Regional Development and Institutional Lock-In: A Case Study of Richards Bay, South Africa

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The South African Spatial Development Initiative (SDI) policy seeks to attract investors to specific regions (DTI 1997). In a country where the official unemployment rate is over twenty percent, and may be as high as thirty-seven percent (RSA 1998), the effectiveness of this ambitious program is open to question. However, it is too early to evaluate the program in terms of job creation or other quantifiable outcomes. In the absence of such outcomes, this paper presents an institutional analysis of the SDI policy.
National industrial strategies are influenced by the regional institutional dynamics operating in the places where the policies are to be implemented, since national policymakers require local support to implement policy. This may lead to uncritical acceptance, outright rejection, or modification of the policy, with a variety of possible unintended outcomes. My case study of the growth pole bulk-export port of Richards Bay illustrates the first of these possible outcomes; here the SDI policy has been incorporated into the existing regional institutional structure.

Richards Bay’s existing regional institutional structure has advantaged a particular form of development in the past, and continues to influence current and future development plans. Development in Richards Bay is locked into the tight relationships between the Port, the local government, and a few large extractive industries. The local economy faces considerable problems. The dominant industries are capital-intensive and thus provide few appropriate job opportunities, have minimal connections to the local economy, and exact a heavy environmental toll on the surrounding area.

In reflecting the underlying institutional structure, the SDI program has been unable to address the root causes of this distorted development trajectory, the result of which is that alternative trajectories have been precluded. These alternatives might have included substantial economic diversification, the creation of an entrepreneurial and innovative business climate, a shift in the operating environment for small business, the development of a new skill base, or the strengthening of rural-urban economic linkages. Instead, the SDI program reflects the institutionalized belief that inward investment on the back of substantial infrastructural investment is the only way for Richards Bay to develop.

In the first section of the paper I briefly describe the concept of regional institutional structure, defined as the formal and informal relationships between agents which come to constitute the environment within which people make decisions and act. Because economic behavior is embedded in this structure, economic interventions need to pay attention to regional institution issues.

In the second section I introduce the South African SDI policy and show that it is an attempt to address national industrial strategy concerns in a spatial manner. However, the pursuit of this goal is constrained by current restrictive macroeconomic policies, and the partially federalist new South African constitution. These constraints prompt national implementers of the policy to work with local agents, thereby increasing the salience of local institutional factors in shaping the policy and its implementation.

In the third section I present a case study of Richards Bay. Here, the regional institutional structure is distinguished by close relationships between local government, the port authorities, and a few large raw material-processing industries. In Richards Bay, the SDI policy has been quickly and enthusiastically adopted by local organizations and interest groups, however, the adopted policy reflects rather than challenges the existing regional institutional structure.
Regional Institutional Structure

A useful starting point for understanding the implementation of national industrial policy is Peter Evans’ suggestion that “variation in (development) involvement depends on variations in states themselves” (1995: 11). Evans’ work on “embedded autonomy” suggests the need for grounded research into the nature of policy development processes, and it focuses our attention on the way in which political, bureaucratic, and economic interests are able to form coalitions around particular approaches to development policy.

However, regional policies are not merely reflections of national government strategies. Differences in regional implementation of a national program reflect regional differences in the outcomes of negotiation and bargaining processes between national and local interests (Selznik 1984). This highlights the importance of research that explores how the values and imperatives of national programs, such as the SDIs, are communicated to, and mediated by, regional actors and institutions. In this paper I will connect this approach to policy analysis to recent work by regional scholars that attempts to explain regional growth performance in terms of institutional factors.1

Institutions can be defined as the guiding norms or frameworks for human action that are the outcome of regular human interactions and relationships, and that may or may not be formalized in organizational, legal, contractual, or some other conscious form. Such a relational view of institutions situates economic behavior, what we seek to influence in regional development practice, in networks of interpersonal relations (Granovetter 1985). Institutions are thus historically path-dependent to some extent—that is, they are hard to change—in the sense that they develop through repetition, and they are shaped by pre-existing relationships.

