



GAUTENG TOWNSHIP ECONOMY REVITALISATION STRATEGY

2014-2019



GAUTENG PROVINCE
ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

Together, Moving Gauteng City Region Forward

"The significant participation and meaningful inclusion of the people of the township into mainstream economy of Gauteng through their own township enterprises that are supported by the government and big business will be one of the key game changers...The townships must be self-sufficient and vibrant economic centres."

Premier David Makhura, State of the Province Address (June 2014)

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EXECUTIVE SUMMARY

'Township economy' refers to enterprises and markets based in the townships. These enterprises are operated by township entrepreneurs to meet primarily the needs within and beyond the township and therefore can be understood as 'township enterprises' as distinguished from those operated by entrepreneurs outside the township. Township enterprises are diverse, with high rate of informality and provide a range of goods and services to meet the needs of township communities and beyond.

Whilst township enterprises are mostly necessity micro in nature, 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 or trace their roots in the township economy. Meeting the social and economic needs of township communities, on the basis of co-operation and solidarity, has been one of the defining features of township enterprises. Government believes that township enterprises have a distinct and vital role to play in helping to create a vibrant socially inclusive, labour-absorbing and growing economy.

Government's vision is of vibrant and sustainable township enterprises as part of building an inclusive, labour absorbing and growing economy. Successful township enterprises can play an important role in helping to contribute to government's programme of radical transformation, modernisation and re-industrialisation of the Gauteng City-Region economy by transforming townships into sites for productive activities, contributing to socially inclusive wealth creation and helping to foster sustainable livelihoods through job creation, social cohesion and active citizenship.

Government is committed to ensure that township economy contributes at least 30% of the Gauteng GDP by 2030. The strategy sets out a programme of action for the next five years and beyond, illustrating how government together with key stakeholders will take a lead in revitalising the township enterprise activities. Key partners in the delivery of the strategy will include national government and its support agencies, provincial government, local government, the corporate sector, representative and support organisations for different types and forms of enterprises.

Over the last 20 years, there has been a range of government support programmes aimed at micro, small and medium enterprises and co-operatives. These support measures are wide-ranging, combining both financial and non-financial support. In their variety, they aim to address a number of barriers common to all micro, small, and medium enterprises and cooperatives.

These barriers include but not limited to access to capital and financial exclusion, access to operating infrastructure, access to markets, skills development, and monopoly power, to name but a few.

In addition to the above challenges, which were confirmed in a series of government engagements with township entrepreneurs, sector representatives and other stakeholders, there are specific barriers that are more pronounced in township enterprises. These specific barriers are as follows:

- Lack of entrepreneurial and productive activity;
- Poor understanding of the abilities and value of township enterprises;
- Little hard evidence to demonstrate the impact and value-add of township enterprises;
- Limited account taken of the particular characteristics and needs of township enterprises within enabling and supportive environment; and
- Complexity and lack of coherence within township economy sectors combined with widely varying skills and knowledge bases.

The Township Economy Revitalisation Strategy builds on existing government support programmes and responds to the common and specific challenges noted above. The strategy aims to remove these barriers and achieve three key outcomes: Create an enabling and supporting environment based on the seven strategic focus areas for township economy revitalisation, establish the social and economic value of township economy, and ensure that the township enterprises become key players in the Gauteng economy.

At present, there is insufficient detailed information on the number of township enterprises in Gauteng and the government acknowledges that there is an urgent need for research to determine the exact size, strength and spread of the township economy. The strategy recognises that government has a crucial role to play in the promotion of township enterprises, and that awards offer the opportunity to recognise and reward success, promote the township economy, and provide examples of innovative and entrepreneurial models for other enterprises. Township enterprises can also benefit from stronger representative organisations at sector and cross-sector levels, to be a voice for the township economy and to develop capacity and raise quality.

Government's role is to create the environment in which township enterprises can flourish. The Gauteng Department of Economic Development (GDED), with its strengthened agenda local economic development in collaboration with national departments and local government, will do this through a coordinated programme of action. Enabling and supportive environment will be based on the following seven strategic focus areas:

a) Ensuring that there is an appropriate legal and regulatory framework

Government is determined that the regulatory and administrative framework should not hinder the development and growth of township enterprises. The regulatory framework for township enterprises as it relates to licensing, permits or registration will be reviewed to ensure it is simplified, efficient and cost effective.

b) Promoting manufacturing and productive activities

Government will develop a systematic approach to expand the productive capacity of township enterprises by identifying and promoting new opportunities for township-based production for goods and services and clustering of township enterprises as way to concentrate public and private support for the township economy. Government recognises the productive potential of township enterprises, especially in light manufacturing, to support government programme of procuring at least 75% of locally produced goods and services as codified through the Localisation Accord. Whilst different legal forms of these enterprises will be supported, industrial cooperatives and related cooperatives will be prioritised in the selection and development of township industrial enterprises.

The focus on production and related business services will need to be supported by measures that promote the breaking down of the monopoly domination in the value chains. The government will mobilise industrial partners to ensure that they have dedicated supplier development programmes on goods and services that are consumed largely in the townships. Furthermore, the market strength (consumer population dividend) of the township should be used as an advantage to ensure that monopolies cede some of its productive activities to the township enterprises.

c) Economic infrastructure support and clustered enterprise development

Government will support the facilitation of clustering of enterprises within the township space, as way of promoting inter-co-operation among township enterprises, rather than cutthroat competition. This will go a long way in improving their productivity and support the process of formalisation.

Such clustered development approach will consist of a critical mass of enterprises located in geographical proximity to each other and enterprises with common features. In addition, the cluster will include enterprise support institutions. Government will support clustered enterprise development through combination of light touch and heavy touch infrastructure support.

Working with partners, the government will prioritise the infrastructure support for the development of street-level enterprise nodes for micro-enterprises; industrial parks, business parks and sectoral incubation hubs; consumer-owned and controlled retail and wholesale stores; making land available around the township space to enable township enterprises to operate; and rolling-out of broadband infrastructure, which is essential to support township economy and reduce the costs of connectivity to Internet and communications.

d) Promoting entrepreneurship development

Government is committed to support all types entrepreneurship – necessity and opportunity entrepreneurs, business and social entrepreneurs. Special attention will be paid to the identification of talent from township entrepreneurs for enrollment in the township economy revitalisation programmes. Government will work closely with training providers, mentors, whether public sector or private, to ensure that the level and quality of support for township economic enterprises in the province, and in some sectors, is made available to township enterprises.

e) Financing and investing in the township economy

Government is committed to expanding access to finance for township enterprises and ensure greater movement towards self-financing by township enterprises. Government will prioritise a significant re-capitalisation of Gauteng Enterprise Propeller – a government enterprise support agency - with focus on the township economy. The creation of the state-owned bank will also be considered, pending the results of the feasibility study.

Government will help facilitate the development of cooperative banking and cooperative insurance, that owned by township households, enterprises and others, as well as the creation of a Township Economy Solidarity Fund that will involve key stakeholders, including the corporate sector and township enterprises themselves. The Solidarity Fund may be linked to Township Economy Bond to leverage sources of capital in an alternative stock exchange market.

f) Promoting access to markets

Government believes there is a significant potential for mobilising the state buying power to procure goods and services produced and delivered by township enterprises and to change the economic structure of the provincial economy. Public procurement expenditure can significantly change the structure of the economy by supporting township enterprises across the value chain of production.

To achieve this, provincial and local spheres government in particular have an important role in opening up procurement processes through the review of procurement guidelines and creating a list of ring-fenced goods and services to be procured from township entrepreneurs. Government, working together with partners, will promote greater understanding of township enterprises among those responsible for public sector procurement at local, provincial and national spheres.

Despite intense competition, with government support township enterprises have an opportunity for turning their fortunes around and grow their market within and beyond the township. They can be supported to secure community markets through formation of consumer cooperatives (incorporating spaza shops and others) that will mobilise and organise community-buying power to procure (and produce) needed goods and services at competitive prices and good quality. Government is committed to ensure that linkages are established in the supply chain by connecting township enterprises with production networks that operate on a larger scale in the mainstream economy.

g) Promotion of Innovation and indigenous knowledge systems

Working with the national bodies like South African Bureau of Standards (SABS), Agricultural Research Council (ARC), Medical Research Council (MRC) and others, government will ensure that indigenous products such food, medicine and so forth have standards and the holder of such knowledge must be assisted to acquire patents and copyrights for their products. The standardisation of indigenous products on the names, cultivation, processing and packaging will unlock the value chain with substantial benefits for communities in the township and cities in which these activities are clustered. The Innovation Hub (TIH), in collaboration with key stakeholders, will play a critical role in the promotion and commercialisation of innovation and indigenous knowledge systems.

