefit;
- The local community value the presence of the corporate;
- Employees have job-satisfaction.

The Health, Safety, Environment, Community Policy is committed to sustainable development. BHP Billiton is estimated to have a net profit for 2003 of R22 million. The HSEC Policy contributes to social infrastructure by donating one percent of the company's net profit to social initiatives. These initiatives are categorised by area, that is National (South Africa), Provincial (KwaZulu-Natal) and Local (60 km radius). Fifty percent of the one percent net profit is given to the local area. This amounts to approximately R11 million per annum (Mqaise, pers.com., 2003).
The Social Responsibility programme of BHP Billiton is contributed to by both the Bayside and Hillside smelters, with three quarters of the input coming from the more profitable Hillside and the remaining quarter from Bayside. The CSI department follows a Private/Public Partnership (PPP) philosophy where BHP Billiton, the government (uMhlathuze Municipality) and the Zululand Chamber of Business Foundation (ZCBF) form partnerships in certain community benefit initiatives. The ZCBF are responsible for facilitating CSI projects at the local level and this will be expanded on later in this chapter.

5.2.5 Ticor South Africa

Ticor is a public listed Australian Company and owns 40 percent of Ticor South Africa. Kumba Resources Ltd, the previous mining division of Iscor, owns the remaining 60 percent. Ticor South Africa encompasses an investment of R 3 billion in mining, refining and smelting sands to produce titanium slag.

Ticor South Africa is based on three high-grade mineral sands deposits in South Africa – the Hillenale and Fairbreeze deposits, in KwaZulu-Natal, which have high ilmenite grades and contain good levels of rutile and zircon as by-products as well as the Empangeni deposit. Construction of the first smelting furnace at the Hillendale Mine is to be completed in 2003 and will reach full capacity in 2007 (Townsend, 2003).

5.2.5.1 Social Responsibility

Ticor attempts to fulfil its social commitments and to make a difference to the livelihoods of local communities. In confronting the AIDS pandemic, Ticor South Africa has embarked on a joint venture with King Goodwill Zwelitini. In mid 2002, the Bayethe! AIDS Programme was launched in Richards Bay, aimed at disseminating accurate, clear and accessible information on HIV and AIDS. This programme is planned to run for 3 years, with considerable financial support from
Ticor South Africa. It will be integrated into communities in KwaZulu-Natal and is designed for those involved in traditional youth festivals to be trained to advise and lead on AIDS awareness (Townsend, 2003).

5.2.6 Mondi Kraft

Mondi Kraft is a division of Mondi Ltd, a forestry and forest Products Company in the multi-national Anglo American group and is an arm of Mondi International. It has been a strong supporter of investment and development in the uMhlathuze area for the last 20 years. Mondi International was the second largest contributor to Anglo American’s profitability in 2001, contributing 15 percent in headline earnings. Mondi International’s operating earnings and world wide turnover for 2001 were $522 million and $4.2 billion respectively with Mondi South Africa accounting for 35 percent of the profit. Mondi Ltd consists of seven divisions in South Africa, namely: Forests (including timber), Cartonboard, Kraft, Paper, Recycling, Mining Supplies and Mondipak.

Mondi Kraft produces woodchips, bleached hardwood pulp and a range of corrugated papers. It is ideally situated close to Zululand’s eucalyptus plantations in Richards Bay. This resource is used to provide raw materials in the form of pulp logs. From the manufacturing of the nearby SilvaCel woodchip plant (Richards Bay), the fluting board mill at Felixton (Richards Bay) and linerboard mill at Piet Retief (Mpumalanga), Mondi Kraft produces over 750 000 tons of world class pulp, corrugated paper and board each year. More than 70 percent of the mill’s annual production is exported, mainly to Europe, Asia and South America.

5.2.6.1 Social Responsibility

One of the most rewarding investments for the company has been its highly successful Khulanthi rural woodlots scheme, which offers opportunities for holders of
individual or company land-rights to grow commercial plantations trees. Mondi Forests supplies finance, management, technical expertise, a guaranteed market, and fast growing, high yield superior plant stock. In return, Mondi Kraft has secured an additional source of wood fibre in being able to buy back the timber at prevailing commercial prices when trees are harvested. The scheme has seen the planting of a total of 5 905 hectares of *eucalyptus*, with the potential to generate significant income in the sub-region over a six year harvest cycle. Additional employment opportunities are also created by Khulanthi for a significant number of local entrepreneurial harvesting and transport contractors to provide services to growers participating in the scheme (Mbokazi, pers.com., 2003).

A flagship success project for Mondi Kraft is the Amangwe Village that is managed by the Zululand Chamber of Business Foundation. The village provides health care as well as training facilities for disadvantage rural communities of uMhlathuze. This CSI project will be discussed in more detail later in this chapter.

5.2.7 Foskor

Foskor, originally established as Indian Ocean Fertilizer, boasts a modern plant located in Richards Bay, where a total of nearly one million tons of phosphoric acid, powdered fertilisers and high quality granules are produced annually and shipped by tanker to various countries. A planned R1, 5 billion expansion aims to double the company’s production. This export-driven project, underwritten by the Industrial Development Corporation, involves the expansion of existing operations through the addition of a new sulphuric acid and phosphoric acid plant as well as an electricity cogeneration facility. The production of phosphoric acid will increase by 330 000 tons to approximately 780 000 tons a year. Further broadening the economic base of Richards Bay and a significant indicator of confidence, the capital intensive project will boost national export earnings (Townsend, 2003).
5.2.7.1 Social Responsibility

The original Indian Ocean Fertilizer did not have a social responsibility programme in place. Since changing to Foskor, the company is aware of the importance of contributing towards community upliftment. At the time of conducting interviews in order to establish the social investment initiatives that the company was involved in, Foskor was under internal department restructuring and had no formal department in the company to deal with these issues. Despite the internal reshuffling, Foskor established a Media Resource Centre in February 2003 that is housed at the Zululand Chamber of Business Foundation and is jointly administered between the ZCBF, Foskor and the Business Development Centre. 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 for their school purposes at no cost (Naidoo, pers.com., 2003). A recent visit to the resource centre (that is housed at the Zululand Chamber of Business Foundation) by the researcher, revealed that although the 58 schools have been authorised unlimited access to the office and library equipment, only 18 schools make use of this resource. This lack of enthusiasm from identified schools can be attributed to distance with some schools being situated up to 60 kilometres away from the centre, and perhaps a lack of marketing by the project managers to get the participating schools involved.

5.3 Zululand Chamber of Business Foundation

There are four main Non Government Organisations (NGOs) that operate in the Richards Bay/Empangeni area. They are the Zululand Chamber of Business (ZCB), The Business Development Centre (BDC), Business Against Crime (BAC), and The Zululand Chamber of Business Foundation (ZCBF). The main objectives of these
organisations are in many ways similar and their operations run in parallel, with donor funding often focused in the same direction. As a result in December of 2002, these organisations relocated into a newly established ‘Buscom’ centre. Recent local decisions reveal that the Business Development Centre and the Zululand Chamber of Commerce have, as of September 2003, combined into one Section 21 company, Business Zululand. While the ZCBF, BAC and BDC are to retain their individual identities, the incorporation of these structures under one title 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 sectors of the area, more efficient. Pooled resources will further benefit the projects and initiatives undertaken by the organization (Paynter, pers. com, 2003).

The Zululand Chamber of Business is a Section 21 Company that is made up of voluntary members who, as an organization, provide advocacy services to the business community of Zululand and who have in the past been effective in representing the interests of these business community members (Paynter pers. com, 2003).

The primary focus of the BDC is on providing a linkage service between Small, Medium and Micro Enterprises (SMME’s) and large companies throughout the Uthungulu region. This role of the BDC has led to the establishment of a very successful SMME Development Forum, which maintains a localised database of SMME’s. With the current emphasis placed on SMME development by government, the role of the SMME Forum has increased. In addition to its general advice services, the Forum provides technical and financial assistance to SMME development (Ramchander, pers.com., 2003).

Business Against Crime Zululand is a 21 Section Company that is affiliated to Business Against Crime South Africa. BAC Zululand operated within the criminal justice system by focusing its efforts on the local South African Police Services
(SAPS) and justice department to bring about more effective service delivery in addressing crime related problems in the area (ZCBF, 2003a).

The Zululand Chamber of Business Foundation (ZCBF), an affiliate of the Zululand Chamber of Business, is a community-driven organization that strives to respond to the development needs of the greater Zululand community by facilitating partnerships and joint ventures, to build the capacity of the community to sustain them economically and to improve the quality of their lives. The organization identifies: Education and Skills Training; Health; Welfare and Environment; Economic Growth and Empowerment; and Community Capacity Building as the development needs for the area. The greater community that is the focus of the ZCBF is from north of the Amathikulu River, to the Maputo border and inland as far as Nongoma (ZCBF, 2003a).

