

Inclusive Economic Growth Strategy

Executive Summary

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

As a priority, these challenges must be addressed through improved collaboration between the city government, private sector, and other spheres of government in order to identify and implement sustainable solutions. The strategy recognises that inclusive economic growth can contribute to the alleviation of existing poverty and inequality as well as the improvement of livelihoods for current and future generations of Capetonians. The strategy therefore represents a continuing commitment to growth that will be supported by an ongoing programme of implementation.

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

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

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

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

Possibly the most prominent negative development on a local level prior to Covid-19 was the multi-year drought experienced by the city and surrounding region. The drought highlighted the need for Cape Town's economic growth to be not only inclusive, but also sustainable and resilient; able to adapt to and survive shocks and stresses. Covid-19 has had a similar impact.

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

Nevertheless, Cape Town is not immune to the economic downturn facing South Africa as a whole. It is incumbent upon the City, as it is on all local governments, to proactively respond to this challenge as best they can within their limited mandates. This strategy is a necessary component of that response. It comprises:

- a categorisation of some of the foremost problems Cape Town faces;
- a set of principles that are relied on in stimulating inclusive economic growth;
- the structure and scope of the City's response;
- a conceptual framework from which initiatives have been developed and prioritised;
- the City's core service offering to support inclusive economic growth;
- an emphasis on support for business at a firm and individual level;
- support for the supply side of the economy; and
- effective place-making, place marketing and suitability as an economic destination for a host of purposes.

The conceptual framework underpinning this strategy places core City services at the heart of inclusive economic growth, to ensure that initiatives aimed at supporting sectors, firms, household or individual growth is meaningful and sustainable. The framework acknowledges the need for support of the labour markets and for stimulation of investment through various channels, and notes that allocation of resources between these areas of intervention must be reflective of broader economic context.

The City firmly believes that inclusive economic growth is the best way to alleviate this economic crisis and is committed to using levers available to the metro government, supported by evidence and as a result of ongoing, meaningful engagement with affected stakeholders. This is not a task limited to the City government as a single organisation. It is intended to speak to the needs of the city as a whole and includes initiatives where role-players in the private or non-profit sector are best placed to be leading the way, with the City enabling or facilitating them.

This strategy will necessarily align with and link to various other key high-level strategies at the City, including the Resilience Strategy and the Social Development Strategy. Finally, it is important to note that the implementation of this strategy is subject to availability of funding for the various initiatives and programmes identified. Covid-19 has had a significant impact on all three spheres of government and their respective budgets. Nevertheless, this document has established an ambitious agenda that will be pursued to the fullest degree possible.