This understanding of institutions has particular relevance for planners because it has an implicit spatial component. By concentrating upon human relationships in the formation of institutions, particularly repeated face-to-face contacts, we are alerted to the importance of proximity (Storper 1997). This idea has been used to argue that regions, the predominant spatial scale of such relationship-based institutions, have a special place in learning and innovation. Amin notes that “in a world in which codified knowledge is becoming increasingly ubiquitously available, uncodified knowledge, rooted in relations of proximity, attains a higher premium in delivering competitive advantage owing to their inimitability” (1999: 369). This attention to learning is closely related to the view that innovation is central to the process of regional development. This view follows in the tradition of Marshall (1892), Schumpeter (1950), Perroux (1950), and Hirschman (1958), and is distinguishable from neo-classical and trade-based theories of regional growth.

Proximity, however, confers a premium only insofar as this uncodified knowledge has some value. While institutions are importantly localized, strong institutions do not necessarily lead to desirable developmental outcomes. Institutional structure may in fact unfavorably constrain the development options that
are considered in a place—what is often described as institutional lock-in.

Although some institutions are not formally and consciously created, formal organizations and legal/administrative frameworks can and do play a key role in defining the nature of the regional institutional structure. Particular contractual relationships and industrial structures, professional associations, and communication structures shape both human relationships and informal institutions. Political agents operating from the national to the local level shape these formal organization's legal and administrative frameworks (Polanyi 1944). Thus social institutions are deeply affected by politics and policy.

In summary, regional institutional structure includes both the formal and informal relationships between agents that emerge from different production activities, patterns of ownership, administrative systems, and decision-making forums. This structure is important because it constitutes the environment within which people make decisions and engage in action with real development consequences. It has the power to filter policy interventions, but is at the same time an arena for policy intervention. In the Richards Bay case, I will argue that this filtering has taken the form of incorporation of the national SDI policy into the existing regional institutional structure. The lack of attention to institutional lock-in has resulted in a policy that may reinforce the existing—and problematic—development trajectory. The concept of regional institutional structure thus provides a framework for understanding the actual implementation and potential effects of the Spatial Development Initiative.

**Spatial Development Initiatives In Theory and Practice**

The SDI policy is a spatially explicit component of South African national industrial policy. However, the policy is fiscally constrained by the current macroeconomic policy context, as well as by the constitutional framework that requires national-local cooperation on key development issues.

In the words of Paul Jourdan, coordinator of the SDIs within the Department of Trade and Industry, the SDI policy is “a package of measures that aim to attract investors into a bundle of economically sustainable projects in a region with the potential for growth” (Jourdan 1997). However, due to fiscal constraints, “governments’ financial investment in an initiative is limited to less than ten percent of the total amount.” Thus “areas where initiatives are set up identify themselves. They must have a proven economic base because the program simply aims to loosen constraints and allow them to grow to their maximum potential.” The idea of inherent potential is an important part of making the policy politically acceptable within the macroeconomic policy and constitutional constraints; it serves to justify both the limited number of places selected as SDI projects and the limited public resources applied in each case.

Spatially, the SDI projects have taken the form of corridors linking the inland mineral-industrial heartland of the country to the coast, and of export-oriented production nodes in the port-industrial cities.
of Durban, Richards Bay, Cape Town-Saldahna (Fitschen 1998), and Port Elizabeth-East London (Driver 1998). In these SDI projects, transportation, infrastructure, and industrial development concerns predominate, and thus the Departments of Transport and of Trade and Industry have played the leading role. In the more rural Wild Coast and Lubombo areas, the SDI projects have been targeted towards rural development through agriculture, tourism, and transportation-oriented investments.

The preparation and marketing of investment projects is the key publicly-funded activity of the SDI policy. In the infrastructure field, investment opportunities include various public-private arrangements for toll roads, port upgrades, telecommunications systems, and urban/industrial services. In the industrial SDIs, there is heavy emphasis on projects that involve manufacturing of semi-processed raw materials for export, while in the tourism SDIs, there is an emphasis on hotels, game parks, and other similar developments.

The SDI program, which is coordinated from an SDI Office within the Department of Trade and Industry (DTI), relies extensively upon various mechanisms of cooperative governance to achieve its goals. An Overall SDI Coordinating Committee (OSDICC), chaired by the DTI, provides a forum aimed at ensuring horizontal inter-departmental cooperation. OSDICC includes representatives from most national government departments, parastatal finance and investment agencies, the national transport enterprises, parastatal Research Councils, and the managers of the individual SDI projects.

