Regional development in South Africa’s West Coast: 'dividends on the process side'?

David Bek, Tony Binns, and Etienne Nel

Department of Geography, University of Sussex.

Department of Geography , 4th Floor, Richardson Building, University of Otago, PO Box 56 Dunedin 9001, New Zealand.

Department of Geography, Rhodes University, PO Box 94, Grahamstown, 6140, South Africa.

Abstract

Academics, policy-makers and consultants have been increasingly focusing upon the 'region' as the crucible of economic development. This regionalist approach places institutions at the centre of the process of stimulating growth. Much debate has been ongoing in academic circles, particularly those inhabited by economic geographers, about the veracity of the regionalist approach and the explanatory power of the terminology associated with it. This paper analyses explicit efforts to engender regional economic development in the West Coast of South Africa. Our empirical evaluation indicates that policy actors have sought to upgrade the institutional infrastructure of the region and that some significant achievements are evident within this realm. However, these achievements are yet to be associated with sustained regional economic takeoff. The paper concludes by asking searching questions about the ability of the regionalist approach to deliver meaningful socio-economic transformation.

Introduction

Arguably, the toughest challenge faced by South Africa’s post-1994 Government has been to confront the deeply rooted racial and spatial inequalities inherited from apartheid. The Government’s response has been to adopt a neoliberal macro-economic framework in the expectation that a stable economic environment will generate investment, economic growth and widespread job creation. Neoliberal doctrine found expression in the formulation of a regional development programme that was announced in 1995, whereby a number of specified localities with ‘untapped economic potential’ became the focus of endeavours to engage with global flows of trade and investment (Crush & Rogerson 2001; Jourdan 1998; Jourdan et al. 1997). Between 1997 and 2001 the government invested considerable financial and human resources in these regions, known as spatial development initiatives (SDIs), but the programme has not been particularly successful in meeting its key objective of attracting significant flows of investment (Bek 2003; Crush & Rogerson 2001). One SDI, the West Coast Investment Initiative (WCII), in Western Cape Province has achieved more success than most other SDIs, although domestic public and private sector investment was significantly greater than inward foreign investment (Budlender & Shapiro 2001). However, a core component of the WCII strategy was to lay the pre-conditions for future growth by developing the institutional structure of the region, building a ‘regional growth coalition’ and achieving ‘dividends on the process side’. Initial investigations in the region certainly suggested that considerable progress has been made in upgrading the region’s institutional resources (Budlender & Shapiro 2001). The primary objective of the paper is to consider the extent to which ‘dividends on the process side’ have actually become embedded within the operational practice of public, private, voluntary and community bodies operating at different spatial scales. Such ‘dividends’ are placed into a broader context, by problematising the relationship between regional economic growth and socioeconomic transformation – a relationship, it is argued, that tends to be given too little critical consideration by proponents of contemporary regional development programmes.

Exploring ‘new regionalism’ in South Africa

This paper will contribute to an understanding of the realities of explicit policy endeavours to facilitate an environment conducive for economic growth. In terms of theory, this work builds upon contemporary canons of ‘new economic geography’, which have focused upon the role of cultural phenomena in generating regional economic growth (Bryson et al. 1999). Terms such as ‘institutional thickness’, ‘untraded interdependencies’, and ‘neo-Marshallian nodes’ have been associated with this intellectual approach, which has been gaining considerable recognition in both academic and policy circles (Amin 1999; Henry & Pinch 2001). The paper makes a contribution to these literatures through its explicit focus upon a region in a developing nation, a hitherto largely neglected spatial focus for new economic geography theorising. At the same time, the paper contributes to the burgeoning South African local economic development literature, of which evaluations of the SDI programme form a component. Initial research outputs exploring the implementation of SDI focused heavily upon investment outcomes and the political implications of the cross-border SDIs in Southern Africa (Rogerson 2002; Taylor 2001). This paper can be read alongside the works of Kepe (2001) and Rogerson (2004) who have examined localised institutional aspects of SDIs in the Wild Coast and Gauteng respectively. The pre-existence of a strategy to foster an enhanced institutional environment for economic activity defines the distinctiveness of this paper in the context of the local economic development (LED) literature (Binns & Nel 2002).

Lovering (1999) refers to an intellectual phenomenon that he terms the ‘New Regionalism’, whereby academics, policy-makers and consultants are increasingly focusing upon the region as ‘the crucible’ of economic development. Such an approach has in part evolved from Porter (1990) and Ohmae’s (1993) influential accounts of the centrality of the region to processes of growth and regeneration. The new institutionalist paradigm of regional development is a significant sub-strand of the new regionalism (Lovering 1999). This influential, if somewhat contested, approach (see Lovering 1999; Markusen 2003) ‘reflects [upon] the relationship between economy and culture and the embeddedness of economic activity within social and political forms, practices and institutions’, (Wood & Valler 2001, p. 1139). In this regard, the whole notion of institutional thickness as a facilitator of growth has gained currency. A range of regionally centred institutional constituents comprise the concept of institutional thickness, ‘ranging from strong local institutional presence to the strength of shared rules, conventions and knowledge’ (Amin & Thrift 1994). Some scholars have pointed to the central importance of multiple layers of institutional and associational activity, sometimes referred to as ‘untraded interdependencies’: ‘assets which are not tradable, nor are they easily substitutable, since they draw on the social properties of networks in which the economic actors are implicated’ (Amin 1999, p. 369).