5.3.1. Background

In the late 1980s, Zululand saw rising crime which it was felt would threaten the political stability of the area. Rob Barbour (Chairman of Alusaf at the time) initiated a peace accord, ‘The Lower Umfolozi Peace Committee’, which drew together all the major political and industrial players in the region. This highly influential peace accord became the foundation on which South Africa’s National Peace Accord was later modelled (ZCBF, 2003a).

In 1982 and 1987 the devastation left by violent cyclones highlighted the dire socio-economic needs of the community. The business fraternity, represented by the Zululand Chamber of Commerce and Industry responded by forming the Zululand Rural Foundation. This became the conduit for funds pledged by business to assist the homeless and reconstruct infrastructure devastated by the floods. The crisis aggravated the region’s underlying problems of rural poverty and severe lack of basic resources. Mike Dunn, then managing director of Richards Bay Coal Terminal
(RBCT) and chairman of the Zululand Rural Foundation, resolved to focus on the broader socio-economic problems of the region. The ZCBF was therefore established to address these issues and was officially launched in March 1994 (SA Success, 1997).

Initially the ZCBF was totally reliant on funds donated by industry. Although generous, they were inconsistent and so hindered long term goals. The R5.2-billion Hillside Smelter of Billiton Aluminium was completed in 1996. The village where the Hillside's construction contractors were housed was erected on council land and on completion of the construction, donated by BHP Billiton to the Zululand community. It is now referred to as the Zululand Chamber of Business Foundation Community Park. From 1997 the ZCBF was appointed custodian of this R30-million community asset (ZCBF, 2003a). The Foundation identifies projects that have the ability to improve the quality of lives for the concerned community and offers support, administrative assistance and funding until the project reaches the stage where they can stand alone. The underlying theme to all ZCBF projects is therefore self-sustainability (ZCBF, 2003a).

5.3.2 The ZCBF Community Park

The ZCBF Community Park was officially launched in 1996 and serves as a multi-purpose community centre that offers the region centrally-located resources with a strong emphasis on education. The park has 15 non-government organisations present. Business premises are provided for entrepreneurs.

The ZCBF Community Park hosts the annual Zululand Expo. This is an exhibition event that brings in excess of 20 000 people to the area over a three day period and 180 exhibitors from around the country participate. The Zululand Expo, under the umbrella of the ZCBF, is planned and orchestrated by a committee of volunteers from the community and managed by a full-time manager and assistant. The main
region. The capital will remain untouched, providing infinite assistance to the community.

The Uthungulu Community Foundation came about after a series of meetings with representatives from the South African Grant Makers Association (SAGA), the Ford Foundation, the Mott Foundation, Billiton Aluminium and The Zululand Chamber of Business Foundation. It was agreed that the ZCBF would incubate a pilot Community Foundation for the Uthungulu region. The endowment fund was started by a matching grant from both Billiton Aluminium and the Ford Foundation. The foundation was formally launched on 3 July 1999 and His Majesty King Goodwill Zwelithini was announced as its patron (ZCBF, 2003a).

5.3.4 ZCBF Project Management

The ZCBF facilitates a number of initiatives and projects which ensures its own sustainability. Furthermore, the ZCBF facilitates and administers Corporate Social Investment Programmes. The recent programmes include the BHP Billiton Aluminium CSI Programme, Mbazwana Resource Centre and the RBCT Schools Assistance Programme.

- Billiton Aluminium CSI Programme

Many of the Billiton's Corporate Social Investment programmes are managed and administered through the ZCBF. These include the PEN Schools Project, PENCIL Project, Community Bursary Fund and Billiton Aluminium CSI Employee Forum. Billiton as mentioned earlier, contributed greatly to the establishment of the Uthungulu Community Foundation, and contributes to most of the ZCBF projects. Recent research in the ZCBF project management department revealed the proposed establishment of a 'Technopark'. The land currently being used by the Hillside 3 Construction Labour Village was leased from the uMhlathuze municipality until
completion of the expansion in 2004. A condition for approval of the lease was that land and facilities established during the expansion project would be returned to the municipality to be utilised for the establishment of an SMME Industrial Park (Technopark). This project is to be facilitated by the ZCBF (ZCBF, 2003b).

- Mbazwana Education Resource Centre

On behalf of the KZN Education Development Trust, the ZCBF oversaw the construction of an education resource centre at Mbazwana in Northern Zululand. This was opened in September 2002 and funded by the Provincial Department of Education, the Zenex Foundation, BHP Billiton Trust and Transnet.

- RBCT School Assistance Project

The ZCBF assists Richards Bay Coal Terminal with the management and administration of its school assistance initiatives. Presently, the ZCBF are overseeing the upgrading of two local rural schools that have been targeted by RBCT for assistance.

5.3.5 Current ZCBF Initiatives

Projects and initiatives undertaken by the Zululand Chamber of Business Foundation are categorised into four focus areas. These are Education and Skills Training, Health and Welfare Projects, Rural Development and Capacity Building, Entrepreneurship and Technology.

i) Education and Skills Training

The ZCBF Education and Skills Training initiatives aim to provide support structures to schools in the region in the form of resources, training and structural
upgrades. Some projects under this division include PEN School Project, Physical Schools Development, Technology Educator Professional Development, Zululand Career Centre, Foskor Media resource Centre, Wonderkids Early Learning Centre, Community Bursay Fund and Education Trust. The PEN Schools Project was initiated in 1997 by the ZCBF, BHP Billiton and the Department of Education. It aims to improve the education standard of 38 disadvantaged schools in the Zululand area. This project will assist the targeted schools over a 12 year period and due the temporary nature of the project assistance, a PEN Schools Forum was established to ensure the level of dependency decreases as the project progresses. A specific objective of this project is to improve the average matric pass rate from the 39 percent in 1996 to 80 percent over the 12 year period. The 2002 average pass rate in the schools was 63 percent (ZCBF, 2003a). There has therefore been a vast improvement in the standard of education since the implementation of this project. This will benefit the economic sector of the area specifically when these learners leave school and enter the job market as they will be more equipped to perform and contribute to economic growth of the area.

ii) Health and Welfare Projects

The Ethembeni Care Centre established in 1999 by six local industries and is seen by the ZCBF as a flagship HIV/AIDS Initiative. The project managers included in this initiative are Mondi Kraft, BHP Billiton, Richards Bay Minerals, Richards Bay Coal Terminal, United Nations Children's Fund (UNICEF), Rotary Richards Bay, and Richards Bay Round Table. Three years after this project was initiated, an expansion was needed to cater for the community needs. Mondi Kraft donated Amangwe Village in Kwambonambi which was previously used by their contract workers and was at that stage vacant. Approximately R9 million was raised through a steering committee, 80 percent of which was from the corporate sector. Through the success of this initiative, the concept is being applied in other Mondi forests around South Africa where the accommodation established for contract workers is being
transformed into ‘care centres’ to strengthen local communities by providing education and health care facilities (Appendix D). Partners in this initiative include Mondi Kraft, RBM, BHP Billiton, Unicef, and RBCT.

Plate 5.1: Amangwe Village

iii) Rural Development and Capacity Building

Through this portfolio, the ZCBF aims to assist in building capacity in rural areas to improve their quality of life. Projects under this portfolio include the Youth Project, Zululand Crafters Association, Disabled Early Training Project, Rural early Childhood Development training, Mandlazini Agri-village Clinic Project.
The Zululand Crafters Association was established in 1998 and is housed at the ZCBF Community Park. Approximately 4,000 crafters from rural areas are networked by the Association and provide the crafters markets through various craft outlets in the area. There is a craft action body that sells the bead work made by the local rural women through outlets at the Richards Bay Boardwalk Shopping Centre, and the Empangeni Arts and Crafts Centre. Through this initiative a 'People In Need' (PIN) project has emerged where the crafters make AIDS symbol pins which are sold internationally.

iv) Entrepreneurship and Technology

According to the project managers of the ZCBF, this portfolio of the ZCBF aims to achieve profitable business environments where theoretical understandings for which they are being trained can be put to practical use. The aim is therefore to equip trainees to successfully establish business ventures as entrepreneurs or enter the labour market. The most recent projects under this portfolio include the Downstream Aluminium Pilot Project, The Hydroponic Farming Project, Cut Flowers Project and Aquaponics Farming Project.

