

SALDANHA BAY INDUSTRIAL DEVELOPMENT ZONE: CO-ORDINATION AS A
DETERMINING FACTOR OF OPPORTUNITY LOST OR GAMECHANGER

by

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ABSTRACT

As a fledgling democracy, South Africa has had to contend with a slowing economy that has been accompanied by increasing unemployment. The Industrial Development Zone (IDZ) is one of the policy instruments used by the South African government in an attempt to overcome these challenges. This research study takes a closer look at this policy instrument within the specific context of the Saldanha Bay IDZ. Saldanha Bay is an operating port on the West Coast of South Africa which, after a series of feasibility studies, has been deemed a suitable location to establish a services hub for upstream oil and gas activities. Its competitive advantages are *inter alia* a naturally deep port and close proximity to Cape Town.

This study seeks to construct a rich narrative that unravels key activities that emerged from the project's conceptual phase through to its implementation phase. This is a period of a little less than two decades stretching from around 1999 to 2016. In linking this narrative to a timeline, this dissertation explores three central issues. The first is whether the Saldanha Bay IDZ presents a commercially viable option for investors. Secondly, it explores whether the public sector has been able to establish the necessary enabling environment required for project success. Finally, it seeks to determine the factors that influenced the speed of project delivery.

This narrative is built by having conversations with key stakeholders from both the private and public sectors who have had an involvement with the project for a considerable amount of time. The intention is to extract lessons from their journey and use these learnings as a basis to improve stakeholder co-ordination in this and other projects characterised by multiple actor and principal relationships.

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KEYWORDS AND PHRASES

Co-ordination

Economic growth

Environmental threat

Foreign direct investment

Governance

Incentives

Industrial Development Zone

Integrated planning

Investor opportunity

Job creation

Policy instrument

Special Economic Zone

Upstream oil and gas sector

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LIST OF ABBREVIATIONS

ANC	African National Congress
bn	billion
bpd	barrels per day
CEO	Chief Executive Officer
COGSI	Cape Oil and Gas Supply Initiative
DEDT	Department of Economic Development and Tourism
dti	Department of Trade and Industry
EDP	Economic Development Partnership
FDI	Foreign Direct Investment
FIFA	Fédération Internationale de Football Association ¹
LiCo	Licencing Company
HoD	Head of Department
IDC	Industrial Development Corporation
IDZ	Industrial Development Zone
IMF	International Monetary Fund
IPAP	Industrial Policy Action Plan
KPMG	Klynveld Peat Marwick Goerdeler
MEC	Member of the Executive Committee
NGP	New Growth Path
OPEC	Organisation of the Petroleum Exporting Countries
PICC	Presidential Infrastructure Coordinating Commission
PSG	Provincial Strategic Goal
PwC	PricewaterhouseCoopers
SAOGA	South African Oil and Gas Alliance
SARS	South African Revenue Services
SBIDZ	Saldanha Bay Industrial Development Zone
SBM	Saldanha Bay Municipality
SEZ	Special Economic Zone
SIP	Strategic Infrastructure Plan
SM	Senior Manager
SPV	Special Purpose Vehicle
TNPA	Transnet National Ports Authority
WC	Western Cape

¹ This French name and acronym are used even outside French-speaking countries.

WCG Western Cape Government
WCIP West Coast Industrial Plan
Wesgro Western Cape Destination Marketing, Trade and Investment Promotion Agency

CHAPTER 1 BACKGROUND AND STRUCTURE OF THE RESEARCH STUDY

“It is a new beginning for the region,” said South Africa’s President Jacob Zuma when he opened Saldanha’s new Industrial Development Zone during November. It’s a message that the people of Saldanha have heard before along with the promises of increased employment and economic development. It’s a message that came with the arrival of Saldanha Steel and led to riots at the plant when expectations were not met (Jacka & Saunders, 2014).”

1.1 INTRODUCTION

South Africa, it may be argued, has made a relatively successful transition from being an apartheid state to being a young democracy that celebrated the twentieth year of its existence in 2014. Despite being able to address many broad challenges, such as increasing the levels of integration with African and other global economies, there are two key issues that South African policy makers have been unable to dismantle and advance, despite these issues remaining high on the government’s agenda. High unemployment and relatively low economic growth have been the stark negatives on a national report card that has shown remarkable progress in critical areas such as governance and also strengthening the social safety net for South Africa’s indigent and vulnerable citizens. More recently, the local economic situation has been exacerbated by a global financial crisis that saw the emergence of a widespread economic recession from around 2008. The fact that these economic shocks were not immediately as severe within the local context could be partially attributed to the country being temporarily insulated by the uncharacteristically high infrastructure expenditure stemming from the implementation of plans related to hosting the 2010 Fédération Internationale de Football Association (FIFA) Football World Cup. Notwithstanding this factor, indirect impacts of this recession have been omnipresent.

Since 1994, various programmes and policies introduced by the South African Government to accelerate economic growth are thought to have been met with mixed success. The fledgling democracy has witnessed the introduction of inter alia the Reconstruction and Development Programme, the Growth, Employment and Redistribution strategy, the Accelerated Shared Growth Initiative of South Africa and most recently the New Growth Path (NGP)². There has also been the stark recognition that the manufacturing sector of the South African economy was under increasing threat as a result of factors such as cheaper imports of ready-made items from countries such as China; this situation has prompted the emergence of policies, such as the Industrial Policy Action Plan

² The NGP seeks to create additional jobs by transforming the South African economy through performance improvements with respect to labour absorption, composition and the rate of growth (Wesgro, 2011).

(IPAP)³, which are intended to reinvigorate the economy. Despite a forward-thinking policy environment, shifts from policy to practice could be deemed to be neither seamless nor speedy across all spheres of government.

A significant part of recent South African macroeconomic policy has been geared to attract Foreign Direct Investment (FDI) using various policy instruments to catalyse growth; the Industrial Development Zone (IDZ)⁴ has been one of these instruments. This paper seeks to explore the evolution of this policy instrument generally and then whether, within the context of the Saldanha Bay Industrial Development Zone (SBIDZ)⁵ in particular, the enabling environment that government is providing is a sufficiently attractive value proposition for especially foreign investors seeking business opportunities within a rapidly-changing and competitive global economic setting.

1.2 BACKGROUND

Membership of, and also active participation in, the international economy presents policy makers in developed and developing economies with a constant series of puzzles that often require complex solutions to ensure that growth targets are met. A vexing consideration for many policy makers is to determine the degree of state intervention required to accelerate the economy in a sustainable manner. There are varying schools of thought as to how this question should be addressed and there is no one-size-fits-all approach that can easily be used as a standard policy response in a plethora of situations. However, despite the bespoke analytical depth required to tailor a response for a specific context, clearly distinguishable fundamental principles should guide such a policy development process. Many developing economies attempt to build their economic policy around generating exports and attracting foreign investment. The past 50 years or so has seen many of these economies increasingly utilising Special Economic Zones (SEZs) as policy instruments to meet these policy objectives (Kituyi, 2013). More recently, the South African Government has also recognised the potential value of these instruments and there has been progress with both SEZ-related policy development and project implementation.

As a policy instrument the SEZ has had mixed success globally but appears to have been less effective in Africa, even though there are notable exceptions such as Mauritius (Woolfrey, 2013). The SBIDZ was designated on 31 October 2013 and by all accounts there were several factors that suggested it

³ IPAP seeks to alter the industrial trajectory by a scope shift from manufacturing traditional commodities to manufacturing high value-added products (Nyakabawo, 2014 & Wesgro, 2011).

⁴ The IDZ Programme was gazetted in 1999 as an incentive programme under the Manufacturing Development Act no. 187 of 1993 (Wesgro, 2011).

⁵ The SBIDZ is a joint initiative of the Department of Trade & Industry (the dti), the Western Cape Government's Department of Economic Development and Tourism (DEDT), the Western Cape Destination Marketing, Trade and Investment Promotion Agency (WESGRO), and the Saldanha Bay Municipality (SBM).

had the potential to mimic the successful SEZs internationally. The intention with the SBIDZ was to respond to an opportunity in the upstream oil and gas sector. At the point of designation, the SBIDZ was considered to hold a clear competitive advantage over other African centres who sought to set up service hubs for the offshore oil sector. However as time elapses and progress remains limited, there is a significant possibility that the advantage will be eroded. The recent downward trend of the oil price also stands to negatively impact on earlier economic projections emanating from the various SBIDZ feasibility studies.

1.3 RESEARCH PROBLEM

For this researcher, an interest for this study developed as a result of professional interaction with rural municipalities in the Western Cape whilst working on a range of projects seeking both social and economic outcomes. As an official in the employ of the Western Cape Government (WCG) I was always struck by a sense, that as opposed to the City of Cape Town, the opportunities for economic development were considerably less in these outlying areas. The idea of a project that was outside the City of Cape Town, despite remaining intrinsically linked to it, provided a deep fascination and interest. In addition, I sought to understand what would have to be done to ensure that the benefits of such a project actually had a positive impact on the people of Saldanha Bay. Developing this understanding required knowledge of the various actor/principal relationships involved and unravelling why they acted in the way that they did. My interest was further deepened by trying to make sense of the feasibility of servicing the upstream oil and gas sector when as a country; South Africa itself was not a major producer of the commodity.

My professional journey has also seen me serving as a public sector project manager during the 2010 FIFA Football World Cup. Despite accusations of glaring deficits in terms of legacy and collusion with infrastructure projects emerging retrospectively, the month-long event was universally acclaimed a success. With a clear goal, deadline, budget and effective co-ordination, multiple stakeholders - with vastly differing agendas on occasion – were able to integrate efforts and reach a common goal on time. For me, this raised the question as to why the co-ordination model and approach used in this instance could not be replicated and/ or adapted for other situations more often.

Reiterating aspects of Section 1.2 above will allow the problem statement to be clarified. Central to the success of certain SEZ programmes is FDI which has become increasingly difficult to attract in a global climate of economic restraint. The problem statement therefore considers whether local stakeholders are able to package a value proposition, consisting of a range of elements that would make a compelling argument for foreigners and locals to invest in the SBIDZ in a manner that derives considerable benefit for the people of Saldanha Bay.

The quote by President Jacob Zuma prefacing this chapter suggests that whilst the SBIDZ brings with it the potential for economic growth, there are several crucial processes that have to be successfully facilitated and negotiated with multiple principals and actors before any of the intended benefits may be realised. The existing scenario may be viewed as a slippery slope where stakeholders are trying to balance government's economic development intentions with commercial success in a highly contested space. Further pressure emanates from the fact that this transition needs to happen against a backdrop where there is a strong expectation from surrounding communities that through this IDZ, they would be the recipients of direct social and economic gain. This paper seeks to provide a critical overview of this situation by linking it to the thoughts and experiences of other authors on the topic, and also discussions with several SBIDZ stakeholders.

In reviewing the programme of implementing IDZs in South Africa, the public sector has taken cognisance of the relatively slow rate of progress (Chinguno, 2011) and there have been several interventions in an attempt to improve the situation. One such policy intervention has been the drafting of the SEZ Act No. 16 of 2014 as a response to the IDZ policy review that was initiated in 2007 (Davies, 2014). The following were four of the weaknesses identified during this review process:

1. weak governance,
2. lack of IDZ incentives,
3. poor stakeholder co-ordination, and
4. lack of integrated planning (ibid).

The hypothesis for this paper will be drawn from these weaknesses and focus on the third weakness listed and is stated as follows: The Saldanha Bay Industrial Development Zone was impeded by challenges with stakeholder co-ordination. However in challenging or supporting the hypothesis, all four weaknesses will be illuminated and the broader context of the SBIDZ explored.

1.4 RESEARCH OBJECTIVES AND QUESTIONS

Despite recognising that making positive adjustments to the economic landscape is challenging, the research study explores why policy has not been more effectively translated into implementation when job creation and economic growth remain such strategic imperatives for South Africa. Achieving a response to this question will require that history be disentangled to uncover what was slowing down processes and what could have been done differently.

The intention is for this research study to make a contribution to an existing body of knowledge that will serve to improve decision-making processes and co-ordination in projects where multiple-

stakeholder partnerships are integral. As stated in Section 1.3 above, the research deals with co-ordination challenges around the SBIDZ and what the possible factors are that either amplifies or minimises these challenges. In order to refute or support the hypothesis, the following three research questions have been developed:

Question 1:

Is the Saldanha Bay Industrial Development Zone an attractive opportunity for investors that addresses a real business gap on the African continent?

Question 2:

Is the public sector able to mitigate the risks that come with a project of this nature and scale through effective co-ordination?

Question 3:

Are there constraints to accelerate project implementation, and what are they?

These questions emerged from a preparatory exercise prior to commencing the writing of this paper that included engaging two SBIDZ project managers to interrogate their views on certain aspects of the questions identified. The researcher is also moving from the premise that if the project was not commercially feasible then even the most effective co-ordination would not be able rescue the project.

1.5 CONCEPTUAL FRAMEWORK

Essentially the study will address the relationship between opportunity, threat and co-ordination in the context of the SBIDZ. A key determinant of this relationship will be the extent to which the public sector is able to provide an enabling environment in support of the various project elements to ensure that potential threat does not dampen investor demand.

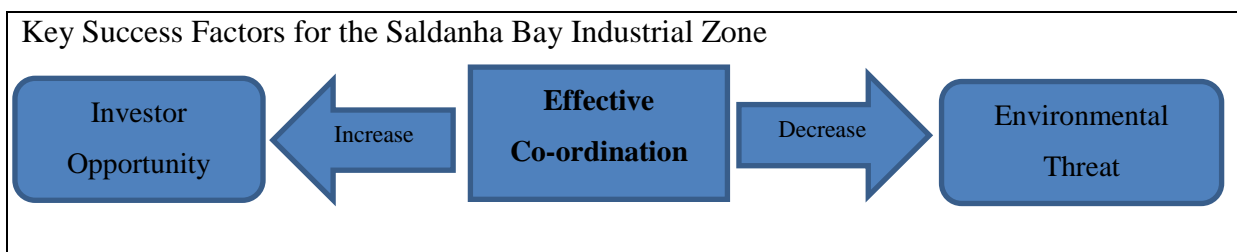


Figure 1: Key Success Factors for the Saldanha Bay Industrial Zone

Figure 1 illustrates the ideal situation where effective co-ordination is able to increase investor opportunity whilst decreasing the environmental threat. This situation is however constantly

challenged by a range of both explicit and implicit influences. The model is straightforward but there are multi-layered issues that reside below the terms “Investor Opportunity” and “Environmental Threat”. These issues are explored in more detail as the research study advances.

1.6 CONCEPT CLARIFICATION

The literature deals predominantly with the term SEZ whilst initially South Africa followed a slightly different route with its IDZ programme. Within the South African context, at times there is a tendency to collapse the terms IDZ and SEZ; however despite certain similarities, there are key differences between the instruments that are illuminated in the table below.

Industrial Development Zones	Special Economic Zones
Purpose-built industrial estates, linked to an international port or airport, specifically designated for new investment in export-oriented industries and related services.	Specially-demarcated geographic areas where some aspect of the business environment, whether the quality of the infrastructure or the regulatory regime, differs from the norms prevailing in the rest of the country.
Source: Adapted from Chinguno (2011)	

Table 1: Towards defining the IDZ and SEZ

These definitions in Table 1 receive further expression in Chapter two of this research study. Building on this, Cheesman (2012) makes an important contention when implying that despite the rapid growth of the number and scope of SEZs globally, a standardised model that will be a guarantor of success in any developmental context does not exist. As intimated previously, within South Africa, IDZs, and subsequently SEZs, have been used as policy instruments in various sectors.

The port of Saldanha Bay has for a long time been seen as key to unlocking the economic potential of the West Coast region (Welman & Ferreira, 2016 & Western Cape Destination Marketing, Trade and Investment Promotion Agency [Wesgro], 2011). After extensive research commissioned by the public sector, Saldanha Bay was identified as a hub for value-adding support to upstream activities in the oil and gas sector. Subsequent to this and after a series of processes framed by the Department of Trade and Industry (dti), Saldanha Bay was accorded the status of an IDZ.

Several factors support the choice of Saldanha Bay as an oil and gas services hub. These include the competitive advantage derived from its geographic profile and also the fact that many global oil companies have offices in nearby Cape Town. However there are locational risks, such as the low

skill levels of locals, which could impede or limit the feasibility of the project. Progress to date has been dependent on the efforts of a range of stakeholders; this paper attempts to analyse whether the extent to which the actions of these stakeholders actually contributed to project progress by mitigating threats, perceived or otherwise.

1.7 DESCRIBING THE SAMPLE

In a large number of research studies the objective is to ensure that the sample is random so as to minimise bias. However in this research study the sampling strategy will deviate from this more traditional approach. A preliminary respondent list was drafted using “*positional and reputational approaches*” to identify key project stakeholders to be engaged (Tansey, 2007: 23). This strategy was limited due to an incomplete knowledge of the setting, the study timeframes and the availability of targeted respondents. In an attempt to counter these limitations, the sampling strategy left room for suitable respondents to be added through chain referral sampling as additional insight was gained as the interview processes unfolded (ibid).

The targeted respondents were senior decision-makers in their organisations and therefore the data collection process may be labelled elite interviews (ibid).

