

SECTION 3: THE SOCIO-ECONOMIC ENVIRONMENT

3.1 THEME: LOCAL ECONOMY

OVERVIEW

Many sources have highlighted the impact of poverty on sustainable development. Poverty alleviation in turn, is directly related to education, health status, the empowerment of women, employment and appropriate development policies. If these issues are not addressed, the earth will eventually no longer be able to sustain a satisfactory quality of life. Such a decline in the natural environment will, in addition, result in the diminished ability for it to supply the needs of the future generations (Fuggle and Rabie, 1992 in the CMC State of the Environment Report, 2002).

According to the World Bank, South Africa is classified as an upper middle-income country, yet a vast proportion of its population are living below the poverty line, associated with low-income countries.

The majority of the poor in Mogale City and in the rest of South Africa are Africans. Their percentage share of poverty is the highest, followed by that of Coloureds, while Indians and whites make up a negligible share of the total number of poor South African groups. The dependency ratio is more than twice as high among the poor than the more affluent, and poverty rates are higher in female-headed households than they are in male-headed households.



Tip Top community food garden in Kaaiso



Northern Mine Dump, in the background of Kagiso



Chamdor Industrial Development

An analysis shows that the majority of the poor in South Africa live in rural areas, which have much higher poverty rates than urban areas. In Gauteng, the percentage of people living below the poverty line is 28% for urban areas and 58% for rural areas. Gauteng has lowest poverty share (6%), compared with other provinces, (World Bank, 1995).

In Gauteng ,15,4% of the households and 21,1% of individuals live in poverty. The fact that poverty is related to educational level is illustrated by the fact the highest percentage of people living in poverty is found among those with little or no education (rural), while the lowest percentage is found among people with secondary and tertiary education (urban areas).

Mogale City Local Municipality, along with most other municipalities in the country, urgently requires an economic upturn. While the generally low levels of economic activity in the South African economy have been attributed to a national conjunctural downturn, it has, in the case of the West Rand (of which Mogale City Local Municipality forms a part), been intensified by a significant structural change in the nature of the regional economy. In this process of economic transformation, the once flourishing gold mining industry in the region lost significant ground. This left many West Rand towns, built on, and strongly dependent on the gold mining industry, in a precarious position. Not only were large numbers of jobs lost, but the levels of local spending power were also dramatically reduced. A major outcome of this was that many individuals formerly in salaried employment had to create their own jobs, or find gainful employment elsewhere. This need for individuals and communities to create their own economic destinies is not a unique phenomenon and has given rise, both locally and abroad, to the growing popularity of the notion of Local Economic Development (LED) (BE at UP (Pty) Ltd, MCLM Local Economic Development Strategy, 2002).

Local economic development in Mogale City is a developmental imperative *in lieu* of the significant structural changes in the regional economy. Unemployment is rampant throughout South Africa and this fact is reflected in the local economy and social distress experienced by some communities within Mogale City.



WHAT IS THE STATE?