• Downstream Aluminium Pilot Project (DAPP)

It has been identified that the output of the Hillside Smelter of Billiton Aluminium is almost entirely exported with no local processing of the product. Through the Department of Trade and Industry, the government has identified an urgent need for the development of a downstream aluminium industry, and as a result, the ZCBF is facilitating this development with the establishment of the Downstream Aluminium Pilot Project. The establishment of a small aluminium foundry will be used to train entrepreneurs, and ultimately the project hopes to establish a cluster of SMME's that produce items for local and international markets by using the available aluminium
as their material. With the financial aid of BHP Billiton Development Trust, Hillside Aluminium, and the KZN Department of Economic Affairs and Tourism, the first phase of DAPP has been completed. This was the construction of the training foundry, lecture rooms and administration offices at the Community Park. An amount of R12.5 million was granted by the Department of Trade and Industry over the next five years which will further aid in the development of phase two of the project. This is the largest single contributor to any one project managed by the ZCBF. Support of the DAPP is not only from the industries and organisations directly involved, but also from the Richards Bay Spatial Development Initiative, the CSIR and the uMhlathuze Municipality. This is a positive indication of public and private partnerships working together in the area. In August of 2003, the first satellite aluminium unit was opened for entrepreneurs trained at the ZCBF DAPP. Fifteen students were trained in aluminium foundry technology at the ZCBF which was facilitated by Umfolozi College (previously Richtek). According to the foundry manager, with their skills, the students are now able to take up employment in the outside market or open their own foundries, and the establishment of DAPP is a positive approach to addressing the void of SMMEs in the area. From this project, 8 people have been employed who were previously unemployed. Consensus from the trainees is that the project is benefiting them in terms of their newly acquired skills which will better equip them to find employment once their training is completed.
This project has been in operation since mid 1999. The project is now undergoing restructuring since securing funding from the Japanese government. The objective of this project is to train rural communities in new agriculture techniques of organic hydroponic farming combined with permaculture, hoping to improve their potential for self-sustainability and nutritional standards of rural communities. A total of 75 students have been trained since the project inception. Once training is complete, the students are provided with 'start-up kits' to enable the student to transfer the acquired skills to immediately start home projects. The ZCBF then hosts quarterly market days where the produce cultivated by the students can be sold. Attendance by the researcher to these market days showed poor attendance and a limited income.
generated as a result. Practice of permaculture has however been continued by these trainees, as a means to subsistence farming.

*Plate 5.2: Hydroponic Farming Project*

- **Cut Flower Project**

A cut flower production and training site was established by the Department of Economic Development and Tourism’s Agri-Business Division at the ZCBF Community Park in November 2002. This project aims to establish out-growers to supply the demand of cut flowers internationally (a plate of the project is included in Appendix C).
- Aquaponics Farming Project

This project was initiated by the uMhlathuze municipality in partnership with Aquaponics Africa. It involves a method of farming which produces high volumes of fish and vegetables, one feeding from the waste of the other. Although still in infancy, this technology, unique to South Africa, could become a flagship project for commercial and rural agriculture development in the uMhlathuze area.

5.4 The Zululand Centre for Sustainable Development

The Zululand Centre for Sustainable Development is a joint venture between the local Spatial Development Initiative (SDI) and the private organisation, Ecosystems. The purpose of this project is to provide support for sustainable rural development in Zululand which will be used to develop previously disadvantaged communities. The overall objectives of the centre are to ensure that skills are transferred to the local community through an intensive and ongoing education, training and membership approach. The process of sustainable agriculture is practically demonstrated through a network of sustainable infrastructure at the Centre.

The Centre specialises in certain areas that are required for sustainable development in South Africa. These have been identified by the Centre and include:

- Integrated Sustainable Agriculture;
- Ecotourism;
- Micro Enterprises;
- Waste Management;
- Craft and Curio Development;
- Traditional Multi Promotion and Cultivation;
Current as well as future projects that are aimed at rural areas that the Centre focuses on include:

- Alternative energy sources (biogas, solar, wind, gas and manual);
- Simple water purification (UV and ozone);
- Micro agricultural machinery;
- Eco friendly toilets (waterless);
- Integrated waste management systems (recycling);
- Rural laundries (to prevent water source contamination);
- Alternative transport systems;
- Alternative building techniques;
- Alternative agricultural opportunities (fish farming, bee keeping etc).

This initiative began at the start of 2002. The SDI approached Ecosystems with a plot of land previously used for the Empangeni/Richards Bay Water Works donated to the SDI by the uMhlathuze municipality. Existing infrastructure includes old pump houses and reservoirs. The Zululand Centre for Sustainable Development (ZCSD) has turned the unused land and buildings into a training centre where students can learn alternative farming techniques with a strong emphasis on waste management and specialising in the use of local resources.

The intention of the ZCSD is to eventually build sustainable development centres elsewhere across KwaZulu-Natal that will specialise in different subjects with the courses offered at the Centre, being accredited by Natal Technicon. As of January 2003, six projects by the ZCSD had been completed and have created 186 new jobs in total. The most successful of these has been the Alien Weeds Eradication Project centred in the rural area of Dokodweni which focuses on alien weed eradication, permaculture and craft development made from natural resources of the area. Funding of R12 000 was provided by the National Lottery and directly employs approximately 69 people who were previously unemployed. A further 12 projects are
pending and are expected to create a minimum of 407 new jobs, 80 percent being female (Eichler, pers.com., 2003).

Directors in the ZCSD (a section 21 company) are Gavin Eichler of Ecosystems and Syd Kelly of the SDI. Other partners include the uMhlathuze Municipality, The Zululand Chamber of Business Foundation, the CSIR, Department of Economic Development and Tourism, University of Zululand and Richtek.

5.5 Discussion

The large capital-intensive, corporate industries are often criticized for the lack of significant employment created in the area. The purpose of this chapter is to determine the overall socio-economic impact of Corporate Social Investment initiatives in the area as well as other NGO initiatives relating to CSI. This chapter has outlined the companies as well as some of the initiatives that the six largest industries of Richards Bay/ Empangeni are involved in, as a means of addressing the problem of unemployment and poverty. The six industries detailed above, clearly indicate a strong global link due to their high export-orientation (96-100 percent of all products from each company are exported). The presence of globalisation in the area is apparent and the distribution of these global impacts is uneven, with the already less developed areas of the local economy further affected by the negative consequences of globalisation. A new responsibility of the large industries has now shifted to implement social benefit initiatives as a means of regulating and distributing the wealth of these industries. Therefore the corporate industries have a responsibility to uplift the local community which are affected by their presence. The range of these poverty alleviation projects varies depending on the company, but a strong emphasis is placed on education and health care.

Significant contributions are being made annually by the companies in order to fulfill their corporate social investment objectives (including R13 million from RBM and
R11 million from BHP Billiton in 2002/3), many of them through the ZCBF who manages and implements the projects assigned to them by the industries. Although the ZCBF initially facilitated small job creation projects in the early years of its establishment, in order for these jobs to be sustainable, it was soon realized that a more holistic approach was necessary which led to the establishment of the ZCBF community park which in turn was due to the construction of Hillside Aluminium. The problems relating to the high incidence of HIV/AIDS victims and a lack of skills development in local communities has prompted the large industries to invest in many social upliftment initiatives through the ZCBF with the intention that job creation will result from the skills development and capacity training that those local community members will receive through the implementation of the social investment initiatives. The primary objective is therefore not job creation, but rather education and skills development which provides entrepreneurship skills that will in time lead to job creation. However, the sum of jobs that have been created as a result of the presence of CSI initiatives and particularly the ZCBF is uncertain, as the number of jobs created has only been documented as a direct result of the implementation of certain projects, and not as a result of the skills the local community has acquired.

Recent interviews by the researcher of ZCBF trainees revealed a successful example of the skills development that has been provided by the ZCBF which has resulted in employment. A local, rural, subsistence farmer, Joseph Mabika, was one of the first candidates to be trained through the ZCBF Hydroponic Farming Project. The training included training on business management and new controlled-environment farming methods without the use of pesticides and other chemicals, and as a result of this training, the farmer has passed the skills he learned to his mother, and together they supply fresh produce to local chain stores of Richards Bay/Empangeni.

This however, is only one example of the received skills development resulting in job creation from the many hundred of local people who have undergone training in
various skills through the ZCBF. It cannot therefore be said with any certainty whether the skills training received is positively impacting the local economy by providing people with the skills needed to enter the job market, as the number of people who are employed after receiving training is not documented.