1.8 METHODOLOGICAL CONSIDERATIONS

The data for this research study was sourced from primary and secondary sources using a qualitative approach. Primary data sources were key role players – both public and private sector - in the oil and gas sector and involved using a combination of electronic, telephonic and face-to-face interviews as a blended research instrument.

In order to achieve a clearer understanding of the research context; the study was framed using elements of two qualitative research methodologies. This saw aspects of the process tracing and after action review approaches combined in order to best address the research questions central to this paper.

The primary and secondary data gathered were grouped using the study’s three research questions as the basis for categorisation. The responses emerging from each of these categories were further disaggregated lifting both common and divergent themes to determine whether public sector views had contrasted widely from private sector views and whether there were stark differences of opinion within these groups. Data verification was done by approaching a project manager linked to the SBIDZ with established academic credentials to review the research questions.

1.9 BENEFITS AND LIMITATIONS

The benefits that accrue from research stem from “*using scientific methods to expand knowledge in a particular field of study*” (Welman, Kruger & Mitchell, 2005, p. 3). It is hoped that this expanded knowledge will contribute to a framework that assists co-ordination processes of projects with multiple stakeholder interests.

The data collection and analysis were undertaken by an individual using qualitative research methods. The researcher therefore had to be aware of how this approach could bring limitations to the process in terms of the scope of inductive analysis and the potential for researcher bias (Maree & Van der Westhuizen, 2009).

The research study was also limited by time and cost. A period of nine months was set aside for the study and a strict schedule followed. The issue of cost was linked to the accessibility of respondents as not all targeted respondents were locally-based. To overcome this, as already mentioned, mixed methods of engagement were used. Where face to face interviews were not possible a mixture of electronic and telephonic interviews were conducted.

1.10 STRUCTURE OF THE STUDY

The research study is comprised of five chapters. This first chapter provides a framework for the rest of the study and does so by describing *inter alia* its aim, context, justification and methodology.

Chapter two provides the conceptual and theoretical frameworks that anchor the study. This chapter also deals with topical issues at a global, continental and - in most detail - local level.

There is an illumination of the study’s research design and methodology in chapter three. This includes a clarification of the research approach selected and discusses the relationship between the research instrument and the additional research elements.

Chapter four focuses principally on presenting an analysis of the research findings after reflecting on the implementation of the research methodology in chapter three. Significant detail is provided as to how respondents reacted to the questions posed through the research instrument.

Chapter five closes by summarising the research study’s principal discussions and findings. A series of recommendations are made drawing on this chapter’s conclusions.

1.11 CONCLUSION

Chapter one allowed the researcher to frame the research study and set the parameters for the elaboration that will emerge from the chapters that follow. Key research processes have been introduced to methodically respond to the three identified research questions. These processes have been geared to present a clearer picture of certain elements that either smoothed or impeded the progress of the SBIDZ. A summary of the objectives of each of the chapters has been provided to better illuminate the path this study follows.

CHAPTER 2 LITERATURE REVIEW

2.1 INTRODUCTION

Chapter one of this research study started by providing a background to the discussion that followed; it then introduced a series of research questions; and, thereafter detailed the steps required to address those questions. This chapter presents a literature review of the topical issues within the framework presented in the preceding chapter and highlights some of the existing knowledge or secondary data found to be particularly pertinent to this study.

A literature review is integral to this research process and seeks the narrowest alignment between data collected and research questions presented. This resonates with the following definition of a literature review provided by Brynard & Hanekom (2006, p. 31): *“This will contribute towards a better understanding of the selected research problem and will guide the researcher in determining what data should be collected and what can be safely discarded.”* Another useful description to frame this chapter is offered by Maree & Van der Westhuizen (2009, p. 8) that echoes the Brynard & Hanekom definition and reads: *“A literature review normally comprises an overview of current and relevant research appropriate to the research topic and related facets.”*

Chapter two extracts literature from specific themes distinctly linked to the three research questions introduced in chapter one. Initially this chapter considers the publications and views of experts on international and local applications of SEZs. It then explores the SBIDZ value proposition and attempts to give expression to the economic impact of oil price volatility on project progress. The final section focusses on co-ordination as a potential impediment to, or accelerator of, the pace of SBIDZ project delivery.

2.2 SEZs: an economic development approach

Chapter one distinguished between the IDZ and the SEZ and mentioned that, as a policy instrument, support for the IDZ in South Africa has gathered momentum in recent years. Its export focus requires an IDZ to be linked to a point of entry to the country such as a harbour or airport (Department of Trade and Industry [dti], 2012)⁶. There are currently six designated IDZs in the country⁷; each seemingly at varying stages in its developmental cycle. Additionally, these IDZs are linked to specific economic sectors deemed to have the potential to accelerate economic growth (Nyakabawo, 2014).

⁶ This criterion later was seen as constraint and led to policy review resulting in a ‘Policy on the development of special economic zones in South Africa’ (dti, 2012).

⁷ The designated IDZs in South Africa are: Coega; East London; Richards Bay; Saldanha Bay; OR Tambo and, Dube TradePort (Nyakabawo, 2014).

The following sections of this chapter illuminate various applications of SEZs in general before discussing the SBIDZ in more detail.

2.2.1 SEZs: An historical synopsis

Early manifestations of the SEZ had been apparent in Ireland as early as 1959 and were followed by a much lauded programme in China 20 years later (Cheesman, 2012)⁸. Since SEZs became part of the global economic landscape a little over 50 years ago, their numbers have increased steadily (ibid). The literature presents several accounts of SEZ successes and failures in a range of settings and also shows how these SEZs differ from the rest of the host economy. The depth of available literature creates favourable conditions for comparison and generalisation.

The absence of a “standardised model” has meant that a broad range of SEZ applications have been used throughout the world. This chapter merely lists a few of those to enhance the background to this research study. SEZs according to Zeng (2015, p. 3) include: “*free trade zones; export-processing zones; industrial parks; economic and technology development zones; science and innovation parks; free ports; and, enterprise zones*”. With the absence of a precise definition, the following principles may be used to describe an SEZ:

- “*Geographically delimited area, usually physically secured (fenced-in)*”;
- “*Single management/ administration*”;
- “*Eligibility for benefits based upon physical location within the zone*”; and,
- “*Separate customs area (duty-free benefits) and streamlined procedures*” (FIAS, 2008, p. 9).

Chinguno (2011, p. 2), in expressing a view commonly-held by several authors on the topic, lists the following four areas of strategic importance countries have targeted using these instruments: “*attracting FDI; alleviating large-scale unemployment; developing and diversifying exports; and, experimenting with new policies*”. These strategic areas may experience *static* shorter term economic benefits and possibly be accompanied by a range of economic benefits that are more *dynamic* and longer term in nature (Woolfrey, 2013; Zeng, 2012 & Farole, 2011). SEZs have the potential to generate a range of dynamic benefits for the host economy that according to Zeng (2015, p. 3) could include “*skills upgrading, technology transfer and innovation, economic diversification, productivity enhancement of local firms, etc.*”

⁸ FIAS (2008) contends that despite SEZs often being treated as an innovative topic in development economics, city-wide free zones with goals and methods, not too different from those employed in modern zones, were in place in Gibraltar and Singapore as early as 1704 and 1819, respectively.

Despite recent attempts to broaden the scope of SEZs, the majority are engaged in labour-intensive initiatives within a manufacturing setting (FIAS, 2008). These SEZs also often serve as a gateway for a larger number of female workers to enter the zone workforce suggesting the presence of a combination of economic and social objectives by zone owners that find expression in the sections that follow (ibid).

Internationally, SEZs have had mixed results according to Chinguno (2011); China and Philippines are cited as examples of countries that have derived significant benefit from this broad economic policy reform (Zeng, 2015 & Kituyi, 2013). The synopsis in Box 1 of the global impact of SEZs measured in 2008 shows that despite varied outcomes, they are a prominent and established fixtures on the global economic landscape.

There are **3000 SEZs** in **135** countries that are collectively responsible for in excess of **\$500 billion in international trade** and are a source of **employment for 70 million people**.
Sources: Kituyi (2013), Cheesman (2012) & Chinguno (2011).

Box 1: SEZ impact measured in 2008

Following this expansionary trend internationally, the African continent has also in the last few decades witnessed an increased use of SEZs by several of its countries (Woolfrey, 2013). This recent escalation in the number of SEZs in Africa could be labelled a second wave that followed an initial round of initiatives in the 1970s and 1980s (Zeng, 2012). Table 2 below shows that after a relatively low number of SEZ launches before 1990, the 1990s and 2000s witnessed a significant upswing in the number of African countries implementing SEZs.

Decade	Country ⁹
1970s	Liberia, Mauritius, Senegal
1980s	Djibouti, Togo
1990s	Burundi, Cameroon, Cape Verde, Equatorial Guinea, Ghana, Kenya, Madagascar, Malawi, Mozambique, Namibia, Nigeria, Rwanda, Seychelles, Sudan, Uganda, Zimbabwe
2000s	Botswana, DRC Congo, Eretria, Ethiopia, Gabon, Gambia, Mali, Mauritania, South Africa, Tanzania, Zambia,
Source: Adapted from Zeng (2012) & FIAS (2008)	

⁹ The list of countries tabled is not necessarily exhaustive.

Table 2: Synopsis of African country zone programmes by decade of launch

Table 2 further reveals that South Africa was a late adopter of SEZs relative to many other African countries who had embraced this policy reform.

2.2.2 A global picture: Framing success and failure

The preceding section intimated that the global implementation of SEZ programmes delivered mixed results. Although there are different reasons for this, an important is that SEZ success often emanated from the willingness to move from a one-size-fits-all approach and place a higher emphasis on matching the policy instrument to the context (Cheesman, 2012). African countries, with the exception of Mauritius, have been largely unable to match the accomplishments of the East Asian and Latin American zones (Farole, 2011 & FIAS, 2008). There are strong indications that this could stem from replicating a successful model, such as the Chinese one, without fully unpacking the requirements for appropriate local fit (Zeng, 2015). In addition, Kituyi (2013) presents the following three reasons for SEZs not reaching the targeted levels of success in many of the countries where they have been designated:

- *“The decision to establish an SEZ in a particular location is politically motivated with for example the primary outcome sought being regional development rather than the gaining of comparative advantage”;*
- *“Commercial partners are invited by government to be part of the programme and often these selections are based on patronage rather than commercial viability”;* and,
- *“The inability to integrate foreign business with the host economies limits the scope of FDI spill overs”.*

These reasons suggest that countries often allow political considerations to outweigh economic objectives in driving decisions around SEZ programmes (Farole, 2011). The thoughts Kiyuti expresses above are supplemented by Chinguno (2011, p. 2) who frames SEZ failure as the inability to: *“differentiate from the rest of the economy; create a business environment that is sufficiently attractive; and, compete internationally”*. These reasons appear to indicate that zone failure is often a result of the inability to make and follow through on the most appropriate commercial decision in a particular setting.

Additionally, circumstances are known to exist where economic success is overshadowed by social and environmental concerns (FIAS, 2008). The presence of SEZ programmes in areas where economic progress has been clouded by human rights abuses suggest that the cost of the damage to the nation’s social fabric may outweigh the economic gains achieved in the longer term (Cheesman,

2012). These abuses in many cases are linked to possible exploitative labour relationships – labour standards, pay and working conditions - in the affected zones (FIAS, 2008).

Where SEZs have failed as an economic policy instrument on the African continent, it could, according to Zeng (2012), be attributed *inter alia* to: “*poor governance; a lack of institutional framework and political commitment; weak implementation capacity; and, a lack of a proper monitoring and evaluation mechanism*”. A downside of SEZs that policy-makers have to be aware of is that they require high capital investment, are risky and leave very little room for error (Farole, 2011). Despite this, if implemented in an all-encompassing manner, SEZs can play a positive role in bringing about the diversification, improvement and growth of the host economy (*ibid*). It has already been indicated that in many instances where SEZs were successful, implementation methodologies had been modified to suit the particular context. Expanding this premise, Cheesman (2012) contends that despite the rapid growth in the number and scope of SEZs, there is no uniform approach that will guarantee success in any developmental setting. An example of where SEZs can differ is in subscribing to different ownership models. An historical review of SEZ ownership trends shows that the number of privately developed, owned and operated zones has increased in recent times (FIAS, 2008). In addition, public-private partnerships in a variety of guises have continued to gain prominence (*ibid*).

2.2.3 SEZs: The South African context

“In an effort to reposition itself in the world economy, the South African Government established the Industrial Development Zone Programme (IDZ) in 2000. The programme’s main focus was to attract foreign direct investment and export of value-added commodities (dti, 2012, p. 8).”

South Africa’s IDZ programme is characterised by complex actor and principal relationships and has been geared to counter the challenges emanating from globalisation in three key areas, namely: promotion of South African enterprise competitiveness through exporting manufactured products where there has been definitive value added; attraction of FDI and foreign capability; and also, the expansion of the linkages between local and IDZ-based industries (Wesgro, 2011). The national government has initiated a series of economic development programmes to support the IDZ initiatives. Amongst these is Operation Phakisa that is regarded as the anchor of South Africa’s economic development plan that strives to harness the economic potential of the oceans around South Africa to pursue the dual objectives of increased employment and GDP growth (South African Oil and Gas Alliance [SAOGA], 2015).

In 2007, a review process deemed the South African IDZ programme unsuccessful and as a result the dti introduced a far broader SEZ programme that *inter alia* sought to present a more attractive value

proposition to foreign investors (Woolfrey, 2013). This review was thought to be necessary as the previously existing programme could not address the principle outcome government sought at the time, namely, *“the expansion of the manufacturing sector and the creation of additional industrial hubs to regionally diversify the national industrial base”* (dti, 2012, p. 7). Woolfrey (2013, p. 11) adds that with the SEZ reform *“unlike under the IDZ Programme, new zones will not be limited to be designated areas adjacent to international sea ports and airports, and may be developed in any area displaying industrial potential”*. Another important shortcoming emerging from the review was that the ownership model was still based on public ownership and operation (ibid), contrary to the current global trend of greater private sector involvement mentioned previously.

2.3 SALDANHA BAY INDUSTRIAL DEVELOPMENT ZONE

“Saldanha Bay has long been acknowledged as an important resource for the sustainable growth and development of the West Coast region with the development of the deep water port and the neighbouring industrial areas, taking place since the 1970’s (Standish, Boting, Swing & White, 2012, p. 6).”

Several elements are required for an IDZ to be a consummate success. As a start, this section illuminates the current progress pertaining to concrete actions and investment levels around the SBIDZ and provides insight to regional geographic and demographic considerations. The section thereafter considers whether within the current global – and also continental – context, the value proposition presented by the SBIDZ sufficiently addresses a real business gap with an attractive opportunity. Investors are known to base actions predominantly on strong commercial reasons that are relevant and appealing at a particular point in time.

Initial thoughts around establishing an IDZ in Saldanha Bay recognised its potential as a mechanism with a twofold function consisting of *“firstly, co-ordinated planning for and implementation of mega infrastructure investments, and, secondly, serve to attract or crowd in complementary investments thereby boosting manufacturing industrial development in the region”* (Wesgro, 2011, p. 6). In the extract in Box 2 below, taken from the website of the Transnet National Ports Authority (TNPA), certain elements, both natural and man-made, that provide a solid foundation for the Saldanha Bay IDZ’s value proposition are outlined.

Deepest natural port in RSA, able to accommodate vessels with draft of up to 18m • Strong logistics and hinterland support base • Industrial-zoned land available • 4 berths in multipurpose terminal • Relative geographical proximity to regional oil and gas markets • Proximity to Cape Town's business district • Proximity to major international shipping routes • Relative ease of doing business compared to neighbouring countries • Strong local and international investor interest • Opportunity to collaborate with other centres in West and East Africa • State of the art facilities and infrastructure • Serviced land with long-term leases available at subsidised rates • Purpose built infrastructure custom designed for Upstream Oil and Gas and Marine Services • Dedicated port access to complement port functions.

Source: TNPA (website)

Box 2: Key data illuminating the Saldanha Bay IDZ value proposition

The SBIDZ is not the first attempt at industrialisation in the West Coast region and Pienke (2013) broadly identifies the following previous efforts: A fish factory in the 1900s; Port development in the early 1970s; Mossgas¹⁰ in 1990; Saldanha Steel¹¹ in 1998; Duferco¹² in the early 2000s; and, Port Fabrication Yard in 2008. Despite many of these attempts at industrialisation achieving a measure of success, they were unable to provide the impetus to positively influence the economic trajectory of the region in a long-term manner (ibid). However, these attempts were often accompanied by infrastructure development that could possibly be repurposed for the SBIDZ.

2.3.1 UNPACKING DEMAND FROM THE OIL SECTOR IN AFRICA

Richard Vallihu, the Chief Executive of the TNPA contends that South Africa is well-positioned “*to serve the East-West cargo traffic and the booming offshore oil and gas industry through ship and rig repair, refurbishment and boat-building*” (SAOGA, 2015, p. 2). He further bases potential opportunity on only one percent of this global market being captured by South Africa. Additionally only four of the 80 oil rigs in reasonable proximity to the Western Cape were being serviced there annually (ibid). Building on this, the data presented below provides an insight to the magnitude of the African oil sector and suggests why the maintenance, repair and overhaul business for oil rigs could be such an attractive option for the SBIDZ.

