

ASSESSING PRECONDITIONS FOR EFFECTIVE SPECIAL ECONOMIC ZONES'S FROM A SOUTH AFRICAN LOCAL GOVERNANCE PERSPECTIVE

Y April

Human Sciences Research Council

ABSTRACT

The rise to prominence of local governance has fueled the expectation that Foreign Direct Investments (FDI) would be domesticated for industrial development, especially within Special Economic Zones (SEZs). An SEZ is a geographical region that has economic and other laws that are more free-market-oriented than a country's typical or national laws. For developing countries, SEZs traditionally have had both a policy and an infrastructure rationale. However, the mere existence of benign national regulations does not provide for good environmentally-sensitive governance of FDI for industrialisation, especially within industrial development zones in developing countries, where enforcement responsibility is at the local scale of the municipality. Instead, starved of economic development, most developing countries scramble for the creation of local governance structures in the hope of processing investments within localities. A democratic South Africa's local governance has evolved into largely national liability due to unending qualified audits. The question is whether local governance is good enough to establish SEZs as conceived by the Department of Trade and Industry. This article provides analysis of the standing of local governance in South Africa's Eastern Cape Province development zones of Coega and East London to determine degree of implementation of local public administrations linkages involving the complex, absurd and dialectical decisions related to the deficits of good governance occasioned by the absence of government interoperability within the localities of the Industrial Development Zones (IDZs). The article shows that government interoperability within localities, described in the linkages at the local scale, is paramount to the success of the SEZs and could be attained by implementation of a combination of aspects of the One-Stop Shop (OSS) models.

Keywords: Industrialisation , Industrial Development Zones, Special Economic Zones, Local Governance , Foreign Investments

1. INTRODUCTION

The concept and practice of good governance has become a slippery buzzword in the 21st century, especial-

ly among developing countries (Pillay, 2004; Sebola, 2012). Whereas the concept of good governance has remained slippery, Public Administration and practitioners have increasingly es-

tablished a link between good governance and economic development. In the 21st century, the discourse on good governance was embedded with that on effective service delivery (Pillay, 2004; Sebola, 2012). Public Administration search for the determinants of good governance highlighted, among other principles, "government interoperability" (Cloete, 1999; De Lombaerde & Van Langenhove, 2007). Government Interoperability encapsulates the strive to establish processes and structures for harnessing qualities of good governance practices such as legislative implementation and performance legitimacy, at various levels of government, the public sector and beyond.

The primary goal of government interoperability is to improve the potential for economic growth and development. The principle of government interoperability holds that the implementation capacity for government action is relevant to economic development in respect of the capacity to process Foreign Direct Investments (FDI) for domestication and service of national public interest (Cloete, 1999; De Lombaerde & Van Langenhove, 2007; Tang, 2008; Magubane, 2012). That is, enhanced government efficiency and transparency, coupled with the delivery of basic public services to all citizens, are seen as essential to the domestication of FDI and translation into local economic growth through industrial development (Tang, 2008; Magubane, 2012).

The significance of industrialisation as

an engine of economic growth and development cannot be overstated. Industrial production creates job opportunities at higher skill levels, facilitates denser links across the services and agricultural sectors, between rural and urban economies and between consumer, intermediate and capital goods industries (Tang, 2008; Magubane, 2012). However, industrialisation does not occur automatically. A concerted governance effort is necessary to create an enabling local development environment that is attractive to FDI and establishment of industries. To this extent, most developing states have taken notice that their macro-economic and political circumstances are generally unattractive to foreign investors; and, they established Special Economic Zones (SEZs) wherein foreign capital could invest under special legislative regimes.

Establishment of SEZs, which are localised, entailed legislative provision for local governance and processing of FDIs. Such governance, however, has often been associated with excessive liberalisation that allows multinational capital a free ride in respect of labour laws and environmental regulations. Striking a balance between the interests of foreign investors, local labour and the environment is a protracted and, sometimes, controversial undertaking. This article seeks to determine the standing of local governance in South Africa's well-established SEZs in the Eastern Cape Province from the perspective of domestication of FDI through industrial development and economic growth. A disclaimer needs

to be made at the outset that the article would not insinuate that good governance for foreign investors, local industrialisation and economic growth could be generalised for labour and environmental regulations and standards. The article concedes that the concept of "good governance" is "relative", rather than an absolute prescription of practice, rendering local public administration of SEZs.

The fundamental requirement for the successful SEZs presented in this discussion is the creation of government interoperability, in addition to the momentous infrastructure investments, though the implementation of the DTI's One-Stop Shop SEZ models. Given the challenges in implementing national government strategic industrial efforts, this article examines South Africa's local governance for the capacity to process FDI and enhance prospects of industrial development, economic growth and exportation.

