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WHERE THERE ARE NO JOBS: THE CHALLENGES OF DEVELOPMENT AT O.R. TAMBO DISTRICT MUNICIPALITY

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INTRODUCTION

- 19 years into democracy and we still have huge challenges of development:
 - Poverty
 - Unemployment
 - Inequality
- Rural development

LEGACY OF APARTHEID

- Legacy of apartheid includes;
 - Poverty
 - Inequality
 - Effects of migrant labour system
 - Isolation
 - Deprivation

DEVELOPMENT CHALLENGES IN A BIGGER CONTEXT

- In 1990/92 Sub-Saharan Africa accounted for 20 percent of the developing world's undernourished
- In 1990/92 there were 242 million people in Sub-Saharan Africa living on less than US\$1 per day
- By 2015 this number is expected to increase by 103 million

THE METAPHOR OF LOST KEYS

- Partial explanation:
 - Mr. X lost his keys in the dark. He was then seen by a policeman looking for them under the light. The policeman then asked Mr. X what he was doing and he told the policeman that he has lost his keys in the dark and so he was looking for them. If you lost your keys in the dark, then why are you looking for them here? Asked the policemen. Mr. X's response was that it is much clearer here under the light.

“CHALLENGES OF KNOWLEDGE ECONOMY”

- “Knowledge economies” are highly specialized and demand highly skilled workers
- By contrast, many rural areas at O.R. Tambo DM;
 - Concentrations of people with low skills
 - Characterized by high deprivation zones
- Our leadership and managers should increasingly help to spread development to parts of towns and rural areas that continue to lag behind
- Economic development planning skills and understanding of innovation systems

SUSTAINABLE LOCAL DEVELOPMENT

- Sustainable local development includes:
 - Human development
 - Economic development
 - Political development
 - Social development
- Analysis includes social, economic, political, history, history, culture, and institutional environment

KEY ACTORS IN LOCAL DEVELOPMENT

- Key actors include both formal (government structures) and informal (NGOs, CBOs) actors
- Key important elements include:
 - Knowledge, knowledge flows and knowledge resources
 - Human resources

KEY FOCUS AREAS

- Enhance the role of local government in local development
- Help accelerate integration of isolated localities
- Enhance democracy and democratic participation
- Build human capabilities

CONTEXT MATTERS

- O.R. Tambo District Municipality exists in a system of innovation and political economy
- South Africa's economy is largely driven by cities
- Towns and cities serve as concentrations of economic activity within the national spatial economy;
 - Economies of scale
 - Specialised business services
 - Infrastructure

CITIES AND HOMELANDS

- 71% of population live in cities and towns, particularly along the Coast, Gauteng, and Limpopo and account for 88% of all formal economic activity in the country
- 24% of the population live in and around homelands and produce 4% of all formal economic activity

METROS AND TRADITIONAL AUTHORITIES

- Traditional authorities control about 20% of country's land, 20% of population live there, and account for 3% of formal economic activity
- Six Metros account for 57% of all municipal spending

MORAL GEOGRAPHY AND POLITICAL ECONOMY

- Moral geography and political economy
 - Contextual and moral argument
- Rural areas contributed to the economic development of urban economies and cities
 - Through their labour
- Development of urban economies and cities occurred with parallel underdevelopment of rural areas and rural economies

DISTRIBUTION OF POPULATION BY PROVINCE

| • Province | % |
|--------------------|------|
| – Western Cape | 11,3 |
| – Eastern Cape | 12,7 |
| – Northern Cape | 2,2 |
| – Free State | 5,3 |
| – KwaZulu-Natal | 19,8 |
| – North West | 6,8 |
| – Gauteng Province | 23,7 |
| – Mpumalanga | 7,8 |
| – Limpopo | 10,4 |

