

ECONOMIC GROWTH STRATEGY



CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

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CITY OF CAPE TOWN

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July 2013

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EXECUTIVE SUMMARY

The principal objective of the Economic Growth Strategy (EGS) is to grow the economy and create jobs - the overarching objective of the Opportunity City. It presents the City of Cape Town's response to the most fundamental challenges facing Cape Town in the years ahead: too many people are unemployed, too many people are poor, and the city's lacklustre current and projected growth rates means that this situation is unlikely to change if the organisation follows a 'business as usual' approach. At the same time, demand for city services is increasing every year. This trajectory will be unsustainable in the long-term unless incomes rise, and City revenue from households and businesses increases.

The EGS marks a departure from previous approaches to the economy by the City in that it adopts a 'whole organisation' approach. Previously, economic development had been relegated to a relatively small and under-resourced department, which focussed its attention on a number of discrete projects. The current EGS recognises that many of the most important roles played by the City in the economy – roles such as regulating building development and providing basic services such as water, electricity and transport infrastructure – are the responsibilities of other departments. Others, such as the City's green economy initiatives, require coordinated action across the organisation.

The EGS positions Cape Town within broader global, national and regional economic trends. Two stand out: The rapid shift in investment and commercial activity towards the urban centres of the East and South (which is resulting in high rates of economic growth, particularly in mid-sized cities) and structural changes in the domestic economy, particularly in the Western Cape, towards the tertiary sector. The EGS outlines how City shall respond to the challenges and opportunities these bring, and crucially, identifies *what the City needs to do* in order to maximise benefits for the people of Cape Town. Based on the latest research on globally competitive cities, the EGS is structured around five strategic areas.

- Building a globally **competitive city** through institutional and regulatory changes
- Providing the right basic service, transport and ICT **infrastructure**
- Utilising work and skills programmes to promote **growth that is inclusive**
- Leveraging **trade and sector development** functions to maximum advantage
- Ensuring that growth is **environmentally sustainable** in the long-term

The five policy chapters of the EGS address these fundamental building blocks of competitive cities. In each, the specific challenges facing Cape Town are explained, the tools available to the City are identified and distinct strategies to address these challenges are outlined. Each policy chapter concludes with a summary table that highlights the individual steps that need to be taken to achieve the chapter's broad strategic goals while also pinpointing the individual City departments that need to work together to achieve these goals. In this way, the EGS is structured in a manner that aligns with the implementation and reporting mechanisms of the City's transversal cluster system.

A brief outline of each of the five substantive policy chapters follows below.

Chapter one asks the fundamental question: What would it take to make Cape Town a globally competitive city? Beyond the basic services and functions dealt with elsewhere in the EGS, the answer lies in building an enabling regulatory and institutional environment. This was confirmed by the *Cape Town Competitiveness Study*, which identified excessive regulation as a key constraint to growth. Strategies in this chapter therefore focus on accelerating regulatory modernisation and business improvement processes and establishing an institutional environment conducive to entrepreneurial activity.

Chapter two concerns the backbone of healthy, growing urban economies: quality infrastructure. Cape Town faces challenges on all fronts: basic service infrastructure requires constant maintenance; transport infrastructure needs to expand to meet future demand and investment in ICT infrastructure is needed to enhance the city's productivity and connectivity. The strategies outlined in this chapter address each of these three issue-areas. Furthermore, they identify ways in which the City's *underutilised* assets can be used stimulate investment while leveraging national infrastructure funding through SIP 7.

Chapter three explains how the City will utilise the policy levers at its disposal to actively encourage job creation, poverty reduction and skills development – the three essential elements of inclusive economic growth. Though many key competencies in this area lie with the national and provincial governments, the City nevertheless has an important niche role to play via its employee recruitment and skills development programmes; its regulation of the informal sector; its administration of EPWP in the municipality and its various external skills initiatives. Emphasis is placed on developing relevant, marketable skills at scale.

Chapter four outlines the City approach to trade promotion and the development of key catalytic growth sectors. Consistent with research on competitive cities, it is informed by the twin imperatives that Cape Town builds on existing competitive advantages and that its assistance to specific sectors facilitates specialisation. Special attention is given to how the City will utilise the allocation of Section 67 grants to achieve its economic objectives in areas such as policy coordination, trade promotion and sector development. Strategic focus is similarly brought to bear on the City's external relations, events and marketing.

Chapter five details what the City needs to do to ensure that economic growth is sustainable in the long-term. This includes strategies to manage the sustainable utilisation of two resources that are essential to the economic life of Cape Town: water and electricity. In both instances, opportunities for augmenting current supplies are outlined while emphasis is placed on the importance of conservation infrastructure and effective demand management. The chapter also creates a framework for the promotion of the green economy, and sets out how the City will maintain its environmental assets to support the growth of eco-tourism.

The strategies in the EGS correspond most closely with SFA 1: the Opportunity City and the economic access transition stipulated in the City Development Strategy (CDS). However, given its transversal application and wide-ranging impact, the EGS speaks to all five pillars identified in the IDP and lays the economic foundation for achieving the CDS six transitions.

THE ECONOMY OF CAPE TOWN

Cape Town is a mid-sized city that ranks roughly in the middle of most international indices concerned with economic performance. It is often described as South Africa's 'second city' after Johannesburg, both in terms of its size and the scale and concentration of economic activity. The city features an estimated GDP of US\$ 38 billion and a GDP per capita of \$ 16 000, which means it is middle income by international standards. It accounts for around 11% of economic activity in the country as a whole and a full three-quarters of all economic activity in the Western Cape¹.

The shape of the economy

The structure of the city's economy has a number of characteristics that differentiate it from the rest of the country. Whereas mining and quarrying still remain important sectors in other parts of the country, Cape Town has become a mostly service-driven economy. Finance, insurance, real estate and business services now constitute 37% of economic activity in the city (compared to 31% in the province and 20% nationally), followed by wholesale and retail trade (15%) and transport, storage and communication (11%)². Cape Town also has particular strengths in R&D and various creative industries.

In addition to finance and business services, sectors in the city and the province that are expected to experience growth over the next four years include transport, storage and communication, retail, wholesale, catering and accommodation, and construction³. This growth is supported by physical and social infrastructure that is generally above average compared to other South African cities, but below standard compared to many international peers. Regarding the city's economic infrastructure, there are pockets of excellence (such as the airport), but challenges remain, particularly in public transport, communications, and the port.

Cape Town's global position

Cape Town is one of the most recognisable cities in the world, known for its iconic Table Mountain and the natural beauty of the Cape Peninsula and Winelands. Despite this, Cape Town cannot be considered a truly 'global' city based on the size of its economy, its global connectivity or its projected growth prospects. According to a recent study on city competitiveness by the Economist Intelligence Unit, Cape Town ranks just ahead of Beirut (Lebanon) and Porto Alegre (Brazil), but behind Busan (South Korea) based on economic strength, and slightly ahead of Istanbul on overall competitiveness⁴.

Future projections

Regarding future economic growth, Cape Town is expected to lag behind its peers if a 'business as usual' approach is followed. PricewaterhouseCoopers, a consultancy, ranks the city 75th in the world (out of 151) for its growth prospects moving forward to 2025, which the firm expects to average 3.5% p.a over the period⁵. Given that mid-sized cities are expected to contribute nearly 40% of global growth – together, South African cities will contribute 0.7% of the total – this

¹ https://www.mckinseyquarterly.com/wrapper.aspx?ar=2758&story=true&url=http%3a%2f%2fwww.mckinseyquarterly.com%2fCities_the_next_frontier_for_global_growth_2758%3fpagenum%3d1%23interactive&pgn=cine11_e Exhibit [accessed on 13/12/2012]

² Wesgro, Invest in Cape Town (2011), p14

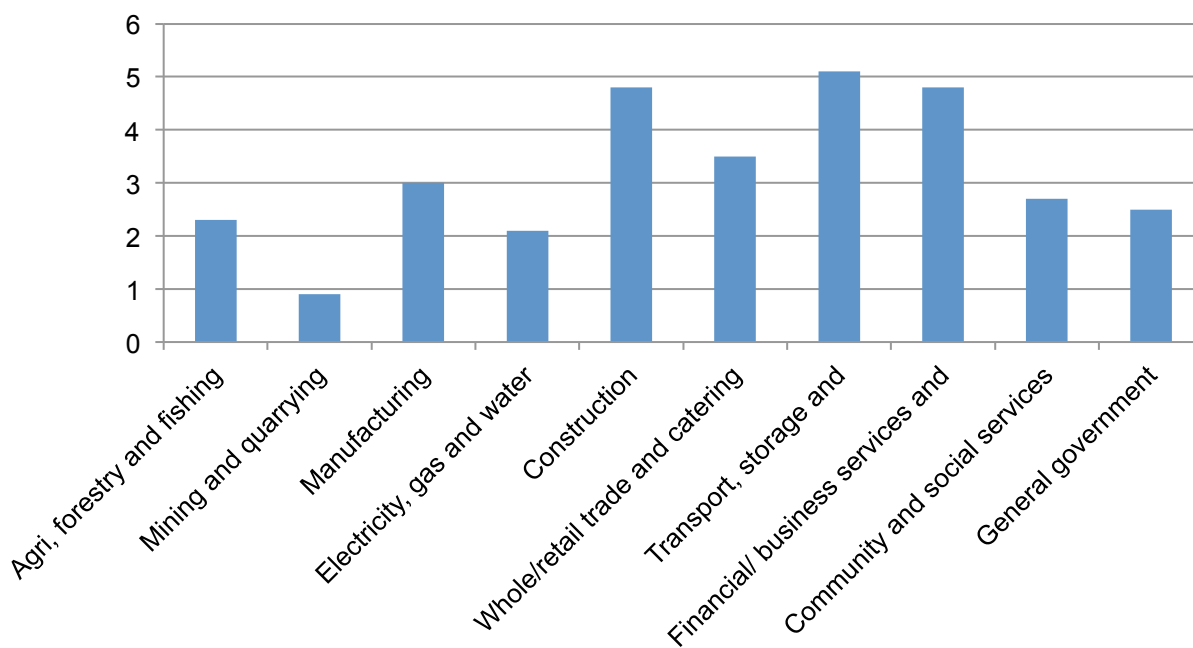
³ Western Cape Treasury, Provincial Economic Review and Outlook, p37

⁴ EIU Hotspots: Benchmarking Global City Competitiveness (2012), p26

⁵ PricewaterhouseCoopers, *UK Economic Outlook 2009* (2009), p13

suggests a moderate decline of Cape Town's economy relative to its peer group over the next decade and a half⁶.

Provincial economic sectors: Average projected growth in GDP, 2012-2017 (%)*



*Western Cape Treasury (2011)

THE CHALLENGE OF GROWTH AND JOBS

Unemployment and poverty the key challenges

The economy of Cape Town will face a number of critical challenges in the years ahead. The two most pressing of these are the city's consistently high rates of unemployment and the high proportion of Capetonians who continue live in poverty⁷. Although the respective figures (21.69% and 19.7%) are marginally better than other South African cities, they are still *very* high by international standards. By comparison, the unemployment rate in Istanbul (Turkey) is 11.5% and in Mumbai (India) it is 11.7%⁸. Only by pursuing robust economic growth can the administration address this and begin to build the foundations for a true Opportunity City.

The growth imperative

This requires that the City shifts gears and prioritises economic growth as a core strategic focus area, as mandated by the Integrated Development Plan (IDP). Until now, such a focus has been

⁶ McKinsey, Urban world: Mapping the economic power of cities (2011), p4 and p33

⁷ Western Cape Treasury, Regional Development Profile: City of Cape Town (2011), pg 2

⁸ Robinson, S. and Gavera, L. Benchmarking Cape Town's competitive performance (2011), pg7

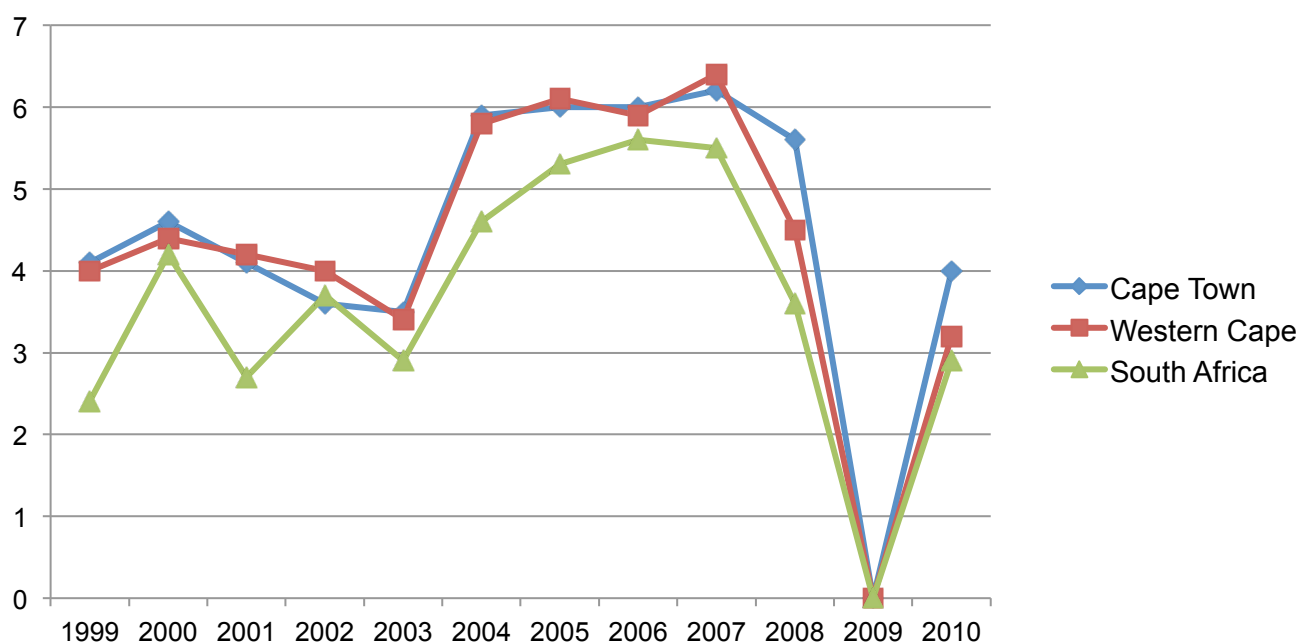
lacking. To some extent, this is understandable. Over the past few years the City has focussed its attention on immediate service delivery issues and on improving its own institutional processes and functions. The economy remained the domain of a relatively small, and under-resourced, department and a few external agencies, which led to an approach to economic development that was fragmented, parochial and unambitious.