Such ideas, which have diffused across the globe and among policy-makers in a diverse range of socio-economic contexts, draw from the lexicon of the ‘New Regionalism’. As Lovering (1999, p. 380) argues, ‘The primary task now is to “embed” existing and future inward investments. This, together with more “networking” and the development of “trust”, will encourage and diffuse a general boost in innovation and further impact in the regional “business culture” and the associated “mindset”.’ Thus, the more well established the institutional networks, the more likely it is that an area will have theinherent potential to adapt and respond to economic change successfully. According to Cabus (2001, p. 1018), ‘successful regions are precisely those in which there is a mature network culture with networks between firms and public or semi-public agencies responsible for economic development’. In this context, institutions comprise firms, trade associations, marketing boards, government agencies and so forth. Over time, a positive ‘social atmosphere’ favouring cooperation and common enterprise will emerge and ‘rogue behaviour’ and rent seeking will be inhibited (Henry & Pinch 2001). In addition to these ideas, other authors, particularly those with an interest in Third World development, have identified the critical importance of both human and social capital. Major development agencies such as the World Bank, DfID and USAID now routinely incorporate human and social capital building objectives into their strategies. The rapid rise of social and human capital as ‘missing links’ in economic development has been subjected to critique, not least due to the slippery nature of their conceptual underpinnings and their definitional malleability in the hands of different interest groups (Bebbington 2004; Fine 1999; Schuurman 2003). It is clear, however, that a focus on cultural and social influences on growth and stagnation is a welcome step forward, although one that should be approached with critical intellectual rigour.

This paper draws upon both ‘new economic geography’ and development literatures, in order to evaluate the processes associated with policy efforts to stimulate economic growth in a region of South Africa. Such a line of enquiry is justified in this case since local policy-makers and planners have explicitly referred to the importance of institutional development as a prerequisite for growth in the region under discussion. Furthermore, the paper furthers ongoing debates within geographical literature, specifically the matter of a putative disciplinary divide that operates both theoretically and all too often in terms of the ‘culture’ of geography departments (Jones 2000; Potter 2001; Robinson 2002). This relates specifically to the divide between ‘development’ work and that related to Western market economies. While matters of history, social culture and economic culture are as relevant in understanding the South African West Coast economy as they are in the Third Italy, or Motor Sport Valley (Amin 1999; Henry & Pinch 2001) there is comparatively little written by economic geographers, whose output relates almost exclusively to Western Europe, North America and the occasional newly industrialised country. A notable exception is Storper’s work on Brazil (Storper 1990), otherwise there is lamentably little cross fertilisation between contemporary economic geography and theories pertaining to the developing world. Such a discrete division of labour within the academy is problematic. Certain types of global interconnectedness are advancing apace, and the neoliberal paradigm in its various mutations strides the globe disseminating ‘one size fits all’ policy prescriptions, often propagated by international consultancy firms.

Such realities place an onus upon academics to problematise such ongoing development processes. It is clear that there is a necessity for the language, concepts and methods of the new economic geography to be applied in the context of emerging regions within the developing world. This paper touches on such matters, through reference to soft infrastructural developments, institutional learning, mindset changing and labour supply issues in the context of an emerging region within South Africa.

The paper provides an empirically-based exploration of policy endeavours to facilitate institutional development within the West Coast region of South Africa. Such policy endeavours have occurred under the aegis of the South African Government’s flagship industrialisation programme, the spatial development initiatives (SDIs). The paper does not seek to provide an evaluation of SDI per se, but instead examines one aspect of the programme’s delivery within the West Coast region. Indeed, it should be stressed that the institutional emphasis within the West Coast SDI was largely a local interpretation of the SDI methodology. The paper outlines ways in which the SDI planners endeavoured to upgrade the institutional status of the West Coast region during the two distinct phases of SDI activity. The concluding section considers the validity of claims by SDI planners that dividends have been achieved on ‘the process side’, and questions the ability of the regionalist paradigm to deliver the kinds of socio-economic dividends that South Africa so desperately needs.

The SDI Programme

South Africa's African National Congress (ANC) Government came to power in 1994 with its reconstruction and development programme (RDP), emphasising poverty alleviation and job creation, together with grassroots participation in the development process and empowerment of historically disadvantaged groups. But, when faced with harsh economic realities, the ANC policy direction changed dramatically with the launch of the neoliberal growth, employment and redistribution (GEAR) programme in 1996, with its strong focus on export production and increased involvement of the private sector. The SDIs launched in 1995, became a showpiece of the GEAR macro-economic strategy, placing emphasis on the attraction of foreign direct investment (FDI) and trade generation in selected regions.