The article is based on research that was carried out on behalf of the Department of Trade and Industry's (DTI) in order to determine a possible One-Stop Shop (OSS) model for governance implementation at various Special Economic Zones (SEZs) in South Africa. The One-Stop Shop involves a single location where all of the needed services for a particular activity are provided in a timely manner, thereby eliminating steps in the administrative process, with parallel rather than sequential approvals. The OSS models are designed to reduce bureaucratic delays by facilitating access to inves-

tors for all required permits and licenses and other informational requirements in a timely manner and provide after-care to existing investors. However, caution has to be exercised because the degree of flexibility and efficiency embraced could as well create possibilities of flagrant disregard of laws, especially those relating to labour and environmental regulations.

One of the key indicators of the adequacy and accuracy of implementation of the OSS model is in the establishment of the national and local government level linkages of, among others, the Department of Home Affairs, the Department of Labour, the Department of Environmental Affairs, the South African Revenue Services, Eskom and Transnet. These links provide critical services required by investors at the OSS industrial zones.

The DTI (2012) provides that the SEZs local government scale links should make provision for company and SARS registrations, work and residence permits for foreign workers, employee and property registration, Environmental Impact Assessment (EIA) and construction permits, electricity and waste management, port authority clearance and other economic incentive schemes. These linkages present a template of indicators for observing and measuring the adequacy and accuracy of local public administrations' implementation of the OSS model for the DTI SEZs. Indeed, it is not the existence of an SEZ regime, master plan, fully built-out infrastructure that would create enabling environment for do-

mestication of FDI; instead, local governance is a key consideration. That is, the governance interoperability described in the linkages at the local scale is paramount to the success of the SEZs.

2. SEZ's AND LOCAL GOVERNANCE: THEORETICAL PERSPECTIVES

Special Economic Zones (SEZs) are commonly established with the aim of achieving one or a combination of the following policy objectives: (a) attract foreign direct investment; (b) serve as "pressure valves" to alleviate large-scale unemployment; and/or (c), support a wider economic reform strategy (Farlone & Akinci, 2011; Department of Trade & Industry, 2012). The rapid growth of SEZ programs around the world over the last two decades, and their success in contributing to export-led growth in regions like East Asia, is due in part to an unprecedented globalization of trade and investment that took place since the 1970s and accelerated during the 1990s and 2000s, which saw trade grow 85 percent faster than Gross Domestic Product (GDP) between 1983 and 2008 (Farlone & Akinci, 2011).

This growth was enabled by the vertical and spatial fragmentation of manufacturing into highly integrated "global production networks," particularly in light manufacturing sectors like electronics, automotive components, and especially apparel, which have accounted for the large majority of investment in traditional SEZs (Jayanthakumaran, 2003; Monge-Gonzalez, Rosales-Tijerino & Arce-Alpizar, 2005).

Consequently, attracting FDI has become a central component of industrial policy in most developing countries across the world. However, the attractiveness of a country to foreign investors and the feasibility of the individual investment projects is closely linked to national policy environment. Equally, the practical administrative implementation of national policies is critical to creating the necessary enabling local development environment for FDI. These administrative procedures can pose serious impediments even in countries with an apparently liberal investment environment because of the inherently dialectical dilemmas of "good governance" for foreign investors or for labour and environmental sustainability. In order to address the complexities, a One-Stop Shop (OSS) model is often invoked and categorized into five broad functions, each catering to a different type of interests:

- *Planning*: It helps the investors to plan the development of the zones in terms of land assessment, office space selection and logistics
- *Licensing*: It simplifies the process of obtaining business licenses by integrating the licensing authority into one department providing access to different agencies
- *Utilities*: It facilitates a single point access to basic utilities required for setting up and operating industrial and other establishments

- *Financing*: It provides direct or indirect financial assistance to investors for setting up their business in the zones
- *Environmental compliance*: Assists in maintaining environmental standards, including labour regulations.

In practice, though, the mechanisms of OSS model are complex in regard to implementation. Challenges include the lack of cooperation between government services and their dispersed locations, bureaucracy, lack of policy alignment between national and local government, lack of facilities or access to water, electricity and so on. One of the complicating factor to the SEZ is that, as development zones, they are designed at the national scale for implementation at the local level, often creating a public administrative dilemmas for local governments that are torn between the well-being of their electorates and the interests of foreign capital.

For this reason, local public administration decisions and priorities of service delivery tend to be dialectical and absurd, overwhelmingly taking a bias in favour of the outsider in ways that have tended to precipitate local discontent and conflicts. However, the state of local government in applying the necessary services required by investors is essential for ensuring that OSS model is effectively implemented by government, and SEZs become productive in order to promote economic growth and development.