The reality of lacklustre growth, high poverty and unemployment and a declining revenue base at home, and intense competition for markets, investment and skills from abroad, demands a new approach to the economy of Cape Town. This approach must be bold, broad and outward-looking. It must be rooted in sound economic research and locate Cape Town within a national and global context. It must also be practically applicable. Most City departments have a role to play - as regulators, buyers and service-providers - and it is important that specific roles and responsibilities are identified across the whole organisation.

A 'whole organisation' approach

Without a transversal approach it will be impossible to address the constraints to growth that limit the expansion of the Cape Town economy and prevent the city from reaching 'the next level'. To take one example, a key constraint limiting the expansion of firms in many parts of the city is the municipality's onerous planning regime, which often adds to the time and cost of doing business in Cape Town - ultimately undermining the city's competitiveness as an investment destination. Another constraint is posed by the city's old and creaking infrastructure, which similarly limits opportunities for much-needed development.

GDP-R and GDP growth rates for the City, Province and RSA (%)*

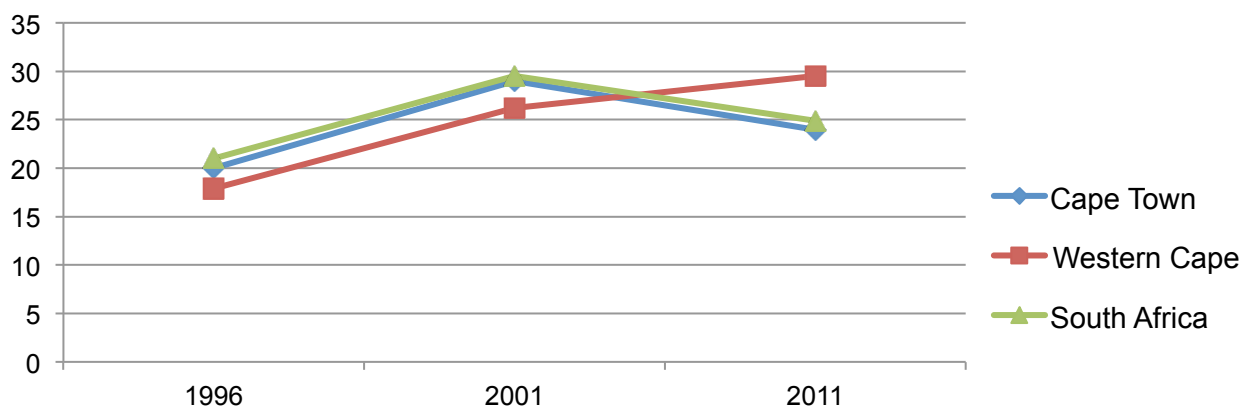


*Source: Western Cape Treasury

Neither of these two examples is the traditional domain of the Economic Development Department. Instead they are the responsibilities of the Planning Department and the Utilities and/or Transport, Roads and Storm water Directorates respectively. In other areas, City departments have an important role to play even if they are not the primary service providers. For example, while education is the responsibility of the provincial government and the national Department of Higher Education, the City can help build the skills base by forging cooperative partnerships with other government departments, agencies and the private sector, as well as through its own apprenticeships and niche skills initiatives.

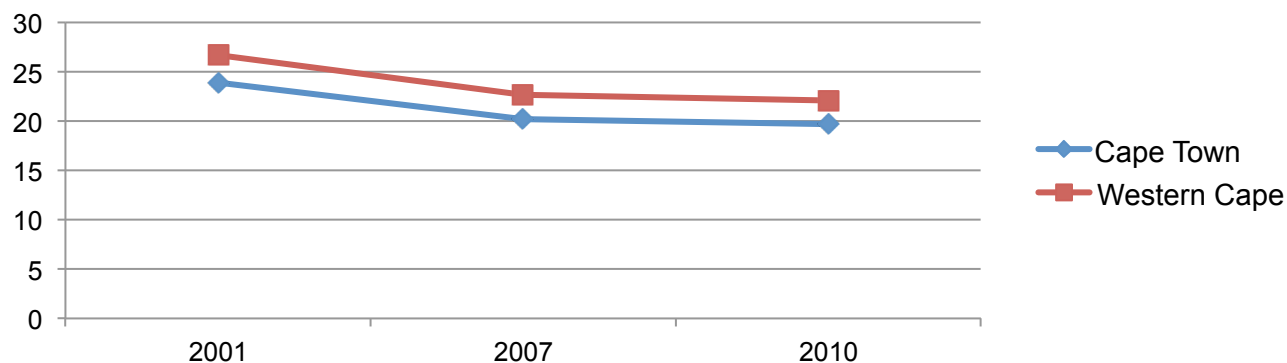
Prioritising the economy and articulating a cogent strategy that positions Cape Town as a competitive and dynamic business destination is fundamental for the city's future prosperity. It lays the foundation for the City's equally important responsibility to build an Inclusive City and Caring City that assists vulnerable population groups, especially the poor. In many instances, the specific interventions undertaken to address these socioeconomic challenges are detailed in the Social Development Strategy (SDS). Others, such as programmes to address spatial inequalities through infrastructure development, are covered here.

Unemployment rates for the City, Province and RSA (%)*



*Source: StatsSA and World Bank

Poverty rates for the City and Province (%)*



*Western Cape Treasury

A DIFFERENT PATH: THE OPPORTUNITY CITY

Defining the field

What does an Opportunity City look like? According to the City's IDP, the core focus of the Opportunity City is to create an economically enabling environment in which investment can grow and jobs can be created⁹. This means that Cape Town needs to be a place where it is easy to do business, where investors can pursue new and exciting opportunities and where employment opportunities increase and incomes rise. This scenario has in the past been viewed as inconsistent with a pro-poor outlook or, alternatively, that it undermines Cape Town's 'quality of life' attributes such as its natural beauty and unique culture.

This is a false dichotomy. Studies show that pursuing policies that improve the quality of life and well-being of citizens – for example, policies that promote public safety, accessible housing, efficient public transport, skills development and attractive environments – are as essential for building competitive cities as streamlined regulatory processes and quality infrastructure¹⁰. Similarly, a growing economy that creates jobs and makes it simpler and easier for entrepreneurs to start businesses and grow is a prerequisite for addressing poverty in a manner that is truly effective and sustainable in the long-term.

This strategy sets out how to make Cape Town a globally competitive Opportunity City. It places economic growth and job creation at the top of the policy agenda and explains how to calibrate the organisation's functions to achieve this objective.

The City's role in the economy

⁹ City of Cape Town, Integrated Development Plan (2012), p39

¹⁰ McKinsey Global Institute: Building globally competitive cities – The key to Latin American growth (2011), p38

The City performs many activities that are vital for a healthy urban economy. While national government is responsible for certain key policies choices (such as the tax rate) it is local government decisions that really impact on the economic performance of cities and the prosperity of communities¹¹. In the context of Cape Town, core areas of activity include zoning, spatial planning and regulation, infrastructure provision, general utilities (such as water provision), roads and transport and electricity distribution. Other key responsibilities, such as housing and public safety, also impact on the economy, but are discussed in the SDS.

In addition to these core activities, the City plays an important role as an ‘enabler’ and ‘connector’. Through its external relations and strategic events programme, for example, the City is able to promote Cape Town as a dynamic and competitive investment destination on the world stage. Moreover, by providing funding for strategic initiatives, it can forge partnerships with the private sector and encourage collaboration between government, business and academia to implement growth-enhancing catalytic projects and facilitate much-needed R&D investment.

The EGS provides a blueprint for building an Opportunity City in Cape Town. Its five chapters address the fundamental building blocks of competitive urban economies: competitiveness and productivity, strategic infrastructure, trade promotion and sector development, jobs and inclusion and sustainable growth. They set clear strategic goals in each area and, importantly, identify *which* City departments need to do work together in order to achieve those goals. By setting a clear strategic agenda on the economy, the EGS provides a policy tool to pull the whole organisation in the same direction to achieve ‘the next level’ in Cape Town.

¹¹ Turok, I et al. Cape Town Competitiveness Study: Final Synthesis Report (2011), p2

1. A GLOBALLY COMPETITIVE CITY

Change brings opportunities and challenges

The role of cities in the global economy is undergoing profound change. As the shift in the world's economic centre of gravity southwards and eastwards, cities – rather than the countries where they are located – are becoming the focus points of rapid economic expansion, and with it, rising incomes and declining poverty and unemployment.

By 2025, the 600 largest cities in the world will account for 60% of global growth in GDP. Mid-size cities in emerging economies will contribute 40%¹². In a global environment in which capital and talent can move around the world more easily than ever before, competition between these cities for investment and skills will become increasingly intense¹³. Cape Town is very much part of this process of change.

In a real, physical sense, the city is growing as a consequence of urbanisation and inward migration. Approximately 50 000 people move to Cape Town every year in search of better opportunities¹⁴. The city's GDP has been growing at a faster rate (4.06%) than the rest of the country (3.65%), a process consistent with the concentration of economic activity in South Africa's urban areas.

However, international trends indicate that it is becoming less relevant for Cape Town to compare itself to domestic indicators and more important to position itself *vis a vis* its global competitor cities if economic opportunities are going to expand on a meaningful scale¹⁵. In this fast-changing environment, Cape Town cannot afford to be left behind.

What does it mean to be globally competitive?

This poses two fundamental questions: What would it take to make Cape Town a globally competitive city, one that can hold its own with the dynamic mid-size cities that are driving growth in Asia, Africa and Latin America? What can the City of Cape Town administration do to promote the city's competitiveness profile? The first thing to note is that there are numerous basic services that *all* cities need to get right in order to lay the foundation for economic growth and job creation.

These range from investing in strategic infrastructure (see Chapter 2) to providing adequate electricity, water and sanitation services to rolling out public transport and ensuring predictable and transparent regulatory processes¹⁶.

Second, it is impossible for the City administration to address all its competitiveness challenges at once; to be 'all things to all people'. This requires that the administration prioritises its activities based on a good understanding of the structure of Cape Town's economy, its needs and its competitive advantages.

¹² McKinsey, Urban world: Mapping the economic power of cities (2011), p4

¹³ EIU Hotspots: Benchmarking Global City Competitiveness (2012), pp8-9

¹⁴ City of Cape Town, Service Delivery and Budget Implementation Plan (2012), p222

¹⁵ See Boston Consulting Group, Winning in emerging-market cities: A guide to the world's largest growth opportunity (2010), p11

¹⁶ Asian Development Bank, Competitive cities in the 21st century: Cluster based local economic development (2011), pg49

City Economic Performance: Global Benchmark Summary

Survey	Indicator	Cape Town Rank	Peer Cities	Year(s)
EIU Hotspots: Benchmarking global city competitiveness	Competitiveness	73	Mexico City (71), Athens (72), Istanbul (74)	2012
PwC UK economic outlook	Projected GDP growth to 2025	75	Johannesburg (73), Buenos Aires (74), Caracas (76)	2008
Brookings Institution Global metro monitor	Income and employment performance	117	Edinburgh (115), Los Angeles (116), Vilnius (118)	2009-2010
Mastercard worldwide emerging centers of commerce index	Economic strength	33	Montevideo (31), Bucharest (32), Lima (34)	2008

By necessity, the factors determining the competitiveness of Tianjin (a major trade and manufacturing hub) will be different from those of London (the world's financial centre). Similarly, developing Cape Town's competitiveness profile will depend on leveraging existing industry strengths; building on the city's existing assets; and seeking out high-impact opportunities in niche sectors.

Third, the levers available to the City to enhance the overall competitiveness of the Cape Town economy are limited by the specific powers and competencies afforded to local government under the Municipal Systems Act and the Constitution. For example, having the right skills profile is an essential component of city competitiveness¹⁷. However, in South Africa, schooling and tertiary education are the responsibilities of provincial government and national government respectively. The City can only augment these functions through relatively small-scale skills initiatives.

In contrast, the City plays a key role in other areas, for example, by creating a facilitative regulatory and institutional environment.

