

PREPARING THE  
WESTERN CAPE FOR THE  
KNOWLEDGE ECONOMY OF  
THE 21<sup>ST</sup> CENTURY

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## **FOREWORD**

In my parallel guise as Western Cape Minister of Finance I presented my Budget for the financial year 2001/2002 in the Provincial Legislature in March this year, and without question the key characterising feature of those proposals was a marked shift in emphasis (in relative terms) away from welfare spending and towards spending to facilitate and enhance prospects for employment creation.

I said then and I maintain now that, following two years of austerity measures and spending on bolstering our education system and improving our healthcare facilities, the time is now right for us to focus our attention on sustained economic development and therefore ultimately on job creation.

Consequently, the beam of the economic spotlight, so to speak, falls squarely on the Department of Economic Affairs, Agriculture and Tourism. Far from squinting and, as our eyes become accustomed, hurriedly planning the way ahead, this Department is fully prepared for the important role it can now play.

In preparing the Western Cape for the knowledge economy of the 21<sup>st</sup> century, we are turning our efforts towards on the one hand reforming the way in which Government operates and interacts with its constituents, and on the other hand facilitating an environment conducive to economic growth and job creation. Government cannot conjure up jobs, but it can help, especially in collaboration with the private sector, to create the environment within which job creation and skills development can flourish.

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## ABBREVIATIONS

<b>ABET</b>	Adult Basic Education and Training
<b>AGOA</b>	African Growth and Opportunities Act
<b>CBO</b>	Community Based Organisation
<b>CITI</b>	Cape Information Technology Initiative
<b>CMA</b>	Cape Metropolitan Area
<b>CMC</b>	Cape Metropolitan Council
<b>COSATU</b>	Congress of South African Trade Unions
<b>CSIR</b>	Centre for Scientific and Industrial Research
<b>CSS</b>	Central Statistical Service (now known as Statistics South Africa)
<b>DACST</b>	Department of Arts, Culture, Science and Technology
<b>DBSA</b>	Development Bank of Southern Africa
<b>DCD</b>	Department of Constitutional Development
<b>DoC</b>	Department of Communication
<b>DPSA</b>	Department of Public Service and Administration
<b>DTI</b>	Department of Trade and Industry
<b>ECD</b>	Early Childhood Development
<b>EDC</b>	Export Development Centre
<b>EU</b>	European Union
<b>FET</b>	Further Education and Training
<b>FFC</b>	Financial and Fiscal Commission
<b>GDP</b>	Gross Domestic Product
<b>GEAR</b>	Macro-Economic Strategy for Growth, Employment and Redistribution
<b>GEIS</b>	General Export Incentive Scheme
<b>GRP</b>	Gross Regional Product
<b>HE</b>	Higher Education
<b>HSRC</b>	Human Science Research Council
<b>ICT</b>	Information and Communications Technology
<b>IDC</b>	Industrial Development Corporation
<b>IDT</b>	Independent Development Trust
<b>IGF</b>	Inter-Governmental Forum
<b>IT</b>	Information Technology
<b>JSE</b>	Johannesburg Stock Exchange
<b>KMO</b>	Key Measurable Objective
<b>LGTA</b>	Local Government Transition Act
<b>LRA</b>	Labour Relations Act
<b>MEC</b>	Member of the Executive Council (of the Provincial Governments)
<b>MINMEC</b>	Ministerial Forum (of national Ministers and Provincial MECs)

<b>MIT</b>	Massachusetts Institute of Technology
<b>MRC</b>	Medical Research Council
<b>MTEF</b>	Medium Term Expenditure Framework
<b>NAFCOC</b>	National Federation of Chambers of Commerce
<b>NCHE</b>	National Commission for Higher Education
<b>NCOP</b>	National Council of Provinces
<b>NEDLAC</b>	National Economic Development and Labour Council
<b>NGO</b>	Non-Governmental Organisation
<b>NPI</b>	National Productivity Institute
<b>NQF</b>	National Qualifications Framework
<b>NRF</b>	National Research Foundation
<b>OSW</b>	Office on the Status of Women
<b>PAWC</b>	Provincial Administration of the Western Cape
<b>PDC</b>	Provincial Development Council
<b>PE&amp;VC</b>	Private Equity and Venture Capital
<b>PRC</b>	Presidential Review Commission
<b>PSC</b>	Public Service Commission
<b>R&amp;D</b>	Research and Development
<b>RDP</b>	Reconstruction and Development Programme
<b>RPL</b>	Recognition of Prior Learning
<b>SABS</b>	South African Bureau of Standards
<b>SACOB</b>	South African Chamber of Business
<b>SADC</b>	Southern African Development Community
<b>SALGA</b>	South African Local Government Association
<b>SANCO</b>	South African National Civics Organisation
<b>SAQA</b>	South African Qualifications Authority
<b>SATOUR</b>	South African Tourism Agency
<b>SDI</b>	Spatial Development Initiative
<b>SETA</b>	Sector Education and Training Authority
<b>SME</b>	Small and Medium Enterprise
<b>SMME</b>	Small, Medium and Micro Enterprise
<b>UCT</b>	University of Cape Town
<b>UWC</b>	University of the Western Cape
<b>WCII</b>	West Coast Investment Initiative
<b>WESGRO</b>	Western Cape Investment and Trade Promotion Agency
<b>WTO</b>	World Trade Organisation

## EXECUTIVE SUMMARY

### 1. INTRODUCTION

- 1.1 In today's world no country or region is untouched by the forces of globalisation and the rise of the knowledge economy. Such forces present obvious opportunities for wealth creation and the betterment of the human condition in those countries and regions that are well-equipped to take advantage of them. But for those who are less well-equipped, particularly in the developing world, globalisation can just as easily lead to growing poverty, inequality and marginalisation. The challenge facing countries such as South Africa, and regions such as the Western Cape, is therefore how to channel the forces of globalisation for the elimination of poverty and the empowerment of people to lead fulfilling lives.
- 1.2 In order to meet this challenge, the Provincial Government of the Western Cape charged its Department of Economic Affairs, Agriculture and Tourism with the responsibility for preparing a policy document which sets out a clear economic vision and charts an ambitious but feasible course for the provincial economy over the next ten years. This White Paper represents the culmination of the Department's work.
- 1.3 The White Paper sets out a vision and a broad ten-year strategic framework for ensuring that the Western Cape is well-prepared for the global knowledge economy of the 21st Century. In particular it seeks to lay the foundations for the province to become:
- § A leading *learning region* which successfully equips its people and businesses to acquire and apply knowledge effectively in a rapidly changing world;
  - § An outward looking region, linked effectively to the rest of South Africa, Africa and the world, and capable of competing successfully in the global knowledge economy;
  - § A leading centre for entrepreneurship and innovation;
  - § A *Cape of Good Hope for All*, capable of promoting sustainable growth, equitable development, economic empowerment and an improved quality of life for all.
- 1.4 The ideas and recommendations in this White Paper are based on those in an earlier Green Paper prepared by the Department of Economic Affairs, Agriculture and Tourism and approved by the Provincial Cabinet in May 2000. They have also been informed by the comments and suggestions made by a wide range of stakeholders involved in the broad and extensive consultation process which took place on the Green Paper between May and November 2000. Such stakeholders included all departments within the Provincial Government, a number of national departments (including the Departments of Social Development and Land Affairs), the Cape Metropolitan Council, a number of metropolitan local councils and municipalities, the Provincial Development Council, the Cape Chamber of Commerce and Industry, Wesgro, the Development Bank of Southern Africa (DBSA), the labour federations (Cosatu, Nactu and Fedusa), business associations, and NGOs, CBOs and environmental groups.
- 1.5 The main objectives of the White Paper are:
- § To analyse the main implications of the changing global, domestic and regional (Southern African) context for the provincial economy;

- § To draw lessons on successful regional development from the international experience;
- § To identify strengths and opportunities in the provincial economy which can be built upon, as well as challenges and constraints that will need to be addressed if the province's economic potential is to be fully realised;
- § To set out a proposed economic vision and key strategic imperatives for the Western Cape to guide the development of the provincial economy over the next ten years;
- § To establish a broad strategic framework and key initiatives through which the vision and strategic imperatives can be effectively realised;
- § To propose a restructuring of the current institutional framework for economic growth and development, aligned effectively to the new vision and strategic imperatives, and
- § To identify and address the key resource implications involved in setting up the new strategic and institutional frameworks for the provincial economy.

1.6 It is important to emphasise that this White Paper sets out to provide a broad and long-term vision and strategic framework to influence, guide and facilitate the effective coordination and integration of the work of *all* provincial departments, as well as the work of local government, national departments, parastatals and the many other stakeholders (including the private sector, unions and NGOs) involved in the provincial economy. It makes no claim, however, to provide a comprehensive growth and development strategy. Nor does it attempt to elaborate detailed plans for the implementation of the policy initiatives outlined. This will be the responsibility of individual provincial, national and local government departments and agencies, within their respective spheres of competence, as well as parastatals and a wide range of other agencies and role-players in the provincial economy.

## **2. THE GLOBAL CONTEXT OF REGIONAL ECONOMIC DEVELOPMENT**

- 2.1 As the new millennium dawns, the economies of nations, regions and cities will increasingly be confronted by two major and related challenges. The *first* is the increase in competition brought about by globalisation. The *second* is the rise of knowledge as the key factor of production.
- 2.2 Globalisation refers to the dramatic increase that has taken place in recent years in the flow across national borders of goods and services, capital and knowledge. The breaking down of trade barriers and the increasing spread of global production systems has placed a premium on competitive cost advantage and productivity, forcing higher efficiency and the pace of innovation to quicken.
- 2.3 At the turn of the 20th Century, the vast majority of workers in even the advanced economies were engaged in low or semi-skilled labour. Today, the situation is very different. In the United States, for example, employees who work primarily with knowledge have increased from 28 percent of the total workforce at the start of the century to 70 percent today. In the new millennium, economic opportunities and competitiveness will increasingly lie in people and the knowledge they have, rather than in capital or natural resources. The knowledge revolution is not merely an event occurring within certain high tech companies but rather a process that is having profound consequences for countries and regions everywhere, at the society level, company level and for the individual employee.
- 2.4 The knowledge economy involves fundamentally new ways of working, new management practices, new competencies amongst employees and a new role for government and its regulatory agencies. To participate successfully in the knowledge economy, firms will need to become

increasingly adept at gaining and applying knowledge, as a vital component of the continual improvement process they must engage in to stay ahead of their competitors. Countries and regions that are ill-prepared for the knowledge economy will fall behind and find it increasingly difficult to catch up.

2.5 National economic policy frameworks in different countries are tending to converge more and more, due to the impact of the international capital market, multilateral trade agreements and, in the case of developing countries, pressure from international financial institutions such as the IMF and the World Bank. Therefore, as national policy frameworks become more similar, and national borders less important, regions (sub-national and trans-national) are becoming increasingly important as centres of economic growth, competitiveness and development.

2.6 Although there are no absolute "golden rules" for regional economic success, provinces such as the Western Cape can learn important lessons from the experiences of regions in other parts of the world that have engaged successfully in the global knowledge economy. Governments, firms and other social partners in such regions have typically done the following:

- They have developed a work force with high-level cognitive skills and the capacity to continue learning at high efficiency;
- They have put in place conditions and policies to attract foreign investment and well-qualified expatriates and former émigrés;
- They have speeded up the diffusion of knowledge through specialised training;
- They have provided an efficient low-cost environment and excellent low-cost infrastructure;
- They have created an environment that supported entrepreneurs and business start-ups;
- They have encouraged the development of world-class universities with close ties to the business community, and
- They have encouraged inter-firm collaboration, networking and knowledge sharing;

2.7 For those countries, regions and individuals that have the education, training and skills to compete in the global knowledge economy, the future looks bright. It is much less hopeful, however, for those that do not. Globalisation has frequently been accompanied by widening gaps between the "haves" and "have-nots" in both the developed and developing worlds, as well as by growing inequality and polarisation between the two worlds. By placing a premium on skills, the knowledge revolution has also widened the wage gap and employment prospects between skilled and unskilled workers. In the developing world, where general skills levels are lower, these trends have been even more pronounced.

2.8 In developing countries such as South Africa, therefore, an important aspect of strategies to establish a virtuous cycle of regional economic growth and development will therefore be the reduction of poverty and the promotion of enterprise and empowerment amongst formerly disadvantaged or excluded communities (through a variety of means, from SMME development to joint ventures and skills training and capacity building). This is to ensure that everyone has the opportunity to benefit from, and contribute to, the region's growth and development. A key challenge will be to create jobs, and especially better quality and higher-skilled jobs, and to prepare the population for them through improved education and training opportunities for all.

### **3. THE WESTERN CAPE IN THE GLOBAL ECONOMY**

- 3.1 The economy of the Western Cape is woven tightly into the global economy. Almost two-thirds of the output of the private sector is currently subject to international competition, and the province's dependence on success in global markets is growing across the board. In many ways the Western Cape is better prepared for the challenges of the global knowledge economy than most of the other provinces in South Africa. This should not be a cause for complacency, however. Whilst the province is one of the most productive areas in the country, and indeed the continent, its output per capita is less than one-sixth that of developed countries. It has a relatively well-developed infrastructure and a breathtakingly beautiful natural environment, yet large sections of the community live in poverty, unemployment and ill health. It is home to excellent universities and technikons, yet compared to other countries and regions at a similar level of economic development it fares poorly in terms of mean years of schooling and in the quality of its maths and science education. The Western Cape, in short, is a place of great promise, but a promise that has yet to be fulfilled.
- 3.2 For the province to fully realise its promise, the Provincial Government recognises that the future will have to be different from the past. Current growth in output and employment will not adequately address the problems of poverty and unemployment, and the attendant social problems that they underpin - from gangsterism and crime to the high levels of violence against women and the increasing spread of HIV/AIDS and TB. Nor will the province's current technological and skills base make it a dynamic participant in the world economy. Greater effort will therefore be required from all the key role-players in the Western Cape to harness the obvious economic and human resources potential of the province in ways which meet the *twin challenges* of increasing competitiveness and alleviating poverty in the context of the global knowledge economy of the 21st century. To achieve this it will be necessary for such role-players to work together in a more coordinated and integrated fashion than has often been the case in the past. This, in turn, will require the adoption, agreement and ownership of a common economic vision and broad strategic direction to guide their joint efforts and to enhance commitment, common understanding and co-operation.

#### **4. VISION AND STRATEGIC IMPERATIVES**

- 4.1 In addressing the twin challenges of globalisation and poverty reduction, the work of the Provincial Government and other economic stakeholders in the province will be guided by the following vision and strategic imperatives.

##### **4.2 Vision**

***Our vision is to make the Western Cape the most successful, innovative and competitive economic region in Southern Africa, with an enhanced quality of life for all its inhabitants.***

- 4.3 This economic vision for the Western Cape rests on four key and related pillars. These are:
- § ***The Learning Cape:*** making the Western Cape the leading learning region in Southern Africa.
  - § ***The International Cape:*** enhancing economic growth, development and competitiveness by linking the Western Cape effectively to the rest of Africa and the world.

- § ***The Enterprising Cape:*** establishing the Western Cape as South Africa's premier centre for entrepreneurship and innovation, and
- § ***The Cape of Good Hope for All:*** achieving equitable development across the province by raising the quality of life for all, and expanding the economic opportunities of the poorest communities.

#### 4.4 Strategic Imperatives

In achieving the above vision and the four pillars on which it is based, the Provincial Government will pursue the following ***strategic imperatives*** (set out in Table III below), in close partnership with all relevant roleplayers (public, private and non-governmental) at the national, provincial and local levels.

**Table III: Key Pillars and Strategic Imperatives for the Western Cape Economy**

KEY PILLARS	STRATEGIC IMPERATIVES
<b>The Learning Cape</b>	<ol style="list-style-type: none"> <li>1. Establishing world-class primary and secondary education to provide the Cape's workforce with excellent cognitive skills.</li> <li>2. Raising the skills and competency levels of the population and workforce through excellent systems of further education, training and life-long learning (including ABET).</li> <li>3. Promoting industry-linked teaching &amp; research at universities, technikons and other tertiary institutions.</li> </ol>
<b>The International Cape</b>	<ol style="list-style-type: none"> <li>4. Establishing a world-class infrastructure &amp; environment for business in the Western Cape.</li> <li>5. Putting the Western Cape in the fast lane of the information and communication super-highway.</li> <li>6. Making the Western Cape one of the most attractive places for investors and tourists in the Southern Hemisphere.</li> <li>7. Developing a coherent and proactive strategy for export promotion.</li> <li>8. Quality marketing - establishing the Cape as one of the world's most famous brand names for quality design and environmentally friendly production.</li> </ol>
<b>The Enterprising Cape</b>	<ol style="list-style-type: none"> <li>9. Developing the Western Cape as a centre for R&amp;D and innovation.</li> <li>10. Building strong private equity &amp; venture capital in the Western Cape.</li> <li>11. Promoting enterprise and economic empowerment, especially within disadvantaged communities.</li> <li>12. Developing a strategic and collaborative approach to sector growth and development.</li> </ol>
<b>The Cape of Good Hope for All</b>	<ol style="list-style-type: none"> <li>13. Raising the quality of life for all, and especially of the poorest citizens.</li> <li>14. Employment creation, especially for lower-skilled workers.</li> </ol>

- 4.5 It is important to emphasise that these imperatives are not listed in order of priority. All of them are of equal importance and will need to be implemented in a holistic and integrated way.

4.6 The vision and strategic framework set out in this document also reflect the *ten overarching policy objectives* that were adopted by the Provincial Government in September 1999 to guide its future work in stimulating the social and economic development of the province. These are:

- To establish a safer environment for all our people;
- To create an enabling environment for economic growth;
- To prepare the people of the province for the knowledge economy of the 21st century;
- To contain the spread of HIV/AIDS and TB;
- To empower the poor people of our province through the provision of basic services;
- To improve the quality and accessibility of services provided by the Provincial Government;
- To protect, enhance and promote the total environment for the optimum development of our people;
- To maintain and improve the physical infrastructure required for the development of the province;
- To bind the province, as the gateway to Africa, ever stronger to the country and the continent, and
- To develop a rural development strategy.

## **5. TOWARDS A STRATEGIC FRAMEWORK FOR PROVINCIAL ECONOMIC GROWTH AND DEVELOPMENT**

5.1 Under each of the fourteen strategic imperatives outlined in Table III above, the White Paper sets out the principal policy objectives, together with a number of key strategic initiatives through which these might be realised. These are intended to form the basis for a broad ten year strategic framework for provincial economic growth and development which will guide and inform the policies and implementation plans of provincial government departments and other economic role-players in the province in ways which enable them to be aligned effectively with the vision, pillars and imperatives set out in the previous section.

5.2 Although too detailed to be included in this executive summary, the strategic initiatives are by no means exhaustive and will need to be further refined and elaborated by the Provincial Government and its social partners. During this process it will be important to establish agreed short, medium and long-term priorities, the resource implications with respect to each of the strategic initiatives, the responsibilities of the key role-players, and the broad parameters of an effective action plan for implementation, monitoring and review.

5.3 As this is a document of the Provincial Government, the policy objectives and strategic initiatives will apply specifically to the various departments that constitute the provincial administration, with the Department of Economic Affairs, Agriculture and Tourism playing a leading co-ordinating role. Full co-operation and collaboration will be essential, however, between government structures at the provincial, national and local levels, as well as between these public bodies and the many parastatal, private and non-governmental organisations involved in the provincial economy.

## **6. TOWARDS AN INSTITUTIONAL FRAMEWORK FOR PROVINCIAL ECONOMIC GROWTH AND DEVELOPMENT**

6.1 The effective realisation of the vision, strategic imperatives and initiatives set out in this White Paper will require the full co-operation and collaboration of the wide variety of stakeholders involved in regional economic development, as well as the effective co-ordination and integration

of their activities. Although efforts have been made to improve efficiency, co-ordination and communication in the work of such stakeholders, the evidence suggests that there is clearly scope for significant improvement. An improved institutional architecture will therefore be needed to support the formulation and effective implementation of the vision and strategic framework for provincial economic growth and development set out in this document.

- 6.2 In restructuring the institutional architecture for provincial growth and development, the basic principle will be the creation of an integrated and co-ordinated *partnership of implementing agencies*, with clearly defined functions and responsibilities in relation to the various strategic imperatives and initiatives outlined in this White Paper. Such agencies will include provincial and national government departments and parastatals, the Unicity and other local government structures, statutory boards and agencies operating in the Western Cape, WESGRO, the Provincial Development Council, Sector Education and Training Authorities and tertiary education institutions. Business chambers and associations, union federations and NGOs will also have an important role to play in raising awareness amongst their members about the new provincial economic vision and strategic framework, as well as encouraging their active participation and involvement.
- 6.3 As this White Paper is a document of the Provincial Government, a leading role will naturally be played by its departments and agencies. Constitutionally, it would be inappropriate for the Provincial Government to try and legislate and determine the institutional architecture of other spheres of government or of the many other stakeholders involved in the provincial economy. This should not be interpreted, however, as an indication that the Provincial Government intends to take on a more controlling "big brother" role in the economy. A major aim of the new institutional framework set out below will be to enable the Provincial Government to play a more effective facilitative role in supporting the work of the many stakeholders on whom the success of the provincial economy will ultimately depend.
- 6.4 Given the number and diversity of the existing institutions and agencies that already play an important role in regional growth and development, the Provincial Government is reluctant, as a matter of principle, to enter into the wholesale establishment of new and potentially duplicating structures. Consideration will be given, however, to the establishment of a new economic development agency, to be known as ***Cape Enterprise***, to complement and give impetus to the work of the other institutions and agencies outlined above. The precise functions, structure and responsibilities of this new agency will be negotiated with all key stakeholders. It is envisaged that the remit of Cape Enterprise will be to enhance the capacity, competitiveness and export potential of the provincial economy by strengthening existing enterprises (both large and small), facilitating the creation of new enterprises (particularly SMME's and joint ventures), and attracting more productive forms of inward investment into the province.
- 6.5 Formal government institutions and agencies are not always able to respond quickly to the changing dynamics and requirements of the global economic environment, particularly in areas such as Research and Development and Information and Communications Technology. The Provincial Government will therefore also consider the encouragement of a number of demand-led "*ad hoc lead agencies*" to take responsibility for specific time-limited projects. These may take the form of "think-tanks" to generate new ideas and initiatives, or of pilot implementation programmes.

## 7. RESOURCE IMPLICATIONS

- 7.1 The task of ensuring adequate resources for the new strategic and institutional frameworks for provincial economic growth and development will be a shared responsibility between the Provincial Government, local government and national departments such as the DTI, in collaboration with the private and non-governmental sectors, as well as international donors. The Provincial Government will take the lead:
- § By establishing a dedicated growth and development fund, to be known as the *Cape Future Fund* to kick-start and sustain key programmes and projects in support of the new strategic framework for growth and development, especially in areas not covered by existing provincial budgets;
  - § By introducing a more integrated and coherent framework for ensuring that the budgets of provincial departments are optimally utilised and effectively aligned to the strategic imperatives and initiatives set out in this White Paper, as well as to other departmental and provincial imperatives;
  - § By the mobilisation and effective utilisation of other funding sources, including national departments, the Unicity and other local government structures, the private sector and foreign donors.
- 7.2 The realisation of the vision and imperatives set out in this document will also require the development of comprehensive capacity building programmes for provincial and local government officials. These will be designed to increase their awareness and understanding of the impact of globalisation and the knowledge economy on their work and, in particular, to develop the competencies required to successfully manage and implement the strategic initiatives outlined in this White Paper. The introduction of awareness raising and training programmes for elected provincial political leaders and Unicity and local government councillors will also be essential.
- 7.3 In the knowledge economy, information will also be a key resource. The introduction of world-class systems for the collection, analysis, management and dissemination of information is widely seen as an indispensable pre-condition for the development and implementation of effective and competitive strategies for regional economic growth and development. Existing systems in the Western Cape, though improving, are currently short of this mark. The introduction of new and improved systems will therefore be a priority.

## **8. CONCLUSION: THE WAY FORWARD**

- 8.1 This White Paper sets out to provide a bold but feasible vision and strategic framework to guide and stimulate the successful development of the provincial economy over the next ten years in ways which meet the twin challenges of increasing competitiveness and alleviating poverty in the context of the global knowledge economy of the 21st century. What it provides, however, is a route map not a detailed blueprint.
- 8.2 A major collaborative effort will therefore be required by the Provincial Government and all the other economic actors and stakeholders in the province to translate the vision and strategic imperatives set out in this document into detailed programmes of action that are effectively prioritised, planned, implemented, monitored and reviewed. Although detailed timetables will need to be drawn up to cover the various elements and phases of the programme, it is envisaged

that in the first year particular attention will be devoted by the Provincial Government and its partners to prioritising the strategic initiatives outlined in this document; drawing up detailed targets, plans and budgets for their implementation; re-orienting the Provincial Government's budget for 2002/2003 to support the effective implementation of the strategic initiatives; establishing effective monitoring and evaluation indicators and mechanisms; and negotiating and implementing the institutional architecture for provincial economic growth and development set out in this document.

- 8.3 In order to ensure that the strategic initiatives outlined in this document are effectively implemented and reviewed in a well-coordinated and consultative way, the Provincial Minister for Finance, Business Promotion and Tourism will consider the establishment of an appropriate and representative institutional arrangement to take responsibility for driving the process. The establishment of such a body will not only serve to optimise the cost-effective use of available institutional resources, but will also help to mobilise commitment and support for the vision and strategy by providing all key economic role-players in the province with an important stake in the processes and outcomes.

## CHAPTER 1: INTRODUCTION & OVERVIEW

### 1.1 INTRODUCTION

*"The ability to maximise the use of knowledge is now considered to be the single most important factor in deciding the competitiveness of countries as well as their ability to empower their citizens through enhanced access to information."* Department of Arts, Culture, Science and Technology, *White Paper on Science and Technology*, November 1996, p.8.

