



INCLUSIVE SOCIETY INSTITUTE

Op-ed

Challenges and solutions for local economic development in the City of Ekurhuleni By Nondumiso Sithole

Local Economic Development (LED) is a grassroots-based approach to economic development that encourages people to work together towards improved quality of life for all. At the heart of a successful LED policy is a partnership between the business sector, community interests and the local government.

The Constitution of the Republic of South Africa (1996) recognises and endorses the importance of local government as a crucial instrument to pursue economic development. Section 152 and Section 153 (a) state that "a municipality must structure and manage its administration, and budgeting and planning processes to give priority to the basic needs of the community, and to promote the social and economic development of the community".

To pursue LED, municipalities are legally required to have Integrated Development Plans (IDPs). For instance, the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) has the primary aim of providing all spheres of government with a framework relating to the establishment of policies and systems for planning and land use management.

The mammoth task to promote LED and provide basic services as required by the Constitution has not only put local governments under severe pressure, but also under scrutiny by the communities that they are meant to serve. And few more so than the Ekurhuleni Metropolitan Municipality.

Known as the City of Ekurhuleni, the region is one of the largest metropolitans in the Gauteng province and one of six metropolitan municipalities in South Africa. It is also one of the most densely populated regions in Gauteng, with a population of over 3,3 million, which comprises a youthful skills base. Ekurhuleni's economy makes up 21% of the total economic output of the Gauteng province, equalling 7.7% of the national production. Manufacturing in the municipality accounts for just below 20% of Gauteng's GDP and 28% of the total production. Due to this large concentration of industry in relation to figures nationally, and even in Africa, the municipality is often referred to as "Africa's Workshop". The OR Tambo International Airport, which is a vital asset, positions the municipality as an international aviation node. Furthermore, the municipality has sophisticated logistics and distribution infrastructure within its jurisdiction. With much going for it, the municipality has a bold vision for social and economic transformation.

The above would lead one to think that the municipality is a thriving economic hub. Unfortunately, the reality is that Ekurhuleni is filled with poverty-stricken communities and has become an area where there is a low education rate, which has led to a skills shortage. The IDP of the municipality demonstrates that the unemployment rate in Ekurhuleni increased from 26.6% in 2006 to 29.7% by 2015, meaning the unemployment in Ekurhuleni has consistently been higher than the provincial and national figures. This all points to a lack of vigorous LED, which continues to be a key factor in the region's underperformance.

The local government of the City of Ekurhuleni faces a myriad of challenges. The city's informal sector – including businesses such as the car washes, shisa-nyamas, salon stalls, etc. – do not have adequate support for their survival, let alone to thrive as sustainable businesses contributing to economic growth. A key challenge has been to uplift small informal businesses in townships and to register them as formal private businesses. In addition, there are serious material and economic inequalities within the municipality, including the disparity in investment between the informal business sectors in the townships versus the businesses in the formal sector, or mainstream businesses. The disturbing phenomenon of buildings in the inner town or cities being “hijacked” and operated by criminal characters is a grievous obstacle to attracting investors. Ekurhuleni loses millions in revenue as a ramification of illegal occupation and misuse of municipal infrastructure by consumers who do not pay for services.

Spatially, Ekurhuleni was never planned as a single functioning unit. Instead, it was formed as nine separate and independent local authorities with different needs, resulting in a municipality that is fragmented. Crucially, the apartheid settlement patterns persist, where the residential areas are situated on the periphery of the urban areas, often far away from job opportunities and social amenities.

And then there is the continued migration of people in search of employment, which has led to increased informal trading, much of which remains unregulated. The rapid growth of the city's forced urbanisation has the potential implication of over-population, which directly affects the city's ability to plan, budget, and deliver services to its citizens. Moreover, the competition for over-stretched resources could have unpalatable social and economic implications for citizens, its institutions, and its ability to respond timeously and adequately.

Despite the challenges, strategic thinking and a coordinated response might see a new dawn in the region. With a focus on working together, the city should not be slow to engage big industrial players to obtain an understanding of how they have been able to navigate challenges such as the pandemic. Such interaction would assist the city to best ascertain how to assist them, thus ensuring their continued existence in the LED region and securing of jobs.

Untapped resources should be explored. For instance, agriculture is an undervalued sector that ought to be re-evaluated. The city, like other municipalities, is lagging in strategically repositioning agriculture as a sector that can provide viable economic and growth opportunities rather than merely being a subsistence sector. On the plus side, there has been steady progress in respect to the municipality making land available for farming purposes, with 11 farms handed over to successful bidders in August 2021.

Another major tool for development is the newly drafted Gauteng Township Economic Development Bill, which is aimed at redrafting how townships are regulated and governed to transform them into zones of widespread job-creating commercial activity. Elements of the Bill include setting up procurement rules and programmatic support that will allow government and its main contractors to buy from large groups of township-based firms, together with the establishment of a Small and Medium-Sized Enterprises (SME) Fund.

Ekurhuleni is still a major economic and social role-player in South Africa by means of its strong industrial characteristics and contribution to the national economy, and the size and extent of its population. The municipality contributed 19.67% to the Gauteng GDP of R1.7 trillion in 2018 and is projected to grow at an average annual rate of 1.75% from 2018 to 2023. To continue – but more importantly, to strengthen – its ongoing development, the City of Ekurhuleni must develop robust economic development policies and provide sustainable support for building technical abilities,

capacity in terms of appropriate skills, resources and infrastructure. A coordinated approach is required to ensure both the formal and informal sectors in the city reap the benefits of successful local economic development.

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