



# STRENGTHENING TOWNSHIP ECONOMIES



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# EXECUTIVE SUMMARY

There is growing policy interest in strengthening township economies within the Western Cape and elsewhere in South Africa. Townships have traditionally been viewed as dormitory settlements plagued by unemployment, poverty and crime. More recent portraits frame them as potent economic spaces replete with entrepreneurial activities. The government has pledged to revitalize township economies and assist entrepreneurs in the interests of inclusive growth and development. Yet current understanding of township economies and the opportunities and challenges facing township entrepreneurs is limited. This project seeks to improve knowledge about townships economies in the Western Cape and to explore ways of unlocking their potential.

The Department of Economic Development and Tourism (DEDAT) of the Western Cape Government invited the Economic Development Partnership to set up a Township Economies Programme, which was implemented in conjunction with the Human Sciences Research Council from August to November 2018. Four stakeholder workshops were convened, including group discussions, expert inputs, site visits and local engagements in two townships in Cape Town. In the first workshop, participants identified three fundamental pillars relevant to township economies, which then framed the discussions in the following three workshops. These were: (i) productive place-making, (ii) capable enterprises and (iii) resilient social fabric. A review of the literature on townships economies was also conducted and complemented with a survey of recent projects/initiatives in the Western Cape. This report synthesizes the findings from these activities and presents a new framework, as well as a practical toolkit that could be used by policy-makers and practitioners to understand, assess and promote township economies.

There was universal agreement among workshop participants that township economies require closer attention from government. Given the historical and contemporary neglect of economic activities in townships, concerted action and joined-up investment are needed to spur development in these marginalized spaces. These efforts are likely to be most effective if pursued by strong multi-stakeholder partnerships, including capacitated local intermediaries and various government entities. Since local government is most directly responsible for overseeing township conditions, extra support should be provided to enhance municipal capabilities and resources. Greater willingness to experiment with different approaches and types of initiative, and above-all long-term commitment to continuous learning from this experience, are necessary if the economic situation in townships is to be turned around in a meaningful way. Too often in the past projects have been launched without their objectives, achievements and limitations being captured for others to learn from.

Targeted research will improve understanding of township economies and build up the evidence base to help identify opportunities, obstacles and critical success factors. A greater commitment to monitoring, evaluation and learning from the analysis of practical experience should help to improve interventions and outcomes over time. This Township Economies Programme is hopefully a first step towards a deeper understanding and more substantial effort to enhance township economic prosperity.

While townships seem replete with enterprising activity, most entities are informal, survivalist and involve circulating local resources rather than value addition and the production of distinctive goods and services.

The conventional wisdom is that previous efforts to integrate township entrepreneurs into the formal economy and boost their income and employment have had modest results. There are various reasons for this, including regulatory/legal barriers, deficiencies in the physical environment and infrastructure, locational disadvantages, limited links to wider value chains, inappropriate land use management systems, red tape and cumbersome bureaucratic processes, lack of access to finance and limited government support, crime and negative social attitudes, and the tough market environment as a result of intense competition from other small and large businesses.

Of course generalization is difficult because no two townships are the same. Challenges and opportunities vary and further research is required to establish the relative importance of different internal and external attributes in order to create effective, context-specific economic revitalization strategies. A standard packaged solution just won't work because of the unique specificities of each location. Distinctive place-based strategies are required that take into account: (i) the relationship between the township and its wider urban context and (ii) the specific local variables or factors that shape its development trajectory and prospects. To help understand township economies and devise place-specific renewal plans, a new framework is proposed integrating the three key lenses: productive place-making, capable enterprises and resilient social fabric. Each lens has been discussed with participants to better understand the opportunities, challenges and solutions to growing township economies.

The workshop on productive-place making included site visits to Delft and Mfuleni. It illustrated the importance of creating dense, diverse and connected places for township entrepreneurs and investors. Improving access to land and business premises, securing titles, more flexible land use regulations, better connectivity and bigger investments in township infrastructure to transform these spaces into vibrant and livable places are key

ingredients to expanding, deepening and diversifying local economies.

The capable enterprise workshop comprised expert inputs and focus group discussions to unpack the regulatory, institutional and individual barriers to successful enterprise growth. Participants discussed the current training and support mechanisms and argued for fundamental reforms to make them more effective and accessible to entrepreneurs. As financing is one of the most critical barriers, more policy attention should be given to finding innovative ways of accessing loans for equipment and working capital. Government and township entrepreneurs should also pursue stronger partnerships with larger, formal businesses to open up wider markets and value chains. And regulatory reform is required to create a more conducive business environment.

The third workshop on the social fabric was held with township entrepreneurs in Philippi to highlight the importance of community and social organisations to economic growth. Sustained economic performance in townships depends on a strong, supportive community, functioning social institutions with agreed norms of behavior and codes of conduct, and positive relationships with outside actors, investors and employers. These softer issues are often overlooked when devising economic development strategies, which increases the risk of local disruption, social resistance and failed implementation.

Townships are clearly complex environments for economic development because of the social strains and competition for scarce resources. Further work is required to understand the conditions within each locality and to devise suitable strategies to build local capabilities and to stimulate investment, enterprise and development. In encouraging bold thinking, experimentation and innovation, this project proposes a new framework to understand township economies and offers a practical toolkit to help devise more effective place-based strategies to enhance shared prosperity and inclusive growth.



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# 1 | SETTING THE SCENE

## 1.1 THE IMPORTANCE OF TOWNSHIP ECONOMIES

Townships are probably the most potent political, social and economic spaces in the country today. They accommodate most of the urban population on a relatively small physical footprint. The dense concentration of poverty, unemployment and related social ills makes them the top priority for inclusive growth and development. Scarred by the physical, institutional and human legacies of apartheid, coupled with perceptions of continuing neglect, they are a defining feature of SA cities. As the principal locus of population growth in the country, townships are also at the forefront of contemporary urbanisation challenges, including strained service delivery, housing backlogs, poor safety and security, and low job creation. Current progress in township development will shape the trajectory of SA cities and the country for years to come.

Policy-makers increasingly recognise townships as buzzing with entrepreneurial activity: spaza shops, informal traders, hair salons, car mechanics, panel beaters, eating places, shebeens, taxi services, early childhood development centres and cheap furniture makers can be found in every district. There is a great deal of apparent vibrancy and diversity to township economies. Some businesses are dynamic and offer novel goods and services to expanding markets. Many others are more survivalist in nature, lower in productivity and earnings, and mainly concerned with the circulation of local resources rather than value addition and the production of tradable goods and services. Judging by the sheer scale of activity, it seems that township entrepreneurs have a positive impact on income generation and the provision of convenient goods and services to local consumers. Townships may also have a major role to play as incubators of new business formation,

sources of new entrants to the wider economy, and locations for bottom-up experimentation in new forms of private and social enterprise.

The government has made some effort to invest in townships since the end of apartheid. The most visible improvements have been in housing, basic infrastructure and social grants. Initiatives to transform their economic prospects have been more ad hoc and the results have sometimes been disappointing. Some policies, such as the RDP/BNG housing programme, have unintentionally contributed to the further spatial marginalization of township residents. The function of townships in the (urban) economy has thus largely continued along old patterns: as labour pools for formal industries in distant economic centres; spaces of consumption for major retail outlets, and unplanned testbeds for small and micro enterprises.

Given the enduring structural disadvantages of townships, observers sometimes question whether the government has the capacity to rectify decades of spatial engineering, and indeed whether townships can ever make a significant contribution to the economy, given their physical, institutional and human challenges. Townships are inhospitable places for large-scale economic development because of the pressure on land and strained infrastructure capacity. They are also quite different to rural and agricultural areas, despite frequent references in recent government statements to a new priority to address 'township and rural economies'.

