

Economic development sector plan



High level overview

The Department of the Economic Development (DED) is the command centre for economic growth in the City, engaging pro-actively with all role players to create the enabling environment for accelerated, shared and sustainable growth. While the Department is responsible for the overall coordination, as well as strategic direction of economic development in the city, the other key role players are the four aligned Municipal Entities (MEs). National and provincial departments, as well as organised business, are also partners towards achieving economic growth in the City.

The Economic Development Portfolio is made up of the core Department of Economic Development and its aligned municipal entities; namely Metro Trading Company (MTC), Johannesburg Property Company (JPC), Johannesburg Tourism Company (JTC) and the Johannesburg Fresh Produce Market (JFPM).

The Department has an oversight function on the business of the four entities. This oversight role also encompasses the service delivery monitoring function of the four entities together with corporate governance and financial sustainability with the support of the Shareholder Unit (SHU).

Due to the cross-cutting nature of economic issues, the Department is also responsible for other economic catalytic functions that cannot be delegated to other departments.

Such functions include:

- Development of policies and strategies;
- Economic research; and
- Implementation of catalytic projects.

In this context, some of the deliverables that the eight directorates within the Department are responsible for, include:

- Implementing the City's skills strategy jointly with SETAs, Gauteng Department of Education, Further Education and Training (FET) institutions and the private sector;
- Rolling out telecommunications infrastructure via Business Process Outsource (BPO) projects, broadband and ICT techno hubs;
- SMME development and support through various institutional arrangements such as the Jozi Equity Fund and Dirang Ba Bohle Community Bank;
- Investment targeting and facilitation;
- Monitoring Broad-Based Black Economic Empowerment (BBBEE); and
- Monitoring economic trends.

Five-year promise

The Department has set a target of 9% economic growth by 2014 and remains committed towards achieving this goal. As a result, several long-term goals were established in 2006 which would ultimately lead to 9% growth and the country's 6% growth target.

Despite key programmes and projects being deferred as a result of financial constraints, the Department remains committed towards achieving its long-term objectives and programmes. In particular, the following catalytic projects will lead the City towards accelerated and sustainable growth:

- Jozi Equity Fund (JEF) (also known as the SMME Fund or SMME Equity Fund) – an innovative venture to provide equity financing to SMME's participating in City-owned or City-driven projects, and thereby support the development of SMME businesses, as well as increase the City's spend on these businesses;
- "Dirang Ba Bohle" (DBB) Community Finance Institution (formerly known as the Community Bank) – a micro finance institution to assist the City of Johannesburg's emerging entrepreneurs to have access to financial services and credit extension;
- Soweto Empowerment Zone (SEZ) – a cluster-based SMME empowerment park to support, promote and formalise Soweto-based micro, small, and medium businesses;
- Inner City Property Scheme (ICPS) – a programme to upscale, reconfigure and rejuvenate the inner city through the advancement of black property investors and the provision of adequate transitional housing;
- The Skills Hub – a primary delivery mechanism of the skills strategy, that will involve the provision of the strategic direction, management and oversight of economically-driven skills development programmes that address unemployment and poverty alleviation;
- ICT skills hub – ICT skills development located in less advantaged communities (Orange Farm) and provision of business centre services;
- BPO Precinct – key growth sector for job creation, through targeted investment promotion into Johannesburg, and into the inner city in particular;
- Johannesburg Broadband Network Project (JBNP) – a municipal broadband referred to as "Digital" or "Smart City" to ensure information age appropriateness whilst reducing telecommunication costs;
- The Expanded Public Works Programme (EPWP) – resulting in the creation of over 100 000 public works jobs and set to increase further, including learnerships created and all projects being EPWP compliant;
- Premium Hall at the Johannesburg Fresh Produce Market (JFPM) – creating value added services to attract new clients and increase turnover and mitigate the threat of alternative markets;
- Demarcation of trading spaces – the designation and demarcation of trading spaces throughout the City in order to enhance the availability of trading spaces that are compliant with municipal by-laws;
- Recognition of Prior Learning (RPL) – the implementation of a system by which skills, competencies and knowledge which have been gained in the workplace, in the community, in part-time jobs, during parenting or while practicing hobbies, can be assessed and accredited;
- Jozi Rising – the implementation of SMME development sector infrastructure and collaborative partnerships to coordinate the delivery of SMME development services across the City and ensure fair and equitable access to services for all SMMEs;
- Land regularisation – to transfer and allocate 1 000 properties to business and residential beneficiaries in Soweto, Lenasia, and Ennerdale in current financial year;
- Batsumi Square – project management and facilitation of the construction of a retail shopping centre in Alexandra;