In terms of social upliftment however, the large industries are making a positive contribution to the local community. The Amangwe Care Centre in particular is seen as a "dream come true" by staff at the centre, and place where the needs of not only the patients are met, but where family members are taken care of while their guardian is ill. This project required funding of R 9 million, and 80 percent of this was secured by the corporate sector and the remaining 20 percent from outside sources. A combined contribution from the large corporate companies has therefore resulted in the establishment of a community upliftment project that positively contributes to the local quality of life.
CHAPTER SIX: LOCAL ECONOMIC DEVELOPMENT IN uMHLATHUZE

"If critical social, developmental and environmental objectives are to be achieved, the end goals of trade rules must be changed to protect and rebuild the local economy” (Hines, 2000: 171)

6.1 Introduction

The various institutional structures operating in the study area have in the past three decades been significantly important in the economic development of the Richards Bay/Emangeni area. This chapter will focus on the role that the local government of uMhlathuze plays in the socio-economic development of the region paying particular attention to their local economic development policy. As Local Economic Development is a new approach to development, the focus of this chapter is more recent than the previous chapters which focused on approaches to development in earlier time periods.

The theory and practice of development have progressively revealed the importance of institutions in facilitating development. It has even been argued that economic development is only possible when an appropriate development-orientated institutional environment is established. The historical overview of the area has been discussed in some detail in chapter four of this research. From this it is evident that central government played an instrumental role in the development of Richards Bay. Central government has in the past offered many incentives such as subsidies, allowances and tax holidays as a way of attracting investment into South Africa. Furthermore, through the use of industrial policy instruments such as the decentralisation policy and Regional Industrial Development Programme (RIDP), government attempted to influence the spatial distribution of investment in the country (Aniruth & Barnes, 1998). Richards Bay has benefited from the entire range of incentives offered under these programmes.
It is evident that the early development of Richards Bay as an industrial centre in the 1970's and 1980's relied mostly on the incentives and encouragement from central government. It seems that the role of provincial government at this time was of little importance. This absence of involvement can be attributed to the concentration of power in central government during that period of South African history. Only recently has provincial government become involved in the development of the Empangeni/Richards Bay area through departments such as Trade and Investment KwaZulu Natal (TIK) which is a versatile and flexible business promotion agency that facilitates development by assisting new investors to the province. It aims to stimulate economic development by helping existing business increase their sales and employment through a combination of programmes.

The role of Local government has significantly changed over the years with little consensus as to the part that this tier of government is to play in promoting and facilitating growth in the area. With the more recent decentralisation of power from central government to the local level, local governments across the country have been given greater freedom and authority to administer their local areas. Over the years central government departments such as the Department of Provincial and Local Government (DPLG) become proactive in their support to municipalities and provinces on establishing local policies and strategies such as Local Economic Development initiatives and assist in establishing and enabling environment for different spheres to engage in LED. In the past, local government in the Richards Bay area has been relatively efficient in promoting industrial development by providing roads, services, utilities and serviced development land (Aniruth & Barnes, 1998). While this is still important, a greater emphasis is being placed on developing local areas by creating new employment opportunities and implementing poverty alleviation strategies.
6.2 Integrated Development Planning

Integrated Development Planning (IDP) is a process through which a municipality prepares a strategic development plan. All development objectives for the municipality, including local economic development, is drawn together in order to formulate strategies to realise those objectives in an integrated manner. The Municipal Systems Act (MSA, 2000) provides municipalities with a legal framework in which to plan for integrated development. A comprehensive plan for the area including the long term vision, an assessment of the existing level of economic development, municipal budgets, and the setting of development priorities and objectives are included in the local IDP. By drawing together the development objectives, priorities, strategies and budgets in this way, the IDP helps to ensure coordination between LED and other initiatives of government. According to the Department of Provincial and Local Government, LED must be fully integrated within the municipality's IDP (Department of Provincial and Local Government, 2001).

The process of developing an Integrated Development Plan (IDP) for the City of uMhlathuze was initiated in April 2001 and completed in March 2002 in accordance with the Local Government Transition Act of 1993 and its 1996 Amendment and the MSA, 2000 issued by the Department of Provincial and Local Government. Within the current uMhlathuze IDP, LED does not feature as a separate issue but has been incorporated within the socio-economic section of the IDP. The municipality are aware that local economic development issues need to be consolidated in the IDP and are in the process of making the necessary amendments.

In the present IDP, the objective of economic development is seen as to promote a vibrant local economy, create employment opportunities and attract investment. Through a SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) a
number of issues were highlighted in terms of socio-economic development in the Richards Bay/Empangeni area.

- There is weakness in determining the actual population figures with discrepancies between the municipality's own population figures and the census figures;
- There is a high level of poverty especially in the rural areas despite the high Gross Geographic Product produced in the area;
- The impacts of HIV/AIDS pose a severe threat on the economically active component of the population;
- The low levels of education, primary health care and basic adult education and training are socio-economic weakness that the area faces;
- There large pool of undeveloped potential workforce that is seen as an opportunity in the area.

In order to overcome these challenges, it is suggested that certain strategies and interventions need to be addressed (CSIR & VUKA 2002):

- Enhance the tourism potential of the area;
- Support existing LED initiatives;
- Promote primary industrial development;
- Create an entry level into the market system for emerging businesses;
- Promote diversity and economic activities;
- Maintain and promote development standards;
- Create a safe and secure environment.

Many of these strategies that are highlighted in the IDP have been identified as key priorities by the local LED strategy that is in progress and will be expanded on in the next section of this chapter.
6.3 Local Economic Development in uMhlathuze

In order to promote socio-economic development in the area, the uMhlathuze municipality aims to create jobs and economic opportunities through a programme of action to develop the local economy. In order to achieve this, a balance between the competing needs of the sophisticated industrial society, disadvantaged urban communities and a significant number of people living in traditional rural environment will have to be met. Although a Local Economic Development plan and strategy is now being implemented in the area, this concept is not new to Empangeni. In September of 1998, a Local Economic Development Forum was established for Empangeni. This committee grew out of an initiative by the council when it began a Food Supply Task team to establish a fresh fruit market and an arts and crafts sales outlet along side a suitable main road in Empangeni. This was done in the hope that it would stimulate economic growth through small scale agriculture and tourism opportunities. The Council provided land and approximately R 420 000 was needed to get the project started. It was decided that the project would be managed by the private sector. A consultant was then appointed to facilitate in developing and LED strategy for the town. A LED committee was formed to handle the project and identify other opportunities for economic growth on a permanent basis. Workshops were held to discuss local economic development issues concerning Empangeni. These included determining the regional assets of Empangeni, development gaps in the town, infrastructure and services, attracting new business and assisting existing business to grow, plugging the leaks and marketing the community. The focus area that was identified and prioritised was a craft market and tourism facility. This initiative was seen as a way of putting Empangeni on the map as the ‘Gateway to Zululand’. The area would be marketed in a similar fashion to the Midlands Meander in central KwaZulu-Natal. By doing this new employment opportunities would be created and would have a strong multiplier effect to attract tourists to Empangeni (Empangeni LED, 1998)
From the LED workshops held, it was decided that an Arts and Craft Centre would be built in Empangeni to accommodate mostly unemployed women to sell their crafts. Phase 1 of the project included a restaurant, tourism office, ablution facilities and a craft market of 13 stalls. R1,9 million was received from the National Government LED Fund, a further R120 000 from the British Government and R500 000 from Uthungulu District Municipality. Approximately 20 people are employed by the craft market and 8 people by the restaurant. (Smit, pers. com, 2003).

Interviews with shop owners of the Craft Market revealed that all the owners now established at the Craft Market were previously unemployed. Two of the 13 stalls are vacant, however on numerous occasions (as found by the researcher as well as general consensus from the public) the shops are found closed due to slow business and lack of enthusiasm by the owner to remain open until the end of the day. This creates a negative image for the centre and as a result, more business is lost. Resources and materials for the crafts are bought locally or provincially as far as Durban with one craft owner buying materials from Johannesburg. The products are sold locally, and mostly to regular customers. Most of the existing businesses are not profitable enough in order to employ anyone. An exception to this trend was the café which employed two helpers. Therefore the existence of the Empangeni Arts and Crafts Market has directly benefited 15 previously unemployed women. The general consensus in terms of disadvantages associated with being located at the centre is 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. Incentives from the local municipality include low rental and recent interviews with the municipality has shown that there is an investigation in place to establish a means of transforming the Arts and Crafts Centre into a more promising enterprise.

After the establishment of the Empangeni Arts and Crafts Centre, the LED committee disbanded. While developing a craft market was one objective of the LED
After the establishment of the Empangeni Arts and Crafts Centre, the LED committee disbanded. While developing a craft market was one objective of the LED committee, improvement of local transport infrastructure, developing a bone carving industry as well as conducting a consumer survey to 'plug the leaks' were also identified by the committee. While the amalgamation of the former TLC's largely contributed towards the disbandment, the failure to produce a successful project served to add to lack of enthusiasm from the LED committee.