¹⁰ Mossgas was subsequently renamed and is now called PetroSA.

¹¹ Saldanha Steel, now known as ArcelorMittal Saldanha, is a steel-processing that is part of a family of similar plants that has a presence in 25 countries globally (Welman & Ferreira, 2014).

¹² Duferco was established in 1979 with founder Bruno Bolfo seeing an opportunity in emerging markets steel production for a reliable and informed steel trading company to play a role in the growth of exports to previously unexplored markets (Company website).

Africa produces a significant proportion of the world's oil. Selected information from a report by Klynveld Peat Marwick Goerdeler ([KPMG], 2013) provides an indicator of the continental sector situation in both actual and potential terms a few years ago:

- Of 54 African countries, 16 export oil and 21 have proven oil reserves;
- Proven oil reserves have grown by almost 120% from 57 million barrels in 1980 to 124 million barrels in 2012¹³;
- In 2010 oil production in Africa represented 12.4% of the world's total crude oil output; and,
- The potential exists to expand the production of 9.4 million barrels per day (bpd) in 2011 to 12 million bpd in 2020.

A more recent analysis of the oil and gas sector in Africa by PricewaterhouseCoopers ([PwC], 2016, p. 5) presents the following picture:

- Africa has 9.1% share of global oil production which equates to 8.4 million barrels of crude oil per day;
- Oil reserves are estimated at 7.6% of the global total equating to 129.1 billion barrels;
- Africa had 8 of the top 20 discoveries in 2015 and 9 of the top 20 discoveries of all time; and,
- There are 33 National oil companies.

Both data sets reveal an active oil and gas sector but uncover an alarming statistic: A lower oil price in a sector contracting globally at present has seen the percentage of African oil production in relation to the global total fall from 12.4% to 9.1%.

However, if oil price volatility is not considered, then these statistics reveal that there is considerable scope to establish supporting industries to enhance the sector on the African continent. For example, current and potential oil production output has drilling infrastructure in place that will require servicing and maintenance for the next three to four decades (Frost & Sullivan, 2012). South Africa's location provides great advantage writes Standish et al. (2012, p. ii) because "*of the remoteness of sub-Saharan Africa to existing upstream supply chains in North America, Europe and Asia*". Other African countries, namely Nigeria and Namibia have already started responding to the demand for offshore oil and gas services and South Africa "*has a narrowing window of opportunity*" to enter the fray (ibid).

¹³ This excludes potentially another 100 billion barrels offshore (KPMG, 2013).

2.3.2 SBIDZ: KEY SUCCESS FACTORS

In the feasibility study conducted by Wesgro in 2011, a 25-year three level scenario was developed to illustrate the potential impact of FDI on the SBIDZ. This scenario is captured in more detail in Table 3 below:

	FDI	% Foreign Ownership	Gross Turnover
Low Scenario	R9.3 billion	78%	R244 billion
Medium Scenario	R18.5 billion	83%	R329 billion
High Scenario	R27.7 billion	89%	R582 billion
Source: Adapted from Wesgro (2011)			

Table 3: Cumulative foreign investment and ownership

Achieving these results would require the efforts of multiple stakeholders to align. Therefore WCG has initiated Project Khulisa which seeks government and private sector synergy to improve growth and job creation in three sectors deemed key to the regional economy: tourism, agri-processing and the area especially relevant to this paper, oil and gas (Western Cape Government, 2015). With respect to the SBIDZ, the role of Project Khulisa is to:

- Ensure that government remains on track with its plan to transform Saldanha Bay into a rig repair hub; and,
- Develop the requisite skills to service rigs (ibid).

As intimated previously in this paper, SEZ programme success requires the relevant stakeholders to synergise their efforts. In addition Kyuti (2013) provides the following four conditions for zone success:

1. *“SEZs are more likely to be successful if they focus on industries where the country already has a competitive advantage.”*
2. *“(P)olicies to attract investments to zones should not be limited to providing investment and trade concessions, and exemptions to existing legislation, but should also include strategies to support skills, innovation and competitiveness.”*
3. *“(A)n SEZ will only bring wider development benefits if the technology, skills and employment opportunities attracted in the SEZ spill over into the domestic economy, through skills and technology transfer, or through the creation of supplier industries.”*
4. *“(I)n order to integrate effectively into global value chains, SEZs require state-of-the-art logistics.”*

An economic analysis by Standish et al. (2012, p. 4) delivers the following findings that are in strong contrast to the conditions for success raised by Kyuti above and illuminates potential shortcomings in the SBIDZ value proposition:

1. *“The oil and gas cluster is fragmented and uncoordinated and made up of relatively small companies.”*
2. *“The overall size and economic impact of the marine product and service industry in South Africa is modest.”*
3. *“Specialist service providers in the field are scarce with fewer than 20 companies in the Western Cape region. These companies are specialised, with a limited range of technologies and a small pool of skilled/ qualified technicians.”*

Shifting from a premise that SEZs face different challenges requiring varied policy responses, should the four issues presented by Kyuti above be converted into a scorecard, it would be difficult to score the SBIDZ more than 50 percent at present. To improve this score and increase foreign investment appetite, the focus should be far broader than simply the IDZ locus and tax relief. Instead innovative ways should be explored to design the SBIDZ so that inter alia FDI is attracted due to the fact that the regulations in the zone exhibit a strong deviation from *“the social, labour and environmental rules in force elsewhere”* (Chinguno, 2011, p.3). Part of this research study explores whether this scorecard can be improved and what could be done to improve it.

2.3.3 INCREASING INVESTOR OPPORTUNITY AND DECREASING ENVIRONMENTAL THREAT

The SBIDZ has a set of risks and constraints that are both internally and externally driven. This study considers three of the factors that appear to threaten the success of the programme. The first factor is controlling the speed of delivery. By virtue of the programme being in the Western Cape means exposure to a unique political cocktail that has the potential to leave a severe hangover in its wake. This cocktail stems from the Western Cape being the only province in South Africa presently governed by a party other than the African National Congress (ANC).

The Western Cape, with a distinctive regional history, deviates from the rest of South Africa in several respects: * An affluent province * Considered the most entrepreneurial * Mediterranean climate * Established wine and tourism industries * Distinct demographic mix (51% coloured, 29% African and 19% white)

Source: Varley (2014, p. 5).

Box 3: The Western Cape: A Province Set Apart

Political jostling between the ANC and the Democratic Alliance could possibly contribute to slowing project progress. This political deviation is supplemented by a few other factors – as captured in Box 3 above - that distinguish the Western Cape from the rest of South Africa.

Secondly the issue of human resource capability, as raised by Lundy (2014), has the potential to either derail the programme totally or push up input costs dramatically. Both labour quality and costs are issues being addressed by SAOGA. Lundy (2014) makes the following proposals to up skill the industry and identifies universities, companies and government as key role players:

1. *“Universities should take the opportunity to offer more industry-related courses and attract students from all over Africa.”*
2. *“Companies active in the sector need to focus on mentorship to enable up skilling of young people.”*
3. *“Our government has a crucial role to play in opening SA up to foreign skills — companies should be incentivised to facilitate the entry of skilled foreign management, who can ensure the transfer of skills to local employees.”*

The National Development Plan intimates that capability, both at a personal and agency level, is necessary to underpin successful institutional reform. However, the complexity of the work required in the SBIDZ should not be simplified as stringent international standards have to be adhered to in being competitive (Varley, 2014).

The last internal factor discussed at this point is the management of energy. Inconsistent energy supply and cost has a significant impact on the programme’s commercial viability (Ntingi, 2015). How these internal risks are managed is an important indicator of how the SBIDZ is viewed by external stakeholders as the following quote suggests: *“A hike in electricity price will increase the cost of doing business while Shell’s partial disinvestment in South Africa due to regulatory concerns and delays in the issuing of energy exploration licences will send a negative signal to global and local investors who have designs on the country’s petroleum and gas industry (ibid)”*. Government is required to commit to potential investors that measures will be in place to regularise energy supply and manage cost.

Key external risks and constraints are shaped by the continued global recession and a vulnerable oil price. Although these factors are largely beyond the control of project stakeholders, the SEZ programme must be agile enough to rapidly respond to eminent threats and maintain investment appetite. The emergence of competition from West Africa for the SBIDZ cannot be ignored and thus has to extend its competitive advantage far beyond the point that Lundy (2014) raises in the following statement: *“SA can provide first-world facilities to the industry, many of whose top executives would prefer the lifestyle choice of being based in Cape Town to, say, Luanda or Port Harcourt.”*

2.3.4 IMPLICATIONS OF A DROP IN THE OIL PRICE

“Back in 2014, the oil price collapse alerted the oil industry and the world to the fact that the global oil market was structurally oversupplied. Non-OPEC¹⁴ production, especially light tight oil in the US, was the main driver of growth before eventually slowing down and reversing to decline as operators adjusted to a \$40+/bbl world. In contrast, OPEC countries added 2.5 million barrels of oil since June 2014, preferring to promote their low-cost resource in a market share competition instead of ceding market share to protect prices. Price has suffered as a result, and the oversupply has persisted much longer than expected (Pagkalou, 2016).”

As with any economic sector, supply and demand for products in the oil and gas sector are a growth determinant. The above extract by Pagkalou highlights certain factors that influenced the significant drop in the oil price since 2014. In much the same way, the profitability of servicing equipment required for upstream oil exploration and drilling can be linked to the quantum of equipment, and oil rigs specifically, being used. Rig counts provide an effective indicator of the level of activity in the sector for both the drilling industry and its suppliers (Baker Hughes, 2016). Rig counts or more precisely, Baker Hughes¹⁵ Rig Counts, have become an industry standard based on the following premise: “When drilling rigs are active they consume products and services produced by the oil service industry. The active rig count acts as a leading indicator of demand for products used in drilling, completing, producing and processing hydrocarbons” (ibid). The following two tables show how rig counts have fluctuated over fixed periods of time. Table 4 considers the period 2012 to 2016 and uses the total number of operational rigs in September each year.

	Latin America	Europe	Africa	Middle East	Asia Pacific	Canada	U.S.	Total
Sep '16	189	92	77	386	190	141	509	1584
Sep '15	321	109	96	396	218	183	848	2171
Sep '14	402	148	117	396	260	406	1930	3659
Sep '13	404	139	119	379	243	387	1760	3431
Sep '12	411	124	108	381	230	355	1859	3468

Source: Adapted from Baker Hughes (2016)

Table 4: Annual worldwide rigs count from 2012 to 2016 (Every September)

¹⁴ OPEC is the abbreviation for Organisation of the Petroleum Exporting Countries.

¹⁵ “Baker Hughes has issued the rotary rig counts as a service to the petroleum industry since 1944, when Hughes Tool Company began weekly counts of U.S. and Canadian drilling activity. Hughes initiated the monthly international rig count in 1975 (Baker Hughes, 2016).”

This table shows that in 2012, 2013 and 2014 the total number of rigs did not vary great compared to the significant decreases in 2015 and 2016. By firstly using the figures at peak in 2014 and then at the lowest point in 2016, shows a contraction of 60%. Interestingly numbers in the Middle East have remained relatively stable over the five years. Table 5 below lengthens the time window somewhat and looks at rig counts from 1975 to 2015 using 5 year intervals. As with the Table 4, data collected for September was captured.

Year	1975	1980	1985	1990	1995	2000	2005	2010	2015
Total rigs	2743	4835	3507	1755	1742	2039	2886	3122	2171
Source: Adapted from Baker Hughes (2016)									

Table 5: Worldwide rigs count since 1975 to 2015 (Every five years in September)

Analysing the above data provides an insight to the level of volatility within the oil sector. There was a peak of 4835 oil rigs in 1980 with the lowest number in 1995. Of interest is that should the data of the two tables be integrated, the figures for 2016 would then be the lowest. In summary the extent of the contraction of the industry not only reflects a five-year low point but rather the low point for a more protracted period. While the oil price is a key factor that influences rig counts and by association the financial well-being of the oil and gas sector; there are other factors including technology, weather and seasonal spending patterns that should not be discounted (Baker Hughes, 2016).

Africa’s oil producing countries have also felt the brunt of recent oil price decreases. This downturn has extended to the oilfield services companies where the highest proportion of jobs has been lost¹⁶ (PwC, 2016). This was accompanied by a reduction in profit margins as to maintain their cash flow, these companies made significant fee concessions. Other than the challenges affecting the sector globally, industry players in Africa have indicated that they also contend with:

- *“Poor physical infrastructure;*
- *Local content requirements;*
- *Skills shortages; and,*
- *Regulatory uncertainty (PwC, 2016, p. 6).”*

A further analysis of Table 4 shows the percentage decrease in Africa is lower than the global figure. Despite this, the rate of contraction remains significant as the number of oil rigs at peak – 119 in 2013 – showed a decrease of roughly 35% when compared to the number of active rigs in 2016. However, it is important to note that merely examining these counts using percentages can distort the overall

¹⁶ The total number of jobs lost in in the industry since the downturn now exceeds 250 000, and it is estimated that about 80% of this figure represents the services sector (PwC, 2016, p.7).

picture. The data suggests that the revenues for companies in the sector will continue to be limited in the near future and growth will require diversification as a core component of the business strategy.

2.4 CO-ORDINATION: A CRITICAL ELEMENT OF IMPLEMENTATION

“Co-ordination is important. In most cases, no single donor or government will be in a position to support all the financial and technical needs of a country’s economic zone programme. Co-ordination of all actors, including those in the private sector, will help ensure effective delivery, particularly given the limited absorption capacity in many zone authorities (Farole, 2011, p. 16).”

In an increasingly complex world with multiple actors, each with their own agenda, co-ordination at the beginning of a process that relies on synergy for progress is crucial. To a large extent this complexity stems from how globalisation impacts on traditional models of operation (Organisation for Economic Co-operation and Development, 1996). This section weighs more heavily on public sector co-ordination without discounting co-ordination involving other sectors. Within government there is often a tendency to react to problems with a structural response such as forming a committee or a task team. However, Peters (1998) presents the view that often in dealing with issues of co-ordination, behavioural change is often more useful than a purely structural response. Co-ordination involving both social and economic outcomes seeks coherence that brings about system efficiency such as reducing red tape or other overly-bureaucratic processes (ibid).

To this point, this chapter has considered the impact of the most-recent global recession and the current oil price wars on economic activity as these factors stand to affect the demand dimension of the SBIDZ. In a climate of global austerity, potential cost reduction through effective and efficient co-ordination processes have become increasingly important; with seeking interdependence gaining precedence over independence in bringing coherence to the ambit of service delivery. Other than for purposes of cost reduction, co-ordination has also gained increasing relevance as governments deal with cross-cutting issues involving specific client groups and declining levels of popularity with the electorate (Peters, 1998).

2.4.1 THE PUBLIC SECTOR DILEMMA

“Co-ordination is one of the oldest problems facing the public sector. As soon as government was sufficiently differentiated to have several organisations providing different services, or providing the same service in different ways (an army and a navy, for example), co-ordination became an issue (Bouckhart, Peters & Verhoest, 2010, p. 13).”

Public sector failures can arise from how it responds to the age old dilemma of “being all things to all men” and develop unsustainable short-term solutions to problems as opposed to taking what may in all likelihood be an unpopular decision where the benefits only emerge in the longer term. In much the same way, co-ordination outcomes are dependent on how prefacing decisions are made. According to Peters (1998, p. 16), “*To achieve better co-ordination, governments will need to decide on the priorities of the governing system as a whole as opposed to the multiple priorities that bubble up from each individual programme and organisation.*” In many cases governments do not deal appropriately with emerging problems as strong tendency exists to take a one-size-fits all approach and follow best practice when introducing solutions; rather than taking a more contextual approach. Instead often there is a series of steps following a well-worn path when a problem emerges (Andrews, 2013). Firstly, the problem is what may be termed institutionalised and given an owner and a home; then a team is formed to broaden the range of concerned actors; and, thereafter a concept document that details a plan of action without fully unpacking the problem is developed. Andrews (2013) builds on this discussion by labelling the inability of governments to act and rather remain in discussion mode as a “*state capability trap*”.

Co-ordination becomes relevant whenever the decisions of two or more units (actors, policy networks etc.) are interdependent. Interdependence may exist either because individually set goals can only be achieved in a common action, or because individual activities significantly affect the interests of others (Hogl, 2002).

Most serious new institutional theorists (including Douglass North) argue that all social groups have rules of the game; including small communities, sports teams, scout groups, ministries of education, tax collection offices, and classrooms of students. These rules differ in size and shape across contexts and through time, but they are always there, as incumbents that have emerged to direct behaviour in the context. They influence how agents think and make decisions, impact patterns of resource allocation, and shape the kinds of capacities that exist and do not exist (Andrews, 2012).

Box 4: Explaining the rules of the game

Considering the thoughts expressed by Andrews above and the history of South Africa, there are many elements that could prevent multiple stakeholders from integrating their efforts in pursuit of a single goal. Levy (2014, p. xi) acknowledges the “*remarkable change*” that the country has undergone but then aptly states that it is “*also passing through a period of stress*”. Building on earlier discussions around moving from a one-size-fits-all approach to achieve SEZ success, there will be situations that will require actors and principals to depart from traditional decision-making approaches to achieve optimal impact in a particular setting. If these interventions seek cumulative change as an outcome,

they will require cognisance of the multi-faceted network of interdependencies that link a “country’s economy, polity and society – and the institutions that underpin each of these” (Levy, 2014, p. xiii).

