



# **Annexure A: Executive Summary**

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## **Annexure A: Executive Summary**

### **Introduction**

The growing and more recent dynamic economic and geo-political influences have had and will continue to have an effect on Cape Town's economy and economic development plan. The Economic and Human Development Department has recently undertaken a review of its Economic and Human Development Strategy (EHDS) approved by the City of Cape Town Council in 2006.

Given the recessionary environment internationally, EHDS review has come at opportune time with the need to focus on global competitiveness and supporting niche industries. The revised Economic Development Strategy (EDS) focus is on key strategic thrusts to enable the city to become a world class investment destination. Recognizing that implementation is city-wide and various Directorates have core responsibilities to coordinate delivery from strategic large infrastructure projects to niche sector support, the revised EDS must be mainstreamed throughout the City of Cape Town.

Having the underlying theme of being a competitive city, caution has to be exercised that in pursuit of international competitiveness and best practice methods of urban regeneration, new and innovative initiatives, etc., the city does not become more unequal. Cape Town has one of the highest urban Gini-coefficients (levels of inequality) as a result of the dichotomy that persists of a "tale of two cities" - one rich and the other poor. Economic growth in itself will not solve the city's large unemployment challenges. However, there is a need to look at a holistic social package of interventions with a range of partners to alleviate poverty.

It is important to recognize that one competitive advantage of the city is its scenic environmental assets, both the natural and the built environment. Hence there is business case for investment into maintenance of the heritage assets and built environment. Similarly, the factors of climate change adaptation and sea level rise pose significant challenges to future sustainability of the city. In the broader developmental context, green jobs and promoting the cleantech (clean technology) industry could be an incentive to attract industry.

It is important to recognize that the City of Cape Town functions as part of broader economic region, hence there should be linkages in terms of programme development and investment promotion and brand destination marketing.

The reviewed EDS proposes a multi-pronged strategy for the City of Cape Town, to be implemented over a 3 – 20 year period, with specific emphasis on the first 8 – 10 years, depending on the programme(s), focusing on the following areas:

- Positioning Cape Town as a globally competitive city with a strong bias towards SMMEs;
- Positioning Cape Town as a global knowledge and innovation hub;
- Strengthening and growing key sectors such as the creative industries, and tourism;
- Encouraging new niche innovative industries such as small scale manufacture of solar water heaters, installers of renewable energy component and Independent power producers;
- Strengthening the relationship with the research and learning institutions as a source of more appropriate skills to meet the growing demands of the Cape Town economy (such as project management, ICT, web development, new media, etc);
- Targeting interventions in the informal settlements to create tangible economic opportunities;
- Implementing area based interventions, including nodes and corridors, with integrated transport, land use and services including local economic development opportunities.

The global and local economic environment has been fundamentally affected by the recent financial meltdown in world financial markets precipitated by the subprime crisis in the US housing market. A severe consequence of this is the withdrawal of investor funding from emerging markets as investors perceive these as risk environments. Unfortunately domestic political uncertainty and the weakening of the rand against major currencies have meant poor economic projections for the final quarter of 2008 and beyond. The impact on South African banking system has been limited largely due to exchange controls and the National Credit Act. However, the cost of international credit lines are beyond reach to most emerging economies thus accessing finance for development could prove costly and difficult.

The BRIC countries (Brazil, Russia, India, China) will play a prominent role in consolidating trade and investment in emerging economies of the South. The establishment of the China-

Africa development fund to support infrastructure and equity investments in Africa bodes well for the City of Cape Town, as it recently signed a friendship agreement with the City of Huangshan.

The future of Cape Town will be shaped by current City Development Strategy (CDS) and spatial initiatives supported by continual best economic development practices related to the knowledge/Information Technology (IT) sector, and the encouragement of entrepreneurial pockets of excellence. There has to be recognition of the City of Cape Town's economic role in the greater functional region and linking in with initiatives such as the Silicon Cape IT innovation hub being established in Stellenbosch.

## **Rationale**

The City of Cape Town acknowledges that it works in a highly competitive, dynamic and rapidly changing economic environment, hence the need to review its economic development plan. A focused review of the EHDS and the outcomes of programmes implemented to date was completed. This review builds on the EHDS direction and provides focus in terms of the emphasis of competitiveness, enterprise development, innovation and support for key sectors.

