

West Rand LED Review

Development Perspective



West Rand District Municipality
February 2008

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WEST RAND DISTRICT MUNICIPALITY LED REVIEW

Section One: Overview of relevant policy and strategy documents

1.1 Introduction

Various spheres of government have presented legislation and policies as guidelines for Local Economic Development (LED) Strategies. The legislation and policies provide a framework influencing the manner in which local authorities conduct local development.

The purpose of this section is to investigate applicable policies and legislation with respect to local economic development in the West Rand District Municipality (WRDM).

1.2 National Policies and Programmes

The most relevant national policies and legislation to the LED process are:

- The Constitution
- The Accelerated and Shared Growth Initiative of South Africa
- The National Spatial Development Perspectives
- Broad Based Black Economic Empowerment
- Framework for Economic Development: Department of Provincial and Local Government
- Local Government Municipal Systems Act
- Integrated Sustainable Rural Development Strategy (ISRDS)
- Regional Industrial Development Strategy (RIDS)

1.2.1 The Constitution

The most important legislation is the Constitution of the Republic of South Africa (Act 108 of 1996). Section 152 (1) outlines the objectives of local government as follows:

- To provide democratic and accountable government for local communities;
- To ensure the provision of services to communities in a sustainable manner;
- To promote social and economic development;
- To promote a safe and healthy environment; and

- To encourage the involvement of communities and community organisations in the matters of local government.

Therefore, the West Rand District Municipality is legally compelled to promote social and economic development in its area of jurisdiction. This development should be focussed on addressing the basic needs of the population, reflecting the importance of service and infrastructure provision, community services, educational components and business support to all the areas where there is a lack thereof or where improvements are required.

1.2.2 Accelerated and Shared Growth Initiative of South Africa

ASGISA aims to guide the country's economy and to improve its growth, through interventions that are intended to serve as catalysts for accelerated and shared growth and development. Through ASGISA, government has set an economic growth target of 5% GDP growth per annum from 2004 to 2014. This target has been broken down into two phases, namely a target of 4.5% p.a. between 2004 and 2009 and 6% p.a. from 2010 to 2014. This growth must be managed in a way that generates employment opportunities (labour intensive growth) and ensures that the fruits of economic growth contribute to poverty alleviation in an equitable manner.

ASGISA is concerned with the efficiency of the state, better conditions for business, closing the skills gap in the short and long term, linking the 1st and 2nd economies and clearing of governance red tape and corruption which impact on delivery at all levels of government.

Key areas of government infrastructure expenditure as outlined by ASGISA are:

- Provincial and local roads;
- Bulk water infrastructure and water supply networks;
- Energy distribution;
- Housing and community facilities, and
- Multi-purpose government service centres.

ASGISA has also identified Business Process Outsourcing (BPO), tourism and agriculture and agro-processing as the three main priority sectors for special priority attention.

1.2.3 The National Spatial Development Perspective

In order to address the distortions of the past apartheid space economy, the National Spatial Development Programme (NSDP) was adopted in 2003. This perspective programme provides an

indication of potential in different geographic spaces across the country and is used as an instrument that informs the respective development plans of the national, provincial and local government, which include Integrated Development Plans (IDPs), Provincial Growth and Development Strategies (PGDSs) and the Medium Term Strategic Framework (MTSF).

The NSDP is to fundamentally reconfigure apartheid spatial relations and implement spatial priorities that meet the Constitutional imperative of providing basic services and alleviating poverty and inequality. It provides a set of principles and mechanisms for guiding infrastructure investment and development decisions. The NSDP serves as a tool for identifying key areas of tension and/or priority in achieving positive spatial outcomes.

The NSDP identified six categories of developmental potential which cover the spectrum of economic functions in a modern economy:

- Innovation and experimentation
- High value, differentiated goods
- Labour-intensive, mass-produced goods
- Public services and administration
- Retail and services
- Tourism

1.2.4 Broad Based Black Economic Empowerment

The Black Economic Empowerment Commission (BEECom) has encapsulated a broad definition of BEE. It is an integrated and coherent socio-economic process, located in the context of the country's national transformation programme (i.e. the Reconstruction and Development Programme). It is aimed at redressing the imbalances of the past by seeking the sustainable and equitable transfer and confers the ownership, management, and control of South Africa's financial and economic resources to the majority of its citizens. It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity.

South Africa's transformation challenges can only be addressed in the context of a growing economy. However, economic growth in the absence of creative social and economic programmes is unlikely to reduce racial income inequalities. Furthermore, prevailing inequality, unemployment, and poverty have a detrimental impact on attracting new investment and economic growth. BEE is a national priority, which affects all sectors of the economy and should inform the LED strategy.

1.2.5 Framework for Local Economic Development: Department of Provincial and Local Government

The Framework is intended to build a shared understanding of LED in South Africa and put into context the role of local economies in the national economy. It seeks to mobilise local people and local resources in an effort to fight poverty.

The Framework lays the basis for deepening community access to economic initiatives, support programmes and information for the coordination of economic development planning and implementation across government and between key role players. It also sets out three key roles which the WRDM can play in the LED process:

- To provide leadership and direction in policy making.
- To administer policy, programmes and projects.
- To be the main initiator of economic development programmes through public spending, regulatory powers and their promotion of industrial, small business development, social enterprises and cooperatives.

1.2.6 Local Government Municipal Systems Act

The Municipal Systems Act (Act 32 of 2000) lists the duties of a municipal council, within its financial and administrative capacity, as follows in Section 4(2):

- Exercise the municipality's executive and legislative authority and use the resources of the municipality in the best interests of the local community.
- Provide, without favour or prejudice, democratic and accountable government.
- Encourage the involvement of the local community.
- Strive to ensure that municipal services are provided to the local community in a financially and environmentally sustainable manner.
- Consult the local community about
 - The level, quality, range and impact of municipal services provided by the municipality, either directly or through another service provider; and
 - The available options for service delivery.
- Give members of the local community equitable access to the municipal services to which they are entitled.
- Promote and undertake development in the municipality.
- Promote gender equity in the exercise of the municipality's executive and legislative authority.
- Promote a safe and healthy environment in the municipality.

- Contribute, together with other organs of state, to the progressive realization of the fundamental rights contained in sections 24, 25, 26, 27 and 29 of the Constitution.

Section 26(c) of the Municipal Systems Act further specifies that the Integrated Development Plan of a local municipality must contain its Local Economic Development aims. This awards the municipal LED Strategy legal status as part of the Integrated Development Planning process.

1.2.7 Integrated Sustainable Rural Development Strategy (ISRDS)

The Integrated and Sustainable Rural Development Strategy (ISRDS) is designed to realize a vision that will “attain socially cohesive and stable rural communities with viable institutions, sustainable economies and universal access to social amenities, able to attract and retain skilled and knowledgeable people, who are equipped to contribute to growth and development”.

The ISRDS presents the proposed institutional arrangements, which will operate in the political and operational areas and it lists the key elements of implementation as follows:

- institutional arrangements;
- establishment of an information and knowledge base;
- development of planning and monitoring systems;
- establishing mechanisms of coordination; and
- stakeholder mobilisation.

1.2.8 Regional Industrial Development Strategy (RIDS)

The RIDS calls on all regions to build their industrial economies based on local competitive advantages and opportunities. It aims to bridge the first-second economy gap in South Africa based on the spatial development principles of the NSDP. Such a strategy focuses fundamentally on addressing the key obstacles to the functioning of the economy, primarily through infrastructural interventions which will better enable all regions to access markets and resources.

The strategic objectives may be summarized as follows:

- Attempt, as far as possible, to reduce economic disparities between regions, address the needs of both the first and second economies, and narrow the gap between them.
- Pay particular attention to the needs of those regions which are lagging behind the national norms.

- Enhance current regional strengths and lead sectors of the economy.
- Promote sustainable economic growth and employment in provinces and municipalities.
- Build regional competitive capabilities and firm-level support measures.
- Enhance regional performance in attracting foreign direct investment.

1.3 Provincial Policies and Programmes

At provincial level, relevant policies and legislature to the LED process are:

- Vision 2014 and the Gauteng Growth and Development Strategy
- Gauteng Integrated Development Plan
- Gauteng Trade and Industry Strategy
- Gauteng Spatial Development Framework
- Blue IQ
- Gauteng LED
- The Gauteng Global City Region Strategy
- Gauteng Rural Development Strategy
- Land Decision Support System
- Expanded Public Works Programme & Gauteng Labour Intensive Strategy
- Gauteng Responsible Tourism Planning Framework

1.3.1 Vision 2014 and the Gauteng Growth and Development Strategy

The 2014 Growth and Development Strategy was put in place to build the province's economy and reduce unemployment and poverty. It aims to create a better life for all citizens of the province through long-term, sustainable growth of the provincial economy, meeting the socio-economic development needs of people, creating jobs and reducing unemployment and poverty.

A central component of the Growth and Development Strategy is to grow the economy through the development of key growth sectors which have been identified based on their potential to achieve high growth rates and create jobs through multiplier effects. These are:

- Smart industries, including information and communication technology and pharmaceuticals
- Tourism
- Agriculture, including agro-processing and biotechnology
- Trade and services, including finance and film

- Manufacturing, including steel-related industries, automotive parts and components, and beer and malt.

1.3.2 Gauteng Integrated Development Plan

The purpose of the IDP is to provide a strategic framework and implementation strategy for the province, coordinate the relevant policies, programmes, strategies and plans of the different provincial departments and municipalities into a broad provincial integrated development framework, guide resource allocation in the province, provide information that will guide the making of strategic choices.

The GIDP establishes a number of development directives that should guide development and redress imbalances. These include:

- Densification – this refers to compacting the urban form. The policy directives can be supported by Land Use Management Systems and developmental provision and charging for services.
- Resource management – this directive promotes the optimum usage of resources, including natural, human, technological and fiscal resources.
- Poverty alleviation – this directive focuses on investing in people in order to increase their productivity.
- Environmental management – this directive promotes the efficient, sustainable growth within the context of limited resources.
- Sustainable economic development – this directive emphasises the need for economic growth that is balanced with environmental welfare and social equity.

1.3.3 Gauteng Trade and Industry Strategy

The Gauteng Trade and Industry Strategy, 2003 adopts a broad approach to the economic development of the province and comprises of five strategic thrusts:

- 1) The re-alignment of the manufacturing sector away from traditional heavy industry input markets and low value added production towards more sophisticated, high value added production, as well as the development of other high value added production activities in the agriculture and mineral sectors.

- 2) The development of the province as the smart centre of the country with specific emphasis on information technology, telecommunications equipment, research and development and bio-medical industries.
- 3) The development of the finance and business service sector with specific emphasis on financial services and technology, auxiliary business services and technology, corporate head office location and business tourism.
- 4) All initiatives toward expansion of the sectors and business activities of Gauteng are deliberately viewed in the context of additional employment generation, in view of the severe unemployment situation faced by the province, and the benefits of employment generation in income redistribution and poverty alleviation.
- 5) Broadly based business activity – to seek that new business activity draws in participants at ownership and management levels from a wide spectrum of people, including those who do not have existing wealth, assets and skills. This implies focus on newer companies and smaller enterprises, rather than on expansions by existing large companies.

Economic sectors that are considered as having immense opportunity for development (and which the WRDM will need to support accordingly) include:

- Financial sector
- ICT
- Automotive Parts & Components
- Pharmaceuticals
- Beer and Malt
- Chemical Waste
- Business Tourism
- Biotechnology
- Steel-related Industries
- Food (and Agri) Processing
- Film Industry

1.3.4 Gauteng Spatial Development Framework

Gauteng Province has adopted the Gauteng Spatial Development Framework (GSDF) as the core policy framework intended to guide decisions relating to the location and nature of physical

development in Gauteng. The five critical factors which have been identified to direct future spatial development in Gauteng are:

1) Resource-based economic development:

Three strategic thrusts have been formulated to guide future economic development:

- 1.1. the re-alignment of the manufacturing sector toward high value-added activities,
 - 1.2. the development of the province as the smart centre of the country and
 - 1.2 the development of the finance and business services sector with emphasis on financial services and technology, auxiliary business services, corporate head office location and business tourism.
- 2) Contained urban growth through the implementation of the urban edge as vehicle, which is determined at a provincial level and informed by local government.
 - 3) Re-direction of urban growth, which aims to implement the principles of planning legislation and policy where the integration of residential areas with areas of employment opportunities takes place.
 - 4) Rural development beyond the urban edge (the greenbelt) to achieve a more balanced growth system.
 - 5) Mobility and accessibility, which underpin the principles of development. Hence, road and rail development should be geared at implementing the above proposals.

1.3.5 Blue IQ

To enhance the competitiveness of the economy and strengthen economic resilience, Gauteng Government has introduced the Blue IQ initiative, which reflects key priority areas for development. Funds were set aside for providing economic infrastructure through eleven mega projects in the areas of technology and the knowledge industry, transport, high value-added manufacturing, cultural heritage and tourism. These and other investments will help expand the province's economic base and result in sustainable economic growth.

Blue IQ is a Department of Finance and Economic Affairs programme. Blue IQ is funded wholly through the Gauteng Provincial Government (GPG) budget and is accountable to the Head of the Department of Finance and Economic Affairs, the GPG Cabinet and the Gauteng Legislature.

1.3.6 Gauteng LED

The Gauteng Local Economic Development Strategy (2003/04) was aimed mainly at the economic development of the three district municipalities in the province. The rationale behind this was that economic development in the metropolitan municipalities received sufficient impetus through the Blue IQ initiative (provincial level). Another reason for this biased approach was that, at the time of the strategy's formulation, the metropolitan areas had LED strategies in place, whereas the District Municipalities generally lacked comprehensive LED Strategies. The strategy consisted of five phases, namely:

- 1) Economic analysis of District Municipalities
- 2) Identification of key economic drivers
- 3) Identification of anchor projects
- 4) Feasibility analysis and cost analysis
- 5) Business Plans to position for implementation

1.3.7 The Gauteng Global City Region Strategy

The primary objective of the Global City Region (as highlighted in the Gauteng Growth and Development Strategy) is to build Gauteng into an integrated and globally competitive region where the economic activities of different parts of the province complement each other in consolidating Gauteng as an economic hub of Africa and an internationally-recognised global city region. The main aim of this is to encourage greater internal coherence and co-operation within the Province, for greater external competitiveness.

The strategy seeks to align the various planning instruments, structures and sectors in Gauteng in order to realize the "Global City Region". Gauteng's rapid economic growth and expanded social service delivery has accelerated in-migration and placed increasing pressure on the environment. The growing social and environmental challenges are an increasing burden on Gauteng's stability and sustainability. Unless these challenges are addressed they will pose a significant complication for the future prosperity and development of the Province. Thus issues of environmental planning, integrated waste management and pollution abatement must be addressed as essential ingredients of Gauteng's sustainable development.

1.3.8 Gauteng Rural Development Strategy

According to the Green Paper on Rural Development for Gauteng (1998), there is a general perception that the Gauteng Province is an urban province. However, Gauteng has, in contrast with other rural provinces in the country, a unique rural nature – areas where the need exists to preserve the viability of the rural economy, to identify ways of enhancing the contribution of the rural areas to GGP and job creation and to facilitate positive urban/rural linkages.