The Empangeni Arts and Crafts Centre has been termed a 'white elephant' in the town. While the locality of the Centre 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, as well as the lack of local support to shop there.

*Plate 6.1: Empangeni Arts and Crafts Centre*
In February 2002, a consultant was appointed by the local uMhlathuze municipality to assist in creating a Local Economic Development strategy for the area. The municipality has recognised that in order to achieve success, its LED programme should be run as a partnership between local government, the private sector and civil society. A small multi-stakeholder team was formed with the objective of building consensus on how the local economy should be developed. It is clear that local government is not the only role-player in the local economy. While private sector activities contribute significantly to the local economy, so do national and provincial government departments. It was therefore decided by the Municipality that in order to make an effective contribution, its policies and strategy should be consistent with the vision of other role-players for the economic development of uMhlathuze (Delany, 2003b).

The LED Task Team consists of individuals from different backgrounds invited to share their knowledge of different aspects of the local economy and to assist in obtaining the views of local stakeholders. They act as a ‘think-tank’ rather than as stakeholder representatives and will disband on completion of their task. The work and conclusions of the task team is seen as on-going, as is the LED process.

The objective of LED in uMhlathuze is to create sustainable jobs and economic opportunities. This is a formidable challenge as the unemployment rate in the region far exceeds the 22 000 that was recorded in the 1996 census, and is now estimated to be approximately 40 000. LED in uMhlathuze includes any activity to develop the local economy which includes industrial development, SMME support, tourism development, as well as infrastructure development. Furthermore, the investment strategy and incentives employed in the LED strategy should enhance competitive advantage. According to the task team, SMME development is crucial in creating employment in the area. While investment is seen as important to economic growth in the area, low levels of education and skill have been cited as creating a major obstacle to potential investors. In addition, overcrowding in Section 21 schools is seen
to further deter investors from coming to the area. However, the area is seen as having great tourism potential and therefore a tourism development strategy will be a part of the overall LED strategy.

A proposed LED strategy was completed by the uMhlathuze Municipality in August 2003. 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” (Delany, 2003b, p1).

6.3.1 European Union LED Support Programme

The KwaZulu-Natal (KZN) Local Economic Development (LED) support programme is a six-year programme designed to support the provincial Department of Economic Development and Tourism (DEDT) and a broad range of other stakeholders to more effectively implement LED that achieves equitable economic growth in KwaZulu-Natal.

The programme is designed to address the major market failures and capacity limitations (both human and institutional) that operate to perpetuate the exclusion of the majority population from the mainstream economy. This exclusion is evident in rising employment, continuing socio-spatial divisions, and poverty. In order for the programme to be most effective and make a positive impact, funding is being allocated and concentrated within a few areas. The programme will support LED initiatives from provincial and local actors, initially focusing on four selected ‘learning areas’. These areas are the district council Umkhayakude, Uthungulu, Umgungundlovu and Ugu (EU, 2003). The criteria for the areas chosen are as follows:
• Potential to create and replicate success;
• Potential to combine opportunity and need;
• Sectoral and social diversity enabling clustering and linkage of economic projects;
• Potential to reinforce existing LED initiatives and capacities;
• Potential to test out institutional variation for lesson learning.

The programme aims to build sustainable partnerships between LED stakeholders in the four ‘learning areas’, thereby strengthening the enabling environment for investment and enterprise development, skills development, HIV/AIDS alleviation, and development local government around projects that promote economic growth and poverty reduction. By concentrating the initial programme in the designated areas, the EU hopes to replicate this initiative in other parts of the country.

The KZN LED support programme will be co-financed by national, provincial and local government as well as the EU grant. The total programme costs are estimated to be of 473 million Euros, with a contribution of 436 million Euros from government and 37 million Euros from the EU. The programme is intended to leverage additional funding from the private sector (EU, 2003).

Of all four districts chosen by the EU, uMhlathuze (within Uthungulu) scores highest in terms of its investment attraction and has much serviced land available. It is also the leader in terms of LED initiatives and business co-operation. Furthermore uMhlathuze is more advanced than the other areas in terms of the support services supplied business, as reflected in the high score for business development services, skills training and, to a lesser degree, other support measures such as loans for business services, research and development (EU, 2003).
6.3.2 uMhlathuze LED Strategy

Through the numerous LED task team workshops, a proposed LED strategy has emerged (Delany, 2003b):

- It has been established that objective of LED for the uMhlathuze municipality is to create sustainable employment. Therefore all LED initiatives should be evaluated by the number of sustainable jobs created as opposed to the size of the investment in projects and programmes. The proposed target for the uMhlathuze municipality is to provide 2 000 new employment opportunities each year for the next five years; that amounts to 10 000 permanent jobs by 2008.

- As LED includes all economic activities in the area, key LED role players should interact regularly to exchange information and prevent duplication. To achieve this, it is recommended that a Joint Development Forum be established for this purpose.

- While there is an established LED task team, LED activities should be integrated into a local economic development agency (LEDA) or city development corporation (CDC). The proposed LEDA/CDC would host the European Union LED support programme for the area.

- Future investment incentives in the area should focus on supporting industrial clusters which would assist in tackling the unemployment problem in the area. Cluster studies should be commissioned and draw on national as well as international experience to review and restructure investment incentives.
• In order to enhance the support of SMME development, satellite centres of the Richards Bay Business Development Centre (BDC) should be established in Esikhaweni and Empangeni. In order to further maximise local opportunities and Black Economic Empowerment (BEE), municipal procurement policies and procedures should be reviewed.

• To fast track the development of economic infrastructure that inhibits growth in the area long term job creation should be prioritised as a criterion for assessing infrastructure development.

• A local education and skills development strategy should be prepared and implemented with assistance from DEC.

• While Richards Bay has benefited from economic development incentives in the past, the focus should shift to other areas that need assistance within the uMhlathuze economy. Empangeni should participate in a Business Retention and Expansion programme that is being initiated by Trade and Investment KwaZulu Natal (TIK).

• To realise the potential that tourism has for the area, a tourism development strategy should be commissioned as a matter of urgency. The findings should then be integrated into the LED strategy using job creation potential in order to assess the priorities.

• Innovative approaches to rural development can turn rural poverty alleviation measures into sustainable enterprise. The Zululand Centre for Sustainable Development (ZCSD) should therefore be included in the LED strategy as partners.
The LED strategy should be informed by good practice and local consensus on education, counselling and treatment in terms of the impact of HIV/AIDS on the local economy.

While the majority of these recommendations are still in the planning phase, in August 2003, the Empangeni Business Retention and Expansion (BR&E) pilot project was initiated, and will be complete by December 2003. The programme is being run in partnership between the municipality, Business Development Centre and Zululand Chamber of Business with assistance from Trade and Investment KwaZulu-Natal. The project aims to create employment through the growth and expansion of existing business of the area (Empangeni) and thereby increase the number of new employment opportunities. This is an active approach to addressing the needs of local Empangeni businesses which have suffered as a result of the economic stimulus in Richards Bay.

6.4 Conclusions

Over and above the incentives offered by government, the area itself has many natural advantages and assets such as the availability of raw materials and natural resources such as the harbour as well as the area's strategic position to domestic and international markets, which would attract investment regardless of the received government assistance. A combination of these natural advantages with the incentives offered by government, has contributed towards attracting investment and making the area one of South Africa's leading growth points. However, the growth of Richards Bay has been at the expense of other surrounding such as Empangeni, and although there has been significant development in Richards Bay since the 1970's, unemployment in the area continues to rise. In response to this, as well as other challenges facing the area such as poverty and HIV/AIDS, the local uMhlathuze municipality is addressing these problems through their partnership-driven proposed LED strategy, and has recently begun implementing projects identified by this
strategy. A key element of this study is to encourage growth in the areas of uMhlathuze that suffered while Richards Bay flourished. Richards Bay competes in the global market at the expense of the surrounding areas, yet the economic contribution this brings to the local as well as the South African economy is of vital importance. Therefore although it is important for Richards Bay to remain globally competitive, and there should be a strong focus from government on this, attention should also be given to rural areas for job creation and poverty alleviation. The local government of uMhlathuze has set a target of creating 2 000 new employment opportunities per annum, which can be viewed as unrealistic considering the previous LED venture (Empangeni Arts and Crafts market) provided for 13 new jobs. However, according to the LED task team, given the high unemployment rate in uMhlathuze, setting a goal of anything less would be insignificant and make little impact on the challenge they face. Therefore in order for the LED policy to make a noticeable impact on unemployment in uMhlathuze, the task team has set the goal of providing thousands of jobs per annum, which is in view of downstream initiatives and SMMEs that would develop as a result of the new investments the area is hoping to secure (for example, the establishment of Tata Steel). Furthermore, the Richards Bay/Empangeni IDZ is predicted to generate 5 500 jobs through downstream manufacturing activities. The proposed LED strategy has therefore been developed in consideration of key developments from other sectors, in keeping with the partnership approach the municipality has adopted to development.
CHAPTER SEVEN: DISCUSSION

