



EMFULENI
LOCAL MUNICIPALITY

Vaal River City, the Cradle of Human Rights

2015 LED STRATEGY

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY: EMFULENI LOCAL ECONOMIC DEVELOPMENT STRATEGY

AppLED, the applied economic development entity of the NWU, Vaal Campus, was appointed in mid 2014 to formulate the LED Strategy. The LED Strategy process for the Emfuleni Local Municipality consisted of 5 stages namely:

- Report 1: Policy analysis status quo
- Report 2: Socio-economic analysis
- Report 3: Community survey report (Including Sebokeng and Tshepiso areas)
- Report 4: Economic modelling and strategic sectoral analysis
- Report 5: Final Strategies, programmes and projects

The first four reports formed the foundation and the information base for the final report which contains the final strategies for implementation. The total package of report should not be read in isolation as they form a functional unit. Report 5 includes aspects such as pillars of the local economy, the vision, SWOT analyses, comparative advantages and the detailed strategies for implementation. The strategy has a 10 years forward looking vision. The various strategies with associated programmes and projects have both short and long term time frames. The implementation by all stakeholders will determine the success of the strategy. Report 5 provides the final strategies with programmes and projects for implementation.

The following pillars of Economic development have been identified for the local economy:

- **Support local economic sectoral development:** Sectors that need to be supported include manufacturing, tourism, transport, and housing. These sectors need to focus on growth and maximization of forward and backward linkages.
- **Job creation initiatives:** All strategies need to be focused on job creation. Aspects of importance include skills development, governmental initiatives such as the EPWP and the setting-up of a massive interns programme.
- **Small Business Development:** The development and strengthening of incubators, training centres, job creation centres, mentor programmes, entrepreneurship development and informal sector development support.
- **Service delivery:** Improved capacity, good governance, partnership building, infrastructure development and the creation of an enabling environment.
- **Improved quality of life:** Reduction of poverty, provision of basic needs, improved safety nets and food security.

The vision of the LED strategic planning process is based in information in reports 1 to 4 and also this final report. The vision is a description of the ideal or preferred economic future of the local region. The vision is what we are aiming to achieve over the long term. The vision for the Emfuleni region is as follows: **”The creation of a diversified local economy, which is focused on the creation of jobs and improved quality of life. All economic initiatives should include pro-development and pro-poor programmes which are balanced and integrated. We strive to be the Golden Vaal River region, providing opportunities to all its residents”**.

The following approaches and principles should form the basis for the local LED strategies:

- A balance must be achieved between “pro-poor” and “pro-growth” initiatives.
- The implementation of strategies must lead to improvement in quality of life for all, especially the poor.
- The strategies must alleviate poverty and a total onslaught on poverty is required, focussing on all the components of poverty.
- Poverty should be reduced by means of business development, SMME support and providing a safety net for the poor by means of a basic needs approach. Entrepreneurial development will eventually lead to the creation of jobs, which is the ultimate goal of the LED strategy.
- The strategy must focus on the economic, physical and social components of the local environment.
- Local uniqueness, knowledge and resources must be optimized.
- The creation and improvement of diversity, stability, sustainability, specialist clusters and partnerships are of key importance.
- The strategies need to be implemented by means of projects, which in turn must be implementable, with clearly defined and measurable deliverables. The projects must be outcome-based.
- Projects and programmes must have short, medium and long term outcomes, but short term “quick wins” are of key importance to create interest, support and confidence in the process. Short term successes must be marketed.
- LED implementation success rests heavily on “local champions”. “Local champions” could include local politicians, local officials, local business people and local community members.
- Local competitive advantages must be optimized.

The following key socio-economic information is provided in a summary below:

- The study area is experiencing low population growth rates since 1996 to 2013 of between 0.7% to 1.3 per annum. The growth rates are low if compared to the Gauteng Province with an average growth rate of 2.5%.
- The HDI in the study area is also lower than in Gauteng Province. The significant difference exists between the HDI of the Black population compared with the White population in the study area with HDI of 0.6 and 0.86 respectively.
- Poverty levels are high at 40.75 of the total population, if compared to the Metsimaholo area with a poverty level of 36.8%. The Black population has a poverty level of 46.1%.
- The poverty gap for the Black population has grown from 2011 to 2013 from R3 688 to R4 568 per household.
- The provision of formal housing has been at a better overall level if compared to Gauteng Province. In the study area 83.1% of households resides in formal housing while for Gauteng 78.6% resides in formal housing. The housing backlog in the study area has stabilized and major housing projects are still required as flagship projects for LED.
- The provision of basic infrastructure services in the study area are at a relatively high level with an overall index of 0.87. The overall index for Gauteng is at 0.83.
- Serious crimes have declined over the last decade.
- GDP growth in the study area has been low and 2013 even resulted in a negative growth rate of -0.5%. For the period from 1996 to 2013 the GDP growth was also low at 1.2%.
- GDP per capita in the study area is also relatively low. The Gauteng area has twice the per capita GDP of the study area and the Metsimaholo area has a five time higher GDP per capita.
- The diversification (tress index) of the local economy has improved from 2000 to 2013 by 16% to an index of 58. Gauteng province has an index of 50.
- Specialization and comparative advantages (location quotient) in the study area include sectors such as manufacturing, electricity, construction, finance, and community services.
- Unemployment levels in the study area are at 36.4% in 2013 or approximately 106 568 people.
- The total number of jobs in the study area have decreased from 183 000 in 2010 to 180 050 in 2013. The primary sector has declined as well as the secondary sector in general. The metal sub-sector has declined from 19 000 to 18 000 in 2013. The total manufacturing sector has declined from 28% of employment in 2005 to 20% in 2013. The knowledge economy has grown in the study area in terms of most tertiary sub-sectors with trade, motor trade, government, education, and health and community services with the highest increases.

