

Economic Development Profile

George Municipality



**Prepared by Local Economic Development
George Municipality
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1. Introduction

This is the second annual revision of the comprehensive economic profile for George Municipality, compiled in early 2012. The 2012 version of this profile was the first of its kind to include the previously District Managed Area (DMA) of Uniondale and surrounding rural settlements. This change in geographical demarcation should be taken into account when making comparisons with previous profiles.

This 2014 revision specifically included updated population figures following Census 2011 and expanded social development data on the area. Economic data (heading 6) has been updated in the 2015 revision to reflect economic trends up to and including 2013.

The George Municipal area falls within the Eden District, the third largest district economy in the Western Cape, after the City of Cape Town and the Cape Winelands District. The Eden District is also geographically the third-largest district within the Western Cape Province. This district is informally known as the Garden Route, with the city of George, its hub, nestled among the slopes of the majestic Outeniqua Mountains and flanked by the Indian Ocean.

George enjoys the strategic advantage of being situated on the major transport routes between Cape Town in the south and Port Elizabeth in the east. This creates investment opportunities, particularly with regard to manufacturing, logistics and warehousing. The municipal area is 5190.43 km² in extent and the municipal area includes the following: City of George, villages of Wilderness and Herold's Bay, various coastal resorts such as Kleinkrantz and Victoria Bay, rural areas such as the area around Rondevlei (east of Wilderness), Geelhoutboom, Herold, Hansmoeskraal and Waboomskraal, as well as Uniondale and Haarlem. The municipal area is demarcated as follows:

Map 1: George Municipal Area



There is a strong reciprocal relationship between the social, environmental and governance development dimensions and economic development. For instance social factors such as education and health have a pronounced influence on economic development in a local area influencing the availability and quality of labour and entrepreneurship within an area. Likewise the state of the environment can influence the local economic system through its impact on social indicators (e.g. air pollution impacting on health and productivity) or directly through the impact on soil health and agricultural productivity. The level of growth on the other hand has a strong influence on resources available for spending on health and education within an area. The quality of the other development dimensions therefore has a direct influence on local economic outcomes.

Due to the interrelatedness of the economic sphere with social, environmental and governance issues, the first sections of the economic development profile will include a summarised overview of these spheres as well as provide an overview of the demographic context.

The second part of the report will focus on an analysis of the economy of George at the hand of performance in terms of economic objectives. Although the interest is mainly in long term trends within the economy, this revision allows for a comparison in year-on-year changes from 2010 to 2013 (the latest available GVA data).

2. Demographics

2.1 Population size and growth

The population growth of the Eden District has been very consistent from 2001 to 2011. The average population growth rate from 2001 until 2011 is 2.36%. Currently Eden's population is growing slower than the Provincial Population (2.56%) but faster than the national average of 1.45%. George as the regional hub shows a higher growth rate, calculated at 2.63% for the period 2001 to 2011 – mainly due to high levels of in-migration. In 2011 the population in George constitutes 3.33% of the Provincial total and 33.73% of the Eden District's total population.

Table 1: Total population George Municipality 1996 to 2011 (2011 demarcations)

	1996	2001	2011
South Africa	40,340,334	44,816,888	51,770,562
Western Cape	3,936,524	4,523,705	5,822,732
Eden District Municipal Area	378,305	454,589	574,264
George Municipal Area	119,705	149,355	193,672

(Source: Quantec 2014)

For purposes of these calculations only official Census figures are utilized. It should be noted that the 2007 Community survey showed a reduction in population in the George area, but these figures were always questionable. The Census 2011 figures are much closer to the historically estimated population figures. In terms of number of households the

Census 2011 figures show 53 522 households in the George Municipal area, at an average size of 3.6 per household. The figures further show that 88.7% of the George population resides within urban areas.

Although the total population numbers are important, a more in depth look at ward level (or suburb level) information is also interesting. The Uniondale/Haarlem area (Ward 24 and 25 under the latest demarcation) was historically managed separately by the Eden District Municipality. This very rural Karoo and Langkloof area is geographically separated from the greater George and shows, as expected very different population trends.

Table 2: Population trends in Rural Areas (former DMA)

	1996	2001	2011
Ward 24			7983
Ward 25			8841
Total	12,262	14 594	16 824

Source: Quantec 2014

The area showed an average annual growth rate of 3.54% for the period 1996 – 2001, this dramatically drops down to 1.43% annual growth rate for the period 2001 to 2011. This is an indication of ongoing urbanization in the area, with especially young residents of working age moving to larger commercial centers such as George and Oudtshoorn in search of better economic opportunities.

More extensive Ward based data is available in the George Municipality Integrated Development Plan (2012 – 2017).

George (and the Garden Route N2 Corridor including Knysna and Mosselbay) is considered an area of rapid growth within the national context. George has further been categorized as an area with high growth potential in the 2013 revision of the Growth Potential of Towns study by the Western Cape Government. Given the general increasing rates of urbanization across South Africa and the local context, the relatively high growth rates should at the very least be sustained over coming years. An annual growth rate of 2.75% is applied below for projection purposes.

Table 3: Population projections for George Municipality

	2001 Census	2011 Census	2012 Estimated	2013 Estimated	2014 Estimated	2015 Estimated
Total Population	149,355	193,672	198,998	204,470	210,093	215 870

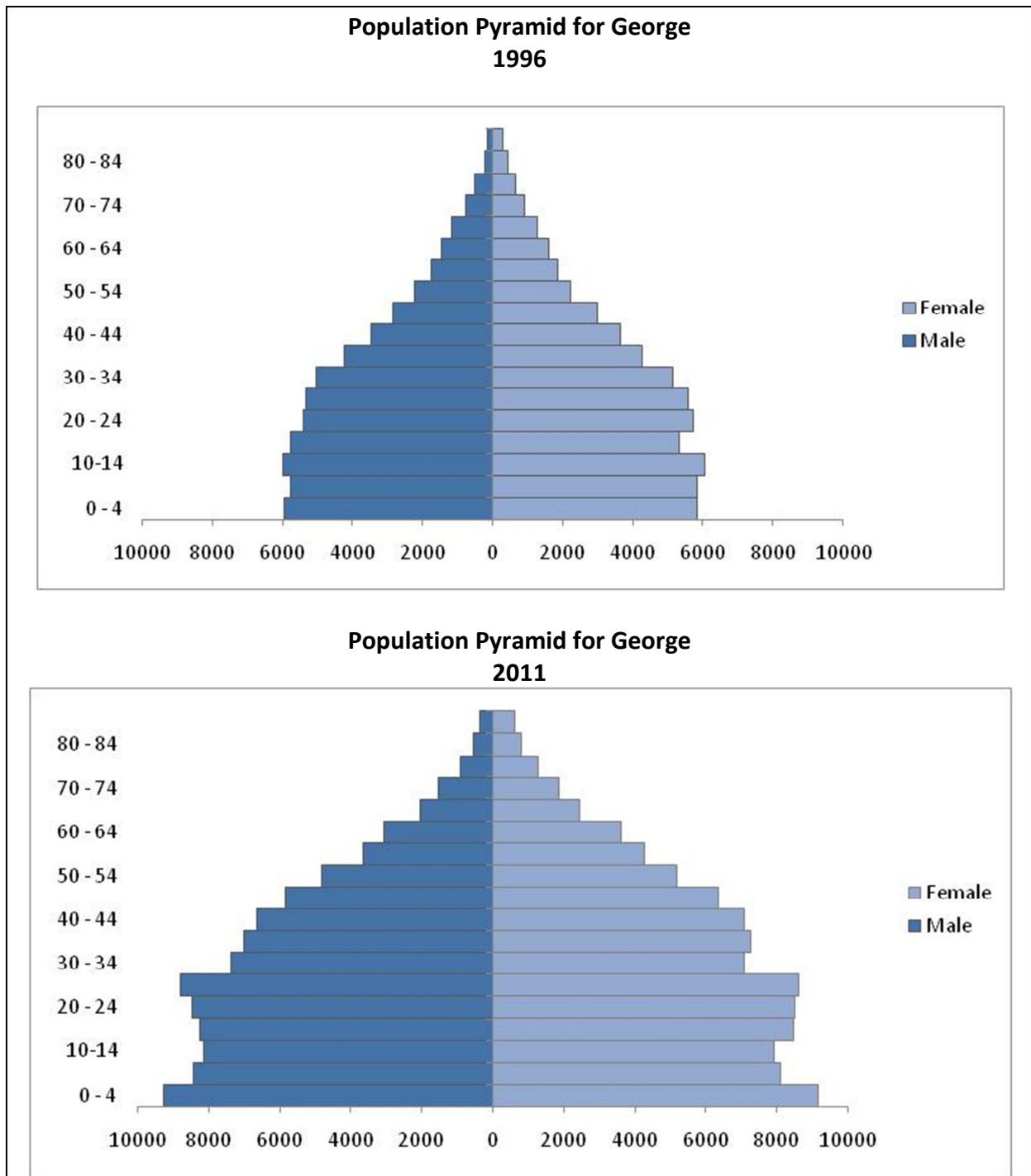
Source: George Municipality calculations

2.2 Age and Gender Distribution

The population pyramid below shows the age structure per gender group in George municipal area for 1996 and 2011. Between 1996 and 2011 the ratio of males to females in the age groups 20-34 shows a particularly marked increase. This supports the observation

around in-migration in the area as young males of working age are more likely to migrate to urban areas in search of employment opportunities.

Graph 1: Age and gender distribution, 1996 and 2011



Source: Quantec, 2012

The pyramid of 2011 suggests an ageing population that signifies to policy priorities in line with the needs of the working age groups – i.e. job creation, related public transport and access to the housing market. When comparing the shape of the 2001 and 2011 population pyramids, population increases are particularly noticeable at very young ages, from 0 to 9

years, as well as in the working age population between 25 and 29 years. The significant increase in the age group 0 - 9 years will have particular implications for the provision of facilities and services related to children and child care. The growth in the labour force will also have a direct impact in a greater need for employment opportunities for the age group from 25 - 29 years.

3. Social Development

3.1 Health

Good health is vital to achieving and maintaining a high quality of life. Investment in health is, along with education, also regarded as a one of the main investments in human capital – a major driver of economic growth.

A diverse range of factors play a role in ensuring the good health of communities and that disease, especially preventable and communicable ones, are kept at bay. A community is considered healthy if the majority of people consider themselves in excellent health, the people in the society experience long and healthy lives relatively free from disease (mental and physical). As indicators of health in the municipal area HIV/Aids prevalence and treatment will be discussed. Table 4 below shows figures for Anti-Retroviral Treatment sites as well as the number of patients per municipal area.

Table 4: HIV/AIDS Prevalence and Care in Eden District Municipalities (2013)

Municipal Area	Number of Anti-Retroviral Treatment (ART) Sites	Number of Anti-Retroviral Treatment (ART) Sites	Number of Anti-Retroviral Treatment (ART) Sites	ART Patient Load	ART Patient Load	ART Patient Load
	June 2011	June 2012	June 2013	2011	2012	2013
Kannaland	1	1	4	14	32	100
Hessequa	2	2	5	184	235	364
Mossel Bay	3	5	5	1395	1758	2117
George	6	11	16	2917	3395	3886
Oudtshoorn	2	3	5	652	867	740
Bitou	5	7	7	1212	1383	1578
Knysna	4	5	7	1473	1729	1617
Eden District	23	34	49	7847	9397	10402

Source: Western Cape Department of Health as contained in Regional Development Profile: Eden District

Eden District has a total 10 402 patients on anti-retroviral treatment, with 49 dedicated Anti-Retroviral treatment sites across the district. George has the highest patient load with 3 886 patients in the District with 16 treatment facilities and Mossel Bay has the second

highest patient load with 2 117 patients with 5 treatment facilities as at the end of June 2013.