The SDI Office, in consultation with regional organizations, appoints managers to implement the various SDI projects. There is some variation in the implementation procedures of the various SDI projects, but officials in the SDI Office of the DTI do speak of a generalized “SDI Methodology.” In each of the SDI projects, vertical or inter-governmental cooperation is sought through local “champions” and stakeholders to provide the program with legitimacy. Local cooperation is also sought to ensure that an organization remains after the “exit phase” to continue the investment promotion work. Individual SDI managers thus rely heavily upon the use of political capital and informal cooperative mechanisms to do their work.

The SDIs combine notions of polarized and infrastructure-led development (Gore 1984) with an assumption that considerable informational gaps exist in the investment arena. Hence, the SDIs emphasize concentrated investment promotion activities and spatially targeted infrastructure investments. However, the SDI policy does not appear to be informed by a strong theoretical basis, and SDI managers admit that they are learning by doing.

If the SDIs do not derive directly from regional development theory, what is the origin of this national policy? At the national level, the SDIs reflect the pursuit of two goals—industrial policy and spatial redistribution (Lewis and Bloch 1998)—constrained by the two structural factors of macroeconomic policy and the constitution.

First, the SDI policy has been motivated by the industrial policy objectives of the national govern-
ment, as implemented by the DTI. Platzky (1998) summarizes these as export orientation and earning foreign exchange, sustainable job creation, better utilization of existing infrastructure and resources, and broadening the ownership base of the economy. The attraction of foreign direct investment and the reorientation of production and key infrastructure towards the export market are key components of this industrial strategy addressed by the SDI policy.

Second, the spatiality of the SDI policy reflects recognition of the unequal historical pattern of spatial development in South Africa. In particular, apartheid-era spatial development and import substitution industrial policies advantaged the industrial interior of the country, while systematically disadvantaging peripheral homeland regions and coastal cities, including their connections with neighboring states.

The SDIs thus reflect the pursuit of industrial policy and spatial development goals, however, the pursuit of these goals is constrained by two factors.

The first factor is the Growth, Employment, and Redistribution (GEAR) macroeconomic policy that was begun in early 1996. In seeking to improve foreign investor confidence, the GEAR policy was made fiscally restrictive (RSA 1996a), and its development philosophy export-oriented. One of the very few pro-active policies it does allow is industrial policy. GEAR includes a reorientation of the industrial incentive system towards labor-intensiveness, industry preference, and spatial location (DBSA 1999). However, the implementation of the GEAR policy limits the possibilities for spatial redistribution through public spending, and thus provides the context for the orientation of the policy around private investment.

Second, the framing of the SDI policy cannot be understood without reference to the new, partially federalist South African constitution. The constitution establishes provincial governments and local authorities as equal spheres of government (RSA 1996b). Harbors and municipal planning are concurrent local-national responsibilities, while industrial promotion, regional planning, primary and secondary education, and public transport are concurrent provincial-national responsibilities. By moving certain important regional development decisions into the intergovernmental arena, the constitution forces national policymakers to enter into relationships with local agents. It is this factor which then opens up the possibility of important regional variations in the implementation of national policy, and makes it necessary to look within regions to understand how the SDI policy is implemented in practice.

Richards Bay’s Development Trajectory
In this section I first describe the Richards Bay economy in conventional analytical terms, highlighting the prominence of the Port and a few large processing industries. Various problems associated with the current development trajectory are highlighted. I then describe the local economy in institutional terms, highlighting the tight regional institutional structure that reflects and reinforces the problematic development trajectory of the town. The local SDI program reflects this institutional context, and thus
the SDI policy is currently unable to fundamentally shift the development trajectory of Richards Bay. Richards Bay occupies a special place in the minds of many South African regionalists and is regarded as a successful growth pole. A promotional brochure reminds us that “until the 1960s, Richards Bay was a small fishing village nesting on high ground overlooking the natural Mhlathuze estuary and wetlands” (RBTA, nd). By 1997, the population of Richards Bay and the nearby township of Esikhaweni was an estimated 98,000 (Richards Bay, 1998). Richards Bay accounted for around one percent of South Africa's GDP in 1993.

