

City of Johannesburg  
Economic Development Policy and Strategy  
Framework

OCTOBER 2008

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### Glossary of terms

BBBEE	Broad Based Black Economic Empowerment
BPO	Businesses Process Outsourcing
CBD	Central Business District
CIF	Capital Investment Framework
DED	Department of Economic Development
GDP	Gross Domestic Product
GDS	Growth and Development Strategy
GGDS	Gauteng Growth and Development Strategy
GGP	Gross Geographic Product
GRDP	Gross Regional Domestic Product
GVA	Gross Value Added
HDI	Historically Disadvantaged Individual
IDP	Integrated Development Plan
ITC	Information and Community Technology
JHB	Johannesburg
JIPSA	Joint Initiative for Skills Acquisition
JTC	Johannesburg Tourism Company
NEPAD	New Partnership for Africa's Development
NIPF	National Industrial Policy Framework
NSDP	National Spatial Development Plan
MRS	Microeconomic Reform Strategy
MOE	Municipal Owned Entity
NGO	Non-Government Organisation
RCA	Revealed Comparative Analysis
RIDS	Regional Industrial Development Strategy
R&D	Research and Development
SDF	Spatial Development Framework
SMME's	Small Medium and Micro Enterprises

# 1. Executive Summary

The City of Johannesburg is an economic powerhouse that forms part of a global city region along with Tshwane and Ekurhuleni. Together, these 3 metropolitan areas make up the economic heartbeat of Gauteng Province and indeed South Africa, the region and the continent at large. In 2005 it contributed 17% of the national gross domestic product GDP, 15% to national employment and 9% of Africa's economic output. The economy of the City has undergone the shift from a primary and secondary to an increasingly service sector oriented economy with mining, agriculture and manufacturing being overtaken by financial, business and trade services in terms of value add contribution to the economy.

While recognising the successes that have been made since the ushering in of a democratic order, the developmental challenges that beset the City underline the need for increased and more equitable economic growth. Some of the challenges that the City faces include high levels of unemployment, poverty and economic marginalisation of the majority of its residents. The City is still racially fragmented with the majority of its poor residents far from most of the employment, business and education, shopping and recreation opportunities. Urgent action that builds on the successes of the past is required if the economic growth target of 9% by 2014 (upon which the AsgiSA related national target of halving of unemployment and poverty through a national growth rate of 6% by 2014 is dependent) is to be achieved.

While recognising the existence and role of the Joburg 2030 strategy, Growth and Development Strategy and Integrated Development Plans, the need for a framework that would more clearly identify the direction and projects that the City, driven by the Department of Economic Development, should undertake in the short to medium term was identified. This need led to the development of a City of Johannesburg Economic Development Policy and Strategy Framework (JEDPS); the purpose of which is to direct decision making and steer the collective efforts of City role-players towards realising the economic development vision of Johannesburg. The JEDPS also had to embrace the spatio-economic realities of the economy and provide a way forward in terms that include spatial planning.

The situational analysis, economic sector review and revealed comparative analysis conducted to inform the JEDPS yielded a number of findings around the challenges and opportunities facing the City. These included:

- Continuously growing the economy, maximising growth and employment opportunities within those niche economic sectors offering the opportunity for competitive advantage;
- Changing the current largely race-based land use pattern, encouraging the location of economic opportunities within marginalised areas and locating poor people where significant economic opportunities currently exist;

- Comprehensively developing the human resources of citizens within the City, through appropriate skill and training, developing and retaining high skills levels and improving the quality of life, in particular of those most marginalised;
- Significantly increasing the participation of the majority (most of whom are poor and marginalised) within the mainstream economy;
- Supporting the growth and development of informal sector activities, within the formalised and marginal areas of the City;
- Ensuring that SMMEs are supported and assisted as critical sources of employment and contributors to the GGP of the City;
- Increasing business confidence and the rate of investment of businesses in the City;
- Increasing the reliability and sustainability of power supply, water provision, sanitation, planning and administrative services to businesses;
- Dramatically increasing the effectiveness, functionality and efficiency of public transport, not only in terms of the planned Gautrain, but also the safety and affordability of the mass-based metro rail.

Recognising the challenges and opportunities 7 overarching goals and imperatives to contribute to the achievement of the City's economic vision are recommended. These are:

- **Accelerated and sustained economic growth:** This entails focussing on improving the general business environment; investment and growth of niche sub-sectors that will increase the competitiveness of firms (and SMMEs in particular) and the City in general. This growth should be balanced, based on economic activity that uses natural and non-renewal resources sustainably and shared by all residents, especially including the poor;
- **Spatial Restructuring:** The objective of this imperative is to eradicate the spatial legacy of apartheid, develop townships into urban areas with meaningful economic opportunities and share existing economic opportunities with those that are marginalised and poor;
- **Skill Development:** This should form part of a broader human resource development strategy and include training; knowledge transfer and mentoring. This should focus on creating opportunities for ongoing in-service training, life long skill development and improving the quality of life of all;
- **Employment creation:** The focus should be on initiatives that create the maximum number of jobs that are long-term and encompass meaningful skill development. The emphasis should also be on jobs requiring technical skills that can contribute towards value-adding processing activities;
- **Poverty Eradication:** Poverty alleviation programmes are generally aimed at achieving short-term benefits through programmes such as social grants. Poverty eradication is based on programmes aimed at long-term job creation and skill development;
- **Broad Based Black Economic Empowerment:** Participation in economic activity and subsequent benefits should be broad based and inclusive, targeting in particular the poor and marginalised. This should be evident through social mobility, transfer of skills, capacity and ownership; and
- **Improved Quality of life for all:** The quality of life of all residents within the City should be improved through ongoing economic growth and wealth creation and pro-active absorption of the poor

The overarching goals and imperatives are supported by a set of 5 policy and strategy focus areas of which the first 2 are anchors of the JEDPS. The focus areas include:

- **Growth and Support of Key Sectors:** Implementation of interventions identified for the 7 sectors identified by the City as economic drivers i.e. Information and Communication Technology (ICT), Business Process Outsourcing (BPO), Freight and Logistics, Tourism, Creative Industries, Mining and Beneficiation, and Manufacturing. In addition to these, attention to providing a supportive environment for financial and business services, trade services, agriculture and agro-processing as well as community services;
- **Spatial Economic Development:** Encompasses the implementation of differentiated strategies for marginalised and poor areas and those that are well established and developed. In the former the emphasis is on providing the hard and soft infrastructure to turn such areas into economic hubs that are integrated to the City economy instead of the poverty traps they tend to be. Within the latter the location of and identification of opportunities for SMME's around identified routes and nodes is recommended;
- **Human Resource Development:** The implementation of the concept of a skills hub as a delivery mechanism to address the issue of skills shortages, as recommended in the City Skills strategy, is supported. Basic literacy and life skills strategy and programmes targeting in particular marginalised communities within the City as well as providing a comprehensive package of support to SMMEs to improve their business skills and the skills of their workers is recommended. The establishment of a network of **Community College and Training Centres** ("CCTC's") within marginalised communities entailing the provision of purpose built facilities for lectures and training workshops, with capital and maintenance funding from the City; and operated and managed by accredited private education and training institutions is also proposed. Where possible, the use of current unutilised / underutilised City property assets should be considered as a first option in implementing this;
- **Business Development – second economy / informal sector:** The implementation of a SMME development and support strategy through a Small Businesses Development and Support programme, the establishment of Business Incubators and Hives (utilising available City property infrastructure where possible), ensuring supportive and relevant Municipal Planning; Regulations and Bylaws and the provision of Small Scale Farming Business Development and Support.
- **Trade and Investment Promotion:** Aligned to the Investment Promotion Strategy, the implementation of 3 primary programmes of investment promotion, investment facilitation and policy advocacy is supported. The City Export Strategy driven by strong and accurate market intelligence, the building of export capability among qualifying firms and the facilitation of market access is also to be supported;

As the command centre for economic growth in the City, the Department of Economic Development is well structured and resourced to implement the JEDPS. Some of the key recommendations proposed in terms of this JEDPS for the department include the following:

- Increasing the capacity of the *SMME Directorate* to implement the Human Resource Strategy;
- Expanding the mandate and capacity of *The Business Place or/ and the Metro Trading Company* to provide business support services not only to informal traders and taxi operators, but also to business in the other key sectors such as services, manufacturing, agriculture, etc.
- The proposals include the need to design and construct the proposed business hives, redevelop key town centres and main roads as well as a network of Community Knowledge Centres. This could possibly be achieved through expanding the mandate and capacity of the *Johannesburg Development Agency*.

Flowing out of the policy and strategy focus areas are a number of (new and existing) programmes and projects proposed in support of the framework. Some of these include



- The catalytic projects of the ICT Skills Hub and BPO Precinct;
- Continued support of the implementation of the tourism strategy underpinned by strong destination marketing that consolidates the strengths of business tourism in the City while growing share of leisure tourism;
- The clustering and agglomeration of enterprises engaged in the creative industries sector e.g. film park;
- Implementation of the City Skills Hub and Community Knowledge Centres;
- Establishment of a network of business hives in the marginalised and well developed routes and nodes in the City;
- Establishment of a small scale farming and agro-processing task team; and
- Implementation of the Investment Promotion and Export Strategies;

A detailed list and explanation of these is provided in the main document. In terms of the monitoring and evaluation of the progress made in implementing the identified projects, the City needs to determine those targets that will enable the achievement of the overarching 9% growth by 2014. Cascading this target to the individual programmes and projects falling under the policy and strategy focus areas is an important next step in implementing the JEDPS.

In conclusion, the JEDPS aims to formulate an overarching set of interventions and initiatives to grow the economy, but also critically to broaden access for and participation of the majority of its residents. Unemployment and poverty is widespread and endemic and takes specific spatial manifestations within townships and informal settlements, in particular in the south of the City, but also within areas within central and northern edges of the City.

The Policy and Strategy Framework identifies the key sectors displaying a competitive advantage in the City's economy. While the growth potential and initial opportunities have been explored, further research is required and ongoing interaction with firms / role-players within the identified sectors to maximise growth opportunities and increase participation and access of workers who are currently marginalised. Initiatives aimed at developing and assisting businesses and improving the spatial environments particularly in marginalised areas are identified and once agreed to, must be implemented within the immediate to short term.

The document also identifies initiatives other spheres of government are engaged in, many of which complement and reinforce the policies, strategies and programmes identified. It is critical that integration and alignment between initiatives with common goals are achieved in order to maximise outcomes and avoid duplication of effort. Ultimately, intervention in the economy must be guided by the strategic imperatives and the need to improve the quality of life of all residents of the City of Johannesburg in a manner that is socially, economically and politically sustainable.

## 2. Introduction

### 2.1 The City of Gold

Johannesburg and the surrounding Witwatersrand region is the economic powerhouse of the Republic of South Africa as well as Sub-Saharan Africa. The City is the financial centre of Southern Africa and Africa and the preferred head office location for most of the national and global corporations and international non-government organisations active in Southern Africa.

Johannesburg's role as the economic hub of South Africa is evident through its contribution of 17% of the national gross domestic product GDP, 15% to national employment and 9% of Africa's economic output during 2005. The economy of the City was originally largely dependant on gold mining and is therefore aptly known as Egoli, which is Zulu for the Place of Gold and is well on its way to realise its aspiration to become a world class African City.

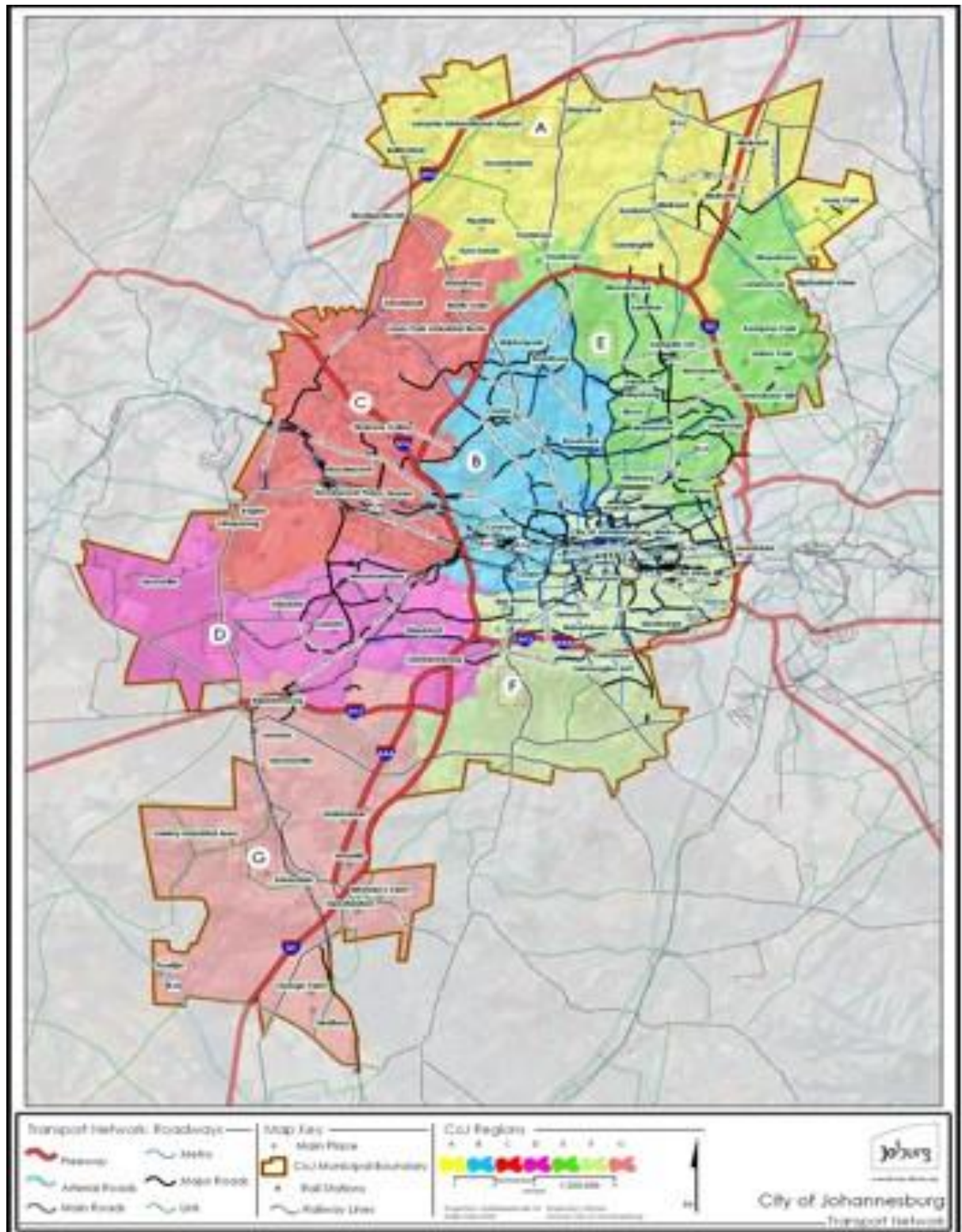
Johannesburg is the country's most densely populated City and largely urbanised with the inhabitants estimated at 3.8 million in 2007. The City is the core of a global city region (encompassing Tshwane to the North and Ekurhuleni to the east). The City's population is forecasted to grow to 6 million and the global city region's population to 15 million by 2024. The municipal area of the City of Johannesburg covers an area of 1,644 sq km.

The City has historically benefited from mining, manufacturing and agricultural activities, with the contribution towards Gross Regional Domestic Product ("GRDP") declining, and a more recent shift towards financial, business and trade service sectors. Johannesburg is also an important administrative centre, hosting most of the government departments and the seat of the Gauteng Provincial Government.

The City also has many challenges that are typical of the post-apartheid South African landscape. This includes high levels of unemployment, widespread poverty and economic marginalisation of the majority of its residents. The City is also racially fragmented with the majority of its poor residents far from most of the employment, business and education, shopping and recreation opportunities.

The City includes the historic Central Business District ("CBD"), the boundary stretching from Orange Farm in the 'deep south' to Midrand in the north, Roodepoort in the west, Alexandra in the east and also incorporates suburbs such as Soweto, Randburg, Kyalami, Midrand and Ivory Park. The City of Johannesburg (Johannesburg) has administratively been divided into 7 areas (Regions A to G).

Figure 2.1. City of Johannesburg



## 2.2 Study Objectives

The objective of the study is threefold, firstly to develop an overarching economic policy, strategic framework and spatial economic development programme for the City that will:

- Highlight the key outcomes it can strive towards that will in turn enhance the status of Johannesburg as a world class African City.
- Focus on the economic sectors that build on the City's comparative and competitive advantage and on evidence-based policy approaches.
- Proactively create a favourable business environment and invest in strategic programmes that will ensure that the City achieves its targets and objectives.
- Guide current and future spatial economic development interventions across the City as a whole.
- Strategically align and position it in relation to the national and provincial government objectives, aimed at accelerating and sharing economic growth and development for all.
- Co-ordinating and aligning its activities with the neighbouring city regions, recognizing that the economic reach of the City extends beyond the municipal precinct.

Secondly, the spatial dimension of the study. The objectives include:

- Aligning the spatial distribution of economic activity to support the achievement of the overarching economic development objectives City of Johannesburg.
- The identification of priority economic development areas towards strengthening the economic development nodes and corridors.
- Geographically illustrating the overall strategic framework in terms of sector level growth.
- Addressing historical spatio-economic development imbalances of the City.

Thirdly, the study objective is to ensure that the Department of Economic Development's ("DEDs"):

- Investment decisions and activities are aligned with the City's economic development vision objectives and vice versa.
- Optimise the allocation of its limited resources and better prioritise among competing demands on its capacity.
- Consolidate and appropriately align the current projects that its different units are currently engaged in with the overarching departmental objectives and vision.
- Assess its programmes and project and assist the City improve the outcomes of its collective efforts and avoid duplication and fragmentation.
- Identify interventions that it could actively pursue within the short to medium term to among other things ensure that the small medium macro and micro ("SMME") sector is sustainable, innovative and competitive.
- Facilitate engagement with and among key role players including business associations, the non-government organisation ("NGO") sector, other municipalities, national & provincial governments, as well as other departments within the City in implementing the strategy.

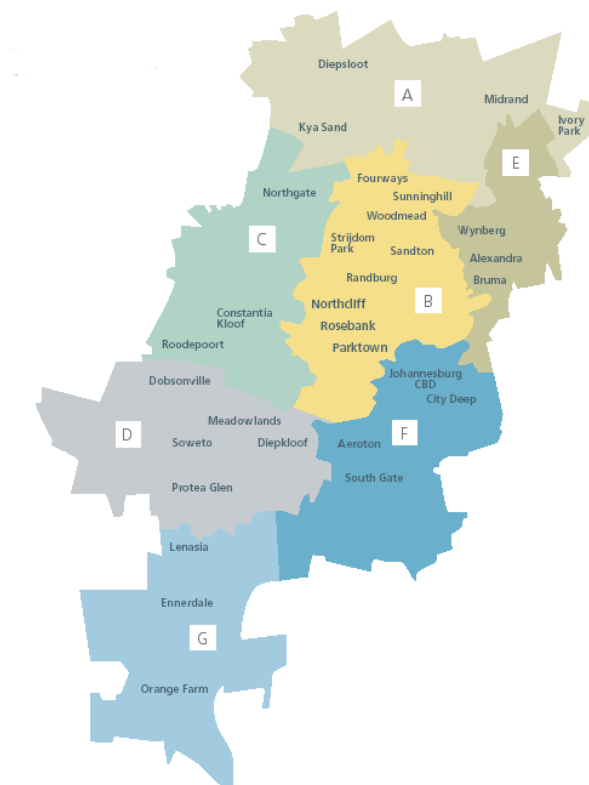
### 3. City Profile and Economic Development Challenges

Johannesburg's economic profile relates to its interrelated complexities as a place, its people, its economy as well as its economic institutional support context and this provides the context for its economic development challenges.

#### 3.1 Administrative Regions

The City has been divided into 7 administrative regions (Figure 3.1) each with their own management structure that is headed by a regional director. Each regional office manages the City's full range of administrative, community development, housing, infrastructure and services, social, development planning and urban management and economic development, emergency management services, environmental management, health, metro policy and transport services within each region.

**Figure 3.1: City of Johannesburg Administrative areas**



Source: [http://www.Johannesburg-archive.co.za/2007/pdfs/Johannesburg\\_overview2.pdf](http://www.Johannesburg-archive.co.za/2007/pdfs/Johannesburg_overview2.pdf)

### 3.2 Socio-Economic Profile

The socio-economic profile of the City of Johannesburg's profile is briefly summarised in Figure 3.2. Johannesburg's population was estimated at 3,2 million people<sup>1</sup> during 2004 (or 7.2% of the total population of South Africa). By 2007 this was estimated to have grown to around 4 million. While there has been an increase in the absolute numbers of people living in the City of Johannesburg, the growth per annum has been declining; from 2,0% in 2002, to 1,6% in 2006.

The age profile indicates a young population with a strong representation in the working years of 20 to 34. This is likely due to the strong pull it exerts to job seekers as well as school going population looking for better educational opportunities in the City. The number of households has increased from 1 million households in 2002 to 1,1 million while household size decreased from 3,1 to 3 by 2006.

In nominal terms, average household incomes in Johannesburg have consistently been higher than both the South African, and Gauteng equivalents. The gap has widened over the past decade and this is likely to be partially driving migration patterns to the province. Average household incomes were some R177 000 in 2005, which is more than double the national average, a third higher than Cape Town and 46% more than the average for eThekweni. Johannesburg's average household income translates into average personal disposable income per head of population of some R51 000 in 2005. Average household income in 2006 by category shows that just over 18% of households have an income falling into the R0 to R2, 500 group. This is followed by the group of households earning between R12 000- R 24 000 (17%).

Comparison of the Gini Coefficient<sup>2</sup> for South Africa with other metropolitan areas and the trend line above suggests that Johannesburg is slowly developing a more equal distribution of income over time. Despite this however, there are still stark socio-economic inequalities in the City. Some 25%<sup>3</sup> of Johannesburg residents live in abject poverty. Another 40% live in inadequate housing, with insufficient municipal services. Johannesburg is the 3<sup>rd</sup> best performing City in terms of the HDI<sup>4</sup> (in comparison with all the major cities in South Africa. The human development index varies across the nine provinces, with Gauteng at 0.712 and Limpopo Province the lowest at 0.531. While progress has been made, the Figure 2.2 shows illustrate the extent of the challenge that still remains in terms of overcoming poverty and improving the human development index.

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<sup>1</sup> Stats SA. 2001

<sup>2</sup> Gini Coefficient: Measure of statistical dispersion to measure inequality and defined as a ratio with values between 0 and 1. A low GINI Coefficient indicates a more equal income or wealth distribution and a value closer to 1 indicates high level of inequality.

<sup>3</sup> Source GHS. 2006

<sup>4</sup> The human development index (HDI) is a composite index of economic and social wellbeing based on life expectancy, educational attainment and a decent standard of living. The index is measured on a scale of 0 to 1, with 0 being the lowest level of development and 1 the highest level. An HDI value 1-0,8: high level of human development; 0,79 - 0,5 medium level of human development, 0,499 -0 low level of human development.



Figure 3.2 City of Johannesburg : Socio- Economic Profile

Population ( 2007)				Estimate	%	
Region A .....				376 601	10	
Region B.....				370 132	9	
Region C.....				467 955	12	
Region D.....				1 128 202	29	
Region E.....				495 926	13	
Region F .....				495 454	12	
Region G.....				617 354	16	
Total .....				3 951 624	100	
Annual increase (2006).....					1.6	
Age Profile (2004)						
Youth.....				935,953	28%	
Adults.....				2,273,030	68%	
Aged.....				133,708	4%	
Racial breakdown of the population (2006)						
Coloured .....				202,342	6%	
Black .....				2,521,737	73%	
White .....				572,570	16%	
Asian.....				161,790	5%	
Estimated number of households .....				1,148,742		
Levels of education for the population 15+ by race (2006)		Black (%)	White	Coloured	Asian	Total
No Schooling		5.94	1.70	2.66	1.32	4.78
Grade 0-2		0.97	0.13	0.31	1.21	0.79
Grade 3-6		8.71	1.43	3.96	5.05	6.97
Grade 7-9		22.94	6.80	22.19	14.04	19.62
Grade 10-11		24.88	12.13	28.18	9.55	22.09
Less than matric & certif/dip		0.61	1.50	0.58	13.12	1.35
Matric only		28.96	36.60	35.46	34.15	30.93
Matric & certificate / diploma		4.88	18.45	4.71	12.97	7.65
Matric & Bachelors degree		1.55	12.56	1.39	6.78	3.74
Matric & Postgrad degree		0.58	8.68	0.56	1.82	2.07
Population 15+		1,883,124	465,230	151,319	121,802	2,621,475
Human Development Index - Indicators						Number
Percentage of households lacking municipal sanitation.....						16 %
Percentage that do not receive municipal electricity .....						15%
Percentage that do not have water supplies.....						3.6 %
Number of families living in informal settlements.....						116 827
Number of families living in illegal backyard dwellings.....						108 000
Estimated number of homeless or "street people".....						4 500

Sources: Market Decisions (2007); Global Insight; City of Johannesburg; Stats SA, SA Cities Report (2006).

