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Socio-economic Profiling at the Local Level

Key findings:

- The 2006 PER&O provides an executive summary of socio-economic profiles of all 30 municipalities in the Western Cape, the detail of which will be published separately after the PER&O.

- The profiles highlight six key areas of opportunity to achieving a shared growth and development outlook in the Province:
  - Thriving regional growth sources:
    - Cape Town is the Province's growth engine, generating 76,6 per cent of the Western Cape's total GDPR.
    - The Province has two further growth motors – the Eden node, which includes Mossel Bay, George, Knysna and Plettenberg Bay, and that of Saldanha-Vredenburg.
  - Competitive regional economies:
    - The Western Cape economy has become increasingly service dominated, driven by Cape Town, Cape Winelands and Eden economic dynamics.
  - Maturing demographic profiles:
    - The Province has a growing and maturing population, leading to an increase in labour supply over time, helping to alleviate constraints in growing sectors should workers be appropriately trained and skilled.
  - Reasonably skilled workers:
    - Western Cape has relatively higher education levels than the rest of SA, and is second only to Gauteng.
  - Considerable transport infrastructure and settlement investment opportunities:
    - Imminent investment decisions, related to public transport, low- to middle-income housing, and higher income residential and business zoning in the main urban centres, are key to shaping the Province's development trajectory.

- Financial health and sustainability of municipalities:
    - Favourable INCA reports suggest that generally, local government in the Western Cape is financially well placed to undertake capital financing for large infrastructure investments.

- The detailed profiles suggest five key risks and challenges:
  - Demographic dynamics:
    - The Western Cape's changing demographics present short-term risks and challenges as the working age population increases faster than the number of jobs created, hence raising unemployment rates in the Province.
  - Rising youth unemployment:
    - Acute unemployment amongst the youth, despite their educational profile, is becoming increasingly dire.
    - Evidence is mounting that older people are tending to keep their jobs while younger people are struggling to find employment.
  - Sectoral growth and employment dynamics:
    - Changes in sectoral output and employment feed strongly into spatial economic development dynamics at the local level.
  - Skill constraints:
    - The Western Cape is under-represented in the skill- and technology-intensive economic activities that account for global economic dynamism.
    - Evidence of critical mismatch between levels of educational attainment and skill levels of school-leavers and young graduates and those demanded by the workplace pose serious challenges to the Province.
  - Social infrastructure pressures:
    - The Western Cape's population growth has placed pressure on access to and utilisation of social infrastructure and services, particularly in terms of education, healthcare and policing.
    - Local government must focus on 'getting the basics right' and address fundamental service delivery issues to ensure sustainable communities in the Province.

1. Partnering for shared growth and integrated development

Placing the Western Cape on a shared growth and integrated development trajectory requires a bold, coherent and co-ordinated public sector response to the Province's socio-economic opportunities and challenges.

Recent comparative international shared growth experiences show that the quality of government institutional capacity is a key success factor in accelerating economic growth and ensuring that the resultant growth is broad based, shared and environmentally sustainable.

At the aggregate level, good governance is measured by a government's ability to integrate into the global economy, its capacity to maintain sustainable government finances, and its ability to put into place an institutional environment in which contracts can be enforced and property rights established.

At a regional and local level, efficient and effective governance is critical in providing an enabling environment for competitive, thriving businesses and strong social communities and networks. These levels of government also play a key role in managing or regulating environmental resource use and promoting new local economic development directions.

SA has achieved considerable success in macroeconomic stabilisation at the national level, laying a solid foundation for future development. Prudent fiscal, monetary and trade policies followed over the past 10 years are reaping benefits that contribute to higher growth.[1]

Attention is now moving towards enhanced provincial and local performance and delivery. Shared growth demands shared responsibility. This means that provinces and local government must work closer together, and through their combined efforts lever greater impact on regional and local economic development and poverty reduction, as well as promote new and more efficient ways of resource consumption.[2]

Greater alignment in provincial and local planning, budgeting and service delivery will enable government as a whole to channel its macroeconomic successes to regions and communities in ways that are more tangible and that make an impact on daily lives and future opportunities.

[1] Certain groups highlight that there are notable caveats as to the environmental sustainability of such a path.
[2] This could include new and innovative ways of leveraging community resources to move government away from the current provider paradigm through which many of its services are rendered, or meant to be rendered, and towards a support paradigm. Under this paradigm, there should be a much greater emphasis on management as opposed to operation, for example through public-private partnerships (PPPs), joint ventures and quality assurance. Of course, this implies much greater labour flexibility.

2. Socio-economic profiling at the local level

As the role of provincial and local government becomes increasingly important in the shared growth and integrated development agenda, it is critical that both undertake rigorous socio-economic research and analyses that profile the regional and local economies.[3]

Socio-economic scanning provides an essential evidence-based platform to inform and guide provincial and local planning, budgeting and service delivery decisions.

As at the provincial level, local governments need a better understanding of how to describe local economies within the broader regional and national economy. They should be able to analyse key local economic variables and in time, propose credible trend forecasts.

Given the history of significant intra-provincial migration, local demographic profiles are highly dynamic. Understanding the characteristics of local populations and how demographic profiles change over time is critical to planning, budgeting and service delivery at the local level.

Furthermore, better analysis of demographic dynamics enables local government to decompose labour market structures and trends to understand the local skills base and income distribution patterns.

Shared growth and integrated development is built on improved equity in access to assets that empower people to engage in economic activity and therefore participate in growth. This means that the analysis of access to basic and social services is critical to appreciating poverty dynamics at the local level.

Finally, local economies differ in terms of their natural resources, climatic conditions, geographic location, biodiversity, and human knowledge and skill. Determining the sources, potential and constraints to enhanced local growth and employment is imperative to the design of local economic development interventions that best hone competitive advantage and shape a strategic economic development agenda at the local level. Such interventions should also emphasise resource sustainability, not only for its ability to increase the life of supply sources, but also to reduce costs.

This means that socio-economic profiling should form a key element of local government integrated development planning, annual budgeting and service delivery reporting processes.

[3] *This should be extended to include environmental resource consumption indicators. For example, the former Paarl municipality instituted a partial water demand management programme that saw its consumption levels drop to 1990 levels. This introduced a saving on both water consumption tariffs and maintenance costs, as a pressure-reducing strategy that radically decreased the frequency of burst pipes. The amount of water in the sewerage system was also reduced, decreasing the load on waste water treatment works and improving the municipality's ability to meet the Department of Water Affairs and Forestry's effluent standards.*

These analyses also provide critical information to national and provincial departments and other entities that deliver services in local areas, for instance, housing and subterranean infrastructure for water and sanitation, health services, education and training, social welfare services, and policing and community safety.

Local economies and communities are the base or constituent elements for all public service delivery, whether at national, provincial or local level. Understanding local socio-economic dynamics is critical to developing interventions that are appropriate to the local level.

Furthermore, local economies and communities often experience the effect of fragmented public service intervention. Local socio-economic analysis is therefore key to ensuring alignment and co-ordination in intergovernmental planning, budgeting and service delivery. Government has to work as a seamless unit to realise our common vision of a shared growth and integrated development future in the Western Cape.

This chapter provides an executive summary of the detailed socio-economic profiles of 30 municipalities in the Western Cape: Cape Town as the Province's only metropole or Category A municipality; five district or Category C municipalities – the Cape Winelands, Overberg, Central Karoo, Eden and the West Coast; and 24 local or Category B municipalities that are grouped within each of the five districts.

The detailed profiles are set out in a separate publication, the *2006 Socio-Economic Profiling of Local Government in the Western Cape*, to be published shortly after the 2006 PER&O.

Data for the profiles are drawn from a range of official and non-official partners and sources, including Stats SA, the CARE-commissioned demographic model for the Western Cape, Quantec Research, the Development Bank of Southern Africa (DBSA), and provincial and local departments themselves.

It is important to note that the resultant profiles are presented as socio-economic scans; that is, they do not present rigorous data analyses for comparative time series. Rather, they draw on data from different sources often collated in different years. This means that they form a credible socio-economic 'snapshot' of each municipality, providing a baseline for future socio-economic surveys and more detailed analyses undertaken at the local level.

That said, given the complete vacuum of local socio-economic information and analyses at present, the profiles take the Western Cape's socio-economic analysis a quantum leap further.

Rather than present a stylised summary of the profiles, this chapter takes a more strategic thrust, highlighting key opportunities and outlook and raising important risks and challenges that the spatial analyses present to achieving shared growth and integrated development in the Western Cape.

3. Opportunities and outlook

The local socio-economic profiles present six key areas of opportunity to achieving a shared growth and development outlook in the Province:

- Thriving regional growth sources;
- Competitive regional economies;
- Maturing demographic profiles;
- Reasonably skilled workers;
- Considerable infrastructure and settlement investment opportunities; and
- Relatively sound municipal finances.

GDPR data used: issues and concerns

The data used in this chapter were obtained from Quantec Research's Standardised Regional database, which makes use of Stats SA data as well as several assumptions to disaggregate national and provincial data to a district and local municipal level.

Given smaller sample sizes at the sub-provincial level, GDPR data at this level are mainly used for trend and relative sector share analysis, which cautions against citing GDPR figures as de facto values.

Further, the sub-provincial data used in this chapter have not been updated as per Stats SA's recent revisions, as the revised Standardised Regional database was not yet available at the time of writing. It should be noted, though, that revised provincial-level data are used in chapters 2 and 4 of the 2006 PER&O. The detailed socio-economic profiles of all 30 municipalities in the Western Cape, to be published separately after the 2006 PER&O, will also reflect the revised data.

Two main changes are expected at the sub-provincial level. First, the level (actual total) of GDPR is expected to increase, with the resultant impact on growth rates, which are expected to be higher than reported here. Secondly, the sectoral contribution to GDP and thus the sectoral growth rates will be affected.

3.1 Thriving regional growth sources

Chapter 2: Economic Outlook shows that the Western Cape is registering robust growth levels, buoyed by the continued momentum in the domestic spending-led boom on the back of historically low interest rates.

Table 1 shows the 2004 economic contributions of the city and five districts to Western Cape output. The City's dominance of the Provincial economy is clear. The Winelands district follows at a distant second, yielding 10,45 per cent of Provincial output, Eden 6,14 per cent and the West Coast 4 per cent.

Table 1: City and district contributions to Western Cape GDP, 2004

	GDP 2004 (R-million)	Share of SA (%)	Share of Western Cape (%)
South Africa	954 019	-	-
Western Cape	138 941	14,56	-
Cape Town	106 385	11,15	76,57
Cape Winelands	14 524	1,52	10,45
Eden	8 537	0,89	6,14
West Coast	5 530	0,58	3,98
Overberg	3 268	0,34	2,35
Central Karoo	697	0,07	0,50

Source: Quantec Research and own calculations

Economically, Cape Town is the Province's growth engine, generating R106,4bn, or 76,6 per cent of the Western Cape's total output of R138,9bn in 2004.

The extent and dynamism of the city's economy spreads its economic influence further than the metropolitan boundaries. Cape Town's functional region probably extends 150 kilometres from the city centre, encompassing Saldanha to the north, Worcester to the north-east and Hermanus to the east.

Furthermore, the city's economic influence extends through to Garden Route in Eden and even to the Eastern Cape through migrant and building material remittances.[4]

The broader hinterland outside of the city is connected by commuter flows, economic linkages and shared facilities. This means that the city's economic fortunes act as the key determinant of those in the interlinked regions.

The Province is fortunate to have two further regional growth motors – the Eden node, which includes Mossel Bay, George, Knysna and Plettenberg Bay – and that of Saldanha-Vredenburg.

While the Cape Winelands is a key pillar of the Western Cape's economy, it is not identified as a regional growth motor as it is not as prominent an urbanisation node as Cape Town, Eden and Saldanha.[5]

However, it does form a key element of the Breede River development corridor that links Cape Town to the Southern Cape through the Breede River. The corridor is well endowed with water resources and has a well-developed settlement system through the towns of Wolseley, Worcester, Robertson, Ashton and Swellendam.

[4] *Many migration studies have shown that while some migrants may make permanent moves to their destinations, many remain in a cyclical and generational migration pattern, with one foot in the urban and the other in the rural.*

[5] *The regional growth motors are defined by a focused collection of settlements rather than a district council boundary. The Cape Winelands comprises two settlement systems – the Boland towns of Wellington, Paarl, Stellenbosch and Franschhoek, and the Breede River Valley settlements of Tulbagh through to Swellendam (the latter is not in the Cape Winelands).*

The Southern Cape growth node Eden has a relatively well-diversified economy, with some significant industrial activity in George and strong tourism and construction sectors. The latter's growth is driven by the construction of golf estates and other large projects related to tourism.

Eden is also one of the fastest growing districts within the Province, both in terms of economic activity and population growth. This requires concerted efforts to mobilise resources across the Province to promote intra-regional support and competition, to ease unnecessary blockages in required infrastructure investment, and to promote the conservation of environmental resources – water, biodiversity, eco-system services and visual amenities.

The Saldanha-Vredenburg growth node is situated around Saldanha harbour, one of the world's largest natural harbours. The port is primarily geared for iron-ore exporting, but vertical integration is growing with steel processing plants that have been established.

Potential to broaden the industrial base to smaller downstream industries is strengthened by recent offshore oil and gas finds along the West Coast. Saldanha is also experiencing rapid urbanisation largely due to its economic development potential, and is well positioned to ease the transport bottlenecks and compete with Cape Town in the transport and communications, logistics and – given its infrastructure – warehouse business into Africa.

A key caveat to the extent and depth of development in the region is the availability of water for industrial and urban use. Feasibility studies are being undertaken regarding desalination possibilities in order to enhance water supplies to the region. There should be a strong focus on demand management[6] as well as supply augmentation.

Between Cape Town and the two regional growth nodes are emerging regional development corridors, based on transport (road and rail) corridors. These regional development corridors are key to enhancing economic linkages within the Western Cape, improving mobility for people and of freight, and boosting the economic potential of settlements along corridor routes.

3.2 Competitive regional economies

The Western Cape economy has traditionally been broad based. It supports sizeable and important activities in all sectors of the economy – primary, secondary and tertiary. This diverse economic base is a key strength.

The structure of the Provincial economy has changed over time, becoming increasingly service dominated – financial & business services and retail & wholesale trade alone make

[6] *Off-grid technologies such as rain water harvesting and grey water recycling cam make a significant contribution to resource management. They also have much stronger economic growth and employment creation multipliers than capital-intensive grid-based systems. Their advantage from a public sector point of view is that they can be implemented through inexpensive policy directives rather than hugely expensive capital projects.*

up about 45,6 per cent of the Province's output, whereas agriculture, forestry, & fishing account for 4,4 per cent and manufacturing for 18,1 per cent.

At the aggregate level, average annual growth between 1995 to 2004 was highest in transport & communication (6,8%), followed by wholesale & retail trade (5,3%), financial & business services (4,8%) and CSP services (3,5%). These are all nationally fast-growing industries, placing the Western Cape at a competitive advantage in these sectors.

