

# AN APPROACH TO TOWNSHIP ECONOMY REVITALISATION IN GAUTENG

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**GAUTENG PROVINCE**

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## Outline

- Working definition of township economy.
- Historical context and importance of Revitalisation strategy.
- Objectives of the Township Revitalisation Strategy.
- Methodology of the Township Roadshows.
- Summary of Outcomes from Roadshows.
- Economic Activities in the Townships.
- Strategic Focus Areas (7).
- Areas of future research.

## Definition of Township Economy/Enterprises

- Township economy' refers to enterprises and markets based in the townships.
- Township enterprises are diverse, with high rate of informality and are also survivalist -70% do not last beyond 3 years (GEM, 2014)
- Whilst they are mostly necessity micro-enterprises, characterised by poverty and low-incomes, there are many that were born out of opportunity.
- Both necessity and opportunity enterprises have produced successful black entrepreneurs who have 'graduated' from exclusively serving the township economy (World Bank: 2014).

# Historical context and importance of Revitalisation

Townships of Coal	Cities of Gold
Third world infrastructure	World class infrastructure
Emerging and survivalist	Well established businesses
Second economy	First economy
Semi/underdeveloped	Well developed

- The persistent dichotomy of developed cities and feeder townships.
- How do we change Townships from labour reserves and largely consumption based to investment productive hubs?
- How do we use the comparative advantage of labour to benefit its own citizens?
- How do we integrate township SMMEs into formal value chain?

## The Objectives of Township Economic Revitalisation.

- People from the townships and peri-urban areas should be fully integrated into the core of the Gauteng, South African economy.
- Increase township economic contribution from the current 10% of Gauteng Gross Regional Product to 30% by 2030.
- Increase the number of sustainable entrepreneurs beyond the three-year mortality rate through interventions across the whole value chain of enterprise development.
- According to Finscope (2012), the saving association and stokvels in South Africa has a combined value of R25 billion and the majority are to be found in the township;
- Use the strength of the consumer demographics in the township to create partnership that will convert the township from consumer outposts to productive centres. Township population constitute almost 70% of Gauteng Population of 12.3 million.

## METHODOLOGY

- Township Roadshows between July- September 2014 to solicit inputs for the Township Economy Revitalisation Strategy.
- Regional Summits for consolidation of key issues emanating from Townships.
- Culminating in the Township Revitalisation Summit at Orlando Stadium.

### Township Economic Revitalisation coverage.

<b>Number of Townships visited</b>	65
<b>Average attendance per township visit</b>	500 ( 32 500)
<b>Written submissions received</b>	4 700
<b>Regional Summits attendance</b>	1 600

## Roadshow outcomes.

**The following challenges were recorded from the Roadshows and written submission as the costs of doing business in the townships:**

- Proliferation of foreign-owned business, in particular within the retail sector.
- The government business support services are far from the townships.
- There is a concern that responses by government officials in dealing with entrepreneurs and aspirant ones is poor.
- There is a lack of operating facilities/spaces/land within the township and furthermore constant harassment to those who trade outside the demarcated zones.
- There is a lack of market/market access and information to sell their products.
- The other problems are related to the provision of municipal and government services such water, sanitation, and electricity