¹⁷ EIU Hotspots: Benchmarking Global City Competitiveness (2012), pg18

Competitiveness Strategies

Strategy 1: Develop a consolidated One-Stop-Shop model

Strategy 2: Roll-out a city-wide business incentives programme

Strategy 3: Enhance business clusters through SPVs and strategic partnerships

Strategy 4: Accelerate and deepen regulatory modernisation programme

Strategy 5: Prioritise City competitiveness in business improvement initiatives

- **Strategy 1: Develop a consolidated One-Stop-Shop model.** From Georgia to Singapore to Zambia, economic development ministries and agencies are seeking to reduce the barriers faced by small business owners by reducing the procedures, time and costs associated with starting a business.

One of the key strategies used is the establishment of 'One-Stop-Shops' where entrepreneurs can receive business and financing advice, complete building, planning and permitting applications, and pay the necessary fees. The City currently supports a number of small business and entrepreneurship programmes, notably through Cape Town Activa. These will be:

- Consolidated into a standardised One-Stop-Shop model
- Informed by international best practice
- Monitored and evaluated according to strict performance targets and up-to-date business intelligence.

- **Strategy 2: Roll-out a city-wide business incentives programme.** Incentives are special interventions designed to influence the location decisions of businesses. Standard incentives packages range from financial rewards (such as tax holidays) to non-financial inducements (such as regulatory exemptions or information provision).

For city governments, the use of financial rewards is generally not advised because of their direct and indirect cost implications, though *ad hoc* financial incentives may be considered where they provide a 'tipping point' factor. In order to leverage the full range of incentive tools available to the City to attract investment, the administration will formulate comprehensive incentives programme incorporating:

- An appropriate approach to *ad hoc* financial incentives (such as rates rebates and tariff discounts), incorporating a fair and transparent application and assessment system
- Regulatory inducements (such as special zoning and fast-track processes)
- Information provision (for example, on DTI and IDC-provided financial assistance)¹⁸.

¹⁸ Attwell, W. Competitive Cap Town: A discussion of the range of incentive tools available to the administration to encourage investment, stimulate economic growth and create jobs (November 2012), p11

- **Strategy 3: Enhance business clusters through SPVs and strategic partnerships.** Clusters are special cooperative relationships entered into between governments and groups of firms that have interconnected value chains and are generally located in geographic proximity to each other¹⁹. International experience has shown that clusters provide an important mechanism to enhance the competitiveness of local economies by encouraging inter-firm collaboration, learning and specialisation as well as facilitating public-private sector dialogue²⁰.

The City currently supports a number of collaborative initiatives that provide networking 'spaces' (such as the Economic Development Partnership) as well as direct support (through, for example, the Special Purpose Vehicles). In the future:

- City support for these entities will be subject to a performance review and re-orientation process that will seek to achieve better alignment with the catalytic growth sectors identified in the City's IDP.
- **Strategy 4: Accelerate and deepen regulatory modernisation programme.** Plans and processes overseen by the City include many that have a direct bearing on the competitiveness of the Cape Town economy. These include the City's zoning scheme, spatial development plans (SDPs), environmental management frameworks (EMFs) and related building approval, registration and permitting procedures. An on-going reform programme has elicited notable achievements, such as the integration of the City's previous 27 separate zoning schemes into a single integrated zoning scheme²¹.

Nevertheless, many of the City's current planning frameworks and policies are archaic and bureaucratic, which can lead to slow and unpredictable decisions regarding development approvals²². The modernisation process outlined in the IDP will be ramped up with a view to:

- Further simplifying the City's regulatory regime
- Accelerating decision-making processes for planning and building approvals, notably by moving more functions online
- Achieving better coordination between its economic development, transport and land-use priorities.
- **Strategy 5: Prioritise City competitiveness in business improvement initiatives.** The City runs a number of business improvement programmes consistent with the aim of being a Well-run City. These span the administration's governance and oversight programmes, reporting standards, financial planning and human resources management programmes.

Significant progress has been made toward making the organisation more responsive to citizens' needs, for example, through the City's C3 notification system and the installation of free call lines²³. The next step is to gear the City's business improvement initiatives

¹⁹ Treasury, Technical report on clusters: A discussion document (no date), p3

²⁰ World Bank, Cluster for Competitiveness: A Practical Guide and Policy Implications for Developing Cluster Initiatives (2009), p2

²¹ City of Cape Town, Integrated Development Plan (2012), p47

²² Turok, I et al. Cape Town Competitiveness Study: Final Synthesis Report (2011), p13

²³ City of Cape Town, Integrated Development Plan (2012), p111

towards recognising their consequences for the broader economy of Cape Town, and amending them appropriately. This will be achieved via the following interventions:

- Implementing an online customer interface tool as part of the City’s recently launched planning portal that will track signage, outdoor advertising, building and other development applications and set time limits for authorisation.
- Internal City reports, in addition to identifying ‘strategic intent’ and ‘environmental impact’ will be required (for certain portfolios) to identify whether a proposed policy, strategy or procedure adds to, consolidates, replaces or retracts existing policy. This will help to identify, and reduce, unnecessary red tape through regulatory ‘build up’.

Summary of Competitiveness Strategies

	Strategy	Details	Lead actors
Strategy 1	Develop a consolidated One-Stop-Shop model	<ul style="list-style-type: none"> ▪ Provide a business advisory service ▪ Provide a location where City planning/building/permit applications can be accessed and submitted and fees paid ▪ Provide financing information (e.g. DTi/Seda/IDC support) 	<ul style="list-style-type: none"> ▪ Economic Development Department ▪ Planning Department ▪ Development Facilitation Unit ▪ Cape Town Activa
Strategy 2	Roll-out a city-wide business incentives programme	<ul style="list-style-type: none"> ▪ Non-financial incentives programme, incorporating: <ul style="list-style-type: none"> - Special zoning - Targeted marketing - Fast-track approvals - Urban upgrading/site preparation ▪ <i>Ad hoc</i> financial incentive programme 	<ul style="list-style-type: none"> ▪ Economic Development Department ▪ Planning Department ▪ Development Facilitation Unit ▪ GIS ▪ Utility Services Directorate ▪ Urban Renewal ▪ Development Services
Strategy 3	Enhance business clusters through SPVs and strategic partnerships	<ul style="list-style-type: none"> ▪ Conduct SPV review ▪ Focus and align support with growth sectors ▪ Revise service-level agreements to support growth sectors 	<ul style="list-style-type: none"> ▪ Economic Development Department
Strategy 4	Accelerate and deepen regulatory modernisation	<ul style="list-style-type: none"> ▪ Rationalise/scrap local area plans 	<ul style="list-style-type: none"> ▪ Environmental Resource

	programme	<ul style="list-style-type: none"> ▪ Contribute to national/provincial reform processes ▪ Coordinate with WCG on red tape reduction ▪ Accelerate decision-making processes ▪ Ensure strategic alignment and prevent regulatory build-up 	<ul style="list-style-type: none"> ▪ Management Unit ▪ Planning Department ▪ Strategic Policy Unit
Strategy 5	Prioritise City competitiveness in business improvement initiatives	<ul style="list-style-type: none"> ▪ Roll-out electronic customer interface tool ▪ Roll-out development application management system ▪ Implement talent management and vacancy-filling programmes ▪ Finalise City/WCG protocol on major applications ▪ Introduce red tape notification amendment to internal reporting 	<ul style="list-style-type: none"> ▪ Planning ▪ Strategic Policy Unit ▪ Executive Support ▪ Human Resources ▪ Information Systems and Technology ▪ Customer Relations

2. INFRASTRUCTURE FOR GROWTH

Infrastructure is the backbone of the economy

Good infrastructure is the backbone of healthy, growing city economies. It ranges from the pipelines and cables that deliver basic necessities such as water, sanitation and electricity to the transport and ICT infrastructure that is essential for connecting people with opportunities and enhancing competitiveness and productivity²⁴. In short, the City's approach to future infrastructure development will be a critical component of its goal of achieving an Opportunity City.

In this regard, it is important to note that the relationship between economic growth and infrastructure is interrelated and interdependent: infrastructure development is itself an economic sector (it contributes 1% to total per capita GDP growth in Africa) while economic growth, by expanding the number of rate-paying households and businesses, generates revenue for city government for further building and maintenance while also creating demand for yet more infrastructure development²⁵.

Urbanisation places pressure on limited resources

Like all cities in developing countries, Cape Town faces significant infrastructure challenges as a consequence of rapid urbanisation²⁶. Between 2006 and 2011, for example, 206 493 people migrated to the Western Cape, the majority from the Eastern Cape and Gauteng. A significant portion of these settled in the greater Cape Town area, placing strain on the City's already stretched services and housing capacity.

Nevertheless, the City has made important strides toward expanding access to housing, electricity, water, sanitation and refuse removal, and has been consistently ranked the best, and among the best metros in this regard by both the provincial and national governments²⁷. Innovative solutions will be required to meet future demand - which will only increase in line with national and global trends – in a manner that is financially and environmental sustainable, and that facilitates economic growth.

This chapter is principally focussed on strategies to meet Cape Town's *economic* infrastructure needs. Strategies for delivering specific social infrastructure needs (such as housing and community amenities) are detailed in the SDS and will not be covered here.

Cape Town's economic infrastructure can be divided into three key subsets, the further development and maintenance of which has wide-ranging transversal implications across the organisation, from directorates as diverse corporate services and utility services. These subsets are:

- Basic service infrastructure such as water storage, distribution and reticulation as well as sanitation, waste and electricity

²⁴ UN-Habitat, *State of the world's cities* (2012), pg 55

²⁵ UN Habitat, *State of the world's cities* (2012), pg p57

²⁶ For more on financing challenges facing city governments see Citibank, *Urbanisation: A major driver of infrastructure spending* (2012), p38

²⁷ Stats SA <http://www.world-data-atlas.com/statssa/> (accessed on 29/11/2012) See also WCG, *Regional Development Profile: City of Cape Town* (2011), pp23-72

- Transport and logistics infrastructure, which includes public transport, roads, bridges, harbours, and distribution depots
- ICT infrastructure, such as the City's broadband network.

The City faces unique sets of challenges in each of these three areas.

Basic service infrastructure

Across the board, the City's stock of basic service infrastructure is old and in urgent need of upgrading. Investment is needed in Cape Town's bulk storm water network, electricity distribution, waste collection capacity and bulk water supply systems in order to improve efficiencies and meet future demand. Better coordination is needed between the economic development, planning, environment and various utilities departments so that infrastructure investment speaks to the actual growth contours of the city²⁸.

Transport infrastructure

Although Cape Town's road network is generally in good working order and notable progress has been made towards improving public transport, further work is required to expand the BRT network and integrate it into a seamless public transport system. The City also needs a more strategic approach to how it interacts with the national ports authority and airports company to improve Cape Town's global connectivity.

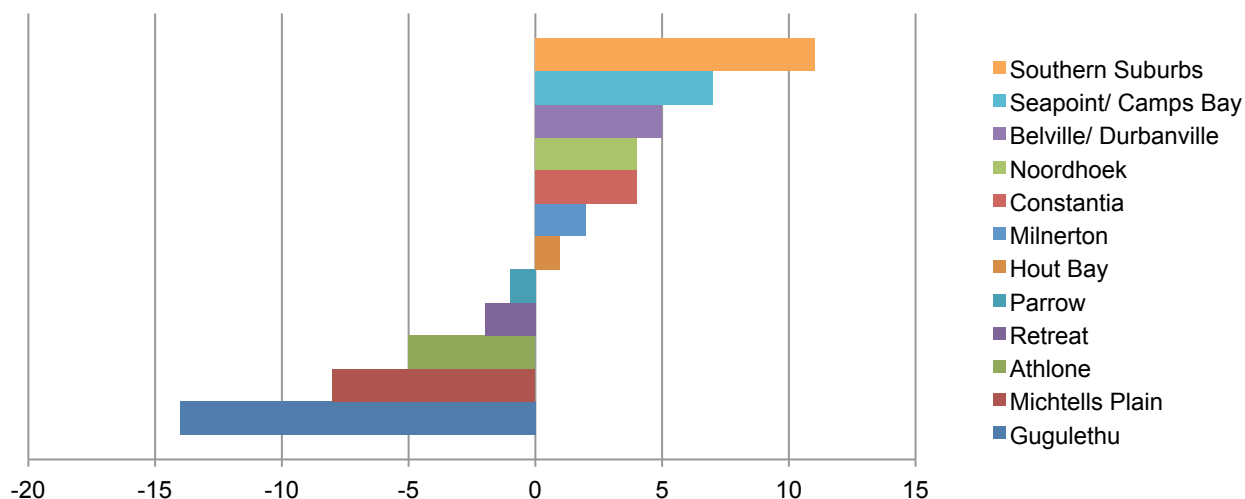
ICT infrastructure

The City's partnership with the provincial government for a R 1.3 billion broadband infrastructure project – which, it is envisioned will eventually cover the whole city - will be essential for opening opportunities, raising living standards, improving service delivery, enhancing competitiveness and productivity and driving job creation in new and emerging industries.

However, enhanced coordination between the two governments will be needed to ensure the successful realisation of the project's next stages and avoid bureaucratic blockages. The City also needs to clarify the opportunities for, and likely roles and responsibilities of private sector partners to extend additional data capacity to poorer areas.

²⁸ City of Cape Town, Integrated Development Plan (2012), p54

Relative household internet distribution gap, 2010 (%)*



*Western Cape Economic Development Department. Note no data available for Khayelitsha.