As the new millennium dawns, the economies of nations, regions and cities will increasingly be confronted by two major and related challenges. The *first* is the increase in competition brought about by globalisation. The *second* is the rise of knowledge as the key factor of production. In today's world no country or region is untouched by the forces of globalisation and the advance of technology. Such forces present obvious opportunities for wealth creation and the betterment of the human condition in those countries and regions that are well-equipped to take advantage of them. But for those who are less well-equipped, particularly in the developing world, globalisation can just as easily lead to growing poverty, inequality and marginalisation. The challenge facing countries such as South Africa, and regions such as the Western Cape, is therefore how to channel the forces of globalisation for the elimination of poverty and the empowerment of people to lead fulfilling lives.

A related challenge is posed by the rise of the knowledge economy. In the new millennium, economic opportunities will increasingly lie in people and the knowledge they have, rather than in capital or natural resources. Sustainable economic growth and development will be achieved by well-educated societies, skilled labour forces and economic systems that facilitate the acquisition of knowledge. This development has profound consequences for societies everywhere. A region such as the Western Cape now has the potential to be home to knowledge workers that serve the world. But those countries and regions that are ill-prepared for the knowledge economy will fall behind and find it increasingly difficult to catch up.

This White Paper sets out a vision and strategic framework for ensuring that the Western Cape is well-prepared for the global knowledge economy of the 21st Century. In particular it seeks to lay the foundations for the province to become:

- A leading *learning region* which successfully equips its people and businesses to acquire and apply knowledge effectively in a rapidly changing world;
- An outward looking region, linked effectively to the rest of South Africa, Africa and the world, and capable of competing successfully in the global knowledge economy, and
- A leading centre for entrepreneurship and innovation; *A Cape of Good Hope for All*, capable of promoting sustainable growth, equitable development, economic empowerment and an improved quality of life for all.

## **1.2 THE NEED FOR A WHITE PAPER**

In many ways the Western Cape is better prepared for the challenges of the global knowledge economy than many of the other provinces in South Africa. This should not be a cause for complacency, however. Whilst the province is one of the most productive areas in the country, and indeed the continent, its output per capita is less than one-sixth that of developed countries. It has a relatively well-developed infrastructure and a breathtakingly beautiful natural environment, yet large sections of the community live in poverty, unemployment and ill health. It is home to excellent universities and technikons, yet compared to other countries and regions at a similar level of economic development it fares poorly in terms of mean years of schooling and in the quality of its maths and science education. The Western Cape, in short, is a place of great promise, but a promise that has yet to be fulfilled.

For the province to fully realise its promise, the Provincial Government recognises that the future will have to be different from the past. Current growth in output and employment will not adequately address the problems of poverty and unemployment, and the attendant social problems that they underpin - from gangsterism and crime to the high levels of violence against women and the increasing spread of HIV/AIDS and TB. Nor will the province's current technological and skills base make it a dynamic participant in the world economy. Greater effort will therefore be required from all the key role-players in the Western Cape - in particular, the Provincial Government, national departments, local authorities, parastatals, the business community, tertiary institutions, NGOs, unions and communities - to harness the obvious economic and human resources potential of the province in ways which meet the *twin challenges* of increasing competitiveness and alleviating poverty in the context of the global knowledge economy of the 21st century. To achieve this it will be necessary for such role-players to work together in a more coordinated and integrated fashion than has often been the case in the past. This, in turn, will require the adoption, agreement and ownership of a common economic vision and broad strategic direction to guide their joint efforts and to enhance commitment, common understanding and co-operation.

It is for this reason that the Provincial Government charged its Department of Economic Affairs, Agriculture and Tourism with the responsibility for preparing a discussion document which sets out a clear economic vision and charts an ambitious but feasible course for the provincial economy over the next ten years. During 1999 the Department engaged in and commissioned research, undertook visits to a number of successful regional economies, and consulted key stakeholders in the province, with a view to analysing the dynamics of the global economy, understanding more clearly the role of regional governments, and carrying out a reality check of where the Western Cape finds itself within this global context. The outcome was a *Green Paper on Preparing the Western Cape for the Knowledge Economy of the 21st Century*, which was approved by the Provincial Cabinet in May 2000. The main purpose of the Green Paper was to generate widespread discussion, comment and debate to inform the preparation of this White Paper.

## **1.3 CONSULTATION**

A broad and extensive consultation process on the Green Paper took place between May and November 2000. Detailed comments and suggestions were received, amongst others, from all departments within the Provincial Government, a number of national departments (including the Departments of Social Development and Land Affairs), the Cape Metropolitan Council, a number of metropolitan local councils and municipalities, the Cape Chamber of Commerce and Industry, WESGRO, the Capricorn Innovation and Technology Foundation, the Development Bank of Southern Africa (DBSA), and a number of independent academics and consultants.

In order to achieve as wide a spectrum of opinion as possible, the Department of Economic Affairs in collaboration with the Provincial Development Council (PDC) facilitated a public consultation process on the Green Paper with organs of civil society including the private sector. As a statutory body tasked with the responsibility of coordinating, initiating and facilitating consensus amongst stakeholders, the PDC was well suited to this task. During June and July 2000, the PDC completed the first phase of this process, which took the forms of a series of workshops and forums with the labour federations (COSATU, NACTU AND FEDUSA), business associations, and NGOs, CBOs and environmental groups. These were confined to metropolitan Cape Town. To ensure that the regions and rural areas were also included, the PDC conducted a second round of workshops in September 2000 with civil society stakeholders in the province's districts (Central Karoo, Little Karoo, Winelands, South Cape, Breede River, Overberg and the West Coast). The comments, suggestions and discussion points that emerged from these various workshops were compiled by the PDC into a very comprehensive and useful document.

In the preparation of this White Paper, the Provincial Government has made extensive use of the various comments and suggestions made by the wide range of stakeholders involved in the consultation process.

#### **1.4 PURPOSE AND OBJECTIVES OF THE WHITE PAPER**

The main purpose of the White Paper is to outline an agreed vision and strategic framework to guide the public and private sectors and other role-players in the provincial economy over the next ten years, in ways which will enable the Western Cape to successfully address the twin challenges of increasing competitiveness and alleviating poverty in the global knowledge economy. This will be accompanied by the introduction of detailed action programmes and enabling provincial legislation, where appropriate, to support the effective implementation of the new vision and strategic framework.

Within this context, the main objectives of the White Paper are:

- To analyse the main implications of the changing global, domestic and regional (Southern African) context for the provincial economy.
- To draw lessons on successful regional development from the international experience.
- To identify strengths and opportunities in the provincial economy which can be built upon, as well as challenges and constraints that will need to be addressed if the province's economic potential is to be fully realised.
- To set out a proposed economic vision and key strategic imperatives for the Western Cape to guide the development of the provincial economy over the next five to ten years.
- To establish a broad strategic framework and key initiatives through which the vision and strategic imperatives can be effectively realised.
- To propose a restructuring of the current institutional framework for economic growth and development, aligned effectively to the new vision and strategic imperatives.

- To identify and address the key resource implications involved in setting up the new strategic and institutional frameworks for the provincial economy.

## **1.5 FOCUS AND SCOPE**

It is important to emphasise that this White Paper sets out to provide a broad and long-term vision and strategic framework to influence, guide and facilitate the effective coordination and integration of the work of *all* provincial departments (and not just the Department of Economic Affairs, Agriculture and Tourism), as well as the work of local government, national departments, parastatals and the many other stakeholders (including business, organised labour and NGOs) involved in the provincial economy. It makes no claim, however, to provide either a comprehensive growth and development strategy for the province or a comprehensive poverty alleviation strategy, although it aspires to make an important contribution in this direction. Nor does it attempt to elaborate detailed plans for the implementation of the policy initiatives outlined. This will be the responsibility of individual provincial, national and local government departments and agencies, within their respective spheres of competence, as well as a wide range of other agencies and role-players in the provincial economy.

## **1.6 RELATED POLICY DOCUMENTS**

This White Paper is based upon and should be read in conjunction with a number of important national, provincial and local government policy documents, as well as legislative interventions, that impact directly or indirectly on economic issues in the province. These include, at the national level, the *RDP White Paper* (1994); the *Macro-Economic Strategy for Growth, Employment and Redistribution* (GEAR, 1996); the *Presidential Jobs Summit Agreement* (1998); the *White Paper on Local Government* (1998); the *Green Paper on Development and Planning* (1999); the Development Facilitation Act of 1995; the Department of Provincial and Local Government's Draft Discussion Policy Document on *Local Economic Development* (2000); the *White Paper on a National Strategy for the Development and Promotion of Small Business in South Africa*; the Inter-Ministerial Report on *Poverty and Inequality in South Africa* (1998); the Department of Social Development's *State of South Africa's Population Report* (2000); the Employment Equity Act (1998); the *Green Paper on a Skills Development Strategy for Economic and Employment Growth in South Africa* (1997) and the National Skills Development Act (1998); and the *White Paper on Science and Technology* (1996).

At the provincial and local levels, they include the Provincial Government's *Provincial Growth and Development Strategy* (1996), *Translating GEAR for the Western Cape* (1997), *An Analysis of Poverty in the Western Cape as Enumerated in the 1996 Census* (1999), *Draft Provincial Strategic Plan* (2000) and *Fiscal Policy 2001-2004* (2000); the Cape Metropolitan Council's *Going Global, Working Local* (1999), *Poverty Reduction Framework for Local Government in the Cape Metropolitan Area* (1999b), and *Good Practice Lessons and Case Studies for the Delivery of Economic Development Services* (2000); the economic development strategies produced by a number of the province's larger local authorities; the Provincial Development Council's *Shaping the Future*, a consensus based strategy for provincial growth and development; and a number of WESGRO publications, including the *Western Cape Economy on the way towards Global Competitiveness with Social Stability* (1998), *Cape Africa: Doing Business in Africa* (1999), and *Western Cape Economic Monitor November 2000: Business Prospects 2001* (2000).

Given the important role of tourism in the growth and development of the provincial economy, this White Paper should, in particular, be read in conjunction with the *Western Cape Tourism Green Paper* published in May 2001 by the Department of Economic Affairs, Agriculture and Tourism.

## 1.7 LINKS TO THE PROVINCE'S OVERARCHING POLICY OBJECTIVES

The vision and strategic framework set out in this document also reflect the *ten overarching policy objectives* that were adopted by the Provincial Government in September 1999 to guide its future work in stimulating the social and economic development of the province. These are:

- To establish a safer environment for all our people;
- To create an enabling environment for economic growth;
- To prepare the people of the province for the knowledge economy of the 21st century;
- To contain the spread of HIV/AIDS and TB;
- To empower the poor people of our province through the provision of basic services;
- To improve the quality and accessibility of services provided by the Provincial Government;
- To protect, enhance and promote the total environment for the optimum development of our people;
- To maintain and improve the physical infrastructure required for the development of the province;
- To bind the province, as the gateway to Africa, ever stronger to the country and the continent, and
- To develop a rural development strategy.

The development of a sustainable rural development strategy for the province will be of particular importance. This is to ensure that people living in the rural areas of the Western Cape, many of them in deprived conditions, have an equal opportunity to benefit from, and contribute to, the province's economic growth and development as those living in the metropolitan areas. A separate policy document, linked to this White Paper, will therefore be developed by the Minister for Agriculture.

The vision and strategic framework in this White Paper are also in line with the vision and objectives of the draft Provincial Strategic Plan (PSP), formulated in 2000 by the Provincial Planning Committee in association with the Provincial Development Council (PDC). The vision outlined in the PSP is that of "The Western Cape, a world-class, safe social and economic environment with harmony, equal opportunity and access, growth and development, security and where the influence of poverty is limited." The five primary objectives of the PSP are:

- *Wellness*: ensuring the wellness of all people through planned social change, with the emphasis on the identified needs of vulnerable groups and communities;
- *Economic*: nurturing, promoting and contributing towards the establishment of a healthy, dynamic and sustainable Western Cape economy;
- *Safe and Secure Province*: ensuring and maintaining a safe and secure province developed and managed to promote well-being;
- *Human Resource Development*: improving the quality of life by developing the human resource capacity of the people for a vibrant and productive society realising that there is no development without self-development, and
- *Institutional*: ensuring effective, efficient and sustainable governance.

## **1.8 STRUCTURE OF THE WHITE PAPER**

In addition to this introductory chapter, the White Paper is structured as follows:-

- *Chapter 2* discusses the changing global context and highlights the opportunities and challenges for the Western Cape posed by the imperatives of global competition and the rise of the knowledge economy.
- *Chapter 3* highlights the opportunities and challenges posed by the changing domestic policy context, and situates the Western Cape in the changing regional (Southern African) context.
- *Chapter 4* presents a brief economic profile of the Western Cape and highlights some of the province's key strengths and weaknesses as it prepares for the knowledge economy of the 21st century.
- *Chapter 5* outlines an economic vision and a number of key strategic imperatives for the Western Cape, in line with the province's overall policy objectives.
- *Chapter 6* proposes a strategic framework and key initiatives through which the vision and imperatives can be realised.
- *Chapter 7* sets out proposals for a restructured institutional framework for economic growth and development in the province.
- *Chapter 8* identifies and addresses some of the key resource implications of the new strategic and institutional frameworks.

## CHAPTER 2: THE GLOBAL CONTEXT

### 2.1 INTRODUCTION

This chapter explores briefly the dynamics of globalisation and the rise of the knowledge economy, and discusses some of the main implications for emerging economies such as South Africa and regions such as the Western Cape. Drawing on lessons from the international experience, it focuses in particular on the growing importance of sub-national regions in the world economy, the characteristics of successful learning regions, the mechanisms for kick-starting and maintaining a virtuous cycle of regional growth and development, and the role of regional governments. The concluding section examines some of the challenges and threats posed by the global knowledge economy, and argues for an integrated and holistic approach that combines increasing global competitiveness with measures to secure the socio-economic upliftment of the poorest sections of the community.

### 2.2 GLOBALISATION

Globalisation refers to the accelerating rate of economic interaction between people of different countries, leading to a qualitative shift in the relationship between nation-states and national economies. In recent years this has taken the form of a dramatic increase in the flow across national borders of goods and services, capital, people and knowledge. Over the period 1985-1996, while global output grew by a third, world trade in goods doubled and trade in services tripled. This trend has been accompanied by a sharp increase in capital flows. Between 1990-96 more than a trillion dollars of capital flowed to the developing countries on a net basis. After a fall during the Asian crisis of 1998, international flows have resumed at high levels. At the same time, the expansion in international communications and IT systems has meant that information and knowledge can now be disseminated around the world more swiftly than ever before.

Amongst the many consequences of globalisation for regional economies and their firms, *two* are of particular importance:

- **Increasing Competition.** The breaking down of trade barriers and the increase in trade relative to overall output have intensified competition. This, in turn, has placed a premium on cost advantage and productivity, forcing higher efficiency and the pace of innovation to quicken.
- **The Spread of Global Production Systems.** A widespread response to increased cost competition has been the adoption by firms of global production methods and systems. In such systems, different phases and components of what previously was a single process in a single place are now executed in different parts of the world to exploit locational cost advantages. These are linked together by improved communication and transport links. Today one-fifth of worldwide manufacturing output has been "internationalised," with a similar trend visible in services. About 30 percent of world trade also takes place within firms rather than between them.

To succeed in the relentless competition of the global market, regions and firms must focus on whatever sources of advantage that exist. There are *two* principal such sources of advantage:

- **Low Cost Leadership.** Firms can strive to be the low cost leader in the market, through superior production efficiencies, lower profit margins and/or lower input costs in terms of labour, raw materials, transport, taxes and other input costs.

- **Product Differentiation.** Firms can strive to differentiate their product from those of competitors through innovation, quality and the development of a distinctive brand image.

Outside of tourism, firms in developing countries have found the differentiation strategy difficult to follow. Differentiation on the basis of innovation and technology requires the firm to be at the global technological frontier. The vast majority of developing country firms have tended, therefore, to concentrate on cost-based strategies, at least in the early stages. The most successful ones have prospered by expanding their cost advantages to more valuable and complex activities over time. The move to higher value-added production requires higher skills from the local population, resulting in higher salaries. Nevertheless, productivity gains have ensured that the basis for cost-advantage is changed rather than eroded.

### **2.3 THE RISE OF THE KNOWLEDGE ECONOMY**

At the turn of the 20th Century, the vast majority of workers in even the advanced economies were engaged in low or semi-skilled labour in the agricultural or manufacturing sectors. Today, the situation is very different. In the United States, for example, employees who work primarily with knowledge have increased from 28 percent of the total workforce at the start of the century to 70 percent today. The relatively knowledge-intensive service sector produces more than two-thirds of national income in advanced economies, and 57 percent of South Africa's GDP. Other sectors, such as agriculture, mining and manufacturing are increasingly dependent on the application of knowledge to increase production. Half the cost of finding and extracting oil, for example, is spent on information.

The knowledge revolution has profound consequences for societies around the globe. Three are of particular importance:

- **The Transition from Industrial Society to Knowledge Society.** The knowledge revolution is not merely an event occurring within certain high tech companies. As Table 1 below indicates, it has important broader effects at the society level, at the company level and for the individual employee. The knowledge economy involves fundamentally new ways of working, new management practices, new competencies amongst employees and a new role for government and its regulatory agencies.
- **Physical Abundance.** The application of knowledge and technology has dramatically increased the output from given physical resources. This has resulted in an abundant, albeit mal-distributed, supply relative to demand at the global level for products such as food, minerals, oil and manufactured goods. This has caused a long-run downward trend in commodity prices. Whilst good news for consumers in both the developed and developing countries, this trend has had serious negative consequences for economies primarily based on commodity production.
- **The Rising Gap between Skilled and Unskilled Workers.** By placing a premium on skills, the knowledge revolution has widened the wage gap and employment prospects between skilled and unskilled workers. The demand for unskilled workers in the advanced economies has fallen significantly over the past twenty years. Because of different labour systems, this has manifested itself as lower wages for unskilled workers in the US and higher rates of unskilled unemployment in Europe. In the developing world, where general skills levels are lower, these trends have been even more pronounced. In Mexico, for example, workers with primary education or less have seen their real incomes fall by between 15 and 32 percent over the past decade. This has impacted very heavily on unskilled women workers. In Mexico, the proportion of women workers in the maquiladoras

(assembly factories) fell from 77% in 1982 to 60% in 1990. In many developing countries, unemployment rates for unskilled workers are alarmingly high and growing.

**Table 1: The Transition from the Industrial Society to the Knowledge Society**

	<b>Industrial Society</b>	<b>The Knowledge Society</b>
<b>Effects on the Market</b>	<ul style="list-style-type: none"> <li>\$ National competition</li> <li>\$ Competition on price</li> <li>\$ Standardised products</li> <li>\$ Mass consumption</li> <li>\$ Separation of service &amp; manufacturing industries</li> <li>\$ Separated technologies</li> </ul>	<ul style="list-style-type: none"> <li>\$ Global competition</li> <li>\$ Competition on quality</li> <li>\$ Customised products</li> <li>\$ Market segmentation</li> <li>\$ Integration of service &amp; manufacturing industries</li> <li>\$ Integrated technologies</li> </ul>
<b>Effects on production and organisation</b>	<ul style="list-style-type: none"> <li>\$ Mass production</li> <li>\$ Focus on costs</li> <li>\$ Job differentiation and departmentalism</li> <li>\$ Seniority gives job security</li> <li>\$ Centralised and hierarchical management structures</li> <li>\$ Well established routines</li> </ul>	<ul style="list-style-type: none"> <li>\$ Flexible production</li> <li>\$ Focus on innovation</li> <li>\$ Project and team work, and multi-skilling</li> <li>\$ Competence gives job security</li> <li>\$ Flatter and decentralised management structures</li> <li>\$ Constant evolution of new routines</li> </ul>
<b>Effects on the means of production</b>	<ul style="list-style-type: none"> <li>\$ Fixed capital as most important asset</li> <li>\$ Manual work</li> <li>\$ IT as a supportive tool</li> <li>\$ Individual knowledge</li> <li>\$ Separated technologies</li> </ul>	<ul style="list-style-type: none"> <li>\$ Human capital as most important asset</li> <li>\$ Knowledge work</li> <li>\$ IT as a production system</li> <li>\$ Sharing of knowledge</li> <li>\$ Integrated technologies</li> </ul>

To participate successfully in the knowledge economy, firms will need to become increasingly adept at gaining and applying knowledge, as a vital component of the continual improvement process they must engage in to stay ahead of their competitors. National and provincial governments, together with public, private and NGO education, training and research institutions, will also have an important role to play in building an appropriately skilled workforce (especially in the area of cognitive skills such as mathematics, reasoning and communication) and in developing a learning culture. Successful countries and regions within the global knowledge economy will increasingly be those that enable their citizens and firms to obtain, generate and apply knowledge more effectively.

## **2.4 THE IMPORTANCE OF REGIONS IN THE GLOBAL ECONOMY**

National economic policy frameworks in different countries are tending to converge more and more, due to the impact of the international capital market, multilateral trade agreements and, in the case of developing countries, pressure from international financial institutions such as the IMF and the World Bank. Therefore, as national policy frameworks become more similar, and national borders less important, regional characteristics (sub-national and trans-national) are becoming increasingly significant in the locational decisions made by firms. Regions around the world differ markedly in terms of the quality of labour, infrastructure, work ethic and skills base. The increasing importance of regions, cities and localities in the global economy has been stressed in many recent documents, including the latest

World Bank Development Report, *Entering the 21st Century* (World Bank, 1999), which focuses on the twin themes of globalisation and localisation as key elements in economic growth and development.

Many countries, therefore, have or are adopting sub-national regional approaches to economic growth and development. The British government, for example, has recently facilitated the establishment of eight regional development agencies. The aims of such agencies include increasing business competitiveness, the improvement of skills, urban and rural regeneration, job creation and the reduction of social exclusion, all within a framework of sustainable development.

## **2.5 ATTRIBUTES OF SUCCESSFUL LEARNING REGIONS**

Successful regions have typically followed one or a combination of *two* broad approaches for acquiring and using knowledge. These correspond to the low-cost leadership and product differentiation strategies outlined in Section 2.2 above. Regions aspiring to low-cost leadership have used *technological learning*, a major feature of which has been the acquisition of knowledge from other, more advanced firms and regions. Those that aspire to product differentiation have used *innovation* as their main learning strategy. The main features of these two strategies are outlined below.

Whilst important lessons can be learned by regions such as the Western Cape from the experiences in successful learning regions in other parts of the world, they are subject to the proviso that there are no absolute "golden rules" for success. As Amin (1998), the World Bank (1999) and other observers of regional development have pointed out, regional success is also dependent on many external variables (including the global and national macro-economic environments) over which individual regions have little or no control.

### **2.5.1 Technological Learning**

Developing country regions like the Western Cape, and the firms in them, want to enter world markets successfully. This means learning to do increasingly complex and valuable things in globally competitive ways. In doing so, however, they face a dilemma. The advanced knowledge they seek about production and marketing access is rarely available off the shelf. Instead it tends to be the preserve of a small number of advanced firms close to the technological frontier. Developing country firms therefore need to develop channels of learning from international firms that already have the knowledge. However, such international firms are unlikely to share their knowledge with possible future competitors, unless the knowledge transfer takes place under circumstances that hold clear and immediate advantages for them. Such advantages have classically taken the form of the relatively low cost supply by developing regions (compared to Europe and North America) of skilled labour, components and products.

Through on-going learning, cost advantages can be extended to related processes that are more complex, in this way adding more value in the region and moving from low-wage to high productivity strategies. Typically, this involves the following stages:

- **Stage 1:** foreign direct investment by an international firm through the setting up of relatively simple activities (such as assembly plants) in low-wage and low-cost locations.
- **Stage 2:** the development of local sub-contractors providing the foreign-owned firm with a variety of components and sub-processes (as the Irish case demonstrates, this typically requires government intervention to promote indigenous linkages programmes).

- **Stage 3:** the growth in size and sophistication of a number of local sub-contracting firms, whereby they are able to manufacture an entire product under a licensing agreement with the foreign partner.
- **Stage 4:** the move into own design manufacture by a number of successful developing world firms (such as Samsung, Anam and Acer). At this point the developing country firm's technical capabilities are virtually indistinguishable from those of the foreign partner or client, and the firm may begin to market independently rather than under licence.

Progression through such stages rarely happens spontaneously, however, and is typically accompanied by government intervention and support, particularly in the area of education and training. Despite differences in macro-economic and industrial policy, South Korea, Malaysia, Taiwan, Singapore, Hong Kong and Ireland have all successfully followed these strategies and stages. Using such strategies Malaysia has become the number one global producer of videocassette recorders, Korea the number one producer of memory chips, and Singapore the number one producer of hard-disk drives. In addition to acquiring knowledge via relationships with transnationals, they have also pursued other related forms of access to knowledge. These include overseas training, the hiring of foreign experts, partnerships with overseas institutes of technology, and incentives to attract back qualified locals currently working abroad.

### **2.5.2 Innovation**

Innovation, through the generation and application of new knowledge to both product and process, is the second major way in which firms and regions acquire knowledge. In many industries, the world's innovating firms are situated in a few small geographical areas, and sometimes just one. This is true, for example, of industries such as printing presses (West-Central Germany), ceramics (Sassuolo, Italy), and microprocessor design (Silicon Valley). Such spatial clustering of innovative industries suggests that regional and geographical dynamics are key factors in the process of innovation at the technological frontier.

Studies of such regions point to a number of key factors that facilitate successful innovation. These include:

- The clustering together of a number of large and many smaller companies linked to a particular industry, which promotes competition but also facilitates the rapid spread of new knowledge;
- The concentration of academic and applied talent and a shared culture of research;
- The presence of world-class universities and other education and training institutions (public and private), and the close interaction between such institutions and the business community;
- The existence of a dynamic job market;
- The close proximity between suppliers and customers, which enables innovation to be driven, tested and rapidly adjusted in line with recognisable market need;
- An environment, including the availability of venture capital and the presence of a plethora of quality supply firms and services, that encourage start-ups and minimise the costs associated with getting from idea to product, and
- A culture that appreciates entrepreneurial risk taking, forgives failure, and celebrates success.