In order to successfully position Cape Town as a significant global city the following basics must be in place:

- The City of Cape Town needs to provide public sector infrastructure that will stimulate and accommodate private sector investment and support economic growth;
- The City of Cape Town needs to ensure that fundamental infrastructure such as transport, electricity, telecommunications, water and waste disposal systems, etc. are of the highest possible standards to attract, grow and retain businesses and skilled persons in the future;
- The City of Cape Town needs to work with a range of role players to provide a safe and secure environment for business, residents and visitors to allow for business growth, reduce costs and impact, manage perceptions and inspire confidence;
- High-speed internet access and low telecommunications costs are a key input factor for local business and industry to achieve sustainable growth;
- Initiatives to stimulate the geographic spread of investment to townships and other under-developed areas should be clearly defined and implemented;

- Effective use of strategic, unused and underdeveloped industrial sites in the Council's jurisdictional area (for e.g. Culemborg - though this strategic land parcel belongs to Transnet) for economic development,
- The City of Cape Town needs to ensure that destination Cape Town and brand Cape Town are actively marketed and promoted locally and internationally as an investment, business, film and tourism destination, where opportunities for a good life style and quality of life abound.

## **Vision**

The vision for Cape Town is of a globally competitive, low carbon city that retains, attracts and develops investments and skills and that creates an enabling environment for its citizens to prosper.

## **Guiding Principles**

Based on an understanding of local government's mandate, which is guided by the Constitution (1996) and specific local government powers and responsibilities, including the promotion of economic and social development the context of the challenges of poverty, need for empowerment and economic growth, and existing trends, the interdependent principles of the Economic Development Strategy are to:

- Enhance global competitiveness through accelerating economic growth and maximising opportunities cognisant of our natural resource constraints;
- Maximise empowerment;
- Reduce poverty through enhancing access to economic opportunities and meeting basic needs.

## **Focus of EDS**

- Using the global competitiveness, empowerment and poverty reduction guiding principles, the focus of the Economic Development Strategy (EDS) is to provide a strategy for the City of Cape Town. The EDS, with its eight strategies indicates the direction and focus needed to support City decision-making and programme prioritisation and implementation;

- The proposed roles of the City of Cape Town in economic development include, in addition to the City of Cape Town's key fundamental role as a provider of efficient and cost-effective services, the strategic roles of:
  - ~ Proactive enabler
  - ~ Leader
  - ~ Lobbyist
  - ~ Partner
  - ~ Implementer
  - ~ Monitor

### **Strategy 1: Invest in Cape Town**

The City of Cape Town has identified the provision of infrastructure as the most important investment accelerator. The City of Cape Town needs to actively leverage its infrastructure to maximise economic growth and investment. In respect of promotion of direct investment, the City of Cape Town works through Wesgro, an agent set up by the City of Cape Town and the Western Cape Provincial Government (PGWC) to maintain current investment and expand the investment base through both established and new markets. Wesgro works closely with the sector bodies who also often promote sector specific investment. The City of Cape Town also works with the private sector through the sector bodies and area-based partnerships, such as the Cape Town Partnership, to facilitate area-based investment.

It is important for the City of Cape Town to ensure that it is aware of, and is responsive to, business needs. Interventions such as the crime reduction strategy and investment incentive and retention initiatives would assist to continue to support Cape Town as an investment destination.

### **Strategy 2: Spatial Analysis and Planning, Exploiting Comparative and Competitive Advantages, and Area Targeting**

Area-based interventions by the City of Cape Town may involve the City of Cape Town targeting a particular area for increased marketing and investment, improved service delivery and increased citizen involvement to enhance the local economy. Alternatively, it may involve the establishment of semi-autonomous area-based partnerships (such as the Cape Town Partnership). Nationally the government has targeted certain areas for urban renewal to address the needs of the poor. In Cape Town, Khayelitsha and Mitchell's Plain have been targeted. In

addition, the City of Cape Town has identified a range of development nodes/corridors at decentralized locations to facilitate better integration. Implementation of area targeting needs to support formal and informal businesses. Area targeting has been endorsed by the City of Cape Town in its adoption of the by-law for the establishment of business or improvement districts and special areas ratings which can assist. There is no other City of Cape Town policy on area targeting which needs to be addressed.

### **Strategy 3: Building a Resilient, Low Carbon City**

The City of Cape Town recognizes the impacts that global climate change may, positively and negatively, have on the city's environment and functioning. These issues however, unlock opportunities for the City of Cape Town to become and position itself as a regional and global leader in sustainability and innovative technologies in related industries. The City of Cape Town therefore has to set an example and provide guidance to residents and business about best practices in order to achieve such goals, e.g. to become a low carbon city.

