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ECONOMIC AND HUMAN DEVELOPMENT (EHD) STRATEGY

EXECUTIVE SUMMARY

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EHD Strategy Executive Summary

1. Introduction

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

Economic and human development are achieved when there is an improvement in the material status of individual residents, households and the city population as a whole, as shown by:

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

The City's five to ten year EHD Strategy must inform the City's IDP, as well as other policies and programmes. The Strategy builds directly on economic development policy work already done by Council (including the IDP, "Going Global, Working Local", the Local Area Economic Development Policy and Strategy, Investment and Trade Promotion and Business Support policies and strategies). The City's Strategy is also informed by national policy frameworks and initiatives such as the Accelerated and Shared Growth Initiative (ASGI-SA) and by provincial policies and strategies such as the Growth and Development Summit and Strategy, and various sector policies. If economic and human development are not placed at the core of government's action, delivery of broader city development objectives including sustainable settlement development will fail. The Strategy provides an enabling environment by drawing attention to Council's core legal obligations in this regard, highlighting respective roles for departments of Council, other spheres of government and the Public.

The City's EDH Strategy is presented in 2 documents:

- Economic and Human Development Strategy Part 1: Context and Framework and
- Economic and Human Development Strategy Part 2: Implementation Plan.

2. Aims

Economic and human development lies at the core of the City's mission. The Strategy seeks to reverse the current trend of increasing poverty and unemployment. It has the following aims for the city:

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

3. Context

Mandate

The Strategy arises out of a legislative commitment to developmental local government, and the progressive realisation of socio-economic rights as defined in the Constitution. It reflects a practical contribution to the mandates of local government outlined in various pieces of legislation and policy, and to the economic targets laid out in the Presidential Programme of Action. Cape Town is central to provincial progress in economic and human development, and to meeting the Provincial Growth and Development Strategy goals and the vision of the Province.

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Economic growth

Gross Geographical Product, or GGP, measures formal economic growth at the city scale. Between 1995 and 2004 the Western Cape economy grew at an average annual rate of 3.3% while the City grew at an average rate of 3.7%. It is estimated that a growth rate of between 6 and 7% (or the creation of approximately 40 000 jobs annually) is needed to reduce unemployment significantly. As the Cape Town economy constitutes 76% of the provincial economy, the bulk of this growth must come from the metro area.

The strength of Cape Town's economy is that it is well diversified. However in line with global trends, there has been a shift towards the service sector with the three most prosperous sectors being finance and business services; trade, catering and accommodation; and transport and communication. The manufacturing and government services sectors both declined between 1995 and 2004. Over 50% of growth was concentrated along the CBD – Bellville axis.

Unemployment has expanded rapidly over the last ten years. However, recent indications are that the absolute number of unemployed is beginning to drop with Cape Town's unemployment rate peaking at 23.8% in 2003 and now dropping to 23.4%. In this period, formal employment declined and informal sector employment increased. The unemployed are predominately black – 62% African and 36% Coloured, and 69% are under the age of 35. The bulk of the unemployed live in the south-east sector of the city.

The City's economic strategy needs to ensure Cape Town is responsive to the new context. Growth is likely to continue to focus on the service sector and high-value-added manufacturing. The knowledge economy is likely to become even more important. However, unless the City upgrades its infrastructure, Cape Town will lose its local and global competitive advantage, and will not achieve the needed >7% growth.

Poverty

Poverty exists when an individual's or a household's access to income, jobs and/or infrastructure is inadequate or sufficiently unequal to prohibit full access to opportunities in society. Poverty and unemployment continue to increase in the Cape metro area. The proportion of households in the city living below the Household Subsistence Level increased from 25% to 32% between 1996 and 2001. Unemployment levels in the area rose from 16.5% in 1999 to 23.4% in 2004 (Labour Force Survey).

Empowerment

Indicators of empowerment include employment and household income. Census figures show a disproportionate growth in unemployment between genders and racial groups in the city, and a disproportionate growth in the number of youth unemployed. There is also inequality in the racial distribution of household income in the city. The average income of white households is about seven times greater than that of African households, and nearly three times greater than that of coloured households. In the long-term, education and skills development programmes will be the key empowerment tool. In the shorter term, public sector Black economic empowerment programmes are a key tool to address these imbalances.

Sustainability

Bold and proactive initiatives are needed to reduce the pressure on the City's resource base and ensure its long term sustainability and success of the strategy. This could include developing an action plan to make Cape Town a "green city" with a supportive regulatory environment.

