

Executive Summary of Nelspruit (Mbombela) case study

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1 Introduction

Nelspruit is an example of an expanding city in a tourism region, with growing peri-urban settlements that have been incorporated into the metro boundaries after the local elections in 2000. Whereas Nelspruit itself exhibits an urban structure that contains a previously 'white' developed core, which is well serviced and provides numerous opportunities for this section of the population, the peri-urban settlements have historically been cut off from delivery and have large service backlogs that are made worse by urban land tenure issues that hinder delivery. Unemployment figures in these areas are typically high and economic opportunities lacking. These areas mostly support a black majority and are further characterised by high levels of illiteracy, poverty and limited infrastructure. To combat these problems, the Mbombela Local Municipality has adopted projects and initiatives (some public –private partnerships) that promote inclusive strategies for economic growth. These projects and initiatives also emphasise the eradication of unequal service delivery. It is hoped that these strategies will also bring about economic equity through for example the promotion of Black economic and SMME empowerment. One way of achieving this is through capitalising on the tourism boom and through encouraging massive investment in the area through the SDI initiatives, especially the Maputo Development Corridor (MDC), of which Mpumalanga and Nelspruit as the capital, form the economic hub.

2 Key programmes in the area

The Maputo Development Corridor Spatial Development Initiative (SDI)

It was envisaged that the Maputo Development Corridor (MDC) SDI as well as tourism would lead to numerous economic initiatives that would considerably boost Mbombela's economy, and lead to numerous Black economic and SMME empowerment initiatives and create much needed jobs for the residents of Mbombela. The Mbombela Local Municipality decided to focus on investment in the protection and expansion of existing economic nodes, which include the Nelspruit CBD, Nelspruit Industrial/Commercial areas, Riverside Park Industrial, Riverside Mall, Provincial Complex, Rocky's Drift and White river in the next 5 years (Susan Oosthuizen, Deputy Director: Strategic Planning, Mbombela Local Municipality, Personnel communication, 23 May 2003).

The Maputo Development Corridor (MDC) SDI focuses on the N4 route stretching from Witbank in South Africa to Recano Garcia in Mozambique. The Corridor programme is more than just the construction of the road but includes the following key anchor infrastructural projects as well: the railway line, telecommunication, dredging the harbour and upgrading port facilities (Spatial Development Initiatives: Maputo Development Corridor, www.sdi.org.za).

The corridor is developed according to the Public-Private Sector Partnership (PPP) policy and has seen the concession of the N4 road to TRAC on a Build Operate, Maintain and Transfer (BOMT) arrangement for 30 years. A total of five toll plazas have been erected along the length of the road, two in Mozambique and three in South Africa. The Maputo Port Development Company (MPDC) is responsible for the management of the MDC (Spatial Development Initiatives: Maputo Development Corridor, www.sdi.org.za).

The kaNyamazane Urban Renewal Project

In 1999 President Mbeki identified kaNyamazane as a crime flashpoint of national concern. The township was seen as a springboard for trans-national syndicates who worked with corrupt government officials, in particular police officers. Premier Mahlangu stated that corruption and related violent crime is endangering delivery in the province by undermining the region's economic well-being. Crime was also seen as stopping residents from launching entrepreneurial and business ventures. It was therefore decided to reprioritise the entire budget to uplift kaNyamazane, hence the kaNyamazane urban renewal project that saw all government departments prioritising their spending to favour projects in the township (Lubisi, 2001).

Local Economic Development (LED) initiatives

The Mbombela Local Municipality played a facilitating, funding and or coordinating role to promote the establishment and growth in a number of LED projects over the 2001-2002 period. It is supporting 34 community initiated LED projects by linking them with a network of service providers that work in a co-operative framework with the municipality. This resulted in the roll out of 9 LED forums in each of the Developmental Facilitation Zones, culminating in the launch of the Mbombela LED Forum early in 2003. These forums are people-driven and inclusive and form the basis for economic consultation and planning (Mayoral Report, 2002).