The Gauteng Spatial Development Framework, published in 1999/2000, guides development in rural Gauteng. According to the GSDF, the rural areas of the West Rand are characterised by low densities and the under-utilisation of rural assets, especially in terms of agriculture and tourism. Social challenges relate to high poverty levels, high unemployment, poor provision of services and an insufficient transportation system.

1.3.9 Land Decision Support System

The Gauteng Department of Development Planning and Local Government initiated a Vacant Land Study in for the Province in 2000. The outcome of the study for the first year was a Land Decision Support System specifically designed to produce a strategic assessment of all land potential suitable for low-cost housing. The project was further expanded in the 2001/02 financial year to include all the Key Performance Indicators of the various provincial departments in one Decision Support System for the Provincial IDP. The aim of the system was to provide a decision-making tool based on the factual representation of current development trends. The first phase focused on vacant land within Gauteng and the optimal location of provincial housing projects. It needed a comprehensive investigation into, firstly, which areas of land are available for housing, and, secondly, how suited the land parcels are for future affordable housing development.

1.3.10 Expanded Public Works Programme & Gauteng Labour Intensive Strategy

In May 2003 the Gauteng Department of Public Transport Roads and Works resolved that all provincial infrastructure projects must be carried out using the Labour Intensity Strategy Framework Manual. It was also resolved that all projects planned after 31st May 2003 shall be implemented using labour intensity methods and that all projects must stipulate percentage labour content in project business plans.

The purpose of this resolution was to create additional jobs by increasing the labour content of infrastructure projects to the maximum without compromising quality, performance criteria and implementation time. Such an approach calls for a paradigm shift to use alternative technologies and methodologies in order to increase labour intensity.

1.3.11 Gauteng Responsible Tourism Planning Framework

The Responsible Tourism Planning Framework that seeks amongst others to establish Gauteng as a leader in responsible and sustainable tourism planning as based on international and national best practice. It is envisaged that the Framework will provide provincial guidance and indicators for planning authorities in a manner that directly responds to the National Responsible Tourism Guidelines for South Africa.

The vision of the Department of Environmental Affairs and Tourism (DEAT) is to manage tourism in the framework of sustainable development in such a way that it contributes to the improvement of the quality of life of all South Africans. The White Paper on the Development and Promotion of Tourism outlined the following key elements of responsible tourism:

- Developing, managing and marketing tourism in ways that create competitive advantage
- Assessing and monitoring the environmental, social and economic impacts of tourism developments, and openly disclosing information
- Ensuring the active involvement of communities that benefit from tourism, including their participation in planning and decision-making and the establishment of meaningful economic linkages
- Maintaining and encouraging natural, economic, social and cultural diversity
- Avoiding waste and over-consumption, and promoting the sustainable use of local resources.

1.4 District Policies and Programmes

At district level, relevant policies and legislature to the LED process are:

- IDP and Performance Management Plan
- The West Rand Spatial Development Framework

- The West Rand Broad Based Economic Development Strategy
- The West Rand Urban Renewal Strategy
- The West Rand Growth and Development Strategy
- Mining Charter Roll-out
- Tourism Development Strategy
- The West Rand Transportation and Nodal Development Strategy

1.4.1 IDP and Performance Management Plan

The WRDM IDP informs the municipal management and Council about potential for new development and any upgrading of existing infrastructure in the area.

In line with national and provincial goals, the WRDM priorities are as follows:

- Provision of housing and sustainable human settlements,
- Facilitate job creation through Local Economic development and capital projects,
- Fighting the spread of HIV/Aids, other health problems and improve social conditions,
- Improve access to public safety and social crime prevention,
- Improve and maintain municipal financial viability, good governance and institutional transformation.

1.4.2 The West Rand Spatial Development Framework

The SDF forms part of the WRDM IDP and provides the spatial framework for development in the District. It is also complimented by the SDFs of the four local municipalities in the District. Issues addressed in the framework include locational aspects, physical and environmental issues, service provision, disaster management, transport issues, the SDFs of the four LMs and the proposed new land use management system.

Broad development zones have been identified to inform the development strategy in the West Rand District Municipality. These are:

- Urban growth zone
- Peripheral interface
- Prime opportunity zone
- Mining corridor

- Extensive agriculture

1.4.3 The West Rand Broad Based Economic Development Strategy

The strategy postulated in this document is a broad framework aimed at providing strategic guidance for economic development in the WRDM. The information is a synopsis of the strategies to be developed in order to unlock economic development in the district. Projects are identified through the Integrated Development Plan (IDP). Furthermore, the development of the strategies and projects specified were informed by what was identified as district-wide priority issues in the Integrated Development Plans (IDPs).

The broad based strategy encapsulates five broad goals, which will be pursued in the implementation of the projects identified through the different strategies:

- Stability goal (i.e. levelling booms and downturns in economic activity)
- Development goal (i.e. enhancing local capacities)
- Growth goal (i.e. expansion of the local economy)
- Equity goal (i.e. distributing costs and benefits of economic growth in a fair manner) and
- Collaboration goal (i.e. facilitating the coming together of various stakeholders for common economic goals).

1.4.4 The West Rand Urban Renewal Strategy

As a direct result of the Bekkersdal Renewal Presidential Project, the Gauteng Department of Housing, in consultation with the WRDM, has extended the programme to incorporate a Regeneration Strategy for the whole of the West Rand District.

The (draft) vision of the West Rand Regeneration Strategy follows:

“Restructuring the urban form of the West Rand District to ensure equal access to social, economic and environmental opportunities for all, that rural areas and towns and urban centres develop in support of each other (not at the cost of each other), that all people are empowered, uplifted and quality of life improved, all aimed at achieving a sustainable, integrated and efficient District.”

The strategy is aimed at providing a strategic framework for future development and regeneration in the District. As part of the process, strategic projects have been identified for future

implementation. It is also foreseen that the strategy will guide and direct the future IDPs and SDFs of the WRDM and its Local Municipalities.

1.4.5 The West Rand Growth and Development Strategy

This strategy aims to increase the socio-economic and development potential of this region by analysing the socio-economic environment, identifying potential growth sectors, and providing alignment to existing growth and development strategies in the following ways:

- Establishment of intergovernmental consultation & coordination structures for projects
- Provide progress on GDS as standing items on relevant meetings.
- Internal HR management development to strengthen implementation of GDS
- Source additional revenue & foreign and direct investments
- Implementation of procurement policies to enhance BBBEE & support SMME's

1.4.6 Mining Charter Roll-out

The development of social and labour plans by mining organisations in the country is mandatory under the new Minerals Act. The intention is to implement this cooperative initiative through what are referred to as Future Forums established at each mine and consisting of mine executives and labour. Additionally, a Social and Labour Forum Plan will be established between the Future Forums and the relevant District Municipality that will coordinate development and ensure that it is aligned with the IDP. This Forum will consist of the mines, labour, Department of Minerals and Energy, District Municipality, other government bodies (i.e. DPLG) and communities.

1.4.7 Tourism Development Strategy

This strategy is funded by the Development Bank of Southern Africa (DBSA) and implemented under management of the Tourism Unit of the WRDM Economic Development and Tourism Department. The firm Atos KPMG was appointed to undertake this study. The tourism strategy, aimed to analyse the tourism environment of the West Rand District and to compile a strategic development framework for the sector's development, based on the identification of marketable development opportunities. The strategy also takes into account the drive of the provincial government to establish region-based tourism organisations (RTOs) across the province.

1.4.8 The West Rand Transportation and Nodal Development Strategy

One of the key development projects in the West Rand District that is also highlighted in the local IDPs and SDFs is the development and promotion of a Spatial Development Initiative (SDI) in the District. The envisaged SDI is aligned along the R28 route through the District and focuses on regional economic development and integration, the improvement of the transport system and urban/rural nodal development. The strategy is referred to as the West Rand Transportation and Nodal Development Strategy, being compiled under auspices of the WRDM Directorate of Transport.

The SDI has the purpose of stimulating economic development in an interventionist way that will turn around the trend of disinvestment and perceived limited development potential in the area.

1.5 Local Municipality Policies and Programmes

At local municipality level, the relevant policies and legislature to the LED process are:

- Mogale City IDP – 2006/07
- Westonaria IDP – 2005/09
- The Bekkersdal Urban Renewal Programme
- Randfontein IDP – 2006/11
- The Cradle of Humankind Integrated Master Plan
- The Cradle of Humankind Integrated Development Plan

1.5.1 Mogale City IDP – 2006/07

This document informs the municipal management and Council about potential for new development and any upgrading of existing infrastructure in the area. The 2006/07 IDP is in essence a review document, which implies a process whereby the original IDP is evaluated and reviewed in terms of the municipality's performance as well as changing circumstances.

The Mogale City's development priorities are:

- Service delivery and infrastructure development by providing housing, clean water and road maintenance,
- Economic growth and development in order to create jobs,
- Social Development by providing education and health facilities,
- Democracy and good governance by skills development of the municipality human resources.

1.5.2 Westonaria IDP – 2005/09

This document is the Integrated Development Plan for the Westonaria Local Municipal Area and it will inform the municipal management and Council about potential for new development and any upgrading of existing infrastructure in the area.

Key LED Priorities include:

- Creating employment opportunities to alleviate poverty,
- Provision of basic free services,
- Job creation through the implementation of the Expanded Works Programme,
- Safety and security,
- Relocation of informal settlements to safer areas,
- Strategic environmental assessment of the area.
- Establishing agro-industries
- Affordability levels of beneficiaries must be taken into account when considering new development,
- Stimulation of industrial and manufacturing development on the short to medium-term should be linked to the inputs required by the mining industry,
- A comprehensive and integrated marketing strategy for Westonaria should be developed and implemented
- The availability of infrastructure within Westonaria for industrial and manufacturing should be promoted
- Output from the agricultural sector is currently not optimised,
- The potential importance of the tourism sector in Westonaria should continue to be investigated
- Residents should be encouraged to invest their money locally, which will lead to a positive feedback cycle.
- A positive external perception of Westonaria must be created.
- The quality, prices and service of local products should promote support of local investment.
- Alternative methods for releasing Council land for private development (e.g. structured payment over a period of time) should be considered.
- Establish a skills register of all unemployed people within the area that could be used by future investors/developers to identify potential employees.

1.5.3 The Bekkersdal Urban Renewal Programme

The primary focus of the Bekkersdal Renewal Programme (BRP) is the eradication of the entrenched social, economic and physical problems in special nodes of upliftment through focused, intensive, multi-level public expenditure.

The main aim with the BRP is to create jobs and to effectively integrate Bekkersdal (and the new relocated towns) with the broader economy of the West Rand District – a role that could most effectively be executed by the WRDA. The scale of this project results in many households and local municipal areas being impacted on by the implementation of various programmes.

1.5.4 Randfontein IDP – 2006/11

The Randfontein IDP will inform the municipal management and Council about potential for new development and any upgrading of existing infrastructure in the area.

The Randfontein Integrated Economic Strategy specifies the following programmes and projects:

- Investment Attraction
- SMME Development
- Community Economic Development
- Business Retention and Expansion
- Agri-Business Development Strategy
- Tourism Development
- Foster economic linkages and transport linkages with Johannesburg and Tshwane.

1.5.5 The Integrated Master Plan

The IMP provides a detailed analysis of the following:

- The Status Quo Analysis of the area, including the various fossil sites (Section 5)
- Zoning and Land Use Analysis (Section 6)
- Land Use Master Plan (Section 7)
- Environmental Impact Assessment Guidelines (Section 8)
- Monitoring and evaluation plan (Section 9)
- Geo-hydrological analysis (Section 10)

- Tourism Spatial Plan (Section 11)
- Infrastructure Development Plan (Section 12)
- Interpretation Facilities (Section 13 & 14)
- Public Participation Process (Section 15)
- Socio-Economic Study (Section 16) and Community Benefits Analysis (Section 17)
- Management and Design Guidelines (Section 18)
- Data Management and GIS (Section 19)
- Legal Review (Section 20) and Institutional Arrangements (Section 21)
- Financial Plan (Section 22)
- Implementation Schedule and Strategy (Section 23)

1.5.6 The Cradle of Humankind Integrated Development Plan

The WRDM formulated an IDP Review for the year 2005/06 for the DMA. In line with the IMP and relevant legislation, the following WRDM strategic interventions were proposed:

- Job Creation and Skills Development
- Poverty alleviation through Access to land
- Reduce Poverty and Provision of Infrastructure & Security of Tenure
- Access to Government institutions and Caring Government
- Deepening democracy and promoting constitutional rights.

Section Two: Situational Analysis

2.1 Introduction

The West Rand District Municipality has an economic development strategy. However, this needs to be updated taking into consideration recent local and regional development dynamics. Urban-Econ, a firm of development economists, was appointed by the Gauteng Economic Development Agency to update the existing economic strategies of the West Rand District Municipality in order to develop a Local Economic Development Strategy.

This section of the report looks at the economy of the West Rand District Municipality and the local municipalities within it. It is important to look at the current economic and social situation in order to identify the most effective interventions for consideration in the LED process.

The analysis will be divided into the following sections:

- Demarcation of the Study Area
- Social and Demographic Profile
- Economic Profile
 - Economic performance
 - Employment per sector
 - Sectoral analysis

2.2 Demarcation of the Study Area

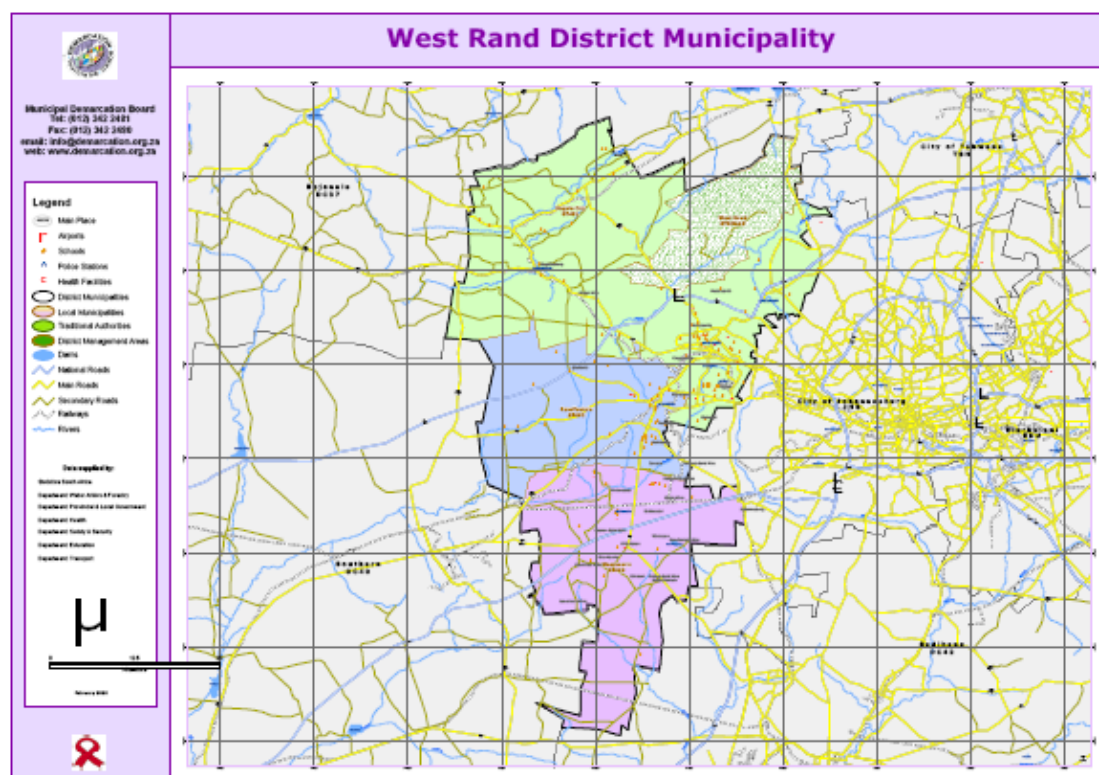
The West Rand District Municipality (WRDM) is a Vuna award winning local authority comprising the three municipalities of Mogale City, Randfontein and Westonaria. The WRDM includes the District Management Area, a unique area with special needs and home to the Cradle of Humankind – a World Heritage Site.

