



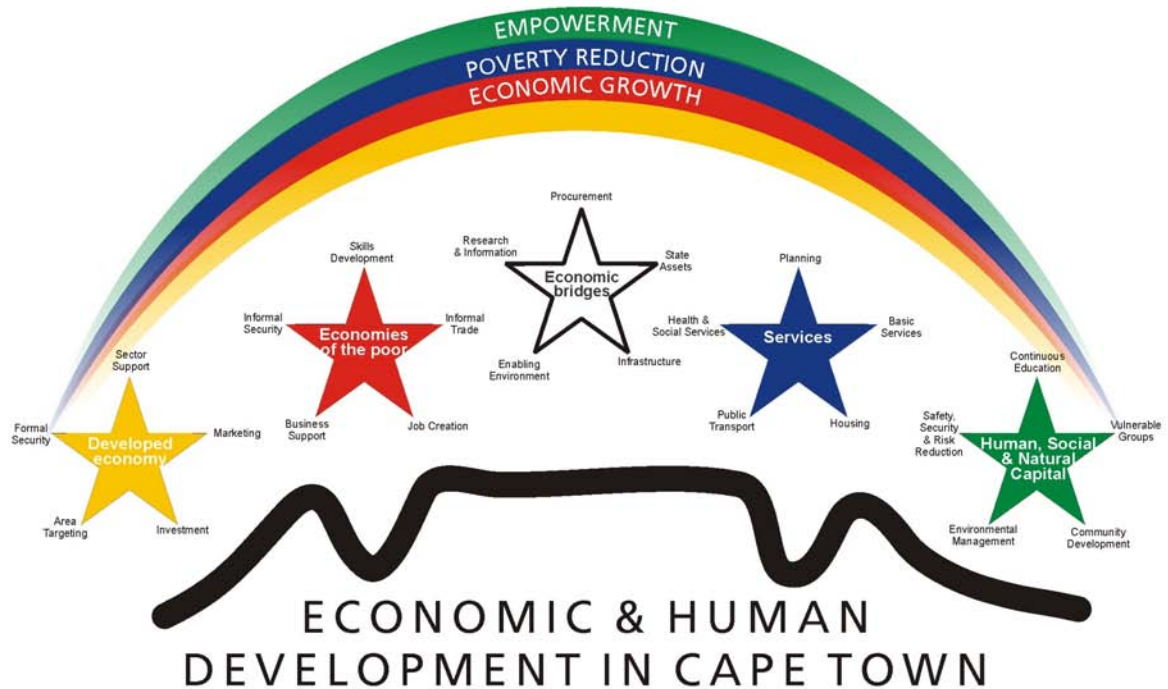
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# ECONOMIC AND HUMAN DEVELOPMENT (EHD) STRATEGY

## PART 1: CONTEXT AND FRAMEWORK

*Revised: May 2006*



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### **Preamble**

*This document draws on extensive primary and secondary research undertaken by the City of Cape Town and the Western Cape Province. Given the breadth and scope of work available, no new research was commissioned. Instead, the team was asked to reflect on the existing data and develop a Cape Town Economic and Human Development Strategy. This Framework was presented to the City management in late 2005 and agreed in principle.*

*The data used is based on Statistics SA data, May and November 2005 releases. This data set does not seem to be the same as the DBSA data set which does not adequately reflect the realities of the Cape Town economy.*

*The document has since been circulated throughout the City, to partners in the Province and those in agencies and organisations working closely with the City's economic and human development directorate. Based on comments and feedback from this broad range of stakeholders the approach has been revised and agreed by all the key stakeholders.*

*This revised framework has not yet been formally adopted by the City.*

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## List of Acronyms

ABET	Adult basic education and training
ACSA	Airports Company South Africa
ARV	Anti-retrovirals
ASGI-SA	Accelerated Shared Growth Initiative
BBBEE	Broad based black economic empowerment
BEE	Black economic empowerment
BPO	Business process outsourcing
CBD	City Business District
CBO	Community based organisation
CDS	City Development Strategy
CID	Central improvement district
CITI	Cape Information Technology Initiative
CMT	Cut make and trim
CtC	Calling the Cape
CTRU	Cape Town Routes Unlimited
DEAT	Dept of Environment and Tourism
ECD	Early Childhood Development
EHD	Economic and Human Development Dept
EHDS	Economic and Human Development Strategy
EPWP	Expanded Public Works Programme
FET	Further Education and Training
GDS	Growth and Development Strategy
GGP	Gross Geographic Product
GRP	Gross regional product
GWh	Gigawatt hour (1000 megawatts hours)
HDI	Historically disadvantaged individual
HIS	Integrated Housing Plan
HSL	Household subsistence level
ICT	Information Communication Technology
IDP	Integrated Development Plan
IGID	Inter-governmental Integrated Development
IGR	Inter-governmental relations
IT	Information technology
ITP	Integrated Transport Plan
LED	Local economic development
Mayco	Mayoral Committee
MEC	Member of the Executive Committee
MEDS	Micro Economic Development Strategy
MIG	Municipal Infrastructure Grant
MWh	Megawatt hour (1000 kilowatt hours)
NGO	Non-governmental organisation
NPO	Non-profit organisation
PAMTS	Provincial Advanced Manufacturing Technology Strategy
RE	Renewable energy
RED	Regional Electricity Distributor
Sakha Ikapa	We build the Cape
SANParks	South African National Parks
SME	Small and Medium Enterprises
SMME	Small medium and micro enterprises
SoE	State owned enterprise
SPV	Special Purpose Vehicle
SWH	Solar water heater
TPNP	Table Mountain National Park
WC	Western Cape
WTO	World Trade Organisation

## Table of Contents

1.	Introduction.....	6
2.	Where this document fits into the work of the City .....	6
3.	Aims .....	8
4.	Mandate .....	8
5.	Context and approach .....	9
5.1.	Economic growth .....	10
5.2.	Poverty .....	15
5.3.	Empowerment.....	17
6.	Trends .....	19
6.1.	Overarching economic trends .....	19
6.2.	Sectoral trends.....	20
6.3.	Public policy trends.....	21
6.4.	Human development trends .....	22
6.5.	Environmental trends .....	23
7.	Challenges .....	23
8.	Objectives.....	24
9.	A 5-star strategy for economic and human development .....	24
10.	Strategic interventions .....	27
10.1.	Developed economy .....	27
10.1.1.	Sector support.....	27
10.1.2.	Marketing .....	30
10.1.3.	Investment .....	30
10.1.4.	Area targeting .....	32
10.1.5.	Formal business and consumer safety .....	32
10.2.	Economies of the poor .....	33
10.2.1.	Skills development .....	33
10.2.2.	Informal trade support .....	34
10.2.3.	Maximise low-skilled job creation .....	35
10.2.4.	SMME business development and support .....	36
10.2.5.	Informal business and consumer security.....	37
10.3.	Economic bridges .....	38
10.3.1.	Procurement .....	38
10.3.2.	Utilisation of state-owned assets .....	39
10.3.3.	Infrastructure development.....	39
10.3.4.	Enabling business environment.....	41
10.3.5.	Economic research and information .....	41
10.4.	Services .....	42
10.4.1.	City planning .....	42
10.4.2.	Basic services .....	43
10.4.3.	Housing.....	43
10.4.4.	Public transport .....	44
10.4.5.	Social and health services.....	45
10.5.	Social, human and natural capital .....	46
10.5.1.	Continuous education .....	46

10.5.2.	Youth and vulnerable groups.....	47
10.5.3.	Community development.....	47
10.5.4.	Environmental management.....	48
10.5.5.	Safety, security and risk management.....	49
11.	Priorities .....	50
12.	Implementing the strategy.....	50
12.1.	Next steps within Council .....	51
12.2.	Other economic stakeholders.....	51
13.	Conclusion.....	51
14.	References .....	52
	Annexure 1: Policy mandate legislation .....	53

# **City of Cape Town**

## **Economic and Human Development Strategy**

### **Part 1: Context and framework**

#### **1. Introduction**

The Economic and Human Development Strategy (EHDS) of the City of Cape Town addresses the competencies assigned to local government under the Constitution and relevant legislation. This strategy focuses on the core economic competencies of the Department for Economic and Human Development and on those human development issues that impact most directly on residents' economic livelihoods.

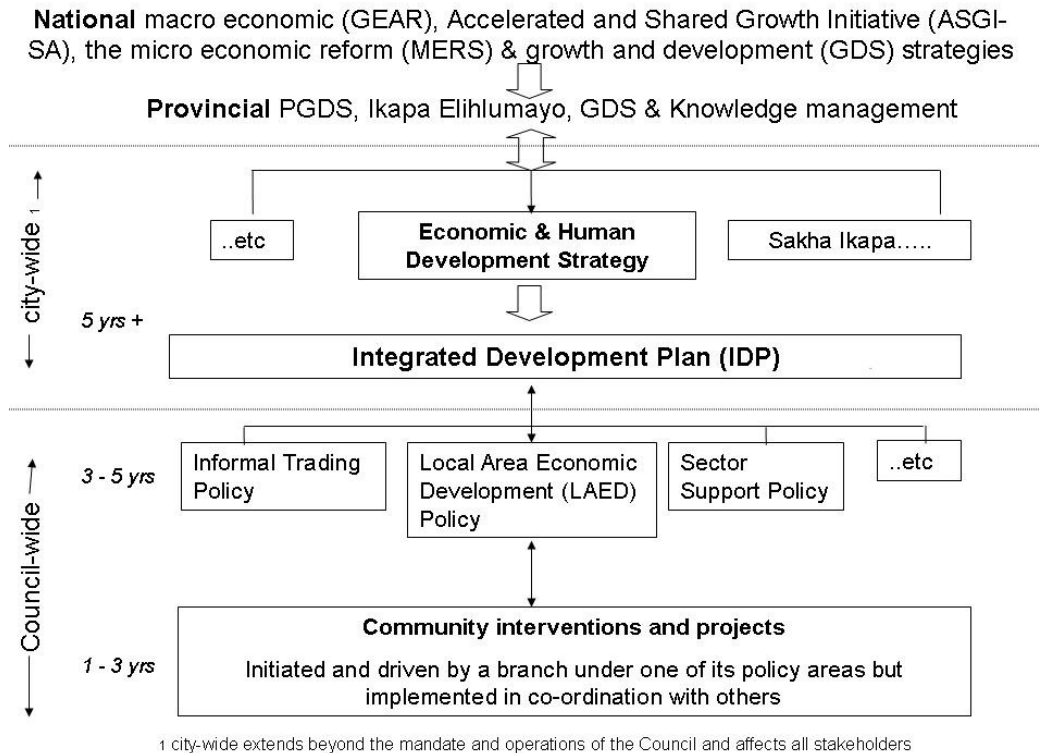
Economic and human development is understood as an improvement in the material status of individual residents, households and the city population as a whole. This is shown by:

- improved income levels or gross geographical product
- access to subsidies and transfers that enhance the material well-being of the poor
- the capacity or capability of people (rich and poor) to access resources and reach their potential, through diverse livelihood strategies
- skills and the social capital of communities that promote human development and enable residents to participate fully in the economic life of the city.

In a place such as Cape Town, with its high unemployment and weak information available on the economies of the poor, a City strategy that seeks to improve the lives and livelihoods of the population cannot focus on a narrow economic understanding of development. This strategy is thus both an economic and a human development strategy (EHDS).

#### **2. Where this document fits into the work of the City**

This City Economic and Human Development Strategy (EHDS) is a five to ten year strategy. It informs the IDP and other policies in the City and builds directly on economic development policy work already developed by Council (IDP, Going Global, Working Local and the Local Area Economic Development Policy and Strategy). The strategy is informed by national policy frameworks and initiatives such as the Accelerated and Shared Growth Initiative (ASGI-SA) and by provincial policies and strategies such as the Growth and Development Summit and Strategy and various sector policies. This is depicted in the diagram which follows.



The City, through its EHDS, aims to ensure:

- a city economy that is able to contribute to national resources and to provide the majority of residents with a means to earn a reasonable living and an improved quality of life
- an inclusive city where all residents have the opportunity and capacity to share equitably in the social and economic benefits of city life
- economic development which contributes to and does not undermine the creation of a sustainable and well-governed city (South African Cities Network, 2004).

This strategy is focused on the City of Cape Town and is located in the Directorate for Economic and Human Development. There are obvious overlaps with other spheres of government and with other departments in the City. By working with other departments in the City, the EHD Directorate seeks to contribute to a culture of *integrated government and client-focused service delivery*. Through effective and regular reviews of the interventions and their impact, and by working with external stakeholders on the continual improvement of Council's EHD interventions, the Directorate seeks to promote responsive government.

To ensure *responsive and flexible government*, the Strategy will be monitored and reviewed regularly (every 5 years). More detailed strategies will be developed where necessary to flesh out specific interventions, such as the sector support policy and strategy, and the informal trade policy and strategy. Of necessity, policies which flow from the implementation strategy will be reviewed more regularly (every 2 – 3 years).

### 3. Aims

Economic and Human Development lies at the core of the mission of the City. As the overview of the context demonstrates the situation is getting worse. While the economy has grown, it has not grown by enough to tackle unemployment. As a result unemployment and poverty have increased. This strategy is therefore a bold strategy aimed at reversing the current trend. To succeed it needs the full commitment of everyone. The strategy has the following aims for the city:

- To increase economic growth to over 7% by 2010 World Cup
- To create jobs, especially better quality jobs for low- and semi-skilled workers.
- To reduce the gap between rich and poor.
- To halve poverty (those falling within the indigent grant level)
- To build the social, human and natural capital of residents in line with national and provincial policies.