**To strengthen township economies will require more concerted investment and stronger partnerships between the public sector, private enterprise and civil society.**

Such efforts must go beyond localized initiatives within the townships themselves to reach out to the heartland of the economy and to connect and integrate townships with the major flows of value and resources within the economic mainstream. Given the limitations of previous initiatives to stimulate enterprise and economic activity in the townships, bold thinking, greater willingness to experiment, and above-all a commitment to joined-up investment and action across government are required.

This necessitates an improved understanding of township economies and a stronger evidence base related to opportunities, obstacles and critical success factors. It also requires greater commitment to monitor, evaluate and learn from practical experience of township economic projects and programmes. This project aims to contribute to this cause.

## 1.2 PROJECT BRIEF AND IMPLEMENTATION

The Western Cape Government Department of Economic Development and Tourism (DEDAT) has expressed a need for assistance in understanding economic activity within townships, as well as potential strategies to realise local economic opportunities. At the same time, the Western Cape Economic Development Partnership (EDP) has been incubating the Metro Central Partnership, which supports the development of the Blue Downs Integration Zone. This incorporates an economic pathways programme.

In response to the dual need for a better understanding of township economies and joint action to address constraints in this space, the EDP has set up a Township Economies Programme in conjunction with the Human Sciences Research Council (HSRC). The programme focuses on convening a wide range of interested

stakeholders for insights into township economies, and on the production of a report synthesizing these views, along with recent research findings.

Over a period of four months (August to November 2018), EDP and HSRC organized four day-long workshops on township economies in different places in Cape Town. Two workshops took place in township settings – one in Delft/Mfuleni and the other in Philippi. Two workshops were held in EDP's office in the CBD. The programme for each workshop is explained in more detail below. They all aimed to explore critical themes in township economies and to generate new knowledge about the challenges and possible solutions.

The participants came from different sectors (public, private, civil society and research) and professional backgrounds, and had varied experiences with township economies. The workshops resulted in fruitful discussions and hands-on learning. A report has been compiled for each workshop, attached to this document. A summary of the key findings is presented in chapter three of this report.

A literature review was also conducted. Key reports, journal papers, newspaper articles and online media pieces were reviewed to assess the current state of knowledge and to identify analytical frameworks and lenses, current policy developments, and practical interventions, projects and initiatives on township economies.

## 1.3 REPORT STRUCTURE

The report is structured as follows. Chapter two presents the literature review. Chapter three summarises the key findings from the four workshops. Chapter four offers a new framework to assess and intervene in townships economies. Chapter five synthesizes the findings and offers broad policy recommendations.

# 2 | LITERATURE REVIEW

## 2.1 THE ORIGINS OF TOWNSHIP ECONOMIES

Townships were never designed to have viable local economies. On the contrary, the colonial and apartheid state created townships as dormitory settlements for black workers, who were needed to provide cheap labour for white-owned industries in the formal economy. Located at a distance, or separated from the main urban centres by buffer zones, railway lines or natural barriers, townships “reflected the tension between the need to keep black people close enough to provide a source of cheap labour but far enough away to ensure a clear social distance – with the option of rolling out the blade wire to maintain that distance if it was ever at risk of being breached” (Philip, 2014, p. 31).

During apartheid, commercial and industrial activities were prohibited in the townships in order to maintain their dormitory status. A few formal trading licenses were provided to businesses offering the ‘barest daily necessities’ such as general dealers, butchers, milk shops, and fruit and vegetable shops (Rogerson, 2019, p. 189). While apartheid legislation aimed to curtail economic activities, with the exception of a few support programmes in industrial sites established during late 1980s and early 1990s, it never succeeded in fully controlling entrepreneurial activities by township residents. Instead, it forced township entrepreneurs into illegality and informality. As township populations expanded over time, so did the demand for daily consumer goods and services. Some local residents responded by selling essentials informally on the streets or from their homes. This included the production and sale of alcohol in shebeens. Rising unemployment and poverty also spurred the growth of informal trading. Meanwhile, the capacity of the state to enforce its punitive legislation diminished coincident with the demise of apartheid. A burgeoning

informal retail economy emerged, which has continued to shape the township economy to this day (Fourie, 2018; Jürgens and Donaldson, 2012; Rogerson, 2019).

After apartheid, the restrictions on business licenses were lifted and trade opened up to everyone. However, the emphasis of the post-apartheid government in relation to townships was to enhance basic household infrastructure, housing and social welfare programmes, rather than to address the economic needs and development possibilities of these spaces (Jürgens et al., 2013; Rogerson, 2019). The onerous regulatory and procedural requirements of formal business activity were also neglected, despite their inhibiting impact on the growth of small enterprises. The mass RDP/BNG housing programme typically created new townships on the urban periphery, reinforcing the spatial divide between poor communities and economic opportunities (NPC, 2012; SACN, 2016). This affects the access of township entrepreneurs to affluent consumer and business markets, as well as job-seekers’ access to employment.

## 2.2 DEFINITIONS AND CLASSIFICATIONS

‘Township economy’ generally refers to all economic activities occurring in townships. It is a spatial concept closely linked to the historic meaning of townships. Established definitions reflect these spatial and historical aspects. A report published by South African Cities Network (SACN) and Urban LandMark defined township economies as “the microeconomic and related activities taking place within areas broadly defined as ‘townships’”, whereby a township refers to a formally promulgated urban area (McGaffin et al., 2015, p. 12).

The authors point out that the term is conventionally used to describe “areas that were historically created (through central planning) to racially segregate



South African cities and to create labour pools for the broader colonial and apartheid economies” (ibid). It is also used to describe areas developed through the housing subsidy programme post-apartheid.

A World Bank report offers a similar definition: “a dormitory town built at a distance from economic activity as well as from white residential areas; with rows of uniform houses; and historically lacking services and infrastructure such as tarred roads, sanitation, water, or electricity. Even more so, it lacked economic infrastructure

in a context in which—far from promoting local economic development—apartheid laws curtailed it” (Mahajan, 2014, p.4). The Cities Support Programme refers to “a dense urban settlement usually built at a distance from centres of commercial and industrial activity” (CSP, 2018, p.2).

It is common to distinguish between townships established during and after apartheid. Informal settlements are sometimes also included as part of the township economy. Thus, three categories have been identified by SACN and Urban LandMark (McGaffin et al., 2015).