Trends

Cape Town produces just over 11 % of the national GDP and less than 0.1% of the global economic output. Its economy is intrinsically linked to the national and global economies, and any strategy must be rooted in an excellent understanding of the opportunities and trends at these levels. The Strategy identifies a number of trends in relation to the overarching economy, specific economic sectors, public policy, human development and the environment.

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Given all of the above, the interdependent objectives of the Strategy are to:

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

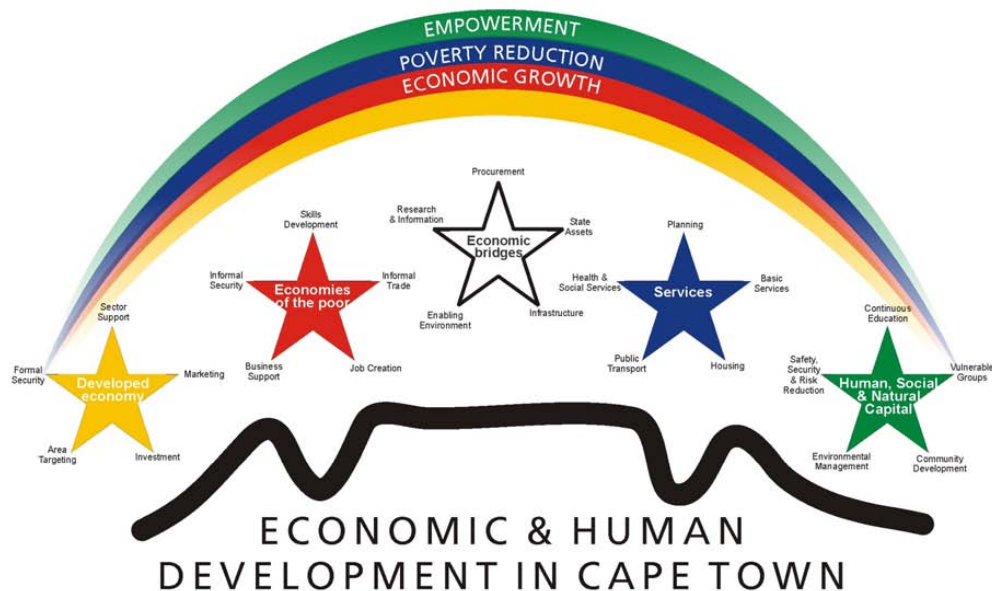
4. The strategic approach

The Strategy provides a framework for addressing the objectives and focuses on:

- Growing the formal *developed economy* and broadening participation in this economy
- Growing the formal and informal *economies of the poor* and broadening economic participation
- Establishing *economic bridges* to ensure greater inclusiveness, integration of the first and second economies and redress of historical imbalances
- Ensuring all residents are able to access services including government grants and subsidies
- Building the human, social and natural capital of the poor

Combined, these make up the 5 prongs or stars of the Economic and Human Development Strategy, each with five strategic interventions. The first three stars are explicitly economic. The other two stars are about human development. The five prongs of the strategy, and the five strategic interventions within each, are summarised below.

Interventions are located, in the first instance, in the host department, the Economic and Human Development Directorate. In the spirit of integrated and co-operative governance, the Strategy also includes strategic programmes that fall under the mandate of other Council departments.



5. The Strategy

The Strategy presented in the EDH Strategy Part 1: Context and Framework outlines the five broad areas of essential work (the developed economy; economies of the poor; economic bridges; services; and human, social and natural capital), identifies five strategic interventions in each area of work and highlights a number of projects within each. Combined, these will create a climate for economic

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development and growth. The EHD Strategy Part 2: Implementation Plan details each intervention and lists the planned projects within each area. The outline and priorities are summarised in this section.

5.1 Developed economy

The developed economy is the engine of economic growth. The EHD Strategy aims to increase the number of economic opportunities by growing the economy and building on the city's comparative advantages through support for:

- a. Sector support
- b. Destination brand management and marketing
- c. Investment (inward and outward)
- d. Co-ordination of area targeting and management
- e. Formal business and consumer security

While initiatives will be necessary in each of these 5 areas of work, the priority for the City is creating an enabling environment for investors and the provision of a one-stop counselling and facilitation service within the Council. This is carried out through direct interventions and through partnerships with other institutions. In budget terms the City has prioritised marketing and investment promotion. The City works through two agencies to deliver its strategy of increased tourism, trade and investment: Cape Town Routes Unlimited which focuses on tourism development, and Wesgro which focuses on investment promotion. In addition the City provides institutional support to the various sector bodies.

Other aspects of creating the enabling environment needed for investment are detailed under the section on enabling environment within the economic bridges strategy.

