

Township Economy Development

A new deal for inclusive growth

Mathopane Masha
04 August 2021



GAUTENG
PROVINCIAL GOVERNMENT
REPUBLIC OF SOUTH AFRICA

Growing Gauteng Together

Table of Contents

1. Problem Statement
2. Introduction of the Bill/ Act
3. Objects of the Bill/Act
4. Positioning the Bill/Act as a legislative enabler
5. Model Standard Bylaw Principle
6. Conclusion

Problem Statement

- The township economy remains on the margins of the mainstream economy with high levels of poverty, unemployment and inequality despite the introduction of the strategy in 2014.
- Key amongst the main causes is the regulatory failure or lack of enabling legislation to enhance the potential and growth of township enterprises.
- The formulation and drafting of the Gauteng Township Economic Development Bill seeks to bridge the gap in the disparities mentioned above.

Introduction of the Bill/Act

- To provide for the promotion and development of the township economy and to create a conducive environment for the attainment of that purpose;
- To provide for licensing of township based enterprise,
- To provide for management of the Fund through the Gauteng Township Partnership Fund;
- To provide for principles to be adopted by municipalities in drafting and adopting by-laws and to provide for matters connected therewith or incidental thereto.

Objects of the Bill

The object of this Bill is to provide a legal and institutional framework for the development, promotion and regulation of township enterprises by:

- (a) providing an enabling business environment;
- (b) facilitating access to business development services by township enterprises;
- (c) facilitating formalisation and upgrading of informal township enterprises

Positioning the Bill/Act as a legislative enabler

The Township Economic Development Bill as drafted is designed to bring opportunity to the many and confront inequality at the spatial level by

- **Changing how townships are regulated and governed to transform them into zones of widespread, job-creating commercial activity . This is to be done through new draft standard bylaws and streamlined regulations.**
 - a) Simplifying business licensing processes.
 - b) Lowering compliance cost.
 - c) Encourage investment in broadband/fibre to broaden access to internet services.

Positioning the Bill/Act as a legislative enabler

Set up better procurement rules and programmatic support which allow government and its main contractors to buy from large groups of township-based firms, with systems linking them so they can supply if they were one large firm – this includes Manufacturing cluster pilots.

- a) Clustering township enterprises like ***Bakeries, Construction firms, small scale farmers/large township fruit and vegetable gardens, clothing and textile, manufacturing detergents and cosmetic products, hair salons, township retail stores (spaza shops), arts and crafts*** – to enable collective access to larger markets, business development support etc

Positioning the Bill/Act as a legislative enabler

Deploy a dedicated Financing mechanism for firms engaged in TER activities through a legal framework which establishes an SME fund to provide wholesale, blended finance to intermediaries that can de-risk lending to township based firms, including community banks.

a. Working capital for township based and township linked firms

- Working capital and stock loans for township based firms (50-60k at a time and above) , specifically including spazas, hawkers and their suppliers that are willing to interact with point of sale tech (located at the spazas) to track their product flows and make payments.
- Stock credit for smaller SMMES , including specific products for those turning over less than R10m per annum and less R2M per annum from major wholesalers and suppliers
- Purchase order financing, including a specific product line for GPG supplier
- Umbrella fund for **township backyard real estate** / township high street : wholesale financing to intermediaries that can support portfolios of backyard upgrade investments
- Umbrella fund for **Taxi Economy nodes** : wholesale fund for intermediaries that can deploy operating companies with Taxi associations as equity partners to transform taxi ranks into township CBDs and support professional hubs that provide services to the taxi industry
- Umbrella fund for **Township Retailers** : wholesale fund for operators that cluster township retailers for bulk supply, insurance and financing purposes.

Positioning the Bill/Act as a legislative enabler

Provide legal framing for the Taxi Economy Initiatives;

- a) including the Taxi Economy Fund to set up investment vehicles to commercialize taxi ranks and other taxi economy nodes using blended finance and zoning overlays to incentivize development around ranks, transforming them into township CBD nodes.

Provide legal framing for Commercial rapid land release initiative to release publicly owned land for best, most developmental use in township areas;

- a) making land available for township businesses.
- b) introducing simplified leasing process.