In most developing countries such as China and Brazil, the role of the State in promoting industrial development such as manufacturing of products has played a key role in attracting FDI and facilitating economic growth.

But these growth zones are also prominent for their environmental and labour abuses, as well as their neglect of the services that are needed by the locals because they prioritise those that favour the interest of foreign investors. China is one example where the development zones policy is synonymous with child labour, environmental pollution and products with questionable production health standards. In Western democracies, unlike in China and Malaysia, systems of checks and balances built into government structures have formed the core of good governance and have helped empower citizens for more than two hundred years. Sound public sector management and government spending help determine the course of economic development and social equity, especially for the poor and other disadvantaged groups, such as women and the elderly.

There is evidence of developing countries with successful SEZs in terms of industrialisation and economic growth, yet deleterious labour and environmental impacts. Balancing the principles of the OSS model is a complex process for local public administrations in developing countries where there are democratic provisions for environmental and labour rights such as South Africa.

Some of the challenges that have affected the ease of doing business include areas such as electricity, tax, and property, and work permits, where local households may have no reliable access to such services. According to the World Bank rankings, in regard to getting electricity for new buildings, South Africa's ranking dropped from 122 to 124. This was worse than the sub-Saharan regional average ranking of 122. Mauritius was 44th in getting electricity; Botswana was 91, Namibia 105, and Kenya 115, all ahead of South Africa. Another challenge involves the tax regime. On average, firms make nine tax payments a year, spend 200 hours a year filing, preparing and paying taxes and pay total taxes amounting to 24.4% (Jayanthakumaran, 2003; Monge-Gonzalez, Rosales-Tijerino & Arce-Alpizar, 2005).

The need for building relationships with institutions such as the South African Revenue System (SARS) is essential in reducing the timeframes for processing the required documentation. Local public administrations in the SEZs have to navigate this national legislative mesh in order to render the development zones attractive to foreign investors. The same is true in respect of the national requirements for environmental and labour law compliance.

Additionally, turn-around time for providing services necessary for businesses to enter the market in South Africa have been blamed on the lack of political will and ineffective state intervention, especially at the municipal level. However, the challenge has al-

ways been that the implementation of national decisions at the local public administrative level has not matched policy. Equally, South African industrial zones have not been exempted from the existing social legislation including labour law which contributed to minimal government intervention and interoperability, but local public administrative structures and systems would have never been adequate for the strict implementation of national policy decisions. To this extent, there is no guarantee that the existing SEZs in the Eastern Cape would have offered qualities that circumvented the drawbacks of the conventional EPZs. To achieve good governance entailed in the SEZs policy, structures and systems of good governance should be put in place at the local scale of the municipality.

3. ASSESSING SOUTH AFRICA'S INDUSTRIALISATION STRATEGY

In an effort to increase South Africa's industrial growth, the DTI compiled the Industrial Policy Action Plan (IPAP2), which was launched in February 2010. IPAP2 is focused on sectors that include the automotive components, downstream mineral beneficiation, business process services and textiles; and, this plan also focused on skills development and employment (Bua News, 2010; South Africa Info, 2013). In 2012, the DTI gazetted a Bill aimed at boosting job creation and industrialization in South Africa's outlying areas by licensing establishment of SEZs (South Africa Info, 2012). Under the proposed SEZ legislation, municipal and pro-

vincial authorities, or even public-private partnerships, are empowered to approach government with plans to develop SEZs, where such concentration of industrial infrastructure could improve prospects for investment, growth and job creation over a sustainable period. The DTI claims that the SEZs are designed to favour domestic investments, and to expanding access for business opportunities to previously marginalised citizens and regions (Cisse, 2012).

These outcomes are expected to materialise because the establishment of the SEZs involves training local workers, and constructing infrastructure such as road and modern ICT facilities. The spatial agglomeration of services such as water, energy and transport, together with trained labour, is expected to create the economies of scale that would attract FDI for industrialisation (Cisse, 2012). For this reason, good local governance is important to process FDI that may flood into the localities, in order to ensure that the resultant economic growth is sound.

The post-apartheid official unemployment has consistently fluctuated around 24%, whereas the unofficial reached the 40% pick at times (Joffe et al., 1995). An economic perspective insinuates that the high rates of unemployment are a result of South Africa's inability to attract FDI and create international trade momentum. The DTI's SEZs policy is emboldened by this notion because it is hoped that once established, these development zones would promote export expansion.