- The informal sector only contributes 16% to total employment, or only 24 800 of 155 000 total employment. (Brazil, India at more than 30%). Informal trade accounts for 50% of informal jobs.
- The top 4 sectors for employment are community services, trade, manufacturing and finance.
- GVA sectors as percentage of total GVA for the study area are metal products (24.2%), real estate activities (15.3%), education (9.5%), health and social service (5.5%) and public administration (4.8%).
- The total income per capita in the study area is relatively low with slow growth at R41 924 compared to the Gauteng province at R 66 700. The Black population still lacks behind with a per capita income of R 27 700. A total of 17.7% households have no income while 45% of households have income of R 20 000 or less per annum. There is an overall decline in income levels in the study area if compared to national income levels from 1.6% to 1.3% contribution to national income.
- The trade balance in the study area has declined significantly since 2010. In 2010 the trade balance was R 3.4 billion, but decreased to – R 390 million in 2013.
- Tourism has shown growth in the study area over the last decade. Total trips to the area have increased from 250 000 trips in 2000 to 480 000 trips in 2013, relating to an overall growth in trips of 88%. Domestic tourism has however declined while international tourism has shown strong growth. Tourism spending has shown a 312% growth from 2000 to 2013, while tourism's contribution to total GDP has increased to 7.7%.
- More key statistics are listed in the table 1.

Table 1: Some comparative statistics for the region

Indicator	Gauteng Province	Metsimaholo Municipal area	Emfuleni Municipal area
Population	12 700 000	157 000	731 900
Population growth (1996 to 2013 per annum)	2.5%	1.8%	1.0%
% of people living in poverty	32%	37%	41%
GDP (R 1 000 000)	R 1 209 000	R 38 580	R 32 700
GDP Growth (1996 to 2013 per annum)	3.5	4.9	1.2
GDP growth 2013	2.2	2.2	-0.5
Number of unemployed people 2013	1 510 000	21 800	106 600
Number of employed people	4 600 000	47 700	180 050
Unemployment rate	25.0	31.0	36.4

The following city wide strategic SWOT analysis is provided:

- **Weaknesses and threats:** Capacity of service delivery and municipal services, municipal income, political instability, capacity of infrastructure, limited public transport systems, high levels of pollution (air, water, surface, esthetical), rapid industrial decline, high levels of unemployment, lack of marketing, large mono-land use townships, “backyard squatting, slow land-use processing rate, global negative impact on steel industry and the future of the industry.
- **Strengths and opportunities:** Relative compact urban structure, large population with large markets, already established nodes and corridor structure, a wide range of quality community facilities, improved partnership formation, strong retail sector, availability of vacant land for development, strong demand for housing, the Vaal River, tourism development, cross boundary integration and collaboration, improved diversification of economy, cooperatives, concentrated compact agriculture, local heritage and history.

The region has many comparative advantages which need to be optimized and marketed. These advantages include:

- A strategic locality in close proximity of the Johannesburg and East Rand Economic functional regions.
- The Vaal River, which is internationally renowned is located in the region. This asset has not been developed to its full capacity in terms of tourism and transportation.
- The specialization and agglomeration advantages of the local steel industry.
- The specialization and agglomeration advantages of the chemicals, plastics, petroleum industries.
- Existence of international hotels and facilities.
- Existence of world renowned history sites, cultural sites and arts.
- Availability of land for development and agriculture.
- Low traffic congestion and relative well developed road infrastructure.
- Relatively large labour supply, although with low skills levels.
- Generally well developed infrastructure if compared to other municipal areas.
- Low fixed and variable costs (rental and services).

