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**PRESENTATION BY MEC FOR DESTEA, HON MAKALO
MOHALE, MPL,
TO THE VIRTUAL NCOP MINISTERIAL BRIEFING
SESSION ON TOWNSHIP ECONOMY-**

08 NOVEMBER 2022



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Presentation Layout

1. Introduction
2. Challenges facing township enterprises
3. State of the FS Township Economy
4. FS Provincial approach:
 1. Free State Integrated Local Economic Development & Transformation Bill
 2. Business support programmes
 3. Graduate placement programme to businesses
 4. Key programmes
5. Stokvels as a mechanism to unlock the township economy
6. IGR



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Introduction

- ✓ About 17% of SA's employment is in the informal economy or so-called township economy
- ✓ Free State township economy, like the rest of SA, is also comprise of formal and informal economies.
- ✓ The township economy is a lifeline for many families who are not employed in the formal economy, and who are unable to participate in the mainstream economy.
- ✓ While informal businesses typically do not contribute directly to the fiscus through taxes, they provide livelihoods, employment and income for approximately 2.5 million workers (excluding agriculture).
- ✓ The informal economy contributes an estimated 6% to the country's Gross Domestic Product (GDP).



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Introduction (2)

- ✓ Informal businesses operate within a multitude of industries and offer goods and services that meet various needs within township communities.
- ✓ **Retail** dominates the informal township economy, with spaza shops, fast food outlets, bakeries, shebeens and hawkers.
- ✓ Additional businesses include backroom rentals, taxi operators, mechanics and panel beaters, metal fabricators, childcare services, barbers and hair salons.



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Challenges facing township enterprises

- ✓ The sector is unregulated
- ✓ It is relatively less protected by some of key legislation, e.g. like minimum wage
- ✓ Many informal operators earn below the income tax threshold legislated by SARS
- ✓ Enterprises are vulnerable to crime and police harassment
- ✓ We summarise challenges faced by township economies into 4 main categories:
 - ✓ *A2C (Access to capacity (Admin and technical))*
 - ✓ *A2F (Access to finance)*
 - ✓ *A2M (Access to markets (Mainstream))*
 - ✓ *Lack of coordination (Govt.)*
e.g. The sector is generally overlooked during policy formulation. e.g PFMA



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State of the FS Township Economy

- The retail sector is a significantly large sector within the township economy.
- The research found that a great majority of the enterprise owners in the Mangaung area are owned by persons who are **not** characterised as youth.
- The research found that a mere 40.5% of the businesses that participated in this study were youth. These figures are consistent with literature that suggest that youth are not fully participating in South Africa's economy.
- The research concluded that the retail sector is the only sector that is dominating in Mangaung's townships. However, this does not imply that it is "thriving", there is opportunity for the Free State Provincial Government to revitalise the township economy.



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FS Provincial approach

- Township economy integral to the provincial economic strategy; viz:
 - Value chain transformation programme.
 - At the center of the strategy is the programme to grow and transform economic centres, in which township businesses are assisted to grow and also included in the commodity value chains, especially in the mainstream economic activities.
 - Consume what is produced local

Protection of the township economy;
e.g: unfair competition and illicit trading.



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FS Provincial approach (Response to A2C, A2F & A2M)

- FS Integrated Local Economic Development and Transformation Bill
(*FS Township Economy Bill*)
 - Legislative power to address:
 - access to markets, (Enforcing value chain inclusion)
 - leveraging on state procurement for enterprise development (Local production stimulation)
 - Protection of township businesses (Quotas)
 - Regulation of organised businesses, aligned to DDM
 - Support programmes to township businesses



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FS Integrated LED and Transformation Bill

This Bill seeks to facilitate and promote inclusive economic growth along a transformative paradigm in order to build a cohesive and an equal society which is underpinned by –

- ✓ a growing and inclusive economy that harnesses the potential of all citizens and persons with permanent residency status in the Republic;
- ✓ diversify the ownership patterns; and
- ✓ facilitates easier access by new entrants into all sectors of the economy.



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FS Integrated LED Bill (2)

Economic Activities Reserved For Citizens And Persons With Permanent Residency Status

- | | | | |
|-----|---|-----|--|
| 1. | Auctioneer | 17. | Equipment Hire services |
| 2. | Auto electrician | 18. | Internet Cafes |
| 3. | Bars and Nightclubs | 19. | Laundromat |
| 4. | Beauty Salons | 20. | Motor mechanic |
| 5. | Car wash | 21. | Panel beating |
| 6. | Cellphone repair shops | 22. | Petrol filling station |
| 7. | Chesanyama | 23. | Takeaway food |
| 8. | Cleaning services | 24. | Tuckshops |
| 9. | Curio shop (souvenirs and cultural artefacts) | 25. | Wholesale |
| 10. | Courier Services | 26. | Textile manufacturing |
| 11. | Early Childhood Development Centre | 27. | Brick Manufacturing |
| 12. | Fresh produce | 28. | Manufacturing and production of staple foods |
| 13. | Funeral undertaking services | 29. | Taxi industry |
| 14. | General clothing | 30. | Bakeries/confectioneries |
| 15. | General dealer | | |
| 16. | Hairdresser and personal healthcare | | |



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FS Integrated LED Bill (3)

REGULATION OF FREE STATE-BASED ENTERPRISES

- ✓ Every enterprise which is undertaking or carrying on business in any field or category, must do so only in compliance with provisions of the Business Act, 1991 (Act No. 71 of 1991)
 - ***Only those businesses that are holders of an appropriate licence prescribed and issued by a licensing authority under relevant legislation, are eligible, on application, for the benefits and incentives provided for in this Act.***



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FS Integrated LED Bill (4)

MUNICIPALITIES

3.1 Within six months from the date of commencement of this Bill, a municipality must –

(a) pass by-laws that substantially conform to the matters provided for in Schedule.