Trade level is assumed to be an indicator of the vibrancy of industrial activities, or lack thereof. South Africa's exports are reported to be low relative to those of other middle-income countries. Between 1960 and 2004, South Africa's real value of exports grew by only 34% (about 0.7% per year), compared to 169% of Argentina, 1887% of Botswana, 4392% of Malaysia and 1277% of Mexico (Joffe et al., 1995). Since 1994, South Africa has imported more than it has exported, with the result that trade deficit rose sharply from 2004 (Joffe et al., 1995).

South Africa's industrial sector continues to, therefore, face significant challenges due to the need for further transformation of manufacturing operations to meet the needs of the domestic population, as well as the global competitive market through industrial development-friendly policies (Joffe et al., 1995: 15). In this context, a democratic South Africa set out to formulate appropriate SEZs policy to overcome the legacies of the apartheid EPZs provisions.

Thus, in 2007 the DTI began a review of South Africa's Industrial Development Zones (IDZs); and, the review highlighted a few fundamental drawbacks: the program design excluded certain regions that might benefit from different types of SEZs; the program lacked strategic planning and financing; guidance on governance arrangements was poor established; and, government agencies involved were poorly coordinated. Unsurprisingly, the DTI review found that only three IDZs were

fairly operational (Coega, East London and Richards Bay), attracting a total of 40 investors that spent about R11,8 billion between 2002 and 2010 (Chinguno, 2009; Department of Trade & Industry, 2012; Nicolson, 2012). Evidently, given the spatial expanses of South Africa, such a huge concentration into three IDZs should raise eyebrows about the capacity of different local governance structures for the creation of an enabling environment for FDI, industrialisation and economic growth.

The DTI has itself invested about R5,3 billion on the IDZs programme, creating a total of 33 000 jobs, most of which were short-term construction opportunities (Chinguno, 2009; DTI, 2012; Nicolson, 2012). Out of the DTI review, draft IDZs legislation was drafted to redesign and expand the IDZ programme in order to enable the development of diverse types of SEZs in accordance with the changing national economic development priorities, as well as regional development needs and contexts (Chinguno, 2009; DTI, 2012; Nicolson, 2012). The resultant 2012 SEZ's Bill and policy too seek to create an environment that would enable the development of diverse types of SEZ's across South Africa (Chinguno, 2009; DTI, 2012; Nicolson, 2012).

Currently, South Africa has four IDZs in Port Elizabeth (Coega), East London (ELIDZ), Richards Bay (RBIDZ) and Gauteng (OR Tambo International Airport); and, the fifth one in Saldanha is still under construction. These IDZs are defined as "purpose-built industrial estates"; and, they are all linked to either

an international port or airport, which are themselves specifically designated for new investment in export-oriented industries and related services (Chinguno, 2009; DTI, 2012; Nicolson, 2012). South Africa's IDZs are all exclusively government-owned, promoted and financed (Chinguno, 2009; DTI, 2012; Nicolson, 2012).

But the management and delivery of services to firms is the responsibility of zone operators, all of which are owned by provincial and local governments. Notwithstanding the provisions of the IDZs policy on diversity of types, South Africa does not as yet have an OSS model for variable geometry facilitation of the industrial sector. Instead the four IDZs have investment facilitation services for investors offering a variety of services, including consultation on South Africa's regulatory environment, facilitation of investment missions, information on incentive packages for investors and assistance with work permits (South Africa Info, 2013).

Almost 10 years after a democratic South Africa's IDZs were established and billions of rands of investment, their assessments suggest that they have produced mixed success. The DTI accepts that South Africa's conventional IDZs have historically underperformed prompting therefore the adoption of the modern SEZs principles. As indicated earlier, this article also presents an assessment of the potential legislative implementation challenges for the DTI's OSS model in two municipalities of Port Elizabeth (Coega) and East London (ELIDZ), in the Eastern Cape.

The assessments focus on the existing challenges between IDZ's, municipalities and state-owned enterprises in investment promotion.

The article highlights the significance of coherence of systems of governance amongst municipalities where SEZ's and OSS infrastructure are planned for implementation, calling therefore for a strategy for enhancement of legislation implementation and Government Interoperability design. One of the challenges highlighted in the DTI IDZs review revolves around the industrial zones qualifying criteria which heavily biased towards the provision of infrastructure, to the exclusion of these areas' potential to growth, attract and retain investments (Chinguno, 2009; Nicolson, 2012). The new policy provided for the establishment of a SEZ Board and more efficient procedure for the issuing of permits (Chinguno, 2009; Nicolson, 2012). The board will also manage a new SEZ fund in order to offer predictable financing and guide long-term planning (Chinguno, 2009; Nicolson, 2012). The fund is expected to strengthen governance arrangements including clarification of roles and responsibilities of key stakeholders (Industrial Prop News, 2012).

