



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

INCLUSIVE ECONOMIC GROWTH STRATEGY

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Definitions and Abbreviations

Term	Definition
Business Improvement Zones	Business Improvement Zones or Districts are defined area within which businesses are required to pay an additional tax (or levy) in order to fund projects/services within the district's boundaries. Projects/Services can include cleaning, safety, lighting and landscaping for residents, visitors and businesses.
The City	The City of Cape Town, a municipality established by the City of Cape Town Establishment Notice No. 479 of 22 September 2000, issued in terms of the Local Government: Municipal Structures Act, 1998 (Act No. 117 of 1998), or any structure or employee of the City acting in terms of delegated authority.
City Improvement District	A non-profit organisation established in terms of the City's Special Rating Area By-law, 2012 operating within a defined geographical area and providing services for the enhancement of the physical and social environment.
Cities Support Programme	The Cities Support Programme is a multi-year demand-driven umbrella programme within National Treasury that aims to support the development of productive, well-governed, inclusive and sustainable cities.
Climate Change	Any change in climate over time, whether due to natural variability or as a result of human activity
Climate Change Policy	City of Cape Town Policy Number 46824 approved on 27 July 2017 and accessible here .
Constitution	Constitution of the Republic of South Africa, 1996
Dark Fibre Infrastructure	"Dark fiber" refers to fiber optic cable that has been laid in the ground but isn't being used. Dark fibre exists because in some areas there's extensive fibre optic infrastructure in place, but not all of it is in use. More cabling might be laid out than needed – due to future-proofing strategies – so the physical cables are able to support private operators who want their own connections.
Data Strategy	Internal City of Cape Town document approved on 27 June 2018
Dependency Ratio	A metric for how many people depend on those of the working age.
Energy 2040 Goal	This is the City of Cape Town's current approved long-term climate change mitigation and sustainable energy plan. It aims to drive action, programs and institutional and strategy changes to address energy security and the City's high carbon footprint. Energy2040 is currently being updated to a more ambitious plan consistent with the Paris Agreement under the C40 Deadline 2020 Program
Environmental Strategy	City of Cape Town Policy Number 46612 approved on 24 August 2017 and accessible here .
Gini Coefficient	The extent to which the distribution of income among individuals or households within an economy deviates from a perfectly equal distribution, with zero representing perfect equality and one representing perfect inequality.
Green Economy	Expanded economic opportunities through the provision of goods and services and the use of production processes that are more resource efficient, enhance environmental resilience, optimise the use of natural assets and promote social inclusivity
Independent Power Producers	Is a non-government owned entity which operates energy generating facilities for sale to a utility, government buyer or end user.
Informal Sector	According to the International Conference of Labour Statistician, there are two components to this definition: i) Employees working in establishments that employ fewer than five employees, who do not

	deduct income tax from their salaries/wages; and ii) Employers, own-account workers or persons helping unpaid in their household business who are not registered for either income tax or value-added tax
Intergovernmental Relations Framework Act	Act No. 13 of 2005
Investment Incentives Policy	City of Cape Town Policy Number 12506 approved on 31 May 2018 and accessible here .
MetroRail	Metrorail, operates commuter rail services in the major cities of South Africa. Metrorail is a subsidiary state owned enterprise of PRASA (the Passenger Rail Agency of South Africa)
Municipal Spatial Development Framework	City of Cape Town Policy approved on 25 April 2018 and accessible here .
MyCiti	MyCiti is Cape Town's version of bus rapid transit (BRT), a form of public transport service pioneered in South America and widely adopted in cities across the world.
National Land Transport Act	Act No. 5 of 2009
Non-tradable inputs	Typically, non-tradable inputs include such items as electricity, water supply, all public services, hotel accommodation, real estate, construction, local transportation; goods with very high transportation costs such as gravel; and commodities produced to meet special customs or conditions of the country.
Open Data Policy	City of Cape Town Policy Number 27781 approved on 25 September 2014 and accessible here .
Open Data Portal	A resource for accessing City of Cape Town approved data in terms of the Open Data policy and accessible here .
Resilience Strategy	City of Cape Town Policy approved on 22 August 2019 and accessible here .
Sector Plans	Internal City government strategy documents identifying long-term capital investment needs for each administrative portfolio
Shocks	Sudden events that threaten, disrupt or damage a city.
Special Economic Zone	A geographical area designated for economic activity and subject to customized regulations, established in terms of the Special Economic Zones Act 16 of 2014.
Strategic Management Framework	Strategic Management Framework is a tool to: Ensure that strategy informs the budget in order to ensure strategy implementation; Enable coherent planning for the short to medium term; Create and prioritize project pipelines from technical perspective; Leverage opportunities such as identifying points of integration and other efficiencies; Collectively identify corporate strategic risks and to manage these.
Stresses	Ongoing trends that undermine, weaken or compromise a city.
Embedded Sustainability	Embedding economic growth into society, itself embedded within and inseparable from the natural environment, so that future generations are enabled to meet their needs, either environmentally, economically or socially.
Tourism Development Framework	City of Cape Town Policy approved in 2013 and accessible here .
Township	A dense urban settlement of poor and historically marginalised communities, comprising residential areas of formal and informal housing and characteristically excluding commercial centres of formal businesses and areas of industrial activities.

Township Economies	Economic activity, either formal or informal, located within geographical areas usually on the periphery of commercial or industrial activity.
Urban Development Zones	A tax incentive administered by SARS to encourage private sector led residential and commercial development in inner-city area with developed public transport facilities.
Unemployment (strict)	Unemployed persons who continue to take active steps to look for work or to initiate their own economic activity.
Unemployment (broad)	Unemployed persons who have been discouraged from seeking employment or from being economically active.
Water Strategy	City of Cape Town Policy approved on 30 May 2019, accessible here .

ACSA	Airports Company South Africa
B-BBEE	Broad-Based Black Economic Empowerment
BRT	Bus Rapid Transit
CHEC	Cape Higher Education Consortium
CITP	Comprehensive Integrated Transport Plan (2018-2023)
CSP	Cities Support Programme
CV	Curriculum Vitae
DTI	Department of Trade and Industry
EdTech	Educational Technology
EPWP	Expanded Public Works Programme
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HSS	Human Settlements Strategy
IPAMS	Immovable Property Asset Management System
IPAR	Immovable Property Asset Register
IPEA	Institute of Applied Economic Research
IPPS	Independent Power Producers
MOOCS	Massive Open Online Courses
MSDF	Municipal Spatial Development Framework
NCD	Non-Communicable Diseases
PRASA	Passenger Rail Agency of South Africa
SANPARKS	South African National Parks
SETA	Sector Education and Training Authority
SEZ	Special Economic Zone
SPV	Special Purpose Vehicle
TVET	Technical and Vocational Education and Training
UDZ	Urban Development Zone

Introduction and Executive Summary

This Strategy is a short, medium and long-term plan for addressing the economic crisis facing Cape Town within the greater South African context, and for identifying comparative advantages that can be leveraged. The Covid-19 pandemic has exacerbated pre-existing economic challenges characterised by inadequate economic growth, entrenched inequality and widespread unemployment that are prevalent throughout the nation.

As a priority, these challenges must be addressed through improved collaboration between the city government, private sector, and other spheres of government in order to identify and implement sustainable solutions.

The Strategy recognises that inclusive economic growth can contribute to the alleviation of existing poverty and inequality as well as the improvement of livelihoods for current future generations of Capetonians. The Strategy therefore represents a continuing commitment to growth that will be supported by an ongoing programme of implementation.

This Strategy is the successor to the City's 2013 Economic Growth Strategy. Nationally and locally, the economic environment has deteriorated since the adoption of the previous strategy. This document has been adapted during the peak of COVID-19 in South Africa and was initially developed at a time when the country was experiencing a technical recession.

The implementation plan, flowing from the IEGS, will be implemented, monitored and evaluated over a five-year period. However, it is expected that the effects of the initiatives would be beyond the economic horizon of the strategy.

The average economic growth rate for Cape Town in the five years preceding the approval of the 2013 document was 2,6% (this included a -1,2% growth rate during the global recession in 2009), while the average growth rate in the five years preceding 2019 has been 1,5%. The original Strategy could leverage reasonably healthy levels of business and investor confidence. This is no longer the case, and conditions necessitate a shift in the balance of the City's efforts to position Cape Town for economic growth.

Key developments at both a global and national level have altered the economic landscape in which any economic growth strategy now sits. The most prominent of these is the Covid-19 pandemic and accompanying national lockdown. Despite being primarily a healthcare crisis, the pandemic has had an indelible impact on the local economy, with widespread job losses and business closures. Nevertheless, it must be emphasised that the pandemic merely compounded a pre-existing downturn.

From an international perspective, commodity exports have played a declining role in the growth prospects of emerging countries and global trade protectionism has increased – with both trends expected to have negative impacts on South Africa's economy. At a national level, various contributing factors have led to increased reticence among foreign investors to invest in South Africa – this was further compounded by, or perhaps simply expressed in, ratings agency downgrades. Protracted periods of load-shedding and an increase in value-added tax have meant that domestic consumer confidence was already at a very low level. The strain on the national fiscus, exacerbated by the financial crises in key state owned enterprises, had a direct impact on Cape Town, including through a risk of a ratings downgrade and cuts to the budgets of national and provincial government departments which provide critical services in the city. These are expected to worsen in the face of Covid-19.

Since the first EGS was released two global, disruptive trends have gathered pace prior to the Covid-19 pandemic, and will continue to impact Cape Town significantly in the next decade. The first is climate change, which will increase the frequency and intensity of extreme weather events such as the recent drought or heat waves. The urgent need to scale up the transition to carbon neutrality by 2050 represents opportunities for Cape Town as a leading city in South Africa on renewable energy. The second significant trend is technological change, and in particular the internet of things and artificial intelligence. This creates threats to some types of jobs, but it also creates significant opportunities for Cape Town based technology businesses and for the use of big data to solve complex urban challenges. This is all the more relevant in light of increased emphasis on physical distancing.

A range of other pertinent developments have been evident at a local, city-level. Some of these have been positive, such as the designation of Atlantis as a Special Economic Zone (SEZ). Possibly the most prominent negative development prior to Covid-19 was the multi-year drought experienced by the city and surrounding region. The drought highlighted the need for Cape Town's economic growth to be not only inclusive, but also sustainable and resilient; able to adapt to and survive shocks and stresses. Covid-19 has had a similar impact.

Despite having been a serious disruption to economic growth and with significant repercussions for various industries including agriculture and tourism, the response to the drought illustrated the ability of the city as a whole to respond to and absorb the impacts of such shocks, fostering greatly improved resilience as a result. As a whole, Cape Town has performed significantly better under the prevailing economic circumstances than most other metro areas, a testament to the city's comparative advantages and the development of policy and infrastructural initiatives that have cultivated a business-friendly environment.

Cape Town is facing a serious economic challenge, characterised by declining economic growth, inadequate employment growth and job creation, and entrenched inequality in an already unequal society. It is incumbent upon city governments to proactively respond to this challenge as best they can within their limited mandates. This strategy is a necessary component of that response and comprises:

- a categorization of some of the foremost problems Cape Town faces (Chapter One)
- a set of principles that are relied on in stimulating inclusive economic growth (Chapter Two)
- the structure and scope of the City's response (Chapter Three)
- a conceptual framework from which initiatives have been developed and prioritized (Chapter Four).
- the City's core offering to support inclusive economic growth (Chapter Five)
- an emphasis on support for business at a firm and individual level (Chapter Six).
- support for the supply side of the economy (Chapter Seven); and
- effective place-making, place marketing and suitability as an economic destination for a host of purposes (Chapter Eight).

The conceptual framework underpinning this Strategy places core City services at the heart of inclusive economic growth, to ensure that initiatives aimed at supporting sectors, businesses, household or individual growth is meaningful and sustainable. The framework acknowledges the need for support of the labour markets and for stimulation of investment through various

channels, and notes that allocation of resources between these areas of intervention must be reflective of broader economic context.

The Strategy is informed and augmented by the Economic Analysis contained in Annexure A – which has been compiled at the time of drafting. The City firmly believes that inclusive economic growth is the best way to alleviate this economic crisis and is committed to using levers available to the metro government, supported by evidence and as a result of ongoing, meaningful engagement with affected stakeholders. To this end, a framework for effective implementation, monitoring and evaluation comprises part of this document. The implementation and evaluation frameworks will guide the work of the administration. This is not a task limited to the City government as a single organization. It is intended to speak to the needs of the city as a whole and includes initiatives where role-players in the private or not for profit sector are best placed to be leading the way, with the City enabling or facilitating them. This Strategy will necessarily align with and link to various other key, high level strategies at the City, including the Resilience Strategy and the Social Development Strategy. Finally, it is important to note that the implementation of this Strategy is subject to availability of funding for the various initiatives and programmes identified. Covid-19 has had a significant impact on all three spheres of government and their respective budgets. Nevertheless, this document has established an ambitious agenda that will be pursued to the fullest degree possible.

Chapter One - Problem Statement

The full context of Cape Town's economic situation is contained in Annexure A – as compiled at the time of drafting. The key characteristics of this crisis can be captured in the following headline statistics however:

- From 2013-2019 Cape Town experienced a mere 1.53% increase in GDP – but combined with a 2.22% increase in population, GDP per capita in fact *decreased* by 0.46%.
- From 2008-2019 Cape Town's broad unemployment rate increased from 20,9% to 24,1% - but for youth the increase was from 42,25% to 48,49%.
- Cape Town's Gini Co-efficient has worsened slightly from 0,61 to 0,62, only marginally better than the national figure of 0,63 which is the joint worst in the world.¹

These impacts have been inevitably exacerbated by the ratings downgrade and Covid-19 pandemic experienced in 2019/2020 but for the most part are pre-existing and symptomatic of a wider, national economic crisis. For more information regarding these and other informative statistics, full perusal of Annexure A is recommended.

These challenges are far from unique to Cape Town or South Africa, and indeed are expected to be found in any developing country that experiences rapid urbanisation as a necessary component of economic development.² The strong correlation between urbanisation and growth in GDP per capita is typically accompanied by increases in three major risks associated with densification: crime, congestion and contagious diseases.³

The Covid-19 pandemic has brought contagion and inequality to the fore, with congestion having been temporarily subdued due to the national lockdown. In the medium to long run however, all three risks can be expected to worsen. The pandemic has brought further

¹ (World Bank, 2018)

² (Glaeser, E and Sims, H, 2015)

³ Ibid.

uncertainty and risk to an already precarious economic situation, with the result that various economic, financial, health and social shocks that were being experienced can now be considered long-term, chronic stresses.

These factors, as well as a host of other factors specific to Cape Town and South Africa, contribute towards fewer economic opportunities and reduced, less equal growth. Despite having shown remarkable resilience in the face of national economic challenges, Cape Town is nevertheless faced with the challenge of alleviating as many of the underlying barriers to inclusive economic growth as possible. Many of these are out of the City's control, either because they are the responsibility of another sphere or government, or because they operate on a regional or even global scale. Annexure B, read together with Chapter Three, identifies those levers falling outside of City control.

This revision of the City's Economic Growth Strategy is accordingly defined by the identification of the following key interrelated problems or challenges that do fall within its sphere of influence, to varying degrees:

Inefficiencies Faced by Businesses

Businesses are faced with *escalating costs on their non-tradable inputs*, as a result of volatile energy provision, rising fuel prices, traffic congestion, unreliable public transport, the recent drought, and various other factors, some of which are particular to Cape Town but most of which are national cost drivers.⁴ The regulatory environment also represents *administrative barriers* to doing business. In a global market, competitiveness is at a premium, with efficiency seeking investors prioritising markets where risk is minimized and profit margins are not just high, but stable. This is all the more relevant in the context of Covid-19, which has seen plummeting demand and profitability, with many businesses taking drastic steps to keep their books balanced or closing entirely.

Lack of Access to the Economy

Cape Town, as with all South African cities, is regrettably characterised by *significant spatial division*, a legacy of apartheid-era physical separation between high-income and low-income communities along racial lines. This is exacerbated by inadequate non-road public transport (despite City efforts to extend bus rapid transport and support Prasa in improving rail services), under capacitation of township economies, and the fact that most jobs are far away from most job-seekers. Lack of access is particularly prevalent in the context of *youth unemployment*, where asymmetry of information regarding the job market, lack of work experience and a disconnect between aspirations and realistic opportunities constitute barriers to entry.⁵ Similarly, *inadequate gender empowerment* has created an exclusionary culture in the economy that reinforces traditional social norms at the cost of economic potential. This imbalance has been exacerbated by Covid-19, with women and youths being particularly impacted by the wide scale job losses that resulted from the pandemic and ensuing lockdown.

Skills Deficiencies

Between 2015 and 2017, 79% of Cape Town's total economic growth was contributed by high skill/high-tech industries.⁶ Industries like ICT and businesses services are among the fastest growing in Cape Town and their skills needs are disproportionately on the higher end of the

⁴ (Accelerate Cape Town, 2019)

⁵ (De Lannoy et al, 2018)

⁶ (IHS Markit Regional eXplorer, 2021)

skills spectrum.⁷ In contrast, Cape Town's labour market is disproportionately growing at the lower end of the skills spectrum, creating an ever widening gap between supply and demand. High-end skills are potentially *costly to acquire* and are in high demand globally, potentially resulting in *poor attraction and retention of talent* once developed. Lack of access to higher education and skills development is exacerbated by high school dropout rates, which fall outside of the City's direct sphere of influence but should form part of an intergovernmental collaboration programme and can be addressed through partnerships with tertiary institutions.

The Western Cape historically has the second highest percentage of adults aged 23-28 with a tertiary qualification out of all the provinces, and has seen growth of 6.4% percentage points in this regard from 2002 – 2018, indicating that much progress is being made in this regard, with still more to be done for future generations of learners.⁸ There is a potentially problematic dynamic that can be expected in the wake of Covid-19 with delayed entry of graduates into the labour market due to school and university closures. The impact of this is yet to be fully understood, but it is likely to lead to even more congested job-seeking than is already the case.

Declining Private Investment

Even prior to Covid-19, South Africa was caught in a low growth cycle characterised by weak levels of domestic consumer confidence. Cape Town is not immune to this decline in confidence. Without meaningful private investment, either international or domestic, the local economy will continue to lag behind population growth. Barriers to attracting meaningful investment include a decline in *FDI confidence* in the wake of the broader South African challenges such as ratings downgrades and political instability and *safety concerns*.⁹ These and other factors necessarily contribute to *inadequate business growth and increasing risk of firm failure or closure*. This has been compounded by Covid-19, which has seen a shrinkage of FDI generally.

Inadequate Public Investment

All spheres of government have a clear role to play in enabling the economy through well-placed and strategic investment, particularly in relation to public infrastructure and service provision, as well as in their role as consumers of privately generated goods and services. Underinvestment in key service areas by the City, or by other spheres of government and state-owned enterprises, places pressure on individuals and the private sector to compensate despite not necessarily being well placed to do so. Key examples of this include public transport in the form of the Metrorail system and inadequate investment in safety and security by national government. With private investment expected to decline ever more than usual, there will be added pressure on government to use its capital budgets strategically and sustainably.

Stagnant Township Economies

Generally, Township Economies in South Africa are located in areas far from the city urban core and economic nodes, and where high levels of poverty, unemployment and various social ills are prevalent. Townships commonly contain high population densities of low-income

⁷ (LinkedIn, 2017)- embodied by the demand for software developers, coders, data scientists and digital marketers.

⁸ (Statistics South Africa, 2018)

⁹ (Strategy&, 2018)

households with relatively low purchasing power, as well as lower education and skills base. These characteristics make townships a difficult environment to achieve sustained business development and investment, however township economies arguably offer the most opportune spaces for inclusive economic development, poverty reduction and social stability, and are often productive environments for informal business activity.¹⁰ It is therefore vital that township economies be enabled to grow and flourish where they are most accessible and can have the most direct impact on livelihoods.

Comparatively Small Informal Sector

The City recognises the critical role and contribution of the informal economy in reducing unemployment and acting as a social safety net – particularly as Covid-19 has compounded pre-existing unemployment and poverty. However, Cape Town's informal sector is comparatively small by emerging country standards, particularly in the context of high levels of unemployment in the formal sector.¹¹ A key challenge which this IEGS seeks to address is lowering the barriers to entry and growth for informal sector participants.

As with the formal sector, a *lack of skills*, particularly relating to the operating of a business, is a key constraint to the growth of informal sector enterprises. Most informal businesses *battle to access high-growth markets and the capital* required to diversify and scale up their activities, and as a result are left to compete fiercely for market share at the local level servicing lower-income consumers, leading to low and precarious profit margins¹². More support is needed with respect to access to financing in this sector, as well as the provision of business support to assist small scale producers with accessing formal value chains.

Furthermore, the conditions in which informal economy actors operate are often characterised by *low-quality urban spaces* with limited amenities and services. Informal businesses are generally more affected by *crime and insecurity*, and the unregulated nature of the informal economy also increases opportunities for exploitation. The legislation and regulations governing business licencing and other regulatory requirements, such as land use and building approvals, are designed for formal businesses and often are not relevant to the realities of the informal sector. The costs associated with regulatory compliance represent a disincentive to formalisation, which may hamper the growth of informal enterprises.