## 2.6 THE VIRTUOUS CYCLE OF REGIONAL GROWTH AND DEVELOPMENT

Although regions rise and fall, the evidence suggests that regional economic success, if well tended, can continue over many decades. How does this dynamic work? One important element is the creation of an environment in which the proximity of firms creates valuable spin-offs for other firms, making a region with an existing industry a more attractive location than one without. Three spin-offs are of particular importance. These are:

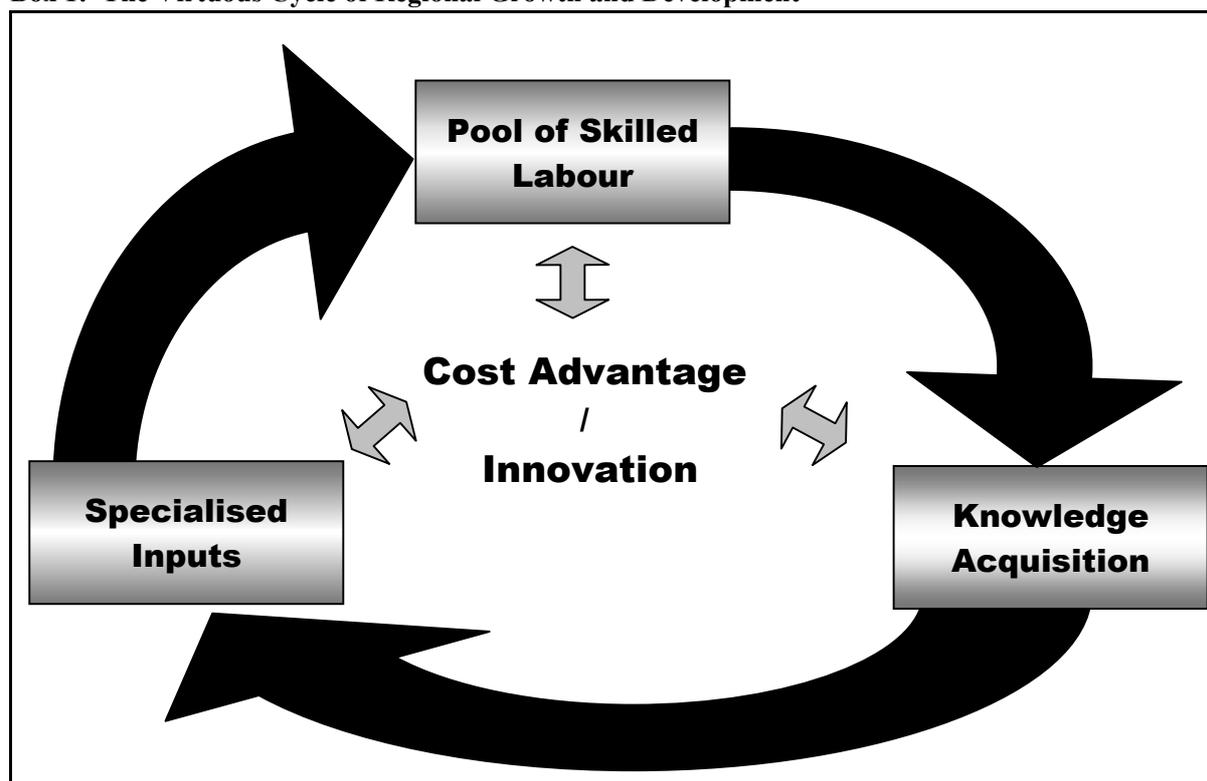
- ***A deep and mobile pool of skilled labour.*** Firms will locate where they have access to a good choice of workers with the special skills they require. This attracts more businesses, whose employees add to the size and variety of the pool. Within the pool there is the transmission of best practice amongst employees.
- ***Specialist inputs.*** Firms will locate where they can access a ready, sophisticated and cost-effective supply of specialist inputs. This provides a stimulus to the local supply industry. As the local supply industry becomes more productive, because of increasing returns to scale, this creates the low-cost conditions to attract more investment into the region.
- ***Knowledge acquisition and spill-overs among firms.*** Firms will locate where they can acquire knowledge from existing businesses (through takeovers and mergers, the sharing of knowledge, or the hiring of highly qualified technical and professional staff). This, in turn, attracts more firms to the region.

The self-reinforcing dynamic of the "virtuous cycle" is demonstrated in Box 1 below.

## 2.7 INSTITUTIONAL THICKNESS

Current thinking in international regional sector development stresses the importance of an additional and related factor in promoting and maintaining successful regional economic development, that of collaboration between firms, suppliers, government, education institutions and other economic role-players. This involves strengthening the "institutional thickness" of the environment in which firms operate by building on their collective efficiencies (see Amin, 1998). With the massive impact of the East Asian economies and notably China, competitiveness is no longer being determined or driven by factor costs alone, but by the ability of sectors and clusters to create the collaborative relationships and synergies for them to co-operate and learn from each other and to compete effectively with other regions. Regional governments have played an important facilitative role in this process, in particular by supporting firm-level restructuring, encouraging inter-firm collaboration and networking, and providing relevant skills training and development.

Box 1: The Virtuous Cycle of Regional Growth and Development



## 2.8 SOCIAL DEVELOPMENT AND ECONOMIC EMPOWERMENT

In drawing lessons from the international experience in regional development, it is important to distinguish between the regional dynamics in the case of Asia and the US on the one hand, and Europe on the other hand. In the case of the Asian and US examples discussed in this Chapter, successful economic innovation has taken place but frequently without much consideration being given to the broader societal development of the surrounding regions. In some of the Asian examples, economic success has been offset by harsh and undemocratic actions by government, including the suppression of union activity. In Europe, however, regional economic development has typically been planned and implemented within the framework of broader social goals.

In developing countries such as South Africa, an important aspect of strategies to establish a virtuous cycle of regional economic growth and development will therefore be the promotion of enterprise and empowerment amongst formerly disadvantaged or excluded communities (through a variety of means, from SMME development to joint ventures and skills training and capacity building). This is to ensure that everyone has the opportunity to benefit from, and contribute to, the region's growth and development. As the latest World Bank Development Report emphasises (World Bank, 1999, 20-21), this will entail the development of collaborative initiatives and partnerships between government, the private sector, NGOs, assistance agencies and, in particular, the communities themselves. It will also entail the effective linking of strategies for economic growth and competitiveness to other goals of the broader development process, such as economic empowerment, poverty alleviation, education, health, the promotion of gender equity, and the protection of the environment.

*Economic empowerment* will be understood in this document as an integrated and coherent socio-economic process aimed at (i) creating economic opportunities for individual citizens, particularly those previously disadvantaged, to advance themselves and their families; (ii) redressing the imbalances of the past by seeking to substantially and equitably confer ownership, management and control of South Africa's financial and economic resources on the majority of its citizens; and (iii) ensuring broader and meaningful participation in the economy by previously disadvantaged individuals and communities to achieve sustainable development and prosperity.

The term *previously disadvantaged* will be used in this document to cover those individuals and communities that have been and continue to be marginalised, and are the most vulnerable to the effects of poverty and social deprivation. They include black people (Africans, Coloureds and Indians/Asians), women, young people, the elderly, and people with disabilities.

## **2.9 THE ROLE OF GOVERNMENT**

In kick-starting and maintaining the virtuous cycle of development, regional and local governments have played a vital facilitative role. In collaboration with their social partners, governments in successful regions have assisted in overcoming short term constraints whilst taking care of longer-term interests such as the quality of the environment. In the process they have typically done the following:

- ***They have created a work force with high-level cognitive skills and the capacity to continue learning at high efficiency.*** In 1945 in South Korea over 70 percent of the population were illiterate. By the 1970s illiteracy had been eradicated. By the late 1980s one out of every four Koreans went to college or university.
- ***They have put in place conditions and policies to attract foreign investment and well-qualified expatriates and former émigrés.*** The production of hard disk drives was started in Singapore in 1982 by US companies attracted by tax incentives and relatively low labour and engineering costs. Today Singapore manufactures more than half of all the world's disk drives, and has moved from to competitive cost advantages based on high skills and productivity rather than low wages. Ireland has provided incentives to attract back skilled locals who have emigrated to other countries.
- ***They have speeded up the diffusion of knowledge through specialised training.*** In Singapore, Hong Kong and Taiwan, specialised sectoral vocational institutes were established to provide high quality training tailored specifically to meet the needs of different industries. Ireland, Denmark and the Netherlands have all invested heavily in demand-driven skills training.
- ***They have provided an efficient low-cost environment and excellent low-cost infrastructure.*** The efficiency and cost advantages of Singapore's port facilities and telecommunications systems was a major factor in attracting foreign investment.
- ***They have created an environment that supported entrepreneurs and start-ups.*** In Silicon Valley this included the creation of a flexible regulatory framework, a favourable environment for venture capital and private equity funds, and a culture of entrepreneurial risk taking that celebrates tolerance, creativity, hard work and success. In Ireland venture capital was made available to academics and skilled employees of transnational corporations to enable them to start-up their own businesses.

- ***They have encouraged the development of world-class universities with close ties to the business community.*** Examples include the role of Stanford University in the success of Silicon Valley, the role of the India Technology Institute in the success of Bangalore, and the role of the Limerick Institute of Technology in Ireland (which is twinned with MIT).
- ***They have encouraged inter-firm collaboration and networking.*** Examples include the successful Upper Austrian Technology Network.
- ***They have promoted social inclusion and the development of sustainable communities,*** to ensure that all citizens participate in and benefit from the processes of economic growth and development.<sup>1</sup> As noted earlier, this has been much more a focus of government policy in Europe than in Asia or the US. Examples include the Irish Social Accord and the experience of the Irish enterprise and regional development agencies, as well as the regional development agencies that have recently been established in the UK.

## **2.10 LINKING GLOBAL COMPETITIVENESS AND POVERTY ALLEVIATION**

For those countries, regions and individuals that have the education, training and skills to compete in the global knowledge economy, the future looks bright. It is much less hopeful, however, for those that do not. Experience has shown that an unqualified reliance on market forces (domestic as well as global) to allow the benefits of economic growth to "trickle-down" to the poor has in nearly all cases proved unsuccessful. Instead, globalisation has frequently been accompanied by widening gaps between the "haves" and "have nots" in both the developed and developing worlds, as well as by growing inequality and polarisation between the two worlds. In the US, for example, over 70 percent of the country's income gains over the past two decades has gone to the top 1 percent of families, whilst the bottom 60 percent of families lost ground (Danaher, 1999a).

At the global level, whilst the top 20 percent of the world's population (located predominantly in the advanced economies of the West) receive 83 percent of the world's income, the bottom 60 percent (located predominantly in the developing world) receive less than 6 percent (Danaher, 1999b). The number of people worldwide currently living below the poverty line is estimated at 1.5 billion, up 200 million from 1993 (*Associated Press*, 3 June 1999). In sub-Saharan Africa, close to 40% of the population are living on less than one US dollar a day (*Cape Argus*, Report on 29th International Conference on Welfare, 25 October 2000). The terms of international trade have worsened and financial resources have declined in many developing countries, severely limiting their capacity to tackle the problems of poverty and inequality. It is not surprising, therefore, that the 1999 UN Human Development Report concludes that the social fragmentation resulting from globalisation has led to a reversal in much of the progress previously made by developing countries in terms of human development (UNDP, 1999:36).

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<sup>1</sup> Sustainable communities are characterised, amongst other things, by good housing, shops and other amenities (such as water, waste disposal and electricity) which are accessible to all; efficient and reliable public transport; a thriving local economy (mainstream and informal) that stimulates local enterprises, creates jobs and meets local needs; good education and training opportunities; a safe and healthy environment contributing to people's physical, mental and social well being; efficient and cost-effective energy use; a vibrant and creative local culture; good governance and high levels of participation in decision-making.

Facts such as these have led to increasing calls not only for debt relief for developing nations but also for the reform of existing international bodies (such as the IMF, the World Bank and the WTO) in order to regulate the global economy more effectively and justly and to give the developing world a more influential role in their operation. Such concerns were enhanced by mounting third world debt and the Asian financial crisis of 1998, and voiced by many third world delegates to the ill-fated Third Ministerial Conference of the WTO in Seattle in November-December 1999, as well as the meeting of the World Economic Forum in Davos, Switzerland in January 2000, and the 29th International Conference on Social Welfare held in Cape Town in October 2000. Along with many other observers, such delegates were concerned in particular with the way in which the powerful developed countries, in the name of free trade, are increasingly protecting their own products and producers at the expense of third world exporters.

As the power to change the current international economic and financial system resides primarily with the developed countries (most of whom have little or no vested interest in doing so), it is clearly questionable whether such reforms will be forthcoming. What is less questionable is the fact that globalisation, together with its potential benefits and dangers, is a reality that must be faced by all countries and regions. It is not a question of choosing between global competitiveness or the reduction of poverty. As the Cape Metropolitan Council's *Going Global, Working Local* document correctly emphasises (CMC, June 1999), the two goals are so closely linked that they must be tackled together.<sup>2</sup>

The reduction of poverty and inequality in the Western Cape, as well as in other parts of South Africa and the developing world, will require sustained economic development and job creation. Both of these conditions will require successful participation in the global knowledge economy. This, in turn, is unlikely to happen if the levels of poverty remain high. Poverty reinforces high levels of crime, inhibits the full development of a region's human resources, and creates a poor business investment environment. Integrated and complementary policies and strategies will therefore need to be devised to minimise the negative effects of globalisation (such as job losses resulting from tariff reductions and the implementation of new technology) and maximise the positive impact. These will need to focus in particular on ways of promoting empowerment and enhancing the skills and economic potential of the poor, so that the areas such as the Western Cape can move increasingly towards forms of competitive cost advantage based on efficiency, productivity and innovation rather than on low wages.

A key challenge in this process will be to create jobs, and especially better quality and higher-skilled jobs, and to prepare the population for them through improved education and training opportunities for all. However, strategies for improved education and training will need to be situated within a broader and multi-dimensional approach to poverty alleviation and community empowerment. As the CMC's background research for its *Poverty Reduction Framework for Local Government in the Cape Metropolitan Area* shows, the international experience highlights the failures of uni-dimensional poverty reduction strategies which focus solely, for example, on education or income generation (CMC, 1999b). In addition to economic growth, a sound macro-economic framework, political stability, the absence of war, and low levels of political and administrative corruption, all of which are necessary (though not sufficient) pre-conditions for effective poverty reduction strategies, the CMC research suggests that a sustainable approach to poverty alleviation needs to address five interrelated fields of critical action: (i) the provision of a minimum safety net for the most vulnerable members of society; (ii) the provision of

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<sup>2</sup> The need for poverty alleviation to be addressed in a holistic package of strategies and as an integral part of the processes of improving global competitiveness was also stressed at the World Bank Cities Congress held in Washington, D.C. in May 2000.

basic infrastructure and services; (iii) spatial integration and environmental quality; (iv) job creation and economic empowerment; and (v) community and social development.

The *Report on Poverty and Inequality in South Africa*, prepared for the Office of the Executive Deputy President and the Inter-Ministerial Committee for Poverty and Inequality (1998), proposes a similar list of interventions and adds the need for the promotion of social equity through redistributive policies involving taxation, market reform and the reprioritisation of expenditure. To these important areas, the Provincial Government would add the need for efficient, effective, accountable and decentralised forms of governance that locate responsibility for the delivery of services to the lowest possible level and promote meaningful opportunities for civil society involvement and participation in the governance processes.

## **CHAPTER 3: THE NATIONAL & REGIONAL CONTEXT**

### **3.1 INTRODUCTION**

The advent of the new democratic dispensation in 1994 signalled the end of South Africa's political and economic isolation, and opened up a new range of global and regional (Southern African) opportunities through which the new government's ambitious programme of domestic reconstruction and development could be supported. As with other countries attempting to negotiate the difficult path between political democratisation and social justice on the one hand, and economic liberalisation on the other, the new dispensation also posed a number of major challenges and contradictions. This chapter will explore some of these opportunities and challenges, and their implications for the Western Cape, through a survey of the changing national and Southern African context.

### **3.2 THE NATIONAL CONTEXT**

#### **3.2.1 The Macro-Economic Context**

Although classified as a middle-income nation, the inequalities of apartheid have led to levels of poverty, unemployment and general social deprivation for the majority black population in South Africa that are much more akin to those in lower-income countries. It is estimated that at least 40 percent of the population are living below the poverty line, without the necessary resources to meet adequately their basic needs for such things as education, health care, nutrition, shelter and water.

Despite such serious domestic social and economic problems, the South African economy has a number of underlying strengths, which have enabled it to cope more successfully with adverse international pressures than many other emerging markets. These include political stability, lower debt obligations relative to GDP than in most developing countries, a relatively well-developed infrastructure, a relatively sophisticated and well-regulated banking and financial services system, and financing requirements on the balance of payments that are within acceptable limits.

Underlying strengths such as these have enabled South Africa to escape the fate of structural adjustment interventions by the IMF and World Bank, and help in part to explain the original confidence of the new democratic government in embarking on an ambitious programme of internal reconstruction and development (the RDP) without the fear of serious international repercussions. However, in June 1996 the National Government's Growth, Employment and Redistribution Strategy (GEAR) was unveiled, largely in response to persistent structural problems in the economy, manifested for example in the decline of the Rand, the continuing volatility of capital flows, and the disappointing rates of economic growth and job creation. Through a combination of measures, including fiscal austerity, tighter monetary policy, budgetary reform, financial and trade liberalisation, restructuring of state assets and labour market reforms, the government argued that GEAR would be capable of achieving growth with both job creation and redistribution, thereby reconciling it with the RDP.

GEAR-related policies were targeted to lead to a GDP growth rate of 6% per annum and 400 000 new jobs per annum by the year 2000. Progress towards such targets has so far been disappointing, however. This has been due to a number of factors, including the impact on the domestic economy of the global financial crisis that rocked the world economy in 1998. Increasing concerns about the unemployment

situation led to the Presidential Jobs Summit at the end of October 1998. Attended by representatives of the government and its social partners (business, labour and civil society), the Summit agreed to a package of new job creation measures and endorsed the decision by the Minister of Finance to revise downwards a number of the GEAR targets. There are also growing concerns in some quarters about the job-shedding impact of current labour laws.

The debates and controversies surrounding the RDP and GEAR have highlighted a fundamental tension in balancing the needs of domestic social justice on the one hand and international competitiveness and macro-economic stability on the other. With regard to the latter, there is no doubt that the economy is currently showing positive signs of recovery from the 1998 crisis. As President Thabo Mbeki pointed out in his *State of the Nation Address* to the National Assembly (4 February, 2000), positive economic indicators include the sustained reduction in inflation rates (from 12.5% during the period 1990-94 to 6.5% currently), declining interest rates (from 25.5% in 1998 to 14.5% currently), relative currency stability in a volatile environment, the increase in foreign reserves, export growth and increasing levels of business confidence and foreign direct investment. Real GDP grew at a rate of 2% during 1999, compared to a growth rate of 0.6% for the whole of 1998. Following a slow down to 2% in the first quarter of 2000, the annualised growth rates have improved to 3% and 4% respectively in the second and third quarters of 2000 (South African Reserve Bank, *Quarterly Bulletin*, December 2000).

Less positively, however, there is no doubt that global pressures, including industrial restructuring in the face of international competition and a decreasing demand for unskilled labour, have impacted negatively in recent years on poverty and unemployment. According to the national Department of Social Development's *State of South Africa's Population Report* (2000), national government policies and programmes (particularly in the areas of housing, electricity and water) have helped to cushion some of the harsher effects of poverty but have done little to close the income gap between rich and poor. Although inequality between population groups has decreased, there has been a remarkable increase in inequality within population groups classified as black. Thus, whilst the black share of national income has been rising (from 29.9% in 1991 to 35.7% in 1996), the black poor are becoming worse off. The income of the poorest 40% of black households, many of them headed by females, was 20% lower in 1996 than it had been in 1991. One reason for this is the high rate of job losses, especially amongst unskilled and semi-skilled workers. The gold mining industry, for example, formerly the backbone of the economy, has shed more than 200,000 jobs since 1994. Between 1994 and 1999 the total loss of jobs in the formal non-agricultural sectors of the economy amounted to half a million (Department of Social Development, 2000). According to the South African Reserve Bank (2000), a further 150,000 jobs were lost during 2000 in the formal non-agricultural sectors. Disaggregated unemployment statistics reveal that unemployment has hit black people, women, rural dwellers and young people particularly hard. Whilst 24.6% of African men and 34.6% of African women are unemployed, the rates for white men and white women are 3.3% and 4.4% respectively. Twenty seven percent of people living in rural areas are unemployed, compared to 21.5% in urban areas. Thirty five per cent of those aged 15-30 years are unemployed, compared to 19% of those aged 31-45 and 10% of those aged 46-65 (Statistics South Africa, 1998).

With rising rates of unemployment in the formal sectors of the economy, it is becoming increasingly difficult to meet the needs and aspirations of the 350,000 new job seekers who are entering the labour market each year. Although employment in the informal sector has been increasing (from 1.1 million in October 1997 to 1.3 million in 1998 according to advance figures from the Statistics South Africa's October 1998 household survey), this has not had a significant impact in alleviating the serious unemployment problem that continues to face the country.

Such problems have been compounded by GEAR-related efforts to reduce the fiscal deficit (from 10.3% of GDP in 1993 to 3.5% currently), as well as to "right size" the public sector. These have placed considerable budgetary pressure on many national, provincial and local government departments, leading to problems of capacity and cuts in services in a number of key areas. In an environment of relatively high interest rates (fuelled in 2000 by rising world oil prices and the decline in the Rand), strong labour cost pressure, and fierce international competition, the prospects for reversing the current trend of job-shedding rather than job-creating growth should not be exaggerated.

At the end of 1999 South Africa looked forward to a strong economic revival, driven by the Asian resurgence, lower interest rates, higher exports and a number of other positive factors. In the event such a revival has not been forthcoming for a number of related reasons, including the volatility of world stock markets and money markets; the steep rise in the world market price of crude oil (which has fuelled inflation); the world-wide over-production of a number of agricultural products (which has destabilised the South African agricultural sector); the worsening crisis of HIV/AIDS; the adverse economic impact of political instability and continuing conflicts in Central and Southern Africa; and the effects of the floods in the north/east of the country in 2000 and the droughts in the south/west which have added to the infrastructure bill and reduced agricultural output. This does not mean, of course, that South Africa is heading for a new downward, recessionary wave. What it does mean, however, as WESGRO has pointed out (2000), is that it is important for government policy makers and other economic actors at the national, provincial and local levels to acknowledge that ensuring sustainable economic growth and development is far more complex than many realise, given South Africa's close interaction with global economic and climatic forces.

### **3.2.2 The Political and Administrative Context**

It is increasingly recognised internationally that good governance and enabling regulatory frameworks are an essential prerequisite not only for political stability but also for effective economic growth and development. According to the 1999/2000 World Bank Development Report, for example, institutions of good governance that are based on consensual, participatory, transparent and decentralised processes are regarded as critical for development, and should encompass partnerships among all elements of civil society (World Bank, 1999).

Since 1994 South Africa has moved towards the adoption of such processes, through an ambitious programme of constitutional and administrative reform. The 1996 Constitution, for example, has been widely acclaimed as one of the most liberal and progressive examples of its kind. Although South Africa is a unitary state, the Constitution designates national, provincial and local government as separate and autonomous "spheres" of government. Schedules 4 and 5 of the Constitution specify those areas in which the three spheres have exclusive competency and those where they share concurrent powers. The economic and related areas over which provincial governments have legislative and executive competence (though largely concurrent) include regional planning and development, trade and industrial promotion, tourism, agriculture, transport, the environment, education (excluding universities and technikons), and local government.

Together with the Local Government Transition Act (LGTA) of 1996, the 1998 *White Paper on Local Government*, and recent legislation,<sup>3</sup> the Constitution also provides for a reorganised and expanded role for elected local government, particularly in the area of local economic development (where local authorities now have the lead role in the formulation and implementation of local integrated development plans). The 1996 Constitution requires national and provincial governments to assist in building the capacity of local spheres of government so that they can carry out such roles effectively.

Political devolution within the unitary state framework has been accompanied by the decentralisation of greater administrative responsibility to provincial departments within the public service, in an effort to promote more flexible and responsive forms of governance. These processes have been supported by a number of budgetary reforms. From the 1997/98 financial year, the provincial allocations from central government were provided in a largely unconsolidated form, giving provinces discretion for the first time over the way in which their allocations are prioritised and divided between the different sectors such as health, education, and so on. The more effective prioritisation and planning of provincial projects and programmes has also been facilitated by the introduction from the 1998/99 financial year of the Medium Term Expenditure Framework (MTEF), which replaces the previous system of annual budgeting with a rolling three-year budget cycle.

The provincial budgets for 1997/98 were also the first to be allocated under the formula devised and recommended by the Financial and Fiscal Commission to redress previous provincial imbalances and to ensure a more equitable provincial distribution of government revenue in the future. Provinces such as the Western Cape, that were more advantaged in the past, have lost out in this process. The province's share of total provincial revenue will decline by 5% in real terms during the period 1997/98 and 2002/2003.