Existing industrial zones will operate under the new policy framework as SEZs, regulated by the SEZ Board instead of the Manufacturing Development Act. The SEZ Bill is accepted as a necessary legislative instrument that would better structure investment processes in South Africa. It is hoped that an improved interoperability amongst the

government departments, zone operators and stakeholder organizations, is a key enabler of the establishment, growth and sustenance of development zones.

From an administrative perspective, the ease of doing business in South Africa has improved with the implementation of the new Companies Act, which eliminates the requirement to reserve a company name and simplifies the incorporation documents (SA Good News, 2011; DTI, 2012). Currently, it takes only five procedures to start a business, one less than the previous year, and 19 days in contrast to 22 days in previous years. There have been other improvements such as the reduction of the cost of transferring property and the efficiency of transfer duty electronic filing. South Africa improved 14 positions in the ease of registering property coming in at 76 this year (SA Good News, 2011; DTI, 2012). Registering property now requires only six procedures, 23 days and a reduced cost of 5.6% of the property value (SA Good News, 2011; DTI, 2012).

Dealing with construction permits requires 13 procedures, 127 days and a reduced cost of 21.2% of income per capita; and, South Africa is now ranked number 1 in the ease of credit access, a position shared with the United Kingdom. It was ranked 10th for protecting investors, the same position as last year (Chinguno, 2009; SA Good News, 2011; DTI, 2012).

These indicators suggest that South Africa has created one of the most

enabling environment for industrial development; and, it is ranked number 35 in the world. However, there is discordance in the public administrations at the national, provincial and local scales. The various governances require meta-governance structures and systems in order to ensure coherence and consistency.

The local governance implementation challenges are the most compelling in respect of the SEZs policy because IDZs manifest within localities in municipalities.

4. INTEROPERABILITY AND LOCAL GOVERNANCE IN SOUTH AFRICA:

The state of local government in South Africa is often described as a recurrent crisis administration and management, with successive qualified audits, rescue "packages", grandiose development plans and the parachuting promises of politicians and public functionaries who fail to achieve their municipal mandates (Pillay, 2004; Nkuna & Sebola, 2012; Sebola, 2012). One of the long-standing concerns about governance in South Africa involves leadership deficiency and lack of accountability, especially at the municipal scale (Pillay, 2004; National Planning Commission, 2012; Nkuna & Sebola, 2012).

Consistently, audits expose financial mismanagement and costly non-developmental purposes, which includes corruption and unplanned expenditure (Pillay, 2004; National Planning Commission, 2012; Nkuna & Sebola,

2012; Sebola, 2012). Also, municipalities have inadequate human resource capital necessary for ensuring professional administrations, and positive relations between labor, management and councils; additionally, most municipalities do not fulfill their legal requirements to create the possibility for active participation of communities in local government processes which, in return, precipitates "good governance deficit" (Thornhill, 2006; Sebola, 2012). In this way, most municipalities have abrogated their developmental mandates (National Planning Commission, 2012; Nkuna & Sebola, 2012).

For these reasons, there can be no hope that municipalities that have generally abrogated their developmental mandates and undermined the constitutional right for public participation would have the necessary structures to ensure "good governance" necessary for SEZs.

The discordance between national policy and implementation at the local scale is one of the serious areas of concern that localised public administrations in developing countries have not capably resolved (Pinto & Puppim de Oliveira, 2008; Glemarec & Puppim de Oliveira, 2012). For this reason, South Africa's local public administrations cannot be expected to have the capacity to attain a strict implementation match of policy decisions on the establishment of SEZs, especially under the prevalence of generally poor governance. Evidence suggests there exists a strong association between these local public administration defi-

ciencies, persistence of service delivery backlogs and the violent protests across South Africa (Tsheola & Sebola, 2012). For FDI processing in the SEZs, investors' perception is critical in decision-making; and, there is a general negative perception of the overall performance of the municipalities as well as the entire local government system. The 2009 State of Local Government Report highlights the rapid progress made by many municipalities in extending basic services since 2001, but acknowledges that challenges have emerged to varying degrees in different municipalities, which may require interventions beyond the scope of the affected municipalities (SANGONET, 2010).

It is against this backdrop that it is necessary to assess the necessary links between DTI at national level and the policy implementation in the IDZs in the Eastern Cape municipalities where Coega (Port Elizabeth) and the East London IDZ (ELIDZ) are located. The article seeks to determine, among other things, if the DTI "One-Stop Shop" model has been adequately and accurately implemented.

In 1996, South Africa's Constitution (RSA, 1996) mandated local government to pursue economic and social development. This developmental concept of local governance was taken further in 1998 when the White Paper on Local Government was released (RSA, 1998). However, according to the Freedom of Expression Institute, South Africa currently has one of the highest rates of public protest in the world (Tsheola,

2012), suggesting that the formalisation of local governance has not made significant improvements on the services for the local populations. Any South African municipality will demonstrate an endless array of essential services remaining unmet; and, the majority of communities living in informal settlements are subjected to exceedingly poor conditions of sanitation (Tsheola & Sebola, 2012).