Establishing the social and economic value of the township economy: 'Township economy' is currently not widely understood as a concept, it is also perceived by many to be ill defined. Better support for the township economy will come when government (at all levels), the financial community and support organisations understand its nature and needs better, are convinced of its social and economic value, and alter their practices to incorporate support for township enterprises.

How do we make sure that enabling and supporting environment, based on the seven strategic focus areas of the Township Economy Revitalisation, is achieved? Through this strategy, government has clarified the focus and direction of its work on township economy revitalisation over the next five years and beyond. Because the strategy sets out a wide-ranging and ambitious agenda for change, involving many partners, Gauteng Department of Economic Development (GDED) will develop dedicated and strengthened capacity to co-ordinate and work with other role-players on the implementation of the strategy. Government intends to establish an Inter-governmental Working Group to develop the work plan, coordinate and monitor implementation of the strategy across all spheres of government.

1. INTRODUCTION

In his State of the Province Address, Gauteng Premier, Mr. David Makhura outlined the provincial Ten-Pillar Programme to radically transform, modernise and re-industrial (TMR) Gauteng economy in order to create jobs, eradicate poverty and significantly reduce inequality over the next 15 years. The TMR programme rests on the pillars of:

- Four transformation pillars: radical transformation of the economy, apartheid geography, society and the state;
- Four modernization pillars: modernisation of the economy, the public service, human settlements, urban development and infrastructure; and
- Two re-industrialisation pillars: re-industrialisation of Gauteng and to take a lead in Africa's new industrial revolution.

In the same address, Premier David Makhura further stated that:

"The significant participation and meaningful inclusion of the people of the township into mainstream economy of Gauteng through their own township enterprises that are supported by the government and big business will be one of the key game changers...The townships must be self-sufficient and vibrant economic centres."

Radical economic transformation means confronting the persisting reality of poverty, unemployment and inequality and economic exclusion of the majority of Gauteng population from the mainstream economy. It is in the townships where immense poverty, high unemployment and the impact of deep inequality of the provincial economy are deeply felt. At the same time it is from the townships where collective energies and potentials for driving an inclusive, labour absorbing and growing provincial economy can be unleashed. Hence, supporting township economy is the key driver and a game changer for economic development in Gauteng.

The revitalisation of the township economy in Gauteng to create sustainable jobs, reduce inequality and defeat poverty must be propelled through a comprehensive approach that contributes to the radical transformation of the economy. Township economy revitalisation can influence the performance of the Gauteng economy in terms of labour absorption and social and economic inclusivity.

To achieve revitalisation of the township economy, there is a need to set the parameters of what is called 'township economy' and start from where township economic enterprises are. In this regard Gauteng government embarked upon an extensive consultation process in more than 65 townships involving more than 50,000 existing and aspirant township entrepreneurs. These consultations and contributions by township entrepreneurs were further consolidated through Regional Summits and Township Economy Revitalisation Summit that followed. In between the Summits there have been extensive engagements with sectors representing township enterprises and other big businesses in the mainstream economy to better understand the needs and challenges facing township enterprises.

This strategy embodies these inputs and takes them forward. The strategy first starts by:

- Developing a working definition for a township economy;
- Describing the type of enterprises – formal and informal – those that are active in the township economy, the scope of their activities and the operating principles that are common to many of them;
- Identifying and highlighting the potential of township enterprises to bring economic and social value, particularly to township communities – whether this is about sustainable livelihoods or job creation or building social cohesion or community assets;
- Identifying challenges facing township enterprises as well as new strategic opportunities for growing township economies and expanding the scope of their activities; and
- Developing a framework for township economy revitalisation strategy based on the above.

The strategy sets out key focus areas for township economy revitalisation and identifies where sustainable interventions can be made to improve the lives of millions of township residents and thousands of entrepreneurs and integrate them into the mainstream economy over the next 5 to 15 years. To that end, it combines general and specific sector based interventions. The following are considered the underlying principles for the Township Economy Revitalisation Strategy:

- The focus on township economy revitalisation will require the creative and collective efforts of all sections of our society. It will require leadership and strong governance. It takes account of the new opportunities that are available for the township economy, the strengths it has and the constraints it faces.
- It seeks to develop a collective will and embark on joint action that transforms the township economy that is increasingly entrepreneurial and productive and its benefits accrue to township communities, particularly the youth, women and the physically challenged.
- Achieving the township economy revitalisation requires that government prioritises its own efforts and resources more rigorously to support township economy. Township enterprises and businesses in general must take on the challenge of investing in new productive areas and work together with government to address challenges for building self-reliant and vibrant township economy.



2. TOWNSHIP ECONOMY EXPLAINED

2.1 Defining Characteristics

'Township economy' refers to enterprises and markets based in the townships. These are enterprises operated by township entrepreneurs to meet primarily the needs of township communities and therefore can be understood as 'township enterprises' as distinguished from those operated by entrepreneurs outside the townships. The term "township" refers to old, new, formal and informal human settlements that are pre-dominantly African, Coloured and Indian characterised by high levels of poverty, unemployment and low incomes as well as distance from the main centres of economic activities.

Township enterprises have different legal forms - for-profit and not-for profit enterprises registered under the Companies Act and for cooperative enterprises registered under the Cooperatives Act. However, majority of township enterprises have high rates of informality.

2.2 Scope of activities

Township enterprises are involved in wide and diverse economic activities, ranging from spaza shops, street vending, hair salons, shebeens, minibus taxis, to mechanical services, manufacturing, burial societies, stokvels and child care services (See Table 1). These are largely micro-enterprises with low capital and low skills base. Women entrepreneurs are in majority. The programmes for the Township Economy Revitalisation Strategy will cater for the economic and business activities beyond those listed in Table 1.

TABLE 1: CLUSTERS OF TOWNSHIP BUSINESSES/SECTORAL ACTIVITIES

Sectors	Clusters				
Retail	Butcheries	Spaza shops	Fish and chips	Fruit and vegetable stalls	General Dealers
Service industry	Hair Salons	Shebeens	Shisanyama	Security companies	Gym
	Sewing and Tailoring, including shoemakers	Sanitation (plumbers)	Mobile toilets	Car wash	Burial society
Construction and real estate	Brick laying/manufacturing	Construction business	Property development	Renting	
Tourism	Tourism guide and logistics	Bed and Breakfast	Restaurants	Catering and events	Shisanyama
	Water sports and recreation parks	Heritage tourism	Conferencing	Sports Tourism	Tour operators
Manufacturing	Clothing and textile	Auto body repairs and maintenance Auto mechanics	Furniture manufacturing	Steel production	Tar and oil production
	Carpentry	Charcoal manufacturing	Welding pipe and fitting	Plastics recycling	Baking and confectionary
Transport	Automotive cooperatives	Minibus taxi ownership	Logistics companies	Taxi Associations and opening of new lines to Johannesburg	Tour operators
Agriculture and agro processing	Olive oil for fuel	Bio-fuel	Milling	Poultry retail	Vegetable production

Sectors	Clusters				
Finance	Stokvels	Mashonisa money/lending schemes	Burial societies		
Creative industry	Arts and craft Cinemas	Music and Entertainment	Fashion design Bead making	Music and video production	Coordination of cultural events
	Jewellery designs and manufacturing				
Government and Community Services	Child care and early development centres Care for elderly Feeding Schemes (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 and other chronic ailments Hospices	
	Internet solutions in townships	Multimedia service centres	Technology Application designs	Electronic Repairs	ICT Recycling
	Waste Management	Recycling	Coal and wood making		

The de-industrialisation of the South African economy and subsequently tertiarisation, had pushed the entrepreneurs from the township to periphery of the mainstream economy and re-structured the township economy to service orientated economy, with no manufacturing capacity. Township economy had a minimal contribution in the development of productive sectors of the economy. For instance no township has manufacturing site for train tracks, cement plant, bolts plant, tin plant etc. Townships have become debt-driven consumption based communities instead of vibrant productive centres. And as such, Africans experienced economic exclusion and have relied on labour as the only asset that they can place a price on.

The principal aspect of this path is attributable to the decisions taken by large firms in various sectors. Large firms drive the demand and supply of inputs (access to inputs) and also set the standards and prices within their value chain. The power lies in the value chain and how that affects existing and prospective entrepreneurs' ability to participate in the sector as well as the distribution of returns from such activities throughout the value chain.