APARTHEID TOWNSHIPS	POST-APARTHEID TOWNSHIPS	INFORMAL SETTLEMENTS
<p>During Apartheid, townships were created as 'dormitory' settlements for black labour to serve white industries and businesses in the better located areas of the city. Economic activities in townships were largely prohibited. Layout was designed for residential purposes and infrastructure was basic.</p> <p>Examples include Tokoza (in Johannesburg) and Gugulethu (in Cape Town)</p>	<p>They have been shaped by the national housing programme, which resulted in mass delivery of free-standing RDP/BNG houses on cheap, peripheral land.</p> <p>Examples include parts of Tembisa (in Johannesburg) and Delft (in Cape Town)</p>	<p>Informal settlements can also be regarded as part of the township economy. Shacks have mushroomed across the country, both on formally developed land (within backyards in existing townships) and on informally occupied land not designated for residential purposes.</p> <p>Examples include Diepsloot (in Johannesburg) and Kosovo/Philippi (in Cape Town)</p>

### 2.3 DISTINCTIVENESS AND COMMON CHARACTERISTICS

Townships differ significantly from each other with regard to their location, physical form, infrastructure capacity, socio-economic dynamics, demographics, economic opportunities and so on. These differences have important ramifications for their development potential. Each township is unique in many respects and therefore requires tailored actions to unleash its economic possibilities. Of course, township also have various common features (Mahajan, 2014; McGaffin et al., 2015; Rogerson, 2019). Many townships share one or more of the following characteristics:

- Poorly located and spatially segregated from the urban core and other important nodes in the city, which causes high transport costs and commuting times for residents
- Basic infrastructure provision with minimal consideration for economic activities
- High population densities comprising low-income households with low purchasing power
- High levels of poverty, unemployment and social ills (crime, drug abuse, gangsterism, xenophobia)
- Function as labour pools to economic centres elsewhere
- Enterprises characterised by high levels of informality and low productivity



- Inadequate public and social amenities (hospitals, schools, recreation facilities, parks, etc)
- Overcrowding and social pressures due to in-migration and high population growth
- Low access to financial products and services
- Poorly developed linkages with formal value chains

The location of a township has significant repercussions for its economy. McGaffin et al. (2015) grouped townships depending on their location into the following three categories:

CORE	PERIPHERY	DISPLACED
<p>Relatively well located but still detached in some way from the urban economy (i.e. the location criterion is less significant).</p> <p>Examples include Alexandra (Johannesburg) and Langa (Cape Town)</p>	<p>On the fringe of a city or town or far from the core or another major urban node.</p> <p>Examples include Soweto (Johannesburg) and Khayelitsha (Cape Town)</p>	<p>Beyond the edge of the town or city (people in the township rely on the town/city for the purchase of goods and services and for employment).</p> <p>Examples include Orange Farm (Johannesburg) and Atlantis (Cape Town)</p>

These things can change over time as cities develop and their structure changes. Soweto was poorly located when it was established, but this has improved as the Johannesburg metropolitan area has grown outwards in recent decades. In Cape Town, Delft’s location is also perceived to have improved over time.

While better located townships generally have higher economic potential, close proximity to employment and social opportunities produces other challenges such as overcrowding and infrastructure pressures. Proximity to shopping malls may also dampen local retail activities.



## 2.4 ANALYTICAL FRAMEWORKS

The amount of research on townships has increased in recent years, including their historic development, daily struggles of residents, social dynamics, civic protests, urban governance and infrastructure challenges (Jürgens et al., 2013; Jürgens and Donaldson, 2012). A sizeable literature also exists on South Africa's informal economy and micro enterprises (Crush et al., 2015; Fourie, 2018; Rogerson, 2016). However, there is limited literature on township economies specifically (Rogerson, 2019). Consequently, analytical frameworks to understand the dynamics and trajectories of township economies are rudimentary.

The first major report on the subject was published in 2015 by Urban

LandMark and SACN titled "South African township economies and commercial property markets: a conceptualization and overview" (McGaffin et al., 2015). It synthesized two previous studies published in 2013 and 2014. It assessed different sectors of the township economy (agriculture, manufacturing, retail, personal and household services, business services, transport, tourism) and identified sector-specific constraints and growth opportunities. A special focus was placed on real estate markets. The report adapted a prototype model of an economy to develop an elaborate framework to analyse township economies. The emphasis was on resource flows between different types of asset and activity, not the specific opportunities and obstacles facing township enterprises.

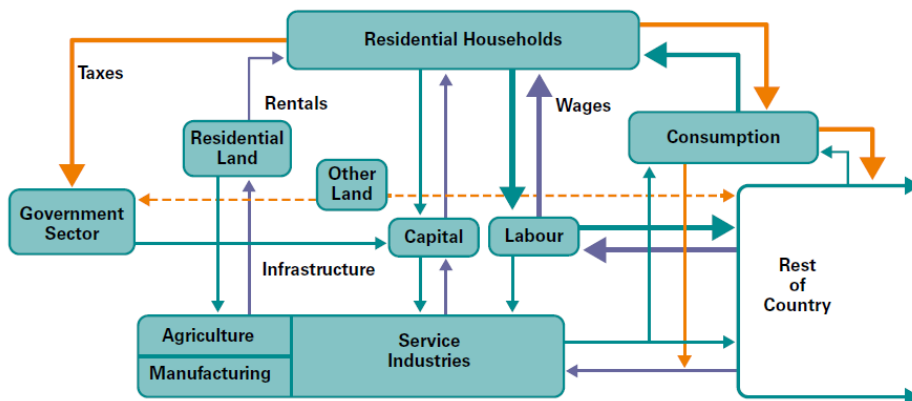


Figure 1: Township economy framework by SACN and Urban LandMark

Some key messages that emerged from the report are:

- Townships are intrinsically linked to the wider national economy (illustrated in the figure).
- Households rely mainly on wage labour outside the township and they spend most of their money on goods and services produced and sold elsewhere (illustrated by thick arrows).
- Townships lack the attributes necessary for many activities that make up an economy.
- Building business space is only viable if the firms demanding that space can afford high enough rentals to cover their construction costs.

These conclusions are arguably too cautious about the potential for township economies, bearing in mind their diverse circumstances and the political imperatives to address mass unemployment and poverty in these places. They neglect what might be achieved by a far-sighted, patient approach to investment in human capabilities and supportive economic infrastructure. They also neglect the potential for the private sector to adopt a broader, longer-term approach to township investment, bearing in mind fast-growing consumer markets and the increasing need for corporates to be seen to make a positive contribution to societal development.

A second major report is the World Bank's 'Economics of South African Townships: Special Focus on Diepsloot' study, published in 2014 (Mahajan, 2014). It used Ranis and Stewart's (1999) analytical framework of the traditional and modernizing informal sector to analyse South Africa's township economies. It focused on Diepsloot in Johannesburg as a case study for in-depth analysis. Drawing on local evidence, secondary literature and national datasets, the report argued that "the country is mired in a low-level, high-unemployment equilibrium that has a modestly performing formal urban sector with heavily concentrated ownership structures, a traditional informal sector that is predictably small with an extremely limited capability to expand, and only sporadic signs of an emerging modernizing informal sector that has strong supply-chain or market linkages with the urban formal sector" (Mahajan, 2014).

The authors argued that the township economy could be strengthened by promoting the 'informal modernizing economy', establishing strong links to the formal urban economy, investing in human and infrastructure capital in townships and improving the business environment to attract private investment. They suggested unleashing township internal dynamics by harnessing the comparative advantages of township economies – i.e. (i) the abundance of cheap unskilled labor; (ii) adjoining land that is more affordable than the core city; and (iii) a potential consumer market that is still untapped. These arguments are clearly pitched at a high level and would be more compelling in a context of buoyant macro-economic conditions, rather than in a flat-lining economy with deficient demand for labour and land.

The Sustainable Livelihoods Foundation has conducted much empirical research on the township economy in recent years (Charman, 2017; Charman et al., 2017; SLF, 2016). Using small area-based census methods, they have analysed the nature of micro-enterprises, the spatial logic behind informal township

enterprises, their dynamics over time and the barriers hindering their formalization and growth. Their work affords us better understanding of the scale and scope of informal enterprises and the factors driving their locational behavior. One of their main contributions is to highlight the impact of the physical layout of townships on economic activities. Thus they show how informal enterprises are distributed throughout townships rather than concentrated in commercial areas or along the main/high streets. This partly because convenience to households is their main competitive advantage. It means that municipalities need to be very sensitive to their zoning and licensing requirements, and not simply apply standard rules which restrict businesses in neighbourhood areas. The SLF's work has enriched our knowledge of the modus operandi of township enterprises at the micro level, although it has not developed frameworks to conceptualise the township economy holistically and to locate it within the broader urban economy.