Cape Town is the key driver behind the shift to services as the dominant sector of the Western Cape economy. Financial & business services comprise 30 per cent of the city's economy, followed by CSP services (21,31%), wholesale & retail trade (17,21%) and manufacturing (15,1%).

The Cape Winelands' economy is fairly well diversified, with the manufacturing industry (comprising largely of wine and agro-processing industries) remaining the largest contributor to GDP at 22,1 per cent, followed by financial & business services (20,3%), wholesale & retail trade (15%) and agriculture, forestry & fishing (14,2%).

However, low growth rates for manufacturing – due to export sensitivity in the region caused by the currency appreciation – implies a declining share in GDP. This in turn points to the increased importance of services sectors that are growing faster than manufacturing.

Eden, an important economic growth area and eco-tourist hub for the Western Cape, is driven mainly by the expansion of the wholesale & retail trade sector. The latter comprises 18,6 per cent of the district's economy. Other growth sectors are financial & business services and manufacturing, which contribute 22,5 per cent and 16,7 per cent to economic activity, respectively.

The sectoral make-up and dynamics of these three regions indicate clearly the Province's structural shift towards a service-based economy. In certain sectors, this means a shift to knowledge intensification in high-end technologies, such as IT and financial services that hone a competitive edge but are not job creating, particularly in terms of low- and medium-skill jobs.

Other sectors, such as CSP services are important for employment but less so for competitiveness in the global arena. Growth in wholesale & retail trade, however, balances growth in output, employment, investment and exports. Business services also show considerable potential in this regard.

All spheres of economic activity should rise to the challenge of sustained competitiveness by growing their knowledge and technological assets. Knowledge intensification activities must be supported by skills development initiatives to enhance the existing skill profile of the Province. Labour absorption rates must also be increased, particularly in the growing services sectors.

3.3 Maturing demographic profiles

The Western Cape has both a growing and maturing population, presenting opportunities and challenges to the Province.

More specifically, the working age population is expected to continue to grow over the next 10 years. More specifically, the number of individuals 15-65 years of age is expected to expand by 287 000 between 2005 and 2015, with all the growth occurring within the 35-65 year age group. This means that the population is expected to become older over time.

Migration into the Province is expected to play an important role in terms of aggregate population growth over the period. Net in-migration between 1991 and 2000 is estimated to have added an average of between 38 000 to 41 000 people a year. This rate slowed from 2000. From 2001 to 2015, the Western Cape will likely gain only about 11 800 additional people a year.

Detailed studies in the Paarl, Stellenbosch and Wellington areas confirm this trend, although popular perception is taking time to assimilate the factual and research evidence.

An increase in the working-age population represents a strength and opportunity over the medium term, as the Western Cape finds itself with a greater variety of workseekers that may also begin to help to alleviate labour supply constraints in particular sectors.

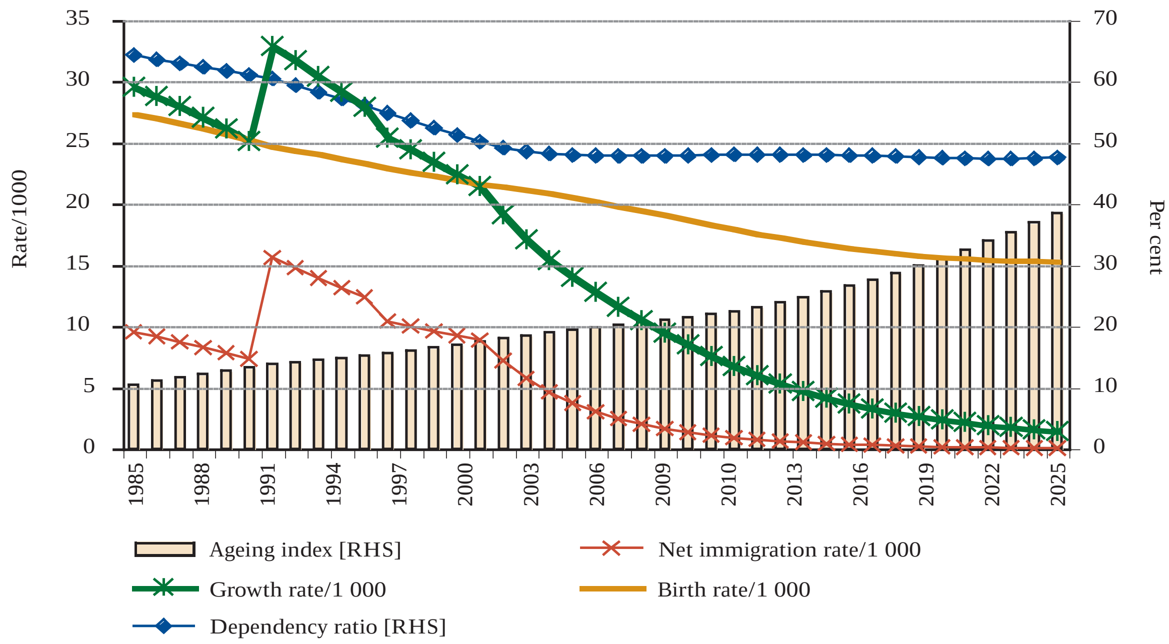
However, the Province must ensure that workseekers are appropriately trained and skilled through increased vocational education and training, such as FET, apprenticeship training and partnerships with organised business, and higher education and training, particularly in technical areas such as science and engineering.

Workseekers would then be employable at intermediate to higher skill levels, matching the demand from industries that are growing in the Province, and thereby alleviating skills constraints in the sectors over the medium to long term.

A further benefit from a maturing population is lower dependency rates over the medium term, as seen in figure 1. The proportion of children within the Province's population declines from 28,4 per cent in 2000 to 25,8 per cent in 2015. This does not mean a decline in the absolute number of children, though. Instead, the number of children under the age of 15 years is expected to rise from 1,28 million in 2000 to 1,33 million in 2005 and 1,38 million in 2015.

The growth slowdown in the number of young individuals overall may lower growth requirements in terms of primary and secondary education spending. However, it is important to remember that although the overall school-going population may not be growing rapidly, changes in the geographical distribution of learners will continue, potentially requiring shifts in spending.

Figure 1: Western Cape demographic indicators, 1985 – 2025



Source: ASSA Western Cape demographic model, 2005

Spatially, Cape Town dominates the Province's demographic distribution, accounting for 65 per cent of the Western Cape's population.

The working age population is expected to become more concentrated within Cape Town, which is not unexpected due to the concentration of economic activity within the city and the greater employment prospects that this implies.

Amongst children under 15 years of age, Cape Town is expected to account for a slightly greater proportion in 2015 than is the case currently, but this is still below the proportion prior to 2000.

In contrast, relatively fewer older individuals are likely to call the city home in the future. In 1985, almost 85 per cent of people aged 65 years and over resided in Cape Town. By 2000, this had fallen to 65,3 per cent and it is expected to stabilise at just over 63 per cent between 2005 and 2015.

In 2005, the Cape Winelands was the second-largest demographic region within the Western Cape, with 13,1 per cent of the Province's population. Currently, less than 60 per cent of the population is under the age of 29. This result is partly skewed due to students attending schools and the University of Stellenbosch. The proportion of people under 29 is expected to become less than 55 per cent by 2010 as the population ages.

Eden contained 10,1 per cent of the Western Cape's population the same year, making it the third-largest demographic region in the Province. The district has seen rapid average population growth of 3,62 per cent a year between 1996 and 2001. This slows down to 0,62 per cent a year in 2005.

3.4 Reasonably skilled workers

Concerns with the quality of education aside, the Western Cape has relatively higher education levels than the rest of SA, and is second only to Gauteng.

At the district level, Cape Town takes the lead in educational attainment, with 25,4 per cent of its population having completed secondary schooling and 12,6 per cent higher education in 2001. This compares to average attainment of 23,4 per cent and 11,2 per cent, respectively, in the Western Cape.

The 2004 LFS shows that there has been a rapid increase in the number of Grade 9 – 11 graduates and matric certificate holders entering the Province's labour force.

The Western Cape compares favourably to the rest of the country in this regard. Between 2000 and 2004, the Province saw average annual growth of 10,2 per cent in the number of matriculants, compared to 7,9 per cent at the national level. And in 2004, matriculants comprised 28,5 per cent of the total Provincial labour force, compared to 26,2 per cent nationally.

The Western Cape has also seen more rapid employment growth among matriculants than nationally. By 2004, employed matriculants numbered more than half a million individuals, equivalent to 30,4 per cent of Provincial employment.

These trends are clearly a good sign for the Province at a national comparative level. This does not mean, however, that the Western Cape is free from skills constraints. Earlier chapters raise concerns that further skill enhancement, particularly in technical areas that draw heavily on mathematics and science capabilities, are key to boosting the Province's economic growth rate to the 6 per cent to 8 per cent level and improving the economy's labour absorptive capacity. Skills constraints are discussed in further detail below.

Table 2: Educational attainment: Western Cape and districts, 2001 (%)

	Cape Town	Cape Winelands	Eden	West Coast	Overberg	Central Karoo	Western Cape
No schooling	4,21	8,36	7,81	9,21	16,82	4,21	5,73
Some primary	11,79	21,83	20,12	21,72	23,32	11,79	15,19
Complete primary	7,10	9,18	8,61	10,53	8,95	7,10	7,90
Some secondary	38,88	32,19	31,68	33,33	30,49	38,88	36,54
Std 10/Grade 12	25,43	19,14	22,10	18,46	14,49	25,43	23,41
Higher	12,59	9,29	9,68	6,75	5,92	12,59	11,23

Source: *Stats SA*

3.5 Considerable transport infrastructure and settlement investment opportunities

A key success factor of any regional economy relates to the movement of goods, people and services. The Western Cape is at a confluence where imminent investment decisions related to transport infrastructure and settlement patterns will shape the Province's development trajectory, potentially towards shared growth and integrated development.

The Province's investment opportunities relate in particular to public transport, low- to middle-income housing, and higher income residential and business development zoning.

Spatial and land use patterns that are characterised by urban sprawl – far-flung residential developments, industrial parks and shopping mall developments – and extensive road infrastructure without investment in public transport modalities (road and rail) tend to promote inefficient, costly and segregated settlement patterns.

Furthermore, spatial fragmentation promotes extensive reliance on private motor vehicle usage, and therefore traffic congestion. This exacerbates mobility and logistics inefficiencies and contributes to higher greenhouse gas emissions, eroding environmental sustainability.

Shared growth and integrated development demands a completely different spatial investment approach. Transport investment decisions are prioritised towards credible public transport solutions that increase mobility and promote higher density transport modalities. This requires a corresponding and supportive change in the land-use pattern.

Urban planning and settlement patterns impact on the viability of public transport solutions. This means that urban planning and settlement investment and zoning decisions need to be integrated with those related to public transport.

In particular, low- and middle income housing investments and zoning decisions related to higher income residential developments, industrial parks, business centres, shopping mall developments and community services should reflect higher densification and mixed-use development targets.

At low densities of only 50 people per hectare, large tracts of land are consumed and other urban services are not viable. As densities increase, more activities can be found within walking distance, and business and public transport services become more viable.

An average of 100 people per hectare has been identified as the critical threshold where good supportive neighbourhood facilities, public transport services and walking become convenient as people live, work and take part in recreational activities in nearby localities.

With the exception of high-density informal settlements, most settlements in the Western Cape, including Cape Town, reflect low densities averaging just fewer than 50 people per hectare.

Both provincial and local government are key players in investment decisions related to public transport, housing and settlement patterns. For the most part, provinces have regulatory oversight and funding responsibilities, while local government is the policy, planner and service delivery provider.

The Western Cape's forthcoming Strategic Infrastructure Plan identifies key public transport investment priorities, which include extending and improving the rail network; constructing dedicated bus lane infrastructure; upgrading interchange facilities to enable linkages between modes (rail, taxi, car, cycle and pedestrian); and providing key infrastructure – dedicated routes, loading/drop-off facilities – to support the mini-bus taxi industry.

Similarly, the upcoming Provincial Human Settlement Strategy promotes medium-density and mixed-use human settlement patterns. A key aspect of the strategy involves the release of state land near urban centres for the development of low- to middle income housing.

This reform is critical to reverse apartheid settlement patterns where poor people were located in areas distant to social facilities and economic centres, reducing access to services and increasing commuting time and costs.

Recently released, the Western Cape's Provincial Spatial Development Framework complements the above strategies in recommending the delineation of an urban edge and zoning regulations that shape urban growth towards higher densification and away from urban sprawl.

In all the above areas, local government is the key service provider and implementing agent. This requires that local public transport, human settlement and spatial development frameworks are developed, adequately funded and effectively implemented.

Many municipalities have inadequate capacity to support appropriate policy development and implementation. This concern has been noted and is addressed in national and provincial capacity building and support to local government in the IDP process.

Similarly, municipal capacity to finance large infrastructure investments relates strongly to their general financial health, discussed in the section below.

Going forward, provincial and local government roles and responsibilities in infrastructure investment must be carefully considered. It has been found more effective for government to take on a managing role where it ensures that its investments leverage greater multiples of private and/or community sector investment. Furthermore, private and/or community sectors should operate services according to service standards and fees that are laid down and managed by the public sector. In most cases, the provider role of government should be minimised, given its limited comparative advantage in such areas.

3.6. Financial health and sustainability of municipalities

Municipalities are expected to provide water, sanitation, electricity, refuse removal and other basic services. These functions are key to creating an enabling environment for competitive, thriving businesses and strong social communities and networks.

Metropolitan or Category A municipalities and district or Category C municipalities are also responsible for investing in the built environment, ensuring the availability of appropriate infrastructure for sustainable community development.

Capital spending is mostly financed from national and provincial transfers, in particular the Municipal Infrastructure Grant (MIG), and medium- to long-term bonds that are raised on the capital market.

Presently, the DBSA and Infrastructure Finance Corporation Limited (INCA) are the main municipal lenders. However, commercial banks are recent entrants into the municipal market as well.

Recent data from INCA shows a loan portfolio to 19 municipalities in the Western Cape: Cape Town; Drakenstein, Stellenbosch and Swellendam in the Cape Winelands district; Cape Agulhas, Hessequa, Overstrand and Theewaterskloof in the Overberg district; Mossel Bay, George, Knysna, Plettenberg Bay and Oudtshoorn in the Eden district; Berg River, Breede Valley, Saldanha Bay, Matzikama and the Swartland in the West Coast district; and Beaufort West in the Central Karoo district.

INCA financial risk profiling data reveal that these 19 municipalities recognise the importance of maintaining healthy financial positions to improve their credit worthiness. The ratios of indebtedness fell in line with the national government's improving debt position.

As part of its credit evaluation process, before approving any form of borrowing, INCA focuses on financial viability, management capacity, economic sustainability, socio-political conditions and environmental awareness as major guiding factors to assign a shadow rating to borrowers.

INCA stresses the importance of the ability to generate reliable free cash flows. Debt absorption capacity and revenue trends are useful indicators to assess the extent to which municipalities are able to accelerate service delivery from different sources of funding within certain risk limits.