A key challenge for the City in supporting informal sector development is the scarcity of data about the size, location and activities of the informal economy, as well as a lack of organisational coherence that makes it difficult for the City to engage. Lack of information about the lived reality of those working informally and their priority needs is also a challenge. Another challenge is being clear on what role a City government can effectively play in supporting the informal economy, relative to other stakeholders.

Climate change and Unsustainable, Unequal Resource Use

Climate change is one of the greatest risk factors for socio-economic stability and growth globally, and is a multiplier of pre-existing social disparities with poorer communities most at risk of climate change impacts.¹³ Climate change is linked to various shocks that Cape Town may already be at risk of, including a decrease in annual average rainfall and changed seasonality in rainfall; an increase in mean annual temperature, including more frequent and intense hot days; an increase in average wind speed and maximum wind strength, and increase in both

¹⁰ Economic Development Partnership – Township Economies

¹¹ (International Labour Office, 2018)

¹² HSRC 2018

¹³ (World Economic Forum, 2017)

the intensity and frequency of storms and sea-level rise.¹⁴ Each of these has the potential to disrupt economic activity and significantly damage vulnerable communities. Cape Town is all the more vulnerable to this by virtue of its integration in an agricultural economy within the Western Cape, with the regional food and beverages sector generating approximately 50 000 jobs between 2010 and 2015.¹⁵

Unnecessary wastage represents a burden on the City's waste disposal systems and is responsible for substantial carbon emissions, while also posing an opportunity cost to the local economy resulting from inefficient supply chains and lost opportunities for circular economy linkages. In the wake of the drought, 'wise' water usage practices must be maintained by Cape Town residents and supported by the City while steps are taken to diversify the water supply.

Safety and Security Vulnerabilities

As with any major metro in South Africa, Cape Town remains a dangerous city for many within it, particularly in low-income communities.¹⁶ Crime both impacts and is impacted by low economic growth and a lack of opportunity, often exacerbating pre-existing inequalities and risks arising from extreme poverty or social discord, including gangsterism. Many of these are linked to growing levels of hunger and overall lack of access to sustainable resources. For informal economic actors, often without access to law enforcement, vulnerability to theft or extortion is likely to critically undermine productivity.

For businesses looking to establish themselves or grow, the burden of private security to supplement under-resourced police services is an added cost that compromises competitiveness and adds risk. For individuals commuting long distances at irregular times, the constant risk of attack may be enough to discourage employment altogether. Safety and security is an enormous challenge facing Cape Town's economy and one which the City government cannot tackle alone.

Inadequate Levels of Economic Collaboration

Any economy seeking to increase its competitiveness must necessarily rely on collaboration between public and private stakeholders operating at various levels.¹⁷ Despite many of Cape Town's challenges being localised or unique to the city, there is no escaping the broader national economic and policy context, and many of the most fundamental economic barriers fall outside of the City's direct mandate. *Intergovernmental relations* between the City, Province and National governments are too often unproductive or duplicative, and the City has too often been forced to rely on legal challenges in an effort to coerce policy changes at a national level that could far more easily have been achieved through direct collaboration. In terms of the private sector, spheres of government too often *lack sufficient business intelligence*, meaning even decisions taken in good faith can be inaccurate or unconstructive. Further to this is the need for those working within industries, particularly in the informal sector, to collaborate with one another. In the absence of established platforms for this, the City is well-placed to be assisting.

The risk inherent in *weak economic partnerships* is that decisions will be taken based on assumption or anecdotal evidence, rather than reliable data or shared interests. This includes

¹⁴ (A Status Quo, Vulnerability and Adaptation Assessment of the Physical and Socio-economic Effects of Climate Change in the Western Cape, 2005)

¹⁵ Trade and Industry Policy Strategies, 2016

¹⁶ (South African Cities Network, 2019)

¹⁷ (World Bank, 2015)

the possible *misalignment of academic pathways and skills development* with the needs of the economy.

Loss of productivity due to ill health

South Africa has historically faced a quadruple burden of disease, compounded in urban areas by continued inward migration of people seeking employment and services, including health care. Included in this quadruple burden were HIV/AIDs, tuberculosis, non-communicable diseases (NCDs) such as diabetes, hypertension and mental health conditions, and physical injuries, generally as a result of violence. All of these have had a direct impact on productivity and – in the case of NCDs in particular – are directly linked to poor diet and nutrition insecurity. They are now joined by the lingering impacts of Covid-19, which has been shown to be highly communicable, as well as debilitating in the short term and potentially fatal. Furthermore, the lingering presence of the pandemic has seen a reduction in formal health seeking behaviour, as the number of non-essential visits to healthcare practitioners has dropped off for fear of infection. The longer term implications of this are yet to be felt.

The link between the economy and health has been made particularly clear by the global downturn in the wake of Covid-19, which has seen an increasing number of travel bans and supply chain disruptions, as well as a slowdown in world trade generally. Countries like South Africa, with higher than average burdens of disease, are particularly vulnerable to pandemics, and informal communities within those countries are the most vulnerable of all.

Mental Health conditions are an additional, and ongoing barrier to economic growth. In 2003, in South Africa, the projected total annual cost of lost earnings due to major depression and anxiety was US\$3,6 billion.¹⁸ These figures do not encapsulate the indirect costs due to lost productivity, unemployment, care giver burnout and negative impact on the family.¹⁹

Due to the high economic burden of ill health, provision of adequate, accessible health care is an essential part of an economic growth plan. Improved partnerships with Provincial and private providers of health are required, as well as appropriate resourcing for City Health facilities and programmes, such as the Matrix Programme for Substance Abuse. While this is an important component of the broader economic challenge, the City government's role as a partner to the Western Cape Government in responding to this challenge is detailed in other policy documents more comprehensively, including the Social Development Strategy and the Resilience Strategy.

¹⁸ (Lund C, Myer L, Stein DJ, Williams DR, Flisher AJ. , 2013)

¹⁹ (Jacobs N, Coetzee D. , 2018)

Chapter Two - Principles and Vision

In addressing the problem areas identified in this document, the City will be adhering to the following key principles:

Inclusivity

South Africa is burdened by a history of inequality along lines of race, gender, culture, and other grounds. It is incumbent upon the city governments to play a leading role in addressing these inequalities. This duty is founded in the Constitution as well as the City's own IDP - which contains a commitment to economic inclusion as a strategic priority. This commitment is extended in the City's MSDP, with the realisation of a more inclusive, integrated and vibrant city as one of its primary spatial strategies. Any city that achieves economic growth and provides services will inevitably attract new arrivals, particularly people with low income, seeking opportunity, and therefore will always face inequality at some level. Nevertheless, the City is committed to working with residents and partners in addressing and alleviating structural inequality through social mobility for all residents. It is vital that all within Cape Town are given the opportunity to reach their potential irrespective of their identity or background.

One of the impacts of Covid-19 has been widespread job losses, particularly in low-income sectors. Women have been disproportionately impacted by this, in exacerbation of pre-existing disparities of opportunity. It is therefore more important than ever before to ensure equal, inclusive access to economic opportunities.²⁰

In order to be more inclusive, Cape Town's economy must support and enable all participants.

Competitiveness

Much like the rest of the country, Cape Town's unemployment statistics reveal the presence of a large work-force that is ready and eager to supply relatively unskilled and labour-intensive sectors. At a national level, 57% of the approximately 6,7 million unemployed persons had an education level below matric, with a further 33,4% holding only a matric.²¹ Unfortunately, the economy has failed to correspond to this, as growth has rather been seen in the demand for high-skilled labour. The challenge for the City is therefore to balance the needs of the two ends of its local economic spectrum – one on the leading edge of a new era of technological innovation, and the other struggling to still establish itself in existing or declining sectors.

As an imperative, the City must provide a competitive and enabling platform for businesses, individuals and institutions (e.g. universities) to adapt and remain competitive. Additionally, the City must partner with the academic institutions and the private sector to enable the labour market to adapt to new high-growth, tradable sectors, while remaining an attractive destination for businesses that offer employment opportunities.

In order to be more globally competitive, within South Africa and internationally, Cape Town's economy must become more productive and adaptable to changes in local and global markets.

²⁰ (National Income Dynamics Study, 2020)

²¹ (Statistics South Africa, 2020)

Connectivity

Physical and electronic access to job opportunities, centres of labour, transport networks or adequate and affordable housing all play a significant role in social mobility and the ability to create intergenerational wealth. A disproportionate number of Cape Town residents, especially job seekers, reside in densified areas in the southeast of the city, despite the majority of job opportunities being located in three primary economic nodes: City Business District; Century City and Bellville/Tygerberg. Inclusive economic growth requires the mitigation of the impact of physical separation by way of an environment that allows for social and spatial mobility and which stimulates economic activity and community building.

In order to be more accessible, Cape Town's economy must reduce barriers to entry that are based on location.

Resilience

Resilience is a guiding principle of the IDP, and is defined in this context as the capacity of individuals, systems or organisations to survive, overcome, adapt and thrive, irrespective of chronic stresses and acute shocks experienced by them. A resilient economy is one that reduces and manages the stresses that inhibit economic productivity, innovation and adaptability, and is prepared to respond to any shock event, such that the economy can grow in an inclusive manner and contribute towards a thriving society for all. This has been brought to the fore by the Covid-19 pandemic, and more so than ever before there is a pressing need for Cape Town's economy to be one that supports as many people as possible – economically as well as socially.

This principle is represented directly by the City's Resilience Strategy, but in order to be effective it must be embraced by all high-level City policies and strategies.

In order to be more resilient, Cape Town's economy must be able to withstand and adapt to shocks and stresses.

Embedded Sustainability

Development that contributes to, rather than compromises, a sustainable future, catering not only to the needs of current residents but also to future generations, is a fundamental component of every City strategy. Priority 4 of the IDP aims to promote resource efficiency, diversify resource consumption, and manage, protect, rehabilitate and restore green infrastructure. The City's Climate Change Strategy, Environmental Strategy and the Energy2040 Goal speak to the broader commitment to embedded sustainability. This Strategy seeks to align inclusive economic growth with the commitments of embedded sustainability.

In order to be more sustainable, Cape Town's economy must grow in a way that works to achieve City targets and commitments to global environmental challenges and which does not compromise the city's natural environment.

Collaboration

Job creation is driven by private enterprises, but the public sector must create a favourable business environment to enable this. Inclusive economic growth will depend on how well all stakeholders can work together to achieve their mandates.

In order to be more collaborative, Cape Town's economy must involve a coordinated effort from all partners and residents.

Accordingly, the City's economic vision is that:

"By coordinated action between all sectors of society and spheres of government a business-friendly environment will be forged that will enable businesses to grow and create jobs, whilst adapting to market changes and empowering individuals to be economically active and socially mobile. The City will ensure it plays its role in creating more shared and greater prosperity."

Textbox 1: What has the City done since the first economic growth strategy?

Since 2013, and aided by the previous Economic Growth Strategy, the City has taken numerous steps to make Cape Town a more attractive place for economic activity.

The development of a dedicated Enterprise and Investment Department, with a mandate to attract investment and support commercial activity through sector support, business retention and expansion, and risk mitigation sends a strong message that Cape Town is open for business and that the City in particular is geared to work with investors, rather than against them.

The City has continued to maintain and expand its infrastructure offering, building on an excellent foundation of road, electricity and bulk service provision networks that seek to ensure connectivity for residents throughout.

Despite having faced challenges beyond its control in the provision of water and electricity, the City has adopted a resilient approach, working to mitigate the impacts of the most severe drought in over one hundred years, and to diversify energy provision for increased resource dependability that individuals and businesses can rely on.

For the 2019/20 financial year, the City's SPVs and Wesgro facilitated investment worth R8bn, that resulted in the creation of 6583 direct jobs. The SPVs also facilitated training for 2127 young beneficiaries in various sectors including green economy, ICT and BPO. In addition, since 2018, 614 graduates have benefitted from internships with host companies in the ICT sector.

The City has also driven the delivery of an ambitious "social package", which includes provision of free water and sanitation to indigent households on a monthly basis, as well as heavily rebated waste removal and a free electricity stipend up to a prescribed threshold for properties below a prescribed value. For the 2019/2020 financial year, the total value of this social package will be R2.97 billion.

Mobility in Cape Town has been a policy priority with the rolling out of Phase 1 of the MyCiti Programme and road congestion programmes while working with national government to resolve safety and efficiency concerns facing the MetroRail system. There has also been added focus on air travel, with over 750 000 inbound seats being added to the Cape Town International Airport network through the City's partnership with the Cape Town Air Access Programme. The added demand is driving expansion of the airport, not just as a transport hub but as a larger, more sophisticated business precinct.

Chapter Three – Scope

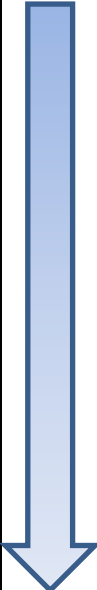
The scope and impact of any Economic Strategy developed by the City will, to some extent, be impacted by the scope of what is within the City's mandate and the level of commitment and partnership garnered from those who have a stake in the Inclusive Growth envisioned within this strategy.

Annexure B represents a summary of key areas of government affecting the economy that do not fall within the City's mandate, residing instead at a national or provincial level. Despite having constrained powers and functions, the City seeks to maximise its influence over all areas that affect the local economy, either through collaboration with other spheres of government or societal/industry partners who do have direct control, or through lobbying for change in the spirit of the Intergovernmental Relations Framework Act.

The following roles are available to the City in impacting on the economy, to varying degrees, and it is through these roles that the City will be seeking to implement this document:

Table 1: City Roles in the economy

ROLE	DESCRIPTION
Service Provider	Directly producing or distributing basic public services, such as water, waste or energy
Regulator	Creating, maintaining, relaxing or even removing parameters for economic activity, such as licensing requirements or zoning restrictions
Custodian	Controlling facilities for usage by private sector or members of the public, such as beaches or town halls
Consumer	Procuring goods or services directly from the private sector, such as catering, fleet management and professional services, as well as being an employer
Facilitator	Creating forums for engagement between other actors, such as hosting events and communities of practice, and encouraging clustering
Marketer	Communicating on the city's various programmes and attractions, such as promoting local tourism
Activist	Encouraging other actors to take action within their own spheres of influence, such as commenting on draft legislation, lobbying for regulatory changes or running public campaigns to change consumer behaviour.



More Direct

Less Direct

Chapter Four - Conceptual Framework

The World Bank's *Competitive Cities for Jobs and Growth Report* identifies that sustained long-term economic success is most likely to take place in cities that emphasize... "the growth of existing businesses, the attraction of outside investors, and the creation of new businesses."²² This can be achieved through policy levers, collaboration, and successful implementation and

²² World Bank – page 12

delivery. In the context of Cape Town, this extends beyond formal businesses or businesses to include individuals as well as the informal sector.

The Commission on Growth and Development's *Growth Report: Strategies for Sustained Growth and Inclusive Development* identifies a number of policy 'ingredients' to be included in an inclusive growth strategy such as this one, including but not limited to: high levels of investment, competition and structural change, increased labour mobility, and industrial policy.²³

Lessons have also been taken from the London School of Economics Growth Commission's *UK Growth: A New Chapter*.²⁴ Despite applying to an already developed country at a national level, the report's underpinning principles have a bearing on Cape Town's context. The Commission made two policy recommendations in particular that are applicable, regarding *Labour Markets and Inclusive Growth* and *Industrial Strategy*.

In terms of Inclusive Growth, the Commission advocates for an emphasis on continuous skill development and facilitating career progress to ensure the supply of a versatile labour market. In terms of Industrial Strategy, the Commission notes that so long as some government involvement in the economy is inevitable, it may as well be informed by extensive evidence. In an effort to address lagging productivity, a challenge shared by Cape Town, the Commission recommends elevating industrial policy and enhancing city-level growth policies with a focus on digital infrastructure, environmentally friendly transport and adequate housing, as well as improved collaboration between tertiary institutions and the private sector to improve competitiveness.²⁵

What has become clear in the development of this Strategy is the need for the City to embrace sustainable and responsible urbanization – by both formal and informal means - and to develop a response that maximises on the human and physical capital available in Cape Town without compromising on environmental imperatives by ensuring that economic activity is localised where it can be accessed and reducing barriers to mobility both in the physical sense, and socio-economically. The City needs to prioritise those enabling conditions/services that if it does not fulfil, will not happen. Providing and maintaining core service delivery mandates and functions in a consistent and efficient manner will remain the foundation to the City's approach to supporting inclusive growth.

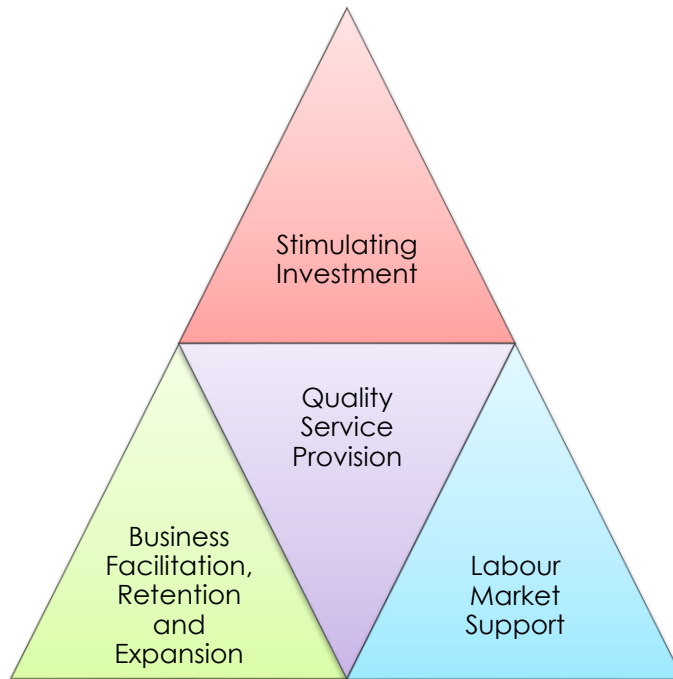
This Strategy relies on the above recommendations and lessons learnt in developing an overarching theoretical framework for inclusive economic growth, which identifies four broad categories of City-led involvement in the economy. This paradigm, shown in Figure 1 below, is adaptive and context-agnostic, meaning that it will continue to be applied in any scenario that the City may face. The *application* of the framework, however, must be responsive – as each economic scenario will require a customised balance of investment between each of the four inter-linked triangles.

²³ Commission on Growth and Development, 2008, *Growth Report: Strategies for Sustained Growth and Inclusive Development* accessed at http://siteresources.worldbank.org/EXIPREMNET/Resources/489960-1338997241035/Growth_Commission_Final_Report.pdf on 1 August 2019.

²⁴ (Commission, 2017)

²⁵ (Commission, 2017) Page 48

Figure 1: The triangle of City-led intervention



Under the current circumstances, Cape Town is faced with a severe economic decline that is unlikely to abate in the near future, exacerbated by the uncertainty of the continuing pandemic. With chronic unemployment and business collapse worsening and investor confidence waning on a global level, the City's application of the above framework – at least for the time being – must therefore concentrate resources where they can be most effective.

Figure 2: Prioritisation in response to economic context

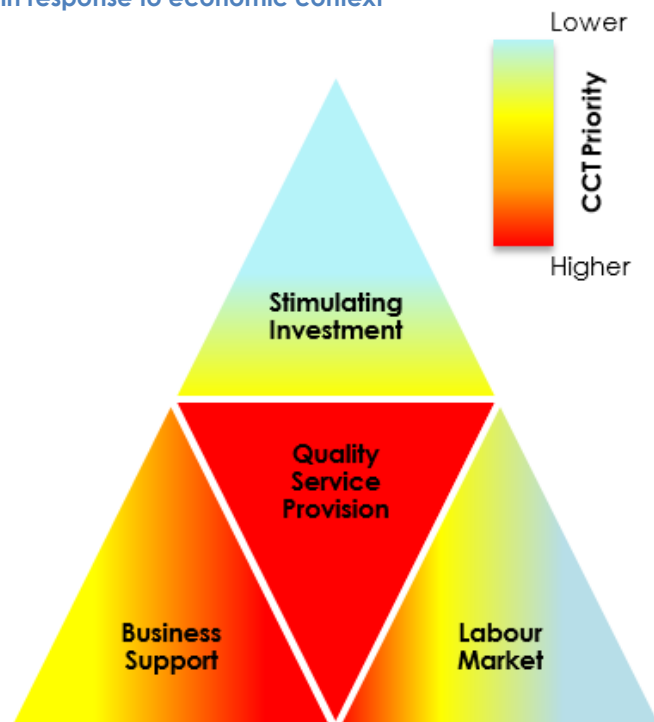


Figure 2 above shows the City's prioritisation of intervention in the face of the current economic crisis, with emphasis placed on quality service provision first and foremost, and business and

labour market support thereafter. It is important to note that the lifespan of this Strategy will see adjustment of its application in line with changing circumstances, however the impact of COVID-19 is such that the existing prioritisation is likely to persist for some time.

Summary of Chapter Themes

Chapter Five – Quality Service Provision relates to the City's core functions in creating a business-friendly environment that meets the basic needs of individuals and companies in a stable, reliable manner to reduce risk and inequalities. Service provision is intentionally at the centre of the diagram, because creating a reliable operating environment for businesses and individuals must be the primary role of the City in the economy. It considers the mandated City functions or those which the City is best placed to do. City efforts in the other components of the triangle will only be effective if the enabling environment has been created by doing the basics right.