At a simplistic level the public sector can take one of three approaches in dealing with key projects such as SBIDZ. The first would be a relatively hands-off approach aligned to elements stemming from the Washington Consensus. In following an economic reform agenda with neo liberal underpinnings this would see government minimising its position and allow a combination of market incentives and private entrepreneurship to drive reform (Levy, 2014). The second would be to directly influence the market by investing considerable funds and aggressively driving the project. The third would involve taking stock of the available resources and stakeholders, and to use this data as a basis to unearth ways in which efficiencies can be brought into the space. The approach followed with the SBIDZ does not seem entirely clear yet.

2.4.2 SBIDZ CO-ORDINATION

“The Saldanha Bay IDZ Licencing Company (LiCo) was formally awarded the Operator’s Licence on 31 October 2013 for the establishment of an IDZ in Saldanha Bay specifically focused on Oil & Gas and Marine Repair and Fabrication. This marked the formal beginning of implementing a 30 year strategic initiative to utilise the existing Industrial Development Zone enabling legislation to create an enabling environment to promote sustainable economic growth and job creation (Saldanha Bay Industrial Development Zone Licencing Company [SBIDZ LiCo] Annual Report 2014/15, p. 10).”

Many developing countries are able to develop institutions which then fail to act in the required manner, in other words there is often success with form but failure with function. To overcome that the SBIDZ LiCo was formed to ensure that there was a strong inclusive governance model involving principals and actors from key public and private sector agencies. This is given further expression in chapter four.

With the SBIDZ, the co-ordination of industrial development has a home in the West Coast Industrial Plan (WCIP)¹⁷ that looks at how to make the most efficient use of available resources (Jonker, 2016). The plan also looks at who is best suited to fulfil specific roles; with government seen to be responsible for planning co-ordination and business responsible for investment co-ordination.

¹⁷ This plan by the WCG is not restricted to the SBIDZ and also deals with developments in Atlantis linked to the establishment of a hub for Green Technology.

As previously mentioned, the Western Cape's unique political cocktail may be considered to hamper the progress of the SBIDZ. As a starting point, co-ordination issues in many cases may be resolved by a strong political champion and a dedicated, competent secretariat. As Varley (2014, p. 6) states: "*The province prided itself on its independent stance, but, as a consequence, was vulnerable to finding itself without effective champions at the national level of government*". However, successful project implementation requires all spheres of government to align and for this arrangement to be accompanied by steadfast "*political commitment from the highest levels of government*" (Chinguno, 2011, p. 4).

Actors responsible for co-ordination have to be aware that an ever-changing and increasing complex world means that best practice has to be leaned on less and instead they should rather delve deeper into understanding their own problems in pursuing context-specific effect responses (Isenberg, 2010). Governments therefore have to accept that solutions are not always be clear-cut and based on this, be prepared to make experimentation a core element of both planning and implementation processes (ibid).

Within the SBIDZ context, success undoubtedly requires a high degree of co-ordination and collaboration. This may be contrary to a prevailing mode of operation that is characterised by cut-throat competition (Varley, 2014, p. 9). This rivalry is not necessarily restricted to the corporate world as within bureaucracies, competition can also serve as an impediment to the achievement of the common good.

As the SBIDZ has numerous stakeholders who are deemed key, it raises the possibility of a situation where there are too many process champions. Another difficulty with co-ordination is measuring success when social and economic agendas are being pursued simultaneously. This research study interrogates these co-ordination challenges during the lifecycle of the SBIDZ.

2.5 CONCLUSION

"A literature review has the advantage where the researcher is able to undertake a study in a more controlled setting but a disadvantage is that it can be a time-consuming process that is not regarded as first-hand knowledge (Brynard & Hanekom, 2006, p. 39)."

This chapter has provided a global and local context for this research study. It has done so considering the three research questions presented in chapter one. It presented a broad view of the SEZ as a policy instrument, and then examined the factors that influence activity in the oil and gas sector and

illuminated certain aspects of co-ordination. The chapter has also dealt in more detail with the SBIDZ as a unit of analysis in exploring its economic potential and whether there are binding constraints limiting this potential.

The literature shows that SBIDZ possesses characteristics that depending on the lens can at times suggest either success or failure. Collecting the relevant primary data will therefore be central to better understand the nuances of the SBIDZ setting, with special consideration given to unravelling how the various co-ordinating processes and their structures have impacted on not only the project, but also the region.

Chapter three will present the research methodology that will be followed to allow existing secondary data to complement newly derived primary data in framing a consolidated response to the study's three research questions.

CHAPTER 3 RESEARCH METHODOLOGY

“The quality of service delivery in the public sector and the continued growth and market penetration of any business organisation depend on the quality, dependability and appropriateness of data pertaining to the field of operation of the particular organisation (Brynard & Hanekom, 2006, p. ix).”

3.1 INTRODUCTION

Chapter three builds on the discussions initiated in the preceding chapters of this research study and illuminates the various components of the primary data¹⁸ collection processes followed. It recognises the importance of rigorous research protocols and examines how the research process will be structured to decipher the three identified research questions and build a case for either supporting or refuting the hypothesis. Essentially, this chapter presents the research methodology followed by this study and in so doing *“considers and explains the logic behind research methods and techniques”* selected (Welman, Kruger & Mitchell, 2005, p. 2).

A research process involves searching for an answer or answers to a problem *“usually with the aim of supporting or refuting established scholarly conclusions or formulating new ones”* (George, 2011, p. 1). This process may be deemed a *“scientific investigation”* where the answers become *“valid knowledge”* (Brynard & Hanekom, 2006, p. 1). Additionally, Welman et al. (2005, p. 2) define research as *“a process that involves obtaining scientific knowledge by means of various objective methods and procedures”*. However the value of a research process resides principally in its integrity. This means, firstly, that facts are required to be *“objective, trustworthy and valid”* and, secondly, the researcher in gathering and presenting these facts does so in a manner that is ethical (ibid). This chapter provides a roadmap that is guided by these research parameters.

3.2 RESEARCH DESIGN: AN OVERVIEW

This research design is to be framed by the following definition of *“good research”* by O’Leary (2004, p. 1): *“It is a creative and strategic process that involves constantly assessing, reassessing, and making decisions about the best possible means for obtaining trustworthy information, carrying out appropriate analysis, and drawing credible conclusions”*. In summarising this statement and the contents of the earlier paragraph, it may be stated that research comprises of a series of iterative processes that involves finding reliable and robust answers to preselected questions. Figure 2 below

¹⁸ *“When researchers collect their own data, it is called primary data. Should they use data collected by other researchers concerning other research problems, this data is referred to as secondary data (Brynard & Hanekom, 2006, p. 36).”*

captures the key steps in a typical research process that is geared to bring about knowledge acquisition by responding to a set of predetermined research questions.

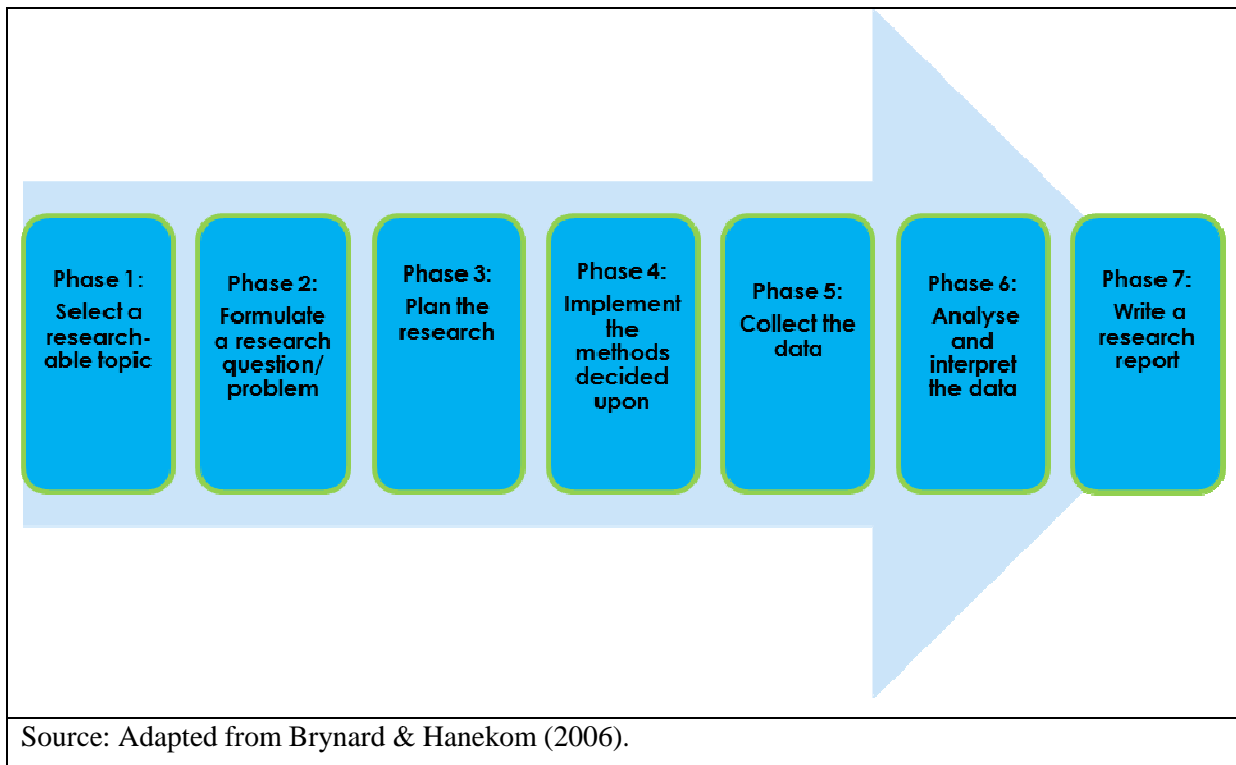


Figure 2: Phases in a research process

Chapter one of this research study provided an overview of all the phases illustrated in Figure 2 above. The following sections of this chapter provide greater detail as to how the research process was framed. As the topic and research problem (phases 1 & 2 in Figure 2) were sufficiently clarified in chapter one, they will not be dealt with further in this chapter. This chapter focuses on phases 3, 4 and 5 as captured in the figure above. Chapter four of this study will focus on phase 6 and chapter five will close the research report mentioned in phase 7.

In planning research, a range of methods and techniques can be utilised to reach the desired research objectives; therefore selecting appropriate methods and techniques are paramount (Welman et al., 2005). The core components of planning the research, implementing the methods decided upon and the data collection for this research study are outlined in the sections of this chapter that follow.

3.3 DESIGN STRATEGY: BASIS FOR SELECTING AN APPROACH

Various elements have to be considered when deciding how the research is to be conducted. At a basic level the methodology for data collection can be divided into two categories, i.e. quantitative and qualitative methods (Brynard & Hanekom, 2006 & Welman et al., 2005). Despite several methodological differences, quantitative and qualitative research have a shared objective in that they

both seek “to try to understand the subject’s point of view” Welman et al. (2005, p. 6). This research study follows a qualitative approach and the techniques employed find expression below.

This research study combines process tracing and the after action review to generate primary data intended to provide a basis for answers to the three research questions. Collier (2011, p. 823) describes process tracing as “a fundamental tool of qualitative analysis”. He further states that: “Process tracing inherently analyses trajectories of change and causation, but the analysis fails if the phenomena observed at each step in this trajectory are not adequately described”(ibid). As a research tool, process tracing has gained ascendancy in the political sciences of late (Tansey, 2007). Although the approach can be traced as far back as 1979, a lot of its recent momentum is attributed to George and Bennet’s seminal Case Studies and Theory Development in the Social Sciences published in 2005. Tansey (2007) largely supports the views of George and Bennet but feels that the role of the elite interview is somewhat under-explored in their work. This point is particularly pertinent to this paper as the intention is to support secondary data with interviews of key stakeholders who are known to have strong ties with the SBIDZ project. This strategy for the selection of respondents will be explored further in the section on “sampling design” that follows.

The process tracing approach is therefore useful to investigate the research questions and frame a narrative that illuminates the path the SBIDZ has followed. Moments of change are then identified along this path and within these moments there is an exploration of *inter alia* the:

- key actors;
- incentives for these actors;
- nature of the relationship between the actors; and,
- prevailing institutional arrangements.

The after action review is a “simple, but powerful method for rapid post-project assessment (Salem-Schatz, Ordin, & Mittman, 2010)”. This qualitative method of investigative enquiry and review centres on unravelling the answers to the following four questions (ibid):

- What was supposed to happen?
- What actually happened?
- Why was there a difference?
- What can we learn from this?

Beach and Pederson (2011, p. 6) contend that process tracing is often incorrectly viewed as a single research method. Instead they present the following three variants: theory-testing process tracing; theory-building process tracing; and, explained outcome process tracing (ibid).

The particular variant selected can be considered to influence both the research design and, by direct association, the data analysis process. This particular research study will lean more to the “explained outcome process tracing” variant as the outcome is known but there is a wish to investigate what the causal relationships that brought about the result are.

There are various views as to how to initiate process tracing. This research study will consider an approach suggested by Collier (2011, p. 828) who states that it could “*be productive to start with a good narrative or with a timeline that lists the sequence of events*”. This is unravelled at a later stage in this chapter in the section dealing with data collection design.

3.4 SAMPLING DESIGN

Tansey (2007, p. 2) states that “*the goal of process tracing is to obtain information about well-defined and specific events and processes, and the most appropriate sampling procedures are thus those that identify the key political actors that have had most involvement in the processes of interest.*” With this backdrop, the preference for following a non-probability sampling strategy is clarified as the context-specific knowledge of the respondent is perceived to have greater usefulness for the research process than the respondent’s randomness. In this particular research study, value can only be extracted if the respondent has an in-depth understanding of the SBIDZ and related processes that go back in its history. Interviewing these key actors is also referred to as elite interviewing and Tansey (2007, p. 4) argues that this “*is highly relevant for process tracing approaches to case study research*” and cites another advantage as being the ability to “*enhance the search for causal mechanisms*”.

In order to limit bias, the ideal situation in a sampling design is that selection is random and that every unit in the population has “*an equal opportunity of being chosen as a member of the sample*” (George, 2011, p. 48). However, the process tracing methodology accommodates a sampling design that places relevance above randomness in selecting respondents as stated in the above paragraph. Therefore a number of senior members of institutions that are stakeholders in the SBIDZ were interviewed. These elite interviews were with representatives of both the private and public sector. The table below provides a synopsis of how elite interviews are able to supplement the overall research design.

<ol style="list-style-type: none"> 1. Corroborate what has been established from other sources 2. Establish what a set of people think 3. Make inferences about a larger population’s characteristics/ decisions 4. Reconstruct an event or set of events
Source: Tansey (2007, p. 5)

Table 6: Uses of elite interviews

The literature suggests that as far as possible there should be uniformity in the manner in which respondents are engaged. As stated before, this is not always the most effective method for extracting information from different respondents in any given context. Developing a collaborative partnership with the respondents is key to meeting the objective of collecting and analysing data in order to create understanding (Maree & Van der Westhuizen, 2009).

Though the respondents selected did not constitute a representative sample, they were either pre-identified individuals who filled positions that had responsibilities specifically linked to the SBIDZ or, were recommended by other respondents as possessing the desired occupational profile and project exposure.

3.5 DATA COLLECTION DESIGN

Data collection for this research study involved a combination of a review and interrogation of the pertinent literature presented in chapter two of this research study, as well as a series of elite interviews.

The crux of the interviews was to uncover what has been labelled as “key moments” in the SBIDZ’s history. Several moments of change were also extracted from the literature in a manner that used a timeline to show progression from the conceptual project phase to beyond the establishment of the SBIDZ. Certain of these “moments” were deconstructed and the analysis deepened using a combination of primary and secondary data sources. As with the open-ended sampling strategy, the strong probability existed that these “moments” could be supplemented or clustered as a result of the input received from respondents during these elite interviews. Presenting these “moments” as a timeline suggests that there has been a clear political will for the SBIDZ. The timeline also provides a clear indication of the time and processes it took for the project to inter alia move from the conceptualisation phase to its launch.

Eight respondents were engaged over a four-week period commencing in mid-January 2017 either at venues that were convenient for the respondents or via an alternate communication platform.

3.6 INSTRUMENT DESIGN

Despite the interviews being semi-structured, a standard instrument was developed to guide the data collection process. The instrument was prefaced by a letter of introduction that outlined the research objectives of the study in broad terms and highlighted the relationship between the researcher and the University of Cape Town.

A significant proportion of the questions were open-ended allowing for multiple responses that would bring richness to the emerging narrative. Questions were grouped into four categories; three of these categories were linked to each of the three research questions and the remaining one dealt with the professional background of the respondents. Testing the instrument showed that these interviews would require at least an hour to complete adequately. As the data collection process unfolded there was methodological refinement of the instrument with the intention of addressing gaps in the narrative more directly.