In order to revitalize the local economy through LED initiatives, an integrated process needs to be followed. All programmes and initiatives need to be implemented, from small projects to large flagship projects. However, the local region really demands huge game changers programmes to revitalize the ailing local economy. These game changer programmes need to be planned

and implemented by government and local business. Examples of proposed game changers programmes which are critical for the successful revitalization of the economy of region, are:

- **Game changer no 1: The planning and construction of the regional sewer and water treatment works.** This programme will allow especially residential development to take place. Residential development has virtually come to a standstill in the region due to no capacity for sewer. Both low cost affordable housing and higher income housing projects are affected. Massive housing development allows for a dynamic injection of economic activity in any economy and also allows for skills development and improvement of quality of life. The regional sewer system will also contribute to the cleaning up of the local river system, which in turn will support tourism development.
- **Game changer no 2: The development of the Vaal River in addition to the River City initiative.** The proposal is based on the use of the Bangkok river for tourism and transport. The Vaal River should be seen as the centre of the region and not the boundary of the region. The river should be developed with a number of unique stops or piers for local, Gauteng, Free State and international tourist (in that order). A layout should include a long term plan which include the river from Three Rivers to Vaal Oewer. The initial phase could include the area from the Rivera Hotel to Stonehaven with stops at Riverside Sun, NWU and Emerald Casino. Each at the 6 piers should have unique features to attract tourists to the area such as accommodation, restaurants, wine routes, entertainment, arts and culture, adventure activities, shopping etc. The concept of Cape Wine routes should also be incorporated. The river should also be used for transport and subsidised transport operators should be accommodated. All initiatives need to link to township economies.
- **Game changer no 3: Public transport development programme.** Public transport in the region lags behind that of the Johannesburg region. Improvements are needed regarding local bus linkages, trains and water transport. Massive infrastructure development is needed. The future linkage to the Gautrain is also a requirement to link the region with Johannesburg via a rapid rail system. Such as system will allow the region to grow.
- **Game changer no 4: The development of a Special Economic Zone (SEZ)** linked to logistical centre is needed. Such a SEZ will allow the revitalization of the local industrial sector. Land is already earmarked.
- **Game changer no 5: Job creation centre:** This centre is proposed and has a number of benefits for job creation in the region. The centre will serve as a waiting area for unemployed people. While people are waiting to the allocated a job, people will be trained in specific skills in the centre. Both technical and business skills will be provided. Local academics and business people will be involved in the training. People will be able to wait

at the centre with the required facilities available. The centre management will also scan people for criminal records and certify skills as obtained. Business and the public in general would then be informed of the centre as the place to visit to find trained and reliable workers. Such centre should be located in the Sebokeng/Sharpville region.

- **Game changer 6: Large scale housing projects:** If the bulk infrastructure capacity supply is resolved, massive housing projects will become developmental possibilities. Low cost housing projects should be based on the “people’s housing project” principles allowing skills development and income opportunities. Higher income developments along the river will create large numbers of jobs and a huge demand exists for all levels of housing.
- **Game changer no 7: Regional environmental improvement programme:** This programme could include air pollution improvement, water quality improvement of local rivers, aesthetical clean up. This will allow the improvement of the image of the region and result in economic development.

A total of 8 final strategies with programmes and projects in addition to the game changers have been formulated including:

- **Institutional development** (internal, external, cross border linkages, capacity, partnerships, service delivery, infrastructure, enabling environment).
- **Re-development of manufacturing and industrial sector** (retain, steel industry, value added, down-stream, export promotion, innovation, green industries, agro-processing, hydroponics, cluster development).
- **Small business development and entrepreneurship, job creation** (job centres, training, mentors, access to finance, EWS, youth development, skills development, interns, EPWP, Youth programmes, cooperatives).
- **Special economic zones (SEZ) and logistical transport hub development**
- **Township revitalization** (improved linkages, entrepreneurship development, incubation, start-up funding, industrial development, tourism, infrastructure, informal trade, market links, and concentrated agriculture).
- **Quality of life** (pro-poor, safety nets, youth programmes, food security, basic needs, transport, community facilities).
- **Tourism development support** (focus on Vaal River, quality environment and small business development).
- **Housing development** (low cost and higher income development)

A number of basic indicators to assess progress and success of the LED plan include:

- Number of people trained per year;
- Number of jobs, formal and informal, created per year;
- Amount of capital spending on major infrastructure per year;
- Provision of basic services to poor communities.
- Number and value of business plans submitted.
- Population growth, economic growth indicators.
- Number of houses built.
- Perceptions of services delivery.

The LED Strategy implementation monitoring agents will include the DMM of Emfuleni Local Municipality with support from the LED manager of the Sedibeng District Municipality and the AppLED: NWU. Quarterly reports will be submitted to the Municipal Manager's office progress of implementation. LED is "everybody's" business. The implementation of the LED Strategy will be the test for the success of the plan. Implementation will be a team effort with local champions taking the lead. The team include government, private sector and local communities. The region has the latent potential and natural resources to develop in an economic sustainable manner, with opportunities for all. This strategy caters for all with a basic needs approach within an enabling economic environment with promotes small business and entrepreneurial development. The strategy has been compiled within the frameworks of the NGP and NDP and is based on successful submission and obtaining of government and donors funding to revitalize economic project