Chapter Six – Business Facilitation, Retention and Expansion considers the specific needs of businesses in Cape Town, the challenges faced when competing within existing sectors, and the barriers to growth for new sectors as well as barriers to a more just economy that is sustainable, low carbon and resilient.

Chapter Seven – Labour Market Support emphasizes supply-side challenges, specifically around skills deficiencies and job-seeking inefficiencies.

Chapter Eight – Stimulating Investment is the proactive seeking out of new economic entrants to the local market, and speaks to the City's marketing and relationship-building efforts domestically and internationally.

In line with the World Bank's recommendations on competitiveness, these chapters present a 'menu of interventions' directed at increasing Cape Town's competitiveness in order to recover from the current crisis. This menu consists of both 'horizontal' interventions, aimed at improving the business environment across the board for all sectors, and more 'vertical' interventions that speak to the needs of certain sectors more than others.²⁶ Those constraints on the economy that are viewed as most binding on inclusive economic growth have been identified and addressed, for the benefit of multiple sectors simultaneously.

Finally, it is important to note that this document is best viewed as an adaptive, iterative strategy and is intended to operate in conjunction with a more detailed implementation plan.

²⁶ World Bank – page 12

Chapter Five – Quality Service Provision

The following initiatives are intended to serve as the foundation for the Cape Town economy and represent the City's basic service offering. Stability and reliability of basic services is a governmental responsibility, and while many of these initiatives should be considered business as usual rather than forming part of a strategy, the reality is that most cities – including Cape Town – can do this better, particularly in the context of significant uncertainties about the future. The recent drought, energy shortages and global pandemic experienced in South Africa illustrate that nothing can be taken for granted, and it is incumbent on the City to take active steps to provide a foundation with as much certainty and predictability as possible for individuals and businesses.

Textbox 2: Supporting entrepreneurship and the creation of new businesses – The Business Hub

A vital contributor to economic growth and job creation are entrepreneurs and the creation of new formal and informal businesses. While direct job creation is not a local government mandate, the City of Cape Town aims to create the right conditions and environment for work opportunities to be created by a flourishing small business environment.

The City's role in creating this enabling environment is primarily through the effective and efficient provision of quality basic services as well as access to high quality infrastructure, which in-turn affords businesses with access to both local, regional and international markets.

The City further leverages land within its property portfolio to support entrepreneurs and small businesses and to further improve access to consumers. This support also takes into account densification opportunities within the city to support market development and growth.

There is a significant drive towards improving application processes and procedures as well as the interface with government services to make it easier for entrepreneurs to interact with and complete the required formal processes needed to open and run a business. This also extends to ensuring that the City's Supply Chain Management processes are open and as easy as possible to navigate.

To assist in creating a conducive businesses eco-system for entrepreneurs and new businesses to thrive, the City established The Business Hub within the Enterprise and Investment department.

The Business Hub plays a coordinating function by providing a one-stop service for businesses to easily access information regarding City processes, working with City departments to resolve any blockages within the City's purview, as well as connecting to them to the full array of business support agencies that are able to offer them specialised support for their specific needs.

The Business Hub provides the following specific services:

- Starting and Growing a Business ("I want to start a business/expand my business and need support.")
- Red Tape ("I am struggling with a Red Tape issue which is hampering my business or report a City process.")
- City Projects ("I am interested in finding out more about specific City projects and would like to be connected to the relevant officials and line departments.")

- Investing in the City ("My Business/I want to invest in a new business. What regulatory requirements will I be expected to adhere to?")
- Enterprise & Supplier Development ("I want to do business with the City/ Government and don't know where to start?")
- Regulatory Compliance ("I want to do business in Cape Town and don't know which business processes/ registrations to comply with?")
- Other ("I need assistance and would like to be connected with an official regarding this issue.")

Since the opening of the Business Hub office in the Strand Concourse in August 2019, thousands of businesses have been assisted. In 2020, The Business Hub received 2850 service requests and resolved 98% of these within two working days. Over the last six months of 2020, the Business Hub supported 380 businesses with product and supplier development workshops, aimed at cutting red-tape to make it easier to do business and compete for big business.

With the COVID-19 pandemic adding limitations and pressures to the way business is done, the City launched the Mobile Business Hub in the beginning of 2021, to take the services offered on the road, bringing the right help to where businesses need it and supporting the growth and recovery of our vital SMMEs.

5.1 Higher Quality and Extent of Service Delivery

Basic utility service delivery is the core business of municipalities, supported by the other spheres of government. The quality and sustainability of the service delivery approach will directly impact on prospects of success for any other collective endeavour, private or public. These utility services include electricity and water provision, and waste removal, as well as the maintenance of storm-water systems to guard against flooding. Investment in infrastructure to better fulfil this service delivery role will also represent a much-needed stimulation of the local economy.

All economic actors, including households, rely on stability and reliability in the delivery of basic utilities in order to reduce costs and risks associated with business activities. There is a pressing need for active, co-operative relations with other spheres of government and the private sector, to ensure that all role players are contributing what they are best placed to provide to the market.

The City's safety and security role, while a shared competency with other spheres of government, is directly linked to service provision. Public transport services, particularly through busses and trains, are only reliable if they can be safely used. Similarly, tourists visiting Cape Town will only be encouraged to do so, and to make use of the facilities and experiences the city has to offer, if they can be assured of their safety. While these functions do not fall solely, or even primarily, on the City, it is too important to be overlooked.

In order to provide for reliable utility delivery at a high standard, the City will be pursuing the following activities:

- a) Continuing to advocate, as a matter of urgency, in favour of Independent Power Producers (IPPs) so as to promote the potential for job creation in related sectors, such as manufacturing, as well as to reduce the risk of load-shedding and curb carbon emissions by:
 - i) Lobbying national government to permit the procurement of electricity from IPPs.

- ii) Establishing an internal management framework reflecting financial implications in anticipation of such procurement.
- iii) Conducting in-depth analysis and feasibility studies into the production of energy from renewable sources at different scales, both embedded and wheeled through the national grid, to diversify the generation mix and reduce reliance on a single supplier.
- iv) Assessing the viability of City land holdings as energy production infrastructure sites.
- b) Developing proposals and conducting feasibility studies for alternative future scenarios that cater to the combined goals of environmentally sustainable energy generation, developmental cross-subsidization, and financial viability, bearing in mind potential implications for infrastructure and tariffs.
- c) Development and implementation of an Infrastructure Planning and Delivery Framework through which a multi-year pipeline of necessary projects together with implementation timelines can be established.
- d) Prioritising new bulk infrastructure provision in accordance with the MSDF, targeting areas where high levels of certainty exist for development in order to enable or accelerate investment – specifically the Urban Inner Core where well-located development support the existing and emerging public transport system is unencumbered by infrastructure capacity issues - and prioritising green/blue infrastructure where possible.
- e) Consideration of pro-active planning mechanism and zoning to accelerate and support development in spatially targeted locations by reducing red-tape.
- f) Undertaking sector planning, informed by land use model scenario(s) and effective monitoring and evaluation systems that quantify, spatialise and monitor demographic projections and land use trends with a 2040 time horizon.
- g) The implementation of the City's Water Strategy aimed at improving access to water and sanitation for a growing population, the implementation of water sensitive development towards the building of a water sensitive city, as well as resilience to shocks and stresses, including the diversification of sources of bulk water supply to reduce dependency on surface water.
- h) Identify the location of existing and potential informal trading areas or markets and prepare trading plans for these areas. These plans must include the provision of basic services (including increased waste collection services) and amenities to support informal economic activity and reduce negative externalities associated with unregulated business activity. Services would include hard landscaping and structures as necessary for ablution facilities and waste collection/recycling, street lights, water and electricity connections.
- i) Reviewing the City's role in catalysing economic activity through strategic expenditure in core service delivery areas, including water, waste, housing, energy, transport and data access.
- j) Development of a Waste Strategy that supports a circular economy and addresses foreseeable infrastructural backlogs and limitations.
- k) Through the City's technology sector plan, develop options for the expanded use of technology to improve service provision and responsiveness, such as through smart metering.
- l) Working with relevant partners to enhance the capacity and effectiveness of the Tourism Enforcement Unit, Rail Enforcement Unit and Golden Arrow Bus Unit.
- m) Addressing the upstream social determinants of health by:

- i) increasing the capacity of the City's Environmental Health unit and improving the environmental health practitioner to population ratio to 1:10 000.
- ii) Partnerships between City departments, such as spatial planning, transport and environmental management to ensure health as a transversal principle.

5.2 Better Leveraging City Planning for Improved Delivery

The City's role in infrastructure planning requires that a holistic view be taken to the balancing of maintenance of existing infrastructure and the provision of new infrastructure in a manner that caters to short, medium and long term anticipated needs. Part of this is the need for greater investment in green/blue infrastructure as contributing factors to integrated social and commercial spaces. With infrastructure acting as an enabler for business activity, it is important that the City seeks to pre-empt economic needs.

In order to better leverage City planning for improved delivery, the City will be pursuing the following activities:

- a) Relying on the City's annual strategic planning process (Strategic Management Framework) for the development of a more strategy-led budget that is implementation and outcomes-driven, and which sees the City spending its full capital expenditure budget for maximum socio-economic impact.
- b) Embarking on a sector plan review to coordinate short, medium and long-term planning to ensure that common assumptions, standardised data sets and transversal integration points are agreed upon and developed for more efficient economic outcomes.
- c) Supporting the development and prioritisation of infrastructure project pipelines including, wherever possible and on the basis of cost-benefit analyses, green/blue infrastructure as alternatives to engineered infrastructure for increased sustainability and resilience.
- d) Further investment in improving project preparation, including a stage-gate process for major projects and developing capacity to do better project appraisal including comprehensive cost benefit analysis.
- e) Incorporating the emerging and informal sectors needs and interests within the different scales of spatial planning initiatives operating across the metropolitan area, including reliance on land use intensification corridors along major public transportation routes that link township economies and informal areas with established economic nodes.

Textbox 3: The City's Infrastructure Planning and Delivery Framework

Infrastructure delivery is considered the foundation of the COVID-19 Recovery Programme for Cape Town. An Infrastructure Planning and Delivery Framework has been developed to support cohesive, integrated infrastructure planning that will enable the delivery of the City's long-term strategic development priorities (within financial and other limitations) whilst maintaining on-going financial stability.

The Framework leverages existing projects, processes and mechanisms to provide a platform for prioritisation and selection of a corporate infrastructure pipeline that the City can pursue over a 10-year period. Using an evidenced based and data driven

approach, the Framework adopts a long-term strategic City-wide, rather than sector based, approach to infrastructure delivery to meet expansion, backlog and maintenance requirements for ensuring sustainable service delivery and improved economic outcomes.

The Framework institutionalises a data-driven evidence base for infrastructure investment based on sector plans developed by the sector technical specialists. Accelerated appropriate infrastructure delivery is enabled by enhanced delivery capacity, coordinated by a transversal team of experts and initiatives that augment available resources and processes where required. These layers of project and portfolio analysis are intended to be used to inform decision making by City leadership. Together these analyses provide an integrated view of the City-wide infrastructure portfolio with implications for the Long-term Financial Plan.

The Framework proposes the delivery mechanisms required to support project execution (by line departments) of the integrated 10-year portfolio as well as the ongoing coordinated strategic planning and analysis of the portfolio. Enabling infrastructure delivery is a key component of the Framework, which therefore identifies requisite regulatory reform needed internally and externally to enable infrastructure delivery. Finally, the Framework acknowledges the City does not operate in isolation and as such highlights infrastructure investments that are not within the City's mandate but are necessary to ensure the achievement of the City's long term development objectives, together with an advocacy approach for those critical projects outside City control.

5.3 Stimulating Sustainable Construction

One of the driving factors partially within the City's realm of responsibility is the regulatory context for development management, which can contribute to the non-construction costs of a development. Slow turnaround time for application processing and other regulatory requirements can impact negatively on the feasibility of construction, discouraging investment in the sector.²⁷ Construction costs, such as availability and cost of land or skilled labour, are not directly within the City's control but can be reduced indirectly through the provision of bulk infrastructure for example.

Stimulating construction is a vital component not only of economic growth generally but also of the City's commitment to a long-term solution to a significant and growing need for housing opportunities. In order to bridge the housing gap government must necessarily rely on private housing developers, including micro-developers, and backyarders. This represents a critical source of affordable rental accommodation for a portion of Cape Town's households which cannot access formal rental opportunities. As economic activity within its own right, and as part of a bigger solution to an ongoing challenge, informal construction should be formalised wherever possible in order to enable greater asset wealth accumulation within this sector and reduce vulnerability for entrepreneurs and households.

In order to stimulate sustainable construction, the City will be pursuing the following activities:

- a) Carry out a full diagnostic of building approval processes, relying on user experience and stakeholder engagement at all levels of the economy, in order to identify

²⁷ (Property forum calls on Government to help construction industry, 2019)

blockages, culminating in a series of reforms to these processes aimed at reducing administrative inefficiencies without compromising on bare minimum standards of public health and safety or community interests.

- b) Identify criteria for projects not requiring expert input and establish separate approval pipelines based on complexity and scale so as to reduce the backlog of other projects.
- c) Establish different application types and processes in order to efficiently process projects with significant socio-economic implications, building in newly developed advisory services at a local level to ensure that applicants supported in entering the formal development system as per the HSS.
- d) Establish meaningful feedback loops between the City and the development sector, including small scale and micro developers so that City requirements are informed by community norms and standards.
- e) Provide and publish a predictable and reliable delivery pipeline for public infrastructure projects to give certainty to contractors and next-level service providers.
- f) Develop new ways to assess and regulate land use, building development and business activities in order to improve the relevance of the regulatory environment for the informal economy.
- g) Consider new incentives for compliance with and entry into the formal regulatory construction system, along with ways to make the development sector more inclusive.
- h) Ensure that developments are given generous public open spaces that are well-designed, robust and have management and maintenance plans to ensure their longevity.
- i) Encourage mixed-use models for housing development that include opportunities for mixed-scale economic activity to reduce reliance on transport and stimulate community upliftment.

Textbox 4: Role of Human Settlements in Economic Growth

The City's Human Settlement Strategy identifies a number of different ways in which both formal and informal housing development contribute to economic growth. First and foremost, any construction necessarily requires the provision of a range of services, both highly skilled – such as in the case of architects and engineers – and less skilled – such as in the case of bricklayers or cement producers. The construction sector contributed to 5.26% of GVA growth from 2007-2017, and 4.98% of employment growth over that period, representing vital source of job and wealth creation.²⁸

Further to this, however, is the positive impact resulting from ownership of fixed property, particularly in the low income market. Housing represents not only a private asset, but also a financial instrument for leveraging capital, an economic asset for generating rental income, and a social asset for integrating communities. There is wide scope for this value to be realised, correlating to the full range of housing levels available to residents. Naturally, more valuable housing represents a higher capital opportunity, and increased scope for income generation, both of which an owner can leverage in order to move upwards on the housing ladder. The real estate sector – including entry market properties valued at below R330 000 – generated an incredible 18.49% of the GVA growth experienced from 2007 – 2017. However, in the same period, it saw declining employment of -1.82% - although this is likely an underestimation of indirect employment arising from the sector in other upstream and downstream economic activities.²⁹

²⁸ (Economic Research Unit, City of Cape Town)

²⁹ (Economic Research Unit, City of Cape Town)

Central to moving up the housing ladder, and realising the value of transfers to continue that mobility, is entry into the market to begin with. In order to enable inclusive economic growth through access to housing, the City must consider the economic imperative of an expanded provision of low income and affordable housing in Cape Town together with an inclusive development management system which incentivises adherence to regularisation and, as a result, improved formalisation of the housing supply process.

5.4 Providing Improved Access to Markets and Opportunities for the Informal Sector

Access to well-located physical space is a fundamental component of economic development and it is incumbent on the City to find ways to liaise with the informal sector to ensure that its business needs are met, just as it liaises with the formal sector in established business districts.

In order to provide better spaces for informal activity, the City will be pursuing the following activities:

- a) Optimise public transport nodes located within townships and informal areas, making space more readily available for both formal and informal economic activity and investigate the possibility of populating these nodes with facilities for pay-as-you-go electricity and water as ways to draw activity into these spaces.
- b) Address design, infrastructure and investment needs via local area/precinct plans.
- c) Foster formal-informal linkages to facilitate access to formal markets through partnerships to include facilities and access for informal economic activity and actors.
- d) Ensure effective and quality informal trading facilities that allow trade and maximise commuter mobility.
- e) Providing opportunities for skills development and training to microenterprises in the formal and informal sector in order to help them sustain and expand business operations, such as accounting and book-keeping skills, particularly where these skills shortages have been identified as potential blockages to those businesses becoming procurement partners and can be shown to be effective based on local or international evidence.
- f) Developing a pilot project proposal for the provision of well-located, dedicated spaces for informal light manufacturing, close to or within a business district.
- g) Developing enhanced financial and governance models and guidelines for informal trading markets.

5.5 Improved Transport Solutions

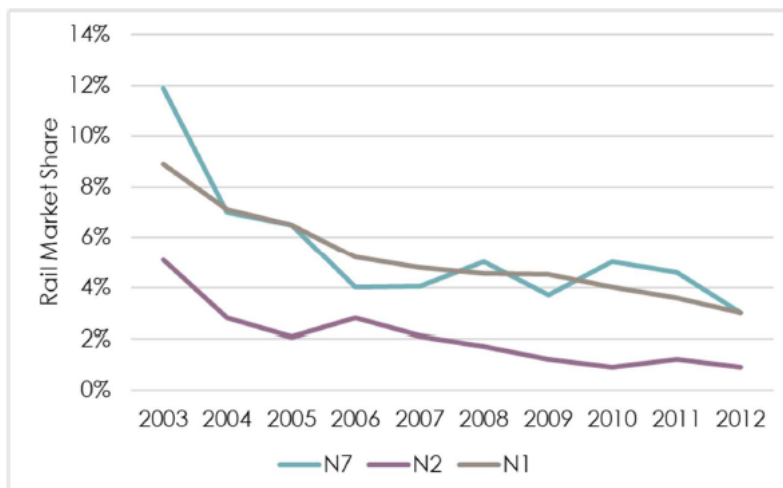
Under pre-lockdown conditions, Cape Town suffered from heavy traffic congestion during peak hours, predominantly caused by and impacting on private motorists. This is expected to persist once lockdown ends. With a limited number and concentration of economic nodes and congested transport linkages, transport remains a barrier to entry into the market, a cost exacerbating factor for existing companies and a contributor to deteriorating well-being for

individuals in the labour market.³⁰ Beyond this, motorized transport is a major contributor to carbon emissions and air pollution, carrying with it further significant health and environmental implications.

The economic impact of congestion is also felt in relation to transport of freight, perishable goods or other “time-sensitive” products by road-based freight vehicles. The current crisis manifests particularly on the road network, for commuters, as Cape Town’s otherwise comprehensive rail network is increasingly unsafe, unreliable and subject to sabotage: more than 40 train carriages having been burnt in arson attacks between 2017 and 2019.³¹

Rail patronage on the State-owned enterprise operated passenger rail system has declined significantly since 2012 nationally, with current service levels being approximately 50% of what they were in 2008/09.³² Passenger numbers have decreased by at least that much given the unreliability of the network in Cape Town, with the resultant migration to road-based forms of transport adding to congestion on the road network. This impacts on low-income commuters more than any other group, most of whom don’t have access to private vehicles as an alternative.

Figure 3: Rail Market share of Freight on the main Western Cape corridors – excluding the export iron ore line³³



The above figure indicates the steady decline in dependence on rail networks from 2003-2012. Aside from greatly reduced numbers of rail commuters due to safety and reliability concerns, there has been a reduction in freight dependence on rail. There are numerous factors informing this trend, including high cost of rail freight and dilapidated rolling stock.

The impact of freight transporters on the city’s road network (capital expenditure and maintenance) is approximately R761 million per annum (Transport Development Index 2017)

A large proportion of the public transport service in Cape Town takes the form of semi-formally provided paratransit services, with minibus taxis being the primary means of urban access for many residents. Policy to regulate these systems must take into account the key role they play as a relatively low-cost means of urban mobility and the potential for achieving greater

³⁰ (Margo Hilbrecht, 2014)

³¹ (IOL, 2019)

³² (PRASA)

³³ (Havenga, 2015)

efficiencies and financial sustainability within the public transport network by integrating paratransit services with state provide public transport.

The economic benefits of a free-flowing, accessible city cannot be underestimated. The World Bank and IPEA have demonstrated that, for Brazilian cities which are some of the most congested in the world, transportation costs have a significant impact on labour productivity, and that if transportation costs were to change by one standard deviation point, incomes would improve by 3%.³⁴

The Cape Town Port represents a potential comparative advantage for the city but is managed by National Government. The same is true for Cape Town International Airport, however the City and Provincial government have had relative success in liaising with Airport Company South Africa, the managing state-owned company. Through Air Access Initiative, for example, new opportunities for transport have been created through the CTIA.

