



**MINISTRY: FINANCE
REPUBLIC OF SOUTH AFRICA**

SPATIAL ECONOMIC ACTIVITY DATA: SOUTH AFRICA (SEAD-SA) LAUNCH

**SPEECH BY MINISTER OF FINANCE ENOCH GODONGWANA, MP, AT THE LAUNCH OF
THE SPATIAL ECONOMIC ACTIVITY DATA: SOUTH AFRICA LAUNCH**

JOHANNESBURG

DATE: 19 JUNE 2023

Honourable Minister of Trade, Industry and Competition,

Honourable Minister of Co-operative Governance and Traditional Affairs

Statistician-General,

SARS-Deputy Commissioner,

CEO of the HSRC,

The Director: UNU-WIDER,

The Mayor of Ethekwini and MMC: Finance of Cape Town,

Representatives of the British High Commission and the Swiss Mission in South Africa,

Honourable guests and colleagues,

Fellow South Africans.

1. Today, I am honoured to officially launch the Spatial Economic Activity Data – South Africa (SEAD-SA) programme, a project that will go a long way in deepening our understanding of the geographic distribution and characteristics of economic activities within the country.
2. As far back as the Reconstruction and Development Plan (RDP), we recognized that urban areas, particularly metropolitan areas, are key centres of economic activity, employment, and innovation, and that by addressing spatial inequalities and creating sustainable human settlements, we could achieve inclusive and sustainable growth.
3. The Economic Reconstruction and Recovery Plan, announced by President Cyril Ramaphosa in October 2020, went further, emphasizing the need for targeted investments in urban infrastructure, services, and housing.
4. In the 2023 Budget Review in February, we sought to give life to these ambitions by continuing to support economic development at the local government and municipal level through various grants and technical assistance. Through the Cities Support Programme (CSP), for example, we are mobilising National Treasury and partner resources around township economic development and industrial park revitalisation within the metros. Financial support to the metros through grant instruments is projected at R6.3 billion over the medium term.
5. The SEAD-SA programme is a key step toward achieving these lofty aims and making sure that these allocated funds and efforts are well-targeted.
6. Indeed, as much as we celebrate the SEAD-SA programme, we must also celebrate the partnerships that have made it possible.
7. The launch represents an important milestone on a journey that started about 9 years ago, when the metropolitan municipalities lobbied national government to make available national administrative data sets that could assist them in making sense of their city economies.

8. The problem they wanted solved, was the lack of spatialised economic activity data in South Africa.
9. Metros did not know where firms and jobs were located within their boundaries and how firm and employment activity changed over time. The cities explained that this meant that they were making policy, planning and investment decisions on modelled and incomplete data, largely accessed at a cost from the private sector.
10. It was this request that kickstarted a journey that has gained momentum over the years, and began a process of building trust while also mobilising partners.
11. It started in a GTAC-convened Economies of Regions Learning Network, which brought together city and national economic role-players to identify possible administrative data sources that could plug this gap.
12. This early work was consolidated in 2021 with the consultative development of a SECO-financed Spatialised Economic Activity Data Strategy for South Africa. Utilising anonymised tax data housed in National Treasury's Secure Data Centre, through a partnership with SARS and the UNU-WIDER, was identified as a quick win.
13. The first Metro Spatialised Economic Activity Reports were produced by National Treasury in April 2021 providing time series data between 2013 and 2018 that demonstrated firm and employment trends across metro spaces.
14. The commitment of all parties to respecting the integrity, anonymity and sensitivity of the tax data strengthened relations of trust amongst parties and laid the foundation for extending the pilot to all municipalities in the country with the support of local government association SALGA.
15. This collaboration has extended to the exploration of a spatialised version of the entire SARS Integrated Business Register, to enable access to additional

public and third-party data sources. The agreement is to integrate this with StatsSA's National Statistics System.

16. This will broaden the scope further to include the contributions of other national administrative data sources.

17. The Department of Agriculture, Land Reform and Rural Development as the custodian of land-related datasets and the Spatial Data Infrastructure Act, 2003 is a strategic partner going forward.