The exclusion from these upstream and downstream linkages means that township enterprises will survive on low margins with no comparative or competitive edge. The failure of the government to channel public spending to township economies through competitive regulation regimes as well as lack of access to developmental finance has exacerbated the problem. There is lack of recognition in the importance of social organisation, embracement social capital and handholding approach in supporting township enterprises. The one size fits all enterprise development strategies have further alienated entrepreneurial initiatives in the townships.

Furthermore, the entrepreneurs who have thrived in the township before through trading activists in both formal and informal settings have been chocked off by the influx of foreign national entrepreneurs in the traditional township economic activities. Foreign national entrepreneurs are better organised and posses a competitive edge over local entrepreneurs through networks, bulk buying and ultimately offers goods and services at competitive prices.

What has compounded the stranglehold for local entrepreneurs is the proliferation of shopping malls in the township crowding-out old township general dealers, grocery shops and bazaars as well as informal food and grocery outlets. Furthermore, the aggressive nature of insurance industry has led into many Black African South Africans investing in burial societies who are now linked to the Johannesburg Stock Exchange (JSE). Even the social transfers that are

intended as safety nets for poor households from the fiscus are directed toward burial societies. There is a huge economic leakage of resources from the township to the formal economy, e.g. money spent at shopping malls and funeral parlour leaves the township for the commercial banks and retail owners who do little to re-invest in or support the township economy.

Majority of the township enterprises operate from small scale and suffers from diseconomies of scale hence the on-going vigilante uprising against non South Africans. This has made them to be uncompetitive and many of them have either been crowded-out by shopping malls in the township and have suffered from hostile take-over by foreign entrepreneurs.

Most of them are micro-enterprises, born out of sheer necessity as a response to the problems of poverty and unemployment. They are necessity enterprises dominated by women who are trying to make a living and/or supplementing their incomes because there are no other alternatives. Although poverty characterises township entrepreneurship (low skills, low capital and low income) not all entrepreneurs are poor. Both necessity and opportunity enterprises have produced successful black entrepreneurs who have 'graduated' from serving exclusively the township economy or trace their roots in the township economy.

2.3 Social and economic importance

The goods and services that township enterprises provide have an important economic and social importance to communities they serve – for example:

- a) Minibus taxis, in the absence of the adequate public transport system, have played and continues to play an essential role in daily commuting of millions of township working class to and from work and shopping routines at affordable rates and employing more than 70,000 people in Gauteng;
- b) Spaza shops - This is a R7 billion sector that has historically played a role of a micro convenient grocery store providing basic necessities to township residents within a walking distance;
- c) In response to the need for decent and dignified funeral, thousands of burial societies were born to provide an informal funeral insurance cover at affordable rate - to an estimated 12.5 million members and their dependents. This economic activity is valued at R25 billion; and
- d) Stokvels – These are traditional rotating schemes that have played a role in funding education of black children and providing credit to township entrepreneurs.

2.4 Cooperation and Solidarity

The broad set of principles associated with the township economy is cooperation and solidarity on which growth of the township economy depended. Cooperation refers to a process of working together by township enterprises in every way possible to derive the benefits of competitive advantage. Solidarity refers to an on-going commitment to purchase goods and services within and between townships.

These principles distinguish the township economy from the dominant (mainstream) economy. Instead of cutthroat competition amongst township enterprises (as taxi, or spaza shop owners etc.), there have been varying levels of cooperation and community solidarity.

Government believes that township enterprises have a distinct and valuable role to play in helping to create a vibrant socially inclusive economy. Government recognises the values of cooperation and solidarity that exist in township enterprises and township communities as basis on which township economy could be promoted.

3. OUR STRATEGIC VISION

Dynamic and sustainable township enterprises with the objective of building an inclusive, labour absorbing and growing economy. This vision will be achieved as follows:

- a) Government is committed to ensure that township economy contributes at least 30% of the Gauteng GDP by 2030. This will be a significant improvement from the current estimated 10% contribution;
- b) The township economy revitalisation strategy sets out a programme for the next five years and beyond illustrating how, in conjunction with key stakeholders, government is seeking to revitalise the township economy;
- c) The provincial government is already working across a number of initiatives to promote programmes and ideals that are consistent with these objectives. However, the provincial government acknowledges that there is a need for greater strategic focus and improved co-ordination across all spheres of governments so as to maximise the benefits of existing and new initiatives;
- d) Gauteng Department of Economic Development (GDED) will act as the focal point for this coordination and will assist in the development and implementation of new policies and programmes for township economy revitalization;
- e) Successful township enterprises can play an important role in helping to contribute government's programme to radically transform, modernise and re-industrialise Gauteng City Region economy by:
 - Transforming townships into sites for productive activities;
 - Contributing to socially inclusive wealth creation; and
 - Helping to foster sustainable livelihoods through active citizenship and social cohesion.

3.1. Transforming townships into sites for productive activities

Township enterprises offer goods and services predominantly for the township markets where they seek to address essential community needs. However, township entrepreneurs themselves do not produce most of the products and services traded. A key objective of government policy is to encourage township entrepreneurs to produce everything that is possible within and around a township space, given the infrastructure, skills and technology at their disposal. Township enterprises can be vibrant and engage in productive activities especially for valued-added products and services to meet the needs of the township market and beyond.

3.2. Contributing to socially inclusive wealth creation

Through sustainable economic activities, township enterprises can draw hundreds of thousands (if not millions) of black people into the mainstream economy, not just as workers but also as owners of wealth. Township enterprises, as community-based or localised enterprises, can participate in sustainable economic activities in ways, that ensure the money and benefits from such activities flow directly back into the townships. Though most township enterprises are established to address a specific local or community need, this does not mean that they are incapable of reaching out and successfully delivering their products to wider markets. Real economy impact is often achieved if township enterprises, based on their principles of cooperation and solidarity, are 'clustered' together to benefit from supply linkages and greater economies of scale. Once the critical mass is achieved, there are opportunities for inter-trading, collective access to public, private and non-governmental procurement contracts, cost sharing of services, leading to further growth of township enterprises.

3.3. Sustainable livelihoods – social cohesion and active citizenship

Some township enterprises provide opportunity for the poor households with the mechanism of participating in socially useful work, joining the labour market and supporting government initiatives like Expanded Public Works Programme (EPWP), Tshepo 500 000, Jozi@work and other initiatives. Township enterprises create ways for local people to take ownership of their future, by being actively involved in designing and implementing solutions to fit their own, or their community needs. Cooperative principles - the very act of working together - can bring social and economic benefits. Through working in this manner, people can develop a sense of their own power to change things and a better understanding of wider concepts of active citizenship.

4. THE CONTEXT – MEETING THE CHALLENGES

4.1 Context

About 80% population in Gauteng lives in the townships – that is old and new black residential areas, including informal settlements, which are largely confined to the periphery of the Gauteng economy. The township, from the point of view of apartheid planners, was supposed to be mere dormitories and suppliers of cheap labour to the white dominated mainstream economy. This historical spatial separation of the townships from the main circuits of market exchange and production (the core of the economy) has been aggravated by the post-1994 urban policy programmes, which reproduced the apartheid geography in a new form.

As result the mainstream economy remains entrenched with market and financial institutions, economic infrastructure and regulatory frameworks that are inappropriate for many township entrepreneurs, who often lack production, financial and management skills. The township enterprises also face the difficulty of competing with well-established companies in monopoly and concentrated markets and accessing affordable finance and often suffer disproportionately from crime.

In the last 20 years, there has been a range of government support programmes aimed at micro, small and medium enterprises and cooperatives. These support programmes are wide ranging, combining both financial and non-financial support, and in their variety they aim to address a number of barriers common to all micro, small, and medium enterprises and cooperatives, including township enterprises. These barriers include, but not limited to:

- a) Access to capital – including grants and loans and financial exclusion;
- b) Access to markets – including the preferential procurement;
- c) Skills development;
- d) Enterprise development support – cluster support, business skills and co-op development skills;
- e) The domination of economic sectors, throughout the value chains by few monopoly players.

The Township Economy Revitalisation Strategy builds on existing government support programmes and responds to the common challenges noted above.

4.2 Major barriers specific to township enterprises

In addition to the common challenges facing small enterprises and cooperatives there are more pronounced for township enterprises. These barriers includes, among others:

- a) Lack of entrepreneurial and productive activity;
- b) Poor understanding of the abilities and value of township enterprises;
- c) Little hard evidence to demonstrate the impact and value-add of township enterprises;
- d) Limited account taken of the particular characteristics and needs of township economy enterprises within an enabling framework; and
- e) Complexity and lack of coherence within township combined with widely varying skills and knowledge bases.