In order to identify new transport solutions, the City will be pursuing the following activities:

- a) Create models for greater influence the Metrorail network in partnership with PRASA and the provincial government, in order to provide a rail service that is safe and efficient for all who travel on it.
- b) Engage with national and provincial government to improve coordination of freight networks and maximize the economic potential of rail.
- c) Develop a new City Freight Strategy to ensure synchronized usage of existing and proposed intermodal facilities for optimized freight transport.
- d) Ensure that the annually updated CIP, as required by the National Land Transport Act, accounts for the needs of freight services, Bus Rapid Transit (BRT) systems, taxis, private motorists and non-motorised transport opportunities in a sustainable and inclusive manner that takes into account sector and area specific needs and patterns.
- e) Implementation of public transport interchange (PTI) upgrades to improve the physical environment and enhance safety and security elements through urban design responses.
- f) Pursue alternative, city-wide smart solutions for the alleviation of congestion and the impact on business or industry needs, as well as synergizing transport interchanges and business hubs for improved efficiency and access.
- g) Investigate and pilot approaches to integrating paratransit services with other public transport service across the network.
- h) Establish dedicated channels in order to better engage with Port Authorities to find solutions for reducing handling times and related costs and inefficiencies for businesses.

Support ACSA in the development process to realign the runway to allow for increased traffic and larger planes.

5.6 Using City-Owned Facilities in Support of Economic Activity

There are two primary ways in which the City can approach the use management and control of immovable property assets in order to leverage economic benefits. The first is to ensure that

³⁴ (Freire, M. E., Hoorweg, D., Slack, E., & Stren, R., 2016)

such assets deployed for direct service delivery are used and managed by City Departments in a manner that is optimal. The second is to identify immovable property assets that are not required for direct service delivery and, wherever possible, leverage these assets to stimulate economic activity.

Provision of digitally connected co-working spaces in townships has been highlighted during the Covid crisis as many people in these under-resourced areas are unable to work from home and there are currently inadequate facilities for people to take up opportunities in the digital economy.

In order to optimize the use of City-owned facilities in support of economic activity, the City will be pursuing the following activities:

- a) Preparation and approval of an Acquisition and Disposal Strategy for immovable property that determines the principles, conditions and criteria that inform property transactions, including the conditions under which City-controlled property will be held, released or acquired, and with reliance on the consolidated land pipeline established under EOAM.
- b) Partnering with provincial and national government to seek similar proposals for improved efficiency of use for property assets.
- c) Finalization and effective roll-out of the Immovable Property Asset Register (IPAR) which seeks to capture a complete dataset of City-owned facilities along with their details and extent, including responsible departments and persons.
- d) Implementing an Immovable Property Asset Management System (IPAMS) in conjunction with IPAR to be used as a performance monitoring system to identify inefficiencies and opportunities for well-placed city-owned facilities to be made available to external stakeholders for various purposes, including but not limited to:
 - i) Markets for clustering, trading and storage for informal sector actors,
 - ii) Housing or clustering of small businesses and entrepreneurs,
 - iii) Events, hosted by the City or in partnership with independent hosts,
 - iv) Film sector needs.
- e) Investigating, in conjunction with IPAMS, the possibility of identifying existing facilities that can be leveraged through improved access to the internet for usage by job-seekers, entrepreneurs or remote workers in areas of the city without access to high-speed internet.
- f) Pro-active identification and preparation of pilot facilities in informal or township areas that can be used for the clustering of activity with socio-economic benefits in consultation with the participants to ensure alignment of needs.
- g) Establishing a platform for inter-governmental collaboration to ensure that government-owned facilities relied upon for tourism attraction are developed, maintained, operated and marketed adequately, through outsourcing if necessary, and that the City's Strategic Assets Framework is applied to ensure adequate management of City-owned, priority facilities with significant public or heritage value.

5.7 To Build a More Efficient Regulatory Environment for Development Management

One of the more direct roles played by the City in the local economy is that of regulator, particularly in terms of land use management and approval of applications relating to structural safety, location and building usage, environmental and traffic dynamics, municipal systems and infrastructure capacity, amongst others. The impact of these regulations is varied. In the formal sector, they represent costs either in the form of application fees, costs of compliance, or lost profits while awaiting approval. In the informal sector, they are possibly best described as prohibitive to formalisation, particularly if the benefits of having recognised asset and business value that arise from regulation are outweighed by the financial and administrative burdens that accompany it.

In order to provide for a more efficient regulatory environment, the City will be pursuing the following activities:

- a) Relying on existing data arising from the City's development management application systems and engaging with sector bodies for feedback so as to identify inefficiencies and delays in the City's application processes.
- b) Providing development management applicants with better information flow on active applications to reduce information asymmetries.
- c) Investigating whether there is scope for further simplification, development and communication of the City's zoning regime, without compromising on minimum thresholds of environmental and social well-being.
- d) Expand access to secure tenure for informal sector participants to be able to invest in their businesses in the long term and gain improved access to financing and insurance products.
- e) Conducting an analysis of business licensing procedures and permits to identify scope for improvement of processes and assess the efficacy and impact of current enforcement mechanisms, in order to gauge the need for improved dedicated advisory services.
- f) Develop adequate mechanisms to communicate regulations and supporting individuals or businesses required to be compliant in understanding the intention and goals behind them, together with guidelines and advice on how to comply.

5.8 Integrating Sustainable Economic Analysis into City Decision Making

The City has a wide range of decision making systems, procedures and forums that are employed to develop policies and programmes of action. In order to ensure that these have a meaningful impact for residents, they need to be guided by economic analysis that considers the socio-economic benefits to all stakeholders. At the centre of this approach is a commitment to research collaboration through the City's Research and Data Strategies respectively. Along with improved data on which to base decisions, the City needs to ensure that decision-makers have the training and support needed to maximise on those resources.

The City has a responsibility to make maximum use of its capital expenditure budget, which represents a valuable tool for stimulating economic growth, not only through the direct investment in the economy but also through resultant, positive socio-economic externalities.

In order to integrate sustainable economic analysis into City decision making, the City will be pursuing the following activities:

- a) Building up the economic analysis capacity within the City responsible for applying economic methodologies and tools to a range of urban challenges and City decision making processes. As part of this effort the City must:
 - i) Ensure that cost-benefit analysis is done for all major projects where the methodology is suitable, taking into account environmental as well as socio-economic externalities.
 - ii) Further develop the economic impact modelling capacity. Utilise economic impact modelling in key financial decision-making, infrastructure provision and other capital expenditure projects to ensure that allocated budgets are used to their maximum long-term potential.
 - iii) Leverage technical assistance in order to develop a set of economic analysis tools, including for use in infrastructure planning and prioritisation, utility pricing and land and property-related decisions.
 - iv) Produce knowledge products and economic statistical analysis to support decision making.
- b) Applying an economic lens to policy-making from the concept note stage through to approval.
- c) Integrating economic analysis into spatial planning in alignment with the MSDF and ensuring the protection and enhancement of natural assets.
- d) Encouraging and providing training in economic tools for decision making to relevant staff.
- e) Enabling support to political leadership to assist in making decisions based on best available economic data and analysis, through providing regular briefings and workshops and in the gathering of business and market intelligence.
- f) Partnering to undertake an annual panel survey of large companies to better track and understand requirements from businesses in various sectors and how they respond to City decisions and initiatives.
- g) Ensure adequate economic research to support investment decisions.

5.9 Leveraging City Data as an Economic Asset

Data is the foundation of policy-making, and has been at the heart of the City's response to multi-year drought and Covid-19 pandemic. Increasingly, it represents not only a product of economic activity but also an input. Innovation around systems that address public challenges on an individual level, such as apps that facilitate shared transport or short-term accommodation, have the potential to disrupt the market and create new and unforeseen opportunities for economic growth and job creation.³⁵ For many aspiring tech start-ups with skills, equipment and facilities, data is a scarce and asymmetrical resource that can make the difference between success and failure in a rapidly developing global marketplace. The City's own data has the potential to be an instrument for the support and stimulation of local businesses, resulting in innovation and job creation.

³⁵ (Western Cape Government Department of Development and Tourism, 2017)

The City's Open Data Policy, and its implementation through the Open Data Portal, represents a commitment to making City-owned data available to the public in a way that does not compromise basic principles of security and privacy. This data is enormously important as an informant for City operations, but this is just part of its true value. The introduction of the City's Data Strategy is laying the foundation for the more effective flow and use of data within the city government, and positioning the City to better collaborate with the researchers and the local tech sector in using City data. In an increasingly budget-constrained environment, this allows the City to leverage cutting-edge expertise to solve complex urban challenges without engaging with consultants, for mutual benefit.

In order to leverage City data as an economic asset, the City will be pursuing the following activities:

- a) Continued investment in the Data Strategy, particularly in data science and economic analysis capacity throughout the City.
- b) Undertaking a complete review of the Open Data Portal to identify how it can be improved, while also engaging with data users internally and externally to better understand data needs, particularly in respect of data with potentially significant economic value or which would greatly enhance the City's ability to deliver its core services.
- c) Investigating the long term transition of the Open Data Portal into an inter-operable and extendable platform via an interface, allowing individuals, private organisations and other spheres of government to interact with it, process applications through it, and even contribute data to it.
- d) Partner with CSP to gain access to metro and sub-metro level data held by national government departments, including the SARs data collaboration, that can be used to inform a range of City functions, including transport planning and understanding of business location dynamics.
- e) Invest more in primary data collection and remote sensor data including at an individual or household level.
- f) Piloting and testing a secure, remote access data portal for research partners to rely on and contribute to.
- g) Partner with private and academic sector research economists to develop data-driven solutions to key urban challenges and institute a programme of work to address economic analysis data gaps.

5.10 Promoting Economic Inclusion in the City

As a leading employer and contracting agency in the metropolitan areas with approximately 30,000 employees, the City has an important role to play in promoting economic inclusion via its recruitment, procurement and training functions. While these functions are already carried out with inclusion in mind, there is still scope for improving this commitment. As a representative of a diverse populace, it is important that the City government reflects this diversity, in order to better understand and respond to the full spectrum of views and needs. Diversity is key to balance, and by promoting economic inclusion, the City is able to set a positive example for the private sector.

A core component of this is increased inclusion for women and youth, as two already vulnerable groups that have been disproportionately impacted by the Covid-19 pandemic.

In order to promote economic inclusion in the City, the City will be pursuing the following activities:

- a) Ensure that the City's Economic Empowerment Framework is at the forefront of the City's processes as an employer, procurer and trainer, that emphasises diversity in both our employee and supplier base as well as meaningful employment equity, to include at least the following:
 - i) An implementation plan for all affected departments.
 - ii) Mechanisms for engaging better with DTI and the B-BBEE Commission on local sector codes in order to improve the revised codes with City practices and training procedures.
 - iii) Guidelines for the revision of 3rd party and beneficiary agreements with the City to apply a higher standard of compliance with principles of economic empowerment.
 - iv) A dashboard to assist with tracking, monitoring and evaluation of the above.
- b) Explore the inclusion of more local producers and informal sector actors in the provision of services to the public sector and the city at large, as well as programmes around developing social enterprises.

5.11 Enabling Widespread Broadband Access

Internet access represents a fundamental avenue for economic activity and personal utility, with the potential to enhance skills development and education. It is scalable with relatively little investment, and carries potential for information sharing, mitigating costs of transactions, and promoting innovation, as well as a host of other benefits and uses.³⁶

Notwithstanding benefits to the individual, the City stands to gain from improved networks between facilities such as clinics and libraries, by automation and digitisation of systems and records (e.g. digital health records system). The City, therefore, has an incentive to invest – where financially viable - in broadband infrastructure that can be leveraged by the private sector.

In order to enable widespread internet access, the City will pursue the following activities:

- a) Completing a network of dark fibre infrastructure linking City assets and facilities with the primary goal of improving government services as allowed by technical and budgetary limitations.
- b) Wherever viable, develop a framework for the fair use of City infrastructure for the private sector to more easily deliver services – especially in underserved areas - and enabling the private sector to provide for improved access to mobile and fixed internet services throughout the city.
- c) Leveraging the Broadband Infrastructure Programme to create and provide infrastructure in township areas for private internet service providers to utilise.

³⁶ (World Bank , 2016)

5.12 Fostering Improved Intergovernmental Relations

Throughout this document, key areas of economic intervention have been identified as being subject to shared control with another sphere of government or falling outside of the City's scope of authority altogether. These include safety and security (policing), land owned by national departments/SOEs, transport, energy and water provision, and control of key economic hubs such as the Port. While noting the City's limited authority to effect change in these and other areas, these functions and assets are too important to the success of Cape Town for them to be left solely to the decision making and management of another sphere of government.

The City must assert its right as a stakeholder to contribute to sound governance of matters directly impacting on the wellbeing of residents. The current mechanisms for engagement need to be improved on and utilised more strategically and for improved efficacy. Where areas of cooperation exist, such as in the use of SPVs funded jointly with the Western Cape Government, a more strategic and better clarified approach should be taken.

In order to foster improved intergovernmental relations, the City will be pursuing the following activities:

- a) Pursue the advocacy agenda established in the draft Infrastructure planning and delivery framework, in order to ensure a more strategic and focused approach to intergovernmental relations.
- b) Proactively lobbying for legislation, regulations, and operational decisions from other spheres of government according to a list of strategically prioritised topics in a coordinated manner.
- c) Engaging with other spheres of government on a regular basis on matters of mutual interest and concern, including education, transport, water, energy, health-care and the role of Home Affairs in reducing barriers to entry for entrants with skills in high demand.
- d) Advocate for increased safety and security resources to be allocated by the national government, coordinated with increased investment of City resources. A commitment to co-investment is required from all spheres of government in protecting rail infrastructure and passengers.
- e) Actively seeking to coordinate sector plans with other spheres of government to maximise alignment.
- f) Collaborating with National Treasury's City Support Programme on the ongoing economic data project.

Textbox 5: Areas for Intergovernmental Collaboration

Many of the initiatives in this document fall in the grey area between spheres of government, or even outside of the City's mandate altogether. Due to the interconnectedness of the economy however, the City has a responsibility to residents to ensure that there is alignment between the spheres in the following priority areas, as well as many others:

Transport – Cape Town's MetroRail network is currently owned and operated by PRASA, a national entity, but it represents a vital alternative to private motorised transport. The recently established Rail Enforcement Unit is the product of cooperation between all three spheres of government, and requires continued support. With the two key transport hubs in the city – the port and airport – falling under national control, trade prospects hinge upon

alignment of interests and planning. The current tariff system applied to the Port by Transnet does not lend itself to a competitive trade sector in Cape Town, as it does not support independent port pricing, which would allow harbours across the country to adapt to changes in the market and compete not only with each other but with other key regional ports, yielding improved efficiency and standards. This can only be done with buy-in from national government.

Water and Energy – Underpinning almost every aspect of the economy and with significant implications for both technological development and climate change response, the reliable provision of water and energy is too important to be allowed to fail. Currently, the national government is responsible for generating approximately 90% of South Africa's electricity through Eskom, which faces a crisis.³⁷ Local government's role is predominantly in distribution, but there is increasing need for localised, diversified and renewable energy generation that cannot be possible without buy-in from national and even provincial government. Similarly, the recent drought has shown the need for improved coordination of bulk water provision and distribution between all three spheres of government.

Safety and Security – There are a number of law enforcement units and efforts operating in Cape Town in an attempt to curb widespread crime that undermines the city's social fabric and remains an inhibitor on both social development and economic growth. The City's Metro Police and national's SAPS operate in conjunction with a wide range of dedicated units, but much more is needed in this regard if the tide is to be turned. The City's Law Enforcement Advancement Plan, approved in 2019, sees a major escalation in investment in this area in partnership with the Western Cape government is an example of positive collaboration in this area. Conversely, the Rail Enforcement Unit, a collaborative effort between the City, Province and PRASA, is in danger of being under-resourced and possibly disbanded if PRASA is unable to support it – despite the unit having achieved major success thus far.

Education – Basic education is a shared role between the national and provincial government, with limited opportunities for the City to make an impact. Long term economic growth is predicated on the development of youth that are given the best possible chance of succeeding as economic contributors, and there is clear scope for improved collaboration in this regard.

Land – Access to land, for housing and other opportunities, remains an enormous component of economic development. In order to be effective in delivering in this respect, all spheres of government must collaborate to make state-controlled land available for meaningful developmental and city-making opportunities.

³⁷ (ENCA, 2019)

Chapter Six – Business Facilitation, Retention and Expansion

The emphasis in this chapter is on interventions at a business, sector or area-specific level that address challenges faced in the expansion, retention and overall efficiency of individuals or businesses already operating in Cape Town. Addressing these areas speaks to the competitiveness of Cape Town's current local economy, and the need for the City to play a more strategic role in support for economic stakeholders at every level.

6.1 Creating an Enabling and Welcoming Business Environment

In order for Cape Town to realise its potential as a home for businesses of a variety of types and sizes, it must have a business-friendly regulatory environment. Many components of such an environment are outside of City control, but there are still barriers to business creation and growth that can be reduced, such as through, licensing, transactions and other red tape reduction measures. It also involves City staff in business-facing services being committed to productivity and responsive to the needs of their customers.

In order to create an enabling and welcoming business environment, the City will, therefore, be pursuing the following activities:

- a) Identify and implement necessary administrative reforms aimed at enhancing the City's business-facing functions and improving the ease with which businesses – both formal and informal - can operate in partnership with the City, supported by National Treasury's CSP,
- b) Develop campaigns for organisational change aimed at making the City more business-friendly and customer-centric.
- c) Measure and improve on business satisfaction levels through the identification and resolution of systemic constraints.
- d) Provide enhanced customized advice and support for businesses and individuals operating in, or wishing to establish themselves in Cape Town so that they can effectively access municipal services through simplified processes and integrated systems.

6.2 Fostering the Retention and Expansion of Businesses

While many of the above initiatives will benefit existing businesses as much as help to attract new ones, there is a need for dedicated support aimed at ensuring that businesses, once registered and located in Cape Town, are given the best chances at succeeding and embedding themselves. In any environment, new businesses, and even new branches of existing businesses, will struggle to establish profitability in the short term. This is especially true for entrepreneurs and small enterprises.

The overall purpose of business retention and expansion (BRE) is to ensure competitiveness of local businesses in order to retain existing employment opportunities and productivity and create an environment for new jobs to be created. The City's role in this is predominantly

through engaging with businesses, identifying areas where they face barriers to growth, and working with them to mitigate or dismantle these barriers within the City's control or influence.

Retention and expansion is a vital component of meaningful economic growth. The majority of new jobs are created by existing businesses, and in general it is easier, cheaper and quicker to save an existing job than to create a new one. The ability to sustain existing businesses, particularly under difficult circumstances, plays a key role in attracting outside investment as it exhibits resilience and community-rooted support.

In order to support business retention and expansion, the City will be pursuing the following activities:

- a) Develop a business retention and economic relief service offering for businesses in distress, including those negatively affected by Covid-19.
- b) Establishing a city wide BRE programme, coordinated by locally based task teams, to identify obstacle to expansion, develop action plans for addressing them, and respond through broad based partnership to implement those action plans.
- c) Commitment to predictable, consistent and cost-effective tariff regimes, reflective of true costs of water and other services, to provide businesses with certainty around their financial responsibilities to the City, with active and visible communication.
- d) Mainstreaming and standardizing 'After Care' support from the City to existing businesses to monitor their performance after receiving support from the City, and provide further support where necessary and appropriate.
- e) Assist, where possible and appropriate, with positioning labour intensive companies closer to locations that do not exacerbate existing inefficient travel patterns.
- f) Enhancement of public procurement processes to accommodate SMMEs, entrepreneurs and informal businesses, potentially through exemptions, condonations for late payments, and dedicated low-cost dispute resolution.

6.3 Establishment of Private-Public Recovery Partnerships

Research by the World Bank indicates that Cape Town would benefit from the deployment of formal public-private dialogue (PPD) structures as a component of economic turnaround strategies. There is precedent for this, with the 2018 drought in part being alleviated as a result of a coordinated programme of interaction and collaboration between the spheres.

Coordinated PPD would entail increasingly structured interactions between government and private sector stakeholders to promote the right conditions for the growth of business and their ability to create jobs, a more enabling business climate, and enhanced economic development outcomes. Initially, it involves bringing stakeholders together to define and analyse problems, and to identify and oversee the implementation of necessary reforms.

In addition to establishing a platform which can provide constant feedback, a formal coalition is also required between government, the private sector and other actors to work in partnership to support the economy. This is a critical component as what emerges from the PPD process is unlikely to sit entirely within the mandate of local government, an association of business leaders, government officials and other key economic stakeholders is required to

work together to implement a programme that will promote the economic development of Cape Town.

In order to establish private-public recovery partnerships, the City will be pursuing the following activities:

- a) Coordinating a detailed stakeholder mapping exercise that identifies key government agencies, business organisations and other economic actors as well as their respective mandates and interlinkages.
- b) Develop a programme for PPD that engages at a city-wide level, at a local level and at a sector level.
- c) Develop a mechanism for the institutionalisation of the PPD programme so that it can continue to add value beyond the COVID-19 recovery timeline.
- d) Use the outcomes of the initial PPD to set up a Cape Town Growth Coalition with a clearly defined set of activities and mandates aimed at supporting and strengthening the local economy to thrive in the post-COVID-19 environment and beyond.