The higher percentage of ART patients recorded in George when compared to the Eden District and the Western Cape Province presumably correlates with:

- The high level of migration and high urbanisation rates; and
- Good quality health care facilities including a Provincial Hospital.

Children, infants and especially newborn babies are particularly vulnerable to malnutrition and the contraction of infectious diseases, many of which are preventable or can be treated. Two indicators of child health, namely immunization rates and malnutrition rates are discussed.

The National Department of Health has set an immunisation target of 90 per cent. In the 2012/13 financial year, full immunisation levels for the Western Cape were 89.0 per cent, slightly higher compared with the 87.8 per cent in the 2011/12 year. The full immunisation level for the Eden District Municipality was the highest 102.8 per cent. Eden district figures seem heavily influenced by figures from Knysna, showing a 116% immunization rate – this correlates with the notion that residents from outside of the area (presumably the Eastern Cape) might be travelling to access healthcare facilities in the District. George recorded an immunization rate of 91.9% (Eden District Regional Development Profile, 2013).

In relation to malnourished children in the Eden District; it is highlighted that the George Municipality has the highest number on malnutrition for children < 5 years with 7.8 per 1000 population compared to the other municipalities in the Eden District. The reason for this high rate is not clear at this stage and warrants further interrogation.

3.2 Education and Literacy Rate

Education and training improves access to employment opportunities and helps to sustain and accelerate overall development. It expands the range of options from which a person may choose to create opportunities for a fulfilling life. The level of education of the population in a region influences amongst others its welfare through indirect positive effects on health and life expectancy. Selected indicators affecting the education and skill levels in communities discussed here are the literacy rate, education levels and opportunities to access education opportunities.

In preparing individuals for future engagement in the labour market, national government policy choices and decisions in the sphere of education play a critical role in determining the extent to which future economic and poverty reduction plans can be realized. The matric results are among the most important indicators of the performance of the schooling system.

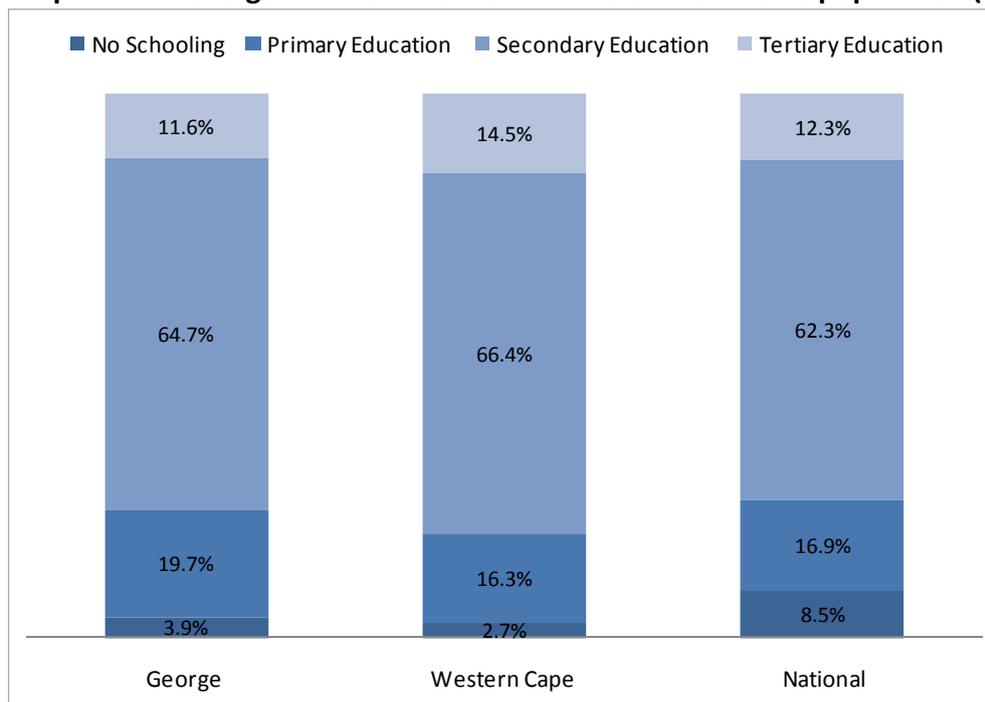
Table 5: Matric Pass Rates within Eden District (2011 and 2012)

	2011	2012
George	86.9%	90.2%
Bitou	83.2%	82.8%
Hessequa	91.4%	92.4%
Kannaland	88.9%	92.6%
Knysna	79.7%	83.0%
Mossel Bay	89.5%	83.7%
Oudtshoorn	80.4%	88.1%

Source: *Regional Development Profile Eden District, Western Cape Treasury*

Matric pass rates in George have been steadily increasing, and the 90.2% pass rate in 2012 compares favourably with other areas in the Western Cape. A further analysis has been made of the actual education levels of the mature population (20 years and older), and these figures then compared with the Provincial and National totals.

Graph 2: Percentage Education levels in terms of the mature population (20 years+), 2011



Source: *Quantec 2014*

George Municipality compare well with the Western Cape Provincial levels of education and is slightly above the national average. More than 95% of the George’s population has some form of education and a significant number of its population, 64.7% has secondary education, which points to a skilled labour force. This compares favourably with national figures, specifically with a much smaller percentage of the population having no schooling. The 11.6% tertiary education rate is slightly below that of South Africa as a whole and the Western Cape.

Literacy is used as a concept to indicate a minimum education level attained; a simple definition of literacy is the ability to read and write, which has been translated into the successful completion of a minimum of 7 years of formal education.

The information in Table 6 was sourced from the Department of Social Development since it tracks literacy rates per municipality as an indicator pertaining to poverty alleviation. The Department of Social Development defines people aged 14 years and older as literate if they have successfully completed 7 years of formal education (passed Grade 7/Standard 5). An illiterate person would therefore be someone aged 14 years and older with less than 7 years of formal education completed (Regional Development Profile: Eden District, 2013).

Table 6: Literacy rates across Eden District Municipalities in 2011

	2011
Kannaland Municipality	72.45%
Hessequa Municipality	78.46%
Mossel Bay Municipality	85.67%
George Municipality	83.39%
Oudtshoorn Municipality	79.35%
Bitou Municipality	85.82%
Knysna Municipality	85.09%
Eden District Municipality	82.60%

Source: Regional Development Profile Eden District, Western Cape Treasury

In 2013 the George area had 34 no-fee schools. No fee schools make provision for learners who live in low income households and low income communities where the majority of learners may not be able to make a financial contribution towards education. This ensures extra state support to schools where contributions in the form of school fees are not available and possible (Eden District Regional Development Profile, 2013).

The George municipal area also has 45 schools with libraries or media centers attached to them. School libraries and media centers make a difference to student achievements and it has a positive impact on students and on learning. We live in the ‘information age’, and therefore information literacy has become universal currency, the single common denominator required for success at any stage of life. This is especially true for children who, now more than ever, must be equipped to access, use, and evaluate information competently in both print and electronic formats.

In early 2014 George and surrounding towns in the Garden Route was announced as a site for the roll-out of free wi-fi to residents, a project funded by the Provincial Government. The provision of significant broadband access to a large portion of residents will have a massive potential impact on access to information, and may even result in direct economic growth.

The Southern Cape Further Education and Training College has two training facilities located in George Municipality since 2010. The Nelson Mandela Bay University based in Port Elizabeth has a satellite campus in George.

3.3 Human Development Index

The Human Development Index (HDI) is a composite, relative index that attempts to quantify the extent of human development of a community. It is based on measures of life expectancy, literacy and income. It is thus seen as a measure of people's ability to live a long and healthy life, to communicate, to participate in the life of the community and to have sufficient resources to obtain a decent living. The HDI can assume a maximum level of 1, indicating a high level of human development, and a minimum value of 0.

The levels of human development differ across the broad geographic areas in the Western Cape, with the level of human development as captured by the HDI in the Eden District Municipality above all other Districts in the Western Cape and only higher in the City of Cape Town.

George possibly reflects negatively against Mosselbay and Knysna due to the differences in the economic structure and higher per capita income levels in these neighbouring towns – Mosselbay has a significant employment base with PetroSA (highly skilled technical employees) and Knysna's tourism market leans towards the high end tourist, also potentially employing higher skilled staff at higher rates.

Table 7: Human Development Index – Municipalities in Eden District

Code	Municipality	HDI 2001	HDI 2007	HDI 2010
D041	WC041: Kannaland Local Municipality	0.56	0.59	0.60
D042	WC042: Hessequa Local Municipality (Langeberg)	0.63	0.67	0.68
D043	WC043: Mossel Bay Local Municipality	0.68	0.74	0.75
D044	WC044: George Local Municipality	0.66	0.68	0.68
D045	WC045: Oudtshoorn Local Municipality (including South Cape	0.59	0.62	0.62
D047	WC047: Bitou Local Municipality (Plettenberg Bay)	0.65	0.67	0.68
D048	WC048: Knysna Local Municipality	0.68	0.72	0.73
DC04	WC - DC4 Eden District Municipality	0.64	0.68	0.69

Source: *Regional Development Profile Eden District, 2013*

4. The Environment

4.1 The Aquatic Ecosystem

4.1.1 Water quality

Water quality refers to the suitability of water for human consumption, for irrigation and for natural aquatic ecosystems and is tightly linked to the integrity of the aquatic environment through which it flows. The better the state of wetlands, rivers and the catchments from which they flow, the more able they are to yield high quality water while absorbing flood events and releasing water more slowly over longer periods of time.

According to the State of the Rivers Report (in Eden SOER, 2008) related to the Gouritz Water Management Area the upper reaches of the coastal rivers and their tributaries are in a natural or good ecological state. Sections of the lower reaches of the rivers are in a good to fair state, including the lower reaches of the Gouritz which is fair. Rivers that are notably

poor in terms of ecosystem status include the Duiwenhoks at Heidelberg, the lower Olifants, the Lower Gwaing, the Klein Wolwe and Upper Keurbooms River.

The rivers and tributaries of all the rivers flowing into the Gouritz (DMA4, Oudtshoorn, Kannaland and Mossel Bay LM) have a critically endangered conservation status. The rivers of the Garden Route (Bitou, Knysna and George) generally have a vulnerable or endangered status, while the rivers of Hessequa LM are either endangered or critically endangered. Factors that negatively affect the rivers of the Gourits Water Management Area include the increased number of storage dams, over-abstraction, invasion of alien plants, invasive alien fish and pollution in the form of fertilizer and pesticide runoff, runoff from roads and informal settlements and feedlot runoffs (Eden SOER 2008).

4.1.2 Water availability

South Africa is a water-scarce country, with indications that South Africa will reach its limit of potentially accessible water supplies between 2020 and 2030 as a result of many competing demands on limited water resources.

The natural water resources along the Outeniqua Coastal Area (from Mossel Bay to Plettenberg Bay) are under enormous pressure owing to development and the spread of water-thirsty alien plants as well as population pressure. Frequent water shortages are experienced during peak holiday season. Along the Outeniqua coast climate change predictions suggest generally slightly reduced rainfall, with increased rainfall variability, fewer but more intense rainfall events and increased temperatures and evaporation are predicted. These effects could work together to increase flooding, but could also reduce low flow in rivers. Intense rainfall events and increased run-off may reduce groundwater recharge and water availability for human use (Vromans, et al 2009).

