With research support from:

Economic Development in Municipalities

Case Study Development

City of Johannesburg

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1. Introduction

The South African Cities Network (SACN) and the South African Local Government Association (SALGA) have commissioned a follow-on phase to an original study exploring the economic development function in municipalities. The first phase of the study highlighted that economic development is not an isolated function and not the sole responsibility of the Economic Development Department, or Local Economic Development unit, but rather serves as a transversal municipal function. In addition, the study identified that imbedding and economic development focus within the economic development-planning-skills nexus of municipal functions is central to the ability of local governments to facilitate economic growth across the formal and informal economy spectrum.

With a focus on inclusive economic development in metropolitan cities, the study objectives of this follow-on phase are described as follows:

- Understand the municipal economic development institutional status quo within each case study, with an emphasis on how inclusive economic development relates to the institutional status quo;
- Inform subsequent work in which comparative and individual City diagnostics can be undertaken towards a design process for establishing general and specific organisational and institutional guidance on optimising an inclusive economic development function in cities.

Where the previous study developed case studies of four municipalities representing different municipal typologies (i.e. metropolitan, secondary city, small town, and district municipality), this phase of the study has focussed exclusively on three metropolitan cities, namely: the City of Johannesburg (CoJ), the City of Cape Town (CoCT), and eThekwini Metropolitan Municipality. Comparing similar cities with each other allows for the identification of trends, and opportunities to take forward into subsequent work on optimising the inclusive economic development function on cities. This case study report is focused on the City of Johannesburg Metropolitan Municipality.

1.1. Case study approach

Due to the complexity of economic development and challenges around its definition, this case study aims to understand the municipal approach to inclusive economic development through developing an understanding of the direct function (i.e. institutional function), as well as the diffuse function (i.e. systems function), to understand where these metropolitan municipalities have successfully mainstreamed inclusive economic development across a range of municipal functions. To develop these case studies, the following approach was adopted:

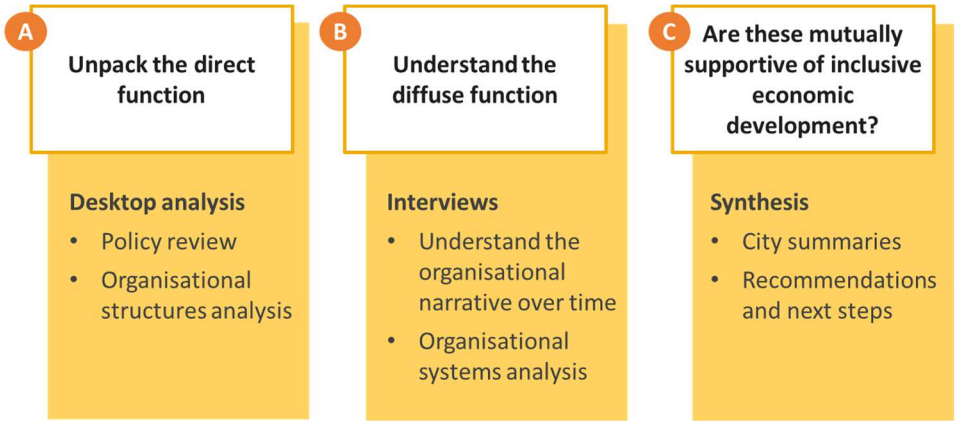

Figure 1: Study approach

In order to develop this understanding of how inclusive economic development is internalised within the municipality, this case study report presents a discussion of the following:

- Socio-economic profile: This chapter begins with a brief unpacking of the current status of the local economy and history of the spatial form of the region. This includes a description, the municipal socio-economic context (i.e. unemployment, education, demographics, etc.), the drivers of the local economy, and how the municipality fits in to the broader spatial economy of neighbouring regions and Kwa Zulu Natal more broadly.

- Municipal economic policy review: This chapter identifies local policies, frameworks, and studies which have been developed in response to the local economy, and should highlight the municipality's intentions regarding its economic development objectives. Through this discussion, this chapter provides insight into how the municipality articulates the strategic aspects of the inclusive economic development function.

- Organisational structures analysis: This chapter explores the organisational structures designed to implement the strategic policy response to economic development within the municipality. In addition, the historical narrative is explored to understand how the municipal interpretation of the economic development function as evolved over time and may potentially continue to evolve into the future.

- Towards institutional indicators for implementation: Based on the understanding of the municipality's objectives and organisational response, the institutional review aims to understand how the case study cities have successfully mainstreamed inclusive economic development within the municipal system, and the relationships or preconditions which support these successes. This closing chapter provides a closing summary of the key discussions and findings, providing a summary of where the city has successfully mainstreamed the inclusive economic development function within its organisation.

2. Socio-economic profile

The City of Johannesburg Metropolitan Municipality is situated in Gauteng province, has population of 4.9 million people, and covers an area of 1 645km^2 (IDP 2017/18: 8). The City of Joburg is the largest city in South Africa, and the provincial capital of Gauteng, the wealthiest province in South Africa. The City's primary economic sectors are: finance and business services, community services, manufacturing and trade.