Reasons underlying service delivery protests include allegations of rampant corruption and nepotism within local government structures, political opportunism, inadequate community engagement, dysfunctional ward committees and poor performance by the municipalities. It is apparent that in most municipalities, the poor service provisions would also have stifled the potential for economic growth.

South Africa is an anomaly as it has all the necessary legal frameworks and performance management systems in place to ensure sound public administration and management. However, like most African states, South Africa, continues to suffer from unsatisfactory and often dysfunctional local governance systems that include rent-seeking and malfeasance, inappropriate allocation of resources, and weak delivery of vital public services (Nkuna & Sebola, 2012).

Whereas poor local governance mutes public access to basic services, it also robs the localities of the potential for industrialisation, economic growth and job creation.

Importantly, the question of governance interoperability remains vexed because local government in South Africa have generally abrogated their service delivery and developmental mandates (Thornhill, 2006; Nkuna & Sebola, 2012). There are diverse OSS models, whose applicability is dependent upon the local contexts. The OSS models include the One-Door Shop (ODS), e-Governance, SEZ Administrative Manager, One-Window Shop (OWS) and the Integrated Registration Function (IRF) (Peters Pensive OASIS Symposium, 2007; Partdo & Burke, 2008; Money Web, 2012).

The ODS relates to a governance arrangement wherein all approval bodies are represented on the SEZ site with or without delegated approval authority (Peters Pensive OASIS Symposium, 2007; Partdo & Burke, 2008; Money Web, 2012). E-governance would also be essential as it provides a facility for completion of all relevant applications for registration, licenses and permits which would be processed online by the relevant authorities (Peters Pensive OASIS Symposium, 2007; Partdo & Burke, 2008; Money Web, 2012).

Whereas some of these models could appear attractive, it has to be recognised that South Africa is a developing country and that too much flexibility and responsibility at the local scale may allow for flagrant disregard of environmental and labour laws. But the SARS' e-filing makes for hope that South Africa possesses the necessary capacity to implement any combination of these OSS models for good

governance interoperability within the localities of SEZs.

Given the different degrees of advancement of states wherefrom South Africa receives FDI, and due to the variable geometry of the development of governance structures in different SEZs municipalities, the most sensible recommendation is that a suitable combination of the aspects of the five OSS models be devised on the basis of local contexts for each SEZ. Each of these models, One-Door Shop (ODS), e-Governance, SEZ Administrative Manager, One-Window Shop (OWS) and the Integrated Registration Function (IRF), have important qualities that can address different deficit in the local governance interoperability of the SEZs.

In South Africa, one complicating factor for the creation of local governance interoperability is the absence of inter-governmental Memorandums of Agreements (MoAs) to process investor applications. Government interoperability should also permeate the MoAs in order to capture the SEZ legislative conditions that different government departments have to uphold, the seniority and political clout of the designated SEZ managers and the public functionaries' responsibility for ensuring good local public administrations, inclusive of the roles of mayors, executive councils and municipal managers. South African government agencies' reputation has been to promote silo operations and provision of services. This disjointed governance yawns for interoperability because

it is very costly. On several occasions South African public functionaries from different government departments pay exorbitant costs to travel to countries where they meet and be surprised that their missions are so similar. There is need for government interoperability that brings together multiple policy domains in support of a broader investor need.

5. LOCAL GOVERNANCE INTEROPERABILITY DEFICIT IN THE EASTERN CAPE: THE COEGA AND ELIDZ CASE STUDY

The Coega IDZ is the largest in Africa (Tang, 2008; DTI, 2012). Government spent about R8 billion in developing the Coega IDZ; and, a further R3.1 billion was invested in the construction of the deep-water port, R2 billion for infrastructure, R2.1 billion for Eskom electricity and power supply upgrade (Tang, 2008; DTI, 2012). Transnet's contribution is estimated at R500 million for the upgrade of the rail facilities (Tang, 2008). Overshadowed by this highly-publicised Grand Coega IDZ, the East London IDZ is 430 hectares large with a fully-developed infrastructure and operational firms (Tang, 2008; DTI, 2012). The total cost for the establishment of the ELIDZ is estimated at R200 million (Tang, 2008; DTI, 2012). These IDZs have embarked on a diverse range of productions, but the most significant concern is whether these IDZs provide for good governance interoperability within the localities for the application and establishment of OSS model. As the zone management would argue, such governance interoperability for establishment of OSS would ensure

clustering of resources and capabilities wherein companies could tender as collectives (Magubane, 2012). Have these IDZs created the necessary linkages for good governance interoperability and creation of OSS within the localities?

