

## SPATIAL DEVELOPMENT INITIATIVES AND REGIONAL INTEGRATION IN POST-APARTHEID SOUTHERN AFRICA

**DARLENE MILLER**

Acting Research Director, Africa and the Global South: Human Sciences Research Council (HSRC)

In a global system where hegemonic power has been shifting from the US to China, world system theorists have demonstrated in the past how semi-peripheral regions – or what is sometimes termed ‘middle powers’ – are able to use the realignment of global political and economic power to ratchet up within the global hierarchy, and improve the trade and competitive position of their countries. While the Southern African region has been through different cycles of economic growth, the democratization of South Africa demonstrated how political events can intervene in processes of capital accumulation and create a different configuration for conditions of accumulation.

As a leading power in Southern Africa, the South African government advised SADC (Southern African Development Community) and the region to create an investment-friendly region in the 1990s, following the global dictates of the time. President Thabo Mbeki’s vision of an ‘African Renaissance’ for the region and the continent anticipated a period of re-energised growth and renewal for the continent. The ‘African Renaissance’ provided the ideological underpinnings for the new regionalism in post-Apartheid Southern Africa. The sub-imperialist conviction was that South Africa had the political and economic clout to lead the way in global negotiations and growth for the region.

However, a series of bilateral negotiations were the South African government’s opening caveat for its trade negotiations with the EU and with the US. This produced a crisis of faith in South Africa’s ability to act as a regional leader that could place equitable regional development before its own national interests. As other countries witnessed the ‘South Africa-first’ approach of the ANC-led government, their faith in South Africa fell away.

Regional integration has thus faced numerous challenges. As articulated by the current Minister of Trade and Industry, Dr. Rob Davies, “Show me how to do regional integration and I will do it!” (Interview, August 2010). Different reports and commentators have outlined the challenges faced by regionalist initiatives in Southern Africa. Most prominent amongst these are the institutional shortcomings of SADC; the bilateralist trade arrangements of individual countries with countries of the north (EU or US); and the business cultures of foreign

investors. To date, regional integration and cooperation has had limited success at the inter-governmental level within the region, and the failures and weaknesses of the SADC organ are an index of these practical challenges faced by state-led regional cooperation.

As highlighted by the Minister above, the post-Apartheid region in Southern Africa faces many difficulties in pulling together as a cohesive region. Noble regional objectives have vied with the immediate imperatives of national priorities. While combined regional action through SADC (Southern African Development Community) continue as the objective, different countries of the region have entered bilateral agreements with the EU and the US in their separate endeavours for economic security. South Africa has not been immune to this bilateralist route. Yash Tandon (2010) argues that such bilateral arrangements have contradicted the spirit and objectives of regional cooperation in various ways and tarnished regional cooperation efforts.

But regional integration is not simply a nice idea. Supra-national regions are an important instrument for global leverage in today's shifting global hierarchies. US hegemony has faltered in various ways, including the devastating crisis in key financial institutions. Alongside the shifting global power blocs, 'middle' regions such as India, Brazil and Russia, and the newly-termed "Next-11" states, present new and potentially alternative power blocs through which South and Southern Africa may find important political and economic alliances. The 'new South Africa' was a forceful and potentially unifying global player, with the iconic leader Mandela at its helm. South Africa's economy was also a firmly middle income economy with highly developed infrastructure, industry, managerial expertise and valuable mineral resources. As the global environment realigned, the upward mobility of middle powers in the regional hierarchy became a real possibility. South Africa had the potential, therefore, to play - and indeed is already playing - a regional global role. This was a key strategic objective for the new democratic state.

The formation of the IBSA (India, Brazil and South Africa) and its active support by the South African government was one example of the 'butterfly' strategy of the Department of Industry under Minister Alec Erwin, where it simultaneously implemented a number of key strategies for South Africa's regional and global expansion. South Africa's recent acceptance into the 'BRIC' – Brazil, Russia, India and China – bloc affirms some level of success in South Africa's global strategies under the firm hand of the new Minister of Trade and Industry, Dr. Rob Davies. Not only are these new regional powers affecting the architecture of global geopolitics; they have also become key new investors in regions such as Africa that have untapped market and investment potential. In addition to its global political expansion, the South African government has to ensure that it holds its own in the continent in the face of the competing investors of China and India.