The Port of Richards Bay was developed in the early 1970s by Portnet, the national transport agency, as a response to rising traffic in other South African ports, particularly Durban. Richards Bay was selected because of the suitability of the Mhlathuze lagoon for dredging, the availability of large tracts of flat land for urban development, the ready incorporation of Richards Bay into the existing rail links to Durban, and its proximity to the coal fields in the eastern part of the country (Fair and Jones 1992). The impetus for the development of the port was provided by the Transvaal Coal Owners Association (TCOA), which in 1971 was awarded a contract to export 2.5 million tons of coal per year to Japan (Aniruth and Barnes 1998). The TCOA owns the Richards Bay Coal Terminal.

When it was officially opened in 1976, the harbor included four clean- or general-cargo berths and two private bulk-coal berths. It had been dredged to accommodate ships in the 150,000 deadweight ton range, and was connected to the interior coalfields by a largely purpose-built rail link of 525 kilometers. Since then, various infrastructural additions have been made, including: 1) the expansion of the privately-owned Richards Bay Coal Terminal, which now has four berths; and 2) the addition of a private chemical terminal, four dry-bulk terminals which handle a range of minerals, fertilizers, and woodchips, and a bulk-metal terminal.

The Port of Richards Bay is a highly successful development, approximately eighty-one million tons of cargo per annum, more (by weight) than all other South African ports combined. However, approximately sixty million tons of this cargo is low-value coal and the general cargo capacity of the port is limited. For example, even though the port is able to move containers in the general-cargo terminal, the port has no dedicated container-handling facilities. In 1997, the port handled only 13,471 twenty-foot equivalent units (PORB 1997), less than one percent of the national total. As a bulk-export harbor, the Port of Richards Bay is not on the regular route of any container shipping line. Since one firm is unlikely to fill a container or general cargo vessel alone, most local companies make use of the Durban hub, which offers a wide variety of destinations at comparatively low cost.

Gross geographic product provides an initial way of understanding the structure of the local economy, which for statistical purposes is defined as a district that includes the agricultural service center town of Empangeni and surrounding sugar cane and forest plantations, in addition to Richards Bay. In 1993,
manufacturing accounted for fifty-seven percent of the $5 billion of local output, while the transport sector accounted for eighteen percent. In the national economy, manufacturing accounted for twenty-four percent and transport for eight percent. The dominance of these sectors is remarkable considering that the statistical region also includes significant agricultural lands. These statistics also point to the underdeveloped local tertiary sector, although this has changed to a small degree with some successful shopping center development in the past five years.

Although Richards Bay has grown rapidly, there are considerable structural problems in the local economy. It is dominated by a few low-value-adding large firms which offer limited employment opportunities and limited backward and forward linkages (Lewis and Bloch 1998), while small firms are underrepresented. The local economy is subject to boom-bust cycles that are associated with the construction of mega-projects. For example, the local housing market collapsed following completion of the Billiton Hillside aluminum smelter in 1995.

Most local actors believe that the development problems of Richards Bay are the result of various infrastructure shortcomings. A document prepared for the Launch Workshop of the Richards Bay SDI (RBSDI 1997) identifies a number of infrastructure deficits that should be addressed in order to make the area more attractive to inward investment. These include a dedicated container-handling facility at the Port, cheaper land and utilities, a water supply unaffected by drought, improved road connections, a toxic waste dump site, and improved policing.

Some commentators have pointed to an institutional basis for Richard Bay’s development shortcomings. Aniruth and Barnes (1998: 840) argue that “there appears to have been very little exceptional coordination between the various institutions in the historical development of Richards Bay, except in the initial phase.” They go on to argue that while individual organizations had been efficient in the execution of their own duties, coordination was lacking: “It is therefore quite probable that greater coordination between the various institutions would have accelerated development within the locality.” The problem with this argument is that it tends to view institutions in de-politicized and formal organizational terms only. In fact, we find in Richards Bay a very tight institutional structure concentrated in the relationships between the Port, local government, and the largest industries.

For Lewis and Bloch (1998: 744), Richards Bay’s institutional problems result from this area having not “endogenised a capacity to attract industrial investment.” Thus, the policy challenge (for the SDIs) is that “if specific effort is not made, and institutions not designed to develop local civic and technical capacity in the early phases, important learning opportunities will be sacrificed and patterns of interaction will be established which will skew the industrial development of the region(1998: 746).”

It is true that a capacity to innovate has not been developed in Richards Bay, but I argue below that the challenge is not simply to create a new institutional structure; rather, it is to reconfigure the existing relationships between various actors. While all sorts of
relationships have contributed to the town’s particular development trajectory, especially the relationship between capital and labor, I will concentrate on port-industry relationships and the role of local government, since these are what differentiate Richards Bay from other places in South Africa.