- Agri-business Initiative (primary farming) – part of the Deep South Economic Development Programme in Poortjie and Orange Farm, in conjunction with the Gauteng Department of Agriculture and Rural Development;
- Shared Industrial Facility – roll-out of the shared manufacturing and industrial facility for SMMEs in the automotive/ furniture sector in Alexandra, together with other stakeholders such as the Department of Trade and Industry; and
- Urban Development Zone (UDZ) – an area regeneration programme that comes in the form accelerated depreciation on the cost of construction or renovation of income generating buildings in the Inner City.

Economic development sector indicators

The Economic Development Sector Indicators are informed by the IDP objective of ensuring participatory democracy, accountability and responsiveness to needs of communities.

Indicator	Five-year target (2006/11)	Progress against the five-year target (accumulated)	2010/11 delivery agenda
Number of jobs created through the EPWP programme	120 000	155 000	25 000
Number of jobs created through the implementation of the Property Boom-share Strategy ¹⁰	4 000	5 486	3 200
Percentage implementation ¹¹ of the Jozi Equity Fund to support SMME development and job creation	50%	25%	65%
Percentage reduction in the cost of doing business	35% baseline to be established per category	Broadband contract awarded to Ericsson South Africa to roll-out projects	TBA
Percentage increase in the City's spending to specific targeted firms owned by specific categories of HDI (BEE, women, disabled, youth, etc)	70%	65%	70%
Rand value of projects attracted into the City through acceleration and expansion of the Urban Development Zone (UDZ) Tax Incentive	R15 billion	R8,2 billion	R9,7 billion
Percentage implementation of the destination branding and marketing strategy of Johannesburg ¹	100%	75%	TBA

Challenges and opportunities

There are many reasons to believe that the Joburg economy, in line with national and international trends, will come under pressure over the short to medium term. The main negative factors are:

- The skills shortage has been well documented and is a negative constraint throughout South Africa. The skills shortage is a factor of both inadequate numbers of suitable graduates, particularly in engineering and sciences, and the emigration of skilled people. This challenge is of particular importance to the City of Joburg as its economy is based on higher skills sectors;
- The mainstay of the Joburg economy is the Financial Services Sector which is under pressure as a result of rising interest rates, higher consumer debt and falling international equity markets;

- Rising fuel cost will have a serious impact on Joburg since it plays a major role as a freight and logistics hub. The City is dependent on road transport to move workers around and a large number of key items (such as food and raw materials) are transported by road to the City. With regards to agriculture and food security, several input factors, such as fuel and fertiliser cost, have had a significant inflationary impact on the supply and price of fresh produce;
- The City faces some significant infrastructure constraints, largely around transport and electricity supply, which significantly impacts on economic growth. Whilst the Gauteng Freeway Improvement Programme (GFIP) will alleviate some of the stress placed on road infrastructure within the City, similar programmes are required to ensure efficiencies in rail transport;
- The approved electricity tariff increases by ESKOM for the forthcoming years will have a significant impact on economic growth within the City since major sectors of the City's economy, such as mining and manufacturing, are energy intensive. In addition the tariff increases will put considerable pressure on the growth of SMMEs; and
- The retail sector is also under pressure as consumers' disposable income falls. The retail sector is a key source of new employment opportunities for semi-skilled and young people in the City's economy.

Strategic priorities

The sector has identified three key priorities, which have been coupled with the catalytic projects described above. The priorities are:

- Employment opportunities;
- SMME development; and
- Sector development.

The Sector anticipates the creation of 55 000 jobs through the implementation of key projects as well as training for 6 000 individuals. In addition it is envisaged that these projects will facilitate for the establishment of over 250 SMMEs and provide opportunities. The JEF is expected to provide funding for 36 SMMEs whilst the DBB will provide funding for 2 000 micro enterprises.

It is also expected that the projects and programmes defined in this sector plan will result in growth in the following sectors:

- ICT;
- Urban agriculture;
- Construction;
- Retail; and
- Tourism.

Inter-governmental relations

The Department continues to actively engage with both provincial and national stakeholders in critical areas to ensure that implementation is carried out in a complementary manner that maximises use of scarce human and financial resources. In particular, extensive consultations are being carried out through the City's policy and programme development, the road shows promoting the Inner City Property Scheme, the regional spatial development frameworks, and other developmental efforts being embarked on.