On the other hand, debtors-to-total income provides useful clues in understanding the wealth profile of municipalities' households. INCA has set the following benchmarks for municipalities' risk profile:

- Long-term debt to total income should be less than 50 per cent;
- Interest paid to total expenditure should be less than 7,5 per cent;
- Overdraft to total income should be greater than zero;
- External interest coverage should be greater than 1[7]; and
- Staff cost to total expenditure should be less than 35 per cent.

Rigorous financial risk profiling is an important element for any municipality considering medium- to long-term borrowing for capital investment purposes.

The favourable INCA report on its Western Cape municipal borrowers suggests that, generally, local government in the Western Cape is financially well placed to undertake capital financing for large infrastructure investments.

These investments, particularly in respect of water and sanitation infrastructure in local municipalities, and public transport and human settlements in the larger urban centres, are critical to accelerating and broad-basing local economic growth in the Western Cape.

[7] *The ratio is calculated from the cash flow statement. The formula is as follows: (cash generated + interest earned +/- change in working capital divided by interest paid).*

4. Risks and challenges

The detailed profiles raise five key risks and challenges to achieving shared growth and integrated development in the Western Cape:

- Demographic dynamics;
- Rising youth unemployment;
- Sectoral growth and employment trends;
- Skill constraints; and
- Social infrastructure pressures.

4.1. Demographic dynamics

As noted in the above section, the Western Cape has both a growing and maturing population, presenting opportunities and challenges to the Province.

In effect, the Province's demographic dynamics present opportunities over the medium to long term, but raise short-term risks and challenges.

More specifically, the working-age population is expected to experience a rapid increase, particularly the 35-64 age group.

This demographic trend is already factoring through to the labour force. In 2004, just fewer than 2,3 million individuals in the Western Cape were engaged in the broadly defined labour force, up by 269 000 from four years earlier.

Furthermore, the bulk of the labour force (56%) is concentrated in the prime working ages of 25-44 years, with a further 20,8 per cent 15-24 years of age.

More potential workseekers translate into higher unemployment levels, particularly if individuals are not appropriately skilled and the economy is not able to generate sufficient numbers of jobs to absorb the increase in new entrants at the lower end of the skill spectrum.

This trend is evident in the rapid growth in the number of discouraged workseekers[8] living in the Province – individuals who are unemployed but have given up actively looking for work.

The number of discouraged workseekers in the Western Cape has been relatively small compared to other provinces, although this is beginning to change. As a result, it is expected that the relatively narrow numerical gap between the narrow and broad definitions of unemployment will begin to widen.

[8] *As explained in chapter 4, discouraged workseekers are captured in the broad, but not the narrow, definition of unemployment.*

That said, in 2004 broad unemployment in the Western Cape reached about 26,3 per cent and narrow unemployment 18,6 per cent. This compares favourably to the national situation where broad unemployment topped 41 per cent and narrow unemployment was 26,2 per cent the same year.

Nonetheless, it is clear that rapid growth in the labour force due to increasing numbers of working-age people is contributing to increased unemployment in the Western Cape over the short to medium term, albeit off a lower base than national levels.

Section 4.1: Employment and geography in chapter 4: Employment Dynamics presents a detailed analysis of the spatial pattern of unemployment at the district level.

The main thrust emerging from the analysis is that Cape Town, the Central Karoo and Eden have high unemployment rates, while the West Coast, Cape Winelands and Overberg have relatively low unemployment rates, both overall and for the 15-34 and 35-65 year age groups.

In 2001, the Central Karoo was characterised by a 36 per cent unemployment rate, followed by Cape Town at 29,2 per cent and Eden at 26,5 per cent. In contrast, unemployment in the West Coast stood at 13,8 per cent, at 18,4 per cent in the Cape Winelands and 18,6 per cent in the Overberg.

As noted, it is likely that Cape Town, as the Province's only metropolitan area and dominant economic agglomeration, acts as a powerful magnet for workseekers from all over the Western Cape, as well as from the rest of the country. In contrast, the Central Karoo is a relatively sparsely populated, arid region with relatively little economic activity. Eden borders the Eastern Cape and may also attract workseekers from that province.

Thus, in the case of Cape Town and Eden, perceptions of improved employment prospects may attract in-migrants and thereby raise the supply of labour, resulting in higher unemployment. In the case of the Central Karoo, unemployment may be more closely linked to insufficient demand for labour.

The West Coast, Cape Winelands and Overberg districts' relatively low rates of unemployment may be for various reasons. These three regions all border on Cape Town, so migration to the city is relatively easy, cheap and less daunting than is the case for prospective migrants from elsewhere in the Province and the rest of the country.

4.2. Rising youth unemployment

The problem of youth unemployment in the Western Cape and nationally is structural and acute. In 2004, Provincial unemployment rates in excess of 52 per cent amongst

15-24 year-olds translated into one in two labour force members in this age group being unable to find work. This compares to 68,3 per cent at the national level.

Amongst 25-34 year-olds, the Provincial unemployment rate is substantially lower at 25,5 per cent, dropping to around 13 per cent amongst 45-54 year-olds.

Looking at the composition of the unemployed (denoted by percentage shares), the unemployed are predominantly younger than 34 years of age. In 2004, 41,3 per cent of the unemployed belonged to the 15-24 year age group, while a further 32,7 per cent were between the ages of 25 and 34 years. In contrast, less than 12 per cent of the unemployed were over the age of 45 years, which was substantially lower than this group's share of the labour force of more than 23 per cent.

Turning to a spatial representation of changes in unemployment using Census 1996 and 2001 data, of the increase in unemployment recorded over the period, the bulk derived from 15-34 year-olds. This group represents 65,9 per cent of the net increase in unemployment, compared to 34,1 per cent for 35-65 year-olds.

Of the five districts, Eden and the Cape Winelands accounted for the largest proportion of the increase in unemployment amongst 15-34 year-olds, at 5,6 per cent and 4,5 per cent, respectively. However, compared to their shares of the labour force, the Central Karoo and Overberg contributed the most to increased unemployment, with these regions' shares of unemployment change being 1,7 and 1,3 times their shares of the labour force, respectively.

The increase in unemployment amongst 15-34 year-olds in Cape Town represented almost one half (49,6%) of the increase in unemployment over the period. This was due mainly to the fact that Cape Town africans 15-34 years of age represented 36,2 per cent of overall unemployment growth, followed by coloureds who accounted for 14,5 per cent.

A similar pattern is observable for individuals 35-65 years of age. Africans in Cape Town in this age group accounted for 14,7 per cent of the Western Cape's unemployment growth, while their coloured counterparts accounted for 10,1 per cent. Eden and the Cape Winelands were, again, the two districts that accounted for the largest proportions of total unemployment growth. However, amongst this age group, only Cape Town africans accounted for a larger proportion of unemployment growth than they did of the 2001 labour force, the ratio between these two shares being 1,7.

The evidence is mounting that older people tend to keep their jobs, while younger people are struggling to find employment. This has important implications for future economic growth, as long-term unemployment begins to erode the skills and knowledge that younger labour force members have but are unable to extend or even maintain through employment.

The problem of youth unemployment is becoming increasingly dire, despite the fact that the educational profile of young people is superior to that of their older counterparts. This suggests a disjuncture between education and skill levels, and poses serious challenges to the education sector.

Institutional arrangements and interventions (government and non-government) that promote a culture change and entrepreneurship amongst the youth have the potential to change poverty and unemployment's unintended consequences on youth, which include domestic violence, crime and substance abuse, and social instability.

To this end, the Province's Social Capital Strategy proposes targeted interventions to build positive social capital and networks amongst youth in the Western Cape.

Provincial Index of Multiple Deprivation (PIMD)

In March 2006, the HSRC published *The Provincial Indices of Multiple Deprivation for South Africa 2001*, presenting an Index of Multiple Deprivation for each province.

Each PIMD only provides information about relative levels of deprivation within the province in question and are not comparable across provinces. It is, however, intended that in due course a SA Index of Multiple Deprivation (SAIMD) will be produced for the whole of the country.

The PIMD is compiled from a combination of five main types of domains measuring deprivation:

- Income and material deprivation, which captures the proportion of the population experiencing income and/or material deprivation in an area.
- Employment deprivation, which measures employment deprivation conceptualised as involuntary exclusion of the working age population from the world of work.
- Health deprivation, which identifies areas with relatively high rates of people who die prematurely.
- Education deprivation, which captures the extent of deprivation in education qualifications in a local area. The primary focus for this measure is adults 18-65 years of age.
- Living environment deprivation, which identifies deprivation relating to the poor quality of the living environment.

Table 3 shows the percentage of wards in the Western Cape by municipality on the overall PIMD score.

Source: HSRC

Table 3: Percentage of wards in each quartile of wards in the Western Cape by municipality on the overall PIMD 2001

Municipality	Percentage of wards in least deprived 25%	Percentage of wards in least deprived 25%-30%	Percentage of wards in most deprived 25%-30%	Percentage of wards in most deprived 25%
Beaufort West	0,00	0,30	0,60	1,20
Berg River	0,00	0,60	1,51	0,00
Breede River/Winelands	0,00	0,90	0,30	1.81
Breede Valley	0,90	1.51	1,20	2,11
Cape Agulhas	0,30	0,60	0,60	0,00
Cederberg	0,00	0,60	0,90	0,30
Cape Town	13,25	6,63	3,31	6,93
Drakenstein	2,11	1,81	3,31	1,51
George	1,20	0,90	1,51	1,81
Kannaland	0,00	0,30	0,00	1,20
Knysna	0,60	0,60	0,30	0,90
Laingsburg	0,00	0,00	0,00	0,30
Hessequa	0,00	1,81	0,30	0,30
Matzikama	0,00	0,00	1,20	0,90
Mossel Bay	1,20	0,30	0,90	0,90
Oudtshoorn	0,30	1,20	0,00	2,11
Overstrand	0,60	1,20	0,60	0,30
Plettenberg Bay	0,00	0,30	0,90	0,30
Prince Albert	0,00	0,00	0,00	0,30
Saldanha Bay	1,20	1,20	0,60	0,00
Stellenbosch	2,41	1,51	0,90	0,60
Swartland	0,90	0,90	1,20	0,00
Swellendam	0,00	0,30	0,90	0,30
Theewaterskloof	0,00	0,90	1.81	0,30
Witzenberg	0,00	0,60	2,11	0,60

Source: *HSRC*

4.3. Sectoral growth and employment dynamics

As noted above, regions and local economies differ in terms of their natural resources, climatic conditions, geographic location, biodiversity, and human knowledge and skill. Although these distributions may change over time, as is currently occurring on an international scale with the rapid growth of many developing economies, concentrations of economic activity will persist.

Nonetheless, at the sectoral level, changes in output or employment affects some municipal districts in the Province more and others less, creating spatial dynamics.

Sectoral trends therefore feed strongly into spatial economic development dynamics. How well a region or municipal district copes with economic change largely depends on the ability of its residents either to move from declining to growing sectors inside their region – primarily a question of their skill sets – or to leave the district/region in search of better fortunes elsewhere – primarily a question of the resources required for mobility.

Everything else being equal, districts/regions with a relatively flexibly skilled workforce and/or with a more diversified industrial structure can employ coping mechanisms more easily than those that rely on a range of relatively narrow activities and/or people with skills that cannot be transferred easily to other applications.

Detailed analysis on spatial employment trends is set out in *section 4.1: Employment and geography* of *chapter 4: Employment Dynamics*.

The analysis highlights that while there are similarities in terms of employment structure across the Western Cape's municipal districts, there are also some important differences.

Cape Town accounted for the largest share of employment growth between 1996 and 2001, with 50,4 per cent, followed by the Cape Winelands (15,8%), Eden (14,2%) and the West Coast (10,4%).

However, compared to the regions' shares of total employment in 2001, it is clear that the West Coast, Overberg and Eden Districts fared best, since they accounted for substantially larger shares of employment growth than of total employment.

Overall, the largest changes in sectoral employment occurred in wholesale & retail trade (24,6% of the total increase), agriculture, forestry & fishing (21,5%), CSP services (20,8%), and financial & business services (15%).

Within wholesale & retail trade, the bulk of employment expansion occurred within Cape Town, accounting for 15,9 per cent of total Provincial employment growth over the period. Employment within this sector expanded in all districts, with growth in Eden representing 3 per cent of Provincial employment growth and growth in the Cape Winelands 2,9 per cent.

In terms of agriculture, forestry & fishing, all districts experienced employment growth, although such growth was concentrated in the West Coast and Cape Winelands. Agriculture employment growth in these districts accounted for 5,2 per cent and 7,6 per cent, respectively, of overall employment expansion, with Cape Town accounting for a further 3,4 per cent.

CSP services contributed over one fifth of employment expansion over the period and were highly concentrated within Cape Town. In fact, the Cape Town CSP services sector alone accounted for 13,2 per cent of Provincial employment expansion amongst 35-65 year-olds. Eden's CSP services sector accounted for a further 3,2 per cent of Provincial employment growth. A similar pattern is observable in employment growth in the financial & business services sector.

Within districts, the magnitudes of job gains and losses differ and the contribution of each sector to total employment has changed over the period.

In the West Coast – the district with the largest increase in employment – the bulk of employment growth occurred in agriculture, forestry & fishing (almost nine-tenths, or 66,1% out of 74,1%), followed by other and unspecified sectors. The manufacturing and construction sectors shed the most jobs.

In Eden, the bulk of employment expansion occurred within wholesale & retail trade (almost three-fifths), followed by financial & business services, while manufacturing and private households shed the most jobs.

In the Overberg, wholesale & retail trade accounted for half of total employment expansion in the district.

In line with the Provincial picture, due to its dominance within the Provincial economy, Cape Town saw net job growth in wholesale & retail trade, financial & business services and agriculture, forestry & fishing, and job losses in manufacturing, amongst others.

It is clear that sectoral economic development policies and interventions must bear in mind the important spatial differences within the Western Cape and the fact that these differences are also found within the district municipalities. It is therefore essential that policy is formulated in such a way that it is able to cater for local conditions. These spatial differences also mean that the decline of specific sectors, such as agriculture, forestry & fishing and clothing & textiles will impact differently on – and have differing consequences for – the residents of the various municipalities, which must be taken into account in the policy formulation stage.[9]

4.4. Skill constraints

Global competitive advantage is increasingly driven by skill- and technology-intensive products and services. However, as seen in *chapter 3: Sectoral Growth and Employment Prospects,* the Western Cape – and SA more broadly – are under-represented in these

[9] Refer here to the six development potential categories of the national Spatial Development Perspective – innovation and experimentation in R&D and applying technology to production processes; high-value production and the focus on local/global niche markets; labour-intensive and mass-production-intensive industries situated close to raw material resources; public services and administration; retail and services as a major post-industrial economic area needing to be located close to markets; and tourism.

economic activities that have accounted for much of the medium- to long-term dynamism in world output and trade.

This means that skill upgrading, through increased vocational education and training, such as FET, and higher education and training, particularly in technical areas such as science and engineering, is critical to match appropriately skilled labour supply with demand from industries that are growing in the Province, thereby alleviating skills constraints in the sectors over the medium to long term.