AVERAGE ANNUAL HOUSEHOLD INCOME

| Province | Average Household Income |
|-----------------|---------------------------------|
| – Gauteng | 156 243 |
| – Western Cape | 143 460 |
| – Northern Cape | 86 175 |
| – KwaZulu-Natal | 83 053 |
| – Mpumalanga | 77 609 |
| – Free State | 75 312 |
| – North West | 69 955 |
| – Eastern Cape | 64 539 |
| – Limpopo | 56 844 |

UNEMPLOYMENT RATE BY PROVINCE IN 2011

| Province | Unemployment |
|---|---------------------|
| – Western Cape | 21,6 |
| – Gauteng Province | 26,3 |
| – Northern Cape | 27,4 |
| – North West | 31,5 |
| – Mpumalanga | 31,6 |
| – Free State | 32,6 |
| – KwaZulu-Natal | 33,0 |
| – Eastern Cape | 37,4 |
| – Limpopo | 38,9 |
| Republic of South Africa/ National | 29,8 |

% OF POPULATION LIVING IN POVERTY 2007 and 2010

| • Province | % |
|-----------------|------|
| – KwaZulu-Natal | 59.6 |
| – Gauteng | 45.1 |
| – Eastern Cape | 62.5 |
| – Limpopo | 62.9 |
| – Mpumalanga | 63.2 |
| – Western Cape | 37.1 |
| – North West | 58.6 |
| – Free State | 52.2 |
| – Northern Cape | 50.3 |

CONTRIBUTION TO PROVINCIAL GDP

| Municipality | % |
|--|----------|
| – Buffalo City Metropolitan Municipality | 23 % |
| – Cacadu District Municipality | 8 % |
| – Amathole District Municipality | 9 % |
| – Chris Hani District Municipality | 6 % |
| – Joe Gqabi District Municipality | 2 % |
| – O. R. Tambo District Municipality | 8 % |
| – Alfred Nzo District Municipality | 2 % |
| – Nelson Mandela Bay Metropolitan | 42 % |

COMPOSITION OF O. R. TAMBO DISTRICT MUNICIPALITY'S ECONOMY

- Primary sector 3 %
- Secondary sector 6 %
- Tertiary sector 91 %
- What does this situation mean for local economic development?

SOME OF THE CONSEQUENCES OF LACK OF DEVELOPMENT

- Ingquza Hill Local Municipality has;
 - Mortality rate of 88 per 1000 live births which is higher than the national average of 59 deaths.
 - Immunisation coverage is 58 % which is below the national average of 63 %.

A CASE FOR RURAL DEVELOPMENT

- Rural development includes both agriculture and non-farm sector
- Non-farm sector includes;
 - Infrastructure
 - Health
 - Transport
 - Water and sanitation







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LACK OF RURAL DEVELOPMENT

- A strong point about lack of rural development and its impact on:
 - Employment
 - Incomes
 - Educational attainment
 - Housing
 - Financial exclusion and lack of financial assets
 - Health and mobility.

RURAL DEVELOPMENT

- A strong point that:
 - Rural areas just like local municipalities are not homogeneous
 - Need for differentiated support
 - Unemployment holds back economic and social development
 - Unemployment represents unused productive potential and is a major cause of poverty and inequality

AGRICULTURE

- Importance of agriculture includes food security
- However, the development of agriculture tends to be driven by commercial interests rather than development outcomes
- Agricultural workers are among the least paid workers
- More rewarding development opportunities can be identified in the agricultural value chains

O.R. TAMBO DISTRICT MUNICIPALITY

- Strong economic and innovation argument
- Strong point about need to support the development of towns , skills development and improved access to job opportunities
- Identify the towns as:
 - Strategic actors in rural economic development
 - Spatial transformation
 - Emerging platforms for provincial economic growth
 - Linkages to mainstream economy

THE CASE OF INFORMAL ECONOMY

- The size of informal economy is estimated to be around R157bn
- 2.5 times the entire size of the agricultural sector
- 70 percent of the mining sector.
- The trade sector is the largest sub-sector of informal economy with over 1 million people engaged in this activity.
- Another 300 000 engaged in community and social services.
- Together, these sub-sectors constitute around 60 percent of all employment in the informal economy.