### 4. Mandate

This Strategy arises out of a legislative commitment to developmental local government and the progressive realisation of socio-economic rights as defined in the Constitution. It reflects a practical contribution to the mandates of local government outlined in various pieces of legislation and policy, and to the economic targets laid out in the Presidential Programme of Action and the Accelerated and Shared Growth Strategy for South Africa (ASGI-SA).

Collectively these national and provincial policies (see Annexure 1) introduce the idea of *developmental local government*. In particular, they call for:

- promoting social and economic development
- poverty to be addressed through municipal service provision
- job creation and boosting of the local economy through the spending and work of the Council itself
- guidelines for redressing the historic inequality and disparities in economic opportunities and asset bases
- local government facilitation in attracting, planning and maintaining local investments, including land use management
- support for the first and second economies
- interventions aimed at broadening economic inclusiveness.

Cape Town accounts for 76.49% of the Western Cape's GDP. What happens in the Cape metro area will dominate provincial progress in economic and human development. The EHDS gives a City of Cape Town perspective on how to meet the Western Cape's Provincial Growth and Development Strategy goals and the objectives outlined in *iKapa Elihlumayo* and the Growth and Development Strategies, namely:

- increasing economic growth
- increasing employment and economic participation
- reducing geographical and socio-economic inequality
- providing a sustainable social safety net.

To achieve these goals local government needs to break with past ways of doing things, and requires political will and a clear agenda of action. Both the national reconstruction and development agenda and the new commitment to sustainable settlement planning, mean that the economic and human development agenda must

be given priority. **If economic and human development are not placed at the core of government's action, delivery failure is certain.** This Strategy provides an enabling environment by drawing attention to Council's core legal obligations in this regard.

Council's position on the tension between growth and poverty reduction is clear – that the size of the cake must be grown, whilst sharing the cake more equitably. The realities of the skewed distribution of wealth inherited from apartheid must also be addressed through Black economic empowerment (BEE). BEE is now a key imperative of all Council investment and is even included as a key performance indicator (KPI) in senior management contracts.

Given these existing commitments, the Strategy emphasises **economic growth, poverty reduction and broad-based black economic empowerment.** A brief review of the manifestation of poverty, empowerment and economic growth in Cape Town provides the basis for the direction of the five star strategy.

## 5. Context and approach<sup>1</sup>

This strategy is based on a number of assumptions about the economy and its future growth. These can be summarised as:

### *Economic*

- The global economy will continue to grow although the nature of the growth is likely to shift to more of a knowledge-based economy.
- Cape Town's sustained economic development must be built on the full use of the City's and region's unique economic and natural assets.
- Cape Town's growth will be service driven underpinned by a re-positioned manufacturing base. Niche markets are likely to grow in importance.
- Government will stimulate the economy through major investments in infrastructure and 2010 World Cup will leverage resources for infrastructure upgrades and expansion.

### *People*

- Migration to Cape Town will remain relatively constant, contributing to significant urban growth and the doubling of the population over the next 2 decades.
- Unless the state and the City intervene to close the gap between the supply and demand of skills, the skills mismatch, unemployment and poverty will continue to grow.
- Cape Town will retain its engineering and technical skills base.

### *Institutional*

- All three spheres of government will work together to achieve the vision.

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<sup>1</sup> This section is drawn from Smith, K. 2005 "An Overview of the City of Cape Town"; Wolpe, R. 2005 "Towards a Shared Vision and City Development Strategy Economic Development Trends and Future Prospects" and the Provincial Micro Economic Development Strategy, 2005.

- Close working relations with State-owned Enterprises, especially around infrastructure expansion will be put in place.
- Basic service infrastructure (e.g. electricity and public transport) will be expanded to meet the demand and will not be the constraining factor for growth.
- Provision of infrastructure and services will be prioritised for industrial and business nodes.
- Cape Town will introduce tough environmental regulations to ensure current and future growth does not further erode the City's long term sustainability.

*Stakeholders:*

- Government is but one role player in the economy. Economic development is not the responsibility of government alone. Its contribution centres around creating an enabling environment for the economy to grow and for this growth to be shared. This involves playing a role as facilitator, co-ordinator/ manager, investor in infrastructure, regulator & representative.
- State Owned Enterprises have a role to play as investors in infrastructure and service providers and therefore need to be mobilised around the strategy.
- Business is the largest economic stakeholder and has a role as investor, entrepreneur/ innovator and most importantly as a job creator.
- Labour and communities are the backbone of the economy as workers and consumers.
- Educational institutions have a particular role to play as drivers of the skills development strategy.

Given the dynamism of the economy, it is proposed that these assumptions are reviewed every three years, and that the strategy is realigned or modified as required by the new context.

**5.1. Economic growth**

Cape Town is home to over 3 million people. Cape Town's economy contributes 11.2% to the national GDP or R107.77 billion in 2005 (2000 prices). The metropolitan area accounts for 76.49% of the provincial economy. Between 1995 and 2001 the Western Cape economy grew at an average annual rate of 3.3% and that of the City grew at 3.7%.

A strength of Cape Town's economy is that it is well-diversified with contributions to Gross Geographic Product from a range of sectors. However, in line with global and national trends, there has been a shift towards the service sectors. The three sectors showing the biggest increases in contribution to GGP between 1995 and 2004 were Finance and Business Services; Trade, catering and accommodation; and Transport and Communication. The sectors showing declines were Government Services and Manufacturing.

<i><b>Cape Town's sectoral economic growth 1995 - 2004</b></i>					
Sector	1995 GGP (bn)	% of the economy - 1995	2004 GGP (bn)	% of the economy 2004	Change in the % of the economy 1995 – 2004
Finance and business services	22,01	<b>28.4%</b>	34,2	<b>31.7%</b>	3.3
Wholesale & retail trade; catering and accommodation	11,3	<b>14.6%</b>	18,6	<b>17.2%</b>	2.6

Transport & communication	6,9	<b>8.9%</b>	12,5	<b>11.6%</b>	2.7
Manufacturing	16,6	<b>21.5%</b>	19,3	<b>17.9%</b>	(3.6)
Community, social and other personal services	4,2	<b>5.4%</b>	5,4	<b>5%</b>	(0.4)
Construction	2,6	<b>3.4%</b>	3,7	<b>3.5%</b>	0.1
Electricity & water	1,4	<b>1.8%</b>	2,0	<b>1.9%</b>	0.1
Agriculture, forestry and fishing	1,5	<b>1.9%</b>	1,7	<b>1.6%</b>	(0.3)
General government services	10,5	<b>13.5%</b>	10,2	<b>9.4%</b>	4.1
Mining	0.48	<b>0.6%</b>	0,2	<b>0.2%</b>	(0.4)
<b>Total</b>	<b>77,49</b>	<b>100%</b>	<b>107,8</b>	<b>100%</b>	

Source: Quantec Research (Nov, 2005)

Given the nature of the economy, Cape Town performed particularly well in an era of low national growth, a declining rand and a big post-democracy increase in tourism and agricultural exports. However, the improving national economic scenario over recent years has been driven by the strong global demand for resources partly driven by rapid growth in China's economy and has not had strong spin-offs for the Cape Town economy. The relatively strong rand has, in addition, had negative impacts on the global competitiveness of the city's major economic sectors.

The key Cape Town economic growth trends between 1995 – 2004 from the above are:

- Economic growth has gradually strengthened from 2% to just under 4% p.a. over the past decade. This is still short of the 6-7% needed to reduce the absolute number of unemployed
- Financial and business services and wholesale and retail trade contributed 63% of new economic growth, transport and communication 20.2%, and construction 3.3% towards new economic growth
- Government and manufacturing's contribution to formal employment declined in absolute and proportional terms, while construction also saw negative growth
- Cape Town out performed the national economy in formal job growth in business services, wholesale and retail, and community services, and under-performed relative to the national economy in all other sectors, especially manufacturing and government;
- The geographic distribution of economic growth within Cape Town between 1995 – 2004 indicates that over 50% of this growth came from the Cape Town local area (including the Central City) and Bellville. With Mitchells Plain and Khayelitsha contributing 5% towards GGP growth
- Global linkages, and the number of Cape Town workers dependant on these linkages, have grown dramatically over the past ten years. The strength and importance of these linkages is projected to increase further over the next decade.

It is estimated that a growth rate of between 6 and 7% (or the creation of approximately 40 000 jobs annually) is needed to reduce unemployment significantly. Consequently, the economic performance of Cape Town over the past decade has been totally inadequate to address the challenges of poverty or unemployment. The distribution of this growth has also been highly skewed toward those with skills and resources, resulting in increased unemployment to 23.4% (narrow definition).

<b>Employment and unemployment figures</b>		
	1995	2004
Population aged between 15-64	1,644,864	1,983,916
Economically active	1,014,102	1,178,436
Not Economically Active	630,762	805,480
Employment: Formal	727,538	715,505
Informal Employment	111,412	187,201
Total Employment	838,951	902,706
Unemployed	175,152	275,730
Unemployment %	17.27	23.40

Source: Quantec Research using Statistics SA SEE & LFS for 2004

Key findings regarding overall employment and unemployment for Cape Town are that:

- While the number of employed grew, formal employment declined and informal employment increased
- Unemployment has expanded rapidly over the past ten years largely as a result of post-apartheid migration to the City of over 400,000 people
- Recent indications are that absolute unemployment numbers, as well as the proportion of labour force unemployed is beginning to drop in Cape Town as Cape Town's unemployment rate peaked at 23.84%, or 278,252 people, in 2003 and fell slightly to 23.4%, or 275,230 people in 2004
- The majority of the unemployed are young, with 69% (75% nationally) of the unemployed being under the age of 35 and almost 50% of the unemployed between the ages of 16-25 years
- Individuals with incomplete secondary schooling have a higher rate of unemployment
- The unemployed are predominantly black, comprising 62%, 36% coloured, and 2% white;
- Cape Town's local areas with the highest unemployment percentage are in the south-east of the city and range from 58%-40% unemployment. These areas comprise 40% of the Cape Town's population and 68% of Cape Town's unemployed.

The relative importance of the different economic sectors as sources of employment shifted between 1996 and 2004, with the proportion of (skilled) workers employed in the commercial and financial sectors increasing between 1996 and 2004. The importance of manufacturing as a (semi-skilled) employment sector showed the strongest drop, from 24.25% to 19.4 % of workers over that period, followed by construction and government services.

<b>Sectoral contribution to employment 1995 - 2004</b>		
<i>Sector</i>	<i>Change in % Contribution</i>	<i>2004 % Contribution</i>
Finance and business services	5.90	19.46
Community, social and other personal services	3.66	14.96
Wholesale & retail trade; catering and accommodation	2.66	17.93
Agriculture, forestry and fishing	0.02	1.96
Mining	-0.06	0.32
Electricity & water	-0.13	0.40
Transport & communication	-1.54	3.03

General government services	-2.38	16.87
Construction	-3.28	5.62
Manufacturing	-4.85	19.43

Source: Quantec, May 2005

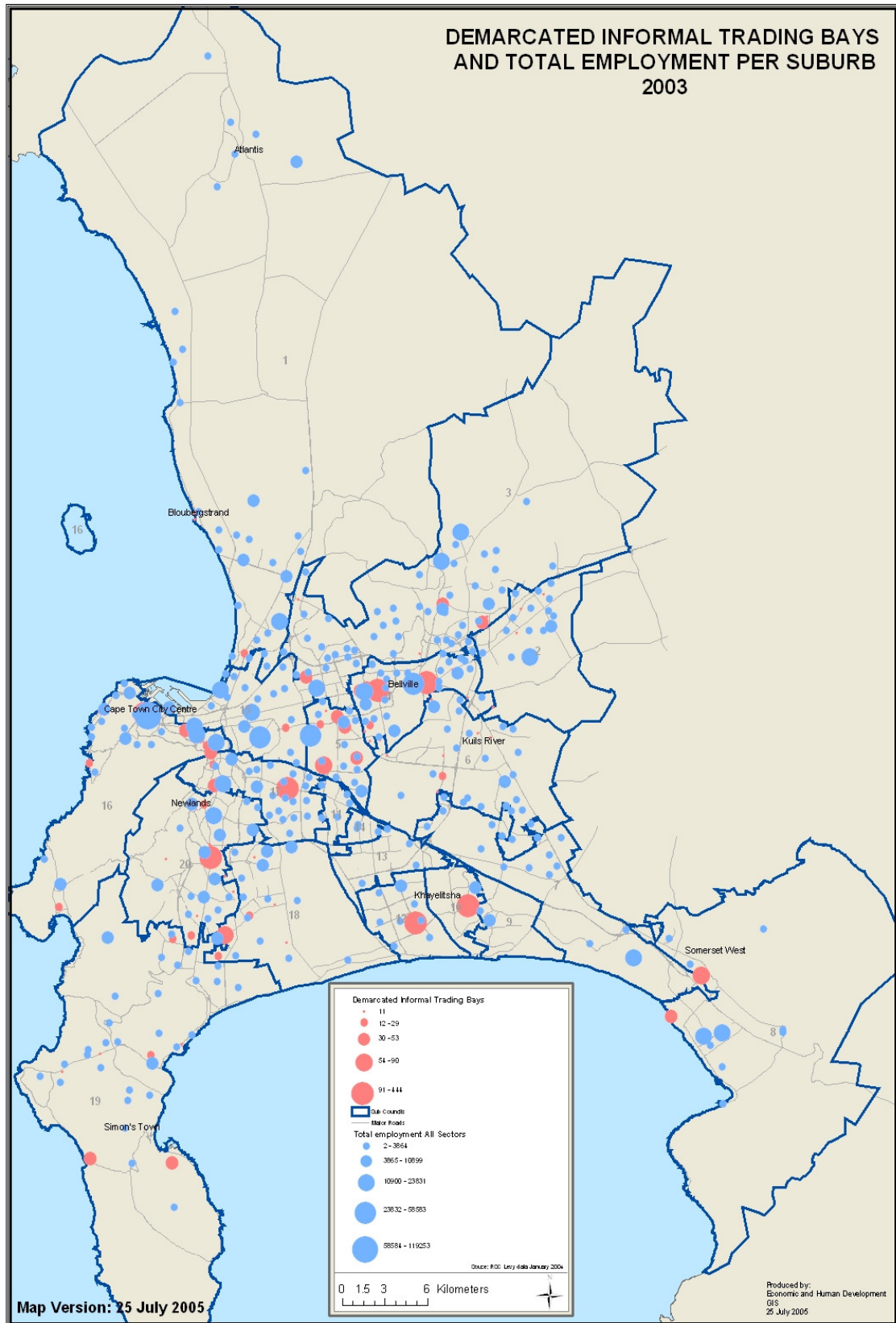
The key findings regarding sector employment are:

- The services sector is the fastest growing sector with the largest increase in employment
- Semi-skilled jobs declined in the period, underlining the importance of skills development and the need to create jobs across the full spectrum of skills
- The manufacturing sector reflected the sharpest decline, pointing to the need to re-position the sector in the face of the changing national and global economy
- The construction sector figures reflect a decline despite the increase in building plans approved. This is largely due to the casualisation of the sector and the shift to contract based work. The lack of secure work in the sector needs to be addressed as part of government's new infrastructure investment programme which will focus on job creation and the roll out of the expanded public works programme. Major public sector investment is needed in the short term and the construction sector is well placed to absorb this labour while the City focuses on skills training if the growth in unemployment is to be stemmed
- The skill levels in the city improved between 1996 and 2001, but remain low. The proportion of adults (20+) with a Matric qualification increased from 20,7% to 25,4 %, while there was only a slight increase in the proportion of adults with a post-matric diploma or degree.

GGP is in fact only a partial measure of the actual city economy, as it excludes the second (and third) economies. The informal economy has become an important source of livelihood for many, employing an estimated 22% of the labour force and contributing 12% to economic output. This sector is particularly important in the old black areas of the city, but there is limited information available on the size or the nature of informal activities (City of Cape Town, 2002). The map which follows (City of Cape Town, 2005) shows demarcated informal trading bays. This information is juxtaposed with the total number of formal jobs per suburb.

Cape Town's spatial economy still strongly reflects its apartheid planning history. Planning and investment patterns since Group Areas and since 1994 have done very little to change the divided nature of the City. Low income black residential areas are located on the Cape Flats predominantly, while economic opportunities are located along the upper income mainly white City-Tygervalley-Bellville axis and the City-Claremont-Ottery axis. There are outlying nodes in Atlantis and Somerset West. One of the City's biggest challenges is to promote development in such a way as to integrate the City while making best use of its resources. Past frameworks have emphasised the development of nodes (Phillipi, Belville, City, Claremont) and activity spine linkages between the nodes through the release of strategic land, locating of state institutional investment and transport and other infrastructure investments. East-West transport linkages are critical as is public transport development especially to improve access for the poor.

Any short-term development either in the north or up the West Coast carries the dangers of taking development further from the majority of Cape Town's poor and exacerbating the divided City. Development in the East/ South\_East which already has significant development (airport, highways etc) will support development for the poor.



The economic strategy for the City needs to signal the new economic drivers of growth, and gear the economy to be responsive to the new context. The economy is likely to continue to grow in either the services sector or niche, high value-added manufacturing sectors. For this reason the city strategy includes support for the high impact sectors as identified in the provincial micro-economic development strategy (MEDS) in addition to niche manufacturing sectors.

The knowledge economy is likely to become even more important. A significant number of highly skilled people choose to live in Cape Town as learning and innovation have become coupled with life style choices. This trend should be fostered and encouraged as part of re-positioning Cape Town as the design and service hub. The importance of information technology as part of this re-positioning should not be underestimated. In addition, positioning Cape Town as a Green City with the related economic opportunities is part of this strategy.

The backbone of the current economy is its infrastructure. While relatively strong in comparison to most other South African cities, Cape Town's infrastructure is in crisis compared to the city's international competitors. The current asset base has been allowed to degenerate. Current budgets do not provide for the on-going maintenance required. The net result is the need for targeted investment in critical infrastructure that will have high economic impact for growth sectors, along with an exponential increase in the medium term capital commitments. Failure to meet the City's infrastructure needs will cripple Cape Town's current economy and future growth. In addition any future expansion of the economy as outlined in this strategy is reliant on the development of the city's infrastructure capacity, in particular road, rail and aviation capacity, the port and pipeline, basic services infrastructure, information and communications infrastructure and finally business infrastructure. Without this Cape Town will lose its local and global comparative economic advantage.

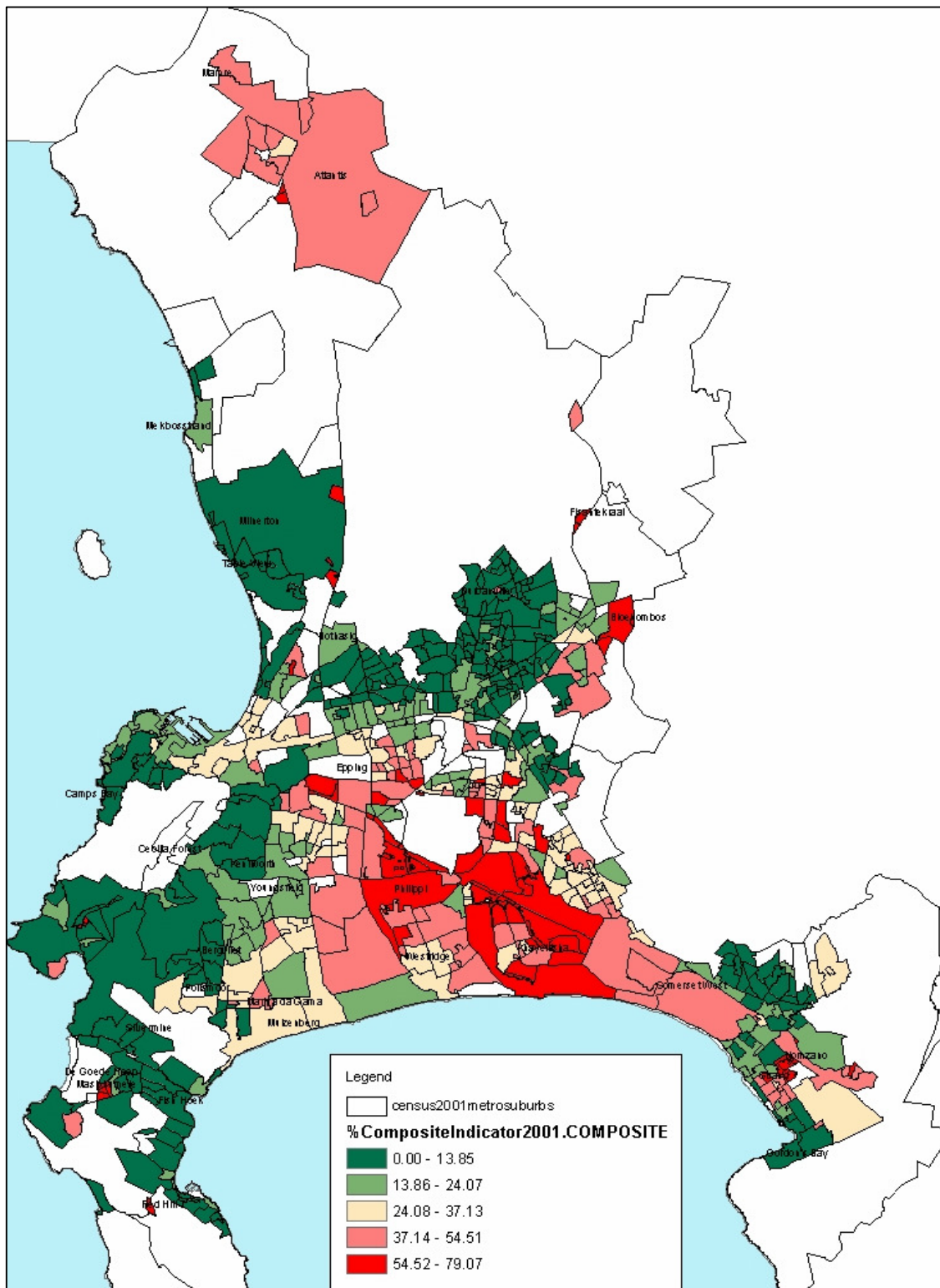
## **5.2. Poverty**

Local government's mandate to fight poverty, in terms of the Constitution, is detailed in Annexure 1. A useful definition of poverty is provided by the City's Going Global Working Local strategy, which states that "Poverty is more than a lack of income. Poverty exists when an individual's or a household's access to income, jobs and/or infrastructure is inadequate or sufficiently unequal to prohibit full access to opportunities in society. The condition of poverty is caused by a combination of social, economic, spatial, environmental and political factors."

It is important to understand the depth and distribution of poverty within the city. The spatial distribution of poverty is reflected in the distribution of socio-economic indicators as reflected in the map below. The map depicts the distribution of a socio-economic status index for the city, calculated as the arithmetical mean of the following indicators:

- *Proportion of households earning less than R19 200 per annum*
- *Proportion of adults (20+) with highest educational level less than matric*
- *Proportion of the economically active population that is unemployed*
- *Proportion of the labour force employed in elementary/unskilled occupations*

The distribution of the index across the city indicates that, although there are small pockets of poverty across the city, the areas of poverty remain largely concentrated in the South-East of the city.



In measuring poverty a distinction can be made between *absolute poverty* and *relative poverty*. Absolute poverty involves the inability of individuals to meet the minimum conditions for their own reproduction, including inadequate access to food and shelter. Relative poverty, by contrast, involves the inability of individuals to participate effectively in the society in which they live.

One measure of absolute poverty is a lack of income. Thirteen percent of households in Cape Town reported having no income. Another measure of poverty is the *Household Subsistence Level* (HSL). The HSL measures the income required by households to purchase the goods and services needed to maintain a minimum standard of living (including food, housing, clothing, transport and cleaning materials). The HSL for Cape Town was calculated to be ± R12 000 p.a. in 1996 and ± R20 000 p.a. in 2001. The proportion of households living below the HSL increased from 25% to 32% between 1996 and 2001. In addition, both children and the elderly increased at a faster rate than the working age population in Cape Town increasing the burden on households.

It is also useful to distinguish between *transient poverty* and *chronic poverty*. Transient poverty is experienced by those who move in and out of poverty, necessitating short term support. Low income households are affected by the quantity and quality of employment. While employment might have increased the quality of this employment has not. Chronic poverty involves becoming locked in a poverty trap for an extended period of time – usually defined as a sustained period of five or more years.

The idea of *vulnerability* is sometimes used to refer to people whose unstable or risky environmental, social or economic circumstances threaten their security and may plunge them into poverty.

A common trigger of poverty is disease. The number of tuberculosis (TB) cases in Cape Town increased from 13 870 in 1997 to 24 129 in 2004. From 2001 to 2004, the incidence rate increased from 577 to 800 per 100 000 people, showing that TB is still increasing over and above population increase, in part because of the link between HIV/AIDS and TB.

We also know that unemployment levels in the city have continued to increase, rising from 16.5% in 1999 to 23.4% in 2004 (narrow definition). The inability of the formal economy to absorb excess labour has resulted in the informal economy becoming an important source of livelihood for many people.

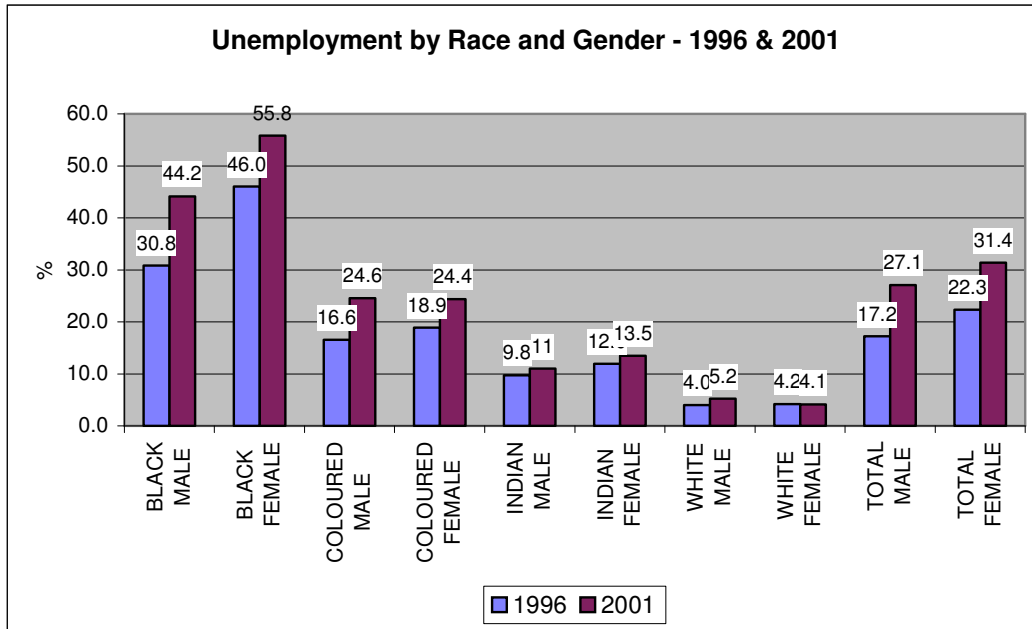
Finally, Cape Town has not performed well in reducing the proportion of households without access to basic levels of service delivery – water, energy, sanitation and telephone services.