Another recent study uses the value chain approach to investigate the integration of township enterprises into the formal urban economy (Ngwenya and Zikhali, 2018). It draws on the World Bank report and data collected in Diepsloot in 2012, to examine vertical and horizontal aspects of value chains, and their implications for township enterprises. Older and more experienced owners were found to be better integrated into formal value chains while young entrepreneurs seemed to require more support to penetrate the formal economy. Enterprises that were better integrated were also more likely to employ more people. This suggests that integration into formal value chains contributes positively to job creation and poverty eradication (Ngwenya and Zikhali, 2018).



## 2.5 SCALE AND SCOPE OF TOWNSHIP ECONOMIES

Township economies comprise a range of activities within different industrial sectors and markets, using different technologies and requiring different skill-sets. Some activities are conducted by large, formal enterprises, but most township enterprises are small and informal. The most comprehensive data has been collected by the Sustainable Livelihood Foundation, who have surveyed almost 11,000 township enterprises across nine township sites in four provinces. They

suggest that liquor, grocery and food services represent 54% of all township businesses, followed by services (34%), including hair salons/barber shops, traditional healers, mechanical/electrical repairs, recycling, churches and early childhood education (educare) centres. The taxi industry also plays a vital role, although micro-manufacturing makes up only 2% of all enterprises (SLF, 2016). The manufacturing that does exist is rarely linked to wider value chains and external markets. There are also illegal activities such as drug-dealing, counterfeit goods, contraband cigarettes and sex-work that are not reflected in these statistics.

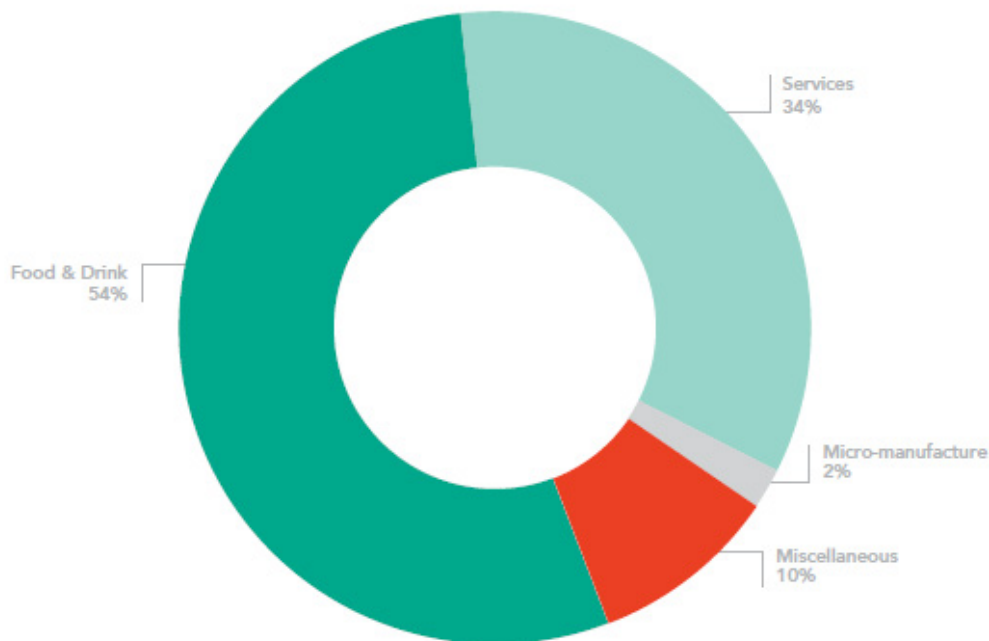


Figure 2: The percentage distribution of sectors across all sites. SLF 2016

Informal retail trade, including street traders, spaza shops and shebeens, is by far the dominant activity. Its significance suggests low barriers to entry or relative profitability. Products sold by township enterprises are almost exclusively produced by large corporations outside townships: maize meal, bread, milk, coffee, peanut butter and so forth carry the brands of well-established conglomerates (CSP, 2018). Township enterprises thus play a complementary role to formal retailers and wholesalers, enabling them access to a growing sector of low-income earners that cumulatively have sizeable buying power (Battersby et al., 2016). Rogan and Skinner (2017) estimate that the informal

food retail sector accounts for around 30% of national food retail sales.

Recent years have seen the growth of formal retail chains and shopping malls in townships (Todes and Turok, 2018). Many informal traders express concern over the expansion of supermarkets into townships, because they can undercut them and drive them out of business. So far experience suggests that the impact of supermarkets on informal traders is mixed, with positive as well as negative outcomes (Battersby et al., 2016). The detailed location and configuration of trading areas in relation to the supermarkets is bound affect these impacts.

While most township enterprises are limited to meeting the immediate demands of their local community (i.e. for convenience purchases), some economic activities are linked to outside customers and markets. One example is township tourism, which has experienced significant growth since the end of apartheid. Township tourism connects better-off international and national residents with township enterprises, bringing much needed expenditure into township spaces with potential multiplier effects on leisure, service, retail and other industries. In practice, however, local benefits from township tourism have often been limited and most tours are restricted to only a few well-established townships including Soweto, Khayelitsha, Langa and Inanda (Booyens, 2010; Booyens and Rogerson, 2018).

## 2.6 BARRIERS TO GROWTH AND FORMALIZATION

Several studies have highlighted the major challenges facing the growth and development of small, micro and informal enterprises in townships. These include a lack of available land to conduct business, inadequate services and infrastructure (water, electricity, sanitation, waste and internet), lack of connectivity and thus high transport costs, limited access to finance, inappropriate regulations, limited government support and skills development programmes, weak integration into formal value chains, lack of access to more profitable markets, negative social attitudes and strong competition from more established businesses (Fourie, 2018; Rogerson, 2019; Mahajan, 2014).

Informal township enterprises are also particularly susceptible to crime, negative perceptions, competition from large retail chains, insecure property, police harassment, xenophobic attacks and corruption (Crush et al., 2015). Many of these obstacles to growth reinforce each other and compound the significance of any single constraint acting in isolation. The result can be a vicious cycle which

prevents township enterprises from growing and developing their capabilities over time. As a result, they “continue to lurk on the margins of neighbouring urban core economies unable to attract formal private investment” (Rakabe 2017, p. 1 in Rogerson, 2019, p. 189).

A major challenge to local township retail businesses has been the competition from foreign traders (Hartnack and Liedeman, 2017). As a result, foreign owners of spaza shops have frequently faced high levels of crime, vandalism and xenophobic attacks that threaten their businesses and indeed their lives (Crush et al., 2015).

Significant hurdles are related to administrative processes, land-use management systems, zoning regulations and onerous building norms and standards that prevent township enterprises from registering and formalising their business. Hurdles related to registration and licensing have been listed as major constraints to informal enterprises operating in the liquor sector (Charman et al., 2013). Similarly, stringent approval processes coupled with very high standards prevent educare providers in townships from registration, which excludes them from receiving government subsidies and support for infrastructure and teaching material (Hartnack and Liedeman, 2017).

The World Bank study mentioned above showed that almost 30% of informal enterprise owners in Diepsloot listed permit requirement and business regulation as business constraints (Mahajan, 2014). Difficulties with regard to obtaining formal title deeds hinder many township entrepreneurs from formalizing their businesses and accessing government support, finance and insurance. Operating informally also prevents township business from breaking into wider markets and value chains.