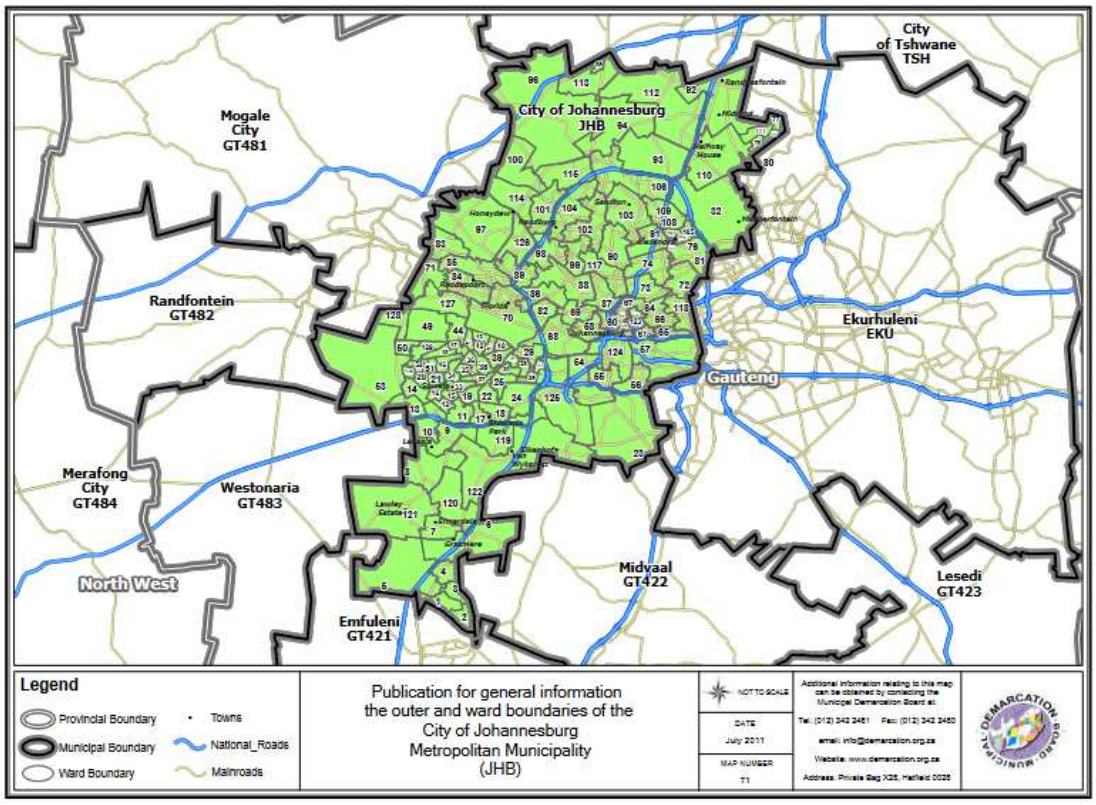

Figure 2: City of Johannesburg locality map (Demarcation Board, 2016)

The economic history of City of Johannesburg (CoJ) tells a story of how a land locked savannah hinterland moved through the economic development continuum to become the economic powerhouse of Southern Africa. From being entirely dependent on the extraction of raw materials in the late 19th century, to shifting towards the secondary sector in the 20th century and being a fast mover in supplying services to consumers and businesses in the 21st century. The CoJ today, is a conglomerate of economic activity which is crucial for a developing country such as south Africa. The economic development picture of the CoJ portrays growth through succession and interaction of sectors and the resulting positive effects. Although the city's economic growth has been positive, economic inclusivity is still at infancy with the CoJ adopting various strategies in order to improve inclusivity. The economic history and development of the CoJ challenges the associated stereotypes with stagnated growth in the African continent.

The gold rush of 1886 set the tone for economic development of the CoJ (City of Johannesburg, 2016). The discovery of the Main Reef in Langlaate was a momentous discovery that set off the world's greatest gold rush attracting people from across the sub-continent and around the globe, and giving rise to a fast-growing urban centre. With the

goldrush, the CoJ surfaced as a strong primary sector as a result the city become the focal point of South Africa's economy.

Within the space of 14 years from 1886, COJ transformed into a largest town in Southern Africa, as well as the country's leading centre for industry and commerce (City of Johannesburg, 2015). As a mining complex, industries and commerce activates soon followed leading to a diversified range of economic activities. The diversification and growth transformed CoJ's into a secondary sector city with interaction with the primary sector. Today, the economic outlook of the CoJ is dominated by the tertiary and secondary sector economic activities (financial sector, community services, trade and accommodation and manufacturing). As the South African city with the highest economic outputs, attracts job-seekers and economic immigrants both from within and outside of South Africa's borders. Estimates show that COJ receives approximately 3 027 migrants each month (IDP 2017/18: 8).

The CoJ Economic Development Strategy, 2015 depicts the sectoral growth trends in the City (Table 1). It is evident that the city has grown considerably from 1996 to 2013. Additionally, Table 1 reinforces how the city has transformed in the economic development continuum from being reliant on the extraction of raw materials (primary sector) to being dominated by community services and finance (tertiary sector).

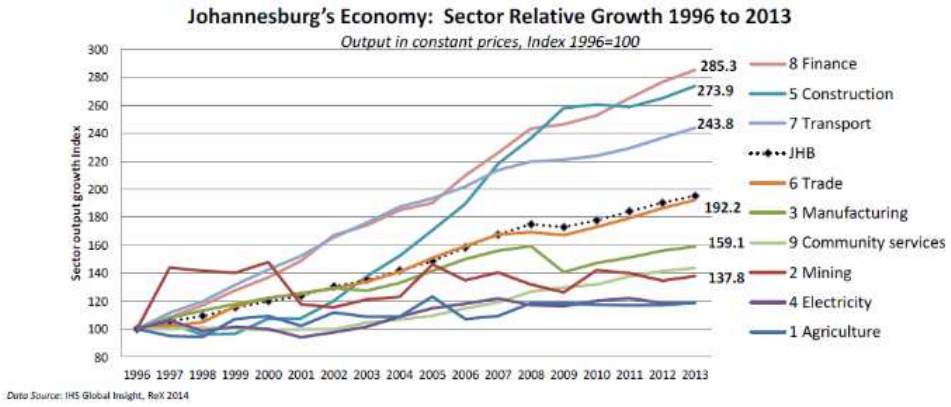

Figure 3: Economic growth trends for the City of Joburg (GDS, 2015)

In summary, the COJ enjoys the economic strengths and strategic advantages, as well as considerable challenges to economic development. As described in the City's Economic Development Strategy and IDP (EDS, 2015: 13; IDP 2017/18: 73), key strengths supporting economic development include:

- Local market scale: The population of COJ represents approximately 9% of the national population.
- Money and people are attracted to the City: The perceived opportunities for work seekers, and those seeking improved livelihood opportunities, and access to services, means that the City is attractor for economically active groups.
- Latent and realised agglomeration effects: While COJ is the largest city in South Africa, with a relatively diversified economy, it benefits from the economic activities of the broader, highly urban Gauteng City Region (including Tshwane and Ekurhuleni).
- Globally recognised city, as a financial hub, and entry point into neighbouring African markets: As such the City is viewed as a viable location for corporate access to Southern Africa and wider African continental

opportunities. Further, the strong financial sector is considered to boast high levels of integration to global markets, and be supported by strong local institutions including good regulatory and market infrastructure.