### 3.3 Employment, Education and Skills

In terms of employment, Johannesburg provided the largest share of national employment at 10,32% in 2004 (Quantec) and 11,79% in 2005 (Labour Force Survey). The legacy of apartheid still characterises levels of education across the racial groups with the Black population still showing lower levels of education particularly in the matric and tertiary education categories.

In relation to the major contributors to GVA, financial sector employed the majority of the formal workforce in Johannesburg (24%) followed by trade (23%), community services (16%) and manufacturing (14%). The majority of informal employment has taken place in the trading sector (52%). Informal sector in the construction and transport sector has grown. Employment in manufacturing and finance has been relatively stagnant. According to a 2007 Community Survey conducted by Statistics South Africa, the province's unemployment rate declined from 30,8 % in 2003 to 22,6 % in 2007. This trend is underlined by the downward movement in unemployment rates (using the expanded definition) from 2003.

Based on the above, in-migration to Johannesburg can be (partly) attributed to the City's higher than national average economic performance, employment and household income levels.

### 3.4 The GGP, GVA and Main Sector Contribution

Figure 3.3 summarises the GGP, GVA and main sector contribution for the City of Johannesburg. The change in the composition of industry contribution to GDP across the country is mirrored in Gauteng and the City. In 1997 the GGP<sup>5</sup> for Johannesburg was R93 billion and by 2005 it increased to R228 billion, an increase of R135 billion (145,7 %) and 11,9% average annual growth. With large projects such as the Gautrain currently underway, growth is expected to continue. In terms of Gross Value Added ("GVA") growth rates between 2001 and 2004, this varied between 4,5% (Tshwane) and 5,3% (Johannesburg). Johannesburg's nominal GVA was estimated at R229 billion in 2005<sup>6</sup>. The sectoral composition of the City's economy clearly shows the drivers of its strong performance are due the contribution of services sectors such as finance (33.5 %); Community Services (17.5%); trade (retail and wholesale) (17%); manufacturing (15%); and Transport (10%).

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<sup>5</sup> The gross geographic product ("GGP") of a particular area amounts to the total income or payment received by the production factors (land, labour, capital, and entrepreneurship) for their participation in the production within that area.

<sup>6</sup> City of Johannesburg. Department of Economic Development



Figure 3.3 GGP, GVA and Sector Contribution

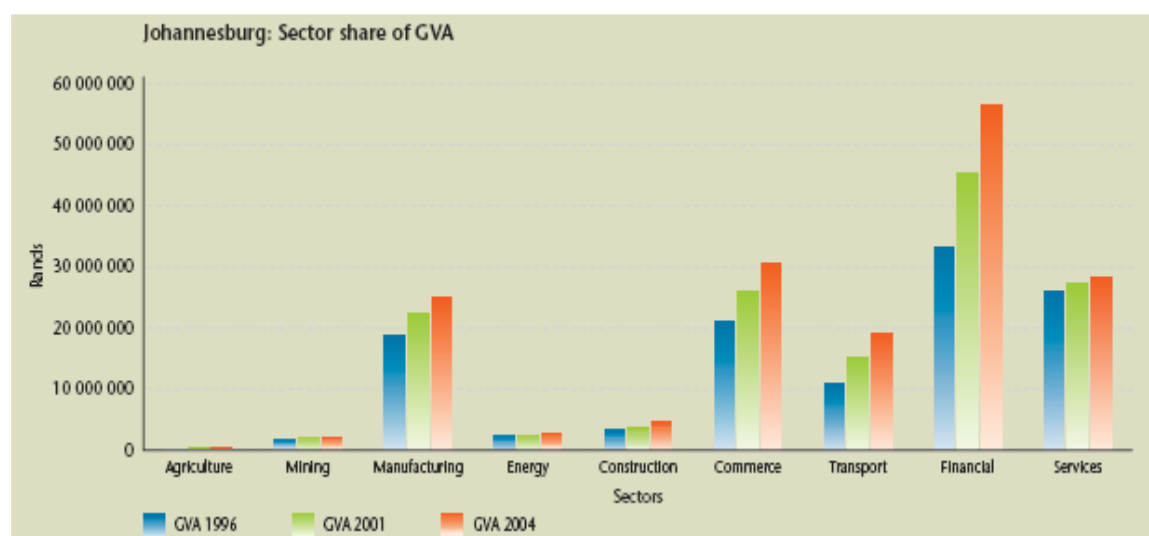
	1997	2005
Gross Regional Product (GRP)	R 93 b	R 228 b
GGP % annual growth		11.9 %
Gross Value Added (GVA)		R 229 b
Unemployment (2007)		22.6
Formal Sector:1997 and 2005 (www.Johannesburg.org.za)	1997 GVA	1997 Employ ment %
	2005 GVA	2005 Employ ment %
Agriculture .....	1.1	0.8
Mining.....	0.9	1.2
Manufacturing .....	15	15
Electricity.....	2	2
Construction .....	5	3
Trade .....	18	17
Transport and communication .....	7	10
Financial.....	18	33.5
Community Services.....	19	17.5
Households.....	14	8
Total	100	100
Informal sector employment ( Global insight, 2006)	Number	%
Manufacturing .....	19 000	9.2
Construction .....	40 000	19.4
Trade .....	105 000	51
Transport .....	12 000	5.8
Financial.....	10 000	4.9
Community Services.....	20 000	9.7
Total	206 000	1000
Labour and employment (2005)		
Labour force .....		
Unemployed (2007).....		22.6
Annual increase in the labour supply.....		

Sources: Market Decisions (2007); Global Insight; City of Johannesburg; Stats SA.

Figure 3.4 shows the sectoral contribution over time. As can be seen, the structure of economic activity in Johannesburg has changed over the past decade, with the financial and business services sector assuming a much more significant role over recent years. The contribution of commerce; manufacturing and services have also increased. These key sectors have experienced relatively higher-than average growth rates. The growth in sector share of the financial sector over the last 8 years has been impressive.

Conversely, the City has had lower contributions from sectors such as agriculture, mining, energy, transport and construction. The share of construction increased in 2004 and is likely to have a bigger share in 2008 due to FIFA 2010 and the related construction demand in the City. It is evident that finance, trade, community services, manufacturing and transport are key sectors. However this analysis excluded sectors, such as tourism, not accounted for in the official data.

Figure 3.4: Sectoral share of GVA for Johannesburg (1995-2006)



Source: State of City Report ([http://www.sacities.co.za/2006/pdfs/cities\\_2006\\_chapter3.pdf](http://www.sacities.co.za/2006/pdfs/cities_2006_chapter3.pdf))

The economy of Johannesburg has shown consistent and reasonably stable progress on many socio-economic measures. Most indicators have shown lower volatility levels than in other metropolitan areas. This lack of volatility is partly a function of the size of the Johannesburg economy and its level of diversification, but it also reflects the impact of a city that is integrated into the global economy, and which has strong trade links with the world's major markets. This international trade is made up of trade in goods and services. A review of the performance of various sectors over a 50-year period revealed the following<sup>7</sup>:

- Mining employment has virtually disappeared
- Manufacturing has shrunk, then stabilized
- Services, always a large component, has remained largely static
- Finance and business services has grown strongly
- Commerce has accelerated dramatically

The following sections summarises the key performances of some of the key sub-sectors within the City.

### 3.4.1 Finance, Insurance and Real Estate

The finance, insurance and real estate sector is by far the most significant contributor to the total value added of Johannesburg – accounting for a third of total output. The sector incorporates financial intermediation, insurance, real estate, the renting of machinery and equipment, computer-based activities, research and development, and other business activities. The latter includes legal, accounting, market research, architectural, engineering and other technical activities. A comparison

<sup>7</sup> City of Johannesburg. Department of Economic Development.

with other metropolitan areas indicates that Johannesburg's financial sector's performance has achieved significantly higher rates of growth since 1996. Between 1996 and 2005, the real value added by the sector increased by almost 85%, compared for example with 65% in the Nelson Mandela Metropolitan Municipality, and 45% in Cape Town. This sector is also an important source of new employment opportunities.

### **3.4.2 Retail and Wholesale**

The retail and wholesale sector aggregate growth in real value was almost 54% between 1996 and 2005. Retail and wholesale trade has been supported by the strong growth in incomes seen in Johannesburg over the past few years. Between 2004 and 2006, wholesale and retail trade made up around 13% of provincial GDP. Head offices of major international corporate companies as well as national producers located in Johannesburg act as key distribution points for goods to the rest of the country. Retail trade by contrast contributed 17 % of national GVA.

### **3.4.3 Transport and Communication**

The sector includes all forms of land transport and pipelines, water transport, air transport and all activities supporting such transport – including travel agencies, all cargo handling, and postal activities. It also includes the telecommunications industries. The growth in real value added in Johannesburg in this sector has been consistently strong over the past decade, increasing by almost 90% since 1996. This high growth rate underscores the City's role as a regional transport and communications hub. Land and water transport leads the sector's growth averaging 5.1%, contributing 4.5% to the total city's GVA and over 16% to national totals, over the period 1996-2005. Gauteng has attracted numerous road freight transport firms to register in the province through lower vehicle registration costs among other incentives. Air transport although showing slower growth (4.3%) averaged (1996-2004), contributed 2% to the city's economy. Johannesburg has two airports within its boundaries and has strong linkages to OR Tambo airport.

### **3.4.4 Manufacturing: sub-sectors**

In recent years, manufacturing has contributed around 20% to the city's economy. The dominant sub-sectors in terms of contribution to total GVA were recorded by petroleum and related products (3%), metal products and machinery (2.4%) and wood with its related products (2.2%) and furniture (2%). These seemingly low figures mask the contributions made to national GVA, particularly of wood and wood products, which contributed in excess of 20%, and furniture (21%) in 2004. Petroleum products and metals and machinery contributed 11.7% and 10.8% respectively to gross national value addition. Robust growth was displayed primarily by petroleum and related products (6.4%) along with transport equipment (5.3%) and electrical machinery and apparatus (4.4%) between 1996 -2004. Transport equipment however contributed in the region of 1.1% to the city's total GVA. The manufacturing sector's growth is export led (Revealed Comparative Analysis-RCA analysis), particularly in chemicals and related products; machinery and equipment; electronic, electrical and instruments; wood and its products.

### **3.4.5 Mining**

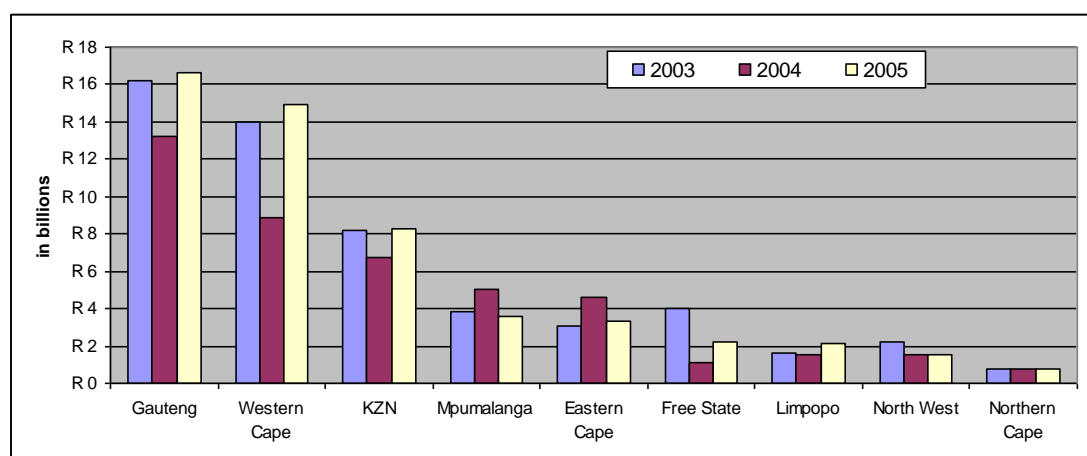
Mining contributed 2% to the City's economy by way of the mining of coal, gold, uranium and metal ores. Coal has shown growth (6.4%) over the 1996-2004 period but contributes marginally to the city and national economies. Gold, while a much smaller share of the city economy (0.4%) contributes 5% to the national economy. Growth averaged over the same ten-year period was lacklustre, however in recent years commodity prices have skyrocketed which should reflect stronger growth in more recent data. Other mining activities (around ores, slag and ash) showed steady upward momentum. Growth was recorded at 2.3% for the decade (1996-2004), peaking in 2004,

and these minerals and metals could arguably be benefiting from confidence in the commodities sector. An RCA analysis showed a comparative advantage in ores, slag and ash as well as the beneficiation of various metals.

### 3.4.6 Tourism

Tourism is an important economic contributor for the City of Johannesburg. Although the contribution of tourism is not reflected in the GVA contribution, its impact is captured across various sub-sectors. The most recent annual report by SA Tourism (2006) indicates that foreign visitors spent more than 60,3 million bed nights in South Africa, of which the largest share is spent in Gauteng (31% or 18,6 million bed nights). As an indication of the sector's contribution to the economy, hotels and restaurants contributed 1.2% to the City's total GVA and almost 20% to the national GVA. Growth was robust at 3.3% averaged for 1996-2004. Johannesburg has a range of convention centres and event venues such as Sandton convention centre, Gallagher estate, Nasrec, and the Dome in Northgate, among others, which drive the sector's growth.

Figure 3.5: Total Foreign Direct Spend (excluding capital expenditure) per Province, 2003-2005



Source: SAT Annual Report 2006

Visitors from Africa represent the largest source market. The majority of the African visitors are shopping / business tourists. Johannesburg also enjoys the largest share of expenditure from this market.

### 3.5 Second Economy/Informal Sector

The Business Act of 1991 dispensed with the requirement for trade licensing, allowing hawkers to trade freely. In terms of the legislation, provincial and local authorities were given the power to determine their own regulations. This deregulation became a catalyst for the expansion of the sector. There are approximately 7000 to 10 000 informal traders operating within the CBD. To this figure can be added more within the other commercial areas and residential suburbs and townships throughout the City.

Most informal traders are self-employed, however some operate at street corners on behalf of formal employers, wanting to bypass middlemen by selling their products directly to the customers. In terms of profile, traders were found to be predominantly male (60%), with an average age of 25

(van Rooyen, 2007). A rich ethnic mix also exists among traders composed of people from West East and Southern Africa.

The informal sector has in the past had to overcome resistance from formal business interests and unfriendly by-laws. The right to earn a living must be balanced with the issues that formal businesses have and the suitability of by-laws in what is still a City that is located in a developing country. Furthermore, with the economy increasingly changing towards a service orientation that is mobile the past negative engagements with the informal sector is not viable.

### **3.6 Synthesis of Economic Development Challenges and Opportunities**

Johannesburg is a city of strategic importance to South Africa and the rest of the African continent. The indications are that it (along with the Tshwane and Ekurhuleni) is well on its way to consolidating its position as a Global City region. However, there are a number of challenges that need to be overcome in order to realise Johannesburg's economic potential and achieve its vision and shared growth objectives. Not all of these have been discussed in the preceding chapters, but have been identified by role players as critical issues to be addressed to increase economic growth and to eliminate marginalisation.

- The need to continuously grow the economy, maximising growth and employment opportunities within the City's niche sectors with competitive advantage.
- The need to comprehensively develop the human resources of citizens within the City, through appropriate skill and training, developing and retaining high skills levels and improving the quality of life, in particular of those most marginalised.
- The need to significantly increase the participation of the majority (most are poor and marginalised) within mainstream economic activity.
- The need to increase business confidence and increase the rate of investment of businesses in the City.
- The need to increase the reliability and sustainability of power supply, water provision, sanitation, planning and administrative services to businesses.
- The need to support the growth and development of informal sector activities, within the formalised and marginal areas of the City.
- The need to dramatically increase the effectiveness, functionality and efficiency of public transport, not only in terms of the planned Gautrain, but also the safety and affordability of the mass-based metro rail.
- Changing the current largely race-based land use pattern, encouraging the location of economic opportunities within marginalised areas and locating poor people where significant economic opportunities currently exist.
- The need to ensure that SMMEs are supported and assisted, as they are critical sources of employment and make a significant contribution to the GGP of the City.

As a competitive place, the City, businesses and other development partners need to ensure that:

- The supporting physical infrastructure (e.g. transport, utility services, ICT) is in place to enhance global city and firm competitiveness;
- Opportunities derived from growth in service sectors are optimised;
- The gap between wealthy northern areas and poor southern regions is addressed;
- High transaction costs due to high transportation costs (dependency on fossil-fuels) and poor public transport are reduced;
- The mass commuting that takes place from the South to North (an estimated 800,000 commuters enter the city every day) is reduced.
- Spatially dysfunctional urban sprawl, gated communities and business centres, fragmented land uses, private vehicle dependency, etc do not dominate the City economic performance as this excludes the majority of residents that are poor;
- Ensure ongoing supply and at reasonable costs, land for industrial, commercial and business development.
- Reduce barriers (e.g. red tape and licensing requirements) for new businesses to enter the economy and for existing ones to expand.

In the effort towards generating sustainable livelihoods and significant economic growth opportunities within the marginalised areas, the City, businesses and other development partners must focus on:

- Eliminating poverty traps that characterise townships and informal settlements. These areas are characterised by high levels of unemployment and limited commercial, business and manufacturing developments;
- The harnessing of the informal sector as a real opportunity to grow employment levels and increase the contribution to national GDP;
- Reducing levels of vulnerability to global economic slow down as well as rising food and fuel prices.
- There is also a critical need to combat crime and increase levels of safety and security for businesses and citizens in general.
- The need to facilitate increased alignment and co-ordination between various departments within the City as well as other external government departments and the need to increase partnerships initiatives with the private sector.
- The need to accelerate economic transformation programmes such as broad based black economic empowerment and land reform.

## 4. City Vision and Economic Development Objectives

### 4.1 Review of Key National, Provincial and City Policy and Strategy Frameworks

Preparation of an Economic Development Policy and Strategy Framework for the City of Johannesburg requires to be informed by a number of key national, provincial and City frameworks. This chapter considers the relevance of these for setting the goals, objectives and principles; policies and strategies as well as the programmes and projects for the City of Johannesburg.

#### 4.1.1 Vision

##### *Gauteng Vision*

The vision of the *Gauteng Growth and Development Strategy (GGDS)* is to ultimately create a better life for all citizens through long-term, sustainable growth of our provincial economy, meeting the socio-economic development needs of our people; creating jobs, and addressing unemployment and poverty.

##### *City's Vision*

In the future, Johannesburg will continue to lead as South Africa's primary business city, a dynamic centre of production, innovation, trade, finance and services. This will be a city of opportunity, where the benefits of balanced economic growth will be shared in a way that enables all residents to gain access to the ladder of prosperity, and where the poor, vulnerable and excluded will be supported out of poverty to realise upward social mobility. The result will be a more equitable and spatially integrated city, very different from the divided city of the past. In this world class African city for all, everyone will be able to enjoy decent accommodation, excellent services, the highest standards of health and safety, and quality community life in sustainable neighbourhoods and vibrant urban spaces (Johannesburg GDS).

##### *City's Economic Vision*

A city economy that plays a role as the key economic hub on the continent and as a national economic growth leader, by ensuring sustainable and shared growth that benefits all. According to the JGDS, the long-term economic development goals, the economic vision for the City will be pursuing five long-term economic goals:

- Diversification of the local economy so that it rests on a broad base of economic sectors, rapidly forming emerging industries and continuously regenerating older industries;
- A local economy with strong links to the national, regional and global economy;
- A robust and growing domestic market for locally produced goods and services, and sustainable expansion of household demand;
- Equitable sharing of the value gains from economic growth and geographic spread of economic activities; and
- For increased competitiveness of City firms, continuous improvement in the general business environment.

#### **4.1.2 Goals, Objectives and Principles**

The key goals of *AggiSA* include the need to:

- To halve poverty and unemployment by 2014.
- To achieve an average growth rate of 5% between 2004 and 2014; with a target of 4.5 during 2004 to 2009 and 6 % from 2010 to 2014.
- This to be coupled with improvements to the environment and improved opportunities for labour intensive economic activities.
- Benefits from increased growth need to be shared equitably in order to eliminate inequalities.

The Strategic Objectives of the *Gauteng Growth and Development Strategy* are:

- Provision of social and economic infrastructure and services that will built sustainable communities
- Accelerated, labour absorbing economic growth that increase per annum and that will create long-term sustainable jobs and contribute to halving unemployment
- Sustainable development
- Enhanced government efficiency and cooperative governance
- Deepening participatory democracy, provincial and national unity and citizenship.
- Contributing to successful achievement of New Partnerships for Africa's Development (NEPAD) goals and objectives.

#### City Goals, Objectives and Principles

The City has developed a wide range of policies and strategies that should inform the formulation of an economic policy and strategy framework and these include (amongst others);

#### *Johannesburg Growth and Development Strategy (JGDS)*

The JGDS provides a long-term dual trajectory of growth and development as well as transformation that ensures accelerated and shared growth; reduce spatial inequalities and bridge the divide between the first and second economy. The City's six development principles include:

- Pro-active absorption of the poor
- Balanced and shared growth
- Facilitated social mobility
- Settlement restructuring
- Sustainability and environmental justice
- Innovative governance solutions

Long-term goals:

- Diversification of local economy;
- Local economy with strong links with national, regional and global economy;



- Robust and growing domestic market;
- Equitable sharing of value gains;
- Increased competitiveness of City firms;
- Continued improvement of business environment.

#### *Johannesburg Spatial Development Framework (JSDF)*

The JSDF Development objectives are:

- Create sustainable urban environments;
- Ensure efficiency of the City's various components; ensure optimal accessibility to opportunities and city experience

The strategic structuring elements of the SDF include:

- Urban boundary: movement system;
- Nodal development;
- Environmental management;
- Sustainable neighbourhoods/settlements;
- Corridor development

#### **4.1.3 Relevance for Johannesburg Economic Development Strategy**

The review of the current national, provincial and City goals, objectives and principles, highlighted the following considerations for Johannesburg's Economic Development Strategy:

- Focus on significantly reducing poverty and unemployment
- Focus on labour absorbing economic activities
- Accelerated and shared economic growth equitably in order to eliminate inequalities
- Economic transformation - participation of HD people in mainstream economy.
- Building sustainable communities
- Efficient, cooperative and innovative governance
- Deepening participatory democracy
- Reduce spatial inequalities
- Spatial restructuring
- Diversification of the local economy
- Increased competitiveness of City firms
- Continued improvement of business environment
- Provision of economic and social infrastructure and building sustainable communities.
- Re-alignment of manufacturing towards high value added production activities.
- Efficient movement system in the City.
- Sustainability and environmental justice

#### **4.2 Strategic Imperatives / Overriding Goals**

The formation of the Policy, Strategy and Spatial Economic Strategy is guided by the following strategic imperatives/overriding goals as informed by the City's vision, objectives and the need to address its economic development challenges:

- **Accelerated and sustained economic growth:** This entails focussing on improving the general business environment; investment and growth of niche sub-sectors that will increase the competitiveness of firms (and SMMEs in particular) and the City in general. This growth should be balanced, based on economic activity that uses natural and non-renewal resources sustainably and shared by all residents, especially including the poor.

- **Employment creation:** The focus should be on initiatives that create the maximum number of jobs that are long-term and encompass meaningful skill development. The emphasis should also be on jobs requiring technical skills that can contribute towards value-adding processing activities.
- **Skill Development:** This should form part of a broader human resource development strategy and include training; knowledge transfer and mentoring. This should focus on creating opportunities for ongoing in-service training, life long skill development and improving the quality of life of all.
- **Poverty Eradication:** Poverty alleviation programmes are generally aimed at achieving short-term benefits through programmes such as social grants. Poverty eradication is based on programmes aimed at long-term job creation and skill development.
- **Broad Based Black Economic Empowerment:** Participation in economic activity and subsequent benefits should be broad based and inclusive, targeting in particular the poor and marginalised. This should be evident through social mobility, transfer of skills, capacity and ownership.
- **Spatial Restructuring:** The objective of this imperative is to eradicate the spatial legacy of apartheid, develop townships into urban areas with meaningful economic opportunities and share existing economic opportunities with those that are marginalised and poor.
- **Improved Quality of life for all:** The quality of life of all residents within the City should be improved through ongoing economic growth and wealth creation and pro-active absorption of the poor

### 4.3 Identification of Areas of Policy and Strategy Focus

The following table summarises the issues emanating from the Development Challenges; the review of the national, provincial and City policy and strategy frameworks as well as the responding areas of policies and strategies for the JEDPS.

