

Township & Rural Economy Development: *Measures to unlock and grow the full potential of the township economy*

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PRESENTATION TO THE NCOP



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PRESENTATION OUTLINE

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INTRODUCTION

- Townships are at the centre of this triple crisis – high unemployment, persistent poverty and record-high levels of inequality.
- Unemployment exceptionally high among the youth, women, Blacks, those with lower levels of education, or those who reside in historically excluded areas such as townships.
- Poverty levels relatively high in townships, estimated at 55.5% in 2022 – promoting economic divide between suburbs and cities and historically excluded areas such as townships, resulting in high Gini coefficient of 63% for SA – making it the most unequal society in the world.
- Existing manufacturing characterised by short value chains and hardly any integration with external markets – with majority of products sold by township enterprises exclusively produced by large companies outside townships.



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INTRODUCTION

- The Reimagined Industrial Strategy (RIS), presents a multipronged approach to industrial development and emphasises on building partnerships with the private sector to catalyse job-creating investment.
- RIS highlights revitalisation of townships as one of the five (5) engines of growth with a particular objective of achieving economic inclusion.
- Glaring concern is the absence of overall picture / vision of how the 3-spheres of government collaborate with the respective local economies, to ultimately feed into the national economy trajectory
- Summarily, townships have significant heterogeneity with varying challenges and opportunities – thus one-size-fits-all solutions will not work.



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Problem Statement

- **Absence of coherent policy and strategic alignment** to address the township & rural economies amongst the 3-spheres of government
- **Information asymmetry** is still a factor in determining the winners in the economy
- **Lack of supporting economic / industrial infrastructure** for township & rural economies
- **High levels of unemployment** giving rise to uncontrollable crime syndicates that often lead to the collapse of economic development initiatives
- **Lack of facilities for logistics and distribution supplies** leads to inefficient supply and services delivery in townships and rural communities
- **Poor linkages to national value chains** inhibit opportunities to supply to the market
- **Uncoordinated approach on financial support** results in failure of sustaining government led infrastructure development initiatives



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Objectives of Township & Rural Economy Intervention

- **Develop a coherent Township & Rural Economy Development framework** to support Township Enterprise Hubs / Zones / Clusters (including economic corridors – to promote interprovincial and cross border development) – in partnership with Provinces, DFIs and private / industry
- **Understand, identify and quantify economic opportunities** (that drive localisation and import substitution) – in collaboration with industry, chambers / councils / associations, etc. and also use local municipalities procurement spent to drive localisation
- **Provide critical infrastructure support** (primarily for manufacturing and value add opportunities & investments) in state owned Industrial Parks that are in townships & rural based
- **Develop diagnostic growth framework** to guide inclusive economy and equity practices for sustaining township & rural enterprises / industrial clusters



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Strategic approach

- **Mapping existing economic and non-economic factors** that are endemic in the construct of townships & rural economy
- **Identify & quantify opportunities** to be packaged for support through financial and non-financial services
- **Use a clustered or agglomeration approach** to support economies of scale production to strengthen local value chains and integration
- **Work on existing initiatives to develop demonstration Case Studies** that promote integrated practice in the implementation of township & rural economy



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Township Mapping & Opportunities Study

- **Profile the township & rural economies** – under economic (including industrial), demographic (e.g. gender, age, disabilities, qualifications) and other key social characteristics.
- **Identify current support mechanisms for the township & rural economy** - policy instruments (funding or incentive packages by both government and the private sector); sector support systems, and governance support structures.
- **Identify the critical challenges affecting economic development**, specifically with the lens on industrial development in townships. This will highlight practical and concrete examples
- **Identify current and possible funding and financial instruments** that can advance township & rural economies
- **Recommend key industrial and related economic opportunities** for support in 52 townships, including specifying the support required and role players required in providing the support.