4.2.1 Lack of entrepreneurial and productive activity

A number of studies, including the latest study by the World Bank (2014) on the Economics of South African Township, with special focus on Diepsloot, show that the townships have a low rate of entrepreneurial activities in South Africa compared with other countries of the South (Latin America and Asia) and the rest of Africa. When compared with non-township micro, small and medium enterprises, the sector distribution of township enterprises is preponderant with retail than non-township enterprises - Indicating lack of productive activity, particularly in manufacturing activities.

In addition, only 80% of all new businesses in South Africa survive past the first two years - a low rate when compared with other South countries. Factors influencing the lack of entrepreneurial and productive activity are largely historical – the apartheid state suppression, marginalisation and even criminalisation of township entrepreneurship. These

factors include the persisting lack of effective education and training in entrepreneurial skills and basic financial or economic literacy.

4.2.2 Poor understanding of the abilities and value of township enterprises

Township enterprises are not properly understood outside the networks of those within the township economy. Limited understanding has meant that:

- a) Policy makers have not considered township enterprises as a potential (but not only) solution to a wide range of social and economic problems affecting township communities;
- b) Enterprise support providers targeting township enterprises have often not been able to offer appropriate advice;
- c) Financiers have been unsure of the risk and appropriateness of lending models and insurance to the township enterprises; and
- d) Mainstream businesses have not seen the potential for new partnerships or supply linkages emanating from township businesses.

4.2.3 Little hard evidence to demonstrate the impact and value addition of township enterprises

At present, there is limited information on the size and growth of the township enterprises, there are only few and isolated cases of such information. Township enterprises, therefore, are largely 'invisible' and informal. This can make it difficult to plan and provide appropriate government support. One of the reasons for the lack of statistical evidence is that township enterprises create a range of social impacts, beyond their financial return that are hard to measure (even by the township enterprises themselves). Limited information on their social and their financial impact also means that policy makers, enterprise support providers and finance providers find it difficult to assess the economic and social value of targeting township enterprises or include them in their activities.

4.2.4 Limited account taken of the particular characteristics and needs of township enterprises within an enabling framework

The particular characteristics of township enterprises – such as the cooperative and solidarity practices and principles – are not always taken into account by existing financial, legal, and regulatory frameworks and in procurement activities. Addressing the needs of the township economy, which does not fit neatly into mainstream private or public sector models, also poses challenges for government. This can mean that many townships enterprises such as spaza shops and burial societies do not benefit from government initiatives because they are largely unrecognised or supported to grow.

4.2.5 Complexity and lack of coherence within sector combined with widely varying skills and knowledge bases

Understandably and with few exceptions, township enterprises have not always been good at presenting themselves coherently to policy makers, financiers, and enterprise support providers. Combined with a lack of clarity over character of township enterprises and the fact that majority of them are unregistered, this has diluted the impact of the township economy and made it more difficult for their needs to be identified and met.

If township enterprises are to be sustainable, entrepreneurs need to possess good management, financial and production expertise. Because addressing needs or 'survival' drives many necessity entrepreneurs, those supporting and training these enterprises need to be aware of both the 'business' and social side'. However, township enterprises must regard themselves as businesses that seek to become more professional and continuously raise their standards of performance and ambitions.

5. KEY STRATEGIC OUTCOMES

If township enterprises are to be strengthened and increase their contribution to an inclusive, labour-absorbing and growing economy, three key outcomes from this strategy are necessary. Government needs to:

- a)** Create the appropriate enabling environment based of strategic focus areas to revitalise the township economy;
- b)** Establish the economic and social value of township economy; and
- c)** Ensure that the township economy becomes the key player in the provincial economy.

Key action points in the strategy are those that the government believes, with its limited available resources and leverage from the private sector, can most effectively impact on these outcomes. Each of these is considered in more detail in the next chapters.

5.1 The Role of Government

Government's role is to create enabling environment in which township enterprises can flourish. Such enabling and supporting environment will be based on the seven strategic focus areas for township economy revitalisation. These strategic focus areas are identified as follows:

- a)** Ensuring an appropriate legal and regulatory framework;
- b)** Promoting manufacturing and productive activities;
- c)** Economic infrastructure support and clustered enterprise development;
- d)** Financing and investing in the township economy;
- e)** Ensuring access to markets;
- f)** Entrepreneurship development; and
- g)** Promotion of innovation and indigenous knowledge systems.

Government can achieve these in a number of ways, in particular government can:

- a)** Help to ensure that township enterprises are able to increase their entrepreneurial and productive activities;
- b)** Help to ensure township enterprises compete effectively with mainstream economy businesses by 'leveling the playing field' while consolidating their practices of co-operation and solidarity;
- c)** Make sure that the specific and justified needs of township enterprises which are either formal or informal, are recognised and taken into account in policy making and programme delivery;
- d)** Help 'change the culture' and show through the government's own actions, and the promotion of others, that there are ways of doing business which are socially inclusive and sustainable;
- e)** Ensure private sector and all public sector bodies, particularly at provincial and local government spheres actively targets township enterprise goods and services when making procurement decisions;
- f)** Make sure that township enterprises have access to appropriate finance and investments, including creation of own financing systems; and
- g)** Make sure that timely and appropriate enterprise development advice and support measures are widely available to township enterprises as it is to non-township business.

Government can do the above by effectively coordinating, in an integrated way, the existing support initiatives to ensure they are also directed towards township economy. In particular, government will prioritise its limited resources, and mobilise other partners on a clustered enterprise development approach, focusing on sector and spatially directed support, rather than on individual and isolated initiatives.

To succeed in achieving its stated strategic outcomes, government believes a range of measures and interventions

are necessary. There are a number of small-scale, low-key interventions that could be helpful and will be deployed immediately in support of the township economy. Large-scale changes are also required but will obviously take longer to deliver. The strategy therefore encompasses both practical, pragmatic and low-key interventions as well as ambitious game changing interventions.

Key partners in the delivery of the strategy will include national government and its agencies, the provincial departments, local government, range of players representing the township economy, the corporate sector and other stakeholders.

5.2. The Role of Support Institutions

Government does acknowledge that there are many initiatives in the province by enterprise- support organisations in the whole value chain of enterprise development. These organisations or institutions form part of the support infrastructure for township enterprises. They range from non-profit organisations, community trust organisations and corporate social responsibility foundations, trade union initiatives, the cooperative movement and the business associations.

These support institutions are being complimented by provincial and local government development agencies. Government will seek to work in partnership with these and others and build on the work being done in order to ensure that the shared vision for the revitalisation of the township economy is realised.

5.3 The role GDED

Gauteng Department of Economic Development (GDED) is best placed to take a lead on township economy revitalisation. In recognition of the contribution that township enterprises can make in the economic landscape of the province, a dedicated capacity will need to be created within the GDED with the responsibilities to:

- a) Act as the coordinator of policy-making and strategy implementation affecting the township economy;
- b) To champion the township economy;
- c) Take action needed to address the barriers to growth of township enterprises;
- d) Coordinated the development of the annual work plan for the implementation of the strategy;
- e) Monitor the implementation of the township economy programmes;
- f) Conduct impact assessment on the interventions to grow the township economy; and
- g) Identify and spread good practice.

There are various departments and agencies that are responsible for micro, small and medium enterprises and cooperatives across the national, provincial and local spheres of government. Their programmes are critical for greater public investments in the township economy. These initiatives include, among others, urban agriculture, school feeding schemes, green economy, Expanded Public Works Programme (EPWP), infrastructure programmes, arts and culture to name, but a few.

Local government has an important role to play in supporting township economy and creating an environment at the grass roots in which township enterprises can flourish. There are many examples of initiatives by local government for the promotion township enterprises. These initiatives should be incorporated in the township economy programmes.

6. STRATEGIC FOCUS AREAS

The Gauteng Township Economy Revitalisation Strategy will be implemented through seven strategic focus areas that will be converted into implementable programmes. This section discusses in detail the strategic focus areas and key action points to be undertaken to resuscitate the township economy. Enabling and supportive environment will be based on the following seven strategic focus areas:

6.1 ENSURING AN APPROPRIATE LEGAL AND REGULATORY FRAMEWORK

6.1.1 Existing legal forms

Township enterprises are diverse and this is reflected in the different legal and regulatory framework under which they are currently required to operate. Choice of legal model (cooperative or private company) is often determined by the nature of the activities being undertaken by a township enterprise, the requirements of the key stakeholders, the appropriate governance structure and, crucially, the ability to access the required finance.

According to World Bank (2014) only 15% of township enterprises are formally registered compared with 30% of same enterprises in non-township urban areas. Informality has a negative impact in terms of government policies to promote social inclusion, decent work opportunities and productive activities in the township space. Reducing the extent of the informality (of both workers and enterprises) is therefore a key policy objective from a developmental perspective.