For the education sector, evidence of a critical mismatch between levels of educational attainment and the skill levels of school leavers and young graduates and those demanded by the workplace poses serious challenges.

These are evident in education participation and success rates, particularly in respect of numeracy and literacy. There is a dramatic drop-off in enrolment after Grade 8 and more recently Grade 10. Recent research suggests that only 45 per cent to 52 per cent of learners who enrol in Grade 1 reach Grade 12.

Of note is that the Central Karoo, Overberg and Cape Town have the lowest enrolment rates compared to other regions within the Province.

The drop-out and success rates at the Grade 12 level can be traced back to the first few years of schooling. Improving education retention, throughput and attainment rates, particularly in terms of numeracy and literacy, is critical to support the skill requirements of a growing, globally competitive regional economy. These concerns and responding interventions are clearly set out in the Province's recently released Human Capital Development Strategy.

Table 4: Western Cape education enrolment rates, 2005

	Number of schools	Number of enrolled learners	Number of teachers	Pupil-teacher ratio	School-going children	Enrolment rate (%)
Cape Town	700	601 123	15 206	40	628 454	95,7
Cape Winelands	261	139 715	3 722	38	141 372	98,8
Central Karoo	26	12 190	339	36	14 053	86,7
Eden	187	96 409	2 419	40	98 339	98,0
Overberg	82	36 770	984	37	39 258	93,7
West Coast	133	56 006	1 515	37	57 593	97,2
Total	1 389	942 213	24 185	39	979 069	96,2

Source: Western Cape Department of Education

4.5. Social infrastructure pressures

As the Western Cape's population has grown rapidly over recent decades, more stress has been placed on access to and utilisation of social infrastructure and services, particularly in terms of education, healthcare and policing.

Overcrowding and slow provision of key services in certain areas have resulted in heightened intra-regional disparities. These are reflected in table 5, which details the extent of shortages, over-supply or optimal provision[10] of schools, healthcare facilities, police stations and housing, taking into consideration the latest population estimates.

In absolute terms, social infrastructure backlogs are more pronounced in Cape Town – especially in the high population density areas such as Mitchell's Plain, Khayelitsha, Gugulethu and Langa – than in any other district in the Province.

Table 5: Indication of social infrastructure backlog, various years

District	Required schools	Required healthcare facilities	Required police stations	Housing backlogs
Cape Town	-156	-100	-34	-265 000*
Cape Winelands	56	-6	-3	-30 968
Eden	9	-3	-2	-13 829
West Coast	71	0	-1	-2 001
Overberg	23	-1	0	-23 368
Central Karoo	-4	0	0	-7 334
Western Cape	**30**	**-10**	**-40**	

Source: *Western Cape Departments of Education, Health and Housing, SAPS and own calculations*

Note: *- = shortage; + = over; 0 = optimal*
** Cape Town Integrated Development Plan, 2006/07*

From table 5 it is clear that Eden and the Cape Winelands need to prioritise the provision of healthcare facilities and police stations, while the West Coast needs an additional police station. Overberg needs more healthcare services and the Central Karoo more schools.

These data should be proposed as the basis for a key performance indicator programme that can be used to assess the efficacy of policy implementation on an annual or other meaningful periodic basis. The data should also be disaggregated to municipal level.

Table 6 shows the extent of workload in education, healthcare and policing, signalling infrastructure use and the extent of under- or over-utilisation of certain services.

[10] *The calculations do not specify categories and sizes of schools, healthcare facilities and police stations, but rather indicate the need for such services. In addition, the methodology does not consider any geographical and in-migration assumptions.*

Focusing on education, Cape Town has a low level of school provision. Although the city accounts for about 63 per cent of the Province's learners, the schools available account for only 50 per cent of learners, even though the city's schools are larger and accommodate an average of 842 learners per school.

The proportion of available schools to school-going children within Cape Town is estimated at 11 per cent, and the city has the highest absolute need for schools (156), whilst the pupil-teacher ratio is 39 (63% of all learners are in Cape Town).

The average pupil-teacher ratio in the Province is 39. Pupil-teacher ratios in the districts are relatively close to the Provincial average, with the Central Karoo having the lowest ratio (36) and Eden the highest (40).

The Cape Winelands has a learner-educator ratio of 38 and accommodates 15 per cent of all learners in the Province (second to Cape Town), yet has a 'surplus' of schools. The trend is similar in other districts but the education workload in the Central Karoo and Eden can be justified on the grounds of proximity to the Eastern and Northern Cape provinces.

Education is an important area of provincial support for local economic development. Formal school and pre-school education is a provincial competency and therefore an area where the provincial government can make a direct and meaningful contribution to future economic growth.

Turning to healthcare, almost all the districts have backlogs in the provision of healthcare services, with Cape Town showing the highest need. There is a strong positive correlation between shortage of hospitals and workload in the health sector, especially in the context of high tuberculosis and HIV/Aids prevalence.

Cape Town needs about 100 additional healthcare facilities to impact meaningfully on the stressed healthcare services, which the patient-nurse ratio at 54:1 also reflects (patients per nurse at city-managed hospitals is the highest in the Province). Although the Cape Winelands needs more healthcare facilities (6) than Eden (3), the workload is higher in Eden where the patient nurse ratio is 42:1 compared to 32:1 in the Cape Winelands.

The discrepancy reflects the under-utilisation of healthcare facilities in the Cape Winelands, probably due to a combination of inaccessibility as a result of proximity to the majority of households and a reluctance on the part of the broader community to use facilities that are located in higher income areas.

In terms of policing, because workload data are difficult to locate, analysing the differential crime trend patterns gives a better idea of utilisation than the number of police stations.

Overall in the Western Cape, reported crime statistics from 2001 to 2004 suggest mixed results. However, two clear trends can be discerned: a dramatic increase in drug-related crimes across all districts and a decline in crime per 1 000 people in each region.

Between 2001 and 2004, the Central Karoo recorded the highest average annual growth in drug-related crimes (54%), followed by Eden (40%), the West Coast (35%), Overberg (31%), Cape Winelands (30%) and Cape Town (28%).

Although drug-related crimes increased at a faster rate in the Central Karoo, the district reported the least number of cases, but this is likely to be a function of the smaller population.

The Cape Winelands and West Coast districts reported declining rates of crime, while the rate in Cape Town came in below that of Eden.

Crime in Cape Town takes place in highly dense areas, while the central business district is relatively crime free compared to other inner cities in SA. Since there are more reported criminal cases in highly dense areas, more policing resources should be deployed in these areas. However, despite the need for additional police stations in the city, statistics reinforce the success of crime-fighting strategies, with 94 cases per 1 000 people reported compared to the Central Karoo and Cape Winelands that had 103 and 96 cases per 1 000 people, respectively, in 2004/05.

Table 6: Western Cape workload in education, healthcare and policing, various years

Categories	Cape Town	West Coast	Cape Winelands	Overberg	Eden	Central Karoo
Total number of all crimes, 2001 – 2002	286 790	24 068	67 326	17 334	42 307	6 255
Drug-related crime, 2001 – 2002	7 215	1 427	2 339	884	1 408	166
Total crimes per 1 000 people (2001 ASSA 2003 population data)	96	84	108	84	93	110
Drug-related crimes per 1 000 people, 2001/2002	2	5	4	4	3	3
Total number of all crimes, 2004 – 2005	300 223	21 642	61 551	15 294	45 186	6 341
Drug-related crime, 2004 – 2005	15 206	3 480	5 080	1 976	3 872	609
Total crimes per 1 000 people (2005 ASSA 2003 population data)	94	69	96	67	92	103
Drug-related crimes per 1 000 people, 2004/2005	5	11	8	9	8	10
Average annual growth rate in total crime, 2001/02 – 2004/205 (%)	1,54	-3,48	-2,95	-4,09	2,22	0,46
Average annual growth rate in drug-related crime, 2001/02 – 2004/05 (%)	28,21	34,60	29,50	30,75	40,10	54,23
Professional and enrolled nurses' workload (patients per nurse)	47	40	32	29	42	31
Percentage of people in region over 14 illiterate (less than grade 7), 2004 – 2005	15	29	28	27	26	37
Learner/educator ratio	39	37	38	37	40	36
Total number of households, 2001	777 393	77 674	159 440	58 566	120 747	15 165
Total number of households in region with no income, 2001	102 061	5 121	18 859	5 686	12 894	1 147
Percentage of households in region with no income, 2001	13,13	6,59	11,83	9,71	10,68	7,56

Source: SAPS 2005; ASSA 2003 Demographics and Aids Model; Department of Health, 2005; Department of Education, 2005; Census 2001 and own calculations

5. Regional summaries

Quantec Standardised SA Regional Market Indicator Database

The Quantec SA Regional Market Indicator Database attempts to provide a disaggregated view of SA's socio-economic structure and market potential on a regional basis down to district council and municipal level. The data is compiled by combining a regional demographic and industry framework with a set of census, survey and time-series indicator data. The result is a set of estimated standardised economic indicators for the SA regions.

Some of the main features are:

- Household behaviour consisting of consumer demographics, income and expenditure, housing and infrastructure indicators;
- Economic data consisting of national accounting entities, employment and international trade by 26 industries;
- All data aggregated to provincial, metropolitan area and district council level; and
- The database covers the period 1995 to 2004 and is updated and expanded as new and primary data becomes available.

The database combines actual census and survey data as published by Stats SA in a standardised format to conform to the national accounts, a long-term demographic model of SA and other national and regional benchmark socio-economic and industry-level time-series data. As such, it can be called a standardised version of the actual survey and census data, and will facilitate comparisons over time with known macro or other national indicators. The standardised database covers a set of variables that should be useful for decision-making and policy analysis.

Although the data covers the period 1995 to 2004, year-on-year analysis at the sub-national and definitely at the sub-provincial level is not recommended because of the sparseness of the original survey and census data. Trend analyses over longer time intervals is, however, possible. The regional data estimates are based on official statistics and therefore replicates any inherent shortcomings of such data at both the design, surveying and enumeration stages of compilation. The unavailability of up-to-date enterprise-based industry censuses and surveys at the regional level also inhibit the quality of the estimated results, as these depend inordinately on household level censuses and surveys.

Data sources include:

- SAARF AMPS Household Surveys since 1992;
- Department of Labour (manpower surveys);
- National Treasury (government expenditures/revenue);
- Quantec Research Capital by Industry Database (calculated depreciation, capital stock and inventory investment);
- Quantec Research Standardised Industry Database (including estimated input-output tables and social accounting matrices);
- South African Reserve Bank (national accounts, BoP and public sector data);
- South African Revenue Service (international trade data);
- Stats SA (industry value added, input-output tables, detailed industry remuneration and gross operating surplus, output, gross domestic fixed investment, employment, production prices and consumer prices);
- Stats SA Household Surveys including IESs since 1990;
- Stats SA Industry Censuses & Surveys;
- Stats SA LFSs since 2000; and
- Stats SA Population Censuses since 1970.

5.1. Cape Town

Cape Town, situated in the south-west corner of the Province and bordering the West Coast, Cape Winelands and Overberg districts, contains the economic growth centre of the Western Cape.

In 2004, it contributed 76 per cent of GDP in the Province, having grown at a rate of 3,7 per cent a year between 1995 and 2004. Between 1996 and 2004, the growth in the city's GDP comprised 80 per cent of additional real GDP for the whole Province.

The city is also the Province's population centre. According to Stats SA's mid-year population estimates, the city comprised about 3,3 million people in 2005, 64 per cent of the total Western Cape population.

Cape Town has a sophisticated and well-diversified economy. The headquarters of several national industry leaders in the financial & business services sector are located in the city, attracting further business in the sector, together with a highly skilled workforce.

The city is also an international business and leisure tourist destination. The introduction of the Cape Town International Convention Centre has proved successful, contributing to an increase in business tourism.

The tourism sector is continually expanding. The average growth rate for international and regional tourist arrivals at Cape Town International Airport for the period 2003 to 2005 is 7,8 per cent a year.

The Cape Town Partnership has boosted development in the city by helping to facilitate investments of R11bn, amongst others for the redevelopment of the inner city.

The central city is experiencing an investment boom. Overall, the construction and property sectors have grown steadily in recent years, with property prices benefiting from the countrywide boom in property values. However, the residential construction boom has caused pressure on existing public and other transport infrastructure, with the resulting impact on economic growth.

On the south-east side of the city, the last few years has seen the redevelopment of Khayelitsha and Mitchell's Plain, home to about a third of the residents of the city, as part of the Urban Renewal Programme. The focus has been on the development of the central business districts, and capital projects have included an informal trading market in Mitchell's Plain. The success of retail investments in Khayelitsha has created optimism for further economic growth and job creation in these areas.

5.1.1. Outlook and opportunities

As seen in table 7, Cape Town economic performance was driven by fast growth in financial & business services (contributing R10,2bn of the additional R25,95bn generated in GDP in 2004 over 1996), wholesale & retail trade (R6,15bn of the additional R25,95bn) and transport & communication (R5,37bn of the additional R25,95bn).

Other growing sectors were manufacturing (R2,25bn of the additional R25,95bn), CSP services (R1,35bn of the additional R25,95bn) and the construction sector (R1,24bn of the additional R25,95bn). The transport & communication sector grew the fastest, at 7,17 per cent, but it was from a relatively small base of 9,34 per cent share of the economy in 1996.

The wholesale & retail trade sector also performed well, growing second fastest at 5,36 per cent, from a base of 14,74 per cent in 1996. The construction sector expanded the third fastest, at 5,23 per cent, to take up 3,49 per cent of the local economy in 2004.

The performance of the financial & business services sector is all the more remarkable given that it grew at the fourth fastest rate (4,63 per cent), from already comprising the largest share of the economy in 1996 (21,19 per cent).

Table 7: Cape Town: sector contribution to GDP and growth, 1996 – 2004

	Contribution to GDP, 2004 (%)	Contribution to additional GDP, 2004 over 1996 R-million	Growth rate, 1996 – 2004 (%)
Agriculture, forestry & fishing	1,56	87,65	0,68
Mining & quarrying	0,17	-220,92	-9,53
Manufacturing	17,77	2 254,58	1,60
Electricity & water	1,72	293,98	2,21
Construction	3,49	1 241,70	5,23
Wholesale & retail trade	16,93	6 152,39	5,36
Transport & communication	11,88	5 374,98	7,17
Financial & business services	31,69	10 242,86	4,63
CSP services	5,29	1 354,42	3,50
General government services	9.50	-828,92	-0,98
Total Cape Town GDP (R-million)	106 384,93	25 952,73	3,56

Source: *Quantec Research and own calculations*

The performance of the manufacturing sector is of concern, however. From a base of 20,07 per cent in 1996, it grew at only 1,6 per cent, to take up 17,77 per cent of the economy in 2004. This can be attributed to the strong rand, but also to the composition of the sector. A decade ago the textile industry was a major contributor to activity in the sector. However, shifts in the international and local trade environment underscored the local industry's lack of competitiveness internationally, leading to contract and job losses, and closures in the industry. The strong rand exacerbated these trends in recent years.