One element in the national and regional growth strategy of the immediate post-Apartheid government was a kind of geographically defined economic growth strategy that was called *Spatial Development Initiatives*.

The Spatial Development Initiative (SDI) program was conceived by the Cabinet in 1995 as an attempt to improve the functioning of government in targeted regions of the country, particularly in those areas where the greatest potential for growth exists (P. Jourdan, "Spatial Development Initiatives (SDIs) – the official view" in *Development Southern Africa*, Vol. 13, No 5, Summer 1998, p.717).

Eleven SDIs throughout South Africa were planned in the first phase: the Maputo Development Corridor, the Phalaborwa SDI, the Platinum SDI, the West Coast Investment Initiative, the Fish River SDI, the Wild Coast SDI, the Richards Bay SDI, the Durban and Pietermaritzburg nodes, the Lubombo SDI and the Gauteng Special Economic Zones. Targeted interventions were meant to tap unrealized economic potential.

While the SDI program lost momentum in the latter days of the Mbeki administration, this initiative has been resuscitated by the DTI under President Zuma and Minister Rob Davies as part of the Industrial Policy Action Plan (IPAP) envisaged for the next phase of South and Southern African growth and development. Resources have been carried over from the previous administration with the objective of resuscitating the SDIs through the Development Bank of Southern Africa (the DBSA).

Successful investment strategies are thus the premise of the SDIs and inform government's conception of regional development. While a pro-investment strategy, the SDI perspective (as enunciated by its leading proponents) also emphasizes the importance of economic governance and local development that is cognizant of the environmental and socio-economic impact. Jourdan (2008) highlights the developmental risks when Transnational Corporations own and lead foreign investment (P. Jourdan, "Plan of Action for African Acceleration of Industrialisation-Promoting Resource-Based Industrialisation: A Way Forward", August 2008).

Capital needs to be attracted and harnessed for the implementation of anchor projects. Collaborative investment strategies through public-private partnerships are the principal source for the funding of anchor projects and regional development corridors. Central to the success of these SDIs is thus the implementation of a package of measures that identify potential growth hubs or geographic regions, marshal the financial and industrial capacity of parastatals and target potential public-private investor combinations. These measures are aimed at supporting the provision of the necessary infrastructure for the successful growth and development of the identified region. Anchor projects, such as Mozal in the Maputo Development Corridor, are integral for providing an investment anchor and the principal source of revenue for benefits upstream and downstream.

Roads, ports, rails, etc. are a pivotal element in the first phase of SDI development, part of the reason why SDIs are often incorrectly equated with transport corridors. Infrastructure bottlenecks have been highlighted as amongst the top three impediments to investors. The high-profile Maputo Development Corridor captured the public imagination through its emphasis on a good road and a functioning port with expanded capacity. This corridor was meant to

ensure an efficient and productive economic flow between South Africa and Mozambique. The Mozal -BHP Billiton aluminium smelter, a \$1.4 billion project in Mozambique, was one of the largest investments by the IFC (International Finance Corporation) in Sub-Saharan Africa (\$120 million).