The Land Reform for Agricultural Development (LRAD) programme

LRAD is mostly a pilot programme that involves buying of farms or land for potential farmers. Beneficiaries qualify for grants ranging from R20 000.00 to R100 000.00. Beneficiaries must be previously disadvantaged South Africans. They must be able to make some contribution, either monetary or labour in order to qualify for a grant. Beneficiaries, who are able to make monetary contributions, often qualify for bigger grants.

3 Key objectives of programmes

The objectives of the **Maputo Development Corridor (SDI)** are to attract Foreign Direct Investment (FDI); to unearth and unlock local economic potential of the landlocked parts of the country and thus generate sustainable economic growth; to promote regional economic cooperation; to create sustainable jobs and to exploit spin-off opportunities that ooze out of the crowding in of FDI (Spatial Development Initiatives: Maputo Development Corridor, www.sdi.org.za).

The objective of the **kaNyamazane urban renewal project** was to invest in upliftment initiatives in the township in order to stamp out organised crime in the area. This in turn, would see economic development in the area as well as effective service delivery (Lubisi, 2001).

Government supported, facilitated and funded **LED initiatives** in order to increase the number of Black entrepreneurs, especially from townships and rural areas in order to encourage a more equitable economic growth and increase development and economic opportunities in townships and rural areas, areas that previously saw very few such opportunities (Mayoral Report, 2002).

Agriculture is an important part of the Mbombela economy and the objective is to increase the economic contribution by the agricultural sector by 20% over the next 5 years and to promote the entry of Black farmers through programmes such as **LRAD** into the mainstream agricultural economy.

4 Key government interventions

The local municipality entered into public private partnerships in order to speed up service delivery, especially to townships and rural areas. It entered into a partnership with the Greater Nelspruit Utility Company (GNUC) to accelerate the roll out of water in areas such as Matsulu, kaNyamazane, etc. The local authority also entered into partnership with Kisko Corporation (a consortium of Eskom) to provide electricity to rural areas and upgrade existing networks. Other services such as housing (mostly alternative housing programmes such as social housing and Peoples Housing Process), roads, clinics, schools, etc. were also provided in both townships and rural areas. The local municipality, the Department of Land Affairs (DLA) and the Land Administration Directorate: Macro Planning are in the process of issuing tenure rights to people for the properties on which they live. R48 million has already been spent on the tenure process since 1999. The process also received R17 million from DLA. Funding however is not sufficient (Mayoral Report, 2002).

Various government departments also supported, funded or facilitated training, skills development and SMME initiatives as well as job creation, with special emphasis on women, the youth and disabled people. The local municipality formed partnerships with the Department of Labour, the Department of Education and the private sector for the provision of bursaries and to implement a career guidance programme. Programmes such as the Working for Water and the Community-based Public Work programmes were also geared towards creating jobs.

5 Outputs

Some of the spin offs of the investment in the **Maputo Development Corridor SDI** saw the building of the R350 million Kruger Mpumalanga International Airport (KMIA) and the redevelopment of the Maputo port. Export through both the airport and port has increased (Spatial Development Initiatives: Maputo Development Corridor, www.sdi.org.za). For example: 120 000 tonnes of bagged sugar and 70 000 tonnes of citrus are exported through Maputo port instead of Durban port. It is believed that the total trade through the port will reach between 10 –12 million tonnes per annum in the next 10 years of the concession. The SDI also saw the development of the multi-national Wild Frontier Tourism park that creates a new tourism route that include Nelspruit, Mozambique and Swaziland (Spatial Development Initiatives: Maputo Development Corridor, www.sdi.org.za).