Both IDZ, Coega and ELIDZ, despite their first world infrastructure investment and development, have not created the good governance interoperability necessary for the implementation of the OSS for the SEZ. For example, there are no employee registration services of the Department of Labour in these IDZs. A Zambian investor's experience in the ELIDZ confirms the difficulties related to obtaining a work permit, thus:

"[To] get a business visa was a nightmare as it was very bureaucratic. When I submitted my forms to the local Home Affairs office, for some reason it took the officials there three weeks to tell me that I needed to go to King Williams town to have my articles processed. When I was at King Williams's town, the official who received my application repeated to me several times that I needed to show proof of R1 million before getting the business visa. But I could not open a bank account without a work permit because the bank on the other hand needed a business permit. I must say that the ELIDZ officials were very helpful. The CEO himself has gotten to intervene on my behalf

to get my paperwork signed. Ultimately, it took some intervention by a Zambian Home Affairs official for my papers to be processed" (ELIDZ Investor Interview, November 2012).

These experiences are common and applicable to other services in both Coega and ELIDZ, because there is a deficit of good governance interoperability in these localities; hence, investors are sent from one office to the other, and they are made to travel distances after which they receive new information about documents that they should have submitted.

The local governance has not created the necessary linkages for the implementation of the OSS model. However, the challenge relates to the deficit of good governance interoperability wherein public functionaries, who seem to hold limited knowledge of the different aspects of processing the applications of FDI for domestication into the IDZs, do not seem to even care how they handle queries or provide services or inconvenience prospective investors. These experiences contradict the spirit and intent of South Africa's national policy decisions on the OSS for SEZs; and, the public functionaries involved continue to abrogate their duties with impunity. The challenges of doing business identified by the bank, electricity, tax, property and work permits are all government-related services, calling for the integration and streamlining of these operations through good governance interoperability in the localities of SEZs.

6. CONCLUSION

The challenge facing local governance in the 21st century Africa is the attraction of FDI for industrial development and economic growth that take into account environmental and labour laws. Industrial development is one of the key agencies of growth and development, without necessarily being guaranteed of sustainability and environmental standards.

Thus, the form of local governance in place for the implementation of the relevant legislations that avoids degeneration of development zones from the planned SEZs into conventional industrial zones of the form of EPZs is paramount. Local governance has, in recent years, risen in prominence with the ascendancy of environmentally-sensitive industrialisation in developing countries. The local governance process in South Africa has not been pivotal in industrial development and the implementation of development zones. Instead, the governance process in South Africa is marred by the on-going service delivery protests which threaten the legitimacy of the democratic dispensation (Nkuna & Sebola, 2012; Tsheola, 2012).

This article has argued that industrialisation and promotion of economic growth in developing countries is largely dependent upon the attraction and domestication of FDI into IDZs, with a strong export-orientation. It has shown that the conventional EPZs have the potential for deleterious human rights and environmental abuses.

For this reason, the article has expressed preference for the DTI's SEZs because they are founded on sound principles that entail locally-enforceable compliance with the diverse legislative and public administrative requirements from all relevant geographic scales. But the possibility of realising such enforcement and ensuring that implementation matches national policy decisions, is dependent upon the establishment of the necessary structures of good governance within municipalities. Such frameworks of good governance within localities of municipalities are a function of government interoperability, which could be achieved through implementation of a combination of various aspects of the five OSS models.

An inescapable conclusion is that the momentous public funds investments in South Africa's Eastern Cape Province IDZs of the Coega and East London in infrastructure is only a necessary step in the domestication of FDI in IDZs. To turn an IDZ into the DTI's SEZ vision entails the necessary step of good governance interoperability, wherein a mesh of flexible linkages of the different government department services are created and accessible from the localities of municipalities. The article contends that without such governance interoperability, the IDZs in South Africa would never evolve into SEZs as envisioned by the DTI.

LIST OF REFERENCES

Bua News, 2010. *New Industrial Policy Unveiled*. www.SouthAfrica.info Accessed

on January 14, 2013.

Chinguno, C. 2009. *Neither Fish nor Flesh: A Review of South Africa's version of the Export Processing Zones Society*, Work and Development Institute. Geneva: International Labour Association.

Cisse, D. 2012. *South Africa's Special Economic Zones – Inspiration from China? Centre for Chinese Studies Commentary*, 3 February 2012. <http://www.ccs.org.za/wp-content/uploads/2012/02/China-SEZ-2-Feb-12-Daouda.pdf> accessed on 28 December 2012.