Key Economic Development Challenges	Guidelines emanating from review of the National, Provincial and City Policy and Strategy frameworks	Responding Areas of Policies and Strategy Focus for JEDPS
<ul style="list-style-type: none"> <li>• The need to continuously grow the economy, maximising growth and employment opportunities within the City's niche sectors with competitive advantage.</li> <li>• The need to support the growth and development of informal sector activities, within the formalised and marginal areas of the City.</li> </ul>	<ul style="list-style-type: none"> <li>• Economic growth is a prerequisite for the achievement of other policy objectives. (NSDP)</li> <li>• Support for export sectors through product design and innovation, supply chain optimisation and improvement and development of partnerships. (MRS)</li> <li>• Incorporation of BBBEE and SMME programmes and objectives into sector strategies (MRS)</li> <li>• Economic diversification and intensification of industrialisation and movement to knowledge economy. (NIPF)</li> <li>• Building local productive systems; industrial clustering (RIDS)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Growth and Support of Key Niche Sub-sectors (Chapter 4).</b></li> </ul>
<ul style="list-style-type: none"> <li>• Changing the current largely race-based land use pattern, encouraging the location of economic opportunities within marginalised areas and locating poor people where significant economic</li> </ul>	<ul style="list-style-type: none"> <li>• Government spending on fixed investment should be focused on places of economic growth and potential. Focus on people, not places in order to address past and current social inequalities. (NSDP)</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Spatial Economic Development (Chapter 5)</b></li> </ul>

Key Economic Development Challenges	Guidelines emanating from review of the National, Provincial and City Policy and Strategy frameworks	Responding Areas of Policies and Strategy Focus for JEDPS
<ul style="list-style-type: none"> <li>opportunities currently exist.</li> <li>Eliminating poverty traps that characterise townships and informal settlements.</li> <li>The need to dramatically increase the effectiveness, affordability, functionality and efficiency of public transport.</li> </ul>		
<ul style="list-style-type: none"> <li>The need to develop the human resources of the City, through appropriate skill and training, developing and retaining high skills levels and improving the quality of life.</li> <li>The need to significantly increase the participation of the majority (most are poor and marginalised) within mainstream economic activity.</li> </ul>	<ul style="list-style-type: none"> <li>Focus on skill development and training – investment in human resource (JIPSA)</li> </ul>	<ul style="list-style-type: none"> <li><b>Human Resource Development (Chapter 6)</b></li> </ul>
<ul style="list-style-type: none"> <li>The need to ensure that SMMEs are supported and assisted, as they are critical sources of employment and make a significant contribution to the GGP of the City.</li> <li>Reduce barriers (e.g. red tape and licensing requirements) for new businesses to enter the economy and for existing ones to expand.</li> </ul>	<ul style="list-style-type: none"> <li>The need to support small businesses as well as the second economy. (Presidential Apex Priorities)</li> </ul>	<ul style="list-style-type: none"> <li><b>Business Development; Second economy/Informal sector (Chapter 7)</b></li> </ul>
<ul style="list-style-type: none"> <li>The need to increase business confidence and increase the rate of investment of businesses in the City</li> <li>The supporting physical infrastructure (e.g. transport, utility services, ICT) is in place to enhance global city and firm competitiveness</li> <li>Critical need to combat crime and increase levels of safety and security for businesses and citizens in general.</li> </ul>	<ul style="list-style-type: none"> <li>Investment in research and development; innovation and adoption of new technologies (MRS)</li> <li>Convergence in investment programming and development planning (RIDS)</li> <li>Building regional competitiveness of firms (RIDS)</li> </ul>	<ul style="list-style-type: none"> <li><b>Trade and Investment Promotion / Incentives (Chapter 8)</b></li> </ul>

The *Growth and Support of Key niche Sub-sectors* as well as the *Spatial Economic Development* are the strategic anchors of the City of Johannesburg Economic Development Policy and Strategy Framework. Details regarding these and the other focus areas of the JEDPSF are discussed in subsequent chapters as indicated.

## 5. Exploring the Key Economic Sub-sectors

### 5.1 Approach to Niche Sector Research and Development

The National Industrial Policy Framework (NIPFs) approach to sector development is based on developing principles and processes of ‘self-discovery’ that will result in high impact sector strategies that are well designed and implemented to place the economy on a higher growth and more developmental industrialisation path. The City subscribes to the principles for sector development and implementation as identified by the NIPF.

#### 5.1.2 Identification of Key Sectors

The sectors have been grouped into two categories; the priority sectors and other key sectors. Priority sectors are those sectors that have been identified by the CoJ as ‘economic drivers that could influence and fast track economic growth.’ These were also deemed to have been aligned to the objectives of Joburg 2030. The current project has also confirmed that these sectors have also been identified as deserving of strategic focus at the National and Provincial government level (see Figure 4.1 below).

The ‘other key sectors’ are sectors that make up the bulk or foundation of the current service economy of the City. They have over time displaced the primary sectors as the biggest employers and value adding sectors in the economy. While they do not make up the focus of this particular study they are recognised as sectors that require ongoing monitoring and support where required and justified. As sources of demand for goods and services and employers of many, their performance has an impact on the degree of success that can be achieved among the priority sectors.

#### Priority Sectors

The following seven sectors have been identified by the City as priority sectors with the ability to continue to contribute significantly to the GVA as well as employment. **Figure 4.1** illustrates the extent to which these sectors have also been identified by other spheres of government and other City policy frameworks.

- ICT
- Business Process Outsourcing
- Freight, Logistics, Transport and Communications
- Tourism
- Creative and Cultural Industries
- Mining
- Manufacturing

## Other Key Sectors

Through a review of the sector performance as well as the policy and strategy frameworks of other government departments, the following four sectors have also been identified (albeit not prioritised for City intervention at this stage as the 7 above):

- Finance and Business Services
- Agriculture and agri-processing
- Trade, Retail, wholesale, services
- Community Services (Utilities)

Figure 5.1: Seven-Niche Sub-Sectors: Alignment with Government Policy Frameworks

Priority Sectors
<b>ICT</b>
<ul style="list-style-type: none"> <li>• ICT (Presidential Address Feb 08: Apex Priority)</li> <li>• Innovation and technology as a strategic programme (NSDP)</li> <li>• Smart industries -including ICT, Pharmaceuticals(GGDS)</li> </ul>
<b>Business Process Outsourcing</b>
<ul style="list-style-type: none"> <li>• BPO priority sector (AsgiSA)</li> <li>• BPO – investment call centre : Presidential Address Feb 08: Apex Priority)</li> <li>• Business Process Outsourcing(EIEC.2007)</li> <li>• BPO industry(JGDS)</li> <li>• BPO – support growth and emergence (JHB 5 yr Plan)</li> </ul>
<b>Freight, Logistics, Transport and Communications</b>
<ul style="list-style-type: none"> <li>• Capital/Transport Equipment (including Competitive Supplier Development Programme) (EIEC.2007)</li> <li>• Transport and communication as preferred sectors(Joburg 2030)</li> <li>• Freight and Logistics as lead sector (NIPF)</li> </ul>
<b>Tourism</b>
<ul style="list-style-type: none"> <li>• Tourism as priority sector (AsgiSA)</li> <li>• Tourism – sector with development potential (NSDP)</li> <li>• Tourism and biofuels(EIEC.2007)</li> <li>• Tourism as growth sector (GGDS)</li> <li>• Business tourism through information provision, conference bureau, etc. (JHB 5-Year Plan)</li> <li>• Accommodation and catering(Joburg 2030)</li> </ul>
<b>Creative and Cultural Industries</b>
<ul style="list-style-type: none"> <li>• Creative industries(EIEC.2007)</li> <li>• Cultural/creative industries (JGDS)</li> <li>• Support to cultural/creative industries (JHB 5 Year Plan)</li> </ul>
<b>Mining</b>
<ul style="list-style-type: none"> <li>• Mining and minerals beneficiation(EIEC.2007)</li> <li>• The analysis showed a comparative advantage in ores, slag and ash; ceramic products; as well as the beneficiation of various metals (precious and semi-precious stone; iron and steel; copper; nickel; zinc; etc)</li> </ul>
<b>Manufacturing</b>
<ul style="list-style-type: none"> <li>• Project 1: Industrial Action Plan (Presidential Address 8 February 2008. Apex Priority)</li> <li>• Automotive assembly and components; chemicals, plastics fabrication and pharmaceuticals; forestry, pulp and paper and furniture sector as lead sectors. Industrial financing; trade policy; industrial upgrading; spatial and industrial infrastructure identified as a strategic programme. (NIPF)</li> <li>• Identifies manufacturing (steel related industries, automotive parts and components, beer and malt) as key growth sectors. Gauteng GDS</li> <li>• Facilitate restructuring of manufacturing and other sunset industries. (JHB GDS)</li> <li>• The RCA<sup>8</sup> analysis identified various trade niche sub-sectors performing well in terms of exports (e.g. organic chemicals; pharmaceuticals products; fertilizers; soap, organic surface-active agents; explosives; photographic goods, etc); machinery and equipment; electrical machinery, apparatus, electronics and</li> </ul>

<sup>8</sup> Trade data was used for the Revealed Comparative Advantage (RCA) analysis. However data was only available for mining, manufacturing and agricultural processing activities.

instruments; wood and paper processing.
<ul style="list-style-type: none"> <li>• Automotive assembly and components(EIEC.2007)</li> <li>• Manufacturing (steel related industries, automotive parts and components, beer and malt) (GGDS)</li> <li>• Chemicals, plastics fabrication and pharmaceuticals(EIEC.2007)</li> <li>• Other chemical products; professional equipment; food and beverages(Joburg 2030)</li> <li>• Forestry, pulp and paper and furniture sector (EIEC.2007)</li> <li>• Manufacturing (high value added production activities) (GSDF)</li> <li>• Clothing and textile sector (EIEC.2007)</li> </ul>
<b>Other Key Sectors</b>
<b>Finance and Business Services</b>
<ul style="list-style-type: none"> <li>• Finance and business services as a niche sector, and in particular the film industry and business tourism identified as niche sector (Gauteng GDS)</li> <li>• Finance, business services and trading hub (e.g. cross-border trade hub) JGDS as preferred sector</li> <li>• Financial and business services (Joburg 2030)</li> </ul>
<b>Agriculture and agri-processing</b>
<ul style="list-style-type: none"> <li>• Identified as a main priority sector. (AsgiSa)</li> <li>• Agriculture and agro-processing (EIEC.2007)</li> <li>• Agriculture (agri-processing and bio-tech) GGDS</li> </ul>
<b>Trade, Retail, wholesale, services</b>
<ul style="list-style-type: none"> <li>• Trade and Services (including Finance and Film) as key sectors (GGDS)</li> <li>• Retail and services, one of five sectors with development potential (NSDP)</li> <li>• Retail (EIEC.2007)</li> <li>• Trade (retail and wholesale) as preferred sectors (Joburg 2030)</li> <li>• Harness Joburg's comparative and competitive advantage as a premier centre of finance, business services and trade. JHB as a cross-border trading hub (JHB GDS and 5-Year Plan)</li> </ul>
<b>Community Services (Utilities)</b>
<ul style="list-style-type: none"> <li>• Public services &amp; admin as one of five areas/sectors with developmental potential (NSDP)</li> <li>• Electricity, water and gas (utilities) as preferred sector(Joburg 2030)</li> <li>• Infrastructure expansion and investment. GGDS</li> </ul>

## 5.2 Approach to Exploring Priority Sectors

### 5.2.1 Sector Research: Method, Approach and Possible Tools

As noted by the NIPF, developing an understanding of a sector should be a robust 'self-discovery' process. This requires ongoing engagement with industry role players such as businesses organisations and/or specialists active within a specific sector. However, the characteristics, growth constraints and prospects of sectors can best be understood through engaging firms; undertaking quantitative and qualitative surveys as well as specialist studies. Sector specialists knowledgeable about the identified priority sectors in the Johannesburg economy were identified and engaged. These specialists were primarily drawn from industry bodies and associations who had an appreciation of how the industry works, what the key issues are and what activities are being undertaken to address challenges as well the possible roles of the City therein. Detailed sector studies have not yet been undertaken for most of these identified priority sectors. However, this does not have to be at the exclusion of interventions and actions in the short-term, as specific actions could result in increasing capacity, removing blockages, generating new employment opportunities, etc.

An overriding concern was the role of the specific sectors in attracting foreign investment; their potential to contribute towards the future economic shared growth; transformation of the Johannesburg economy as well as their prospects of increasing employment opportunities in the region. The purpose of engaging niche sub-sector specialists was to better understand and assess the key growth sectors in terms of the following areas:

- Key firms and role players within the sectors and factors contributing to competitive advantage;
- Inputs and outputs of firms and key customers;

- The growth / investment potential for firms active within the specific key sector and barriers to entry for new firms;
- The constraints to doing business in the sector and sector based initiatives/projects to build skills therein;
- Export potential and obstacles to doing so;
- Sectoral initiatives to increase competitiveness;
- The role that CoJ can play to support growth and development of firms within the niche sub-sector;
- Providing the overarching direction in terms of a vision of the City's economic future;
  - Benchmark modelling;
  - Provision of information and facilitation of linkages to other spheres of government;
  - Co-ordination of services to key sectors;
  - Sectoral bureaux for key sectors;
  - Data, information and market access to key sectors;
  - Removal of specific bottlenecks faces by key sectors; and
  - Provision of catalytic investments in key sectors (Johannesburg. 2030).

Based on these areas of investigation, a summary of the key findings from the niche sector analysis (the detail of which is contained in the reference document) is given below. The analysis should be regarded as indicative of the potential and opportunities within the sectors.

### **5.2.2 Information, Communication and Technology**

The ICT sector encompasses industries engaged in the production of goods and services that support the electronic display, processing, storage and transmission of information" (SAITIS, 2000). The most important factor contributing to the competitive advantage of firms in the sector are skills levels and numbers of appropriately qualified people. The lack of compliance with international quality standards e.g. the Capability Maturity Model Integration used in the area of software engineering is also a challenge.

The key inputs in the computer software sub-sector include skilled labour, computer hardware and software to produce software applications for clients. As such, multitudes of supporting industries can develop around the sub-sector of software engineering. Opportunities for growth at a local and international level may exist particularly in the outsourcing of software development however the country would need to be competitive from a skill and cost base. The country would need to carve a niche possibly in the (CMMI compliant) quality and creativeness space where cost sensitivities are lower. The ICT sector is also being increasingly characterised by the digitisation of media which may represent a future growth area.

Some barriers to entry into the software engineering sub-sector especially for small companies include skills and technical competence, providing a differentiated service and market profile. In terms of exports of services and products this has been relatively limited with mining design software (Gijima AST – GMSI) and Multichoice decoder software being some exceptions

Some programmes and initiatives to support growth of the sector and increase firm competitiveness include the e-skills institute / academy, training schemes where particular companies set up learnership programs, the JCSE programme, Joburg Broadband Network project, the 2010 Legacy Projects and ICT Community Hubs.



### Potential interventions for the City of Johannesburg.

Driven by the high level of collaboration and complimentary inputs required, the IT software sector is one that can benefit from the concept of industrial clustering. Otherwise competing companies can work together to achieve common needs of skills and standardised processes. Most software companies are already located in Gauteng between Johannesburg and Tshwane and the City of Johannesburg could develop a strategy that promotes and grows this cluster in a more coordinated manner. Durban's SmartXchange IT Hub and the Cape Information Technology Initiative ("CITI") are examples of efforts that other metropolitan municipalities are pursuing to exploit the opportunities for growth in the ICT sector.

### 5.3 Business Process Outsourcing

The BPO sector can be broken into the 3 sub-sectors of call centres, back office outsourcing and knowledge process outsourcing. South Africa generally competes in the call centre and (less so) the knowledge process outsourcing. With lower per seat costs, India is a strong competitor in the back office outsourcing arena and therefore a low cost growth strategy is unlikely to be successful. South Africa is more likely to be successful by being a niche player in the call centre and (subject to skills availability) the value adding knowledge process space.

In terms of location, most companies are situated in the 3 metro areas of Cape Town, Durban and Johannesburg. Including Port Elizabeth there as a 4th centre, there are about 1,300 contact centres across these metro areas with Gauteng accounting for the largest share.

In terms of the BPO sector South Africa offers a high quality and low risk destination, it has linguistic, cultural and product affinity with the USA, UK and Europe and government has committed to supporting the growth of the sector as seen in the establishment of the BPO sector specific incentives for investment and training<sup>9</sup>.

Competitiveness in the sector is driven by skilled people (who also account for 70% of costs), quality standard compliant processes, appropriate and cost effective technology as well as strong business and government leadership.

Globally, the BPO and off-shoring industry is forecasted to grow at 50% per annum over the next 4 to 5 years (<http://www.btrust.org.za>). The City and indeed South Africa could exploit the opportunities this provides. Overcoming barriers to entry and growth such as cash flow funding, competitively priced telecommunications infrastructure and software costs. Regarding the latter, the hosting of smaller companies on a larger platform with monthly costs may offer greater accessibility for smaller companies to enter the BPO arena.

There are a number of sectoral initiatives and programmes that seek to increase the competitiveness of the sector. These include the Johannesburg BPO Skills Hub, the Monyetla Work Readiness Programme, Gauteng Economic Development Agency ("GEDA") – Department of Labour ("DOL") free training call centre concept, SETA Services Learnership and the Business Trust and dti Sector Support Programme.

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<sup>9</sup> Investment Incentive Grant offering up to R60,000 per seat and the Training and Skills Support Grant offering up to R12,000 per agent



### Potential interventions for the City of Johannesburg

Based on the sector analysis above, there are a number of areas that the CoJ could engage in to support the growth and development of the BPO & Off-shoring sector. Some include:

- Provision of customised incentives that respond to some of the peculiar challenges with the city area;
- Continued support for the BPO precinct project (a 24/7 zone);
- Enabling the provision of secure transport for people working in the zone ;
- Provision of an enabling policy environment;
- Assistance in the securing of skills and space for the industry;
- Supporting the creation of a BPO incubator programme targeting small to medium enterprises to assist them enter the sector;
- Increased use of BPO as a mechanism of service delivery within government. Proper implementation of call centre functionality especially for high volume customer facing departments can have a major catalytic effect for the sector;
- Marketing of the City as a prime national and international BPO & off-shoring investment destination; and
- Improved market intelligence to develop differentiated BPO value propositions.

The relationship between the City of Johannesburg and ‘ContactInGauteng’ (“**CIG**”) should also be retained as part of investing further in the growth of the sector.

### 5.4 The Freight and Logistics Sector

According to the National Freight Logistics Strategy<sup>10</sup> “the freight system in South Africa is fraught with inefficiencies at system and firm levels. There are infrastructure shortfalls and mismatches; the institutional structure of the freight sector is inappropriate, and there is a lack of integrated planning. Information gaps and asymmetries abound; the skills base is deficient, and the regulatory frameworks are incapable of resolving problems in the industry.” The impact of this is the undermining of the competitive advantages that South Africa enjoys making it less competitive and relevant in world markets. In terms of the City, the challenge is to identify areas of intervention that can make a contribution to addressing these challenges.

One of the most important factors contributing to the competitive advantage of firms within the sector is the scale of operation that determines extent to which economies can be realised. The key inputs to the sector include labour, vehicles (the purchasing, servicing and maintenance thereof), warehousing and scheduling as well as the security of goods against theft and damage. Opportunities for growth typically arise in a growing economy as an increased volume of goods needs to be transported and points of origin and delivery increase in number. With the economy growing at 4% transport needs are likely to grow by between 12% and 15%. Over the next 5 years the sector is forecasted to grow at about 25%. To realise this growth potential, however, will require additional road infrastructure and the factoring in of freight movements in the approval of building plans e.g. accessibility of large vehicles at shopping centres.

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<sup>10</sup> Department of Transport.

The provision of a seamless freight and logistics service is important to ensuring client satisfaction. As an enabler of growth to other sectors, it is important to continued growth of the economy in the City. Transnet, a major role-player in the sector, is pursuing a strategy to increase the market penetration and share of rail transport through its Freight Rail division.

The main barriers to entry into the sector are the financing of capital costs e.g. trucks and warehouses and scale in terms of the number of trucks in the fleet. Other constraints to conducting business and growing firm numbers include poor road networks that lead to traffic congestion, delays in on and offloading, as well as an unreliable power supply

Currently, a 2-pronged approach to increasing firm competitiveness is being used. This includes the improvement of skills levels particularly among drivers and leveraging technological advances in heavy vehicles. In terms of broadening economic participation, most of the large companies in the sector have BEE partners. Family operated companies though are reluctant to do so. Mentorships offered by bigger companies to SMME's also assists the latter to grow by providing access to capacity, economies of scale, funding and brand recognition (in the larger company). The Road Freight Association ("RFA") has 4 to 5 driving academies across the country focused on training drivers to become heavy load drivers and familiar with scheduling activities. Standardisation between academies is currently taking place.

### **Potential interventions for the City of Johannesburg**

Some of the interventions that the City can consider towards supporting the growth of the freight and logistics sector include:

- The provision of dedicated freight lanes during defined periods over a 24 hour cycle;
- The splitting of traffic to enable freight coming in at night (as occurs in Europe);
- Mandating the inclusion of freight logistic factors in the process of approving building plans where said buildings require access by heavy trucks. The inclusion of reputable transporters and/or associations during the developer consultation process is important;
- Where rail starts to provide a bigger role in the movement of goods, the City can take the initiative to facilitate the creation of jobs through the transportation of smaller loads from rail to final destination using smaller vehicles;
- Facilitating more external consultation with stakeholders in the sector and the standardization of rules and regulations so they apply across the board to everyone in industry e.g. the introduction of the bus rapid transport system may have the impact of freight not being allowed to use certain routes. Such implications need to be shared with the sector in advance and changes in routes kept to a minimum to avoid disruption of freight operations

## **5.5 The Tourism Sector**

Technically speaking, tourism is not an industry in the traditional sense of goods and services being produced but rather it denotes the consumption pattern of a particular consumer. The consumer in this case is a tourist and this is defined as a person outside their usual environment for more than one night but not longer than one year (SAT, 2008). The tourism industry then encompasses all establishments / operations whose principal activity is to fulfil the needs of the tourist e.g. transport, accommodation, tours, entertainment, shopping as well as food and drink.

The tourism industry landscape of the City is made up of the private sector active in the accommodation, hospitality and related services as well as travel sub-sectors, the government sector that provides a regulatory and leadership role, the tertiary education sector and industry association and bodies.

Johannesburg possesses a number of characteristics that make it an ideal location for firms within the sector; particularly the business tourist sector. These include:

- Being the main air transport gateway to and from the country via the OR Tambo International Airport
- Being the main economic hub in the region and continent;
- Being located at the cross-roads of all major road networks in the country;
- A sophisticated infrastructure covering roads, telecommunications, ICT, banking;
- Affordability and relative value for money when compared with other global cities; and
- Relative political stability (as with the country in general).

Investments in the Rea Vaya Bus Rapid Transport Route and the Gautrain as well as the possible 2<sup>nd</sup> airport in the Lanseria area will only enhance the competitiveness of the City as a prime location for firms in the sector.

Opportunities to further grow the sector lie in better packaging and marketing of the liberation struggle and Nobel Prize winners, as well as possible creation of more ‘fantasy’ experiences (such as those the USA has managed to develop a leadership position in). In growing the sector, however, the City must not lose sight of its main positioning as an economic and business hub which in turn bestows a competitive advantage in the Meetings, Incentives, Conference / Convention and Exhibitions (“**MICE**”) sector.

There is definite scope for the growth of firms and in turn the sector in the City but this will take place within niche markets that leverage the position and strengths of Johannesburg. The MICE<sup>11</sup> market will continue to be the dominant driver of the tourism sector in the City. The relatively lower cost sensitiveness of this market could provide opportunities for high end accommodation and hospitality services. Such growth must be demand led where the City is able to attract a greater share of wallet of tourists. The 2010 FIFA World Cup mega event on the horizon will act as a further catalyst to growth.