6.4 Better Supporting and Stimulating Sectors

The City's approach to sector support has typically entailed identifying competitive and growing industries, particularly where they are positioned to capitalize on the comparative advantages identified in Chapter 1, and providing support for these industries through a limited range of mechanisms at the disposal of a city government. The advantage of such an approach is that the City can focus on providing an enabling business ecosystem for industry, and can target specific economic sectors for proactive economic development initiatives. A key component of the City's sector approach is the clustering of identified priority industries through Special Purpose Vehicles (SPVs) and the channelling of financial and non-financial support efforts toward these clusters.

Clustering refers not only to physical grouping in a specific geographical area, but also to sharing of workforces, supply chain, customers and technologies. These reflect the shared assets and opportunities of a given area or industry to better leverage comparative advantages through economies of scale. The benefits of agglomeration are well-documented, and include improved matching of businesses and workers as well as reduced asymmetry of information between buyers and sellers, ultimately resulting in improved productivity and accelerated technology transfers.³⁸ Support for local sectors, such as the food and beverage industry, allows for reduced dependence on external production inputs and improved sustainability.

As city governments do not always have access to sufficient and frequent data on sector growth or potential, it is important to ensure that informational challenges are overcome through better research and collaboration with businesses.

In order to better support and stimulate sectors, the City will be pursuing the following activities:

- a) Introducing and implementing a Sector Support Framework in collaboration with sector specialists entailing the City's comprehensive toolkit, thresholds for determining sectors

³⁸ (Moretti, 2014)

to be targeted with differentiated support offers based on economic data and projections, with a regular review of sector interventions to enhance responsiveness.

- b) Reviewing of the SPV model, particularly with regards to clustered or sectoral SPVs, to establish appropriate lengths of contracts, numbers of SPVs, and criteria to be applied when determining that a sector would benefit from government support in order to improve coordination and collaboration.
- c) Convening clusters of interconnected businesses, specialised suppliers and service providers where appropriate and when approached by them in order to provide a platform for knowledge sharing and collective identification of sector-wide challenges.
- d) Establishing public and private growth coalitions in priority industries to strategically focus resources, facilitate employment growth and ensure increased competitiveness.
- e) Facilitating continued foreign direct investment in priority industries through corroborating with public and public stakeholders including SPVs.
- f) Develop greater cross sector integration to harness expertise and to develop new technologies, products and services, as well as connecting local sector clusters to regional, national and international networks.

6.5 Improving Support for Township Economies

Township economic development is a vital component of the City's mission to reach its full economic potential. This is only possible if economic opportunities are located close to where people actually live and are integrated with their communities and neighbourhoods. The City is supported in this by National Treasury's CSP on an on-going basis.

Township economies include both formal and informal enterprise, and rely not only on an environment that allows businesses to flourish, but also productive place-making, engaged communities, and a resilient social fabric.³⁹

Cape Town's townships are not uniform, differing in terms of location, size and history. This requires a systems approach that responds to a full range of factors. These will include the extent of physical disconnection, the degree of social marginalization, and the availability – or lack thereof – of public infrastructure.

In order to improve support for township economies, the City will be pursuing the following activities:

- a) Develop a Township Economic Development Framework intended to guide analysis of township economy needs and opportunities, so that the City's action in various areas can be evidence-based and responsive. Potential areas for inclusion are zoning impacts, public transport provision, safety and security needs, food needs and improved support for clustering of economic activity.
- b) Conduct an assessment of doing business constraints in priority business zones, recognizing that economic activity may be prevalent throughout a township in the form of high activity and low activity areas.
- c) Support township enterprises, including the production and retail of food, by enhancing existing land use through better communication of zoning opportunities.
- d) Support township enterprises further by facilitating accessibility through public transport linkages.

³⁹ (EDP & HSRC, 2019)

- e) Supporting micro developers through the effective implementation of the Human Settlements Strategy.

6.6 Building platforms of collaboration with the Informal Sector

A key challenge for the City in supporting informal sector development is that, as a result of its informality, relatively little is officially known about the needs of its individual actors.

The first step in making a positive difference is therefore to know and understand these needs, through conducting regular surveys and finding data sources (proxy data if needed) to understand the informal economy better.

The second step is to engage meaningfully with individuals and communities to identify what the City can do to make the informal sector more viable, secure and productive, and to provide a bridge into the formal sector for those wishing to follow that path. This includes creating inclusive platforms to engage with informal sector actors to collaboratively plan interventions with the City and other actors. With numerous non-governmental organisations and community groups deeply involved in this space already, there is enormous potential for partnerships to be formed.

In order to build platforms of collaboration with the Informal Sector, the City will be pursuing the following activities:

- a) Partnering to improve the City's understanding of the informal sector, for example through regular informal enterprise surveys that provide better data on the informal sector generally, and profiling of participants as part of a systematic research effort that will seek to capture qualitative and quantitative data on the informal sector on an ongoing basis, yielding documented analysis.
- b) Develop appropriate policy responses to informal activities beyond informal trade including recognising the role of the sector in achieving social, economic, food and environmental objectives of the City.
- c) Creating inclusive platforms to engage with informal sector stakeholders and networks, as well as NGOs and researchers working in the sector on an ongoing basis to identify roles and responsibilities.
- d) Conducting extensive analysis into value chains for key industries to identify existing and potential informal sector linkages and creating partnerships to include informal businesses, prioritising educare, recycling, construction, manufacturing, transport and food.
- e) Developing an enhanced Informal Sector Strategy including an associated resource plan and providing for closer interdepartmental collaboration to support the sector and actors.
- f) Providing support to stakeholders involved in the development of micro-entrepreneurial activity through training, linking of goods and services, creation of micro-supply chains and provision of financial services to the informal sector.

6.7 Addressing Area Specific Challenges

Each area within Cape Town has its own challenges and opportunities, requiring a specific approach. Business districts and community neighbourhoods housing businesses must be conducive to business activity if they are to be sustainable, and businesses, in turn, should respond by linking with their communities and contributing towards a holistically healthy social fabric. Through partnerships with communities, other spheres of government, and NGOs, the City needs to redouble its already active efforts to reduce crime and to regenerate community spaces where economic activity is being stifled due to urban blight. This is especially true for precincts that encompass township economies.

With many traditional business nodes suffering from withdrawn activity due to the Covid-19 necessitated lockdown there is a high risk of the urban environments degrading or falling into misuse, potentially with long-term repercussions for their attractiveness to new or growing businesses and consumer bases. This must be kept in mind when engaging in area based partnerships across the City.

In order to address area-specific challenges, the City will be pursuing the following activities:

- a) Finalizing the extension and re-delineation of the Urban Development Zone (UDZ) tax incentive.
- b) Conducting a Review of the City and National Treasury Precinct Management Framework to determine and implement precinct development and business typologies, as well as to assess and identify precinct support for identified priority precincts.
- c) Developing and implementing a proposal for a hybrid Business Improvement Zone model, including a feasibility study, in prioritised business districts where privately funded City Improvement District organisations are not feasible.
- d) Establishing improved platforms of engagement between City departments and business communities, relying on area economic partnerships to align government action with local needs.
- e) Completing the review of District Spatial Development Frameworks to incorporate economic development components specific to each district and identifying infrastructural, safety and security and other needs for the stimulation of growth and investment.
- f) Investing in economic analysis tools to assist with tracking the performance of economic nodes.
- g) Improving coordination with organisations such as Neighborhood Safety Teams and City Facility Protection Officers in order to increase safety in precincts and in areas around City facilities.
- h) Preparing a framework that identifies specific precincts and public spaces requiring regeneration and rolling out place making programmes in conjunction with precinct management initiatives in line with the ongoing Mayoral Urban Regeneration Program.
- i) Expand and implement the City's SEZ offering to allow for targeted areas, identified for strategic growth, to foster improved prospects for inclusive economic growth, including around key strategic assets such as the airport.
- j) Developing innovative precinct management models that allow the City to better mobilise public goods and services through partnership with residents, other spheres of government and NGOs to improve the urban environment for informal sector participants.

Textbox 6: Placemaking

*"Neighbourhoods developed during the apartheid regime have long suffered a crisis of placemaking, contributing to sustained lack of investment by the private sector and consequently the reproduction of poverty and inequality in the post-apartheid city. Effective placemaking is key to disrupting the spatial, social and economic trajectories of these areas by creating new and dynamic spaces for development."*⁴⁰

Placemaking is both an overarching idea and a people-centred approach to the planning, design and management of public spaces.⁴¹ Put simply, it involves looking at, listening to, and asking questions of the people who live, work and play in a particular space, to discover needs and aspirations. This information is then used to create a common vision for that place.

Placemaking can be used as an economic development tool whereby a community's public amenities are utilised to make economic progress. They also form an important component of community-building, particularly in the context of communities with small residential spaces as they represent an extension of the home. Positive social spaces contribute to sound mental health, and improved engagements between individuals. By strengthening the connection between people and the places they share, placemaking allows us to shape our public realm in order to maximize shared values, paying particular attention to the physical, cultural, and social identities that define a place and support its ongoing evolution.

In the South African context placemaking is all the more important, especially for people that have been excluded from enjoying quality urban space. The focus is on strengthening the connection between people and places and – where possible – densifying along transport corridors for improved access to opportunities.

Process and actions related to placemaking⁴²:



⁴⁰ (Turok)

⁴¹ <http://www.placemakingchicago.com/about/>

⁴² Adapted from the PPS place making process (<https://www.pps.org/article/5-steps-to-making-places>)

6.8 Fostering Improved Cohesion between the Natural Environment and Inclusive Economic Growth

One of Cape Town's most fragile and distinguishing comparative advantages is its natural environment, and while the City governments dual mandates of environmental preservation and inclusive economic growth are often seen as competing, the reality is that there are multiple ways in which both priorities can be met at once.

Through the City's Environmental Strategy, it is committed to facilitating the development of the Green Economy, both in its capacity as a consumer through responsible procurement and capital expenditure, and also in its capacity as an influencer of the external market. Cape Town is committed to the Green Economy and an expression of this was our designation of a green manufacturing hub in Atlantis, which National government has augmented by declaring it as a Greentech SEZ with commensurate incentives. Continued investment in the Green Economy will yield improved job opportunities in this sector, as well as enterprise development and growth in adjacent sectors such as manufacturing.

There are other, less direct linkages between the environment and the economy – not least of all in the form of climate change response. Climate change poses an enormous risk to Cape Town's local economy, as climate related shocks such as the recent drought are expected to become not only more frequent, but also more intense. The City's recent *Hazard, Vulnerability, and Risk Assessment study* revealed the most likely climate impacts for Cape Town to be significantly decreased annual average rainfall, increases in annual average and maximum temperatures (exacerbating the urban heat island effect), increased risk of fires resulting from heat waves, and sea level rise.⁴³

Sub-Saharan countries and cities are highly vulnerable to these and other risks, particularly in sectors highly dependent on the natural environment such as agriculture, agri-processing and tourism. Climate change response in the form of appropriate adaptation and mitigation is therefore an immediate economic priority, as is continued investment in and protection of Cape Town's natural capital, including its coast-line, waterways, Table Mountain, and surrounding natural habitats.

In order to foster improved cohesion between the natural environment and inclusive economic growth, the City will be undertaking the following actions:

- a) Implementing a new Climate Change Strategy together with comprehensive adaptation and mitigation action plans, to better build resilience against climactic shocks, to preserve Cape Town's natural resources and environmental health, and to reshape our approach to basic services and lifestyles to reduce the impacts of and contributions to future climate change.
- b) Facilitating improved business networks for the sharing of material outputs, such as waste materials and recycled water, for the purpose of becoming inputs into other businesses in order to support industrial symbiosis and the circular economy.
- c) Encourage participation by large water users in the City's water star rating programme for improved water efficiency.
- d) Continue to invest in City-related 'green jobs', including river and wetland rehabilitation and invasive species clearing.

⁴³ (Petrie, 2019)

- e) Finalize and implement the Green Procurement Action Plan to stimulate markets to be more sustainable and to promote local economic development.
- f) Develop and implement programmes aimed at reducing carbon emissions through responsible procurement and building management internally, and resource efficient design and construction of both public and private sector building development where financially viable.

Chapter Seven – Labour Market Support

While the two previous chapters were predominantly focused on stimulating economic demand in Cape Town, in the form of increased economic productivity, this chapter seeks to address the supply-side of the economy, specifically in the form of human capital. According to business intelligence existing businesses, particularly at the higher end of the skill spectrum, struggle to retain individuals with sought after skills, who are increasingly attracted to overseas markets. Replacing these individuals is problematic due to inadequate skills pipelines and restrictions on work visas. On the lower end of the skill spectrum, many local job-seekers reportedly struggle to locate opportunities despite having suitable qualifications, resulting in further employment inefficiencies and inequalities.

7.1 Developing City Work Experience as an Incubator for Young Talent

The City is often cited as one of the largest employers in Cape Town and, as such, can play a significant role in the development of individuals for further work opportunities. While the main focus of the City's recruitment must remain attracting and developing suitably qualified and experienced personnel for the efficient functioning of its own operations, there is a substantial component of the City's recruitment which is developmental and externally-focused in nature. In this respect, the City runs a variety of internship, graduate development, learnership and apprenticeship programmes, as well as Public Employment & Skills Development programmes and projects.

The work experience programmes in the City have, up until this point, focused on the benefits imparted on the City itself through talent identification for permanent positions in the organization, and on the benefits for the programme participant through enhancing his/her employability. The limitation of this approach is that the City is constrained in the number of programme participants it can absorb and, for those that it can't employ, there often remains a disconnect with private sector employers. As such, an increasing focus of the City in these work experience programmes should be on intentionally preparing young people with core, transferrable professional skills that are relevant for future private sector opportunities.

A significant improvement in human capital can provide a competitive edge to the business community. Public employment programmes can create an entry to Workforce Development and provide the poor and unemployed with an opportunity to meaningfully contribute to the economy. This is supported by some of the pilot public employment and skills initiatives the City has already embarked on, in the hospitality, green economy, infrastructure and security sectors of the economy.

In order to develop City work experience as an incubator for young talent, the City will be pursuing the following activities:

- a) Retention and enhancement of the City's internship programme, within available budget.
- b) Consulting with business chambers on an ongoing basis to determine the evolving labour needs of key industries, with findings being communicated back to the centralized skills coordinator to ensure that participants of internship, apprenticeship, learnership or public works programmes are equipped with the relevant skills to make them more employable.
- c) Standardizing City work experience programmes and associated training to incorporate digital training, and investigating opportunities to provide formal recognition and accreditation.
- d) Making the provision of standardised reference letters by line managers and mentors mandatory to assist with further job seeking.

7.2 Partnering in Equipping the Labour Force for a Modernizing Economy

While formal education is not the primary mandate of the City, Cape Town as a metro area is home to three major universities including the top university in Africa, as well as a number of institutions aimed at technical training. Technological disruption and changes in the structure of Cape Town's economy are driving a need for a new and different approach to skills development.⁴⁴ In this context, the City should continue to facilitate partnerships – such as its long-standing relationship with research conglomerate CHEC - to better equip the Cape Town's labour force with the skills required by companies / employers.

Interviews with business indicate that employers are struggling with accessing resources from the SETA system.⁴⁵ They are, therefore, increasingly establishing their own training academies in many instances. On the employee side, an increasing focus is being placed on online courses (including MOOCs: Massive Open Online Courses) which are often cheaper and more flexible. This has led to a proliferation of EdTech companies in Cape Town, giving the city a comparative advantage in training and re-skilling.⁴⁶

In order to partner in equipping the labour force for a modernizing economy, the City will be pursuing the following activities:

- a) Working with partners, especially provincial government, to improve training opportunities for the development of digital skills as a foundational skill in the labour market, including collaborating with private sector or NGO partners to establish digital training centres in available City facilities.
- b) Collaborating with employers, jobseekers, local organizations and universities to develop a framework for effectively tracking demand for skills in Cape Town's economy, and an ongoing strategy for meeting that demand, including the establishment of a growth coalition to align with and operate in conjunction with the provincial Council on Skills.

⁴⁴ (Skills Boost Western Cape, 2019)

⁴⁵ (City of Cape Town, 2019)

⁴⁶ (City of Cape Town, 2019)

- c) Continuing to enable Special Purpose Vehicles (SPVs) to provide specialized training courses which equip people for employment in the city's growth sectors and where jobs are expected to be heavily impacted by automation and digitalization.

7.3 Reducing Job Search Frictions

Jobseekers face a number of challenges, exacerbated by the rapid changes occurring within the economy. These challenges are particularly pronounced among the most vulnerable groups: the youth, women and individuals with low levels of education.⁴⁷ These vulnerable groups are most at risk of being excluded from the workforce and to prevent this from occurring, accessibility is key. However, the labour market system is complex and fragmented, and for a new entrant to the labour market, who has limited access to job networks, or for someone who has been out of the labour market for a while, it can be discouraging. The transport costs of job search, in particular can be prohibitively high.⁴⁸ When combined with low probabilities of finding work, the rational response of work seekers is sometimes to cease job search entirely.

The City's Human Settlements Strategy aims to promote more sustainable, denser and better located residential opportunities for residents that, together with the City's MSDP and a host of associated strategies for improving transport and spatial transformation, will make job searching less onerous.

In order to reduce job search frictions in terms of this Strategy, the City will be pursuing the following activities:

- a) Supporting the ongoing development of integrated job search and work placement centres in local communities across Cape Town to ensure a standardized approach.
- b) Partnering on the provision of job readiness workshops within the job search centres or in sub-councils.
- c) Investigating options (including cost assessment) for a job-seeker with an aim to identifying possible targeted initiatives such as transport subsidies, data packages and access to childcare.
- d) Assisting job-seekers to better signal their experience and abilities through the development of standardized CVs and reference letters accompanied by an information campaign to promote the awareness of the importance of these documents to employers.
- e) Assisting job seekers impacted by COVID-19 by linking them to employment (in industries and sectors that are growing, as well as supporting various apprenticeship programmes and encouraging contractors to hire local residents on various City funded projects.

7.4 Coordinating Workforce Development Initiatives

The City of Cape Town currently runs a large variety of externally-facing programmes that, to varying degrees, represent workforce development initiatives. The programmes are run out of a number of departments and range from ad hoc training initiatives, such as driver license

⁴⁷ (De Lannoy et al, 2018)

⁴⁸ A recent study by JPAL (2019) identified that in South Africa, youth spend on average R938 per month in job-searching - (Spatial inequality and beliefs about jobs, 2019)

training in communities, to well-established training academies run by the City. These programmes stand to benefit from central anchoring in order to avoid duplication, improve the use of evidence in design and to allow for improved performance monitoring and impact evaluation.

Workforce development by the City could be strengthened by the creation of a central skills coordinator which would assist in facilitating collaborations for greater efficiencies and impact, and result in a reduction in duplication. Coordinating the City of Cape Town's workforce development initiatives also presents an opportunity to support the development of the right technical, behavioural and mindset skills which are required in both the public and private sector.

In order to consolidate workforce development initiatives, the City will be pursuing the following activities:

- a) Creating a centralised workforce development or skills coordinator within the City accompanied by a framework for the better coordination of work skills programmes, with particular emphasis on green jobs wherever possible.
- b) Evaluations of new programmes by the centralised coordinator, for the purpose of identifying inefficiencies and the potential for innovation, linked to organizational performance management.
- c) Engaging proactively with stakeholders during and after workforce development placements to ensure alignment of goals and satisfactory progression.
- d) Working with research partners to evaluate the impact of workforce development programmes and to test different interventions, with the aim of improving the skills development offering of the City and generating learning for use by others.
- e) Work with employers in key priority sectors to identify specific business or sector workforce requirements and build on existing employment services infrastructure to establish direct links between the supply of potential workers and the businesses/organizations that require their skills.
- f) Advocate and or facilitate workforce education, training and related services in support of economic recovery.

7.5 Developing a User Friendly Job-Seeker Database

The City currently maintains a number of databases of work experience programme participants and job-seekers. Perhaps the largest of these is the EPWP job-seeker database which has in excess of 600,000 registered job-seekers.⁴⁹ No other organization in the city has access to such a large database of work-seekers. If this database of work seekers were to be properly maintained and updated, including for the critical fields like place of residence, age, reference notes and qualifications, it would have the potential to reduce application and recruitment frictions in Cape Town (which can be prohibitively high in an economy with severe unemployment).

In order to develop a user friendly job-seeker database, the City will pursue the following activities:

⁴⁹ (City of Cape Town, 2019)

- a) Consolidating the various databases into an integrated and user friendly electronic system, accessible by job-seekers and employers alike.
- b) Reviewing the information captured in the database on an ongoing basis and keeping it current by removing people that are no longer seeking employment where that information is available.
- c) Exploring ways in which access to data can be granted to external stakeholders, including private businesses.
- d) Considering new or different models for housing and accessing jobseeker data.

7.6 Partnering in Providing Effective Career Guidance

Recent studies on youth unemployment have highlighted the extent to which information asymmetries at a work-seeker level can lead to inefficient investment in education by individuals and unrealistic aspirations in the labour market.⁵⁰

Although not the mandate of City, there is recognition that directing young people to jobs that are currently and forecasted to be in high demand will assist in the long-term towards addressing the current mismatch between supply and demand. It may also lead to lower job opportunity rejection rates.

The mandate for career awareness resides with Basic Education and to some extent with the Department of Higher Education and Training. The provincial government also plays a role in providing career guidance to young people. The City will therefore work with these institutions to facilitate processes in the metro that tackle the challenge of inadequate labour information available to the youth.