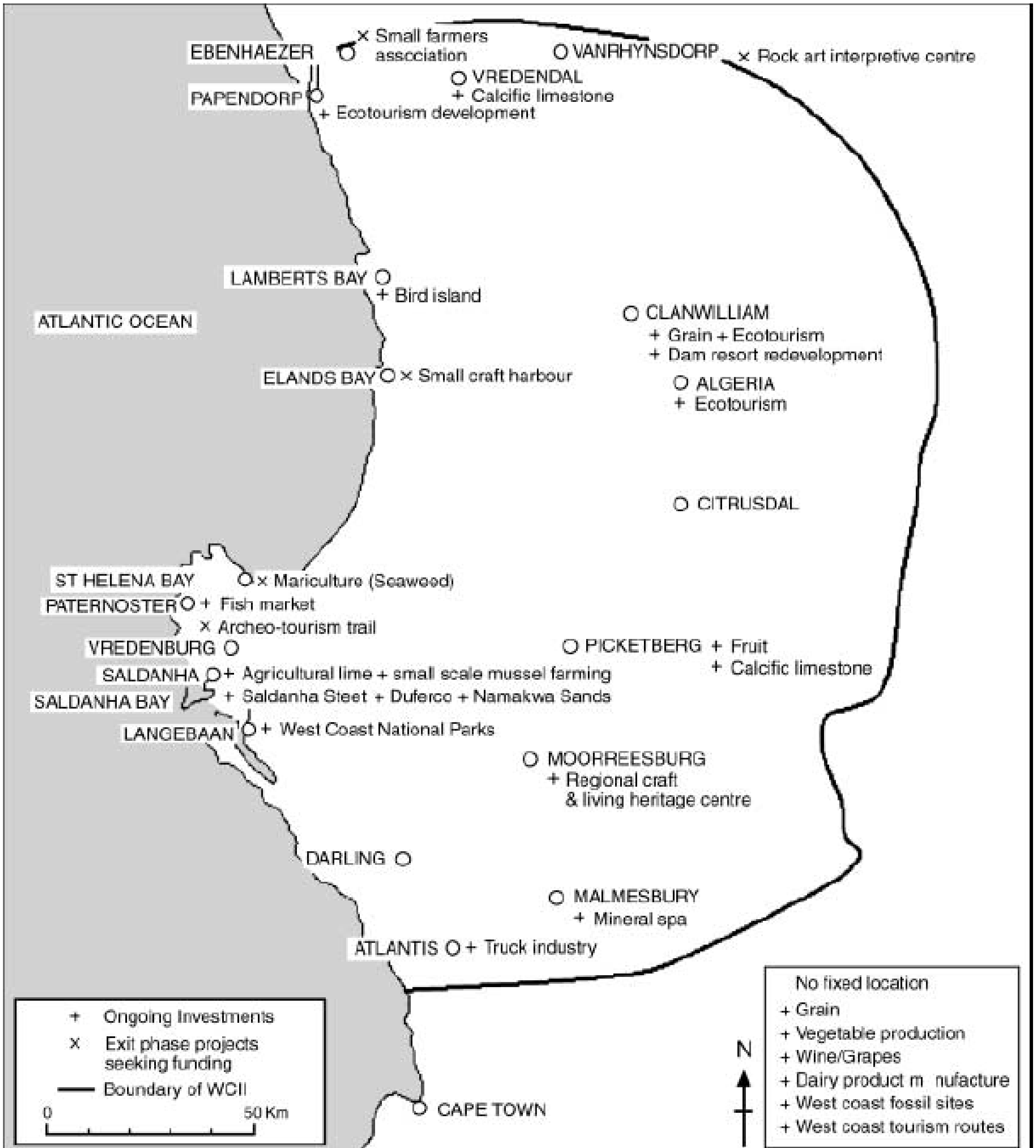
In launching the SDI strategy, the South African Government stated that human and financial resources were to be focused on regions with the potential to connect with global markets through the development of strategic corridors and clusters (Jourdan 1998; Jourdan et al. 1997). Once these areas had become selfsustaining, attention would then be redirected towards less well-endowed areas (DTI 1998, 2000). The SDI programme has been administered at the national level by the Department of Trade and Industry's (DTI) 'Special Projects Directorate', the Department of Transport and the Development Bank of Southern Africa (DBSA). SDI's status as a supporting pillar of GEAR reflects the South African Government's faith in the neoliberal ideology, and as such can be 'understood as an element in South African responses to globalisation and represents a further variant of essentially "top-down" spatial planning' (Rogerson 2002, p. 38). The SDI formula focused upon the stimulation of inward investment in economic sectors with the potential to earn foreign exchange through exports, thus generating economic growth, which, via 'trickle down', would stimulate development – in theory, at least (Söderbaum & Taylor 2001).

SDIs have also been conceptualised as short-term, fast track interventions acting as catalysts for long-term growth (Jourdan 1998; Platzky 1998). During the initial 3 to 4 year period of national leadership when an SDI is initiated, a designated project manager works with a small team of staff and consultants in identifying potential projects, seeking investors and facilitating the development of key organisations and institutions on the ground. After this period of time, it is intended that provincial and local government should carry on the work following the implementation of a transitional exit/integration strategy. In this way, an SDI would engender capacity building at a local government level and also facilitate the developmental role of this sphere, since local officials would carry on the delivery of SDI initiated projects and processes.

The West Coast Investment Initiative (WCII) [1]

SDI regions were deemed to possess the potential to fulfil the core objectives of South African industrial policy, which included enhancing investment and exports, particularly in the industrial, tourism and agri-processing sectors. In order to facilitate trade, the majority of SDIs formed coastal development corridors including port facilities and/or incorporate neighbouring countries. One such SDI is the West Coast Investment Initiative (WCII), located on South Africa's Atlantic Coast (see Figure 1), and covering an area of 30,000 hectares, with a population of 300,000. The area's economy is dominated by agricultural production and processing, fishing and fish processing, manufacturing and mineral processing (WCII 1997; Wesgro 2000). At the time of WCII's designation, plans were underway to build a US$800 million steel mill at Saldanha, using iron ore brought along an 861km dedicated mineral line from Sishen in Northern Cape Province (Fitschen 1998). This plant, jointly funded by the national iron and steel company, Iscor and the Industrial Development Corporation (IDC), was initially perceived as the catalyst for the generation of a significant cluster of industrial activity in the region. Part of WCII's remit was to facilitate the process of attracting complementary downstream steel-processing businesses into the region. Thus, the West Coast offered clear potential as a mixed industrial/agri-tourism SDI, and the diversity of economic opportunities available in the region was reflected in the WCII Appraisal Document (1997) prepared for an investor oriented conference in 1998. The region is recognised as being somewhat conservative in outlook politically, and is dominated by Afrikaans-speaking White and Coloured communities, with Africans representing only 4 per cent of the population before the establishment of WCII.