Because of the relatively low barriers to entry in the SMME operator category, the industry tends to be highly competitive and returns less attractive to those found in other sectors. The rigours of the sector however in terms of regulatory compliance, generating and growing demand, knowing and maintaining service levels as well as financial management account for a number of enterprises not succeeding. The acquiring of funding particularly in the traditionally defined risky sub-sector of accommodation is difficult. Financial institutions like ABSA, FNB and Nedbank have developed products that take some of these challenges into consideration e.g. debt repayments linked to seasonality of business etc. The lack of a market reputation which is dependent on access to the customer channel, is also a factor that threatens long term viability in that tourists are more likely to utilise brands they are familiar with and or been recommended by a ‘reliable’ source.

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<sup>11</sup> MICE – Meeting, Incentives, Conferences and Exhibitions

### **Programmes and Initiatives to Increase Firm Competitiveness**

Many of the programmes to increase firm competitiveness are focused on skills and organisational development i.e. capacity building. Some of the organisations that are active in this arena include the Department of Labour through Theta, private companies providing internship opportunities under Theta as well as mentorship programs, TEP and the JTC which implements the City's Tourism Strategy.

### **Potential interventions for the City of Johannesburg**

A number of interventions have been identified that the City can engage in to support the further growth of the sector. These include:

- Responding to supply side issues through the provision of an enabling environment for the sector through policy and legislative frameworks. An example of this is by-laws that are friendly to the provision of the tourism product e.g. street level entertainment and/or selling of arts and crafts;
- Provision of effective signage;
- Maintaining infrastructural standards to enable suppliers to deliver the right service to tourists;
- Ensuring a conducive environment through effective waste removal; and
- Increasing awareness and knowledge of the role and importance of tourism to the City among City officials and managers;

As the entity providing leadership in the growth and development of the sector in the City and also responsible for the destination marketing thereof, the JTC is an important MOE through which to realise the opportunities for sector growth and development. As a labour absorptive sector, the potential impacts on reducing unemployment are there.

## **5.6 Creative Industries**

The creative industries (also known as the cultural industries) have been defined as those activities where 'creativity is a prime condition of its existence'. These encompass traditional artistic activities to electronic media and communications. The industry revolves around intellectual property and knowledge that is exercised to communicate and provide an experience on different facets of life. They provide opportunities for self-employment, job creation (as the industry tends to be labour intensive) and urban renewal. With these and other benefits that can be realised, Joburg is positioning itself as South Africa's culture capital and needs to ensure that it creates an environment that is conducive for creative industries to flourish here.

The 11,320 firms and organisations that make up the creative economy in Gauteng create employment for 182,000 people (or 1,9% of total employment in the province) and R33,3 billion in annual turnover. The majority owners of enterprises tend to be white South Africans and 37% of them are young people. Of the people employed, 57% are black South Africans and 53% are women. In terms of value addition in the tertiary sector, the creative industry contributes about 1%.

Intellect, talent and content as well as a strong cultural, heritage and high quality training schools are important to the success of the sector. Leveraging the local/African identity differentiates the local industry from other continental as well as overseas creative industry products. Having the

appropriate infrastructure in place such as venues, cinemas and theatres coupled with high densities of population play an important part of growing creative industries. In this regard, Johannesburg has an advantage in indeed becoming South Africa's culture capital.

The growth of the sector is correlated with growth in the economy as the disposable incomes of customers grow and the products of the sector are increasingly consumed. Government policies to create an enabling environment for the arts are crucial to realising the growth potential of creative industries. While it is recognised that government is at the forefront of the developmental agenda of the country, the arts have generally always been allocated smaller budgets compared to other sectors.

The main constraints to conducting business and growing enterprises within this sector include limited funding, high telecommunication costs, a perceived lack of promotion and support from government and bias towards sport over the creative sectors, crime that hinders potential customers from consuming sector product and poor public transport.

### **Potential interventions for the City of Johannesburg**

The interventions that the City of Johannesburg can engage must centre on creating an enabling environment through the provision of supportive policies as well as funding. Contrary to popular belief, grants from government and funding agencies only makes up 7% of primary and 9% of secondary income. The City of Johannesburg can also engage in programmes to promote the creative industries sector; a problem or constraint mentioned by a number of sector participants. Assistance in building up marketing skills of participants will help to empower them to raise the profile of the sector and not overly depending on the City to do so. The City can where possible also make greater use of smaller companies for their own marketing activities.

## **5.7 Mining and Beneficiation**

The history of Johannesburg is inextricably linked to the mineral riches discovered in its environs towards the end of the 19<sup>th</sup> century. With the mining and financial companies that arose a stock exchange that is today among the top 20 in the world was born. Today however the strategic importance of gold (and the wider primary sector) to the economy of the City has changed dramatically. The fortunes of the City are now primarily driven by the financial and services sector. Nevertheless the mining and beneficiation industry is still an important employer and contributor to foreign currency - it accounts for approximately 12% of all the jobs in SA and about 500 000 are direct employed while 500 000 derive indirect jobs from the industry.

Across the various companies participating in the industry there are a number of factors contributing to achieving and maintaining competitive advantage. These include reliable and cost competitive inputs e.g. electricity, infrastructure, strong management, a productive workforce, an efficient rail system and port terminals, water and road transport and technology.

With the exception of gold and coal which are mature industries, the growth potential among other more minerals is high. Issues around bureaucratic processes, improvement of infrastructure and service delivery and providing a competitive operating and legal environments must be addressed to realise this growth potential.

Rather than diversifying into other industries (that require a different set of organisational competencies), companies within the mature gold sector are expanding their asset base outside the

country to diversify geographically. Extending the mining life of local assets and controlling costs are some of the strategies being used in the sector.

The main constraints to doing business and growing firms in the sector include skills levels particularly in the technical and managerial categories, HIV /AIDS which is impacting on the labour force and infrastructure (as discussed above)

About two-thirds of all minerals extracted are exported to markets such as the EU, India, Japan, Taiwan, Korea and the USA. Softening of these economies as has happened in the recent sub-prime related economic crisis would obviously lead to a slackening in demand. With Gauteng being the industrial heartland of South Africa and located where it is, the efficiency of freight and logistics sector is key to making minerals competitive on the global level.

Most of the programmes and initiatives to increase firm competitiveness and broaden economic participation revolve around skills development e.g. funding of bursaries, activities of the Mining SETA, and some companies establishing in-house academies to broaden skills e.g. Goldfields.

### **Potential interventions for the City of Johannesburg**

While the mining sector has over time been overtaken by the financial and services sector and now contributes a small portion to the GDP of Gauteng, the presence of a large engineering and manufacturing skills base is a major strength the City can leverage going forward. Some of the initiatives the City can investigate further include the reduction of telecommunication costs, improvement in the infrastructure and transport. The creation of special economic zones such as those in Dubai and India to facilitate trade is worth consideration for the City. The creation of VAT free zones and the use of foreign denominated accounts are some of the tools used to reduce constraints to trade.

## **5.8 Manufacturing**

The manufacturing sector contributed close to 20% of Gauteng's GDP at market prices in 2006 (while the broader secondary industries<sup>12</sup> contributed 24,6%). This was second only to the finance, real estate, and business services industry which contributed 21% (while the broader tertiary industries<sup>13</sup> contributed 60,8%).

In terms of the RCA analysis, 4 sub-sectors within manufacturing were identified for having higher than fair share export performance. These included:

- Chemicals and related products;
- Machinery and equipment;
- Electronics and instruments; and
- Wood, paper processing

The chemicals and machinery and equipment sub-sectors were focused on here due to the location in and relative higher impact on the City economy.

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<sup>12</sup> Includes manufacturing, electricity and construction

<sup>13</sup> Includes wholesale & retail trade; hotels and restaurants, transport & communication, finance, real estate and business services, community, social and other personal services and central government services

### 5.8.1 Chemicals and Related Sector

The chemicals and related products consists of 11 sub-sectors with the common denominator that chemistry plays a vital role in the manufacturing process e.g. textiles and clothing, housing and construction, medicare, automotives etc. According to the customised sector programme for chemicals (dti, 2005) the preferred priority sub-sectors include liquid fuels, plastics, consumer chemicals and inorganic chemicals.

Domestically, the annual value added by the chemicals sector is one of the largest within the manufacturing industry (R66 billion in 2007). In 2003, the sector employed about 177,000 people nationwide.

Proximity to input materials particularly from the mining sector is an important competitive advantage for firms within the sector. Through effective partnerships with input suppliers, cost and process advantages can be derived. Government has identified the chemical sector as a priority sector in terms of the industrial policy action plan (“IPAP”). Technology and capital are also key determinants of entry to the sector.

Some of the opportunities for the sector with a special bearing for the City (and Province at large) lie in greater partnering between the chemicals and mining sector where the beneficiation effort in the latter contributes towards the growth of value added inorganic chemicals for export and the potential to recover chemicals from waste products such as copper and aluminium scrap is promoted. Increased beneficiation, value addition, exports and employment in the sector will require a greater focus on growing downstream sub-sectors and not solely focusing on the capital-intensive upstream operations.

The fact that South Africa only manufactures 300 types of basic or pure chemicals out of an estimated 80,000 worldwide would also suggest there is room for growth. The constraints to entering e.g. capital intensity and operating e.g. skilled labour force (artisans, R&D scientists and operational supervisors) and costs, low levels of competition upstream would need to be addressed to facilitate such growth.

Rendering efficient and cost effective municipal services was cited as the single biggest factor that would enhance the growth of firms in the sector. The increase of rates without commensurate improvement in the delivery of municipal services was identified as a recurring problem.

#### Potential interventions for the CoJ

The delivery of efficient and effective municipal services was mentioned as one of the key ‘interventions’ the city could undertake to enable the growth of firms in the chemicals sector. In other words, providing an enabling environment through among other things delivering services successfully would make an impact. Ensuring timely, reliable, efficient and cost effective supply of municipal services to firms in the sector as inputs to a private sector driven growth strategy would make more sense.

Playing a facilitative role in the sourcing of training and funding for education in the sector was mentioned by industry as another intervention role for CoJ.



### 5.8.2 Machinery and Equipment

In terms of machinery and equipment, the automobile manufacturing sector as well as automotive component and allied manufacturing sector were reviewed. Like the chemicals sector, the automotives and components sector is one of the 4 lead sectors identified in the Industrial Policy Action Plan (“IPAP”) (dti, 2007). The automotives and component industry contributed 7,4% to GDP in 2005 and was South Africa’s leading manufacturing sector also attracting the largest portion of FDI in this sector. In terms of employment the industry provided approximately 108,000 jobs directly. Another characteristic it shares with the chemical sector is its broad linkages with other parts of the manufacturing industry including metals, textiles, plastics, glass and leather.

Factors that contribute to competitive advantage include the availability of cheap electricity, raw materials and a large pool of labour and the skills profile therein. In terms of the replacement part market, South Africa enjoys an advantage over European manufactures in that low volumes of component can be made here. European manufacturers are structured to produce large volumes making it difficult to target the replacement market.

The MIDP has set a target of 1,2 million units to be locally produced by 2020 from the current base of about 600,000 – which represents only 0,86% of world vehicle production. This will have a knock-on effect for the components sector as it is driven to meet demand. While there has been a slowdown in the local market, growth in the export market has continued. Having the enabling policies in place and a supportive incentive regime will provide the necessary stimulus to realising growth potential. The main threats to the manufacturing and components sectors in the local market are cheap imports from China and India

The capital intensity of operations especially in the automotives manufacturing sector is the single biggest factor to gaining access to the industry. Stringent quality requirements e.g. ISO certification and very high standards in the components sector in supplying vehicle manufacturers can make it difficult for the smaller automotive component manufacturer. Entry to the replacement market for the latter is easier due to less stringent quality standards.

While some successes have been achieved under the MIDP, a number of challenges still exist for the industry. Higher productivity growth rates are needed to at least match those of key competitors. The shortage of the skills and high machine downtime only undermines this further. Rising costs negatively impact the ability of raw material suppliers to component manufactures to do so at globally competitive prices. This has a knock-on effect for suppliers to the automotive manufacturing sector. Although a relatively recent phenomenon, the lack of a consistent supply of power also acts as a constraint to growth. Achieving higher cost and quality competitive local content particularly in the components sector is a requirement to addressing the trade imbalance that exists. For the entire automotive industry the trade deficit in 1995 stood at R12,2 billion. By 2006 this had risen to R33,4 billion.

Exports are the lifeblood of firms in the automotive manufacturing sector. Exports of the sector grew from 16,000 to 180,000 units between 1995 and 2006. This translated into total value of almost R24 billion in 2006. The main destination markets were Japan (29%), Australia (20%), USA (11%) and the EU (20,2%). The presence and growth of export markets is critical to the survival of the local vehicle manufacturing industry. International links to facilitate to this are therefore important.



About one-third of the value of the automotive component sector is exported. In 2006, this represented R30,5 billion up from R3,3 billion in 1995. About 70% of component exports are to the EU (of which 30% go to Germany) and 11% to North America. Africa accounts for 6% of exports mainly in small parts like batteries etc. The largest single component category in terms of exports is catalytic converters. Some of challenges faced by automotive manufacturers in exporting their products include inefficient logistics, distance to markets and related high costs of transports as well as currency issues. For automotive component manufacturers the financing costs associated with long lead times of 6 to 8 weeks is a challenge. Growing the African customer base has also been difficult. Large vehicle part manufacturers are an exception in that they do not export parts. The exporting of large size parts is not competitive.

Designed to provide an impetus to growth, the Motor Industry Development Programme (“MIDP”) was put in place to restructure and rationalise the sector. From a negligible global position in 1995, the sector occupied position 19 in 2005. The MIDP seeks to improve the international competitiveness of the South African automotive sector, improve vehicle affordability and encourage growth in the vehicle market as well as stabilise employment levels.

The automotive industry development centre (“AIDC”) is funded by various stakeholders including GEDA and the dti. It was established to also increase the global competitiveness of the automotive industry primarily through the development of skilled personnel, improving lower tier level component manufacturers with reference to cost quality and delivery requirements and addressing the costs associated with long distances to markets and sub-optimal logistics infrastructure in the country ([www.aidc.co.za](http://www.aidc.co.za)). The South African Automotive Benchmarking Club (“SAABC”) is an initiative that assists SA components manufacturers benchmarking themselves with each other and other global companies. The Club is aligned to the Durban Automotive Cluster initiative which exists to address challenges facing the industry.

### **Potential interventions for the City of Johannesburg**

The focus for the City is likely to be on automotive component manufacturers rather than the automotive sector which largely takes place beyond its boundaries. That the 2 are so inter-twined nevertheless means that knowledge of the latter sector is important. Because the future of the automotive industry depends on a strong supplier base, the automotive components sector is critical. As most of the latter are in the City of Johannesburg boundary it is an area that the City should focus on in terms of providing an enabling environment and supportive initiatives. In this regard the City can consider supporting the Johannesburg automotive components manufacturers Local Action Group i.e. an initiative by the components industry to work closer together and improve competitiveness.

### **5.4 Additional Four Key Sub-Sectors.**

The following key sectors also merit investigation, given their important contribution to the City’s economy:

- Finance and Business Service
- Agriculture and Agri-Processing
- Trade (retail and wholesale)
- Community Services

These sectors will be evaluated and assess as part of its ongoing process of exploring sub-sectors and as with the priority sectors this process will take into consider:

- Factors contributing to the competitive advantage of firms within this sector
- Products, outputs, value addition and opportunities
- Customer base
- Growth potential of firms and requirements to realise growth potential
- Barriers to entry
- Main constraints to doing business and growing firms
- Export of products
- Programmes and initiatives to increase firm competitiveness
- Current activities to broaden economic participation
- Potential interventions for the city of Johannesburg.

Of critical importance is also the need to determine the extent to which programmes currently being pursued or suggested in relation to these niche sectors contribute towards to the stated **Strategic Imperatives/ Overriding Goals** of:

- Accelerated and sustained economic growth;
- Employment creation
- Skill development
- Poverty eradication
- Broad based black economic empowerment
- Spatial restructuring
- Improved quality of life for all.

## 6. Spatial Economic Development

This chapter is aimed at undertaking an analysis of the Johannesburg's spatial economy and formulating a spatial economic strategy to guide public and private sector investment within the City. The Spatial Economic Development, together with the Key Economic Sub-sectors are the strategic anchors of the JEDPSF and these should guide interventions in human resource development; business development as well as Trade and Investment Promotion.

### 6.1 Spatial Economic Approach, Objectives and Methodology

The spatial pattern of the City of Johannesburg is by no means only due to market forces but is more a direct consequence of politically informed land use planning during the apartheid era. This has resulted in the majority, who are largely poor, being located in dormitory townships, far from employment and other opportunities, compounding marginalisation and deprivation in these areas. It is therefore imperative that government, and the City in particular, intervene in the space economy, in order to address these imbalances.

It is essential, as a point of departure, that intervention is guided by the identified strategic imperatives/overriding goals. Given the City's role as the core of a global city region, as well as provider of work and other opportunities to its residents particularly the poor, it is important that the following intertwined spatial development goals are simultaneously pursued:

- **Competitive Place:** Ensuring that the city has the required business services, support infrastructure, networks, technology, human resource capital and other critical assets to continuously increase the ability of firms to remain competitive nationally and globally. The focus should be on the niche sub-sectors identified by the City.
- **Marginalised Areas and Township Transformation:** This focuses on the poorer areas of the City, where the majority of residents are located. Initiatives should be targeted to significantly increase the economic growth and economic sustainability of these areas.

### 6.2 Spatial Economic Analysis

The spatial economic analysis indicates that the structure, form and distribution of investment and economic activities of the City generate enormous amounts of movement, people and goods at great cost in terms of infrastructure, transaction costs, energy consumption, pollution and public finance. Poverty and inequality are also being worsened by this spatial system, since it is the poor who are most affected – many are virtually trapped where they live with very limited access to economic opportunities.

## City Nodes

The City, through its Spatial Development Framework, has classified the various nodes in terms of their size, function and roles. The City is generally regarded as a polycentric metropolis, hosting a wide range of diverse nodal developments. In recent decades, new nodes have competed with the historical Inner City of Johannesburg for tenants and prestige. A number of these nodes have historically been acknowledged as town centres for previous local government administrations (e.g. Midrand, Randburg, Roodepoort, Soweto).

**Figure 6.1** illustrates the spatial distribution of these nodes, indicating that the main nodal concentrations are within the N1 and N3 transport ring, with significant number of nodes also in the north and northwest, where accessibility is higher. Evident from this plan is the extent to which the poorer and less well-located marginalized areas (informal settlements indicated in yellow and townships labelled in red) have little in the way of business and commercial development within close proximity. This in itself places a further burden on the poor to pay for the required transport and social costs of long distance travelling on a daily basis, generally from north to south.

The City of Johannesburg has a dual challenge of increasing its competitiveness, while also increasing the sustainable livelihoods of the residents. The City therefore has to increase its function and operation in terms of its space economy; spatial demography (the people) and its spatial infrastructure (the place). The presence (or absence) of these characteristics are considered for the City in terms of the northern areas and the southern areas; with an overlapping central area dominated by the CBD. It is however, recognised that economic activity is not confined to geographic boundaries and rather follows linkages and networks connecting markets through transactions and exchange

## Central Areas

This includes the Inner City CBD and its extensions to the surrounding areas of Parktown, Bruma, City Deep, Nasrec, Crown Mines, Auckland Park, Florida, Roodepoort, etc (**Figure 6.2**)<sup>14</sup>. The Inner City and surrounding areas remain the most inclusive area economically. They accommodate a wide range of traditional economic activities such as commercial and retail activity, income groups and both lower and middle income, residential and tenure types, established public transport and presents of governance, etc. However, the area has been characterised by gentrification and the new wave of advanced services and manufacturing activity have largely eluded the City, with a preference to rather locate in the newer northern areas.

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<sup>14</sup> Please note: the maps are available at higher quality. This is been reduced due to file size.

Figure 6.1 Spatial Distribution of Nodes

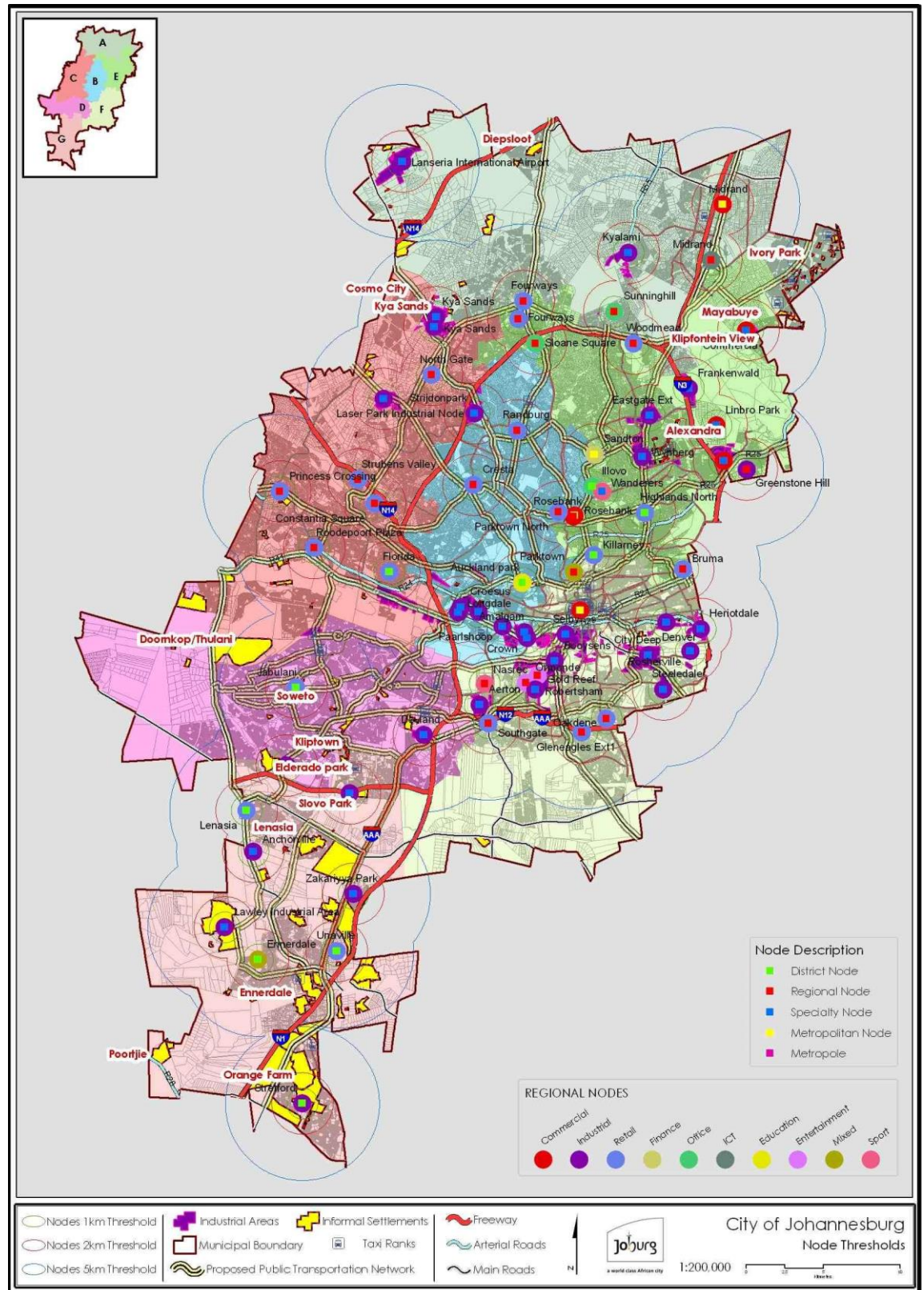
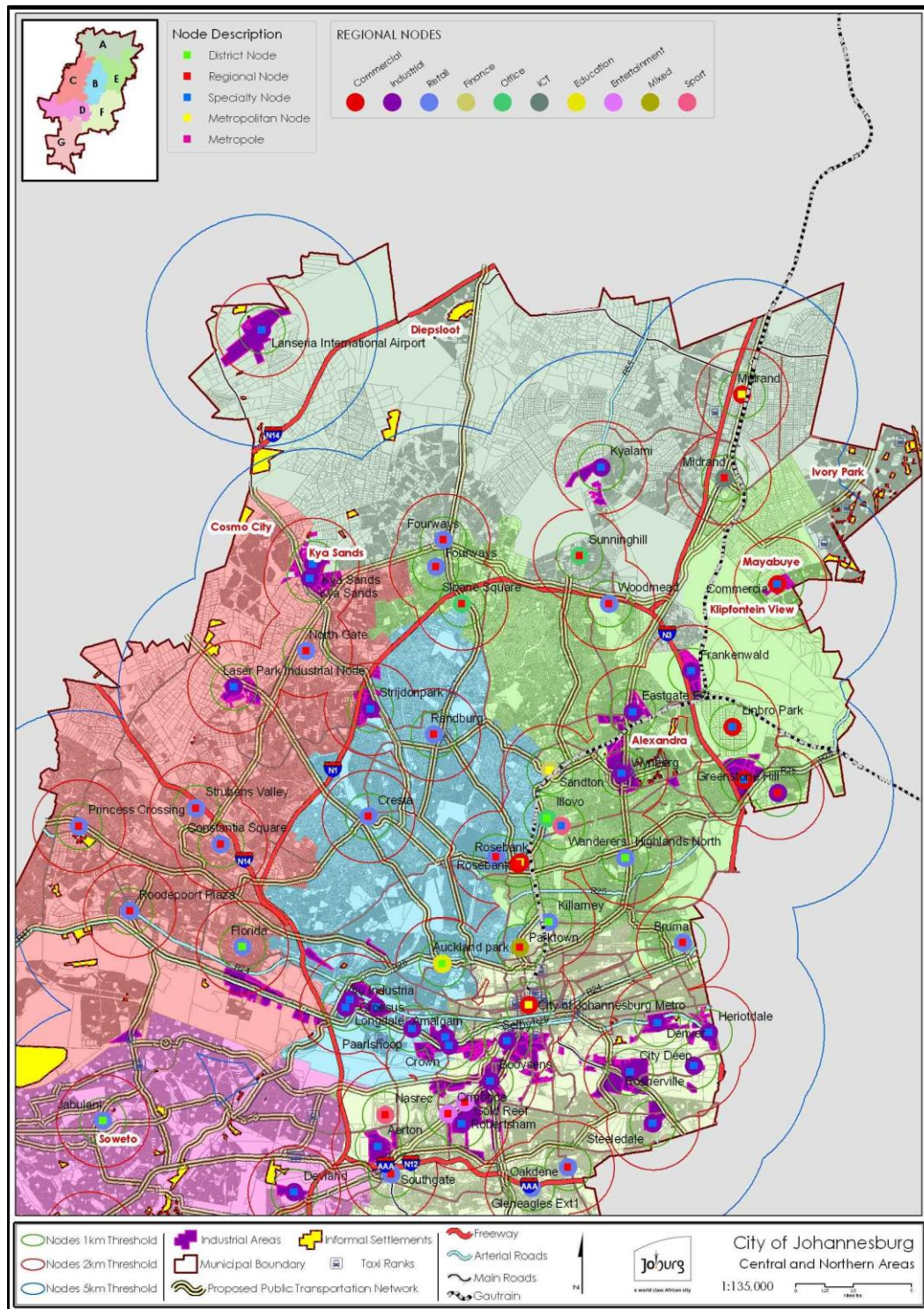




Figure 6.2 Central and Northern Areas



### **Northern Areas**

The north has been the focus of most of the private sector growth and investment in the City over the last few decades. Economic activity within this area is concentrated in new areas such as Sandton and Midrand, but also incorporates areas such as Fourways, Rivonia and Randburg. Developments have occurred through numerous regional and local shopping centres, traditional town centres as well as commercial and retail development along mobility routes such as Beyers Naude, Rivonia Road and Jan Smuts Avenue. Also included in the northern areas are large townships and informal areas such as Diepsloot, Alexandra, Kya Sands, Ivory Park, Mayibuye and Klipfontein. These however have limited formal commercial, retail, manufacturing and service sector activities (**Figure 6.2**).