- Each municipality must put in place a Municipality's Investment Incentive Policy which is aimed at promoting investment and boosting the economy of the municipality aligned to the provincial framework on Municipality Investment Incentives framework.



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FS Integrated LED Bill (5)

Where to from here?

- The Portfolio committee on Economic Development and Agriculture is yet to deliberate on the Bill and comments received post Public participation hearings.
- 2. Once the processes outlined above are completed, the Bill shall be moved for adoption in the house thereafter would be signed by the Premier.



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CAPACITY BUILDING

(Business support)

- In response to capacity challenges that makes entry into economy difficult.
- Business development support
 - Basic professional services needed
 - Accounting, marketing,
 - 314 business since 2021
- Technical support services
 - Just introduced in 2022
 - Agro-processing, oil & gas and financial services, automotive and retail.
 - Legal services, energy & green economy.



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GRADUATE PLACEMENT PROGRAMME

- In 2020 with launched a programme to place graduates to work in small businesses to offer skills and also gain practical experience. Started with 60 over 24 months. Targeting placement of 1000 graduates by 2024. Private sector also contributes to payment of stipends.
- Programme was rolled out in all outreach activities under taken in small towns.



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Access to Markets for Township Enterprises

- Facilitation of township value chains network.
- We are currently working with producers and retailers to create township based networks in which participants are matched to ensure that money circulate within township business. E.g. retail.



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Access to Markets for Kasi Enterprises

The following are platforms created for our SMMEs, particularly township enterprises since April 2022:

National platforms

1. South African International Trade Exhibition (SAITEX)

- 12 Enterprises benefited
- Date: 19 - 21 June 2022

2. Manufacturing Indaba

- 5 Enterprises benefitted
- Date: 20 - 22 June 2022, Sandton Convention Centre (Gauteng)

3. DECOREX

- 4 Enterprises benefitted
- Date: 28 - 31 August 2022, Venue: Sandton Convention Centre (Gauteng)

4. Organic and Natural Expo Africa

- 10 Enterprises benefitted
- Date: 21 – 23 October 2022, The Deck, Wanderers Stadium, Sandton



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Access to Markets for Kasi Enterprises

5. PoP Up Stores

- Malls (Seasonal) e.g. Mimosa mall donation of free space.
- Arrangements in place to rent key locations on behalf of SMMEs on rotational basis.

6. PRODUCT DEVELOPMENT

Support product accreditation and development through working with SABS and other accrediting authorities for them to be eligible to be on the shelves of big retailers.



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KEY PROGRAMMES

Inline with provincial master plans formulated in 2021, below are some of the key industrialisation programmes targeted for township businesses:

- Conventional textile industries in Maluti a Phofung and Botshabelo
- Fashion design industry targeting 100 designers each year (Rural towns)
- Creating opportunities for automotive sector in the mainstream economy (insurance panels).
- Supporting township manufacturers through incentives (Free space) in FDC factories. And support to other manufacturing (Built environment)
- Established



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Kasi Tourism

- In line with this year's Tourism month celebration with the theme "Rethinking Tourism- Opportunities Await", we challenged the tourism industry in our province to improve the destination readiness of our township in order to identify, diverse and unique tourism products and services to entice and excite visitors to the Province.
- Our approach is to capacitate these tourism operatives, to enable them to identify both domestic and international markets and attract them to the townships. They need to offer differentiated experience to these travellers which include township dining and outing of very high standard.



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Kasi Tourism

- They need to excel in identifying tourism friendly establishments which provide the traveller with an opportunity to interact with local people in order to learn directly from them and not from the media. Accessibility, safety and security, movement hygiene are non-negotiable in this regard.
- Our efforts in this regard should enjoy unqualified support of our municipalities through ensuring that, our streets are clean and well maintained. Public facilities like parks and monuments should be well kept and secured to offer locals to set up the craft markets and entrainment to earn the livelihood from the tourist and travellers.



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Stokvels to unlock township economy

- **Stokvels** are essential part of the provincial Financial Master Plan, under the programme: “**Make your money work for you**” is an initiative to support stokvels and other social enterprises.
- Province identified stokvels as catalyst to finance investments in township business as opposed to be bulk buyers of consumed commodities.
- Work is underway to assist stokvels obtain necessary accreditation from Financial Services Conduct Authority so that they can offer accredited financial products. Services of Financial Asset managers will also be enlisted from the next financial year. About R1m has been spent to date towards accreditation processes since 2020.



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Township and Rural Enterprise Support

Focused programme on rural economies aimed at the provision of same services to small and rural towns;

- Kopanong Local Municipality – Phillipolis
- Phumelela Local Municipality – Memel
- Dihlabeng: Bethlehem, Rosendal, Paulroux, Fouriesburg
- Maluti a Phofung Local Municipality – Tshiame and Makeneng



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IGR

- ✓ State of the Art Digital Hub, Botshabelo, opened this year in April by DSBD Minister.
- ✓ Working with DFIs to create Growth Fund for Free State,
- ✓ Started a joint process with municipalities to profile township business from the ward level in order to help with credible database and assist joint planning towards township businesses.
- ✓ SEDA and SEFA are key strategic partners with the province.



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Thank You



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