The initial designation of the WCII was a somewhat controversial affair and reflects the institutional contradictions that created a problematic context for regional development in post-apartheid South Africa. The peculiar political makeup of the Western Cape provincial and local government had various impacts upon the SDI process. While the prestigious nature of the SDI programme led to competition between regions to secure an SDI, the situation in Western Cape was complicated by political factors (Budlender & Shapiro 2001). The autonomy of provincial governments had been a sensitive issue since the creation of the new provinces in 1994, and the imposition of SDI from above exacerbated pre-existing tensions. The Democratic Party, the dominant force in the Western Cape legislature at the time, objected to the centralised control system inherent in SDI, which seemingly bypassed provincial and local structures. In particular, there was resistance to the appointment of the national SDI director, because he was identified as being 'too close' to the ANC (Bek & Taylor 2001). IDC documents indicate that the original working title for the project was the 'Saldanha SDI' (IDC 1997), but the title 'West Coast Investment Initiative' ultimately emerged as a compromise, suggesting a certain ambiguity about the precise locus of power within the delivery of the SDI. Ironically, there was resistance to the designation of an SDI within the Western Cape from certain national politicians and other provinces, who believed that the Western Cape was already relatively advantaged and had less need for the added stimulus of an SDI than other localities. Such arguments may have a basis in egalitarian thinking, but were perhaps more motivated by political desires to keep the non-ANC run Western Cape in its place. At the local level, there existed very strong support for the SDI initiative, despite the depth of anti-ANC feeling then prevailing within the West Coast. As will be shown later, political sensitivities operating at a range of scales significantly complicated the regional development process. However, programmes such as SDI have acted as media through which more constructive political relations can be established, albeit following periods of confrontation and non-co-operation.



Sources: (1) WCII Integration Document (June 2000), (2) <www.spicey.co.za/projcopy.nsf>.

Figure 1. *Locations of active investment projects in the West Coast Investment Initiative.*

Focusing on the ‘process side’

At the initiation of the SDI process, it was believed that constraints on rapid economic development existed on the West Coast. According to a series of confidential interviews which were undertaken with key informants in the region, these took the form of a general lack of entrepreneurial culture within the non-White component of the West Coast population, and the lack of an effective growth coalition among local institutions to facilitate development. The West Coast region has been typified variously as ‘parochial’, ‘complacent’, ‘insular’, ‘local elite dominated’, ‘anti-investment’ and suffering from a ‘small town mentality’. Narrow perspectives built upon a history of physical isolation and an economy of ‘fish, flowers and farms’ prevent locals from tapping into new opportunities such as cultural tourism. A number of respondents referred to a lack of entrepreneurial dynamics among the Black community, with some people citing the existence of ‘cultures of entitlement’; while others believed that the seasonality of the fishing industry produced a ‘live for today’ approach to life. Other informants reflected upon the long-term effects of South Africa’s apartheid history, which has created a society in which Black people constructed a negative self-image, whereby they were destined to be labourers rather than entrepreneurs. It is certainly the case that opportunities for Black people were severely restricted during the apartheid era, and as a result basic business knowledge and skills are severely lacking within Black communities.

INVESTMENT OUTCOMES IN THE WEST COAST INVESTMENT INITIATIVE

The SDI website indicated that 20 investment projects within the West Coast region could be considered as operational by the time the SDI entered its integration phase during 2000 (Figure 1 illustrates the spatial distribution of the projects). Approximately US$2 billion was invested in these projects and it is estimated that direct job creation exceeded 2000. Table 1 compares the investment outcomes of five SDIs. On the basis of the available data WCII can be judged one of the more successful SDIs, although it should be acknowledged that the precise role of the SDI process in facilitating these investments has been a matter of some debate. More detailed examinations of SDI investment outcomes can be found in Rogerson (2002), Crush & Rogerson (2001), Söderbaum & Taylor (2001).

Table 1 *Investment rates and projected economic outcomes.*

SDI Name	No. of potential projects	No. of projects operating	Percentage of potential projects operating	Fixed capital attracted $US	Jobs (min)	Jobs (max)	Investment required per job
Fish River SDI	196	25	13	824,836,000	523	523	1,577,124
Lubombo Initiative	160	0	0	n/a	0	0	n/a
Maputo Corridor	165	16	10	31,475,000	359	359	87,674
WCII	106	20	19	2,214,900,000	1944	4845.5	457,105
Wild Coast SDI	10	1	10	12,000,000	500	500 (+)	24,000
Total	637	62	10	3,083,211,000	3326	6227.5	495,096

Sources: www.spicey.co.za/projcopy.nsf and (DTI 2001).

Note: It should be noted that actual or estimated figures for employment and capital investment were not provided for all named projects within the database cited. Therefore, the apparent success of an SDI in creating jobs and attracting investment is something of a hostage to the availability of data.

Individual projects attracting investment within WCII during the Investor Conference phase included: Duferco, a joint venture between a Swiss company and the parastatal Industrial Development Corporation (IDC), a tourism resort development at Clanwilliam and the West Coast National Park. The only significant foreign investment was Duferco. The majority of projects have come to fruition as a result of domestic investment. Financial backing from parastatals has been important for some of the larger projects, while some smaller tourism-based projects have received state support. Several projects have emerged following WCII’s integration process. These include: the Paternoster fish market, rooibos tea production at Wupperthal, near Clanwilliam and small-scale mussel farming in Saldanha Bay. The development of such projects has been facilitated in part by the prior groundwork carried out by WCII personnel and their appointed consultants.

Box 1

The area's economy has been dominated by small groups of (usually) White business people, who have exercised a stranglehold on business development and have tended to influence local policy making. Innovation and competition have tended to be discouraged, and at the time WCII was conceived, it was evident that institutional capacity within the West Coast was limited. A variety of institutional constraints existed within the West Coast, including the impacts of long-standing political enmities that prevented effective co-ordination between policy delivery and development. In addition, the lack of an effective growth coalition between local public and private sector organisations needed to be rectified. In sum, there was an absence of the key indicators that comprise a positive institutional environment, namely: the existence of dominant 'rogue behaviour', a lack of trust and reciprocity, an absence of a sense of 'common project' and a narrow range of institutional actors (Henry & Pinch 2001). Overcoming such a range of constraints was to be a significant challenge for WCII planners.