The spatial patterns of unemployment are indicated in **Figure 6.3** and the spatial pattern of highly skilled, skilled and unskilled workers in **Figure 6.4**. The northern areas are at the forefront of attracting and harnessing new investment into the City, the province and the sub continent. Continued improvement of this area's spatial and economic infrastructure is required to build on the competitive advantage of firms located here. The potential to diversify the economic activity and increase the number of smaller businesses linked to the service and advanced manufacturing activities should be explored. Another challenge would be to explore economic opportunities within the townships and informal areas, in particular low-level service industries with linkages with the more established and formal businesses.

### **Southern Areas**

The southern areas have limited economic activity, as these were originally planned and have largely remained as dormitory townships. Economic activity is limited to regional town centres such as Lenasia; Kliptown, Ennerdale and Eldorado Park as well as largely informal economic activity. The latter also prevail in the informal settlements such as Orange Farm, Kliptown and Slovo Park (See **Figure 5.5**).

The southern areas and Region G in particular, represent the greatest challenge for the City in terms of attracting private sector investment and creating jobs. Although this area has changed, investments have mainly been in shopping centres, with their high-income leakage characteristics. The manufacturing activity is mainly the traditional type and is largely stagnant or declining. More than 51 % of the workforce does however, have some basic skill levels, offering the opportunity for improving skill levels. Although the public transport system is inadequate and severely constrained by distance, the road infrastructure is fairly well established. This offers the opportunity to attract economic activity seeking less congestion and also possible investment in middle and high-income areas.



Figure 6.3 Unemployment

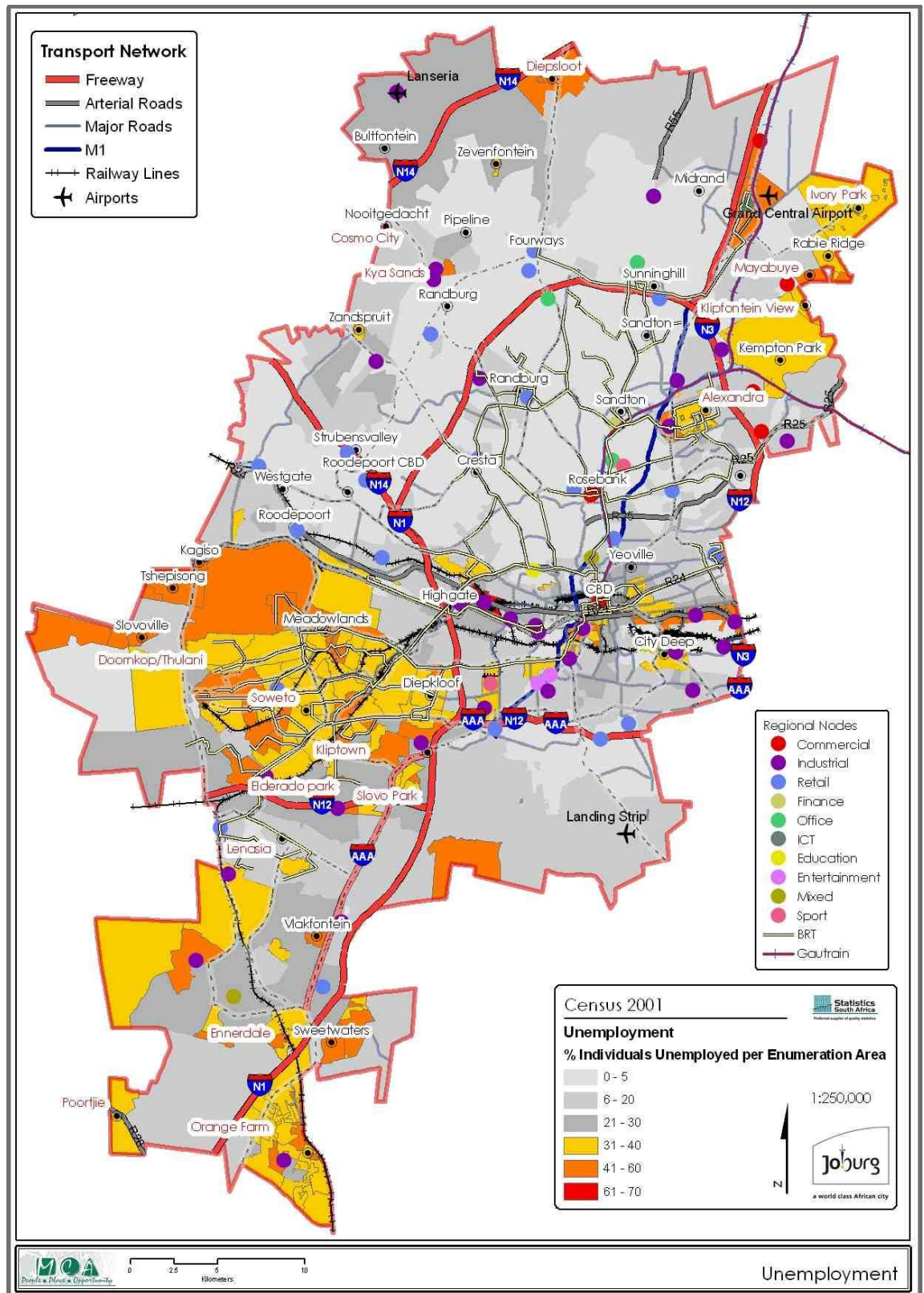




Figure 6.4 Economic Activity and Skills Level

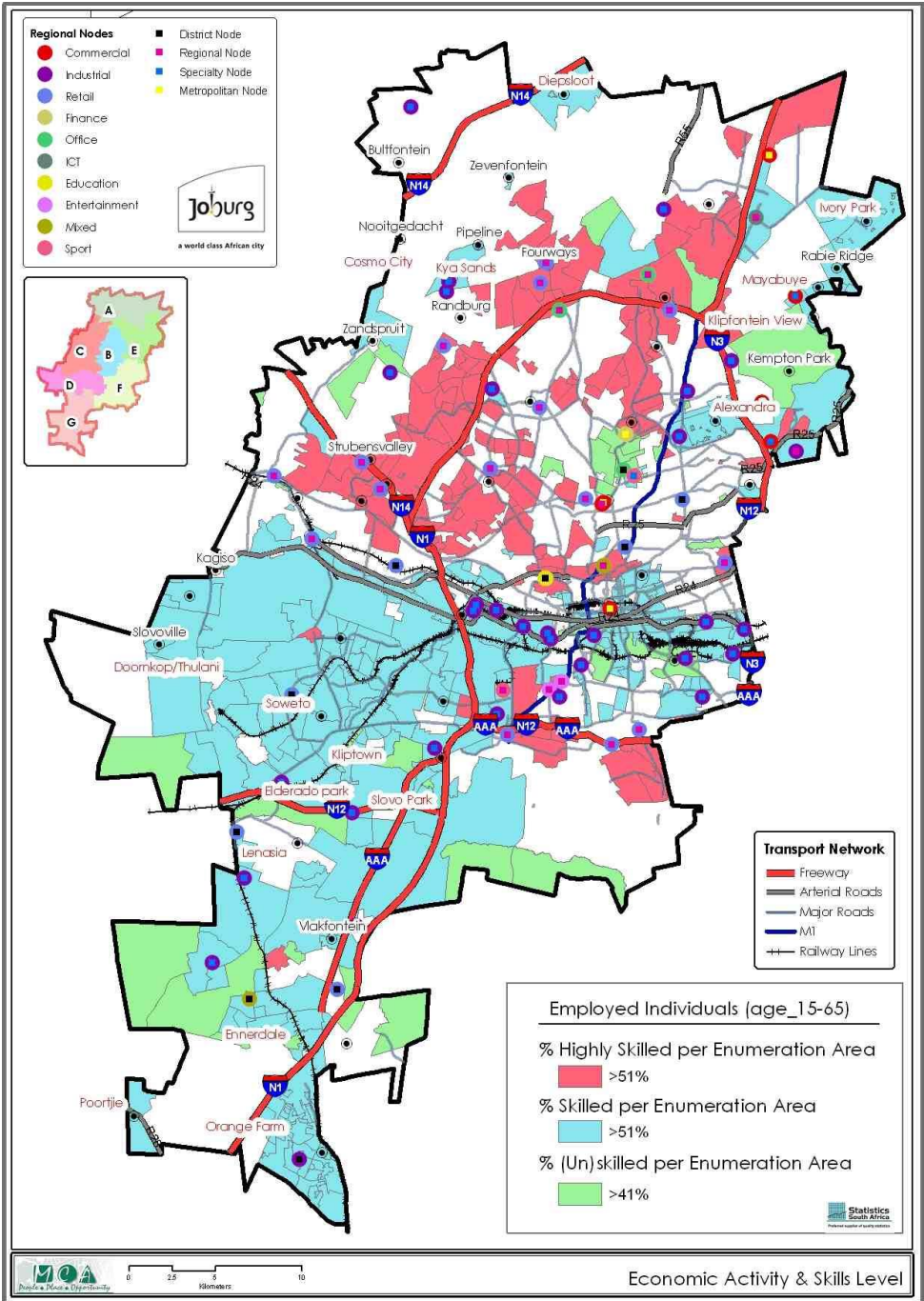
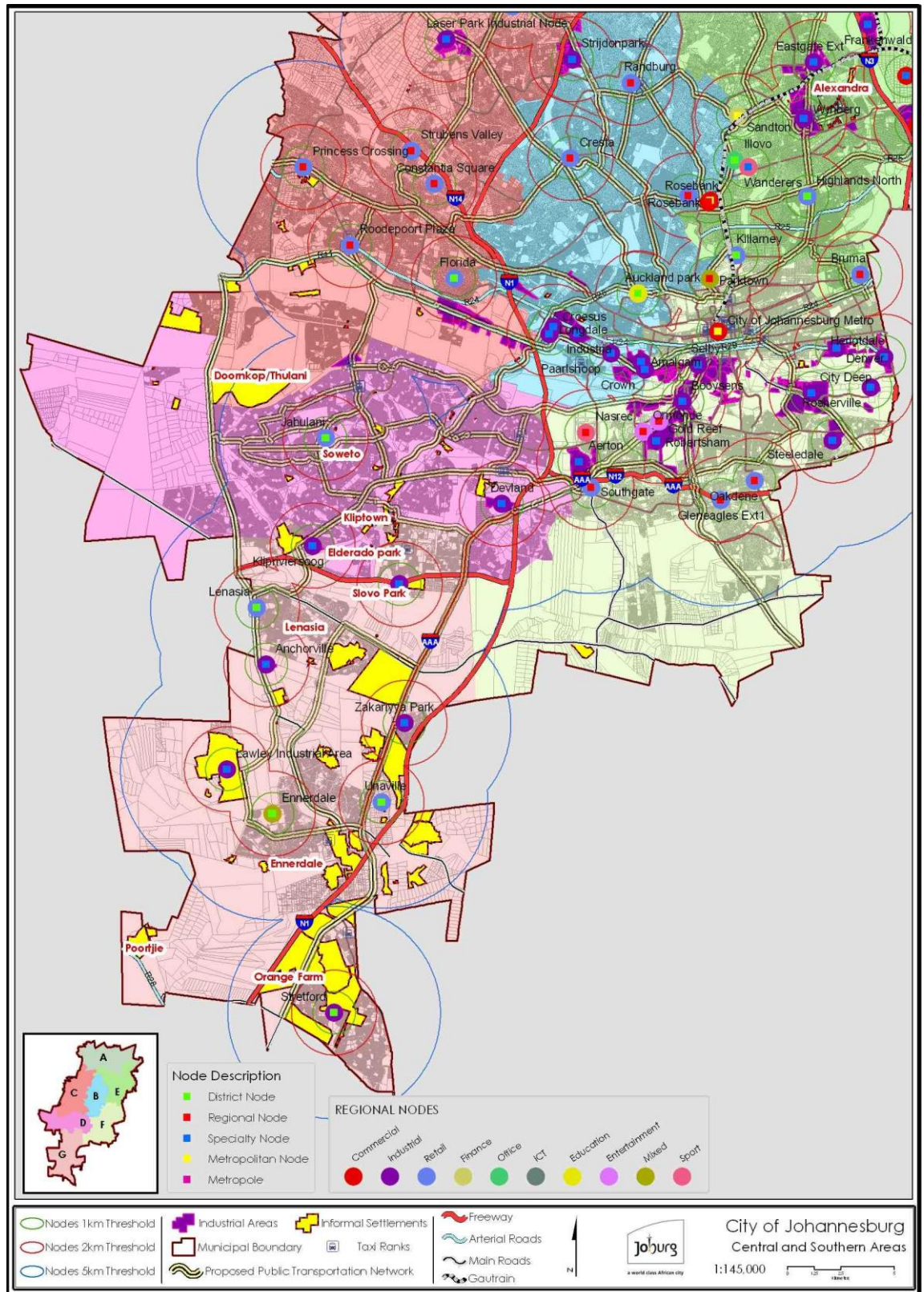


Figure 6.5 Central and Southern Areas



### 6.3 Spatial Economic Development Strategy and Five -Year Spatial Economic Development Programme

The City's geography of poverty typically reflects the post-apartheid South African landscape i.e. a city that is still racially fragmented with the majority of its poor residents located far from most of the employment, business, education, shopping and other opportunities. The spatial analyses clearly show that there is a significant mismatch between where jobs are and where people are. This necessitates the need to not only locate people where existing jobs and economic opportunities are, but also to ensure that job opportunities are created in marginalised areas.

As highlighted in Chapter 2, the need to undertake this task is mandated within numerous government policies, strategies and development programmes. Although public investment has been ongoing, significantly more spatial economic intervention is required to unlock the potential and local resources of townships and thereby attract large-scale private investment. This will not only ensure the building of more productive and sustainable human settlements but also contribute towards making the City more productive, competitive and equitable.

In broad terms, different policies and strategies are required for:

- a) The marginalised and poor areas (largely the far-north and southern areas, with pockets within the central and northern areas); and
- b) The well-established and developed areas (largely the northern and central areas).

#### 6.3.1 Marginalised and Poor Areas

##### Locations:

Soweto (Region D); Eldorado Park, Edendale, Kliptown, parts of Lenasia, Orange Farm, Vlakfontein, Poortjie (Region D); Ivory Park, Diepsloot, Kya Sands (Region A); Alexandra, Klipfontein View and Mayibuye (Region E).

##### Objectives:

- To dramatically increase private sector investment in these areas, in economic activities that also create jobs as well as opportunities for middle and high-income residential developments.
- To create mixed used, integrated developments that also provides development opportunities for small scale and emerging businesses.
- To recognise the limitations of shopping centre development and explore the potential to create opportunities of appropriate economic developments to accompany these.
- Recognising the reasons for the demand for gated residential and commercial developments, seek to minimise their tendency to fragment development patterns and sterilise surrounding areas in terms of economic development.



### **Policies and Strategies:**

- To substantially increase the number of businesses and job opportunities within these areas.
- Optimise opportunities through the nodal and related development strategies of the City.
- Promote mixed used developments with substantive commercial, manufacturing, retail, office and service related activities within the identified nodes and encourage wide range income and higher residential densities within these and along the identified public transport routes.
- Strategically increase the business infrastructure and overall stock of business premises in the townships and informal areas, in particular opportunities with regard to business hives/incubators.
- Increase the quantity and quality of public and community facilities within close proximity of the identified economic nodes, in particular major public buildings and facilities.
- Extend and upgrade of bulk infrastructure, in particular road and utility service infrastructure.
- Significantly improve efficiency and effectiveness of the public transport system.

### **6.3.2 Well- Established and Developed Areas**

#### **Locations:**

These include most areas in the CBD and the north of the City, in particular areas served with public transport routes and along access major routes linking a number of economic nodes (e.g. Jan Smuts, Oxford Street, etc)

#### **Objectives:**

- To increase the number of businesses and job opportunities within these areas.
- To increase opportunities for small businesses along established major public transport routes and economic nodes.
- To create opportunities for affordable and low cost tenure options within established areas.
- To locate working class communities closer to job, business and other urban opportunities.
- To overcome race based and mono-income land use patterns within the City.
- To reduce travel time and costs for workers, in particular those that cannot afford private vehicles.

### **Policies and Strategies:**

- Pro-actively identify land to be acquired and developed for small businesses within the desired locations.
- Allow subdivision of business premises along public transport routes and at economic nodes, but retaining and increasing business rights.
- Develop business hives/incubators along the desired routes and the identified nodes.
- Encourage the provision of affordable housing within these areas.

The spatial economic development programmes are listed in chapter 9.

## 6.4 Synthesis

Although there has been considerable economic growth in Johannesburg over the last decade, this has occurred mainly within the more established areas within the northern areas of the City as well as the CBD. The City has spent considerable resources to successfully reverse the decline of the CBD as well as in providing basic services and housing in the poor areas located within the far northern (e.g. Cosmo City, Diepsloot, Ivory Park, etc) and far southern parts (e.g. Soweto, Orange Farm, etc) of the municipal area as well as in areas such as Alexandra. Private sector investment has largely continued in the form of commercial, retail, offices and manufacturing in the more established areas and new frontiers such as Sandton and Midrand. In contrast, within townships this has mainly occurred with the form of shopping centre developments. For these areas, investment in public transport is critical to reduce time and transportation costs for poor residents. Development of much needed public transport will also create business and employment opportunities, in particular at model interchanges and along bus routes.

In terms of the identified niche sectors, the requirement to remain globally competitive and need for investment in for example high-end technology, skilled labour and advanced financial systems, restricts the potential to expand these niches to the marginalised areas in the short terms, unless these (and other) pre-conditions can be met. The challenge is to physically transform these areas, in short increasing the scope and extent of middle and high income residential areas in the south and correspondingly, creating opportunities for affordable housing and tenure options within the more established areas. It is anticipated that the traditional manufacturing activity (for example those dominating the southern areas) will largely remain and also decline. Although opportunities for manufacturing and processing expansion are limited, the potential of growth in more decentralised business hives is significant. Urban agriculture offers considerable opportunity, in particular in the far south and far north, as a source of income and to contribute towards increased food security for poorer communities.

## 7. Human Resource Development

### 7.1 Review of Relevant National, Provincial and City Policy Frameworks

The City's SMME Development Directorate (Skills Development Programme) has prepared a detailed **Skills Strategy** and this will guide the City's Human Resource Development programmes. The City's Skills Strategy requires alignment with the National Human Resource Development Strategy; the National Skills Development Strategy as well as the Gauteng Human Resource Strategy. The importance of Human Resource Development is further highlighted through its emphasis within a number of national, provincial and City policy documents such as:

- AsgiSA: Skills and education identified as an initiative.
- Presidential Address 8 February 2008: Apex Priority: Project 5: Resolve organisational issues on skills development.
- JIPSA: Identifying urgent skills needs and develop quick and effective responses to these needs.
- NIPF: Identifies skills and education for industrialisation as a strategic programme.
- GGDS: Skills development identified as an intervention mechanism.
- JHB GDS: Address economic inequality by enabling people previously denied opportunities because of skills gaps to participate in economic activity and/or start and grow their businesses. Ensure that the city has an appropriate mix of high-skilled, semi-skilled and low-skilled labour that can flexibly meet the changing skills needs of the city.
- JHB 5-year Plan: Incentivise and encourage city business to absorb 20 000 learners and interns. Initiating a labour market programme aimed at increasing access to a wider labour market and recognition of prior learning.

### 7.2 Approach to Human Resource Development

Human resource development within the context of the Economic Development Policy and Strategy Framework refers to aspects dealing with education and skill development that impact on the ability of labour to participate meaningfully within the economy. This differs from a broader Human Development Strategy<sup>15</sup> as prepared by the City of Johannesburg during 2005 as a component of the Joburg 2030 economic development strategy. Human resource development is a key component of the economic development strategy for the City of Johannesburg as low education and skill levels are major barriers preventing marginalised individuals and communities from participating in the City's economy.

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<sup>15</sup> This deals with other broader issues such as poverty, social services, social welfare, etc

The availability of and adequately educated and skilled labour has the potential to increase the value of production and the competitiveness of firms; thereby enabling growth of the economy as a whole. However, the need for human resource development is vast, and generalised training has resulted in skilled labour not necessarily being absorbed in the economy. Therefore it is of crucial importance that skill development and training is directed at meeting the specific requirements of the sectors that are important drivers of the local economy, as well as those niche sub-sectors identified as having growth potential.

Johannesburg's economy was historically based on mining, manufacturing and agriculture. However, economic sector analysis confirms that finance, trade, community services, transport and advanced manufacturing have become the more important sectors. The seven niche sectors identified for special focus include ICT, BPO, Freight and logistics, Tourism, Creative Industries, Mining and Beneficiation and Manufacturing. The Johannesburg economy has therefore become increasingly dependent on a skilled workforce within the service sectors. However, the vast majority of the City's labour does not have the required skills; recognising however that employment within traditional manufacturing and agriculture will continue to be important, in spite of opportunities within these sectors steadily declining.