In order to partner in providing effective career guidance, the City will be pursuing the following activities:

- a) Offering better coordinated and more structured career guidance programmes at City libraries.
- b) Carrying out an annual communications campaign providing information on career paths through posters at libraries, awareness programmes and other interventions.
- c) Working with the Provincial Education Department and the Cape Higher Education Consortium (CHEC) to guide school and study choices to align with skills demand.

⁵⁰ (De Lannoy et al, 2018)

Chapter Eight – Stimulating Investment

Destination marketing is a key element that globally competitive cities of the world rely upon in order to attract investment and tourism to their region so as to enhance economic growth and job creation. It relies on successful and integrated placemaking, in order to create an authentic sense of a location's character that people from all over the city, region and world can be drawn to. This chapter will, therefore, propose ways in which these elements can be enhanced while also showing how they fit together in presenting a holistic international offering.

8.1 Restoring Investor Confidence Post-Covid

Covid-19 has resulted in a dramatic decrease in FDI globally, expected to amount to approximately 40% of its previous value.⁵¹ This would have the effect of bringing total FDI to below US\$1 trillion for the first time since 2005, and would likely be followed by a further decrease in 2021 before potentially recovering slightly in 2022. For African countries the decreased flow is likely to be exacerbated by low commodity prices, which already saw a 10% decrease in 2019.⁵² There is therefore much less to go around – and much more demand for it.

In determining where to direct these scarce investments, existing and future investors will be primarily concerned with the ability of companies to redesign their operations and supply chains in order to rapidly recover, regroup and regrow what has been lost in the midst of this economic crisis. None of these strategies can be effective in isolation of the company's business environment, and it is therefore incumbent on the City to play its role in ensuring that companies competing for FDI are given the best opportunity of success.

In order to restore investor confidence post-Covid, the City will be pursuing the following activities:

- a) Creating a platform for greater focus on the importance of Aftercare services for domestic and foreign investors;
- b) Prioritizing targeted and viable sectors and sub-sectors to promote and attract investment, mobilizing partners in target countries to support these efforts and fostering linkages with the local economy.
- c) Improving data and data sharing channels to ensure that potential investors have access to relevant and reliable data relating to Cape Town's local economy.

8.2 Marketing Cape Town as a Desirable Place to Live and Work

The City's Place Marketing Unit currently utilises the six categories of Live, Work, Play, Invest, Visit and Study to holistically market the different attributes of Cape Town to the world. Each of these six elements contributes to the overall attractiveness of the destination with many of

⁵¹ (UNCTAD, 2020)

⁵² (UNCTAD, 2020)

them reinforcing the offering of the other elements. One of the reasons cited by investors for investing in Cape Town, for instance, is the liveability of the city.

Place marketing efforts emanating from the City or its partners need to emphasise issues that speak directly to investor interests. The decision to locate a company in Cape Town is not one that will be taken lightly, and it is incumbent on the City to communicate effectively on the steps being taken to create an environment that will reward investment, particularly around basic service delivery, safety and security, resilience and environmental sustainability.

In order to market Cape Town as a desirable place to live and work, the City will be pursuing the following activities:

- a) Developing a joined-up international marketing campaign that can highlight the City's initiatives and show where innovative projects have succeeded in addressing key challenges facing the city, for example bringing down crime rates in particular communities, as well as the campaigns undertaken to improve Cape Town's resilience in the face of climactic shocks, health crises such as the Covid-19 pandemic, and socio-economic pressures.
- b) Enhancing and expanding programmes and partnerships with SPVs aimed at making small local manufacturers export-ready, to assist them with entering the global stage.
- c) Establishing an annual technology-themed event that allows local and regional entrepreneurs and start-ups to showcase their brands and products to large businesses and financing institutions, with no financial barriers to entry to ensure inclusivity and to leverage City-owned data.

Textbox 7: Invest Cape Town

Invest Cape Town was established with a vision of positioning Cape Town as a globally competitive African business city, telling the stories of a sophisticated and diverse economy - a regional hub for entrepreneurship and innovation. In 2016 the City of Cape Town set a five-year goal to "develop a business brand strategy and visual identity to galvanise all economic role-players... to stimulate and amplify investment in the Cape Town economy".⁵³

The Invest Cape Town initiative is dedicated to celebrating a city economy with enormous potential and creating awareness among the public and investors about the attractiveness and competitiveness of Cape Town as a place to do business. Invest Cape Town's purpose is to build and maintain a strong reputation for Cape Town; it is a positioning initiative that brings together citizens, business and government around a common goal: promoting investment, business opportunities and job creation, which positively affects people and business on the ground. We do this in collaboration with our partners and economic stakeholders, through an online presence, social media, campaigns, stakeholder engagements, success stories, leveraging events and supporting trade and investment missions.

When we speak with one voice about Cape Town and its promising economy, in a clear and consistent message, the world will recognise our city and South Africa as a key destination to invest in on the African continent.

⁵³ IDP: 2017 to 2021

8.3 Promoting Investment in Cape Town

Investment promotion relies on the identification of four broad categories of investors and their respective preferences or needs. Market seeking investors are attracted to large consumer bases, efficiency-seeking investors are attracted to markets with low input costs, natural resource seeking investors are attracted to abundant scarce resources, and strategic asset seeking investors are attracted to markets that provide scope for enhanced capability portfolios in their home country or in third-country markets. All investors require the rule of law, sound intuitions of governance and a stable operating environment.

Cape Town has a relatively small population and high non-tradable input costs. Combined with a weak currency, it therefore offers little by way of business efficiencies, but does offer a large potential labour force and utility services that are relatively reliable in the context of the country and region. Cape Town is gaining an increasing reputation for good governance and high quality of services relative to their cost, which appeals to efficiency-seeking investors if risks can be mitigated.

Geographically and economically, Cape Town is also well-positioned to develop as a services gateway to and ideas capital for Africa, relying on partnerships with businesses and non-governmental agencies to effectively develop and market the local skills pipeline. Doing business with European and Middle-Eastern businesses and sectors is also geographically pragmatic, given favourable time zones with those regions.

In order to increase investment in Cape Town, the City will be pursuing the following activities:

- a) Building the current Invest Cape Town initiative into a more collaborative partnership-driven vehicle for generating investment opportunities in niche areas on the back of investor intelligence and buy-in from private stakeholders.
- b) Developing an Investment Strategy to better understand, engage with and respond to the needs of investors and the scope for more strategic sector-specific interventions, including memoranda of understanding with the Western Cape Government and major investment promotion partners to clearly delineate roles.
- c) Apply the City's Investment Incentives Policy on an ongoing basis, to be reviewed regularly in light of sector and industry needs and fiscal availability.
- d) Adopting an evidence based approach to investment promotion, relying on integrated monitoring and evaluation.

Textbox 8: Investment Incentives

The primary objective of the City's Investment Incentives Policy is the attraction of job-creating investment into Cape Town's economy.

Incentives are available for new investment or expansion of existing investment that:

- Is in the currently identified sectors and geographical zone, as directed from time to time; or
- Located anywhere in the City if it is in a priority tertiary industry; and
- It creates a minimum of 50 jobs in general manufacturing or a minimum of 20 jobs in priority manufacturing or the tertiary sector.

These incentives include financial incentives, such as the following:

- Building plan and land use application fee waivers;
- Development charge deferral and write off up to R1 million; and
- Electricity incentive tariffs for large power users for up to 2 years.

Non-financial incentives are also available, which includes:

- Prioritised single-point investment facilitation support; and
- The fast tracking of land use and building plan applications, and occupancy certificates.

8.4 Promoting Tourism to Cape Town

A primary goal of the City's new Tourism Development Framework 2024 is to diversify Cape Town's tourism offering and compete with leading tourism cities in the world. In order to do so, the city must capitalize on and stay ahead of changes in technology, consumer tastes and travel patterns, environmental management and safety and security concerns. Over the past decade, the sector has directly contributed between 2% and 3.5% annually to the local economy and has directly sustained between 3% and 5% of all jobs in the city.⁵⁴

While a strength for the city historically, it is important to be aware of how sensitive the sector can be to shocks and stresses, particularly where health and safety are involved. The current Covid 19 pandemic is the biggest threat to reaching the goals and objectives of the TDF 2024 and the perceptions of a city as being susceptible either to crime waves, or being exposed to major health risks in the form of a viral epidemic for example will have major impacts on willingness to visit the city. Key to combatting this is sound, visible policy making that gives assurances to prospective tourists, and appropriate investment to meet expectations of visitors.

With Covid-19 having an indelible impact on international tourism, it is necessary for the City to actively pursue and support local tourism as best it can, with the Tourism Development Framework representing a responsive approach to tourism promotion that must be reflective of changing trends and opportunities.

In order to increase tourism to Cape Town, the City will be pursuing the following activities:

- a) Promoting Cape Town as a tourist destination with transparency on matters such as water scarcity and efforts to address tourist concerns.
- b) Continuing to advocate for more direct air and sea routes between Cape Town and tourist generating cities.
- c) Increasing Cape Town's social media footprint, to make it more accessible for visitors looking for a way to interact with the City and experience Cape Town as a whole.
- d) Working with partners to increase the number of unique experiences in Cape Town, including the development of a wider range of tourism-related services.
- e) Ensure relevant tourism infrastructure is in place and maintained to cater for visitors.
- f) Engage more actively with SANPARKS to ensure that protected areas are properly supported and maintained.

⁵⁴ (Thornton, 2016)

8.5 Establishing Cape Town as an Education Destination

Education and skills development are fundamental components of high growth sectors, particularly if they are sufficiently agile to keep up with changing trends. As a knowledge hub, Cape Town should be marketed as an attractive destination for the country, continent and the globe's youth to be visiting to upskill themselves.

Cape Town has a comparative advantage in the knowledge industry, with four universities in the greater region, and a multitude of private sector campuses offering various courses ranging from teaching English through to animation. Together with a host of high quality public and private schools, Cape Town has a solid foundation for building a skilled labour force.

Three regional universities – University of Cape Town, Stellenbosch University and University of the Western Cape – are ranked within the top 15 universities in Africa, and with multiple highly rated TVET colleges, Cape Town is well positioned to form an integral part of Africa's skill's pipeline.⁵⁵ Education pathways are boosted by the presence of a highly competitive EdTech sector that continues to attract investment.

In order to establish Cape Town as an educational destination, the City will be pursuing the following activities:

- a) Embarking on a strategic research project to better understand the education landscape as well as determine the needs of international students studying at tertiary institutions.
- b) Developing a strategy for direct marketing of Cape Town as an education destination for tertiary skills development.
- c) Establish a formal partnership with both public and private tertiary institutions and skills centres to align their programs with City-led initiatives for attracting students to Cape Town, and assist their curriculums with remaining globally competitive and responsive so as meet the skill needs of the Cape Town economy whilst also attracting more students from around the country, continent and world.
- d) Partnering with academic institutions to establish research partnerships, leveraging the City's Data and Research Strategies to make better use of public data, and to develop improved research capabilities and opportunities.

8.6 Enhancing Cape Town as a Film and Events Destination

The City's Events Department plays a major role in attracting and supporting major international and local events. Cape Town has a strong track record as an events destination, and in 2018 was awarded a prestigious accolade as the World's Leading Festival and Event Destination at the World Travel Awards. As the hosting of events and festivals is a highly valuable resource for growing the local economy and creating long term opportunities, the City has to address some key challenges to ensure that Cape Town remains a globally competitive events destination.

The film industry also plays a pivotal role in promoting Cape Town and growing the local economy. During 2018 the City of Cape Town and the Cape Town film industry started a joint initiative called Film Cape Town. This initiative is designed to make the most of the City's

⁵⁵ (QS Top Universities, 2019)

amazing locations, diverse talent pool and world-class infrastructure to create a thriving and sustainable industry.

In order to enhance Cape Town as a film and events destination, the City will be pursuing the following activities:

- a) The adoption of a more strategic role in the management of events facilities, working with municipal entities and asset managers to ensure readiness to host major events and film productions.
- b) Building, converting, partnering or incentivizing for a full suite of new or refurbished facilities that meet international standards for event holding and filming.
- c) The enhancement of partnerships with the events industry to help it to grow, address barriers and keep Cape Town competitive.
- d) Incorporation of the informal sector in events and film where possible.
- e) The enhancement of the existing partnership with the film industry in the form of Film Cape Town.
- f) Offering direct financial and non-financial support for strategic events that represent an economic benefit for communities in Cape Town, where funding may be critical and where there is a clear economic or social return on investment.
- g) Offering direct financial and non-financial support for film productions that represent an economic benefit for communities in Cape Town.

Conclusion

The City of Cape Town has had relative success in leveraging the city's competitive advantages for economic growth since 2013, and has been able to produce positive trends for employment, investment, and infrastructure offerings. In the context of major challenges facing the South African economy as a whole, however, this progress has not been sufficient to account for population growth, or to improve the overall competitiveness of the city to a satisfactory level.

The challenges faced by Cape Town's local economy in the context of this nation-wide economic crisis, particularly in conjunction with the global Covid-19 pandemic, are vast, deeply entrenched and spanning across almost every aspect of economic activity. Addressing challenges such as these is no small task for any government, but the City of Cape Town is not alone in this effort. History has shown that Cape Town is resilient in the face of such challenges, and despite the prevailing impacts of the recent drought, there are signs of recovery that suggest that the city will continue perform well in the South African context.

Nevertheless, key economic indicators highlight the need for improved inclusion and embedded sustainability in order to not only achieve higher growth levels, but so that the positive impacts of that growth can be felt across the city as a whole. Economic growth is everybody's responsibility.

Throughout this document, emphasis has been placed on partnerships, information gathering, and responsiveness to ever-changing needs and opportunities. Through improved collaboration with the full range of internal and external stakeholders in both the formal and informal private sector, as well as inter-governmental collaboration, the City is committed to realising its vision for the improvement of inclusive economic growth, reduced unemployment, and reduced inequality through dynamic social mobility.

Through the conceptual framework established in this document, the City will pursue an active programme of economic stimulation, support and promotion. At the core of this is an emphasis on the provision of reliable, high quality services that businesses and individuals in both the formal and informal sector can rely on. These are services that, if not done by the City, won't be done at all – and if done well could serve as a significant point of difference between Cape Town and other cities seeking to attract investment in an increasingly competitive environment. Further investment by the City in this, through maximum usage of capital expenditure budgets and strategic planning, has the potential to establish a service base that will give businesses assurance and a foundation for success.

Active support for economic actors to give them the best chance of succeeding in the form of business facilitation, retention and expansion through the removal of barriers and the fostering of improved relations and responsiveness is a fundamental component of inclusive economic growth. To cater for this, development of and assistance for a struggling but determined labour force will be pursued. Finally, with an eye on the future, the City will continue to work for increased investment, domestically, regionally and internationally, in a full range of sectors aimed at jobs today and growth tomorrow.

As a high-level strategy, the purpose of this document is to inform and guide City actions in the short to medium term, and most importantly to be informed by the success or failure of those actions. An implementation plan will be developed to accompany this Strategy and will

inform the timelines for completion of initiatives and actions. As part of this plan the City will be reviewing administrative functions relating to implementation and identifying role players best suited to take responsibility. Through ongoing monitoring and evaluation, the implementation of this Strategy will feedback into its application and the way in which its imperatives and objectives are carried out by the City and its partners.

Annexure A: Economic Context

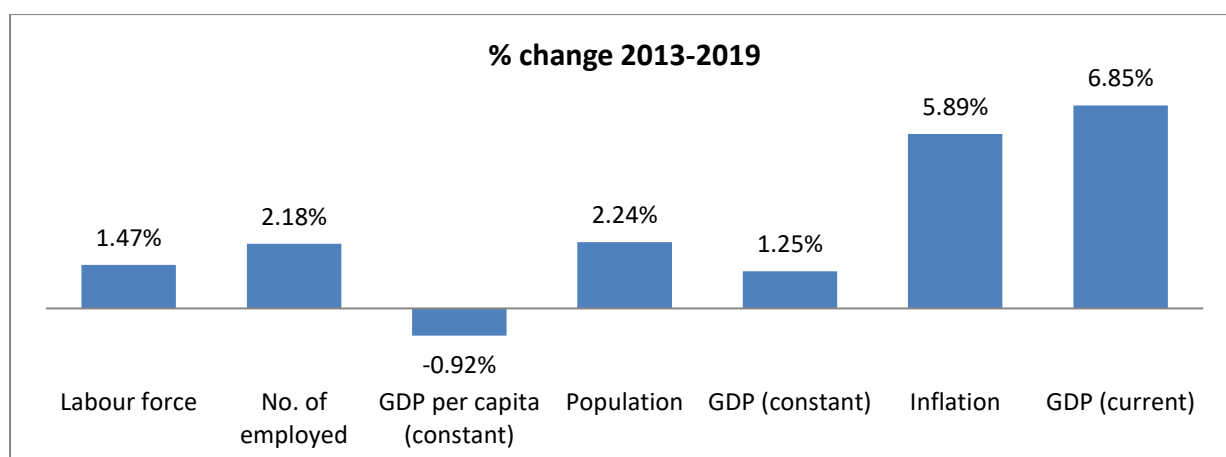
Growth Indicators

Cape Town is the third largest contributor to national GDP after Johannesburg and Tshwane, accounting for 9,9% of output as of 2019.⁵⁶ It caters to a population of approximately - 4 514 918 people – an increase from 3 980 132 from 2013. Large-scale urbanization is a significant contributor to population growth, and has not necessarily translated into a proportional increase in productivity.

Table 2: Key statistics for Cape Town, 2013 vs 2019⁵⁷

	2013	2019
Population	3 980 132	4 514 918
Working-age population	2 776 166	2 960 507
Labour force	1 877 506	2 042 715
Employed persons	1 411 069	1 595 388
Unemployment rate (strict)	24,86%	21,90%
Dependency ratio	45,06%	44,11%
GDP-R at constant prices (rands, millions)	292 774	314 752
GDP-R at constant prices (% of SA)	9,85%	9,9%
GDP-R per capita (rands)	75 851	71 654

Figure 4: Key statistics for Cape Town, 2013 vs 2019 cont. (average annual % changes)



As indicated in Figure 4 above, the growth in Cape Town's GDP since 2013 was largely neutralised by the impact of inflation, and with the corresponding population growth, there has in fact been a net decrease in real GDP per capita. While this paints a somewhat negative

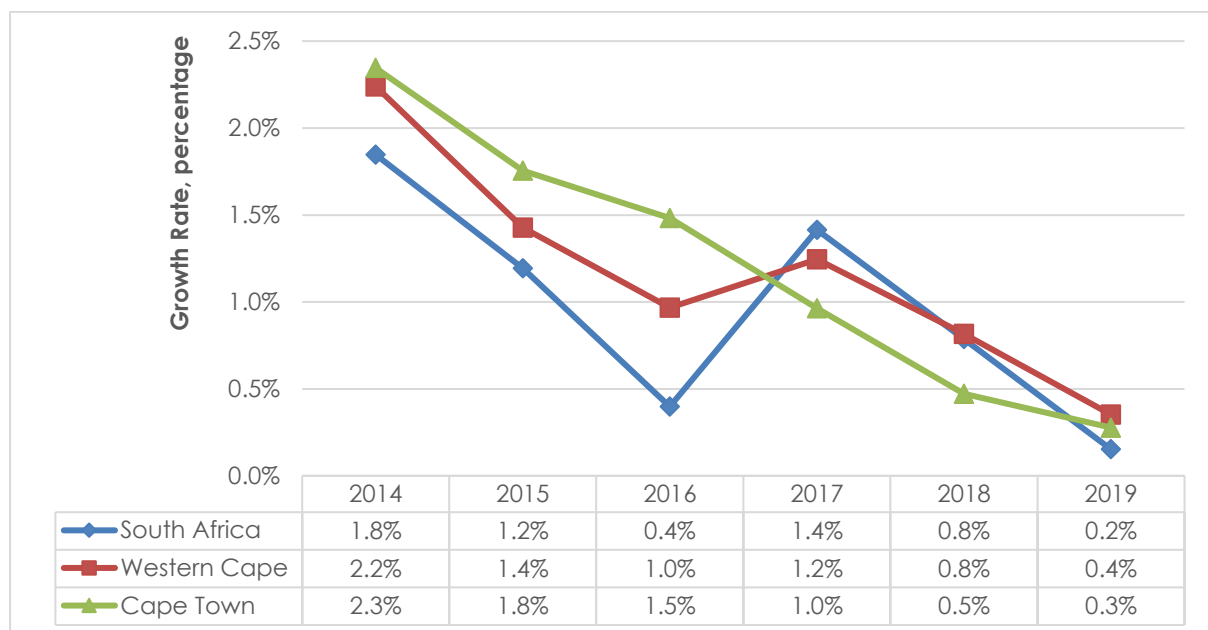
⁵⁶ IHS Markit Regional eXplorer, 2021

⁵⁷ (Statistics South Africa, 2020); (IHS Markit Regional eXplorer, 2021)

picture, there are positives – not least of all that the strict unemployment rate dropped and more people are participating in the economy in 2019 than 2013.