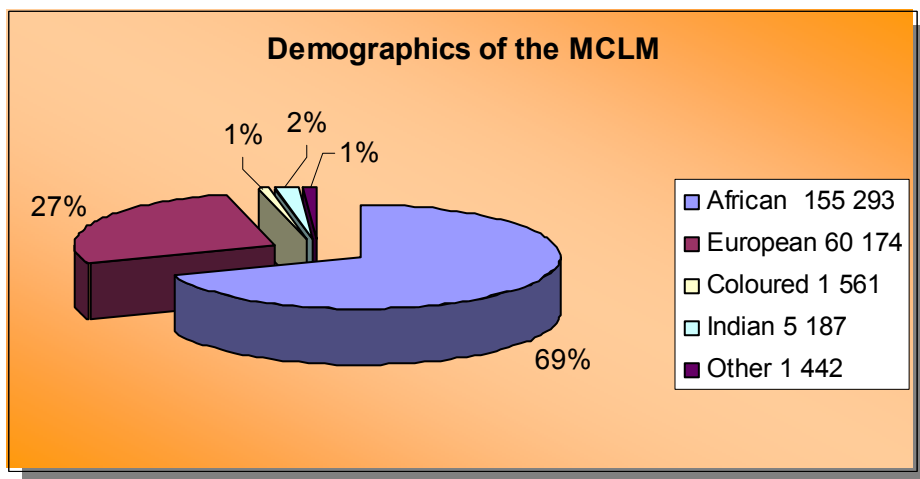


Figure 25: Demographics of the MCLM

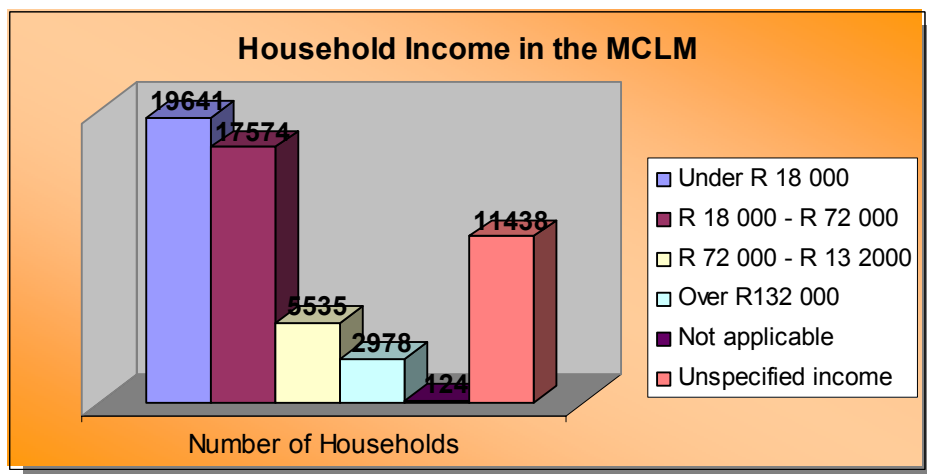


Figure 26: Households Income in the MCLM

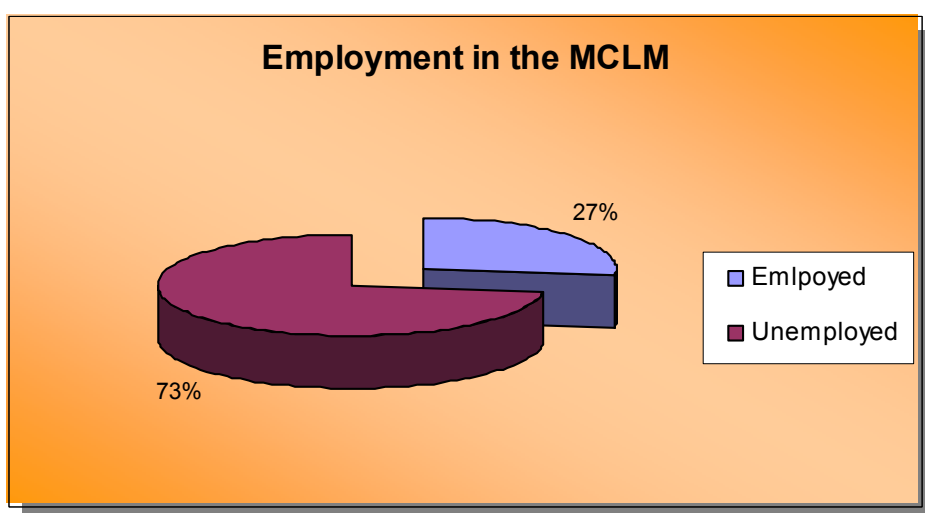


Figure 27: Employment in the MCLM

- The total population of MCLM is estimated to be approximately 220 000. Of this, 33 % live in rural areas and 67% in the urban areas.
- Urban areas comprises 10 316,6 ha of Mogale's total area.
- The industrial and commercial sectors of MCLM employ over 33 000, individuals with males dominating this workforce.
- The average annual population growth is 2.1%.
- The prevailing land uses are natural habitat (58%), agriculture (32%), housing (6%) mining (3%) and industry (1%).
- According to the MCLM IDP (2002), 81991 (73%) people in Mogale City are employed and 29625 (27%) unemployed.
- Employment for the urban poor is largely informal and economic activities are typically small, insecure (even illegal according to municipal by-laws in some cases) (Housing Sector Plan, 2002).
- The tourism potential of the area plays an important role in the economy with further growth expected.
- Mogale City has the highest proportion of industries in the West Rand. There are large, well-established industries situated in MCLM. The more accessible industrial areas such as Factoria are fully developed.
- The main focus of industries in MCLM at present is food products (i.e. garlic, fruit juices etc.), beverages (SAB), motor vehicle accessories, metal products, machinery and plastic products. Sectors that are growing fast are textile manufacturing (specifically in Chamdor), rubber products and non-ferrous metal products.
- According to the MCLM IDP: LED Sector Plan (2002), growth is experienced in the service and trade sectors. Magaliesberg offers strong opportunities for intensive farming.

WHAT ARE THE PRESSURES?

- A steady decline in the mining sector has resulted in a decline in the economy.