Lack of available land and inadequate infrastructure are additional constraints facing township entrepreneurs, who are consequently forced to operate from home or other locations which may be ill-suited

to market access and physical expansion. One strategy aimed to address this has been the creation of industrial estates in townships. However, evidence suggests that they have had modest success, partly because of the failure to get the basic infrastructure and service provision right (Cant, 2017; Kaziboni, 2017).

## 2.7 POLICY AND INITIATIVES

The government's approach to township development has altered over time. The focus after 1994 was on urban renewal through the Special Integrated Presidential Projects. This was followed by national Urban Renewal Programme in 2001 and then the Neighbourhood Development Programme in 2004/5. These initiatives have not received much attention from researchers and other observers, so their impact on economic development is not well known (Jürgens and Donaldson, 2012). The priority was to improve the provision of social infrastructure (health, education, social facilities, parks) with less attention given to stimulating economic activity. The main exceptions were support for the establishment of national retail chains in new shopping centres and creating basic infrastructure facilities for informal traders (Cant, 2017; Donaldson et al., 2013; Geyer, 2016).

Government policy has neglected informal businesses and focussed on formal SMEs (Rogerson, 2016). There are some signs of a change in attitudes towards the informal economy in recent years. The National Development Plan recognised that there are nearly 3 million jobs in the informal economy. It also projected that it might create nearly 2 million additional jobs by 2030 (NPC, 2012, p. 121). However, the NDP made no specific plans or proposals for the sector. In 2012 the DTI published a National Informal Business Upliftment Strategy (NIBUS). This is the first national attempt since 1994 to coordinate policy towards the informal economy. The NIBUS also proposed a new Business Licensing Bill which would require every business to be licensed, no matter how small. This has been heavily criticised for being practically

unworkable, potentially discouraging informal entrepreneurship and discriminating against foreign migrants by trying to exclude them (Rogerson, 2016; Crush et al., 2015).

A few institutions have been set up at the national level to support small businesses in townships. These are the National Youth Development Agency, Small Enterprise Development Agency, Industrial Development Corporation and Black Business Empowerment Programme. While some of these programmes have provided useful support to individual entrepreneurs, their overall impact on township economies appears to have been limited, partly because of their standardised character. There has also been little success at attracting investment from the private sector into townships or linking township entrepreneurs to formal value chains and larger, more profitable consumer markets (Mahajan, 2014).

The Gauteng Provincial Government introduced a targeted township revitalization strategy in 1994. It states that the revitalisation of township economies is essential for the long-term sustainability of Gauteng's economy. The policy aims for township entrepreneurs "to produce everything that is possible within and around a township space" (Gauteng Province, 2014). A goal was also set for the township economy to contribute to at least 30% of Gauteng's GDP by 2030. Some achievements have already been reported. Public procurement spend on township enterprises reputedly increased from R600 million to R17 billion between 2014 and 2017, and the number of township enterprises doing business with government increased from 642 to 4182 (IOL, 2018). These are bold claims, although the veracity of these figures is hard to establish.

In addition to the above, there are numerous other organisations and units working on township economic development in some capacity. Below is a Table showing some of the many existing interventions and programmes, which could form part of a future partnerships.





ORGANISATION	GEOGRAPHIC FOCUS AREA	INVENTION AREAS	METHODS
Sustainable Livelihoods Foundation (SLF)	Broad	Productive placemaking, capable enterprises and resilient social fabric	Research, pilots and advocacy including: <ul style="list-style-type: none"> <li>Township Transport Sector, Imizamo Yethu</li> <li>Unlocking Land for Microenterprise Growth (ULMEG) Project (Delft and Eindhoven)</li> <li>Informal Economy Food Services</li> <li>Informal Economy of Biodiversity</li> <li>Formalising Informal Microenterprises</li> <li>Competition in the informal retail grocery sector</li> <li>Shebeens, Sweet Home Farm</li> <li>Local area development projects</li> </ul>
Violence Prevention through Urban Upgrade (VPUU)	Broad	Productive placemaking, capable enterprises and resilient social fabric	Research, direct project implementation, facilities management
Bertha Centre for Social Innovation	Broad, with an centre in Philippi Village, Philippi, Cape Town	Capable enterprises and resilient social fabric	Education, training, conferences and workshops, incubation
Department of Social Development, City of Cape Town	Cape Town	Resilient Social Fabric	Support developing constitutions for community based organisations and development forums; project implementation (food gardens) and social welfare services
African Centre for Cities	Broad	Productive placemaking, capable enterprises and resilient social fabric	Research; in particular on size and shape of informal economy; and on emerging property developers in townships
Cape Digital Foundation (CDF)	Western Cape	Productive placemaking, capable enterprises and resilient social fabric	Smart townships: <ul style="list-style-type: none"> <li>Infrastructure and connectivity</li> <li>Affordability</li> <li>Relevant content</li> <li>Digital skills and literacy</li> <li>Harvesting the data</li> </ul>
Craft and Design Institute	National	Productive placemaking and capable enterprises	Entrepreneur support and training, access to markets, pilot projects and design thinking facilitation
Centre for Affordable Housing Finance in Africa	International	Productive placemaking, capable enterprises and resilient social fabric	Finance/ research in the informal and affordable housing economy
Cape IT Initiative (CiTi)	Cape Town	Capable enterprises	Research, training and education, incubation, events
SAB Foundation	National	Capable enterprises	Research, event sponsorship, enterprise funding
eKasi Entrepreneurs	National	Capable enterprises	Research, events, mentoring and matchmaking

ORGANISATION	GEOGRAPHIC FOCUS AREA	INVENTION AREAS	METHODS
City of Cape Town Economic Research	Cape Town	Capable Enterprises	<ul style="list-style-type: none"> <li>Comprehensive GIS maps of informal businesses in Khayelitsha and Philippi, based on detailed surveys of product types, infrastructure needs, turnover etc</li> <li>Detailed Informal Economy assessment conducted by SLF (more on the below) covering 5 key sub-sectors, a study which took almost two years to complete</li> <li>Informal trader permit maps and plans</li> <li>Various reports from annual Summits – used to be known as Informal Trader Summits, more recently known as Micro Enterprise Summits</li> </ul>
Community Organisation Resource Centre (CORC)	National	Productive placemaking, capable enterprises and resilient social fabric	Organising, research and advocacy for: <ul style="list-style-type: none"> <li>Collectives that are mobilised through savings</li> <li>Re-blocking of informal settlements</li> <li>Street and district leadership structures</li> </ul>
Development Action Group (DAG)	Western Cape	Productive placemaking, capable enterprises and resilient social fabric	Research, organising, capacity building, project implementation and advocacy: <ul style="list-style-type: none"> <li>Enabling environment for inclusive neighbourhoods</li> <li>Creation of vibrant neighbourhoods</li> <li>Have conducted surveys and GIS mapping in various formal and informal neighbourhoods</li> <li>Potential link into networks of micro-developers / township property developers</li> </ul>
Slum Dwellers International (SDI)	International	Productive placemaking, capable enterprises and resilient social fabric	Slum upgrading, enumeration and community data mapping, empowerment of women, learning exchanges and partnerships.
Economies of Regions Learning Network (ERLN)	National	Productive placemaking, capable enterprises	Learning network to improve economic development practices and data: <ul style="list-style-type: none"> <li>Metropolitan Economic Data Project</li> <li>Toolkit: Addressing Youth Unemployment</li> <li>ERLN Working Guides</li> </ul>
Ikamva Investment Holdings	Cape Town (Khayelitsha)	Productive placemaking, capable enterprises	Entrepreneur – direct investment in Khayelitsha based businesses
Kasi Economics	Cape Town	Capable enterprises	Research, communication advocacy and networking