"A nation is most likely to be successful not in isolated industries but in building whole clusters" (Porter, 1990: 677)

The approach taken by the municipality to local economic development has to address the competing needs of a sophisticated industrial society, disadvantaged communities and a significant amount of people living in traditional rural environments. The uMhlathuze economy has experienced above average growth rate in the formal sector, and shows a history of co-operation between the local development role players. Furthermore, it has the support of national and provincial governments as well as international donors such as the European Union, who all see the economic development of uMhlathuze as essential for the development of the region as a whole. However, according to the 2001 census, the recent statistics show that unemployment in uMhlathuze is 40 percent and that 46 percent of all households survive on an income of less than R800 per month. Addressing this challenge is therefore beyond the capacity of any one role-player. For this reason, a partnership of stakeholders reached agreement on a broad economic strategy for uMhlathuze, and on which the Municipality’s LED strategy and policy are informed.

A conventional SWOT analysis (which summarises local strengths, weaknesses, opportunities and threats), was undertaken during the formulation of the LED plan and was supplemented by reviewing the extent of local competitive advantage using the ‘Porter Diamond’ (presented in appendix E). According to Porter (1990) competitive advantage is essentially what makes it easier to create a successful business in some places than in others. Success is therefore not guaranteed by the existence of economic assets, but by what is done with those assets. As globalisation makes raw materials, components and machinery more freely available around the world, the success of a firm depends less on the availability of local resources (comparative advantage) than on whatever contributes to the efficiency and effectiveness with which resources are used (competitive advantage).
The four elements of the 'Porter Diamond' can be used to illustrate the uMhlathuze local economy (Delany, 2003).

Factor Conditions:

- The area has good transport links including rail, road a port and an airport. However, the large port has no passenger terminal and the John Ross Highway connecting Richards Bay to Empangeni and the N2 needs significant upgrading.
- While the availability of serviced industrial sites is an advantage to the area, the high housing costs and service housing backlogs is a disadvantage.
- There are many raw materials in the area such as ilmenite, rutile, zircon sands, sugar and timber.
- There is a high unemployment rate coupled by low levels of education and a shortage of skilled and professional workers.
- Health problems such as HIV/Aids, cholera and malaria affect a large portion of the local population; however, health services are good in the area.
- While natural coastal assets such as the beach, fishing and water sports encourage eco-tourism in the area, there are many environmental concerns such as the quality of the air and the impact mining has on the environment.
- There are many strong links between the different sectors operating in the area.

Strategy, Structure and Rivalry:

- The large industries provide many international links to the area and a strong export-orientation.
While there are two competing BHP Billiton smelters, there is no South African competitor, and competition between the local firms is therefore limited.

Related and supporting industries:
- Supporting networked industries are found within the agriculture sector, and are mostly focussed on sugar and timber.
- The Downstream Aluminium Pilot Project provides an incipient aluminium cluster; consisting of few, small scale producers.

Demand Conditions:
- The majority of the companies established in the area, export 100 percent of their products. There is virtually no sophisticated demand in uMhlathuze aside from Bell Equipment, RBM Bayside, Mondi and Foskor. However, there is an unusual demand for Bell Equipment.

Therefore, the natural resources or 'inherited' resources continue to play a more important role in the development of the local economy than those created by local action and investment. The introduction of Ticor to the area provides one of few examples of competition amongst firms in the area, as they now directly compete with RBM. While companies like Bell Equipment do have specialised local customers, a high portion of local products are exported rather than supplying the local market. In light of this, while government itself is not a factor of competitiveness, the role of government is of crucial importance as it can positively or negatively influence each element of the diamond. Competitive advantage of the area should therefore be enhanced in order to attract and retain investors, which will in turn provide more employment opportunities, thereby providing a means to overcome the problem of unemployment in the area.
According to Porter (1990), the overall impact of new investments on a local economy is highly dependent on the fullness and depth of the cluster of activities that form and agglomerate around it, and the ‘indirect’ effects are strongly associated with the degree of ‘cluster maturity’. Spin-offs from the initial industry provide momentum for further employment spin-offs, which leads to diversification in the economy and in turn, creates more employment opportunities. These indirect effects of the propulsive industry are derived from four principal sources: the fiscal contribution of the plant to local tax revenues; the value added originating in inputs produced by domestic suppliers (‘upstream’ and ‘sidestream’ industries); value added in the domestic processing of the minerals and metals (‘downstream’ industries); and value added in local innovations through integration with technological consultants, suppliers and producers. The local employment base is therefore broadened as a result of each indirect effect (Porter, 1990).

In Richards Bay/Empangeni, the leading firms are large and capital intensive with few jobs being created in relation to the investment. Furthermore, the majority of their production is exported after primary beneficiation thereby providing and creating employment in other countries through downstream processing. The leading, unrelated industries limit the opportunities to create employment through a network of common suppliers for goods and services, and as a consequence, there is therefore a lack of SMMEs and very little downstream activity present in the area. Unemployment and unskilled labour remains a deterrent to potential investors, with the business climate further negatively affected by the high rate of HIV/Aids and crime.

These challenges could be met by focusing future investment attraction on enhancing local advantages. A large number of new employment opportunities could be created by the development of SMMEs associated with downstreaming, resulting in a higher employment rate, and therefore, there would be reduced poverty and associated problems of crime. The proposed establishment of the Richards Bay IDZ is expected
to attract investment of approximately US$ 2 546 million in downstream manufacturing activities related to the existing aluminium, and heavy mineral, chemical and forestry industries, resulting in the generation of 5 500 new employment opportunities (the business model of the IDZ is laid down in Appendix E). The uMhlathuze municipality have identified four clusters of opportunities for SMME development. Firstly an aluminium export cluster, a dry dock, ship repair cluster, a synthetic wood cluster, a wood furniture cluster and aluminium wheelchair manufacturing cluster. Approximately R4 million is required to develop these opportunities into viable initiatives. These clusters alone are expected to result in 20 SMMEs, each employing an average of five people and therefore representing job creation for approximately 500 people (Moffat et al, 2002).

The recently established Downstream Aluminium Pilot Project (DAPP) has been designed and implemented in response to the challenge of the ‘missing middle’ of SMMEs. However, although the project is meant to be the first ‘downstream’ of its kind in South Africa, an interview with foundry manager revealed that DAPP is in fact not a downstream initiative at all. The aluminium used by the foundry is bought from Johannesburg as opposed to receiving it directly from BHP Billiton which is according to the foundry manager, done for two reasons. Firstly, the scrap aluminium is pure, while the foundry uses alloy and secondly the source in Johannesburg provides the scrap alloy cheaper than BHP. According to Walker (2001), the employment benefits associated with increased beneficiation through downstream activities is recognised by BHP Billiton and other corporate industries. Although BHP has financially contributed to the establishment of the ‘downstream’ initiative, actual downstream activities from this industry at this stage do not exist. Furthermore, aluminium ore is imported, and the majority of the produce is exported, which shows a weak dependency on the local market and the reduced benefit the social economy of the area receives from their presence.
Bell Equipment is one of the large firms that have located to the area due to the availability of local resources (comparative advantage). During the first six months of 2002, the average Rand rate was R10, 81 for each US Dollar earned, while during the first six months of 2003, the Rand had strengthened against the Dollar to R7, 88. Therefore net operating profit for Bell Equipment was R96 million as opposed to R134 million and there was a R105 million drop in gross profit as compared with the budget, both caused exclusively by the strengthening of the Rand (Bell Equipment, 2003b). As a result, Bell is increasing the import of third party products and as a consequence is considering changing their assembly plant in Germany to a manufacturing plant. This will mean that local suppliers to Bell will have lost their main source of income and in turn have to reduce overheads by laying off staff, and so increase unemployment.

The need for SMME development and industrial clustering is therefore greater now than ever before. The removal of Bell Equipment from the area will have a significant impact on employment in the area. While they may not provide as many direct jobs as the larger corporate companies, they are a means of providing a necessary cluster and network of similar firms that have been identified as a need in the area, as indirect effects increase and expand the employment base.