Informality has allowed, for example, the domination of township business like spaza shops by foreign nationals. However the process of formalization of township enterprises must be developmental in approach and its benefits should exceed the costs of such undertaking. Often, this can be achieved through regulatory and administrative changes that bear no budgetary costs to the government. In addition, public procurement can be used to stimulate demand from the formal economy, thereby enticing informal enterprises to enter the formal economy.

In recent years, several legislative initiatives have taken active steps to allow many of the informal township enterprises to undergo a process of formalization. These include, but not limited to:

- The amended Cooperatives Act of 2013 – which allows groups like a burial society or a group of burial societies to come together and form a primary or secondary co-op, while retaining some informality at the individual level. The same applies to informal traders who can form, for example, consumer cooperative.
- The Banks Act exemption Notice of 2014, which exempt informal savings groups from the Banks Act, but allows a process of registration as cooperative financial institutions whilst retaining their informality at individual level.
- The Financial Services Board (FSB) exemptions of the burial societies and stokvels (those below R100, 000 of savings deposits) from the old Friendly Society Act.

6.1.2 Regulatory and administrative issues

Township enterprises, because of the variety of legal forms they take, are subject to a variety of regulatory and tax regimes. The South African Reserve Bank and the Cooperative Bank Development Agency (CBDA) has certain registration or supervision responsibilities in relation to cooperative financial institutions, cooperative banks, whereas Companies Act governs profit-driven companies or non-profit companies.

A significant part of the regulatory framework is inappropriate for township enterprises and specifically designed with established mainstream economy businesses in mind. Government is determined that the regulatory, tax and

administrative framework should not hinder the development and growth of township enterprises. There is however, some evidence that some parts of the existing regulatory framework are helpful to township enterprises, for example, the income tax threshold exemptions. Gauteng provincial government will work with new Ministry for Small Business Development to reduce some of the legislative and regulatory burden for township economy.

There is a need for provincial and local spheres of government to review the regulatory framework and by-laws for township enterprises as it relates to licensing, permits or registration and ensure that they are simplified, efficient and cost-effective. Simplification of regulated procedures and forms should remove any bias against residential-based retail business, for instance, in zoning requirements. In addition, special regulatory measures should apply to micro-enterprises like spaza shops owned by foreign nationals in the townships. Such review should allow a formalisation process of many of the township enterprises, including conducting education campaigns on the benefits of formality.

KEY ACTION POINTS: ENSURING AN APPROPRIATE LEGAL AND REGULATORY FRAMEWORK

Government working with its partners will:

- Urgently review the regulatory framework for township enterprises as it relates to licensing, permits and registration to ensure they are simplified, efficient and cost- effective;
- Remove bias against residential-based retail business, for instance in zoning requirements;
- Make special provisions for regulation of spaza shop business by foreign nationals; and
- Allow for formalisation process of many township enterprises through education campaigns on the benefits of formality.

6.2 PROMOTING MANUFACTURING AND PRODUCTIVE ACTIVITIES

6.2.1 Developing a systematic approach to support productive enterprises

It is central to township economy revitalisation strategy to position townships as important sites of production rather than being merely trading for goods and services produced outside the townships. As such a systematic approach will be developed to expand the activities of township enterprises by:

- a) Identifying and supporting existing productive capacities of township economy enterprises;
- b) Identifying new opportunities for production (and related services) that can be supported to meet the needs of the township market and beyond. This will include but not limited to food (agro-processing), and household items, production of uniforms and linen (textile and clothing), funeral undertaking and coffin production (manufacturing), renewal energy, recycling (green economy), urban agriculture, and automotive components; and
- c) Clustering township enterprises as way of concentrating public and private support for growth in productive activities.

6.2.2 Supporting manufacturing and localisation

The government recognises the importance and potential of township enterprises to support its programme of procuring at least 75% of locally produced goods and services as codified through the Localisation Accord. Whilst different legal forms of these enterprises will be supported, industrial or manufacturing cooperatives and related service cooperatives will be prioritised in the selection and development of industrial enterprises.

6.2.3. Breaking down monopoly domination

The strategic focus on manufacturing and productive activities will need to be supported by measures which will promote the breaking down of the monopoly domination in the value chains - many formal monopolies or upstream producers impose high prices on downstream manufacturers and choke-off the development of small and medium enterprises and cooperatives.

As the World Bank (2014) noted in its recent study:

"The dominance of the core production sector leaves few entry points into production or manufacturing of basic consumer goods. In practice, the retail sector heavily dominates South Africa's small business and informal sector, mainly by simply distributing branded products into areas (such as townships and informal settlements) that are not well served by retail networks".

Recent proposals by the national Department of Economic Development (EDD) to tighten regulation of the structure of industrial companies and regulation of pricing (through amendments of the Competition Act) will go a long way in opening spaces for new entrants in the sectors currently dominated by monopolies.

KEY ACTION POINTS: PROMOTING MANUFACTURING AND PRODUCTIVE ACTIVITIES

Government working with its partners will:

- Develop programme to support manufacturing and productive capacity of existing township enterprises;
- Identify, promote and support new opportunities for production of goods and services by township enterprises, including in public procurement;
- Prioritise the development industrial or manufacturing cooperatives;
- Develop an industrial strategy, targeting eleven identified sectors to grow the Gauteng economy; and
- Develop strategies to support efforts to breakdown monopoly domination in various sectors of the economy.

6.3 ECONOMIC INFRASTRUCTURE SUPPORT AND CLUSTERED ENTERPRISE DEVELOPMENT

6.3.1 Inter-enterprise cooperation and support

Whilst the government will continue to provide generic enterprise support, more emphasis will be placed on increasing entrepreneurial and productive activity of township enterprises, and make them successful enterprises through greater clustered enterprise development support. The growth of township enterprises is constrained by limited access to resources and inability to achieve scale and scope economies. Township enterprises can perform better when cooperating than when operating in isolation to each other.

Government, working with partners, is committed to provide facilitation support for building clustered enterprises within the township space, as way of promoting inter-cooperation among township enterprises, rather than cut-throat competition. This will go a long way in improving their productivity and support the process of formalisation.

Cluster development will consist of a critical mass of enterprises located in geographical proximity to each other (a street, neighbourhood) and enterprises that share many common features (common suppliers, markets, sectors etc). In addition these clusters will include enterprise support institutions (public, private and non-governmental), which will provide a range of services, including incubation, skills development, mentoring, coaching, and market information services.

6.3.2 Infrastructure support for clustered enterprises

Infrastructure development for township enterprises will comprise of both light and heavy touch infrastructure. Government, working with partners, will prioritise the development of infrastructure for street-level enterprise nodes for micro-enterprises within the township space – from street leisure (including arts and cultural) and residential-based retail nodes to high street retail and mechanical or taxi services nodes with improved operating facilities. These nodes will allow the clustering of township enterprises and to establish cooperative strategies among themselves such sharing of business services, combating crime etc. The case of Vilakazi Street in Soweto as a street leisure node, demonstrates how local government infrastructure support through public transport (BRT), road upgrading and zoning and business support services can help revitalise township enterprises.

Government is committed to the development of street-level enterprise nodes, which require a process of formalization through recognition of residential-based operating enterprises like spaza shops, whilst promoting others type of enterprise (like home-based manufacturing) to migrate to other street-level nodes or industrial parks. The designated street level nodes must be the focal point for extending provision of public services (e.g water and electricity for enterprises) as well as mobile business support services by government agencies and other partners.

Government will also prioritise development of infrastructure for industrial production facilities (including micro-manufacturing), business parks and incubation hubs, based on successful local and international models will be located within and around the townships, specialising in manufactured products and related services. The case of Winterveld Automotive Hub is a good example of how government support for modern, state-of-the art infrastructure and cluster support for enterprises in the same sector can contribute to technical skills transfer, productive employment, develop scarce skills (in this case auto-repair skills), stimulate township economy by drawing outside investment and establish dynamic supply linkages between township enterprises with mainstream business.

The industrial and business park development will allow a process of rapid incubation of participating entrepreneurs for a period of 3-5 years, and also cooperation amongst participating enterprises (e.g. sharing common services like auditing, marketing etc.). As part of this programme, government will prioritise the development of industrial or manufacturing co-operatives.

Development of infrastructure for consumer-owned and controlled retail and wholesale stores, which could incorporate spaza shops network infrastructure. Such programme could be linked to development of community-owned mini-malls or taxi ranks. At the same time, the concerns of township enterprises about access to and the cost of space in shopping malls should be addressed.