Moreover, while the economy generated an additional 38 977 jobs, over the same period, the manufacturing sector contributed negatively to growth in job opportunities. In 2001 it offered 20 406 less jobs than in 1996, bringing the net job growth in the city to only 38 977, driven largely by job growth in the wholesale & retail trade and financial & business services sectors.

Although it should be seen as a strength that the city's faster growing sectors are also major contributors to additional jobs, the skill profiles in these sectors are likely to be different from those in sectors such as construction (which grew, but slowly, both in terms of GDP and jobs) and manufacturing, requiring higher levels of educational attainment, particularly in the financial & business services sector.

The growth in the CSP services sector should be seen as positive in this regard. Between 1996 and 2001, it contributed 5,2 per cent of the additional GDP. However, it added a total of 8 226 jobs (or 21,1 per cent of the additional jobs generated) from an already high base of 173 800 jobs in 1996, becoming the largest employer in the city in 2001.

The sector draws on skills across the spectrum, and its growth is therefore able to provide employment opportunities to medium- to lower skilled workers.

Table 8: Cape Town: contribution to GDP and employment growth per sector, 1996 – 2001

	Additional GDP (R'000 s)	Share of additional GDP (%)	Additional jobs	Share of additional jobs (%)
Agriculture, forestry & fishing	103 576	0,7	6 808	17,5
Mining	-247 356	-1,8	353	0,9
Manufacturing	1 821669	13,0	-20 406	-52,4
Electricity & water	102 948	0,7	-2 864	-7,3
Construction	112 562	0,8	1 208	3,1
Wholesale & retail trade	3 814 226	27,3	33 232	85,3
Transport & communication	3 171 145	22,7	-2 143	-5,5
Financial & business services	5 617 076	40,2	20 646	53,0
CSP services	729 739	5,2	8 226	21,1
General government services	-1 251 597	-9,0	-	-
Private households	-	-	-5 621	-14,4
Undetermined	-	-	-681	-1,7
Total	13 973 989	100,0	38 977	100,0

Source: Stats SA Census 1996 and 2001, Quantec Research and own calculations

Between 1996 and 2001, Cape Town's workforce increased at about the same rate as the population as a whole (3,3% compared to 3,4%). The city experienced net in-migration of 29 397 individuals in 2001 – 14 791 people left the city and 44 188 came to the city.

Most people migrate into Cape Town in search of better opportunities such as jobs and health and education services. As much as this brings opportunity to the city, adding to the existing skills and economic opportunity base, it also results in pressure on the delivery of services such as housing, sanitation, health and education. The age, skill and poverty profiles of the in-migrants will determine the extent of the impact on economic performance and service delivery.

However, Cape Town, as well as many of its suburban areas, is in a relatively favourable position compared to the Province overall in terms of both the City Development Index (CDI) and Human Development Index (HDI). Tables 9 and 10 show the index scores for each of the city's main areas, compared to the Provincial score. It is interesting to note the relatively high education score on both indices for Khayelitsha, despite its low position overall (on account of the health and income indices).

Table 9: Cape Town: HDIs[1]

Sub-place	Health	Education	Income	HDI
Khayelitsha	0,47	0,9	0,69	0,69
Nyanga	0,47	0,91	0,69	0,69
Elsies River	0,47	0,82	0,79	0,7
Langa	0,47	0,92	0,7	0,7
Gugulethu	0,47	0,93	0,74	0,71
Mitchell's Plain	0,47	0,87	0,78	0,71
Kraaifontein	0,47	0,88	0,85	0,73
Atlantis	0,61	0,88	0,88	0,79
Cape Town	0,67	0,88	0,91	0,82
Hout Bay	0,61	0,89	1	0,83
Somerset West	0,68	0,89	0,93	0,83
Goodwood	0,61	0,95	0,94	0,84
Parow	0,69	0,94	0,92	0,85
Bellville	0,69	0,93	0,95	0,86
Durbanville	0,69	0,95	1	0,88
Melkbosstrand	0,69	0,95	1,01	0,89
Province	0,63	0,84	0,68	0,72

Source: *Measuring the State of Development in the Western Cape, May 2005*

Note: [1] *Selected sub-urban areas sorted by HDI index*

Table 10: Cape Town: CDIs[1]

Sub-place	Infrastructure	Waste	Health	Education	Income	CDI
Khayelitsha	0,6	0,95	0,6	0,94	0,69	0,75
Langa	0,55	0,96	0,6	0,96	0,7	0,75
Nyanga	0,6	0,97	0,6	0,95	0,69	0,76
Gugulethu	0,61	0,95	0,6	0,97	0,74	0,77
Mitchell's Plain	0,75	0,89	0,6	0,89	0,78	0,78
Elsies River	0,85	0,95	0,6	0,84	0,79	0,8
Kraaifontein	0,83	0,97	0,6	0,89	0,85	0,83
Atlantis	0,88	0,96	0,67	0,9	0,88	0,86
Somerset West	0,9	0,94	0,7	0,89	0,93	0,87
Cape Town	0,93	0,99	0,69	0,88	0,91	0,88
Hout Bay	0,92	0,99	0,67	0,88	1	0,89
Parow	0,95	1	0,71	0,95	0,92	0,9
Bellville	0,96	0,99	0,71	0,92	0,95	0,91
Goodwood	0,98	1	0,67	0,95	0,94	0,91
Durbanville	0,97	0,99	0,71	0,94	1	0,92
Melkbosstrand	0,96	0,97	0,71	0,94	1,01	0,92
Province	0,79	0,89	0,68	0,86	0,82	0,81

Source: *Measuring the State of Development in the Western Cape, May 2005*

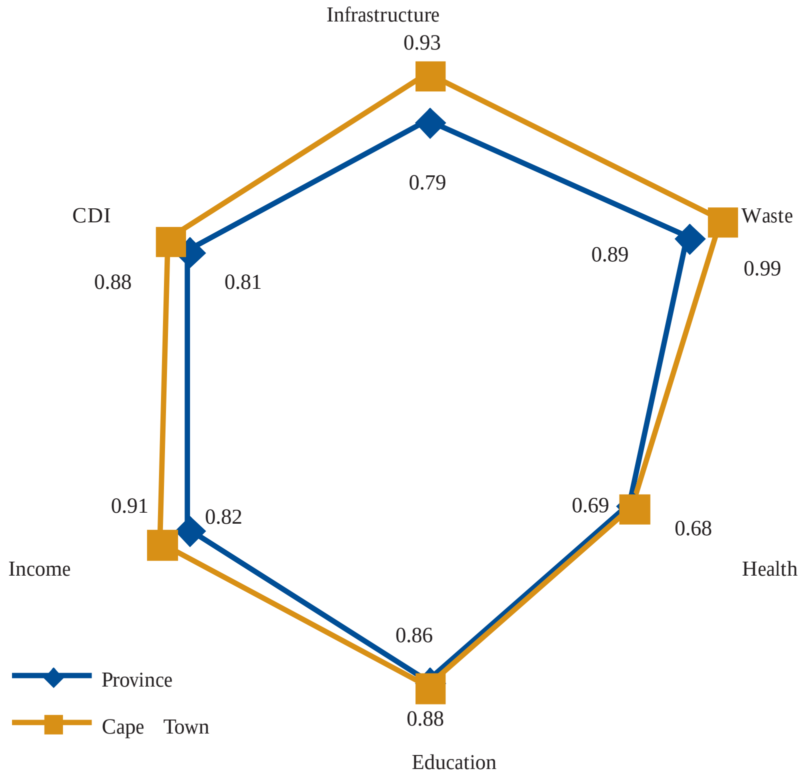
Note: *[1] Selected places sorted in ascending CDI order*

The CDI is an average of the following indices: infrastructure[11], health[12], education[13] and income[14]. As seen in figure 2, overall, Cape Town has a higher CDI (0,88) compared to the rest of the Western Cape's 0,81. In terms of individual indices, the city exceeded the rest of the Province in terms of infrastructure, income and waste disposal.

There are no significant differences between the city and the Province in terms of health and education indices. However, a major concern is lower indices for both the city and the Province in the state of health – both indices are below 0,70.

[11] Water, sewerage, telephone and electricity.
[12] Life expectancy, divided by infant mortality.
[13] Adult literacy and gross enrolment ratio.
[14] Mean household income.

Figure 2: Cape Town CDI compared to the Western Cape average, 2005



Source: *Measuring the State of Development in the Western Cape, May 2005*

5.1.2. Risks and challenges

The main challenges faced by Cape Town are poverty, unemployment, pressure on basic and social services networks, infrastructure and rising drug-related crimes.

As depicted in table 11, there has been an overall increase in the percentage of people in poverty in specific areas of Cape Town. In Mitchell's Plain, the percentage of people living in poverty increased by 16,5 per cent between 1996 and 2004. Other areas such as Strand, Kuils River and Simonstown also experienced significant growth in poverty during this period.

In 2001, about 13 per cent of total households in Cape Town had no income at all, and 9,01 per cent of these households were african. At the other end of the spectrum, 0,24 per cent earned more than R2,45m a year, of which 75 per cent were white. However, the bulk of the city's population (56,8%) earned between R4 800 and R76 800 per year, a similar proportion to the rest of the Province.

Low household incomes in the city are driven by the quantity and quality of employment. Despite the workforce expanding at a similar rate to the population overall between 1996 and 2001, the city's employment and unemployment profile deteriorated.

Table 11: Cape Town: percentage of people in poverty, 1996 – 2004

Cape Town	1996 (%)	2004 (%)
Bellville	6,3	9,3
City	6,4	9,3
Somerset West	6,6	10,9
Simonstown	7,9	12,0
Wynberg	9,7	13,0
Kuils River	11,0	17,0
Strand	11,4	17,8
Goodwood	13,5	18,1
Paarl	15,3	20,1
Mitchell's Plain	30,9	47,4

Source: *Development Bank of Southern Africa, 2005*

Table 12: Cape Town: income distribution, 2001 (%)

Income categories	African	Coloured	Indian/Asian	White	Total
None	9,01	2,89	0,09	1,14	13,13
R1 – R4 800	1,99	0,75	0,01	0,17	2,93
R4 801 – R9 600	4,62	3,17	0,05	0,67	8,51
R9 601 – R19 200	7,45	5,70	0,08	1,08	14,32
R19 201 – R38 400	5,14	8,99	0,18	2,54	16,86
R38 401 – R76 800	2,47	9,50	0,27	4,94	17,18
R76 801 – R153 600	1,02	6,08	0,31	6,68	14,09
R153 601 – R307 200	0,40	2,23	0,21	5,83	8,68
R307 201 – R614 400	0,12	0,40	0,06	2,40	2,99
R614 401 – R1 228 800	0,03	0,09	0,02	0,56	0,70
R1 228 801 – R2 457 600	0,05	0,09	0,01	0,24	0,39
R2 457 601 and more	0,02	0,04	0,00	0,18	0,24
Total	32,32	39,93	1,29	26,45	100,00

Source: *Development Bank of Southern Africa, 2005*

In 2001 the employment rate, although significantly higher than for the country as a whole, was 70,8 per cent, down from the 1996 rate of 80,5 per cent. At the same time the unemployment rate increased from 19,5 per cent to 29,2 per cent. Table 13 indicates that in 2004, Cape Town registered unemployment of 23,4 per cent, indicating that the situation had stabilised.

It is estimated that a growth rate of between 6 per cent and 7 per cent (or the creation of about 40 000 jobs annually) is needed to reduce unemployment significantly.

Consequently, the economic performance of Cape Town over the past decade has been inadequate to address the challenges of poverty or unemployment. The distribution of this growth has also been highly skewed toward those with skills and resources.

With population growth slowing down and the potential for faster economic growth, there is opportunity to reduce the unemployment rate in future years. However, this also depends on the profile and location of the unemployed.

In 2001, 35 per cent of the city's unemployed were youths 15-24 years of age. In fact, the unemployment rate for this group was 49 per cent, significantly higher than the 19,5 per cent for the workforce as a whole. At the same time, almost 60 per cent of the city's workforce (and 80% of the unemployed) had less than a completed secondary education.

Given Cape Town's sectoral growth profile, these statistics highlight the city's key challenge of creating entry points into the workforce, particularly for youth with low and medium educational attainment before they face a lifetime of no or under-employment.

Table 13: Cape Town: labour market, 1995 – 2004

	1995	2004	% change, 1995 – 2004
Population 15 – 64	1 644 864	1 983 916	20,6
Economically active	1 014 102	1 178 436	16,2
Not economically active	630 762	805 480	27,7
Formal employment	727 538	715 505	-1,7
Informal employment	111 412	187 201	68,0
Total employment	838 951	902 706	7,6
Unemployed	175 152	275 730	57,4
Unemployment (%)	17,27	23,40	6,1

Source: Quantec Research using Stats SA SEE and LFS for 2004; own calculations

The rapid growth in the earlier half of the last decade has put severe pressure on service networks in Cape Town. One of the great pressures has been housing: about 73,2 per cent (157 711 units) of the housing backlogs[15] in the Western Cape in 2001 were in Cape Town. As noted in the city's 2006/07 IDP report, this backlog has increased to 265 000 units.

Compared to the Province as a whole, Cape Town has also not performed well in reducing the proportion of households without access to basic levels of service delivery. While the city performed better than the Province in terms of the delivery of refuse removal[16] services (reducing the proportion of households with access to below basic refuse removal by 3,37%), it did not perform as well in terms of water, energy, sanitation and telephone

[15] *Census 2001; inadequate housing excluding overcrowding.*
[16] *Refuse removal – own refuse dump, and no refuse removal.*

services. The poorest performance was in the delivery of sanitation services, where the proportion of households with access to below basic sanitation services increased by 3,26 per cent (35 740 households) compared to 1,78 per cent for the Province.

The changes in distribution across age groups of Cape Town's population also signal forthcoming pressure on social infrastructure, particularly in health and education. As seen in table 14, between 2001 and 2005, the working age population grew at a slower rate than the other age groups, signalling changing dependency ratios. Cape Town is the only area in the Province where these population groups (children and the elderly) increased at a faster rate than the working age population.

Table 14: Cape Town: annual average growth by age group, 2001 – 2005

Age group	Annual average growth 2001 – 2005 (%)
0 – 14	2,08
15 – 59	-0,40
60 – 80+	4,48

Source: Stats SA mid-year population estimates

Crime statistics present a mixed picture for Cape Town. The data in table 15 show that there has been a decline in reported cases of some violent crimes, such as attempted murder (29%), neglect and ill-treatment of children (19%) and murder (6%) between 2003/04 and 2004/05. Also on the decline are burglaries in residential areas (12%) and burglary at business premises (22%). Commercial crime has been relatively stable in the city.

The reduction in the number of reported crimes over this period indicates improvements in the fight against crime; however, the effect of under-reporting of crime should be taken into account to qualify these improvements.