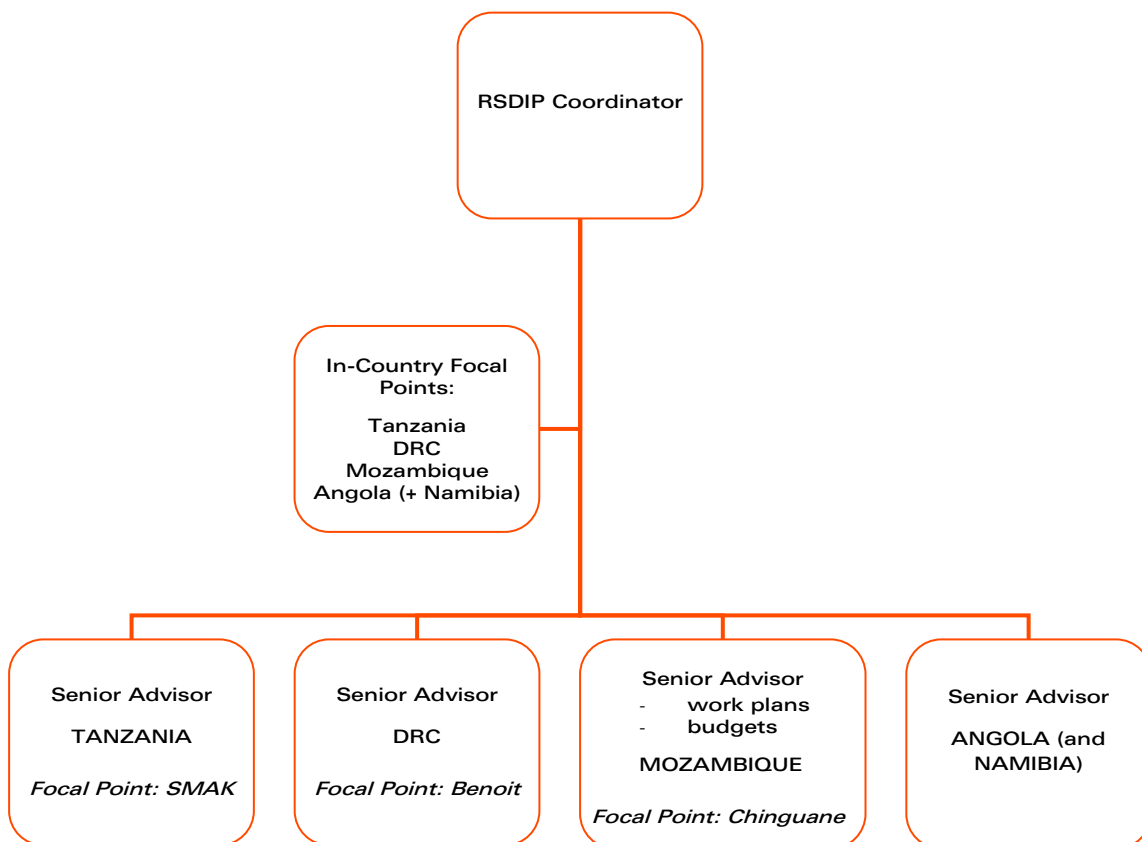
The RSDIP aims to combine the appointment of Senior SDI Advisors with the creation of SDI focal points. At this point, five countries are targeted for implementation: Angola, DRC, Mozambique, Tanzania and Namibia. These advisors are to be supported by sector specialists in (i) mining & minerals beneficiation; (ii) infrastructure – power & transport, (iii) agriculture (forestry and fisheries), and tourism. Key government stakeholders are *two key government departments*:

- DTI's ITED – Department of Trade and Industry's International Trade and Economic Directorate;
- DIRCO – Department of International Relations and Cooperation,

And, *two key parastatals*:

- DBSA – Development Bank of Southern Africa;
- IDC – Industrial Development Corporation.

The proposed SDI program will have the following structure:



Five elements for program support services and structures are to:

- i. Upgrade database/GIS/website;
- ii. Increase RSDIP capacity through cooperation with DBSA Agencies Unit;
- iii. Have a better response to key government stakeholders and private sector;
- iv. Reactivate the Steering Committee, and
- v. Update and re-package the SDI course material.

Two new approaches are envisaged in terms of the current SDI methodology: the first is the emphasis on *bilateral projects* that includes a trade, industry and mineral (oil/gas) cluster; the second is the unlocking of strategic infrastructure projects that could be supported by the IFU and the DBSA as part of an SDI collaboration.

The RSDIP sees its primary role as “reconfiguring infrastructure investments” in five key sectors: (i) transport, (ii) power, (iii) communications, (iv) ICT, and (v) water. Regional development is the task of governments and the Southern African Development Community (SADC). The RSDIP therefore intersects with these regional development plans, supporting such plans in two key ways: first is the packaging of public-private partnerships (PPPs); and second is the removal of supply-side bottlenecks in anchor projects. Countries that are currently receiving support from the RSDIP are Mozambique, Tanzania, Rwanda, Burundi, DRC and South Africa. The following countries are participating or targeted for SDIs:

Country	Spatial development initiatives	Countries targeted for potential inclusion
1. Mozambique	<ol style="list-style-type: none"> <li>1. Maputo SDI (Phase II)</li> <li>2. Limpopo SDI</li> <li>3. Lichinga-Meuda SDI</li> <li>4. North-South Great East Africa Barrier Reef SDI</li> </ol>	<p>Zimbabwe</p> <p>Tanzania</p>
2. Tanzania (including Rwanda and Burundi)	<ol style="list-style-type: none"> <li>1. Central Development Corridor (CDC)</li> <li>2. Mtwara Development Corridor (MtwDC)</li> <li>3. Tanga SDI</li> <li>4. Uhuru SDI</li> </ol>	<p>DRC</p> <p>Mozambique</p> <p>Malawi</p> <p>Zambia</p>
3. DRC (and South Africa)	<ol style="list-style-type: none"> <li>1. Bas-Congo SDI</li> <li>2. Copperbelt SDI</li> </ol>	<p>Angola</p> <p>Namibia</p>

Consultations have been held over the past two years with Angola, DRC, Mozambique, Namibia and Tanzania and a revised Regional Spatial Development Initiative Programme (RSDIP) for June 2010 to August 2013 is planned. The RSDIP sees its primary role as “reconfiguring infrastructure investments” in five key sectors: (i) transport, (ii) power, (iii) communications, (iv) ICT, and (v) water. The following countries are participating or targeted for the SDIs (list the SDIs): Mozambique, Tanzania (including Rwanda and Burundi); DRC (and South Africa) in the current phase, but the intention is that the program will soon be extended to Zimbabwe, Malawi, Zambia, Angola and Namibia. Government parastatals such as the

Industrial Development Corporation (IDC) and the DBSA (Development Bank of Southern Africa) are meant to play a key role in the identification of investment opportunities.

Shifting institutional dynamics in the post-Apartheid skills environment have, however, created a new set of operational challenges. Technical capacity has been destabilized as experienced Apartheid-era experts have exited without training a new generation of technicians, especially within government parastatals (Interview, G. Smith and P. Jourdan, MidRand, November 2010). Alongside infrastructure bottlenecks, land has also emerged as an area of contestation. Giovanni Arrighi (*"Adam Smith in Beijing,"* Verso, 2008) highlights the Chinese educational system as a key factor in the capacities and provision of skilled labour and in the structural impediments to development in Southern Africa. Given our educational challenges, the problem of 'know-how' deficiencies plagues technical capacity.

These labour capacity deficiencies have institutional costs within government. One reason why the first phase of the SDI program was unsuccessful was that the Director-General of DTI at the time, disapproved of the attempt to create parallel technical capacity to government departments (Interview, Ruiters, November 2010). This is epitomized by the "consultancy culture", in which white and expert skills reside outside of government and are bought at premium prices to deliver work that ordinarily should be generated within government departments, according to the ex-Director General.

Challenges facing SDI focal points also relate to how the community of beneficiaries is ascertained. In past SDI programs it appears that a desire to "fast-track" the program often led to inadequate or patchy consultation, and external facilitators were unable to effectively relate to local communities. Power at different local levels also presents major challenges for identifying who constitutes representative leadership in an area. If the objective is again to "fast-track" the SDI process, despite the consultation and mediation challenges that this approach posed in past spatial development initiatives, will this not lead to similar challenges of the past? Kepe (citing Bierschenk) (1988), states that "projects represent arenas of negotiation for strategic groups, who act according to their own interests, using different frames of reference for social interaction," (Kepe, p290). In the context of poverty and unemployment, working class communities will obstruct developmental initiatives if they feel they are not deriving sufficient benefit from a development.

The RSDIP (Regional Spatial Development Initiative Programme) may well be more feasible with bi- and tri-national intra-regional relationships between countries in Southern Africa than with an over-arching regionalist objective. Cross-border industrial clusters clearly have greater potential for success where there are strong political and economic relationships between countries of the region, sometimes easier to attain at bi- or tri-national levels. But what kind of regionalism is invoked by these internal power clusters within the region, where the potential exists for blocs of countries to begin undermining and competing with each other within the region? Regional ambitions towards greater global leverage could well be undermined by this form of regional cooperation.