Figure 5 below indicates the extent to which this downward trend is localised. Historically, economic activity in Cape Town and the Western Cape largely mirrors national trends, though the City and Province typically outperform the national economy. From 2014-2019, Cape Town's GDP growth rate averaged 1,22%, compared to 1,17% by the Western Cape and 1,0% at the national level. The dip experienced by Cape Town in 2017 indicates the extent to which the drought impacted on the local economy, but there is already a promising recovery. This resurgence is a testament to the City's resilience, and its ability to withstand a shock and still generate growth.

Figure 5: Average annual GDP growth (percentage), Cape Town vs Western Cape vs South Africa, 2014 to 2019⁵⁸



It is important to note, in conjunction with the above statistics, that growth at a city level is seldom, if ever, achievable without support from a national government. Implementation of urban policy, irrespective of its attractiveness to businesses and individuals, often has only a marginal impact when compared to macro-level effects and demand-side policy implemented by national governments.⁵⁹

The role of population growth similarly cannot be overlooked, and while it may be tempting to view Cape Town's growing population as a barrier to economic growth, it in fact represents an opportunity. There is compelling evidence in favour of the link between urbanization and increased productivity, as well as agglomeration of labour being seen as a major component in the shift from poverty to equality.⁶⁰

However, in order for urbanisation to successfully produce greater equality and economic prosperity, appropriate policies must be implemented. While it is true that economic growth is

⁵⁸ (IHS Markit Regional eXplorer, 2021)

⁵⁹ (Lee, 2019)

⁶⁰ (Bryan, G., Glaeser, E. & Tsivanidis, N., 2019)

driven primarily by the private sector, it falls to the public sector to ensure that public goods, such as infrastructure and services, are accessible and efficient, and to ensure that markets can operate effectively and with as limited negative externalities as possible.⁶¹ City governments, particularly in low-income environments, must be prepared for the increased burden on service provision that growing populations will generate, in order to ensure that a poverty trap is not created, whereby new entrants are kept in urban slums, remain poor and have limited access to opportunities in the formal or even informal economies, leading not only to the compounding of inter-generational poverty and inequality, but also to health risks and criminal activity.⁶²

Unemployment Indicators

distinctions between a municipal economy and a national economy that serve to distort comparisons – including the fact that the national economy incorporates both urban and rural economies. Table 3 below therefore serves to compare broad unemployment rates for the largest six municipalities in South Africa. With the notable exceptions of 2010 and 2012, Cape Town has achieved the lowest broad unemployment rate year on year, with 2018 marking the lowest unemployment rate for any municipality since 2008 – which marked the start of the global financial crisis. Despite performing better than other metros, unemployment on this scale is unacceptable and unsustainable.

Table 3: Broad unemployment rates, SA metros, 2008 to 2019⁶³

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cape Town	20,9%	23,9%	25,6%	24,5%	25,7%	25,7%	25,7%	23,4%	24,0%	24,5%	23,0%	24,1%
eThekweni	24,7%	25,2%	24,8%	24,7%	25,2%	26,8%	25,8%	25,0%	26,5%	29,2%	27,9%	30,1%
Ekurhuleni	25,0%	30,0%	35,8%	36,7%	34,2%	35,8%	33,6%	29,9%	33,8%	35,0%	35,8%	35,5%
Johannesburg	24,9%	25,4%	28,6%	28,0%	26,8%	25,7%	26,5%	31,5%	32,1%	31,4%	31,2%	33,7%
Nelson Mandela Bay	37,0%	38,1%	36,7%	34,9%	36,1%	36,9%	37,3%	30,8%	31,8%	34,8%	36,1%	36,7%
Tshwane	24,5%	25,3%	31,0%	29,5%	25,5%	25,9%	27,0%	32,0%	30,2%	31,1%	33,9%	32,6%

Table 3 below relates specifically to unemployment rates for the 15-24 age group and reveals a clear increase in unemployed youth. At over double the unemployment rate for the Cape Town population as a whole, the youth are disproportionately impacted by the current national economic crisis.

Table 4: Strict and broad youth unemployment rates (%), Cape Town, 2008 to 2019

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Strict	39.86	44.83	48.16	47.07	49.94	52.38	53.55	46.73	49.40	48.24	45.89	45.23

⁶¹ (Venables, 2015)

⁶² (Glaeser, E and Sims, H, 2015)

⁶³ (Statistics South Africa, 2020)

Broad	42.25	46.61	49.83	48.15	50.81	53.63	54.36	48.79	50.20	50.40	47.97	48.49
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Inequality Indicators⁶⁴

It is vital that the pursuit of economic growth does not come at the cost of inclusion in the economy. A healthy economy is one that grows both in size but also in reach, so that as many people as possible can contribute towards it, making it more resilient and allowing for greater scale and specialisation in the long run. This is particularly true for a growing city, where new arrivals need to find pathways to participating in the economy and being dynamically mobile (socially and economically).

Widespread inequality, specifically along grounds of race and gender, is an inescapable historical feature of Cape Town's economy. This has transcended policy and continues to manifest itself not just in the spatial environment, with physical barriers inhibiting access to the economy for people in disadvantaged communities, but also in the social fabric of the city, with underlying social hierarchies and preconceptions that prejudice in favour of certain demographics on various levels.

Cape Town has historically maintained the lowest Gini coefficient amongst South African metros, but by a margin that has reduced in recent years. The current figure of 0,63 is very high in global terms, only marginally better than the national figure of 0,64, which is the highest in the world.⁶⁵ Inequality at this level represents an unacceptable and unsustainable societal imbalance.⁶⁶

⁶⁴ While Gini Coefficient is relied on in this section as one of the primary indicators of inequality, the City recognises that there are other metrics, such as the Palma Ratio, that are arguably better suited to such analysis – the possibility of using alternative metrics is being considered, but they are not currently available reliably.

⁶⁵ (World Bank, 2018)

⁶⁶ (Molefe, 2012)

Table 5: Gini coefficient, 2013 to 2019⁶⁷

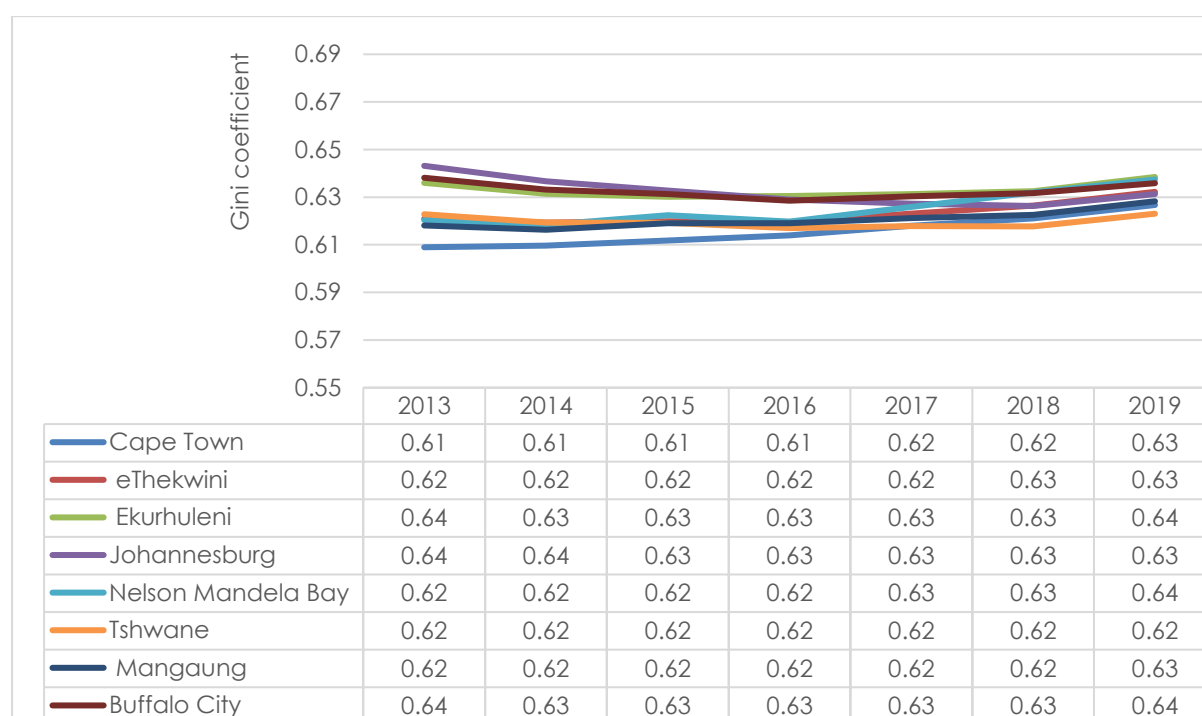


Table 6: National poverty line⁶⁸ and poverty indicators⁶⁹ for Cape Town

National Poverty lines (per person per month)	2008	2013	2018	2019
Food poverty line	R274	R386	R547	R561
Lower-bound poverty line	R447	R572	R785	R810
Upper-bound poverty line	R682	R883	R1 183	R1 227
Cape Town's Poverty Indicators	2008	2013	2018	2019
People below the food poverty line	548 519	525 705	861 953	911 530
Share below the food poverty line	16.13%	13.62%	20.0%	20.8%
People below the lower poverty line	1 071 322	950 163	1 383 005	1 461 118
Share below the lower poverty line	31.50%	24.62%	32.11%	33.26%
People below the upper poverty line	1 545 842	1 521 241	2 014 615	2 112 423
Share below the upper poverty line	45.46%	39.41%	46.8%	48.1%
Poverty gap rate (from upper poverty line)	31.56%	28.70%	29.60%	29.89%

⁶⁷ (IHS Markit Regional eXplorer, 2021)

⁶⁸ (Statistics South Africa, 2020)

⁶⁹ (IHS Markit Regional eXplorer, 2021)

Table 6 above offers a more detailed analysis of poverty in Cape Town, with the share of residents living below the food poverty line declining from 2008 to 2013, then surpassing previous levels by 2019. More than income disparity, this trend reveals the true impact of poverty in Cape Town, and the pressing need for meaningful, inclusive economic growth that does more than increase the local GDP.

The Informal Economy

The informal sector is a crucial and frequently overlooked part of Cape Town's economy. Statistics South Africa estimates that 197 749 people were employed in the informal sector in Cape Town in 2019. This constituted 12.4% of Cape Town's workforce, a significant amount.⁷⁰ Importantly, the benefit of the sector is predominantly in low-income communities where it is most needed, and it accounts for an estimated 5 percentage point reduction in the poverty rate.⁷¹

The informal sector⁷² provides an avenue for those who have limited access to land, capital or labour through to the formal economy. The informal economy is essential in ensuring that those not able to access formal work or entrepreneurial opportunities are able to access and participate in markets as **business owners, workers** and **consumers** – each of which is discussed in more detail below.

As long as the population of Cape Town grows, through births and in-migration, at a higher rate than formal jobs are created, the informal sector will be an important avenue for generating livelihoods and reducing poverty. This is particularly true in a scenario where the bulk of new arrivals to the city or young residents entering the work force in the city are low or semi-skilled. The informal economy has the potential to provide either transitional or permanent employment for new arrivals to the city or new entrants to the labour market, and in some cases to provide sustained livelihoods.⁷³ But there is a risk that many informal economy participants get stuck in low productivity, survivalist activities.

There is informal economic activity in almost all sectors, and particularly present in trade, transport services, community services, recycling, construction and manufacturing.

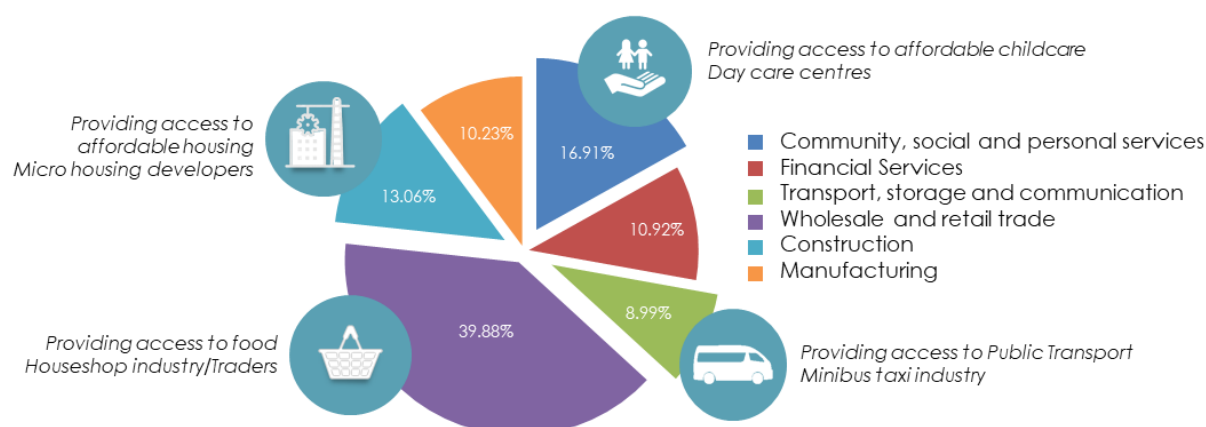
⁷⁰ (Statistics South Africa, 2020)

⁷¹ GHS 2013

⁷² While the informal sector is widely understood to include both legal and illegal activity, for the purposes of this Strategy, the informal economy refers only to legal activity.

⁷³ (Transitioning from the informal to the formal economy, 2014)

Figure 6: Industry distribution of informal sector employees in Cape Town⁷⁴



Business Owners: The informal sector contains a broad range of economic activities, ranging from owner operator to multi-person enterprises with varying degrees of business development, maturity, robustness, vulnerability and employment potential.

Workers: Informal sector participants are typically not regulated or protected by the state. The concept has largely been applied to small unregistered informal enterprises consisting of owner operated businesses and employees. However, this also includes employees that are in wage employment in unprotected or insecure jobs in the formal economy without the benefit of workers' representation. In both cases, workers gain crucial access to income while at the same time facing income instability and possible exploitation. The informal sector has considerable employment creation potential, emanating from both new entry of enterprises and employment expansion by existing informal enterprises.⁷⁵

Consumers: The informal sector provides access to goods and services for the most vulnerable residents within areas that are generally under-serviced by the formal economy, where the cost of access is often prohibitive. This is especially true in the following economic sectors: food, trade, transport services, community services, recycling, construction and manufacturing. Due to transport limitations, many consumers have limited access to bare necessities such as food retail, making it all the more important for there to be local alternatives of at least a bare minimum standard.

The informal economy generates jobs and income that is cycled multiple times within the local community, which results in a broader distribution of the benefits of this economic activity. The City recognises the value of the informal economy in contributing to the inclusivity and resilience of the Cape Town economy as a whole.

The above sub-sections identify components of Cape Town's local economy as a subset of what is experienced at a national and even an international level. However, there are also various aspects of the local economy that provide a comparative advantage within that same context.

⁷⁴ Stats SA, QLFS Q2, 2019.

⁷⁵ (The South African Informal Sector: Creating Jobs, Reducing Poverty, 2018)

Textbox 9: Comparative Advantages of Cape Town

Cape Town has many reliable and efficient infrastructure advantages including ports, roads and ICT connectivity. The Cape Town International Airport (CTIA), with over 10 million in passenger traffic per annum, is the second busiest airport in South Africa winning the Best Airport in Africa by Skytrax in 2020 and retained its rating as the 23rd best airport in the world (Skytrax, 2020). CTIA was also named Africa's Leading Airport by World Airport Awards (World Airport Awards, 2020). The sea port of Cape Town is the second busiest container port in South Africa. It serves a growing international import and export on one of the world's busiest trade routes, that traverses between Europe and the Western Hemisphere, handling nearly 1million TEU per annum.

Agricultural and agri-processed goods make up around 40% of total exports, which is unsurprising as Cape Town services a vast agricultural hinterland, acting as a processing, trade and retail hub for agricultural products. The strategic position on the West Coast of Africa establishes the City as a springboard for African trade and market accessibility, with Africa being the largest value recipient for Cape Town's regional exports. Other business-enabling infrastructure advantages include over 950kms of fibre-optic cables, 715 Wi-Fi access points and good public transport linkages in the city through the Bus Rapid Transit (BRT) routes.

Cape Town's locational advantages include the City's Mediterranean climate, a time zone aligned with the European market and scenic beauty that attracts international visitors. Cape Town is globally recognisable with blue flag beaches, fields of Fynbos, winelands and mountains, including Table Mountain - a 7th wonder of nature. Each of these are complemented by world class restaurants drawing on a bountiful local food and beverages industry.

The availability of four major universities within the metro region (among these, the top university in Africa, namely the University of Cape Town) provides companies with world-class talent. The skills pipeline has contributed to an established business culture and the creation of service and manufacturing hubs. These include a renowned Business Process Outsourcing (BPO) cluster, a finance and insurance cluster and a green energy manufacturing hub, further enabled by the Atlantis Greentech Special Economic Zone.

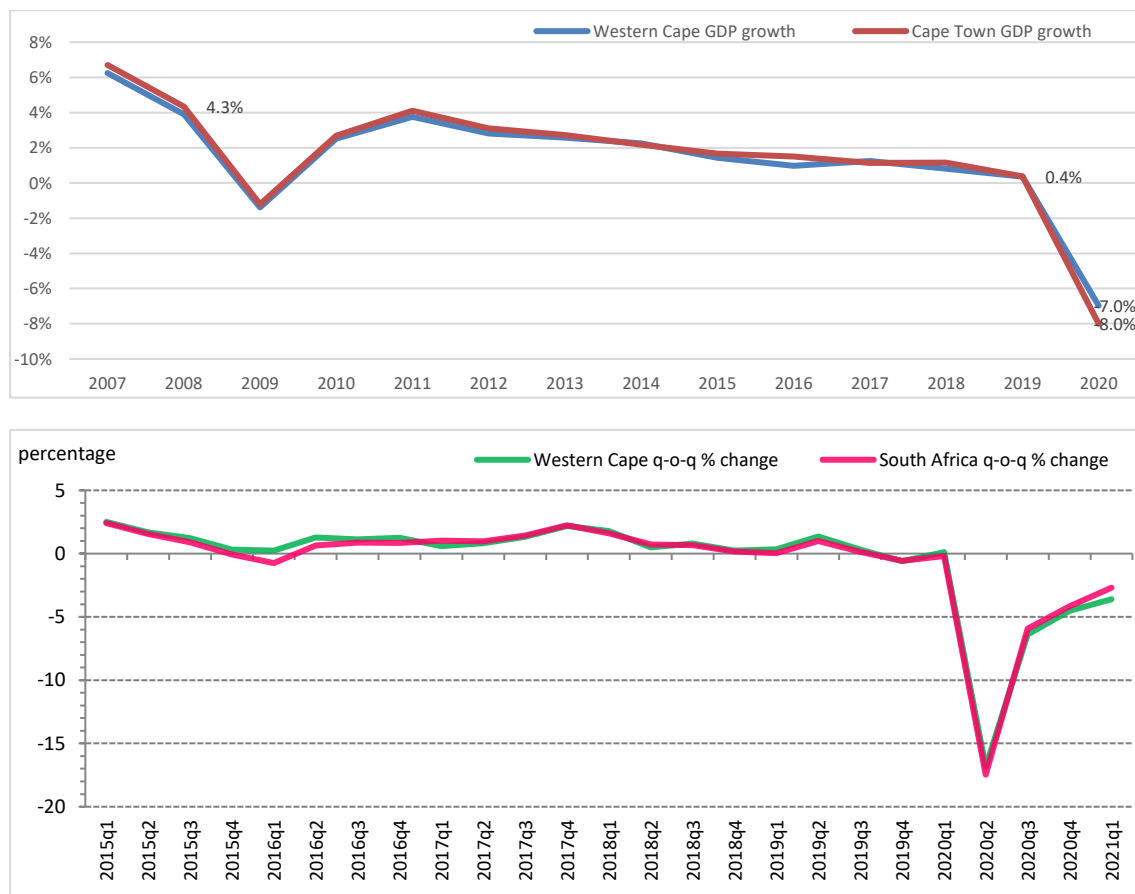
The City's good governance is an overarching competitive advantage. The City is the top performing municipality in South Africa, having achieved its 16th consecutive unqualified audit report in the 2018/19 financial year. This was accompanied by a Baa3/Aaa.za rating from Moodys, the highest possible level of credit quality within the national context.

COVID-19 Impacts on Cape Town's Economy

In 2019, the Western Cape economy, of which Cape Town is by far the largest contributor, grew by only 0,3%, a figure weighed down by two consecutive quarters (quarters 3 & 4) of negative economic growth. This was the poor starting point for 2020, an incredibly challenging year for local and global economies as a result of the COVID-19 pandemic. An almost

complete shutdown of the South African economy in April, followed by rolling restrictions on economic activity throughout the rest of the year, placed immense pressure on local businesses, both large and small. In 2020, the South African and provincial economy declined by 7%, the steepest annual decline on record, while the Cape Town economy was estimated to have contracted by 8,0%. On a quarterly basis, the unprecedented losses in quarter two, due to the lockdown regulations, resulted in the worst annualised quarterly GDP declines in South Africa (-50,5%) and the Western Cape (-51,2%). Since then, two consecutive quarters of higher than expected growth have pointed to a quicker recovery than initially expected. Nevertheless, economic production in the Western Cape remains almost 4% lower than it did in the first quarter of 2020, this is also likely to be the case in Cape Town.