At present the education levels of the black and coloured communities are relatively poor in relation to the white communities within Johannesburg. Thus, where about 76% of white adults have a matric qualification or more, only 36% of Black and 42 % coloureds and 56 % Asians have matric or more. Correspondingly, these population groups also have significantly higher unemployment rates, earn less and are worse affected by poverty and marginalisation. Indications are that although a high percentage of children are enrolling in grade 1, there is a significant dropout rate after Grade 8 and even in Grade 10.

Research and monitoring of scholar performance and eventual participation in the economy as labour show that human resource development strategies should be aimed at the complete lifespan of individuals; thus including early childhood development, formal schooling, tertiary education, skills development and adult basic education. The Human Resource Development Strategy therefore should consist of policies and strategies dealing with *early childhood development*, *school assistance and development* and *adult education and skills development*.

Early childhood development should include dealing with aspects relating to the adequate provision and location of (educare) facilities and support systems, in particular within marginalised areas in Johannesburg; and accompanied by other targeted programmes, such as poverty alleviation strategies, integrated human settlements, restructuring the space economy, etc. The school assistance and development should include aspects such as at dramatically improving the quality of the public environment surrounding schools; vigorously enforce municipal and other regulations on activities impacting negatively on schools in the surrounding environment and ensuring that schools are provided concurrently with housing. Although the Department of Economic Development would be more actively involved with policies and strategies dealing with *adult education and skills development*, it is crucial that policies and strategies dealing with *early childhood development* and *school assistance and development* are also adequately addressed through its engagement with the City's Department of Community Development and in collaboration with the relevant provincial and national departments.

### 7.3 Education, Skill Development, Training and Mentoring Programmes

Johannesburg is well resourced with a number of higher education training facilities and these include the world class University of the Witwatersrand, University of Johannesburg, as well as a number of FET Colleges. There is also a wide range of private educational establishments that also provide education, skill development and training in the City.

National and provincial government and the City have recognised the important role of education, skills development and skills training has in fostering business development and economic growth and have launched a number of initiatives in this regard. Some of the human resource and skills development programmes introduced by government include the Sector Education and Training Authorities (“**SETAs**”), SMME and business development; the Workplace Skills Plans, Adult Basic Education and Training, Further Education and Training Colleges, the Institutes of Sectoral or Occupational Excellence, the requirements for skill development with the BBEED sector charters, etc. The Department of Public Works has also rolled out its Expanded Public Works Programme (“**EPWP**”), which includes mandatory training; while the City has also instituted learnership programmes. The City therefore can be regarded as an exporter of skills and education.

However, although these programmes are generally available within Johannesburg, their accessibility (in terms of physical location), affordability and effectiveness remains highly problematic, in particular for marginalised communities. Co-ordination and alignment of these programmes with actual skill needs of firms within the important sectors of the Johannesburg economy remains elusive. It is also not clear what the level of success is being achieved by formal business in skills development and training; as many have expressed frustrations with accessing and utilising SETA funds.

#### Key Challenges

In spite of the vast number of education, skill development and training facilities and programmes available in the City, challenges are daunting and complicated:

- A significant proportion of those seeking jobs do not have adequate basic literacy and ‘life skill’s, while levels of entrepreneurship are low. In addition businesses generally are challenged to find potential trainees with basic communication and computer literacy skills.
- These are not available to those most in need (e.g. those with low education and/or skill levels); mainly due to poor and inadequate school education; their tendency to rather target already skilled workers, affordability or awareness of these programmes.
- The institutions and facilities offering these programmes are highly centralised geographically in well-established nodes, and present a major distance and cost barrier to overcome for potential trainees located in marginalised areas of the City.
- The practise of apprenticeships that relied heavily on mentorship and training have largely been discarded, resulting in greater mobility of workers that do acquire skills and reduce the tendency of employers to spend a large amount of resources on training.
- The SETA system has largely been ineffective, has not provided the basis for ongoing training and skill development and employers are generally not using the significant amounts of funding collected.



## Objectives

- Support the development of skills for social development and poverty alleviation.
- Create a skilled and employable workforce and build a learning City.
- Enhance SMME development and support.
- Deliver recognition of prior learning.
- Eliminate constraints and address structural inefficiencies.
- Develop basic literacy and life skills within marginalised communities.
- Dramatically increase access for workers from marginalised communities to appropriate education, skills development and training programmes that would allow them access to the mainstream economy.
- Improve the education, skills and training levels of the labour force so that it is more responsive to the needs of local businesses and the identified growth sectors.
- Facilitate ongoing research and development at education and training institutions to ensure that the City's position itself at the cutting edge of new innovations and technologies.

## Policies and Strategies

- Establish a skills hub as a delivery mechanism.
- Use public services as a lever to link investment in housing and local infrastructure with opportunities for employment and skills development.
- Provide a comprehensive package of support to SMMEs to improve their business skills and the skills of their workers.
- Develop and implement basic literacy and life skills strategy and programmes targeting in particular marginalised communities within the City.
- Determine the nature and extent of skills required from the perspective of businesses active within the key growth sectors and the identified niche sub-sectors and develop an appropriate intervention programme and strategy.
- Engage existing education and training institutions to ensure that their curricula and programmes respond to the specific needs of the target sub-sectors and become more accessible, in particular for PDIs and marginalised communities.
- Engage business and civic representative organisations (e.g. chambers of commerce, tourism organisations and civic organisations, etc) to determine the role they could play in skill training and also their capacity to champion aspects of the overall strategy.
- The establishment of a network of **Community College and Training Centres** (“**CCTC's**”) within marginalised communities. This essentially entails providing purpose built facilities for lectures and training workshops, with capital and maintenance funding from the City; and operated and managed by accredited private education and training institutions. This must be linked and networked with FET colleges based within communities.

Aspects relating to entrepreneurship and business skills are addressed in chapter 7.

### 7.4 Realising the Strategic Imperatives/Overriding Goals

Human resource development would assist in achieving the strategic imperatives/overriding goals as follows:

- **Accelerated and Sustained Economic Growth:** Ensuring that efforts aimed at developing skills within the growth and key niche sub-sectors will assist with accelerating the growth of sector firms and thereby contribute towards long-term sustainable growth of the economy.
- **Employment Creation:** The development of education, skills and training within the target sub-sectors will increase the viability of long-term employment and life long learning.
- **Poverty Eradication:** Human resource development and poverty alleviation are closely related, as improved education and skills increase the possibility to ‘escape’ from the poverty trap endemic in most poor communities.
- **BBBEE:** Education, skills and training targeting PDIs’ will improve the prospects for black economic empowerment significantly and ensure that it is broad based and sustainable.
- **Spatial Restructuring:** The proposal for Community College and Training Centre has the potential to assist with the spatial restructuring of neighbourhoods and attract corresponding private sector investments.
- **Improved Quality of Life for All:** Improvement of the quality and quantity of skilled labour would accelerate economic growth, facilitate economic transformation, increase participation within the mainstream economy; economic stability and ultimately contribute towards improving the quality of life of all.

## 8. Business Development: SMME and Second Economy/Informal Sector

### 8.1 Relevant of National, Provincial and City Frameworks

Extracts of the following national, provincial and policy programmes demonstrates the importance of focussing on business development and support, in particular for SMMEs and the informal sector.

- Presidential Address 8 February 2008: Apex Priority. Project 9: Self-/employment interventions in the Second Economy: Assistance to SMEs including procurement activities by government.
- NIPF. Identifies finance and services to small enterprises as a strategic programme.
- GGDS. SMME support identified as an intervention mechanisms.
- AsgiSA. Identifies second economy as an initiative.
- Presidential Address 8 February 2008: Apex Priority: Project 9: Self-/employment interventions in the Second Economy.
- JHB 5-Year Plan. Facilitate development of current contractors into sustainable small-businesses in construction
- JHB GDS. Support informal and community sector ventures to stabilise and grow businesses, and to access market opportunities.

The City of Johannesburg, DED, has in addition prepared a draft Strategy for SMME Development and Support (Draft 1. September 2008) with the following addendums:

- Jozi Rising. Co-ordinated SMME Development and Support. Draft version 1. September 2008
- Certified City Business Programme. Draft 1. September 2008.
- SMME Development Strategy Implementation Plan. Draft 1. September 2008.

The proposals emanating from these have been included in the City of Johannesburg Economic Development Policy and Strategy Framework.

## 8.2 Key Challenges

Small businesses and the informal sector are key role players in the City's economy contributing significant amounts to its GVA and acting as a source of employment. Small businesses include those in formal sector, such as trade and manufacturing (where exporting is not a major part of the business); informal business (including traders; transport sector; etc) as well as those actively pursuing farming activities. SMMEs (both formal and informal) in particular face a number of challenges in entering and remaining competitive in the market. These include the following:

- Land and premises that meet the specific requirements of the business. This is a major challenge in marginalised communities where entrepreneurs have to secure funding not only to start a business, but also to construct premises.
- Reliable and appropriate municipal utility services (electricity, water, sewage disposal, waste management, etc.) to ensure that their businesses operate competitively.
- Access to affordable and relevant education, training and mentoring programmes.
- Access to appropriate sources of finance (from either public or private-sector bodies or channels) and other fixed assets such as land.
- Minimum administrative and regulatory red tape, mainly to conform to health and safety requirements, without incurring prohibitive costs.
- Access to appropriate research and technology to ensure that the business remains competitive in the market.
- Access and support of business networking and support organisations.

The following Support Sub-Policies/Strategies are recommended in order to realise the SMME Development and Support Strategy:

- i.) Small Businesses Development and Support;
- ii.) Business Incubators and Hives;
- iii.) Municipal Planning; Regulations and Bylaws; and
- iv.) Small Scale Farming Business Development and Support.

## 8.3 Small Business Development and Support Programme

The City's SMME Directorate located in DED provides support and development through The Business Place ("TBP") in partnership with Investec. TBP operates as an information hub, providing training to entrepreneurs as well as legal and financial advice. Investec has provided over R 19 million and contributes an average of R 4.5 million a year, while the City contributes about R 2 million annually. Services are provided within the Inner CBD, with satellite centres in Kliptown, Soweto, and Alexandra. The centres serve an estimated 1 900 visitors monthly with participants involved in manufacturing, construction, ICT and tourism.

SMME support is also provided through organisations such as the Small Enterprise Development Agency ("SEDA") established by dti to support small business. SEDA aims to strengthen support for SMMEs' access to finance; create an enabling regulatory environment; expand market

opportunities for specific categories of small enterprises and localise small business support through a grid of SEDA-coordinated information and advice access points.

### Key Challenges

It is not clear what the real needs of the City's SMMEs are. Support and Assistance for small business development, mentorship, entrepreneurship, etc. are currently provided through different organisations/institutions in a largely fragmented manner. This support is also not co-ordinated and prioritised, resulting in limited impact. Therefore, although there are a number of public and private business support services operating in Johannesburg, a key concern is the accessibility, both in terms of location and level / nature of service offered. There is also a lack of information on the impact of the SMME development sector on the local economy.

- **Procurement:** Information regarding public sector procurement opportunities is fragmented between the various municipal and government departments. The requirements and tendering procedures also tend to be onerous for small businesses. Additionally, private sector procurement opportunities are not readily available; while existing businesses do not necessarily advertise BBBEE procurement opportunities. The benefits generated through the City of Johannesburg's Procurement Policy should be monitored, measured and further maximised.
- **Business Advice:** Co-ordination between organisations such as the SEDA, the City, as well as numerous private sector service providers providing this service, is inadequate.
- **Finance:** This is fragmented between the various banks, private sector lending agencies and NGOs offering loans, as well as numerous government funded agencies. This creates confusion and uncertainty on the part of the emerging business operator.
- **Training and Skill Development Support:** In addition to the SETAs that have been earmarked to provide this service, academic and training institutions, various government agencies and private sector operators are also active here. As with the other services, these are not co-ordinated and not aligned with the priority growth sectors identified.
- **Business Mentoring:** This is largely not formally available or in an organised/easily accessible manner. Perhaps this could be accessed from established formal business and retirees through organisations such as the Johannesburg Business Chamber.
- **Business Infrastructure:** This is a major impediment to emerging business, in particular those located in marginalised areas.
- **Entrepreneurships:** Programmes aimed at encouraging and promoting entrepreneurship are limited. There is insufficient support to enable ideas to be moulded into business plans.

The City's SMME Strategy, **'Jozi Rising'**, is a call for action, a metaphor for mutual growth that will be supported by the City and its community of SMMEs. Jozi Rising will be the point of access to for all SMME development and support services in the City.

### Vision, Mission and Strategic Objectives

The City's vision for SMME development is based on the City's broader vision for the local economy, and on the understanding that the success of SMMEs in the City will contribute significantly to the realisation of that vision.

The mission is informed by the SMME development perspective of the broader directive in the Growth and Development Strategy of the City to actively intervene in the city economy in pursuit of accelerated, sustainable and shared growth.

### **Vision**

*A city economy that plays a role as the key economic hub on the continent, and a national economic-growth leader, by ensuring that SMMEs flourish and contribute to sustainable shared growth that benefits all.*

### **Mission**

*To actively intervene in the City's economy to shape conditions for accelerated local economic growth that is sustainable and ensure that the benefits and opportunities are equitably spread to all SMMEs.*

### **Strategic Objectives**

1. Coordinate the activities of the local SMME development sector in order to ensure equitable access, simplify and reduce costs of access and improve the impact of SMME interventions in the city.
2. Coordinate SMME development and support activities of the City of Johannesburg in order to exploit synergies between them and maximise their impact
3. An increase the rate of formation of new businesses
4. Increase in the City's spending to specific targeted firms owned by specific categories of HDI (BEE, women, disabled, youth, etc.).
5. Increased role of co-operatives in the city's economy, and increased number of informal traders in city-managed market spaces 'graduating' into formal businesses.
6. Increased number of beneficiaries reached by City-facilitated skills development initiatives.
7. Reduction in the proportion of city firms indicating skills gaps as a constraint on investment.

### **Strategic Objective 1**

*Coordinate the local SMME development sector in order to ensure equitable access, simplify and reduce costs of access and improve the impact of SMME interventions in the city .*

SMME development and support is a competency that the City shares with many public and private institutions, many of whom operate in the city space. The local SMME development sector is characterised by fragmented activities and by lack of information on sector activities and on the needs of market it serves. Given its mandate to promote local economic development, the onus is on the City to ensure that impact of all SMME interventions on the growth and development of the local economy is maximised. Collectively and in a well-coordinated fashion, the City and other SMME development actors can ensure that SMME development in Joburg has the impact that everyone desires.

### *Strategy*

To develop and implement Jozi Rising, a common point of access and coordination for SMME development and support services in the city that will:

- Simplify access to SMME development and support services
- Ensure that all city SMMEs have fair and equitable access to development and support services
- Align the priorities of the city's SMME development sector with local economic development priorities

- Facilitate the development of standards for SMME development and support services
- Provide market and industry intelligence to support ongoing policy, strategy and programme development

#### *Measure of Success*

A survey indicating whether City SMMEs find:

- Access to development and support services to be easy and simple;
- Services provided to be appropriate for their needs

#### *Target*

The majority of SMMEs surveyed indicate that access to services is easy and simple and services are appropriate for their needs.

### **Strategic Objective 2**

*Coordinate SMME development and support activities at the City of Joburg in order to exploit synergies between them and to maximise their impact.*

SMME development is a shared competency that cuts across the entire City of Joburg as an institution and every City department and MOE engages directly or indirectly in SMME development related activities. Furthermore, as a large institution the City's pursuit of its day-to-day business has a major impact on the local economy and provides many opportunities to further the aims of SMME development. In order to maximise the impact of the City's various SMME related activities, it is necessary to implement a mechanism that will coordinate and align these activities in order to exploit synergies make best use of City resources.

#### *Strategy 2a*

To use Jozi Rising facility to coordinate and integrate the SMME development and support activities of City Departments that will:

- Exploit synergies in COJ SMME development and support activities
- Facilitate access of CoJ SMME development and support programmes to broader internal and external resources for SMME development and support

#### *Strategy 2b*

To develop and maintain an "SMME Corner" on Joburg.org, for internal and external users, that presents consolidated information on the City's SMME programmes

#### *Measure of Success for both Strategies*

An expert analysis of the level of integration of CoJ SMME development programmes and the extent to which these activities leverage available internal and external resources.

#### *Target*

In conclusion, there are indeed high-levels of integration in the City's SMME programmes in comparison with international benchmarks.

### **Strategic Objective 3**

*An increase in the rate of formation of new businesses.*

In order to increase the rate of formation of new businesses, the city must ensure that local business environment is conducive for the establishment of new businesses. Central to this is the availability

and accessibility of financial and non-financial support for new businesses, the delivery of which will be coordinated through Jozi Rising. The lack of availability of financial support has been identified as a structural constraint in the national economy, including the local economy. For this reason, the City has approved that grants be made to two new financial institutions focusing on local SMMEs: the Jozi Equity Fund, which will make equity investments in local SMMEs, and Dirang ba Bohle Community Bank which will be a local provider of micro-credit. Both these institutions are currently being established.

#### *Strategy 3a*

To support the establishment of a Jozi SMME Equity Fund and the Dirang ba Bohle Community Bank in order to improve access to capital for city SMMEs.

#### *Measure of Success*

The number and value of investments made by the Jozi SMME Equity Fund and Dirang ba Bohle in early stage City enterprises.

#### *Target*

To be determined by the respective institutions' investment strategies.

#### **Strategy 3b**

To integrate financial and non-financial support for City entrepreneurs into Jozi Rising.

(Jozi Rising will be implemented in accordance with Strategic Objective 1)

#### **Measure of Success**

A survey indicating the rate of formation of new enterprises in the City.

#### *Target*

A growth rate in the formation of new operating enterprises that is greater than the City economic growth rate.

### **Strategic Objective 4**

*Increase in the City's spending to specific targeted firms owned by specific categories of HDI (BEE, women, disabled, youth, etc.).*

Broad-Based Black Economic Development is a national growth strategy and the City is committed to achieving the aims of BBBEE. The City also notes that the aims of BBBEE are closely related to the aims of SMME development and that enterprise development is a core aim of BBBEE. One of the challenges in increasing the City's spend on HDI-owned firms is the limited number of HDI firms with the capacity to deliver on the procurement requirements of the City. This lack of capacity also shows itself in the lack of diversity of City HDI suppliers, with large numbers being concentrated in only a few categories of goods and services. If the City is to meet its targets, it is required to intervene in the economy by developing the capacity of HDI-owned firms to deliver on City contracts and in a greater variety of goods and services.

#### *Strategy*

Implement the Certified City Business Programme to develop the capacity of firms owned by specific categories of HDI to supply to the City.

#### *Measure of Success*

An analysis of the City's Registered Vendors



An analysis of the City's BBBEE spend by specific categories of HDI and by categories of goods and services

#### *Targets*

Per category of enterprises owned by specific categories of HDI:

- An increase in the number of enterprises with a City Vendor Number
- An increase in the share of the City's total procurement spend
- Registered Vendors for an increased variety of good and services
- An increased variety of goods and services supplied to the City

### **Strategic Objective 5**

*Increased role of co-operatives in the city's economy, and increased number of informal traders in city-managed market spaces 'graduating' into formal businesses.*

The cooperative is an enterprise model that, through the aggregation of member resources, enables the establishment of enterprises and capital formation that could not be undertaken by the individual members themselves. The City supports the broader use of the cooperative model as a way for people previously excluded from the economy to participate in the economy. The challenge of unemployment has forced a large number of residents on to the streets to seek a living in informal trading. The City has approved an Informal Trading Policy that is regularising informal trading activities in the city by delineating trading spaces, rolling out smart cards to all traders and developing the business skills of traders through the Grow your Business programme. The next step for the City is to develop a broad strategy the development of informal trading enterprises.

#### *Strategy 5a*

To finalise the Cooperatives Development Strategy, establish a cooperatives support desk that will offer a development and support service to cooperatives in the city, and that will be coordinated through Jozi Rising

#### *Measure of Success*

A survey indicating the number of cooperatives in the city and the contribution of cooperatives to the city economy.

#### *Targets*

A rate of increase in the number of cooperatives that is greater than the increase in the rate of formation of new enterprises.

An increase in the percentage contribution of cooperatives to the city economy

#### *Strategy 5b*

To develop and implement a City Informal Trading Development Strategy that will be integrated with Jozi Rising

#### *Measure of Success*

A survey indicating the increase in the number of informal traders in city-managed market spaces 'graduating' into formal businesses.

*Target*

An increase in the number of informal traders in city-managed market spaces ‘graduating’ into formal businesses.

**Strategic Objective 6**

*Increased number of beneficiaries reached by City-facilitated skills development initiatives.*

The City has developed and launched an integrated Skills Development Strategy incorporating the Skills Hub, a mechanism for the coordination of skills demand and supply in the Joburg economy. For more details, see the CoJ Skills Development Strategy approved by the Mayoral Committee.

*Strategy*

Implement the CoJ Skills Development Strategy and integrate the Skills Hub and Jozi Rising to deliver enterprise education

*Measure*

The total number of beneficiaries reached by the Skills Hub

The total number of beneficiaries accessing enterprise education through the Skills Hub.

*Targets*

A rate of increase in the number of beneficiaries reached by the Skills Hub that is greater than the rate of increase of new entrants into the Joburg labour market.

A rate of increase in the number of beneficiaries accessing enterprise education that is greater than the rate of increase in the formation of new enterprises in the City.

**Strategic Objective 7**

*Reduction in the proportion of city firms indicating skills gaps as a constraint on investment.*

The City has developed and launched an integrated Skills Development Strategy incorporating the Skills Hub, a mechanism for the coordination of skills demand and supply in the City economy. A key deliverable of the Skills Strategy is the Labour Market Information Database (LMID) which will provide labour market intelligence for labour market entrants for the development of City skills development interventions. The Recognition of Prior Learning (RPL) programme of the Skills Strategy aims to address the certification and hence the employability of skilled but non-certified artisans. For SMMEs in particular, the large number of unemployed graduates provides a pool of resources that can be used to address the skills gap experienced by SMMEs. The Bridge to Business programme will leverage the LMID and the specialist support provided through Jozi Rising to bridge the gap between unemployed university and RPL graduates and SMMEs currently experiencing skills gaps.

*Strategy 7a*

Implement the Skills Strategy’s Skills Hub, LMID and RPL

*Measure*

A city-specific micro-economic constraints survey.

*Target*

A reduction in skills related micro-economic constraints in the city economy.

**Strategy 7b**

Implement the Bridge to Business programme to link unemployed HEI and RPL graduates with SMMEs experiencing skills gaps

*Measure*

The number of graduates facilitated into employment with SMMEs

A survey indicating the number of SMMEs experiencing skills gaps

*Targets*

A rate of increase in the number of graduates facilitated into employment that is greater than the rate of increase in the jobs.

Out of the total population of City SMMEs, a decreasing share of SMMEs experiencing skills gaps.

## **8.4 Business Incubators and Hives**

Business incubators have been widely used for start-ups and include the provision of physical space, administrative support, security, as well as advice and mentoring.

### **Key Challenge**

The marginalised areas have no or limited business infrastructure for SMME development (for start-ups and existing business). Businesses therefore have to secure funding for this in addition starting a business.

### **Objectives**

- To provide accessible and affordable business infrastructure for emerging SMMEs; in particular in marginalised areas of the City.
- To provide the required levels of business support and mentorship for various types of formal and informal businesses, including trading; manufacturing; agri-processing, etc.
- To facilitate the construction and management of a network of business hives in poor and established areas of the City.

### **Policies and Strategies**

- Develop a network of incubators, consisting of various types depending on need, location and opportunity.
- Incubators should be established not only in marginalised areas, but also in established urban nodes where opportunity already exists.
- Incubators require well-equipped support services in terms aspects such as business advice; administrative support and security.
- The City to provide adequate funding for both the required capital and operating costs, recognising that both of these can be high if not appropriately planned and managed.

- Incubators require skilled management. Poorly funded or managed incubators can easily deteriorate to “low-rental business accommodation” with little training impact and a high risk of vacancies.
- Incubators should be located so as to reinforce the restructuring of the space economy as set out in chapter 5 (ideally within nodes and public transport routes).
- The key element of a programme to realise a sub-strategy of establishing incubators and hives for SMMEs should include the following:
  - Identification of a suitable site that is easily accessible to the potential operators and customers.
  - Deciding on nature, scale and type of the businesses to be located within the hive.
  - Preparation of a feasibility study with the associated capital and operating cost requirements.
  - Preparation of Market Potential Assessment.
  - Consideration of the most appropriate management options (ideally this should be outsourced)
  - Preparation of a businesses plan for the facility.
  - SWOT Analysis: Identification of the pros and cons of operating a business hive.

## **8.5 Municipal Planning, Regulations and Bylaws**

These municipal activities have a direct impact on the viability of small and informal business to operate and function.