**Port-Industry Relationships**

The relationships between the port and the large industries that dominate the local economy are strong and close. In many cases, the relationships involve considerable investment in infrastructure on the part of both the Port and large firms. This requires cooperation in technical operations, as well as long-term contractual relationships.

For example, Billiton developed the Bayside and Hillside smelters to import bauxite and produce aluminium ingots for the domestic and export markets (Aniruth and Barnes 1998). The port has invested heavily in specialized terminal equipment to handle this cargo. In the case of the older Bayside smelter, the bauxite is transported from the port on a dedicated rail link built by the national rail transport agency on which Billiton (then Alusaf) used to operate its own rolling stock. In the case of the newer Hillside smelter, bauxite is transported by a conveyor belt owned and operated by Billiton. In both cases, Billiton and the Port have essentially made joint investment and technical decisions that depend on the cooperation of both parties. Similar close contractual and technical relationships exist between the Port and Indian Ocean Fertilizers, Richards Bay Minerals, Mondi Paper Company, the Central Timber Co-operative chipping mill, and the SilvaCell woodchip plant.

There are a few firms that depart from this pattern. Bell Equipment produces heavy articulated equipment for sugar cane, mining, forestry, and construction industries. The firm relocated to Richards Bay from Empangeni in 1984 to gain industrial incentives on offer at the time (Aniruth and Barnes 1998). Even though over ninety percent of its material inputs (by value) are imported, and over forty percent of its revenue comes from exports, virtually all shipments are handled through the Durban Port because of the container facilities and shipping routes available there. Bell has exclusive use of two articulated trucks for hauling goods between Durban and Richards Bay. The few other local firms of note mostly produce for the domestic market. Similarly, the undeveloped small firm sector has a limited relationship with the Port.

The relationships between the large industries and the Port are reinforced at many levels. Although over twenty transportation intermediaries operate in Richards Bay, due to the specialized nature of the cargoes handled, generally only one such agency mediates the relationship between the Port and individual large industries. For example, the Billiton smelters have a long-term relationship with the Strange-Rennies shipping agency to handle all its aluminum exports.

The relationships between large industries and the Port is reinforced by other relationships outside the immediate port environment. First, the local port manager is a member of the large industries group of the Richards Bay branch of the Zululand Chamber of Business, which provides a forum for deepen-
ing the relationship between the Port and particular business concerns. Second, Port management facilitates a series of regular meetings with key clients, including an annual client conference. There is also a history of joint port-industry working groups addressing specific sectoral issues; for example, the Ferro-alloy Producers Association currently meets with the port in a regular working group. This level of local involvement by Portnet management is unusual.

Third, there are regular but unscheduled forums for the building of relationships at non-executive level. For example, since the vessels that visit Richards Bay are generally chartered for specific cargoes, each ship visit becomes an occasion for at least one meeting between mid-level management and technical staff of the producer, Port, and shipping agents.

The relationships between the Port and key local industry sectors are facilitated by the scale of the Port operation, the nature of the goods handled, the attitudes and behavior of key individuals within Port management, and particular contractual and technical relationships. These relationships have facilitated joint problem-solving and have ensured proper operation of the considerable capital investments by both the Port and private industry.

**The Role of Local Government**

There is also an important political basis for the tight institutional structure being described here. Unlike many local governments in South Africa, local government in Richards Bay has played an explicit and important role in shaping the development trajectory of the town. It seems likely that this institutionalized role will continue. Development in Richards Bay is guided within a very ambitious and clearly defined Structure Plan framework that is compatible with long-term port expansion plans, and a forecasted residential population of over one million people in thirty years (RBTLC 1997).

Aniruth and Barnes (1998) suggest that in the past, local government has not played an active role in pursuing development, pointing to the fact that the incentives that attracted key industries to Richards Bay were administered by national government. Similarly, some local respondents have commented that the local authority discouraged certain industries from locating within the town. However, this view is incomplete, because it misses some of the key areas in which local government has positively shaped certain forms of local development, while discouraging others.