Eden has effectively reached its carrying capacity in terms of water availability. Exceeding the carrying capacity of water reserves could lead to serious water shortages during drought years (Eden SOER, 2008). The George Municipal area was specifically impacted on during severe droughts in 2009/2010. Emergency measures to address the crisis have resulted in significant infrastructural, water storage and water harvesting improvements and upgrades. This included a state of the art water re-use plant resulting in the recycling and reuse of waste water, pumped back into the Garden Route Dam. Public information and education campaigns around water conservation were also extremely successful, and water use by consumers has now dropped to levels last recorded in the early 2000. Based on current water availability and predicted consumption levels, George has 45% spare capacity.

Sufficient water to meet growing demands

By only the raising of the Garden Route Dam overflow as planned for the near future, George will have sufficient water to meet anticipated growth and demand until 2025

4.1.3 Coastal systems and estuaries

The key estuaries in the George Municipality include the Wilderness Lakes Area. Wetlands, together with an associated buffer of natural vegetation, perform a number of valuable functions, especially in relation to - water quality, controlling erosion, water quantity, and wildlife habitat. It is clear that development in wetlands and within floodlines have contributed to flood damage in the Garden Route. Recently, massive damage to property occurred in Wilderness, Sedgefield, along the Knysna Estuary and the Keurbooms Estuary. Agricultural and other human activities in the river catchments have led to pollution events in the Swartvlei and Wilderness Lakes systems. The Knysna Estuary, for example, is impacted by sewage pollution, and upstream developments of the Keurbooms have led to a reduction in flood events, resulting in saltwater intrusion and sedimentation (Vromans, et all 2009).

4.2 Air Quality

According to the Western Cape Air Quality Management Plan air quality in the Eden District is considered relatively good. Challenges only exist around Mosselbay, associated with fuel storage and PetroSA activities. There is no ambient air quality monitoring station in George. There are limited point source emissions, mainly located in the Pacaltsdorp Industrial Area and associated with the timber industry. Wood burning in low-income residential areas, coupled with refuse burning and windblown dust from unpaved areas result in high particulate concentrations. Seasonal agricultural and conservation management related burning and crop spraying also have a negative impact on air quality from time to time (DEADP 2010).

4.3 Climate change

In a study reported in Midgley et al. (2005), cited in the Eden SOER 2008, historical trends were analysed for 12 meteorological stations in the south-western Cape, including George. Significant warming trends were found for minimum temperatures for December to March and July to September. Significant warming was found for maximum temperatures for January, May and August.

In terms of rainfall, very little change was recorded over 50 years in mountainous regions, but lower regions showed decreasing rainfall. For Eden it can be interpreted that there is a drying trend particularly between Plettenberg Bay and Mossel Bay (including George), south of and including the Outeniqua Mountains, most strongly in January and February.

Care must be taken when currently interpreting trends from global simulation models to a local level; projected trends are often very general not accounting for the dynamics of the local climate of an area. Projected trends for the Western Cape, also implicating George Municipality, are listed below (DEADP, 2007):

- An increase in the annual average temperature of at least 1 °C by 2050;
- Possible increase in the frequency and intensity of extreme events;
- An increase in conditions conducive to wildfires (higher temperatures and increased wind velocity);
- Decreased water resources;
- Reduced soil moisture from an increase in temperature coupled with a decrease in average precipitation; and

- Temperature impacts on crop activities, crop burn, drought, pests and microbes resulting in yield reductions, and loss of rural livelihoods.

Numerous economic sectors could be affected by changes in temperature and precipitation patterns. Impacts are likely to be felt more directly in agriculture, fisheries, forestry, tourism, construction and infrastructure related industries (including insurance). Climate change is likely to impact water services in terms of diminishing reserves on the one hand, and damage to infrastructure due to heavier precipitation events on the other – already experienced in the Southern Cape and particularly George area. Other services on low lying ground such as storm-water drainage, roads and rail, housing and property could be affected in terms of sea-level rise and flooding events.

The George Municipality is as of early 2013 actively participating in a Provincial Government supported process, in conjunction with the Eden District Municipality, around Climate Adaptation. The process looks at current climate vulnerability, and prioritising capacity building and projects to mitigate the potential impacts of climate change. The project further aims to ensure the incorporation and mainstreaming of pro-active risk mitigation and climate change adaptation measures within the municipal IDP (Integrated Development Plan).

A second component of the above Provincial support programme is the development of a sustainable energy plan for the municipal area. Detailed information, including an energy consumption profile for the municipal area, should be available during 2014.

4.4 Land cover, transformation and degradation

Biodiversity is a relatively new, technical term for nature. It encompasses the diversity of all living things - plants, animals, insects, micro-organisms etc., and also the series of actions and interactions that sustains these living components and enables their persistence over time. Livelihoods in the Western Cape are entirely dependent on biodiversity which delivers ecosystem services that are vital for our survival. These services include a regular supply of clean water, flood control, prevention of erosion, insect pollination (vital for the fruit industry), carbon storage (to counteract climate change) and clean air.

The Western Cape's terrestrial biodiversity contributes significantly to the province's economic growth and development through the provision of food, fuel, fibre, and medicines. It is the basis for our nature-based tourism, sustainable harvesting and film industries, and a location for traditional and modern rituals and ceremonies.

The term land cover describes the level of change or transformation of natural ecosystems, which can range from natural land, to degraded and overgrazed areas, to areas which have been irreversibly transformed (e.g. urban development). Thus, land cover has implications for the maintenance and persistence of biodiversity.

Land and resource use activities that cause transformation or degradation include urbanisation, intensive agriculture, plantation forestry, water abstraction, development and infilling, waste water discharge and invasion of alien plant species. From the table above it is clear that George has less natural areas remaining when compared to neighbouring Knysna and Bitou. The larger transformed area is indicative of the more

extensive urban area, George’s role as regional hub and the contribution of agriculture to the local economy

Table 8: Summarized land-cover categories for the Garden Route

Land-cover category	George		Knysna		Bitou	
	ha	%	ha	%	ha	%
1) Natural	36051.0	33.7	48063.4	45.4	64191.7	64.8
2) Degraded	25506.5	23.9	16289.4	15.4	16237.0	16.4
3) Transformed	52904.2	49.5	44293.9	41.8	22139.2	22.3
•intensive agriculture	24507.1	22.9	8236.9	7.8	8060.3	8.1
•plantations	15129.2	14.2	30176.3	28.5	8695.1	8.8
•urban & infrastructure (includes dams)	5631.1	5.3	3140.9	3.0	1850.1	1.9

Source: Vromans et.al. 2009

5. Governance

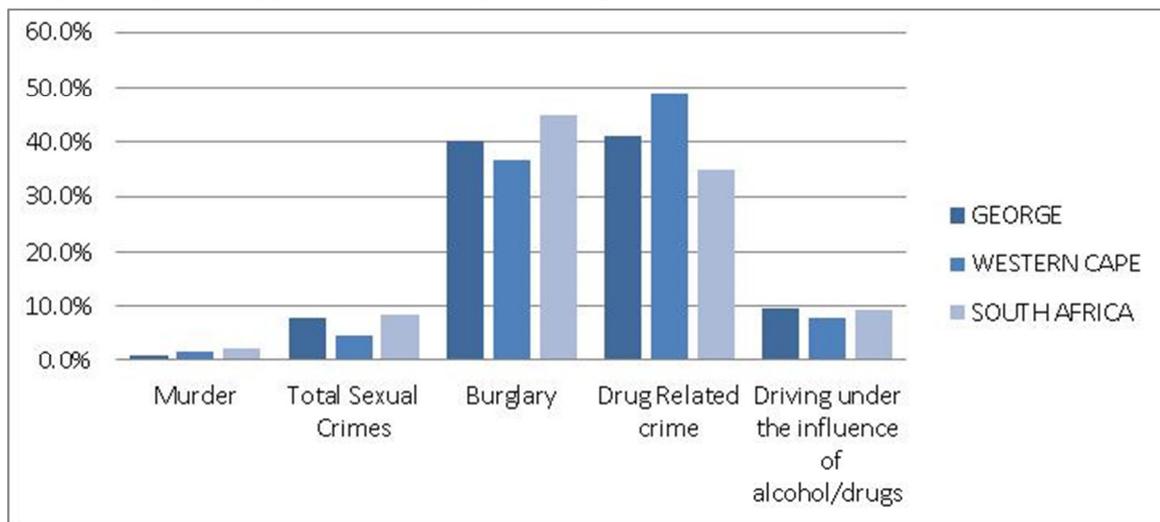
5.1 Safety and Security

The safety of persons and property is vitally important to the physical and emotional well-being of people and business. Crime can also have a significant impact on the economy – it may hamper growth and discourage investment and capital accumulation. If it is not tackled with seriousness, it has the potential to derail both social and economic prosperity.

The discussion on recorded crimes in this section is limited to contact and property- related crime such as murder and sexual crimes, as well as crime heavily dependent on police action for detection such as drug related crimes and driving under the influence of alcohol/drugs. Figures are arrived at by adding the statistics for the 5 police stations in George for which statistics are reported at national level, namely Pacaltsdorp, Themabalethu, Conville, George and Uniondale.

The total number of murders peaked in 2006/2007 and has been declining steadily since 2008/2009. Given the low actual numbers of murders however trends are rather difficult to detect (3 murder cases opened in 2011/2012 in Uniondale) Drug related crime has shown a steady annual increase whilst cases of driving under the influence have been declining over the past two years. The decline in these cases may be related to stricter policing and awareness in the area, resulting in changed behaviour by the public. Burglaries at residential premises as well as non-residential premises has shown a steady rise since 2010/2011 with a 10% year-on-year increase in 2013 and a further 2% increase into 2014 (SAPS Statistics 2014).

Graph 3: Specific types of crime as percentage of total crime, 2013/2014

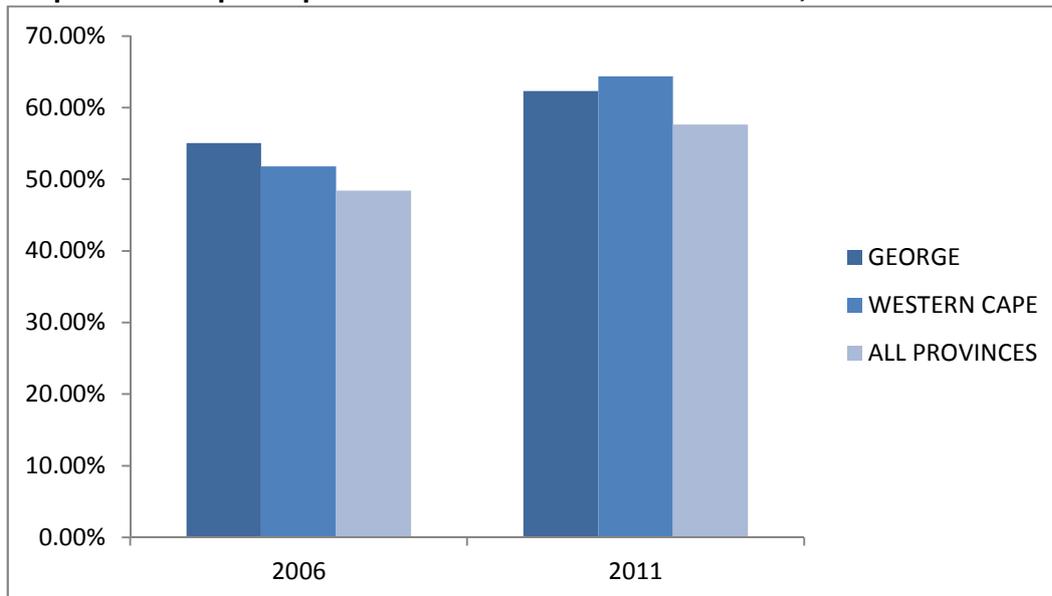


Source: SAPS Crime Statistics 2014, George Municipality own calculations

5.2 Social participation in local government

Voter turnout as illustrated in the graph below suggests that George had a better turnout than the national and provincial averages in 2006. While the percentage voter turn-out in municipal elections increased significantly from 55% in 2006 to 62% in 2011, the turnout for the George municipal elections dropped below the provincial average in 2011 albeit still higher than the national average of 58%. The next local government election is scheduled for late 2016 after which voter turnout will be measured and interpreted again.