### **Strategy 4: Local Economic Development and Sustainable Livelihoods**

A significant portion of Cape Town's citizens live in poverty and unemployment, and some even poor quality of life. For this reason, local economic development has to be implemented in such a way so as to uplift the less-fortunate within the City of Cape Town. It is also vitally important that economic development be achieved in a way so as to ensure sustainability of livelihoods, for this could positively contribute towards addressing the issue of poverty alleviation, to name but one.

### **Strategy 5: SMME Business Development and Support**

The City of Cape Town has a business support policy, adopted in 2003, and a dedicated small business development and promotion programme. The City of Cape Town's aim is to grow existing businesses and support the development of new businesses through maximizing knowledge, capacity and opportunities. Business services including training, advice, counseling, marketing support and information – provided through advice centres, a voucher system, etc. The City of Cape Town also indirectly helps small and medium firms take advantage of international business opportunities through its support of Wesgro's Exporter Development Programme and sector support body initiatives. In addition there is a need to raise awareness about business and entrepreneurship and facilitate greater links between educational and entrepreneurship activities. City of Cape Town processes and regulations must support small

businesses creation at all times for example a link between vendors and business support supported by the City of Cape Town.

### **Strategy 6: Promote Skills Development**

Cape Town's workforce lacks the skills demanded by key growth industries. A recent survey revealed that jobs in a range of firms could not be filled, despite the prevailing 23.4% unemployment rate. Technical skills, language skills for business and the ability to manage small businesses are known to be in short supply. Higher education is an important contributor to local GDP, as it employs 13 500 permanent and contract staff and has a combined income of R5.5 billion (2006) generated from subsidies, research contracts, etc. and is integral to facilitating a continuous learning culture.

The City of Cape Town is committed to developing the skills base of its residents. This commitment is reflected in the City of Cape Town's Integrated Development Plan (IDP), the Human Resource Development Strategy and this Strategy. The ESD&T Directorate and other Departments need to focus on facilitating skills-based training in partnership with local businesses, educational institutions and non-governmental organizations, in order to reduce poverty and unemployment by enhancing competitiveness, productivity and sector-based skills.

### **Strategy 7: Destination Marketing**

The City of Cape Town is working to devise and support destination and trade marketing of Cape Town for the purposes of increasing economic activity in tourism and investment. This is implemented in partnership with the Province through the province-wide destination marketing and visitors services organization trading as Cape Town Tourism and Wesgro the investment and trade promotion agency.

### **Strategy 8: Improve Good Governance, Service Delivery, and Public and Market Confidence**

The City of Cape Town has adopted an infrastructure-led economic development approach. This is based on the provision of high quality infrastructure and a sound administration which will provide leadership and confidence to both the public and private sector. This strategic thrust is essential to attract and retain business and investment in Cape Town and to leverage this growth to address poverty and other developmental challenges.

## **Implementing and Mainstreaming the EDS**

The successful implementation of the City of Cape Town's Economic Development Strategy relies heavily on an effective and efficient administration. Line departments will be required to include the proposed strategy programmes and business indicators in their Service Delivery and Budget Implementation Plans (SDBIPs). Lead Departments have been identified and these Departments will be required to ensure that the strategy programmes are planned, budgeted for and implemented. The identified programmes and interventions must be included in the City of Cape Town's Medium Term Revenue and Expenditure Framework (MTREF) process and budget provisions made by Departments.

## **Role of the Economic Development Department**

The Economic and Human Development Department will work in partnerships with other line Departments, other levels of government, State Owned Enterprises and the private sector to fulfill its mandate.

The Department's main role will be to coordinate and lead the implementation of the strategy, with identified programmes the responsibility of City of Cape Town Departments as indicated. These Departments will need to include these programmes in their own strategy implementation plans, programmes, business plans and budgets for implementation from 2009/10 onwards.

The Economic and Human Development Department will conduct an annual assessment of the implementation of the strategy.

It is expected that the refined Economic Development Strategy will assist the City of Cape Town to achieve its strategic and developmental goals and provide a framework for achieving economic growth and reducing poverty in Cape Town.

## **Conclusion**

The above strategy matrix forms the basis of a developing a globally competitive city. Whilst recognizing that City of Cape Town finances are well managed and has received good credit

ratings, the challenge remains in the future in terms of additional revenue streams to mitigate against the erosion of the rates base.

Key choices need to be made in terms of our priority sectors as the city cannot be internationally competitive in all sectors, there is a need for consolidation and focus. However, it has to be recognized that future growth areas lie beyond the traditional SIC sectors such as creative industries and renewable energy niche sectors.

Taking into account current global environment we need to look at policy choices of competitiveness and poverty alleviation to address the developmental challenges of the City of Cape Town region.

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