3.7 ETHICS APPRAISAL

“An essential ethical aspect is the issue of confidentiality of the results and findings of the study, and the protection of the respondents’/ participants’ identities (Brynard & Hanekom, 2006, p. 37).”

Ethics is a critical component of the various relationships that emerge during a research process. The researcher firstly signed an agreement outlining acceptable standards of ethical practice with the host university. Secondly, a letter of introduction presented before the commencement of interviews outlined the ethical considerations between the researcher and the respondent. Lastly, the researcher is obligated to portray any data collected in a manner free of bias and as an accurate reflection of the truth.

3.8 DATA ANALYSIS

The purpose of data analysis with explaining outcome process tracing is to construct a *“minimally sufficient explanation of”* a *“particular historical outcome”* (Beach & Pedersen, 2011, p. 29). The analysis also has to consider how this particular process tracing variant frames causal mechanisms. Beach and Pedersen (2011, p. 29) describe this framing as follows: *“Systematic, case specific mechanisms and conglomerates of mechanisms.”*

Analysing the data stemming from the semi-structured interviews required that data be clustered both in terms of prevailing themes and timeframes. Once this exercise had been completed, the narrative was both tested and enhanced by considering the secondary data.

3.9 CONCLUSION

Chapter three has provided a detailed roadmap of the research methodology followed by this research study. It showed the appropriateness of using the “explained outcome process tracing” variant in

gaining a better understanding of a range of issues pertaining to the SBIDZ. Importantly it firstly showed an alignment between the research questions and the primary data collection and then mentioned how this would be integrated with the secondary data stemming from the literature review presented in the preceding chapter.

The chapter also addressed the issue of ethics and the data analysis process followed. These research components are geared to provide a solid foundation for the further analysis and interpretation in the chapter that follows. Chapter four will discuss how the data was actually gathered and how that data has been organised so as to provide information that is able to address the three research questions adequately.

CHAPTER 4 THE SBIDZ - UNRAVELLING MOMENTS OF CHANGE

4.1 INTRODUCTION

Chapter three outlined the academic route followed by the research study whereas this chapter traces certain key processes that describe how the SBIDZ has shifted from the conceptual phase to its present status. In so doing, primary data from a number of key project stakeholders has been used to build a rich narrative around the project's timeline. In addition, this data is supplemented by secondary data sources, many of which were introduced in chapter two of this research study.

A central theme in delineating this journey is a consideration of what could have been done differently during the various project phases. This appraisal is also linked to the study's three research questions.

4.2 LINKING THE CASE FOR DEVELOPING THE SBIDZ TO KEY MOMENTS OF CHANGE

“The present state of regional development in the Saldanha Bay region reflects strong historical and government-led influences (Welman and Ferreira, 2016, p. 223).”

This section explores key periods in the SBIDZ that has been based to a large extent on interviews with respondents and superimposed on a timeline predominantly extracted from the Economic Analysis of Proposed Saldanha IDZ (2012) drafted by Standish, Boting, Swing, and White. Six key periods, spanning from before 1999 to the present, were identified after respondents had been interviewed. A narrative was constructed for each period and the intention was for these descriptions to provide insight to the three research questions.

Engagements with the respondents around the reasons for the existence of a SBIDZ brought an array of perspectives to the fore. All indicated a belief that the SBIDZ had the potential to trigger economic development in the West Coast Region. Another commonality was that the past few years had seen considerable project progress; however there were differing views as to how effective the project drivers had been in instituting the requisite reforms. There also appeared to be divergent views as to what constituted “investor opportunity” and conversely “environmental threat”. The rest of this chapter discusses ideas introduced in this paragraph in greater depth.

4.2.1 THE PERIOD BEFORE 1999

“Since 1970 the Saldanha Bay region on the West Coast of the Western Cape Province has been high on South Africa’s national development agenda. The region has been struggling for years to meet the preconditions for economic take-off (Welman & Ferreira, 2014, p. 2019).”

Over the past few decades there have been constant attempts at economic development in the Saldanha Bay region. However the literature suggests that the relevant principals have simply not been able to align all the variables necessary for success. Table 8 below illustrates that since the early 1970s there has not been a shortage of efforts to use infrastructural and industrial expansion to create an enabling environment to further an economic development agenda in the region.

Date	Construction and establishment
1973	3-km artificial breakwater linking Marcus Island to the mainland of Saldanha Bay
1974	Sishen-Saldanha railway line linking the port to iron ore mines 1000 km inland
1974-1976	Iron-ore jetty
1975-1976	Oil jetty (facilities for handling oil imports)
1976	Extension and deepening of the harbour to accommodate larger ships
1980	Multipurpose cargo terminal added to iron-ore jetty (facilities for handling high-value lead and copper concentrates)
1994	Tronox (mine and beneficiate heavy minerals to produce titanium dioxide feedstock) – previously known as Namakwa Sands.
1997-1998	Extensions to multi-purpose terminal
1998	Saldanha Steel (ArcelorMittal)
1999	Duferco (steel coils)
2014	Industrial Development Zone established
2015–2018	Oil and Gas Service Station
Source: Adapted from Welman and Ferreira (2016)	

Table 7: Major infrastructural and industrial developments in Saldanha Bay since 1973

In framing the infrastructural and industrial developments captured in Table 8 there have been several considerations that have impacted significantly on Saldanha Bay’s economic and social trajectory. Welman and Ferreira (2014, p. 220) list three of these:

1. *“Since the late 1960s, Saldanha Bay (1) has been on the South African government’s national development agenda because of its strategic location on the West Coast and the presence of a deep water harbour.”*
2. *“Over the past 20 years the economy of Saldanha has experienced a gradual shift from production orientated primary activities (agriculture and fisheries) toward capital-intensive secondary activities (steel manufacturing).”*
3. *“In the mid-1990s the importance of Saldanha Bay was further confirmed when it was earmarked as a region that would benefit from spatial development initiatives (SDIs) – a national policy – where certain regions (corridors, industrial zones and clusters) were identified for special development support.”*

This period before 1999 is especially noteworthy in that it transcends the shift in regime from an apartheid South Africa to its current democracy. The birth of a democratic South Africa signalled National Regional Development Strategies that were more inclusionary than during the previous political dispensation. This saw, as captured in Table 9 below, the industrial development focus extending beyond metropolitan areas and also the concept of the IDZ as an economic policy instrument took root.

Strategy	Era	Objective
Industrial Decentralisation	Apartheid	Promote industrial development outside of metropolitan areas.
Spatial Development Initiatives (SDIs)	Post-apartheid	Create development in areas with underused potential, but also include parts of metropolitan areas.
Industrial Development Zones (IDZs)	Post-apartheid	IDZs were initially conceived as special zones within the SDIs with an industrial focus, but were only developed later in a few places.
Source: Adapted from Todes (2013)		

Table 8: National Regional Development Strategies

A prevailing theme in the interviews with public sector stakeholders was that: “We cannot have another Saldanha Steel”. This was not to say that the Saldanha Steel project was a failure, but rather makes reference to the unfulfilled job creation and economic development expectations created by the project. At many levels the Saldanha Steel project was and remains an achievement, but a certain level of negative sentiment remained among locals who felt that the benefits of the project had not

filtered down to them sufficiently. Many believed that they had in actual fact been disadvantaged by what had transpired.

This sentiment was further exacerbated by at least two factors. The first of these was inward migration to the region because of potential job opportunities that resulted in the regional social support infrastructure being placed under greater strain. The other was what could be termed the end of the project honeymoon for many workers at Saldanha Steel. There was a considerable difference between the labour force required to build the plant and thereafter to run this plant. This divergence was both in terms of numbers and level of skills. Therefore, once the plant was built and fully operational, only a fraction of the original labour force could be retained.

Respondents also broadly acknowledged that in economic terms Saldanha Bay was characterised by what could be termed “pockets of progress”. There would be areas – such as the port – where there was a hive of activity; but the town itself was faced to contend with a range of social ills. It is this disjuncture that is questioned in the following extract by Welman and Ferreira (2016, p. 225): *“Although the Saldanha Bay region has been on the national development agenda for the past 40 years, an inevitable question arises: How have these expansions of port infrastructure benefited the wider Saldanha Bay community?”* This question does not allow for a simple solution, but an attempt to integrate an economic development objective with a commercial one appeared to be a critical challenge in the past and continues to remain so to this day. Strategies to overcome the “Saldanha Steel Effect” have seen programmes being designed by the SBIDZ that cater for greater community consultation and skills development. The sections that follow illuminate these programmes further.

4.2.2 THE SEED IS SOWN: 1999 - 2007

“For Nigel Gwynne-Evans, Director of Industrial Development and Marketing for the provincial Department of Economic Development and Tourism (DEDT) on the Western Cape, the first indication of a new and potentially lucrative line of marine and service work in the Cape Town Harbor came in 2001, when the president of a local marine services company mentioned to him that, over the last few months, his firm had begun to receive inquiries and small contracts to service oil vessels (Varley, 2014, p. 2).”

This period in conceptual phase of the SBIDZ overlapped with the period between 2000 and 2007 heralding a West African oil boom where *“international oil companies were arriving in force, spending billions of dollars a year to explore and drill previously inaccessible oil fields under deep waters off the coast of Nigeria and Angola, increasing the number of active oil fields from 2 to 18 in just a few years”* (Varley, 2014, p. 1). This coincided with a time within WCG, where in conjunction

with Wesgro, several proposals for mega projects were received and given consideration (Wesgro, 2011). However, for a variety of reasons these projects did not progress beyond an embryonic form. However, the lure of involvement in the oil and gas sector for the provincial public sector partners continued to strengthen gradually. After the “Nigel Gwynne-Evans conversation” outlined above and several other strategic prods, the WCG established a Special Purpose Vehicle (SPV) that was meant to be active in the oil and gas sector regionally. This SPV in its present form is called the South African Oil & Gas Alliance¹⁹ (SAOGA) “*which is dedicated to promoting the upstream and midstream sectors of the oil and gas value chain, primarily in South Africa and regionally in Southern Africa*” (SAOGO, 2017). As a recipient of public funding, the intention was also for SAOGA to build the interface between the private and public sectors whilst exploring ways to develop the targeted industry.

The WCG attraction of “cashing in” on the West African oil boom was given impetus by a snapshot situational analysis linked to the processes linked to upstream support activities. It was found that a considerable amount of money was spent on servicing the sector as work and supplies needed were outsourced from beyond Africa (Varley, 2014). Costs were amplified due to the distance between the points of service need and service provision. The WCG recognised an opportunity and thought that if they “*could cultivate a cluster of firms to service these oil offshore projects, analysts calculated it could reduce costs for the oil companies and provide a substantial boost - perhaps billions of dollars a year in new economic activity - to the Western Cape economy*” (Varley, 2014, p. 1).

At a national level a completely separate process, as already mentioned, was unfolding. In 2007, the dti, recognising the shortcomings of the then IDZ framework, commenced “*a process to re-examine the approach, incentives and study the potential of new Industrial Development Zones (IDZ)*” (ibid). These dual dti and WCG processes would later find synergy.

4.2.3 THE IDEA CRYSTALLISES: 2008 – 2009

The WCG’s fascination with oil and gas sector escalated from 2008 to 2009 and a notable deliverable was the completion of a draft pre-feasibility study linked to what was then known as the “proposed Saldanha Development Zone”. However, at around the same time the global financial crisis was

¹⁹ “*An independent non-profit entity known as the Cape Oil and Gas Supply Initiative (COGSI) was established in 2003 to become the main vehicle for promoting and developing the sector. The Board subsequently renamed COGSI the South African Oil and Gas Alliance to reflect the growing involvement of upstream suppliers from other regions and the fact that no other South African organisation focuses on the upstream supplier base. (SAOGA, 2017)*”

starting to take root; but at that point there was little indication as to the extent it would have on the oil and gas related activities on the West African coast in the medium term.

Planning is a critical phase in project management but often a positive turning point in a project may involve some fortuity. One of the respondents, a Senior Manager (SM) at the dti shared the experience of a “lucky break” that was made during this particular period. In reference to the preceding section, a follow up on a research project commissioned by the dti revealed that DEDT had also made progress on a similar project with noteworthy overlaps. As both parties realised that they had a shared interest in seeing something happen in the West Coast to boost economic activity, agreements to accelerate and integrate efforts were reached with relative ease.

This meeting of minds was the backdrop for the commissioning of a pre-feasibility study that would be driven by Wesgro. The project brief for the consultants selected for this study was stated as follows: *“The pre-feasibility study will investigate the potential to stimulate further industrial and business activities as well as to link these and current activities to the benefits of the proposed Saldanha Development Zone. The Saldanha Development Zone could be seen as the missing link in connecting the various industries and harbours of the surrounding areas”* (Demacon, 2009, p. v). With broader input, according to the SBIDZ SM, the study started by looking at what could be done in an IDZ and then, whether it should be done in an IDZ. The study went on to recommend that the following three sectors be targeted for further investigation:

1. A Renewable Energy Production & Manufacturing Cluster;
2. An Oil Supply Base/ Hub servicing the Oil and Gas cluster & a Maritime Ship Building and Repair Cluster; and,
3. A Steel and Minerals Production & Manufacturing Cluster (Wesgro, 2011, p. 7).

The SBIDZ SM indicated that a market analysis was done for the three sectors identified and oil and gas emerged as most suitable based on a range of issues including:

- It was best suited to support localised development; and,
- It would have the least impact on the environment and lowest bulk infrastructure requirements.

The environmental issue was important as tourism was a key sector on the West Coast and they did not want to curtail its growth.

However, the SBIDZ SM iterated that there were other reasons that drove this choice and the historic interest in oil and gas should not be underplayed. Atlantis²⁰ was receiving consideration as the site for a “greentech” hub and it would not have made sense to establish a similar endeavour in such close proximity. The viability of the “minerals” proposal was curtailed by the long lead time to implementation required; it would take approximately 15 years to simply complete the necessary research and development. The three public sector partners were clear as to the elements that should characterise the selected option. In simple terms it was required to be: doable; sustainable; and, highly impactful.

The Pre-feasibility Report that emanated from the pre-feasibility study made the following compelling observations:

- *“Based on the pre-feasibility findings, it is clear that all indications are that an IDZ would be feasible and economically beneficial, subject to full feasibility analysis of the identified clusters and further technical analyses. As indicated throughout the study, Saldanha already has various significant assets that make it an ideal location for such a development.”*
- *“However, political support, buy-in, funding, securing of land and partnerships will be key to the successful development of the Saldanha Bay IDZ” (Demacon, 2009, p. v).*

In short, the report showed that several of the “hard” elements such as infrastructure were in place, but project success would require integrating these “hard” elements with “soft” issues such as co-ordination, relationship building and perhaps even shared values. At a workshop with key stakeholders in October 2009, the report was approved and a way forward agreed to. According to the SBIDZ SM, this marked the start of a wide-reaching consultative process which was absent at a similar stage in the Saldanha Steel project lifecycle. Importantly communities were drawn into this process regularly and there had been more than 200 engagements since the pre-feasibility process. It was also thought that by establishing an office in the town a high level of commitment was shown and accessibility provided to the Saldanha Bay community; these are areas where government is often criticised.

4.2.4 THE RESEARCH IS DEEPENED: 2010 – 2011

In response to the recommendations of the 2009 Pre-feasibility Report, Wesgro commissioned a full feasibility study that took just over a year to complete. The consulting engineer, according to the

²⁰ Atlantis is 40km outside Cape Town which during the last two decades of apartheid was a hub for heavy industry and the manufacturing of weapons (Ryan, 2015). A change in industrial policy saw the withdrawal of industrial incentive support from government triggering economic decline in the area (ibid).

SBIDZ SM, was appointed in May 2010 and the study completed in October 2011. The purpose of this feasibility study was to inter alia “*present the holistic reasoning of an IDZ at Saldanha Bay to assist the public sector in deciding whether to support such an initiative*” (Wesgro, 2011, p. 8). The area received a further boost in 2011 when Saldanha Bay region1 was nominated as a “*presidential priority development*” region (Welman & Ferreira, 2016, p. 220). This new set of economic priorities saw the country’s national industrial plan incorporating the oil and gas servicing industry (Varley, 2014).

The feasibility study recommended that an IDZ be initiated in Saldanha Bay and then detailed a path to arrive at the point of designation (Wesgro, 2011). However, it also made the following telling recommendation: “*All processes going forward would require multi-stakeholder engagement, and therefore it would be pertinent to retain the governance structures successfully utilised thus far to ensure good inter-governmental governance, planning, budgeting & an implementation approach, but also to fully engage with the private sector on a private platform*” (Wesgro, 2011, p, 24). This suggested that there was already a clear indication as to the complexity of not only drawing together all the stakeholders in a project of that nature but also reaching consensus in areas where parties both had and did not possess control. The feasibility study deemed it prudent that existing co-ordinating structures be retained as establishing alternate structures would further compromise project timeframes.