First, the local council has large land holdings and has used these in an entrepreneurial way. All the land within the town of Richards Bay was granted to the municipality in the nineteen seventies (Aniruth and Barnes, 1998). The council actively markets a portfolio of industrial land that includes some large sites adjacent to the harbor and Richards Bay-Empangeni highway. By including a clause in the sale of industrial land, the council compels industrialists to purchase water and electricity from the council, thus ensuring an important income stream. While there has been some debate about the pricing of these utilities, it is unclear whether this arrangement has deterred investors.
Second, local government cooperates closely with the Port authorities in a set of relationships that have a long history. Currently, every two months there is a port liaison meeting. The meeting includes the port manager and town clerk, the Port and City engineers, the Port and City property/estates managers and the Port and City electricians. The connection between the Port and the City is thus largely professional and technical. The current meeting has a long history, growing out of the original South African Railways-Council meeting which apparently started with the first port construction in the 1970s.

The effects of this political aspect of institutional structure can be seen in the compatibility of long term port and council planning frameworks. Similarly, the council has not subdivided the largest properties adjacent to the Port, arguing that these may be needed for large processing industries. Apparently the SilvaCell wood chipping plant struggled to secure its location near the Port because it wanted a relatively small site. This reflects the privileging of large extractive industries that enhance the utilization of existing and planned port infrastructure investments.

Local government in Richards Bay has not been left unaffected by the political changes in South Africa. However, there are reasons for arguing that the new balance of political forces is unlikely to rapidly or dramatically change the relationships described above. Local government reorganization resulted in the amalgamation of the historically white town of Richards Bay and the black dormitory township of Esikhaweni in order to ensure joint administration of the two functionally linked, but spatially dislocated, places. However, due to various factors, the town of Richards Bay did not amalgamate with the nearby agricultural service center town of Empangeni, nor were the city boundaries extended to incorporate adjacent Inkatha Freedom Party-controlled semi-urban tribal areas.

The result is that the largest party (without an absolute majority) in the current Richards Bay Transitional Local Council—the African National Congress—represents an essentially urban working-class constituency. It seems likely that the new council, while concerned with living conditions in the black residential areas, is unwilling to fundamentally challenge the development agenda of the old council. Jobs in large industries, rather than other development agendas, are likely to continue to have political appeal.

The institutional analysis adds new insights as to why Richards Bay has developed in a way that privileges large extractive industries, and connects to other analyses of the limitations of growth pole development.³ The analysis highlights the ability of local actors to attract resources from national government and parastatal agencies, to seek and attract investors, to efficiently and rapidly develop land, and provide certain well-run infrastructure. But the Richards Bay port authorities, city council and large industries do these things so well that they preclude other development trajectories.

**The Richards Bay Spatial Development Initiative**

Richards Bay, as a growth pole, has grown on the basis of inward investment of large manufacturing
concerns and infrastructural investment. Given this history and the associated regional institutional structure, it should be no surprise the SDI program has been enthusiastically received in Richards Bay. Even Richards Bay’s vocal environmental lobby appears to be satisfied with the program, while perceptions of exclusion in the neighboring town of Empangeni have apparently been muted. The SDI manager has support from key local actors. It is interesting to note the sharp contrast to the SDI in Durban, which was initially resisted, and then substantially modified, by local government and other local actors.

It is thus clear that the Richards Bay SDI program has been absorbed into, and in many ways has come to reflect, the existing institutional structure. An SDI Trust has been formed to implement the program, and the Port and Local Council have jointly chaired the Trust to date. Other important local economic actors are also represented in the Trust.

The Trust has identified a series of infrastructural projects that need to be undertaken in order to improve the investment climate of the area. These include improving the John Ross highway that links Richards Bay and Empangeni, increasing the bulk water supply and securing supply during drought periods, reducing crime through improved policing, improving refuse removal facilities and securing a toxic waste site, and developing a dedicated container-handling facility at the Port. At the time of writing, the SDI Trust and manager had succeeded in convincing the South African Police Service to build a new police station, and were negotiating financial packages for the water and highway developments. However, it seems likely that lobbying by Durban-based shipping firms has stopped the container terminal proposal.