### **5.3. Empowerment**

Empowerment is a term used narrowly to refer to BEE and, broadly, to the economic upliftment of the poor, marginalised and historically disadvantaged, including women and the disabled. Indicators of empowerment include employment and household income.

Census figures show a disproportionate growth in unemployment between genders and racial groups in the metropole. The unemployment level among black males increased from 31% to 44% between 1996 and 2001 and the rate among black females from 46% to 56%. Unemployment also rose sharply among coloured males

and coloured females. Finally, unemployment among younger adults (aged 20-34) also increased significantly – from 19% to 30% among males and from 26% to 37% among females.



(Source: Smith 2005)

Cape Town has a gini coefficient of 0.67 reflecting the high degree of income inequality in the City. Addressing the wealth differential is key to the restructuring of the city. Unequal patterns of employment are reflected in the racial distribution of household income. The average income of white households is about seven times greater than that of African households, and nearly three times greater than that of coloured households. The 2001 incomes of white households and Indian households were about twice and 1.5 times higher than the average for the Cape Metro. Although the number of Africans as a proportion of the total population increased from 19% in 1996 to 32% in 2001, their share of income increased only from 6% to 9%. While the white sector of the total population declined from 26% to 19%, its share of income declined only from 60% to 58%.

<i>Population Group</i>	<i>Average Monthly Household Income (2001)</i>
African	R 2 144
Coloured	R 5 630
Indian	R11 312
White	R16 147
Average	R7 389

The empowerment mandate of local government is to reduce inequality in terms of race and gender through:

- preferential procurement of persons historically disadvantaged by unfair discrimination
- a re-orientation of government budgets to maximise job creation, for example through the Expanded Public Works Programme (EPWP)
- skills training and development of the human resource capabilities of the unemployed, marginalised and youth.

Annexure 1 provides an overview of the various pieces of legislation detailing this mandate.

## 6. Trends<sup>2</sup>

Cape Town produces just over 11 % of the national GDP and less than 0.1% of the global economic output (Wolpe, 2005). Therefore Cape Town's economy is intricately linked to the national and global economy and any strategy must be rooted in an excellent understanding of the opportunities and trends. This understanding is dynamic and needs to be regularly reviewed. This section provides an overview of the current trends in terms of which this strategy has been crafted. The section is divided in to overarching, sector, public policy, human development and environmental trends.

### 6.1. Overarching economic trends

- **Globalisation:** Cape Town's economy is likely to become increasingly global, as competitors from other places enter the market and as Cape products are distributed more widely. The workforce is also likely to become increasingly global, and migration both out of and into Cape Town from other parts of the country and from the rest of Africa will intensify. The relaxation of trade barriers and improved systems for communication and distribution remove many of the advantages Capetonians had in the past when it comes to supplying the local economy. This means that continuous improvements in productivity and competitiveness are needed to compete and to grow. The same forces that allow others into the market in Cape Town also allow businesses in the City to develop markets elsewhere. Globalisation provides a threat to many of our traditional jobs – but it also provides avenues for innovation and expansion and investigation into the supply chain of municipalities' corporations that are major players in the global market.
- **Economic Growth Rate:** A real economic growth rate of about 4% per year is anticipated for the SA economy in the near future. Cape Town's economy is very tightly linked to the prospects of the national economy and generally grows at a slightly higher rate. While there is the hope and aspiration that the economy may move towards the >7% annual growth rate that is needed to make an impact on unemployment, there are concerns that this will not occur.
- **Exports:** Exports are likely to be a key driver of economic growth, contributing 25% of new growth in GDP over the next 5 years. Sectors which experienced the highest growth in exports tend to be high value-added, skills-intensive products and services. In addition with the strength of the rand the most resilient sectors have tended to be those with already established markets and customer loyalty such as wine and certain fruits.

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<sup>2</sup> This section is drawn from Wolpe, R. 2005 "Towards a Shared Vision and City Development Strategy Economic Development Trends and Future Prospects", prepared for the Cape Town 2025 Conference, Isandla Institute and City of Cape Town.

- **Transport infrastructure and communications logistics:** Improvements in the public transport system are needed to capture the 24 hour call centre market. In addition, Cape Town's geographic distance from its primary export markets (USA and Europe) make the efficiency of transport infrastructure and logistics systems crucial to achieving the planned growth. This includes both the cost of road transport and the port infrastructure. Similarly, the cost and efficiency of phone calls and ICT connections is critical especially for the services sector and has been identified as one of the most crucial factors constraining growth.
- **Inflation:** Inflation is expected to increase to five or six percent a year, but to remain within the inflation targets set by the Reserve Bank. Prices will have a similar rate of increase unless the price of oil increases exponentially.
- **Mismatch between skills and jobs:** The economy remains held in check by the lack of skills and the lack of accessible training pathways. Faster growth along the current trajectory of the economy will intensify the skills mismatch as new jobs are likely to favour people with a more solid educational foundation. Increased investment in Further Education and Training (FET) colleges is planned to address this constraint along with improvements in the levels and quality of education in line with the changing needs of the economy.
- **Infrastructure:** Acceleration in the levels of domestic and foreign fixed investment economic infrastructure will remain a key driver of economic growth in the foreseeable future.
- **Enabling environment:** The legislative, regulatory and administrative processes all contribute to the cost of doing business. Ensuring an enabling business environment that reduces the cost of business, supports sustainable SMME development, encourages investment and trade and promotes rather than hinders entrepreneurship development is critical to growth, especially in context of the changing nature of work and the increase in outsourcing.

## 6.2. Sectoral trends

- **Declining sectors:** The basic manufacturing sector, government services and less skilled occupations will continue to decline rapidly, further reducing employment prospects for less skilled people.
- The **service sector** (especially call centres, business processing, the ICT and tourism sectors) is likely to grow and account for 65% of future growth. This has profound implications for Cape Town's future in terms of the structural changes in education, technology and infrastructure, which will be required to realise and support this growth.
- **Tourism:** Tourism has been identified as a potential growth sector with Cape Town voted as one of the top places to visit before you die in a recent global survey. This combined with the World Cup and other international events, is likely to intensify tourism. To tap this opportunity South Africa and Cape Town need to increase their marketing spend and remain price conscious. A major global threat to this growth is the expected rise in the oil price and the resultant cost of long-haul destination travel.

- **Other growth sectors:** In addition, the film, design, metals, engineering and financial services (which have a strong historical presence in the City), and niche manufacturing activities in areas such as boat and yacht building and furniture will also all grow.
- **Transport:** A revitalisation of the transport sector in Cape Town has great potential to stimulate new business and employment. It creates direct economic activities – in providing transport services and in selling goods to passengers – and provides the improved mobility that assists people to find work or to apply for better jobs in places further from their home bases. An efficient and more-affordable transport sector will have dramatically positive effects for poor communities. Beginning with taxi regulation and recapitalisation, interventions in the transport sector include the formation of a Metropolitan Transport Authority and the possible extension of subsidies to the taxi industry. This is planned to include the provision of scheduled public transport services on more routes and for a longer period each day.
- **Construction:** An increased rate of growth is likely to be reflected in increased building activity. In Cape Town the value of residential building plans passed for January-August 2004 increased by 45.6%, relative to the same period in 2003. For the same period in 2005, the value of non-residential building plans increased by 103.4%. This construction boom will be fed by major city infrastructure, public works and maintenance projects, which will provide employment opportunities for lower-skilled workers. While much of this employment is of relatively short duration, it will provide an important contribution to the livelihoods of people in poorer areas.
- **The Second Economy:** For many years to come, the second economy will remain a strong feature of Cape Town life. The national and international trend towards outsourcing and casualisation slows the growth of formal employment. But it builds a bridge into the second economy, creating economic opportunities. Increasing numbers of people will have to 'invent' a livelihood for themselves and their families, given the lack of formal-sector jobs and the high levels of competition for employment. As housing and other basic service demands are gradually met, pressure from the poor for improvements in the quality of life will escalate, making the economic and human development agenda a high political priority.

### 6.3. Public policy trends

- Over the next decade the economic role of the **developmental state** will be further clarified. The public sector focus on bridging the divide between the first and second economy and on developing human resources will intensify. Public sector investment is likely to increase, particularly in productive infrastructure. The role and capacity of local government will also increase, as decentralisation of service delivery is entrenched.
- **Accelerated investment in strategic infrastructure** will improve medium to long term attractiveness of Cape Town both in respect of efficiency gains and in terms of quality of life. In addition this will provide short term employment, but for an extended period, as different projects are rolled out across the City.
- The **national focus on the second economy**, highlighted as a priority by the President, is gaining content, particularly with the restructuring of support

structures for small enterprise financing and mentoring and with the programmes of affirmative procurement and BEE.

- **Human Resource Development Strategy** remains an active area of engagement for government and the private sector. It is widely recognised that the growth of the City is constrained by the lack of appropriate skills. ABET courses need to be combined with the present emphasis on better schooling. ECD emerges as a crucial building block for educational success in the future.
- **Special programmes:** Persistent unemployment is likely to continue and result in growing poverty and inequality. The range of planned special public works employment programmes which target the youth and, at the same time, address our infrastructure backlogs will go some way to providing short-term temporary relief. The majority of the unemployed are young and recent entrants to the labour market, with 69% of the unemployed being under the age of 35.
- **Social assistance**, however, will remain the most significant contribution that government can make towards easing the lot of the poor. Social grants are a highly important economic factor in the local economy. They assist families to meet their basic needs and also provide a cash stream that supports trading and business activities within each area.

#### 6.4. Human development trends

- South Africa has one of the lowest levels of **skills development** for a country of comparable per capita income and one of the poorest performing education sectors, with major inequalities in levels of education between race, gender and class groups. Redressing this inequality and improving the level of education, starting with early childhood development has been identified as a priority and is key to meet the growth targets.
- **Training** South African management to shift from the past focus on local markets towards developing the skills to understand and monitor global markets and to better align with global trends is critical.
- **HIV/AIDS and TB:** South Africa has one of the biggest HIV/AIDS case loads in the world. The effects of HIV/AIDS will intensify in the immediate term, placing additional pressures on poor households and on the workforce, as well as on employers and small business owners. This is also likely to increase costs and divert public expenditure to health.
- **Crime:** Crime is one of the biggest challenges facing South Africa's economy. The regimes of crime that surround gangs and drugs are deeply imbedded in the poor areas of the City. It limits the growth of legitimate business and reduces the mobility of people, especially at night and on the weekends. Crime also erodes social capital and undermines a culture of tolerance and inclusion.
- **Immigration** to Cape Town from the rural areas of the Western Cape and from the Eastern Cape particularly will continue. The present rate of some 50,000 people per year is unlikely to decline unless economic growth and

sound administration and good governance become a feature in the Eastern Cape. The inflow of similarly poor people, with a similar educational background, will place great stress on Cape Town. The increasing presence of other African migrants, while increasing competition for resources, also creates new business opportunities and an influx of skills.

#### 6.5. Environmental trends

- **Quality of life:** As mobility increases so will the drive to live in places that offer a high quality of life in terms of the triple bottom line – financial, environmental and social dividends. Cape Town's natural beauty is not enough to make it an attractive place to live. Sustainable environmental management remains a critical challenge for the city.
- **Global warming and climate change** bring with them the prospect of extreme events and more hazards. But these are inherently unpredictable. Winter flooding is a regular feature of existence in many areas of Cape Town, but the intensity of environmental disasters is predicted to intensify. Food prices may be impacted.
- **Sustainable costing of services.** There is great pressure upon cities to manage their use of resources in a sustainable manner that will leave a positive legacy for following generations. This means that services – such as water, sanitation and electrical power - will have to be sustainable in the long term. The Regional Electricity Distributor (RED) office aims to improve access and service delivery of electricity. This combined with exploration of renewable energy sources is key. Tighter service regulation and payment enforcement in the light of better natural resource management (especially of water) means that the effective roll out of municipal indigent support will become more important for the poor.

### 7. Challenges

The following issues are considered to be the major constraints that inhibit increased investment into Cape Town and shared growth.

- **Capacity to expand basic service provision.** Currently Cape Town's capacity to provide basic services to meet the needs of an expanding economy is limited. There is severe pressure on water resources in Cape Town and this may be further exacerbated by the impact of climate change on the Cape. South Africa's electricity generation capacity is running at its peak. Because of the reliance on distant power stations, transmission losses in Cape Town are higher than for other cities (about 12%), posing a major threat to business. Cape Town is facing a crisis around securing suitable regional waste disposal sites. Between 1999 and 2004 landfill waste increased by 43%. Unless sustainable methods of meeting the new demand are found service provision will become the major constraint to growth in Cape Town.
- **Public transport.** Despite having one of the largest passenger rail networks in the country Public Transport in Cape Town is poor. With around 30% of residents currently dependent on Public Transport, Cape Town's infrastructure and services do not come near meeting the need. If Cape Town's economy grows in the planned areas - namely tourism, call centres and business process outsourcing, niche manufacturing and SMMEs, the current system will need to be expanded to

provide 24/7 transport. Failure to do this will undermine Cape Town's competitive advantage.