The building of KMIA also represents a unique partnership between an international company called ABB and the Mbuyane community, which contributed some of its land towards the site on which the airport was built. The former holds 90% of the shares and the latter 10% of the shares in the airport. They also receive a percentage (R5.00) from each departure, which contributes towards development of the community. Many local people were also employed during the construction phase and some people found permanent employment once the airport started operating. The airport connects Nelspruit and the region to all the major South African cities, as well as world and other African markets. It is believed that the airport will be exporting mainly fresh produce, e.g. fruit and vegetables from Mpumalanga and Limpopo as well as seafood from Mozambique to overseas markets. Sixty percent of the fresh produce that is currently being exported through Johannesburg International comes from Mpumalanga and Limpopo, underlying the export potential of KMIA. It is also believed that the airport will be a major boost in attracting foreign and domestic tourists and businesspeople. Already the 70 000 passengers each that annually go through nearby Nelspruit and Skukuza airports have been diverted to KMIA and it is believed the airport will eventually handle more than 200 000 business and tourist passengers per year (ABB in Southern Africa, Sustainability in focus: Kruger Mpumalanga International Airport, www.abb.com/za).

The building of the N4 and roads feeding into the N4 saw many local residents employed on construction projects, either in short term or long term jobs.

The **kaNyamazane urban renewal project** saw the installation of streetlights by the local municipality and the building of roads in the township. A further 10 streetlights will be erected as part of the Presidential Lead Project at a cost of R750 000.00. The community were also encouraged to participate in police outreach programmes such as the Community Policing Forum and the kaNyamazane adopt a cop initiatives (Mayoral Report, 2002).

LED initiatives

Successful LED initiatives include the Shabalala Multi-Purpose Centre, which is a community-initiated, and driven project based in Shabalala near Hazyview. , The community has established a bakery, a poultry run, a furniture workshop, an arts and crafts division and an administration with grant funding received from government poverty alleviation funds. Short and long- term jobs were created for the residents. Another example of a LED project is the Daantjie Community Bakery project, which was initiated in 2001 by a group of women from Daantjie who approached the Mbombela Local Municipality and MMC for financial and technical support, The amount of R700 000.00 from the grant funding was made available to the project. This bakery is very successful

and provided full-time and short-term jobs for people especially women. The business is expanding and will shortly move to bigger premises. It is believed more people will be employed once the bigger building has been occupied (Mayoral Report, 2002:27).

LRAD

The Department of Land Affairs has invested about R26 million and the Land Bank 70 million in the LRAD programme. There are currently 240 farmers, each with 7 hectares of land. In 2002 these farmers yielded their first harvest and accrued a net profit of R35 000.00. Commercial farms such as Malelane, Coromandel and the N4 Cairn projects are doing exceptionally well. Malelane was awarded a contract to provide bananas to an overseas market whereas N4 Cairn was awarded a 20-year contract to provide lemons to an overseas market. This farm is co-funded by the Department of Public Works and the beneficiaries will eventually own and manage the farm and are receiving technical and financial training on how to do so. Coromandel is a R20 million project that includes both diary and crop farming.

Service provision

One thousand houses were built in Tekwane Phase Two as part of the social housing programme. This housing project is a spin-off from the Maputo Development Corridor SDI and was built to bridge the physical and economic gap between the white town of Nelspruit and the Black town of kaNyamazane. The Vukuzimele Trust, a group of women have completed three houses as part of the Peoples Housing Process and are in the process of completing another 20 houses. Other services such as water, electricity, sanitation, roads, clinics and schools have also been embarked upon.

A number of 520 hours of training and skills transfer were conducted. Approximately 11 Black economic SMMEs benefited through direct and indirect procurement for the delivery of municipal services. A number of emerging contractors were also trained and awarded projects to build between 20 – 25 houses each. A number of short-term jobs were created through the various programmes. Programmes such as working for Water and Community based Public Works placed special emphasis on employing women, young people and disabled people.