In February 1998, a major Investors' conference was held in Saldanha, to present the 120 projects that had been identified. The event was attended by more than 500 people, including National Finance Minister Trevor Manuel and President Nelson Mandela, who later gave the keynote address, in which he stated, 'the spatial initiatives are stations for boarding the Development Train – now is the time to catch it!' (Bek et al. 2004; Waddell 1998). Success in attracting significant inflows of investment (see Box 1) was limited for a number of reasons, including the impact of the ongoing South East Asian financial crisis, which rendered investors wary of emerging markets. Following the 1998 conference, planners switched the emphasis towards smaller scale and locally-based 'achievable' projects. At this point, the WCII 'exit strategy' was implemented, with the intention of creating the necessary preconditions for the integration of WCII economic development activities into local and provincial departments. Exit strategy projects were qualitatively different in emphasis to the investors' conference phase, as they were predicated upon a more bottom-up approach to the stimulus of economic development. Thus, community involvement and the input of catalytic state funds featured more predominantly than in the investors' conference phase. The impact of demonstration effects within communities, the public sector and the private sector, were seen as paramount.

It was felt that people's eyes needed to be opened to the 'bigger picture' – in other words since the demise of apartheid and its associated isolation, the West Coast was now free to tap into significant international opportunities by developing its inherent resources. Mindset changing within the institutions of the West Coast was integral to the process from the very inception of WCII. One former WCII employee commented, 'there have been serious dividends on the process side'. Informants regularly referred to the catalytic benefits of the WCII process, which resulted in 'mindset' and 'paradigm' shifts among the general populace and institutional actors of the West Coast. Local people were encouraged to realise that development was in their own hands and that progress could only be achieved through co-operation and trust. The intention was to bring together local people from different backgrounds (public sector, old and new private sector, Black, White, Coloured, male and female) and negotiate progressive strategies.

Building institutional and employment capacity on the West Coast

The WCII strategy was primarily geared towards generating economic activity in the West Coast region, through the establishment of a number of fora and working groups, and by facilitating increased networking between different agencies and institutions. Capacity constraints at the institutional level have posed significant challenges to economic progress in the region. A significant and successful local body established under the aegis of WCII was the Local Economic Development (LED) Forum, which brought together local role players to plan development strategies. WCII supported such developments through rhetoric, finance and human resources. Individual WCII employees were instrumental in driving the LED Forum during the WCII exit phase.

WCII's facilitative role was pivotal in the creation of these initiatives and institutions. The ability of a single agency to take a regional perspective and pull together key actors in a non-politicised manner was seen as essential to the success of such programmes. The establishment of nine sectoral working groups, which identified potential economic projects for the investors' conference, was perceived as something of a masterstroke in terms of pulling diverse actors together. Some observers felt that the existence of WCII also intensified the growth coalition that had existed prior to 1997 (Budlender & Shapiro 2001). On the negative side, the relationship between WCII and the provincial investment agency Wesgro was not always constructive. The project manager perceived that a difference in approach to investment, proactive on the part of WCII, reactive on the part of Wesgro, was the main source of conflict (Budlender & Shapiro 2001).

WCII was also actively involved in lobbying for improvements to the educational and training infrastructure available to the West Coast population. The project manager realised that industrial location decisions made by investors would be partly governed by the availability of a suitable labour force. Key priorities, therefore, were the establishment of an education, training and employment (ETE) working group, a local skills audit, and much lobbying was undertaken in favour of upgrading the West Coast educational infrastructure. According to Budlender & Shapiro (2001, p. 16), 'if the WCII had not focused seriously on skills, it would have amounted to attracting investment under false pretences and without giving them the real picture'. However, there was resistance from the national Department of Trade and Industry, which did not appreciate that the development of social infrastructure and human resources was part of the SDI remit (Budlender & Shapiro 2001). It seems extraordinary that a major national investment programme had been launched without due consideration being given to all necessary prerequisites when preparing the regions for investment flows (see Rogerson 2004) for a discussion of similar issues in the context of the Province-driven SDI in Gauteng).

The creation of business development centres is a crucial step in facilitating small business growth in a region. WCII established the West Coast Business Development Centre (WCBDC) in Saldanha during February 1998, since then it has gained a strong reputation throughout South Africa. The Centre has acted as a crucial nexus between the corporate organisations of Saldanha Bay's industrial and fish processing clusters and the embryonic small and microenterprise (SME) sectors. Representatives from successful local SMEs, particularly so-called Black economic empowerment (BEE) enterprises, have consistently stressed the importance of the WCBDC in facilitating access to relevant training, finance, tenders and business advice. Major sources of initial funding included the state funded body Ntsika, WCII, DTI and the West Coast Peninsula Transitional Council. As the Centre has become established, so new funding sources have been identified such as the NGO Nation's Trust and Standard Bank. In addition, significant contributions have been received from the Saldanha Port Authority and local corporations. WCBDC has a broad remit, offering a range of services to local business, while also 'thickening' local and provincial networks.

The efforts of WCII were constrained by various party political conflicts that were exposed by the SDI framework. Working through these constraints, and forcing individuals and political parties to confront the broader needs of the region, was an integral element of the SDI process in the West Coast. Tensions surfaced between the WCII technical team and certain individuals in provincial government, largely due to the political polarisation in the West Coast. At one end of the spectrum was the largely Afrikaans-speaking, mostly White, entrenched power bloc of landowners and farmers, whose political sympathies lay within the National Party (NP), or even further to the right. At the other end of the spectrum, was the much more populous Coloured community, the majority of whom eke out a living as labourers. Some of those in powerful positions undoubtedly perceived the SDI's aim of changing the ownership base of the region's economy as a threat to their interests. National–provincial tensions also affected the local SDI process, with claims that some of the provincial departments did not really know what was going on. Such tensions were observable at a local level between the NP and the ANC in the Western Cape, with suggestions that provincial NP leaders tried to block the progress of WCII through various obstructive acts. For example, threats were made to withdraw from consultation processes, and vigorous complaints were lodged about the perceived political allegiances of WCII working group members.