- **Cost and efficiency of the logistics system and infrastructure.** Cape Town's backlog in transport and freight infrastructure constrain the City's domestic and export potential and will curtail the planned expansion in priority sectors such as oil and gas. In addition, the cost of telecommunications and the lack of infrastructure need to be reduced if Cape Town is to remain internationally competitive.
- **Shortage of suitably skilled labour.** As stated earlier, future growth is likely to be in sectors that demand high-end skills, in particular engineering and technical skills. There is currently a national skills shortage in these professions. Cape Town is well placed to proactively address the challenge with 3 universities within its municipal boundary. Failure to address the supply of scarce skills will undermine our potential for growth.
- **Skills mismatch.** The mismatch between the supply and demand for labour is of concern. Given the nature of the Cape Town economy a major initiative around skills development is needed along with short-term interventions focused on low skilled job creation.
- **Deficiencies in leadership and capacity.** The major challenge within the City of Cape Town is the lack of coordination between the spheres of government and the weak project management capacity to drive an integrated economic and human development strategy. In part this has to do with the institutional structure and location of the function, and in part it has to do with the lack of overall corporate strategic focus on economic issues.

## 8. Objectives

Based on an understanding of local government's mandate, the context of poverty, empowerment and economic growth, and existing trends, the interdependent objectives of the EHDS are to:

- enhance global competitiveness through accelerating **economic growth** and maximising opportunities
- maximise **empowerment**
- reduce **poverty** through enhancing access to economic opportunities and meeting basic needs.

## 9. A 5-star strategy for economic and human development

This document proposes a multi-dimensional strategy, using the image of a star. A star is the traditional notation of excellence and service. It is a single form, but is connected by distinct arms, prongs or points. The star shape is also appropriate – with each of its points reaching out beyond the centre, and each of the 'dents' allowing closer connection with the life of the city. The notion of "5-star" also implies a standard of excellence of which the City can be proud.



This 5-star Economic and Human Development Strategy provides a framework for addressing economic production, consumption and distribution as follows:

- *Production support* is focused on growing the city economy directly, and through creating an enabling business environment and building the household asset base of the poor
- *Consumption support* recognises that the economic livelihoods of the poor depend in many instances on income from grants, and that the economy as a whole depends on increasing buying power.
- *Distribution support* involves facilitating the distribution of goods and services to consumers, in such as way as to enhance the economic livelihoods of the city economy and the residents.

Interventions are located, in the first instance, in the host department: the EHD Directorate for specifically economic initiatives. In the spirit of integrated and co-operative governance, the strategy also includes strategic programmes that fall under the mandate of other Council directorates and Council's Executive Management, as well as other spheres of government.

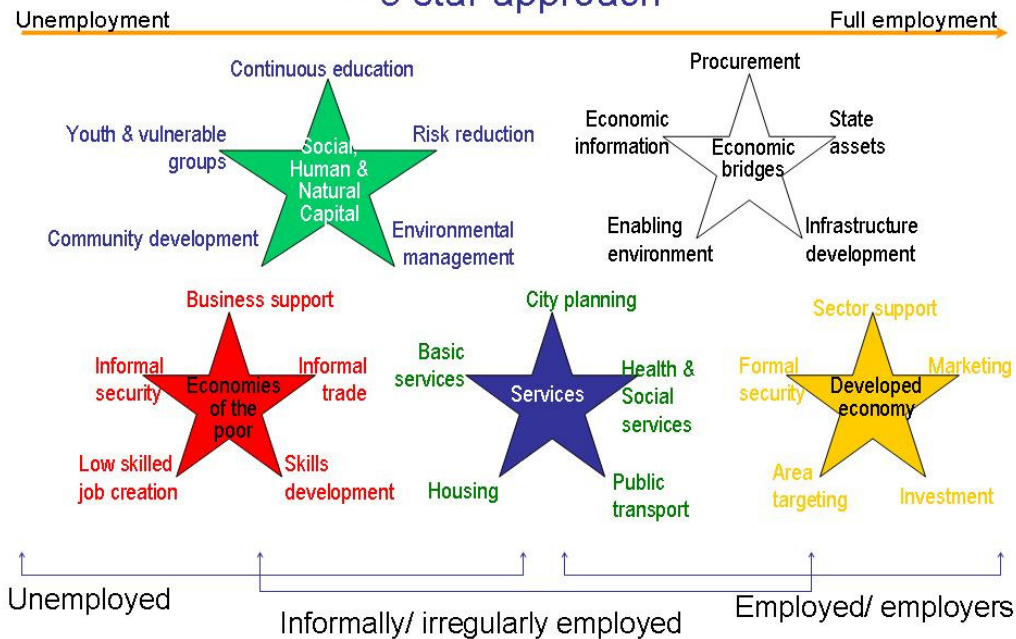
The 5-star strategy is summarised in the table below. The first three stars are explicitly economic – dealing with the developed economy, the economies of the poor and the economic bridges that can unite the first and second economies. The other two stars are about human development. The fourth star deals with service provision and recognises grants as the key income stream for a significant proportion of Cape Town's residents. The fifth star involves human, social and natural capital – the skills and networks that enable or prevent the participation of the poor in the urban economy.

Each of the five stars has five prongs – representing five strategic interventions. These are summarised in the table which follows, and then outlined in detail in a format that highlights a local statement of the problem / need, a description of the intervention, the critical success factors and the roles and responsibilities of stakeholders. Each intervention is captured under the star with the best fit. However interventions are not always limited to the target of the selected star.

Enhance global competitiveness ←			→ Targeted poverty reduction	
1 Developed economy:	2 Economies of the poor:	3 Economic bridges:	4 Services:	5 Human, social & natural capital:
Sector support	Skills development and training	Supply chain management and development	City planning	Continuous education – ECD and ABET
Destination brand management and marketing.	Informal trade support.	Use of state owned assets	Basic services including water, sanitation, waste and electricity (& indigent policy)	Youth and other vulnerable groups' programmes
Investment promotion	Low-skilled job creation (e.g. EPWP)	Infrastructure development	Housing – both subsidised and gap housing for the 'un-bankable'	Community development including sports
Area targeting and management.	Business support.	Enabling business environment	Public transport	Environmental management
Business and consumer security.	Business and consumer security.	Research and information	Health and social services including access to grants	Safety, security and risk reduction

The 5-stars provide a suite of services aimed at assisting people from unemployment to sustainable full employment.

### From unemployment to sustainable full employment – 5 star approach



## **10. Strategic interventions**

In the following section each of the five strategic interventions is briefly discussed, indicating the general nature of the problem requiring attention, the City's response (including the current status of Council policy on the issue) and a contact person. Approved Council policies discussed below are available on the website [www.capetown.gov.za](http://www.capetown.gov.za). Draft policies may be obtained from the listed contact person.

### **10.1. Developed economy**

#### ***10.1.1. Sector support***

##### *Problem statement*

Globally, successful city economies have all taken a pro-active approach to identify sectors and clusters in which they are globally competitive and which possess growth potential locally and globally.

Cape Town is fortunate to have a diverse economy with sectors and niches which are globally competitive in both the manufacturing and service sectors. If Cape Town does not provide specific support to realise growth opportunities and minimise growth constraints in key sectors, job creation is unlikely to accelerate to meet the growing unemployment challenge.

The Cape Town economy is dependent on particular economic sectors such as the service sector (e.g. tourism) and the manufacturing sector (e.g. clothing). While firms within each of these sectors compete directly with each other, they also have much in common. Often individual firms are too small to reap the benefits of economies of scale. Through its economic muscle and research and development the Council can facilitate, co-ordinate and initiate activities that will benefit firms in the sector. Because firms are not easily able to lobby national government or international actors that influence developments in particular sectors, the City can play an important role in protecting and promoting those interests that underpin the economy of Cape Town. By acting collectively everyone can benefit. Moreover, it is in the interests of everyone in the city that the major sectors of economic activity thrive.

##### *Description of the intervention*

The City of Cape Town works in partnership with the Province to promote and develop the priority sectors. It has a draft strategic sector and cluster growth and development support policy. The policy aims to facilitate accelerated economic growth, job creation, and black economic empowerment through the implementation of sector development strategies and the alignment of City of Cape Town service strategies and infrastructure investments and priorities that meet the needs of the following priority sectors.

- Tourism
- Business process outsourcing including Call Centres
- Information Communications Technology (ICT)
- Oil and Gas supplies
- Clothing and textiles
- Craft and jewellery
- Film
- Agriculture and agri-business
- Boat-building and supplies
- Alternative energy

Collectively these sectors comprise approximately 20% of all jobs and 30% of business turnover. The focus on sectors is aligned with the sector strategy in the Accelerated and Shared Growth Initiative for South Africa (ASGI-SA) and the Micro-Economic Development Strategy (MEDS) for the Western Cape. The first four sectors listed above are aligned with the priority high impact sectors identified by the province in its micro-economic development strategy. The fifth sector identified in by the province, the SME sector, is also a priority for the city but, given its significance for the second economy, has been singled out later under the economies of the poor.

Agriculture, which has been identified as the final provincial priority, is largely a priority sector outside the City boundaries. The City's relationship to this sector is important as the growth or stagnation of this sector will impact on the City's economy and the migration into the City. The City strategy includes support for the existing urban agriculture sector, development of new opportunities through a food innovation network and the facilitation of the enabling infrastructure and logistics required by the sector, as detailed under star three, Economic Bridges within the infrastructure intervention.

The clothing and textiles, craft and film sectors all fall into the second tier of provincial priorities. However they are important for the city. Around 60 000 formal and informal jobs in the city are in the clothing and textile sector which has been in decline due to globalisation and the impact of cheap imports from the East. Given the scale of job losses in the last 5 years the City has prioritised support to help the sector re-position itself in an attempt to retain the remaining jobs in the sector. The craft sector is closely linked to the tourism sector and offers a host of possibilities within the second economy. The bulk of the provincial film industry is located in Cape Town making it one of South Africa's premier locations in the country. The industry contributes 4% to Gross Regional Product and has been identified as one of the top growth sectors for the City by the Economic Monitor.

The city has singled out boat-building which has been a growth sector for Cape Town and offers opportunities to establish capacity in engineering design through niche manufacturing. The industry indirectly supports the competitiveness of our port.

Finally, the renewable energy sector is an important economic growth area for Cape Town. There is a general trend internationally to invest in renewable energy technologies as well as for companies to locate where clean energy sources are available. Cape Town is the first city in South Africa to have renewable energy targets: these will promote diversification of energy supply, improve levels of energy security, and elevate Cape Town as a Green City.

While recognising the threats which face the sector, and accepting that manufacturing will not grow at the pace of the services sector, continued development of the sector is key to Cape Town's economic base and the long term future of the economy.

Extensive interactions and collaborative discussion with the three spheres of government, industry, academia, science councils and other stakeholders has led to the development of a draft Provincial Advanced Manufacturing Technology Strategy (PAMTS) for the Western Cape. The WC PAMTS will also support the provincial growth and development strategies and objectives by providing a technology component that will enable the sectors to compete globally and thereby support the export drive, manufacturing sector growth and employment creation.

The strategy focuses on five selected sectors, namely craft, electronics, food, metals and engineering, as well as clothing. The scope of the Strategy will later be expanded to other sectors. Four cross-cutting technology focus areas are also addressed. Two priority areas of these are a study to establish the state of logistics in the Western Cape and leveraging opportunities for streamlining supply chains and the establishment of a digital manufacturing technology demonstrator (FabLab).

The City focus will be on:

- Providing operational funding and strategic guidance (Board representation) to existing Sector Development Organisations (Section 21 Companies) in terms of their three year sector development strategy and business plans;
- Raising awareness of the economic importance of strategic sectors and their Council service delivery needs and requirements within the Council administration;
- Facilitating access to job opportunities in key sectors, particularly amongst the previously disadvantaged
- Facilitating the identification of future priority sectors and partnering with private sector champions and other government institutions to develop the sector
- Supporting major business events that assist in growing and developing strategic sectors;
- Providing economic and statistical information on strategic sectors;
- Monitoring the implementation of sector development strategies and services.

*Critical Success Factors*

- No city can be successful in all sectors. *Choices* need to be made to focus on sectors with real global competitive advantage.
- *Cost effective local government services* and efficient customer service and approval processes are a vital platform to enable growth in strategic sectors.
- *Partnerships*: Local government must work closely with key companies in key sectors to develop sector development strategies which address the opportunities and the constraints
- *ICT* infrastructure and costs
- Sector development strategies must also prioritise *broad-based black economic* empowerment
- Efficient and effective access and operation of *public transport*, port and airport are vital to ensuring delivery on time takes place and transport costs do not harm growth prospects
- *Representation*: Local government should work closely with national government and ensure City interests are represented in international trade and tariff negotiation forums

*Roles and responsibilities*

<i>EHD Directorate</i>	<i>Role of other directorates</i>	<i>Other spheres of government</i>	<i>Public (should this not read business?)</i>
<ul style="list-style-type: none"> <li>• Support and monitor existing priority sectors</li> <li>• Identify new sectors to be supported</li> <li>• Facilitate development of the sector development</li> </ul>	<ul style="list-style-type: none"> <li>• Provide cost-efficient and reliable basic services and required infrastructure including public transport</li> <li>• Provide efficient</li> </ul>	<ul style="list-style-type: none"> <li>• Link sectors with national initiatives</li> <li>• Coordinate hubs of activities between cities</li> <li>• Participation in global and regional trade negotiations</li> </ul>	<ul style="list-style-type: none"> <li>• Identify sector needs and opportunities</li> <li>• Collaborate with firms in the same sector to enhance growth and transformation</li> </ul>

<p>strategy</p> <ul style="list-style-type: none"> <li>Identify lobbying opportunities and provide support for interventions</li> </ul>	<p>customer service and approval processes</p> <ul style="list-style-type: none"> <li>Integration between Spatial, Transport, Town Planning and EHD strategies and programmes</li> </ul>	<ul style="list-style-type: none"> <li>Tax and tariff incentives</li> </ul>	<ul style="list-style-type: none"> <li>Liaise with government to access resources and address priorities</li> </ul>
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### 10.1.2. Marketing

#### *Problem statement*

Over time, cities become branded as hosts to particular types of economic activity. Expanding the horizons of what economic activities are possible and extending the scale of economic actions requires active marketing of the city and its economic products and activities. Cape Town is an established tourism node, the challenge is to build and promote it as a place to do business.