### **3.2.3 The National Sectoral Context**

Changes such as those outlined above in the broad macro-economic, political and administrative context have been accompanied by a plethora of policy documents, legislative interventions and reforms from sectoral national departments, most of which have impacted significantly on provincial and local governments. Whilst too numerous to mention in detail, some of the most important developments and reform initiatives in the economic and related fields include the South Africa-European Union Agreement on Trade, Development and Co-operation which came into operation in January 2000; the move towards privatisation and the restructuring of state assets (in particular, through the 1996 *National Framework Agreement* between government and organised labour); the introduction of new strategies for export marketing, industrial investment and SMME support by the Department of Trade and Industry; the introduction of new national frameworks for transport and energy (through the 1996 *White Paper on a National Transport Policy* and the 1998 *White Paper on Energy Policy*); the introduction of new labour legislation (most notably through the 1995 Labour Relations Act and the 1997 Basic Conditions of Employment Act); the establishment of a new national framework for skills development through the 1998 National Skills Development Act); the establishment of affirmative action and economic empowerment

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<sup>3</sup> These include the Municipal Structures Act (1998), the Demarcation Act (1998) and the Municipal Systems Bill (1999). Amongst other things, these provide for the establishment of single or unities in the metropolitan areas, the amalgamation of smaller municipalities, and the demarcation of new municipal boundaries.

initiatives as corporate imperatives (through the 1998 Employment Equity Act and changes in government procurement policies); the introduction of a new framework for local economic development and integrated development planning at the local levels (for example, through the LGTA and the recent Draft Policy Document from the Department of Provincial and Local Government on *Local Economic Development*); the restructuring of the education and training system (for example, through the NQF/SAQA framework for life-long learning); and the development and application of science and technology within a national system of innovation (a framework for which is provided in the 1996 *White Paper on Science and Technology*).

### **3.3 THE REGIONAL (SOUTHERN AFRICAN) CONTEXT**

The end of South Africa's economic isolation not only opened up world markets in general, but those of Africa and Southern Africa in particular. In 1995 South Africa joined the Southern African Development Community (SADC), a regional bloc of currently fourteen nations that has made significant progress on the often long and difficult path towards free trade movements, liberalised labour markets, joint investment marketing, technology transfers and a number of other important forms of economic, social and foreign policy co-operation.

Most SADC countries have experienced encouraging growth rates in recent years. The SADC region has a potential market of over a hundred million people and a combined GDP of US \$176 billion, which is by no means insignificant. Intra-regional trade has risen steadily and currently forms 22 percent of total SADC trade. In 1996 the SADC member states signed a protocol for the creation of a free trade area, with January 2000 as the deadline for implementation. Problems with ratification have meant that this deadline has not been met. Once the agreement does come into force, however, it is anticipated that intra-regional trade will increase rapidly to about 35 percent of total trade.

The importance of the SADC region for South Africa is reflected in the fact that South African exports to the region increased from US \$1.8 billion in 1994 to US 3.4 billion in 1998<sup>4</sup> (IMF, *Direction of Trade Statistics Yearbook 1998* and *Quarterly Trade Statistics*, June 1999). Although the Western Cape is at a geographical disadvantage compared to provinces such as Gauteng in terms of access to SADC markets (with the exception of Namibia), its exports to the region have also shown a marked increase in recent years. Between 1996 and 1997, for example, exports to Mozambique increased by 33.5 percent (from R539.8 million to R720.4 million) and exports to Zimbabwe increased by 42.7 percent (from R312.1 million to R445.5 million). In 1998 the province's total exports to SADC (excluding the four SACA countries) amounted to R2.1 billion. This contributed 17.8 per cent of the province's total exports. Key exports included prepared foodstuffs (including wine and beverages), fuels and oil, chemical products, textiles and mechanical and electrical machinery and equipment. In 1997 the Western Cape's exports to Africa as whole totalled R2.7 billion and formed 23.1 percent of total exports (WESGRO, *Cape Africa*, 1999). In 1998 and 1999, however, the province's exports to the rest of Africa showed a significant decline (from R2.7 billion in 1997 to R2.14 billion in 1999), indicating the underlying volatility of such trade flows (WESGRO, 2000).

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<sup>4</sup> These figures, and those below for the Western Cape, exclude the four countries that together with South Africa make up the Southern African Customs Area (SACA) - Botswana, Lesotho, Namibia and Swaziland. Because they are all members of the same customs area, it is difficult to disaggregate accurate figures for exports and imports.

Although trade will continue to be one of the most important economic linkages between the Western Cape, SADC and the rest of the continent, there are other forms of linkage that are currently being developed and which offer considerable opportunities for further expansion. Particularly significant is the planned construction of the pipeline to connect the West Coast and Cape Town to the Kudu natural gas fields in Namibia. Other linkages include the expansion of tourism (inward and outward), air links, oil exploration, fishing, transport infrastructure, energy supply, technology transfer, joint venture partnerships, financial services, education and health services, and media, film and television. Along with increased opportunities will come a number of challenges, however. Once the SADC free trade agreement becomes operational, for example, the Western Cape may well face increased competition from regional producers, particularly in areas such as textiles. The increasing political instability in the region also has worrying economic implications for South Africa in general and the Western Cape in particular.

### **3.4 IMPLICATIONS FOR THE WESTERN CAPE**

The changing domestic context has a number of important implications, both favourable and less favourable, for provinces such as the Western Cape. Some of the most important ones are summarised below:

#### **3.4.1 Favourable Implications**

- The achievement of relative macro-economic stability enabling South Africa to withstand volatility in world markets more effectively than many other emerging economies;
- The adoption of an internationally admired Constitution, the consolidation of democracy and the establishment of a framework for effective and co-operative governance (seen by institutions such as the World Bank and the international business community as essential prerequisites for effective economic growth and development);
- The controlled move towards greater economic liberalisation and privatisation;
- Growing international business and investor confidence in South Africa as a result of relatively sound fiscal and monetary policy, effective budgetary management, the presence of a modern financial and physical infrastructure, and political stability;
- South Africa increasingly seen by foreign business as an important gateway to Southern Africa and the continent as a whole;
- The SA-EU and SADC trade agreements which will open up additional opportunities for South African businesses;
- The establishment of a national framework of incentives and support for enterprise, innovation and small business development;
- The establishment of a new framework for education and skills development;
- Political devolution and administrative decentralisation which affords the provinces a key role in the management of their own economic affairs, and
- The re-organisation of local government with a key role to play in local economic development.

#### **3.4.2 Less Favourable Implications**

- The susceptibility of emerging economies such as South Africa to volatility in world stock markets, money markets and trading patterns, as well as to the polarising effects of globalisation in terms of widening income disparities and increased unemployment;

- The exposure of provincial firms to greater overseas and regional competition, as a result of trade liberalisation (especially through the WTO and the SA-EU and SADC trade agreements);
- Budget cuts (resulting from the application of the GEAR fiscal deficit targets and the FFC equalisation framework) and the lack of a coherent national policy on "rightsizing" the public service, which have impacted negatively on service delivery, institutional capacity and infrastructure provision;
- The perceived lack of labour market flexibility (resulting in part from the National Government's labour legislation) and the implications that this has for business competitiveness in an emerging economy such as South Africa;
- The slowness in getting some aspects of the National Government's privatisation programme off the ground, leading to uncertainty in the business community;
- The lag between policy goals and objectives on the one hand and implementation on the other, which has led to disappointing performance in key policy areas such as education, health and safety and security;
- The persistence of high rates of crime, which has high social costs for all inhabitants and inhibits the development of local businesses, tourism and foreign investment to their full potential, and
- Political unrest and instability in the SADC region which is already impacting adversely on the regional as well as South African economy.

## **CHAPTER 4: THE WESTERN CAPE IN THE GLOBAL ECONOMY**

### **4.1 INTRODUCTION**

The economy of the Western Cape is woven tightly into the global economy. Almost two-thirds of the output of the private sector is currently subject to international competition, and the province's dependence on success in global markets is growing across the board. In recent years, activities previously sheltered from international competition, such as agriculture, manufacturing and finance, have become increasingly subject to foreign competition. At the same time, growth in the so-called "non-traded" sectors which are not subject to direct foreign competition - such as construction, electricity and transport - increasingly depends on successful expansion in those sectors open to foreign competition. Furthermore, global competition is a critical factor in those sectors where the province hopes to find jobs for the unemployed and lower skilled, such as agriculture, tourism and manufacturing.

Given the increasing exposure of the Western Cape to international competition, this Chapter surveys the current state of readiness of the province for successful participation in the global knowledge economy. After a brief overview of some of the main features, trends and development dynamics of the provincial economy, it focuses in particular on the province's current standing in relation to the main characteristics of successful regional economies outlined in Chapter 2 above. The survey reveals that the Western Cape, whilst better prepared than most of South Africa's other provinces, still has a long way to go to compare favourably and compete successfully with many of the other countries and regions which are classified in the same upper-middle income bracket as the province.

### **4.2 THE WESTERN CAPE ECONOMY: DEVELOPMENT DYNAMICS**

#### **4.2.1 Output and Growth**

The Western Cape comprises 10% of South Africa's population but accounts for 14.1% of the country's GDP. With an output of approximately US \$4 500 per capita, it is the second most productive province in the country after Gauteng (US \$6 312) and significantly more productive than the country as a whole (US \$3 323). The province's gross regional product (GRP) has also risen faster on average than the national GDP. According to the provincial Department of Finance (2000), the average growth in GRP over the past five years has been about 3.8%, compared to a rate of about 2.1% in the country as a whole.

This can be ascribed in particular to the opportunities created in the province by South Africa's improved international status which has helped to stimulate exports (especially of the important agricultural sector in the Western Cape), enhance the attractiveness of industrial locations near the ports, and made possible a tourist boom which has strongly benefited the Western Cape.

Other factors that have contributed to a faster than average growth rate include the province's attractive working and living environment; its skills base, which has expanded relatively faster than that of other areas; the decline in communication and transport cost levels, which has meant that the distance between the Cape and Gauteng has become less of an impediment to internal trade; and the presence of Parliament in the province, as well as the expansion of national government departments and parastatals, which has helped to stimulate investment in the province.

Nevertheless, in terms of output per capita the Western Cape is placed in the bottom half of upper-middle income countries as defined by the World Bank and has some way to go to catch up with the leading

upper-middle incomes countries such as Argentina and Greece. In addition, the province's growth rate has also slowed down in the past two years, in line with the national trend. Compared to the 1.6% real growth during 1999 and the expected growth rate of 3.8% envisaged in WESGRO's *Business Prospects for the Year 2000* (WESGRO, 1999), the revised aggregate real GRP growth for 2000 is now put at only 2.9%, is close to the national rate. This is well below the 6% growth rate estimated by GEAR to be necessary to provide a sustainable basis for effective job-creation and poverty alleviation, let alone the even higher rate that would be needed to address current inequalities in income and resource distribution.

#### **4.2.2 Employment**

Table 2 shows that of the province's labour force of 1.77 million, 66.4% are formally employed, 14.9% are active in the informal sector, and 18.7% are unemployed. Although the average unemployment rate in the Western Cape is significantly lower than the national average (30.6%), it is still very high and conceals important imbalances in terms of race and gender. Whilst only 7% of Whites are unemployed, the percentage figures for Coloureds and Africans are 18% and 31% respectively (Genesis Analytics, 1999). The rate of female unemployment (21.5%) is also significantly higher than the rate for men (14.3%). To address the problems of unemployment and meet the expectations of the new annual entrants to the labour market, WESGRO has set a minimum annual job creation target of 54,000 (WESGRO, 2000). This would require growth of about 3% per annum in employment. If the national employment elasticity of about 0.42 is applied (i.e. that each 1% growth of the economy leads to 0.42% growth in employment), an economic growth rate of over 7% would be needed, unless the labour intensity of economy growth increases.

**Table 2: Estimates of Labour and Employment in the Western Cape, 1999**

	<b>Number</b>	<b>%</b>
Economically active age groups (15-64 years)	2 967 000	
Labour Force	1 768 000	100.0
Formally Employed	1 172 200	66.4
Active in the informal sector	263 400	14.9
Unemployed	332 400	18.7

Source: WESGRO, *Business Prospects 2001* (2000)

#### **4.2.3 Sectoral Composition and Growth**

As Table 3 shows, the Western Cape has a diversified economy in which the services sector has come to play an increasingly important part. In terms of growth, the main sectoral contributions to the province's increased output over the past few years have been from tourism, financial services, agriculture. According to SATOUR, the Western Cape has recently surpassed Gauteng as the country's premier tourist region, with foreign and domestic tourists bringing in over R15 billion annually (about 30% of national gross tourist expenditure) and providing jobs for over 150,000 people. The number of tourists visiting the Western Cape has risen from 7.3 million in 1997 to 8.3 million in 2000. In 1999 83% of tourists were from South Africa, 5% from Africa and 12% from overseas. As the tourism sector is expected to be a major catalyst for economic growth, job creation, skills development, and the development of new

enterprises in the province, it will be important to ensure that the tourism product, price and service levels are nationally and internationally competitive.

Agriculture and agri-business have also been important growth sectors, providing the Western Cape with an annual output of about R7 billion and employment for 200,000 people, many of them lower-skilled. Agriculture, including fishing, contributes close to 60% of the province's export earnings, and constitutes between a fifth and a quarter of national agricultural output. Nevertheless, agricultural producers in the province are facing a number of serious challenges, including oversupply on world markets, lower prices, tougher competition, ineffective multi-channel marketing and debt foreclosures. In the past few years these have been compounded by extreme climatic conditions (mainly drought) which have reduced output and increased risk and cost levels. Despite such challenges, agriculture in the Western Cape still has significant short and long-term potential as a value adding and job creating sector. To realise this potential, however, there will be a need for concerted and well-coordinated joint public-private sector initiatives to address the above challenges effectively.

The financial services sector, which contributes about R13 billion to the Cape economy and employs in excess of 100,000 people, has also shown significant growth. The province's medical facilities and services also contribute significantly to the knowledge economy of the Western Cape. The province boasts two excellent medical and dental schools and three world-class teaching and research hospitals (Groote Schuur, Tygerberg and the Red Cross Children's Hospital). In areas such as molecular biology and medical electronics, the Western Cape is a world leader.

**Table 3: Sectoral Composition of Gross Regional Product (GRP) in the Western Cape**

Primary Sector	% GRP	Secondary Sector	% GRP	Tertiary Sector	% GRP
Agriculture	6.2	Manufacturing	23.5	Trade	12.1
Mining	0.2	Electricity	2.8	Tourism	8.9
<b>Sub-Total</b>	<b>6.4</b>	Construction	3.7	Transport	8.3
		<b>Sub-Total</b>	<b>30.0</b>	Finance	16.4
				Community	3.9
				Government	14.0
				<b>Sub-Total</b>	<b>63.6</b>

Source: WESGRO, *Business Prospects 2000* (1999)

The province is also moving towards a leadership position in the media and communications industry. The film industry is becoming increasingly important. Two of South Africa's three largest Internet service providers, Iafrika.com and M-Web, are based in the province, and more than 50 call centres are located in the larger Cape Town area. One of the most successful integrators of traditional media and Internet capabilities, NASPERS, with strong international activities in this field, is based in the Western Cape. Of the 1.0-1.5 million Internet users in South Africa, it is estimated that approximately 300,000 are based in the Western Cape. Together with the strong academic and research resources in the province, this provides the potential for the rapid expansion of E-commerce. A Western Cape E-Commerce Forum has recently been established to help drive this process forward. E-commerce is transforming a host of traditional industries, such as the retail trade, finance, the media and the procurement of a large range of

intermediate goods and entertainment. It also offers new employment opportunities for both the higher and lower-skilled. Complementary activities of E-commerce, such as call centres, cataloguing, and warehousing, can provide jobs for the relatively lower-skilled.

Manufacturing forms the largest component of provincial output and, although less labour intensive than agriculture, its size makes it a large employment provider. The clothing/textile and food processing/beverage industries play a pivotal role, as half of total manufacturing employment is concentrated in these two sub-sectors. The Saldanha Steel Project (especially following the 1998/99 slump in the world steel price) and the expansion of high-technology industries are likely to broaden the province's industrial core.

#### **4.2.4 Sector Development and Support**

In order to kick-start and maintain the kind of virtuous cycle of provincial growth and development outlined earlier in this document, it will be important to target sectors with competitive advantage and growth and employment creation potential. The wide range of sectors and industry niches which underpin the provincial economy can be divided into five broad categories, as far as current and future growth potential is concerned. These are:

- **Sectors with high growth potential** (such as tourism; information and communication technology; fabricated metal products, linked in particular to the Saldanha Steel project; and beverages, food and agri-business).
- **Niche sectors with significant potential** (such as the film industry; medical equipment; boat building; mariculture; and jewellery).
- **Sectors with future potential**, but which are small or insignificant at present (such as E-commerce; gas-dependent industries; designer furniture; and carbon steel).
- **Mature sectors** with steady growth expectations (such as plastics; publishing and printing; packaging; and financial and professional services).
- **Sectors under stress**, but nevertheless important, especially in terms of employment (such as clothing and textiles; footwear; fishing; poultry; and canning).

As far as practically and financially possible, provincial government support will be targeted at sectors with high growth potential, as well as smaller niche sectors with strong growth records and emerging sectors with future growth potential. There will also be a role for government support, however, in a number of the sectors currently in distress or undergoing major structural change. Although many of these have low growth records and are in the process of restructuring and shedding labour, they are often highly labour intensive and play a critical role in the fabric of the local economy. The Provincial Government therefore believes that there is a role for government in supporting such sectors, and assisting them in becoming more globally competitive.

In the immediate term, provincial government support will be focused in particular on tourism, agri-business, stainless steel, the development of the high-tech sector (including E-commerce), and the establishment of the Western Cape as a major international film, food and wine centre.

#### **4.2.5 Cluster Initiatives**

Collaborative sector development can also be promoted through the encouragement of cluster initiatives. Clusters are groups of firms which cut across different sectors but which depend on a range of similar specialised services and inputs. Under the right conditions, collaborative cluster strategies have frequently had a major impact on regional growth and development.<sup>5</sup> Cluster strategies have sometimes failed, however, often because of poor targeting, the lack of appropriate buy-in from industry, or insufficient political support.

In the Western Cape, the Cape Information Technology Initiative (CITI) has had some success in mobilising a group of firms and other economic actors in the IT sector. Efforts by the canning industry to mobilise a regional cluster have been less successful, however, largely because of globally unfavourable market conditions. The Department of Economic Affairs, Agriculture and Tourism is currently supporting the development of clusters in the areas of agri-processing and stainless steel, both of which are in their infancy. Other areas that could well form the basis for effective forms of cluster development include the conference industry; agri-processing; ship repair and boat building; film, video and TV production; medical equipment and services; and quality clothing and craft products.<sup>6</sup>

#### **4.2.6 Mega Projects**

The development of large, collaborative and multi-dimensional projects is another way through which the province's economic growth and global competitiveness can be enhanced. Such projects also provide an opportunity to implement some of the province's other development goals, such as economic empowerment, increased business linkages, job creation and sub-contracting with SMMEs. Examples include the Tyger Waterfront; the V&A Waterfront Expansion, the Convention Centre; the expansion of Cape Town International Airport; the Khayelitsha Business Centre; the Industrial Development Zone (IDZ) in Saldanha Bay; an effective public transport system, including the redevelopment of the Cape Town station; the renewal of the Cape Town CBD; a gas pipeline from Namibia and a gas-fired power station.

#### **4.2.7 Area Development**

The Western Cape is the second most urbanised province in South Africa (behind Gauteng), with 87 percent of the population living in urban or peri-urban areas (compared to the national average of 65.5 percent). Cape Town, with about 75 percent of the Western Cape population and GGP, is in many ways the driving force behind provincial development. The advent of the unicity will create the basis for more effective and equitable forms of planning and the re-direction of resources on a metropolitan basis. The challenge, however, will be to reap such advantages without losing the current opportunities for local participation and bottom-up planning.

Although the main engine of provincial development will occur in Cape Town and its periphery, a balanced and equitable approach to area development will need to be encouraged throughout the province.

This will be helped by the fact that the rural-urban divide in the Western Cape, although clearly present

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<sup>5</sup> Examples internationally include New Mexico (electronics), New Zealand (boat building), and Arizona (fibre optics), as well as Silicon Valley.

<sup>6</sup> The Cape Craft Institute, in collaboration with the Cape Technikon, is to be launched later in 2001.

(see Section 4.6 below), is not as pronounced as in many other parts of the country. In addition, the Southern Cape benefits from tourism, a diversified agricultural sector and the Mossgas project as important growth forces, and the West Coast Investment Initiative (WCII), which incorporates the Saldanha Steel project, is bringing new jobs and investment opportunities to the relatively underdeveloped North West area of the province. The Boland/Winelands area is taking advantage of the new and expanded opportunities for tourism and agri-processing. Other remote sub regions are taking advantage of increased opportunities for tourism, and a number of small towns have benefited from the expansion of services (from garages and "ultra-cities" to guest houses) to meet the demands of the increasing road traffic on the N1, N2 and N7, as well as on new tourist routes such as the R62 through the Little Karoo and the Mission and Bird routes.

Such developments have been accompanied by a number of challenges, however. In the Boland/Winelands belt, for example, the growth of foreign agricultural competition and the phasing out of single channel marketing has placed a premium on increased co-operation between producers, distributors and other stakeholders. In these and other rural areas a key challenge will be the effective substitution of products in crisis with more profitable and sustainable products and services. The increase in truck traffic on the N1, N2 and N7 has also increased the costs of road maintenance and problems of traffic control and road safety, as well as the incidence of HIV/AIDS. At the more general level, there is also the challenge of building the capacity of some of the smaller local authorities to discharge effectively their new responsibilities for local economic development, and in particular to redress the inequalities and deficiencies in basic social infrastructure services which are found in many of the rural areas and isolated townships.

#### **4.2.8 Imports and Exports**

As a result of South Africa's trade liberalisation process, the Western Cape's imports have increased rapidly over the past few years. Although this has had a number of positive spin-offs, particularly for the retail sector and consumers, it has impacted adversely on local manufacturers and workers in sectors such as clothing, leatherware and electronic products. The growth in illegal imports also threatens jobs in such sectors. The increase in imports has, however, been matched by a significant growth in exports from the Western Cape (from about R10.7 billion in 1996 to R14.5 billion in 1999). Even so, although the Western Cape is generally regarded as an "open economy," with strong trade flows through its harbours, exports as a percentage of the Western Cape GRP are relatively low at 12.6% in 1999 compared to about 20% for the RSA as a whole. In addition, the overall growth in exports in recent years has been characterised by some sharp fluctuations (exports to the rest of Africa, for example, fell from R2.7 billion in 1997 to R2.1 billion in 1999). Moreover, the growth has been concentrated in a fairly narrow, though recently expanding, range of sectors and products, such as wine and fruit, fruit juices, wool, meat, agricultural niche products (such as Rooibos tea), clothing and textiles, fishery products, timber products, arts and crafts, and minerals (including exports *via* Saldanha).

The province's dependence on a fairly narrow range of predominantly agriculture-related products makes it vulnerable to increasing foreign competition, especially given the phasing out of the National Government's General Export Incentive Scheme (GEIS), the breaking down of trade barriers through the WTO, and the SA-EU and SADC free trade agreements. Although these agreements will provide new opportunities as well, there is a need for greater diversification and added-value in the province's exports.<sup>7</sup>

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<sup>7</sup> According to Wesgro's *Business Prospects 2001* (2000), there has been some encouraging evidence over the past two years of such diversification, especially in sectors such as dairy, leather products, chemicals,

Amongst other things, this will require the development of a much more effective regional export support and promotion system. Such a system will need to cover both urban and rural areas, and smaller as well as large scale exporters.

#### **4.2.9 Foreign Direct Investment**

One way of stimulating economic growth and increased technological learning and innovation is by attracting more foreign companies to invest in the province. In 1999 foreign non-portfolio investment in the province amounted to R1.75 billion, up from R1.4 billion in 1998 (WESGRO, 2000). This constituted 11.4% of the province's total fixed investment of R15.3 billion. Whilst relatively low in percentage terms, this nevertheless represents a real achievement compared to the preceding decades, especially in view of the reluctance still existing amongst foreign investors about South Africa's business climate and concerns about the crime situation. The bulk of foreign investment has been spread over a wide range of sectors and provided by relatively small to medium sized foreign firms, many of whom are eager to team up with local joint venture partners.

In raising the levels of foreign direct investment, hopes have been raised during the past few years about the stimulatory role of the set of national investment incentives introduced by the Department of Trade and Industry (DTI). However, the response to such schemes, including the tax holiday scheme (which has now been phased out), has so far been disappointing. An alternative would be the development of a more proactive and targeted approach to investment promotion by both WESGRO and the Department of Economic Affairs, Agriculture and Tourism, including the improved packaging of incentives to reflect the distinctive qualities of the Western Cape.

At the same time, if our own firms in the Western Cape could be encouraged to show more confidence and optimism in their own investment patterns, this would also have beneficial spin-offs for inward investment. A more concerted effort to address the problems of crime and HIV/AIDS in the province would also make an important contribution. A related and urgently needed initiative at the national level is the reduction in the red tape that prevails in the Department of Home Affairs. To date this has acted as a deterrent rather than an encouragement to potential foreign investors and qualified expatriates wishing to establish business ventures in South Africa. The proposals to ease restrictions on monied and skilled immigrants in the new draft Immigration Bill is a welcome development in this direction.<sup>8</sup>

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paint, paper, printed books, furniture and, in particular, machinery and equipment which has seen a 61.4% in the period 1998 to 1999.

<sup>8</sup> Note should be taken, in this context, of the proactive stance adopted by other countries. Germany, for example, has recently redrafted its immigration laws to allow Indian software engineers to enter its market, a fact which has significantly boosted its IT industry

### **4.3 EDUCATION, TRAINING AND RESEARCH**

#### **4.3.1 Primary and Secondary Education**

An educated citizenry equipped with solid cognitive skills and capable of continual learning is an essential prerequisite for the knowledge economy. High-performing developing countries that have been most effective at technological learning typically have populations with mean years of schooling of between 11-12 years. Compared to such countries, the current South African labour force is relatively poorly educated with a mean of 8 years of schooling. In this respect the Western Cape fares only slightly better than the national average with a mean of 8.8 years. The introduction of nine years of compulsory education by the post-1994 government should help to tackle this problem. General educational standards should also improve over time as a result of other education reforms, including the introduction of the National Qualifications Framework (NQF) to promote life-long learning, the introduction of a more practical and outcomes-based approach to education (through the reform of Curriculum 2005), and the articulation of Adult Basic Education (ABET) and vocational training with the formal school-based system.