Certain crimes are escalating. Between 2003/04 and 2004/05, drug-related crime increased by 55 per cent, illegal possession of firearms and ammunition by 19 per cent and reported rape cases by 7 per cent. The data do not provide insight into the extent of child rape and the general involvement of the youth in criminal activities.

Overall, Cape Town is an important growth point for the Western Cape's economic development agenda. It boasts infrastructure that is key to unlocking economic potential, including a well-developed central business district, strong and emerging business districts in other nodes, a relatively efficient transport network and industrial zones.

However, the city faces considerable socio-economic challenges that include joblessness, skewed income distribution, and inadequate and declining access to basic services in some service areas .

Table 15: Cape Town: changes in crime rates per 100 000 population, 2001/02 and 2004/05

	Number of reported crimes per 100 000 individuals, 2001/02	Number of reported crimes per 100 000 individuals, 2004/05
Murder	79,4	59,1
Rape	139,6	132,7
Attempted murder	107,5	69,6
Assault with intent to inflict grievous bodily harm	617,5	580,3
Robbery with aggravating circumstances	383,7	406,1
Neglect and ill-treatment of children	12,9	31,1
Malicious damage to property	611,9	662,6
Burglary at residential premises	1 180,2	1 016,4
Burglary at business premises	312,7	170,0
Illegal possession of firearms and ammunition	61,6	60,4
Drug-related crime	249,4	511,8
Commercial crime	231,8	214,7
Total number of stations (2002/03)	56	

Source: SAPS, Stats SA Census 2001 and mid-year population estimates for 2005

Furthermore, its infrastructure network, including energy and transport networks, has come under pressure recently on account of rapid economic and population growth.

Whilst comparatively developed, Cape Town's infrastructure may be assessed to be in crisis when compared to the city's international competitors. There is a strong need for targeted investment in strategic infrastructure that will have high economic impact for growth sectors (in particular road, rail, aviation capacity, the port, information and communications, and business infrastructure).

Failure to make the commitments necessary to maintain and develop the city's essential infrastructure will severely impede Cape Town's current economy, as well as future development in both the city and the Province. However, this must take place in the context of protecting the city's natural resource base and its environmental assets to avoid jeopardising the city's local, regional and global comparative economic advantage.

Other challenges, including a growing housing backlog, have the potential to undermine social stability and slow down economic expansion, deterring further investment. With the stark inequalities reflected in the city, addressing backlogs is important to aid in eradicating poverty and uplifting communities. Job creation through the expanded public works programme and a city-driven focus on skilling programmes for the youth are further important factors in unlocking the potential for growth and development.

Cape Town's challenges therefore reflect the need for economic development to be based on shared growth and recognition that the failure to address poverty will undermine the growth prospects of the city. The aim must be to grow the economy and reduce inequality and poverty.

Table 16: Cape Town: access to basic services, 1996 and 2001

	1996	2001
Refuse removal		
% of households without weekly refuse removal	10,2	5,8
Number of households without weekly refuse removal	65 882	45 031
Water supply		
% of households without piped water on site	10,2	15,6
Number of households without piped water on site	66 133	121 258
Toilet facilities		
% of households without flush toilets	10,4	12,5
Number of households without flush toilets	67 785	96 799
Electricity supply		
% of households without electricity supply	12,8	11,2
Number of households without electricity supply	82 928	87 024

Source: Stats SA Census 1996 and 2001, extracted by the Strategic Information Branch of the Information and Knowledge Management Department

5.2. Cape Winelands District

The Cape Winelands district is centrally located in the Western Cape, bordering three municipalities from the Northern Cape Province, Cape Town, the Overberg and the West Coast. It also shares a small border with Eden.

Cape Winelands includes the local municipalities of Breede Valley, Breede River/ Winelands, Drakenstein, Stellenbosch, Witzenberg and the district management area of Breede River.

In 2001, the district had an estimated population of 629 920, growing to the current level of 650 229, and is estimated to reach 656 902 by 2010.[17]

The district has the second largest economy in the Province, after Cape Town. In 2004 it contributed R14 524m, or 10,45 per cent of the GDPR. Between 1995 and 2004, the district grew at a slower rate (2,67%) than that of the Western Cape (3,37%).

On account of its proximity to a large market and to two major export harbours, as well as its natural beauty, well-developed tourism, wine and agri-processing and other manufacturing industries, growing financial services and quality secondary and tertiary education institutions, the Cape Winelands district is well placed to participate in the country-wide economic boom. The University of Stellenbosch also offers a centre for incubation of technological advances that can be utilized to accelerate growth in the local economy.

5.2.1. Opportunities and outlook

For the period between 1995 and 2004, growth in the Cape Winelands was driven by growth in wholesale & retail trade and financial & business services. In line with a highly diversified economy, the growth was also spread across a number of sectors.

Manufacturing is the largest sector, comprising 22,1 per cent of the local economy, but it grew at a very low rate of 0,76 per cent, reflecting high sensitivity to the strong rand exchange rate.

The second-largest sector is the financial & business services sector, representing 20,3 per cent of district GDP, which grew at a higher rate of 5,1 per cent between 1995 and 2004.

The national boom in domestic consumption expenditure, coupled with a higher household income profile in the Cape Winelands district, contributed to the growth in the wholesale & retail trade sector, at 5,58 per cent between 1995 and 2004, earning it a share of nearly 15 per cent in the local economy by 2004.

[17] The population figures here are based on the ASSA Demographic and Aids Model 2003. Note that the figures represented here exclude the Drakenstein 85 years and older cohort due to an error in the model. It is therefore likely that the total population figures may be an under-representation of the actual population numbers in the Cape Winelands district municipality.

The transport & communication sector is another high-growth sector, albeit from a low base. In 2004 the sector reached a 8,26 per cent share in the local economy, having grown by on average 6,93 per cent a year for the preceding 10 years.

The agriculture, forestry & fishing sector has been a long-term, high-profile mainstay of the local economy, driven by viniculture in a number of the local municipalities, as well as deciduous fruit and citrus farming in the Witzenberg and surrounding local municipalities. However, the sector grew at only 1,6 per cent on average over the last 10 years, leaving it contributing only 14,24 per cent to the local economy in 2004.

Despite its low growth, the sector remains labour intensive with opportunities to utilize the low-skill / high skill mix of the local labour market. In 2001, the sector employed over 84 763 of the total employment for the district of 221 090, and between 1996 and 2001 it contributed over 9 900 of the 15 560 additional jobs in the district.

Table 17: Cape Winelands: sector contribution to GDP, 2004; average annual growth, 1995 – 2004 and employment share per sector, 2001

Category	Contribution per sector, 2004 (%)	Average annual growth, 1995 – 2004 (%)	Employment, 2001	Share of employment, 2001 (%)
Agriculture, forestry and fishing	14,24	1,61	84 763	38,3
Mining	0,24	-11,16	517	0,2
Manufacturing	22,05	0,76	22 897	10,4
Electricity & water	0,55	0,77	666	0,3
Construction	3,29	0,77	9 498	4,3
Wholesale & retail trade; catering and accom	14,99	5,58	25 697	11,6
Transport & communication	8,26	6,93	4 687	2,1
Finance and business services	20,33	5,11	11 742	5,3
Community, social and other personal services	4,72	4,80	29 725	13,4
General government services	11,34	-0,52	n/a	n/a
Other/ Undetermined	n/a	n/a	20 646	9,3
Private households	n/a	n/a	10 249	4,6
Total	**100,00**	**2,67**	**221 090**	**100,0**

Source: Quantec Research, Stats SA Census 2001 and own calculations

Other major employers were CSP services, wholesale & retail trade and the manufacturing sector.

However, the shares of both agricultural, fishing & forestry and manufacturing in total GDP are declining, reflecting the need for other sectors to create employment opportunities, especially since manufacturing shed over 7 600 jobs between 1996 and 2001.

Strong growth sectors, such as transport & communication and financial & business services are not major employers, respectively representing 2,1 per cent and 5,3 per cent of total employment in 2001.

Wholesale & retail trade and CSP services, however, represented 25 per cent of total employment in the region in 2001, and provided 34,8 per cent of additional jobs created in the Cape Winelands between 1996 and 2001.

The local municipalities of Drakenstein, Stellenbosch and the Breede River Valley are the main drivers of economic activity, jointly contributing just below 80 per cent of the growth in district GDP in 2004.

Stellenbosch and the Breede River/Winelands were the fastest growing municipalities in the district for the period 1995 to 2004, growing at 3,37 per cent and 3,11 per cent, respectively.

The Drakenstein, Breede Valley and Stellenbosch municipalities have the greatest share of employment in the region. Although not directly comparable due to a difference in period, it does appear that the Witzenberg region has a greater share in employment in the region than its share in district GDP suggests. This may be due to the fact that agriculture, forestry & fishing represents nearly one third of the Witzenberg GDP.

Similar comparisons can be made for the Breede Valley as well as the Breede River DMA. In contrast, the larger municipalities of the Drakenstein, and more so of Stellenbosch, have a smaller employment share than their share in the district GDP suggests. This result tends to imply that the current composition of the economies in some municipalities is more labour intensive than others, but this result may require more investigation.

5.2.2. Risks and challenges

The Cape Winelands district faces, amongst others, two clear challenges – unemployment (more specifically youth unemployment) and a dramatic rise in drug-related crimes.

In 2001, unemployment stood at 18,4 per cent, up from 13,9 per cent in 1996. Unemployment was highest in the Drakenstein at 22,8 per cent. This local municipality also has the highest share of the unemployed in the district, at 39 per cent, followed by the Breede Valley at 25 per cent.

Youth unemployment[18] as proportion of total unemployment amounted to 37 per cent; in other words, 37 per cent of all unemployed in the district are under the age of 24 years.

[18] *For our purposes, youth unemployment has been defined as individuals 15-24 years of age.*

Table 18: Cape Winelands: contribution of local municipalities to GDP and employment, 1995 – 2004

Local Municipality/District	Contribution per sector, 2004 (%)	Average annual growth, 1995-2004 (%)	Employment, 2001	Share of employment, 2001 (%)
Witzenberg	8,70	1,15	32,857	14,86
Drakenstein	34,43	2,49	65,306	29,54
Stellenbosch	26,57	3,38	43,516	19,68
Breede Valley	18,13	2,56	49,661	22,46
Breede River/Winelands	11,62	3,11	26,158	11,83
Breede River DMA	0,55	2,13	3,606	1,63
Cape Winelands District	100,00	2,67	221,104	100,00

Source: Own calculations based on Quantec 2005 data, Census

The high unemployment rates are reflected in the number of households without any income. Just over 11,8 per cent of all households in the district have no income, with Stellenbosch having a higher share of households with no income than other municipalities. This may be due to students attending the University of Stellenbosch who live in the area.

For the 2001/02 to 2004/05 period, reported drug-related crime has more than doubled for the district. Witzenberg had the highest increase in reported drug-related crimes, but all municipalities showed dramatic increases in drug-related crime in the afore-mentioned period. Breede River/Winelands and Witzenberg have, however, less crime per capita than the other municipalities in the district.

The larger economies in the district also have access to more educated workforces. Both Stellenbosch and Drakenstein's workforce have in the region of 65 per cent of members with less than completed secondary school education. Elsewhere in the region, particularly in the Witzenberg and the Breede River DMA, levels spanning 80 per cent and even 89 per cent, reflect a work force that is relatively uneducated.

Cape Winelands does relatively well compared to the Province in terms of the HDI and CDI scores[19]. With the exception of the Breede River Winelands, the local municipalities scored close to the Provincial score of 0,72 on the HDI and 0,81 on the CDI. On the CDI infrastructure component (0,79 for the Western Cape), a similar picture emerges.

In summary, the Cape Winelands district is ideally placed to utilise the current positive economic environment in the Western Cape and the country. Its close proximity to Cape Town offers an opportunity for the district to create further spill-over growth from the city's growing economy.

[19] These indices are indicators of social well-being. Higher values ranging between 0 and 1 indicate a better quality of life than lower values.

Table 19: Cape Winelands: selected indicators of quality of life

Municipality	HDI	CDI	CDI infrastructure component	% of households with no income	% of workforce with less than completed secondary education	Crimes per 1 000 people (2004/05)	Proportion increase in drug-related crime 2002/03 – 2004/05 (%)
Breede River/Winelands	0,65	0,71	0,74	10,59	77,00	58	111
Stellenbosch	0,74	0,8	0,82	19,95	64,40	107	124
Drakenstein	0,7	0,78	0,79	10,47	66,90	105	54
Witzenberg	0,72	0,69	0,69	8,21	80,10	80	153
Breede Valley	0,68	0,74	0,75	8,96	70,90	109	96
Breede River DMA	-	-	-	1,24	89,10	-	-
Cape Winelands DM	-	-	-	11,83	-	96	97

Source: Office of the Premier 2005, Stats SA Census 2001, own calculations based on SAPS 2005

5.3. Eden District

Eden is the third-largest district within the Western Cape and shares borders with four other district municipalities: Cacadu district in the Eastern Cape, Overberg and Cape Winelands in the west and the Central Karoo in the north.

Local municipalities under Eden are Kannaland, Hessequa, Mossel Bay, George, Oudtshoorn, Plettenberg Bay, Knysna and the South Cape district management area. Eden is located along the south-eastern coast of the Western Cape. The region offers unique natural beauty, including a dramatic coast line, the Outeniqua mountain range and the scenic Karoo environment of the Oudtshoorn and Kannaland municipalities.

High rainfall and dense indigenous forest areas characterise the coastal area, while the Klein Karoo offers the typical succulent vegetation of dry Karoo landscapes. Geographically, the Outeniqua mountain range creates a physical divide between the Klein Karoo and South Cape. This not only results in different climates, but also in very different economic activities, tourism opportunities, demographic trends and service delivery challenges in the municipalities. On both sides of the mountain range, however, the environment is rich in unique eco-systems, placing an imperative on conservation and sustainable development.

5.3.1. Opportunities and outlook

Eden is an important economic growth area for the Western Cape. It has an expanding population on account of in-migration from other parts of the country, bringing a dynamic skill mix to the district.

Between 1995 and 2004, the district made the third-largest contribution to growth in the Province, after Cape Town and the Cape Winelands. It grew at an annual average rate of 3,13 per cent, contributing 6,14 per cent of the Western Cape GDPR in 2004.

As depicted in table 20, in 2004 financial & business services, wholesale & retail trade, manufacturing and general government services were the largest economic drivers, accounting for 22 per cent, 19 per cent, 17 per cent and 11 per cent of the total Eden GDPR rate, respectively.

In descending order, the fastest growing sectors measured by average annual growth rates between 1995 and 2004 were transport & communication (6,8%), financial & business services (5,1%), wholesale & retail trade (4,9%) and electricity & water (4,9%).

Mining (-12%) and general government services (-0,02%) recorded negative average annual growth rates in the period under investigation.

Although manufacturing is the third-largest sector as a percentage of GDP, its growth is low compared to other large sectors.