One key dynamic in post-Apartheid regional development has been expanded South African investment in post-Apartheid Southern Africa. Given that the SDI program initiates in South Africa, facilitating investment by (and within) South Africa is an important component of the program. A key objective of the Spatial Development Initiatives is thus to ensure that foreign/South African investment embeds successfully in new foreign African environments. Extending the reach of South African capital in Africa is also an important goal for the Zuma regime. This has been evidenced in the size and frequency of the combined state-business delegations led by the third president of South Africa to various countries since his appointment, including Angola and the DRC since 2008. What is not clear is how these combined state-business delegations are informed by the SDI methodology, if at all. To what extent is the vision of the DTI minister, as elaborated in the IPAP (Industrial Policy Action Plan), integrated with these state-business forages into key resource-rich countries of the region, and what does this mean for South African regional policies?

Business cultures become one important variable in determining the potential for strategic alliances between South African business initiatives and other emerging regional powers within the Continent. The potential of an SDI can be negated or enhanced by the kinds of organizational structures and strategies of South African business in the region, giving a particular character to a regional corridor or industrial cluster. White South African industrialists often see themselves as the source of South Africa's regional economic dominance. The role of the region's labour in providing the wealth that accrued to the South African economy is conveniently forgotten (along with the depleted mineworker who has been relegated to old-age in the rural areas). In classical colonial styles of operation, South African business in the post-Apartheid expansion will sometimes use discourses of modernisation in their industrial practices. In this narrative, the white South African businessman – the investor, the CEO, the manager – embodies superior ways of doing business.

The responses of host countries – the desires and aspirations of the workers; the intelligent knowledge of local management; the practical insights of local and national government in host countries – when faced with such sub-imperialist narratives, (these responses) often have no airtime in the post-colonial mindset of South Africa's new economic colonizers. With a powerful regional sweep, many South African corporations claim the Southern African region as their own, trampling on the wishes and sensibilities of host countries and communities in these foreign locales. Such regional arrogance compromises more benign regionalist intentions and is one dimension of the context in which the RSDIP is initiated, a complicating factor.

The need for a range of checks and balances, as well as the need to support local economic development and assist local suppliers and SMMEs when industrial clusters are established, is a theme in some of the literature on SDIs. The emphasis on SMME development, argues Rogerson (1998), has been established as best industrial practice in various regions of the world (Chris Rogerson ("Investment-led entrepreneurship development", *Development Southern Africa, Vol. 15 No 5 Summer 1998, 917-942*). Rogerson (ibid.) points to the

importance of industrial clustering and the linkage of small firms (SMMEs) to large enterprises through subcontracting arrangements. Large enterprises, he argues, need to take a lead role in creating vertical subcontracting relationships, as these benefits can be substantial for local development. Imitation and such demand-led arrangements with big firms also results in technological learning and skills transfer for local companies.

The relationship between development, “multiplier effects” of investment, and profitable investment has gone through many different phases depending on the historical and political-economic context in Africa. Currently, a new term captures these concerns, namely, “impact investments” which, according to the Rockefeller Foundation, implies “investing with the purpose of generating social or environmental good in addition to profit” (Mail & Guardian, Jan 7 to 13 2011, p11). As with the broader notion of Corporate Social Investment (CSI), the aim of “impact investments” is to incorporate social and environmental benefits into profitable investment. This concept, according to the Rockefeller Foundation, is gaining influence despite the global economic crisis, with value beyond financial returns being an indicator of success as well. In the context of declining donor grants, linking capital and endowments becomes more important.

In the early days of post-Apartheid South Africa, South Africa capital flowed into other parts of Africa within the context of a set of regional developmental objectives that placed equitable regional development as an important objective. The subsidies that flowed to capital through the first SDI program deepened structures of regional inequality, boosting strong stakeholders such as transnational corporations with government development funds, while being unable to show corresponding multiplier effects for local economic development. In the case of foreign investors, commitment to local development goes some way towards negating the dynamics of dependent development, where resources are extracted from local places and remitted for benefit to a foreign country or multinational headquarters somewhere else. It remains to be seen whether the new phase of SDI development will depart from this earlier trend and help to negate uneven regional development in Southern Africa.

ROSA LUXEMBURG STIFTUNG  
JOHANNESBURG  
237 Jan Smuts Avenue | Parktown North 2193  
P O Box 3156 | Parklands 2121  
Telephone: +27 (0) 11 447 5222/5224 | E-mail: [info@rosalux.co.za](mailto:info@rosalux.co.za) | Website: [www.rosalux.co.za](http://www.rosalux.co.za)