According to the WRDM Land Audit undertaken in 2006, the land area of the District is 2 456.50 km² (WRDM Approved IDP 2007-2012). It covers Carletonville, Krugersdorp, Westonaria, Randfontein, Western Gauteng, Magaliesburg RC and TRC, Gatsrant, Vaal River, Fochville, Wedela and Southern DC.

The West Rand District Municipality is located within the Western Sector of the Gauteng Province, west of the Urban Core of Johannesburg. It is bordered by the following areas:

- Tshwane Metropolitan Council
- City of Johannesburg
- Sedibeng District Municipality
- Southern District Municipality
- Bojanala District Municipality

Figure 2.1 Map of West Rand District Municipality



Source: Municipal Demarcation Board

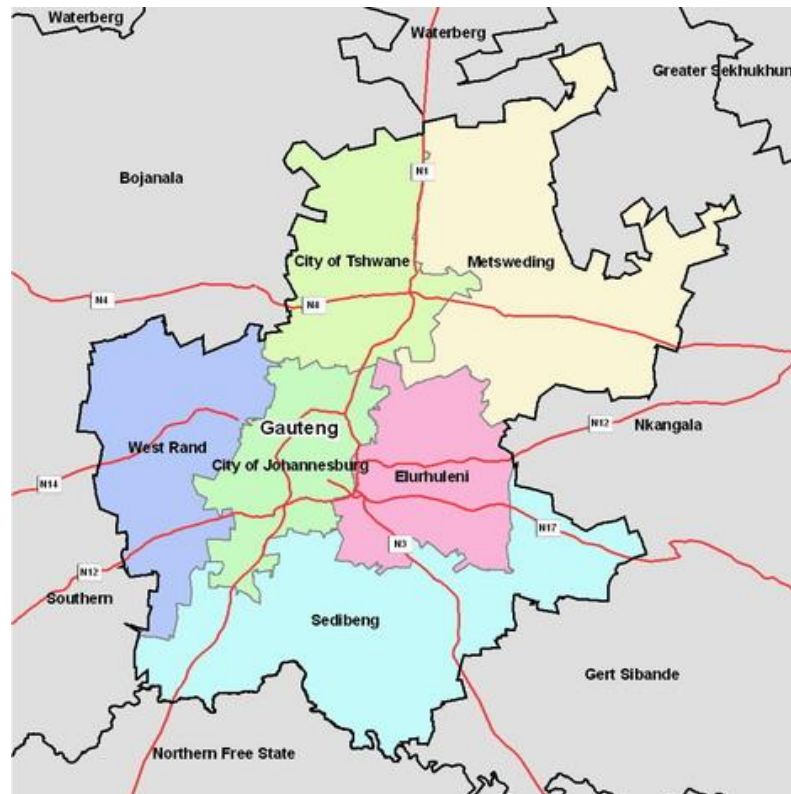
2.2.1 Salient spatial features

Notwithstanding the specific characteristics of each of the Local Municipal areas, the following spatial and physical characteristics are common throughout the District:

- The towns in the West Rand District Municipality area display a dispersed and fragmented form, mainly due to the mining activities in the area,

- Land uses are guided by dolomitic conditions,

Figure 2.2 Map of Gauteng Province



Source: Municipal Demarcation Board

- Tourism and conservation opportunities exist in most of the LM areas, especially in the north and northeast
- Agriculture is an important sector and steps must be taken to realise the potential therein
- Access is poor to some areas in the West Rand e.g. Randfontein
- The Cradle of Humankind WHS provides opportunities for tourism (job creation)
- It is important that the character of the rural areas be maintained
- Environmental factors are important considerations when determining appropriate development, especially in the rural areas
- The settlement patterns of the area are a reflection of development dynamics and include historical, residential patterns and trends, the social and economic profile of the population, the economy, transportation infrastructure, engineering infrastructure, land availability and planning initiatives
- External pressures on the area include the location of the West Rand in proximity of the City of Johannesburg as well as the pressure around the R512 to Lanseria airport as development corridor
- Development pressure translates into a continuous sprawl of development into the rural areas, which needs to be controlled to preserve and maintain the rural character of the area

- Development pressure in rural areas, related to areas where there is a high level of movement of people and goods and a concentration of activities along main transportation routes
- Population growth of the West Rand is relatively low
- Dolomite, slopes, red data species, mining activities, nature reserves and undermined areas are environmental issues to be considered
- Stands and top structures are provided through various housing programmes
- Primary health care is poor outside major towns
- Approximately 16 percent of households do not have access to water and 24 percent do not have access to sanitation facilities
- Specific roads and rail routes have been earmarked as corridors to act as conduits of development and to link development zones with each other and with areas beyond the WRDM
- Amphibian species richness in the northern areas around the Magaliesburg
- Approximately 74 percent of the threatened Flora species occur on the crests and slopes of ridges and hills
- Most important areas for biodiversity conservation include Kings Kloof Natural Heritage Site, COHWHS, Kromdraai conservancy, Blougat Nature Reserve and Magaliesberg protected nature environment
- Northern areas of West Rand are ecologically very important
- Tourism activities are concentrated in Mogale City with potential for adjacent Randfontein
- Some tourism opportunities for Westonaria LM.

(Source: WRDM Spatial Development Framework)

2.3 Social and Demographic Profile

The purpose of this section is to provide an overview of the current socio-economic status of the population in the WRDM in terms of demographics, employment status, education levels, household income and access to services. This section also provides an assessment of the social dynamics within these communities and the implications thereof on all spheres of development. An understanding of the development context will inform the study, ensure relevant projects, guide implementation and coordination, and place local conditions into perspective.

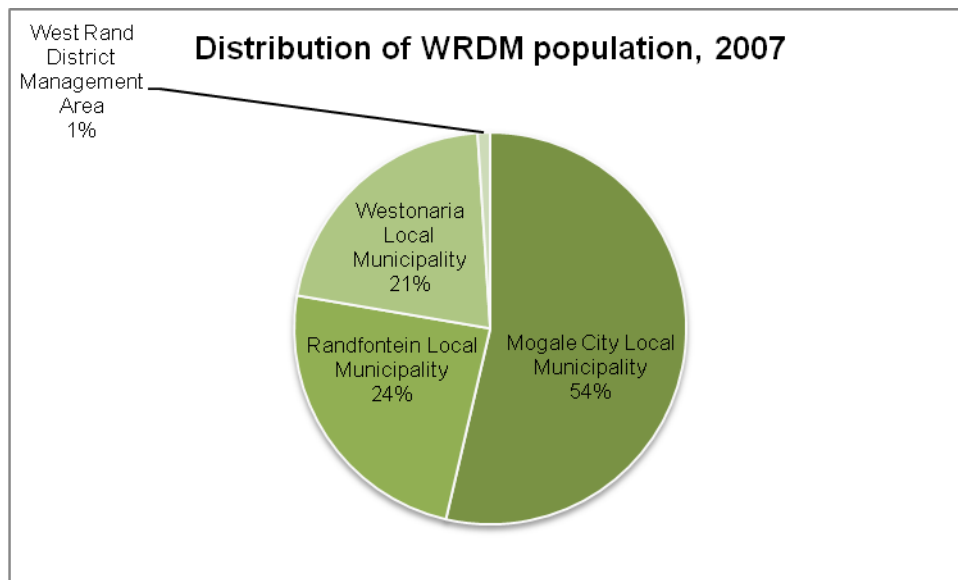
Demographic trends are influenced by economic growth in that where there is little economic activity, poverty and unemployment are widespread. Likewise, where there is a lot of economic activity, the population tends to be greater as people migrate into areas where they can earn a living. The ability to earn a living therefore affects the level of skills in an area. In geographic areas

where poverty is the norm, education levels and the level of skills are also normally low as such communities cannot afford to educate their offspring. Such are the discrepancies that the LED process seeks to iron out.

2.3.1 Population

According to Quantec Research and Urban-Econ calculations, the West Rand District Municipality had a population of 571 024 in 2007. The majority 54 percent lived in Mogale City, 24 percent lived in Randfontein, 21 percent lived in Westonaria and only 1 percent lived in the District Management Area.

Figure 2.3 Population distribution of West Rand District Municipality



Source: Quantec Research and Urban-Econ calculations

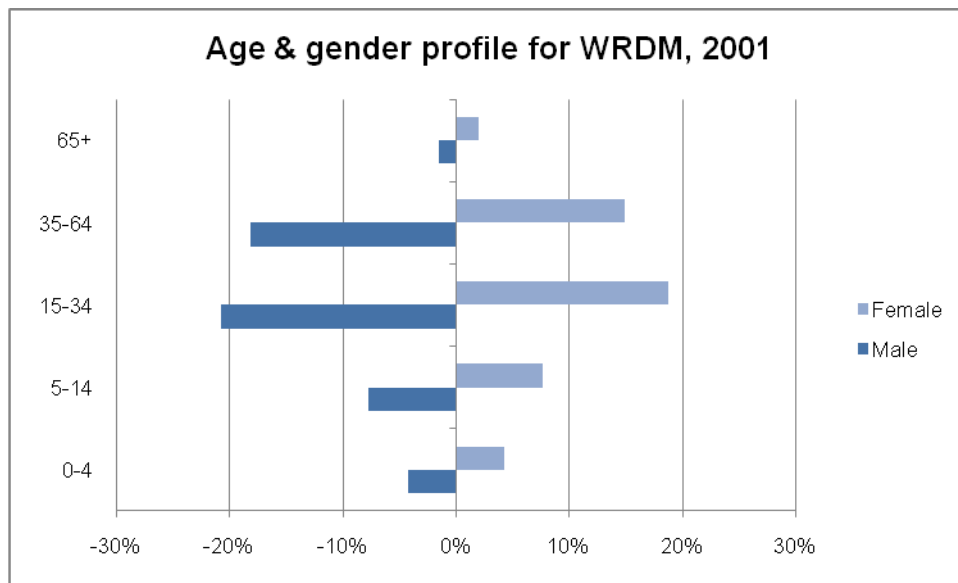
The distribution of the population roughly corresponds with the area that each local municipality occupies. Geographically, Mogale City makes up 45 percent of the WRDM, Randfontein 19 percent, Westonaria 26 percent and the District Management Area is 10 percent of the total WRDM surface area. Randfontein occupies 19 percent of the surface area of the WRDM and has 24 percent of the population living there. However, Westonaria which has a larger surface area, 26 percent, has a smaller proportion of the WRDM population, 21 percent. This is because Randfontein is prone to in-migration from the North West province which it is adjacent to (Randfontein IDP, 2006-2011:31). Westonaria, however, consists of various agricultural holdings and mining villages and thus has a dispersed urban structure (Westonaria IDP, 2005-2009:6).

According to Global Insight, the total population of the WRDM grew by 1.7 percent in 2005. Mogale City Local Municipality (LM) had the fastest growth at 1.2 percent, Randfontein LM had a growth of 1.1 percent and Westonaria LM had the slowest growth at 0.6 percent per year. Generally, the population growth rate has decreased over the last 9 years by 1 percent (WRDM Approved IDP 2007-2012).

2.3.2 Age and Gender

The population of the West Rand District Municipality comprises 52 percent male and 48 percent, female. The almost equal distribution of gender is a positive factor in terms of social stability, especially in a mining area where there is normally a greater disparity between the number of males and females. A higher number of males in mining areas often worsen social problems such as promiscuity and HIV/Aids, as the mine workers would normally have left their spouses in the rural areas to seek employment in the mines.

Figure 2.4 Age and gender profile in WRDM, 2001



Source: Quantec Research and Urban-Econ calculations

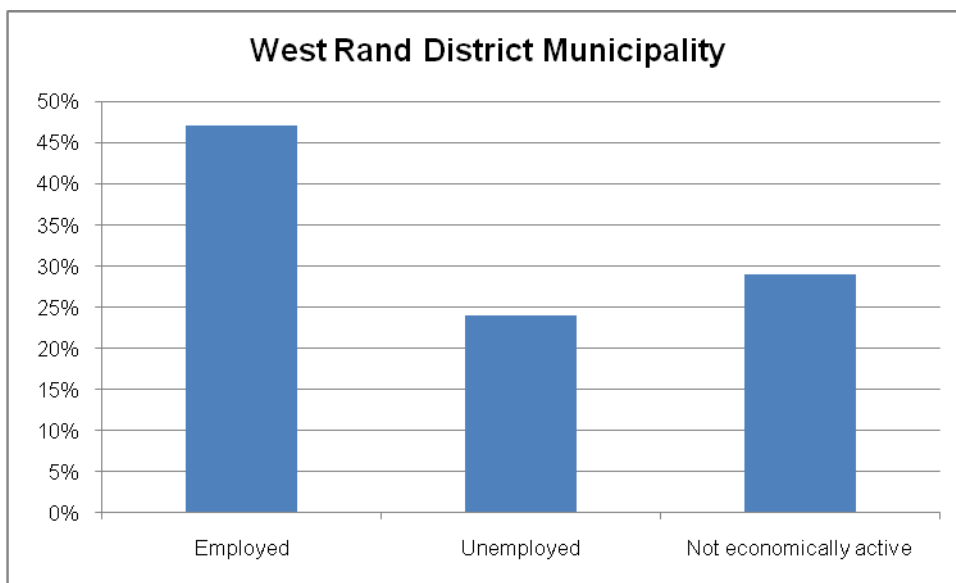
The economically active age group (15 – 64) makes up the majority, 73 percent, of the population. Therefore, there is a good supply of labour. Mobilising this active group now will reduce the burden on the municipality to provide free basic services as well as grants, as the older than 65 years age group consists of only 4 percent of the entire population.

Local Economic Development actions should include a skills audit to ensure that the economically active population can be equipped with appropriate skills required in the district. However, it should be noted that the economically active group's earnings should be invested in a manner that will enable them to sustain themselves after retirement.