The two in-land municipalities of Kannaland and Oudtshoorn grew at the slowest average annual rate (0,87% and 1,57%, respectively) over the period. On the other hand, the four coastal local municipalities of George (3%), Knysna (2,67%), Mossel Bay (3,83%) and Plettenberg Bay (2,02%) grew at faster rates and made higher contributions to district economic expansion. The coastal municipality of Hessequa experienced 3,11 per cent growth.

In 2001, the biggest sectoral employers in Eden were general government services (17,48%), CSP services (17,05%) and financial & business services (10,05%).

The most jobs were created in George, which also contributed 35 per cent of the growth in the district in 2004. The economies of Mossel Bay, Oudshoorn and Knysna also acted as important job creators, contributing 16 per cent, 15 per cent and 12 per cent of the share of total jobs in the district in 2001, respectively.

The in-land and coastal areas of the district both offer further opportunities for economic expansion, focusing on tourism, including eco-tourism, while the eastern coastal regions in particular benefit from the skill base and economic power of new residents.

Transport & communication shows potential for growth – in the municipalities that straddle main transport routes between Cape Town and the Eastern Cape, it contributes significantly to growth, particularly in Hessequa where activity in this sector is not as overshadowed by wholesale & retail trade and the financial & business services sectors.

Table 20: Eden: sector contribution to GDP and growth 1995 – 2004 and employment share per sector, 2001

Eden District Municipality	Contribution per sector, 2004 (%)	Average annual growth, 1995 – 2004 (%)	Employment, 2001	Share of employment, 2001 (%)
Agriculture, forestry & fishing	6,86	2,64	24 281	0,50
Mining & quarrying	0,57	-12,66	353	0,26
Manufacturing	16,65	1,26	13 475	9,86
Electricity & water	3,16	4,67	715	0,52
Construction	6,22	2,95	13 777	10,08
Wholesale & retail trade	18,58	4,91	23 993	17,55
Transport & communication	8,63	6,77	4 436	3,25
Financial & business services	22,51	5,07	9 112	6,67
CSP services	5,40	3,47	23 295	17,04
General government services	11,43	-0,02	-	-
Private households	-	-	11 907	8,71
Undetermined	-	-	11 338	8,29

Source: Quantec Research, Stats SA Census 1996 and 2001, own calculations

With growing populations and many new residents being lower skilled in-migrants in search of jobs, the district is facing an increasing unemployment problem. This, together with relatively high percentages of households with no income in areas with higher population density (apart from Oudtshoorn), creates several social challenges.

Table 21: Eden: contribution of local municipalities to GDP, 1995 – 2004 and employment, 2001

Eden District Municipality	Change in GDP 1995 and 2004 (R'000s)	Contribution per municipality, 2004 (%)	Average annual growth, 1995 – 2004 (%)	Share of employment, 2001 (%)
Kannaland	20 611	2,92	0,87	4,64
Hessequa	265 767	11,81	3,11	10,35
Mossel Bay	555 802	20,79	3,83	16,18
George	770 803	35,25	3,00	30,75
Oudtshoorn	142 171	11,78	1,52	15,05
Plettenberg Bay	81 677	5,29	2,02	7,59
Knysna	211 252	10,67	2,67	11,78
South Cape	20 367	1,50	1,75	3,66
Eden District Municipality	**2 068 450**	**100,00**	**2,81**	**100,00**

Source: Quantec Research, Stats SA Census 1996 and 2001, and own calculations

5.3.2. Risks and challenges

The coastal police stations face some of the highest workloads in the Western Cape, with Knysna having a rate of crimes per police station of 6 435 in 2004/05. The rate of increase in drug-related crimes is high across the district, with the highest number of such crimes being reported in George, Plettenberg Bay and Oudtshoorn. These are also the more populous local municipalities. Together with Knysna, they further have the highest incidence of youth unemployment (46,8%, 56,8% and 47,5%, respectively).

At 14,23 per cent, Knysna has the highest number of households without income, followed by Plettenberg Bay (13,96%), George (13,71%) and Mossel Bay (9,65%).

The structural change in the Eden economy, away from agriculture and CSP services to higher-end sectors such as financial & business services, transport & communication and wholesale & retail trade, brings a sharp re-skilling challenge for the local economy.

While some of these sectors offer opportunities for lower-skilled job opportunities combined with higher-end technologies, further growth would depend on sufficient skills at the higher end being available to innovate, create and manage firms. The district is, however, fortunate in that it has lower percentages of the population with less than completed secondary education than, for example, the Overberg or West Coast districts.

The district performs below the provincial average in the CDI, reflecting the locality's investment path, and the HDI. All of the local municipalities score below the Provincial HDI of 0,72 and the CDI infrastructure component for the Province of 0,81.

Particular problems on basic services infrastructure are experienced in the municipalities that have seen rapid population growth between 1996 and 2001, and further rapid growth in the working age population between 2001 and 2005. While the slow-down in growth overall may create some space to reduce backlogs, growth in the number of new households per year may not follow. Strain in improving the provision of basic services is therefore likely to remain a challenge in the district for some time.

Eden has been a recipient district of high in-migration in the period 1996 to 2001, resulting in fast growth in the working age population. While migration overall has slowed down between 2001 and 2005, the working age population has continued to expand at a faster rate.

In review, Eden is a region with a strong and highly diversified economy, and is endowed with rich natural resources and a growing pool of good human resources. Its development challenge, however, remains unemployment, pockets of deep poverty and pressure on the delivery of basic and social services.

Table 22: Eden: selected indicators of quality of life by local municipality

Eden District Municipality	HDI	CDI	CDI infrastructure component	% of households with no income	% workforce with less than completed secondary education	Increase in drug-related crime 2002/03 – 2004/05 (%)
George	0,69	0,79	0,76	13,71	64	218
Kannaland	0,66	0,67	0,64	6,67	78	93
Knysna	0,69	0,77	0,65	14,23	62	70
Hessequa	0,71	0,74	0,75	6,37	72	171
Mossel Bay	0,7	0,8	0,81	9,65	61	97
Oudtshoorn	0,69	0,76	0,74	6,32	69	237
Plettenberg Bay	0,71	0,77	0,71	13,96	66	232
Southern Cape	-	-	-	5,28	-	185
Eden District	**0,69**	**0,76**	**0,72**	**10,68**	**82**	**158**

Source: Office of the Premier, Stats SA Census 2001, SAPS, CARE 2005

5.4. West Coast District

The West Coast district is situated on the west coast of the Western Cape, bordering the Northern Cape in the north and north-east, and Cape Town and Cape Winelands in the south and south-east.

The district includes five local municipalities: Matzikama, Cedarberg, Berg River, Saldanha Bay and Swartland, as well as the West Coast district management area.

The district is a semi-arid region with high use of the in-land areas for commercial agriculture, including wheat and citrus farming. It includes the naval, commercial and fishing port of Saldanha, which is the centre of the SA fishing industry and a major portal for the export of commodities.

5.4.1. Opportunities and outlook

The district grew at an average annual rate of 2,18 per cent between 1995 and 2004 and totalled 3,98 per cent of the Western Cape's GDP in 2004. It has a fairly well diversified economy, with the top three sectors in 2004 contributing about 55 per cent to the district economy, compared to the Central Karoo, for example, where the top three sectors comprised 66 per cent.

The district's largest economic sectors are manufacturing, agriculture, forestry & fishing and wholesale & retail trade. These have recorded low growth in the past years, except for the latter that recorded the highest growth of all sectors in the district. While job opportunities are still being created in the agriculture, forestry & fishing industries, the sector is under long-term threat, as competition for scarce water resources in the district increase and diminishing fish stocks result in smaller quotas.

Wholesale & retail trade (4,73%), CSP services (4,63%), transport & communication (3,52%) and financial & business services (3,23%) are growing strongly.

Saldanha Bay is the focal point of much of this growth and has the potential to continue in this role, with the development of the harbour for the oil and gas industry and the opportunity to attract further investment in supportive manufacturing and service industries. The development of a transport corridor to Cape Town through the local municipality provides further potential for growth, including the creation of new job opportunities.

Population growth in the West Coast is slowing. It is projected to grow at an average annual rate of 1,95 per cent between 2006 and 2010, down from 2,38 per cent between 2001 and 2006. This is likely to result in a decline in the number of persons in economically active age groups. However, this is only likely to happen over the medium to longer term, as an ageing population is likely to increase the size of the economically active population over the coming years.

5.4.2. Risks and challenges

The district faces a growing labour force constraint on growth unless it can succeed in building a skilled – and re-skilled – workforce. Developing a different and improved skill profile in the district is important not only to sustain employment levels over the long term, but also to mine opportunities for growth in the emerging sectors. Altogether 71,62 per cent of the workforce has less than a completed secondary education.

The manufacturing sector is the largest in the district, with a contribution of 20,5 per cent to district GDP. Agriculture, forestry & fishing, wholesale & retail trade and financial & business services also contributed over 10 per cent each, a combined total of 48,12 per cent contribution to district GDP.

Sector contribution to employment in the district is highly concentrated in agriculture, forestry & fishing. CSP services also contributes strongly to employment, at just over double its share of GDP.

Table 23: West Coast: sector contribution to GDP, 2004; average annual growth, 1995 – 2004 and employment share per sector, 2001

West Coast District Municipality	GDP per sector, 2004 (R'000s)	Contribution per sector, 2004 (%)	Average annual growth 1995 – 2004 (%)	Share of employment, 2001 (%)
Agriculture, forestry & fishing	1 042 757	18,86	2,34	40,49
Mining	57 753	1,04	-10,99	1,36
Manufacturing	1 133 758	20,50	1,84	10,16
Electricity & water	96 377	1,74	1,73	0,36
Construction	227 445	4,11	0,88	4,79
Wholesale & retail trade	877 956	15,88	4,73	10,71
Transport & communication	521 773	9,44	3,52	2,67
Financial and business services	739 937	13,38	3,23	3,95
CSP services	331 557	6,00	4,63	12,15
General government services	500 155	9,05	-1,03	-
Private households	-	-	-	5,20
Undetermined	-	-	-	8,16
Total	**5 529 468**	**100,00**	**2,18**	**100,00**

Source: Stats SA Census 2001, Quantec Research and own calculations

Table 24: West Coast: contribution of local municipalities to GDP, 2004; average annual growth, 1995 – 2004 and employment, 2001

West Coast District Municipality	**GDP 2004 (R'000s)**	**Contribution per municipality, 2004 (%)**	**Average annual growth, 1995 – 2004 (%)**	**Share of employment, 2001 (%)**
Saldanha Bay	1 857 201	33,59	2,39	23,30
Swartland	1 601 472	28,96	3,42	25,53
Matzikama	811 401	14,67	1,08	17,44
Cederberg	545 681	9,87	2,60	14,46
Bergriver	655 314	11,85	0,15	18,46
West Coast DMA	58 398	1,06	1,33	0,81
Total	5 529 468	100,00	2,18	100,00

Source: Stats SA Census 2001, Quantec Research and own calculations

Saldanha Bay and Swartland made the largest contributions to GDP in the district in 2004, as well as to employment in 2001. Swartland was the fastest growing municipality between 1995 and 2004, with an average annual rate of 3,42 per cent. Berg River had a particularly poor growth rate, the slowest in the district, growing at an average annual rate of 0,15 per cent.

The higher employment rates of West Coast – and its historically good access to social security programmes – are reflected in its having the lowest percentage of households with no income in the Province (6,59%). However, this masks disparities within the district. In Saldanha Bay, 10,91 per cent of households had no income, while in Berg River the proportion was 3,69 per cent, as seen in table 25.

Saldanha Bay also had the highest number of crimes per 1 000 people and one of the faster growing incidences of drug-related crime, coupled with relatively high youth unemployment (34% compared to the 25% for the district overall for the age group 15-24 years). Its HDI score, however, is still one of the better ones in the district, as is its infrastructure score on the CDI.

The high increase in drug-related crime in Bergrivier is notable, particularly since it has one of the lower unemployment rates, particularly for the youth (aged 15-24 years), of 15 per cent. Bergriver also has the fastest growing housing backlog in the district and its HDI and CDI scores are second and third worst for the district, respectively.

The proportion of households without access to basic services remains high in the district, particularly in respect of refuse removal (25,2%), energy (18%) and sanitation (12,6%); for telephone (6,4%) and water (3,6%) services, these proportions are slightly less.

The West Coast offers strong potential to be a strong growth node for the Western Cape, provided that the district can successfully overcome its key development challenges and address social risks.

Table 25: West Coast: selected indicators of quality of life by local municipality

	HDI	CDI	CDI infrastructure component	% of households with no income	% of workforce with less than completed secondary education	Crimes per 1 000 individuals (2005 population)	Increase in drug-related crime 2002/03 – 2004/05
Saldanha Bay	0,73	0,82	0,84	10,91	63,69	84	115
Swartland	0,74	0,75	0,76	4,74	71,25	78	62
Matzikama	0,71	0,71	0,70	5,63	72,77	60	60
Cederberg	0,67	0,68	0,68	7,01	78,70	63	165
Bergriver	0,66	0,70	0,70	3,69	75,70	51	219
West Coast DMA	**-**	**-**	**-**	**9,23**	**74,03**	**24**	**-32**
West Coast DM	**-**	**-**	**-**	**6,59**	**71,62**	**69**	**11**

Source: Office of the Premier, Stats SA Census 2001, SAPS, CARE 2005

5.5. Overberg District

The Overberg district is situated in the south of the Western Cape and borders the Indian and Atlantic Oceans to the south, and Cape Town, Cape Winelands and Eden in the west, north and east.

The district includes the following municipalities – Theewaterskloof, Cape Agulhas, Overstrand, Swellendam and the Overberg district management area.

The landscape of the Overberg is dramatic, from the beautiful beaches, rocky cliffs and fynbos mountains of the coastline, through the undulating landscapes and mountain ranges of Swellendam and the semi-arid environment of the Klein Karoo. It offers a very similar mix of coastal and in-land regions as the Eden district, although the coastal areas are more arid.

The Overberg's natural environment is unique, including large areas of pristine fynbos vegetation, and the district offers viable economic opportunities. However, the district includes several sensitive natural ecosystems, requiring particular attention to environmental protection in its development path.

5.5.1. Opportunities and outlook

The Overberg contributed 2,35 per cent to the Province's GDP in 2004 and grew at an average annual rate of 2,36 per cent a year between 1995 and 2004, lower than the Province's average rate of 3,37 per cent. However, growth has picked up in the past three years, with the Overberg growing at an average annual rate of 2,65 per cent between 2001 and 2004.

In 2004 the largest sector was agriculture, forestry & fishing, contributing 20,57 per cent to district GDP, followed by wholesale & retail trade at 18,39 per cent, financial & business services at 15,13 per cent and manufacturing at 15,08 per cent.

The sectoral distribution reflects an economy that, although fairly well diversified, remains dependent on agrarian activities. There is potential for expansion of services sectors as the district becomes more popular with domestic and international holiday-makers and as more high-skilled in-migrants settle in the municipality. The municipality also has a manufacturing base that could absorb labour if higher growth rates could be achieved.