Infrastructure Strategies

Strategy 1: Leverage underutilised City assets to maximise economic benefits

Strategy 2: Develop a coordinated approach to Cape Town's international transport hubs

Strategy 3: Maximise opportunities to enhance infrastructure financing through SIP 7

Strategy 4: Expand public transport and consolidate integration process

Strategy 5: Roll-out broadband project and define stakeholder roles and responsibilities

Strategy 6: Maintain and upgrade basic service infrastructure to ensure sustainability

- **Strategy 1: Leverage underutilised City assets to maximise economic benefits.** The City administration is one of the largest landowners in the greater Cape Town area having accumulated assets from the seven municipalities that merged to form the unicity in 2000. However, many sites, buildings and other items of immovable assets remain underutilised, partly because the City does not have a complete and accurate register of all properties under its ownership.

Investigating all the City's existing and potential strategic assets, and articulating how they may be leveraged to encourage economic activity and generate revenue, therefore

presents a significant, and hitherto largely unrealised opportunity. Notable exceptions include high-profile projects such as the Bellville Velodrome and Cape Town International Convention Centre.

In order to realise the economic potential of underutilised City-owned assets, the administration will:

- Accelerate the investigation of strategic assets as mandated by IDP objective 1.5(a)
- Begin to release, either through lease or sale, immovable property not required for municipal purposes to external private sector or non-governmental entities.
- **Strategy 2: Develop a coordinated approach to Cape Town's international transport hubs.** Cape Town enjoys an excellent strategic location on the southern tip of Africa at the meeting point between East and West. The city also benefits from the international recognition brought by favourable reviews growing number of tourists. However, the full economic benefit of the Cape Town's international profile is, in large part, shaped by its international transportation hubs. This is because these are the points through goods and services come in and out of the city, and the gateways through which local and international business connect.

The two most important of these hubs are Cape Town International Airport and the Port of Cape Town. Although the airport is a truly world-class facility, and deserving of its many accolades, the 'hub-and-spoke' model adopted by the Airports Company of South Africa (ACSA) - where international flights are routed through Johannesburg - is undermining Cape Town's competitiveness as a business destination. The City will:

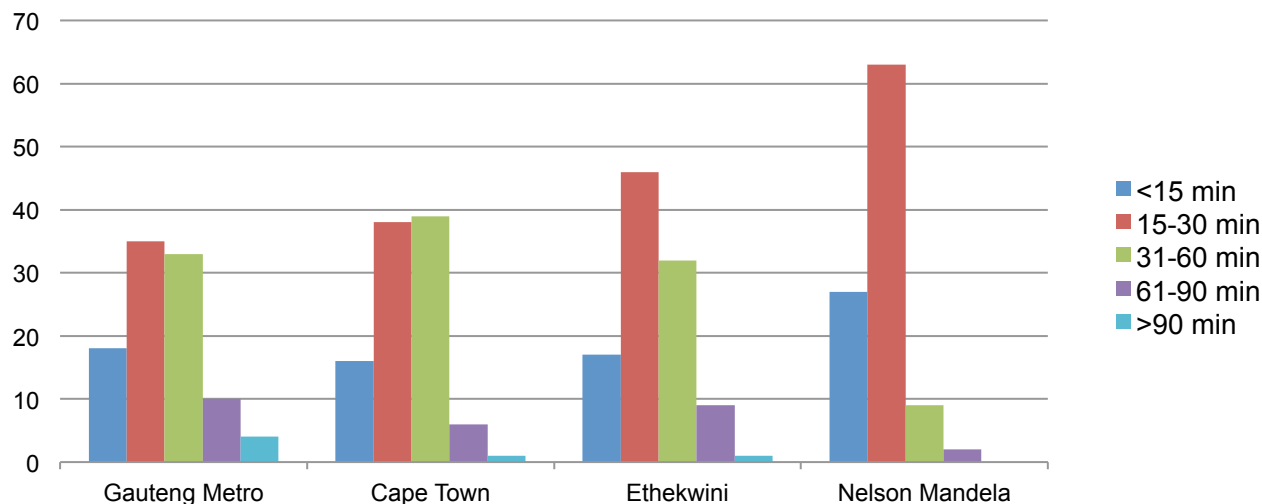
- Work with its partners in the provincial government, the EDP as well as with ACSA, to reverse this trend.
- Seek to attract an increased number of direct flights between Cape Town and international destinations

The port is an equally important transport hub, though businesses have noted it is slow and expensive. As a consequence, freight traffic has contracted over the past five years, which has contributed to its ranking 116th in the world²⁹. Together with the provincial government, the City will:

- Engage Transnet to better align the future development of the port with the requirements of the Cape Town economy.

²⁹ Nicol, M. Presentation to Cape Town Port Steering Committee (May 2012), p4

Time spent commuting in SA cities, 2009 (%)*



*SA Cities Network

- Strategy 3: Expand public transport and consolidate integration process.** The relatively low-density character of Cape Town's spatial form and the legacy of apartheid-era planning means that many people are separated from the city's economic hubs as a consequence of distance, cost and time (see table above). Meanwhile, wealthier residents using private cars increasingly experience high levels of congestion and lengthy commuting times.

Both of these set of challenges negatively impacts on residents' quality of life and reduces competitiveness and productivity in the city economy³⁰. Indeed, Cape Town's transport system has been noted as the single most frequently criticised component of the city's infrastructure on account of unsafe, unreliable and poor quality train and mini-bus taxi services³¹.

A notable exception to this is the bus rapid transit (BRT) 'MyCiti' transit system, which is being progressively implemented in the inner city, the route to the airport, Table View, and Atlantis (though as a proportion of total commuters, volumes remain fairly low). The administration will:

- Work to roll-out phase 2 of the project to the metro south-east (MSE) area as well as an express service along the N2 highway in a manner that is integrated, based on a thorough cost-benefit evaluation, and that aligns with the City's spatial plans.

³⁰ See World Bank and Asian Development Bank, *Cities at a Crossroads: Unlocking the Potential for Green Urban Transport* (2012), p7

³¹ Turok, I et al. *Cape Town Competitiveness Study: Final Synthesis Report* (2011), p12

- Utilise its expanded mandate as per the National Land Transport Act (NLTA) to implement a fully integrated 'Vision of 1' public transport network, featuring a single ticketing system, by mid-2013³².
- **Strategy 4: Maximise opportunities to enhance infrastructure financing through SIP 7.** The City administration is not the only entity responsible for coordinating and financing infrastructure development in urban areas.

Municipal infrastructure development has been identified as a key driver of economic growth by the national government, and a special presidential infrastructure coordinating commission (PICC), chaired by the President, has been set up to plan for the roll-out of the government's multi-billion rand infrastructure programme announced in the State of the Nation Address.

The programme aimed at expanding and upgrading urban infrastructure is known as Strategic Integrated Project 7 (or SIP 7) which focusses on 'integrated public transport networks, sustainable human settlement and social and economic infrastructure'³³.

The City administration will Engage with the SIP 7 process through its infrastructure working group, which will:

- Develop a multi-phase work programme of implementable projects that align with the infrastructure needs of the city
- Engage with the national government to ensure that additional funds leveraged for infrastructure development in Cape Town align with the strategic needs of the local economy
- **Strategy 5: Roll-out broadband project and define stakeholder roles and opportunities.** Fast and reliable internet is an increasingly essential element in every government's economic growth strategy. One recent report found that web-based activities contributed to 21% of GDP growth in mature economies, and that there is a direct correlation between internet access and increased productivity, rising living standards and job creation³⁴.

South Africa has lagged behind its peers however – our country is ranked 119th for bandwidth per user (behind Kenya and Mali) and 83rd for affordability (behind Cape Verde and Jamaica) – which is limiting these economic benefits while exacerbating inequality of opportunity as a consequence of the 'digital divide'³⁵. With fewer than 20 provincial government buildings and approximately 50 City sites connected at speeds of 10 MB/s or more, this lack of broadband penetration is also negatively affecting government efficiency.

³² City of Cape Town, Integrated Development Plan (2012), pg 71

³³ Cogta <http://www.cogta.gov.za/index.php/news/173-press-a-media-releases/331-cooperative-governance-and-traditional-affairs-minister-masenyani-richard-baloyi-launches-the-strategic-integrated-project-seven-sip-7-of-the-national-infrastructure-plan.html> (accessed 30/11/2012)

³⁴ McKinsey Global Institute, Internet matters: The net's sweeping impact on growth, jobs and prosperity (2011), pp2-3

³⁵ World Economic Forum, The global information technology report 2012: Living in a hyper connected world (2012), pp 346 and 351

In order to address this, the City's broadband working group is:

- Partnering with the provincial government to implement an expansive fibre-optic communication network across the metro. The R 1.3 billion project will take between 7 and 10 years to complete and will provide high-speed internet to 130 City buildings and 45 provincial government buildings (with an initial focus on Khayelitsha, Mitchells Plain, Ndabeni, and the southern suburbs).
- Through specially negotiated agreements, spare data capacity will be made available for private service providers to extend wireless services to disadvantaged areas at a reduced fee. The City is undertaking a feasibility study funded by the United States Development and Trade Agency (USDТА) to assess the various options in this regard.
- **Strategy 6: Maintain and upgrade basic service infrastructure to ensure sustainability.** Basic service or 'bulk' infrastructure is fundamental to the City's role as the primary provider of essential services such as electricity, water and waste removal. Without these, achieving other strategic goals, notably economic growth and job creation, would be impossible. 'Getting the basics right' is therefore central to the City's strategy.

However, the City faces numerous challenges when it comes to maintaining and upgrading basic infrastructure. Rapid urbanisation is putting pressure on the City's existing stock as never before, while at the same time financial, capacity and environmental considerations place limits its options going forward. In order to maximise the strategic benefits of basic infrastructure, the City will:

- Develop a public infrastructure plan that will coordinate future infrastructure development with its broader long-term social and economic planning priorities.
- Develop a strategic asset register that will inform its infrastructure asset management programme (IAMP) – a National Treasury and Cogta requirement – that will reduce long-term costs by adopting a holistic life-cycle approach to managing infrastructure assets³⁶.
- Investigate innovative financing models (such as PPPs, joint trusts, direct financing by the private sector and leveraging national and international infrastructure funds) to ensure fiscal sustainability while maximising positive economic impact.

³⁶ City of Cape Town, Integrated Development Plan (2012), pg 50

Summary of Infrastructure Strategies

	Strategy	Details	Lead Actors
Strategy 1	Leverage underutilised City assets to maximise economic benefits	<ul style="list-style-type: none"> ▪ Investigate strategic assets ▪ Begin release of property not needed by municipality 	<ul style="list-style-type: none"> ▪ Property Department ▪ Development Facilitation Unit ▪ Urban Renewal Planning and Building Development Management
Strategy 2	Develop a coordinated approach to Cape Town's international transport hubs	<ul style="list-style-type: none"> ▪ Work with partners to secure direct flights ▪ Work with partners to align port development with Cape Town economy 	<ul style="list-style-type: none"> ▪ EESP Directorate ▪ Economic Development Department ▪ EDP ▪ Cape Town Port Precinct Steering Committee ▪ Western Cape Government
Strategy 3	Expand public transport and consolidate integration process	<ul style="list-style-type: none"> ▪ Roll-out Phase 2 of BRT system ▪ Implement 'Vision of 1' integrated public transport system 	<ul style="list-style-type: none"> ▪ Transport Department ▪ MyCiti ▪ PRASA/ Metrorail ▪ National Transport Department ▪ Provincial Transport Department
Strategy 4	Maximise opportunities to enhance infrastructure spending through SIP 7	<ul style="list-style-type: none"> ▪ Develop a multi-phase SIP 7 work programme of implementable projects ▪ Engage PICC to leverage national funding 	<ul style="list-style-type: none"> ▪ Infrastructure Working Group
Strategy 5	Roll-out broadband project and define stakeholder roles and responsibilities	<ul style="list-style-type: none"> ▪ Extend broadband infrastructure to Khayelitsha, Mitchells Plain, Ndabeni and Southern Suburbs ▪ Conduct feasibility study on options for making wifi available in these areas ▪ Install optic fibre connections to data centres of service providers 	<ul style="list-style-type: none"> ▪ Broadband Working Group ▪ Information Systems and Technology Department
	Maintain and upgrade	<ul style="list-style-type: none"> ▪ Develop public 	<ul style="list-style-type: none"> ▪ Growth Management

Strategy 6

basic service infrastructure to ensure sustainability

- infrastructure plan
- Develop strategic assets register and IAMP
- Examine innovative funding models

- Working Group
- Property Management Department
- Electricity Services Department
- Water and Sanitation Department
- Solid Waste Management Department
- Roads and Stormwater Department

3. INCLUSIVE GROWTH THROUGH JOBS AND SKILLS

Growth must be inclusive

Economic growth is the essential ingredient for building an Opportunity City. However, this growth needs to be inclusive if it is going to make a difference to people's lives. Cape Town faces a 'triple challenge' of poverty, unemployment and inequality that undermines the expansion of opportunities for too many of its citizens. According to Provincial Treasury estimates, 19.7% of the population of the city lives in poverty (defined as a monthly income of less than R 1315 for a one person household), down from 23.9% in 2001³⁷.

It features a Gini co-efficient of 0.58, which, although very high for a middle-income city, is nevertheless lower than in other areas in South Africa (for example, Gauteng features a co-efficient of 0.67, indicating extreme levels of income inequality)³⁸. Similarly, Cape Town's Human Development Index (HDI) registers at 0.74, which compares well nationally, but indicates underperformance relative to the city's international peers.