On the other hand, challenges to economic development diversified by the City include:

- Significant distance from blue water ports and Southern Regional markets: Mitigate the challenges this presents, the City needs to ensure that efficient transport, logistics, and ICT networks are critical to the efficient functioning of high volume trade and development.
- Inadequate skills base and inefficient spatial form: Labour productivity in COJ is noted as being lower than that in comparable global cities. Further, the inefficient urban form also contributes to the ability of the City compete on issues of attracting investment.
- The formal economy is focussed on non-tradable goods (service sector) and is typically more skills intensive: Continued growth in skills intensive non-tradable good sectors, exacerbates the challenges of including lower work seekers with a lower skills base into the City's formal economy.
- Need to reinvigorate the manufacturing industry: Connected to the previous point regarding inclusion of lower skilled worker seekers, the decline of tradable goods and manufacturing sectors presents an on-going challenge.
- Provision of municipal infrastructure is challenge due to demand side issues: aging infrastructure

With these opportunities and challenges in mind, the following chapter provides a high-level review of key policies and plans relating to the economic development in the City of Joburg, exploring to what extent inclusive economic development is considered.

3. Municipal economic policy review

The following high-level review of municipal strategies and plans relating to inclusive economic development are reviewed against the economic development-planning-skills nexus high-lighting the functions of the economic development, spatial planning and asset management, and social upliftment through skills development and training. From the perspective of seeking to mainstream inclusive economic development as a transversal function within metropolitan municipalities, the starting point and emphasis of this policy discussion is to what extent economic development, specifically inclusive economic development, is prioritised in municipal strategies and plans.

3.1. Provincial growth and development strategy, 2005

The Gauteng province has achieved considerable change in its economic outlook since 1994. However, the province continues to experience the challenges of high levels of unemployment and poverty. Uneven and skewed growth and development has resulted in some geographic areas and some sections of our population benefiting from our successes more than others. The GDS addresses economic development through a practical framework to substantially raise the economic growth rate and create substantial numbers of sustainable jobs over the next decade.

In promoting growth and development, the GDS has 12 main mechanisms of which 3 are pertinent for economic development namely:

- *Investment & support to targeted economic growth sectors*. Six growth sectors and clusters are identified: smart Industries, trade and services, tourism, agriculture (agri-processing and biotech) manufacturing and infrastructure expansion and investment. The targeting was based on the potential and opportunities that these sectors offer in terms of nominal and real investment growth, value added growth, employment growth and productivity (value added/employee). Specific business plans will be developed for ideas generated through this consultative process.

- *SMME support* contributes to job creation and poverty reduction. SMME support through investment will ensure the reintegration of marginalised sectors and transformation of transformation of the economic sector in terms of representation and meaningful economic participation of black people, women, people with disabilities and youth.

- *BBBEE promotion and support* is the main mechanism for ensuring transformation of, and equal representation at all levels within the economic sector. Because of the legacy of apartheid, the SMME sector is dominated previously disadvantaged sectors of our society, particularly black people. BBBEE promotion and support should complement SMME development.

The focus of these mechanisms is to increase investments and support to sustain and accelerate growth of the economy ensure the integration of the previously excluded precipitants into the mainstream economy and the benefits of growth are shared. Government is the main catalyst for providing opportunities (funding related) SMME development and BBBEE are the only interventions for transformation of the economic development landscape. When summarized the economic development approach is one geared towards acceleration of SMME development

transformation and equity through BBBEE deals and investment into target sectors. One cannot simply deduce as to where most attention is given.

3.2. GDS 2040

The City of Johannesburg developed its first Growth and Development Strategy (GDS) in 2006, as a long-term strategy – an articulation of Johannesburg's future development path. At the time, there were numerous strategies, including, amongst others: 'Joburg 2030', the Human Development Strategy (HDS), the Integrated Transport Plan and the City Safety Strategy. Each addressed a different angle of the city's development. The GDS provided the opportunity to consolidate all of these into a single cross-City strategy. It also served as the conceptual foundation for the five-year Integrated Development Plan (IDP). The intention of the GDS was to frame the IDP, charting long-term ambitions, strategies and overarching decisions relating to prioritised areas of focus.

The Joburg 2040 GDS is described as an aspirational strategy that defines the type of society the city seeks to achieve, by 2040. The strategy restates the City's resolve in confronting the past injustices created during Apartheid, working towards a democratic, non-racial, non-sexist and just City while simultaneously confronting present and future challenges as they emerge. To achieve this vision and align all municipal planning, the GDS contains the following:

- A vision and mission – which serves as a mental picture of Joburg, the city, by 2040;
- Principles – the values held by the City, as first articulated in the 2006 GDS;
- Outcomes – what the City seeks to achieve by 2040;
- Long-term outputs – the deliverables through which the City plans to achieve the desired outcomes; and
- Indicators – the measures through which the City plans to assess progress against its desired outcomes.

3.3. Integrated Development Plan

Within the framing of the GDS the 2017/18 revision of the CoJ IDP has a strong focus on economic development, as described by the 5 pillars of the IDP:

1. Grow the economy and create jobs,
2. Enhance quality of life by improving services and taking care of the environment,
3. Advance pro-poor development that provides meaningful redress,
4. Build caring, safe and secure communities,
5. Institute an honest, responsive and productive government.

From an economic development perspective, the City is focused on facilitating development and attracting investment. However, the 2017/18 review of the IDP firmly places economic development at the fore of City objectives, seeking "to create an enabling economic environment by making Joburg more responsive in the delivery of quality services", where the primary outcome is "to grow the economy to create jobs". To realise these objectives "the city envisions its role as creating an environment where businesses want to invest, where entrepreneurship can thrive and where government is supportive and enabling. Skills development and facilitating access to opportunities for people seeking employment is an important feature role the City can play" (IDP, 2017/18: 6).

The is approach argues that developmental challenges face by CoJ that can be addressed through industrial transformation, spatial transformations, global identity transformation, and institutional transformation. This means the city's economic approach is geared towards establishing small business incubators in all industry nodes to expand the small business sector and improve small business; attracting and retaining enterprise investment in the City, the development of township economies and eradication of the spatial legacy of apartheid towards a fully-inclusive society and economy. Furthermore, strengthening the role of the state realisation of new growth corridors; to win the battle against unemployment and economic exclusion, we will mobilise and support an army of co-operatives, and small to medium enterprises (SMMEs) and enhancing competition. Creation of partnerships with stakeholders in the private sector and enable new kinds of economic activity, including ICT, the green and blue economy, and shifts within the energy mix.