Positioning the Bill/Act as a legislative enabler

Provide legal framing for the Township backyard real estate Initiative – including provisions to establish township commercial precincts/ high streets in areas targeted for precinct-level backyard real estate upgrades.

- a) Develop backyard rooms and earn more rental income over time – by introducing double story permits and adding more tenants.
- b) Development of office parks in the townships.

Positioning the Bill/Act as a legislative enabler

- to introduce an enabling framework to ensure that retail malls and supermarkets that are township-based partner with local township-based enterprises, including the sourcing of some of the products and services from local township-based producers, service providers and manufacturers;

Model Standard Bylaw Principle

Schedule 1 to the proposed legislation lists the principles with which by-laws on township economic development have to comply as the following:

- a) Every municipality must ensure that their by-laws introduce building standards applicable to all areas in townships;
- b) Consider alternative building technologies to renovate, expand existing properties and for new buildings;
- c) On approval of new developments in townships, include an impact assessment on displacement of local firms, and provide for inclusionary development opportunities for said firms where the impact would cause such displacement;

Cont...

- (d) In respect of taxi ranks, introduce a zoning overlay which confers commercial rights, as well as rights to build up to 5 stories within a 1km radius of the centre of the site (*addition: subject to bulk services availability*);
- (e) Introduce fines and penalties on open, undeveloped land owned by either organs of state or private individuals within areas in the townships which are identified by the Gauteng Spatial Development Framework (GSDF) for either Socio-Economic Integration or Economic Consolidation (or any successor category of a comparable nature established by an updated version of the GSDF). The proceeds of said fines will be ringfenced to fund infrastructure and projects fulfilling the aims and objectives if the Gauteng Township Economic Development Act.

Cont...

(f) Considers any township-based enterprise that requires written consent, licence, permission, registration or any other authorisation as being authorised authorisation to trade. Provided that—

- I. there are no additional legislative prescripts prohibiting the business activity in question;
- II. the business operator demonstrates that he or she is the owner-occupier or has permission of the owner to operate on the property in question;
- III. Where the state is the owner of the property in question, permission applied for through the appropriate channels has been granted or is deemed to have been granted in the event where no response is received by the applicant within a period of three months. The deemed permission must be applicable for a duration of the period of one year.

Cont...

- (g) Provides an enabling environment for investment by private sector companies into last-mile broadband internet infrastructure in township areas by:
 - (i) Reducing the cost of wayleaves in the designated township areas for companies willing to install and manage broadband services to these areas at affordable costs;
 - (ii) Allowing for a bidding system for the use of street furniture (streetlamps and associated) by companies seeking to offer broadband access to township communities.
 - a) This enabling will be conditional upon inclusion of local SMMEs in the **installation, repair and maintenance (IRM)** value chain and creation of local jobs.

Key Activities

- **Roll out access to Township Economy Partnership Fund (target 1 Billion in loans issued) and linked programmatic partnerships with a**
- **focus on :**
 - Blended financed product for unrest-impacted businesses (SEFA/IDC partnership)
 - Backyard real estate upgrade platforms which focus on creating township high streets
 - Township Retail clusters (Kathorus model) which act as platforms for blended financing
 - Upgrading taxi ranks as Micro-CBDs, including through activation of Toyota partnership
 - Financing of new industrial capacity operating from township industrial estates (incl. agri hubs)
- **Implementation of Township Economic Development Act and Draft Model bylaw, including provisions for community benefits agreements with large retailers / service providers investing in Townships**
- **Roll out of TASEZ CIDB grade 1-3 contracting model to all public sector capital projects, tied in with Tshepo 1M IRM model**
- **Roll out hotdesk / Ekasi lab partnership with 22 on Sloane / Global entrepreneurship network to enable township gig economy work**
- **Integration with Phase 2 of Presidential Employment Stimulus Programme into TEPF/ TEDA deployment**

Conclusion

1. Regulatory intervention – changing spatial management of the township economy – enhancing regulatory management of the township economy.
 - a) - ***Incentivising entrepreneurship***
 - b) - ***Job creation for youth.***
2. Repositioning funding to reach the most deserving businesses – through partnerships – Township Partnership Fund.
3. Deploy technology to lower the cost of business and enable clustering in the township.
4. Integrating small businesses into the value chain of the mainstream economy (agro-processing, retail, township mechanics linkages to formal insurance etc).

Thank you