Further, the Department continues to actively engage with GEDA on issues of development of SMMEs and spatial economic development programmes. Further engagements continue with state-owned financial institutions, such as DBSA, for projects such as the Jozi Equity Fund and decking of the railway gulch. The Department also sits on the SANIEF forum, represented by major municipalities and metros within Gauteng Province, which serves as a platform for discussion for collective planning/management, sharing ideas and collaboration on economic issues pertaining to informal traders.

A number of notable partnerships have also been established on matters pertaining to SMME skills development programmes with the University of Johannesburg's Centre for Small Business Development and the Business Place.

In addition to the public sector engagements, private sector participation is actively pursued via forums, such as the monthly Johannesburg Business Forum, to establish areas of intervention and where private sector should be encouraged to take the leading role, such as in the ICT and BPO projects. The Sector Support Programme has also partnered with the private sector, such as the Diamond School, to help establish a core of skilled entrepreneurs in value-add mining.

Five-year strategic objectives	IDP programmes and key achievements (accumulated to date)	2010/11 delivery agenda
<p>Measured increase in sectoral diversification and growth in sectors targeted for City support</p>	<ul style="list-style-type: none"> Identified the Wemmer Complex, adjacent to the JMPD Offices, as the site for the BPO Precinct. The Business Plan, Financial Model and Marketing Plan have been completed for the BPO Precinct 1 400 learners trained of which 1 280 have received competency certification and 512 have been employed 	<p>Project: BPO Park <i>Output:</i></p> <ul style="list-style-type: none"> Link 150 trainees to the BPO hub job opportunities 3 584 direct jobs 4 800 indirect jobs 2 080 temporary jobs
	<ul style="list-style-type: none"> Ericsson has been selected as the preferred service provider for the Joburg Broadband Network Project Promulgation of broadband by-laws Currently rolling out one techno hub in Orange Farm 	<p>Project: Roll-out of broadband network <i>Outputs:</i></p> <ul style="list-style-type: none"> 400 direct jobs 2 000 indirect jobs in roll-out only and 80 SMMEs/BEE in BPO and other downstream opportunities such as retail, transportation, security, accommodation, catering, etc <p>Project: Renovation of one Community Development Centre ICT hubs <i>Outputs:</i></p> <ul style="list-style-type: none"> 100 students trained in ICT-related skills 15 SMMEs supported
<p>Increase in the rate of formation of new businesses</p>	<ul style="list-style-type: none"> Launch plan in place Operationalised JEF (governance structures, staffing and systems) The City officials embarked on international road shows to the USA, Europe and UAE in the last week of August and first week of September to raise funds for SMME funding projects 	<p>Project: Roll-out Jozi Equity Fund <i>Outputs:</i></p> <ul style="list-style-type: none"> R180million in external funding leveraged 36 SMEs funded
<p>Improve the profile of Johannesburg, both on the continent and internationally as a core centre of finance, business and trade</p>	<ul style="list-style-type: none"> Obtained ranking of 120 for the City of Joburg by ICCA Leveraged R1,45 billion of funding towards property development 	<p>Project: Improvement of ICCA Ranking (JTC) <i>Output:</i></p> <ul style="list-style-type: none"> Improve ranking of Joburg into top 100. New ranking to be announced in June 2010 <p>Project: Tourism Information Services (JTC) <i>Output:</i></p> <ul style="list-style-type: none"> Implement seven new information kiosks around Johannesburg Establish two information hubs