ORGANISATION	GEOGRAPHIC FOCUS AREA	INVENTION AREAS	METHODS
National Treasury City Support Programme (CSP)	National	Productive placemaking, capable enterprises	Support to Cities and partnerships between Cities and national counterparts. Land records pilot programme.
Philippi Economic Development Initiative (PEDI)	Philippi, Cape Town	Productive placemaking, capable enterprises	Focus on agricultural sector within Philippi
PLAAS, UWC	National	Resilient social fabric	Research, advocacy and capacity building. Publication: Alternative to Tenure Focused on rural economies, but have networks and research that deals with the nexus of rural-township economies.
Rockefeller Foundation	Global	Productive placemaking, capable enterprises and resilient social fabric	Multi-dimensional Framework for Understanding, Measuring and Promoting Inclusive Economies
SALGA	National	Productive placemaking, capable enterprises and resilient social fabric	Knowledge sharing, convening, capacity building. Focus on township economies and 'next generation' land use system
Scalabrini	Western Cape	Resilient Social Fabric	Research, advocacy and direct services to immigrants. Perceiving migration as an opportunity, the Scalabrini Centre is committed to alleviating poverty and promoting development in the Western Cape while fostering integration between migrants, refugees and South Africans
Somali Association of South Africa (SASA), Western Cape	Western Cape	Capable enterprises and resilient social fabric	The organization consists of different programs to support the refugees and asylum seekers from Somalia, but also from some other countries. A strong focus on support to Somalian entrepreneurs.
South African Cities Network (SACN)	National	Productive placemaking, capable enterprises and resilient social fabric	Dialogues and events, research, policy advocacy Research: South African Township Economies and Commercial Property Markets
South African City Futures Partners: <ul style="list-style-type: none"> <li>• South African Cities Network (SACN)</li> <li>• The African Centre for Cities (ACC)</li> <li>• Council for Scientific and Industrial Research (CSIR)</li> <li>• Architects Collective South Africa (AC)</li> <li>• Johannesburg Development Agency (JDA)</li> <li>• Mandela Bay Development Agency (MBDA)</li> <li>• The Ove Arup Foundation</li> </ul>	National	Productive placemaking	"Visualising the Futures of our Neighbourhoods" is a project about doing things differently.



ORGANISATION	GEOGRAPHIC FOCUS AREA	INVENTION AREAS	METHODS
Social Justice Coalition (SJC)	Cape Town	Resilient social fabric	Community organising, campaigns, advocacy, community enumeration, social audits, legal action on issues of community safety, xenophobia, basic service delivery and land
The dti	National	Capable enterprises	Incentives, research, policy Report: Growing Capacities of Sustainable Entrepreneurship in Townships Recent workshop
The New Economy Accelerator (NEA)	National	Capable enterprises	Informal sector social enterprises, project management, research, water, community development
RedBull Amaphiko Academy	National	Capable enterprises, resilient social fabric	Social innovation and social entrepreneurship capacity building and sponsorship
Trade and Industrial Policy Strategies (TIPS)	National	Capable enterprises	Second Economy Strategy Project (2009): <ul style="list-style-type: none"> <li>• Second Economy Strategy Framework</li> <li>• 30-40 research papers</li> <li>• New work on township economies with World Bank</li> </ul>
Western Cape Government (WCG) Alcohol Harms Reduction Game Changer	Western Cape	Resilient social fabric	Focus on barriers to regularisation in Township Four, Khayelitsha
Western Cape Government 'Whole of Society Approach' (WOSA)	Focus on Saldanha, Drakenstein, Manenberg, Khayelitsha	Productive placemaking, capable enterprises and resilient social fabric	Integrated development and service delivery approach
Wholesale and Retail SETA, GIBS	National	Capable Enterprises	Research and training Report: Strategic Interventions towards Enhancing Rural and Township Economy Revitalisation by the Wholesale and Retail Sector (2016)
World Bank Group Southern Africa	National	Capable enterprises	Publication: The Economics of South African Townships (2014). Research on typology of townships, food economy within townships and successful and failed attempts at township development (Kate Philipis and Carli Bunding-Venter)

# 3 | STAKEHOLDER WORKSHOPS

## 3.1 WORKSHOP #1: TOWNSHIP ECONOMIES PROGRAMME

The first workshop included many different stakeholders with very diverse knowledge and experience. The main purpose was to ‘rethink’ township economies in ways that offer insights into their dynamics and useful clues to chart the way forward in terms of policy and action. Eight themes were presented: entrepreneurship, social economy, regulatory environment, physical environment, connectivity, sectoral approaches and value chains, creative industries and place-making, and rights-based and social justice. The ensuing discussion consolidated the themes into three lenses for future work: (i) capable enterprises, (ii) productive place-making and (iii) resilient social fabric.

Participants emphasised that townships are complex environments where social and economic issues are intertwined and can’t be addressed independently. Efforts to attract investment and support economic development cannot ignore the social challenges facing townships, just as the provision of basic services and social infrastructure cannot neglect the importance of jobs and livelihoods. Creating stable, cohesive and sustainable communities requires an holistic perspective. Enhancing human skills and capabilities is crucial for various reasons, including employability and entrepreneurship. Other cross-cutting themes include: connectivity and ICT; regulation and land; and safety and security.

Participants encouraged efforts to build a common vision across government and other stakeholders for the future of townships. Policy-makers also need

to understand the needs of township residents, entrepreneurs and community-based organisations better. Township enterprises should not just be seen as survivalist-driven informal traders. Several participants encouraged a broader view, including opportunities related to the creative industries, leisure and/recreation, and entertainment. The value-chains in different sectors need to be unpacked in order to unlock the potential for local entrepreneurial activity.

## 3.2 WORKSHOP #2: PRODUCTIVE PLACE MAKING

The second workshop included site visits to Delft and Mfuleni to see aspects of productive place-making and urban management. They considered the factors attracting and deterring investment and consumer spending in different locations. Participants were critical of the top-down style of planning apparent in some informal trading areas and business precincts, resulting in underuse by the community and a general sense of neglect. The emphasis was on public investment in hard infrastructure, rather than ongoing maintenance of the public realm to keep it attractive and appealing.

Elsewhere, a major housing scheme illustrated the weaknesses of silo-based decisions and the lack of coordinated, area-based planning. There was a general absence of facilities and amenities in the area, including recreational and sports facilities, libraries, community centres, schools, clinics, shops and business premises. Lack of community consultation appears to have been part of the problem.

A major public transport interchange planned for Mfuleni could have transformative effects locally, especially if it is planned in conjunction with the community and creates space for various business activities. Improved connectivity will make the area more attractive as a place to live, invest and visit. However, all sorts of local conditions need to be improved first, including improved public infrastructure, electricity supply, essential services and precinct management.

### 3.3 WORKSHOP #3: CAPABLE ENTERPRISES

The third workshop interrogated various aspects of entrepreneurship and business support services. Two broad areas for policy attention emerged: (i) improved training and support for township entrepreneurs and (ii) streamlined regulatory systems and compliance procedures. They go together because addressing one without the other will not achieve the desired effects. Many criticisms emerged of the business support network and regulatory framework, especially for township entrepreneurs:

- The inadequate scale of support, its fragmented character, and gaps in provision
- The formulaic, bureaucratic and supply-driven approach, unresponsive to business needs
- The lack of differentiation according to business needs and potential
- The undue emphasis on chasing numerical targets, rather than lasting impact and quality
- The lack of proper health checks of businesses and business proposals at the outset
- Inappropriate hurdles placed in the way of businesses seeking support
- The focus on the formal sector and neglect of the informal sector
- The emphasis on start-ups and reactive methods, with little follow-up to target successful entrepreneurs with growth potential
- The lack of serious monitoring, evaluation and learning among service providers

Various solutions were put forward:





- More tailored financial support, and more flexible training for entrepreneurs to prepare them better for running a business.
- Creating a pilot project to pool the relevant resources available, reconfigure the business support services and drive higher quality provision.
- Furntech was cited as a good practice example to explore further, but it needs to be scaled up to be more accessible by a larger number of entrepreneurs. We need to look at the success of such initiatives and ask why it worked?