4.2.5 THE BABY IS BORN: 2012 – 2013

Against the backdrop of several business planning and business case refinement processes by both the dti and WCG, 01 November 2012²¹ saw the completion of the SBIDZ licence application. For the SBIDZ SM, the period between the application for the SBIDZ licence and the actual designation was a merging of several processes that had commenced several years previously. Crucially time was needed to establish a for-profit entity and also to flesh out the role and responsibility of that entity. The success of the process was dependent on how well each of the public sector partners was able to fulfil their commitments. At a national level the dti was the issuer of the licence the entity required to legitimise its existence and also funded the requisite infrastructure. However, the dti made it clear that it would not issue a licence if it did not believe that all the elements were in place to allow this licence to be used in the manner intended. The dti’s mandate did not stretch to funding the operations of the entity running the IDZ; this was to be the responsibility of the WCG, who met this commitment.

²¹ This particular year (2012) also witnessed a “Policy on the Development of Special Economic Zones in South Africa” that was designed to overcome the limitations of the previously-existing IDZ programme.

Although the Saldanha Bay Municipality (SBM) has not been able to provide funding support to date, it remains a willing partner.

On 31 October 2013, at an official launch, President Jacob Zuma designated the SBIDZ as the country's 5th SEZ. For the SBIDZ SM the IDZ Designation was a hugely significant moment as the project gained a sense of realism that had previously been absent. She expressed her feelings by stating that, "Work means nothing without a clear mandate".

4.2.6 THE LEGISLATIVE FRAMEWORK BECOMES MORE ENABLING: 2014 – 2016

On 1 April 2014 the entity – SBIDZ LiCo - responsible for running the SBIDZ was established and all the requisite governance systems were in place. According to the SBIDZ SM a skills retention plan saw several people working on the project in varying capacities previously, being offered full-time positions with the entity. This was the case at a strategic and functional level, whilst at a more operational level, the administrative support that Wesgro had provided to that point was transferred to the entity.

This period bore witness to several actions by the national government geared to streamline the policy environment around IDZs and subsequently SEZs. These included:

- 18 May 2014: Special Economic Zone Act, Act No 16 of 2014 published.
- 11 December 2015: Minister Davies approved "Regulations made in terms of Section 41 of the Special Economic Zones Act.
- 27 January 2016: President Jacob Zuma proclaimed the Commencement of the Special Economic Zones Act 2014.
- 09 February 2016: Special Economic Zone Act, Act No 16 of 2014 is gazetted.

The stage was also characterised by both National and Provincial governments presenting separate but overlapping economic strategies to benefit the SBIDZ. Operation Phakisa, launched in July 2014 was the National Government's strategy "*to unlock the economic potential of South Africa's ocean areas. The so-called 'blue economy', of which Saldanha Bay Port is deemed to be a part, aims to create jobs and alleviate poverty in the West Coast region of the country*" (Welman & Ferreira, 2016, p. 220). In his 2015 Budget Speech Dr Ivan Meyer, the Western Cape Minister of Finance, outlined the aims of Project Khulisa as "*to create growth and jobs in those sectors of our region which hold a clear competitive advantage. Project Khulisa is a set of high impact interventions in three sectors which have high-potential opportunities for the delivery of growth and jobs: Agriprocessing, Tourism, Oil*

and gas services (including rig repair)". Interestingly the two projects were rather aptly named; "Phakisa" means "to hurry up" while Khulisa means "to grow".

It may be too soon to measure the impact of these two strategies but respondents provided some contrary views of them. A SM of the SBIDZ was extremely supportive of both the National Government- driven Operation Phakisa and the WCG-led Project Khulisa as it helped raise the agenda of what was being done in the region. It was emphasised that without sufficient high level impetus "work can die a slow administrative death". However, another respondent felt that there was duplication between the strategies and needless financial wastage on consultants. Interestingly this respondent admitted that it was expedient to be part of these particular project processes as, "the risk of not being there is greater."

It is ironic that though the SBIDZ to a large extent focused on policy, legislation and variables for economic development, a SM from the dti felt that a key moment of change was the appointment of Doug Southgate as the acting Chief Executive Officer (CEO) of SBIDZ LiCo. He describes Doug as being "very experienced, very professional and politically astute". These qualities allowed him to build an organisation capable of meeting its mandate whilst successfully navigating the political tides.

4.3 ALIGNING RESPONDENT RESPONSES AND THE LITERATURE TO THE RESEARCH QUESTIONS

This section responds more directly to the three research questions. In doing so, relevant areas from the literature and the conversations with the respondents are illuminated. This exercise forms the basis for the conclusions and recommendations that appear in chapter five of this research study.

4.3.1 RESEARCH QUESTION 1

Is the Saldanha Bay Industrial Development Zone an attractive opportunity for investors that addresses a real business gap on the African continent?

The nature of the project has always meant that securing FDI was both an objective and also a dependency for the success of the SBIDZ. Using the feasibility study (Wesgro, 2011) as a basis, key politicians have presented a range of projections that have found expression in the media. Minister Davies has, for example, made the statement that, "*the Saldanha Bay IDZ is likely to attract foreign direct investment worth approximately R9.3-billion over 25 years*" (South African Government, 2013). This bullish sentiment was echoed by a counterpart from the Western Cape, Minister Winde, who intimated that: "*We are looking at 56 000 jobs, R180 billion (bn) investment in the next 15 years,*

while in the next five years R7bn will be pumped into the project. There are more than 40 companies that want to get on board” (Meyer, 2015).

With the SBIDZ the intention was always to strive for a public/ private sector funding mix. Public sector seed funding was meant to leverage private sector funding with the feasibility study estimating that for every rand of public sector investment, the private sector would invest four rand (Wesgro, 2011). With respect to the private sector funding, there were also projections that were based on a combination of local and foreign investment. For example, the R9.3 bn of FDI mentioned by Minister Davies above forms 54% of a total basket of Private Sector Funding (Capital Expenditure) of R17.2 bn projected in the feasibility study (Wesgro, 2011). These figures were based on a pessimistic scenario for the SBIDZ; one of the following three development scenarios introduced in the feasibility study labelled: “*an optimistic scenario, a base scenario and a pessimistic scenario*” (Wesgro, 2011, p. 13).

Though the past few years have seen the public sector intensifying its investment in the SBIDZ, it has had limited success in using this seed funding to leverage private sector investment. In the 2015/16 Annual Report of the SBIDZ LiCo (2016, p. 7) , the Chairperson of the Board, presents the status of public sector funding as follows: “*Overall current public sector capital and capitalised investment estimates in and around the IDZ will amount to more than R14 billion, by respectively the Transnet National Ports Authority (TNPA) with its extensive Saldanha Bay Port upgrade, the Department of Trade and Industry (DTI) as the funder for the installation of the services infrastructure within the IDZ itself, and the Western Cape Government’s roads upgrade via its Transport and Public Works department*”. So clearly there is a broad public sector commitment to see the project succeed as the funds committed are substantial within the existing climate of financial austerity. However, the picture painted of the private sector commitment is a lot less concrete as he goes on to say that: “*To this needs to be added potential private sector investment, estimated to be of a similar magnitude*” (ibid).

With the level of public sector intent, the lack of private sector response is vexing. The literature appeared to be split as to whether there was indeed a real business gap that could be addressed by the SBIDZ. However, a commonality was that attracting FDI was a complex process and this complexity had been amplified by the prevailing economic climate of austerity. There was also agreement that key decisions had to be made based on commercial viability rather than patronage whilst ensuring that the existing incentive package was sufficiently attractive. The respondents were a lot more vociferous and direct than the literature in elaborating on the business gap. The following statements suggested that there was indeed a gap:

- “12 oil rigs were turned away last year.”

- “There is value in the shorter sailing time to Saldanha Bay in that it allows labour costs to be pumped up as between 250 and 750 people are brought on board per contract.”
- “Our market reach was expanding beyond Africa to South East Asia.”

However, there was a noticeable point of divergence between the primary and secondary data sources with respect to incentives. The literature pointed to the need for improved incentives while certain respondents displayed a preference for what they termed “natural competition”. Within a commercial context decisions are driven by a variety of factors that to a large extent revolve around levels of “investor opportunity” and “environmental threat”. The DEDT SM was vehemently clear that the deal-breaker for multinational companies to invest in Africa was the “ease of doing business” not incentives. He went further to say that tax breaks were not always seen as key by investors but with the economic downturn it was playing a slightly more prominent role in determining commercial attractiveness. Crucially, balancing incentives and the opportunity cost of resources within a development context of this nature is core to economic progress (Levy, 2016).

One of the respondents provided an even-handed summation of the situation: “We are at a relative disadvantage, because we have to contend with limited off-shore activity. Countries with active fields have a market right there. The window of opportunity is narrowing because Africa is adapting and improving.” The same respondent notes that there is established infrastructure locally and that nationally the skills and suppliers are available; the dilemma is that skills and suppliers are not readily available in Saldanha Bay.

The oil and gas sector is characterised by high cost and in many cases high risk. This is a scenario that creates potential for enormous profit but also great loss. Reviewing the modus for attracting upstream operators to SBIDZ forces a return to the concepts “increased investor opportunity” and “decreased environmental threat”. Varley (2014, p. 6) makes the following statement: “*The savings realized in transit cost by repairing a rig in South Africa, while substantial in theory, could easily be eroded by schedule delays or workmanship below industry standard. The Western Cape would have to establish credibility before the oil industry would be willing to risk very much on it.*” It is questionable whether enough has been done to establish the “credibility” that Varley refers to.

However, if a view is taken of the situation at a national rather than a project-specific level, two other factors come into play: a history of low FDI and recent dip in investor confidence. The last few decades of the apartheid regime saw low levels of FDI as a result of predominantly the imposition of trade and financial sanctions (Arvanitis, 2005). Although the advent of democracy brought about the lifting of these sanctions, the 1994 to 2002 period saw FDI remaining at relatively low levels (ibid). These levels have shown an increase in recent years with the highest level of \$80.1 bn recorded in

2013 (Jeffrey & Jordaan, 2016). However, subsequently in 2015 it dropped to, in nominal terms, the lowest rate since 2006 (ibid). This decrease did not help to smooth the path for the team pursuing private investment for the SBIDZ. South Africa's slow growth rate is a further threat to investor confidence as even successful local entrepreneurs are increasingly shifting their investments offshore.

Several factors affecting investor confidence may be attributed to macroeconomic impacts but there are also local considerations. The International Monetary Fund (IMF) (2006) identifies the following challenges that place a threat on growth:

- Low growth amid China slowdown and global financial volatility;
- Political wrangling increasing policy uncertainty; and,
- Electricity shortages easing, reforms urgently needed for growth and jobs.

Although recognising that there appears to have been progress with addressing power supply, the recent repeated firing and hiring of the Minister responsible for the National Treasury would in no small way have shaken confidence, heightened governance concerns, and amplified policy uncertainty.

Drawing from what has been stated above; developing an answer is not straightforward. On the one hand there is a sense that global economic shifts have not been factored into assessing the SBIDZ value proposition adequately. On the other hand, there is a possibility that there is a real gap but that the response to this gap has not been sufficiently-context specific.

4.3.2 RESEARCH QUESTION 2

Is the public sector able to mitigate the risks that come with a project of this nature and scale through effective co-ordination?

The feasibility study is clear that prior to 2008 there were many obstacles to commencing large-scale economic developments in the West Coast region, with limited coordination and planning between spheres of government listed as a further constraint (Wesgro, 2011). The attractiveness of establishing an IDZ was enhanced as it was seen to be inter alia an instrument that “*coordinated planning for and implementation of mega infrastructure investments*” (Wesgro, 2011, p. 6). In terms of moving from a point prior to the pre-feasibility study where the national and provincial governments were not aware that they were working on similar projects in the region to a present day Presidential Infrastructure Coordinating Commission (PICC), coordination involving the SBIDZ has undergone a dramatic evolution. This reform of the coordination processes started with structures that were put in place to oversee the various phases of the feasibility study as presented in Figure 3 below.

The structure sought optimum inclusion by bringing together public and private sector actors together in a series of linked bodies, each with its own scope and composition. Importantly it created a governance system that allowed information flows from community level to the highest political level. Although the feasibility study has been completed, there are several currently existing coordinating structures that had their genesis in the structure captured in Figure 3.

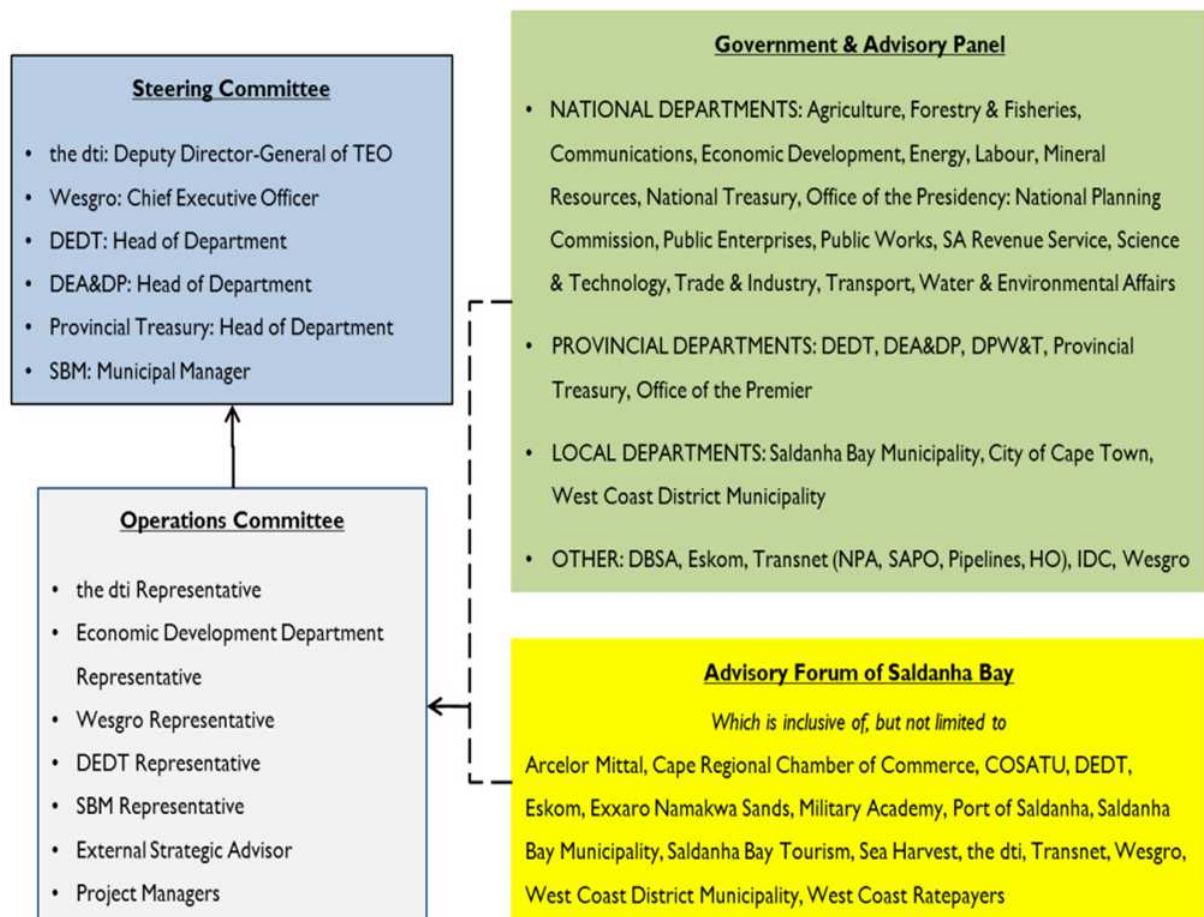


Figure 3: Feasibility Study Governance Structure

Source: Wesgro, 2011, p. 9

At a national level the PICC is an intergovernmental entity that has the responsibility to centrally coordinate South Africa’s infrastructure drive (PICC, 2012). Integral to this infrastructure drive are 18 strategic integrated projects (SIPs) of which the IDZ is one (ibid). The SBIDZ falls under SIP 5 and forms part of a broader Saldanha-Northern Cape development corridor focussing on:

- Integrated rail and port expansion;
- Back-of-port industrial capacity (including an IDZ);
- Strengthening maritime support capacity for oil and gas along African West Coast; and,
- Expansion of iron ore mining production and beneficiation (ibid).

In establishing co-ordinating structures and processes, the PICC recognises the importance of lessons from the FIFA Football World Cup. The following two lessons are particularly pertinent within the context of this research study (PICC, 2012, p. 41):

- “Central coordination with direct presidential oversight and a Local Organising Committee with Ministerial oversight made quick decisions”; and,
- “Coordination between national, provincial and municipal structures with public/ private sector alignment and participation.”

Provincially there are several initiatives to streamline and add efficiencies to co-ordination. To this end, organisations such as SAOGA and the Economic Development Partnership (EDP) work together to respond to developmental challenges identified by the WCG. Linked to these developmental challenges are the following gaps existing between a range of Saldanha Bay stakeholders as identified by the EDP:

- The lack of coordination at government level;
- The lack of private sector involvement;
- The Municipality lacking in capacity to facilitate development coordination;
- The IDZ Company not being equipped to handle projects that fall outside the scope of their licence (Economic Development Partnership, 2017).

In conversation with a respondent, he made it clear that issues around SBIDZ co-ordination and collaboration found expression in the implementation of WCG’s Provincial Strategic Plan (Western Cape Government, 2015) which has the following five Provincial Strategic Goals (PSGs):

PSG1: Create opportunities for growth and jobs.