Political power struggles undoubtedly caused much stress for those endeavouring to deliver the Western Cape SDI programme, and indeed the process was very nearly derailed. However, the process of working through these tensions, which were inevitable in the aftermath of apartheid, and bringing antagonistic parties to the table, was crucial in re-configuring the Western Cape's institutional environment. WCII acted as a crucial conduit through which tensions could be negotiated and some form of positive compromise reached, thus paving the way for more constructive relations in the future.

While the SDI programme has undoubtedly promoted increased interaction between local, provincial and national levels of government, policy strategies emanating from one department have, at times, been undermined by weaknesses and inconsistencies that existed within supposedly complementary areas of government. For example, the construction of a fish market in the coastal village of Paternoster was funded through the Local Economic Development Fund and the Poverty Relief Fund and supported by the local Saldanha Bay municipality. Yet the Ministry of Environmental Affairs and Tourism subsequently refused to award fishing quotas to fisher folk in the village, so the fish market is severely underused. Policy inconsistencies and power struggles between different spheres of government have also been perceived as stumbling blocks hindering the progress of the Gauteng SDI (Rogerson 2004).

In the contemporary policy environment that favours public–-private partnerships, it is imperative that government officials, and indeed would-be entrepreneurs, gain experience ofthe 'mores' and 'rules of engagement' of the private sector. IDC representatives noted that a significant dividend from the SDI programme had been the bringing together of public and private sectors, a point that was corroborated by actors on the West Coast. The WCII programme produced opportunities for exposure to the private sector, thus easing local and provincial officials through the learning curve. Importantly, planners are becoming increasingly aware of the centrality of market-led demand to the potential success of any business project. In the initial phase of WCII, there tended to be a naïve assumption that the ability to supply a product or service would be sufficient to generate a market.

The integration phase of WCII technically came to an end during 2000. By this time, the delivery of economic projects was being coordinated from the Provincial Department of Economic Affairs, Agriculture and Tourism where the project manager had taken up a senior post. Local government and a series of other state, non-governmental, private sector and community agencies were involved in planning and delivering various economic-based projects within the West Coast region. During 2000 and 2001 there were many claims that the local SDI process had been 'catalytic', and had thickened local institutional networks in ways that would facilitate the further growth and development of the region.

As WCII scaled down its formal involvement within the West Coast, so the onus fell increasingly upon local actors to provide the momentum for sustaining various bodies. In the case of the LED Forum, problems set in soon after the leadership of a

WCII fieldworker was lost, and the forum faded away. The success of WCII's small team of fieldworkers led local councillors to the realisation that it would be appropriate to appoint an officer to manage and direct economic activity. However, local councils underwent a massive spatial and structural reorganisation following the elections in December 2000, and the changes in personnel and their responsibilities led to a slow down in decision-making concerning issues such as LED. Local councils had been handed a mandate to take charge of LED, and each council was required to produce an integrated development plan indicating how LED was to be delivered.

In some councils, significant changes in personnel occurred, as obstructive members of the 'old guard' were sidelined or retired. However, such individuals often had most knowledge of the SDI process. Indeed, it has been reported that some individuals had subtly manipulated the access of colleagues to WCII structures and information, in order to consolidate their own control over the process. The net outcome was to reduce the level of beneficial social capital existing within such municipalities in the aftermath of WCII's integration. One local planner later observed that the withdrawal of direct input from WCII had 'incapacitated the municipality and created an institutional vacuum', as few sustainable structures remained that would survive the process of municipal transition.

By 2003, the newly established Saldanha Bay municipality had completed its internal reorganisation process and the concept of a major industrial zone for the Saldanha Bay area reemerged in municipality plans. While a series of schemes had been touted in past decades, each had been stymied by a combination of infrastructural and institutional constraints. Thus, the region currently possesses a vastly under-utilised port facility and a small cluster of heavy industry based around Saldanha Steel. Efforts to facilitate local downstreaming activity and multipliers have been limited, and the modern steel plant therefore operates with only loose economic connections to the locality (Fitschen 1998). In the late 1990s an industrial development zone (IDZ) had been planned as part of the SDI programme. However, this process was stalled when national government gave priority to an IDZ development at Coega, near Port Elizabeth, in the ANC stronghold of the Eastern Cape. The Western Cape provincial government was keen to learn from the Coega experience before proceeding with establishing structures necessary to drive an IDZ at Saldanha Bay. Significant shifts in global geopolitics are seen as favouring Saldanha Bay, notably the desire of the US Government to reduce dependency on Middle Eastern energy resources has stimulated considerable interest in oil and gas reserves known to exist off the western coast of Africa (Stanford et al. 2004). The port at Saldanha has the potential to act as the major oil industry servicing site for the entire western African coast. Furthermore, the decision by the National Party to form an alliance with the ANC has significantly altered the political landscape of the Western Cape. In the April 2004 elections the ANC gained control of the province, and as a result has cast a more benevolent eye towards the resource needs of the province. The ANC victory was welcomed with a sense of relief among many pro-investment entrepreneurs in the West Coast, even those whose historical allegiances lay elsewhere.