The SDI Trust is now marketing a series of investment projects, most of which concern processing raw materials produced in the large local extraction industries (Richards Bay 1998). Investors are also being sought for a dry-dock and ship repair complex that has been planned for several years. The Trust has also been working to attract tourism investment through the development of a passenger terminal at the port and waterfront facilities near the mouth of the Port. These developments would be linked to tourism investment possibilities being marketed under the auspices of the Lubombo SDI. There are proposals for the establishment of a Richards Bay Investment Center that would be responsible for information dissemination, a one-stop investor service and regional marketing center, and for an Industrial Development Zone adjacent to the port. A more recent update of the SDI investment website also identifies some business opportunities for small, medium and micro-enterprises.

The Richards Bay SDI is regarded as one of the more successful SDIs. A local organization has been created with demonstrated local legitimacy, and implementation has thus far emphasized real infrastructural improvements rather than moving prematurely to investment promotion. However, it
is likely that these infrastructure improvements will at best only succeed in attracting more of the same kind of investors that currently populate Richards Bay. The problem is that the SDI program reflects, rather than challenges, the institutional structure of the region and thus the decision frameworks of agents. It envisages more of the same development trajectory, and precludes other potentially desirable alternatives.

Conclusions
The central argument of this paper is that national industrial strategy is influenced by the regional institutional dynamics operating in the places where the policy is implemented. This finding suggests an important general hypothesis about national development strategies in the current context of government devolution. If national industrial strategies ignore regional institutional structure, they risk being uncritically incorporated and thus being unable to address the problem of institutional lock-in. Alternatively, they may be rejected outright, or they may be modified with resulting uncertainty and unintended consequences. Whichever is the case, a more appropriate development strategy has to pay close attention to the problem of institutional lock-in.

The case study of the Richards Bay SDI provides an example of a national industrial strategy that was incorporated into an existing regional institutional structure. Richards Bay’s particular regional institutional structure reflects its history as a growth pole. It has successfully advantaged some forms of development while actively excluding others, and there is an institutionalized notion that Richards Bay can only grow through external investments of the kind that have been made previously. Thus, the acceptance of the SDI policy in Richards Bay reflects the fact that the policy matched the development philosophy embedded there. This has undermined the prospects for a fundamental shift in the current problematic development trajectory. Despite the attentions of the SDI program, Richards Bay will continue to lack an endogenous growth dynamic.

This reasoning begins to suggest a more appropriate role for national policy in regional development. An underdeveloped theme in this paper is the role of national-local relationships in shaping elements of regional institutional structure. In the case of Richards Bay this includes agencies such as the national departments, the national conglomerates operating locally, Portnet, and the Industrial Development Corporation. The challenge for the SDI Office in the DTI is to convince these agencies to provide the correct incentives for changes in the relationships between the various local organizations and actors. This view is compatible with Lewis and Bloch’s suggestion that the “SDIs need to design programs with a considerably clearer focus on strengthening regional agglomerations and clusters” (1998: 753).

However, the argument of this paper also suggests limitations to the most appropriate of national programs, since the dilemma is not simply to create new institutions, but rather to work with those that already exist. The institutional approach outlined here highlights the importance of actions by local agents
that shift the decision-making premises of other actors in the regional economy (Amin 1999). The difficulties of achieving this should not be underestimated, but there is good news in this regard. Apparently the discussions leading to the formation of the SDI Trust have already prompted local actors to think critically about the development trajectory of the town, an examination that needs to be carefully nurtured and supported.

Finally, the institutional approach to regional development speaks directly to local planners. Local planning frameworks and processes have an important role in ensuring that cherry-picked infrastructural and industrial investments are integral components of a wider and more inclusive development agenda. In other words, planners need to realize their potential for impacting social power relations through the form and content of the planning institutions they structure (Bryson and Charby 1996). Attention to institutional lock-in would be a good place to start.

**Endnotes**

1 For a succinct summary of the theoretical genealogy and key arguments of the institutional turn in regional development studies, see Amin (1999). For a more fully elaborated institutional perspective that identifies systems of technology, organization and territory as the key sources of institutional variation, see Storper (1997). Both authors stress the differences between the institutional approach and the neo-classical economics paradigm.

2 In a classic passage Albert Hirschman (1958: 190-2) notes the tendency for regional development policies to be diluted, and thus often rendered ineffective, by the political pressures on national governments to extend programs to many regions. The SDI policy has resisted such pressures with some success.

3 Gore (1984) discusses growth pole policies in the context of wider debates about regional development. For a more recent retrospective view of growth pole strategies, see Parr (1999a and 1999b).

**References**


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