The development of existing and new shopping mall infrastructure must benefit township enterprises both as suppliers and traders within the shopping mall space. Community benefit charters should be promoted for all new corporate developments in the townships. Government, working with key stakeholders, will identify townships that will become sites for industrial and business parks and street level business nodes for mainly micro-enterprises.

6.3.3 Facilitating access to land

Gauteng's landmass of 1.4% of the nation's total implies that the province is land constraint. The lack of coordination among different spheres of government results in government land being sold to the private sector without due consideration for economic and industrial plans. For entrepreneurs on the ground, acquiring land is difficult because of the price tag and reservation for estate development. Government will have to coordinate the access to state land and furthermore partner with private sector and state-owned enterprises to ensure that available land is set aside for

industrial development. A land audit for public-owned land in Gauteng is required to determine how much land is available for industrial development and other activities.

6.3.4 Rolling out broadband infrastructure

Rolling out broadband infrastructure is essential to support township economy and expanding such infrastructure will definitely reduce the connectivity costs. While some townships have access to free WiFi, government aims to ensure that public and business sites in the townships have access to free WiFi and that 100 percent broadband penetration is achieved in Gauteng by 2019.

KEY ACTION POINTS: ECONOMIC INFRASTRUCTURE SUPPORT AND CLUSTERED ENTERPRISE DEVELOPMENT

Government working with its partners will:

- Do land audit to gauge the availability of public owned land for industrial development other economic activities;
- Audit existing public infrastructure in the township, which will be converted into either manufacturing and business parks and as well as sectoral incubation centres;
- Develop framework for the development for clustered enterprises in the townships and financial and non-financial support package for these clusters;
- Identify and develop infrastructure programme for street-level business nodes, particularly for micro-enterprises;
- Identify and develop infrastructure programme for townships industrial parks and incubation hubs, with a minimum of two townships per municipality targeted over the next 5 years;
- Identify and develop infrastructure programme for consumer cooperatives, including development of community-owned mini malls, with at least one initiative per municipality over the next five years;

6.4 PROMOTING ENTREPRENEURSHIP DEVELOPMENT

6.4.1 Supporting all forms of entrepreneurship

As already discussed above, township enterprise tended to have high failure rates and face the challenge of providing quality or sustainable jobs. **Opportunity entrepreneurs** are the major source of job creation and growth while **necessity entrepreneurs** secure people's livelihoods – the latter are in the majority. All these kinds of entrepreneurs need to be supported. Across these groups, and depending on the nature of the enterprises, we find both **business** entrepreneurs and **social** entrepreneurs are concerned with financial return – the former is solely concern with financial return while the later is both social and financial return, with financial return subordinated to meeting the social needs.

The social entrepreneurs are more likely to organise their enterprises as cooperatives, not-for profit organisations while business entrepreneurs as private for companies. Support must take into account general features of entrepreneurship as well their different forms. Government is committed to working more closely with training providers, mentors, whether public or private sector, to ensure that the level and quality of support is available in the province, and in some sectors, is made available to township enterprises.

6.4.2 Supporting talent and education

More specifically, government will develop a systematic approach for identifying talent of business and social entrepreneurs for enrollment in the selected township revitalisation projects. Education and skill levels are fundamental prerequisites for achieving many of the interventions in the strategy. Through Tshepo 500 000, government working with its partners aims to give hope and entrepreneurship skills to 500 000 youth in Gauteng and to create a 500 000 work opportunities for targeted groups over the next five years.

The intervention in skills development must contribute to achieving national goals for producing artisans and apprenticeships from townships by Sector Education Training Authorities (SETAs), Further Education and Training colleges (FETs) and other state-owned enterprises like Transnet and Eskom, especially in manufacturing, construction, maintenance, green economy and other priority sectors. Furthermore, attention should be paid on developing skills for Information Communication Technology (ICT) among township entrepreneurs. Existing support programmes for township entrepreneurs will need to make easily available to township enterprises.

KEY ACTION POINTS: ECONOMIC INFRASTRUCTURE SUPPORT AND CLUSTERED ENTERPRISE DEVELOPMENT

Government working with its partners will:

- Do land audit to gauge the availability of public owned land for industrial development other economic activities;
- Audit existing public infrastructure in the township, which will be converted into either manufacturing and business parks and as well as sectoral incubation centres;
- Develop framework for the development for clustered enterprises in the townships and financial and non-financial support package for these clusters;
- Identify and develop infrastructure programme for street-level business nodes, particularly for micro-enterprises;
- Identify and develop infrastructure programme for townships industrial parks and incubation hubs, with a minimum of two townships per municipality targeted over the next 5 years;
- Identify and develop infrastructure programme for consumer cooperatives, including development of community-owned mini malls, with at least one initiative per municipality over the next five years;

6.5 FINANCING AND INVESTING IN THE TOWNSHIP ECONOMY

6.5.1 Financial exclusion

At present, many township enterprises are under-capitalised and struggle to access external finance (private and to certain extent public), particularly for start-ups and expansion. According the World Bank (2014), "**residents and businesses alike have lower access to financial services in townships than in non-township urban areas. Moreover, adults in townships are twice as likely to be under-banked as adults in non-township urban areas—and, in terms of credit, are two-thirds less likely to have a loan from a bank but one-third more likely to rely on one from family or friends.**" This demonstrates that the reality of financial exclusion is not merely a rural phenomenon and also reflects the high rate of informality in township enterprises noted above.

Ensuring appropriate finance and funding instruments are available for township enterprises are a key to broadening financial inclusion and enabling the township economy to develop and grow. It is also central to this strategy to encourage township enterprises towards greater self- financing.

Government will prioritise significant re-capitalisation of Gauteng Enterprise Propeller (GEP), with appropriate funding instruments covering all types of township enterprises. Its funding model; which includes, grants and loans; must be strengthened and also leverage from external funding. At the same time government will need to consider the creation of a state- owned bank at the provincial level, which will help fund the township economy. Feasibility study will need to be conducted to explore various models for such a bank.

6.5.2. Building cooperative finance

Strengthening access to cooperative finance for township enterprises in order to bring more township residents into the mainstream economy and thus widen the enterprise pool in the townships and the province is one key step to promote the growth of new enterprises. Traditional forms of cooperation and solidarity in community finance exist in all the townships and they remain vibrant to this day. Well known are the rotating savings groups – known as **stokvels** (also known as social savings clubs) that are omnipresent in townships and involve a large number of people. For many generations they have contributed to the well being of hundreds of thousands of township households.

Burial societies, which can be considered a form of micro-insurance, are also widespread. A recent FinMark Trust (2013) survey estimates that 29% of adults in the townships are members of burial societies. Other studies indicate that burial societies and **stokvels** members in Gauteng alone contribute more than R25 billion annually – yet they benefit little from their investments in the commercial banks. These traditional self-help groups share common principles of modern cooperatives. However, both **stokvels** and burial societies face many internal and external challenges – organisational or basic management skills, lack of legal status and exploitation by commercial service providers (banks, insurance companies and funeral parlours, etc).

Above all, majority of them remain isolated to each other and unrecognised or supported by government – the 1934 Friendly Society Act that still operates, exempt burial societies from regulation by the Financial Services Board (FSB) and this legislation is largely inappropriate for burial societies. So far there has been no successful and effective effort to organise burial societies at representation or service provision – although there exist several efforts to organise them at secondary cooperative or federation or associational levels.

The World Bank report (2014) notes the:

"lack of microfinance or cooperative institutions that might be suitable for serving the poor and MSMEs (township enterprises) and might bridge the financial service space between informal service providers such saving clubs, stokvels, and burial societies, on one hand, and formal banks".

Through township economy revitalisation strategy, government responds to the challenges facing burial societies and stokvels and identifies new opportunities for greater vibrancy and growth, especially their potential formalisation through cooperative enterprise forms. These opportunities include but not limited to the following:

- **Own cooperative banks** that are owned and controlled by those who bank at them and have bank accounts in them, bringing better returns on their investments and providing a range of services and products to their members. This is made possible by Cooperative Banks Act of 2007 and government support agency – the CBDA; and
- **Own cooperative insurance** owned and controlled by those who pay premiums- providing a range of products including that funeral, insuring enterprise risks and other benefits to their members. This is made possible by National Treasury proposals to provide special dispensations for cooperative burial societies to enter the world formal micro-insurance.