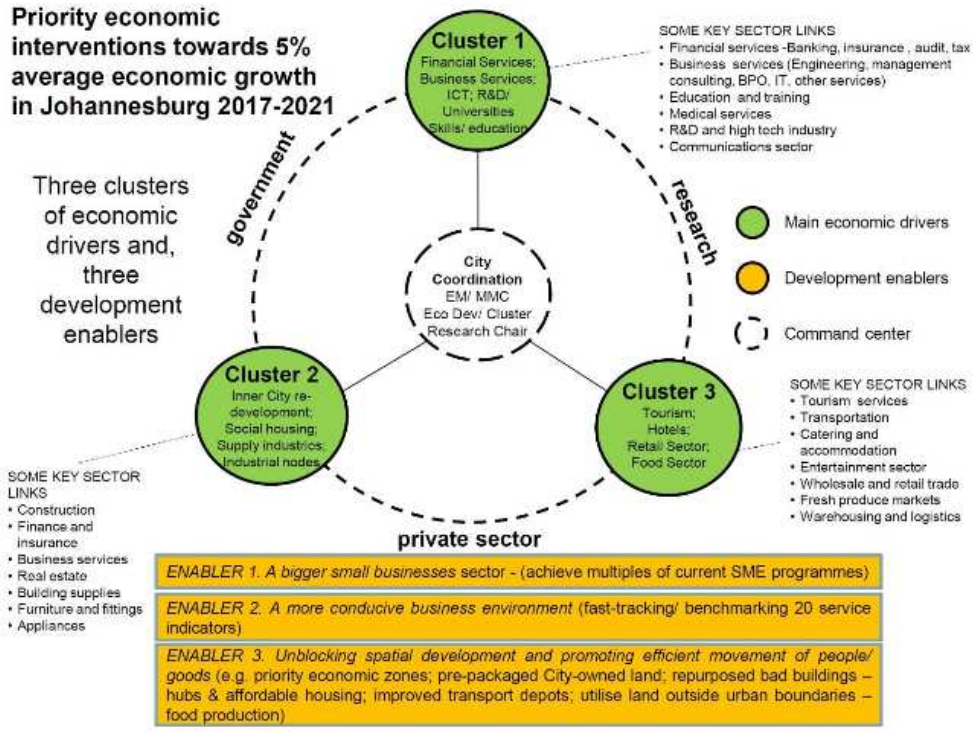

Figure 4: Plan to elevate City of Joburg economic real growth to 5% per annum (IDP 2017/18: 77)

An important to realise these objectives, and part of the IDP, is the Capital Investment Framework (CIF) reflects the medium term (3 year) investment priorities of the City. The Capital Investment Framework is a component of the City of Johannesburg's Integrated Development Plan (IDP). Significantly, the CIF seeks to direct future public and private investment, by aligning capital budget requirements of departments and entities to priority areas, defined in the Joburg 2040 Growth and Development Strategy (GDS), Spatial Development Framework 2040 and the Integrated Development Plan.

3.4. Spatial Development Framework 2040

Taking the lead from the GDS 2040, the Spatial Development Framework seeks to address five major issues in Johannesburg's spatial and social landscape, namely:

- Increasing pressure on the natural environment and green infrastructure;
- Urban sprawl and fragmentation;
- Spatial inequalities and the job-housing mismatch
- Exclusion and disconnection emanating from: high potential underused areas (such as the mining belt and the Modderfontein area); securitisation and gated developments, and disconnected street networks (high cul-de-sac ratios and low intersection densities);
- Inefficient residential densities and land use diversity.

Adopted on by council 23 June 2016, the SDF 2040 (Spatial Development Framework) is based on a spatial vision for CoJ which describs the future polycentric Johannesburg will bring jobs to residential areas and housing opportunities to job centres rather than merely transporting people between the two. It will create complete nodes where people can live work and play that are efficiently connected by public transport. It will bridge spatial and social barriers and build a framework for a spatially just city.

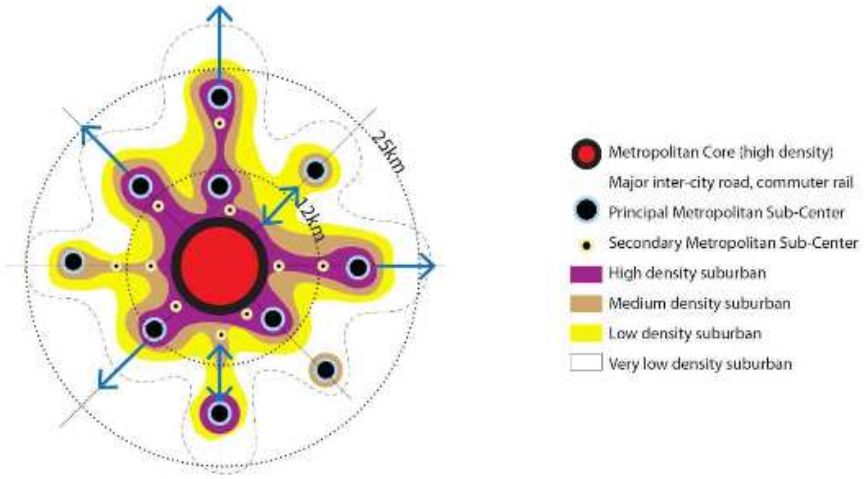

Figure 5: Traditional Polycentric City Model - Urban Morphology Institute (CoJ 2040 SDF)

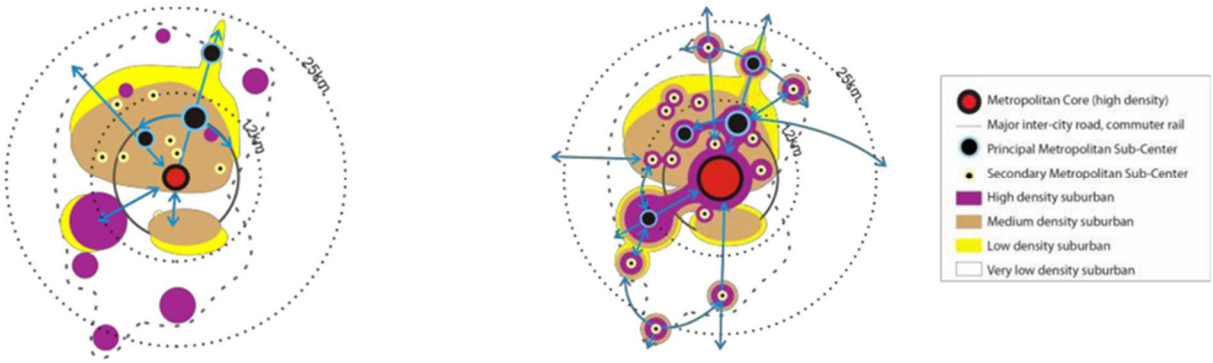

Figure 6: (a) Current structure; (b) future city model (compact polycentric urban form)

Significantly, the city is seeking to align its capital investment with the spatial narrative to unlock the economic potential of the city. Measuring urban performance. And implementing a spatially directed capital investment focus. The CoJ has designed the SDF as central to its economic development policy.