- Spatial planning and economic planning in Mogale City needs to be integrated.
- The city centre has come under increasing strain from service sector employment opportunities. The economic locomotive that draws the centre city, have relocated to new business nodes in the more affluent suburbs. The Key West and Monument Mall shopping centres are prime examples. These centres and the associated economic opportunities are less accessible to the urban poor (MCLM IDP: Housing Sector Plan, 2002).
- According to the LED Sector Plan of the MCLM (2002) the existing infrastructure is the most important strength followed by the central location of the West-Rand, the rural atmosphere and reasonable land prices.
- Although the mining sector forms a major part of the local economy, it does not support it due to the fact that the required products are purchased outside the area (LED Sector Plan MCLM, 2002).
- The majority of mining land is not available and causes a great divide in the area, which makes the integration of the northern and southern parts of Krugersdorp very difficult.

- Many environmental contaminants, such as radioactive materials and persistent organic pollutants, work their way into the food chain and eventually into human beings, thus compromising the health of present and future generations (UN HABITAT Agenda, 1996). The MCLM LED Sector Plan (2002) stated that potential development of unutilised undermined land unsuitable for housing, may be suitable for grazing and urban agriculture. Furthermore, development of this land will promote integration, specifically in the instance of linking Kagiso and Rietvallei to the CBD, to ensure job creation. In terms of risks to human health, activities such as urban agriculture and grazing should only be approved once safety for human health can be assured.
- The various industries contribute to pollution loads as well as visual impact.

WHAT IS THE RESPONSE?