Over the past five years the Western Cape has had the highest matriculation pass rate of all nine provinces. In 1999 the province achieved a pass rate of 78.8% in the senior certificate examination, compared to the national pass rate of 48.9%. In 2000 it achieved a pass rate of 80.6% compared to the national pass rate of 57%. Compared to other countries at a similar level of economic development, however, the Western Cape still fares quite poorly, especially in the areas of maths and science. For example, in one of the surveys carried out as part of the Third International Mathematics and Science Survey of schools in more than fifty countries (Genesis Analytics, 1999), 13 year olds were given the same standardised mathematics and science tests. South African pupils were out-performed by those in all the countries surveyed, scoring a third below the average score. Western Cape pupils performed better than the South African average but badly when compared to the other countries. Although there appears to be little significant difference in the performance of female and male pupils in maths and science at school level, attrition definitely occurs in the number of female students in such areas at the post-matric level.<sup>9</sup>

One of the biggest challenges facing the province in terms of schooling is the continuing disparity in the quality of education facilities and provision between the different population groups. In the important area of IT, for example, a recent study by the Education Policy Unit at the University of the Western Cape illustrates the continuing disparities in the distribution of computers and IT teaching capacity amongst the various schools. Most of the resources continue to be concentrated in the formerly white schools in the larger urban areas. Although the Provincial Government is committed to redressing such imbalances, particularly through the upgrading of facilities and improved teacher training, budgetary constraints will inevitably place an important constraint on what can be achieved in the short to medium term.

#### **4.3.2 Further Education and Training**

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<sup>9</sup> See, for example, the recent survey focusing on grade seven to nine pupils conducted by Professor Meshack Ogunniyi of the University of the Western Cape. Also Minister Ben Ngubane's article on "Creating a Science-Literate Nation" in the *Weekly Mail and Guardian*, 18 February 2000.

It is widely recognised internationally that investment in vocational and technical education and training, through flexible forms of life-long learning and creative partnerships between the public and private sectors, is an important key to competitiveness in the knowledge economy. "Having the right mix of education and training (E&T) institutions and facilities to meet the growth sector-specific E&T needs in an efficient, learner-adapted way within a region, is the essence of the skills challenge" (WESGRO, 2000). Until recently, South Africa has lacked a coherent and needs-based framework for the training and continual upgrading of its workforce, tailored to the changing needs of the economy.

During the past few years, however, a number of national initiatives have been launched to address these problems. These include the Further Education and Training Act (FETA) and the Skills Development Act (SDA), both promulgated in 1998. FETA sets out an ambitious agenda for a more cost-effective and efficient FET system, with improved links and partnerships between FET institutions, employers and the wider community. The SDA and its associated legislation introduces new institutions, funds and approaches designed to raise the country's skills levels. A new National Skills Authority is charged with producing a national skills plan and priorities for skills development. Some 27 Sector Education and Training Authorities (SETAs) are being established to take the responsibility for the preparation of sector plans, the promotion of standards and training within the NQF, the design and implementation of new-style apprenticeships (called *learnerships*), and for quality assuring providers and programmes. The majority of employers will be required to pay a training levy and to prepare work-based skills plans. In return, they will be able to claim back their costs of training.

Further education and training in the Western Cape encompasses a wide range of provision and a number of different providers. These include the province's 15 technical colleges, 22 skills training centres, a number of technical schools, private providers, employers, NGOs and community organisations. Concerns have nevertheless been expressed about the degree to which these institutions complement rather than duplicate each other, as well as about the extent to which they are effectively geared to meet different sector demands. In October 1999 the Western Cape Education Department organised a conference to review FET provision in the province. A wide range of recommendations were agreed for the rationalisation and restructuring of the college sector, and for the introduction of a more coherent network of institutions in the province that are capable of working closely together and with private and other providers to ensure a system of FET that is efficient, cost effective and responsive to the economic and social needs of the province. A key challenge will be that of enhancing the effectiveness of skills transfer processes through a coordinated combination, amongst other things, of formal courses, short workshops, internet training, learnerships, in-service programmes, self-study, internships and correspondence courses.

#### **4.3.3 Higher Education**

With three universities, two technikons and a variety of private correspondence colleges, the Western Cape is much better endowed at the higher education level than most other provinces in the country. The province currently produces about 22 percent of graduates in South Africa and, proportionally, the province's universities produce more masters and doctoral degrees than South Africa's other universities. There has also been a dramatic increase in the proportion of graduates with degrees in such areas as science, engineering, commerce and medicine. In 1997 these areas accounted for 52 percent of all graduates. The province's higher education institutions are also an important supplier of graduates to the rest of South Africa. About 34% of graduates move out of the province after graduation. Although this makes an important contribution to the skills level in the rest of the country (and, more worryingly for

South Africa, to the rest of the world through the "brain drain"), efforts should be made to retain a higher proportion of graduates, and especially black and female graduates, within the province.

Although most of the province's higher education institutions are improving their links with business, and restructuring their programmes to make them more relevant to the social and economic needs of the country and province, there is scope for improvement in this direction. This is also true of inter-institutional collaboration. While there is already some useful cooperation between the three universities and two technikons - primarily to better utilise and share their libraries and other high cost facilities - there is also scope for more joint initiatives between these institutions and their private counterparts to better plan and coordinate more effective ways through which they can help to meet the demands of the expanding Western Cape economy. In the process current initiatives by education and training providers to supply services to students from other parts of South(ern) Africa and beyond should also be extended and developed.

#### **4.3.4 Research and Development**

A culture of technological learning and innovation requires that sufficient resources be devoted to research and development (R&D). Relative to the rest of the country, the Western Cape is well-endowed in this area, with 20 percent of the country's R&D personnel located in the province. In terms of university research, the province is particularly strong in science, engineering and medicine, and leads South Africa in a number of other key areas. Many of the country's research councils<sup>10</sup> have regional offices in the province. According to the National Research Foundation (NRF), over half of the country's "A-rated" scientists are in the Western Cape (these are scientists considered to be at the forefront of their fields internationally), with UCT having more "A-rated" scientists than any other university in the country. In terms of medical services and research, the Western Cape is home to a world-class cluster. Thirty five percent of all projects funded by the Medical Research Council are located in the province.

With respect to hi-tech initiatives, there is no doubt that Gauteng is by far the largest centre at present.<sup>11</sup> Nevertheless, the Western Cape has a good chance of capturing significant segments of hi-tech related research and production activities. Positive achievements in this direction have been the establishment of the Cape Information Technology Initiative (CITI), the Western Cape Technology Forum and the launch of the Capricorn Technology and Industrial Park. Once again, however, there is little doubt that more could be done, especially by the private sector (which seems to be aware of the need for increased spending on R&D, but claims that low profit levels in the past have made this difficult). National incentive schemes such as THRIP (the Technology and Human Resources Industry Programme) should help to encourage strategic partnerships between business, research and educational institutions, and government in the field of R&D.

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<sup>10</sup> Such councils include the Council for Scientific and Industrial Research (CSIR), the Human Sciences Research Council (HSRC), the National Research Foundation (NRF), the Medical Research Council (MRC), the Agricultural Research Council (ARC), the Council for Geoscience (CGO), and the Council for Mineral Technology (Mintek).

<sup>11</sup> In 1994 the Pretoria-Witwatersrand region accounted for 71% of total national employment in high technology manufacturing, with metropolitan Cape Town accounting for only 5% (Rogerson, 1998). For a detailed survey of the hi-tech potential of the Western Cape, see Hodge and Driver, *Understanding the High Tech Sector in the Cape Metropolitan Region* (Development Policy Research Unit, University of Cape Town, 1999).

## **4.4 INFRASTRUCTURE AND THE ENVIRONMENT**

### **4.4.1 Physical Infrastructure and Environment**

The physical infrastructure includes transport services (bus, rail, roads, airports and harbours and shipping services); communication (post, telephone, fax, e-mail and Internet); and water supplies and energy. The availability of high quality infrastructure in a region is a key factor in attracting new businesses and investment, as well as in improving export promotion. In general the Western Cape is relatively well-endowed in terms of the range and quality of its physical infrastructure, a point borne out by the positive ratings achieved by the province in the World Competitive Reports and similar studies. Efforts are underway to develop and improve this infrastructure, for example through the expansion of Cape Town International Airport, in particular to facilitate more direct flights to and from major world capitals, and the upgrading of the commuter rail system. The distribution of natural gas by long-distance pipeline from the Namibian and West Coast gas fields to Saldanha and Cape Town will also trigger major upstream and downstream industries and significantly broaden the energy supply base in the province in a safe and environmentally friendly way. It is also anticipated that the construction phase associated with these developments will generate over 11000 new jobs in the Western and Northern Cape, particularly amongst previously disadvantaged fishing communities. In the longer-term, a further 7000 new jobs will be created. Nevertheless, further scope for improvement exists in a number of areas, including the provision of better access to, and better transport facilities within, the inner city of Cape Town; road traffic safety (especially in relation to the taxi industry and pedestrian safety); the upgrading and extension of rail infrastructure, signalling and rolling stock; passenger safety on trains; and the development, upgrading and maintenance of infrastructure in many of the former African and Coloured townships and the rural areas.

The province's breathtaking natural environment and rich bio-diversity is a major attraction, not only for tourists and local residents but also for business investors for whom the quality of life is important. The Provincial Government has established a Western Cape Nature Conservation Board to play a key role in ensuring that the province's prize natural assets are effectively managed and conserved, and that their economic potential is developed in a responsible manner and in ways which benefit all the communities of the Western Cape. There is nevertheless scope for improvement, especially in the integration and coordination of environmental conservation and management between the different spheres of government. The legislative framework, which guides and regulates planning and environmental management, is also in need of an integrated approach to environmentally sensitive planning. Furthermore, as the recent outbreak of devastating fires demonstrates, more work needs to be done in the areas of disaster prevention and management.

### **4.4.2 Social Infrastructure and Environment**

Social infrastructure and the environment includes residential infrastructure; health, education and welfare services; safety and security; library and community information services; and municipal parks and other recreational facilities. Whilst the better off and formerly white residential areas are relatively well-endowed with such infrastructure, this is far from the case in many of the African and Coloured townships, and in the rural areas. The current efforts to overcome these imbalances clearly need to be accelerated, especially in such areas as the provision of low cost housing, improved recreational amenities, more effective community policing, and the more effective integration of such communities

with well-serviced areas through the provision of improved transport and the development of high activity spines.

#### **4.4.3 Political and Administrative Infrastructure**

It is increasingly recognised internationally that good governance and enabling regulatory frameworks are an essential prerequisite not only for political stability but also for effective economic growth and development (see, for example, the World Bank Development Reports for 1997/98 and 1999/2000). Compared to a number of other provinces, the Western Cape inherited a relatively efficient administrative structure and had a relatively easy transition from the pre-1994 geo-political situation to the new dispensation. No "homelands" had to be incorporated and cities, towns and villages maintained essentially the same administrative systems. However, many of the local government structures, especially in the rural areas, will need support from the Provincial Government.

In line with the new transformation policies and fiscal imperatives of the National Government, the provincial and local government structures have been obliged to change and rationalise in ways which make them more responsive, representative and capable of combining greater cost-effectiveness with new service delivery responsibilities and requirements (including in the case of local authorities, the responsibility for local economic development and integrated planning). As the DPSA's 1997 *Provincial Review Report* and the 1998 report of the Presidential Review Commission demonstrate, such reform processes have been less than a complete success, especially in such areas as coordination and co-operation within and between the different spheres of government, human resources capacity building and the representation of previously disadvantaged groups within the higher managerial echelons. The closing down of a number of local offices of government departments, as part of the rationalisation and budget saving process, has also deprived some of the remoter areas of the province of what was regarded as a valuable developmental stimulant.

Nevertheless, the transformation process has also been marked by a number of positive achievements. Examples include the establishment by the Provincial Government of the Cape Administrative Academy, designed to build the human resource capacity of the provincial administration, and the introduction of the Provincial Executive Programme (PEP), designed to develop and fast-track promising administrators from previously disadvantaged groups (black people, women and people with disabilities). Cape Town's metropolitan government has also received an AA international credit rating. The fact that the Provincial Government has managed to achieve a balanced budget, in the face of serious cuts by national government, is another obvious achievement. So too, is the increasing evidence of improved collaboration between the different spheres of government, exemplified, for example, in the recent co-operation between the Provincial Government, the former CMC, and Cape Town Council in the development of the Cape Town Convention Centre.

The political and administrative infrastructure of the province will clearly be affected by the local government transition process that has been taking place since the promulgation by Parliament in 1998 of the Municipal Structures Act and the Demarcation Act. The establishment of Cape Town as a Unicity is of particular significance. It is essential for the Unicity's economic development services to be effectively coordinated with provincial government initiatives, especially those outlined in this document.

#### **4.5 ENTREPRENEURSHIP**

A characteristic feature of most successful regional economies is that they have been able to offer a friendly environment for entrepreneurship and new business start-ups. Although dated, the available evidence suggests that the Western Cape is relatively well placed in this respect, compared to other provinces. The 1993 Manufacturing Census, for example, showed that in manufacturing the province had more entrepreneurs (defined as "working proprietors") per thousand workers than any other province, and a third more than Gauteng. According to WESGRO (1998), however, the local pool of experienced, appropriately trained entrepreneurs and managers is currently insufficient to drive the 6-7% growth rate required to promote job-creating development in an increasingly competitive regional economy. More clearly needs to be done, therefore, especially in terms of the provision of private equity and venture capital, the introduction of more effective incentives and a more flexible regulatory framework to attract entrepreneurs and joint venture partners from other parts of South Africa and overseas, and the creation of a more supportive environment for SMME development and the economic empowerment of previously disadvantaged groups.

With respect to SMME development, for example, it was hoped that the new institutional framework and support agencies introduced by the DTI in its 1995 *White Paper on a National Strategy for the Development and Promotion of Small Business* would be of real benefit to many small and micro enterprises around the country. The outcome to date has been disappointing, however, provincially as well as nationally. Constraints on SMME development have included difficulties in accessing markets, finance and business premises (at affordable rentals), the acquisition of skills and managerial expertise, access to appropriate technology, the poor quality of the business infrastructure in poverty stricken areas, and the tax burden. Such constraints have been particularly hard on entrepreneurs in rural areas and on women. A particular problem has been that of access to finance, resulting in the main from the reluctance of the banks and other providers of private equity and venture capital in South Africa (in contrast to many other parts of the world) to invest in the small to medium business sector, especially where black businesses are involved. This has created a serious "equity gap," preventing many small to medium black businesses from participating as effectively as they might in the economic growth process.

Given these problems there is clearly a need for serious rethinking at national, provincial and local levels about the most effective ways to support SMMEs. As WESGRO points out in its *Business Prospects 2001* (2000), an important element in this process must be the increasing realisation that small, medium and micro enterprises should not be grouped together in the designing of policies or the identification of needs. In these processes, at least three categories should be distinguished: (i) a large micro or survivalist sector; (ii) a broad middle group of small and medium sized enterprises where better access for previously disadvantaged entrepreneurs is the biggest challenge; and (iii) a smaller group of sophisticated, world competitive small and medium enterprises in the high-tech, high-skill or professional sectors, which need support to help them unfold their competitive potential. Each of these three categories would need to be further disaggregated by sector.

#### **4.6 HUMAN DEVELOPMENT**

Compared to South Africa's other provinces, the Western Cape might be tempted to feel satisfied with its levels of human development. It has the highest score of any province in terms of the UN's human development index (which ranks countries according to life expectancy, education and basic purchasing power), with 0.83 compared to South Africa's average rating of 0.67. As Table 4 demonstrates, it also compares favourably to most of the country's other provinces in terms of indicators such as poverty, unemployment, and adult literacy. In terms of infant mortality rates it is far ahead of the other provinces.

There is little room for complacency, however, for a number of reasons. In the *first* place, the Western Cape fares much less favourably when compared to its international peers (other upper-middle countries with similar levels of output per capita). The province is in the bottom percentile of such countries in such areas as life expectancy, infant mortality, adult literacy and mean years of schooling. It also faces serious problems of women and child abuse, alcoholism and alcohol foetal syndrome, gangsterism and crime.

**Table 4: Provincial Development Indicators**

	% OF SA POPULATION	% IN POVERTY	ADULT LITERACY (%)	UNEMPLOYED (%)	INFANT MORTALITY (Per 1000)
Eastern Cape	15.6	62	61	41.4	57
Free State	6.6	45	62	26.1	45
Gauteng	19.0	21	83	20.9	33
KwaZulu-Natal	20.4	49	60	33.1	-
Mpumalanga	6.9	43	57	33.4	40
North-West	7.9	41	57	32.8	41
Northern Cape	1.9	46	67	27.2	30
Northern Province	10.8	68	55	41.0	55
Western Cape	10.9	18	76	18.7	25
<b>RSA</b>	<b>100.0</b>	<b>43</b>	<b>65</b>	<b>30.6</b>	<b>42</b>

Source: WESGRO (1998), based on 1995-96 information from the DBSA, HSRC and CSS

In the *second* place, the comparison between the Western Cape and other provinces is somewhat misleading, because many of the poorest households in other provinces have access to land upon which they can generate a subsistence living. Most of the poor and vulnerable households in the Western Cape do not have such access to land (Western Cape Department of Health and Social Services, 1999).

In the *third* place, the average statistics for human development and quality of life in the Western Cape conceal important differences and inequalities according to race, gender and geographical location. Although the province is relatively wealthy compared to other parts of the country, its riches are distributed very unevenly between the different population groups. According to the *Analysis of Poverty in the Western Cape as Enumerated in the 1996 Census*, carried out by the Provincial Department of Health and Social Services (November 1999), less than 50% of black households have an annual income in excess of R12000, while more than 50% of white households have an annual income in excess of R54000. More than 85% of black households earn less than the poorest 25% of white households. Using a household income of R1500 a month as a poverty line, the Provincial Department of Health and Social Services calculates that 41.8% of households in the province are living below the poverty line, a figure much higher than that cited in Table 4. As Table 5 shows, the figures for African, Coloured, Indian/Asian and White households are 73.4%, 44.8%, 24.5% and 15.5% respectively. Other indicators of inequalities and imbalances between the various population groups at the individual and household level are also shown in Table 5.

Important gender imbalances also exist. According to the Department of Health and Social Services' *Analysis of Poverty in the Western Cape*, close to 50% of male-headed households have an annual income of R30000 or more, while only 30% of female households have a similar annual income. Fifty two per cent of female headed households (which constitute 27.5% of all households in the province) have an annual income of less than R18000 per annum, while 37% of male headed households fall into this category. The rate of female unemployment (21.5%) is also significantly higher than the rate for men (14.3%). Because of the "coloured preference policy" in the Western Cape, the rate of unemployment amongst African women has historically been very high. Women, and particularly black women, are also disproportionately represented in low paid employment (for example as domestic workers, farm workers or in low paid jobs in the textile industry). Levels of illiteracy are also significantly higher amongst women than men.

**Table 5: Selected Human Development Indicators by Population Group**

INDICATOR	W CAPE AVERAGE	AFRICANS	COLOUREDS	INDIANS	WHITES
Household income less than R1500 per month	41.8%	73.4%	44.8%	24.5%	15.5%
Unemployment	18.7%	31.0%	18.0%	-	7.0%
Medical services within 15 minutes	59.1%	37.6%	51.3%	44.4%	82.2%
Formal dwelling on separate site	70.3%	35.1%	72.6%	66.7%	87.9%
Flush toilet in dwelling	70.8%	29.6%	68.2%	94.5%	97.6%
Electricity in dwelling	79.9%	53.9%	78.9%	91.8%	96.8%
Running tap water in dwelling	76.6%	36.9%	76.7%	100.0%	98.9%

Source: Genesis Analytics, *An Economic Vision for the Western Cape* (1999); Western Cape Department of Health and Social Services, *Poverty in the Western Cape* (1999).

Poverty in the Western Cape also shows a pronounced rural/urban bias. The Department of Health and Social Services' analysis shows, for example, that close to 50% of rural households (which make up 11.8% of all households in the province) earn less than R12000 per annum, while almost 50% of urban households earn more than R30000 per annum. Rural households in the north west of the province and in the Karoo and Little Karoo are especially vulnerable.

Redressing such imbalances and alleviating the high levels of poverty and unemployment, and the lack of housing and basic amenities, that exist amongst the African population and sections of the Coloured population is not only an important political, social and moral imperative. It also makes good business sense. Poverty, inequality and unemployment reinforce high levels of crime, inhibit the full development of a region's human resource potential, and create a poor business investment environment. Policies and programmes which reduce poverty, inequality and crime, and increase employment and economic empowerment, will improve the province's competitiveness by increasing local purchasing power, strengthening local demand for quality and high value-added goods and services, and improving the quality and attractiveness of the environment. In the environment of the global knowledge economy, a key aspect of such programmes will be the development of effective life-long education and training opportunities, including the expansion of ABET provision. These will need to focus in particular on ways

of enhancing the skills and competitive potential of the poor, so that the province can move increasingly towards forms of competitive cost advantage based on efficiency and productivity rather than low wages.

One of the greatest challenges facing the province, and indeed South Africa, in terms of social and human development, is the growing incidence of HIV/AIDS and TB. It is estimated that nationally more than 4 million people are already HIV positive. If current trends continue the current average life expectancy of 68 years could easily decline to 48 by the year 2010. Although the Western Cape has a lower incidence than many of the other provinces, the HIV infection rate in the province is doubling every thirteen months (according to information from the Provincial Department of Health). At this rate the province could lose one in five of its population to AIDS-related diseases over the next decade. At the same time the TB epidemic in South Africa (accelerated by the incidence of HIV/AIDS) has been documented as one of the worst in the world, with the Western Cape one of the hardest hit provinces. A thousand South Africans are being killed every month by a disease which is 100% curable.

In addition to the terrible human costs visited by HIV/AIDS and TB on the victims, their families and communities, the potential costs to the economy are also vast, not only through the loss of skills and experience, but also through declining labour productivity, as a result of increasing absenteeism and illness of workers, and rising unit labour costs, as firms pay more for medical aid and group life and disability coverage. This is why the Provincial Government has highlighted the containment of HIV/AIDS and TB (within its broad policies for improving health provision in the province) as one of its ten key policy objectives.

The Western Cape also has serious problems of alcohol abuse, particularly on farms and around the shebeens in the informal settlements and the former townships. This has contributed to other social problems, such as the high rates of foetal alcohol syndrome, women and child abuse, and violence, crime and road accidents. Drug abuse, together with its impact on crime and violence, is also a major issue.

## CHAPTER 5: VISION AND STRATEGIC IMPERATIVES

### 5.1 INTRODUCTION

The vision and strategic imperatives outlined below are aimed at fulfilling the promise of the Western Cape. This is a promise of a thriving economy serving South Africa, African and world markets; of a society where every child receives a world-class education, and every worker has cognitive skills on a par with the best-trained workforces in the world; of a hub of activity that links the province closely to the world through an excellent infrastructure and business environment; and of a society where most of today's poor are lifted out of poverty by the year 2010.

The vision and strategic imperatives are based on the Provincial Government's analysis and understanding of the requirements for provincial economic success in the new global knowledge economy, summarised in Chapter 2 above. They are also in line with the Province's ten overarching policy objectives (outlined in Chapter 1), as well as relevant national policy initiatives (set out in Chapter 3). They are intended, in particular, to build upon the current strengths and address the challenges facing the provincial economy, highlighted in Chapter 4.

### 5.2 VISION FOR THE WESTERN CAPE ECONOMY

*Our vision is to make the Western Cape the most successful, innovative and competitive economic region in Southern Africa, with an enhanced quality of life for all its inhabitants.*

### 5.3 THE FOUR PILLARS

The economic vision for the Western Cape rests on four key and interrelated pillars. These are:

- ***The Learning Cape:*** making the Western Cape the leading learning region in Southern Africa.
- ***The International Cape:*** enhancing economic growth, development and competitiveness by linking the Western Cape effectively to the rest of Africa and the world.
- ***The Enterprising Cape:*** establishing the Western Cape as South Africa's premier centre for entrepreneurship and innovation;
- ***The Cape of Good Hope for All:*** achieving equitable development across the province by raising the quality of life for all, and expanding the economic opportunities of the poorest communities.

### 5.4 STRATEGIC IMPERATIVES

In achieving the above vision and the four pillars on which it is based, the Provincial Government will pursue the following strategic imperatives (set out in Table 6 below), in close partnership with all relevant role-players (public, private and non-governmental) at the national, provincial and local levels. It is important to emphasise that these imperatives are not listed in order of priority. All of them are of equal

importance and will need to be implemented in a holistic and integrated way. This is particularly the case with those imperatives that deal more specifically with increasing the province's competitiveness in the global knowledge economy, and those that deal more specifically with poverty alleviation and employment creation. Although separated for purposes of analysis, both sets of imperatives must be thoroughly linked if the vision set out in this document is to be effectively realised. Those strategic imperatives and initiatives designed to achieve increasing economic competitiveness must therefore take account of the need to address issues of poverty, employment creation and community empowerment. At the same time, those that are designed more specifically to address poverty and employment issues must also take account of the need to improve the economic competitiveness and performance of the province.