Unemployment drives poverty

The single most important factor determining poverty and inequality is the employment situation. As with the city's rates of poverty and inequality, unemployment is marginally better than in other major cities in South Africa, but - at 24% of the economically active population - Cape Town still faces a severe jobs crisis. Young people aged between 15 and 24 are the worst affected group (the unemployment rate for this segment is over 40%), with increasing numbers of youth defined as 'NEETs' (i.e. not in employment, education or training).

Efforts to address the crisis are complicated by the fact that the nature of the labour market is changing in line with national and global trends. Traditional labour-absorbing sectors are declining because of shifting demand patterns and increased competition from Asia. There is a mismatch between the skills demanded by the market and those provided by the education system while rigid regulations and declining productivity are creating significant disincentives for employers to hire new people.

The City's niche role

The role of the City administration in addressing these interrelated challenges is not always obvious. Many important levers for facilitating job creation (for instance, by making changes to the labour regime or increasing investment in tertiary education), lie with the national government. Similarly, the task of equipping young South Africans with the basic literacy and numeracy skills they need to gain a foothold in the modern economy is primarily the responsibility of the provincial education department in cooperation with the national Department of Basic Education.

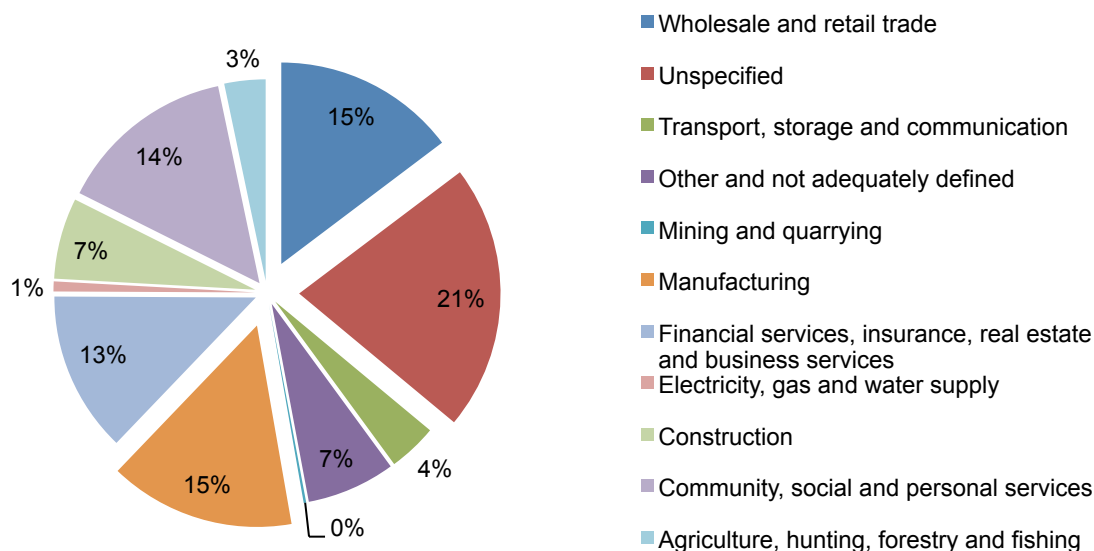
Education and skills development is, in this sense, not a core function of the City administration. However, as one of the largest employers in the Cape Town city-region with significant resources at its disposal, as well as a regulator of numerous forms of business activity, the administration

³⁷ Western Cape Treasury, Regional Development Profile: City of Cape Town (2011), pg 21

³⁸ Western Cape Treasury, Regional Development Profile: City of Cape Town (2011), pg 22

has an important role of play in enhancing the active participation of citizens in an open and inclusive economy.

Cape Town employment composition: Sector, 2007 (%)*



*Western Cape Treasury

Primarily, this role is one of an enabler, connector and regulator. With approximately 25 000 employees on its books, the City is itself a major stakeholder in the Cape Town labour market. Its many employee and graduate training programmes play a proportionately significant role in building the skills profile of the metro area, in addition to enhancing the immediate capacity needs of the organisation.

These programmes need to be focussed and utilised in a manner that addresses specific skills shortages while providing employees with the know-how to pursue their future careers in the public and private sectors. The City also engages in many smaller skills development programmes for the general public, ranging from arts and crafts workshops to small business training. However, these efforts have tended to be disjointed, fragmented and implemented on too small a scale to make any statistically significant impact on the employment situation in Cape Town.

Delivery at scale is key

In order to play a more effective role in the area of skills development the City needs to consolidate its many external initiatives into a smaller number of substantial programmes and find ways to augment existing national, provincial and private-sector-led programmes to deliver real benefits at scale.

For a significant, and growing, portion of the region’s population – slightly less than 10% according the *Provincial Economic Review and Outlook* – particularly job-seekers who have left

school without a senior certificate (see table below), skills development programmes are less of an immediate concern than is earning a living wage. For these Capetonians, the informal sector is a key site of entrepreneurial activity and a source of employment.

The City can play a positive enabling role here by better coordinating its local development programmes and by introducing regulatory changes that facilitates genuine entrepreneurial activity in the informal economy.

Inclusion Strategies

Strategy 1: Coordinate local development programmes to enhance informal sector

Strategy 2: Expand opportunities via recruitment and employee skills development

Strategy 3: Focus external skills programmes on catalytic job-creating sectors

Strategy 4: Work with tertiary education sector to develop, attract and retain skills

Strategy 5: Broaden job opportunities via the Expanded Public Works Programme

- **Strategy 1: Coordinate local development programmes to enhance informal sector.** Entrepreneurial activity in Cape Town is not limited to the formal business activities of small and medium enterprises or new ventures undertaken by established firms. Increasingly, the *informal* sector is playing a crucial role as a generator of income and jobs.

Though relatively small by both national and international standards - the sector accounted for approximately 10.5% of city employment in 2008 compared to 19% in Gauteng – indicators suggest that the informal sector could make a more substantial contribution to employment in the future, particularly for low and semi-skilled people³⁹.

However, past efforts to facilitate the development of informal enterprises were hampered by a lack of business intelligence and poor inter and intra-departmental coordination. In order to address this, the City will:

- Integrate the functions of Local Area Economic Development (LAED) and Business Area Management (BAM)
- Implement a staffing strategy to improve departmental skills and expertise
- Simplify the existing trading plan development process and methodology
- Implement a sector growth strategy focused on developing specialised clusters and markets that moves beyond trading to include other forms of informal entrepreneurship.

³⁹ City of Cape Town, Cape Town's economic environment (no date), p6 See also Adcorp employment index (Nov 2012), p4

- **Strategy 2: Expand opportunities via strategic recruitment and employee skills development.** With over 25 000 members of staff, the City is one of the largest single employers in the greater metro area. Professional recruitment and skills development initiatives undertaken by the administration therefore have a proportionately significant impact on the skills profile of the Cape Town labour market, in addition to meeting the immediate capacity needs of the organisation.

These initiatives range from graduate recruitment to on-going employee development to in-house training at the organisation's own colleges. Consistent with IDP programme 5.2, the City will ensure the attraction, retention and development of its employees via a comprehensive set of skills programmes comprising of:

- Scarce-skills graduate recruitment
- An expanded learnership programme
- Employee training
- Development and further education
- Apprenticeships for vocational trades
- In-house training at the Cape Town traffic and fire colleges.

In addition, the City will work to enhance the quality and utility of employee skills via its human resources strategy and individual directorate-level staffing strategies, both of which focus on aligning and recruiting talent with the business needs of the organisation. The opportunity to leverage funding through the SETAs and the National Jobs Fund will also be investigated.

- **Strategy 3: Focus external skills programmes on catalytic job-creating sectors.** In addition to its internal skills development programmes, the City also provides numerous externally-oriented skills initiatives that range from once-off workshops (for example, those outsourced by the Social Development Department) to longer-running programmes (such as those overseen by the Arts and Culture Department). In the past, these initiatives have not been utilised optimally because they tend to either provide training in subjects or disciplines in which there is low demand, or the programmes are insufficiently resourced to allow beneficiaries to develop substantial expertise (i.e. programme are of insufficient length and there is no follow-through). This has led to resources being wasted and little real value gained by members of the public.

Across the board, department-run skills programmes need to focus on maximising effectiveness by implementing a smaller, more focussed number of initiatives that deliver usable skills for participants. Rather than a diverse range of short and/ or once-off programmes, City departments will:

- Seek to augment the skills programmes run by recipients of Section 67 grants (see next chapter) and collaborate to build the skills profile in the city's catalytic growth sectors
- Assist with developing the skills profiles of EPWP participants (see Strategy 5, this chapter)
- Where skills development is not a core competency of the department in question, scale back such initiatives

- **Strategy 4: Work with tertiary education sector to develop, attract and retain skills.** One of the most important factors determining the growth of city economies is the quality and availability of skilled workers. Already, in South Africa today, firms are struggling to fill an estimated 830 000 vacant skilled positions, with 14% citing significant talent shortages⁴⁰.

Cape Town, like other emerging economy cities, is part of a competitive market for skills in which people with analytical, communications, IT and global operating skills are highly sought after and highly mobile⁴¹. The city's ability to develop, retain and attract these high-skill individuals will be critical for meeting the human resource needs of firms in Cape Town's catalytic growth sectors such as finance, BPO, oil, gas and maritime industries, agro-processing, science and technology R&D, construction and communications.

Through CHEC and the EDP, the City will:

- Work with tertiary education institutions in the greater metro area to identify how the administration can utilise its assets (for example, strategically located property or spare broadband capacity), recruitment, trade promotion and global marketing activities to enhance the profile of Cape Town as a career destination of choice for top global talent (see also Chapter 4).
- **Strategy 5: Broaden job opportunities via the Expanded Public Works Programme.** Though the trajectory of the Cape Town economy will continue to shift toward higher-value skills in line with regional and national trends, the socioeconomic situation in the city remains one in which a large proportion of the population has limited access skills training and little or no formal work experience.

This group risks further marginalisation unless initiatives are extended to help people access low-skill employment. Through the Expanded Public Works Programme (EPWP), the City creates short-term work opportunities for unemployed low-skill and semi-skilled people. This enhances the future employability of EPWP beneficiaries by helping people gain practical skills and work experience. It also forms a critical part of the City's broader poverty alleviation efforts by providing direct cash injections into poor households and communities (see SDS).

In order to further enhance the utility of the EPWP as a tool for facilitating inclusive economic growth, the City will:

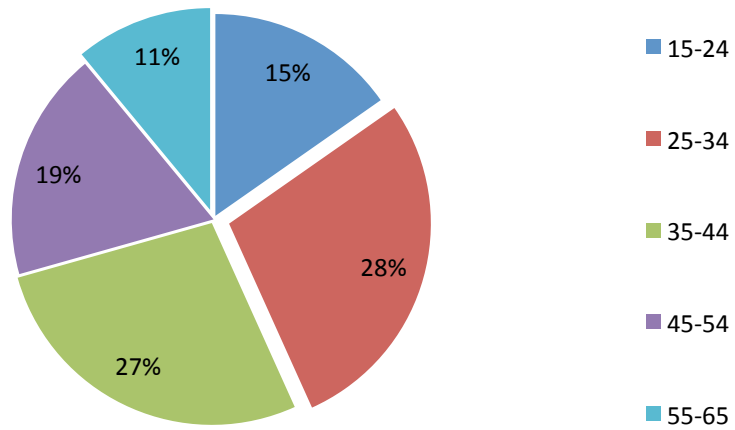
- Develop a policy to facilitate the inclusion of EPWP into the operations of the organisation's line directorates
- Align the EPWP programme with the City's broader skills development and infrastructure development goals
- Meet the full-time equivalent targets set by the national Department of Public Works (DPW)
- Implement Phase 2 of the programme, with the aim of creating 2 million job opportunities

⁴⁰ Manpower, Talent shortage survey (2011), p4

⁴¹ Oxford Economics, Global talent 2021: How the new geography of talent will transform human resource strategies (2012), p5

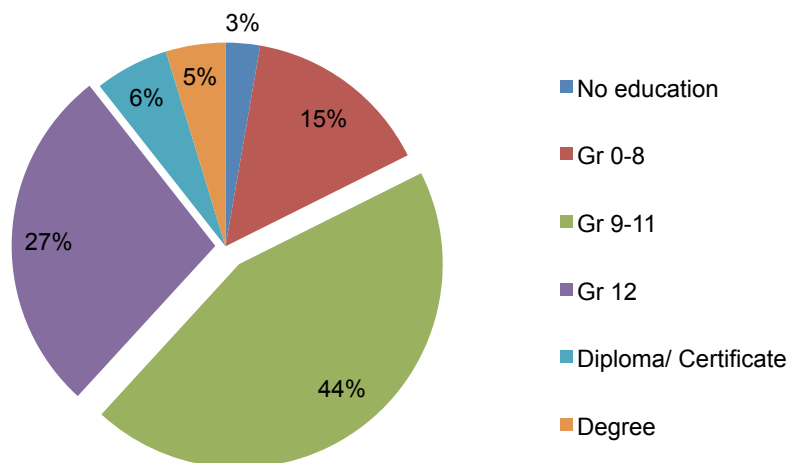
- Enhance the future employability of beneficiaries by certifying skills gained and by opening the EPWP personnel database to the public