#### *Description of the intervention*

The City is working to devise and support destination and trade marketing of Cape Town for the purposes of increasing economic activity. This is implemented in partnership with the Province through the recently established province-wide Destination Marketing Organisation trading as Cape Routes Unlimited and Wesgro the investment and trade promotion agencies.

#### *Critical success factors*

- co-ordinated approach between spheres of government and between government and its agencies
- accurate information on the city services, opportunities and constraints
- honest, effective and appropriate marketing
- synergy of Council and the various agencies' brand promotion
- understanding and lobbying potential investors.

#### *Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>Co-ordinate with other spheres of government and develop destination and trade marketing strategy</li> </ul>	<ul style="list-style-type: none"> <li>Promote Cape Town in line with the strategy</li> </ul>	<ul style="list-style-type: none"> <li>Co-ordinate with the City and ensure a coherent destination marketing strategy</li> </ul>	<ul style="list-style-type: none"> <li>Add value to the City strategy</li> </ul>

### 10.1.3. Investment

#### *Problem statement*

Investment includes foreign direct investment and local investment from the public and private sectors. Without investment it is very difficult to stimulate jobs and economic growth. In particular, investment capital promotion underpins sustainable economic growth. The City's economy has performed above the national average growth rate of 3%, but still falls far short of the 7% growth rate required to prevent the

current unemployment rate from worsening. Another trend is that, almost exclusively, private investment flows to Cape Town are concentrated in the more developed or affluent areas such as the northern corridor. This reinforces the inequitable spread of economic activities in the city. It is imperative also to attract investment towards areas whose economic potential is still latent, enabling residents of these areas to share in the benefits of economic growth and development.

*Description of the intervention*

The City has identified the provision of infrastructure as the most important investment accelerator. In respect of promotion of direct investment, the City works through Wesgro, another agent set up by the City and the Province to maintaining current investment, expanding 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 also works with the private sector through the sector bodies and area-based partnerships such as the CT Partnership to facilitate area based investment. The need for coordination between the various agencies involved in investment generation is critical, as is clarity on the respective roles of the various spheres of government.

Alongside these cooperative relationships the City has been working on an investment incentives policy and series of interventions to further enhance the City's attractiveness to businesses and to direct investment to priority disadvantaged areas.

Finally, Cape Town is largely an outwardly oriented city economy. Consequently it is intricately linked, both positively and negatively, to the global economy. Helping business engage and deal with this factor is important. Largely, this is the work of Wesgro, with support around information and regulations from the city.

*Critical success factors*

- stable environment
- fostering a sound political and regulatory environment
- good quality of life
- capable human resource base
- being informed of potential investment opportunities
- responsive planning systems.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Work with the Wesgro to attract investment in Cape Town</li> <li>• Develop a conducive business regulatory environment</li> <li>• Work with business districts to retain investment</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure a stable and investment-friendly regulatory and political environment</li> <li>• Align public investment with the investment framework</li> <li>• Identify, zone and release land</li> </ul>	<ul style="list-style-type: none"> <li>• Learn lessons from other cities and regions</li> <li>• Foster effective inter-governmental relations</li> </ul>	<ul style="list-style-type: none"> <li>• Retain income locally</li> </ul>

### 10.1.4. Area targeting

*Problem statement*

Without intervention to overcome historical patterns of exclusion, certain areas degenerate or become pockets of extreme poverty. Degraded areas of high economic potential, especially around the CBD, may also require specialised area-based interventions. Finally, economic nodes are often not located close to where poor people live.

*Description of the intervention*

Area-based interventions by the City may involve the Council 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 has identified a range of development nodes/ corridors at decentralised locations to facilitate better integration. Implementation of area targeting needs to support formal and informal businesses. The City has a by-law providing for the establishment of business or improvement districts. There is no other Council policy on area targeting.

*Critical success factors*

- participation of local residents and businesses
- public consultation
- co-operation from all City departments
- effective and accountable area management and finance structures.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Identify areas to be targeted</li> <li>• Support local residents and businesses to develop a strategy</li> <li>• Market the area and strategy within government</li> </ul>	<ul style="list-style-type: none"> <li>• Liaise with area-based management</li> </ul>	<ul style="list-style-type: none"> <li>• Participate in area management</li> </ul>	<ul style="list-style-type: none"> <li>• Collaborate with each other and the city to develop an area plan</li> </ul>

### 10.1.5. Formal business and consumer safety

*Problem statement*

In South Africa security is consistently identified by stakeholders as a major deterrent to economic growth. While violent crime has decreased, commercial crime has remained relatively stable in the city and drug related crime, possession of illegal firearms and rape have all increased.

*Description of the intervention*

The City is directly involved in the creation of an urban environment that is safe from crime at the design and planning stages (e.g. ensuring lighting and surveillance), and in the management of commercial and industrial precincts during the day and at night. Mixed land use will ensure activity in the day and night providing 24 hour surveillance in the area. Enforcement of by-laws (especially those of Environmental Health) adds further to city business safety. Less direct City action involves fostering an environment in which people, property and goods are safe from crime, and this comes through intergovernmental co-ordination on safety and security enforcement, and public education including Adult Basic Education and Training (ABET) and Early Childhood Development (ECD).

*Critical success factors*

- prevailing morality
- enforcement capacity
- surveillance
- balancing tensions between private security management and public access
- urban design for safety and security.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Monitor impact and trends</li> <li>• Create a moral business environment, which is legally accountable and non-discriminatory</li> </ul>	<ul style="list-style-type: none"> <li>• City police to provide capacity for monitoring and enforcement</li> <li>• Plan to provide adequate space for police stations</li> <li>• Planning to promote mixed land use and crime prevention through environmental design</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure legal and enforcement capacity</li> </ul>	<ul style="list-style-type: none"> <li>• Create a culture of trust</li> <li>• Undertake monitoring and reporting</li> </ul>

**10.2. Economies of the poor**

**10.2.1. Skills development**

*Problem statement*

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.

*Description of the intervention*

The City of Cape Town is committed to developing the skills base of its residents. This commitment is reflected in the IDP, the human resource development strategy and this Strategy. The EHD Directorate focuses on facilitating skills-based training in partnership with local businesses, educational institutions and non-governmental organisations, in order to reduce poverty and unemployment by enhancing

competitiveness, productivity and sector-based skills. Based on this, the following training areas have been prioritised:

- literacy training
- basic business skills
- entrepreneurship training
- sector-based training in priority sectors
- language and communication training
- learnerships and internships
- ICT training.

*Critical success factors*

- data on the skills gaps
- supply and capacity of accredited training service providers
- partnerships between training providers and business
- human resource development strategies linked to the needs of growth sectors
- linking graduates with employment opportunities.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<p>The City does not provide direct training. Instead it facilitates the provision of training by:</p> <ul style="list-style-type: none"> <li>• Prioritising resources for internal skills training</li> <li>• Partnering with the private sector, NGOs and tertiary institutions to target training for growth sectors and SMMEs</li> <li>• Promoting awareness of the importance of skills development</li> </ul>	<ul style="list-style-type: none"> <li>• Identify skills needs</li> <li>• Roll out learnerships</li> <li>• Provide workplace opportunities for trainees</li> </ul>	<ul style="list-style-type: none"> <li>• Identift skills needs</li> <li>• Roll out learnerships</li> <li>• Provide workplace opportunities for trainees</li> </ul>	<ul style="list-style-type: none"> <li>• Train service providers</li> <li>• Identify skills needs</li> <li>• Roll out learnerships</li> <li>• Provide workplace opportunities for trainees</li> </ul>

**10.2.2. Informal trade support**

*Problem statement*

In Cape Town the informal sector accounts for 18-20% of the economy. A survey of informal traders revealed that 42% of them had chosen to engage in the informal sector as a result of not finding or losing a job. It therefore plays a critical role in addressing the economic needs of the poor. However, the productive value of the informal economy need not only focus on marginal returns and low income niches such as small-scale retail. Informal manufacturing, for example, offers higher value opportunities that will enrich livelihoods and enhance GGP.

*Description of the intervention*

The City adopted a policy on informal trade in 2004. The policy defines the informal sector as employees, employers, self-employed people or family business workers who work for private sector enterprises with 20 or fewer employees and in enterprises that are not registered or incorporated and do not keep a set of accounts separate from the household budget. Informal trading is defined as the economic activity undertaken by entrepreneurs who sell legal goods and services within a space deemed to be public property, within the informal sector. The City recognizes the relevance and contribution of informal trading to the creation of jobs and the opening up of economic opportunities. The City's aim is to support and grow the informal sector. The strategy provides for an enabling regulatory environment, safety and access to information on markets, new goods, training and resources.

*Critical success factors*

- access to services
- enabling regulatory environment
- security
- gender-responsive policies.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Identify, develop and manage trading locations and maximise access to these for traders and consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure informal trading areas are an integral part of spatial and transport planning (Spatial Planning)</li> <li>• Provide health and safety services (Health)</li> <li>• Provide enforcement services (municipal police)</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure an enabling regulatory environment</li> </ul>	<ul style="list-style-type: none"> <li>• Provide capacity building and support services</li> <li>• Foster partnerships</li> </ul>

**10.2.3. Maximise low-skilled job creation**

*Problem statement*

Despite having the highest city growth rate in South Africa – 3.7% per annum – Cape Town falls short of the 7% growth rate required to prevent the current unemployment rate of 23.4% worsening. In addition, a characteristic of the recent economic expansion has been jobless growth. Between 2003 and 2004 Cape Town lost 9 753 jobs.

*Description of the intervention*

The City does not have a single job creation policy. Job creation is, however, a priority in the IDP, and is reflected in the City's EPWP programme as well as most department policies. One strategy for providing (temporary) jobs is the Expanded Public Works Programme which involves re-orientating line function budgets and conditional grants so that government expenditure results in more work opportunities, particularly for unskilled labour. This can include a focus on labour-intensive production, sub-contracting out service delivery to local communities, and the

creation of learnerships within the city. Structured training is a key component of each intervention.

*Critical success factors*

- structured skills development
- developing an external market for those trained
- distributing the opportunities
- community and union participation and buy-in.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Identify opportunities for job creation</li> <li>• Develop capacity in the city to manage labour-intensive programmes</li> <li>• Lobby for resources</li> <li>• Undertake monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Align service delivery with the new approach</li> <li>• Lobby for resources</li> </ul>	<ul style="list-style-type: none"> <li>• Provide funding for public works programmes</li> </ul>	

**10.2.4. SMME business development and support**

*Problem statement*

93% of Cape Town’s formal businesses are small, contributing 50% of total output and 40% of total employment. The figures would be even higher if informal business were included. The small medium and micro enterprise (SMME) sector has also been identified as one of the high impact priority sectors for the province in its micro-economic development strategy. In order to grow and develop, small businesses need knowledge about business opportunities, capacity to run a business and access to services. In addition Cape Town needs to shift from a city of job seekers to one of job providers by increasing entrepreneurship activity in line with the changing nature of work globally.

*Description of the intervention*

The City has a business support policy, adopted in 2003, and a draft strategy and programme. The City’s aim is to grow existing businesses and support the development of new businesses through maximising knowledge, capacity and opportunities. Business services including training, advice, counselling, marketing support and information – provided through advice centres, a voucher system and on a one-on-one basis. The City also indirectly helps small and medium firms take advantage of international business opportunities through its support of Wesgro’s Exporter Development Programme. In addition there is a need to raise awareness about business and entrepreneurship and facilitate greater links between educational and entrepreneurship activities.

*Critical success factors*

- accessibility
- affordability of business support services
- good entrepreneurship education

- co-ordination and partnerships
- marketing facilities and opportunities

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Act as a regulator</li> <li>• Understake research</li> <li>• Play a role as a facilitator or provide support services</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of home industries</li> <li>• Promote opportunities for SMMEs</li> <li>• SMME friendly policies and regulations</li> </ul>		<ul style="list-style-type: none"> <li>• Play a role as service providers</li> </ul>

**10.2.5. Informal business and consumer security**

*Problem statement*

Security is a particular problem for small businesses, who risk losing everything if robbed or attacked. Not surprisingly, especially given the unprotected location of many informal trading operations and emerging businesses, security was identified in the Mayor’s listening campaign as a major concern for traders and consumers.

*Description of the intervention*

The City is directly involved in the creation of an environment that is safe from crime at the design and planning stages (e.g. ensuring lighting and surveillance), and in the management of health, sport, commercial and industrial precincts around which informal traders often gather. Less direct City action in fostering an environment in which people, property and goods are safe from crime, comes through public education, including ABET and ECD, and in the appropriate enforcement of by-laws.