Graph 4: Voter participation in Local Government elections, 2006 and 2011



Source: Independent Electoral Commission, 2012

This, interpreted with results from the 2010 Community Satisfaction Survey on satisfaction with public participation processes, indicates a satisfactory level of social participation in

local government. According to the Municipal Community Satisfaction Report, 2009 and 2010 a total of 47,5% of the respondents in 2009 rates the efficacy of public participation processes in George Municipality as “adequate”, but 38,9% of respondents view the processes as either “poor or non-existent”. There is however an improvement in 2010 with 60% of respondents rating the participation process as adequate.

Table 9: Efficacy of George Municipality’s Public Participation Process

Non- existent		Poor		Adequate		Good		Excellent	
2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
20.3%	1.7%	18.6%	31.7%	47.5%	60.0%	11.9%	6.7%	1.7%	0.0%

Source: Community Satisfaction Survey, 2010

5.3 Accountability and Transparency

George Municipality received a “clean audit”, also formally referred to as a financially unqualified report with no findings, for the third year running in 2013/2014. George is one of 40 municipalities in South Africa and 17 in the Western Cape to register a clean audit for this particular financial year.

Third Clean Audit in 2012/2013

George Municipality received a clean audit for the third year running in 2013/2014

This is one of very few municipalities in South Africa to achieve this

The strides made in improving the financial controls within the municipality are truly remarkable. Moving from three qualified then an adverse opinion in the years preceding the three clean audits. The positive audit outcome is certainly an indication of increased and ongoing efforts to ensure sufficient accountability and transparency in municipal operations.

The Auditor General highlighted some of the key practices that municipalities have adopted to ensure improved governance as follows: introducing basic accounting and daily control disciplines; enforcing compliance with all legislation; employing and retaining staff in accounting and financial management positions with the required level of technical competence and experience and allowing the chief financial officer to be in charge of the financial administration function (Auditor General, 2014).

5.4 Effectiveness and Efficiency of local government

According to the Municipal Community Satisfaction Survey done in 2009 and 2010, the overwhelming majority of respondents were satisfied with basic services pertaining to water, electricity supply and refuse removal.

The highest dissatisfaction levels with respect to basic services provisioning were indicated in 2009, which points to improving levels of service delivery in 2010. In 2009 a larger percentage of respondents indicated “very satisfied” or “very dissatisfied” across all services than in 2010. The narrow spread away from the two extreme options on the scale could

indicate a more balanced and equal level of service delivery across different communities (i.e. affluent vs. informal settlements).

Table 10: Satisfaction with basic services

	Water Supply		Electrical Supply		Refuse Removal	
	2009	2010	2009	2010	2009	2010
Very Dissatisfied	15.0	1.7	11.7	3.3	10.3	3.3
Dissatisfied	10.0	13.3	6.7	13.3	13.8	5.0
Neither Satisfied, nor Dissatisfied	5.0	5.0	3.3	1.7	6.9	5.0
Satisfied	38.3	57.0	58.3	78.3	32.8	81.7
Very Satisfied	31.7	5.0	20.0	3.3	36.2	5.0

Source: Community Satisfaction Survey, 2010

The Blue Drop rating process measures and compares the results of the performance of Water Service Authorities and their Providers according to the minimum standards or requirements that has been defined by the Department of Water Affairs. The strategy revolves around the identification of mediocre performing municipalities who consequently correct the identified shortcomings, as well as the introduction of competitiveness amongst the municipalities.

George Municipality has been a consistent excellent performer since the inception of the Blue drop process in 2009. In 2011 the municipal Blue Drop score was 96.26% with an improvement to 97.10%. This score places George third in the Western Cape and 7th overall in South Africa.

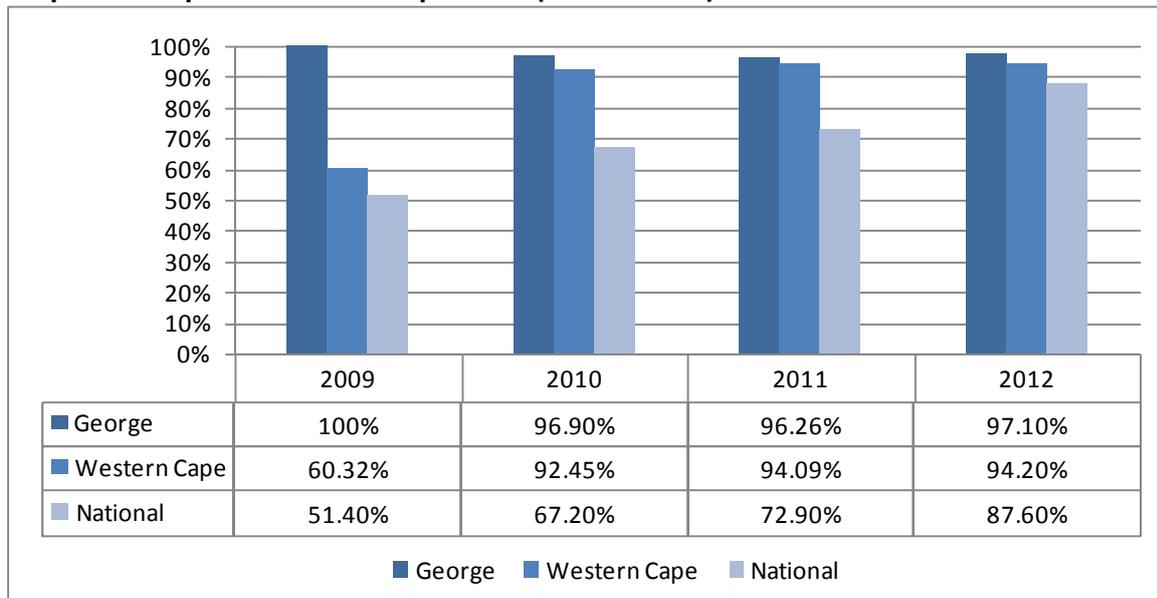
Municipal Productivity

George Municipality was named most productive municipality nationally in the 2010 Municipal Productivity Index.

The municipality has consistently remained in the top 5 in following years (Municipal IQ)

The George Municipal team was also recognized by receiving an award as Most Impressive Team at the Annual awards ceremony in 2012. At the writing of this document neither the official results of the 2013 Blue Drop assessment, nor that of the 2014 Green Drop assessment were available.

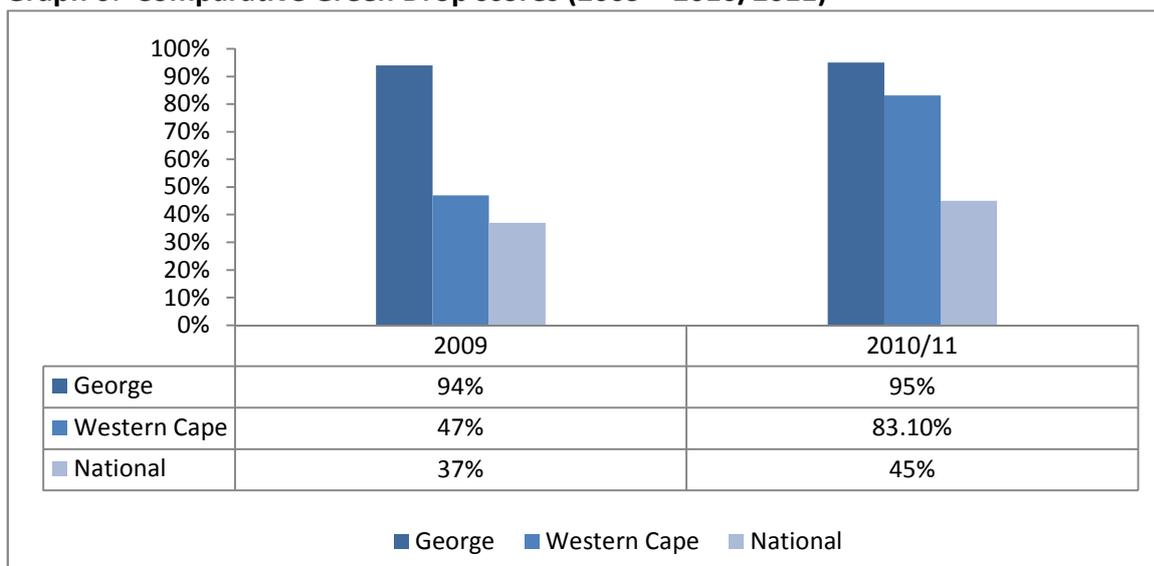
Graph 5: Comparative Blue Drop scores (2009 – 2012)



Source: Blue Drop Report, 2012

In 2009 George received the Green Drop Excellence Award for Medium Systems in recognition of its excellent waste water management practices – it was the only non-metro municipality to receive Green Drop status during that assessment. The Green Drop Certification programme of 2010/11 verified the status of wastewater service delivery by hundred and fifty-six (156) municipalities that provide services via an infrastructure network comprising of 821 wastewater collector and treatment systems. The Gwaing Wastewater Treatment works retained its Green Drop status in 2011 with a score of 95%. The Provincial average was 83.1%, Eden District Municipality scored 92% and George was the second best performer in the District and Province, after Bitou Municipality.

Graph 6: Comparative Green Drop scores (2009 – 2010/2011)



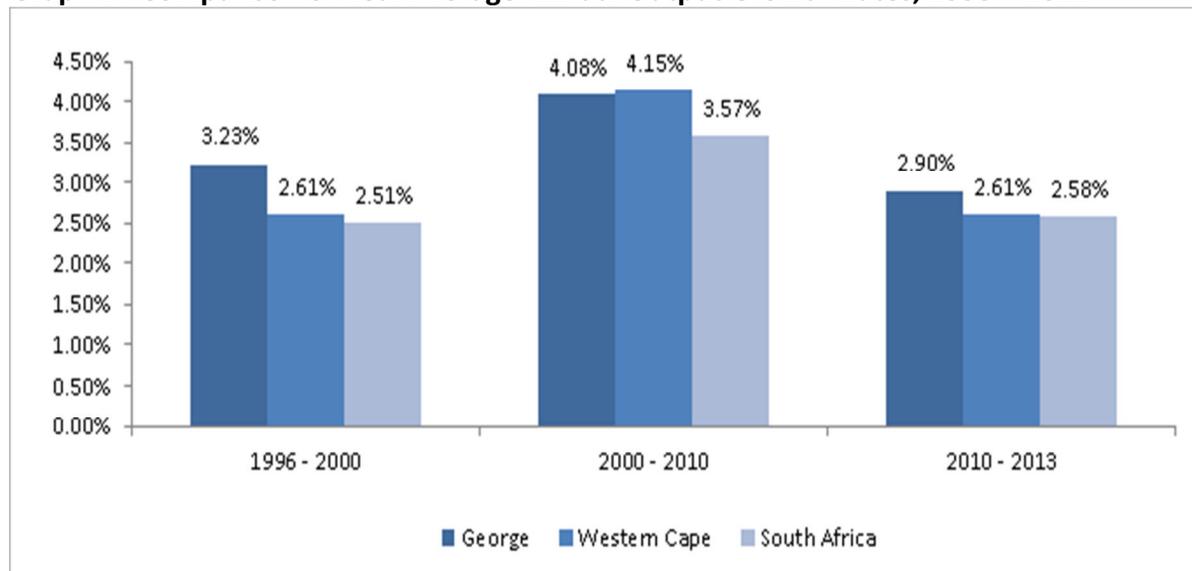
Source: Green Drop Report, 2011

6. The Economy

6.1 Trends in Output and Employment

George (including the former DMA) recorded a real average annual output growth rate of 3.23% over the period 1996 – 2000 and an average annual growth rate of 4.08% from 2000 – 2010. For the most recent period (2010 – 2013), considered the post-recession recovery period, George recorded an average annual growth rate of 2.90%. This average growth rate exceeds both the Provincial and National growth rates over the same period.