Therefore a large percentage of direct employment is created by the presence of these industries in the area. Furthermore, the dependants of each employee rely on these jobs created by the corporate companies, which raises the number of people in the area that directly depend on these jobs. Social investment is a major concern of firms in the uMhlahluze area, and support from big companies through their Corporate Social Investment initiatives and alike, have the ability to make significant impacts on the social economy of the region. Both local government and the private sector are aware that creating new employment opportunities will positively impact the many social problems that the area faces and therefore, both public and private sectors operating in uMhlathuze have focused on implementing this type of project. The
results from the corporate sector in this regard are disappointing however. While the ZCBF has been in operation for over six years, there is little to show, with most projects only being implemented in the last two to three years. It is of municipal councillor's opinion that there is a lot to show on paper, but very little in reality and "job creation is not how it should be". However, general consensus from the public sector is that the last two years has seen a stronger drive towards initiating CSI projects and the positive impacts of CSI initiatives are now being seen.

The question remains however, whether the local role players of Richards Bay/Empangeni are providing wealth creation or job creation. The private sector or specifically the ZCBF shows a market critical approach to economic development with a strong pro-poor focus on current initiatives. However, while support of micro and community emerging business is important to the local economy, a promotion of self reliance in the business sector with emphasis on increased competitiveness is also necessary in light of the proposed emigration of the Bell manufacturing plant. The approach to developing the local economy has been fragmented with industrial growth, tourism development, SMME development and LED viewed as separate and unrelated activities. The proposed LED strategy aims to provide a more co-ordinated approach to development which incorporates both market-led and bottom-up approaches to local economic development in uMhlathuze. The high levels of investment in the area have not in the past matched the number of created jobs and as a result, to overcome the challenges of high levels of unemployment, a high unskilled population as well as poverty in the area, job creation goals have been set in the LED strategy at thousands per year. This goal should be criticised in light of the previous LED endeavours of the area. While the formidable challenge of unemployment requires the LED strategy to be ambitious, it is argued that the LED policy will only success with an achievable goal in sight, and success breeds success. If the goal set by the LED policy fails, will the attempt to promote and implement LED in the area fail as it did in the past as the area is yet to implement a successful LED project?
The proposed LED strategy of uMhlathuze recognises that national and provincial government also play an important part in the development of the area, while civil society and the informal sector both make vital contributions to the development of the local economy, and has therefore been suggested that the LED strategy be driven by all sectors of the area under an umbrella body that will integrate the activities of all local role players. Therefore all key stakeholders of the area recognise the importance of remaining globally competitive, yet at the same time, maintaining a pro-poor local economic development focus. Through the Zululand Chamber of Business, co-ordination of initiatives from the large industry is being jointly invested as initiatives run in partnership increases the availability of resources and local capacity with the result that the poverty alleviation strategies of CSI and LED initiatives are more likely to succeed, and employment opportunities resulting in thousands per annum may become a reality.
CHAPTER EIGHT: CONCLUSION

"...Notions such as 'self-reliance' and local equivalents of 'Local Economic Development' appear to be among the few realistic development options available to the 'poorest of poor', who seem to have been all but abandoned by the Western-dominated global economy" (Binns & Nel, 1999)

8.1 Revisiting Aims and Objectives

This research undertook a multi-faceted approach to understanding LED in uMhlathuze and achieved the aim of the study which was to critically investigate recent economic growth and development in the Richards Bay/Empangeni area and examine the key forces impacting on that growth, be they local, national or global.

- To overview the early and recent history of the area:

Chapter four of this dissertation began by providing an overview of the area’s history from the late 19th century to the present day status quo. Population and employment figures were used to show growth from the 1970s to 2001 in the area, with a significant increase in both population and employment, directly related to the state regional assistance. A significant rise in employment in the construction sector paralleled the development that was taking place during the 1970s and 1980s, particularly associated with the port.

- To determine the impact of national, provincial and local intervention in the development of Richards Bay as well as the impact government assistance had on the area:

It is evident from the overview provided in chapter four that state regional assistance played a significant role in the development of the area and, as a consequence, has made Richards Bay one of South Africa’s fastest growing industrial centres. The decision to build the world’s deepest port in the 1970s and consequential
developments has had massive implications on socio-economic development in the area. Internationally, propulsive industries have been developed on the basis of the availability of natural resources: they are capital-intensive, and they require skilled labour. In the case of Richards Bay, the industries have been developed largely on the basis of the availability of natural resources (for example, iron, titanium and ferrochrome), as well as around the well developed infrastructure such as the port. The past industrial development strategies adopted by government, provided for the establishment of many capital-intensive, resource-based industries in the locality of Richards Bay.

- To identify growth causing factors and document the key outcomes:

Active state involvement in the area (documented in chapter four), initially through the establishment of the harbour and then later through the funding of various large scale industries, along with the availability of a range of natural resources and the availability of cheap electricity prices, transformed Richards Bay from a small fishing village into a thriving mega city. These developments in turn had significant impacts on surrounding localities, now incorporated within the same municipality, uMhlathuze. The fact that the large corporate companies compete in the global markets, has had significant implications on the growth of the economy. The average growth of the uMhlathuze economy was 4 percent between 1990 and 2001 which is substantially higher than the 1.6 percent pa of the KwaZulu-Natal province and 1.8 percent at national level. The major contributing sectors to the economy of uMhlathuze have been manufacturing, followed by the Government, the harbour, and trade sectors. Combined, these sectors contribute more than 85 percent of the uMhlathuze economy (Moffat et al, 2002).
To investigate and document Social Corporate Investment practices from large corporate industries:

Chapter five was centred on the more recent social-economic developments in the area, focussing on current corporate social investment initiatives from the large industries. From this chapter it is evident the private sector, particularly the large industry, has in place corporate social investment projects in progress, many of which are managed by the Zululand Chamber of Business Foundation. These companies and organisations are making large investments to increase the standard of living for local community members of the uMhlathuze through projects such as Amangwe Village and a strong focus on education, shown by the number of RBM-assisted schools. However, less emphasis is placed on providing new employment opportunities through networking and downstream developments from the existing corporate industries. With most of the raw materials mined being exported through the harbour, and in light of the recent decision from Bell Equipment to relocate their manufacturing plant to Germany, globalisation continues to play a strong hand in the local economy and as a result, unemployment levels continue to rise.

To document the current approach to local economic development in the area:

Chapter six documented the key outcomes of the past LED strategy in Empangeni which led to the present day LED policy that is being formulated for uMhlathuze. The preparation of a LED strategy and policy for uMhlathuze began in April 2002 with the formulation of a task team to build consensus on how the local economy should be developed. In July of 2003, the first initiative identified by the LED task team was implemented, that being the Empangeni Business Retention and Expansion Pilot Programme. The local municipality are actively engaging in local economic development and are in the process of implementing their local policy through a partnership approach in which each stakeholder plays a part and where the autonomy of partners and shares both risk and reward. The range of activities
identified in the LED policy is centred on both market-led and market-critical approaches to development, where bottom-up development is seen as crucial for the area, but requires investment and capital that can be filtered down through the appropriate organisations. It has been agreed by the task team that the main purpose of LED in uMhlathuze is to create employment and which includes all economic development in the area with the expected outcomes for the policy being projected at creating 2,000 permanent new jobs per annum for the next 5 years.

- To investigate the presence of globalisation and localisation in the area:

The strong export-orientation of the firms as well as the position the hold in the global market provides a strong global presence in the local economy of uMhlathuze. Richards Bay Minerals alone supplies most of South Africa’s needs in the heavy minerals of ilmenite, rutile and zircon, as well as meets approximately a quarter of the world’s demand for these products. The effects of globalisation on developing economies can be seen by rising numbers in unemployment and increasing inequalities between the rich and poor. Investment in export-orientation production of raw materials has given rise to the concentration of capital in the growth pole of Richards Bay, but has resulted in the emergence of a ‘dual economy’ where there is a weak link between the capital intensive industries and the rest of the local economy. While the presence of these capital-intensive, export-orientated industries is crucial to the development of the local economy, the effects of globalisation on the social economy and the lack of significant employment created through downstream initiatives has emphasised the need for government to shift focus to local economic development initiatives, has become more apparent.

8.2 Limitations

Due to the nature of the LED process, documenting key outcomes is an on-going process and was taken into account in the research design of the proposed study.
Formulating a LED strategy is a progressively slow process, as in the case of uMhlathuze, initial LED strategy preparations began in April 2002, and the policy was ready for implementation in July of 2003. The participation of the researcher in this process allowed for continuous documentation of progress made in the formulation of the LED strategy. If this were not the case however, provision in the researcher's research design would have to be made for follow-up visits.