Provincial informal sector demographic composition: Age, 2012 (%)*



*Western Cape Treasury

Provincial informal sector demographic composition: Education attainment, 2012 (%)*



*Western Cape Treasury

Summary of Inclusion Strategies

	Strategy	Details	Lead Actors
Strategy 1	Coordinate local development programmes to enhance informal sector	<ul style="list-style-type: none"> ▪ Integrate functions of LAED and BAM ▪ Improve department skills and expertise ▪ Simplify trading plan process ▪ Implement cluster/market-focussed strategy 	<ul style="list-style-type: none"> ▪ Business Areas Management Unit ▪ Local Area Economic Development Unit ▪ Economic Development Department ▪ Property Department ▪ Urban Renewal
Strategy 2	Expand opportunities via recruitment and employee skills development	<ul style="list-style-type: none"> ▪ Ensure attraction, retention and development of employees via: <ul style="list-style-type: none"> - Graduate recruitment - Expanded learnerships - Employee training - Apprenticeships - In-house at training colleges ▪ Enhance quality and utility of employee skills via: <ul style="list-style-type: none"> - HR strategy - Directorate staffing strategies ▪ Investigate additional SETA and Jobs Fund funding 	<ul style="list-style-type: none"> ▪ Strategic Human Resources Department ▪ Talent Management Department ▪ Employment Equity Department ▪ Personnel Services Department ▪ Corporate Services Department
Strategy 3	Focus external skills programmes on catalytic job-creating sectors	<ul style="list-style-type: none"> ▪ Augment skills programmes run by Section 67 grant recipients ▪ Assist with developing EPWP participant skills ▪ Scale back low-impact skills initiatives 	<ul style="list-style-type: none"> ▪ Strategic Human Resources Department ▪ Talent Management Department ▪ Miscellaneous Departments running skills programmes
Strategy 4	Work with tertiary education sector to develop, attract and retain skills	<ul style="list-style-type: none"> ▪ Focus CHEC engagement on regional skills development and retention ▪ Identify areas of collaboration regarding: <ul style="list-style-type: none"> - Strategic City assets - City recruiting - City marketing to attract scarce skills 	<ul style="list-style-type: none"> ▪ Property Department ▪ Marketing Department ▪ CHEC ▪ EDP ▪ UCT ▪ UWC ▪ CPUT ▪ US

Strategy 5

Broaden job opportunities via the Expanded Public Works Programme

- Develop policy to integrate EPWP into directorate's operations
 - Align EPWP with City skills and infrastructure goals
 - Meet targets set by DPW
 - Implement Phase 2 of the programme
 - Open EPWP database to the public to enhance beneficiary's future employability
- Office of the Deputy City Manager
 - Personnel Services Department
 - Strategic Human Resources Department
 - Affected line departments

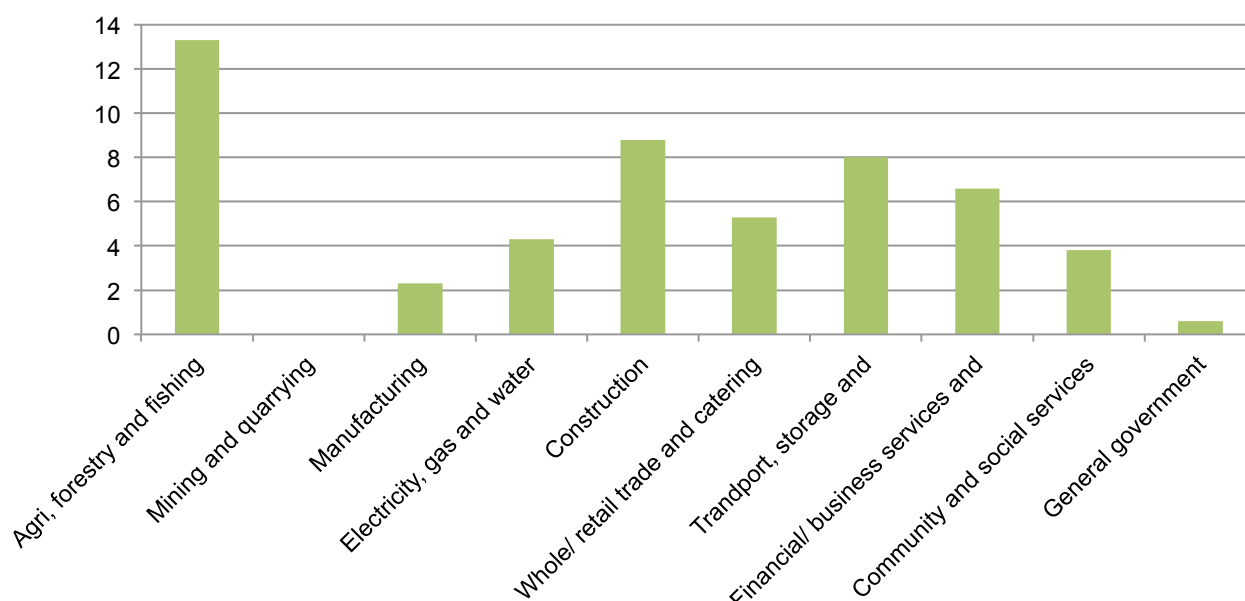
4. TRADE PROMOTION AND SECTOR DEVELOPMENT

Cape Town's economic sectors

Cape Town is typical of mid-sized cities in that the types of business activities and industries have tended to develop along a narrower trajectory compared to larger centres which are generally characterised by a broader spectrum of industry and service sectors offering a more comprehensive array of goods and services.

Often described as South Africa's 'second city' after Johannesburg, both in terms of its size and the scale and concentration of economic activity, Cape Town's economy is primarily service-driven, with finance, insurance, real estate and business services now constituting 37% of economic activity in the city (compared to 31% in the province and 20% nationally). Other key sectors include wholesale and retail trade (15%) and transport, storage and communication (11%)⁴².

City economic sectors: Real growth in GDP, 1999-2009 (%)*



*Western Cape Treasury

Cape Town also has particular strengths in tourism, R&D and various creative industries such as advertising, marketing, film and design. According to the *Provincial Economic Review and Outlook* sectors in the city and the province that are expected to experience growth over the next four years include finance and business services, transport, storage and communication, retail, wholesale, catering and accommodation, and construction⁴³.

⁴² Wesgro, Invest in Cape Town (2011), p14

⁴³ Western Cape Treasury, Provincial Economic Review and Outlook, p37

Second cities *must* specialise

While larger cities such as Johannesburg can to some extent rely on the sheer depth and scale of their industries, services and markets to attract the future investment, mid-size cities like Cape Town increasingly depend on developing and enhancing their comparative advantages and carving out a specialised niche⁴⁴.

This specialised approach will become more important in the future because, as is the case with other cities in South Africa, Cape Town-based enterprises generally cannot compete with their international peers on price as a consequence of high taxes imposed by the national government, and high and rising administered and regulated prices such as electricity and labour.

'Specialised', 'high value-added' and 'knowledge-driven' will be the buzzwords shaping Cape Town's trade and sector development in the years ahead.

Realising the city's mid-sized advantage will involve identifying sectors that indicate significant growth potential based on current trends (such as those mentioned above), and providing them with requisite support, while also leveraging nascent comparative advantages that will unlock significant growth opportunities in the future.

These comparative advantages include, but are not limited to:

- Position as a port city located at the meeting point between East and West
- Numerous recognisable landmarks, notably Table Mountain
- Four universities and numerous research institutes and colleges
- Well-established creative industries
- The English language as a lingua franca in business and government
- Time zone is close to GMT
- Relatively well-developed tourist and visitor infrastructure
- Reputation for high quality of life for professionals (cultural and recreational amenities)
- Growing reputation for clean government

In some instances, the city's comparative advantage is already well-established and the strategic question therefore turns on how these can be further strengthened to boost growth. This is the case with certain financial services such as insurance and asset management, as well as business process outsourcing (BPO).

In others, potential advantage is yet to be fully realised. This is the case with Cape Town's maritime assets, where the city's pole position provides an opportunity to service the oil and gas sector developing along the west coast of Africa. An optimal approach is one that uses existing strengths to leverage *nascent* comparative advantages to realise their full value. Encouraging the development of a specialised trade and maritime insurance hub in Cape Town is one such example.

The role of the City administration in facilitating growth in specific economic sectors is twofold. The first has to do with how it markets and promotes Cape Town itself. The second concerns how the organisation seeks to actively develop and strengthen certain sectors to achieve specific economic objectives.

⁴⁴ EIU Hotspots: Benchmarking Global City Competitiveness (2012), p9 See also Tieman, R. 'Second tier focusses on specialised approach' in *Financial Times* (10/05/2012)

Marketing and events

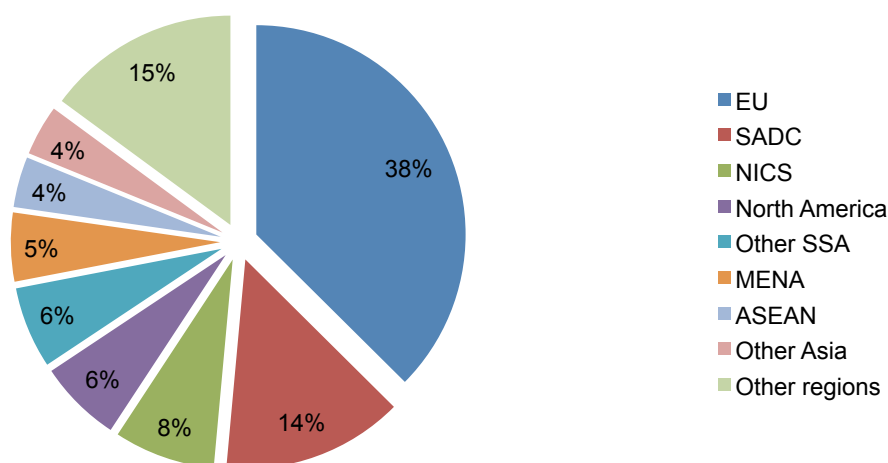
First, the City has a dedicated Tourism, Events and Marketing Directorate whose responsibilities include the promotion of Cape Town at home and abroad as well the management of major events. In the past, Cape Town's branding had emphasised its desirability as a leisure vacation destination, with much made of its beautiful scenery and multi-cultural vibrancy.

City communications furthermore sought to prioritise a service-oriented image that made a break with the unequal service provision that characterised pre-1994 administrations. This is summarised in the official slogan 'this city works for you'. While both of these platforms have generated value for the City, their success has to some extent been at the expense of promoting Cape Town as a dynamic and competitive commercial hub.

The City's brand needs to be updated in a manner that speaks to its changing local, national and global context. Future communications and direct promotion by the City will need to shift to an approach that actively encourages investment and that moves away from promoting a passive welfarist mindset to one that promotes active citizenship of the kind identified in the National Development Plan.

Events staged or facilitated by the directorate should similarly seek to promote Cape Town's dynamic, competitive and entrepreneurial qualities and, where possible, provide a springboard for the city's catalytic growth sectors⁴⁵.

Western Cape export destinations: Percentage of total, 2011 (%)^{*}



*Western Cape Treasury

⁴⁵ City of Cape Town, Integrated Development Plan (2012), pg44

Sectoral development and trade promotion

The second area of activity concerns the active development and promotion of specific sectors to maximise economic growth and create jobs. Through an extensive system of grant allocations, ranging from tens of millions of rand to a few thousand rand each, the City utilises a network of agencies and special purpose vehicles (SPVs) to promote trade and/ or support the development of Cape Town's economic sectors.

These entities perform a wide variety of functions, ranging from trade promotion (by Wesgro) to providing financial assistance and incubator services to promote specific industries (for example, the Cape IT Initiative).

To date, the success of this system has been uneven. Some grant recipients have been highly effective at, for example, equipping youth South Africans with marketable skills or facilitating inward investment. In other cases, City funds have tended to be spent on salaries and office space, with little value gained for the administration or the broader Cape Town economy in terms of jobs created, skills developed or investment secured.

In future, the system by which grants for sectoral development will be distributed by the City will be informed by a firm understanding of Cape Town's existing and nascent comparative advantages, and evaluated according to strict performance criteria*. The City's approach to sectoral development and promotion must necessarily take into consideration global developments, both with respect to competitors and potential markets.

This will be reflected in the direction of its trade promotion efforts and the priorities informing its external relations policy.

Trade Promotion and Sector Development Strategies

Strategy 1: Utilise external relations to attract investment and promote growth sectors

Strategy 2: Gear grant allocations toward addressing Cape Town's economic needs

Strategy 3: Showcase local economy by facilitating major strategic events

Strategy 4: Promote Cape Town as a competitive economic hub through re-branding

- **Strategy 1: Utilise external relations to attract investment and promote catalytic growth sectors.** Consistent with the growing prominence of cities as the principal drivers of global growth, the external relations of cities is gaining in strategic significance as municipal governments begin to play increasingly proactive roles as regulators and facilitators of economic development.

Many leading global cities, including London and New York, feature dedicated 'international affairs' departments. Some have even opened business promotion offices in

foreign cities, such as the Melbourne Office in Tianjin, China⁴⁶. Until now Cape Town has lacked a coordinated approach to managing its external relations in a manner that aligns with its broad strategic policy aims and that reflects the changing role of cities - and the challenges and opportunities this brings - in an increasingly competitive global environment.

