

2.4 ECONOMIC ENVIRONMENT

Salient Features

The following is a brief summary of the most salient economic features of the City of Tshwane:

- Tshwane's economy grew at a higher rate than the national economy and even many prominent international economies. The city maintained an average annual growth rate of 1,4 percent in 2003, compared with the national average of 1,9 percent.
- In 2003, the Economically Active Population (EAP) of Tshwane amounted to 48 percent of the total population (the EAP includes working people and those who are actively looking for work). This is higher than the national average of 38,3 percent, but lower than Gauteng's average of 52,7 percent. The EAP increased between 1996 and 2003.
- From 1996 to 2003, the EAP increased by approximately 220 000, while job opportunities increased by only 180 000. Informal employment showed a substantial increase until 2001, but has since levelled off.
- Tshwane ranks highly in terms of human development, having a per capita income above the national average and higher expenditure per household, although the majority of households still fall within the lower income groups.
- The number of people living in poverty increased (27 percent in 2003, compared with 24,3 percent in 1996). The national figure also reflects an increase, namely almost seven percentage points.
- The real per capita value added in Tshwane is far above that of the national economy, but is just below that of the Gauteng economy. In Tshwane, it increased from R25 000 to R28 000.
- With the primary sector virtually insignificant, the secondary sector contributes approximately 19 percent to the economy of Tshwane, compared with the national average of 23 percent. In the case of the services sector, its share in the Tshwane economy has increased to 81 percent compared with the Gauteng average of 72 percent and the national average of 65 percent. Thus, the share of the services sector in Tshwane is substantially larger than in the whole of South Africa.

- The community and financial services sectors are the largest contributors to value added in Tshwane, followed by the transport, manufacturing and retail trade sectors.
- Economic activity is on average less diversified in Tshwane's economy than in the national economy or in Gauteng's economy (55,9 for Tshwane's economy in 1996 and 55,2 in 2003, compared with 40,1 for the national economy and 46,7 for Gauteng's economy in 2003).
- Tshwane is becoming less unique in terms of the construction, trade and community services sectors, as the location quotients are declining in these sectors. The electricity and transport sectors and, to a lesser extent, the financial services sector are, however, becoming more important in the city compared with the rest of South Africa.
- Although the total sectoral mix of Tshwane is positive, most sectors performed negatively, with the exception of the transport and finance sectors and marginally also the electricity sector. This means that compared with the average growth rate of the national economy, most sectors performed worse.
- If Tshwane were to succeed in capturing the same share of travel and tourism of its Geographic Valued Added (GVA) as the national economy, this could amount to approximately R10 billion, which is a large share compared with other sectors.

Local Economic Development (LED) Related Policies and Strategies

During the past five years a number of LED- related policy issues and strategies were finalized for the City of Tshwane. These include:

- The Business Week Programme;
- LED Strategic Framework;
- Broad Based Black Economic Empowerment (BBBEE) Strategy;
- Expanded Public Works Programme Strategy, Policy and Plan;
- Informal and Micro Enterprise Development Strategy;
- Trade Promotion Strategy; and
- Agricultural Strategy.

This policy framework has been responsible for driving many projects both within the CTMM and by other parties. The impact has been to grow the city economically and



create a number of much needed jobs. Three section 21 companies were created to assist with achieving these goals and to contribute to enterprise development.

Small Business Development

The LED department of Tshwane identified five critical factors as the means to (directly or indirectly) create an enabling environment for SMME's in the City:

1. Facilitate access to finance and financial services to SMME's;
2. Facilitate skills transfer and capacity building services to SMME's;
3. Provide information and promote information dissemination to SMME's;
4. Facilitate and provide Infrastructure support for SMME's; and
5. Facilitate and promote networking between SMME's/business and between SMMEs/business and government.

The LED department made a deliberate decision not to duplicate SMME support services provided by national and provincial agencies. Instead, local government officials will identify gaps in the services and provide in these. With regard to skills development, Tshwane facilitates the provision of start-up support services and training.

Information and Communication

The LED department established and maintains a business information system, providing information on, for example, the City's procurement policy, sector specific information, economic trends and market opportunities, and data on support organisations and services. This information, as well as publications, are made available at the business corner in the City's libraries and at Multi Purpose Community Centres (MPCCs).

The LED department established the Business Roundtable Programme (in conjunction with BEE Road shows) consisting of regular meetings addressing current and relevant topics.

Trade Licenses

A total of 810 trade licences has been issued within the City of Tshwane over the past few years. These licenses are issued to both formal business and informal traders.

Informal Trade Stalls

A total of 1600 stalls were created and allocated to informal traders in the restricted areas of the City. The current backlog for informal trade stalls at these areas stands at 1200.

In non-declared areas, traders are free to trade without being allocated stalls by the City; they just have to obey the provisions of the National Road Traffic Act and the Street Trading By-laws.