2.3.3 Employment / Unemployment Structure

The employed (47 percent) consist of all persons who earn pay or profit from their own business activities. The unemployed (24 percent) are those that are actively looking for a job but are not in any type of paid employment. The 'not economically active' (29 percent) are those who are not a part of the labour force, for example children, students or the aged. When this data is compared to that in section 2.3.2 above where the economically active age group makes up 73 percent of the population, it becomes clear that, while there is a large potential labour force, it is not being fully utilised.

Figure 2.5 Employment Status for WRDM, 2001



Source: Quantec Research and Urban-Econ calculations

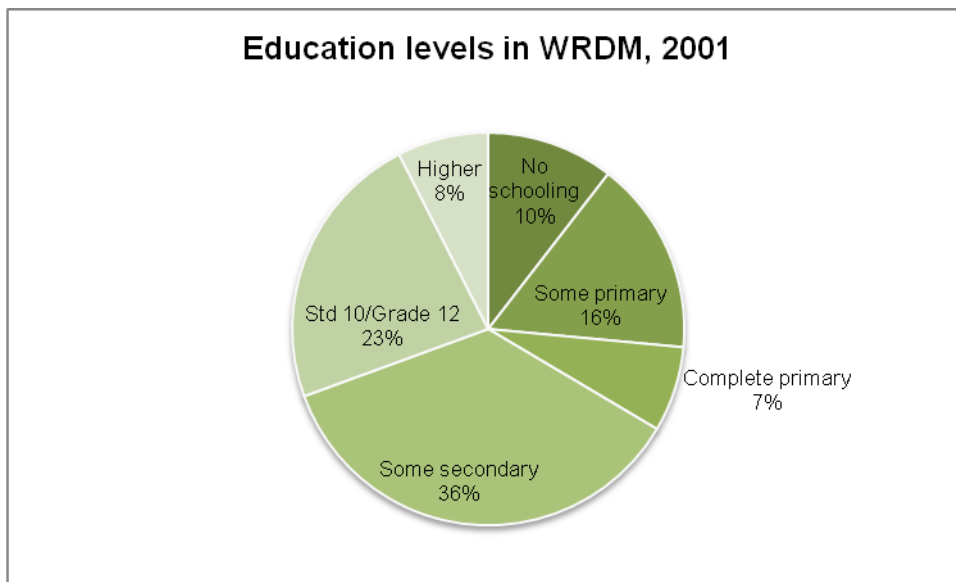
Skills development programmes therefore need to be initiated and implemented in order to avert an increase in social pathology which includes crime, vagrancy, abuse of women and children, drug abuse and AIDS. Those who were formerly mine workers can be trained in the manufacturing of agriculture sectors in order to make use of all available labour, creating jobs and thus improving the quality of life of the WRDM population.

2.3.4 Education Levels

The level of education determines the mix of skilled labour within an area. Furthermore, a population that is skilled does not necessarily aspire for employment but for entrepreneurship, which will add businesses to the area, increase economic activity and consequently increase the number of jobs available.

The education statistics show one of the possible reasons for the high unemployment rates in the WRDM. 10 percent of the population has not obtained any education at all and only 8 percent have obtained tertiary education. The bulk of the population, 36 percent, have obtained secondary level education albeit without matriculating, while 23 percent have Matric as their highest educational qualification.

Figure 2.6 Education levels in WRDM, 2001



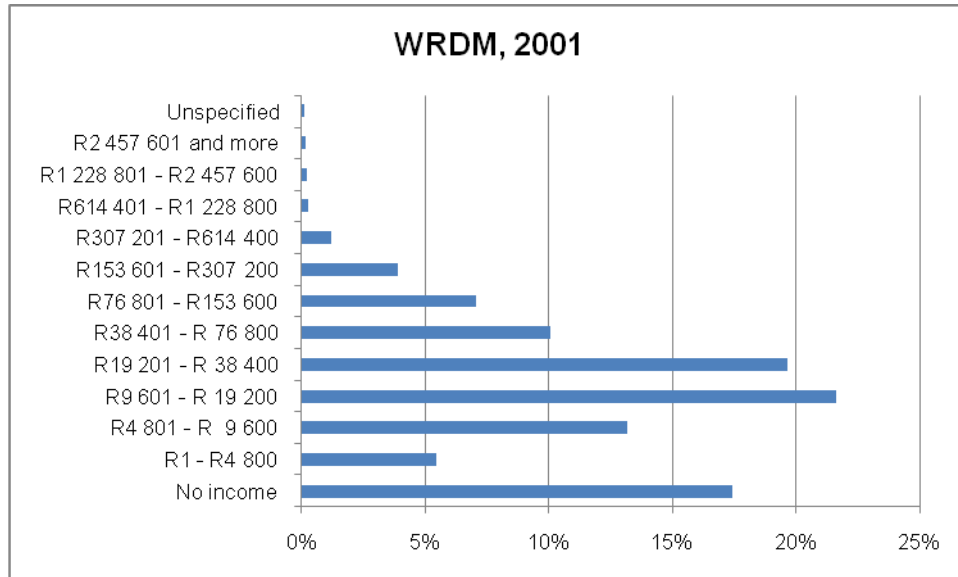
Source: Quantec Research and Urban-Econ calculations

Industries as well as the West Rand Development Agency, through the LED process, may consider adult education, apprenticeships (where each individual learns the job from the lowest entry level), and sponsorship of talented matriculants whose parents may not have the resources to fund tertiary education. It would be worthwhile to ensure that literacy lessons in the language of instruction are conducted to ensure high levels of comprehension of the reading material in the subjects that are offered by the educational programme.

2.3.5 Household Income

According to Quantec Research there are 183 667 households in the West Rand District. Figure 2.7 shows household income according to Census 2001 figures.

Figure 2.7 Household incomes in the WRDM, 2001



Source: Quantec Research and Urban-Econ calculations

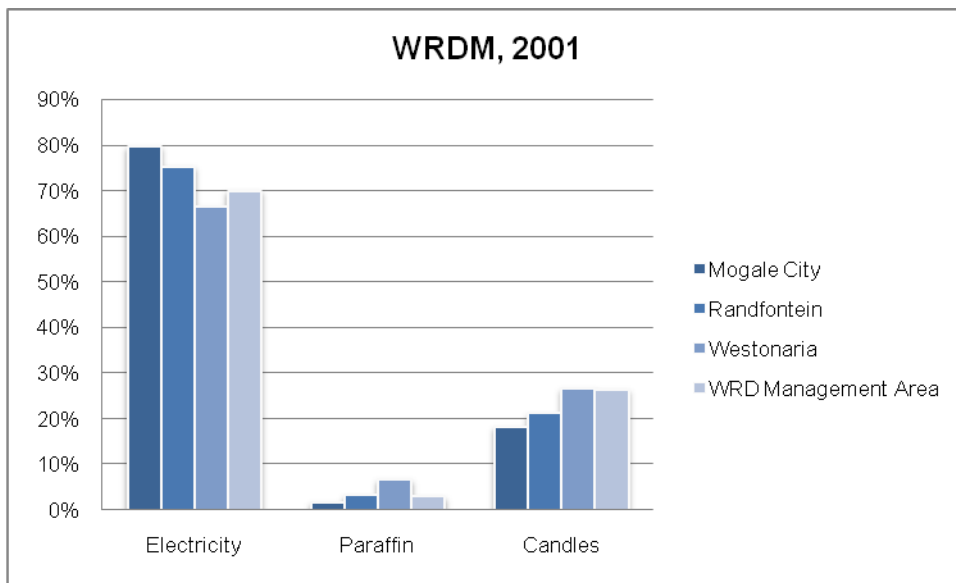
22 percent of the population earned between R9601 and R19200 per annum and 20 percent between R19201 and R38400 per annum. Thus, 42 percent of the West Rand District Municipality population earned less than R3 200 per month in 2001. Since mid-2006, South Africa has seen an increasing inflation rate. The present inflation rate is 7.9 percent. Income levels have also increased since the 2001 census, however, the cost of fuel, food and electricity has soared considerably. With the majority earning less than R3200 per month, the quality of life for the majority in the West Rand is expected to have declined.

2.3.6 Access to Services

2.3.6.1 Access to energy

Figure 2.8 illustrates that over 70 percent of the households in the West Rand district have access to electricity. Westonaria is the exception with only 66 percent of the households having access to electricity. The households without access to electricity use either paraffin or candles for lighting.

With Eskom's capacity constraints, this means that the majority of the West Rand population will be affected by the power outages. The Eskom expansion programme is also expected to be a long-term project. Therefore, it is worth exploring alternative energy/electricity sources in the interim, especially in the industrial/commercial zones.

Figure 2.8 Access to energy in WRDM, 2001

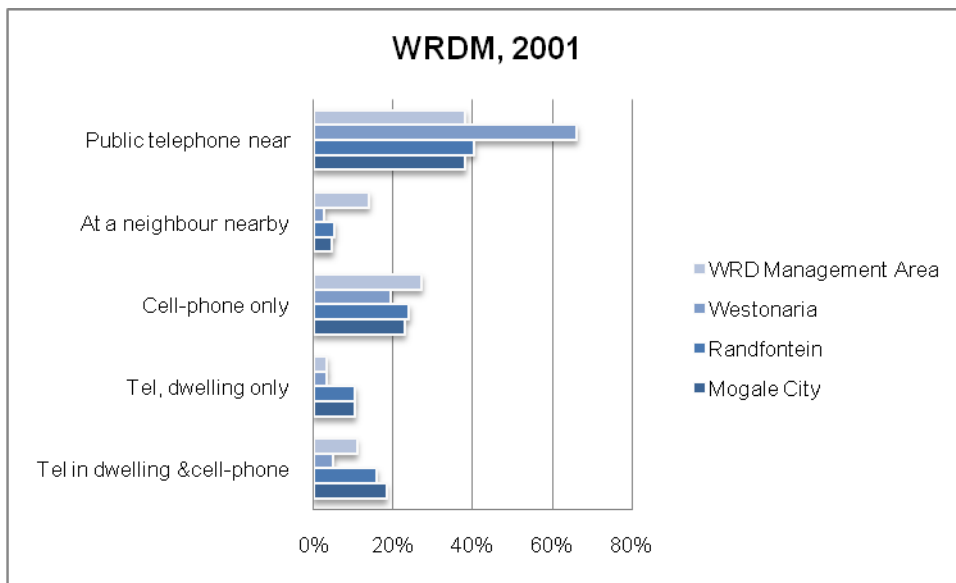
Source: Quantec Research and Urban-Econ calculations

2.3.6.2 Access to Telecommunication

Through telecommunication, friends and relatives in one province can communicate with those in another. Such are the advents of the modern world which is characterised by a communication and information industry which narrows time and space gaps.

Communication and access to information are an important part of life both at household level and in industry and business. Therefore, it should be noted from the beginning of the LED process whether or not, business and industry will be competitive globally in this respect. The access to telephone facilities graph below shows the extent to which households in the West Rand have access to telephones.

Figure 2.9 shows that 97 percent of the West Rand District households have access to telephones nearby. However, in terms of having personal telephones, the figures vary in the different local municipalities. In Mogale City and Randfontein, 50 percent of the households have access to personal telephones, in the District Management Area, 41 percent and in Westonaria 28 percent of the households have access to personal telephones.

Figure 2.9 Access to telephone facilities

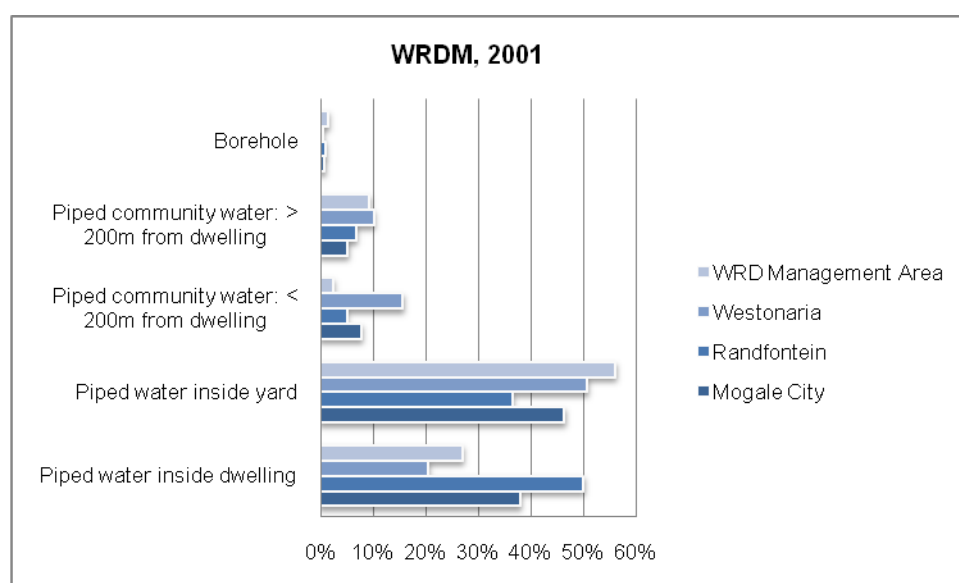
Source: Quantec Research and Urban-Econ calculations

The LED process should ensure that there are sufficient fixed telephones especially in the Central Business Districts (CBDs). Allowing for another fixed line operator should also be considered in anticipation of an economy at full production particularly, since there are plans to set up a call centre and an information and communications centre.

2.3.6.3 Access to Water

In Randfontein, 50 percent of the households have access to indoor tap water and 37 percent of the households have tap water within the yard. The remaining 13 percent of the households access water from public taps. In Mogale City, a smaller proportion of households have access to indoor tap water, 38 percent. The majority, 47 percent have tap water within their yards. Westonaria and the District Management Area also have a majority of their households, 51 percent and 56 percent, respectively, with access to tap water in their yards. This is shown in figure 2.10 which also illustrates the type of water facilities that the households in the West Rand District have access to.

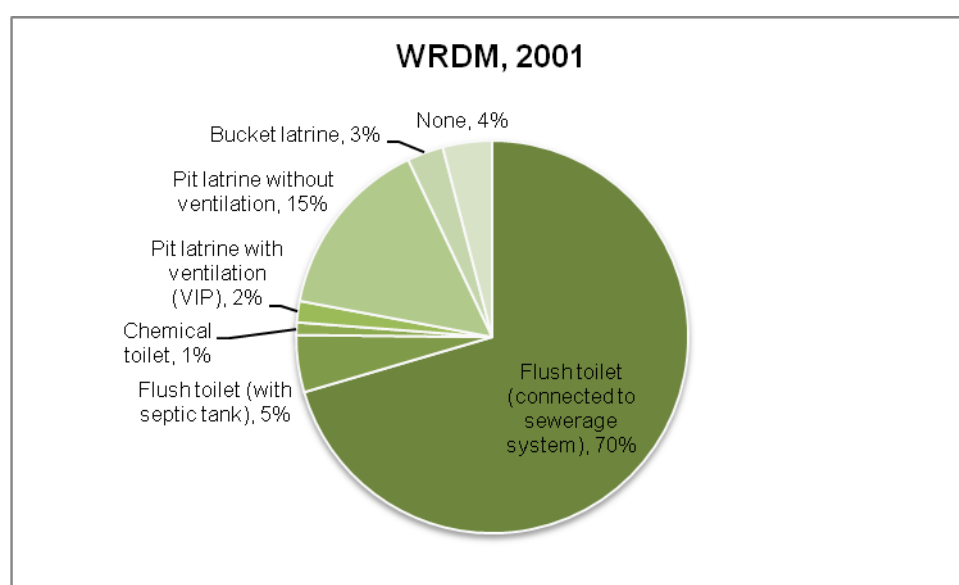
Water is important in every household for its varied uses such as for cooking, cleaning, gardening as well as for drinking. Drinking water needs to be clean to avoid water-borne diseases and from the statistics above, the majority of the WRDM has access to clean water. Water is also required for sanitation; particularly, the proper functioning of the water-borne sewerage systems. We look at sanitation in the next section.