**Table 6: Key Pillars and Strategic Imperatives for the Western Cape Economy**

KEY PILLARS	STRATEGIC IMPERATIVES
<b>The Learning Cape</b>	<ol style="list-style-type: none"> <li>1. Establishing world-class primary and secondary education to provide the Cape's workforce with excellent cognitive skills.</li> <li>2. Raising the skills and competency levels of the population and workforce through excellent systems of further education, training and life-long learning (including ABET).</li> <li>3. Promoting industry-linked teaching &amp; research at universities, technikons and other tertiary institutions.</li> </ol>
<b>The International Cape</b>	<ol style="list-style-type: none"> <li>4. Establishing a world-class infrastructure &amp; environment for business in the Western Cape.</li> <li>5. Putting the Western Cape in the fast lane of the information and communication super-highway.</li> <li>6. Making the Western Cape one of the most attractive places for investors and tourists in the Southern Hemisphere.</li> <li>7. Developing a coherent and proactive strategy for export promotion.</li> <li>8. Quality marketing - establishing the Cape as one of the world's most famous brand names for quality design and environmentally friendly production.</li> </ol>
<b>The Enterprising Cape</b>	<ol style="list-style-type: none"> <li>9. Developing the Western Cape as a centre for R&amp;D and innovation.</li> <li>10. Building strong private equity &amp; venture capital in the Western Cape.</li> <li>11. Promoting enterprise and economic empowerment, especially within disadvantaged communities.</li> <li>12. Developing a strategic and collaborative approach to sector growth and development.</li> </ol>
<b>The Cape of Good Hope for All</b>	<ol style="list-style-type: none"> <li>13. Raising the quality of life for all, and especially of the poorest citizens.</li> <li>14. Employment creation, especially for lower-skilled workers.</li> </ol>

Another important point to stress is that the efforts to promote the economic success and global competitiveness of the province should not be at the expense of other parts of South Africa or the Southern African region as a whole. If other provinces, and especially neighbouring provinces, were marginalised in the process, this would in any case prove counterproductive for the Western Cape, especially given the challenges associated with the already high rates of in-migration.<sup>12</sup> As one of South

<sup>12</sup> Since the absence of influx control, the African population of the Western Cape, for example, has trebled to just short of a million at present.

Africa's most affluent provinces, the Western Cape will therefore continue to play a proactive role in diffusing its own successful lessons and experiences of best practice to other provinces, as well as helping to build their capacity. The Provincial Government will seek to play an important role in this respect, in particular through the various inter-governmental forums.

## **5.5 CRITICAL SUCCESS FACTORS**

The realisation of the vision and strategic imperatives outlined above will depend on a number of important pre-conditions or critical success factors. Some of these lie outside the immediate control of the Provincial Government. These include the stability or volatility of world markets and capital flows; peace and political stability in the Southern African region; the terms of international and regional trade agreements; the domestic macro-economic, fiscal, tax, monetary and labour relations frameworks which are determined by the National Government and organisations such as the Reserve Bank; the policies and activities of local government, national departments and parastatals; the activities and investment decisions of transnational and domestic corporations and businesses; and the policies and activities of other autonomous organisations (such as NGOs and the unions) that play important roles in the provincial economy. Although the Provincial Government cannot directly shape or influence such issues, policies and activities, it can and must develop close collaborative relationships with national and local government, and other organisations that are able to shape and influence them.

A number of critical success factors do lie, however, within the influence of provincial policy makers. These include:

- Facilitating an effective enabling environment and infrastructure for investment, entrepreneurship, innovation, poverty alleviation, job creation, economic empowerment and crime prevention to maximise growth and development (through those areas in which the Provincial Government has constitutional competence);
- Promoting more efficient, accountable, flexible and responsive forms of governance within the Provincial Administration, together with a supportive regulatory environment;
- Interacting closely with other provinces in the spirit of collaboration rather than competition;
- Ensuring improved forms of coordination and collaboration between the various provincial departments in support of the economic vision and strategic priorities;
- Mobilising support for the province's vision and strategic priorities amongst local government, national departments operating in the province, parastatals, the private sector, tertiary institutions, NGOs and communities;
- Establishing an appropriate institutional framework, as well as effective information and communication systems, to ensure that the activities of these various economic role-players are effectively coordinated and aligned to the vision and strategic priorities set out in this White Paper;
- Providing, in particular, an effective strategic and institutional framework for Local Economic Development (LED) throughout the province, through which the policies and activities of national, provincial and local government can be successfully integrated at the local level;
- Strengthening existing agencies for the delivery of economic services, and introducing new agencies where necessary;
- Encouraging the development of partnerships (public-public, public-private and public-community);
- Pursuing pro-active policies in support of the economic empowerment of previously disadvantaged people (women, young people and the disabled in particular), as well as the development of SMMEs;
- Playing a proactive advocacy role in relation to the National Government, in an effort to ensure that

national policies are developed and adjusted in ways which support rather than inhibit effective provincial development;

- Re-prioritising provincial budgets and resources in line with the economic vision and strategic priorities set out in this document, and
- Monitoring progress on a continuous basis, and making the necessary policy adjustments.

## **CHAPTER 6: TOWARDS A STRATEGIC FRAMEWORK FOR PROVINCIAL ECONOMIC GROWTH & DEVELOPMENT**

### **6.1 INTRODUCTION**

This Chapter sets out to provide a broad ten year strategic framework to guide and inform the policies and implementation plans of provincial government departments, as well as those of local authorities, national departments and other economic role-players in the province, in ways which enable them to be aligned effectively with the vision, pillars and imperatives outlined in the previous Chapter. This it does by highlighting under each of the fourteen strategic imperatives (listed in Table 6 above) the principal policy objectives, together with a number of key strategic initiatives through which these might be realised. These initiatives have been informed by the extensive stakeholder comments made on the original Green Paper on which this document is based. Although quite a number are new, some of them are designed to build upon and strengthen existing initiatives. The initiatives are by no means exhaustive and will need to be further refined by provincial departments and all the other role-players involved in the implementation phase. As they are rather general in nature, they will also need to be tailored to meet the specific needs and development challenges and opportunities of the different economic sectors and the different areas (metropolitan, urban and rural) of the province.

The strategic imperatives and initiatives outlined below will also need to be dovetailed into the broader strategic and business plans of the various implementing agencies (public, private and non-governmental) at the national, provincial and local levels. During this process it will be important to establish a consultative and collaborative framework for agreeing short, medium and long-term priorities; measurable targets, outcomes and time-frames; the financial and human resources implications; the responsibilities of the key role-players; and appropriate mechanisms for coordination, monitoring and evaluation.

As this is a document of the Provincial Government, the objectives and initiatives outlined below will apply specifically to the various departments that constitute the provincial administration, with the Department of Economic Affairs, Agriculture and Tourism playing a leading coordinating role. Full co-operation and collaboration will be essential, however, between government structures at the provincial, national and local levels, as well as between these public bodies and the many parastatal, private and non-governmental organisations involved in the provincial economy.

### **Pillar 1: The Learning Cape**

### **6.2 WORLD-CLASS PRIMARY AND SECONDARY EDUCATION**

#### **6.2.1 Policy Objectives**

To establish the basis for a world-class educational system that is capable of:

- Creating a safe, secure and enabling environment that encourages all learners to develop their full potential;
- Overcoming current imbalances and providing access to quality education for all, including people

- with disabilities with respect to their distinctive needs;
- Providing the province's current and future workforce with excellent cognitive skills, particularly in the areas of maths, science, technology, languages and communication;
- Enabling members of the workforce to acquire and apply new knowledge effectively throughout their careers;
- Earning the Western Cape the reputation as a premier learning region, with individuals, teachers and employers who value learning and a workforce that is amongst the most adaptable, motivated, skilled and productive in Southern Africa;
- Giving the province a competitive edge in the ways in which it acquires, applies and utilises knowledge, and
- Creating a "learning culture" in the province in which literacy, thinking skills and education for life provide the keys not only to economic growth and employment creation but to an improved quality of life for all.

### **6.2.2 Strategic Initiatives**

In collaboration with its social partners, the Provincial Government, in particular through the Department of Education, will promote, support and encourage the following initiatives:

- The optimal utilisation of teaching and learning time throughout the system, together with the timely provision of appropriate resources to realise this;
- The introduction of new and innovative forms of learning, such as distance education and technology-enhanced learning for all learners, but especially those in the more remote and educationally disadvantaged areas of the province (in partnership with the private sector and the major physical and ICT infrastructure providers);
- The establishment of effective, accessible and efficient mediums of instruction, language and technological support to address the educational needs of the disabled community;
- The expansion of early childhood development (ECD) as an essential foundation for effective forms of life-long learning;
- Improved forms of teacher training (both pre-service and in-service), especially in the areas of mathematics, science, technology (including IT), and business, as well as in new forms of teaching and learning methodologies (studies of successful learning regions have indicated that this is a key factor in improved educational performance).
- The establishment of a programme to improve mathematics, science, technical education and business studies throughout the province, in particular for female learners, and especially in those areas that have been previously disadvantaged;
- The expansion of practical projects in science, technology and business entrepreneurship to develop applied as well as theoretical skills;
- The expansion of mother tongue education, especially in technical subjects;
- The development of proficiency in English (as a global language), whether as a first or second language;
- The development of life skills as an integral part of the school curriculum;
- The establishment of education-business links and partnerships between individual schools and businesses (or clusters of schools and businesses), to promote additional private sector interest, involvement and support, and to enable pupils (through school visits, projects and work placements) to learn more about the world of work;
- The further expansion of the Western Cape School's Network (which provides Internet services to

- primary and secondary schools), particularly to the more disadvantaged schools in the province;
- The establishment of a "Learning in the Cape" web-site to provide information to schools and about schools, and
- Tackling the problems of vandalism and crime as an important prerequisite for the development of an effective culture of learning in the province's schools.

## **6.3 FURTHER EDUCATION & TRAINING**

### **6.3.1 Policy Objectives**

In line with the national strategies for further education and training (FET), life-long learning and skills development, the provincial objectives will be:

- To improve the quantity, quality, relevance and coordination of FET provision in the province;
- To promote rising skills and competency levels within the population and workforce, thus enhancing the province's competitive advantage as a premier learning region;
- To promote a culture of continual life-long learning and skills upgrading amongst individuals and employers (within the NQF and SAQA frameworks);
- To increase access by workers and the unemployed to FET, and ABET in particular, especially those from disadvantaged groups, and<sup>13</sup>
- To accelerate the diffusion and absorption of new knowledge and techniques within industries by creating and encouraging sectoral training institutions (especially in relation to those sectors with high growth potential).

### **6.3.2 Strategic Initiatives**

In collaboration with its social partners, the Provincial Government will promote, support and encourage the following initiatives:

- The continual revision and updating of the curriculum in FET institutions to ensure that it is needs-driven, practical in orientation (including greater opportunities for work placements), and relevant to the changing sectoral demands of the economy;
- An increasing emphasis on teacher training, and the design and introduction of new teaching and learning methodologies (including distance learning and technology-enhanced learning);
- The development of programmes (including bridging courses), and the increasing use of the recognition of prior learning (RPL) to promote greater access to university and technikon education by disadvantaged groups;
- The establishment of effective mechanisms and support systems to address the educational needs of the disabled community;
- Close collaboration with the Sector Education and Training Authorities (SETAs) to promote sectoral vocational training initiatives (including the possibility of creating new sectoral vocational institutes along the lines of the successful Singapore institutes);
- The strengthening of linkages and networks between the technical college and higher education

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<sup>13</sup> The inclusion in this document of ABET under Further Education and Training does not mean that those people who have little or no basic education and training will be excluded from ABET provision. In fact the reverse will often be the case.

sectors; and between public, private and NGO training providers:

- Close collaboration with the NGO sector to ensure the provision of Adult Basic Education and Training (ABET) facilities for all, especially in the rural areas;
- Improving information about FET courses and programmes (as well as about the NQF, SAQA and SETAs) through the "Learning in the Cape" web-site;
- The establishment of better systems and structures for the collection and dissemination (to training providers and employers) of up-to-date labour market intelligence (SETAs should play an important role in this respect);
- The encouragement of increased interaction between colleges and the business sector (based, for example, on the Silicon Valley experience where local firms help to develop courses, provide part-time teachers and donate technical equipment);
- The introduction of new and improved forms of career guidance and counselling;
- The encouragement of research to keep the Western Cape in touch with international best practice in the field of vocational education and training;
- The development of programmes for the retraining of workers who have lost their jobs or are facing redundancy in sectors facing restructuring or in decline, as well as for women wishing to return to work after child rearing;
- The development of improved and more accessible training programmes (including ABET programmes) for workers in the SMME sector, farm workers, the unemployed (especially unemployed youth), women and people with disabilities;
- The role of education and training (and human resources development more generally) as an exporter and wealth creator will be developed, in particular by strengthening and extending current initiatives by the province's education and training providers to supply services to students from other parts of South(ern) Africa and beyond.

## **6.4 INDUSTRY-LINKED TEACHING AND RESEARCH**

### **6.4.1 Policy Objectives**

To bring together universities, technikons, other research bodies in the Western Cape, and firms and industry associations to promote a world-class approach to industry-linked teaching and research.

### **6.4.2 Strategic Initiatives**

Although higher education (universities and technikons) is a national rather than provincial competence, the Provincial Government will play a proactive facilitating role, in particular by encouraging and supporting:

- The maintenance and extension of excellence in those fields (such as medical teaching, training and research) where the Western Cape already possesses a comparative advantage;
- The optimal rationalisation and sharing of facilities between the province's five higher education (HE) institutions, to maintain and develop the world-class facilities and practices that already exist in the province;
- Greater collaboration and sharing of information between industry-based R&D personnel, university and technikon researchers, and state-supported research councils;

- More regular forms of interaction between firms and HE institutions;<sup>14</sup>
- Increased funding of research by corporations, as well as sponsorship of international exchanges and conferences, and
- The development of new, longer and innovative forms of work placements and internships, to provide students with relevant practical experience that increases their prospects of employment.

## **Pillar 2: The International Cape**

### **6.5 INFRASTRUCTURE AND THE ENVIRONMENT**

#### **6.5.1 Policy Objectives**

- To promote an integrated and collaborative approach to infrastructural development and environmental conservation, in ways which contribute positively to both global competitiveness and poverty alleviation;
- To accelerate the expansion of the Western Cape's economic infrastructure to world-class standards, as a key component in enhancing the province's attractiveness, competitiveness and growth potential in the global economy;
- To promote the sustainable use and development of the province's natural environment as a major economic asset.
- To build and strengthen the Western Cape's reputation as an environmentally conscious economy, and to derive the consequent competitive advantages, and<sup>15</sup>
- To connect the Western Cape to the rest of the world.

#### **6.5.2 Strategic Initiatives**

In collaboration with all key role-players, the Provincial Government will promote, support and encourage the following initiatives:

##### **General**

- The development of an integrated, co-operative and environmentally sensitive framework for the planning and implementation of the province's infrastructure;
- The effective linking of this framework to the policies and plans of provincial and national departments, parastatals, local authorities and other key stakeholders;
- The use of public investment in infrastructure and the environment to leverage additional funds and resources from the private sector (for example through public private partnerships);
- The building of a world-class convention centre, and

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<sup>14</sup> For example, by emulating the role played by Stanford University in Silicon Valley through programmes such as the Honours Co-operative Programme (which allowed engineers and other professionals to enrol in graduate courses through a closed circuit TV network accessed at work).

<sup>15</sup> In the light of recent WTO debates, it will become increasingly important for South Africa, and the Western Cape, to demonstrate environmentally clean and safe production and energy supply in order to become a globally competitive producer and exporter, as well as helping to ensure the province's future as a tourist destination for environmentally conscious long-haul travellers.

- Promoting the establishment of an Industrial Development Zone in Saldanha Bay.

□ **Transport**

- The effective implementation of the principles and policies set out in the 1997 *White Paper on a Western Cape Provincial Transport Policy*, for an integrated, accessible and well managed transport system that advances the province's broader developmental aims and objectives;
- The upgrading, in particular, of the international airport, harbour, rail networks and inner city transport access system in Cape Town, as well as the harbours at Saldanha and Mossel Bay;
- Improvements in the public transport system in Cape Town to alleviate the current problems of road traffic congestion, and to meet the mobility requirements of all commuters including tourists;
- The upgrading of the transport infrastructure (in particular through the more effective integration of road and rail networks) in the more deprived townships and rural areas, in line with the spatial integration and development priorities of the province and as an important stimulant to economic development in these areas;
- The effective integration of taxis into the transport system;
- Improvements in road and rail traffic safety (for example through increased personnel and the use of security cameras) and, in particular, pedestrian safety;
- Advocating the review by national government of current systems of subsidisation to encourage the right of choice with respect to various modes of transportation;
- Encouraging the utilisation of those forms of transport that generate less pollution (for example, Metro Rail);
- The effective coordination and integration of transport plans with the plans of other functional areas (so that schools, for example, are not located on the remote side of high-volume freeways), and
- The promotion of direct flights between Cape Town and as many world capitals as possible.

□ **Telecommunications**

- The carrying out of a regional analysis of the location conditions for the development and utilisation of telecommunications services in the province, in ways which maximise the growth and development opportunities of all communities, and especially those that are disadvantaged, without damaging the environment;
- The development of a provincial action programme for the further expansion of the telecommunications infrastructure in partnership with suppliers, to ensure that all areas of the province are effectively covered;
- The international benchmarking of services and charges with a view to ensuring affordability, and
- The establishment of *electronic precincts* in the Cape Town central business district (CBD) and other business centres (see Section 6.6.2 below), with world-class telephone line availability, broadband services (such as the Internet, high-speed data transfer and video-conferencing), and service levels based on the utilisation of fibre optics networks.

□ **Energy**

- The development (in line with the National Government's 1998 *White Paper on the Energy Policy of the Republic of South Africa*) of a cost-effective, sustainable and environmentally friendly energy policy for the province, that is capable of:
  - Ensuring access to affordable energy by all individuals, businesses and communities;

- Ensuring, in particular, that affordable energy is provided to down-stream and secondary industries, rather than allowing all discounted benefits to go to large primary consumers;
- Promoting energy efficiency, decreasing pollution and the use of renewable energy resources;
- Enhancing the global profile and competitive advantage of the Western Cape as an environmentally clean and safe environment for living, working and visiting;
- Exploring the potential in the Western Cape for the development of alternative energy sources, such as solar and wind power,<sup>16</sup> and using these to expand the current electrification process in the province, in particularly to previously inaccessible locations, and
- Supporting and taking fully advantage, in particular, of the economic and environmental opportunities presented by the distribution of natural gas by the proposed long-distance pipeline from the Namibian Kudu gas fields to transform the energy base of the Western Cape from coal-based and nuclear power to thermally efficient and clean gas-fired power.<sup>17</sup> Care will be taken in the laying of the pipeline to ensure that this does not impact adversely on the natural environment and on people's living environments and livelihoods.

□ ***The Natural Environment***

- The formulation and implementation of an integrated and sustainable environmental management policy and implementation plan for the province, in line with the framework set out in the Department of Environmental Affairs' 1997 *White Paper on Environmental Management Policy* and the 1998 National Environmental Management Act (NEMA);
- Ensuring that this policy achieves environmental conservation whilst at the same time maximising the growth and development potential of the province (including the issue of food security, particularly through the development of sustainable and environmentally friendly forms of food production);
- Putting in place an integrated framework of laws, procedures and action plans to enable and regulate the effective conservation, management and use of the province's natural assets;
- Developing the economic potential of the natural environment in a responsible and sustainable manner, particular with regard to tourism (and especially eco-tourism);
- Supporting the work of the recently established Western Cape Nature Conservation Board;
- Enabling local communities, and in particularly those that are disadvantaged, to actively participate in, and benefit from, the economic opportunities provided by environmental conservation and management, and
- Implementing an effective environmental education programme throughout the province, to strengthen the Western Cape's reputation as an environmentally conscious economy.

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<sup>16</sup> According to a submission received from the South African Wind Energy Association, the potential of wind power, for example, is underscored by a new study which demonstrates that it could create 1.7 million jobs globally by the year 2020. Wind creates between 15 and 30 jobs for each installed megawatt compared to coal which creates 5 jobs. Wind is also clean and the costs are declining.

<sup>17</sup> The prospects of a large natural gas field off the West Coast in the Northern Cape could, if realised, further expand the possibilities for cleaner and more efficient gas-fired power stations in South Africa in general, and the Western Cape in particular.

## **6.6 THE WESTERN CAPE IN THE FAST LANE OF THE INFORMATION AND COMMUNICATION SUPER-HIGHWAY**

### **6.6.1 Policy Objectives**

Within the context of the 1997 *National and Government Information and Communications Technology Strategy* (Info-Com 2025), promoted by the national Department of Communications (DoC), the main objectives are:

- To raise public and business awareness about the vital role that information and communications technology (ICT) can play in enhancing competitiveness and promoting regional growth and development;
- To develop and expand the current ICT infrastructure in the province to world-class standards;
- To use the global ICT revolution to create the capability for everyone in the region - government, business, labour, education and training providers, NGOs and women and men (including the disabled) - to access and use information and knowledge to their maximum benefit, and to conduct business and other transactions more efficiently, cost-effectively and affordably;
- To use ICT to improve the efficient and effective delivery of information and services by government to individuals, businesses and communities, and
- To promote co-operation and collaboration in the development and operation of ICT between government, business, the non-governmental sector and overseas partners.

### **6.6.2 Strategic Initiatives**

In collaboration with business, education and training providers and other role-players, the Provincial Government will promote, support and encourage the following initiatives:-

- The establishment and operation of *Cape Gateway*, which was launched by the Provincial Government in November 2000, as a single access point (one-stop-shop) for the general public, businesses, potential developers and investors, and other interested parties to an integrated network of specialist information, resources and services provided by the various provincial departments;<sup>18</sup>
- The establishment of an *electronic precinct* in Cape Town's central business district (CBD), and its subsequent extension to other business centres in the province, to provide high-speed Internet access, data transfer, video-conferencing and other broadband services;
- The use of the Internet to create a *Cape-on-Line* network (to facilitate the creation of a "virtual Cape"). In addition to the "Learning in the Cape" website (see section 6.2.2 above), and the facilities offered by the Cape Gateway, other related websites would include:

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<sup>18</sup> Such services will include access to national, provincial and local government legislation, regulations, policies, programmes and projects. Users of the facility will also be able to network (via computer) relevant departments to ensure speedier service delivery (such as zoning applications, licences and permits), as well as for information and advice on how to interact with potential private sector partners. Funded by the Provincial Government, Cape Gateway is housed in a dedicated building, equipped with state of the art ICT equipment and technology (including the latest call centre technology) and staffed by well-trained and dedicated staff. The Department of Economic Affairs is the main implementing agency, under the auspices of collaborative network provided the Provincial Government's inter-departmental Economic Development Committee.

- An employment site, allowing those seeking employment in the province to be matched to employers looking for skills;
- A business finance site, matching entrepreneurs with providers of private equity and venture capital;
- A trade site to assist with trade, marketing and export promotion;
- The integration of such sites with existing websites (including those of WESGRO and Cape Tourism, as well as the database established by CITI);
- The use of the above initiatives as a catalyst to spur the rapid development of the Internet, e-commerce, communications equipment and specialist electronics industries in the province;
- Encouragement and support for the development of a regional cluster of ICT, new media and related industries, as an engine for the Western Cape's knowledge economy and a stimulant for increasing levels of inward investment;
- Strengthening the role of higher and further education as an incubator for new-technology based firms, and a source of know-how and technology to SMMEs;
- The promotion of ICT literacy in schools, colleges, the workplace and the non-governmental sector, to ensure that new technologies are effectively absorbed, and
- The expansion of ICT access to the more disadvantaged communities and isolated areas of the province, in particular through the provision of more personal computers in schools, libraries and other public facilities (adapted where appropriate to meet the needs of people with disabilities), the extension of opening hours in such facilities, the electrification of such facilities (where this is currently not the case), and the development of interactive and multi-media approaches to meet the needs of people with literacy problems.

## **6.7 THE WESTERN CAPE AS THE MOST ATTRACTIVE LOCATION FOR INWARD INVESTORS**

### **6.7.1 Policy Objectives**

- To create a positive climate and environment for inward investment (from the rest of South Africa and overseas), as well as for maintaining and expanding local investment;
- To develop in partnership with the DTI a more proactive and targeted strategy for investment promotion, that is tailored to the specific needs of the province, capable of increasing the level of inward investment and maximising the impact of such investment on economic growth, competitiveness, job creation and poverty alleviation;
- To encourage, in particular, forms of inward investment that have significant potential for technology and skills transfer, employment creation, joint venture partnerships, and the economic empowerment of previously disadvantaged individuals, businesses and communities.

### **6.7.2 Strategic Initiatives**

In collaboration with local government and other stakeholders, the Provincial Government (in particular through the Department of Economic Affairs, Agriculture and Tourism and its agencies), will promote, support and encourage the following initiatives:

- The introduction of a targeted and proactive strategy for investment promotion, based on:
  - The development and packaging of concrete investment opportunities within specific sectors, based upon detailed and feasible business plans;

- The evaluation of potential investment projects on the basis of their potential contribution to technology and skills transfer, employment creation, joint venture partnerships, and economic empowerment;
- The identification of the most appropriate firms, regions and countries from which to seek inward investment, based on such business plans and the analysis of sectoral needs;
- A proactive approach to marketing, including targeted cold calling such companies with an invitation for site visits in the Western Cape;
- Developing and marketing the province's strong logistics infrastructure (including harbours, airport, warehousing and road haulage), as well as its skills base and natural environment, as a major attraction for inward investors;
- The encouragement of investors to enter into joint ventures or partnerships with local companies in order to maximise the long-term benefit to the province;
- Lobbying the National Government to introduce more efficient, simplified and accelerated procedures and legal requirements, particularly in relation to company formation and operation;
- The provision of effective information, advice and assistance to investors on issues such as tax regulations and concessions; licensing regulations and procedures; suitable locations; labour searches, as well as labour laws and regulations; and accessing relevant incentive and support schemes;
- The establishment of a positive ongoing relationship with investors, particularly through the provision of good aftercare services and support, in order to encourage them to continue investing, reinvesting and expanding their operations;
- Extending current twinning agreements between the Western Cape and other regions that have the potential to complement and enhance our economic development strategy;
- Drawing on national incentives and negotiating appropriate packages to attract investment from targeted enterprises, and
- Encouraging the introduction of strategies and incentives to persuade inward investors to contribute towards poverty alleviation (for example, through "planning gains" where planning permission in profitable areas is linked to investment in more impoverished localities).