### **Key Issues**

- The planning of new housing areas as mono-functional residential areas does not create opportunities for small businesses and informal businesses to operate.
- There are a number of municipal regulations and bylaws that restrict the establishment, operation and management of SMMEs.

### **Objectives**

To plan integrated human settlements that creates the opportunity for businesses to operate. To reduce/minimise regulations and bylaws negatively impacting on SMMEs and to introduce regulations that would supportive SMMEs more pro-actively.

### **Policies and Strategies**

- Plan settlements in a manner that allows small businesses to operate and function.
- Ensuring that municipal property rates policies are conducive to SMME operation and functioning.
- Ensuring that levies, user charges and debt collection procedures do not undermine the sustainability of SMMEs.
- Ensure accurate and efficient billing and accounting mechanisms to reduce municipal service interruptions. Decrease payment cycles in particular for SMMEs.
- Reducing unnecessary duplication in procedures when applying for rezonings, departures, permits and licences at the municipality.
- Implement a more flexible zoning regulations in areas set aside for SMMEs.

- Review current financial regulations that impact on SMMEs.
- Review rezoning, businesses licensing and permits impacting on SMMEs.
- Amendment or removal of regulations and bylaws impacting on SMMEs.
- Researches and recommends the review of laws and regulations inhibiting economic development.

## **8.6 Small Scale Farming Business Development and Support**

Although small businesses operating within an agricultural environment differ from informal and other operators within an urban environment, they also require business development and support services.

### **Key Challenges**

- Assistance to small-scale farmers should focus on providing technical support, advice, mentoring and finance for small-scale farming.
- Assistance is also required to access land reform and agricultural development programmes.

### **Objectives**

- To ensure the long-term sustainability of small-scale farming.
- To provide integrated business support, advice and support for small-scale farmers.
- Establishing training programmes when making land available to small farmers.
- To create opportunities for small-scale farmers to grow their activity into successful business ventures, both in terms of self sufficiency as well as generating surpluses for local markets.

### **Policies and Strategies**

The quality and accessibility of support programmes is critical to the success of small scale farming development and support programmes. Policies and Strategies here would include:

- Establish accessible support programmes that provide advice and mentorship to small farmers.
- Include small-scale farming business support as an integral part of the City's overall Business Development and Support Programme.
- Establish a *Small Scale Farmers Task Team* with representation from the City, beneficiary community, Department of Land Affairs; Department of Agriculture, farming organisations, NGOs and relevant provincial departments. This should preferably be a voluntary body, preferable championed by farming organisations, with the City providing administrative and logistic support.

## **8.7 Synthesis of Business Development and Support Functions**

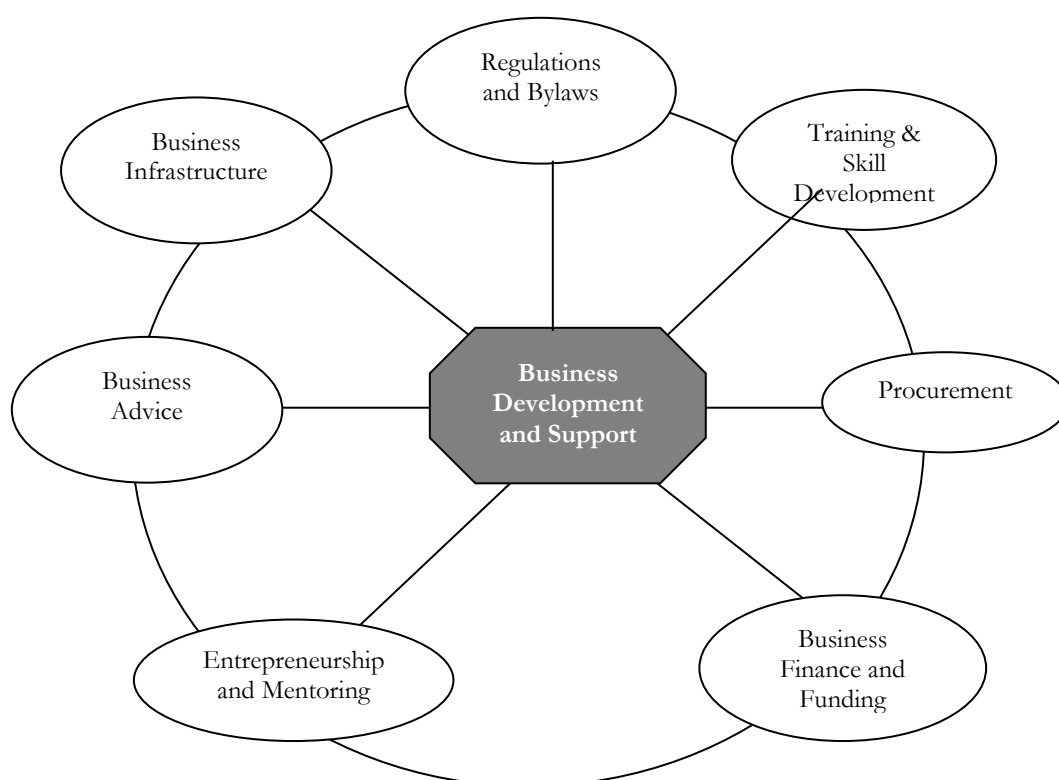
The extent of business development and support functions required is illustrated in Figure 7.1. The identified business development and support strategies, functions and activities should preferably be initiated, co-ordinated, managed and monitored through a single agency. There are two options in this regard:

- Significantly increasing the capacity of the SMME Directorate and The Business Place in collaboration with Investec; or

- Alternatively, significantly increasing the capacity of the Metro Trading Company (MTC).

These options are considered further in Chapter 9.

Figure 8.1 Business Development and Support Functions



## 8.8 Realising the Strategic Imperatives

Focussing on business development offers the following opportunities to meet the strategic imperatives:

- **Sustained Economic Growth:** Targeted and appropriate business development and support will increase the viability and profitability of businesses and will contribute towards sustained economic growth. Public sector procurement is crucial to the existence of the emerging SMMEs and in particular those with HDI ownership. Increased outsourcing to SMMEs by the private sector is also critical. Hives reduce the risk of starting a business and contribute towards more viable businesses and sustained economic growth. Appropriate municipal planning and reduction in municipal regulations and bylaws will increase the viability of businesses. Although the needs of small-scale farming differ from other businesses, they also require assistance in term of training, mentorship and advice.
- **Employment Creation:** SMMEs have demonstrated the ability to generate jobs through self-employment. Hives and small-scale farmers have the ability to generate a significant number of jobs (despite the declining status of agriculture and manufacturing).

- **Skill Development:** Increasing training support and associated programmes will contribute towards the potential to generate higher levels of new business growth. Skill development and training should be aimed at the targeted sub-sectors.
- **Poverty Alleviation:** Survival and micro businesses in particular, through activities such as spaza shops, increase money circulating and being retained within communities, and thereby contribute significantly to poverty alleviation.
- **BBBEE:** A significant number of small businesses in Johannesburg are HDI owned. The challenge is, however, to provide adequate support so that these businesses can migrate and grow from survivalist to viable and sustainable businesses. The development of hives and small scale farming targeting HDI's, will contribute significantly towards BBBEE.
- **Spatial Restructuring:** The suggested hive development and small scale farming will contribute towards creating areas of economic opportunity closer to marginalised communities; while opportunities should also be created for emerging small businesses in areas where potential already exist (e.g. established urban nodes).
- **Improved Quality of Life for All:** The development and support of small businesses will not only create jobs and income for marginalised communities, but would also reduce dependency on social welfare programmes and further stimulate economic activity in the City. This will contribute towards improving the quality of life of all.

## 9. Trade and Investment Promotion

Retaining and attracting new businesses and industries to Johannesburg is essential for economic growth as it facilitates job creation and has the potential to increase levels of income and in turn the local tax base. Trade and investment promotion, place marketing (and associated incentives) are interrelated policies and strategies that are essential tools to encourage investment from local and foreign investors.

The need to attract and retain firms is a cornerstone of sound economic policy. Most firms, in particular in the service sector, are to a large extent footloose; in the sense that they are not necessarily tied to a specific geographic location. The desirability of a location is therefore measured in terms of availability, cost and quality of necessary business support infrastructure exists. Linked to this is the ability of a city to successfully market and promote itself as a desired place for investment, economic growth and profit generation. The City is developing *An Investment Promotion Strategy* as well as an *Export Development and Promotion Strategy, 2008 – 2011*. Details regarding these strategies are captured in these reports.

### 9.1 Investment Promotion and Place Marketing

The City's Investment Promotion Strategy provides the basis for place marketing and incentives<sup>16</sup> policy for potential investors.

#### 9.1.1 National and Provincial Government Initiatives

There are a number of strategies, programmes and initiatives undertaken by other spheres of government with regard to trade promotion and investment incentives, and these include:

- Trade and Invest South Africa, an initiative by DTL.
- Gauteng Economic Development Agency, an initiative by Gauteng Provincial Government.
- South African International Marketing Council (IMC)

National and provincial policy and strategies also impacting on investment promotion and incentives include AsgiSA; the Integrated Manufacturing Strategy; Advance Manufacturing Technology Strategy; National Skills Development Strategy and Expanded Public Works Programme; Gauteng Growth and Development Strategy and Gauteng Spatial Development Framework.

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<sup>16</sup> The City is in the process of preparing an Incentive Policy



### 9.1.2 City Initiatives

The City's initiatives are spearheaded by the Trade and Investment Promotion Directorate, while the Johannesburg Tourism Company also plays a significant role, in particular through securing and marketing events and associated business tourism. Other key policy and strategy frameworks providing guidance to trade and investment promotion include the Johannesburg Growth and Development Strategy as well as the Johannesburg Spatial Development Framework.

### 9.1.3 Key Challenges

- Attracting globally competitive businesses within the service sector to Johannesburg. This is a major challenge as many of these firms are in essentially 'footloose', in that they are not tied to a specific geographic area providing a source of raw material.
- Attracting local and international investment to geographically marginalised areas, in particular areas such as Alexandra, Soweto and the 'deep' south.
- Retaining businesses in Johannesburg that may seek to relocate to other cities in South Africa or other countries.
- To counter negative perceptions that may impact on businesses to invest in Johannesburg and/or South Africa.
- Many local producers have the potential to export their product and services, but are unable to do so due to the lack of information and / or expertise.

### 9.1.4 Objectives

The City's draft *Investment Promotion Strategy* identifies the following objectives for investment promotion:

- The promotion of Johannesburg as an attractive investment destination.
- The identification and promotion of investment projects.
- The successful facilitation of investment projects.
- The provision of investment aftercare services that lead to the retention and expansion of existing investments in Johannesburg.
- Advocating for improvements in the investment climate and competitiveness of Johannesburg.
- Forging partnerships with government and other stakeholders to promote and facilitate investment in Johannesburg.

In addition, the following objectives of place marketing, trade and investment promotion are also proposed:

- Attract new investment to the City in general; focussing in particular on companies active within the identified niche sub-sectors.
- Direct investment to marginalised areas of the City.
- Influence the behaviour and character of an investment, e.g. when labour-intensive investment is being sought.
- Direct incentives to retain / expand existing businesses.

- Increase the profile of the City as a place to invest and develop within the businesses community of South Africa, Southern Africa and globally.
- Provide support to local producers and operators within the target sub-sectors to export their product and services.

### 9.1.5 Policies and Strategies

The Draft *Investment Promotion Strategy* proposes three primary programmes to achieve the investment objectives and these include:

- *Promotion:* This requires a well-articulated communications strategy, including direct marketing, public relations, mail and advertising campaigns as well as investment seminars and missions. Also important is image building or destination branding. These should be combined with investor servicing aimed at eliminating barriers to FDI. The *Investment Strategy* notes that the global market is crowded, with almost every city having a destination branding strategy. The City of Johannesburg should differentiate itself by ensuring that all investment promotion activities follow through on the positive image that is sold to investors both domestically and internationally. *Place and Destination Marketing* is an essential component of investment promotion and offers the opportunity to combine the investment attractiveness of the City with hosting major international and national events as well as its tourism opportunities.
- *Facilitation:* This focuses on activities required to assist an investor to establish a business in a location. This includes administrative, operational and strategic activities. Reference is also made to aftercare, covering facilitation services for existing investors such as registration licensing, legal assistance, assistance with work permits, customer assistance, selecting local employees, telecommunication services and power and water supply assistance.
- *Policy Advocacy:* This includes the quality of the policy environment dealing with macroeconomic stability, corruption, rule of law; effectiveness of the regulatory regime as well as administrative co-ordination between the various spheres of government. Also critical is to ensure alignment, co-ordination with government policies and strategies and that commitments given to investors are delivered upon.

For trade and investment promotion and place strategies to be effective; to ensure that existing businesses are retained and that investment and relocation to the area becomes more attractive and easy, the necessary strategies could include:

- Supporting current and potential exporters to enter export markets
- Facilitating local and foreign direct investment in the City.
- Developing a trade and investment marketing package for the City, aimed at growing and expanding firms within the target niche sub-sectors.
- Assisting targeted firms to access national incentive programmes, where required.
- Reviewing the City's regulatory environment such as tax and financial incentives, improving market access to the area, tariff breaks, building competitive advantage and the establishment of for example industrial development zones.

- Providing incentives for manufacturing firms locating within marginalised areas in order to unlock economic opportunities in these areas and to bring jobs closer to the poor.

## 9.2 Development Incentives

These are provided at a national and provincial level.

### 9.2.1 National Incentives

National government offers a wide range of incentives through the dti, in co-operation with the Industrial Development Corporation. Approximately 90 incentives, loans and rebates are available to attract investment and support business development. These incentives can be categorised as follows:

- Investment support
- Small business development
- Empowerment finance
- Increasing competitiveness
- Innovation and technology
- Export assistance
- Industrial development zones
- Urban development zones (tax incentives)
- Film Incentive

### 9.2.2 Municipal Incentives

In contrast to these, municipalities have a more limited range of incentive measures to create a favourable investment climate. However, municipalities do have an important role to provide assistance to local businesses to access these incentives, in particular where the City's development objectives would also be met. Key principles that should inform municipal investment incentive policy should include financial sustainability, administrative feasibility; alignment with other relevant programmes; targeting sub-sectors and transparency. The types of incentives available to municipalities include:

- Tax incentives (such as credits; abatements, rates rebates, reductions and exemptions); and
- Non-tax incentive measures which include :
  - direct financial incentives (such as grants; loans and equity investments) and;
  - indirect incentives (such as grants/loans not for profit organisations, infrastructure development, public land sales/lease, business support, training services and regulatory measures).

Research has shown that generally, the impact of tax and financial incentives have been limited. There has therefore been a movement towards improving the business environment and rather providing direct assistance to firms wanting to invest in a locality. Some of these measures are mentioned in the following sub-section.

## 9.3 Export Development and Promotion

The City's *Export Development and Promotion Strategy* (2008) prioritises the markets and sectors that will be the focus of efforts to increase market access, export volumes, the number of exporting firms

and the export capability of city-based firms and emphasises the need to develop partnerships as the overriding approach to its implementation. The strategy includes an analysis of economic development and export performance trends at the national, provincial and local levels was undertaken to determine the export market and sector priorities. These correspond with the sectors identified in chapter 4. The top four export sectors for the City of Johannesburg in 2007 were all mining related products and included:

- Pearls, precious or semi-precious stones and metals
- Mineral fuels, oils and products of their distillation
- Ores, slag and ash
- Iron and steel

These industries are dominated by large firms with established export markets. The sectors with potential for the participation of small and medium enterprises and with growth potential include:

- Fuel, petroleum, chemical and rubber products
- Metal products, machinery and household appliance
- Food, beverages and tobacco products
- Agriculture and hunting
- Transport equipment
- Electronic, sound/vision, medical & other appliances
- Wood and wood products
- Electrical machinery and apparatus

The City's key export partners are mainly developed countries with the USA, Japan, Germany and the United Kingdom ranked the largest export market destinations. Emerging markets such as China, India and Brazil are ranked 5<sup>th</sup>, 12<sup>th</sup>, and 26<sup>th</sup> respectively. The highest ranked export destinations in Africa are Zambia, Mozambique, Angola, Democratic Republic of Congo, Nigeria and Malawi.

### **9.3.1 Export Vision and Mission**

The City's vision is "A thriving export-led economy for the city of Johannesburg". The mission focuses on the City contributing positively to the export success of enterprises operating in the City of Johannesburg, thus enabling the city to realise a 9% economic growth rate in support of South Africa's objective of achieving a 6% economic growth by 2014 by committing:

- To work in partnership with all available and effective sources and resources to support Johannesburg based enterprises to achieve export success
- To offer Johannesburg's infrastructure, services and intellectual capital to support the export success of other South African enterprises, cities and provinces as well as for the export growth of the entire SADC region

### **9.3.2 Export Strategy**

The City's export strategy is based on the following components:

- *Partnership Approach:* This underlies all export development and promotion activities of the City and enables it to support, not compete with, the activities and export initiatives of its export partners for the benefit of its export customers
- *Target Markets:* The targeted beneficiaries of the City Export Strategy are black owned and managed small and medium enterprises and cooperatives as defined by the National Small Business Act. At a secondary level, the Export Strategy will provide for large and established enterprises across the identified sectors. Established enterprises will be particularly eligible for export promotion.
- *Specific Services:* This would include the following
  - Successful services exporting training programmes.
  - Articles, newsletters, speeches and publications.
  - Establishment of a CoJ Export Services Export Council.
  - Recognition programme.
  - Staging partnering events.
  - Participating in national and global networks.
  - Trade in services publications.

The role and function of the City as envisaged by the Export Strategy include the following:

- *Provide market intelligence* through creating, collecting, collating and communicating information on new, growing and existing export markets. In this way, the CoJ will ensure that it targets specific market opportunities identified and directs its resources to develop exporters for such opportunities.
- *Build export capability* through identifying, developing and facilitating the delivery of export development services to meet the needs and requirements of potential and existing exporters in relation to export opportunities identified by market intelligence.
- *Facilitate market access* through market entry, engagement and penetration support services. This stage concludes the direct support by CoJ of existing and potential exporters and should translate into export transactions.

#### **9.4 Realising the Strategic Imperatives/Overriding Goals**

A focus on place marketing, trade and investment promotion/incentives will assist with realising the strategic imperatives/overriding goals as follows;

- **Accelerated and sustained economic growth:** Increased foreign and local investment in the City and increased exports will boost GVA and contribute towards sustained economic growth.
- **Employment creation:** Incentives and target marketing can attract firms to meet the City's objective to create jobs. Exports will increase foreign earnings, creating pre-conditions for firm expansion and employment creation.

- **Skill development:** Firms could be incentivised to develop skills required within the target niche sub-sectors. Exports require continuous skill development and training of labour to ensure that their businesses remain competitive.
- **Poverty eradication:** Increasing investment in marginalised areas could generate jobs, reduce unemployment and contribute towards eradicating poverty.
- **BBBEE:** This should be one of the criteria if the City or government decides to assist firms through tax and/or non-tax incentives. It could also escalate the growth of black firms exporting products.
- **Spatial restructuring:** The current pattern of land use development is an outcome of race-based planning and underdevelopment and would remain so without targeted investment through measures such as place marketing and incentives.
- **Improved quality of life for all:** These policies and strategies would facilitate increased investment in the City and strengthen the City's economy; and also alter land use investment patterns and thereby improve the quality of life for the majority of residents.

## 10. Programmes, Implementation and Monitoring Framework

The City of Johannesburg, as the largest metropole in South Africa, is required to achieve an accelerated growth rate of 9 % in order to realise the national growth target of 6 %. This growth rate of at least 50 % above the national average is essential to achieve the objectives of halving poverty and unemployment by 2014. A multitude of interventions are required to grow the City's economy and ensure participation in a manner that addresses issues pertaining to unemployment, underdevelopment and marginalisation. This final chapter provides an overview of the proposed policies, strategies, programmes, projects as well as the spectrum of public, private, NGO and CBOs organisations that could assist with implementation.

### 10.1 Proposed Policies, Strategies, Programmes and Projects

The economic development policies and strategies formulated for the key focus areas are in response to the identified key challenges and resultant objectives. As indicated, the Spatial Economic Development, together with the Key Economic Sub-sectors are the strategic anchors of the JEDPSF and these should guide interventions in human resource development; business development as well as Trade and Investment Promotion. The City has identified a number of *catalytic projects* and the alignment of these to the policies and strategies are shown in this section. Also indicated are *other projects* aimed at realising the policies and strategies. **Addendum 1** provides a brief description of some of these key programmes and projects listed.

#### 10.1.1 Key Economic Sub-Sectors

Policies and Strategies	Programmes and Projects
<i>Priority Sectors identified</i> <ul style="list-style-type: none"> <li>• ICT</li> <li>• Business Process Outsourcing</li> <li>• Freight, Logistics, Transport and Communications</li> <li>• Tourism</li> <li>• Creative and Cultural Industries</li> <li>• Mining</li> <li>• Manufacturing</li> </ul> <i>Other Key Sectors</i> <ul style="list-style-type: none"> <li>• Finance and Business Services</li> <li>• Agriculture and agri-processing</li> <li>• Trade, retail, wholesale, services</li> <li>• Community Services (Utilities)</li> </ul> Strategic Assessment of these sectors in terms of: <ul style="list-style-type: none"> <li>• The key firms and role players and factors contributing to competitive advantage;</li> <li>• Inputs and outputs of firms and key customers;</li> <li>• The growth/investment potential of firms and barriers to</li> </ul>	<i>Catalytic Projects</i> <ul style="list-style-type: none"> <li>• ICT Skills HUB- ICT*</li> <li>• BPO Precinct*</li> <li>• Johannesburg Broadband Network Project (JBNP)*</li> </ul> <i>Additional Programmes/Projects</i> <ul style="list-style-type: none"> <li>• Linkage with national government e-skills institute/academy</li> <li>• Capability Maturity Model Integration (CMMI) Programme</li> <li>• 2010 Legacy Project (including telecommunications infrastructure)</li> <li>• Industrial Clustering</li> <li>• Monyetla Work Readiness Programme</li> <li>• Call Centre Training</li> <li>• SETA Services Learnership</li> <li>• BPO Support Programme</li> </ul>



### Policies and Strategies

- entry for new firms;
- The constraints to doing business.
- Sector based initiatives/projects to build skills;
- Export potential and obstacles;
- Sectoral initiatives to increase competitiveness;
- Potential role CoJ can play to support growth and development of firms.

### Programmes and Projects

- BPO Strategic Marketing
- Customised incentives
- National and international events and conventions
- Visitors Bureau and Satellite Tourism Information Centres (STICs)
- International Transit Shopping Centre.
- Destination marketing and advertising
- Enabling Policy and Legislative Environment
- Creative Industries
  - Film Park for film production
  - Clustering and agglomeration amongst entertainment based sectors.
  - Creating an enabling environment; supportive policies; funding; promotional programmes; marketing assistance
- Freight and logistics
  - Increased utilisation of City Deep retail distribution system
  - Learnerships (freight handling and road freight)
  - Leverages technology advances in heavy vehicles
  - Mentorship programmes
  - Logistics and transport programme

## 10.1.2 Spatial Economic Development

### Policies and Strategies

#### Marginalised and Poor Areas

- Substantially increase the number of businesses and job opportunities within these areas.
- Optimise opportunities through the nodal and related development strategies of the City.
- Promote mixed land used developments and wide income range and higher residential densities within the identified nodes and along the identified public transport routes.
- Strategically increase the business infrastructure and stock of business premises in the townships and informal areas.
- Increase the quantity and quality of public and community facilities within close proximity of the identified economic nodes.
- Extend and upgrade of bulk infrastructure (road and utility service infrastructure)
- Significantly improve efficiency and effectiveness of the public transport system.

#### Well-Established and Developed Areas

- Pro-actively identify land for small businesses within the desired locations.
- Allow subdivision of business premises along public transport routes and at economic nodes.
- Develop business hives/incubators along the desired routes and the identified nodes.
- Encourage the provision of affordable housing within these areas.