### 3.4 WORKSHOP #3: SOCIAL FABRIC

This workshop looked at three aspects of the social fabric of townships: 1) social dynamics; 2) community organisation; and 3) practical examples of resilience. Economic development practitioners are inclined to ignore social issues as too messy and complicated to get involved with. The workshop demonstrated that this stance is dangerous and untenable. The 'social' is intimately bound up with the 'economic' and cannot be relegated to a secondary consideration addressed by social programmes alone. Two fundamental themes for policy attention emerged: (i) recognising and enhancing the social assets and soft infrastructure that already exist in townships as a means of enabling and supporting economic progress, and (ii) finding many different ways to transform the social challenges into developmental opportunities.

There are many social assets that already support township livelihoods, directly and indirectly, and have the potential to provide greater assistance as foundational (or 'pre-economic') activities and enabling environments. They include local street committees, faith-based organisations, community groups, stokvels, business associations, sports clubs, cultural groupings, social movements and development forums. It is important to recognise, enable and build upon what's there.

However, instead of appreciating their value, they are often neglected or treated with suspicion by public sector agencies. More explicit recognition, regular two-way engagement and small amounts of funding could strengthen their capabilities and contribution over time.

There are also organisations that operate on a wider geographical scale that help to connect people in townships to external opportunities. They are vital to raise horizons and link people to means of learning, acquiring skills and gaining access to external jobs, livelihood opportunities and markets for emerging enterprises. They include special interest groups, professional associations, creative industry organisations and faith-based organisations. The government could do more to encourage these bridge-building activities and break down the spatial, social and cultural barriers between communities.

The social problems that plague many townships are well-known and can be profoundly disabling for individuals and households. They encourage people with higher disposable incomes who can afford to move away and live elsewhere to do so. They are high risk environments that also discourage successful enterprises from reinvesting and growing their businesses. Public policy has a critical part to play in alleviating these problems and tackling their root causes. Additionally, increased commitment from local government is needed to ensure that the basic needs of communities are met. This creates a foundation which supports human development and well-being.

Government policies make things worse if poorly conceived and rigidly implemented. For example, inappropriate regulations and heavy-handed policing undermine informal trading and social enterprises. Some social programmes promote entitlement rather than active citizenship, ingenuity and enterprise.



# 4 | TOWNSHIP ECONOMIES FRAMEWORK

There are essentially two strategic issues that need to be considered in thinking about township economies: (i) the relationship between townships and their wider urban context (their external setting) and (ii) the scope of the local factors that influence township economic performance (their internal setting). In the absence of a strong evidence base, there is very little consensus about either of these issues among policy-makers and observers. Some perspectives are rather insular and narrowly conceived, while others are outward-looking and broad-based.

In terms of the external setting of townships, prevailing views tend to be very polarised. On the one hand, there is a widespread view among proponents of township economic revitalization that townships can and should be transformed into fully-fledged towns or cities with their own economic or industrial base. The common refrain that “every township should have its own industrial estate and business park” is a good illustration. In other words, the solution to high unemployment and poverty in the townships is largely local/internal. The obstacles to development are considered essentially historic and reflect the long-standing neglect of township economic infrastructure and state restrictions on township enterprise. Therefore, the state should invest in industrial estates and business premises to accommodate new enterprises and firms relocating from elsewhere. There is an implicit assumption that townships are sufficiently distant or otherwise disconnected from the rest of the city to function as self-contained economic units. It is also assumed that jobs created locally will be filled by local residents.

The contrary view is that townships have limited economic development potential because they are mainly residential areas and the pressure on land limits the opportunities for industrial property and other business premises. The priority locally is additional housing and public services to address historic backlogs and meet the everyday needs of residents for schools, health-care, public transport, etc.

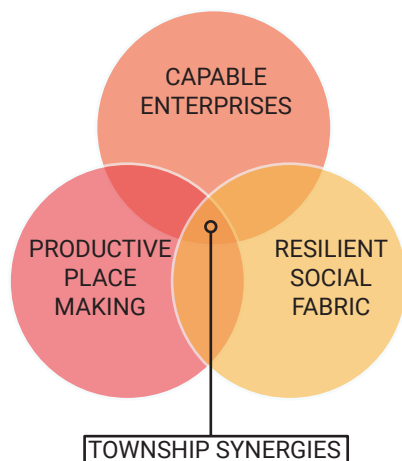
There is also an assumption that high unemployment in the townships reflects the poor education levels and deficient skills among local residents (aspects of labour supply), rather than historic neglect of economic development (labour demand). Hence there is greater emphasis on the human dimension of development and the inability of township residents to compete for jobs in the wider urban labour market. The prosperity of township residents is deemed to depend above-all on (i) improved human skills and capabilities and (ii) stronger physical and economic integration with their neighbouring towns and cities. This includes improved transport connectivity, labour market information, links to wider value chains and mainstream financial institutions. According to this view, townships should not be seen as isolated local economies, but rather as an integral part of the wider urban economy.

There is clearly some truth in both positions. Townships should not be viewed or treated in isolation of the wider urban economy since their fortunes are at least partly bound up with the broader economic environment. Most township residents are likely to work in surrounding areas, simply because there are far more jobs available there and more vacancies regularly becoming available. However, it is also desirable, and it may well be possible,

to stimulate economic development within and around townships, despite the pressure on land from housing and other uses. The balance of emphasis between inward and outward development is likely to depend on the degree and forms of township economic marginalization, including:

- The extent of physical disconnection through distance and inaccessibility
- The size of the local population and the degree of economic leakage through a lack of local facilities
- The extent of financial marginalization, red-lining by banks and investment withheld by other parts of the private sector
- Whether the local regulatory framework is appropriate or inappropriate
- The extent of social marginalization and negative sentiment towards the township, and
- The degree of historic and contemporary neglect by the government

Further research is required to establish the relative importance of these attributes, which is bound to vary in different local contexts. Townships should not be treated as all the same. For example, the need and ability to develop a local economic base in well-located, densely-settled townships, such as Du Noon, Gugulethu or Alexandra are likely to differ markedly from more peripheral townships, such as Delft, Atlantis or Tembisa. People living in the former are better able to secure employment in surrounding areas than people in the latter.



The second issue for consideration relates to the internal determinants of township economic performance - the local variables or factors that shape their development trajectory and prospects. Conventional perspectives have focused rather narrowly on economic variables and tended to neglect 'softer' social and institutional attributes. Thus, economic development analysis and action in the townships has addressed physical attributes such as the availability of serviced land and premises, along with the skills and qualifications of local residents.

However, townships are clearly complex environments for investment in economic development, and issues such as social mistrust, disaffection, instability and crime cannot simply be ignored. There may also be latent social and community assets present that could support economic development, such as forms of local organization that lend money to residents or that encourage cooperation among local enterprises, or social networks that provide information on job vacancies. Where the social fabric is strong, this tends to improve the resilience of the community in the face of sudden shocks (such as violent crime or a major redundancy) or ongoing stresses (such as poverty and hardship). Therefore, there is a strong case for a broader, more holistic perspective encompassing social and institutional issues, such as formal and informal rules of behaviour, social order and stability, social networks and the level of community organisation. The following diagram identifies the main elements and their interactions.