Graph 7: Comparison of Real Average Annual Output Growth Rates, 1995 – 2011



Source: Quantec Data, 2014, George Municipality calculations

It should be noted that since 2008 the growth rate has slowed down significantly and for the period 2008 to 2011 only averaged 1.72% in line with the global and national economic slowdown. Actual year-on-year growth in 2007 was recorded at 4.99% for the entire George Municipal area, this slowed to 4.55% in 2008, and negative growth (-1%) was recorded in 2009. A slight recovery was recorded in 2010 with year-on-year growth at 2.4%. In 2011 the George recovery, at growth of 3.9% (George & Uniondale), outpaced both the National (3.4%) and Provincial (3.8%) figures. This recovery continued, but at a slowing pace through 2012 and 2013 with a 2.82% and 1.97% annual growth rate respectively. Strong retail activities were noted towards the end of 2012 and construction activity notably increased during 2013 and 2014. All indications are that the recovery continued into 2014 and 2015.

When considering the growth in formal employment numbers the area shows the same trend of so called “jobless growth” as the remainder of South Africa. Excluding the DMA, average annual growth rates in formal employment is calculated at 0.29% for the period 2000 to 2010 and 0.22% per annum from 2010 – 2013. The formal unemployment rate (narrow definition) was calculated at 18% in 2009 (George Municipality own calculations). This had increased to 20.58% in 2011, this is lower than the Western Cape rate of 23.4% and the national rate of 24.7% (Quantec data, 2014).

Employment and unemployment figures as calculated in 2009 and Census 2011 are depicted below:

Table 11: Unemployment numbers (2009 and 2011) for 2011 demarcation

	2009	2011
	Calculated	Census
Population - Total	181759	193672
Population - Working age	114519	130383
Employed - Total	61688	63363
Unemployed - Total	13765	16417
Not Economically Active	39066	50603
Labour Force	75453	79780
Unemployment rate (Percentage)	18.24%	20.58%
Labour force participation rate (Percentage)	71.00%	79.42%

Source: George Municipality estimates based on Quantec data, 2014

The DMA area (Uniondale) recorded negative growth of 5.16% in formal employment over the period 2000 – 2009, correlating with the decline in actual population numbers in the area over the same period. The unemployment rate in the area in 2009 was calculated at 24%, which was significantly higher than the rate in the greater George area. This location specific trend was expected to have continued into the future.

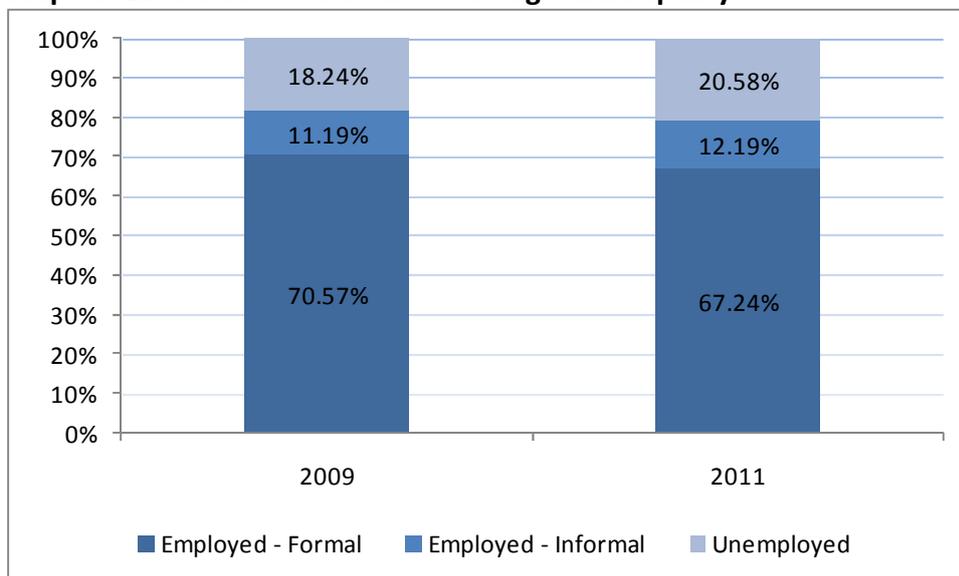
Over the period 2000 to 2009 the total labour force in the George Municipal area grew at an average annual rate of 1.5%. Informal employment grew strongly over this period (8%) and served as a buffer to absorb those members of the labour force that could not be absorbed within the formal sector. In the former District Managed Area surrounding Uniondale, over the corresponding period, a very different trend emerges. The labour force declined considerably, at an average annual rate of 4.3%. Both informal and formal employment declined in excess of an average annual rate of 5%, resulting in the noted increase in unemployment. It can be concluded that residents of working age are leaving this predominantly rural area, possibly in favour of urban areas, and even possibly the closer centres of George or Oudtshoorn.

The George unemployment figure of 20.58% compares favourably with other large centres in the area e.g. Knysna (24.83%), Mosselbay (22.90%). Unemployment is however marginally higher than in Drakenstein and Stellenbosch Municipalities, although these areas also have lower population figures.

Attention must be drawn to the increase in the categorisation of individuals as “not economically active” – this includes persons who have not looked for work in the past month and might be an indication of long term unemployment. This number has increased significantly and impacts on the labour force totals (i.e. more economically inactive persons the smaller the labour force). This of course also has a direct impact on unemployment percentage calculations, however this is in line with national and international practice in these calculations.

The graph below indicates the increase in unemployment for the period, with a slight drop in formal employment. Informal employment grew over the same period, continuing the trend from 2000 to 2009 discussed above and acting as buffer for unemployed persons.

Graph 8: Labour force structure – George Municipality



Source: George Municipality estimates based on Census 2011 and Quantec data, 2014

The positive growth rate in employment, although marginal at 0.22% per annum (2010 – 2013) is at least an indication that large scale job shedding due to the recession has not materialised. The situation is clearly not desirable and the hope is that the continued growth in the economy will also result in improved job creation numbers in coming years.

6.2 Structural Analysis of Economy

Economic data for the George Municipal area, as demarcated prior to the 2011 local government elections are analysed and discussed separately from the District Managed Area around Uniondale. The interest here is specifically in longer term trends, however with data analysis for 2013 now at hand, it does offer an opportunity to also interrogate year on year growth rates from 2010 to 2013, also referred to as the post-recession recovery.

Over the longer term the structure of the economy in George has shifted slightly away from primary and secondary sectors (mainly Agriculture, Forestry and Manufacturing) to a more service driven economy, specifically Finance, Insurance, Real Estate and Business Services. General government’s contribution to the economic output has declined slightly since 1996 but at 13.63% is still a large sector and this confirms both the size of local government and George’s status as a regional hub providing higher order services.

Manufacturing grew at a relatively lower average rate than the economy in general and therefore its contribution to the economic output has declined. In 2009 manufacturing output in fact declined in real terms to numbers similar to that of 2005. The historic industries in terms of manufacturing, namely furniture and related manufacturing, continues to decline (-2.17% per annum for 2010 - 2013). Notable however are the

interesting growth rates in very specific emerging niche manufacturing areas such as petroleum products, chemicals, rubber and plastic growing at 5.56% per annum for 2010 - 2013.

Construction, whilst registering slower growth rates since 2008 did not decline in terms of real output. The recovery from 2011 - 2013 in this sector lagged behind the overall economic recovery, which can be interpreted as a positive sign as Construction cannot be deemed the driver of the recovery. This points to a more sustainable recovery with other sectors growing and thus also fuelling construction as secondary sector.

When considering the Tertiary sector, Wholesale, Retail and Trade similarly recorded a drop in total GVA in 2008/2009, also to levels first recorded in 2005. Included here is catering and accommodation (direct tourism spend), which contributes only 1.85% of the economy in 2013. Catering and accommodation has also registered negative annual growth for the period 2010 – 2013. Admittedly Tourism is represented as fragments in various other Industries (e.g. retail and transport), but this negative trend in terms of catering and accommodation is of concern. Transport, Storage and Communication recorded a slight slowdown in growth but remains one of the strongest growing industries in George.

Table 12: George Municipality – Changes in economic output, 1996, 2000, 2010, 2013

GEORGE	GVA (2005 prices) ('million)				% GVA				Avg Annual % growth GVA		
	1996	2000	2010	2013	1996	2000	2010	2013	1996 - 2000	2000 - 2010	2010 - 2013
Agriculture, forestry and fishing	154	164	174	185	4.64%	4.35%	3.09%	3.01%	1.59%	0.62%	1.97%
Mining and quarrying	17	7	14	14	0.50%	0.19%	0.24%	0.23%	-18.60%	6.48%	1.70%
Manufacturing	601	666	797	833	18.13%	17.67%	14.11%	13.55%	2.61%	1.81%	1.48%
Electricity, gas and water	142	156	98	95	4.30%	4.13%	1.73%	1.55%	2.25%	-4.56%	-0.76%
Construction	143	178	470	508	4.31%	4.71%	8.31%	8.27%	5.62%	10.21%	2.68%
Wholesale and retail trade, catering and accommodation	562	732	924	1 005	16.95%	19.41%	16.36%	16.34%	6.82%	2.36%	2.83%
Transport, storage and communication	254	343	725	791	7.65%	9.11%	12.83%	12.86%	7.88%	7.76%	2.95%
Finance, insurance, real estate and business	735	812	1 382	1 526	22.17%	21.53%	24.46%	24.82%	2.52%	5.46%	3.37%
Community, social and personal services	183	221	325	353	5.51%	5.86%	5.76%	5.74%	4.89%	3.94%	2.79%
General government	526	491	740	838	15.85%	13.03%	13.11%	13.63%	-1.67%	4.19%	4.22%
Total	3 316	3 770	5 648	6 149	100.00%	100.00%	100.00%	100.00%	3.27%	4.12%	2.87%

