



PARLIAMENT
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OPENING REMARKS BY THE CHAIRPERSON OF THE NATIONAL COUNCIL OF PROVINCES, HONOURABLE N. A. MASONDO, ON TOWNSHIP ECONOMY: *“MEASURES TO UNLOCK THE FULL POTENTIAL OF THE TOWNSHIP ECONOMY AND INDUSTRIES”*

VENUE: VIRTUAL **DATE:** 08 NOVEMBER 2022 **TIME:** 10H00

Greetings to Everyone!

Programme Director, the Deputy Chairperson of the National Council of Provinces, Honourable Sylvia Lucas

Minister of Trade, Industry and Competition, Honourable Ebrahim Patel

Minister of Small Business Development, Honourable Stella Ndabeni-Abrahams

NCOP House Chairpersons, Honourable Jomo Nyambi and Honourable Winnie Ngwenya

Chief Whip of the NCOP, Honourable Seiso Mohai

Honourable Permanent and Special Delegates

Members of the Provincial Executive Councils

Representatives of the South African Local Government Association (SALGA)

Ladies and gentlemen

1. INTRODUCTION

Programme Director, allow me to start by thanking you for the opportunity to make these opening remarks, as we deal with an important subject matter pertaining to township economy.

Today's Ministerial Briefing Session directs us to focus on *Measures to Unlock the full Potential of the Township Economy and Industries*.

As we all know, townships were designed as dormitory towns for the labour required to serve the needs of mining and other industries. Social service and economic infrastructure were deliberately limited.

However, this changed as people who lived in the townships used them, amongst others, to fight for change. This has seen many townships somewhat growing and becoming economic and social hubs – this potential holds great promise.

So, one can say we are still to realise the true potential of the townships given the growing numbers of people who reside in them.

2. CHALLENGES FACED BY TOWNSHIP ECONOMIES

The limited growth of township-based businesses is a result of many challenges faced by such enterprises. According to research, the

challenges identified in the literature that limit the growth of township businesses are, amongst others, the following:

1) Informality:

As most enterprises in townships are survivalist or very small, they tend often not to be registered. This poses additional challenges with regard to access to finance and government funding.

2) Access to Credit:

Given their informal nature, township businesses find it difficult to access credit from formal sources such as banks because of the requirement that the business should be registered. However, government departments and entities seem able and willing to assist in this regard. The Small Enterprise Finance Agency, an entity of the Department of Small Business Development and the National Empowerment Fund and the Industrial Development Corporation, entities of the Department of Trade, Industry and Competition are key in ensuring that township businesses access finance. These entities offer financial and non-financial support to small businesses. Most critical is the non-financial support offered to businesses to enable them to access funding from these entities.

3) Lack of value chains:

Often, there are no value chains among businesses in the townships. Businesses rarely source inputs from other small businesses in the townships - instead they source inputs from larger enterprises

elsewhere. A significant portion of their money leaves the township economy instead of circulating within it for even greater growth.

4) Access to markets:

The nature of businesses in townships requires that they offer products and services that are in demand by the local residents. Where township businesses produce products that can be used beyond the township, they tend to face the challenge of accessing other markets. This is due to the requirements for certain product standards, health or quality certification, and packaging, amongst others. While township entrepreneurs can be innovative, they tend to lack resources required to meet product standards acceptable in other markets.

5) Competition:

Township businesses are mainly retail businesses who source their products from larger enterprises that are either wholesalers or even retailers as well. Township businesses therefore have to compete with those enterprises for the sale of their goods, which may be cheaper from the larger enterprises.

6) Legislation:

There is a lack of consistency and uniformity in informal trading policies and municipal by-laws as each municipality and provincial department designs their own laws leading to fragmentation in the promotion of the township economy.

7) Red tape:

Within government, red tape has consistently been identified as one of the core elements, which restrict business development and growth. Barriers in this regard relate to poor or lack of access to finance, markets, training and skills development; ineffective interventions for addressing tensions between local and foreign owned businesses; as well as recourse for dispute resolution for SMMEs.

There are also other challenges, which include:

- 1) The allegations of harassment of small business operators by the metro police and the SAPS, who also demand kickbacks, thereby ruining business and profit;
- 2) Municipalities demanding small businesses operating from residential homes to rezone their residential homes as business premises, thereby requiring small businesses to pay business rates which are exorbitant and therefore tend to deplete profit.

3. THE NEED FOR INNOVATIVE THINKING

There is no doubt that our townships possess a huge potential which requires unlocking. And with some dreaming, some visioning, we can begin to unlock the potential of the township economy and industries.

German scientist, Albert Einstein, is credited with the following words:

“Never give up on what you really want to do. The person with big dreams is more powerful than the one with all the facts”.

This is based on the fact a person who dares to dream often has a broader perspective in life and thus has the possibility to achieve more because of his or her openness of thought.

One example in this is in the form of the founder of the Grameen Bank, known as the Bank for the Poor, in Bangladesh, Professor Muhammad Yunus. He achieved his dream of disbursing collateral free loan of 35 billion dollars to more than 10 million borrowers, 97 per cent of whom are women. As of September 2022, despite the bank’s loans not requiring collateral, they have ensured a lucrative recovery rate of 97.38 per cent, which is comparatively higher than any other banking systems.

This is but one example of how we should begin to reimagine our interventions in unlocking the potential of our township economy and industries. We need to think differently, driven by the conviction that people have solutions to address the challenges they confront. And that all they need is support.

In Soweto and elsewhere in the country we have industrial parks that were meant to boost local economies but have now collapsed, or are collapsing. We need to be more innovative in coming up with solutions, and be prepared to try new ideas – working together of course with the people.

4. IN CONCLUSION

In conclusion, Programme Director, our townships were designed to serve the needs of other industries, with limited economic infrastructure.

However, their growth or mere existence has created the possibility to use them to unlock the full potential of their economy and industries. And, working together with the people, we can explore various creative ways of achieving this. Working together with the people we can do more.

I thank you!