Automotive Centre Office

An automotive centre office was opened in Rosslyn and the development of the automotive sector was facilitated in:

- The Automotive Industry Development Centre; and
- The Automotive Supplier Park.

Other Initiatives

- The Urban Development Zone;
- Establishment of a "Fab Lab" (Personal Fabrication facility) in Pretoria and Soshanguve with DST and AMTS;
- Gautrain;
- The Innovation Hub;
- Winterveld Citrus Project;
- The Global Digital Hub;
- Glass Recycling Project;



- Informal Sector Infrastructure;
- Incubators and Skills Centres;
- Enterprise Development Centres;
- Development of Wonderboom Airport;
- Development of Klip-Kruisfontein CBD; and
- Initiation of the THATA Project.

Tshwane Economic Development Policy

Introduction

From an economic perspective, the broad economic objectives of the CTMM are in line with those of the national economy, namely balanced export-led economic growth that will ensure increased welfare, employment opportunities, economic and social stability, a positive trade balance, and a reduction in the unequal distribution of income in Tshwane.

The CTMM thus has to be creative in its use of incentive schemes, which may include financial incentives and incentives from a regulatory point of view. This would encourage investors to expand the production structure of Tshwane, thereby increasing their demand for labour. In the same vein, it should be emphasised that much room exists for upgrading skills, especially in areas located in the North.

The established areas of Tshwane play a dominant role in economic growth and the provision of job opportunities in Tshwane. The less developed economic regions of Ga-Rankuwa, Temba and Soshanguve lack sufficient economic drivers and thus also formal employment opportunities. In contrast, growth in formal employment in the Pretoria area exceeds that of its economically active population, signifying that a large percentage of the labour force commutes from the less developed regions to Pretoria.

The lack of employment opportunities in the northern areas leads to increasing informal activities not only in these areas, but also in the rest of the city. Available data shows that informal employment increased between 1996 and 2000, but declined after that. The social development indicators used in the analysis show that there are vast disparities with regard to the distribution of income among the

residents. The per capita income is less and the number of people living in poverty much higher in the northern regions, especially the rural areas of Ga-Rankuwa, Winterveld and Temba.

Community services sectors are the largest contributors to the GDP of Tshwane, with 23,2 and 23,4, respectively. They are followed by the transport, manufacturing and trade sectors.

The contribution to GDP is also largely reflected in employment figures, with the community services sector being the largest employer (30,7 percent), followed by the trade sector (22,9 percent) and the finance sector (at 18,6 percent). The manufacturing sector employs 13,7 percent of the economically active population.

LED Strategic Framework

The Tshwane LED Strategy lays out a strategic framework for the economic development of CTMM. This framework introduces the topic by highlighting the policy environment in which the council must operate. There are a number of Acts and policy documents that provide a national framework. In addition, the Provincial Government provides support to the process via its programmes and agencies.

If the quest to become a globally competitive city embodies all the concepts related to the growth and development of the CTMM economy in all its facets, the following range of objectives flow naturally:

- To promote the development of a diverse and fast-growing economy;
- To promote the establishment, retention and expansion of internationally competitive industries and service sector organisations;
- To promote responsive economic problem-solving and a commitment to working in open partnerships with business, labour and community-based organisations;
- To promote both domestic and direct foreign investment flows into the CTMM economy;
- To address the key elements needed to support technology-based development, including human resources, technology resources, capital, information and tax and regulatory policy;



- To promote and develop both domestic and international trade with a bias towards the development of an export orientation;
- To improve accessibility for SMMEs to business services, including training & mentoring, finance, business opportunities etc;
- To promote tourism in the CTMM area;
- To ensure that appropriate skills are available locally and utilised in the market;
- To ensure that the physical infrastructure to enable economic development is available (e.g. telecommunications, roads etc);
- To promote the image (familiarity and favourability) of CTMM; and
- To manage the economic impact of HIV/AIDS and other communicable diseases.

For the LED Department the following internal objectives are important targets to achieve during the next five years:

- To build an administrative and political leadership that is able to bring together coalitions and networks of local interests that co-operate to realise economic strategies;
- To establish a broad, diverse and sustainable revenue base;
- To promote the sustainable use of resources;
- To ensure continuous monitoring of the health of the economy through the flow of appropriate information;
- To ensure the optimal use of the flow of information;
- To promote the productive use of land (with particular reference to municipal / government-owned land); and
- To reconcile the needs of investors/ developers and residents.

It must be emphasised that the LED Strategy by its nature is a broad strategic framework for the economic development of CTMM, but it is based on sound economic principles. It takes into account the dual nature of the city's economy and sets out a framework that serve to enhance both the formal and marginalised economies and at the same time place both on complementary and reinforcing footings. It is only the start of a planning process that will progress to a comprehensive economic strategy that will in turn develop into a set of policies, programmes and project business plans.