Figure 2.10 Access to water facilities in WRDM, 2001

Source: Quantec Research and Urban-Econ calculations

2.3.6.4 Access to Sanitation

Sanitation is important to consider when local economic development projects are put forward. This is because the municipality water and sewerage works capacity constraints should be evaluated and adjusted according to the level of economic growth anticipated in the area, noting that with economic growth comes an increase in number of households and businesses who need access to sanitation.

Figure 2.11 Access to sanitation in WRDM, 2001

Source: Quantec Research and Urban-Econ calculations

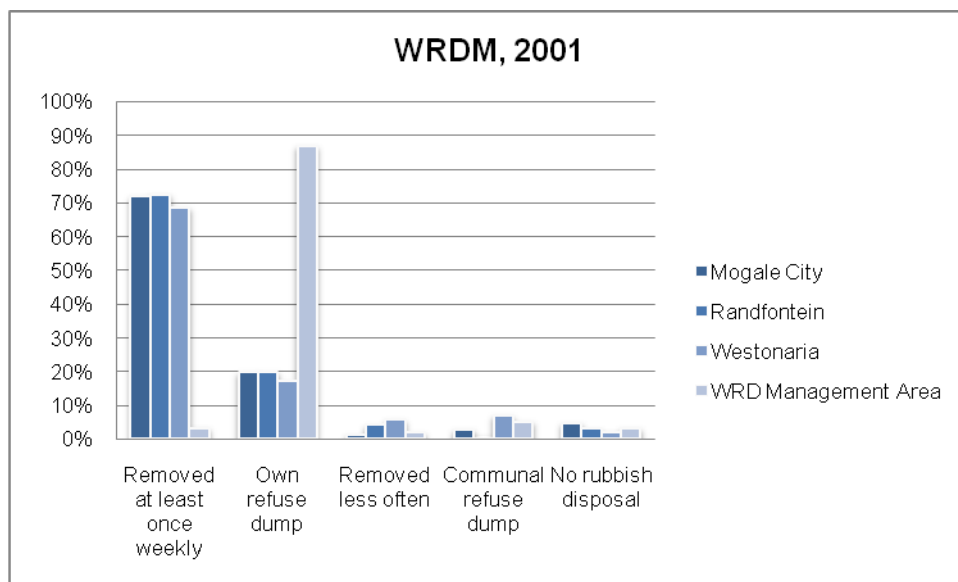
Figure 2.11 shows that the majority of households in the West Rand District Municipality, 70 percent, have access to flush toilets that are connected to the municipal sewerage system. 15 percent of the households have non-ventilated pit latrines and 3 percent use bucket latrines. The bucket latrines still need to be converted to either ventilated pit latrines or to flush toilets under the Bucket latrine Eradication programme, the progress of which is being monitored by the National Council of Provinces (NCOP).

2.3.6.5 Access to Refuse Removal

There is need for systematic refuse removal to ensure good health and hygienic conditions for the people who live within the boundaries of any municipality. The site where refuse is dumped has to be chosen strategically so as to avoid having residential or commercial sites nearby. Dumpsites subtract aesthetic value and contribute to air pollution.

Figure 2.12 illustrates that over 68 percent of the households in Mogale City, Randfontein and Westonaria have their waste removed by the local authority at least once a week. However, in the District Management Area, the case is different. 87 percent its refuse is disposed of at the local refuse dump.

Figure 2.12 Access to Refuse Removal in WRDM, 2001



Source: Quantec Research and Urban-Econ calculations

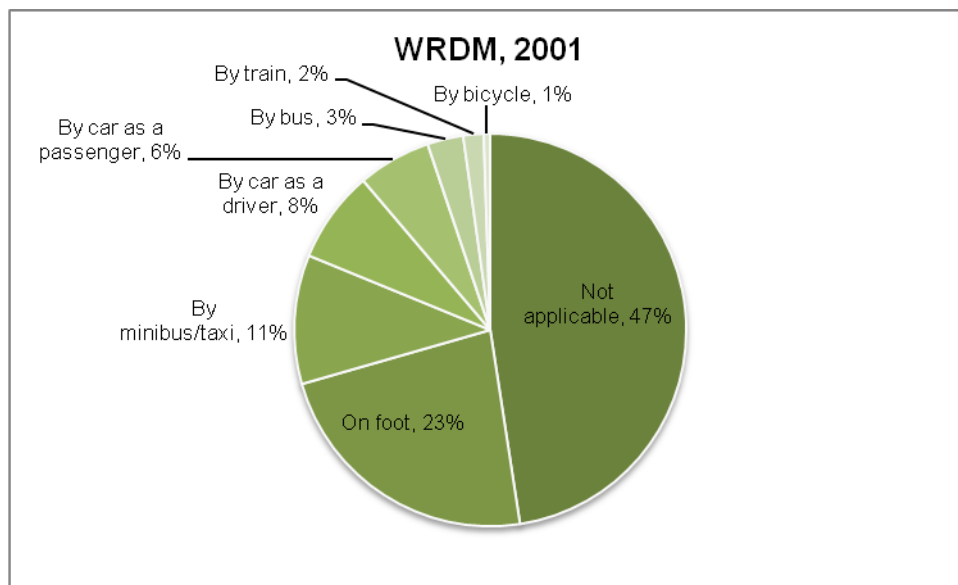
In order to create employment and to maintain the environment, the West Rand Development Agency should consider encouraging households and businesses to sort their refuse in order to allow for easier recycling of waste.

2.3.6.6 Modes of transport

The modes of transport in use are a consideration in local economic development. This is because development projects need to take into consideration the mode of transport employed by the labour force. New industrial developments should not be situated far away from the pick-up or drop-off points of various means of transportation. However, if the factory or office is far, the employer needs to consider means of transport for the workers from strategic points. The same applies for schools or education and training campuses.

The majority of the WRDM population neither goes to work nor to school as illustrated by the 47 percent 'not applicable' in figure 2.13. The graph shows that an average of 14 percent (made up of both drivers and passengers) of the WRDM population travel to work or to school by car. An average of 14 percent travel by public transport and 23 percent of those who go to work or school, travel on foot.

Figure 2.13 WRDM modes of transport to school and work, 2001



Source: Quantec Research and Urban-Econ calculations

The railway infrastructure was not currently utilised for commuter services, as it is mainly for the conveyance of goods. With the bus services infrastructure which is also fairly poor, there is a need for more efficient mass public transport.

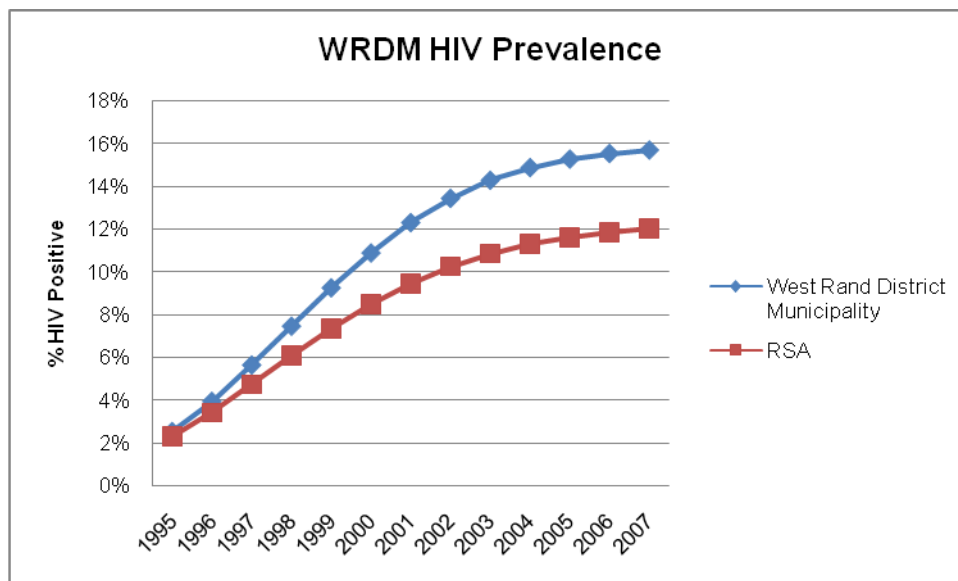
A safe and comprehensive road network needs to be established, transport linkages between the West Rand and Central Witwatersrand area need to be strengthened and all public transport facilities need to be upgraded. Additionally, solar powered traffic lights should be put in place to

reduce the use of electricity as Eskom resolves its supply constraints. Oil prices in the third and fourth quarter of 2007 have been increasing, which will affect the public's ability to pay for private and public transport. The production and use of bicycles as a means of transport will ease the transport budget of the low income earners and reduce the demand for fuel within the West Rand.

2.3.7 HIV Prevalence and related deaths

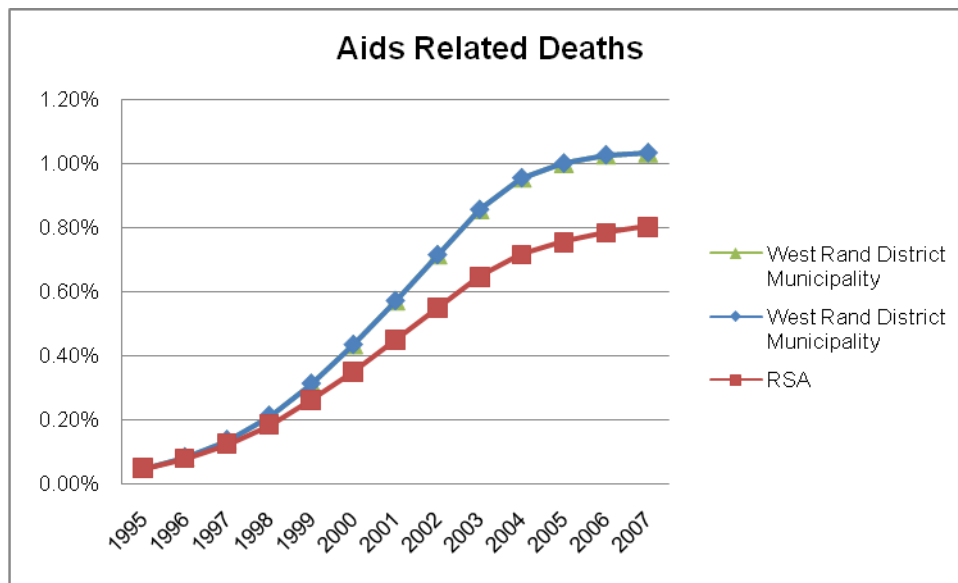
No part of South Africa is free of this pandemic; HIV. Therefore, it is necessary look at such statistics as they determine the future health of the West Rand District Municipality workforce. Figure 2.14 illustrates that the HIV prevalence has been increasing over the years with an increase from 3 percent in 1995 to 16 percent last year in WRDM, riding above the national prevalence figures (2 percent in 1995 to 12 percent last year). The health prognosis is not good and the spread of the virus needs to be controlled.

Figure 2.14 HIV Prevalence in South Africa and WRDM, 1995–2007



Source: Quantec Research and Urban-Econ calculations

Aids related deaths have increased from 0.05 percent in 1995 to 1.03 percent of the population in 2006 and 2007. The West Rand District Municipality death rate is higher than the country's which was 0.05 percent in 1995 and 0.80 percent in 2007. This is shown in figure 2.15.

Figure 2.15 WRDM Aids related deaths as a percentage of total population

Source: Quantec Research and Urban-Econ calculations

The 2003 South African Demographic and Health survey showed that countrywide, 95 percent of the men, and 94 percent of the women in the 15–49 years age group know about HIV and Aids. However, the same survey showed that the people who have not had formal education and those who live in rural areas are not as informed as their urban counterparts (SADHS, 2003:14).

The West Rand District is characterised by rural areas and as shown in section 2.3.4 above, 69 percent of the West Rand District population has not reached matric level education. Based on the SADHS findings, this may explain the higher than national HIV/Aids statistics. More HIV/Aids education needs to be given to ensure a slowdown in the spread of the disease.

2.3.8 Conclusion

The social and demographic profile of the West Rand District Municipality shows that there is a definite need for the LED process to address education and skills requirements amongst the economically active population. This will help decrease the unemployment figures and increase household income which in turn will enable individuals to afford, for example, the currently available public transport. HIV/Aids education is also needed however this will be more effective when general education levels of the population are improved. Furthermore, there is need for the road and rail infrastructure to be improved to enable smooth trading within the district as well as within the province and the rest of the country.

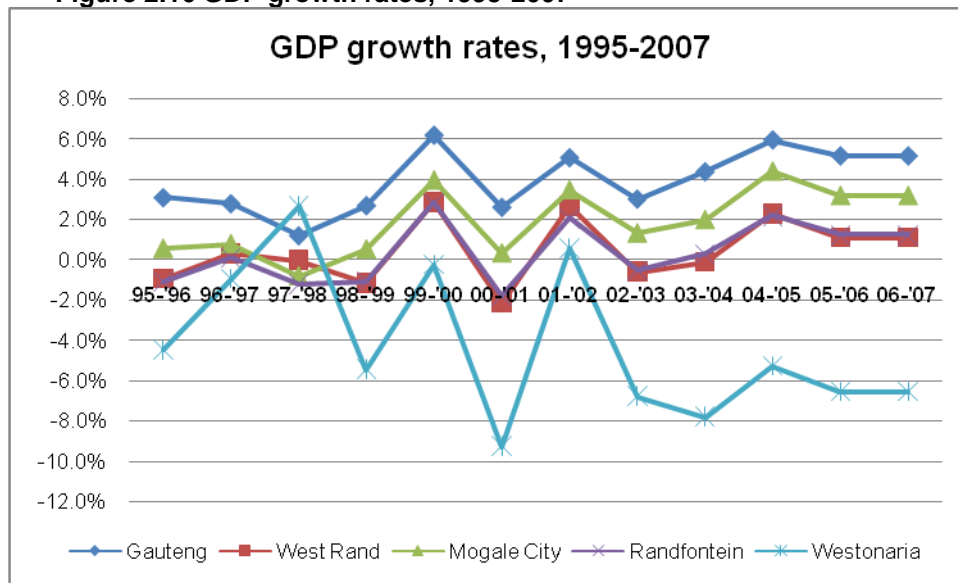
2.4 Economic Profile

The purpose of this section is to provide a broad economic analysis of the West Rand District Municipality and the local economies in the WRDM within the context of the broader region so that comparisons and linkages with the broader economic community can be made.