In addition, diversification within the agriculture and fishing sectors, with farmers diversifying to olive, wine, *fynbos* and essential oils production, as well as the introduction of trout farming and aquaculture projects, may well lead to substantial improvements in the agriculture sector and employment in the region.

The local municipality of Theewaterskloof contributed 41 per cent to district GDP. Theewaterskloof's economy is well diversified, with wholesale & retail trade, manufacturing, construction and financial & business services making significant contributions to the local economy.

The second largest local municipality, at approximately 31 per cent, is the Overstrand. Cape Agulhas follows next and then Swellendam, which both contribute approximately 14 per cent to district GDP. With plans to improve the access routes from the north to the coastal areas of the Cape Agulhas area, the growth potential of this region is likely to increase.

There are similarities in the Overberg district between economic activity and employment, both in terms of its distribution across districts and across economic sectors, as seen in tables 26 and 27.

In other words, it seems that the larger sectors and regions in terms of contribution to district GDP are also the sectors and regions with the larger share of employment. This result does not always hold true for other regions in the Western Cape.

Of concern, however, is the high number of jobs in agriculture, forestry & fishing compared to low growth rates in this sector for the past decade. In the long-term, this trend may put a number of livelihoods in the district under pressure. However, other labour-intensive sectors such as wholesale & retail trade grew at over 6,6 per cent a year over the same period.

Table 26: Overberg: contribution to GDP growth per sector, 1995 – 2004

	GDP, 2004 (R-billion)	Contribution per sector 2004 (%)	Average annual growth 1995 – 2004 (%)	Share of employment, 2001 (%)
Agriculture, forestry & fishing	0,67	20,57	1,51	36,6
Mining & quarrying	0,00	0,06	-16,49	0,1
Manufacturing	0,49	15,08	0,00	5,2
Electricity & water	0,06	1,80	1,27	0,5
Construction	0,18	5,56	2,26	7,7
Wholesale & retail trade	0,60	18,39	6,63	13,2
Transport & communication	0,25	7,72	6,78	2,2
Financial & business services	0,50	15,13	4,15	4,8
CSP services	0,20	6,12	2,06	13,0
General government services	0,31	9,56	-1,89	-
Other and not adequately defined	-	-	-	0,0
Private households	-	-	-	7,2
Undetermined	-	-	-	9,6
Not applicable	-	-	-	0,0
Total	**3,27**	**100,00**	**2,36**	**100,0**

Source: Stats SA Census 2001, Quantec Research and own calculations

Table 27: Overberg: contribution of local municipalities to GDP, 2004; average annual growth rates, 1995 – 2004 and employment, 2001

Local Municipality	GDP, 2004 (R-billion)	Growth in GDP 1995 – 2004 (%)	Contribution to GDP, 2004 (%)	Share of employment, 2001 (%)
Theewaterskloof	1,337	1, 39	41	49
Overstrand	1,023	2, 91	31	26
Cape Agulhas	0,463	2, 19	14	12
Swellendam	0,445	2, 61	14	13

Source: Stats SA Census 2001, Quantec Research and own calculations

5.5.2. Challenges and risks

While a unique natural asset, the environment also poses several challenges and risks to development in the Overberg. Water scarcity and sensitive natural ecosystems place great demand for careful spatial planning and land use.

Population increases in the high-growth local municipalities, as well as an unemployment rate of 18,6 per cent, pose a risk of their own. To some extent, this is reflected in increases in drug-related crimes, whilst also placing social infrastructure under pressure in some local municipalities.

In 2001, the district's population totalled 205 945, increasing to 228 752 in 2005. It is forecast that the population will climb over 251 000 by 2010.[20] With the increase in the population across the district, additional pressures can be expected on the economy and society as a whole.

Although unemployment is problematic for all age cohorts, it is more severe amongst the youth, with nearly 40 per cent of all unemployed being under the age of 24. The local municipalities in the Overberg district have a relatively lower percentage of the workforce with less than a completed secondary education compared to other districts, with the Overstrand and Cape Agulhas leading the group.

This places the district in a better position to improve and re-orient the skills of the workforce towards the economic growth sectors. Given the relatively high proportions of households without income in some municipalities (ranging between 5% and 12%), it is imperative that unemployment is reduced.

Drug-related crime has increased dramatically for all municipalities in the region between 2002/03 and 2004/05, indicating that not enough attention has been focused on removing the drug scourge from society. Overall, crime per 1 000 people varied between municipalities, but appears to be less than elsewhere in the province.

Overall, the local municipalities scored relatively well on both the HDI and CDI indices, with Overstrand attaining the highest score for both the HDI and CDI measures. Of concern is the variable spread of infrastructure as measured by the CDI infrastructure component. Infrastructure development is uneven in the district, with some municipalities having better infrastructure than others. The Theewaterskloof municipality achieved the lowest score for the CDI infrastructure component.

[20] *Population figures were derived from the ASSA 2003 Demographic and Aids model..*

Table 28: Overberg: selected indicators of quality of life

	HDI	CDI	CDI infrastructure component	% of households with no income	% workforce with less than completed secondary education	Crimes per 1 000 individuals (2005 population)	Increase in drug-related crime 2002/03 – 2004/05 (%)
Cape Agulhas	0, 69	0, 78	0, 80	6, 1	68, 3	25	74, 7
Overstrand	0, 73	0, 79	0, 76	11, 6	66, 5	80	160, 8
Swellendam	0, 72	0, 74	0, 75	5, 3	73, 2	87	104, 7
Theewaterskloof	0, 71	0, 73	0, 67	10, 8	79, 0	65	144, 1
Overberg DMA	-	-	-	-	**19, 6**	-	-

Source: Office of the Premier, Stats SA Census 2001 and own calculations based on SAPS, 2005

Overall, the Overberg district economy is fairly well diversified, but retains a strong agricultural sector. This may be the reason for the district's slower than average growth, since the agriculture sector reported lower growth figures than several other sectors. Addressing unemployment and uneven infrastructure development will be important issues for the future. Further, if the access routes from the north to the coastal areas of Cape Agulhas are improved as planned, the growth potential of this region is likely to increase.

5.6. Central Karoo District

The Central Karoo district is situated in the northeast of the Western Cape, bordering Eastern Cape and Northern Cape municipalities.

The Central Karoo includes Beaufort West, Laingsburg and Prince Albert local municipalities, as well as the district management area of Murraysburg. Between 2001 and 2006, the population grew slowly, at an annual average of 1,85 per cent.

The district has a low population density with large distances between towns and settlements. It is also distant from large markets. Its climate is arid, and while commercial farming, particularly of livestock, has been a mainstay of local economies for some time, there is only limited potential to expand the sector.

There is some potential to make the sector more inclusive by providing more opportunities for poor households through land reform. The district also finds itself strategically placed on the main transport corridor between the in-land provinces and the coastal regions of the Western and Eastern Cape.

5.6.1. Opportunities and outlook

Between 1995 and 2004, at 4,10 per cent, the Central Karoo registered the fastest economic growth rate of all the districts in the Western Cape. This represents growth off a low base of only a 0,47 per cent share of the Provincial economy in 1995. In 2004, the district increased is share marginally to 0,5 per cent.

Two sectors are the focus of local efforts to grow the economy further – tourism and agro-processing. The natural assets of the region and its historical interest provide opportunities to leverage the growth in tourism to Cape Town and the Garden Route.

The towns of Beaufort West and Laingsburg are also ideally placed on the transport corridor between the Gauteng and Cape Town markets, offering opportunities for development of strong support and service industries, for growth in the transport & communication sector and for the development of a craft industry.

The district's integrated development plan identifies community-based development as an important driver of shared growth, through, for example, linking community-based tourism to the Karoo National Park.

Contrary to the trends in some other district municipalities, the faster growing sectors included those that already have larger shares of the local economy. The fastest growing sector was financial & business services, which grew at an average rate of 9,82 per cent a year between 1995 to 2004 and contributed 18,35 per cent to the district's economy in 2004.

This was followed by manufacturing (which grew at 6,28% and contributed 8,99% to the district GDP), transport & communication (6,05% growth; 21,36% share) and wholesale & retail (5,68% growth; 16,90% share). Construction was the only strong growing sector (4,73%) with a relatively small contribution to the district economy (5,36%).

District employment is concentrated in largely three sectors, with agriculture, forestry & fishing accounting for 30,31 per cent, followed by CSP services at 18,34 per cent and wholesale & retail trade at 14,74 per cent.

Slow growth in agriculture, fishing & forestry over the period 1995 to 2004 is particularly worrying, given its large share of employment.

The same is true for CSP services which grew at only 1,61 per cent, contributed 5,6 per cent to GDP but 18,34 per cent to employment in the district.

Table 29: Central Karoo: sector contribution to GDP, 2004; average annual growth, 1995 – 2004 and employment share per sector, 2001

	GDP per sector, 2004 (R'000s)	Contribution per sector, 2004 (%)	Average annual growth 1995 – 2004 (%)	Share of employment, 2001 (%)
Agriculture, forestry & fishing	70 641	10,13	0,81	30,31
Mining & quarrying	438	0,06	-9,11	0,09
Manufacturing	62 680	8,99	6,28	2,90
Electricity & water	9 782	1,40	0,58	0,42
Construction	37 387	5,36	4,73	4,88
Wholesale & retail trade	117 785	16,90	5,68	14,74
Transport & communication	148 921	21,36	6,05	4,93
Financial & business services	127 888	18,35	9,82	4,29
CSP services	39 027	5,60	1,61	18,34
General government services	82 537	11,84	-2,17	-
Private households	70 641	-	-	9,71
Undetermined	438	-	-	9,39
Total	**62,680**	**100,00**	**4,10%**	**100,0**

Source: Quantec Research, Stats SA Census 2001 and own calculations

Table 30 shows that Prince Albert is a significant growth driver in the district. The local municipality grew at an average rate of 7,6 per cent a year between 1995 and 2004.[21] Laingsburg recorded the second-highest growth at a steady 4,59 per cent over this period. Beaufort West, which contributed the largest share to the district's GDP, grew below the district average at 2,87 per cent compared to the district's 4,10 per cent.

As the local municipality with the highest share of GDP in the district, Beaufort West also has a similar share of the district's employment. Prince Albert is the second-largest contributor to district GDP, although its share of employment is significantly lower.

Table 30: Central Karoo: contribution of local municipalities to GDP, 2004; average annual growth, 1995 – 2004 and employment, 2001

	GDP 2004 (R'000s)	Contribution per municipality, 2004 (%)	Average annual growth, 1995	Share of employment, 2001 (%)
Laingsburg	65 580	9,41	4,59	14,57
Prince Albert	195 923	28,11	7,60	18,45
Beaufort West	399 197	57,27	2,87	57,40
Central Karoo DMA	**36 387**	**5,22**	**1,77**	**9,58**
Central Karoo DM	**697 087**	**100,00**	**4,10**	**100,00**

Source: Quantec Research, Stats SA Census 2001 and own calculations

[21] Prince Albert is an interesting example of a town that has experienced significant inward migration of wealthy middle-income individuals from large cities. This has mobilised funds for infrastructure upgrading in the low-income part of town, but has also served to cement spatial divisions originally put in place by the Group Areas Act because of high property prices.

5.6.2. Risks and challenges

The district's growth sectors – transport & communication, wholesale & retail trade and financial & business services – require different skill sets. This makes re-skilling a particular challenge for the district, which is made even more difficult by the relatively high percentage of the workforce with low education levels.

Table 31 shows the local municipalities' HDI score, which indicates social pressures and pressure on public service delivery.

In 2001 for the district overall, youth (15-24 years of age) unemployment stood at 60,91 per cent, but was highest in Beaufort West, at over 65,02 per cent. Laingsburg, which experienced a high increase in drug-related crime, had a high youth unemployment rate of 45,75 per cent.

In the district management area around Murraysburg, where 55,46 per cent of youth are unemployed, drug-related crimes increased the fastest, by 1 200 per cent, but it was off a very low base of only two crimes in 2002/03.

Beaufort West reported the highest number of drug-related crimes. The general crime level in the district is high, with reported crimes for 2004/2005 totalling 119 per 1 000 people. The district management area and Prince Albert have relatively lower crime levels.

High unemployment, poverty and crime levels challenge the Central Karoo district. While the district's economy has been growing strongly, it has not yet been able to translate this into employment opportunities.

Table 31: Central Karoo: selected indicators of quality of life by local municipality

	HDI	CDI	CDI infrastructure component	% of households with no income	% workforce with less than completed secondary education	Crimes per 1 000 individuals (2005 population)	Increase in drug-related crime, 2002/03 – 2004/05 (%)
Laingsburg	0,68	0,68	0,66	5,71	76,21	92	820
Prince Albert	0,71	0,70	0,66	6,88	78,07	72	49
Beaufort West	0,64	0,77	0,78	7,06	64,74	119	201
Central Karoo DMA	**-**	**-**	**-**	**10,55**	**79,97**	**70**	**1 200**
Central Karoo DM	**-**	**-**	**-**	**7,56**	**70,71**	**103**	**2 623**

Source: Office of the Premier, Stats SA Census 2001 and own calculations based on SAPS, 2005

6. Conclusion

Closer working relationships between the Province and local government are becoming increasingly important in creating a shared growth and integrated development future for the Western Cape.

Policy decisions and directed resource flows could make a difference in education and health, thereby improving the quality of life and the Province's poverty profile.

Regional economic distribution can also have great impact, and, together with other factors such as geography and resource wealth, could serve as a magnet to attract the Western Cape's population into a smaller number of 'winner' regions.

For the Province to enjoy sustainable growth that is pro-poor, faster growth levels should be accompanied by employment creation especially in sectors with a high potential for labour absorption, given the skills mismatch.

In an environment dominated by low skills, the current low interest environment encourages capital-intensive production techniques by industries, therefore developing a strategy of "making" and "picking" winners is unevitable to turn the vicious cycle of poverty into a virtuous one.

Failure to 'get the basics right' and address fundamental service delivery issues would undermine Government's social and economic objectives at the local level.

Skills are key to facilitating a fruitful interaction between economic agents. Skills are not only necessary for the workforce, but encourage economic participation among the wider segment of the population or consumers.

For the Province to harvest its economic fortunes, development must take advantage of the growth outlook and actively seek means to address risk areas, otherwise shared growth and integrated development prospects will be undermined. It is therefore important that growth-enhancing strategy should harness the benefits of globalisation while encouraging broad based employment growth to alleviate poverty.

Glossary of terms

- **Hinterland**

  The hinterland is the land or district behind that bordering a coast or a river. The term is specifically applied to the inland region lying behind a port, claimed by the state that owns the coast. The area from which products are delivered to a port for shipping elsewhere is that port's hinterland.

- **Human Development Index (HDI)**
  The HDI, a UNDP yardstick of human welfare, is a composite measure that provides information on the human development performance of a region. It is an average of infrastructure, health, education and income indicators.

  The City Development Index (CDI) provides information on the human development performance of a city.

- **Patient/nurse ratio**
  This ratio indicates a set number of nurses required for providing care to patients.

- **Pupil/teacher ratio**
  This ratio indicates the number of students in a school or district compared to the number of teaching professionals.