Cloete, F. 1999. *Conceptualising capacity for sustainable governance. Africanus*, 29(2): 12.

De Lombaerde, P. & Van Langenhove, L. 2007. *Regional integration, poverty and social policy. Social Policy*, 7(3): 377-383.

Department of Trade & Industry (DTI) 2012. *Policy on the Development of Special Economic Zones in South Africa*. Pretoria: Government Printers.

Farole, T. & Akinci, G 2011. *Special Economic Zones: Progress, Emerging Challenges, and Future Directions*. Washington D.C: World Bank.

Glemarec, Y. & Puppim de Oliveira, J.A. 2012. *The role of the visible hand of public institutions in creating a sustainable future. Public Administration and Development*, 32:200-214.

Industrial Prop News, 2012. *Industrial Development Zones Unsuccessful*. www.industrialpropnews.com Accessed on 20 December 2012.

Jayanthakumaran, K 2003. Benefit-Cost Appraisals of Export Processing Zones: A Survey of the Literature, *Development Policy Review*, 21(1): 51-65

Magubane, K. 2012. *Industrial development zones attract investment*. www.bdlive.co.za. Accessed on 19 January 2013.

Money Web, 2012. SA Public Sector 69th Most Corrupt. www.moneyweb.co.za Accessed on 20 January 2012.

Monge-Gonzalez, R Rosales-Tijerino J & Arce-Alpizar, G 2005 Cost-Benefit Analysis of the Free Trade Zone System: The Impact of Foreign Direct Investment in Costa Rica Washington, D.C: Organization of American States

National Planning Commission (NPC) 2011. *Diagnostic Report*. Pretoria: The Presidency.

National Planning Commission (NPC) 2012. *National Development Plan 2030: Our Future – Make it Work*. Pretoria: Government Printer

Nicolson, G. 2012. Special economic zones: a step in the right direction. *Daily Maverick*, 18 January 2012. <http://www.dailymaverick.co.za/article/2012-01-18-special-economic-zones-a-step-in-the-right-direction/> Accessed on 01 January 2013.

Nkuna, N.W, & Sebola, M.P. 2012. Public Administration theoretical discourse in South Africa and the developmental local government: A need to go beyond modern thinking. *Journal of Public Administration*, 47(1): 69-88.

Partdo, T. & Burke, B. 2008. *Improving Government Interoperability: A Capability Framework for Government Managers*. New York: The Research Foundation of the State University of New York.

Peters Pensieve OASIS Symposium, 2007. *Service Oriented Architecture and e-Government Panel*. www.xmib-ystealth.net/blog/2007. Accessed on 15 July 2012.

Pillay, S. 2004. Corruption – the challenge to good governance: a South African perspective. *International Journal of Public Sector Management*, 17(7): 586–605.

Pinto, R.R. & Puppim de Oliveira, J.A. 2008. Implementation challenges in protecting the global environmental commons: the case of climate change policies in Brazil. *Public Administration and Development*, 28(5):340-350.

Republic of South Africa (RSA) 1996. *The Constitution of the Republic of South Africa of 1996*. Pretoria: Government Printers.

Republic of South Africa (RSA) 1998. *The White Paper on Local Government*. Pretoria: Government Printers.

SA Good News, 2012. Improvement

for SA in Doing Business Report 2012. www.sagoodnews.co.za Accessed on January 15, 2013.

Sebola, M.P. 2012. Objective role of the South African media industry: the watchdogs for good governance and service delivery. *Journal of Public Administration*, 47(1.1): 407-419.

South Africa Info, 2012. *Special Economic Zones to Boost Growth*. www.SouthAfrica.info. Accessed on 20 December 2012.

South Africa Info, 2013. DTI: One Stop Investment Shop. www.SouthAfrica.info Accessed on January 19, 2013.

Tang, V. 2008. Zoning in on South Africa's Industrial Development Zones. *TIPS Annual Forum*, October 2008. http://www.tips.org.za/files/Tang_Final_Zon-

[ing_in_on_SAfrica_IDZs_24_Oct_2008.pdf](http://www.tips.org.za/files/Tang_Final_Zoning_in_on_SAfrica_IDZs_24_Oct_2008.pdf) accessed on 20 December 2012.

Thornhill, C. 2006. The Domain of Public Administration. *Journal of Public Administration*, 41(4.1): 793-806.

Tsheola, J.P. (2012). Theorizing a democratic developmental state: Issues of public service delivery planning and violent protests in South Africa. *Journal of Public Administration*, 47(1): 161-179.

Tsheola, J.P. & Sebola, M.P., (2012). Post-apartheid public service delivery and the dilemmas of state capitalism in South Africa, 1996-2009. *Journal of Public Administration*, 47(1.1): 228-250.