3.5. Economic Development Strategy, 2015

The economic development strategy draws from the Joburg 2040 Vision and 2016-21 IDP vision for the municipality, describing a development plan to shape the economic development path for the CoJ with a focus on the following:

- *Creation of priority economic zones in the city* – the focus is on attracting new business and expanding on existing capacity.
- *Creation of business clusters in priority sectors and areas* – the focus is on the formation of collaborative clusters of linked businesses, suppliers and associated institutions boosting the productivity of firms, create more growth and opportunities for employment and contribute to the economic growth and resilience of precinct and sectors.
- *Establish additional Small Medium Size Enterprises Hubs in the city*- this is key for economic transformation and economic growth. The focus is on SMME development supported by City procurement policies as well as the funding and establishment SMME hubs targeting ICT and Green technology.
- *Service delivery for business* – enhancing basic services that are most important to businesses and investment. This means the city must propagate urban management in order to attract firms to city. Drawing and retaining new firms to the city will depend largely on the city's urban management and ability to meeting the firms basic operating needs
- *Fast-tracking decision making for large, job-creating investments*- this entails expediting administrative processes related to economic development (access to land, clearing certificates, business licensing etc.), assist investors in accessing available incentives. Fast tracking threshold, inward investments into the CoJ of over R 1 Billion or creating over 5000 jobs will be eligible for fast tracking.

Aligned to the City's vision Joburg 2040 seeking to address the key challenge of "the lack of traction in critical systemic processes in economic development which in various wats slow progress in addressing the economic and economic challenges facing the city".

3.6. Synthesis

The metropolitan municipality's strategy documents provide a focus on economic development, emphasising how influencing the spatial economy is a central component of achieving economic development objectives. In exploring how these policies and plans seek to support economic development, the following is highlighted:

- Shift in focus: It is clear that there has been a shift in focus from the 2016-21 IDP to the 2017/18 IDP revision. The revision presents a strategy that is more concise with a clear economic development focus which seeks

to address both the need for the city to continue attracting investment, and at the simultaneously, address growing unemployment and low skilled populations by boosting the industry-specific work opportunities.

- City within a region of cities: From a planning perspective, the economic logic of COJ must address it's role with the broader Gauteng City Region.
- Planning alignment: The City's capital budget planning is directly aligned to the City's development strategy and priorities referred to in the Joburg 2040 Growth and Development Strategy, the Integrated Development Plan (IDP) and the Spatial Development Framework 2040 (SDF). The SDF outlines the City's spatial developmental strategy and provides the basis for Spatially Targeted Investment Areas (STIAs).
- Budget alignment is key consideration: The allocation of capital over the MTEF ensures that at least 60% of the capital budget is directed at poor communities over the MTEF (IDP 2017/18: 198).
- Investment focus: Economic development attracting investment is top of the list of objective sin the mission, and implementation. Seeking 5% growth per annum (IDP 2017/18: 199).
- Municipal levers to influence economic development: It is clear that the two key levers have been identified to influence economic development are economic (infrastructure and maintenance) and spatial development (social housing, transport).

4. Direct function: Organisational review

The following discussion of municipal organisational structures relating to inclusive economic development reviews these structures against the economic development-planning-skills nexus, highlighting where the functions of the economic development, spatial planning and asset management, and social upliftment through skills development and training are located within the municipal organisational structure. From the perspective of seeking to mainstream inclusive economic development as a transversal function within metropolitan municipalities, the starting point and emphasis of this organisational structures review is how the land management functions (i.e. spatial and land use planning, and land asset management), relate to direct economic development functions.

This chapter provides (1) an overview of the municipal organisational structure, highlighting functions that directly relate to inclusive economic development, (2) a deep-dive into the direct economic development structures to understand the scope of these, and (3) a review of how these direct economic development functions, or other departments, are structured to influence the mainstreaming of a transversal economic development function within the municipality. The chapter results in a synthesis which supports the development of institutional indicators for the successful implementation of inclusive economic development.

4.1. Organisational overview

The structure of Department of Economic Development in the CoJ is described as per Figure 7 below, and Figure 8 describes organisational structures focussed on the economic development function.