5.2 Economies of the poor

With over 30% of Cape Town's citizens living below the household subsistence level, direct interventions in the economies of the poor are needed. These include:

- a. Skills development and training
- b. Informal trade support
- c. Low-skilled job creation (e.g. EPWP)
- d. Business support (esp. SMME)
- e. Informal business and consumer security

With skills shortages identified as one of the biggest impediments to growth, skills development and training have been prioritised along with the more traditional city role in business support.

With four university campuses and a host of FET colleges located in the municipal area, the City is well placed to drive a major skills drive with these institutions. Training will focus on entrepreneurship, information technology, priority sector skills and employment readiness.

Ninety-three percent of Cape Town's formal businesses are small, contributing 50% of total output and 40% of total employment. The City adopted its business support and Informal Trading Development Policy in 2005. This provides a framework for growing businesses along the continuum from survivalist to globally competitive and reducing the business failure rate. The City has designed a multi-pronged programme to meet business needs which places the entrepreneur at the centre and aligns the services of various spheres of government and other external agencies. This requires partnerships with province, the Red Door, the Small Enterprise Development Agency (SEDA) and various business support service providers.

5.3 Economic bridges

Given the divided nature of Cape Town, there is a need to strengthen *linkages between the first and second economies and broaden the base of participation in the economy through:*

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- a. Public sector procurement policy and practice
- b. Use of state-owned assets (incl. land) to achieve greater economic inclusiveness
- c. Infrastructure development
- d. Enabling business environment
- e. Economic research and information

Within this range of issues, priority programmes need to address infrastructure delivery – the backbone of our economy – and creating an enabling business environment. To facilitate economic growth the City needs to reduce red tape, establish good communications mechanisms with investors from all sectors and provide a rapid response coordinated service to businesses. Investors want to be able to speak to one person in the City who will in turn coordinate with all the various other departments to solve their problems. Without the necessary infrastructure, Cape Town will not meet its growth targets. Critical infrastructure includes the development of transport routes and modes, the expansion of port facilities and the airport, and development of information communication technology including making Cape Town a wireless zone. Along with the expansion of the infrastructural base the on-going investment and proper management of infrastructure investments such as roads is critical.

5.4 Services

Getting the basics right and ensuring affordable, sustainable and non-interrupted services is key to business attractiveness, poverty reduction, improved quality of life, environmental management and the success of Cape Town. Key services identified include:

- a. City planning
- b. Basic services
- c. Housing
- d. Public transport
- e. Social and health services

Cape Town faces water shortages, electricity black outs and waste sites are nearing capacity. Unless the bulk infrastructure and service delivery capacity can be increased Cape Town will not be able to reach the targeted >7% growth in the economy. Along with service provision, public transport has been identified as THE critical gap in respect of the mobility of the poor and the growth of priority sectors namely tourism, business process outsourcing/ call centre and service sectors that are all reliant on safe affordable and accessible transport. The provision of basic services and public transport have therefore been identified as priorities for Council.

5.5 Human, social and natural capital

An economy is nothing without its people and environment. Recognising this, the EHD Strategy targets developing the people of Cape Town and preserving our natural heritage through:

- a. Continuous education
- b. Support for Youth and other vulnerable groups
- c. Community development
- d. Environmental management
- e. Improved Safety, security and risk reduction

Cape Town's asset base is facing increasingly severe degradation evident in the increasingly poor water and air quality. With skills development covered under the economies of the poor the priority here is environmental management to protect the city's natural beauty, tourism potential and quality of life of residents.

6. Priorities

The table below summarises the priorities for the City. Highlighted in blue are the priorities for the entire City namely Infrastructure, basic services, public transport and environmental management all of which impact on the investment climate. For the Economic and Human Development Department financially

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the priorities are the support provided to Cape Town Routes Unlimited for marketing and Wesgro for investment promotion. Outside of these commitments the priorities are skills development, business support and creating an enabling environment for investors, These areas are highlighted in green.

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

7. Institutional issues

Integrated programmes to address economic and human development, together with environmental management, need to be the lens through which all public sector resource decisions are made. This requires political will, leadership and coordination both within the city, between spheres of government, between agencies and between the public and private sectors. The strategy requires additional strategic and management capacity within the City to drive the strategy. An excellent communications strategy and institutional vehicles are needed to facilitate the implementation plan including the development of civil society institutions. The EHD Department will work closely with relevant partners and agencies to ensure strategic alignment and institutional review to achieve the desired impacts. The implementation plan needs to be monitored quarterly and the strategy evaluated every 3 years.