*Critical Success Factors*

- prevailing morality
- access to the legal and justice systems
- appropriate enforcement
- surveillance
- police visibility
- urban design around safety and security.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Monitor impact and trends</li> <li>• Create a moral small and informal trade business environment that is legally accountable and non-discriminatory</li> </ul>	<ul style="list-style-type: none"> <li>• Improve City police capacity to enforce and monitor</li> <li>• Planning to provide for space for police stations and secure storage for informal traders</li> <li>• Planning to promote</li> </ul>	<ul style="list-style-type: none"> <li>• Improve legal and enforcement capacity and accessibility</li> </ul>	<ul style="list-style-type: none"> <li>• Create a culture of trust</li> <li>• Undertake monitoring and reporting</li> </ul>

EHD Department	Role of other departments	Other spheres of government	Public
	mixed land use and crime prevention through environmental design		

### 10.3. Economic bridges

#### 10.3.1. Procurement

##### *Problem statement*

The City of Cape Town has a budget of over R10 billion, of which 30% is put out for public tender. Historic inequalities and the absence of appropriate procurement policies have, to a large extent, historically excluded small businesses, black people and women from benefiting from the buying power of local government. An even bigger and possibly more important challenge is to find mechanisms to ensure private sector procurement budgets are used to support local business and the historically disadvantaged.

##### *Description of the intervention*

The City has a procurement policy approved on 03/09/03 and currently in review to ensure compliance with the Municipal Finance Management Act. The goal of the policy is to ensure that the City of Cape Town procures goods and services that meet its needs in a manner that is cost-effective. At the same time, the City must pursue certain specific socio-economic objectives through a preference system that gives attention to issues of empowerment. The following general principles guide City procurement:

- to stimulate and promote local economic development in a targeted and focused manner
- to facilitate the creation of employment and business opportunities for the people of Cape Town, with particular reference to Historically Disadvantaged Individuals (HDIs)
- to promote the competitiveness of local businesses
- to increase access by the small business sector, in general, to procurement business opportunities created by Council
- to increase participation by small, medium and micro enterprises (SMMEs).
- to promote joint venture partnerships.

These guidelines have been translated into targets. The current target is 30% black economic empowerment and 50% SMME contracts.

Where they do not exist similar policies need to be encouraged within the private sector in line with the various sector charters.

##### *Critical success factors*

- appropriate targets
- transparent tendering procedures
- supply chain development
- upgrading of skills
- monitoring and evaluation systems
- good information dissemination strategies.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Provide support to level the playing fields</li> <li>• Supplier development</li> <li>• Business linkages programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Supply chain Department responsible for policy development and implementation</li> <li>• All departments to use budgets to create opportunities for HDIs and SMMEs</li> </ul>	<ul style="list-style-type: none"> <li>• Set national and provincial policy frameworks</li> </ul>	<ul style="list-style-type: none"> <li>• Use purchasing power to support local business and the broadening of the economic base in the city</li> </ul>

**10.3.2. Utilisation of state-owned assets**

*Problem statement*

Apartheid legacies have excluded the majority of the poor from the mainstream economy. The state has many assets, most notably land and bulk infrastructure, that offer an opportunity to redress the imbalances and achieve equity and access in the city.

*Description of the intervention*

Land, infrastructure and public entities owned by the state are to be utilised to maximise social, economic and environmental good and not profit.

*Critical success factors*

- transparent tendering processes
- placing equity and sustainability before income generation
- co-ordinated City strategy.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Identify the opportunities for broadening access</li> <li>• Undertake monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Align all restructuring and sale of assets with Sakha Ikapa</li> <li>• Cost state asset use in line with integrated development objectives (e.g. reduce cost of public transport and increase private)</li> </ul>	<ul style="list-style-type: none"> <li>• Align all restructuring and sale of assets with Sakha Ikapa</li> </ul>	

**10.3.3. Infrastructure development**

*Problem statement*

The reconstruction of the apartheid city is a huge task that requires specialised and costly interventions to redirect urban development patterns, and rebuild the systems of urban administration. In some instances it requires the generation of new methods and institutions of management to achieve the vision of an integrated, equitable and sustainable city. Better infrastructure is needed for public transport to relieve the pressure on major routes. Linkages between the east and west of the City are needed to enable the poor to access the new economic hubs. In addition, long term transport planning is needed for the long-term planned expansion of the City up the West Coast. Better infrastructure is also needed to facilitate trade (both domestic and international) and industry development. In particular, ICT infrastructure can be an impediment to the development of the service sector.

*Description of the intervention*

National government acknowledges the challenges facing cities, and provides a range of grants and incentives to assist local government. These include national grants, such as the restructuring grant, and incentives that enable cities to implement programmes to redress historic problems and to provide equitable access to transport and infrastructure. Equally important is the land use planning to ensure mixed land use of well located land to reduce the need for transport. Increasing densities of developments at certain transport nodes also allows for better density. In addition enhanced telecommunications infrastructure will enhance investment into the area.

*Critical success factors*

- composition of team drafting applications
- integration of economic development into strategy.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Advise and make input</li> <li>• Collect data on transport needs</li> <li>• Facilitate the broadening of access to telecommunications infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>• Compile grant applications</li> <li>• Develop ICT plan for CT</li> <li>• Planning to promote mixed land use, integration between transport and land use and densification at transport nodes</li> <li>• Plan for additional transport infrastructure to link the east and west of the city and for new growth areas</li> <li>• Transport to prioritise public transport routes especially for the poor</li> </ul>	<ul style="list-style-type: none"> <li>• Provide grants and incentives</li> </ul>	

### 10.3.4. Enabling business environment

*Problem statement*

Current City regulations and administrative processes often hinder rather than enable economic development. This is especially true in the historically black sections of the city and in many of the informal areas.

*Description of the intervention*

It is important to develop a culture and an administrative and regulatory environment that facilitate economic development. This includes appropriate minimum standards and transparent enforcement. It also includes ensuring the City has a public face with which businesses can engage and the creation of a one-stop service for investors which coordinates the rest of the City around what investors need.

*Critical success factors*

- administrative efficiency and transparency
- Reduction in red tape
- information on constraints to economic development (especially informal and SMME business development).

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Regulate the business environment</li> <li>• Identify constraints</li> <li>• Collect and disseminate information</li> <li>• Act as 1-stop investment facilitator within the City for Wesgro, sector bodies and large investors</li> </ul>	<ul style="list-style-type: none"> <li>• Improve the corporate culture</li> <li>• Regulate the business environment</li> <li>• Land identification, rezoning and release</li> </ul>	<ul style="list-style-type: none"> <li>• regulate the business environment</li> </ul>	<ul style="list-style-type: none"> <li>• Create an enabling culture</li> </ul>

### 10.3.5. Economic research and information

*Problem statement*

Access to information about how the current economy functions and on existing and emerging economic opportunities is key to the ability of a business to grow, to attraction of new investment and to targeting of services. Traditionally only the more resourced and established businesses have been able to freely access strategic information, while others have been excluded from the information networks, further excluding them the economy as a whole.

*Description of the intervention*

The intervention involves collating the disseminating information on the way the city works, the business health of specific areas, industry specific information for target sectors, information on support organisations and services and finally information on economic trends.

*Critical Success Factors*

- Skills to extract the relevant information
- Knowledge management system
- Public-private cooperation especially with surrounding academic institutions
- Accessibility

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Collate information</li> <li>• Facilitate networks</li> </ul>	<ul style="list-style-type: none"> <li>• Share information</li> <li>• Identify and act on opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Share information</li> <li>• Facilitate networks</li> </ul>	<ul style="list-style-type: none"> <li>• Share information</li> <li>•</li> </ul>

**10.4. Services**

**10.4.1. City planning**

*Problem statement*

Cape Town is still dominated by the legacy of apartheid planning and a skewed distribution of opportunities. Densification has not been adequately encouraged with the resultant sprawling of the city's urban edge and the continued expansion of its footprint, most often through middle income developments. The correction of this spatial segregation and fragmentation is now recognised as a precondition to achieving the aims of ASGI-SA and Breaking New Ground policies. In addition a lack of coordination within the City's planning department has resulted in contradictory messages to the private sector and the rezoning of land that at times undermines decisions to promote investment in marginalised areas.

*Description of the intervention*

The need for a comprehensive spatial development framework that guides the social, economic and racial integration of the City is accepted. This must fix the footprint of the city, promote densification and the reduction of the gap between economic development nodes and the poor through identification and release of well located land for housing, planning for linkage routes between the east and west of the city and the development of an unified zoning scheme that facilitates economic development, especially in designated locations.

*Critical success factors*

- coordination between planning and other directorates
- a single zoning scheme
- an agreed spatial framework for the city
- coordination between the city and its neighbouring municipalities

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Identify and communication economic planning needs</li> <li>• Develop guidelines</li> </ul>	<ul style="list-style-type: none"> <li>• Develop the city Spatial Development Framework</li> <li>• Consolidate all planning regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Provide provincial frameworks</li> <li>• Coordinate with surrounding municipalities</li> </ul>	<ul style="list-style-type: none"> <li>• Comply with the guidelines</li> </ul>

EHD Department	Role of other departments	Other spheres of government	Public
that direct and inform planning processes	into one framework <ul style="list-style-type: none"> <li>Use economic information to inform spatial plans</li> </ul>	<ul style="list-style-type: none"> <li>Facilitate the reduction of red tape</li> </ul>	

### 10.4.2. Basic services

#### *Problem statement*

Universal access to basic services is in the public interest, but a significant percentage of the population of Cape Town cannot afford to pay for these without state support. Even for those that can afford to pay for services there are problems with the current bulk service infrastructure capacity which requires bold and decisive action if they are not to become major obstacles to economic and social progress. There is already severe pressure on water resources. There is an emerging crisis around securing suitable regional waste disposal sites. There is an immediate energy crisis flowing from inadequate generation capacity serving the region. There is significant pollution of major watercourses and of the quality of sea water in many parts of the city.

#### *Description of the intervention*

The City strategy is three fold. Firstly there is a need to expand the current capacity through investment in new infrastructure. Secondly there is a need to reduce consumption through awareness and incentive schemes. Thirdly, the City must broaden the access of the poor to services through its indigent policy, approved in 2003. This provides for cross-subsidisation of service charges to provide for free basic services for households using below a specific threshold. Subsidises exist for water, electricity, rates, refuse and rental.

#### *Critical success factors*

- capacity and resources to develop new infrastructure
- capacity, resources and political will to maintain existing infrastructure
- comprehensive database of service consumers and properties
- implementation and enforcement capacity – human and systems
- political will
- capacity to identify and regulate individual household service consumption.

#### *Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>Monitor the economic costs of service gaps or potential gaps</li> </ul>	<ul style="list-style-type: none"> <li>Plan and develop the capacity</li> <li>Implement the policy and necessary systems</li> </ul>	<ul style="list-style-type: none"> <li>Provide equitable share to fund national indigent policies and constitutional obligations</li> </ul>	<ul style="list-style-type: none"> <li>Ensure registration and compliance</li> </ul>

### 10.4.3. Housing

#### *Problem statement*

Cape Town has a housing backlog of 265 000 units. Current household growth rates imply that the city has to plan for approximately 25 000 additional households each year. Given the migration and the demographic profiles of the population, a large proportion of the additional households will be poor and will therefore require support from the local authority with respect to acquiring land, housing, services and the provision of social facilities and amenities.

The backlog of housing and services has been addressed though a system of nationally and provincially allocated subsidies. Many of the post-apartheid transfers to the poor have bypassed Cape Town. For example, of the 143 000 housing units (together with the associated service subsidies) that have been made available in the Western Cape, less than a third have been in Cape Town, although over 80% of the population lives in the metro area. Most of the poor live on the peripheries and are not well located in respect of transport and jobs, raising concerns around the economic sustainability of areas.

*Description of the intervention*

The Council Integrated Human Settlement Plan aims to address the housing need through a combination of subsidised individually owned houses, social and rental housing schemes and mixed income housing developments.

Wherever possible the City will assist with facilitating applications for capital grants. It will also help to ensure that appropriate well located land is made available and that planning, housing and other service departments are able to absorb housing development at scale and promote mixed land use and high density housing development on well located land.

*Critical success factors*

- identifying available land
- integrated settlement development capacity to ensure that housing does not dominate economic and environmental imperatives
- aggressive applications for grants.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Identify land</li> </ul>	<ul style="list-style-type: none"> <li>• Secure and allocate subsidies</li> </ul>	<ul style="list-style-type: none"> <li>• Provide funding</li> </ul>	<ul style="list-style-type: none"> <li>• Act as service provider and optional funder through cross-subsidising construction in new developments</li> </ul>

**10.4.4. Public transport**

*Problem statement*

30 % of commuters are reliant on public transport. The reliance on public transport is disproportionately high among the poor. Forty-two percent of African commuters indicated that they used public transport to travel between work and home, compared to 33% of coloured commuters, about 17% of Indians and about 6% of whites. The absence of adequate public transport represents the single biggest constraint to our economic competitiveness and social inclusion in Cape Town.

While endowed with the largest rail public transport network in the country Cape Town has not been able to motivate for serious national funding for an integrated public transport plan. The consequence is a declining asset base and the potential reduction in the current system.

*Description of the intervention*

The City has committed itself to a massive increase in funding for public transport including the provision of a 24/7 public transport system for the economic core with expansion of the network to region in subsequent phases. This will include the establishment of a single transport authority, expansion of the City's rail network, dedicated bus lanes and new access routes between the east and the west of the city. The ultimate aim is to ensure that all citizens are within 1 kilometre of public transport.