PSG 2: Improve educational outcomes and opportunities for youth development.

PSG 3: Increase wellness, safety and tackle social ills.

PSG 4: Enable a resilient, sustainable, quality and inclusive living environment.

PSG 5: Embed good governance and integrated service delivery through partnerships and spatial alignment.

Despite the Provincial Strategic Plan giving the highest priority over the current five-year electoral cycle to economic growth and job creation that resides principally with PSG 1, the SBIDZ co-ordinating processes are also linked to the other PSGs. DEDT is responsible for the Co-ordination of Industrial Development on the West Coast (Jonker, 2016). It has the WCIP that has as a function, “*project specific co-ordination*” (ibid). This plan is in turn comprised of the following four components:

1. Infrastructure Plan

2. Skills Plan
3. SMME/ Supplier Development Plan
4. Social Development Plan

These component plans do not have a purely economic development agenda and therefore cannot reside purely within PSG 1. This has required a linkage to several transversal PSG workstreams to give effect to sound co-ordination.

For the co-ordination of activities linked to the SBIDZ, WGC has institutionalised a three-tiered system. At the highest level is the Joint Political Mandating Committee that is chaired by the Premier and has the following members:

- Member of the Executive Committee (MEC) for Finance
- MEC for Economic Opportunities
- MEC for Local Government, Environmental Affairs and Development Planning
- SBM Mayor

The Joint Executive Steering Committee is at the second tier and is comprised of high-ranking public sector officials. It is led by the Head of Department (HoD) for the Department of Environmental Affairs and Development Planning and has a membership comprising of:

- HoD: Provincial Treasury
- HoD: Department of Economic Development and Tourism
- HoD: Department of Transport and Public Works
- HoD: Department of Local Government
- Municipal Manager: SBM

This committee is supported by technical officials representing the same entities outlined above and they form the Joint Technical Coordinating Committee as a third tier.

From these descriptions, it is clear that the local authority (SBM) feeds into all three these co-ordinating structures. The benefit for the SBM is articulated by a closer inspection of the operations of the Joint Technical Coordinating Committee. This committee has two workstreams that deal with Regional Planning and Integrated Development Planning Support. The first workstream co-ordinates and integrates provincial input in order to make an impact on the next Medium Term Expenditure Framework budget, whilst the second workstream supports the SBM in drafting its Integrated Development Plan and Spatial Development Framework.

Jonker (2016) makes a telling contribution to delineating public and private sector responsibility by intimating that for the WCIP to make the desired contribution to achieving the vision of the SBIDZ,

government has to take responsibility for planning co-ordination and business has to do likewise with investor co-ordination. Differing mandates are known to be a hindrance to coordinating the efforts of multiple principals and actors. In a number of situations these variances impact on the pace of decision-making. In a globally-competitive environment, the speed of decision-making is often directly linked to the level of success of a project. The dti SM captures this point succinctly when he states that: “Different government departments have different mandates – so while the dti is looking to expand the production base, the South African Revenue Service (SARS) is worried about the tax base, and SARS Customs is worried about control over the flow of goods. Transnet is worried about the port of Saldanha and the IDZ is looking to finance ventures for an acceptable return. These mandates often conflict in the short term.” He then proceeds to provide an example of where slow decision-making was a real challenge: “The project to build the infrastructure of the SBIDZ could probably have been done in 18 months but gaining everyone’s approval, the funding and access to land meant that it took about 4 years.”

The SBIDZ SM admitted that different spheres of government had competing agendas but despite this there has been a strong push for co-ordination and partnership. The challenge of differing mandates is exacerbated by differing perspectives. Whilst the public sector officials engaged during this research process recognised that though co-ordination could be improved there was a general air of positivity about the status quo. However, in a discussion with a Transnet manager, a presentation was shared and the data (in Box 5 below) contained in one of the slides painted a rather bleak and contrary picture. A private sector respondent also expressed disappointment at having to complete countless requests for proposals and then having the process inexplicably being halted before finalisation.

Silo operating environment ° Misalignment between National/Provincial & Local Government ° Enterprise & Supplier Development is viewed as a tick box ° Duplication of effort ° Resource constraints with regards to staff, infrastructure and ESD Suppliers/Agents ° Approval process for funding and grants takes too long and very administrative ° No 24/48 hour funding assistance in place for SMME’s with valid Purchase Orders ° SMME’s reported that the open plan offices at the HUB impacts on confidentiality of information and their privacy ° Business community divided and the situation is hostile ° SMME’s feel they do not benefit from all the developments ° A local Procurement Strategy is required ° SMME’s are frustrated with the slow progress, which can lead to the **#feesmustfall** scenario - **#opportunitiesmustfall**
 Source: Adapted from Transnet (2016)

Box 5: Some of the Challenges in Saldanha

The DEDT SM identified several good practices that supported coordinating processes from the side of the public sector. From the start all three spheres were represented in the various deliberations and

processes. There was a united attempt to manage the politics of the situation in order to not slow the project unnecessarily. This was done to make space for the interests of all spheres and not compromise the messaging. Officials ensured that politicians were aware of the mandatory areas where they had “bragging rights”. Co-ordination was also strengthened by the high levels of continuity of members representing key stakeholder groupings on the project management teams and forums. This allowed for both the building of strong personal relationships and also, the retention of intellectual capital.

Despite successful efforts across the board, the impact of different parties heading the National and WC Governments cannot be underestimated. The Western Cape in assuming an independent political stance stood to be “*vulnerable to finding itself without effective champions at the national level of government*” (Varley, 2014, p. 6). The DEDT SM went on to state that project teams had to deal with organisational structures that were “very different beasts”.

The SBIDZ SM noted that co-ordination was hampered because broadly-speaking stakeholders did not have an advanced knowledge and awareness of the industries linked to the oil and gas sector; in South Africa this was not a mature sector. It was acknowledged that there was greater experience in midstream and downstream activities but with upstream the understanding was limited. It was felt that there was a need for stakeholders across the board to be educated on the fundamentals of the sector as with such a strengthened base, co-ordinating processes would be more efficient. The same respondent was complimentary of the consistency in the liaison with WCG. The retention of people on the project led to in-house capacity and competence developing within DEDT. This translated into planning and policy-making being more in tune with what it took to support such a relatively young industry.

The issue of co-ordination involving the SBM was discussed with mixed emotions. One respondent felt that despite the municipal agenda being vague, stakeholders had to be realistic about what they (the municipality) could do. Another respondent saw local government as a major weakness in the multi-stakeholder relationship. Despite this there was a willing admission that local government faced some constraints that made their operations difficult; these tended to centre around a lack of human resource capacity and funding.

Discussions around co-ordination with bodies outside the public sector highlighted some interesting perspectives. One respondent said that: “In my experience, these stakeholders are narrowly focused on short-term self-interest, which makes it quite a challenge to involve them in a project that will only yield results in the long term. They are probably best left out until the project has gathered some traction. Lobbying groups (environmental and other) tend to be evangelical and very difficult to work with”. Another respondent (SBIDZ SM) was dealing with a myriad of stakeholders by “drafting

charters for each partner that outlined what was needed from each partner to ensure that the overall mandate was delivered”. At that point 30 charters with a variety of partners that included trade unions and civil society had been completed. In dealing with multiple stakeholders, the SBIDZ LiCo has realigned its business units with the view to optimise co-ordination and collaboration. Figure 4 lists LiCo’s core business objectives and links these to the projects and partnerships necessary to attain these objectives. Both the partnerships and projects are diverse and involve both private and public sector.

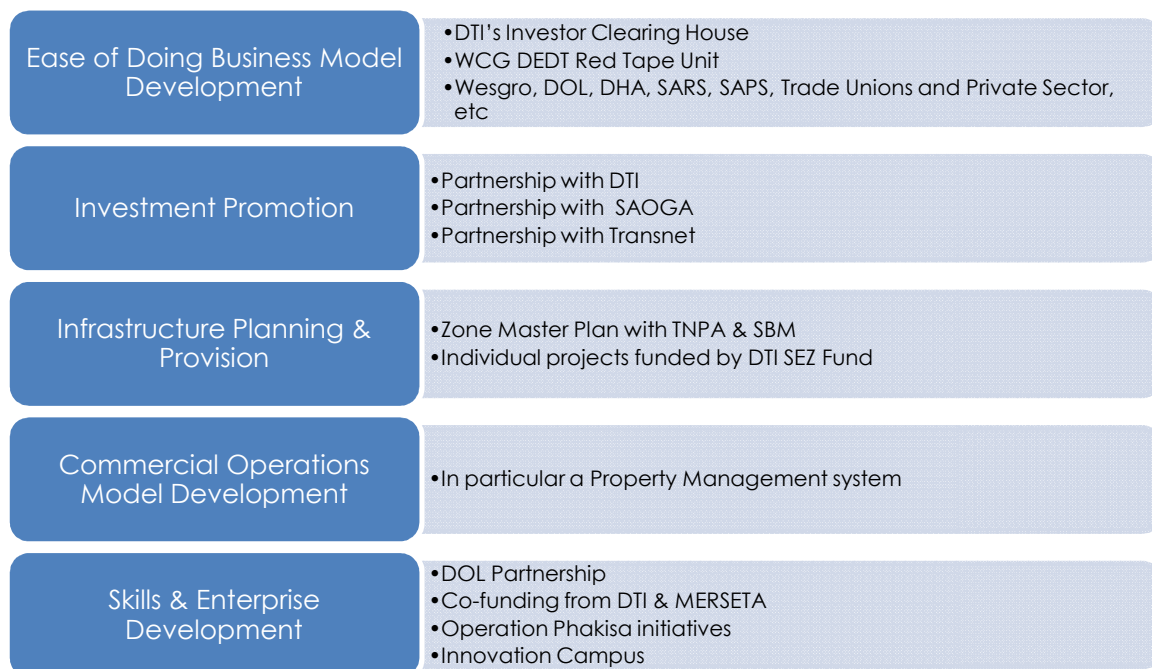


Figure 4: SBIDZ LiCo Institutional arrangements

Source: Adapted from Beukes, 2016

In summary, the challenge for the public sector with the SBIDZ is to firstly build a deep understanding of the sector that will allow it to put mechanisms in place that will allow it to properly identify the risks. There appears to be a strong commitment to co-ordination, but the impact thereof stands to be limited if there is not a comprehensive knowledge of the challenge that co-ordination is intended to respond to.

4.3.3 RESEARCH QUESTION 3

Are there constraints to accelerate project implementation, and what are they?

Although there are a variety of binding constraints that have to be solved in order for the project to progress, there are a few themes that are recurrent. For example, Standish et al. (2012, p. iii) refer to the following three areas that have to be addressed if the project goals are to be met:

1. *“Port congestion”*
2. *“Skills”*
3. *“Free Zone and Streamlined Electronic Customs Clearance”*

During May 2013 the SBM underwent a strategic planning session where they set out to unravel the following problem statement: “For Saldanha Bay to realise its potential what rules should be introduced and adhered to?” The two key shortcomings that emerged from these deliberations were identified as:

1. Sufficient skills to support future industries.
2. Communication at all social levels and an efficient municipality.

Interestingly “ease of doing business” was mentioned as a potential shortcoming but wound up on the bottom of the priority list.

For the Chairperson of the SBIDZ the issue of partnership around the issue of land ownership is a binding constraint. Again this did not register as an issue during the SBM strategic planning session mentioned above. In the SBIDZ LiCo Annual report 2015/16 (2016, p. 7) the Chairperson comments as follows: *“For the Saldanha Bay IDZ initiative to be successful in ultimately establishing a sustainable and niche industrial hub for the Oil, Gas and Marine Manufacturing, and Rig Repair Service Cluster, it would be dependent on the fostering of robust partnerships with the TNPA as the Port operator and owner of nearly half of the designated IDZ land area, the Industrial Development Corporation (IDC) as the owner of the balance of the IDZ land area, the Provincial Government as the ultimate shareholder and operational funder of the SBIDZ LiCo, the municipality, the local business and broader Saldanha Bay community.”*

In this same Annual Report (2016), the CEO notes the shortage of appropriate business resources and local skills to meet the business needs of SBIDZ investors in the short to medium-term. He further asserts that a key attractor for investors would be an environment characterised by the “ease of doing business” where the interface between the private and public sectors is simplified. The CEO sees “ease of doing business” as encompassing:

- “Ensuring the ease of access to a world class facility”;
- “Developing a Freeport”;
- “Providing a seamless flow of goods and people into the SBIDZ”;
- “Housing service providers to ensure efficient and world-class services are provided to investors” (SBIDZ LiCo, 2016, p. 11).

In engaging the SBIDZ Chairperson there was an assurance that there were initiatives at varying stages of progress in place to deal with all the constraints listed in the preceding paragraphs.

To further uncover the constraints to project implementation it would be pertinent to examine some of the problems associated with the IDZ programme. The generic problems presented in the box below may not be totally congruent to the SBIDZ context but they do provide a good basis for discussion.

A weak policy and legislative framework ° Poor institutional and governance arrangements ° Ad hoc funding arrangements that render long-term planning in the IDZ impossible ° The lack of IDZ specific incentives ° The lack of targeted investment promotion ° The lack of programme definition and strategic direction ° Poor co-ordination and integration.

Source: Ryan (2015, p. 7)

Box 6: Main problems with IDZs

With respect to project constraints there was a strong correlation between what the literature and the respondents were saying. There seemed to be a situation where all the pieces of the puzzle were there but the pieces did not seem to match the picture on the puzzle box. This resulted in the puzzle never being completed as there was a hesitance to veer from the picture on the box and allow the process to evolve organically.

A weak policy and legislative framework may be viewed as a problem for IDZs and SEZs on the African continent. This weakness often goes unnoticed as policy-makers focus on process rather than facilitating the implementation of solution-driven projects. However, one of the respondents mentioned that perceptions of policy weakness often stems from a capacity shortfall amongst implementers. This respondent felt that the regulations were not such a big concern but rather the challenge was the inability of people to explore and apply the regulatory framework differently as conditions changed. This was because people became accustomed to operating in a standard manner and were unwilling to adapt as the context required.

For a variety of reasons, it was difficult to accuse the SBIDZ of poor institutional and governance arrangements but there were undoubtedly related factors that limited efficiency in certain instances. The dti SM raised several impacts on the pace of project progress. He made the following statement: “Funding was always an issue, and getting the right people into the right positions. Political resistance had to be overcome. Securing the land from the other state owned enterprises was difficult and the project moved forward based on the belief that the land would be secured.” In conversation with the Chairperson of the SBIDZ, it emerged that at that juncture there were several agreements with a range of stakeholders being put in place to ensure not only a high level of co-ordination, but also

collaboration and governance. An example was cited of agreements with the municipality that needed to cover a wide range of issues including bulk infrastructure provision, financial arrangements in terms of rates and taxes, service levels and the ease of doing business such as the speed of processing building plans. These agreements were all structured to stimulate investor appetite.

Despite the fact that the SBIDZ operated in an environment characterised by financial austerity; partners had made major strides in meeting their financial commitments. Nonetheless land ownership remained a challenge. According to a respondent, collaboration was hampered because the SBIDZ was on land it did not own. The SBIDZ was currently fast-tracking agreements with TNPA and the IDC to ensure the land designated by Minister Davies was fully accessible to the project. Interestingly the respondent stated that the ownership model being developed bore a strong similarity to that of the Victoria and Alfred Waterfront.

The vulnerability to external shocks was a constant threat, as was the limited window of opportunity to act decisively in a competitive space. This inability to act was seen as a result of the sometimes haphazard nature of bureaucratic structures. Noteworthy suggestions to overcome certain constraints emerged from the respondents. The discussion around the market being diminished by an uncharacteristically low oil price brought the following response: “There is now an opportunity to add the decommissioning of rigs to our bouquet of services.”

The lack of human resource capability was an apparent concern that emerged from both secondary and primary data sources. This shortfall hampered the localisation of value chains. A respondent stated that they sought to employ local community members but a barrier was that a significant percentage of them failed the prerequisite health and safety induction programmes. Another respondent indicated only 1/16th of the local labour force was “trainable” to a more advanced level. Additionally, there was not a single local business that was able deliver the standard of service that this particular situation required. It was added that the local business sector appeared to be seeking to go into a “receiving hand-outs” phase rather than improving the quality of their outputs.

As intimated before, differing mandates have a tendency to slow projects where there are multiple stakeholders. The SBIDZ is by no means the exception, but a reading of the timeline presented earlier in this chapter suggests that there were constant efforts to ensure that there was always a shared focus. The respondents supported this statement by emphasising that since the decision to go with “oil and gas” had been taken, the focus remained steadfast. Time will tell whether this steadfastness is an advantage or disadvantage in this particular situation.

Respondents reported that earlier in the project lifecycle, the issue of competing mandates had been substantially more prominent than currently. However, these challenges were not thought to be insurmountable as a respondent indicated the following: “Once the business plan was developed and extent of the intervention was clear, the blockages diminished.”

In addition, the primary data sources revealed that to counter global competition and strengthen the local value proposition the South African oil and gas hubs should not be marketed individually but promoted as complementary services. Here it also emerged that the principal competitor was not on the African continent but considered to be Las Palmas in the Canary Islands. However certain respondents felt differently with regard to a marketing and communication strategy. As there were so many pieces of the puzzle that had not been placed in the correct space, there was the feeling that outward marketing and communication should be minimised until plans were solidified further.