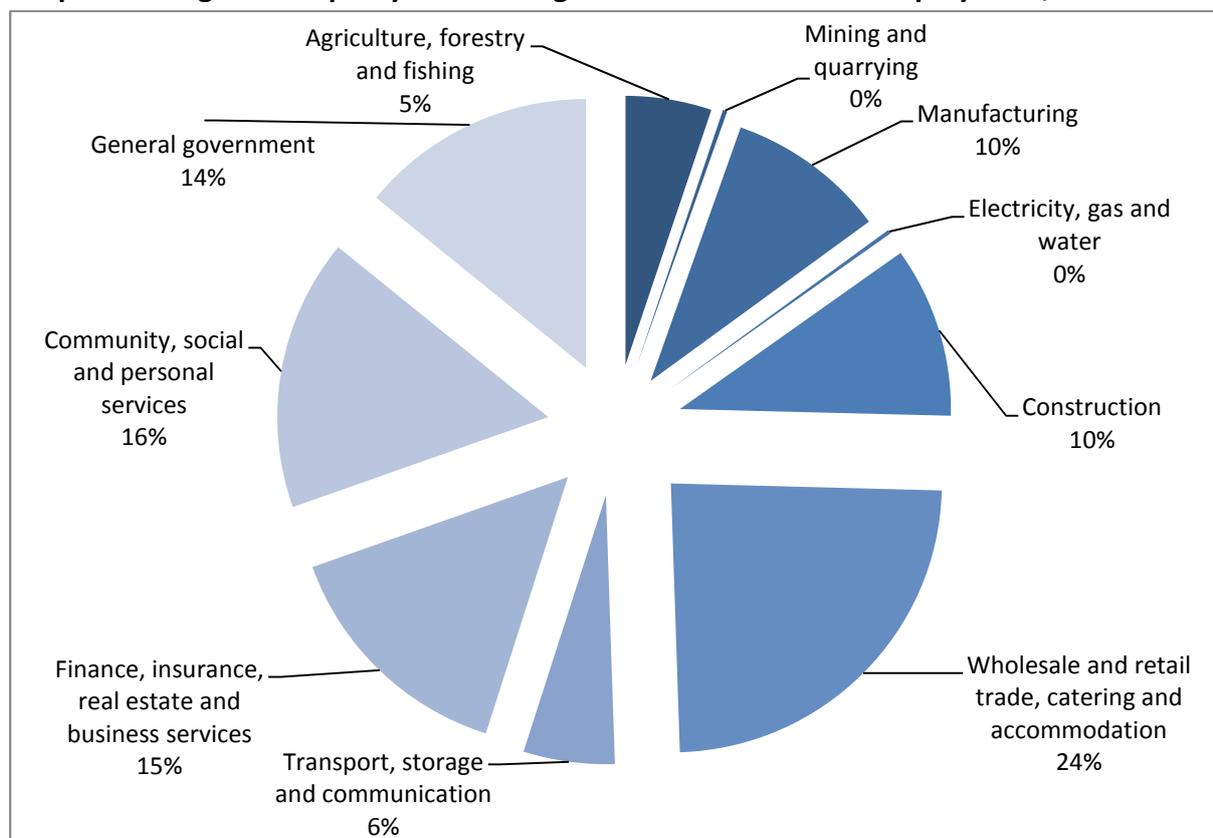
(Source: Quantec 2014)

When analysing the contribution to employment per sector over time, Agriculture, forestry and fishing registered a marked decline in employment numbers, from contributing around 13% to total employment in 1995 to only 5.13% in 2013. This can certainly be attributed to automation in these industries, and therefore a drop in actual employment numbers and labour intensity. A further concern is delayed re-planting in the timber industry, already impacting directly in terms of primary job losses, but which could have downstream negative effects on e.g. manufacturing.

Manufacturing also recorded a decline in employment contribution, although not as steeply as in the primary sectors. Construction showed strong employment growth between 2000 and 2010, but interestingly actual employment numbers in 2013 are still well below those of 1995, showing that over the longer term of 16 years, growth was minimal in this sector in terms of employment numbers. This is indicative of the cyclical nature of construction, creating jobs in times of economic boom, but shedding those just as fast when declines set in.

When considering employment per sector in 2013 (total employment, both formal and informal); Community, Social and Personal services have the highest labour intensity (24 jobs per R1 Million GVA), contributing just more than 5% to GVA, but in excess of 16% in terms of number of persons employed. Only catering and accommodation services can even remotely compare in terms of labour intensity, contributing 21 jobs per R1 Million GVA (although only 1.67% to GVA). General government, Agriculture, Forestry and Fishing as well as Construction also contributes a higher percentage to employment numbers than in GVA, indicating a relatively higher labour intensity. In the case of General government however, actual employment numbers has increased significantly over the past 10 years, whereas it has dropped for both the other sectors. As is the case nationally, the Finance, Insurance, Real Estate and Business services have a very low labour intensity, contributing only 14.6%% in terms of employment, but close to 25% in terms of GVA.

Graph 9: George Municipality – Percentage contribution to total employment, 2013



Source: Quantec 2014

In the Uniondale area, the primary sector contributes close to 30% to the economy in terms of GVA, this has decreased significantly from a 52.9% in 1996. The shift has been mainly to the tertiary sector, with Finance, Insurance, Real estate and business services contributing 27.21% to the total GVA in 2013, compared to only 7.1% in 2000.

The contribution to GVA for direct tourism related activities (e.g. catering and accommodation services) has remained virtually unchanged between 1996 and 2011, but showed negative growth of 2.8% between 2010 and 2013. This sub sector's contribution to GVA is very small (only 0.15% in 2013) and movement of this low base should be considered with caution. Wholesale and Retail Trade has shown a decline from a 15% contribution to GVA in 2000 to only 9% in 2013 – this could be attributed to rising unemployment and lower purchasing power of Uniondale residents. Growth rates in Manufacturing remains encouraging, possibly pointing to local residents taking up small scale local manufacturing in favour of the traditional out of town purchases. Petroleum products, chemicals, rubber and plastic showed a growth rate of 12% per annum between 2010 and 2013, with the growth rate in manufacturing of food & beverages (previously pointed out as strong) now down to 1.15% per annum in 2010 – 2013.

Table 13: Former Eden DMA – Changes in economic output, 1996, 2000, 2010, 2013

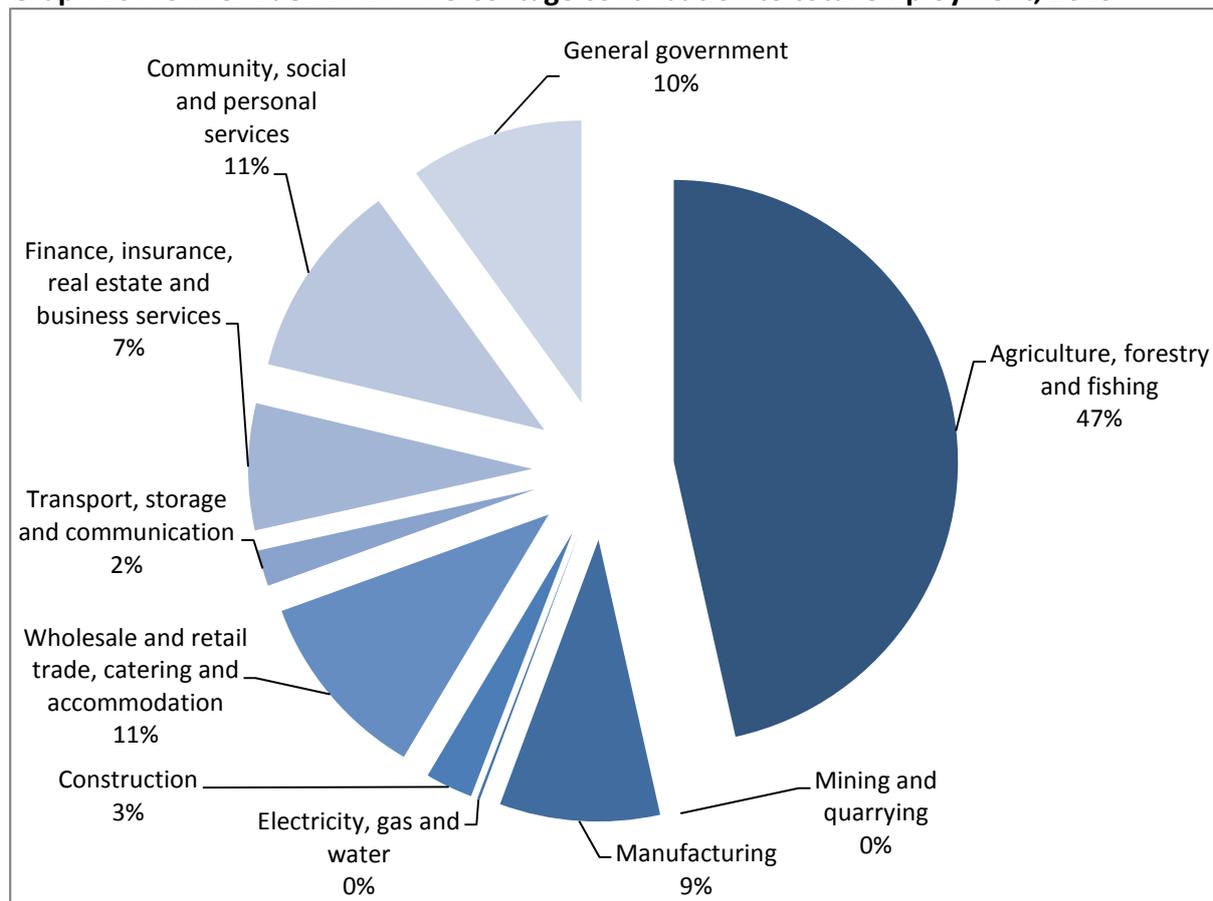
UNIONDALE	GVA (2005 prices) ('million)				% GVA				Avg Annual % growth GVA		
	1996	2000	2010	2013	1996	2000	2010	2013	1996 - 2000	2000 - 2010	2010 - 2013
Agriculture, forestry and fishing	100	105	91	93	52.98%	50.16%	31.28%	28.84%	1.19%	-1.43%	0.68%
Mining and quarrying	0	0	0	0	-	-	-	-	-	-	-
Manufacturing	25	18	43	47	13.09%	8.76%	14.90%	14.63%	-7.22%	8.98%	2.80%
Electricity, gas and water	2	4	3	3	0.98%	2.03%	1.08%	1.02%	23.09%	-2.98%	1.34%
Construction	4	4	8	8	2.23%	1.90%	2.61%	2.45%	-1.49%	6.66%	1.30%
Wholesale and retail trade, catering and accommodation	19	33	28	29	10.17%	15.56%	9.45%	9.12%	14.08%	-1.68%	2.23%
Transport, storage and communication	4	6	15	17	2.06%	2.99%	5.24%	5.20%	12.65%	9.30%	3.21%
Finance, insurance, real estate and business services	12	15	69	88	6.40%	7.10%	23.84%	27.21%	5.25%	16.65%	8.12%
Community, social and personal services	5	7	10	11	2.90%	3.32%	3.41%	3.36%	6.08%	3.65%	2.91%
General government	17	17	24	26	9.19%	8.18%	8.20%	8.17%	-0.37%	3.36%	3.34%
Total	189	210	291	323	100.00%	100.00%	100.00%	100.00%	2.58%	3.34%	3.45%

Source: Quantec 2014

Agriculture in this area is slightly more labour intensive than in George but contributes around 47% to local employment – this can be expected in such a rural area. The declining contribution of Agriculture as a whole to the local economy however should be cause for alarm – this also corresponds to increased unemployment numbers. The industry today only employs around a half the number of persons it did in 1995.

Community, social and personal services (as percentage of total employment, both formal and informal) provides the next largest percentage to total employment in Uniondale and as is the case for George also has the highest labour intensity - it contributes only 3.3% in terms of GVA, but 11.35% in terms of employment. Catering and accommodation services also again register a high labour intensity, and considering its current small contribution to the economy in a beautiful rural natural environment, might point to opportunities for job creation within the tourism industry in the area.

Graph 10: Former Eden DMA – Percentage contribution to total employment, 2013



Source: Quantec 2014

6.3 Relative advantages of George Economy

The table below highlights the different important sectors of the George economy based on different criteria. A location quotient is a ratio which indicates one economies relative share or advantage when compared to another. In this case, the location quotients were calculated by comparing the share of the different sectors in George’s GVA and employment (formal employment only) to their shares in the national economy (e.g. % share of employment of agriculture in George economy as % of the share of the agricultural sector in the national economy). A location quotient higher than one signifies a relative advantage of the sector in the local economy.

The last column reflects the outcome of a shift share analyses with the Rand value of sector growth attributed to local factors (over the period 2000 – 2013) rather than the growth of the national economy in general or the growth of the national sector.