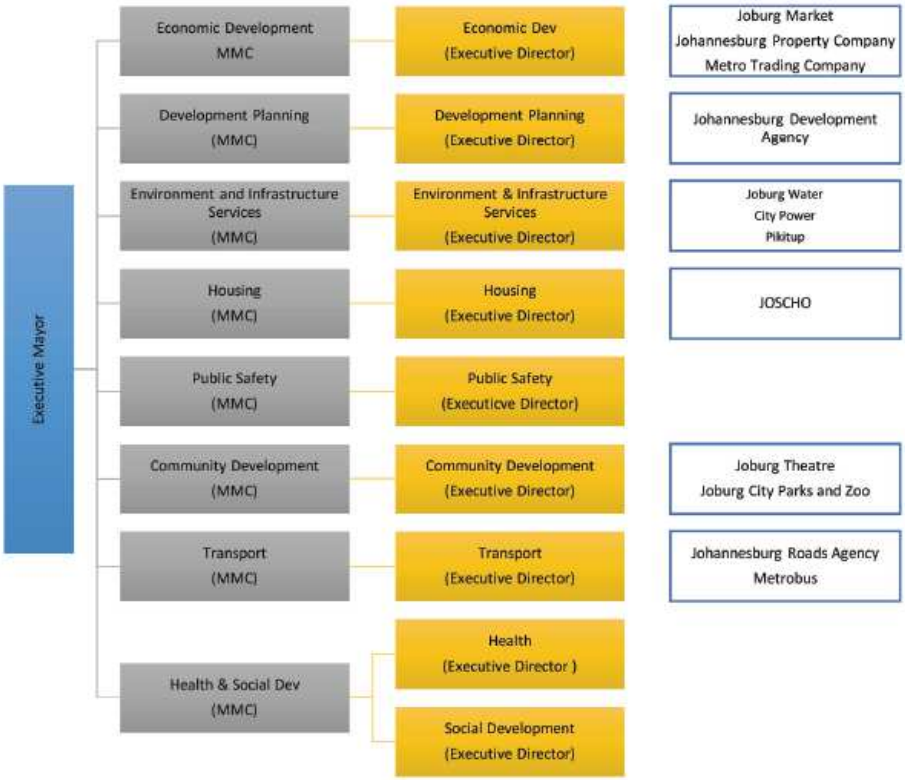

Figure 7: Overall executive municipal structure of the City of Joburg

In addition to the executive function, the CoJ Group functions is a further layer of executive management in the City of Johannesburg which ensures alignment and consistency in the strategic approach and implementation across the core departments and municipal entities. The Group functions are illustrated in the diagram below, and Group Heads report directly to the City Manager. These structures are designed to support oversight and performance management roles of the City Manager within the City structures.

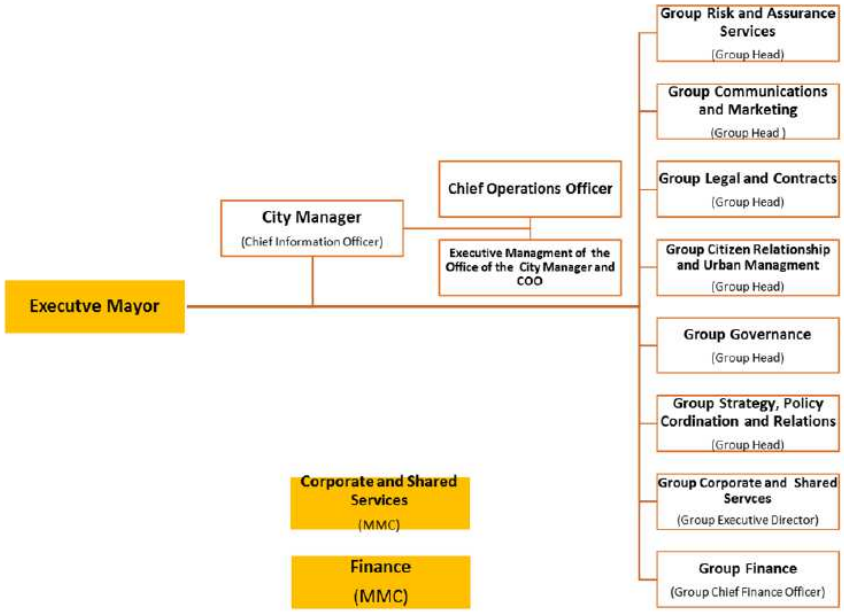

Figure 8: Group functions, CoJ (IDP, 2017/18)

4.2. Economic development departmental overview

While the municipal functions overall contribute to economic development within the municipality, the Economic Development Cluster drives the Economic Development Strategy. The following section unpacks each of the core functions of each department:

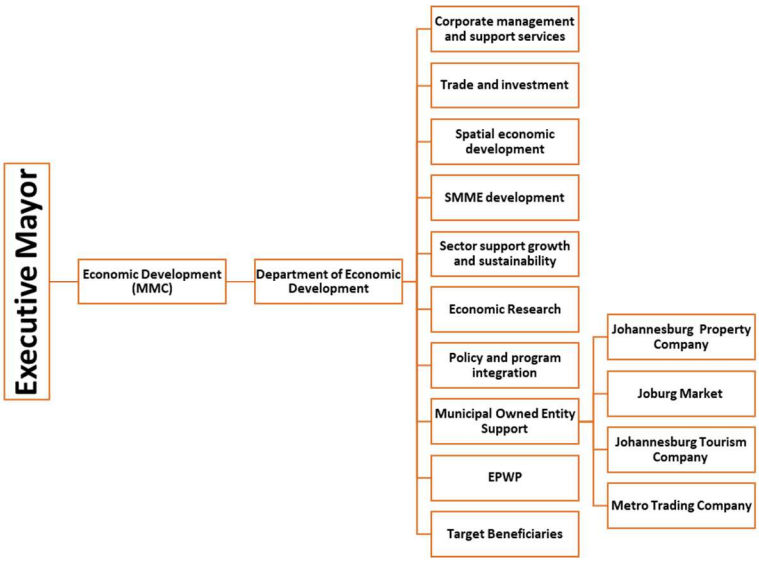

Figure 9: COJ Department of Economic Development organigram (IDP 2017/18: 49)

- *Corporate management and service unit* is located in the office of the executive director with the following key functions: provision of strategic and other support services to management; monitoring of

implementation of programmes and compliance; evaluation of programmes and projects; performance management business and operational planning; stakeholder management and general office administration and management (City of Johannesburg , 2017).

- *Trade and investments directorate unit* is responsible for export development by providing training to SMME's in order to increase their export capabilities furthermore assisting with marketing, trade exhibition support and providing market research on export opportunities. Investment promotion through fast tracking decision-making processes offering attractive incentives for investors such as the Urban Development Zone tax incentive and building partnerships with stakeholders to define what the City can do over the longer term to help consolidate, protect and enhance Johannesburg's position as an internationally recognized finance and business centre.
- *Spatial economic development unit* is accountable for the identification, planning and facilitation of interventions in marginalised, declining and priority economic areas in the city. Identifies economic developments needs trends and levers within the city, designing and promoting economic development area plans for marginalised areas, promoting of investment in declining nodes within the city, developing of nodal economic plans in areas such as Gautrain nodes and economic precinct plans; implementing economic development interventions and incentives in priority areas and refurbishing delipidated areas through the City's Better Buildings Programme.
- *SMME development unit* actively participates in the shaping of the city's economy by shaping the conditions for accelerated local economic growth that is sustainable and to ensure that benefits and opportunities are equitably spread to all SMME's. the directorate oversees the flowing SMME projects Jozi Skills Hub.
- *Sector support, growth and sustainability unit* is mandated for creating an enabling environment for key city industries that have the potential to significantly contribute to job creation, skills development, establishment and growth of small medium and large business and support BBBEE with in the seven regions of the city. Furthermore, the directorate is mandated to enhance the competitiveness of the city's priority economic sectors and ensure that they can compete within a global, continental and international scale. The direct offers support to business sectors that are emerging declining and performing which will benefit the city's private and business citizens.
- *Economic Reseacrh unit* provides high quality policy oriented research and provide evidence-based economic policy advice to enable the city to achieve its broad mandates of significantly transforming and growing the economy. The unit provides trend analysis of economic development in relation to the mandate of the CoJ. As the CoJ economic policy think tank, the units assist in the development, formulation, implantation monitoring and evaluation of the City's economic strategy and the PGDS.
- *Policy and program integration unit* has 3 key functional areas namely: Policy Development Sub-unit; Program integration sub-unit; and Economic regulations sub-unit. The latter sub-unit determines the regulatory cost of doing business within the city of Johannesburg, ensures compliance with the city's by laws form an economic development perspective cascading of national and provincial laws to a city level and researches and recommends the review of certain inhibiting laws and regulations.
- *Municipal owned- entities support, finance and administrative services* unit provides finance and administrative support services within the department of economic development in the following key areas: budget management and financial planning, procurement and payments, asset management and insurance,