6.5.3 Township Economy Solidarity Fund

In addition to developing cooperative banking and insurance institutions, the need to increase funding and investments in the township economy will require creating of new funding vehicles to attract investments by the corporate sector and other stakeholders. A township economy solidarity fund could play a role of providing loans or capital participation to township enterprises and those who are financial excluded by conventional banks. It could receive funding contributions, not on the basis of high financial return but on the contribution to the development of township economy. This fund could also be linked to the creation of the Township Economy Bond that may be linked to a possible alternative stock exchange, along the lines of the Polish investments stock market to attract investment from Johannesburg Stock Exchange listed companies.

KEY ACTION POINTS: FINANCING AND INVESTING IN THE TOWNSHIP ECONOMY

Government working with its partners will:

- Significantly re-capitalise GEP with dedicated focus on the township enterprises;
- Conduct a feasibility study on the establishment of state-owned bank for the province;
- Establish a programme for cooperative banks and cooperative 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; and
- Consider a feasibility study for the Township Economy Bond, with possible linkage to an alternative stock market exchange to promote active investments in the township economy.

6.6 ENSURING ACCESS TO MARKETS

6.6.1 Public procurement

It is estimated that the Gauteng provincial government's procurement expenditure on goods and services and infrastructure, amounts to R16 billion per annum. The vendor lists (at sector departments) is dominated by distributors who act as middlemen for imported manufactured products. Government believes that public procurement spend can contribute to changing the structure of the economy, by supporting the creation of township enterprises across the value chain of production.

There is a significant potential for mobilising the state buying power to procure goods and services produced and delivered by township enterprises and changing the economic structure of the economy. Provincial and local spheres of government in particular have an important role in opening up procurement processes. We also need to build know-how in procurement issues amongst township enterprises and their support institutions and organisations.

6.6.2 Support township community markets

Township enterprises, with exceptions, still remain outside of the main circuits of market exchange. The primary source of their goods and services remains township community markets and they have played an important role in structuring these markets.

However, recent years have seen aggressive competition by well-established firms through proliferation of shopping malls and foreign owned micro-retail shops which have penetrated the township markets, leading to collapse of traditional community stores and economic value flowing out of the townships and even of out of country. The reality is that old forms of community solidarity, such as supporting local spaza shops have been eroded.

Despite intense competition, with government support the township enterprises have opportunities of turning their fortunes around and grow their market within and beyond the township. They can be supported to secure community markets through formation the consumer cooperatives (incorporating spaza shops and others) that will mobilise and organise community-buying power to procure (and produce) needed goods and services at competitive prices and good quality. Such opportunity will be supported by:

- a) Supporting initiatives that establish internal township linkages between producers and sellers;
- b) Government procurement spend and special provisions for township enterprises;
- c) Regulation of township retail business (for example – formal recognition/registration of a residential-based spaza shop model as a convenient store) by municipalities; and
- d) Infrastructure support.

6.2.3 Establishing formal linkages with mainstream business

As part of the strategy for cluster enterprise development through industrial parks and hubs, government is committed to ensure linkages are established in the supply chain by connecting township enterprises with production networks in the mainstream economy. There several local examples of such initiatives such as those at Winterveld automotive hub, the training manufacturing programme for Transnet and Passenger Rail Agency of South Africa (PRASA). There are private sector initiatives, in partnership with government, such as those anticipated in the Diepsloot SMME Hub. Government is committed to promoting such linkages in other sectors of the economy and will also use its procurement provisions to promote such linkages.

KEY ACTION POINTS: ENSURING ACCESS TO MARKETS

Government working with its partners will:

On Public Procurement

- Review the Treasury Procurement Guidelines, to ensure that supply chain managers across all spheres of government build databases of manufactures of goods and services that are largely consumed by government and all its agencies;
- Create list of targeted public procurement spend on goods and services and infrastructure for township enterprises, with specific items procured in the initial years of strategy implementation;
- Publish on government website the list of procurement contracts and spend over R10 000, including whether it is a township economy enterprise;
- Work with partners to promote greater understanding of township enterprises among those responsible for public sector procurement at local and provincial and national level; and
- Prepare and disseminate, to township enterprises and their support organisations, a 'toolkit' which will distill good practice for township economy enterprise in acquiring public sector business.

On Township Community Markets

- Support formation of consumer cooperatives; and
- Support the formalisation of township economy retail enterprises especially the spaza shops, hair salons etc.

On formal linkages with mainstream business.

- Promote township economy enterprise linkages with mainstream businesses, especially through cluster enterprise development.

6.7 PROMOTION OF INNOVATION AND INDIGENOUS KNOWLEDGE SYSTEMS

The central challenge for governments and civil society, particularly in the South countries, is how to provide promotion and protection for indigenous knowledge systems. The South African government has placed a great degree of emphasis on the development of Indigenous Knowledge Systems (IKS) policy and legislation, which will significantly protect, develop and promote IKS. This will help improve the livelihood and economic well being of the indigenous and local communities, by ensuring equitable and fair benefits sharing.

The knowledge of individuals and communities is the only real competitive advantage that any country can rely upon to develop. The role of The Innovation Hub (TIH) will be to mobilise knowledge owners across various communities, assist those who are in ICT application space and refer those who are operating beyond TIH mandate to organisation such as CSIR, Universities, Department of Science and Technology.

It thus becomes a responsibility for TIH to ensure that all the referrals have been attended to and to further monitor the end of the value chain for Research and Development (R&D) such as product development through partnerships with institution such as Productivity Institute and South African Bureau of Standards (SABS). TIH will provide incubation services and facilities, which involves prescreening processes, business support systems (mentorship, technology support, market access, market exposure, and seed funding) to help the entrepreneurs to progress through the different phases of their business cycle up to commercialization stage.

Working with the national bodies like SABS, Agricultural Research Council, Medical Research Council and others, Gauteng will ensure that indigenous products such food, medicine and so forth have standards and the holders of such knowledge are assisted to acquire patents and copyrights for their products.

The standardization of indigenous products on the names, cultivation, processing and packaging will unlock the value chain with substantial benefits for communities in the township and cities in which these activities are clustered, here one refers to areas such as Mai Mai and Faraday in the City of Johannesburg.

KEY ACTION POINTS: PROMOTION OF INNOVATION AND INDIGENOUS KNOWLEDGE SYSTEMS

Government working with its partners will:

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

7. ESTABLISHING THE SOCIAL AND ECONOMIC VALUE OF TOWNSHIP ENTERPRISES

'Township economy' is currently not widely understood as a concept, it is also perceived by many to be ill defined. Better support for the township economy will come when government (at all levels), the financial community and support organisations understand its nature and needs better, are convinced of its social and economic value, and alter their practices to incorporate support for township enterprises.

To achieve these, there is a need to be able to demonstrate the current and potential contribution of the township economy to the provincial economy. There is a need to engage in active promotion, to give a higher profile to the township economy and help spread understanding. Raising awareness and celebrating success and entrepreneurial achievement is important. The township enterprises also need to come together to make township economy stronger and more visible. Work to enable township enterprises to measure their social and economic impact, to benchmark themselves against other enterprises, and to reach appropriate quality standards, will also help to establish the value of township enterprises.

7.1 Establish baseline data through research

Township enterprises are diverse in scope and activity, but there is a need to go further and build up a comprehensive evidence base in order to be in a position to quantify and measure its scale and value. Knowing the extent and scale of township enterprises in the province is critical to establishing its credibility. Furthermore reliable evidence will allow government and others key stakeholders to develop a more accurate assessment of the demand for finance and support required, to consider how best to facilitate networking within the townships and between townships, and monitor changes in the township economy over time.

At present, there is no precise estimate of the number of township enterprises in the province and government acknowledges that the informality of many of them makes this difficult. There is an urgent need for qualitative and quantitative research to determine the exact size, strength and spread of the township economy. Government will work with public research institutions and organizations doing research in the private and non-governmental sector to build our knowledge base on the township economy.

7.2 Recognising achievement and spread the word

Awards offer an opportunity to recognise and reward success, promote the township economy, and provide examples of innovative and entrepreneurial models for those within the township economy. Awards can also help to identify township enterprises that are new, exciting and growing quickly. Government will support initiatives to promote awards for township enterprises.

7.3 Creating trust

7.3.1 Auditing value

Township enterprises create a range of impacts that are broader than just financial return. If township enterprises measured with authority and certainty their social and other impacts, such proof of the true value of the businesses could significantly reduce some of the obstacles they face in terms of access to finance and accessing for public sector contracts. Individual enterprises or a group of them, need to be measured, not only against the targets that they may set themselves, or their performance year-on-year, but also to show how they are performing compared with their peers in both the township and the mainstream economy.

While it is not the government's intention to make social auditing mandatory, we do believe there are real economic and social gains for enterprises that use appropriate mechanisms to evaluate their impact and improve their performance. Government believes a better range of accredited tools, techniques and benchmarks are needed to enable organisations to measure and evaluate outcomes including social and economic impact.