*Critical success factors*

- cooperation between the city, province and national
- cooperation between all spheres of government and state owned enterprises
- an institutional mechanism that allows for a coordinated metropolitan transport plan
- resources to support the plan

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Identify transport needs and future economic nodes that need to be connected to the system</li> </ul>	<ul style="list-style-type: none"> <li>• To provide the public transport plans, infrastructure and management arrangements</li> </ul>	<ul style="list-style-type: none"> <li>• To cooperate and coordinate funding, programmes and management</li> </ul>	<ul style="list-style-type: none"> <li>• To use public transport provided</li> </ul>

**10.4.5. Social and health services**

*Problem statement*

The dominance of housing in the development of new settlements for the poor has meant that there are not always adequate social services and/or that these facilities are not well integrated into the plans and so are poorly conceived, located and/or managed. Where health services have been provided, these are often not adequately resourced to meet the demands of people

The problem is compounded because funding for some community services, such as schools and sports facilities, is derived from Provincial rather than City sources.

*Description of the intervention*

It is important to undertake integrated settlement planning, grounded in community participation and local knowledge that ensures that social facilities such as libraries, crèches, clinics and transport hubs are prioritised in land allocation, township planning and funding. It is also important to utilise the conditional grants, such as school feeding schemes, special poverty relief funds and EPWP opportunities.

*Critical success factors*

- capacity to maintain and manage programmes and facilities
- cooperation with province around the resourcing of clinics, schools and facilities that fall on the provincial budgets
- understanding of community demand for facilities, not just housing
- flexible design of multi-purpose centres for training, community meetings, crèches etc.
- utilise developers contributions to assist in funding of social infrastructure
- identifying sites that will foster economic nodes.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Partner with community development</li> </ul>	<ul style="list-style-type: none"> <li>• Identify need</li> <li>• Provide funding</li> <li>• Develop and manage facilities</li> <li>• Undertake monitoring and evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Provide funding</li> </ul>	

**10.5. Social, human and natural capital**

***10.5.1. Continuous education***

*Problem statement*

The skills gap is a major barrier to economic development in general and a particular barrier for poor households.

The lack of early childhood development not only delays the learning path of poor children, but it can also expose them to additional hazards if they are left under-supervised at home.

Currently 27% of the formally employed only have a primary school education and between 3 and 4% of the adult population in Cape Town are illiterate. At the same time, job opportunities for unskilled labour are decreasing. Increasing the skills level of residents is therefore crucial, and includes providing foundational ABET skills.

*Description of the intervention*

The City of Cape Town has a policy for Early Childhood Development (ECD), adopted in 2003. This policy focuses on the role of the City in zoning, provision of facilities and enforcement of health regulations. In addition, Council has a role to play accessing national funding for disadvantaged areas through the Department of Social Development, and providing funding itself where other funding is unavailable.

Council will make available ABET to all its employees. In addition, Council will work with the private sector and NGOs to ensure that illiteracy is eradicated.

*Critical success factors*

- partnerships with service delivery agencies, especially NGOs and religious organisations

- venues
- funding
- publicity
- information

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Work with Community Development to ensure the policy is implemented</li> </ul>	<ul style="list-style-type: none"> <li>• Implement the policy and facilitate training</li> </ul>	<ul style="list-style-type: none"> <li>• Provide funding</li> </ul>	<ul style="list-style-type: none"> <li>• Act as service providers</li> </ul>

**10.5.2. Youth and vulnerable groups**

*Problem statement*

Women, children, the youth, aged and disabled are all recognised as vulnerable groups because of their enhanced levels of poverty, and exposure to ill health and environmental risks. Social stigma and their exclusion from mainstream social and economic activities can compound the weak position of the vulnerable.

*Description of the intervention*

Targeted interventions for the youth (cultural and sports programmes and facilities), children (environmental health education, ECD), the aged (community centres and religious facilities), and women (public security) help to reduce vulnerability and foster social inclusion.

*Critical success factors*

- information on the needs of vulnerable groups
- political will to address exclusion.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• To support the Department of Community Services</li> <li>• To coordinated with Community Development Workers</li> </ul>	<ul style="list-style-type: none"> <li>• To follow the community consultation and development guidelines developed</li> </ul>	<ul style="list-style-type: none"> <li>• To work through the Community Development Workers</li> </ul>	<ul style="list-style-type: none"> <li>• To monitor and support the Community Development Workers</li> </ul>

**10.5.3. Community development**

*Problem statement*

A strong City need a strong civil society be it private sector, NGO or community organisations. The first priority within community development is therefore building civil society institutions.

The prevalence of gangsterism, crime, racism, sexism and xenophobia all erode the social capital of communities and create a climate of fear and erode a public culture of openness that is attractive to tourists, business and residents. The provision of community development programmes (e.g. sports) can play a positive role in turning this around and recreating a sense of community.

*Description of the intervention*

The City supports the development and strengthening of civil society organisations through direct support, partnerships and joint projects. In addition a contribution can be made through public culture initiatives, such as sports, the public places initiative, festivals and sponsored cultural programmes of the City designed to promote social capital, tolerance and social mixing. Also important is integrated settlement and facility planning that embraces mixed race and mixed income usage.

*Critical success factors*

- political commitment to developing quality public spaces and minimising private and exclusive spaces
- sponsored cultural events across the city.

*Roles and responsibilities*

EHD Department	Role of other departments	Other spheres of government	Public
<ul style="list-style-type: none"> <li>• Work with Community Development to ensure tolerance and cohesion</li> </ul>	<ul style="list-style-type: none"> <li>• Community services to champion this intervention</li> <li>• Integration between Spatial, Town Planning, Community Services and EHD programmes to facilitate tolerance, inclusion and cohesion</li> </ul>	<ul style="list-style-type: none"> <li>• Funding</li> </ul>	

**10.5.4. Environmental management**

*Problem statement*

Cape Town's competitive advantage both as a location for tourism and as a place to live and work, is its unique biodiversity and natural heritage. The impact of settlement on the survival and quality of our unique bio-diversity is substantial. The ecological footprint of the city has expanded, our water and energy resources are being stretched to capacity and our parks and coast line are not being adequately protected for future generations. These factors are all exacerbated by the uncertain impact of climate change on the Cape Town functional region. There is some evidence to suggest that climate change could have a disproportionate impact on the ecology of the Western Cape with the potential to undermine agriculture and the tourism economy.

*Description of the intervention*

A City-wide environmental management plan that curtails the negative impacts on our natural heritage through promoting conservation, alternative technologies and stricter management is the central tool.

*Critical success factors*

- coordination with other spheres of government and within the city
- regulations and tariffs that encourage a change in the patterns of consumption
- political will

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Promote sustainable technologies with businesses</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Develop the programmes and regulations</li> <li>• Monitor adherence</li> <li>• Collect data and information that monitor the state of the environment and the impact of interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Aligned programmes</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Awareness and changed consumption patterns</li> </ul>

**10.5.5. Safety, security and risk management**

*Problem statement*

Often the poor do not have the same safety nets as the rich in the face of disasters. Consequently, they suffer disproportionately when disasters do occur be they human or natural disasters.

*Description of the intervention*

Important aspects of the intervention include City and neighbourhood disaster mitigation and management strategies, and appropriate minimum service levels and neighbourhood designs (including access for emergency services).

*Critical success factors*

- consultations with local communities, including business vendors
- Inter-governmental relations (IGR)
- disaster mitigation structures and early warning systems.

*Roles and responsibilities*

<b>EHD Department</b>	<b>Role of other departments</b>	<b>Other spheres of government</b>	<b>Public</b>
<ul style="list-style-type: none"> <li>• Identify the economic needs in disasters</li> <li>• Facilitate the provision of storage facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake co-ordination</li> <li>• Undertake disaster mitigation co-ordination and partnerships</li> <li>• Undertake disaster management</li> <li>•</li> </ul>	<ul style="list-style-type: none"> <li>• Provide co-ordination and information</li> <li>• Provide disaster relief funding</li> </ul>	<ul style="list-style-type: none"> <li>• Establish community networks</li> </ul>

## 11. Priorities

This EHDS has three thrusts – poverty reduction, empowerment and economic growth. Overall, these are interdependent imperatives, though at times they will be competing for resources.

The blue highlights indicate the priority mandates which lie outside the EHD Department namely infrastructure, basic service, public transport and environmental management, and the green highlights the EHD Department's priorities. IN budget terms the EHD Department prioritises both marketing and investment promotion through its support for Cape Town Routes Unlimited and Wesgro. However in terms of staff time and investment the department prioritises skills development (facilitation role in partnership with other agents), business support and creating an enabling business environment.

Enhance global competitiveness ←			→ Targeted poverty reduction	
1 Developed economy:	2 Economies of the poor:	3 Economic bridges:	4 Services:	5 Human, social & natural capital:
Sector support	Skills development and training	Supply chain management and development	City planning	Continuous education – ECD and ABET
Destination brand management and marketing.	Informal trade support.	Use of state owned assets	Basic services including water, sanitation, waste and electricity (& indigent policy)	Youth and other vulnerable groups' programmes
Investment promotion	Low-skilled job creation (e.g. EPWP)	Infrastructure development	Housing – both subsidised and gap housing for the 'un-bankable'	Community development including sports
Area targeting and management.	Business support.	Enabling business environment	Public transport	Environmental management
Business and consumer security.	Business and consumer security.	Research and information	Health and social services including access to grants	Safety, security and risk reduction

## 12. Implementing the strategy

The implementation of the strategy to reduce poverty, foster empowerment and grow the Cape Town economy cannot be left to the EHD Directorate alone. It requires a multi-sectoral and multi-disciplinary approach. In the first instance, it requires local government to get the fundamentals in place.

The detailed implementation plan is fleshed out in the EHDS Part 2:Implementation Plan. This part of the strategy will be reviewed every 2 to 3 years.

### **12.1. Next steps within Council**

Within the City the strategy binds almost every directorate to play its part in ensuring shared growth across the city. The EHD Directorate has engaged its sister directorates in a process to commit resources to the achievement of the strategy.

The EHD Directorate will support its sister departments through:

- strategic support through meeting with branches to determine their role and the implications for their programmes, budgets and staff allocations
- meeting with the functional areas to interpret the Strategy and its implications
- providing information and facilitating co-ordinated action on target sector strategies and requirements
- providing information on existing economic data and research available
- drawing up terms of reference for research to understand the economy and determine the economic impact of a programme or project
- advice on development of business sites
- opportunities for low-skilled job creation e.g. EPWP
- connectivity to existing economic nodes
- facilitation of private sector investment.

### **12.2. Other economic stakeholders**

The City is just one player responsible to implementing this strategy. It works in partnership with national and provincial government to deliver government programmes and commitment to residents.

It also works in partnership with the private sector to grow the economy, create the economic opportunities and ensure participation is broadened. This happens through formalised partnerships and regular meetings with the business sector.

Finally the City works with non-governmental organisations, community organisations, universities and other civil society bodies who have a role to play in assisting it deliver its services, ensure the poor access services and in disseminating information.

## **13. Conclusion**

The notion of a 5-star strategy implies not only a standard of excellence but also provides an overview of what local government can and should do to support economic and human development. These strategies and their implementation, once endorsed by Council, will be monitored on a regular basis. Evaluation of the 5-star Strategy will lead to its review in 4-5 years' time.

## 14. References

- i. Going Global, Working Local, Cape Metropolitan Council, 1999
- ii. Local Area Economic Development toolkit, J Boulle, City of Cape Town, 2004
- iii. Towards a shared vision and city development strategy economic development trends and future prospects, Wolpe R, City of Cape Town, July 2005
- iv. An Overview of the City of Cape Town, K Smith, City of Cape Town, July 2005
- v. Micro-economic development strategy synthesis report, Western Cape Province, 2005
- vi. Provincial Economic Regional Overview (PERO), 2005
- vii. City of Cape Town website, [www.capetwon.gov.za](http://www.capetwon.gov.za)

## Annexure 1: Policy mandate legislation

<p><b>Local Government National EHD mandate</b></p> <ul style="list-style-type: none"> <li>• RDP, 1994</li> <li>• Constitution, 1996</li> <li>• Local Government White Paper, 1998</li> <li>• Municipal Systems Act, 2000</li> <li>• Dept of Trade and Industry Micro-Economic Reform Strategy, 2001</li> <li>• Urban Renewal Programme, 2001</li> <li>• Integrated Sustainable Rural Development Strategy, 2001</li> <li>• Growth and Development Summit Agreement, 2003</li> <li>• Preferential Procurement Framework Act, 2000</li> <li>• Board based black economic empowerment Act, 2003</li> <li>• DPLG Policy guideline for implementing LED in SA, 2005</li> </ul> <p><b>Local Government Provincial EHD mandate</b></p> <ul style="list-style-type: none"> <li>• White Paper on Knowledge Economy of the 21 Century, 2001</li> <li>• Provincial Spatial Development Framework, 2004</li> <li>• Ikapa Elihlumayo, 2004</li> <li>• Provincial Growth and Development Summit, 2003.</li> </ul>	<p><b>Presidential Programme of Action, 2005</b></p> <ul style="list-style-type: none"> <li>▪ Increase investment in the 1<sup>st</sup> economy including lowering the cost structures in the economy and improving competition</li> <li>▪ Key sector development strategies</li> <li>▪ Enhance economic inclusiveness and equity opportunities</li> <li>▪ Develop a labour force with appropriate skills</li> <li>▪ Increase R&amp;D spending and the diffusion of new technologies</li> <li>▪ Equitable geographic spread of economic activity</li> <li>▪ Co-ordinate 2<sup>nd</sup> economy interventions, including EPWP, CHW and ECD, a Financing Protocol for the Urban Renewal and Rural Development Nodes, Land Reform for Agricultural Development process and Comprehensive Agricultural Support Programme and Extend mass communication campaign to inform citizens in the second economy about opportunities</li> <li>▪ Increase income from agricultural activities including Support programmes for cooperative enterprises, Re-establish the Agricultural Credit Scheme, and accelerate the comprehensive farmer support programmes to boost rural economies</li> </ul>
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