Agriculture, Forestry and Fishery shows location quotients in excess of 1, pointing to some local advantages, possibly due to the area's unique contribution in the Forestry area (indigenous timber). With the complete halting of timber replanting in the area there is a very real danger that a sector in which the area holds a distinct advantage could disappear in years to come, with extensive negative implications.

Table 14: Analysis of relative advantages per industry, 2013

Industry	% of local GVA (at 2005 prices) in 2013	% of total local formal employment in 2013	Location quotient GVA (index) *	Location quotient Employment (index) *	Increase in GVA due to local advantages (number)*
Primary sector	4.5%	9.7%	0.6	0.88	-149
Agriculture, forestry and fishing	4.3%	9.4%	1.76	1.36	-202
Mining and quarrying	0.2%	0.3%	0.04	0.07	3
Secondary sector	23.1%	17.6%	1.04	1.15	-513
Manufacturing	13.6%	10.8%	0.81	1.03	-408
Food, beverages and tobacco	3.9%	3.0%	1.35	1.51	-120
Textiles, clothing and leather goods	0.5%	0.5%	0.62	0.56	-11
Wood, paper, publishing and printing	1.7%	1.6%	1.20	1.70	-81
Petroleum products, chemicals, rubber and plastic	2.3%	0.7%	0.52	0.54	-37
Other non-metal mineral products	0.7%	0.8%	1.32	1.41	-25
Metals, metal products, machinery and equipment	1.7%	1.9%	0.54	0.72	-36
Electrical machinery and apparatus	0.5%	0.3%	1.04	0.75	-13
Radio, TV, instruments, watches and clocks	0.1%	0.1%	0.34	0.40	-2
Transport equipment	0.9%	0.6%	0.54	0.69	-16
Furniture and other manufacturing	1.3%	1.2%	1.03	1.57	-31
Electricity, gas and water	1.5%	0.3%	0.79	0.54	-179
Electricity	1.4%	0.3%	0.98	0.64	-166
Water	0.1%	0.0%	0.19	0.20	-10
Construction	8.0%	6.5%	2.33	1.34	1
Tertiary sector	72.4%	72.7%	1.04	0.98	-1180
Wholesale and retail trade, catering and accommodation	16.0%	17.5%	1.14	0.94	-554
Wholesale and retail trade	14.4%	13.8%	1.10	0.85	-483
Catering and accommodation services	1.6%	3.7%	1.67	1.91	-70
Transport, storage and communication	12.5%	3.8%	1.23	0.96	9
Transport and storage	7.1%	3.0%	1.31	0.95	-5
Communication	5.3%	0.8%	1.14	0.99	21
Finance, insurance, real estate and business services	24.9%	16.7%	1.03	0.98	-469
Finance and insurance	9.0%	2.0%	1.00	0.83	-107
Business services	16.0%	14.7%	1.04	1.00	-355
Community, social and personal services	5.6%	16.1%	0.93	1.00	-83
General government	13.4%	18.6%	0.87	1.04	-129

Source: Quantec, 2014

There is a positive location quotient based on employment attached to the secondary sectors. This is however mainly influenced by Construction, which records very high

location quotients specifically in GVA but also in Employment. As expected manufacturing activities in general do not show a positive location quotient, this proves to the challenges the area has in competing with the two large metros, Cape Town and Port Elizabeth. There is however positive indicators for Furniture related manufacturing, as well as wood, paper and publishing – this point to a potentially strong timber cluster, with forestry also highlighted in the primary sector. Further positive location quotients are noted in Wood, Paper, publishing and printing, as well as Food, beverages and Tobacco.

Within the tertiary sector, Transport, Storage and Communication shows the highest location quotient. These industries could hold good future growth potential, and could be stimulated through local government support programmes. Wholesale Retail and trade also shows a positive location quotient in terms of GVA influenced mainly by Catering and accommodation services. It should however be pointed out that this industry only contributes 1.6% to total GVA and 3.7% in terms of employment. This could point to growth opportunities with high labour intensity and there are also linkages between this industry and other services relating to tourist activities. Other services (financial and business) contributes close to 25% of GVA, but is less labour intensive, as shown by the percentage contribution to employment at 16%. This employment figure is skewed slightly when considering only financial services, which contributes in excess of 9% to GVA, but only around 2% to employment – employees in this industry however is usually better educated and earns higher salaries than other industries.

According to the shift-share analysis only the quarrying, construction, communication and transport sectors grew in George not only due to national industry and general growth trends but also due to uniquely favourable local conditions. The area benefitted specifically from the “construction rush” during the middle 2000’s as it is a sought after holiday and second home destination. The analysis above was conducted through an analysis of growth between 2000 and 2013, a 13 year period that includes this “construction boom”, the international financial crisis and recession as well as post-recession recovery periods.

6.4 Economic Stability

The sectoral composition of economic activity in a region is a good indication of the level of diversification or concentration of a region’s economy and can be measured by the so-called tress index. A tress index of zero represents a totally diversified economy whilst the higher the index (closer to 100), the more concentrated or vulnerable the region’s economy to exogenous variables such as adverse climatic conditions and commodity price fluctuations.

The Tress index for George at 45.11 is well below the provincial figure of 53.65 (2013), the Western Cape has in excess of 30% of its GVA contributed by Financial, business services and property. A further buffer within the George economy is the fact that manufacturing is ranked as the third highest contributor and within that industry there is further diversity. The Uniondale area has a much less diversified economy with a Tress index of 58.24, thus also less diverse than the provincial economy.

When compared to Tress Indexes calculated for 2000 and 2010 George has shown a slight upward movement from 43.36 (2010) to 44.37 (2010) and now 45.1, indicating marginal less diversity. Uniondale has seen a change from an index of 66.1 in 2000 to the 2010 calculated index of 58.24 and remained stable now at 58.23 calculated in 2013. This is indicative of the historically dominating agriculture industry but more alarming the increased diversity is not due to the growth in other industries, but the shrinking agriculture section.

The exposure of the local economy towards external factors also serves as indicator of the stability of the economy. Here the focus will specifically be on the exposure or level of dependence on the natural environment (e.g. agriculture being dependent on rainfall and climatic changes) and exposure to international markets.

Climate change and the environment have been discussed in Section 4. The George economy is relatively less exposed to environmental factors, with Agriculture, Forestry and Fisheries only contributing 3.01% to the economy. In the Uniondale area this picture changes dramatically, with almost 30% contributed to the local GVA by this sector. This is reflected in financial distress in the area following natural disasters over the past six years, including flooding, hailstorms and veld fires. These disasters have certainly contributed to the decline in employment by agriculture as highlighted in previous sections.

Local and regional economies are increasingly exposed to fluctuations in the international environment due to globalization - the increasingly connected flow of goods, services and capital as well as the movement of people. Exposure to the global economy holds opportunities as well as threats to the local economy. The local economy can for example be influenced by the following factors: price and market fluctuations in the export and import of goods and services, net migration rates, net capital flows to the area and technological advances (international R&D flows, population using information communication technologies such as mobile phones or the internet, using of long distance transport).

The local economy faces some exposure to the global environment due to tourism, in the case of Uniondale this is negligible, but it is slightly more substantial in George. Catering and accommodation services contributed 1.67% to GVA in 2013, but there are other more indirect contributions captured in retail, services and possibly transport due to the George Airport being the only commercial airport in the Southern Cape. Agriculture and Manufacturing are the only sectors with some exposure in terms of export market fluctuations.

6.5 Poverty

6.5.1 People Living in Poverty

The poverty rate represents the percentage of people living in households with an income less than the poverty income. The poverty income is defined as the minimum monthly income needed to sustain a household and varies according to household size, the larger the household the larger the income required to keep its members out of poverty.

The poverty income used is based on the Bureau of Market Research's Minimum Living Level (BMR report no. 235 and later editions, Minimum and Supplemented Living Levels in the main and other selected urban areas of the RSA, August 1996). For example, the monthly income needed to keep a 1 person household out of poverty in 2010 was estimated to be R1 315, while for a two person household it is R1 626; a four person household requires an estimated income of R2 544 to stay out of poverty while a household with eight or more person requires an estimated R4 729.

Global Insight estimates on the number of people living in poverty in the Eden District municipal area shows a sharp increase between 1996 and 2002, with the number of people almost doubling, but since then showing some decline. In 2010 the estimated number of people living in poverty for the Eden District was approximately 120 203 people, down from the 2002 high of approximately 146 831.

The proportion of people living in poverty in George Municipality has declined from 26.2 % to 20.4 % in 2010. This poverty rate is higher than that of Mosselbay, Knysna and Hessequa but lower than the poverty rates in Oudtshoorn and Bitou (Eden District Regional Development Profile, 2013).

The George municipality has an indigent policy, aimed at subsidizing the cost of basic services delivered to the poorest households within the municipal area. Subsidised municipal services are inter alia electricity, water, sanitation and refuse removal. Households with a gross monthly income (excluding disability and child support grants) of less than R3 000 per month can apply.

6.5.2 Access to Basic Services

In 2011, 53 551 households were living within the George municipal area. StatsSA defines a household *'as a group of persons who live together and provide themselves a jointly with food or other essentials for living, or a single person who lives alone.'* The size cohort with highest number of households is where the number of people living together is not more than 2 persons; it represents 24.8% of households. Nearly 19% of households consist of a single person.

In line with national trends, residents in George has also experienced continuous improvement in household access to basic services such as proper housing, sanitation, refuse removal, electricity and water. George Municipality in-comparison with National averages experience higher levels of access to basic services. This is an indication of the Municipality's ability to render basic services to all residents. A significant number of households (33.1%) however do not have access to proper housing. This correlates with the

large number of applicants on the housing waiting list and of community needs as expressed in public participation processes.

More detailed information around access to piped water is contained within the Census 2011 data, depicted below, although municipal own statistics contradicts some of this showing no persons without access to water.

Table 17: Access to piped Water

Piped water	Population	% of total population
Piped (tap) water inside dwelling/institution	137,487	70.99%
Piped (tap) water inside yard	38,068	19.66%
Piped (tap) water on community stand: distance less than 200m from dwelling/institution	8,284	4.28%
Piped (tap) water on community stand: distance between 200m and 500m from dwelling/institution	1,394	0.72%
Piped (tap) water on community stand: distance between 500m and 1000m (1km) from dwelling /institution	805	0.42%
Piped (tap) water on community stand: distance greater than 1000m (1km) from dwelling/institution	118	0.06%
No access to piped (tap) water	4,920	2.54%
Unspecified	796	0.41%
Not applicable	1,800	0.93%
Total	193,672	100%

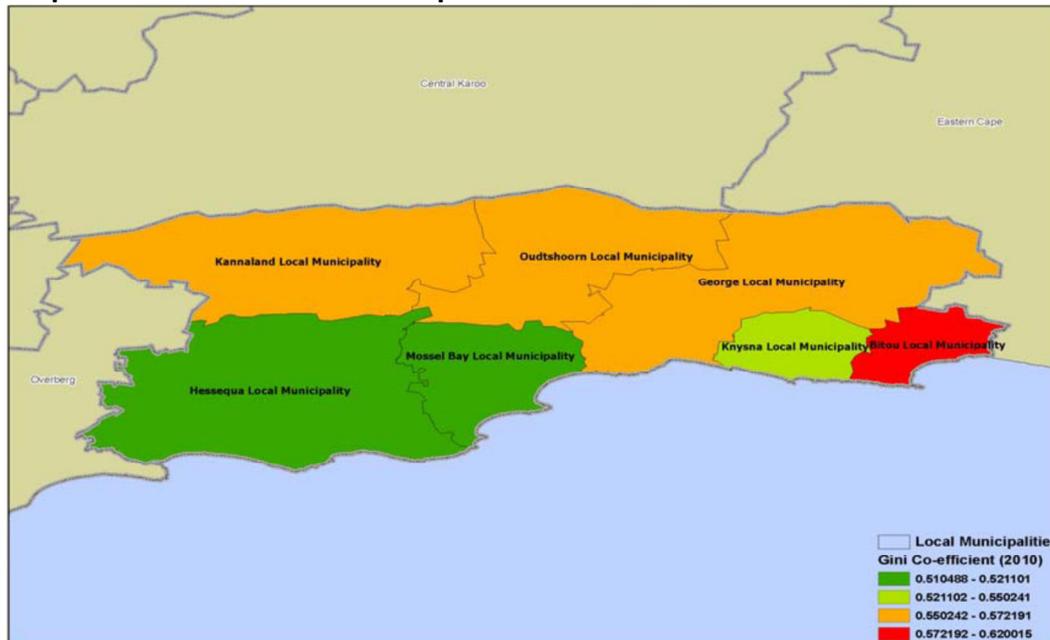
Source: Stats SA, Census 2011

6.6 Income Inequality

Inequality levels highlight how the experience of different embers of the same broader community may be grossly dissimilar. A comparison across the Eden District municipal area shows that inequality across all municipalities has been relatively high, but has over the past decade showed some decline, according to the Gini coefficient (Regional Development Profile, Eden District Municipality, 2013).