### Programmes and Projects

#### **Catalytic Projects**

- The Expanded Public Works Programme\*
- Soweto Empowerment Zone\*
- Inner City Property Scheme\*
- The 2nd Airport\* (Lanseria Airport)

#### **Other Programmes/Projects**

- Town Centre Regeneration Programme (e.g. Lenasia and Kliptown)
- Main Street Transformation Programme (e.g. London Road in Alexandra and Old Potchefstroom Road in Soweto)
- Greater Orange Farm Development Programme
- Inner City UDZ Programme
- Better Building Programme and Inner City Property Scheme
- Fashion District Precinct Programmes
- Jewel City Precinct Programmes
- Nasrec Precinct Programmes
- Braamfontein Precinct Programmes
- Ellis Park Precinct Programmes
- City Deep Precinct Programmes
- FIFA World Cup Investment
- Business development at transport modal interchanges and along public transport routes

### 10.1.3 Human Resource Development

Policies and Strategies	Programmes and Projects
<ul style="list-style-type: none"> <li>Establish a skills hub as a delivery mechanism.</li> <li>Use public services as a lever to link investment in housing and infrastructure with opportunities for employment and skills development.</li> <li>Provide a comprehensive package of support for SMMEs to improve their business skills and the skills of their workers.</li> <li>Develop and implement basic literacy and life skills strategy and programmes targeting marginalised communities.</li> <li>Determine the nature and extent of skills required from the perspective of businesses active within the identified niche sub-sectors.</li> <li>Engage existing education and training institutions; ensure that their programmes respond to the specific needs of key sub-sectors and marginalised communities.</li> <li>Engage business and civic representative organisations; determine the role they could play in skill training and their capacity to champion aspects of the overall strategy.</li> <li>Establishment of a network of Community College and Training Centres ("CCTC's") within marginalised communities.</li> </ul>	<p><b>Catalytic Projects</b></p> <ul style="list-style-type: none"> <li>City of Johannesburg (COJ) Skills Hub*</li> </ul> <p><b>Other Programmes/Projects</b></p> <ul style="list-style-type: none"> <li>Network of Community Knowledge Centres (Community Colleges)</li> <li>Higher skill level training within private sector (e.g. Wits JCSE Programme)</li> <li>Basic literacy and life skills programmes.</li> <li>Theta: Skill development; Organisational development, Mentorship Programmes</li> </ul>

### 10.1.4 Business Development: SMME and Second Economy/Informal Sector

Policies and Strategies	Programmes and Projects
<p><u>Small Business Development and Support Programme</u></p> <p>Strategic Objective 1: Coordinate the local SMME development sector in order to ensure equitable access, simplify and reduce costs of access and improve the impact of SMME interventions in the city.</p> <p>Strategy: To develop and implement Jozi Rising, a common point of access and coordination for SMME development and support services in the city.</p> <p>Strategic Objective 2 Coordinate SMME development and support activities at the City of Joburg in order to exploit synergies between them and to maximise their impact.</p> <p>Strategy 2a To use Jozi Rising facility to coordinate and integrate the SMME development and support activities of City Departments.</p> <p>Strategy 2b To develop and maintain an "SMME Corner" on Joburg.org, for internal and external users, that presents consolidated information on the City's SMME programmes</p> <p>Strategic Objective 3: An increase in the rate of formation of new businesses.</p> <p>Strategy 3a To support the establishment of a Jozi SMME Equity Fund and the Dirang ba Bohle Community Bank in order to improve access to capital for city SMMEs.</p> <p>Strategy 3b To integrate financial and non-financial support for City entrepreneurs into Jozi Rising.</p> <p>Strategic Objective 4 :Increase in the City's spending to specific</p>	<p><b>Catalytic Projects</b></p> <ul style="list-style-type: none"> <li>"Dirang Ba Bohle" Community Finance Institution*</li> <li>Jozi SMME Equity Fund*</li> <li>Introduction of BEE Projects to the Johannesburg Fresh Produce Market Floor*</li> <li>Premium Hall at the Johannesburg Fresh Produce Market (JFPM)*</li> <li>Linear Markets*</li> </ul>

Policies and Strategies	Programmes and Projects
targeted firms owned by specific categories of HDI (BEE, women, disabled, youth, etc.).	
Strategy Implement the Certified City Business Programme to develop the capacity of firms owned by specific categories of HDI to supply to the City.	
Strategic Objective 5 Increased role of co-operatives in the city's economy, and increased number of informal traders in city-managed market spaces 'graduating' into formal businesses.	
Strategy 5a To finalise the Cooperatives Development Strategy, establish a cooperatives support desk that will offer a development and support service to cooperatives in the city, and that will be coordinated through Jozi Rising Strategy 5b To develop and implement a City Informal Trading Development Strategy that will be integrated with Jozi Rising	
Strategic Objective 6 Increased number of beneficiaries reached by City-facilitated skills development initiatives. Strategy Implement the CoJ Skills Development Strategy and integrate the Skills Hub and Jozi Rising to deliver enterprise education	
Strategic Objective 7: Reduction in the proportion of city firms indicating skills gaps as a constraint on investment.	
Strategy 7a Implement the Skills Strategy's Skills Hub, LMID and RPL Strategy 7b Implement the Bridge to Business programme to link unemployed HEI and RPL graduates with SMMEs experiencing skills gaps	
<u>Business Incubators and Hive</u> <ul style="list-style-type: none"> <li>Develop a network of business incubators/hives, only in marginalised areas, but also in established urban nodes.</li> <li>Ensure incubators have well-equipped support services in terms aspects such as business advice; administrative support and security.</li> <li>Provide adequate funding for both the required capital and operating costs.</li> <li>Ensure skilled management of incubators.</li> <li>Locate incubators so as to reinforce the restructuring of the space economy.</li> </ul>	<u>Other Programmes</u> <ul style="list-style-type: none"> <li>Business Hives/incubators Programme</li> </ul>
<u>Municipal Planning, Regulations and Bylaws</u> <ul style="list-style-type: none"> <li>Plan settlements in a manner that allows small businesses to operate and function.</li> <li>Ensure that municipal property rates policies are conducive to SMME operation and functioning.</li> <li>Ensure that levies, user charges and debt collection procedures do not undermine the sustainability of SMMEs.</li> <li>Ensure accurate and efficient billing and accounting mechanisms to reduce municipal service interruptions. Decrease payment cycles in particular for SMMEs.</li> <li>Reduce unnecessary duplication in procedures when applying for rezonings, departures, permits and licences at the municipality.</li> <li>Review current financial regulations that impact on SMMEs.</li> </ul>	

Policies and Strategies	Programmes and Projects
<ul style="list-style-type: none"> <li>Review rezoning, businesses licensing and permits impacting on SMMEs.</li> <li>Amend or remove of regulations and bylaws impacting on SMMEs.</li> </ul> <p>Review laws and regulations inhibiting economic development.</p> <p><u>Small Scale Farmers Business Development and Support</u></p> <ul style="list-style-type: none"> <li>Establish accessible support programmes that provide advice and mentorship to small farmers.</li> <li>Include small-scale farming business support as an integral part of the City's overall Business Development and Support Programme.</li> <li>Establish a <i>Small Scale Farmers Task Team</i>.</li> </ul>	<ul style="list-style-type: none"> <li>Small Scale Farming Business Development and Support Programme.</li> <li>Identification of land for small scale farming and commercial farming for PDIs</li> <li>Implementation of required farming support programmes</li> <li>Identification of agri-processing and other beneficiation activities</li> </ul>

### 10.1.5 Trade and Investment Promotion

Policies and Strategies	Programmes and Projects
<p><u>Investment Promotion and Place Marketing Strategies</u></p> <ul style="list-style-type: none"> <li><i>Place Promotion and Destination Marketing:</i> <ul style="list-style-type: none"> <li>Combine place promotion/image building /destination branding with investor servicing aimed at eliminating barriers to FDI.</li> <li>Prepare a well-articulated communications strategy, including direct marketing, public relations, mail and advertising campaigns and investment seminars and missions.</li> <li>Link promoting the investment attractiveness of the City with hosting of international and national events and tourism opportunities.</li> </ul> </li> <li><i>Investment Facilitation:</i> <ul style="list-style-type: none"> <li>Focus on activities required to assist an investor to establish a business in a location.</li> <li>Also ensure aftercare, covering facilitation services for existing investors.</li> </ul> </li> <li><i>Policy Advocacy</i> <ul style="list-style-type: none"> <li>Facilitate policy environment conducive to macroeconomic stability, curbing corruption, rule of law; effectiveness of the regulatory regime and administrative co-ordination between spheres of government.</li> <li>Ensure alignment, co-ordination with government policies and strategies; ensure commitments given to investors are delivered upon.</li> </ul> </li> <li><i>Other Strategies</i> <ul style="list-style-type: none"> <li>Supporting current and potential exporters to enter export markets</li> <li>Facilitating local and foreign direct investment in the City.</li> <li>Developing a trade and investment marketing package for the City.</li> <li>Assist targeted firms to access national incentive programmes.</li> <li>Reviewing the City's regulatory environment.</li> <li>Providing incentives for manufacturing firms locating within marginalised areas</li> </ul> </li> </ul> <p><u>Export Development and Promotion</u></p> <ul style="list-style-type: none"> <li>Partnership approach to export development and promotion activities.</li> <li>Targeted beneficiaries: small and medium enterprises and cooperatives (black owned and managed in particular)</li> </ul>	<p><i>Catalytic Projects</i></p> <ul style="list-style-type: none"> <li>City of Johannesburg/ Johannesburg Chambers of Commerce &amp; Industry Trade Point Initiative*</li> </ul> <p><i>Other Programme/Projects</i></p> <ul style="list-style-type: none"> <li>Investment Incentives Programme</li> <li>Economic connectivity programme.</li> <li>CRG Mining Project</li> <li>Devmark Industrial Property Development (Marlboro).</li> <li>Morentho Fashions - Clothing and Textile Factory.</li> <li>City of Matola twinning project.</li> <li>SME Export/Trade Point initiative</li> <li>International positioning programme</li> <li>Place marketing programme</li> </ul> <p><i>Other Programme/Projects</i></p> <ul style="list-style-type: none"> <li>Exports promotion programme</li> </ul>

**Policies and Strategies****Programmes and Projects**

- 
- Provide for big and established enterprises across the identified sectors.
  - Specific Services
    - Successful Services Exporting Training Programmes
    - Articles, Newsletters, Speeches and Publications
    - Establishment of a CoJ Export Services Export Council
    - Recognition Programme
    - Staging Partnering Events
    - Participating in National and Global Networks
    - Trade in Services Publications
  - Envisaged role and function of the City
    - Provide market intelligence through creating, collecting, collating and communicating information on new, growing and existing export markets.
    - Build export capability through identifying, developing and facilitating the delivery of export development services.
    - Facilitate market access through market entry, engagement and penetration support services.
- 

**10.2 Economic Institutional Capacity**

The potential for success will be significantly enhanced with an increase in co-operative participation of other role players as most of the identified actions require the appropriate combination of planning, design, financial, management and administrative expertise. Many of the required actions are also not primarily economic, as it may also involve providing physical infrastructure; improving public transport or increasing residential densities and mixture of incomes.

Implementation of the economic development initiatives requires co-operative partnerships with other spheres of government; labour organisations; corporations; industry and business organisations; parastatal development agencies. **Figure 9.1** lists some of the key public, private, NGO and CBO organisations that should be approached to partner with the City and assist with implementing the *City of Johannesburg Economic Development Policy and Strategy Framework*.

The Department of Economic Development (DED) was established as an autonomous department within the City of Johannesburg during September 2007 with the mandate to influence, guide and direct economic development activities in the City. The directorates within the DED include Spatial Economic Development; Sector Support and Development; Trade and Investment Promotion; SMME Development; Special Projects; Policy and Programme Integration and Economic Research.

Realising this mandate requires close cooperation with the other City departments such as Development Planning and Urban Management; Finance and Transport. The Municipal Owned Units (Fresh Produce Market; Joburg Tourism Company; Metro Trading Company; Johannesburg Property Company; Johannesburg Development Agency); as well as the Gauteng Government's delivery agents such as GEDA; GTA and Gauteng Enterprise Propeller; are central and critical in implementing the identified programmes and projects.

Figure 10.1: Key Economic Institutions Active in Johannesburg

**Government**

- City of Johannesburg
  - Dept. of Economic Development
  - Dept. of Development Planning and Urban Management
  - Dept. of Environment
  - Dept. of Community Development
  - Dept. of Infrastructure and Services
  - Dept. of Finance
  - Dept. of Transport
- Municipal Owned Units (MOU)
  - Joburg Fresh Produce Market (JFPM)
  - Johannesburg Property Company (JPC)
  - Metro Trading Company (MTC)
  - Johannesburg Tourism Company (JTC)
  - Johannesburg Development Agency (JDA)
- Gauteng Provincial Government
  - Dept. Agriculture, Conservation and Environment.
  - Dept. Finance and Economic Development
  - Blue IQ
  - Gauteng Shared Services
  - Gauteng Economic Development Agency (GEDA)
  - Gauteng Tourism Authority (GTA)
  - Gauteng Enterprise Propeller
- National Dept. Provincial and Local Government (dplg)
- National Dept. of Trade and Industry (dti)
- National Dept. of Finance

**Labour, Development and Educational Labour/Business**

- Cosatu
- NAFCOC/JCCI

**Parastatal Dev. Agencies**

- Industrial Development Corporation (IDC)
- Development Bank Southern Africa (DBSA)

**Educational Institutions**

- Witwatersrand University
- University of Johannesburg
- CIDA City Campus
- Milpark Business School
- Gordon Institute of Business Science
- Henley Management College
- Central Johannesburg College
- HTA School of Culinary Arts
- Damelin

**Global Corporates with Headquarters in Johannesburg**

- Acer Africa
- Alcatel
- Barclays Bank
- BASF
- BMW South Africa
- Boehringer Ingelheim
- Bosch
- Cisco Systems
- Commerzbank AG Johannesburg
- Deutsche Bank
- Dresdner Bank AG
- EDS South Africa
- General Electrics
- Hertz International
- Kuehne und Nagel
- Levis Strauss
- Mercedes Benz South Africa
- PriceWaterHouseCoopers
- Siemens
- Singapore Airlines
- Virgin Mobile
- Vodafone
- Volkswagen South Africa

**Industry Organisations**

- Gauteng Business
- Joburg Centre for Software Engineering
- Chamber of Mines
- Midrand SMME Forum
- Midrand Chamber of Commerce
- Soweto Small Business
- Johannesburg SMME Forum

The Department of Economic Development is well structured and resourced to implement the City of *Johannesburg Economic Development Policy and Strategy Framework*. Some of the key recommendations emanating from the study include the following:

- Increase the capacity of the *SMME Directorate* to implement the Human Resource Strategy.
- Expand the mandate and capacity of *The Business Place or/ and the Metro Trading Company* to provide business support services not only to informal traders and taxi operators, but also to business in the other key sectors such as services, manufacturing, agriculture, etc.
- The proposals include the need to design and construct the proposed business hives, redevelop key town centres and main roads as well as a network of Community Knowledge Centres. This could possibly be achieved through expanding the mandate and capacity of the *Johannesburg Development Agency*.

### 10.3 Monitoring and Evaluation

Monitoring and Evaluation of the implementation of the City's Economic Development Policy and Strategy Framework requires by undertaken at two levels:

- i.) The extent to which the City realises the strategic imperatives/overriding goals; and
- ii.) Secondly, the degree to which the various directorates ad MOE with DED meets their goals and performance indicators.

Assessment of the success (or failure) of the City's Economic Policy and Strategy Framework will be undertaken in terms of the following indicators:

Indicators	Performance Measurement
Inputs	These refer to the human, financial and other resources, economic policy and strategy framework and programmes applied in the process.
Activities	These are the actions undertaken to transform the inputs into outputs (products and services)
Outputs	Tangible products and services resulting from applying the inputs.
Outcomes/Impact	This is the direct or indirect consequence of the outputs. These can generally be measured in terms of the extent to which the strategic objectives/overriding goals have been met (see table below).
Process	This refers to the approach and method(s) used in utilising the inputs to generate the outputs, outcomes and impacts.

With regard to the strategic imperatives/overriding goals, indicators/outcomes are required to measure progress, and the Directorate Economic Research has already established most of these.



## Strategic Imperatives/Overriding Goals

## Indicators/Outputs

(measurable quantities still need to be identified for some of these)

<ul style="list-style-type: none"> <li>• <b>Accelerated and sustained economic growth:</b> This entails focussing on improving the general business environment; investment and growth of niche sub-sectors that will increase the competitiveness of firms (and SMMEs in particular) and the City in general. This growth should be balanced, based on economic activity that uses natural and non-renewal resources sustainably and shared by all residents, including the poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Broadening the economic base with growth in sectors with competitive advantage.</li> <li>• Decrease telecommunications costs and increased bandwidth.</li> <li>• Sustainable energy supply.</li> <li>• Improved public transport system.</li> <li>• Achieve 9% growth by 2010.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Employment creation:</b> The focus should be on initiatives that create the maximum number of jobs that are long-term and encompass meaningful skill development. The emphasis should also be on jobs requiring technical skills that can contribute towards value-adding processing activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased labour absorption capacity of growth sectors.</li> <li>• Decrease levels of unemployment (23 % in 2007)</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Skill Development:</b> This should form part of a broader human resource development strategy and include training; knowledge transfer and mentoring. This should focus on creating opportunities for ongoing in-service training, life long skill development and improving the quality of life of all.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase number of trained persons in niche sectors focussing on artisan and entrepreneurial skills</li> <li>• Train 1000 artisans a year.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Poverty Eradication:</b> Poverty alleviation programmes are generally aimed at achieving short-term benefits through programmes such as social grants. Poverty eradication is based on programmes aimed at long-term job creation and skill development.</li> </ul>	<ul style="list-style-type: none"> <li>• Decrease levels of poverty and marginalisation.</li> <li>• Decrease reliance on social welfare programmes.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Broad Based Black Economic Empowerment:</b> Participation in economic activity and subsequent benefits should be broad based and inclusive, targeting in particular the poor and marginalised. This should be evident through social mobility, transfer of skills, capacity and ownership.</li> </ul>	<ul style="list-style-type: none"> <li>• Improved education and skill levels of historically disadvantaged individuals (HDI).</li> <li>• Increased participation of HDIs in mainstream economic activity.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Spatial Restructuring:</b> The objective of this imperative is to eradicate the spatial legacy of apartheid, develop townships into urban areas with meaningful economic opportunities and share existing economic opportunities with those that are marginalised and poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Increased economic activity within townships.</li> <li>• Increased opportunities for affordable shelter within established areas.</li> </ul>
<ul style="list-style-type: none"> <li>• <b>Improved Quality of life for all:</b> The quality of life of all residents within the City should be improved through ongoing economic growth and wealth creation and pro-active absorption of the poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Increase average household incomes.</li> <li>• Decrease levels of income inequality (Gini Coefficient)</li> <li>• Improved human development index.</li> <li>• Improved food security for all, in particular poor households.</li> <li>• Significantly decreased crime levels</li> </ul>

#### 10.4 Conclusion

The *Johannesburg Economic Development Policy and Strategy Framework* aims to formulate an overarching set of interventions and initiatives to grow the economy, but also critically to broaden access for and participation of the majority of its residents. Unemployment and poverty is widespread and endemic and takes specific spatial manifestations within townships and informal settlements, in particular in the south of the City, but also within areas within central and northern edges of the City.

The Policy and Strategy Framework identifies the key sectors displaying a competitive advantage in the City's economy. The growth potential and initial opportunities have been explored within this document. Further research is however required and more importantly ongoing interaction with firms and players within the identified sectors to maximise growth opportunities and increase participation and access of workers who are currently marginalised. Initiatives aimed at developing and assisting businesses and improving the spatial environments particularly in marginalised areas are identified and once agreed to, must be implemented within the immediate to short term.

The document also identifies initiatives other spheres of government are engaged in, many of which complement and reinforce the policies, strategies and programmes identified. It is critical that integration and alignment between initiatives with common goals are achieved in order to maximise outcomes and avoid duplication of effort. Ultimately, intervention in the economy must be guided by the strategic imperatives and the need to improve the quality of life of all residents of the City of Johannesburg in a manner that is socially, economically and politically sustainable.

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## Addendum 1: Programme and Project Description

### DED Catalytic Projects

- *“Dirang Ba Bohle” Community Finance Institution* – A Micro Finance Institution to assist the City of Johannesburg’s emerging entrepreneurs to have access to financial services and credit extension;
- *BPO Precinct* – Key growth sector for job creation, through targeted investment promotion into Johannesburg, and into the inner city in particular;
- *City of Johannesburg (COJ) Skills Hub* – An integrated and economically driven “Skills Hub” as a key step in the skills development process involving the accurate mapping of the target market and matching candidates with specific appropriate market opportunities;
- ***City of Johannesburg/ Johannesburg Chambers of Commerce & Industry Trade Point Initiative*** – Catalytic interventions providing trade related training- key to helping emerging enterprises “go global” and access international markets;
- *ICT SKILLS HUB*- ICT skills development located in less advantaged communities (Orange Farm and Yeoville) and provision of business centre services;
- *Inner City Property Scheme* – A programme to upscale, reconfigure and rejuvenate the Inner City through the advancement of black property investors and the provision of adequate transitional housing;
- *Introduction of BEE Projects to the Johannesburg Fresh Produce Market Floor*- Television screens displaying commodities and comparative prices, conveyor belt equipment, etc;
- *Johannesburg Broadband Network Project (JBNP)* – A municipal broadband referred to as “Digital” or “Smart City” to ensure information age appropriateness whilst reducing telecommunication costs;
- *Jozzi SMME Equity Fund* – An innovative venture to provide equity financing to support the City’s own projects by developing the SMME business.
- *Linear Markets* – providing formal sustainable trading space in the Inner City, Cosmos City, and in future Alexandra, Soweto, and Orange Farm;
- ***Premium Hall at the Johannesburg Fresh Produce Market (JFPM)***- creating value added services to attract new clients and increase turn over;
- *Soweto Empowerment Zone* – A cluster-based SMME empowerment park to support, promote and formalise Soweto-based small, medium and micro businesses;
- *The 2<sup>nd</sup> Airport* – to meet increasing demand for passenger and goods carriage;
- ***The Expanded Public Works Programme***- Resulting in the creation of over 100,000 public works jobs and set to increase further, including learner-ships created and all projects being EPWP compliant.

### Other Projects

- ***Five-Year Township Transformation Programmes***: This should be prepared for each township. It is recommended that the focus should be on a limited number of schemes within areas of townships with the highest economic growth potential (which may not be necessarily the poorest areas within the townships).
- ***Business Hives/incubators***: Establishment of a network of Business Hives/Incubators for small businesses (manufacturing, retail, commercial, services, etc) located at points of high accessibility throughout the City, in both marginalised and established areas. This process should include aspects of the following key elements:

- Identification of suitable sites with high accessibility to the potential operators and customers.
  - Deciding on nature, scale and type of the businesses to be located within the hive.
  - Preparation of a feasibility study with the associated capital, management and operating cost requirements.
  - Preparation of Market Potential Analysis.
  - Consideration of the most appropriate facility management options (ideally this should be outsourced).
  - Preparation of a businesses plan for the facility.
  - SWOT Analysis: Identification of the pros and cons of operating a business hive at the desired location and context.
- ***Town Centre and Main Street Transformation Programme:*** Design and implement a Main Street Transformation Programme, targeting main streets in townships with significant economic development potential Programmes 3 and 4 could focus on providing new businesses premises and upgrading of existing ones through measures such:
- Re-imaging and place marketing.
  - New or refurbished physical infrastructure.
  - Building infrastructure rehabilitation.
  - Provision of the required bulk utility and transport infrastructure.
  - Pedestrianisation and Landscaping schemes (e.g. within existing town centres and local public transport routes), including facilities for informal trading.
- ***Network of Community Knowledge Centres (Community Colleges):*** This should focus on establishing a network of Knowledge Centres within the townships, providing training, skill and mentorship by private and public sector institutions within the following niche sectors:
- ICT linked to an ICT Community Hub
  - BPO Skills Training
  - Artisan training such as electricians, plumbers, carpenters, bricklayers and other domestic services.
  - Tourism, linked to a Satellite Tourism Information Centre
  - Freight and logistics
  - Farming and agri-processing
  - Business administration and management
- ***SMME and Informal Sector Development and Support:***  
These programmes should, where possible, be incorporated into existing spatial economic transformation and regeneration projects such as the Soweto Empowerment Zone, Soweto Economic Transformation Programme, Alexandra Urban Renewal Programme and the Greater Orange Farm Development Programme. Services to include:
- Small Businesses Development and Support;
  - Business Incubators and Hives;
  - Municipal Planning; Regulations and Bylaws; and
  - Small Scale Farming Business Development and Support.
- ***Small Scale Farming Business Development and Support***  
Focussing on urban agriculture (for example in Region G and outskirts of Region A).
- Establish Special Purpose Small Scale Farmers Entity.

- Establish advice, support and mentorship programmes
- Inclusion as part of proposed Joburg Business Support Agency