18. Indeed, the SEAD- SA programme is not owned by any particular entity – it is a shared brand that is intended to act as an umbrella for joint efforts in ensuring open access to credible spatialised economic activity data from multiple public and private administrative data sources.

19. The partnership between National Treasury and the HSRC and its University of Free State partner has taken our collective work to the next level through deepening our analytical capabilities and developing policy briefs.

20. The launch of the Spatial Tax Data portal and the City Economic Outlook today are testimony to this co-operation. The commitment shown by the UK's Foreign, Commonwealth and Development Office and SECO to come on board over the next 8 years is welcome and greatly appreciated.

21. In addition to the financial support, the UK FCDO has mobilised the UK's Office of National Statistics to provide technical support to SEAD-SA, which could leap-frog South Africa as we build our State capability in providing local statistics.

22. As the Minister of Finance, I am particularly excited about this work. We all know the challenging times South Africa finds itself in: increasing fiscal risks, low economic growth, high unemployment, declining productivity and stubborn structural economic constraints. These are putting a brake on the kind of economic activity we are striving for to meet our developmental challenges.

23. The country cannot afford low returns on public sector investment, firm closures and downsizing or job losses. Reviewing this data, its value in providing clear policy directions and evidence to assist government make tough investment choices and decisions, is abundantly clear.

24. I would like to illustrate this value through six key messages emerging from the data:

- **First**, metros are the country's job generators. This role must be supported through public sector planning and investment both from an economic and human settlements perspective. The data shows job-shedding within strategic industrial spaces in our metros, with more than half of the top 30 metro industrial spaces losing jobs since 2014. The reasons for this can lead to uncomfortable truths. Publicly owned industrial spaces are often negatively affected by land governance, service delivery, business safety and urban management failures. Our own investment in these spaces often fails to yield a return based on these same constraints. The message is that we have a responsibility to do everything in our power within the public sector to get these spaces productive and competitive.
- **Second**, sector composition across metros differs. The collapse of one metro could result in the collapse or severe decline of specific industries. This has major ramifications for the country as a whole owing to the extensive national, regional and global value-chains that firms participate. The message is that as a country we cannot allow a single metro to fail.
- **Third**, strong urban centres are necessary for productive rural hinterlands. The data shows the important contribution of rural economies to the country's primary sectors with urban centres performing stronger value-adding, logistics and market-demand roles.

Decline in urban industrial spaces also impact on the productivity of rural economic spaces. The current challenges faced by the logistics sector owing to failing logistics infrastructure weakens our rural-urban and rural-export trade linkages.

- **Fourth**, marginal city economic spaces, such as townships, and communities, such as youth and women, continue to be marginalised from the formal economy. We must ask ourselves why almost 30 years post-Apartheid, we have failed to integrate and what we must be done differently to achieve different results.
- **Fifth**, there is a strong correlation between well-governed and stable cities and increasing productive activity. Failure to get the basics right in our cities is resulting in firms and households voting with their feet. There are evident trends of semi-migration of firms and individuals to provinces and cities that are perceived to be well-governed and stable. Such cities have proven to be more resilient in the face of economic shocks, such as COVID-19, natural disasters and community unrest, and their economies are able to bounce back quicker.
- **Sixth**, measuring the economic outcome of public sector investment in and within municipalities is now possible. Previously, the country could only report on economic outputs at a local level, as encapsulated through the Circular 88 local government reporting reform. The spatialised tax data enables the measurement of our collective impact on the numbers of jobs and firms of different sizes and sectors as far back as 2014, and with data being updated on an annual basis. It allows us to track the impact across space of different economic shocks at specific point in time and understand market responses and time-periods for recovery. The data makes this reality visible and requires government to be held and to hold itself to account.

25. In conclusion, this shared journey has placed the country on a positive trajectory of evidenced-based economic planning and investment, greater transparency and deeper accountability for our collective efforts within municipal spaces.

26. It provides us with the tools to question what we are currently doing, its impact, and what we need to change to rebuild and grow our economy.

27. I encourage relevant public and private sector actors who have not yet been part of this process to come on board and contribute to the next stage of the journey and an even greater success story once we reach the next milestone.

28. I would like to thank those who have collaborated thus far for the leadership and passion they have shown at all levels in making this reality possible.

///ENDS