## **6.8 EXPORT PROMOTION**

### **6.8.1 Policy Objectives**

- To develop a coherent strategy and institutional framework for the promotion of the province's products and services internationally;
- To develop in particular the export potential of SMMEs, with a view to enhancing economic empowerment and employment-creation;
- To encourage product improvement and diversification in the range of the province's exports;
- To identify new market opportunities in Africa and overseas;
- To develop a greater export awareness and culture in the Western Cape business community;
- To promote greater awareness about the implications of recently signed trade agreements, in order for exporters to position themselves appropriately to take advantage of the ensuing changes in South Africa's foreign trade relations.

### **6.8.2 Strategic Initiatives**

In collaboration with the Unicity, the business sector, Trade and Investment South Africa (TISA), and other role-players, the Provincial Government (through the Department of Economic Affairs, Agriculture

and Tourism and its agencies) will promote, support and encourage the following initiatives:

- The development of a coherent provincial export promotion strategy;
- The establishment of a new ***Export Development Programme*** to provide support to emerging exporters.<sup>19</sup> The programme will focus in particular on:
  - Providing specialised entry-level marketing and development services to potential exporters;
  - Building the export potential of emerging SMMEs for the purposes of employment-creation and economic empowerment;
  - Promoting exports from targeted sectors, such as crafts;
  - Assisting emerging exporters in the province in accessing the services, schemes and programmes of other institutions and agencies at the provincial and national level, such as the DTI's Export Marketing and Investment Assistance Scheme (EMIA);
- The promotion of awareness programmes and support schemes within the province's exporting community about the general trade environment and, more specifically, about the challenges and opportunities brought about by the SA-EU and SADC trade agreements, as well as the African Growth and Opportunities Act (AGOA);
- The introduction of improved mechanisms within the Department of Economic Affairs, Agriculture and Tourism for the monitoring and tracking of developments pertaining to these agreements and the general trade environment, in collaboration with the DTI.
- Support for the development of grassroots structures to inform SMMEs about the implications of trade agreements and to ensure that they are able to benefit from them.

## **6.9      MARKETING OF THE CAPE AS A QUALITY BRAND**

### **6.9.1    Policy Objectives**

- To support the province's strategic imperatives for economic growth and development through the development of an integrated and collaborative marketing strategy that reflects all the "flavours" of the different regions of the Western Cape;
- To promote in particular a positive domestic and international image of the province as a thriving centre for environmentally friendly production, as a premier location for investment, business and leisure, and as the gateway to Africa;
- To ensure effective strategic communication about the province, its people and economy, as a key means in maximising growth within the global economy;
- To establish the "Cape" as a distinctive and quality brand name, drawing on the successful branding of "Cape Town" (as a major international tourist destination) and internationally known products such as "Cape Fruit" and "Cape Wine;"
- To ensure, through effective market surveillance and analysis, that the province is positioned to respond positively to changing needs and trends in the global economy;
- To ensure, through effective location marketing, that all parts of the province benefit economically from the improved marketing strategy, and
- To ensure that marketing strategies for the Western Cape are located within and support broader national strategies for marketing a strong South African brand.

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<sup>19</sup> The Export Development Programme will be a collaborative public-private partnership between the Provincial Government, the Unicity, the DTI, WESGRO and the business chamber movement, with inputs from other role-players.

## **6.9.2 Strategic Initiatives**

In collaboration with local government and other role-players, the Provincial Government will promote, support and encourage the following initiatives:

- The creation of a framework to facilitate the improvement of standards for the production of goods and services in key sectors of the provincial economy;
- The development of a co-ordinated and collaborative marketing strategy for the province;
- The development of a collaborative institutional framework (including networks and linked websites) to enable local, provincial and national agencies to implement this strategy in a coherent and well-coordinated fashion;
- The establishment and operation of Cape Gateway, which will play an important role in facilitating these processes;
- The effective targeting of marketing strategies on the specific needs of high priority sectors and projects;
- The development of a culture whereby the effective communication of the "Cape" brand becomes the responsibility of all economic role-players rather than marketing specialists;
- Awareness raising and training in marketing to encourage and enable all economic role-players to take every advantage to market the "Cape" as well as their own products and services;
- The innovative use of tourism, major sporting and other events, and attendance at domestic and international trade fairs and business conventions to publicise the products and attractions of Western Cape and to take advantage of new marketing opportunities;
- The extension of current twinning arrangements between the province and foreign states and regions;
- The establishment of a more effective collaborative framework (involving government, parastatals and the private and NGO sectors) for the carrying out and dissemination of market research and analysis.

## **Pillar 3: The Enterprising Cape**

### **6.10 THE WESTERN CAPE AS A LEADING CENTRE FOR R&D AND INNOVATION**

#### **6.10.1 Policy Objectives**

In line with the framework set out in the National Government's 1996 *White Paper on Science and Technology*, the main objectives are:

- To raise the awareness of all people and disseminate information about the crucial importance of innovation and R&D to the Western Cape economy.
- To create an empowering learning culture which values creativity, enterprise and experimentation;
- To create a favourable environment for the increasing transfer of new knowledge and technology from research to commerce and industry, to assist key growth sectors but also mature labour-intensive sectors that are in decline;
- To encourage the development of networks and partnerships to facilitate the transfer of knowledge and technology between firms;
- To enhance the province's position as a major centre for innovation, thus contributing to its economic

attractiveness and competitive advantage.

- To collaborate with other stakeholders in monitoring the impact of R&D and innovation, with a view to ensuring that it impacts positively rather than negatively on net employment creation in the province.

### **6.10.2 Strategic Initiatives**

The Provincial Government will promote, support and encourage the following initiatives:-

- The development of a provincial strategy for innovation and R&D, focusing in particular on those sectors that have been identified as having high growth and/or employment potential (see Section 6.13 below);
- Strengthening the links between business, education and training and research institutions, and the non-governmental sector;
- Encouraging the expansion of the current initiatives (such as CITI, the Western Cape Technology Forum and the Cape Craft Institute) into a fully fledged technology network (in line, for example, with the innovative and successful Upper Austrian Technology Network);
- Encouraging greater collaboration and clustering between companies in the areas of innovation and technology transfer, thus lowering the costs and risks associated with R&D;
- Encouraging in particular greater collaboration, linkages and information sharing between big companies and SMMEs (especially affirmable business enterprises);
- Using effective marketing and available incentives to encourage an increasing number of joint ventures with foreign firms, as one of the most effective ways of acquiring advanced technological know-how, as well as joint linkages with SMMEs;
- Disseminating information and raising awareness amongst employers about government incentive schemes, to encourage firms to increase their investment in R&D;
- Strengthening the capacity of the workforce to absorb and apply new knowledge and technologies, through the kinds of education and training initiatives outlined in sections 6.2 and 6.3 above, and
- Working with other stakeholders to improve the provision of practical skills linked to entrepreneurship which will contribute to job creation and economic growth.

## **6.11 PRIVATE EQUITY & VENTURE CAPITAL**

### **6.11.1 Policy Objectives**

- To work collaboratively with all stakeholders to create a positive environment for the increasing provision of private equity and venture capital (PE&VC)<sup>20</sup> in the Western Cape, as a key element in the future economic success of the province in the global economy;
- To encourage the establishment of improved structures and systems to match the providers of capital more effectively with productive users of capital;
- To target the provision of PE&VC for start-ups and expansion in the SMME sector, including the proactive intervention by the Provincial Government to assist SMMEs in gaining access to finance;
- To use the growth in PE&VC to support the province's commitment to increasing enterprise and

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<sup>20</sup> Private equity typically refers to an investment in an established business (to recapitalise the business or to fund further expansion, for example). Venture capital refers to investment in new business start-ups or early-stage enterprises.

empowerment amongst previously disadvantaged communities and individuals (including the disabled).

### **6.11.2 Strategic Initiatives**

In collaboration with stakeholders such as the chambers of commerce and industry, the DTI, Khula Enterprise Finance, and stakeholders within the PDC, the Provincial Government will promote, support and encourage the following initiatives:

- Raising awareness and disseminating information about the critical importance of PE&VC to economic growth and SMME development in the province;
- Supporting the National Government in its encouragement and support for the provision of PE&VC (especially to SMMEs and for the purpose of empowerment), through initiatives such as:
  - The introduction of government grants and tax concessions;
  - The leveraging of funds (for example, through public-private partnerships);
  - The provision of risk guarantees to limit the exposure of investors;
  - Relaxing current legislation to allow pension and insurance funds to target a small proportion of their portfolios at smaller unlisted companies;
- The establishment of a Western Cape PE&VC forum (with resources for a small secretariat to be operated, for example, by the Cape Chamber of Commerce and Industry or the proposed Cape Enterprise agency). This will bring together all PE&VC role-players to promote more effective coordination and the sharing of information, as well as to provide an access point for seekers of capital to obtain information and advice;
- The corresponding establishment and operation of an electronic database of registered PE&VC institutions and other information related to PE&VC, including a list of experienced business people, NGOs and other agencies prepared to act as mentors to smaller firms. WESGRO has recently published a venture capital directory (WESGRO, 2001);
- The development of collaborative support structures to build the capacity of previously disadvantaged communities and individuals so that they can more successfully access PE & VC resources;
- The establishment, in particular, of an advisory service for SMMEs seeking capital. The proposed Cape Gateway could well play an important role in this respect, as could Local Support Centres for SMMEs;
- Collaborating with other institutions, for example Khula Enterprise Finance, and their plans to establish and expand regional equity funds to support the development of the SMME sector;
- Interacting with the commercial banking sector to promote within their operations a culture conducive to the funding of higher risk enterprises;
- Encouraging the expansion of those farm equity schemes in the Western Cape that have been supported by the national Department of Land Affairs. Such schemes have enabled farm workers to obtain shares in high-value land based enterprises and have empowered these workers to participate in the management of such agri-businesses, and
- The establishment by FET and HE institutions of a greater range of short courses on the practicalities of setting up a business and accessing capital, including PE&VC. These would be targeted at current and prospective entrepreneurs in the SMME field, and delivered after hours;

## **6.12 ENTERPRISE & EMPOWERMENT**

### **6.12.1 Policy Objectives**

- To foster and develop a culture of entrepreneurship and effective business management in the Western Cape;
- To create a more enabling environment for SMMEs,<sup>21</sup> as one of the main engines for growth and employment in the province;
- To assist such enterprises in preparing for the challenges of an internationally competitive economy, whilst at the same time encouraging them to adhere to labour standards and laws (particularly with respect to child labour and the protection of the rights of workers);
- In particular, to support SMME development amongst previously disadvantaged individuals and communities, through the facilitation of entrepreneurial support and access to capital; linkages and joint ventures with established businesses; training and mentorship; marketing support; the provision of infrastructure; and affirmative procurement policies.

### **6.12.2 Strategic Initiatives**

In collaboration with local government and other role-players, the Provincial Government will promote, support and encourage the following initiatives:

- The provision of advice and assistance to enable SMMEs to access finance from provincial, national and international agencies,<sup>22</sup> as well as to access private equity and venture capital (see Section 6.11.2 above);
- The provision of SMME support, focusing in particular on mentorship, professional support, business management, marketing and export promotion, and the structuring of joint ventures;
- The provision of better access to information (including Web-disseminated information), for example through Cape Gateway Portal, through the strengthening of Local Support Centres for SMMEs, and through the more effective and better coordinated use of universities, technikons, technical colleges, municipal libraries, professional organisations and NGOs as dissemination points;
- The targeting of SMME support programmes at disadvantaged communities and individuals, and in particular at young people, women and people with disabilities;
- The use of provincial procurement policies and practices:
  - To support SMME development (including the provision of advice in tendering and the preparation of business plans);
  - To encourage larger established companies to enter into joint ventures and equity partnerships with emerging black contractors and businesses;
- The review and restructuring of the operations of tender boards to ensure that tender processes benefit SMMEs more than they have in the past, in ways that promote job creation and the empowerment of disadvantaged communities and individuals;
- Encouraging the expansion of entrepreneurship and business management training programmes by

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<sup>21</sup> The Provincial Government will concentrate its direct support for SMMEs primarily in the area of small to medium enterprises (SMEs). Support for micro enterprises will largely be the responsibility of local authorities. The Provincial Government will, however, facilitate this process by helping to build the capacity of such authorities (especially the smaller ones) to provide the necessary levels of support for micro enterprises.

<sup>22</sup> The DTI and Khula Enterprise Finance, for example. Organisations such as the Land Bank, the Industrial Development Corporation (IDC) and the Independent Development Trust (IDT) also provide finance and support for small businesses.

the province's tertiary institutions, as well as by private and NGO providers (for example, through the provision of matching grants);

- Encouraging the establishment of provincial incubation centres to provide on-site technical assistance and training for small emerging businesses;
  - More effective co-operation and collaboration with national agencies, local authorities, NGOs and CBOs, parastatals and local and provincial organisations and associations supporting enterprise and empowerment,<sup>23</sup> to promote and stimulate SMME development;
  - The targeting of SMME support in areas and sectors with promising growth potential (including agri-business; new or emerging farming and fishing ventures; building and contracting; transport; small-scale tourism operations; small hi-tech enterprises; and small-scale manufacturing in areas such as clothing, furniture, and arts and crafts);
  - The establishment, in partnership with other role-layers including the DTI, CSIR and Uni-City, of a Cape Manufacturing Advisory Centre to provide technical support and advice to small and medium manufacturers in such areas as technology development and quality control, with a view to raising the global competitiveness of local industries;
  - Ensuring that national, provincial and local government infrastructural projects in the province, as well as mega-project developments, include opportunities for SMMEs;
  - The establishment of effective systems for the monitoring and international benchmarking of SMME development;
  - The development by the Provincial Government and local government of a more coherent approach to informal sector development, including appropriate changes in the regulation of business licensing and street trading, and the development of informal markets.

## **6.13 SECTOR GROWTH AND DEVELOPMENT<sup>24</sup>**

### **6.13.1 Policy Objectives**

- To develop a coherent, collaborative and stakeholder-driven approach to sector development in the province;
- To ensure that such an approach is based on effective research and analysis of the growth and employment prospects and potential of different sectors;
- To use targeted forms of sector development to increase the ability of sectors and clusters to create the collaborative relationships and synergies for them to co-operate and learn from each other in ways which enhance economic growth, competitiveness and employment creation;
- To target strategic interventions in a selected number of sectors that have the greatest potential for developing effective linkages, new and high value-added production processes and employment generation throughout the provincial economy;
- To recognise, research and take account of the impact that globalisation, trade agreements and ICT are having on sector growth and potential in the province;

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<sup>23</sup> These include, for example, the Black Management Forum (Western Cape), the Cape Malay Chamber of Business, the Heldeberg Black Business Chamber, the Mitchells Plain Small Business Forum, the National Black Contractors and Allied Trade Forum (Western Cape), Nafcoc (Western Cape), the Western Cape Informal Business Forum, and the Western Cape Business Opportunities Forum.

<sup>24</sup> Sector development is understood in this section as any targeted action focused on a particular sector, niche or cluster.

- To ensure that interventions by the Provincial Government are based on clear and transparent criteria, and a realistic assessment of sector potential, developed in partnership with all key stakeholders.

### **6.13.2 Strategic Initiatives**

In close collaboration with business, organised labour, industry associations, SETAs and other stakeholders, the Provincial Government (in particular through the activities of the Directorate of Industrial Development and Marketing in the Department of Economic Affairs, Agriculture and Tourism) will promote, support and encourage the following initiatives:-

- Establishing a collaborative framework to facilitate greater co-operation and coordination in the provincial sector debate;
- Conducting detailed data collection and research on sector trends and potential, the impact of globalisation and ICT on different sectors, and the sectoral implications in terms of training and skills development;
- The development of strategies around key sectors and clusters in the province, in collaboration with organised labour, sector education and training authorities, national and local government, industry associations and other stakeholders, and in line with the national industrial strategy framework currently being developed by the DTI (DTI, 2000);
- Prioritising key sectors for intervention and support by the Provincial Government and other role-players (in line with the suggested priorities outlined in Section 4.2.4 above);
- The establishment of sector summits, representative of all stakeholders, to play a key role in sector analysis and prioritisation, policy prescription and the development and monitoring of sector strategies;
- The development of specific strategies to support those sectors that employ large numbers of people but which are currently in distress (such as clothing and textiles and a number of agricultural sectors), in particular by assisting them to restructure and become more competitive;
- Supporting sectors such as craft production that are dependent on other key economic drivers (tourism, for example) but which are particularly effective at distributing income to the poor;
- Ensuring that rural economies are included as part of the sector debate, that resources are effectively leveraged for LED activities within the rural areas, and that the agricultural and non-agricultural potential of such economies is developed in a sustainable fashion;
- The development of programmes for the retraining and redeployment of workers who have lost their jobs or are facing redundancy in sectors facing restructuring or in decline;
- Supporting the establishment of sector focused support bodies (such as the Cape IT initiative, the Jewellery Manufacturers Council, the South African Stainless Steel Development Agency, and the Cape Craft Institute);
- Improving institutional coordination as a key mechanism for facilitating information flows between government and business, as well as between firms themselves;
- Accessing funds to support sector and cluster development, in particular from the National Government's Sector Partnership Fund (SPF);
- Determining, with respect to the different priority sectors, the most effective types and levels of provincial government intervention required for effective sector mobilisation.

## **Pillar 4: The Cape of Good Hope for All**

### **6.14 RAISING THE QUALITY OF LIFE ESPECIALLY OF THE POOREST COMMUNITIES**

#### **6.14.1 Policy Objectives**

- To make poverty alleviation, job creation and the creation of a safe and secure environment a central objective of provincial development policies, not only as the key to advancing human development, but also as an essential pre-requisite for effective economic growth;
- To ensure that more resources are redirected towards meeting the needs of previously disadvantaged communities and individuals, to redress past imbalances;
- To target poverty alleviation strategies and programmes at the most deprived areas (rural and urban), at the most vulnerable groups, including the elderly, young people, women, people with disabilities, and people living with HIV/AIDS, and in areas where a sustainable economy can be built;
- To ensure that everyone in the Western Cape has the opportunity to benefit from, and contribute to, the region's enhanced economic growth and competitiveness;
- To develop sustainable communities, empowered to create solutions geared to their own needs.

#### **6.14.2 Strategic Initiatives**

In close collaboration with local government, parastatals, and private and non-governmental role-players, the Provincial Government (in particular through departments such as Economic Affairs, Education, Health and Welfare) will promote, support and encourage the following initiatives:

- The development of a coherent and integrated strategic framework for poverty alleviation, community empowerment and spatial integration and development across the province. This will help to guide and harmonise the work of the many organisations and agencies involved, in particular the work of local authorities in the area of Local Economic Development (LED);
- The promotion of effective co-operation, coordination and partnership in the work of such organisations and agencies, especially when addressing LED strategies. This will entail the provision by the various spheres of government (together with their social partners) of financial resources, additional capacity, monitoring and evaluation mechanisms and the effective coordination of functions and responsibilities;
- The promotion through this strategic framework of greater and more equitable access to:
  - Affordable basic household services, such as water, sanitation and electricity;
  - Essential social services and infrastructure, such as education, safety and security, recreational amenities and a clean and healthy environment;
  - Health education and services designed to eliminate the spread of HIV/AIDS and TB;
  - Affordable economic infrastructure (such as public transport and telecommunications);
- The targeting of poverty alleviation and community empowerment initiatives at those areas and communities most in need;
- Including a strong focus on the working poor, as many households deriving income from employment are nevertheless living below recognised poverty levels;
- Focusing activities on the building of self-sustaining communities and economic opportunities, but

- with a minimum social security safety net for the most vulnerable groups (including women, young people, the disabled, the elderly and people living with HIV/AIDS);
- Ensuring that policies and programmes in support of the other strategic imperatives outlined in this Chapter (especially in relation to education and training, infrastructure and the environment, and SMME development) are effectively integrated with the strategies for poverty alleviation and community empowerment;
  - Developing an integrated approach to development and planning in urban and rural areas, with a view to mutual support;
  - Facilitating a series of regional (district) conferences to ensure that such an integrated approach takes place, and that the specific needs of the different regions are met;
  - Introducing strategic land market interventions (combining infrastructure, landscaping and security measures) to promote economic development in places that need it most (in line with the Provincial Green Paper on Property Management);
  - Supporting a proactive land redistribution and reform programme, targeted at the creation of sustainable rural livelihoods for the poorest rural communities, and including the establishment of effective monitoring mechanisms to ensure equitable redistribution;
  - Encouraging sustainable and environmentally friendly planning and development processes;
  - The introduction of effective forms of "location marketing" to promote a balanced and equitable approach to investment and growth throughout the province, showcasing opportunities outside the metro area, and targeted in particular at previously disadvantaged areas;
  - The introduction of more effective forms of service delivery in line with the principles set out in the National Government's 1997 *Batho Pele White Paper on Transforming Service Delivery*;
  - The establishment of integrated one-stop-shops and alternative service delivery mechanisms as a key component in improved service delivery;
  - Support for community capacity building (including the work of NGOs and CBOs) and the growth of social enterprises (in the shape of small businesses, co-operatives, community development trusts, credit unions and SMME associations), to enable communities to play a greater role in their own socio-economic development;
  - The mobilisation of all state institutions and organs of civil society to contribute to crime prevention in urban and rural areas by seeing crime as a social and economic issue rather than just a security issue, and tackling its root causes;
  - The establishment of effective systems for monitoring and evaluating the impact of the strategies and plans for poverty alleviation and community development and empowerment.

## **6.15 EMPLOYMENT CREATION**

### **6.15.1 Policy Objectives**

- To contribute towards poverty alleviation and social development through initiatives designed to increase employment opportunities, especially for the lower skilled;
- To ensure that such initiatives are seen as a complement rather than an alternative to the longer-term measures outlined in this document for promoting sustainable employment creation and increasing the overall skills and competency levels within the province's population and workforce;
- To support the restructuring of such labour-intensive sectors as clothing and textiles, which are currently in decline but nevertheless play a critical role in the fabric of the local economy, particularly with respect to women workers.

### **6.15.2 Strategic Initiatives**

In collaboration with the Department of Labour, local authorities, organised labour, business, NGOs, community organisations, and other key stakeholders, the Provincial Government will promote, support and encourage the following initiatives:

- To develop a comprehensive, collaborative and consultative strategy for employment creation, especially for the lower skilled;
- The targeting of employment creation initiatives at those areas, communities and individuals most in need (particularly women, young people, and people with disabilities);
- Linking such initiatives to programmes for sector growth and development, especially in labour-intensive sectors such as tourism, agri-business, clothing, and arts and crafts;
- Collaborating with local government to ensure that labour-intensive forms of job creation are embedded as a core element in local integrated development plans, together with measures to kick-start and support community empowerment and self-help schemes;
- Ensuring that all national, provincial, local and parastatal infrastructural programmes in the province, as well as mega-project development, have a significant downstream impact on labour-intensive forms of job creation in the province;
- Initiating provincial public works programmes targeted in particular at employment and income generation in the poorest communities in both urban and rural areas;
- Developing a framework for engaging Western Cape partners in the effective utilisation and implementation of the National Government's special employment programmes, which have been expanded significantly in the wake of the 1998 Presidential Jobs Summit.<sup>25</sup>
- Encouraging the expansion of day care facilities for children, the elderly and the disabled, thus creating local jobs in socially useful areas and releasing domestic care-providers (predominantly women) into the job market;
- Encouraging the growth of SMME development, especially in labour-intensive areas such as tourism and agri-business;
- Collaborating with SETAs and the private sector in the establishment of learnerships for target groups (especially women, the disabled and unemployed youth), as well as in the implementation of the broader provisions of the 1998 Skills Development Act;
- Collaborating with the Department of Labour's Employment Services in providing improved forms of advice and guidance for the unemployed and low skilled with respect to training and job opportunities;
- Collaborating with SETAs in devising skills development measures which assist restructuring companies and workers facing down-sizing, retrenchment or redundancy to either retain employment with new skills or facilitate transfer to new employment;
- Collaborating with NGOs and the private sector to expand the provision of adult basic education and literacy programmes (for both the employed and unemployed), to enhance the employment and career prospects of the lower skilled;
- Supporting the coherent growth of informal sector activities, for example through the provision of

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<sup>25</sup> These labour-intensive infrastructural programmes include Working for Water, the Land Care Campaign, the Clean and Green Cities Campaign, the Community-Based Public Works Programme, the Consolidated Municipal Infrastructure Programme, and Housing and selected Welfare programmes.

markets and changes in the regulation of business licensing and street trading.

## **CHAPTER 7: TOWARDS AN INSTITUTIONAL FRAMEWORK FOR PROVINCIAL ECONOMIC GROWTH & DEVELOPMENT**

### **7.1 INTRODUCTION**

The effective realisation of the vision, strategic imperatives and initiatives set out in this document will require the full co-operation and collaboration of the wide variety of service providers and stakeholders involved in regional economic development, as well as the effective coordination and integration of their activities. Although efforts have been made to improve efficiency, coordination and communication in the work of such stakeholders, the evidence presented so far in this document suggests that there is clearly scope for significant improvement. The purpose of this Chapter is to propose recommendations for an improved institutional framework for regional growth and development, capable of promoting more effective coordination and partnership, as well as speedier decision-making and implementation, in the work the various role-layers involved.

As this White Paper is a document of the Provincial Government, the major emphasis will naturally be on the roles and responsibilities of its departments and agencies. Constitutionally, it would be inappropriate for the Provincial Government to try and legislate and determine the institutional architecture of other spheres of government or of the many other stakeholders involved in the provincial economy. The emphasis on provincial departments and agencies should not be interpreted, however, as an indication that the Provincial Government intends to take on a more controlling "big brother" role in the economy. A major aim of the new institutional framework set out below will be to enable the Provincial Government to play a more effective facilitative role in supporting the work of the many stakeholders on whom the success of the provincial economy will ultimately depend.