2.4.1 Economic performance

Figure 2.16 shows trends in GDP growth between 1995 and 2007 for Gauteng Province, West Rand DM, Mogale City LM, Randfontein LM and Westonaria LM. From the chart it is clear that the West Rand economy broadly follows growth trends in Gauteng Province, although at a lower level. In general, the growth rate of the West Rand economy over the period 1995-2007 has consistently been lower than that of Gauteng. The district also experienced negative annual growth rates in 1995, 1998, 2000, 2002 and 2003.

Figure 2.16 GDP growth rates, 1995-2007



Source: Quantec Research & Urban-Econ calculations

Growth in the district seems to be powered mainly by the economy of Mogale City and, to a lesser extent, by the Randfontein economy. The economic growth rate of Mogale City is generally higher than the average for the District, while the Randfontein economic growth rate is fairly equal to the District average. The economy of Westonaria has lagged behind those of the other local municipal areas and exhibited negative annual growth rates in all but two years between 1995 and 2007.

2.4.1.1 Comparative Advantage

A comparative advantage indicates a relatively more competitive production function for a product or service in a specific economy (regional or sub-regional) than in the aggregate economy

(provincial or national). It therefore measures whether a specific economy produces a product or renders a service more efficiently than another.

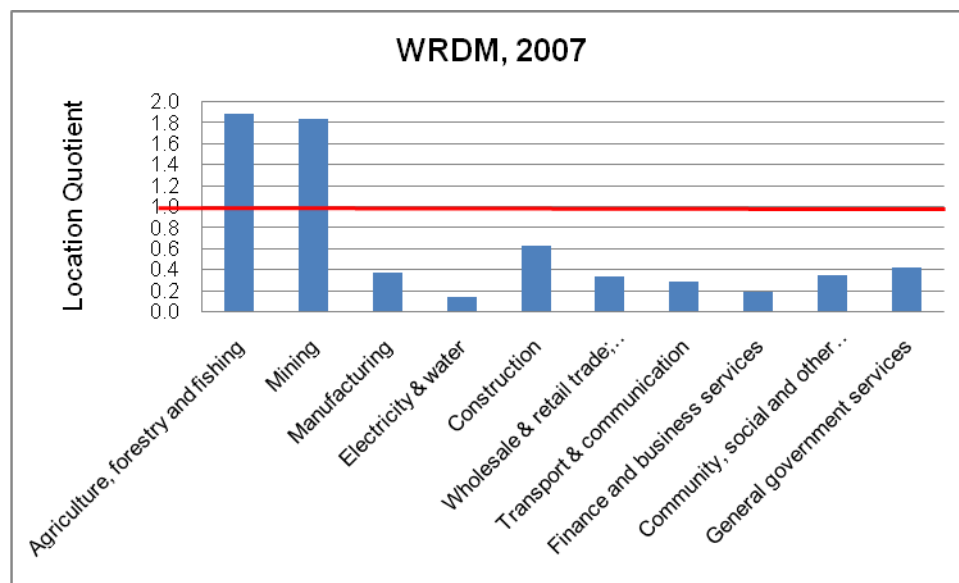
One way to measure the comparative advantage of a specific economy is by way of the location quotient. A location quotient as a tool, however, does not take into account external factors such as government policies, investment incentives, and proximity to markets, etc, which can influence the comparative advantage of an area. If a specific economy has a location quotient larger than one in a particular sector or activity, per interpretation, that economy then enjoys a comparative advantage in that particular sector or activity. Table 2.1 presents the location quotients for the respective economic activities in the WRDM in terms of the Gauteng economy.

Table 2.1 WRDM location quotients

Sector	Location Quotient
Agriculture, forestry and fishing	1.9
Mining	1.8
Manufacturing	0.4
Electricity and water	0.1
Construction	0.6
Wholesale & retail trade; catering and accommodation	0.3
Transport & communication	0.3
Finance and business services	0.2
Community, social and other personal services	0.3
General government services	0.4

Source: Quantec Research & Urban-Econ calculations

Agriculture and mining are the only two sectors, according to this analysis, which have location quotients larger than one (see figure 2.17). This means that these are the two sectors of the WRDM within which there is comparative advantage. All other sectors score a location quotient of less than 1. However, caution should be exercised in concentrating and therefore relying on only two sectors for the region's economic growth. Moreover, sectors such as agriculture and mining are subject to factors beyond human control such as climate, availability of minerals or ore and international commodity prices.

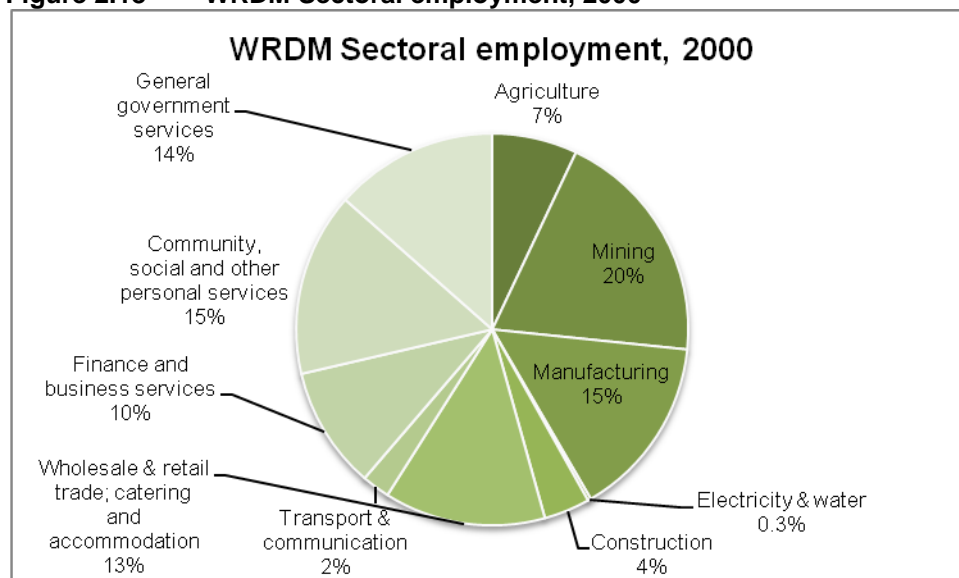
Figure 2.17 Comparative Advantages per Sector

Source: Quantec Research & Urban-Econ calculations

GDP – Gross Domestic Production, which is also referred to as GGP, Gross Geographic Product, is a measure of production in a given place.

2.4.2 Employment per sector

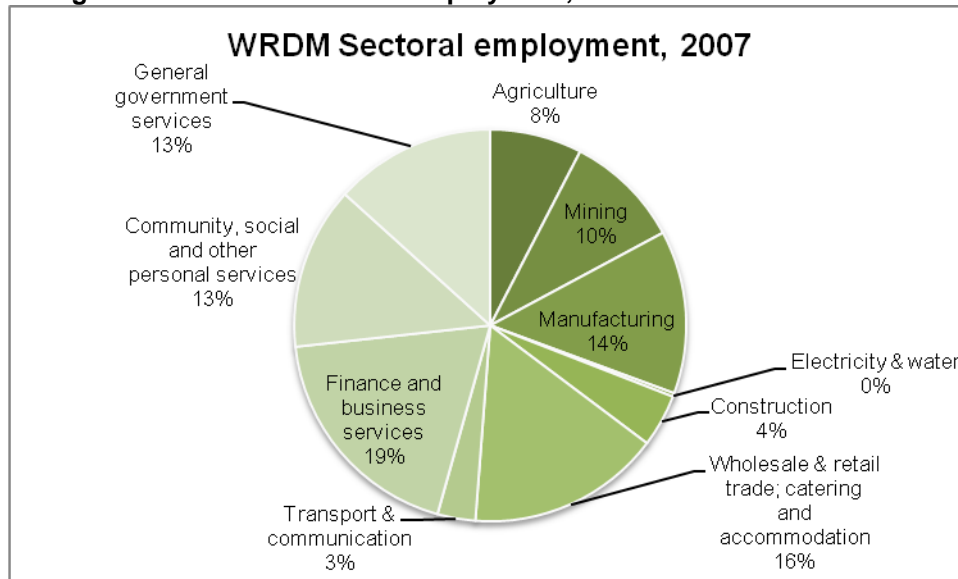
We have looked at the production trends and we have identified the two sectors of the WRDM in which there is comparative advantage. We now analyse the employment rates per sector.

Figure 2.18 WRDM Sectoral employment, 2000

Source: Quantec Research & Urban-Econ calculations

Figure 2.18 and figure 2.19 below show a decline in importance of the mining sector as a source of formal employment, from 20% in 2000 to 10% in 2007, as a result of retrenchments between 1996 and 2000 when mining was experiencing a decline. Most of the other sectors retained their relative importance, with only slight increases/declines in percentage contribution to formal employment. The Manufacturing and Services sectors declined slightly (from 15% in 2000 to 14% in 2007), while the construction sector remained fairly constant at 4%. Trade sector employment increased with three percentage points (from 13% in 2000 to 16% in 2007).

Figure 2.19 WRDM Sectoral employment, 2007



Source: Quantec Research & Urban-Econ calculations

The only sector to show a marked increase in formal employment between 2000 and 2007 was the Finance sector (from 10% to 19%). One of the reasons is the slight increase in the employment of the trade and catering sector which would, in turn, increase the number of people needing banking services and thus increase the demand for financial services, causing the Finance sector to employ more people to meet the demand of services. The Agricultural sector is a relatively large source of formal employment, and also exhibited a slight increase in employment (7% in 2000 and 8% in 2007). In contrast, the Transport and Communications sector makes only a small contribution to formal employment (2% in 2000 and 3% in 2007). The electricity and water sector employs the least proportion of the employed.

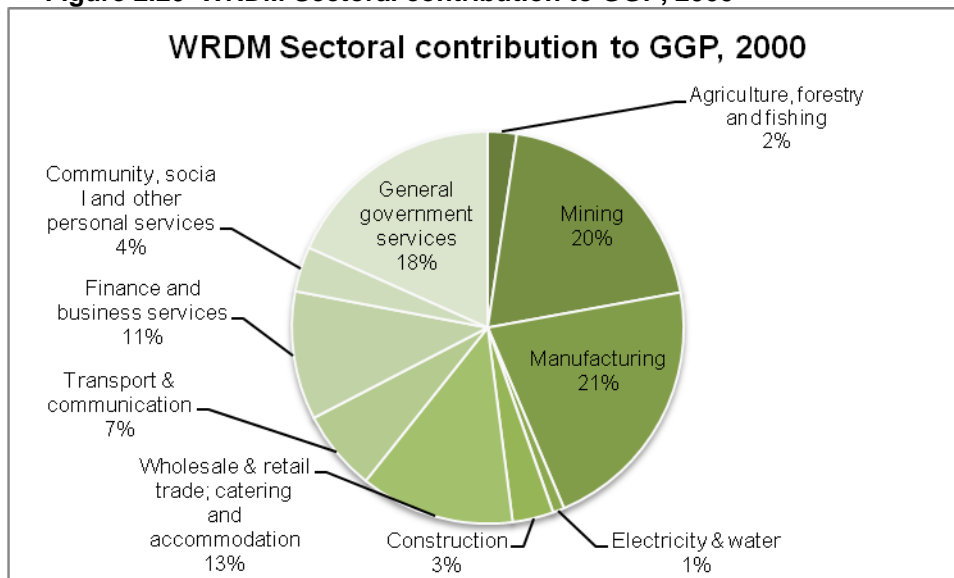
2.4.3 Sectoral analysis

Figure 2.20 and figure 2.21 show the percentage contribution of each sector to the Gross Geographic Product (GGP) of the WRDM in the years 2000 and 2007.

In 2000, the four most important economic sectors were Manufacturing (21%), Mining (20%), Government services (18%) and Trade (13%). By 2007 a sectoral shift had occurred, with the four

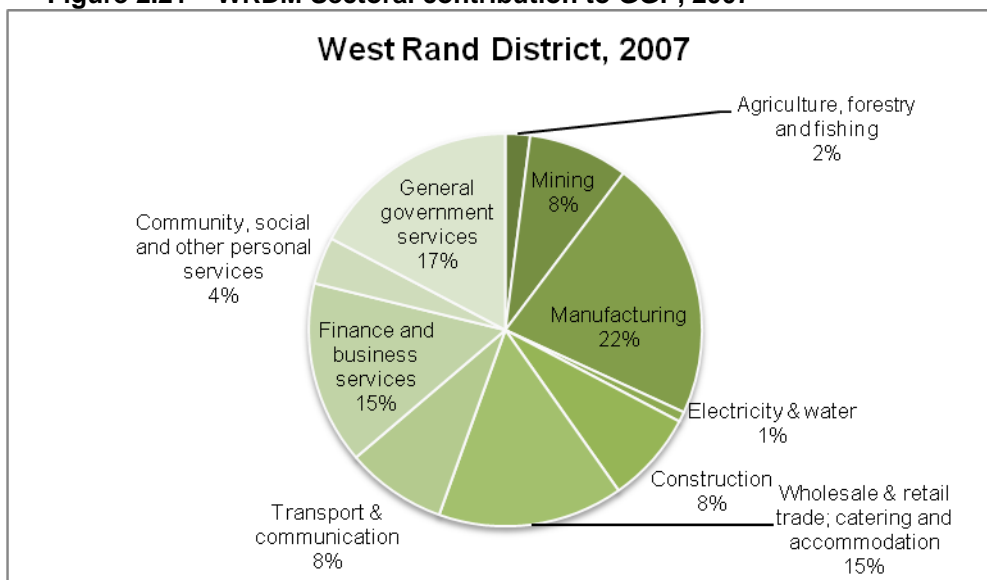
most important sectors being Manufacturing (22.5%), Government services (17.7%), Trade (15.6%) and Finance (15.6%) as illustrated in figure 2.21. The decreased contribution of the Mining sector is a result of the general decline in the mining industry over the past decade, and highlights the danger of an economy being over-reliant on a primary commodity industry. The Agricultural and Utilities (Electricity and Water) sectors were the two smallest contributors to the GGP of the West Rand in 2007, at 2% and 1% respectively.

Figure 2.20 WRDM Sectoral contribution to GGP, 2000



Source: Quantec Research & Urban-Econ calculations

Figure 2.21 WRDM Sectoral contribution to GGP, 2007



Source: Quantec Research & Urban-Econ calculations

In the following sections, the profile of each economic sector is discussed separately for the West Rand District.

2.4.3.1 Agriculture

This sector includes agriculture, hunting and related service activities. It comprises activities such as the growing of crops; market gardening and horticulture, mixed farming of animals, hunting, trapping and forestry and fishing and fish farms.

The table below shows that the agriculture sector has remained stagnant from 2000 to 2007 as shown by the fact that the contribution and growth percentages have not varied much.