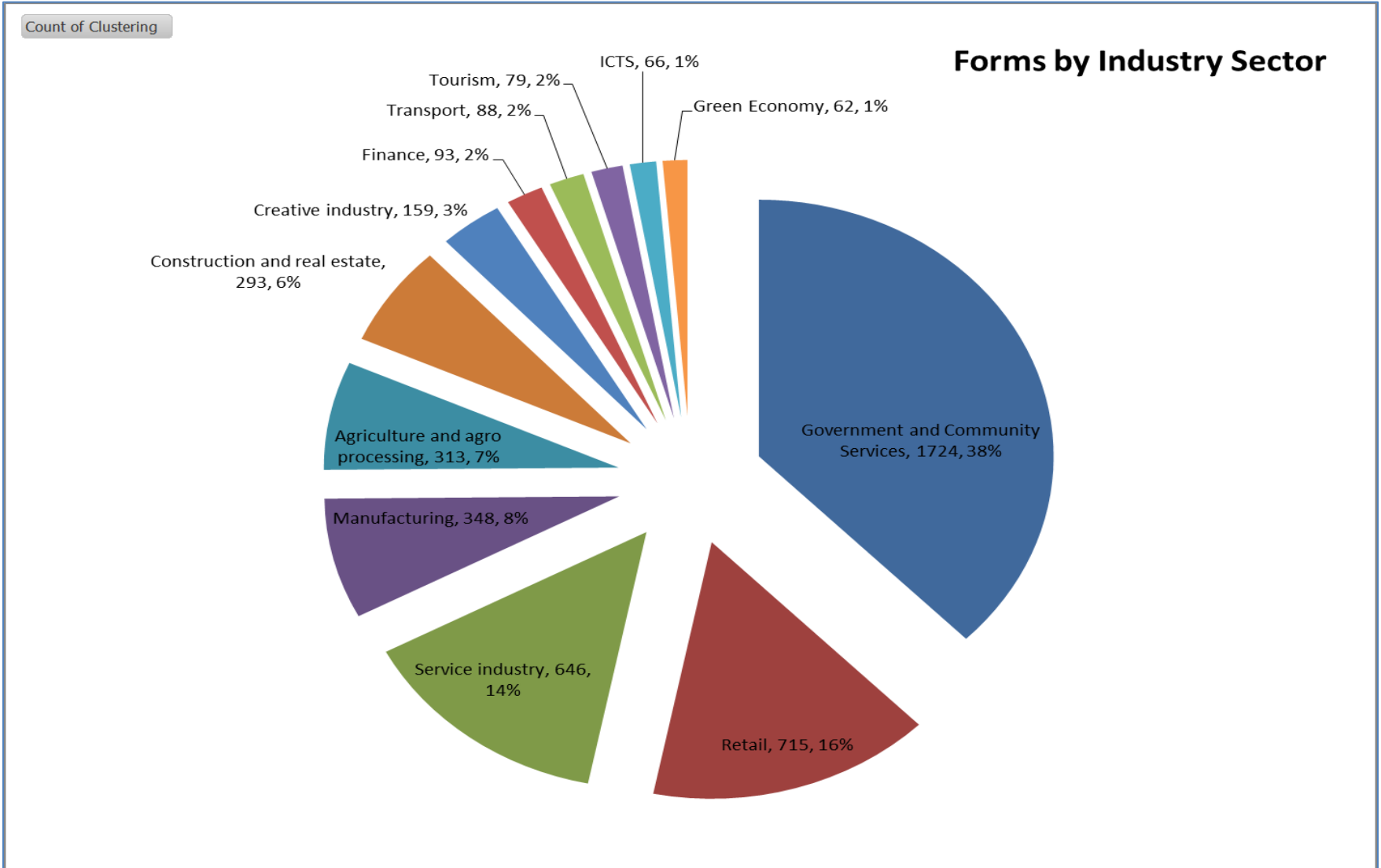
# **ECONOMIC ACTIVITIES (SECTORAL) IN THE TOWNSHIPS**



## Gauteng Township Sector classification

<b>Retail</b>	Baking and confectionary	Spaza shops	Fish and chips	Fruit and vegetable stalls	Butcheries
<b>Service industry</b>	Hair Salons	Shebeens	Shisanyama	Security companies	Gym
	Sewing and Tailoring	Sanitation	Mobile toilets	Car wash	Burial society
<b>Construction and real estate</b>	Brick laying/manufacturing	Construction business	Buying and selling of property	Renting	
<b>Tourism</b>	Tourism guide and logistics	Bed and Breakfast Water sports and recreation parks	Restaurants	Catering and events	Shisanyama
<b>Manufacturing</b>	Clothing and textile	Auto repairs and maintenance	Furniture manufacturing	Steel production	
	Carpentry	Charcoal manufacturing	Welding pipe and fitting	Plastics recycling	Waste and oil recycling
<b>Transport</b>	Automotive cooperatives	Minibus taxi ownership	Logistics companies	Taxi Associations and opening of new lines to Johannesburg	
<b>Agriculture and agro processing</b>	Olive oil for fuel	Biofuel	Milling	Poultry retail	Vegetable production
<b>Finance-</b>	Stokvel	Mashonisa money/lending schemes			
<b>Creative industry</b>	Arts and craft Cinemas	Music Entertainment Company	Fashion design		Coordination of cultural events
<b>Government and Community Services</b>	Child care and early development centres Care for elderly Supply bread for schools hospitals	Clothes for school and police uniforms Furniture for office space	Facilitation of social grants agents	War on drugs	HIV/ AIDS
<b>ICT</b>	Internet solutions in townships	Multimedia service centres			

# Gauteng Township Sector Spread



# STRATEGIC FOCUS AREAS-PROGRAMS FOR IMPLEMENTING THE STRATEGY

*The Township Economy Strategy will be Implemented  
through Seven Strategic Focus Areas:*

## 1. Ensuring an Appropriate Legal and Regulatory Framework

GDED will seek to convene the policy/strategy/by-law Review Panel (provincial and local spheres) with the objective of *reducing the cost of doing business in the townships*.