7.3.2 Quality standards, branding and accreditation

Because township enterprises are often poorly understood, customers and contractors may not have the same confidence that they will be able to deliver a minimum quality level and standards as they would if dealing with a mainstream businesses. In order to gain credibility for the township economy, government believes that it may be helpful to develop and agree on minimum standards of behaviour or an accreditation system which allows a 'township enterprise' to be clearly identified. This could include developing a common branding scheme for the township enterprises.

7.3.3 A strong voice for the township economy

Many township enterprises are small or micro and widely dispersed across the province and across all sectors of the township economy. They often feel isolated and believe that their voice is not heard in the development of policy. There are many organisations that represent black business and with membership largely located in the townships. They are sector and cross-sector based. Given that township enterprises are largely micro in nature, they often lack resources or capacity to unite, serve and represent their members.

There is a need to engage these organisations towards stronger focus on the township economy and better organization and representation. Such support will include funding for cooperatives and business associations. Government will assist these organisations to:

- Be a voice of township enterprises;
- Develop capacity and raise quality within the township economy;
- Develop targeted initiatives; and
- Work for a legal and financial framework that will encourage the growth and development of township enterprises.

Government will continue to facilitate a township economy network at local, regional and provincial levels, as a platform for engagement, networking and exchanges among township entrepreneurs and between township entrepreneurs and government. It is important part of building the network to ensure that dynamic linkages are established between township enterprises.

KEY ACTION POINTS: ESTABLISHING THE SOCIAL AND ECONOMIC VALUE OF TOWNSHIP ENTERPRISES

Government working with its partners will:

- Urgently commission a baseline study on the township economy;
- Work with research institutions on building a knowledge base about the township economy;
- Develop methodologies for assessing social and economic impact of township enterprises, including encouraging a social auditing of these enterprises;
- Work towards branding and quality standards for a township economy enterprise;
- Promote awards events for township enterprises; and
- Foster and support a network for township economy to strengthen one voice within the sectors and cross-sectors of their representative organisations.

8. MAKING SURE IT HAPPENS

Through this strategy, government has clarified the strategic focus and direction of its work on township economy revitalisation over the next five to fifteen years. In this strategy, government has articulated its vision of dynamic and sustainable township enterprises, strengthening an inclusive, labour absorbing and growing economy. The strategy has set out the outcomes to be achieved: To create an enabling environment based on seven (7) strategic focus areas to revitalise township economy and create social and economic value of township enterprises. To this end, government is committed to ensure that township economy contributes at least 30% of the Gauteng GDP by 2030.

Because the strategy sets out a wide-ranging and ambitious agenda for change, involving many partners, the GDED will build a dedicated capacity on township economy to:

- a)** Coordinate work across provincial government and the municipalities, to ensure that where change is needed, action is taken to bring that about the required change; and
- b)** Work with and support practitioners and other key stakeholders as they implement their parts of the strategy.

Government intends to establish high-level coordination through Inter-governmental Working Group to guide the coordination, monitoring and evaluation of the strategy implementation through the development of an annual work plan. The Chair and Secretariat of the Working Group will be provided by the GDED. This Group will meet on regular intervals to report on progress and alert members to new issues and initiatives arising. The Group will draw up a work plan, allocating specific tasks on agreed timetable. The Group will keep Economic Cluster Members of Executive Council (MECs) informed and, at their request, set up Social Cluster meetings as appropriate. The strategic direction and priorities will be reviewed as circumstances change. Government will provide progress report on the township economy on quarterly basis to show what has been achieved so far and what are challenges and proposed solutions going forward.

KEY ACTION POINTS: MAKING SURE IT HAPPENS

Government will:

- Establish a dedicated capacity for township economy within the GDED; and
- Establish a high-level Inter-government Working Group to guide the coordination, monitoring and evaluation of the strategy implementation.

9. CONSOLIDATED KEY ACTION POINTS FOR STRATEGY IMPLEMENTATION

Key action points to be taken forward by the government and /or in partnership with stakeholders in the implementation of the strategy are consolidated as follows:

A) CREATING ENABLING ENVIRONMENT

Ensuring appropriate legal and regulatory framework

Government working with its partners will:

Urgently review the regulatory framework for township enterprises as it relates to licensing, permits and registration to ensure they are simplified, efficient and cost- effective;
Remove bias against residential-based retail business, for instance in zoning requirements;
Make special provisions for regulation of spaza shop business by foreign nationals; and
Allow for formalisation process of many township enterprises through education campaigns on the benefits of formality.

Promoting manufacturing and productive activities

Government working with its partners will:

- Develop programme to support manufacturing and productive capacities of existing township enterprises;
- Identify, promote and support new opportunities for production of goods and services by township enterprises, including in public procurement;
- Prioritise the development industrial or manufacturing cooperatives;
- Develop an industrial strategy, targeting eleven identified sectors to grow the Gauteng economy ; and
- Develop strategies to support efforts to breakdown monopoly domination in various sectors of the economy.

Economic Infrastructure support and clustered enterprise

development Government working with its partners will:

- Do land audit to gauge the availability of public owned land for industrial development other economic activities;
- Audit existing public infrastructure in the township, which will be converted into either manufacturing and business parks and as well as sectoral incubation centres;
- Develop framework for the development for clustered enterprises in the townships and financial and non-financial support package for these clusters;
- Identify and develop infrastructure programme for street-level business nodes, particularly for micro-enterprises;
- Identify and develop infrastructure programme for townships industrial parks and incubation hubs, with a minimum of two townships per municipality targeted over the next 5 years;
- Identify and develop infrastructure programme for consumer cooperatives, including development of community-owned mini malls, with at least one initiative per municipality over the next five years;
- Roll-out broadband infrastructure to ensure that Gauteng achieves 100% broadband penetration by 2019; and
- Ensure that community and township enterprises benefit in the development of shopping malls by big retail chain stores in the townships.

Promoting entrepreneurship development

Government working with its partners will:

- Develop strategies to support all forms of entrepreneurship;
- 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, including incubation, coaching, mentoring services to promote entrepreneurship;
- Drive Tshepo 500 000 Campaign to give hope to youth through entrepreneurial skills and work opportunities; and
- Ensure that information about existing government (and private sector) programmes supporting enterprises is easily available to township entrepreneurs.

Financing and investing in the township economy

Government working with its partners will:

- Significantly re-capitalise GEP with dedicated focus on the township enterprises;
- Conduct a feasibility study on the establishment of state-owned bank for the province;
- Establish a programme for cooperative banks and cooperative 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; and
- Consider a feasibility study for the Township Economy Bond, with possible linkage to an alternative stock market exchange to promote active investments in the township economy.

Ensuring market access

Government working with its partners will:

(On Public Procurement)

- Review the Treasury Procurement Guidelines, to ensure that supply chain managers across all spheres of government build databases of manufacturers of goods and services that are largely consumed by government and all its agencies;
- Create list of targeted public procurement spend on goods and services and infrastructure for township enterprises, with specific items procured in the initial years of strategy implementation;
- Publish on government website the list of procurement contracts and spend over R10 000, including whether it is a township economy enterprise;
- Work with partners to promote greater understanding of township enterprises among those responsible for public sector procurement at local and provincial and national level; and
- Prepare and disseminate, to township enterprises and their support organisations, a 'toolkit' which will distill good practice for township economy enterprise in acquiring public sector business.

(On Township Community Markets)

- Support formation of consumer cooperatives; and
- Support the formalisation of township economy retail enterprises especially the spaza shops, hair salons etc.

(On formal linkages with mainstream business)

- Promote township economy enterprise linkages with mainstream businesses, especially through cluster enterprise development.

Promotion of Innovation and Indigenous Knowledge

System Government working with its partners will:

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

B) ESTABLISHING THE SOCIAL AND ECONOMIC VALUE OF TOWNSHIP ENTREPRENEURS

Government working with its partners will:

1. Urgently commission a baseline study on the township economy;
2. Work with research institutions, including GCRO, on building a knowledge base about the township economy;
3. Develop methodologies for assessing social and economic impact of township enterprises, including encouraging a social auditing of these enterprises;
4. Work towards branding and quality standards for a township economy enterprise;
5. Promote awards events for township enterprises; and
6. Foster and support a network for township economy to strengthen one voice within the sectors and cross-sectors of their representative organisations.

C) MAKING SURE IT HAPPENS

Government will:

- Establish a dedicated capacity for township economy within the GDED; and
- Establish a high-level Inter-government Working Group to guide the coordination, monitoring and evaluation of the strategy implementation.





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