6. Impacts

Despite the fact that many local residents gained employment with the various construction jobs, e.g. N4, KMIA and other infrastructure projects, most of the economic benefits still went to the established and mainly white businesses. White owned companies such as Columbus Stainless Steel, Sasol, etc. are main users of the Maputo Corridor. Attempts were made to fast track the number of Black businesses into the mainstream industries, and the period 2000 – 2002 saw an increase in the number of Black entrepreneurs in the tourism industry, e.g. a contract was awarded to the Ulushawall consortium to provide street furniture to the CBDs during 2002. The Mbuyane community, as part owners of the KMI airport is the only community that benefited considerably as part of their profits are geared towards uplifting the community and providing schools, community halls, roads, clinics, etc.

KaNyamazane urban renewal project saw various projects been implemented in kaNyamazane, e.g. the building of roads and the installation of street lights. The latter resulted in the crime figures stabilising between 1999 and 2001 whereas initially it increased notably between 1998 and 1999. Although the crime rate did not decrease significantly, it at least stabilised. Many residents however, especially women and children still do not feel safe.

The LED initiatives saw the emerging of various sustainable community based businesses in townships and rural areas such as the Daantjie Community Bakery project. These businesses also provide jobs for local residents.

Many local residents also received short and long term employments through the various government led programmes such as Working for Water and the Community-based Public Works programmes. Working for Water for example employed 2850 people in 2002 – 2003. It is however impossible to tell precisely how many people, households and communities benefited and how these affected poverty and unemployment figures. There were also problems and many objectives could not be reached, e.g. the Public Works programme only spend about 13% of its budget on local labour and failed to reach its quota of 50% of women employees as the work was capital intensive (use of machinery) instead of labour intensive.

Although LRAD has been hailed as successful and the number of Black farmers has increased, problems remain. For example, many farmers lack the business skills to manage their farms and were expecting immediate returns. The Rural Action Committee (TRAC), the Department of Labour and the Department of Agriculture are training farmers in terms of business skills, technical skills, etc. The Department of Agriculture made R250 000.00 available towards training. Many Black farmers, in particular small scale ones also do not have access to markets. Talks with the National Agricultural Farmers Union and AgriSA (a mostly white agricultural organisation) ensued to ensure that Black farmers have access to markets. Another problem is that many people have applied for grants, but have not received any response to their applications.

Service provision also was not as effective as it should have been and in many cases existing or new networks or infrastructure were not maintained. In most cases, urban respondents felt services were improving and they expressed satisfaction with water, housing and electricity for example whereas rural respondents felt these services, especially water and sanitation were mostly unsatisfactory. According to the local municipality, service provision was hampered because townships are not formalised and tenure insecurities exist. The municipality is adamant that it cannot provide services to residents if no one owns the property on which they reside, as they would be unable to generate revenue for services rendered or collect property taxes.

Formalising townships and completing the tenure process however have proved to be difficult as the local municipality does not have sufficient funding to complete either process and lacks the necessary skilled personnel, e.g. town planners, surveyors, etc. to complete the formalisation process especially in townships where problems such as encroachment, illegal squatting, and permanent houses built on land unsuitable for habitation abound. Fourteen townships have however been formalised and more than 2000 people in Matsulu have received Deeds of Grants for their properties and will have full ownership in March 2004. Although the local municipality believes it will be able to generate revenue, e.g. for services rendered and in the form of property taxes once people have full ownership of the properties on which they reside, low and non-payment remains an issue. Many people cannot afford to pay for water and electricity, others simply refuse. The municipality does not have many legal avenues for acting against defaulters other than stopping or cutting of water and electricity. People however simply find a way of illegally connecting these services. One of the challenges for the municipality would therefore be to help people realise that they have a responsibility to pay for services. This is imperative as money generated this way goes towards paying for new services or upgrading existing infrastructure.

It would seem that government's attempts to bring about economic equity as well as eradicate poverty and speed up service delivery is succeeding, although not as fast or as effectively as it could or should. It saw the emergence of many Black businesses, farmers, as well as the creation of jobs and the delivery of services and infrastructure, especially to areas that lacked these in the past. Without statistics however it is impossible to say just how many people, households or communities have benefited and how these programmes have affected poverty or unemployment levels.

SOURCES OF INFORMATION

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