- **Enterprises:** enabling conditions, access to markets and entrepreneurial capabilities.
- **Place-making:** density, diversity and connectivity
- **Social fabric:** social order & security, community organisation, social networks & assets, community empowerment

Where the interactions between the three pillars of enterprise, place and society are negative, there is a vicious cycle of low investment, low productivity, low jobs and incomes, insecurity and instability. However, where the situation can be turned around through a specific trigger or set of interventions, a virtuous circle may be established and positive synergies may be generated in the form of community confidence, social trust and greater investment in townships assets and enterprises. The dynamics are bound to be unique to each township because of its distinctive situation and the influence of particular local institutions, groups and personalities. Detailed local knowledge is essential to grasp these dynamics and to identify opportunities for action. Government coordination and partnering with local communities, NGOs and the private sector is also likely to be more effective than piecemeal initiatives.

Each of the three pillars can also be considered in more detail.

## Productive places

There is a growing body of evidence to suggest that three of the most important qualities of productive places are: density, diversity and connectivity. Townships have density by virtue of their sizeable populations in a small area. However, they tend to lack economic diversity (a wide range of different kinds of enterprises and human capabilities) and connectivity. Unpacking these features in more detail, there are at least seven dimensions to consider:

- Access to land - including security of tenure, the consolidation of separate land parcels, and the speedy release of unused land for development.
- Infrastructure – capacity and methods of financing reinvestment and maintenance.
- Public realm – the creation of high streets with a critical mass of related consumer services and entertainment to attract and retain household

spending.

- Internal and external connectivity - transport and electronic.
- Business premises, incubators and workshops.
- Emerging local contractors to build housing, infrastructure and other projects.
- An appropriate regulatory framework with rules and procedures that are tailored to local needs and circumstances.

## Capable enterprises

This is essentially about businesses with the various competencies and resources to grow and develop by accessing wider markets and external resources. There are at least six dimensions to consider:

- Access to external markets and value chains.
- Access to external sources of finance for equipment and working capital.
- Access to enabling technologies to improve productivity and customer responsiveness.
- Training and advisory services to improve managerial efficiency and performance.
- Supplier development programmes to help firms access major corporate customers.
- Appropriate business licensing and regulations to enable progressive regularization and formalisation.

## Resilient social fabric

This is about the strength of community networks, the stability of the local society, and the presence of social assets such as savings schemes or stokvels. There are at least six elements that need to be examined:

- The strength of community organization.
- The existence of social order and stability.
- The support available for NGOs and local intermediaries.
- The presence of social and community enterprises.
- Community employment programmes and social protections.
- Local advisory services to ensure take-up of social grants and other benefits.

Community-based organisations represent a kind of soft infrastructure that provides information, transfers skills and competences, shares resources, offers mutual support and goodwill, and engenders social stability and resilience against sudden shocks and ongoing stresses. Many of these entities are under pressure themselves and have a hand-to-mouth existence, which limits their effectiveness in building community resilience and contributing to meaningful human, social and economic development. They sometimes help people to get by, rather than to get ahead, so it is important to understand and address what holds them back. Sometimes they get captured and exploited by gatekeepers for their own selfish interests, so greater consideration needs to be given to strengthening accountability and governance arrangements.

Greater experimentation, creativity and innovation are required within the public sector and beyond to address the social challenges in ways that address the underlying causes and enable sustainable solutions to emerge.

This means:

- Investing in human skills and competences
- Generating livelihoods through social enterprises of various kinds
- Mobilising the resources of national schemes such as the Community Works
- Programme to support local development
- Building capable organisations that can empower individuals and groups
- Strengthening social trust and networks within the community
- Investing in physical infrastructure, local facilities (incl. spaces for both production and consumption) and institutions that create pathways out of poverty
- Monitoring and evaluating local initiatives more closely in order to learn from experience and respond promptly
- Considering spatial planning and service provision in the light of what it takes to 'make places' that are both liveable and attractive for economic investment to support entrepreneurs and local businesses
- Diagnosing and analysing the problems facing different townships more carefully in order to respond more appropriately and effectively.

A useful initial task would be to document, 'map' and benchmark the quantity and quality of social assets in different townships as a basis for considering what else might be done.





# 5 | CONCLUSIONS

Township economies have suffered from historic neglect, so there is a case for closer attention from government. Given the importance of townships in the country, this is a hugely neglected area requires much more concerted policy attention. In view of this, there is growing interest among policy makers in stimulating township economies to generate positive economic, social and environmental benefits to the country. The challenges are multi-faceted, so an integrated approach is vital, rather than piecemeal actions and initiatives. Townships are also extremely diverse, so a tailored approach in each area is essential.

Revitalising township economies is not a quick fix. It requires a strong, capacitated state to support, in partnership with key role-players, the creation of an enabling environment in which township enterprises can grow and transform to become more productive and sustainable. This includes investments in the physical infrastructure as well as improving the social and business environment. New multi-stakeholder partnerships will be needed to join up investments and actions across government and other agencies. Given the specific role of local government in managing township economies, extra support should be provided to strengthen municipal capabilities and resources. Due

to the limitations of previous initiatives to stimulate enterprise and economic activity in the townships, bold new thinking, greater willingness to experiment and to take risks, and above-all long-term commitment to continuous learning and improvement are necessary to turn the economic situation in townships around.

It is important to not view or treat townships in isolation of the wider urban economy, since their fortunes are at least partly bound up with the broader socio-economic environment. Improving the economic and social conditions in townships will thus depend on the overall performance of South Africa's economy and on addressing some of the more structural reasons for their underdevelopment, and the persisting inequality and isolation of these peri-urban spaces. To strengthen township economies will require targeted investment in activities with high potential and the creation of stronger partnerships between the public sector, private enterprises, NGOs, researchers and civil society. Such efforts must reach more deeply into the heart of the economy and to connect and integrate townships with the major flows of value and resources within the economic mainstream.



At the same time, some of the solutions will have to be implemented in township internally. Careful attention needs to be given on how policy can stimulate economic development within and around townships. Policy needs to balance emphasis on inward and outward development, which is likely to differ for each township depending on the degree and forms of township economic marginalization. Local context really matters! Further research is required to establish the relative importance of internal and external attributes of township economic development, ideally for each township.

Additionally, more research is needed to assess the impacts of previous economic development initiatives, especially recent township economic revitalization programmes. It seems that most programmes have focused rather narrowly on economic variables and tended to neglect 'softer' social and institutional attributes. Thus, economic development analysis and action in the townships has addressed physical attributes such as the availability of serviced land and premises, along with the skills and qualifications of local residents.

Improved government action necessitates a better understanding of township economies and a stronger evidence base related to key opportunities, obstacles and critical success factors. It requires greater commitment to monitor, evaluate and learn from practical experience of township economic projects and programmes. Nonetheless, townships are clearly complex environments for investment in economic development, and issues such as social mistrust, disaffection, instability and crime cannot simply be sidelined. Therefore, there is a strong case for a broader, more holistic perspective to understand shocks and stresses which impact on resilience towards encompassing social and institutional issues, such as formal and informal rules of behaviour, social order and stability, social networks and the level of community organisation.

Creating better quality of life for township residents requires interventions both within and beyond townships, at the local and national level, and over a sustained period of time. Understanding the whole range of barriers and possible solutions will require novel data sources, innovative research methods and learning from experiences elsewhere.



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