Figure 7: Annual GDP growth (2017 to 2020) and Quarter-on-quarter growth (2014Q1 to 2020Q4 (annualised percentage changes)⁷⁶



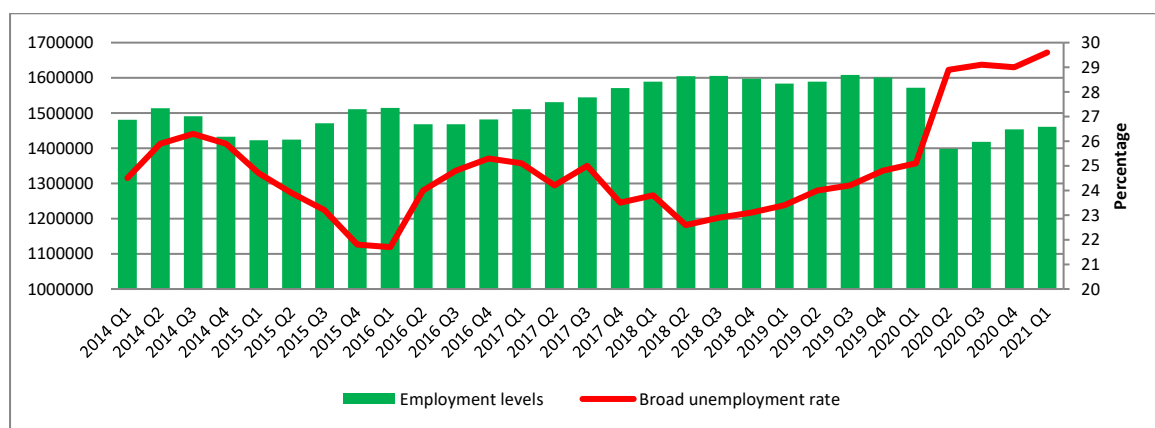
South Africa was not unique in experiencing a dramatic economic contraction in 2020. Indeed, the scale of the global economic impact of the COVID pandemic is unprecedented in modern times. According to the International Monetary Fund (IMF), the 'Great Lockdown' triggered the worst recession since the Great Depression with the 2020 global decline of 3,3% (IMF, April 2021). Global output declined about three times as much as during the global financial crisis in half the time. The pandemic crisis stands out for its differential impacts across sectors, particularly tourism, accommodation and food services, complex channels of

⁷⁶ (Quantec Easydata, 2020)

transmission, and high uncertainty around the recovery path. The IMF projects global growth at 6% for 2021.

A drop in output of the size experienced in 2020, also has significant ramifications for employment. Results from the Quarterly Labour Force Survey (QLFS) for 2021 quarter 1 show the long-term consequences of COVID and the associated regulations on the City of Cape Town's labour market. Overall, broad unemployment increased by 4 percentage points with 111 000 fewer jobs than Q1 2020. These impacts will not be felt uniformly across society, with high skilled economic activities being less affected by virtue of being able to operate remotely. Studies have also highlighted the disproportionate impact that the lockdown had on informal businesses, female labour participants and low skilled workers. These impacts are likely to result in increasing poverty rates and growing food insecurity.

Figure 8: Cape Town Unemployment Rates and Employment levels 2014 Q1-2021 Q1⁷⁷

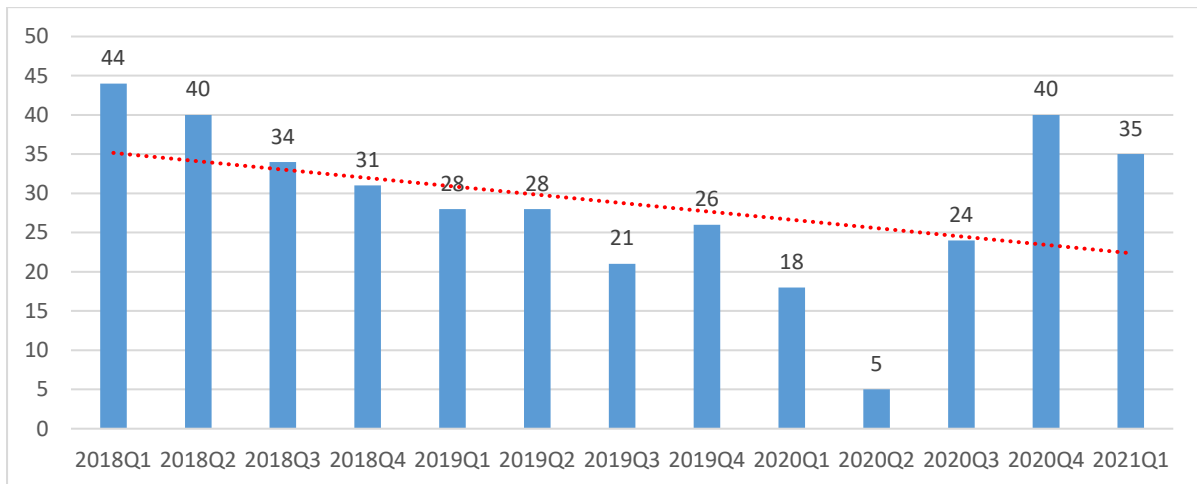


Monitoring Cape Town's Economic Recovery

Certain data releases assist in monitoring the effects of COVID-19 on the Cape Town economy. This monthly and quarterly data reflects on some of the encouraging signs of sustained economic recovery in Q4 2020 and Q1 2021, but also takes stock of the year 2020 as a whole, revealing just how far we still need to go to reach (and hopefully exceed) our pre-Covid-19 level of economic activity.

⁷⁷ Quarterly Labour Force Survey, 2021

Figure 9: Business Confidence Index for South Africa⁷⁸



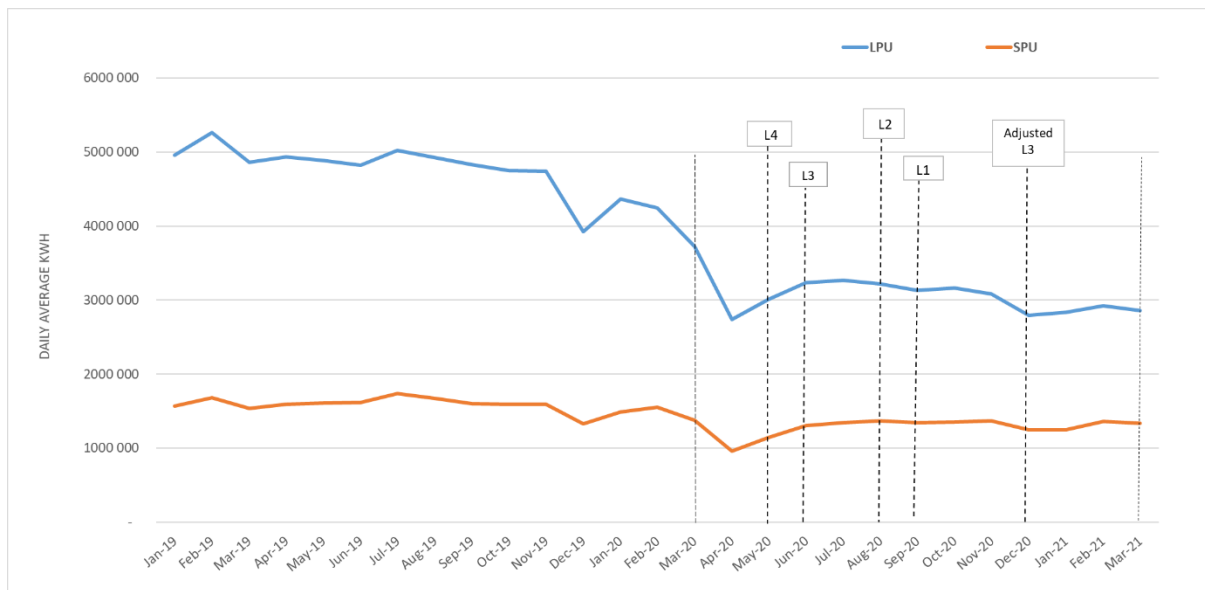
The Covid-19 outbreak, together with the Moody's downgrade culminated in the lowest ever business confidence⁷⁹ seen in the BER/FNB Business Confidence Index for Q2 2020. Business confidence improved in the second half of 2020, but, despite the positive gains in sentiment, actual levels of business activity remain far from pre-pandemic levels. Recovery, and confidence in particular, is a fragile thing, as further restrictions in January 2021 revealed. After two consecutive increases in business confidence, the RMB/BER Business Confidence Index fell again to 35 index points in the first quarter of 2021, showing that 7/10 businesses are still unsatisfied with prevailing conditions.

Electricity is an important driver of economic activity as it is a key input in most production processes. The City's administrative datasets revealed declining levels of electricity consumption by the City's large power users with 41% lower consumption year-on-year in April 2020 and again, 41% lower consumption in March 2021 from March 2019, pointing to a sustained drop in large power user electricity consumption, most likely due to reduced production. Small power users seem to be more resilient, with 13% lower consumption in March 2021 from March 2019.

⁷⁸ (Bureau for Economic Research, 2020)

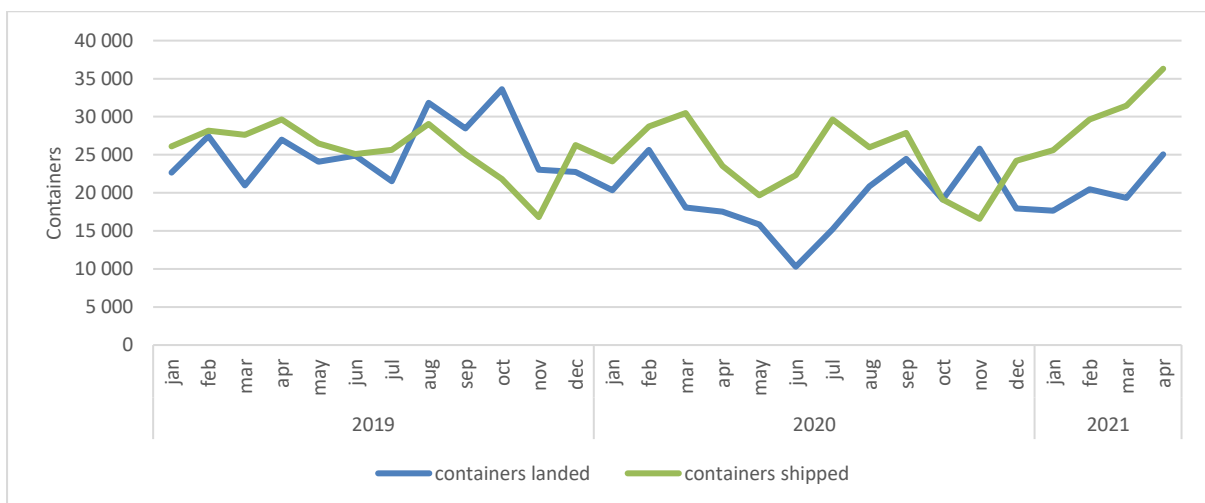
⁷⁹ Business confidence can vary between 0 and 100, where 0 indicates an extreme lack of confidence, 50 neutrality, and 100 extreme confidence.

Figure 10: Cape Town's commercial electricity usage (January 2019 to March 2021)⁸⁰



On a positive note, although containers shipped from the Port of Cape Town (a good proxy for exports) declined by a 25% y-o-y in May 2020, it is one of the few indicators that has grown to exceed pre-COVID levels by February 2021. April 2021 shows significant improvements, with containers shipped increasing on April 2020 figures by 54%, and more notably on 2019 April figures by 23%. This follows the trend of the growth performance of the manufacturing sector in the province as well as a global commodities boom, resulting in a healthy national trade surplus. That having been said, the strengthening Rand could result in lower exports for the remainder of Q2 2021. Containers landed have not yet fully recovered to pre-COVID levels, with April 2021 figures 7% below 2019 levels.

Figure 11: Containers shipped and landed at the Port of Cape Town⁸¹



⁸⁰ (Electricity Generation & Distribution, CCT, March 2020) This is based on a sample of 1 039 LPU and 2 926 SPU.

⁸¹ (National Port Authority, 2020)

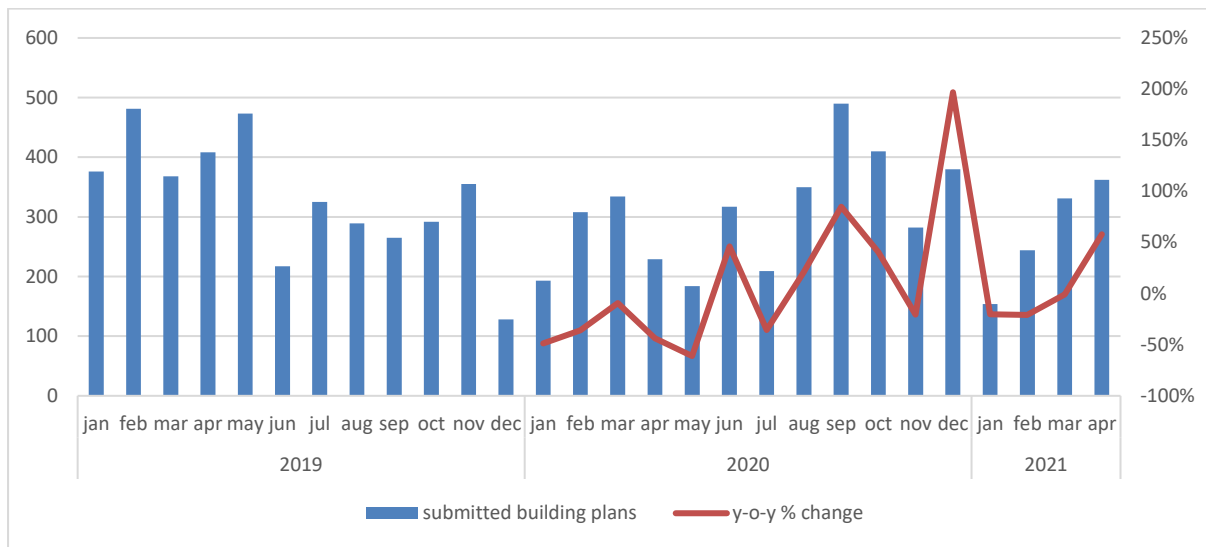
While the economy has gradually re-opened, certain industries are likely to experience a longer recovery. In contrast to the manufacturing sector, a number of industries within the tertiary/services sector remain highly depressed; none more so than the tourism sector. While travel restrictions in South Africa were largely lifted toward the end of the third quarter, some countries imposed fresh restrictions on travel to South Africa, or added onerous requirements, during this period. Beyond travel restrictions, however, tourists are also simply more hesitant to travel. This is apparent from the number of visits to Cape Town's top attractions, which have declined by over 70% year-on-year. Cape Town International Airport also saw only 10% of 'normal' international arrivals in April 2021. Encouragingly, quarter-on-quarter growth in airport arrivals and visits to top attractions shows that domestic tourism is picking up again.

The contrasting performances of the manufacturing and tourism sectors suggest a need to focus on different target markets. For the tourism industry, in the short term, the focus should be on the domestic market and capturing the displaced demand associated with restrictions on South African travellers. While, for the manufacturing industry, the focus in both the short- and longer term may well need to be on the international market. An enduringly weak domestic climate, coupled with faster economic recovery by our major trade partners – notably the US and UK, owing to their accelerated vaccination programmes – suggests that Cape Town companies, and especially manufacturers, should increasingly be looking offshore, however some opportunities do exist for import substitution.

Although there have been some green shoots of recovery in the Cape Town economy with improvements in the second half of 2020 and first quarter of 2021, GDP has not recovered to 2019 levels. Many economists agree that the Covid-19 economic recovery for South Africa will be 'U'-shaped, with a drawn out recouping of initial losses over a few years. The 17,5% decline in fixed capital in South Africa in 2020 serves to check any hopes that production will make up all its losses in 2021. Building plans submitted to the City of Cape Town, a proxy for the pipeline of construction projects shows a year-on-year decline of 7% in 2020. The building submissions recorded for January to April 2021 are 33% below those for the same period in 2019. These and more findings, suggest that Cape Town's economic recovery is going to take time.

Estimates by the City's Economic Analysis team, in partnership with PwC, forecast a stable scenario GDP recovery for Cape Town of around 4,2% in 2021, with a more pessimistic scenario resulting in a lower 1,9% growth. The stable scenario is broadly in line with the national BER forecast of 3,1%, which will likely be revised upwards post the 2021 Q1 GDP release.

Figure 12: Building plans submitted to COCT⁸²



In plotting a course for economic recovery and more sustained long-term economic growth, the IECS needs to be mindful of the unprecedented damage that COVID-19 has wrought on Cape Town's economy and how this manifests differently for different economic actors. Cape Town is not in a unique position in this respect, with COVID-19 plunging many cities around the world into deep recessions. In fact, in some respects – prominent among which is the presence of a strong ICT industry – Cape Town may be better equipped than other cities to adapt and recover from the short term impacts of COVID-19. This said, if Cape Town is to achieve a sustained and meaningful improvement in its economy, the systemic issues facing the economy before COVID-19 will still need to be dealt with.

⁸² (Development Applications Management System, 2020)

Annexure B: Factors affecting the local economy falling outside of the City's mandate

Macroeconomic environment	Transport	Education	Security	Environment	Energy	Water	Land and Housing	Health
National Credit rating & National Debt	Fuel Cost/Levies	Private Education (all levels)	South African Defence Force	South African National Parks –	Eskom – Generation, transmission and distribution of electricity	Water infrastructure including Dams and Bulk infrastructure	Vacant and underutilised Provincial or National assets	Private Healthcare
Inflation rate & Exchange rate	National & Provincial Roads	Basic Education	South African Police Service	Oceans/off coast –Marine resources management	Nuclear Power – Koeberg Nuclear Power Station	Bulk water tariffs	Security of Tenure Legislation	Provincial Public Healthcare
Trade agreements and relationships & Customs and Excise Taxes	International Airports	Higher Education	Private Security	Pollution & Waste	NERSA – approval of Eskom tariffs and contracting with IPPs		WC & National Housing Provision	National Health Insurance & Medical Schemes regulations
Business & Income Tax & VAT	Large Harbours	Training and Development Programmes	Provincial Traffic Police	Carbon Tax & Climate Accords				
Immigration regulation	Small Harbours & Coastal Properties	Technical Skills Training		Minerals and Mining				

Labour regulations	Metrorail			South African Weather Service				
National and Provincial Incentives Schemes	School busses							
Business Registration Requirements	Taxis							

Annexure C: Provisional Prioritisation of Initiatives

While this Strategy is intended to guide City operations and decision-making for a period of five (5) years until review, and therefore must adopt a holistic view to short, medium and long-term inclusive economic growth, it cannot be ignored that the context for the document's approval is firmly embedded in the economic fall-out of the Covid-19 pandemic.

As such, the primary and most immediate scope of work must centre around economic recovery. To this end, implementation of this Strategy will be in the form of a three-phase recovery approach:

Phase 1: Stabilisation – A 12-month programme of initiatives which will be emphasised due to their ability to respond to and halt the immediate economic downturn.

Phase 2: Adaption – A further 12-month phase in which emphasis will be placed on a programme of initiatives which have the potential to transition us to a re-purposed and relevant Economy with increased competitiveness in the post-Covid economic landscape.

Phase 3: Rebuilding/Recovery – A long-term programme of initiatives that consolidate and build on the previous phases and seek to leverage competitive advantages for sustainable growth within the changed economic context

The break-down of the three phases by chapter as of August 2020 is as follows:

	Chapter Five – Service Provision	Chapter Six – Business Support	Chapter Seven – Labour Market Support	Chapter Eight – Investment Stimulation
<u>Stabilization Initiatives</u>	Higher Standard and Extent of Service Delivery	Creating an Enabling and Welcoming Business Environment	Developing City Work Experience as an Incubator for Young Talent	Restoring Investor Confidence Post-Covid
	Better Leveraging City Planning for Improved Delivery	Fostering the Retention and Expansion of Businesses		
	Stimulating Sustainable Construction	Establishment of a Cape Town Growth Coalition		
	Improving Healthcare and Substance Abuse Rehabilitation Access	Better Supporting and Stimulating Sectors		
	Providing Improved Access to Markets and Opportunities for	Improving Support for Township Economies		

	the Informal Sector			
		Building platforms of collaboration with the Informal Sector		
		Support Improved Access to Food Retail and Agriculture		
<u>Adaptation Initiatives</u>	Improved Transport Solutions	Addressing Area Specific Challenges	Partnering in Equipping the Labour Force for a Modernizing Economy	Marketing Cape Town as a Desirable Place to Live and Work
	Using City-Owned Facilities in Support of Economic Activity		Reducing Job Search Frictions	Promoting Investment in Cape Town
	To Build a More Efficient Regulatory Environment for Development Management			Promoting Tourism to Cape Town
<u>Rebuilding Initiatives</u>	Integrating Sustainable Economic Analysis into City Decision Making	Fostering Improved Cohesion between the Natural Environment and Inclusive Economic Growth	Coordinating Workforce Development Initiatives	Establishing Cape Town as an Education Destination
	Leveraging City Data as an Economic Asset		Developing a User Friendly Job-Seeker Database	Enhancing Cape Town as a Film and Events Destination
	Promoting Economic Inclusion in the City		Partnering in Providing Effective Career Guidance	
	Enabling Widespread Broadband Access			
	Fostering Improved Intergovernmental Relations			

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