8.3 Recommendations and Conclusion

The effects of globalisation on developing nations, has emphasised the need for a shift in focus to distribute the wealth created by large capital-intensive industries in export-orientated economies. There is no doubt that the advent of globalisation has coincided and contributed towards unemployment among the less-skilled labour force of the world and widened income inequality (Slaughter & Swagel, 1997). An agenda for eradicating poverty requires the dismantling of the institutions and ideologies that justify inequality in terms of political, social and economic resources. The practice of local economic development is therefore potentially an important strategy for sustainable development where the uneven effects of globalisation are largely felt. Large corporate companies in Richards Bay/Empangeni have responded to these pressures by developing Corporate Social Investment departments that are now making significant contributions towards community benefit and poverty alleviation in the areas affected by their presence. Although the financial contributions are significant, until recently, there has been very little evidence in terms of tangible results of the impact these contributions at ground level, where RBM provides only one example of the implementation of social investment since their establishment 25 years ago. As unemployment is globally increasing with the demand for higher-skilled labour is increasing, there is a strong need to develop the skills of the local people in accordance with the local industrial environment of Richards Bay/Empangeni. The use of both quantitative and qualitative research methods should be encouraged to analyse the local poverty dimensions, and emphasise the
links between economic production and social reproduction to render a labour vision that may be accounted for in economic planning and poverty eradication strategies. The already present link between public and private sectors of the local uMhlathuze community should be encouraged to promote a common goal and focus of both the CSI and LED initiatives being poverty alleviation and job creation through skills development. Using the IDZ as a means to attracting the necessary investments for economic growth provides an opportunity to overcome the challenge of unemployment and equate the impacts of globalisation in uMhlathuze. This will ultimately make uMhlathuze the local/global nexus of South Africa where opportunities and an attractive quality of life will be offered to all its citizens.
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APPENDIX A

Interview Questions for the ‘Big Six’

The national government has specifically identified Local Economic Development (LED) as a key intervention which can contribute to the alleviation of poverty in the country. LED is a locally driven process designed to identify, harness and utilise resources to stimulate the economy and create new employment opportunities. LED is not one specific action or programme, rather it is the sum total of the individual contributions of a broad spectrum of the community.

1. Does ‘A’ have a Local Economic Development (LED) policy or one that relates to Social Responsibility in the area in place?
2. Are there any LED initiatives in place? If so,
3. What are the projects?
4. Where are the projects?
5. Who runs/organises the projects?
6. Who benefits most from the initiatives (How large is the focus area for people benefiting from these initiatives)?
7. What have been the successes (a flagship project) as well as failures associated with the projects that have been implemented?
8. What is the company’s approach towards social responsibility in the area (its mission statement)?
9. Are there any new projects in the pipeline associated with Local Economic Development as discussed earlier?
10. How many people are employed by these projects?
APPENDIX B

Questions for Empangeni Arts and Crafts Centre

1. What is the name of your shop
2. What do you specialise in?
3. When did the business start?
4. Is your business start? What is your turnover?
5. What is your relationship with management and other shop owners like?
6. How many people do you employ?
7. Do you receive much passing trade?
8. Where do you buy your stock from?
9. Where do you sell your products to?
10. Why did you establish here?
11. What are the advantages and disadvantages of having your business located here?
APPENDIX C

Mondi Kraft

BHP Billiton
FACTOR CONDITIONS
Large port: excellent bulk, limited container, no
passenger terminal
Road & rail hub, good links but JR Highway
needs upgrading
Serviced industrial & commercial sites
High housing costs, services & housing
backlog in disadvantaged areas
Water resources
Common marine effluent pipeline
Low cost bulk electricity; proposed local power
station
Good arable land
Unresolved land claims, tenure issues
Raw materials: ilmenite, rutile, zircon sands,
sugar, timber
High (40%) unemployment - labour pool
Low levels of education, shortage of skilled
and professional workers
Educational assets: UniZul, Richtech,
Community Park, technical high schools
Good SMME support facilities
HIV/AIDS, TB, cholera, malaria
Health services - very good to poor
Natural coastal assets - beach, fishing, watersports, eco-tourism
Proximity to eco-tourism centres
Environmental concerns - air, marine, mining
impact
Local partnerships: ZCB, BDC, local govt,
tourism, SDI Investment Centre, ZCBF

BUSINESS STRATEGY, STRUCTURE & RIVALRY
Strong export orientation and international links
Large, capital intensive, little local linkage:

- Two competing mineral sands mines and smelters (one under
  construction).
- Two BHP-Billiton aluminium smelters, no SA competitor
- Foskor, Bell Equipment, RBCT
- Mondi Kraft competes nationally with SAPPi, Felixton mill part
  of highly organised sugar industry

Medium: Silva Cel, CTC (timber processing), Syncat (zeolite)
Tourism: small competing product owners, operators, crafters
Competing commercial centres - Empangeni & Richards Bay

RELATED & SUPPORTING INDUSTRIES
Agriculture: primarily timber and sugar
Suncrush add value to sugar,
Felixton part of sugar cluster with SASA resources e.g., SASEX
Bell Equipment links to sugar & mining
Portnet, Spoornet, Eskom, state monopolies, serve large exporters
Small and medium engineering and service firms
Numerous retail and service outlets, Empangeni & Richards Bay
Incipient aluminium cluster, small foundry, few small scale producers
Small scale furniture manufacture

DEMAND CONDITIONS
(Sophisticated & unusual demand)
Export: RBM, Ticor, Silva Cell, CTC, Syncat,
RBCT.
SA and export: Bell Equipment, Billiton, Mondi
Kraft, Foskor, Felixton,
Sophisticated demand: Virtually none in
uMhlathuze but KZN market for Bell
Equipment, RBM, Bayside, Mondi, Felixton,
Foskor.
Unusual demand: Bell Equipment

"FORGOTTEN" FACTOR
Role of Government
Huge government investment created R Bay
Initial IDC investment in some major plants
DTI and municipal investment incentives
SDI - investment attraction
Potential IDZ
Bias towards Richards Bay vs Empangeni
Developmental role of local government
Regulatory environment difficult for SMMEs
## Our economic SWOT

### Strengths
- Availability of human resources/large labour pool in close proximity
- Big industries
- Good existing infrastructure in some areas
- Presence of tertiary and technical educational institutions
- Strategic locality
- Investor friendly due to:
  - Diverse nature of the town
  - Abundant developable land
  - Large serviced industrial areas for development
  - One-stop service to investors
  - Accommodating investors, e.g. service costs
- Airport
- Well laid out town
- Local Iscor mine and smelter
- Spread of financial resources
- High economic growth rate (6%)
- Spatial Development Initiative – SDI
- Strong commercial hubs and service industries

### Weaknesses
- Unskilled labour pool
- Limited in-land transport, e.g. rail
- Insufficient policing
- Deterioration of John Ross highway
- Impoverished communities
- Lack of adequate tertiary education and opportunities for the youth causing them to leave town after matriculating
- Property tax in rural areas

### Opportunities
- Growth potential
- Industrial Development Zone – IDZ
- Marketing with the focus on enticing large industries to relocate their headquarters to the area thus encouraging more service companies to mushroom
- Support to ensure the maintenance of existing tourism infrastructure
- An overall development strategy and the pursuance thereof, e.g. downstream beneficiation of existing businesses, expansion of industry and other tourism opportunities, e.g. of providing services and goods linked to the water sports
- Undersea fibre optic cable may provide an opportunity to establish a communication centre with the rest of the country
- Co-operating with PORTNET to source development
- Facilitate the training of unskilled labour
- Encourage the export of sugar
- High crime rate acting as a factor to inhibit investment and inadequate measures to combat this
- Inadequate provincial roads
- Labour retrenchments
- Land claims that may affect the IDZ
- Loss of international status of the airport and the impact thereof on local service providers who supply goods and services to the Maputo Corridor
- High air fares
- High road accident rate
- High unemployment
- Tolling of the John Ross – community divided
- Decrease in the standard of exporting
- Rejection of development by PORTNET
- False expectations created by the government of-the-day and a failure to deliver thereon

### Threats
- Property tax in rural areas
- Tolling of the John Ross – community divided
- Decrease in the standard of exporting
- Rejection of development by PORTNET
- False expectations created by the government of-the-day and a failure to deliver thereon
The business model of the IDZ revolves around a number of players:

- **Investor**: Invests to build a business in the IDZ.
- **National Government (DTI)**: Provides tax incentives.
- **IDZ Company**: Provides shared services such as IT, HR, Legal, and Property and facilities management.
- **SDI**: Investment facilitation.
- **City of uMhlathuze**: Provides bulk services.
- **Private companies**: Provides services.
- **Provincial Government**: Shareholder.
- **Industrial Development Corporation**: Shareholder.

The diagram shows the flow of actions and relationships between these players.