### **Intended Intervention:**

- Review regulatory framework for township enterprises to ensure they are simplified and cost effective (licensing, permits and registration).
- Remove bias against residential-based retail business (eg: zoning requirements).
- Reduce the costs of the formalisation process for township enterprises through education campaigns.

## 2. PROMOTION OF PRODUCTIVE ACTIVITIES IN THE TOWNSHIPS.

- Appropriate interventions to be undertaken by government and partners to create incentives for manufacturing and production capacity.
- Taking advantage of existing incentives at the national level & supplement with provincial incentives.

### **Intended Intervention:**

- Conduct an inventory of available infrastructure in townships and government buildings.
- Develop programs to support productive and manufacturing capacities of existing township enterprises (Winterveld Enterprise Hub and Mohlakeng Township Hub).
- Identify, promote and support new opportunities for production of goods and services by township enterprises through public procurement.
- Prioritise the development of industrial or manufacturing co-operatives or clusters.

### 3. INFRASTRUCTURE SUPPORT AND CLUSTERED DEVELOPMENT

- The approach is to develop economic and social infrastructure that has bearing on the turnaround of the township economy (roads, water, electricity, ICT etc)

#### **Intended Intervention:**

- Do land audit to determine the availability of public owned land for industrial development (GCRO).
- The government will audit existing public infrastructure in the township, which will be converted into either manufacturing and business parks and as well as sector incubation centres.
- Research feasibility of the clustered enterprises approach( ie: what kind of existing incentives can assist).
- Identify and develop an infrastructure programme for street-level business nodes – particularly for micro-enterprises.
- Identify and develop an infrastructure programme for townships industrial parks and incubation hubs;
- Ensure that community and township enterprise benefit in the development of shopping malls.

## 4. PROMOTING ENTREPRENEURSHIP DEVELOPMENT

- Provision of non-financial and business development support (technical skills, incubation, mentorship and coaching)
- The approach behoves the marrying of financial and non-financial support to the recipients of funding from government agencies.

### **Intended Intervention:**

- Develop a systematic approach for identifying talent in business and social entrepreneurs for enrollment in township economy revitalisation projects.
- Work with education and training providers in government and private sectors to promote entrepreneurship.
- Drive Tshepo 500 000 Campaign for sustainable youth employment through entrepreneurial skills and work opportunities.

## 5. FINANCE AND INVESTMENTS FOR TOWNSHIP ENTERPRISES

- Township enterprises are under-capitalised and struggle to access external finance.
- Ensuring appropriate finance and funding instruments are available for township enterprises are key to broadening financial inclusion and enabling the township economy to develop and grow.

### **Intended Intervention:**

- Significantly re-capitalise Gauteng Enterprise Propeller with dedicated focus on the township enterprises.
- Conduct a feasibility study on a Provincial state-owned bank.
- Conduct a feasibility study on co-operative banks and insurance to promote community ownership, financial inclusion and productive investments in the township economy.
- Work towards creating appropriate models for a township economy solidarity fund to promote additional access to capital or loans for township enterprises.
- Consider the feasibility of a **Township Economy Bond**, with possible linkage to an alternative stock market exchange to promote active investments in the township economy.



## 6. FACILITATION OF MARKET ACCESS

- Addressing challenges beyond production and deals with how the products can be sold, who the customers will be, barriers to entry that are set by monopolies,
- Leveraging on legislations to ensure that emerging entrepreneurs have preferential access to both government and the private markets.

### **Intended Intervention:**

- **Public Procurement:** Review the Treasury Procurement Guidelines, to ensure that supply chain managers in government build databases of manufactures of goods and services that are largely support township SMMEs.
- **Township Community Markets:** Support the formalisation of township economy retail enterprises, especially the spaza shops and hair salons etc.
- **Formal linkages with mainstream business:** Promote linkages with township economy enterprise with mainstream business, especially through cluster enterprise development.

## 7.PROMOTION OF INNOVATION AND INDIGENOUS KNOWLEDGE SYSTEMS

- This refers to the support along the value chain of Research and Development (R&D), from idea generation to product development and commercialisation.

### **Intended Intervention:**

- Work with national bodies on quality of standards to support indigenous knowledge system;
- Work towards standardisation of indigenous products from cultivation to packaging.
- Support the R&D value chain, from idea generation, product development, prototyping, trade marks and copyright and subsequently, commercialization and market support ( The Innovation Hub and SABS).

## KEY REQUIRED RESEARCH

- A baseline study on the township economies and contribution to South African economy.
- Work with research institutions ie: GCRO, Statistics South Africa to build a knowledge base about the township economy.
- Develop methodologies for assessing social and economic impact of township enterprises.
- Work towards branding, quality standards for a 'township economy enterprise' (SABS)

**THANK YOU**