administration and logistic, MoE oversight and service delivery monitoring and innovative research and development support of new MOE initiatives. The unit takes responsibility for oversight in respect of the following municipal-owned entities Joburg Market, Johannesburg Property Company; Johannesburg Tourism Company Metro Trading Company.

- *EPWP unit* drives the EPWP initiative by government which aims to reduce unemployment and alleviate poverty by creating jobs coupled with training utilising public sector budgets. The CoJ EPWP policy includes the operations of all the City of Johannesburg's Municipal Owned Entities (MOEs). The unit to coordinates, monitors and evaluates progress in the implementation of EPWP projects. An EPWP steering committee has been established which is responsible for the overall EPWP coordination within the City. The steering committee is chaired by the executive director of economic development and representatives from all the city departments and MOEs attend monthly meetings.
- *Target Beneficiaries unit- HE Targeted Beneficiaries Unit (TBU*) was established in April 2008 under the department of economic development to implement the ex-combatant's policy. It is one of the important units within the City of Johannesburg together with the expanded public works programme unit. The unit makes significant interventions and mobilise resources on behalf of ex-combatants, ex-political prisoners, people with disabilities, the youth and women in the City to create a sustainable social and economic life for these beneficiaries. The unit successfully integrates them into sustainable job opportunities in the City, at municipal owned entities, at government entities and with various other stakeholders. This way sustainable business opportunities are created for them across the board.

4.3. Economic development-planning-nexus

In order to, understand how the case study cities, differ in their approach, a high-level review of the economic development-planning-skills nexus in each city was mapped. In CoJ, it is noted that the while the Development Planning Directorate is outside of the Economic Development Directorate, the later includes a Spatial Economic Development Unit (describe above), and is responsible for oversight of municipal entities, including the Johannesburg Property Company (JPC).

Figure 10: City of Johannesburg direct economic development function

4.4. Synthesis

To, understand how the case study cities, differ in their approach, a high-level review of the economic development-planning-skills nexus in each city was mapped. In CoJ, it is noted that the while the Development Planning Directorate is outside of the Economic Development Directorate, the later includes a Spatial Economic Development Unit (describe above), and is responsible for oversight of municipal entities, including the Johannesburg Property Company (JPC). Further, the organisational structures a whole strongly related to economic development. Out of the 10 units, 8 are mandated to perform specific functions and responsibilities in order to promote economic developed thus fulfil the pro-poor growth objective. The EPWP directorate is responsible for upskilling and empowering individuals.

5. Diffuse function: Systems review

This chapter seeks to understand the institutional drivers of the inclusive economic development agenda within the eThekwini Metropolitan Municipality and how these enable the diffuse, transversal aspects of the inclusive economic development function, through (1) a review of the evolution of the economic development function, (2) identifying key municipal drivers of the economic development function, (3) understanding perspectives of successful inclusive economic development approaches and initiatives.

5.1. Evolution of the economic development function

Understanding the evolution of the economic development function within municipal structures is a useful indicator of how the function has been interpreted and prioritised over time, and has the potential to provide insight and lessons into how cities could successfully implement the inclusive economic development function into the future.

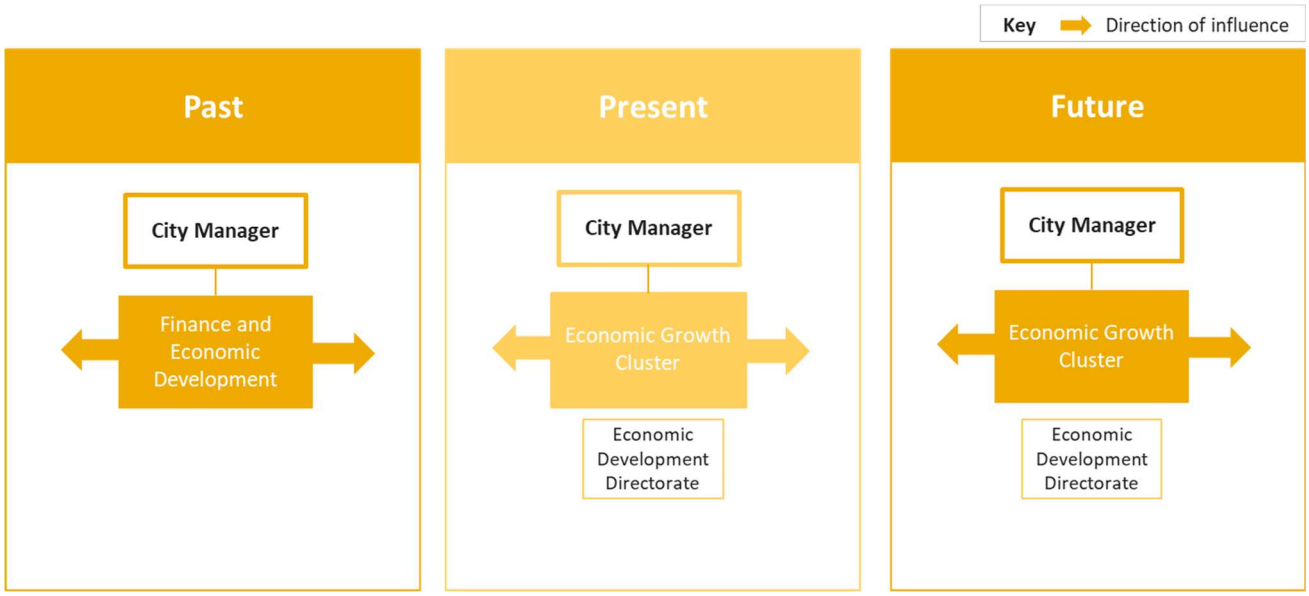

Figure 11: Evolution of the CoJ economic development function

As per Figure 11 above the evolution of the economic development function can be described as follows:

- Past: Evidence of a Finance and Economic Development Department (IDP, 2006). The city then moved towards a clustered approach, separating the economic development department from the Finance and creating the Economic Growth Cluster including: Economic Development, transport, Development Planning, Joburg market, and Metrobus.
- Present: Economic development objectives are considered through ongoing monthly cluster meetings, which are emphasised as a key integration tool. The Economic Growth Cluster consists of Development and Planning, Risk Assessment, Transport, Legal, Johannesburg Development Agency, and Governance. All decisions are tabled and critiqued at this level. Approved decisions are elevated and presented to the cluster committee thereafter the mayoral committee where they are signed off or rejected. The decision-making process is lengthy because a single decision must be elevated two levels above for a decision to be made on

it. A key challenge to a successful diffuse economic development function in CoJ is that CoJ departments continue working in silos preventing the integration of economic development into every aspect of the CoJ, and it is reported that as a result the Economic Development Directorate struggles to laterally influence other departments.

Currently the Economic Development Directorate engages with other departments however on an adhoc, project basis. For example, the Directorate engaged with Housing to ensure that RDP houses being built included labour employed throughout the EPWP programme.

- Future: The Economic Development Directorate seeks to be more interactive with other departments within the city of Johannesburg. The economic development emphasis of municipal planning is an opportunity to better integrated economic development objectives into planning and decision-making across City governance and service delivery structures. The City's future approaches to inclusive economic development involves expanding on the current models which promote economic developed and generate job opportunities. However, the focus remains on attracting investment and enabling environment for economic development and investment, through increased government spending on strategic infrastructure for BRT services, connectivity networks and freight logistics.

The evolution of the economic development in CoJ is characterised by two key aspects, (1) the integration of strategy land identification and development functions within the Economic Development Department; and (2) the impact of clustering key complementary functions at a decision-making level. Improvement in the effectiveness of the Economic Development Department to influence other decision-making processes under the guise of the GDS 2040 and its focus on economic development as the primary objective, may have significant potential realise the prioritisation and mainstreaming of inclusive economic development within the municipality. However, through the policy review, as well as the discussion of the direct and diffuse functions, it is clear that promotion of the informal sector is focused on trading and the provision infrastructure and facilities for traders, with the intention of providing opportunities for informal traders to become formal traders.

5.2. Identifying the municipal drivers of the diffuse function

The discussion regarding the evolution of the economic development function in the City of Joburg Metropolitan Municipality The following discussion highlights the key drivers of the inclusive economic development in the City of Joburg:

- Economic Development and Planning Cluster: The Economic Growth Cluster consists of Development and Planning, Risk Assessment, Transport, Legal, Johannesburg Development Agency, and Governance, and is central to ensuring economic development objectives are considered through this decision-making process.
- National programmes and incentives: The focus on EPWP and the inclusion of SMMEs though the PPFMA programmes, highlight the influence of national policy and grant conditions on inclusive economic development within the local sphere.

5.3. Municipal perspectives in successful inclusive economic development

The interpretation of success inclusive economic development is useful indicator to determine how inclusive economic development is interpreted as a concept and function. Key economic development successes identified by the City of Johannesburg Metropolitan Municipality are noted below:

- Identifying catalyst clusters in each of the 7 regions that can be upscaled because of their proven economic benefit and ability to generate job opportunities. The clusters are identified because of their financial and social spinoffs. For example, in Soweto the CoJ identified the fashion and textile cluster, and the Soweto Fashion Week is a flagship project within the Economic Development Directorate.

- The use of the preferential procurement process to support SMME development. The CoJ has directive on its procurement policy stating that if a certain project exceeds a certain amount then the contractor must ensure that they subcontract 30% of that project to an SMME. The manufacturing industry SMME's is benefitting greatly from the stringent monitoring observed to ensure that the directive is carried out.

- Re-stitching the city and identifying new growth corridors: The Corridors of Freedom initiative is aimed at re-stitching the city thereby readdressing apartheid city planning. Through the initiative residents can work, play stay within the same space without high travel costs. The transit-oriented developments BRT systems and REA Vaya are the heart of the corridors as they offer affordable mobility. There are three currently established namely Empire-Perth Corridor connecting Soweto to the CBD and Auckland Park, Louis Botha Corridor between the Joburg CBD, Alexander Sandton and Ivory Park, and the Turfontein Corridor along City Deep, freight and logistics hub. Due to the City's increased investments into the corridors they have become highly attractive to investors contributing to the establishment new anchor points of economic development. As a result, this initiative has contributed to increased economic activity and job opportunities in previously marginalised areas such as Soweto and Alexander.

- EPWP programme is an upskilling and empowerment programme. The programme is aimed at alleviating poverty and increasing job opportunities for the citizens of the city of Johannesburg. The programme makes use of public sector budgets to draw significant numbers of the unemployed into productive work whilst enabling these workers to gain skills. The City has committed unit to coordinate, monitor and evaluate progress in the implementation of EPWP projects. The City has an EPWP policy and implementation framework which was approved by council. Suitable projects are identified for the inclusion of the City's EPWP programmes.

- Jozi SME Hubs are centres of entrepreneurial support and excellence. Situated in each region -7 regions-the hub offers a stop shop to start-up and established entrepreneurs. The Jozi SME Hub model is unique in that each branch is strategically developed to address the needs of the local economy and business environment. The client has access to an array of services such as information on how to source for funding; legal advice, information on how to access business opportunities, internet access; networking opportunities; tender facilitation and access to the hubs facilities i.e. training rooms. Seven more hubs, model that they – hubs model for inclusive development focus.

6. Towards institutional indicators for implementation

Key considerations emerging from this case study on the mainstreaming of inclusive economic development in City of Johannesburg Metropolitan Municipality include the following:

- Visionary, integrated projects like the Corridors of Freedom are necessary to integrate strategically.
- The impact of national and provincial economic development programmes through grants and procurement guidelines are powerful interventions to facilitate inclusive economic development.