In a relatively short period of time, these major shifts in geopolitics and national policy have radically altered the context within which the West Coast regional economy now operates. During 2003 the Saldanha Bay municipality took a number of steps to put institutional structures in place that would facilitate investment. These included drawing upon the expertise of the provincial investment agency, Wesgro, and a firm of private consultants, to undertake both a SWOT analysis of the local economic infrastructure and a wide-ranging consultation exercise with local interest groups, including private and community bodies (Saldanha Bay Municipality 2003). Local pro-investment groups have developed in the Saldanha Bay region, such as the Saldanha Bay Economic Development Corporation, which formed as an offshoot of the Chamber of Commerce (Clemitson 2004). The IDC and the Development Bank of Southern Africa (DBSA) have indicated their willingness to commit significant funding to the establishment of a 'one stop shop' development agency in the region headed by an individual charged to promote the interests of the region.

Moves to generate significant industrial investment in the region are gaining momentum. The establishment of a development agency, aligned to growing international recognition of the region's potential, is the strongest indication that economic take-off is a genuine possibility. A growth coalition appears to be forming in the region between state and private sector actors. The legacy of WCII seems important here, not so much in terms of institutional structures that were established, but more in terms of instituting a process of putting the region 'on the map', opening the eyes of entrepreneurs and state bodies to the region's economic potential and bringing various actors together into loose networks. The constraints faced by WCII have acted as important lessons for current institutional actors.

However, various significant constraints that undermined WCII's endeavours remain in place. One major challenge confronting the municipality is to find ways of overcoming the short-term interests of landowners, in order to unlock the development potential of the area. Fragmented patterns of land ownership within the area designated for industrial development are presently acting as a significant constraint upon development. When development plans were touted in the past, speculators and governmental and quasi-governmental agencies, such as the South African Ports Authority and Iscor, bought many parcels of land. Anecdotal evidence suggests that significant investment opportunities have been lost in recent years as overseas investors have been unable to negotiate access to key tracts of land. In addition, attention needs to be paid to upgrading the physical and social infrastructure of the region in order to create an environment conducive to investment. For example, there is a significant shortage of trained engineers. Overall, however, it is clear that the region is undergoing a faltering, yet generally upward, trajectory of increased institutional activity in terms of creating an environment conducive for major industrial investment.

Community-based development

Endeavours to facilitate major industrial development in the Saldanha Bay area have been based around generating institutional links between public and private sector agencies. Other economic endeavours, some of which were identified as part of the WCII exit strategy, have been ongoing and involve a broad range of actors. Projects involving tourism, mariculture and agriculture are now functioning within the West Coast region. A number of these have received varying degrees of financial and human resource support from the state, while others have received cash inputs and benefits in kind, such as training and mentorship, from NGOs. All the projects contain a BEE focus, particularly in terms of involving previously disadvantaged communities. Many observers believe that the key to initiating socio-economic upliftment within South Africa lies in finding ways to facilitate economic activity at a local level. Experiences in this regard have been mixed within the West Coast and economic outcomes from these projects have been variable. Some initiatives, such as Madiza mussel producers in Saldanha Bay and the Rooibos (red bush) Tea Project in Wupperthal are meeting their growing market needs via effective business models, and the individuals and communities involved are beginning to see significant benefits. A series of fishing-related projects, initiated by women's groups, have also been gaining momentum (Yeld 2003). But other projects are struggling to generate the level of expected business, such as the Paternoster fish market, where despite large injections of state funds, it has proven a real struggle to facilitate community engagement. Whatever the economic outcomes, the processes involved in bringing these projects to fruition are very important at this stage of the regional economic trajectory. Importantly, demonstration effects have been evident in leading to the development of other projects. The initiatives labelled as economic 'failures' also offer important lessons, indeed learning not to fear failure is seen by some advisors as a key process in itself. The experience gained by individuals and organisations is considered as part of a long-term process of developing capacity within the region to initiate successful economic projects. Evidence suggests that the local authority has gained useful experience in working with communities, provincial government and the private sector. 'Mindset shifting' was a core element of the project for all parties, while party political tensions were eased through a process of constructive engagement. Importantly, the rather 'narrow' networks facilitated through WCII, which somewhat controversially tended to bypass community and NGO bodies, are now being extended. In particular, a range of provincial and national NGOs have been brought on board to provide expertise and funding. Various West Coast and provincial bodies are learning the limits of their powers and expertise, and are also learning what to expect from other institutional actors. Capacity building is undoubtedly being developed within the region.

Conclusion

It is clear that the SDI process on the West Coast brought a number of advantages to the region in terms of helping to upgrade the local institutional infrastructure. Networks of diverse actors have been drawn together and the density of multi-scalar institutional activities has increased substantially. Importantly, the SDI process has acted as a key conduit for working through the tensions emanating from the nation's divided political history.

While some tensions still prevail, there are signs that more progressive actors are starting to control developmental processes in the region. Awareness of the region's economic potential has been increased and the resolve of dynamic, outward looking private sector actors has been hardened. While claims that the local institutional setting has improved substantially in recent years have some veracity, it must be noted that the reported beneficial catalytic effects are yet to be associated with a step change in the region's density and quality of economic activity. As Amin & Thrift (1994) have pointed out, the thickening of local institutions is not in itself sufficient to trigger or sustain growth. The processes at work are considerably more subtle than that. In this sense, it is perhaps premature to make definitive declarations about the development of decisive forms of institutional thickness, or the existence of untraded interdependencies. However, careful tracking of the region's economic progress in the coming decade is likely to prove highly instructive for theoreticians with an interest in institutional development. Concepts associated with the institutionalist paradigm have tended to emerge from analysis of established regions. Close interrogation of such ideas within a nascent region such as the West Coast, may offer the opportunity to re-evaluate their utility and meaning, which has been questioned by some academics (see Markusen 2003).