Five-year strategic objectives	IDP programmes and key achievements (accumulated to date)	2010/11 delivery agenda
		<ul style="list-style-type: none"> • Install eight touch screens in Gautrain stations <p>Project: Leverage private sector funding</p> <p><i>Output:</i></p> <ul style="list-style-type: none"> • Leverage R1,1 billion private sector investment towards property development
<p>Greater proportion of goods and service inputs required by city firms sourced within the South African economy</p>	<ul style="list-style-type: none"> • Conceptualisation/viability and technical designs completed for the premium hall • Funding model and due diligence conducted 	<p>Project: Premium Hall at the Joburg Market (JM)</p> <p><i>Output:</i></p> <ul style="list-style-type: none"> • Construction of the Premium Hall • Development of operational and Logistics plan • Communication programme for stakeholders
<p>Increase in the City's spending to specific targeted firms owned by specific categories of HDI (BEE, women, disabled, youth, etc)</p>	<ul style="list-style-type: none"> • Through the Business Place/Jozi Rising, the Soweto Festival and other projects, the City assist enterprises to accesses City and other opportunities (SMME) • The City has sponsored Soweto Festival for 2008 and 2009 which has a targeted focus on SMMEs (SMME) 	<p>Project: BBBEE Enterprise Development</p> <p><i>Outputs:</i></p> <ul style="list-style-type: none"> • 2 500 enterprises (including SMMEs, BEE suppliers, cooperatives and informal traders) provided with intensive enterprise development support • 20 cooperatives owned by targeted beneficiaries • 20% increase in number of CoJ accredited SMMEs
<p>Increased role of cooperatives in the City's economy, and increased number of informal traders in City-managed market spaces 'graduating' into formal businesses</p>	<ul style="list-style-type: none"> • Construction work on Quartz and Hoek Street completed • The redevelopment of the Diagonal Street market has been completed • The Fordsburg linear market is still under construction and is expected to be completed • Launch plan in place • The City officials embarked on international road shows to Europe and UAE in the last week of August and first week of September to raise funds for SMME funding projects 	<p>Project: Demarcation of trading spaces</p> <p><i>Outputs:</i></p> <ul style="list-style-type: none"> • Trading opportunities for 500 informal traders <p>Project: Roll-out of DBB Finance Institution</p> <p><i>Outputs:</i></p> <ul style="list-style-type: none"> • 2 000 micro-enterprises provided with funding to support their income-generating activities
<p>Increased number of beneficiaries reached by City-facilitated skills development initiatives</p>	<ul style="list-style-type: none"> • 473 ex-combatant RPL candidates were registered, 350 were approved, and 348 have been assessed. To date 245 candidates have been RPL'd • Launch plan in place for skills hub • 943 jobs created in the construction and property industry 	<p>Project: Roll-out of skills hub</p> <p><i>Outputs:</i></p> <ul style="list-style-type: none"> • 500 tradespersons RPL'd and assisted to find formal employment or self-employment • 1 000 individuals placed in employment

Five-year strategic objectives	IDP programmes and key achievements (accumulated to date)	2010/11 delivery agenda
		<ul style="list-style-type: none"> • 2 000 tradespersons registered on the LMID • 100 SMEs assisted to be contract-ready and registered on the COJ procurement panel <p>Project: Skills Development in construction and property industry (JPC) <i>Outputs:</i></p> <ul style="list-style-type: none"> • Create 3 200 jobs based on EPWP calculation; jobs created through construction on CoJ-owned land
<p>Economic base of underdeveloped areas of City increased over five years</p>	<ul style="list-style-type: none"> • Secured URL for the SEZ (www.sowetoempowermentzone.com) • Phase 1 of the feasibility study for the decking of the railway has been completed. The study focused on the financial model, the financing concept, the engineering design, market surveys and usability by the developers • A city-wide agribusiness strategy and implementation plan has been finalised and is approved by mayoral 	<p>Project: Completion of SEZ and occupation by cluster champions <i>Outputs:</i></p> <ul style="list-style-type: none"> • Installation bulk services • Construction of On and off ramp from N12 • Completion of perimeter wall <p>Project: Alexandra Shared Automotive Production Facility <i>Outputs:</i></p> <ul style="list-style-type: none"> • Preparation of land • Facilitate property development <p>Project: Agri-Business <i>Outputs:</i></p> <ul style="list-style-type: none"> • Development of a detailed Design and Implementation Framework for the Poortjie Economic Activity Node • Finalisation of the Agri-business beneficiary list and farm allocations thereof <p>Project: Batsumi Square – Alexandra <i>Outputs:</i></p> <ul style="list-style-type: none"> • Development of Design Framework for the Commercial Square <p>Project: Smart Cards (MTC) <i>Outputs:</i></p> <ul style="list-style-type: none"> • Roll-out of 3 000 smart cards

Conclusion

The sector anticipates that the end of the recession, coupled with the interventions discussed, will propel the City towards 9% growth, which in turn will accelerate the economic growth nationally.

Whilst the sector has prioritised projects that will principally be funded from external resources, continued financial support from the City is still required as a means of leveraging funding from external interest.

A coherent approach across all departments and entities, as well as alignment to both national and provincial objectives, will provide for increased efficiencies, and hence a greater level of service to the residents of Johannesburg.