Table 2.2 Agriculture (status and trends)

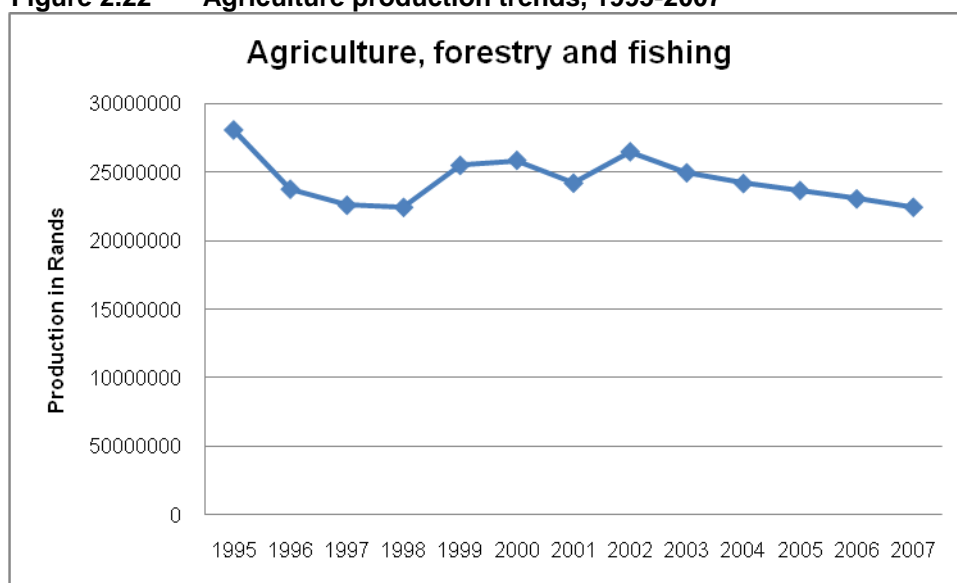
Variable	Value
Contribution to GGP: 2000	2.4%
2007	2.0%
Growth: 1995 – 2000	-1.6%
2000 – 2007	-2.0%
Location Quotient	1.9

Source: Quantec Research & Urban-Econ calculations

The countrywide electricity shortage could reduce production in this sector. In order to produce normal volumes, more labour could be required as some farming machinery and cooling/storage facilities will not be able to remain operational at all production times. Although agriculture contributes 2 percent to production, its contribution to WRDM employment is 8 percent, which shows that the sector is already labour intensive. Therefore, profits in this sector could be eroded, since labour is costly in South Africa.

The trend graph, figure 2.22 on the next page also shows that production in the agricultural sector has been relatively constant.

Since the WRDM has a comparative advantage in this sector, developing and supporting this sector should be a priority in the LED process. The WRDM is close to the huge Gauteng consumer market and to the Lanseria Airport, which potentially could be used for the export of fresh produce.

Figure 2.22 Agriculture production trends, 1995-2007

Source: Quantec Research & Urban-Econ calculations

2.4.3.2 Mining

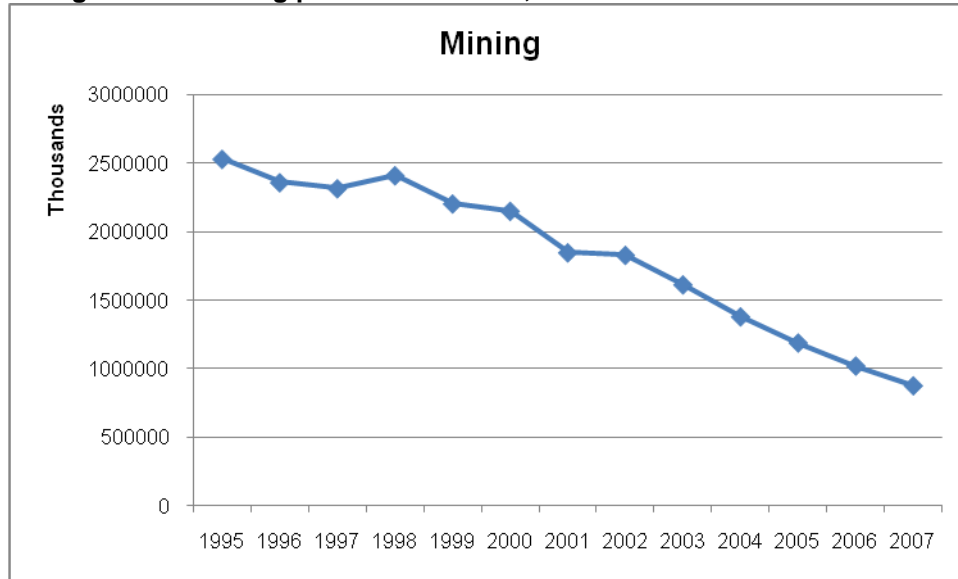
This sector includes the mining of minerals, quarrying of stone, the extraction of clay and sandpits, the extraction of fuels and gas, and service activities incidental to the mining of minerals.

Table 2.3 Mining (status and trends)

Variable	Value
Contribution to GGP: 2000	19.8%
2007	7.7%
Growth: 1995 – 2000	-3.2%
2000 – 2007	-12.0%
Location Quotient	1.8

Source: Quantec Research & Urban-Econ calculations

This is the key sector of the sub-regional economy. In 2000, mining contributed 19.8 percent, now it contributes less than 8 percent of the total WRDM production. Its contribution to employment in the WRDM also decreased from 20 percent in 2000 to 10 percent in 2007 (Figures 2.18 and 2.19). This shows a drastic decline in this sector, despite its comparative advantage. The decline was a result of low mineral prices between 1996 and 2005, as well as rising labour costs, while the national energy crisis will cause a further decline in mining sector production.

Figure 2.23 Mining production trends, 1995-2007

Source: Quantec Research & Urban-Econ calculations

Unless other energy sources are found, the mining sector in the West Rand could be severely negatively affected, which is unfortunate as the sector has the area's strongest comparative advantage. Generators are costly to run so while the price of gold has been high in the past three months (as South Africa is one of the world's biggest gold producers), profits would be eroded by the high costs of running generators. Moreover, generators have now increased in price as there is a high demand countrywide for them.

This crisis further demonstrates the dangers of an over-reliance on one sector. There is therefore an urgent need to diversify by growing other sectors within the WRDM.

2.4.3.3 Manufacturing

This sector includes the manufacturing of goods, products and beverages. It also comprises the production, processing and preservation of meat, fish, fruit, vegetables, oils and dairy products; grain mill, starches and tobacco products; textile products; spinning, weaving; and petroleum products and nuclear fuel. It is the biggest contributor to the production of the WRDM.

Table 2.4 Manufacturing (status and trends)

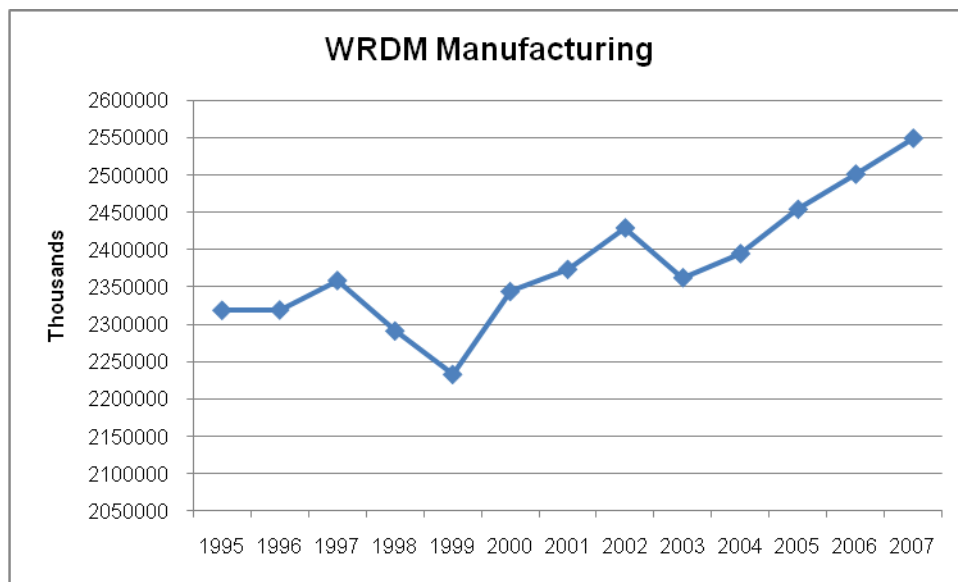
Variable	Value
Contribution to GGP: 2000	21.5%
2007	22.5%
Growth: 1995 – 2000	0.2%
2000 – 2007	1.2%
Location Quotient	0.4

Source: Quantec Research & Urban-Econ calculations

There has been steady growth in this sector, as shown by the one percent growth rate between 1995 and 2007. This growth is clearly illustrated by the trend graph, figure 2.23. The main goods manufactured in the WRDM are food products, plastic products, building materials, metal products, machinery and motor vehicle accessories.

This sector contributes 14 percent to formal employment, making the manufacturing sector the third largest employer in the West Rand. The LED process should therefore expand the manufacturing sector by increasing the production base. In order to avoid income leakages, products should be those that are required by other sectors and industries within the WRDM, although they should not be limited to that market only.

Figure 2.24 Production trends in manufacturing sector, 1995-2007



Source: Quantec Research & Urban-Econ calculations

The manufacturing sector is also likely to be affected by the fact that Eskom cannot meet the energy requirements of the country at the moment. Therefore, labour intensive and energy saving manufacturing methods should be sought and implemented wherever possible.

2.4.3.4 Electricity

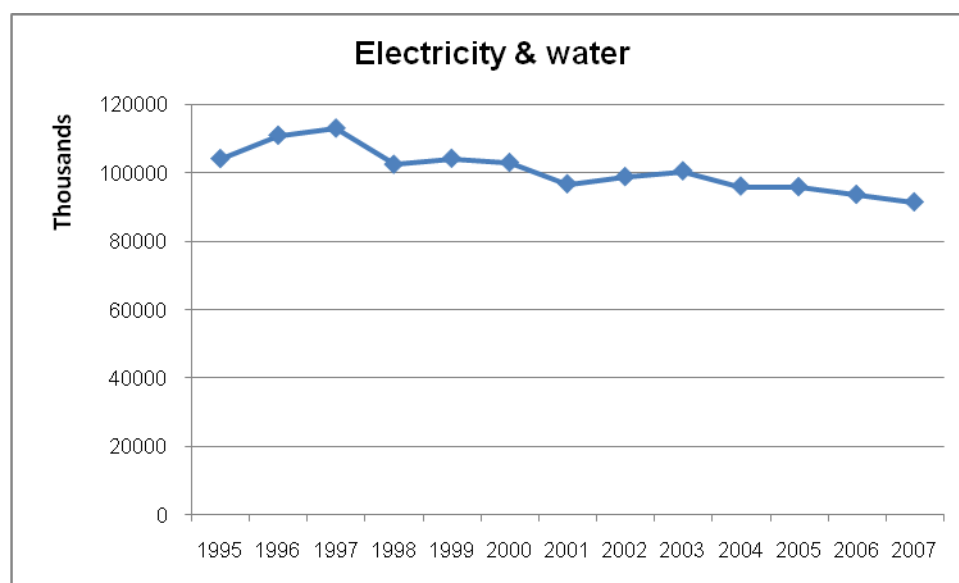
This sector includes electricity, water and gas. It comprises the production, collection and distribution of electricity, the manufacturing of gas, distribution of gaseous fuels through mains, and the supply of steam and hot water. This sector is of an infrastructural nature and it provides a vital role in supporting and powering the entire spectrum of economic activities.

Table 2.5 Electricity (status and trends)

Variable	Value
Contribution to GGP: 2000	0.9%
2007	0.8%
Growth: 1995 – 2000	-0.2%
2000 – 2007	-1.7%
Location Quotient	0.1

Source: Quantec Research & Urban-Econ calculations

Figure 2.25 Production in electricity and water sector, 1995-2007



Source: Quantec Research & Urban-Econ calculations

The contribution of this sector to the West Rand economy is relatively insignificant and its contribution to employment is less than one percent. Table 2.5 and figure 2.24 growth trends show that there is no growth in the electricity and water sector. Although Eskom is seeking labour for its expansion, this may not affect the WRDM as it has a no comparative advantage in this sector, shown by the location quotient of 0.1.

Action for local economic development at this stage would involve the facilitation and/or enablement of urgent research into alternative sources of electricity. Long term plans should be to sub-contract the provision of energy to various providers in order to reduce the burden on the country's energy parastatal.

2.4.3.5 Construction

The construction sector includes construction, site preparation, and the building of complete constructions, civil engineering, building installation and completion, and the renting equipment with operators.

Despite the fact that the WRDM has a low comparative advantage in this sector, table 2.6, it is a growing sector. The growth rate has increased from 4.1 percent between 1995 and 2000, increasing its contribution to the West Rand GGP from 3.4 percent in 2000 to 7.7 percent in 2007. This growth (see figure 2.25) has been achieved with no increase in its relative contribution to employment within the West Rand.

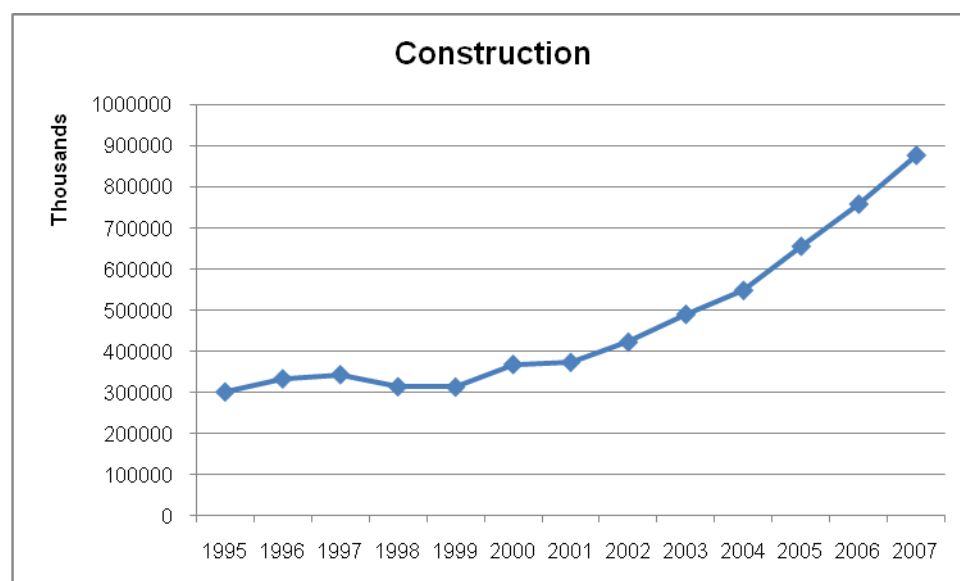
Table 2.6 Construction (status and trends)

Variable	Value
Contribution to GGP: 2000	3.4%
2007	7.7%
Growth: 1995 – 2000	4.1%
2000 – 2007	13.2%
Location Quotient	0.6

Source: Quantec Research & Urban-Econ calculations

In line with ASGISA, there has been widespread construction countrywide. However, with the increasing costs of building materials and power cuts, the growth in this sector could start to slow down.