- Through their planning processes for Local Development Objectives (LDO) and Integrated Development Plans (IDP), the local authorities within MCLM attempt to provide for the future needs of the expanding population. The planning includes assessments of the present and future capacities of services and natural resources to provide for growing needs, the timely identification and provision of land for various land uses and strategies to increase services, lessen environmental impacts, reduce the amounts of waste and limit the use of water and energy.
- As society enters an era of resource scarcity, a stronger focus is needed on strategies and actions that will promote the use of fewer resources, the re-use and recycling of waste, as well as the creation of more compact and efficient cities.
- More efficient technologies are needed, such as new types of toilets using less water for flushing. Increasing the price of resources, such as water, will also reduce their use. These strategies can partially compensate for the increased needs of the growing population. In reality, the issue is somewhat complicated. The goal of providing affordable electricity to poor households and to industries (to stimulate economic growth) will make it difficult to introduce solar energy on a large scale, which would reduce pollution and the use of coal at power stations.
- National government is fighting poverty through the promotion of job creation policies, health policies, education policies and meeting basic needs. Education for empowerment, social mobilisation and capacity building is also an important strategy in poverty eradication.
- It is proposed that the development of particular LED-strategies, as a way of addressing the MCLM's developmental obligation and reflecting it in its IDP is necessary. An integrated LED-strategy would prevent the practice of *ad hoc*, uncoordinated and potentially unsustainable economic development. Such a strategy would yield direct beneficial results for the MCLM, and would contribute towards achieving the objectives of developmental local government, as envisaged in the Constitution.
- Steps must be taken to embed economic development, targeted at the disadvantaged urban populace, within integrated spatial and socio-economic planning frameworks.
- Additional farming sectors should be considered, taking into account sustainable agricultural principles and the potential of land for agricultural purposes.
- According to the MCLM IDP: LED Sector Plan (2002), there should also be a focus on intensive farming activities within the urban area. Products that have proven to be

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highly successful on a small scale are mushroom and asparagus farming as well as vegetable farming. These products can assist with the provision of food in very poor communities. Mushrooms can be grown in backyards, as they require very little space while asparagus and vegetables fare well in tunnels or under hydroponic farming conditions. Hydroponic farming might, however, prove too expensive for marginalised communities.

- Small-scale mining should be investigated as an opportunity for SMME development (MCLM IDP: LED Sector Plan, 2002).
- There should be a general focus on tourist related industry in view of the tourism value of Mogale City and the World Heritage Site. To attain this, there should be a focus on arts and crafts, souvenirs and other products such as jams, pickled products and cheese (MCLM IDP: LED Sector Plan, 2002).
- The following economic contributors should be explored:
 - Environmental Resource value should be considered;
 - Job creation in the eradication of alien species (e.g. the WfW Programme);
 - Commercially utilised indigenous species; and
 - Commercially utilised freshwater species.
- The RDP states that “economic policy must give attention to small businesses, specifically those that are black-owned and operated with the view to developing them from marginalized survival strategies to dynamic small enterprises that can provide a decent living for both employees and entrepreneurs”. Growth, Employment and Redistribution, 1996 (GEAR), similarly underlines the role of SMME’S in economic growth and development. The Local Economic Development Concept, Directorate Local Economic Development MCLM, 2002).
- For SMME’s development policy purposes, more rigorous definitions of “small, medium and micro-enterprises” are necessary, and to this end, the National Small Business Act, 1996 (Act 102 of 1996) gives national definitions of the various categories of SMMEs.
- Stimulate small-scale business in the informal sector through the productive utilisation of urban open spaces (DEAT Urban Open Space Guideline, 1995).
- Through the DWAF WfW programme and the GDACEL Land Care Programme, where alien vegetation is being eradicated, the MCLM supports the development of secondary industries/SMME’s. These industries include the manufacturing of charcoal and firewood. Additional secondary industries are also planned for the near future, which will include the production of planks for furniture, compost and clippings for mulching.

WHAT ARE SOME OF OUR PROPOSED INDICATORS?

1. *The rate of annual economic growth*
2. *Gross Geographic Product (GGP) Rands per capita*
3. *The number and percentage of annual net jobs created and of unemployed people*
4. *(%) Population distribution (Urban / rural)*
5. *(%) Average annual population growth*
6. *Number of households living in poverty*
7. *(%) Private ownership of property*
8. *(%) Commercial ownership of property*

9. (%) State owned land
10. (%) Agricultural land use
11. Income distribution
12. Labour indices
13. Unemployment rates
14. (%) Municipal budget derived locally
15. (%) Population formally employed

WHAT CAN YOU DO?

- Take a course or learn new skills.
- Invest in your entrepreneurial skills.
- Make Mogale City a tourist friendly environment.



*Small business in informal settlement outside
Magaliesburg*