FORMAL AND INFORMAL ECONOMY

- Transition from informal economy to formal economy;
 - In Ivory Coast, a young graduate with a university degree in chemistry was able to set up a natural fruit juice production unit. It rapidly found customers and a market. Consequently, he was obliged to change from being a non-structured unit into a formal enterprise.

POLICY AND PROGRAMME INTERVENTIONS

- Building capabilities in the informal sector of O.R. Tambo DM can be treated as an integral part of inclusive development plans.
- Training in the informal sector can be viewed as an effort to expand opportunities for informal sector participants through skills development.
- Increasingly enable the participants to develop their often survival activities and progress from subsistence to value-add economic activities and move into formal employment and mainstream economy.

CONTEXT MATTERS

- Contextualize the development and promotion of informal sector within the existing local government IDP planning frameworks
- View the initiative as a critical instrument and as part of LED planning at O. R. Tambo DM.
- SMMEs and informal sector initiatives can co-exist and complement each other

INNOVATIVE IN APPROACH

- Change the way we view informal sector
- View informal economy as part of local governments' strategies to address unemployment, support livelihood creation, and reduce vulnerability.
- View informal sector development as a key service delivery function.
- Balance regulatory function of the informal sector with the need to support livelihoods and employment that reflects the developmental agenda of the State.

FORMALIZING THE INFORMAL JOBS

- Policy proposals have often been geared towards the formalization of informal jobs.
- However, the challenge of the formalisation approach to informal sector development is that it fails to recognise that many survivalist economic activities will never become more than what they are and should be recognised for the role they play in reducing vulnerability of the poor.

THE CASE FOR ENTERPRISE DEVELOPMENT

- Jobs created from 1970 to 2011
- Sector 1970 2011
- Manufacturing 1074 1157
- Mining 659 518
- Agriculture 1867 630

LOCAL SYSTEMS OF PRODUCTION

- Encourage Local Municipalities to develop their local systems of production
- O. R. Tambo District Municipality can coordinate the initiative
- Promote the development of small-scale manufacturing
 - Like soap production
- Increasingly use science and technology in the development of innovative SMMEs

THE CASE OF TECHNOLOGY STATION IN CHEMICALS

- TSC was established to improve the competitiveness and innovation capacity of SMMEs in the chemicals sector.
- This objective is achieved through the participation of the Tshwane University of Technology in the transfer of technological knowledge for community development, and entrepreneurship.
- The activities of the TSC are geared towards the development of low technology SMME companies which are expected to graduate into medium and high-tech SMME companies.

THE CASE OF TECHNOLOGY STATION IN CHEMICALS

- Currently, these SMMEs are mainly located in the four Provinces of Gauteng, North West, Limpopo, and Mpumalanga.
- The SMMEs are all in the manufacturing business, employ between two and twelve people, and have a turnover of between R50 000,00 and R10 million per annum.

CONCLUDING REMARKS

- Strategic contribution in strategic intervention
- Contribute to articulating issues of rural economic development and innovation much more clearer
- Through case studies generate insightful reports that can feed into policy making processes and strategy formulation

CONCLUDING REMARKS

- Increasingly view the situation in rural areas in a more positive way
 - Unemployment represents unused productive potential and is a major cause of poverty and inequality
- Innovation and development
 - Data that may assist in economic development planning
 - Direct impact of policy and programme
 - Indirect impact of policy and programme
 - Induced impact of policy and programme

CONCLUDING REMARKS

- Need for more innovation
- Learning from our practical experiences
- Innovation also means creative destruction
- Destroying that which does not work and replace it with what works

CONCLUDING REMARKS

- Evolutionary approach
- Bigger picture, context, emerging trends
- Human Resources and Competence Building
- Recognize that O. R. Tambo DM is unique and each Local Municipality is unique
- Emphasize relevance
- Otherwise- problems of Lisbon Strategy and its frustrating implementation in Los Angeles



Thank You

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