It is beyond the scope of this paper to evaluate the conceptual underpinnings of terminology associated with contemporary forms of regional political economy. However, it is pertinent in this context to further debate triggered by the critiques of 'New Regionalist' discourse. Specifically, questions have to be asked about the ability of such strategies to effect socio-economic transformation, which is such an imperative in a nation with South Africa's stark socio-economic disparities. The 'New Regionalism' has presented a particularly persuasive narrative for diverse policy-makers in recent years, seemingly offering an alternative Third Way beyond Keynesian supply-led growth and neoliberal market-led growth. Critical reviews of the 'New Regionalist' approach targeted at the regional development experience in the developed world, present a number of salutary points that resonate within the South African context. Mainstream expositions emanating from proponents of 'New Regionalism' focus almost exclusively upon beneficial outcomes quantified in terms of economic growth.

Critics, however, argue that the socio-spatial impacts of such growth often lack genuine transformative outcomes. As O'Hearn (1999) and Lovering (1999) have pointed out, very different stories of the Irish 'Celtic Tiger' and the Welsh

‘Intelligent Region’ can be told if one scratches beneath the veneer of triumphalist accounts of regional success. Even in such cases where some degree of economic success has clearly been attained, it is not hard to find places and people who have been bypassed. As Lovering points out, there exists a tendency to confuse ‘development in a region with the development of a region’. Such concerns resonate with the West Coast’s recent experiences of growth. The embryonic industrial cluster based around Saldanha Steel has brought investment of more than US$1 billion to the area, yet the beneficial impacts upon the locality to date are at best questionable (Budlender & Shapiro 2001; Cochrane 1999; Fitschen 1998). Few downstream multipliers have been generated and total full-time employment within the cluster is relatively low. Significant employment has been created and entrepreneurship stimulated through the outsourcing of on-site services, but the insecurity of contracts and low remuneration rates are a source of local controversy (Bek & Taylor 2001). When these factors are considered in the context of the socio-economic legacies of apartheid, it becomes clear that transformation processes are hardly being fast-tracked. Members of previously disadvantaged communities are for the most part involved in low paid, unskilled and semi-skilled positions. Such accounts are hardly atypical in the contemporary flexible global economy. However, the historical factors that delineate the present division of labour in South Africa are primarily the legacy of apartheid.

The tourism industry, which is perceived as a major potential contributor to economic growth in the region, is equally open to critical interrogation. While the West Coast clearly has potential for substantial increases in visitor inflows, tough questions have to be asked about how links may be made between increased tourism and reductions in socio-economic disparities. At present, the local tourism industry rests almost exclusively in the hands of the White population, who possess the necessary social and financial capital to succeed. Creating meaningful opportunities for the previously disadvantaged is proving to be very difficult. Tourism the world over is associated with marked class-based disparities between elites and the service class, and the enduring nature of poverty in many of the world’s major tourist destinations is hardly encouraging. The structural character of such phenomena is a real concern, and questions have to be raised in terms of how meaningful opportunities may be created for disadvantaged individuals and communities. Signals from the West Coast to date are mixed. For example, despite large injections of state funds and human resources, it is proving difficult to disseminate significant benefits to the local people in the coastal village of Paternoster where rocketing real estate values are engendering greater alienation and disaffection.

These are salutary thoughts that must be taken on board by policy-makers and their advisers if South Africa is to take significant strides in overcoming its remarkable levels of socio-economic disparity. Although highly creditable levels of macroeconomic stability have been attained within South Africa, the reality is that economic growth has remained restricted throughout the first decade of democracy, with growth rates that are rather sluggish when compared to other emerging nations[2]. For many observers, such problems are hardly surprising in the context of South Africa’s strict adherence to neoliberal economic orthodoxy, and the concomitant belief that the imposition of the correct macroeconomic fundamentals will be sufficient to trigger sustained growth and socio-economic upliftment (Bond 2000; Lester et al. 2000). The problems faced by the SDI programme in attracting and sustaining investment flows have been indicative of the flaws of such an approach. Even in cases such as the West Coast, where SDI methodology has been broadened to consider the institutional environment, a series of constraints remain, both in terms of triggering significant growth and in effecting socio-economic transformation.

Lovering (1999) has shown that policies based on the tenets of the ‘New Regionalism’ are in reality consistent with the neoliberal paradigm, and as such are relatively unlikely to be successful as prescriptions for sustained growth and socio-economic transformation. Some observers have expressed concern that South African planners and policy-makers have thus far been overly susceptible to the overtures of ‘New Regionalist’ boosterism and have tended not to cast a critical eye over the offerings of international consultants. However, the ANC Government faces a growing imperative to effect socio-economic upliftment for the majority of the nation’s population. As one informant observed, the first decade of South African democracy witnessed a remarkable legislative and political transformation, the logical next step is to effect economic transformation and this will be the true test of the ANC government. Legislation designed to promote Black economic empowerment in various forms is continually being refined and implemented by national government and there is no doubting the rhetorical commitment of many politicians and officials to the process of transformation. As we have seen in South Africa’s West Coast region, genuine efforts to draw SDI actors into developing institutional networks are being made by state and non-governmental agencies. The key questions seem to be, whether these efforts can be translated into something meaningful in socio-economic terms, and, if this is successful, what does this actually tell us about strategies for implementing regional growth strategies in South Africa and elsewhere?

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Notes

[1]. The information presented here is based upon three phases of fieldwork conducted in the Western Cape. The first visit occurred between August 2000 and April 2001, the second in March/April 2004, the third in June/July 2004. Key primary sources included national, provincial and local government representatives and officials, individuals within corporations, small businesses, parastatals, NGOs, CBOs, consultants, and academics. In light of the politically and commercially sensitive nature of the information conveyed it has been decided to protect the identity of respondents.

[2]. According to an Economist survey, South Africa ranked 22 out of 25 emerging nations in terms of GDP growth during 2003/4 (The Economist 29 May 2004, p. 102).

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