Eden District Municipality is the only region with the poverty rates lower than the City of Cape Town - the Gini coefficient of Eden District is 0.56 compared to the City's 0.57. The Gini Coefficient for George Municipality is reported as 0.56 in 2010. South Africa's Gini Coefficient is reported at 0.68, one of the highest in the world. Addressing inequality through redistribution policies is a national priority, and will also have policy implications at local government level.

Map 2: Gini Coefficient – Municipalities in Eden District



Source: *Regional Development Profile Eden District, 2013*

6.7 Environmental Impact of Economy

The state of the natural environment, availability and quality of natural resources was discussed extensively under point 3 of this document. In an environmentally sensitive environment such as the Garden Route, as part of the unique Cape Floristic Region, it is important to also consider the economic impact of economic activities. One of the area's competitive advantages is certainly the beautiful environment, and in line with modern thinking on sustainability, the environment should be protected for future generations.

Data that could be used as indicators for the environmental impact includes measuring how water and electricity intensive the economy is, measuring population growth and the number of households with access to sanitation and modern energy sources. The excellent Green Drop scores, discussed in section 5.4 is an indication of the number of persons with access to sanitation serves i.e. no or minimal untreated sewage flowing into rivers. The percentage of households with access to electricity is significantly higher in George than the national figure, indicating less dependence on natural resources for cooking and heating. Virtually no electricity generation takes place in the area, and in fact a number of local manufacturing and research entities are focussing on renewable energy.

Electricity usage per capita in South Africa is calculated at an average of 4 532 kWh per capita (World Bank Report 2010). The average consumption in George is calculated at 5 184 kWh, thus slightly higher than the national figure. It was pointed out by the municipal electro-technical department that high income households have a significantly higher usage at about double this average. The South African urban water usage average is 242 litres per capita per day; the George figure for urban usage is 169 litres per day. This is indicative of massive changes and reductions in water usage following water saving initiatives implemented by George Municipality during 2009/2010 in response to the worst drought in

recorded history (Worldbank, IBNET). An example of such actions include a by-law which specifies water tanks for rainwater harvesting with all new building plan approvals.

6.8 Decent Jobs

The International Labour Organisation defines decent work as “opportunities for women and men to obtain decent and productive work, in conditions of freedom, equity, security and human dignity.” Although a very broad and widely debated topic, it is not an easy task to measure whether decent jobs are being created in an economy. A few indicators that combined could serve as proxy for decent jobs will be discussed here.

Firstly, the fact that residents are engaged in productive work specifically in the formal sector, where working conditions are regulated and policed, is a sign of decent jobs being created. Formal employment percentages are significantly better in George than when compared with national figures. Figures for Uniondale compares to national employment statistics, however South Africa has some of the highest unemployment figures in the world.

Another proxy indicator that can be considered is the type of industries in which work is created. Across the municipal area very little mining takes place, and economic activity in this sector is mainly related to sand mining. This quarrying is taking place mainly in open pits and with heavy machinery – thus not working conditions comparable to underground mining at great depths. Agriculture, which is often characterised by seasonal employment, is still a large employment creator in the area, as is Construction. The temporary nature of work in these sectors is not as favourable as employment in for example manufacturing.

Finally wage comparisons could be made between George and the Western Cape as well as Cape Town as the metro in the province. Wages and remuneration per person employed in George is generally below the Western Cape and Cape Town figures. Western Cape figures are influenced heavily by Cape Town due to around 85% of the economy situated in the city. The lower wages in the George area could be mitigated through a lower cost of living when compared to a city.

Overall remuneration is around 21% lower in George than in Cape Town. On a per sector basis it is interesting to note that remuneration per worker is only 9% lower in the Transport and Communication sector, and the largest difference in remuneration is found in Catering and Accommodation services at 34%. Catering accommodation currently pays a lower remuneration per employee than even agriculture, which is notoriously on the lower end of pay scales. In Finance and insurance remuneration in the two areas are closely correlated, with George salaries being 4% higher than that of Cape Town and the highest remuneration per employee at R266 179. Manufacturing of clothing, textiles and leather goods as well as electrical machinery and apparatus remunerates better in George – in the latter case 41% more. Remuneration in Electricity is also around 34% higher in George – this could point to a premium being paid for a scarce skill in the more rural area.

7. Summary and conclusions

This Economic Development Profile for the George municipal area included a brief consideration of specific social and environmental factors that influences or is influenced by economic development in the area. The addition of Uniondale and surrounding rural areas to the demarcated municipal area (2011) brought with it its own set of challenges to the local authority. In this document figures were at times analysed for the municipal area as a whole, and kept separately in other instances (e.g. structural analysis of the economy). Improving rural/urban linkages and ensuring a flow of goods and services between these two distinctly different economies presents both challenges and opportunities.

The area overall experienced population growth rates slightly higher than Provincial and National averages, mainly due to in-migration. Here the specific situation in the Uniondale area is highlighted separately - recording a drop in population between 2001 and 2007. Census 2011 data does not separate out George and Uniondale any longer, and this trend could only be monitored by proxy information in future. This is however in line with global and African trends towards urbanisation, as well as directly to dwindling economic opportunities relating to Agriculture in the specific area.

Continued population growth places pressure on municipal service delivery, a situation which George is perceived to have managed better than the average municipality in South Africa. This is supported by excellent drinking water as well as waste water qualities, as well as the high percentage of residents with access to piped drinking water and sanitation. This service delivery might have come at a high financial cost, with debt ratios within the municipality at alarming rates. Audit discrepancies in 2008 and 2009 have however recently been overcome, and in 2014 the municipality was awarded its third consecutive clean audit.

The area boasts pristine natural environmental qualities, being situated within the Garden Route, world renowned for its beautiful mountains, lakes, forests, rivers and the ocean. This makes for an excellent living environment that could act in support of future economic growth through attracting high net worth individuals and successful business persons who seek to escape the rush of metros.

When considering economic data George has shown excellent average annual growth rates at 4.09% over the period 2000 to 2010, and a strong 2.9% in the post-recession recovery period (2010 – 2013). This is in line with the Western Cape growth rate of 4.11% and 2.61% for the two periods respectively and exceeds the national growth rate of 3.57% and 2.58% over the same periods. It should be pointed out that with economic conditions internationally under strain since 2008 George has also recorded a slow down – growth between 2008 and 2010 was only at 1.8% average per annum, negative growth of -1% was recorded in 2009. The recovery seemed to accelerate in 2011 with 3.92% year-on-year growth. This unfortunately slowed again in line with the South African growth rate to only 1.97% year-on-year growth in 2013.

Growth in the Western Cape economy continues to slightly outpace the rate of growth registered nationally. The Western Cape economy grew at a rate of 2.1 per cent during calendar year 2013 compared to 1.9 per cent for the country as a whole (Western Cape Treasury, 2014). In line with the downward revision of the global economic outlook and the

substantial downward revision of the outlook for growth nationally and in the Province, the Eden District GDP growth forecast for the period 2014 - 2019 has been reduced to 3.6 per cent per annum, from 4.3 per cent per annum at the time of the 2013 MERO study (for the period 2012 - 2017). The Eden District economy's real GDP growth rate is expected to increase from 2.5 per cent in 2013 to 2.9 per cent in 2014 (see Table 2.9). The average annual GDP growth rate forecast for the period 2014 - 2019 is expected to be 3.6 per cent per annum. It is expected that the construction sector (4.9 per cent per annum) will be the highest growth sector and will be closely followed by the finance and business services sector (4.5 per cent). Other sectors expected to grow above average are the wholesale and retail trade, catering and accommodation sector (3.6 per cent), and the transport, storage and communication sector (4.3 per cent) (MERO, 2014).

Growth in George was initially not expected to be as robust as seen in 2011, however, relatively strong medium term growth rates can be expected. Local retailers are continuing to record growth in the retail sector and large national role players in services and retail show renewed interest in investing in George as the regional hub for the area. A number of large scale developments are currently under construction.

Employment generation remains a challenge, as is the case in the Western Cape where although the real economy expanded by close to 45% per cent between 2001 and 2010, the regional workforce only grew by close to 16% over this period (Western Cape Treasury 2011). In the case of George the real economy grew by 41%, yet formal employment grew by just over 17%, with a number of jobs also absorbed in the informal economy. This is indicative of economic growth taking place in sectors such as business and financial services which does not have high labour absorption rates.

The declining primary economic sectors in both George and Uniondale are a concern, the large number of jobs shed in agriculture and forestry certainly has had a material impact on the local economy. In the case of Uniondale, the declining agriculture industry has also contributed to the declining population, with a smaller informal economy, unemployment in that area is now recorded at around 24%, slightly higher than that of George and the Province.

In terms of economic opportunities for the future, Tourism presents as an industry with high labour absorption rates that could be developed in the Uniondale area with Agri- and nature based tourism as possible key niche markets. Agro processing in George remains an attractive area for investment, with the need to ensure more value added locally in the processing of locally grown and produced agricultural products. Berry production, highlighted in the George Economic Development Strategy (2012) is now starting to see extensive expansion, with some IDC and private sector investment secured for coming years. This has the potential to create large numbers of primary jobs, something not seen in the George economy over the past 15 years.

The Call Centre and ICT sector, described by many as very promising nascent industries, have not shown the rapid predicted expansion over the past two years. Call Center has the potential to be large scale job creators, and coupled with the highly innovative, high value tech industry presents promising opportunities. Considering the Western Cape

Government's drive towards more broadband connectivity and a connected society, the industry in the Garden Route (with George as capital city so to speak) remains positioned to not only benefit from this initiative, but assist local residents and communities to benefit.

Other indications are that George will continue to build on its existing position as regional hub for the Southern Cape – specifically in terms of retail and wholesale as well as financial and business services. Although these industries present lower labour absorption rates, the high skill levels required is indicative of the existing excellent skills base, and present opportunities to further grow education levels in the area.

Finally, there is an increasing understanding that Regions and not cities alone, are areas that drive growth and which are competitive. A number of exciting cross border collaborative initiatives have been identified and are currently being pursued. A regional cluster, considering strong neighboring towns such as Knysna and Mosselbay also creates a picture of a more diversified regional economy, with a greater basket of goods and services which adds to its competitiveness. These regional initiatives could contribute to the attractiveness of the wider area for investment and business in general, and produce positive growth in the region's economy, to the benefit of each locality.

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