PROGRESS TO DATE

- **Service provider (Genesis Analytics) appointed in September 2022** – for mapping and identifying of opportunities in 20-townships. 52 Townships will be sampled from all districts / metros. **Rural economic nodes** will also be included in the mapping exercise. The following are the key consideration for township & rural sampling:
 - **Economic linkages with other townships and the broader economy**
 - **Population density and migration patterns**
 - **The extent of industrialisation or past industrialisation**
 - **Demographic profile (with priority given to townships with a high share of young people and women)**
 - **The extent of government and private sector interventions (to extract lessons on best practice)**
 - **Prevalence of governments priority sectors**
 - **Prevalence of entrepreneurship and SMMEs**
 - **Availability of up-to-date data**



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PROGRESS TO DATE

Work on 4-Metro Townships has started together with other stakeholders – engagement with stakeholders for development of business case studies started in the following areas:

- in eThekweni (KwaMashu & uMlazi) – **for a Distribution and Logistics Hubs proposal**
- Ekurhuleni in Labore Industrial Park – **to repurpose factories for Township Clusters**
- City of Joburg – **revitalise feasible Industrial Parks in Soweto (Orlando & Dobsonville)**
- West Coast (Saldanha Bay) – **Clustering of SMMEs for opportunities using public & local private industry opportunities**
- City of Tshwane – **repurpose or develop a Township Manufacturing Hub at the Babelegi Industrial Park**
- Buffalo Municipality (EC) – **create a Township Enterprise Hub at the Dimbaza Industrial Park**



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PROGRESS TO DATE ... continued

- Gauteng & KwaZulu Natal Economic Development – **Policy alignment & development of joint support measures to address Township & Rural Economies**
- National Business Initiative (NBI) – **Collaboration with private business association to promote investment into the Township based industrial Parks and address skills gaps through work based capacity development**
- Manufacturing / Services Clusters – **Collaboration with Township & Rural based network / association to package support for critical infrastructure support**



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PLANNED CASE STUDIES

Name of case study: **Township
Manufacturing Hubs**

Develop dedicated zones called Township
Manufacturing / Enterprise Hubs located within
Industrial Parks

Location:

Babelegi; Botshabelo; Dimbaza; Ekandustria;
Komani; Seshego & Isithebe;

Objective:

Provision of secure and competitive industrial
infrastructure to support local manufacturing &
enterprises



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PLANNED CASE STUDIES

Name of case study: Family Tree Holding

Coordinate & support township based cluster manufactures & retailers (incl. warehousing, storage & logistics facilities)

Location:

Township based national network of manufacturers working with government departments to develop enterprises in the township & rural towns (with 30 000 nation membership)

Objective:

Facilitate the provision of competent manufacturing and supplier development base through a dedicated project management support.

Develop feasible businesses to locate within the Township Manufacturing Hubs



PLANNED CASE STUDIES

Name of case study: Green Economy

Opportunities

Coordinate support for green economy initiatives in townships & rural communities to foster readiness & promote grassroots innovation

Location:

Gauteng (Sharpeville / Vaal) based township manufacturer of e-bikes working with the provincial government & German based technical teams

Objective:

Facilitate the provision of e-mobility and off-grid energy solution for urban farming to promote sustainable township and rural enterprises - through social entrepreneurship models.



PLANNED CASE STUDIES

Name of case study: Ingonyama Holding

Coordinate project development support and co-funding for rural based economy initiatives in agro-processing, green energy and industrial parks development

Location:

KZN based Traditional Trust with more than 3.3m hectares in 300 rural communities

Objective:

Facilitate coordination rural clusters to support integration into food supply value chains, rural manufacturing hubs using green energy and partnering in development of rural based industrialisation.

Partnership with KZN province and Ithala



Targets for 2022/23 FY

- **Genesis Analytics to complete Study by March 2023** – for mapping and identifying of opportunities in 20-townships and development of Diagnostic Growth Matrix along sectoral and spatial analysis.
- **4-Township Manufacturing / Enterprise Hubs** – to be initiated in 4-Industrial Parks located in four townships, with packaged opportunities consolidated into feasible Business Case Studies. These will be supported through the existing programme of the Industrial Parks Revitalisation Programme (IPRP).
- **Develop a dedicated funding mechanism to help support Township (& Rural Economy)** – adopt a co-funding model of incentivising feasible business plans between the 3-spheres of government and partnership with industry / private.



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Thank you



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