The City needs to articulate a new approach to managing its bi-lateral, multi-lateral and inter-governmental relations in a manner that promotes Cape Town as a competitive global hub for economic, social and cultural activity that builds on its strategic location between East and West and its proximity to West Africa⁴⁷.

In order to guide this approach, the administration will adopt a new Strategic External Relations Policy that will articulate the strategic aims of the City *vis a vis* its external relations.

Regarding investment promotion and sectoral development specifically, the policy will prioritise:

- Attracting investment in Cape Town's catalytic growth sectors, namely Oil and gas, agro-processing, financial services, corporate head offices, medical technology, green industries, tourism and events and business process outsourcing
- Promoting Cape Town-based businesses in South Africa and abroad
- Attracting visitors and recruiting talent, particularly scarce skills
- Attracting large strategic events

Future external relationship agreements and memberships of multi-lateral forums will be evaluated on the basis of the strategic value they bring to the City.

▪ **Strategy 2: Gear grant allocations toward addressing Cape Town's economic needs.**

There are many functions associated with trade promotion and sector development that the City either outsources or supports by way of a system of grants known as Section 67 grants. These are funds allocated from the City's approved operating budget to organisations or bodies outside of government⁴⁸.

These functions are outsourced because the City does not have the capacity or expertise in certain areas or because such functions are better implemented by non-governmental bodies that can respond more effectively and efficiently to economic and social conditions.

The recipients of Section 67 grants vary considerably, both in terms of the nature and scope of their work and with regard to the amounts allocated, which can range from tens of millions of rand to a few thousand rand. This strategy is exclusively concerned with those recipients that play strategically significant roles in the Cape Town economy.

The City's approach to grants allocated for community organisations, social services or poverty alleviation is detailed in the SDS. For grants allocated according to this strategy, the City will organise its approach according to five functional areas. These are:

- Economic data analysis and intergovernmental policy coordination

⁴⁶ See <http://www.melbourne.vic.gov.au/enterprisemelbourne> [accessed on 28/12/2012]

⁴⁷ Draft Strategic External Relations Policy of the City of Cape Town (October 2012), p4

⁴⁸ Allocation of Section 67 Grants Policy of the City of Cape Town (June 2011), pg8

- Entrepreneurship and small business support
- Business promotion, facilitation and intelligence (including goods and services, and inward and outward investment)
- Support for sectoral development in growth-enhancing sectors
- Support for labour-intensive sectors and marketable skills development
- Area development and urban improvement

Until now the success of the City's grant allocation system has been uneven. This is partly because the administration has itself not had a clear approach to growing the economy of Cape Town (which in turn made it difficult to set clear requirements in memoranda of understanding concluded with recipients) and partly because grants have tended to be awarded on the basis of historical precedent with little critical analysis of achievements made or the statistical impact on the broader economy.

A comprehensive approach to organising the City's Section 67 grant allocations follows in a separate annexure. It is informed by the following key principles:

- The activities carried out on behalf of the City must have a statistically significant impact on the area(s) they are meant to address
- Clear functions and objectives must be outlined in the MOA
- Performance targets must be set with future funding dependent on whether targets are met
- Activities carried out by recipients cannot replicate existing City functions
- Replication of functions by recipients should be avoided
- The overarching goal of these grant allocations must be to grow the economy and create jobs

The bottom line is that, in future, the City will no longer allocate grants on the basis of historical precedent, but will be evaluating its grant allocations on the basis of value added – that is 'bang for its buck'.

- **Strategy 3: Showcase local economy by facilitating major strategic events.** Recent studies have indicated that hosting major events can bring result in lasting benefits for local economies.

The onset of large numbers of visitors to events, for example, often results in significant cash injections that stimulate demand. Investment in infrastructure is often fast-tracked and the media attention given to major events gives cities the opportunity to showcase its unique assets and project its global brand⁴⁹. However, if long-term plans are not put place to capitalise of the economic benefits of events, city governments run the risk that resources and opportunities will be wasted⁵⁰.

The City administration recognises the important role that events can play in attracting visitors and investment and promoting Cape Town on the world stage. To this end it has established a dedicated Tourism, Events and Marketing Directorate to coordinate the

⁴⁹ See OECD, Local Development Benefits from Hosting Global Events: Achieving the Local Development Legacy from 2012, OECD: Paris (2010)

⁵⁰ Attwell, W. Discussion Note: The role of strategic vents in stimulating economic growth (August 2012), pg3

organisation's efforts in this area in an integrated and strategic manner. The directorate's overarching approach will be set out in an Integrated Strategic Events Strategy⁵¹.

However, a number of steps need to be taken before the value the City's events programme can be fully realised. These include:

- The current policy needs to be updated in order to better reflect the priorities identified in the draft strategy (such as improved event categorisation criteria, minimum thresholds for city participation and more stringent exclusion criteria)
 - Better cooperation is required from other city departments to ensure the smooth running of events
 - The City's programme of high profile events needs to align with its broader strategic aims, specifically the promotion of Cape Town as a competitive economic hub, with particular attention given to events showcasing its catalytic growth sectors (see Strategy 1)
- **Strategy 4: Promote Cape Town as a competitive economic hub through branding and communications.** Cape Town benefits from having a strong global image. More than any other South African city, Cape Town boasts many iconic sites, vistas and landscapes, including Table Mountain, Robben Island, the Winelands and the Cape Peninsula.

These have contributed to the city becoming a favoured international tourist destination confirmed by reviews by the likes of Trip Advisor and *Conde Nast Traveller*. However, the manner in which Cape Town's brand has been formulated and articulated has tended to be *ad hoc* with entities such as Cape Town Tourism, the Cape Town Partnership and the City administration itself all developing their own approaches.

The city's image as a 'leisure destination', an 'eco-friendly destination' and a 'design-conscious destination' can to some extent be explained according to this division of labour. This is understandable. Branding and marketing must always be shaped by the requirements of the intended target market. Differentiation is key.

However, what has been missing is a conscious effort to brand Cape Town as a substantial business location, one that is dynamic and competitive, and where is easy and rewarding to set up and grow an enterprise.

The City administration's own branding, through its visual media has not helped matters. Designs used for official publications and visual materials have not been updated in years and City communications tend not to be reflected in major national or international media. Within the constraints conferred by operational budgets, the City will:

- Develop a communications strategy to promote Cape Town as a competitive and investment-friendly destination
- Mainstream positive economic developments within Cape Town in official City communications
- Emphasise economic growth and job creation are core goals of the administration in official City communications

⁵¹ See Draft Integrated Strategic Events Strategy of the City of Cape Town (August 2012)

- Begin a process of re-branding official City publications and materials in a manner that uses high-quality design to promote an up-to-date image of the City that is clean, fresh, efficient and innovative

Summary of Trade and Sector Development Strategies

Strategy	Details	Lead Actors
Strategy 1	Utilise external relations to attract investment and promote catalytic growth sectors <ul style="list-style-type: none"> ▪ Articulate a new Strategic External Relations Policy ▪ Utilise external relations to promote Cape Town's economic interests by prioritising <ul style="list-style-type: none"> - Investment attraction in catalytic growth sectors - Promote Cape Town-based businesses - Attract visitors and recruit scarce skills - Attract large strategic events 	<ul style="list-style-type: none"> ▪ External Relations Task Team ▪ External Relations and Protocol Unit ▪ Strategic Policy Unit ▪ Wesgro
Strategy 2	Gear grant allocations toward addressing Cape Town's economic needs <ul style="list-style-type: none"> ▪ Organise grant allocations according to functional areas: <ul style="list-style-type: none"> - Data and policy - Entrepreneurship - Business promotion, - Sectoral development - Jobs and skills - Urban development ▪ Approach will be informed by the following principles: <ul style="list-style-type: none"> - Statistically significant impact - Clear functions and objectives - Performance determines future funding - No duplication of City functions/ capacities - Avoid replicated functions by recipients - Overarching goal is economic growth and job creation 	<ul style="list-style-type: none"> ▪ Section 67 Grants Committee ▪ Economic Development Directorate ▪ Strategic Policy Unit ▪ Economic Development Partnership ▪ Cape Town Partnership ▪ Wesgro ▪ Cape Town Activa ▪ BPeSA ▪ Phillipi East Development Initiative

Strategy 3

Showcase local economy by facilitating major strategic events	<ul style="list-style-type: none">▪ Finalise Draft Integrated Strategic Events Strategy▪ Revise existing events policy to reflect new priorities and changed institutional environment▪ Ensure better cooperation between City departments▪ Align high profile events programme with the City's broader economic priorities	<ul style="list-style-type: none">▪ Tourism, Events and Marketing Directorate▪ Strategic Events Committee▪ Mayco▪ External agencies (EDP, Wesgro, Cape Town Partnership etc.)
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Strategy 4

Promote Cape Town as a competitive economic hub through re-branding	<ul style="list-style-type: none">▪ Develop communications strategy on the economy▪ Communicate positive economic developments▪ Reiterate the goals of economic growth and job creation in City communications▪ Begin to re-brand materials to update the City's image	<ul style="list-style-type: none">▪ Integrated Strategic Communication and Branding Department
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5. SUSTAINING GROWTH FOR THE FUTURE

The economy and the environment

Understanding the complex interrelationship between economic growth and the sustainable use of natural resources is increasingly recognised as essential for securing a prosperous future. Certain categories of resources – notably water and energy – play an essential, cross-cutting role in the economy. Others, such as Cape Town’s famous natural areas and unique biodiversity, constitute a distinct sphere of economic activity by creating jobs and generating income in the tourism sector.

Across the board, the economy will face the considerable challenges brought by climate change.

Global warming, and with it, changes to the climate and natural environment, will affect all spheres of human activity, from the quality and availability of vital resources we need to survive to the increased incidence of extreme weather events to the negative impact on livelihoods, particularly in agriculture-related sectors. Studies indicate that developing countries, and particularly water-scarce regions such as the Western Cape, are particularly vulnerable to these processes of change⁵².

Effective environmental resource management, together with climate change adaptation and mitigation measures, must therefore be core components of any forward-looking approach to economic growth. The landmark 2006 *Stern review on the economics of climate change* commissioned by the UK Treasury, for example, noted that ‘the evidence shows that ignoring climate change will eventually damage economic growth’ and that in fact ‘tackling climate change is *the* pro-growth strategy for the longer term’⁵³.

This is because, on the one hand, effective resource management is important for sustaining existing income-generating activities. On the other, the process of adaptation opens new opportunities for investment as well as new avenues for growth and job creation in innovative ‘green industries’ that are responding to growing demand for lower carbon, environment-friendly alternatives to existing goods and services.

This chapter does not seek to address all the environmental management challenges that are relevant to Cape Town’s future. These are addressed in a comprehensive set of environmental planning documents including:

- Integrated Metropolitan Environmental Policy (IMEP)
- Coastal Zone Management Strategy
- Local Biodiversity Strategy and Action Plan
- Energy and Climate Change Action Plan
- Energy and Climate Change Strategy
- Coastal Zone Management Strategy⁵⁴.

⁵² UNFCCC, *Climate Change: Impacts, vulnerability and adaptation in the developing countries* (2007), pg 18

⁵³ UK Treasury, *The Stern review: The economics of climate change* (2006), pg 2

⁵⁴ See City of Cape Town website www.capetown.gov.za

Similarly, the City's environmental health (such as safe water) is explained in the SDS and is therefore not covered here. Rather, the core focus of this chapter is the set of environment-related challenges that have an immediate bearing on economic growth, namely opportunities for the expansion of the green economy and the sustainable utilisation of scarce resources such as water and energy.

Transition to the green economy

The City has identified the green economy as a key growth area, both in terms of 'eco-tourism' – that is, developing a tourism sector that is environmentally responsible and sustainable and geared to utilising Cape Town's many natural assets to attract visitors – and with regard to facilitating the development of green industries and sectors, particularly those with significant job-creation potential.

To this end the City administration has established a green economy working group that will develop a strategic agenda and work programme that will outline implementable projects on behalf of the organisation. It will focus on delivering multiple benefits using a holistic approach that will maximise synergies between:

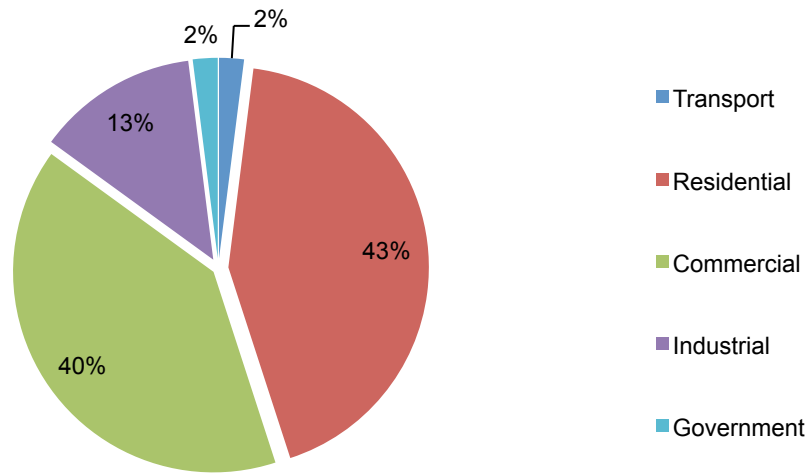
- Utilisation of sustainable ecosystem services to derive socioeconomic benefits
- Development of job-creating 'green' industries
- Protection and expansion of quality environments
- Reduction of environment and resource-related risks (i.e. climate change impacts and resource security)
- Mainstreaming sustainability considerations within the organisation⁵⁵.