In summary, there are a number of constraints to project delivery and undoubtedly strategies to mitigate certain of these constraints have proved successful while others have not. An interesting observation will be whether lessons are learnt and things done differently as the rest of this journey unfolds.

4.4 CONCLUSION

Chapter four has considered both the primary and secondary data and constructed a timeline which has been reinforced by a rich narrative. The timeline was divided into six moments of change that emerged from the primary data collection process. Thereafter the data generated in constructing the timeline as well as the existing primary and secondary data was used to address aspects of the three research questions.

Chapter five will summarise the research process followed with this research study and present a series of deductions and also a number of recommendations as suggestions to how the status quo may be improved.

CHAPTER 5 SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

This study set out to investigate whether it should support or refute a particular hypothesis. In doing so, three research questions were developed that considered broadly the feasibility of the SBIDZ, the role of the public sector in creating an enabling environment for the SBIDZ and lastly the effectiveness of co-ordination. Chapter five ruminates on the preceding four chapters, revisits the unravelling of the research questions, delineates the key findings and illuminates emergent implications for both public and private sector stakeholders who are responsible for taking the SBIDZ forward. Furthermore, in this chapter the research limitations are provided, conclusions of the study discussed and recommendations made for building on the research findings.

5.2 SUMMARY OF THE RESEARCH

In this section of the chapter the key points of the four preceding chapters are summarised in order to provide the setting for the ensuing conclusions and recommendations.

5.2.1 CHAPTER ONE: BACKGROUND AND STRUCTURE OF THE RESEARCH STUDY

Chapter one explored how the research topic emerged as a result of the author's puzzling over the feasibility of the SBIDZ. It considered how this contemplation was transformed into three research questions which were designed to give focus to this study and then either support or refute the selected hypothesis.

The chapter not only discussed these research questions, but developed a meticulous pathway that allowed responses to be developed for them. Effective co-ordination had been placed at the epicentre of the study's conceptual model that was underpinned by increased investor opportunity and decreased environmental threat. In addition, the chapter addressed how both primary and secondary data would be collected and then used to better understand the issues being investigated.

5.2.2 CHAPTER TWO: LITERATURE REVIEW

In chapter two, the literature review followed two divergent routes. Firstly, the literature as it pertained to the topic was funnelled from an international, to a continental, then a national and finally

a local perspective. The local perspective dealt explicitly with SBIDZ. Secondly, literature that found resonance with the three research questions was illuminated.

In order to provide a foundation for this study, the chapter investigated the impact of the SEZ as a policy instrument in a variety of settings. It also explored inter alia the topic “co-ordination” in a context characterised by multi-level and multiple principal and actor relationships.

The chapter concluded by illuminating the institutional relationships at the core of the SBIDZ.

5.2.3 CHAPTER THREE: RESEARCH METHODOLOGY

Chapter three provided greater detail to the study’s roadmap that was introduced in the opening chapter. This chapter’s primary objective was to outline how the primary data was going to be collected and analysed.

The sampling strategy involved disassociating from strived for norms in research such as “representative populations” and “probability sampling”. Instead senior managers who had a fairly lengthy association with the SBIDZ were targeted in following a process tracing approach. Selected respondents were requested to be a part of face to face semi-structured interviews. Where this was not possible, alternate communication channels were considered.

This chapter revisited ethical considerations and concluded by introducing how the data analysis process would be conducted in the chapter that was to follow.

5.2.4 CHAPTER FOUR: THE SBIDZ – UNRAVELLING MOMENTS OF CHANGE

Chapter four combined secondary data introduced in chapter two and primary data emergent from the data collection process outlined in chapter three. The analysis followed a two-phased approach. The first identified key moments of change in the project’s history and then developed a timeline linking these moments chronologically. This timeline integrated primary and secondary data to build a rich narrative.

The second phase of the selected approach saw a closer analysis of the three research questions. Using the available data, the questions were not only responded to but consideration was given to how things could be done better. In doing so, the platform was set for the final consideration of the research questions in chapter five.

5.3 LIMITATIONS AND DELIMITERS OF THE STUDY

The study had a series of limitations and delimiters that find expression below.

The study's first limitation pertains to the composition of the sample. The SBIDZ involved multiple stakeholders and the time and cost constraints meant that a strategic decision had to be taken as to who would be engaged. The relatively small size of the sample also placed a limitation on the study. Despite a rich narrative emerging through the process, the stories of all possible stakeholders were not told. Secondly, the study was limited by the lack of research dealing specifically with co-ordination within the context of the SBIDZ. Finally, this study has the weighting of a minor-dissertation. The requirements for the submission of minor-dissertation placed a limitation on the scope and size of the study.

A delimiter of the study was the full schedules of targeted and actual respondents. It meant that different routes of engagement were followed with different respondents. Although a comparison between the data provided by respondents was not an objective, in retrospect the distinct possibility exists that if there were more points of comparison, it could have added an additional layer of richness to the narrative.

5.4 STUDY CONCLUSIONS

“The new practices are emerging murkily and by trial and error. This messiness should not deter leaders—there’s too much at stake. Governments need to exploit all available experience and commit to ongoing experimentation. They must follow an incomplete and everchanging set of prescriptions and relentlessly review and refine them. The alternatives—taking decades to devise a model set of guidelines, acting randomly, or doing nothing—all are unacceptable” (Isenberg, 2010, p. 3).

As a policy instrument, the IDZ or SEZ clearly has the potential to play a role in restructuring a South African economy that may be considered to have moved out of manufacturing too soon. Within the context of the SBIDZ, understanding the nature of the relationship between the major producers of oil and the global economy remains particularly relevant. Oil continues to be central to a global energy mix despite aggressive attempts to improve the accessibility to alternate energy sources being on the increase. Currently the OPEC maintains a strategy of driving supply in order to preserve its market share. Therefore, market failures in emerging oil producing countries likely to use the SBIDZ during favourable conditions will place limitations on scale and perhaps threaten the need for the services provided by the prospective oil and gas services hub. In examining both primary and secondary data sources, there are clear indicators that suggest the SBIDZ has its merits but requires deep and

innovative thought and also action to achieve both its economic and social objectives in a rapidly changing global marketplace. In attempting to unravel the puzzle, it was found that as certain project decisions and processes became less opaque, there were other areas that remained vexing. It has emerged that the manner in which protagonists leading the SBIDZ manage time is a key success factor for the project. It may be argued that already considerable advantage has been lost due to the time lags between the conceptualisation of the project and its actual implementation. The current situation of low oil prices and shrinking demand for related services has meant that there has been a general slowdown in the sector resulting in a financial climate not entirely favourable for the expansion of the SBIDZ. The research strived to uncover the murkiness around “investor opportunity” and “environmental threat” which had some of its roots in the disjuncture between certain public and private sector perceptions around the potential impact of macroeconomic changes on the project.

The nature of and perhaps the unfulfilled potential of the relationship between the public and private sector reverberates strongly throughout this research process. The limited integration of the two groupings may at a basic level be ascribed to the public sector placing a greater emphasis on “form” and the private sector “function” in plotting a route for the SBIDZ. The research has shown that while the public sector partners have developed a record of co-ordination and collaboration, their relationship with the private sector appears less established. In analysing the timeline presented in chapter four of this research study the public sector-driven processes appear quite linear with a high level of interdependency between them. This manner of operation could be geared to lessen risk rather than encourage efficiency and innovation; possibly reducing private sector interest.

The issue of public/ private sector engagement drew mixed views from respondents. A respondent commented on the desired roles and presented the view that the private sector should be the drivers of the SBIDZ allowing the public sector to play a supportive role. Another respondent felt that government had not involved the private sector as much as they could have. A third respondent felt that the private sector had to be left out of planning until the project gathered traction. However, if the private sector is to lead, it should be an integral part of developing the solution and not be expected to take ownership of one that emerged in their absence. The public sector appeared to avoid private sector engagement if it threatened to add “*murkiness*” to the situation. Economic efforts will not be translated into business opportunities if the public and private sectors are not part of a broader and common ecosystem.

With the SBIDZ considerable effort had been made to ensure that the planning process was sufficiently robust. This too contradicts Isenberg’s (2010, p. 3) view that: “*To make progress, leaders need practical if imperfect maps and navigational guidelines*”. It stands to reason that aiming for the “perfect” plans may have slowed project progress. The interview with the SBIDZ SM showed this

was an issue being grappled with. She mentioned that the mental models people held often impacted negatively on how things were done. It was difficult to get people to think differently and make a decision that responded to the current situation and not be bound by what had gone before.

There were indications that the SBIDZ did not sufficiently communicate a unique situation-specific set of circumstances outwardly. Other than the deep harbour, the SBIDZ's unique selling proposition is not glaringly clear. An exercise therefore for SBIDZ stakeholders would be to distinguish what the current and potential assets are; and then to map a plan that will lead to the desired state and then overcome the absence of a "big win". The adage that "success breeds success" is particularly relevant for the SBIDZ in its existing developmental phase. For the SBIDZ, a "big win" would be getting an investor to commit to making a sizable investment. One of the respondents indicated that without an investor on board it was difficult to implement a marketing and communication plan that would serve to attract additional investors. SBIDZ stakeholders should review what else would constitute a big win and communicate that aggressively. Consideration should be given to involving the media more proactively in stating conditions for and celebrating success.

The SBIDZ found itself at the centre of reforming legal and regulatory frameworks during its relatively short lifecycle. In most instances the changes showed forward-thinking. Here again the pace of change often led to dissonance between the public and the private sector. As discussed previously the public sector, by virtue of its bureaucratic structure, focuses on process, whilst the private sector has a profit motive where time is a critical component in securing opportunities.

In chapter one the following hypothesis was introduced:

The Saldanha Bay Industrial Development Zone was impeded by challenges with stakeholder co-ordination.

At a purely superficial level the study has shown strong support for the hypothesis. A more in-depth reading of the preceding chapters and also the above sections of this chapter show that the challenges were rarely deliberate but rather due to organisations acting according to the rules that govern them. This begs the question that with the SBIDZ, is the co-ordination model being pursued sufficiently adaptive and whether the prevailing strategy should be to either seek best (or established) practice or developmental solutions that emerge from "working with the grain"²².

On the one hand stakeholder co-ordination done differently could have sped up project progress. However, the research intimates that stakeholder co-ordination was not the sole impediment.

²² These are concepts that Brian Levy (2014) interrogates in his book, Working with the Grain. Integrating Governance and Growth in Developmental Strategies.

Suggested responses to additional impediments will emerge in the presentation of the study's recommendations that follow.

5.5 RECOMMENDATIONS

This section considers the research findings of this research study and makes recommendations that the author thinks policy-makers will find useful in dealing with projects of the ilk of the SBIDZ. Although the recommendations have been linked to the three research questions, there is cognisance that there may be flaws in seeking alignment in this manner.

5.5.1 RESEARCH QUESTION 1

Is the Saldanha Bay Industrial Development Zone an attractive opportunity for investors that addresses a real business gap on the African continent?

1. Improve the speed and agility of public sector decision-making

The economic shocks associated with the 2008 global financial crisis remain omnipresent. The public sector should use this as a backdrop for decision-making and not be hesitant to alter the course of a plan to align to the prevailing macro-economic climate. The attraction of an opportunity is time-bound and to address a business gap, it has to constantly be adapted to the context. There should be constant reminders as to the ever-diminishing window of opportunity.

2. Review the feasibility unlocking oil wells in South Africa

Two respondents raised the issue of South Africa focusing on unlocking its own wells as it would create a new market for the SBIDZ. This should be placed high on the national government agenda as there are signs that businesses in the oil and gas sector are facing pressure in South Africa. Recently a company – DCD Marine – with a long history in the sector was forced to apply for business rescue. The fact that an established company had to take that route does not bode well for new entrants.

3. Provide bespoke investment support

The research study has already revealed that investors place a premium on the ease of doing business. However, there must be an understanding that a one-size-fits-all approach cannot be followed in such a dynamic setting. The constraints businesses are dealing with have to be understood and then tailor-made solutions offered and negotiated.

4. Allocate funding strategically

The sustainability of the SBIDZ requires an implementation plan built on strong commercial principles rather than patronage. In this light the following is a critical consideration: *“Achieving an appropriate budgetary balance can be tricky for host countries, and doing so can mean the difference between profits and losses. Zones can fall short of intended benefits for governments under three scenarios: if development entails massive government capital outlays (for onsite or offsite infrastructure development), are not operated on a cost-recovery basis, and/or receive subsidized inputs for electricity or other services (FIAS, 2008).”* There must be an understanding of how investors perceive value as the “if we build it they will come” approach does not make economic sense.

5.5.2 RESEARCH QUESTION 2

Is the public sector able to mitigate the risks that come with a project of this nature and scale through effective co-ordination?

1. Be clear and realistic about expectations

Clear mandates can serve to mitigate risks. In the same way the Saldanha Bay communities must be engaged in a manner that paints a realistic picture of the situation as it evolves. This should be an approach followed with all stakeholders.

Within the SBIDZ there is a sense of a commitment to the underdog. This forces a revisit of the Project Khulisa aim – “to create growth and jobs in those sectors of our region which hold a clear competitive advantage”. However, there needs to be constant re-evaluation as to whether SBIDZ indeed holds “a clear competitive advantage”, what exactly constitutes that advantage and what must be done to maintain the advantage.

2. Get the best people for the job

The research study also highlights that for many stakeholders, oil and gas is a fairly new sector so knowledge and experience is likely to be limited. Over the longer term internal capacity is being and will continue to be developed. To keep up with the pace of change, situations will arise where it will be necessary for the public sector to outsource certain functions

3. Understand local conditions and act accordingly

It remains questionable whether local conditions are an appropriate match for an oil and gas services hub. The missing links remain the regional skills deficit and also the seeming absence of an entrepreneurial culture.

At another level, Saldanha Bay has a prevalence of social ills such as crime, drug abuse, foetal alcohol syndrome and teenage pregnancies. The public sector interventions to address this must be intensified as a respondent's comment was that if these efforts were not successful; the social base would be further weakened.

Many of the residents of Saldanha Bay will have to undergo a cultural change if they are to contribute to the vision of the SBIDZ. The study has mentioned previously that negative sentiment around previous projects such as Saldanha Steel still persists. There should be a strategy to ensure that there is an aspirational air about the SBIDZ for communities. Residents must have the desire to be a part of the project and be prepared to do what is required of them to contribute to and be part of its success.

5.5.3 RESEARCH QUESTION 3

Are there constraints to accelerate project implementation, and what are they?

1. Link policy to context

Policy makers should closely examine the absence of capability in certain areas that have emerged strongly in this paper. This will require a frank and perhaps even brutal assessment of whether our regional skills base in terms of both people and institutions are sufficiently geared *“to generate incentives for private investment and market expansion (Rodrik, 2011, p. 139).”* In addition, heed should be taken of the following view of Chinguno (2011, p. 6): *“Given the scale of the country's unemployment, South Africa should view SEZs as a platform for experimenting with reforms that might induce the emergence and growth of industries that employ large numbers of low-skilled workers.”* To date labour laws which are viewed by many investors as being too restrictive have received little consideration within the SEZ framework.

2. Find new ways of doing things

Strong resonance emerged from an incident linked to Project Khulisa that was related by a respondent. She formed part of a “LAB” process where over a period of seven weeks all the elements of the project were unpacked and then integrated. She felt that this made it possible to quickly see how the SBIDZ fitted into the broader oceans' economy. A new method for dealing with traditional challenges brought quicker and more relevant solutions. Developing an ecosystem with a project such as the SBIDZ allows for the acceptance of integrated priorities as opposed to dealing with priorities linked to specific mandates.

The development of an ecosystem, especially one that envelopes both public and private sector stakeholders, allows for the pursuance of both hard and soft agendas in balanced manner. With the SBIDZ the “hard” issues such as infrastructure development find resonance relatively easily while

finding a home for the softer issues remain challenging. Again Isenberg (2010, p. 9) presents sage advice: *“Finally, reform won’t be truly effective in the absence of all the “softer” approaches government can take in building ecosystems, such as breaking down cultural barriers, educating entrepreneurs, and promoting success stories”*.

5.6 CONTRIBUTIONS TO THE FIELD OF STUDY AND AREAS FOR FUTURE RESEARCH

This research study seeks to both contribute to an existing body of knowledge and inform policy development processes. The issue of co-ordination often finds expression in literature but this study possesses a unique flavour as it elevates the disjuncture between the public and private sector relationships. Furthermore, the study does not deal with co-ordination in general but uses the SBIDZ as a backdrop to provide contextual richness. For policy-makers, two potential pitfalls are illuminated. The first being the timing of involvement of the private sector in key projects where there is an expectation of assuming leadership. The other is the flexibility of plans that have to respond to a rapidly evolving world.

Although the study responded primarily to three research questions, there were several emergent issues that fell outside the scope of this study. Deepening the research for further study will require that the respondent list be broadened and be more representative of both private and public sector stakeholders. A consideration should be given to combining the research questions with the recommendations made in this chapter to form a framework for an annual independent SBIDZ review that will allow for an effective evaluation of prevailing plans and processes.

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