Figure 2.26 Production in construction sector, 1995-2007



Source: Quantec Research & Urban-Econ calculations

The LED process should look at obtaining maximum benefit from the upward growth in this sector, as there is still more construction required in the WRDM.

2.4.3.6 Trade

Trade entails wholesale and retail trade; personal and household goods; sale, maintenance and repair of motor vehicles; hotels and restaurants, and other provision of short-stay accommodation.

Table 2.7 Trade (status and trends)

Variable	Value
Contribution to GGP: 2000	12.7%
2007	15.6%
Growth: 1995 – 2000	2.8%
2000 – 2007	3.6%
Location Quotient	0.3

Source: Quantec Research & Urban-Econ calculations

The trade sector has also experienced an increase in its growth rate, from 2.8 percent (1995-2000) to 3.6 percent (2000-2007) as shown in table 2.7 above. Its contribution to the GGP of the West Rand has also increased from 12.7 percent in 2000 to 15.6 percent in 2007. Trade has also increased its contribution to employment from 13 percent in 2000 to 16 percent in 2007. This is despite the fact that the West Rand does not have a comparative advantage in this sector, with a location quotient of 0.3.

Figure 2.27 Production in trade, 1995-2007



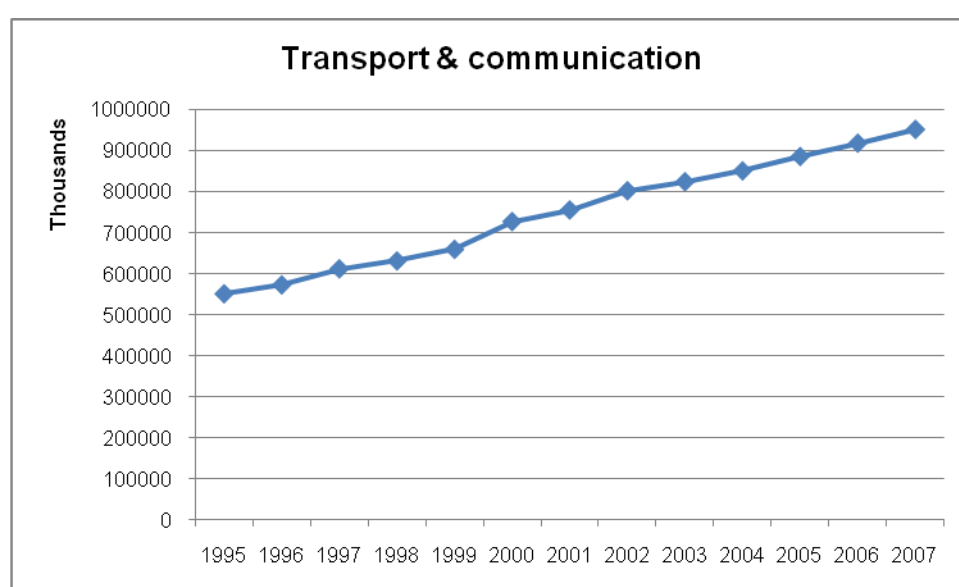
Source: Quantec Research & Urban-Econ calculations

It should be noted that, as trade is a sector which derives its demand from other sectors, its growth can be attributed to growth in sectors such as manufacturing and construction. Therefore, the growth of other sectors in LED will cause trade to grow.

2.4.3.7 Transport

The transportation sector comprises land transport, road transport, water transport and transport via pipelines, air transport activities and supporting services; post and telecommunications, and courier activities and storage.

Figure 2.28 Production in transport and communication, 1995-2007



Source: Quantec Research & Urban-Econ calculations

Figure 2.27 shows that there has been steady growth in the transport sector, from 1995 to 2007, in the WRDM. However, the growth was greater between the years 1995 and 2000, than between 2000 and 2007 as shown in table 2.8. This sector employs only 3 percent of the workforce in the WRDM. Its contribution to GGP only increased by 1.7 percent to 8.4 percent in 2007. The WRDM has no comparative advantage in the transport sector.

Table 2.8 Transport (status and trends)

Variable	Value
Contribution to GGP: 2000	6.7%
2007	8.4%
Growth: 1995 – 2000	5.7%
2000 – 2007	3.9%
Location Quotient	0.3

Source: Quantec Research & Urban-Econ calculations

This industry should be grown. When the roads are poor and the railway network is weak, it has a negative effect on investment in the area as investor would rather choose different locations with more efficient transport linkages. The N17 freeway, which will provide access between West Rand and Johannesburg, will soon be constructed.

2.4.3.8 Finance

This sector includes financial intermediaries, insurance and pension funding, real estate activities, renting of transport equipment, computer and related activities, research and development; legal, bookkeeping and auditing activities; architectural, engineering and other technical activities; and business activities not classified elsewhere.

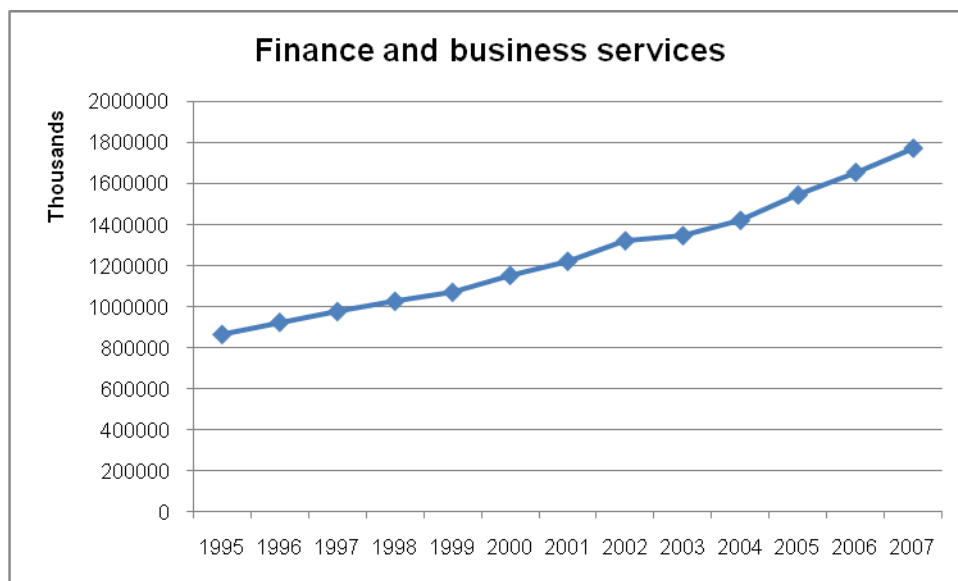
Table 2.9 Finance (status and trends)

Variable	Value
Contribution to GGP: 2000	10.6%
2007	15.6%
Growth: 1995 – 2000	5.9%
2000 – 2007	6.3%
Location Quotient	0.2

Source: Quantec Research & Urban-Econ calculations

Finance and Trade was estimated to be the third largest contributors to West Rand GGP in 2007. The increased growth in the finance sector, although starting from a low base, is as a result of derived demand from the operations of the manufacturing and trade sectors. The WRDM does not have comparative advantage in this sector, local quotient 0.2.

Figure 2.29 Production in finance and business services, 1995-2007



Source: Quantec Research & Urban-Econ calculations

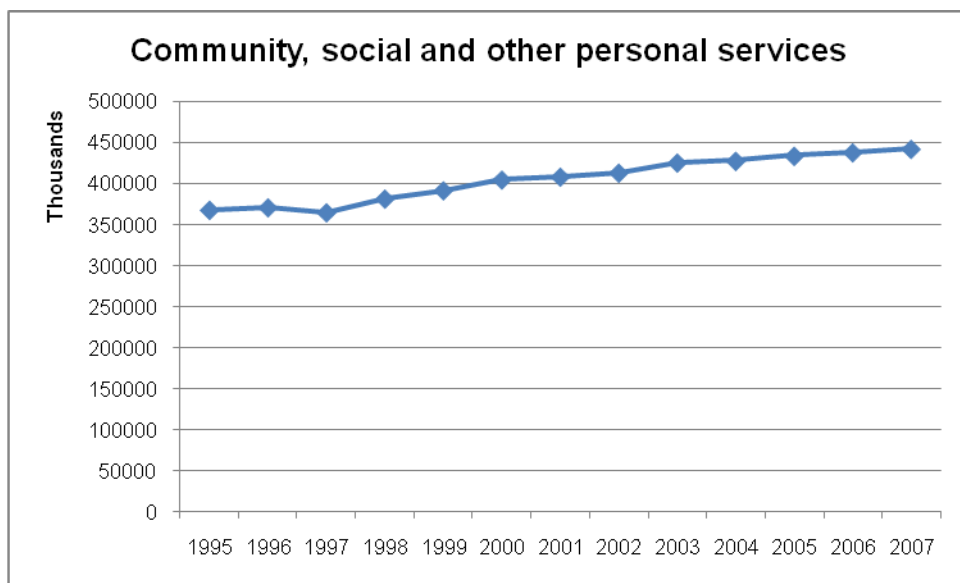
Figure 2.28 above shows how the finance and business services sector grew from 1995 to 2007. There was also a growth in its contribution to employment in the WRDM from 10 percent in the year 2000 to 19 percent in 2007.

The implications of these trends for LED are that, as other sectors achieve growth, the benefits of that growth will also be experienced in secondary sectors such as finance and trade.

2.4.3.9 Community, Social and Personal Services

This sector comprises community, social and personal services. It includes all services of a non-governmental nature. Therefore, it includes activities of membership and professional organisations, trade unions, recreational organisations, entertainment and news providers, and libraries.

Figure 2.30 Production in services, 1995-2007



Source: Quantec Research & Urban-Econ calculations

The stable production levels are shown in figure 2.29 above. Table 2.10 below shows that there has not been any significant change in the services sector. Its contribution to WRDM production increased by 0.2 percent between the years 2000 and 2007 from 3.7 percent.

Table 2.10 Community, social and other personal Services (status and trends)

Variable	Value
Contribution to GGP: 2000	3.7%
2007	3.9%
Growth: 1995 – 2000	1.9%
2000 – 2007	1.3%
Location Quotient	0.3

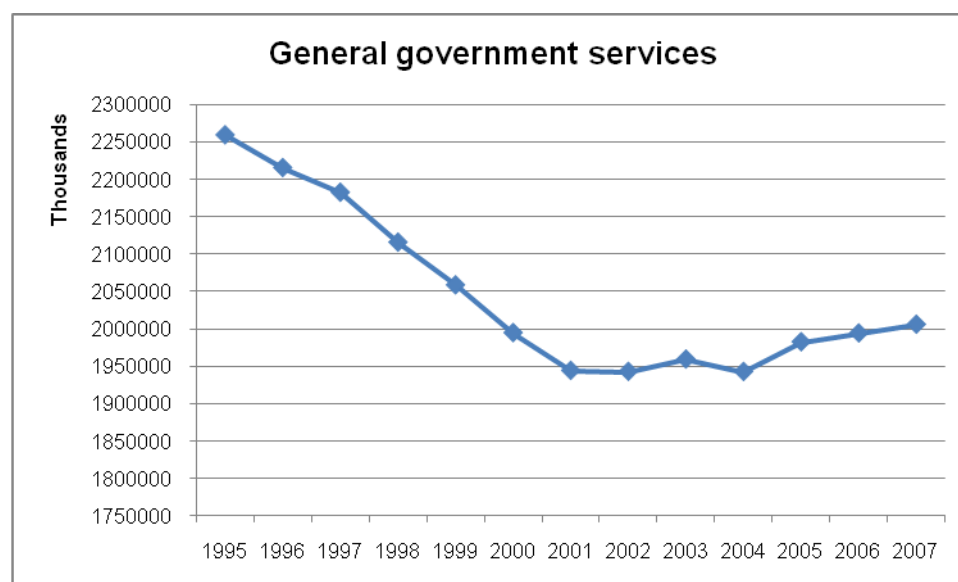
Source: Quantec Research & Urban-Econ calculations

This sector has a low location quotient. However, its contribution to formal employment (13 percent) is higher than that of e.g. the construction sector (4 percent). The fact that the contribution to employment is higher than the production contribution (3.9 percent), shows that the activities within this sector are labour intensive.

2.4.3.10 Government Services

This sector includes national, provincial and local government. The government sector comprises public administration and defence, compulsory social security, administration of the state and social policy of the economy, foreign affairs, public order and safety, education, health and social work.

Figure 2.31 Production in government services, 1995-2007



Source: Quantec Research & Urban-Econ calculations

Table 2.11 Government services (status and trends)

Variable	Value
Contribution to GGP: 2000	18.3%
2007	17.7%
Growth: 1995 – 2000	-2.5%
2000 – 2007	0.1%
Location Quotient	0.4

Source: Quantec Research & Urban-Econ calculations

Presently, according to the growth figures in table 2.11 above, this sector is stagnant. Figure 2.30 shows that this stagnation came after a period of decline from 1995 to 2001. Limited funds and resources hamper government activities in the area, thus curtailing effective service delivery. The WRDM has no comparative advantage in this sector, indicated by the low location quotient, 0.4. However, government services contributed 17.7 percent to the West Rand District's production, a slight decrease from the contribution in 2000 of 18.3 percent with only the manufacturing sector contributing more to WRDM production. Nevertheless, this sector was one of the largest contributors to overall production. This shows that there is great reliance on the tax-payer's funds in the WRDM.

2.4.3.11 Conclusion

The West Rand economic production is being contributed to by sectors which have a low comparative advantage. The above analysis shows that if the two primary sectors with a comparative advantage, agriculture and mining, are supported adequately greater economic growth can be achieved in WRDM.

The agricultural sector is characterised by low productivity relative to its importance in employment. Agricultural productivity and value-added by the activities in agriculture need to be addressed in the LED Strategy.

The main weakness of the WRDM economy is that it has a comparative advantage in mining where it is vulnerable to fluctuations in mineral prices. There are also weak linkages between the sectors as the transport, electricity and manufacturing sectors could work to serve the primary sectors, mining and agriculture.

The manufacturing sector is the most important sector in terms of production, but not in employment. In addition, while the contribution of manufacturing to production has increased, its

contribution to employment has decreased over the same period. The same phenomenon is found in the construction sector, though its contribution to production increased, its contribution to unemployment remained unchanged. This indicates a need for more labour-intensive manufacturing and construction activities that can positively impact on employment.

The electricity sector's contribution both to production and employment was insignificant. The finance, business services and trade sectors showed strong growth in the West Rand District, in terms of both production and employment, while growth in the transport sector has been slow.

The services sector is a large source of employment, but a small contributor to production. The LED Strategy must address productivity concerns in this sector. The government services sector contribution to production and employment is also high, which shows a heavy reliance on government by the West Rand District Municipality.

Therefore, the LED strategy must encourage growth in the private sector so that the economy can run smoothly, with government intervention only in the provision of public goods such as roads, traffic lights and safety and security.