One example of a green economy sector that delivers multiple benefits (i.e. it is labour-intensive, utilises existing natural and technological endowments and reduces fossil fuel dependence) in this manner is the bio-fuels industry. Others include solar water heater, photovoltaic and wind turbine manufacturing, processing of organic agricultural products and responsible eco-tourism.

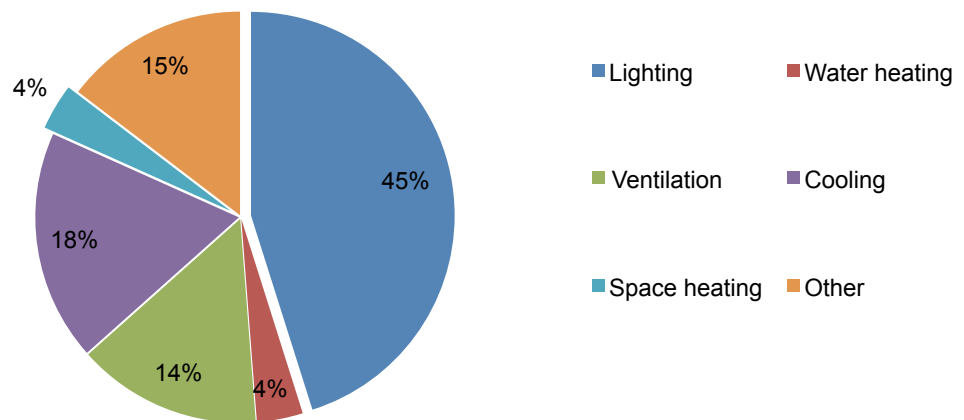
Feasible courses of action supporting these and other industries, including through green financing and procurement, will be finalised during the course of the working group's deliberations.

⁵⁵ Asmal, O. Green economy working group: Concept note (2012), pg 2

Cape Town electricity consumption: Sector, 2007 (%)*



Commercial sector electricity consumption: End-use (%), no date*



*City of Cape Town

The essentials: water and energy

Without secure and sustainable sources of water and energy, the economy of Cape Town would simply not be able to function. In this sense, the policy decisions taken by the current generation to manage these resources sustainably, in a manner that takes into account the development

needs of the future, are essential for achieving inter-generational equity: 'Development that meets the needs of the present without compromising the ability of future generations to meet their own needs'⁵⁶.

Supplies of both water and energy are coming under increasing strain as a consequence of rising demand, limited growth in supply, and an overburdened distribution infrastructure⁵⁷. Global warming will further adversely affect the availability of freshwater while Cape Town's future energy supplies will be shaped by a mix of factors including Eskom's build plan, the price of imported fuel as well as the availability and usability of alternative energy sources such as solar, wind and gas power.

However, managing Cape Town's water resources is not simply a matter of ensuring security of supply (though exploring alternative sources through, for example, desalination and rainwater harvesting, may prove to be increasingly important in the future). Equally relevant is water conservation, through pipeline maintenance, replacement and retro-fitting, and water demand management (WDM) via appropriate pricing, metering and consumer education⁵⁸.

Likewise, while expanding and diversifying Cape Town's energy mix is central to its future energy security (though responsibility for this is split between Eskom and the City), demand-side management will play a key role in encouraging more efficient and sustainable use. This will be achieved via the City's stepped tariff structure as well as by retro-fitting the City's own buildings and infrastructure with more energy-efficient technology (the City is itself the largest single user of electricity in the metro area, accounting for 1% of total energy consumed or 1 681 813 GJ)⁵⁹.

As with WDM, a consumer awareness campaign will help to inform the public about the importance of saving energy and the beneficial consequences of doing so.

Sustainable Growth Strategies

Strategy 1: Develop and implement a comprehensive green economy work programme

Strategy 2: Manage water conservation, supply and demand to ensure sustainability

Strategy 3: Investigate options for energy diversification and promote energy efficiency

Strategy 4: Protect environmental assets to sustain and expand the eco-tourism sector

- **Strategy 1: Develop and implement a comprehensive green economy work programme.** As part of the newly-established transversal cluster system, the City's green economy working group drives the green economy agenda on behalf of the organisation. The broad parameters informing the group's work, which focusses on delivering 'multiple benefits', is

⁵⁶ World Commission on Environment and Development (1987)

⁵⁷ City of Cape Town, Council overview: A comprehensive guide to Council's structures, finance, governance, directorates and planning (June 2011), p67

⁵⁸ City of Cape Town, Integrated Development Plan (2012), pg 64

⁵⁹ City of Cape Town, State of energy and energy futures report: Energy use, carbon emissions inventory and scenarios for the future (2011), pg 41

outlined in the previous section. Given the currently open-ended nature of the term 'green economy', the first tasks of the working group will be to:

- Develop a working definition that is tailored to the local government context, and specifically, the socioeconomic and environmental conditions and priorities of Cape Town
- Work with City departments to ensure compatibility between the terms 'green economy' and 'sustainable development' to ensure consistency in policy development and reporting
- Develop a core position paper that can further refine related concepts and outline the group's key deliverables together with realistic performance targets
- Develop a clear financing plan

In developing its strategy and programme of work, the group will pay particular attention to supporting – by leveraging available funds – the emergence of commercially viable green enterprises that indicate positive job-creating potential. Examples of this include manufacturing operations that concentrate on environmentally-conscious goods (such as solar water heaters or manufacturing using waste by-products) and industrial activities that support lower carbon emissions (for example, promoting the local bio-fuels industry).

The working group will furthermore constitute a primary driver of green initiatives within the City organisation itself. On this front its tasks will include developing proposals for introducing selective green procurement and formulating a consistent set of indicators that can be used to monitor and report on sustainability improvements across City departments (i.e. standardised 'green identifiers').

- **Strategy 2: Manage water conservation, supply and demand to ensure sustainability.** Ensuring sustainable water utilisation that at the same time meets current needs in an equitable manner requires a multi-pronged approach that includes protecting and conserving existing freshwater supplies; expanding, upgrading and maintaining water distribution infrastructure; reducing loss by retrofitting and repairing existing facilities and replacing meters and water management devices (WMDs)⁶⁰.

In addition, significant opportunities exist to augment supply via alternative sources and reuse. In this regard, the City will:

- Promote rainwater harvesting using collection tanks and identify areas where this can support the development of food gardens in low-income areas
- Promote borehole extraction by small consumers for domestic gardening (only in non-sensitive groundwater areas)
- Promote grey water re-use and assist and/ or augment the national Department of Water Affairs (DWA) in this regard, where appropriate
- Expand treated effluent recycling and re-use infrastructure to prevent water shortages and protect the flow of natural streams⁶¹. Opportunities to expand infrastructure capacity in this areas using external funding will be explored.

Ensuring sustainability of supply is one side of the coin. The other is managing demand to reduce wasteful consumption and encourage efficient use. The City has paid attention to its own infrastructure and has successfully taken steps to decrease water demand within the

⁶⁰ City of Cape Town, Integrated Development Plan (2012), pg 65

⁶¹ See City of Cape Town, Treated Effluent By-law (2009)

organisation. Initiatives to manage water demand by citizens and consolidate conservation will involve:

- Running a stepped tariff structure to discourage wasteful utilisation
- Replacing meters to ensure accuracy
- Rolling-out a consumer education programme focussing on the importance of conservation and the options available for end-use savings. Branding for this programme will be consistent with the City's other environmental awareness initiatives

▪ **Strategy 3: Investigate options for energy diversification and promote energy efficiency.**

The City supplies access to electricity for 75% of Cape Town Residents. Eskom supplies the other 25%. This supply is dominated by the national grid, which relies predominantly on coal-fired electricity to provide for the country's needs. Cape Town's total electricity demand is 2400 MW, which is 6% of the total installed grid capacity of 40 000 MW⁶². The largest consumers of electricity in the city are residents (43%) followed by the commercial sector (40%).

Though the structure of Cape Town's economy (which is more service-driven rather than industry-driven) means that economic activity is less energy-intensive than the average for the province and the country, the reliance on coal-powered electricity nevertheless means that the city's carbon emissions are high⁶³. In addition to coal-fired power, the city also received electricity from the Koeberg nuclear power station, which feeds into the national grid, and in times of peak demand and emergencies, it uses two open cycle gas turbines and a pumped-storage station.

Opportunities also exist to explore alternative energy sources such as solar, wind and expanded gas power capacity.

In a context of rising electricity prices - set to rise by as much as 400% between 2006 and 2016 – it is imperative that the City facilitates a shift towards greater energy efficiency in the Cape Town economy while also investigating options for diversifying the city's power sources to ensure the energy security needed to fuel economic growth in the future. To this end, the City will:

- Continue to implement the Energy and Climate Change Action Plan through a range of initiatives including the implementation of the new energy efficient national building regulations and by using its spatial planning policy tools to build a more compact, resource-efficient city
- Improve the City's own energy use and carbon footprint via the use of retrofitting with more efficient technologies (for example, energy-efficient public lighting)
- Continue to roll-out a comprehensive communications campaign on the theme 'Smart Living Smart Saving' to encourage attitudinal and behavioural change
- Implement effective demand management using the City's electricity tariff structure
- Develop practical proposals to pursue alternative energy sources at scale. This may include engaging private project developers for large-scale electricity generation projects.

⁶² City of Cape Town, Moving Mountains: Cape Town's action plan for energy and climate change (2011), pg 9

⁶³ City of Cape Town, Cape Town 2011: State of energy and energy futures report (2011), pg 26

- **Strategy 4: Protect environmental assets and sustain and expand the eco-tourism sector.** It is often stated that Cape Town's number one asset is its natural environment, particularly its beaches, its iconic Table and Cape Peninsula and the unique Cape floral kingdom. Though studies have warned against over-emphasising conservation at the expense of growth and job creation, it is true that tourism is a key sector the city, and that a large proportion of these visitors are drawn to Cape Town's eco attractions.

The city's prime position as an eco-tourism destination of choice has been confirmed by numerous accolades such as the Best Destination Award at the 2009 Virgin Responsible Tourism Awards and the award for Africa's Leading Beach Destination at the 2012 World Travel Awards⁶⁴. In order to sustain this leading edge, and realise the full potential of an eco-tourism sector in Cape Town that is sustainable, in addition to attracting investment and generating incomes, the City will focus on:

- Protecting Cape Town's environmental assets
- Ensuring proper management of the city's coastal areas
- Working with stakeholders to ensure an optimum tourism experience for visitors

Regarding environmental protection and proper coastal management, the City will implement the following specific programmes:

- Implement the Responsible Tourism Framework and Action plan, which focuses on balancing the social, economic and environmental considerations
- Finalise the New Tourism Development Framework (TDF) and ensure alignment with the City's strategic priorities
- Increase biodiversity conservation efforts as per the IMEP
- Within budgetary constraints, expand biodiversity management offices (for example, at Rietvlei and False Bay)
- Comply with requirements of the Integrated Coastal Management Act
- Demarcate nodal development areas for investment via the Coastal Development Zone (CDZ) and develop and implement a coastal infrastructure policy to manage associated risks
- Continue participation in the Blue Flag programme for beaches

Regarding stakeholder engagement to optimise the tourism experience, the City will work with, among others, Table Mountain National Park, the Waterfront, the provincial Tourism Department, Cape Town Tourism and representatives from the tourism industry to identify regulatory, procedural and other challenges facing the eco-tourism in the city and develop practical steps that can be taken to grow the sector.

⁶⁴ <http://cityweb.capetown.gov.za/en/Pages/displayEnforms.aspx?spid=7062> [accessed on 04/12/2013]

Summary of Sustainable Growth Strategies

Strategy	Details	Lead Actors
Strategy 1	Develop and implement a comprehensive green economy work programme	<ul style="list-style-type: none"> ▪ Green economy working group
Strategy 2	Manage water conservation, supply and demand to ensure sustainability	<ul style="list-style-type: none"> ▪ Water and sanitation directorate ▪ Environmental Resource Management Directorate ▪ Department of Water Affairs (national) ▪ Western Cape Department of Environmental Affairs and Development Planning
Strategy 3	Investigate options for energy diversification and promote energy efficiency	<ul style="list-style-type: none"> ▪ Electricity Services Directorate ▪ Energy and

Strategy 4

	<p>efficiency in City of Cape Town</p> <ul style="list-style-type: none"> ▪ Roll-out energy savings communications campaign ▪ Electricity demand management via tariff structure ▪ Plan for large-scale alternative energy sources 	<p>Climate Change Department</p> <ul style="list-style-type: none"> ▪ Environmental Resource Management Directorate
<p>Protect environmental assets and sustain and expand the eco-tourism sector</p>	<ul style="list-style-type: none"> ▪ Protect environmental assets via: <ul style="list-style-type: none"> - Responsible tourism policies - Expanding biodiversity protection capacity ▪ Manage coastal areas appropriately in order to: <ul style="list-style-type: none"> - Ensure compliance with national legislation - Identify areas for development - Guard against coastal risks - Continue Blue Flag participation ▪ Work with partners to realise potential of eco-tourism sector 	<ul style="list-style-type: none"> ▪ Tourism Directorate ▪ City Parks Directorate ▪ Environmental Resources Management Directorate ▪ Green Economy Working Group ▪ External Stakeholders