### **7.2 OBJECTIVES**

Key objectives for an improved institutional architecture for regional economic growth and development will be:

- To ensure that "structure follows strategy," by closely relating the institutional framework to the vision and strategic imperatives and priorities set out in this White Paper;
- To establish an agreed framework that is accountable, transparent and cost-effective;
- To facilitate effective coordination, communication, networking and partnerships between public, private, parastatal and non-governmental agencies;
- To encourage widespread stakeholder consultation, involvement and joint action in the formulation, implementation and monitoring of the regional economic strategy;
- To promote social inclusiveness by encouraging, in particular, the active involvement and participation of organisations and bodies representing the interests of previously disadvantaged individuals and communities;
- To avoid duplication in structures and activities;
- To promote flexibility and decentralisation, so that the institutional framework can be reviewed and adapted in line with changing needs and circumstances;
- To make optimal use of limited resources, and

- To facilitate speedier and more effective decision-making and implementation of programmes and projects.

### 7.3 INSTITUTIONAL PROCESSES

Institutional arrangements will need to be capable of facilitating a number of key processes in relation to the realisation of the vision and strategic imperatives set out in this document. These include:

- The review and reprioritisation of strategic plans and budgets (by provincial, local government and national departments and agencies) in line with the new economic vision and strategic imperatives;
- The efficient and effective implementation of programmes and activities by such departments and agencies at the operational level;
- The effective coordination and integration of these programmes and activities;
- The introduction of effective mechanisms for consultation and participation;
- The establishment of improved systems for communication, networking and information;
- Awareness raising and the mobilisation of support and resources for the new vision and strategic imperatives;
- Appropriate staffing and capacity building in institutions and agencies, and
- The introduction of effective mechanisms for monitoring and evaluation.

### 7.4 STAKEHOLDERS

A wide variety of stakeholders will be involved in the formulation, implementation and monitoring and evaluation of the vision and strategic initiatives set out in this White Paper. According to a recent research report by the CMC's Directorate of Economic and Social Development, there are at least 105 public, private and NGO economic development agencies and service providers operating in Cape Town alone. Table 7 provides a by no means exhaustive list of some of the main stakeholders involved in the provincial economy.

**Table 7: Examples of Stakeholders involved in the Provincial Knowledge Economy**

§ National Departments (such as the DTI, Labour, Environment & Tourism, Education, Agriculture, Land Affairs and DACST)	§ District and municipal councils
§ National public enterprises (such as Eskom, Telkom & Transnet)	§ South African Local Government Association
§ National agencies (such as SABS, Satour, Ntsika, Khula, the Small Business Development Corporation, the DBSA, IDC and IDT)	§ Wesgro
§ National research councils (such as the CSIR, HSRC, NFR and MRC)	§ The Provincial Development Council
§ NEDLAC	§ Business chambers and associations
§ Sector Education and Training Authorities (SETAs)	§ Black business forums and associations (such as the Western Cape branches of the BMF and Nafcoec)
§ The Provincial Government (Executive and Legislature)	§ Labour Federations (Cosatu, Nactu and Fedusa)
§ Provincial Departments	§ Western Cape Business Opportunities Forum
§ The Cape Town Uni-City	§ The Western Cape Tourism Board
	§ Lanok
	§ Western Cape universities, technikons and private education and training providers
	§ The Western Cape Technology Forum and CITI
	§ A wide variety of NGOs and CBOs

## **7.5 TOWARDS A PARTNERSHIP OF AGENCIES**

In restructuring the institutional architecture for provincial growth and development, the basic principle will be the creation of an integrated and co-ordinated partnership of implementing agencies, with clearly defined functions and responsibilities in relation to the various strategic imperatives and initiatives outlined in this White Paper. Such agencies will include existing institutions such as the Provincial Government, national government departments and parastatals, local authorities, and other statutory boards and agencies operating in the Western Cape (such as the Western Cape Tourism Board). Measures will be taken to strengthen the capacity of these key role-layers, and to ensure that their roles and responsibilities are regularly reviewed.

Given the number and diversity of the existing institutions and agencies that already play an important role in regional growth and development, the Provincial Government is reluctant, as a matter of principle, to enter into the wholesale establishment of new and potentially duplicating structures. A number of new institutional arrangements will be developed in key areas, however, to add value to the existing institutional architecture. These include the proposed Cape Enterprise Agency, as well as a number of ad hoc lead agencies to be established from time to time to undertake specific time-limited projects in support of the economic vision and strategic imperatives. Such agencies will be supported and co-funded by the Provincial Government, in partnership with other spheres of government and the private sector. It is also proposed that the functions and responsibilities of these new agencies are outlined in more detail in the sections below, together with those of key existing institutions.

## **7.6 THE PROVINCIAL GOVERNMENT**

The role of fostering collaboration in economic development between government, business, labour, education institutions and other stakeholders has become the central thrust of regional economic policy internationally. Through building strong networks, facilitating collaboration to ensure the provision of social, physical and institutional infrastructure, promoting active enterprise development and providing flexible regulatory frameworks, regional governments have been able in many parts of the world to make a significant impact on the ability of the economy to generate self sustaining growth and employment, and to compete successfully in the new global knowledge economy. In line with such international trends, the Provincial Government will seek to play a pivotal role in preparing the Western Cape for the knowledge economy of the 21st Century, in particular as a:

- *Visionary*, providing a clear vision and strategic direction for the province;
- *Policy-maker and manager*, especially in the critical areas of education and training, health, infrastructure provision, and poverty alleviation;
- *Funder* of institutions and programmes promoting growth and development;
- *Legislator and Regulator*, providing an enabling and flexible legislative and regulatory framework for economic growth and development in those areas that fall within its functional competence;
- *Innovator*, keeping in touch with world trends and helping to devise new initiatives and programmes;
- *Rallying Post*, bringing together all levels of government, business and civil society in the province around a common vision and shared objectives;
- *Facilitator*, bringing effective access to national (and international) programmes and initiatives;
- *Communicator*, raising awareness and disseminating information to all stakeholders;
- *Negotiator* with parastatals and national and local government for the improvement of infrastructure

and services in the province;

- *Advocate*, ensuring an effective "voice" for the Western Cape in the planning of new national policies and the development of inter-provincial consensus around regional economic strategies.
- *Guardian* of social responsibility, human rights, the environment, the province's cultural heritage, and community safety and security.

Although all of the departments of the Provincial Administration will clearly need to be involved in carrying out these responsibilities, a leading role will be played by the Department of Economic Affairs, Agriculture and Tourism. A list of the specific functions of the Provincial Government is provided in Table 8 below, together with the departments and agencies that will take the lead responsibility for them. These functions are closely related to the strategic imperatives and initiatives set out in Chapter 6 above.

**Table 8: Functions and Responsibilities of the Provincial Government**

FUNCTIONS	LEAD DEPARTMENTS
General economic policy, strategy and planning	Economic Affairs; Planning
Develop a coherent and collaborative approach to provincial sector development	Economic Affairs; Agriculture; Tourism (in partnership with Environmental and Cultural Affairs and Sport)
Policy direction in relation to employment creation for the lower skilled	Economic Development Committee
Ensuring that gender issues are mainstreamed into the strategic imperatives for growth and development	Provincial OSW in the Premier's Office; Gender Focal Points in Departments
Raise public and business awareness about the vital role of Information and Communication Technology (ICT)	Economic Affairs; Education
Expand current ICT infrastructure and accessibility to world-class standards	Economic Affairs
Policy direction on E-Commerce	Economic Affairs
Maintenance of database of general economic information for the province	Planning; IT; Economic Affairs
General economic research (e.g. on the competitiveness of industry, unemployment, and policy-related research)	Economic Affairs (in partnership with Research Councils and HE Institutions)
Delivery of social services to improve the quality of life for all citizens, especially the poorest	Economic Development Committee; Education; Health and Welfare; Housing
Create a more enabling environment for enterprise development (SMEs) including preferential procurement	Economic Affairs; All other departments
Setting of objectives, coordination and monitoring of progress in relation to empowerment	Economic Affairs; Economic Development Committee
Provision of infrastructure for which the Provincial Government has functional responsibility	Economic Development Committee; Economic Affairs; Transport; Planning; Housing
Primary and secondary education	Education
Further education and training and ABET in partnership with other government agencies and the private and NGO sectors	Education; Economic Affairs
Industry-linked teaching and research	Economic Affairs; Economic Development Committee (in partnership with universities, technikons and the private sector)

The conservation, sustainable use and development of the province=s natural environment as a major economic asset	Environmental Affairs; Agriculture; Economic Affairs; Planning
Development of a cost-effective, sustainable and environmentally friendly energy policy	Economic Affairs; Environmental Affairs; Planning
Strategic projects such as the Cape Gateway	Office of the Director-General; Economic Affairs
Creating an enabling environment for Research and Development and innovation	Economic Affairs; Planning; Economic Development Committee; Agriculture; Health; Transport; Environmental Affairs
Coordination of the private equity and venture capital sector	Economic Affairs
Support for local economic development, especially for micro enterprise development via local authorities	Economic Affairs; Economic Development Committee
Marketing of the Cape as a quality brand	All departments and agencies
Crime prevention and community safety and security	Community Safety; Education
Monitoring and evaluation of economic strategy	Economic Affairs; Planning

## 7.7 NATIONAL GOVERNMENT

Although the Provincial Government clearly cannot legislate or determine the roles and financial contributions of other spheres of government in the field of provincial growth and development, it will nevertheless seek to facilitate constructive partnerships with national departments, parastatals and agencies. Examples of some of the core functions and responsibilities of a number of the key national departments and agencies are outlined in Table 9 below. These will be discussed with the relevant stakeholders and refined in greater detail during the White Paper implementation process.

**Table 9: Functions and Responsibilities of National Government Department and Parastatals**

<b>FUNCTIONS</b>	<b>LEAD DEPARTMENT/AGENCY</b>
Incentives and support (financial and non-financial) to industry and business	Department of Trade and Industry (DTI); IDC; DBSA; Khula; Ntsika
FET provision and skills development	Education; Labour
Sectoral training and skills development (SETAs)	Labour
Telecommunication infrastructure	Telkom; Department of Communications
Research & Development and Innovation	Arts, Culture, Science and Technology; Constitutional Development; CSIR
Local Economic Development (LED) support to local authorities	Provincial Affairs and Local Government
Infrastructure	Transport; Public Works; Portnet; Transnet; Airports Company of South Africa (ACSA); Airlines.
Energy	Energy and Minerals; Eskom; Cape Town City
Standards to promote quality and global competitiveness	SA Bureau of Standards (SABS)

## **7.8 LOCAL GOVERNMENT**

It will be equally if not more important for the Provincial Government to develop effective partnerships with local government organs in the province, especially given the lead role assigned by the Constitution and legislation to local government in the areas of local economic development and integrated development planning.

### **7.8.1 The Unicity**

Given that Cape Town contributes about 75% of the population and GRP of the province, and is a key driving force behind provincial development, it will be particularly important for the Provincial Government to develop close collaborative partnerships with the new Unicity as a category A municipality. A detailed investigation of good practice with respect to the delivery of economic development services, carried out by the former Cape Metropolitan Council (CMC, 2000), has identified a number of key service areas for the Unicity. These include:

- Policy and strategy development;
- Metropolitan economic development coordination and facilitation;
- Investment, trade and export promotion (in particular as a major funder of WESGRO)
- Tourism promotion and development for the CMA;
- Major events promotion;
- Sector support initiatives;
- Small business support;
- Major infrastructure and facilities funding and management;
- Management and development of public land and property;
- Community development facilitation;
- Informal trading management.

During the implementation of this White Paper, it will be essential that provincial government processes and institutional arrangements are effectively coordinated with those of the Unicity in these and other key functional areas.

### **7.8.2 District and Municipal Councils**

In ensuring an equitable approach to economic growth and development throughout the province, it will also be essential for the Provincial Government to develop collaborative partnerships with the district and local municipal councils. Both types of council will have a leading role to play in overseeing local economic development outside the metropolitan area, particularly in relation to infrastructure, development planning, tourism promotion and the provision of municipal services. Municipal councils will also have an important role to play in promoting community development, empowerment and participation, as well as supporting the development of small and micro enterprises at the local level. Collaboration between the Provincial Government and local councils will need to be based on a detailed understanding of the specific needs and development challenges and opportunities (rural and urban) of the different sub-regions in the province.

## **7.9 OTHER INSTITUTIONS AND AGENCIES**

### **7.9.1 Tertiary Institutions**

The Provincial Government will develop closer links with the province's tertiary institutions, to encourage and support their greater involvement in areas such as R&D and innovation, business support and industry-linked teaching and research.

### **7.9.2 Statutory Boards and Provincial Parastatals**

Statutory boards and agencies, such as the Western Cape Nature Conservation Board and Cape Tourism, will also play an important role in provincial growth and development, particularly in the areas of tourism and environmental management and protection. WESGRO will also continue to have a leading role to play in investment and trade promotion.

### **7.9.3 The Provincial Development Council (PDC)**

The PDC will continue to provide an important forum for government, business, labour and civil society to meet together to discuss, review and comment on economic policy and related issues, including planning processes.

### **7.9.4 Business and Labour**

Business chambers and associations, and the union federations, which have an important role to play in raising awareness amongst their members about the new provincial economic vision and strategic framework, as well as encouraging their active participation and involvement in the processes of planning, implementation and review.

### **7.9.5 Sector Education and Training Authorities (SETAs)**

SETAs will have a critical strategic role to play in promoting and co-ordinating sectoral training and skills development initiatives and programmes.

### **7.9.6 NGOs and CBOs**

The many NGOs and CBOs active in the province will have an important role to play in the implementation of the vision and strategic initiatives set out in this document, particularly in relation to ABET and adult literacy, community empowerment and local economic development.

## **7.10 AD HOC LEAD AGENCIES**

Formal government institutions and agencies are not always able to respond quickly to the changing dynamics and requirements of the global economic environment, particularly in areas such as R&D and IT. The Provincial Government is therefore considering the encouragement of a number of demand-led "*ad hoc lead agencies*" to take responsibility for specific time-limited projects. These may take the form of "think-tanks" to generate new ideas and initiatives, or of pilot implementation programmes. Because of their time-limited nature, the responsibility for setting up and running such agencies will normally be assigned to an existing organisation (such as a provincial agency, tertiary institution or relevant private

sector body), according to specific terms of reference and performance criteria laid down by the Provincial Government, which will raise and provide the funding. Officials from relevant provincial or local government departments may be seconded to work with the lead agencies, in order to build capacity. Current examples of such lead agencies include Convenco and the Film Commission. Convenco is a joint initiative between the Provincial Government, the CMC and the City of Cape Town to manage the development of the new Convention Centre. The Film Commission is a joint venture between the Provincial Government, the Film Foundation and other key stakeholders. The Provincial Government is also considering co-funding a research institute or project to carry out research and disseminate information on the provincial economy. This may be based at one of the province's tertiary institutions.

## **7.11 CAPE ENTERPRISE**

The Provincial Government will consider the establishment of a new economic development agency, *Cape Enterprise*, to complement and give impetus to the work of the other institutions and agencies outlined above. The precise functions, structure and responsibilities of this new agency will be negotiated with all key stakeholders. It is envisaged that the remit of Cape Enterprise will be to enhance the capacity, competitiveness and export potential of the provincial economy by strengthening existing enterprises (both large and small), facilitating the creation of new enterprises (particularly SMEs and joint ventures), and attracting more productive forms of inward investment into the province. The activities of this new agency will be focused in particular on the attraction of foreign direct investment and on trade promotion. A suggested list of the core functions and responsibilities of Cape Enterprise is outlined in Table 10 below.

Following negotiations with key stakeholders, it is anticipated that Cape Enterprise will be established by a provincial act, with funding from the Provincial Government, local government and the private sector. It will be managed by a Board of Directors and a Chief Executive Officer (CEO), under the overall guidance of a Board of Governors. The Board of Directors will include executive and non-executive directors. It will be relatively small in size, expertise-based, and will meet regularly (most probably monthly) to oversee the operational management of the agency. The Board of Governors will be a larger body, representative of all key stakeholders in the area of economic growth and development in the province. It will meet less regularly (most probably twice a year) to provide advice and exercise broad policy oversight.

**Table 10: Proposed Core Functions and Responsibilities of Cape Enterprise**

CORE FUNCTIONS	RESPONSIBILITIES
<b>TRADE AND INVESTMENT</b>	<p>§ <b><i>Investment Promotion and Marketing</i></b></p> <ul style="list-style-type: none"> <li>- Foreign Direct Investment</li> <li>- Indigenous investment</li> <li>- Targeting investment at sectors that create employment for the lower skilled</li> <li>- Location marketing targeted at specific areas and sectors</li> <li>- Marketing the Cape as a quality brand</li> </ul> <p>§ <b><i>Export Promotion</i></b></p> <ul style="list-style-type: none"> <li>- Within targeted sectors and linked to the growth of enterprises</li> <li>- Collaboration with the Export Development Programme</li> </ul>
<b>RESEARCH AND TECHNOLOGY</b>	<p>§ <b><i>Research</i></b></p> <ul style="list-style-type: none"> <li>- Investment specific research into sectors to facilitate investment and growth in such sectors (particularly those that have already entered or are ready to enter the global market)</li> <li>- Develop and maintain a user-friendly database on sectors and related enterprises for potential investors</li> </ul> <p>§ <b><i>Technology</i></b></p> <ul style="list-style-type: none"> <li>- Promotion of technology transfer, application, exploitation and commercialisation within a sector focus</li> <li>- Targeting support for E-commerce and other cutting edge Internet developments in the world economy</li> </ul>
<b>SME SUPPORT</b>	<p>§ Support for SMEs, focusing in particular on mentorship, professional support, the provision of marketing intelligence, and the structuring of joint ventures</p> <p>§ Assisting enterprises to access funds and support under national and international incentive and assistance schemes</p>
<b>STRATEGIC PROJECTS</b>	<p>§ Developing and implementing strategic projects, such as the establishment of electronic precincts</p>

## CHAPTER 8: RESOURCE IMPLICATIONS

### 8.1 FINANCE

The implementation of the strategic imperatives, policy initiatives and institutional changes proposed in this document will incur inevitable financial costs, associated with the expansion of existing policy initiatives and the development of new ones across the whole range of the strategic imperatives outlined in Chapter 6 above. Examples of such costs include:

- The establishment and operation of the new institutions and agencies, such as the Cape Enterprise Agency and Cape Gateway;
- The introduction of improved ICT systems to improve information flows and networking, such as the proposed Electronic Precinct, Learning in the Cape web-site, and Cape-on-Line network, and
- Capacity building programmes for public officials and other stakeholders involved in the implementation processes.

A *first* priority, therefore, will be to quantify the additional costs in relation to each of the strategic imperatives. This should form part of the process of prioritising and scheduling the various policy initiatives and translating them into feasible strategic and business plans. The *second* priority will be to identify appropriate funding mechanisms and options through which such costs can be met. This should be a shared responsibility between the Provincial Government, local government and national departments such as the DTI, in collaboration with the private and non-governmental sectors, as well as international donors.

In ensuring that the new strategic and institutional frameworks for provincial economic growth and development set out in this document are effectively resourced, the Provincial Government will take the lead:

- By establishing a dedicated growth and development fund, to be known as the *Cape Future Fund*;
- By introducing a more integrated and coherent framework for ensuring that the budgets of provincial departments are optimally utilised and effectively aligned to the strategic imperatives and initiatives set out in the chapters above, as well as to other departmental and provincial imperatives, and
- By the mobilisation and effective utilisation of other funding sources.

#### 8.1.1 The Cape Future Fund

A fund with substantial resources will be established by the Provincial Government in the 2002/2003 financial year to kick-start and sustain key programmes and projects in support of the new strategic framework for growth and development, especially in areas not covered by existing provincial budgets. The fund may be sourced by direct subventions from the provincial budget, and proceeds from the commercial utilisation of provincial government property and assets may also be considered.

#### 8.1.2 An Integrated Framework for Provincial Funding

Funding for many of the strategic initiatives set in Chapter 6 is already contained within the Provincial

Government's budget. A considerable amount has been earmarked in the 2001/2002 budget, for example, for key measurable objectives (KMOs) that are directly related to initiatives and programmes to promote economic growth and development. Provincial departments will ensure that these funds are utilised optimally in ways which are effectively aligned to the strategic imperatives and initiatives set out in this White Paper.

### **8.1.3 Other Funding Sources**

Other funding sources to support the new strategic framework for growth and development will include:

- The Unicity, district councils and other local authorities;
- Improved access to funding under national schemes and programmes;
- Collaboration with SETAs to access funds for training under the new training levy scheme;
- The increasing use of public funds and joint-venture partnerships to leverage greater financial support from the private sector;
- Mobilising additional resources from foreign governments, funding agencies and multinationals for specific projects and initiatives.

## **8.2 CAPACITY BUILDING**

The urgent need to develop South Africa's human resources in general, and those of the public service and local government, in particular, has been stressed in a variety of policy documents, including the *RDP White Paper* (1994), the Department of Labour's *Green Paper on a Skills Development Strategy for Economic and Employment Growth in South Africa* (1997), the *White Paper on Public Service Training and Education* (1998), the *White Paper on Local Government* (1998) and the *Municipal Systems Bill* (1999). In the Western Cape, the Provincial Government has demonstrated its commitment to internal capacity building through the establishment of the Cape Administrative Academy. The Cape Metropolitan Council, in its vision statement, also emphasised the vital role that will be played by human resources development and training in achieving its key values of partnership with all relevant stakeholders, participatory governance, effective service orientation, and a strong commitment to democracy, human rights, accountability and open and transparent government.

The realisation of the vision and imperatives set out in this document will require the development of comprehensive capacity building programmes for provincial and local government officials. These will be designed to increase their awareness and understanding of the impact of globalisation and the knowledge economy on their work and, in particular, to develop the competencies required to successfully manage and implement the policy initiatives outlined in Chapter 6 above. Priority areas for training and development will include the changing global and regional (Southern African) context of provincial economic development; the national legislative and socio-economic framework; policy formulation and analysis; strategic planning, project management and business planning; integrated development planning; sector analysis; SMME development; public-private and public-community partnerships; information technology; and effective networking with the private sector and international agencies. The anticipated outcome is the development of a cadre of professional officials, capable not only of effective strategic planning and programme management in their areas of expertise but also of confident and proactive interaction with a wide variety of domestic and international stakeholders. The introduction of awareness raising and training programmes for elected provincial political leaders and metropolitan and local government councillors will also be essential.

### **8.3 INFORMATION**

In the knowledge economy, information is in many ways the key resource. The introduction of world-class systems for the collection, analysis, management and dissemination of information is widely seen as an indispensable pre-condition for the development and implementation of effective and competitive strategies for regional economic growth and development. Existing systems in the Western Cape, though improving, are currently short of this mark; a fact frequently lamented in the reports of WESGRO and other agencies (see, for example, WESGRO, 1998, p.64). It is for this reason that the Provincial Government has targeted the introduction of an effective collaborative strategy for placing the Western Cape at the forefront of the information and communication super-highway as one of the key strategic imperatives in this document.

This will entail the co-operation of many role-players and the commitment of appropriate resources at the provincial, metropolitan and local levels; the increasing introduction and utilisation of sophisticated ICT systems (such as the proposed electronic precinct and the Cape-on-Line network); the development of improved systems for the collection, interpretation and dissemination of labour market intelligence; the introduction of more effective management information (MIS) systems, the expansion of ICT training programmes; and the establishment of improved links with Statistics South Africa, universities, research bodies and other providers of information and knowledge.

## **CHAPTER 9: CONCLUSION - THE WAY FORWARD**

This White Paper sets out to provide a bold but feasible vision and strategic framework to guide and stimulate the successful development of the provincial economy over the next ten years in ways which meet the twin challenges of increasing competitiveness and alleviating poverty in the context of the global knowledge economy of the 21st century. What it provides, however, is a route map not a detailed blueprint. A major collaborative effort will therefore be required by the Provincial Government and all the other economic actors and stakeholders in the province to translate the vision and strategic imperatives set out in this document into detailed programmes of action that are effectively prioritised, planned, implemented, monitored and reviewed. Although detailed timetables will need to be drawn up to cover the various elements and phases of the programme, it is envisaged that in the first year particular attention will be devoted by the Provincial Government and its partners to:

- Prioritising the strategic initiatives outlined in this document;
- Drawing up detailed targets, plans and budgets for their implementation;
- Re-orienting the Provincial Government's budget for 2002/2003 to support the effective implementation of the strategic initiatives;
- Establishing effective monitoring and evaluation indicators and mechanisms;
- Negotiating and implementing the institutional architecture for provincial economic growth and development set out in this document.

In order to ensure that the strategic initiatives outlined in this document are effectively implemented and reviewed in a well-coordinated and consultative way, the Provincial Minister for Finance, Business Promotion and Tourism will consider the establishment of an appropriate and representative institutional arrangement to take responsibility for driving the process. The establishment of such a body will not only serve to optimise the cost-effective use of available institutional resources, but will also help to mobilise commitment and support for the vision and strategy by providing all key economic role-players in the province with an important stake in the processes and outcomes. Although its precise nature, purpose and composition will need to be determined in consultation with all key stakeholders, it is envisaged that the functions of this body would include the following:

- To discuss and agree specific and realistic priorities, targets and milestones with respect to the various strategic imperatives and initiatives, to guide the work of the main implementing agencies and service providers;
- To recommend appropriate mechanisms for monitoring and evaluation (including performance indicators and measures), and to actively assist in the monitoring and evaluation process;
- To mobilise additional resources in support of the strategic initiatives and priorities;
- To provide a forum through which the activities of the many stakeholders involved in the provincial economy can be effectively coordinated and aligned with the vision and strategic framework set out in the White Paper;
- To raise awareness about the White Paper, disseminate information, provide advice and network effectively with other agencies and stakeholders;
- To provide regular reports and feedback on progress in relation to the strategic imperatives and initiatives to the Provincial Government and stakeholders.

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