

“PIONEERING A NEW DEAL FOR THE TOWNSHIP AND VILLAGE ENTERPRISES”

ADDRESS BY PREMIER DAVID MAKHURA ON THE OCCASION OF THE SIGNING OF THE TOWNSHIP ECONOMIC DEVELOPMENT ACT

29 April 2022

ORLANDO COMMUNAL HALL, SOWETO

Director of the Programme, MEC Mbali Hlophe;

Members of the Gauteng Executive Council;

Organised Local Government represented by SALGA Gauteng Chairperson, Cllr Jongizwe Dlabathi;

Leaders of Political Parties – Member Makashule Gana and member Dulton Adams;

Members of parliament represented by Hon. Winnie Ngwenya;

Leaders of various business organisations and the private sector; Dr Thami Mazwai, scholar and policy guru on the township economy;

Acting Director General and senior government officials;

Partners to the Township Economy Partnership Fund;

Entrepreneurs from all over Gauteng townships:

Today is a special day for Gauteng township enterprises.

We have come to Soweto to assent and sign into law the Township Economic Development Bill, which was passed by the Gauteng Legislature on 24 March 2022, by unanimous vote of all parties in the Gauteng Provincial Legislature and supported by all municipalities in Gauteng. This unanimous vote is also historic.

We have returned to Soweto because this is where we held the First Township Economy Summit on 07 October 2014, at Orlando Stadium. This Summit was to chart a way forward about the future of township businesses.

MEC Lebogang Maile chaired the Summit, while President Cyril Matamela Ramaphosa (who was the Deputy President), together with myself, made major policy pronouncements and commitments that would change the way business is done in the townships. We argued for the township economy package to have policy measures that are consistent with the transformation, modernisation, and re-industrialisation agenda.

In his speech to that Summit in 2014, President Ramaphosa said the following:

“Gauteng has become the centre of the revitalisation of the township economy through this initiative, the Gauteng government is proving that it does respond to the needs of its people. This is a government at work. Established business is important too. It provides economies of scale, access to markets, a wealth of experience and ability to mobilise capital. It has both a responsibility to, and an interest in supporting the development of emerging and established small businesses through procurement opportunities, access to finance, skills development and strategic partnerships”.

Speaking on behalf of the fifth administration of the Gauteng provincial government, I made the following case to the Summit:

“The significant participation and meaningful inclusion of the people in the townships into the mainstream of the economy of Gauteng through their own enterprises that are supported by the government and big business will be one of the key game-changers...the townships should be self-sufficient and vibrant economic centres”.

I further outlined the pillars of the Township Economy Revitalisation Strategy which will be championed by the provincial government as follows:

1. Putting an appropriate legal and regulatory framework that supports the growth of township businesses;
2. Ensuring access to financing and supportive infrastructure for township enterprises;
3. Assisting with access to markets through government procurement opportunities;
4. Promoting productive activities, entrepreneurship, and skills development in the designated areas; and
5. Attracting investment by big business and encouraging partnership between established big business and township businesses to create jobs, inclusive growth, and shared prosperity.

I have seen several activists, advocates and fellow fighters for township economic development who have been with us for all the eight years since the Summit – Dr Thami Mazwai, Mphuthi Mphuthi, Bheki Twala, Lucky Kettlele, and others.

For eight years, we have consistently fought for and championed the cause of township businesses. We have knocked on every door to make a case that township businesses need a special package of measures to support and revitalise the development and growth of township businesses.

We have engaged national government, municipalities and big business.

We have gone out to communities in Gauteng to call for township businesses to be better organised so that they can have a voice and bargaining power. We have said that township businesses should be better organised and more united so that they can use their collective financial muscle to do bulk-buying and warehousing.

Today, all municipalities, districts and metros of Gauteng have well organised township business chambers and organisations.

We have persuaded every political party represented in the Gauteng Legislature about the need for a New Deal for Township Businesses.

MEC Parks Tau is right when he says that the journey has been long. We started this battle during the fifth administration and experimented with a lot of unprecedented initiatives that have been perfected when the Bill was drafted and passed by our Legislature.

Since 2015, the Gauteng Provincial Government has spent substantial budgets on buying goods and services from township-based businesses and on infrastructure development. Every Department must report every month how much money they have spent on the township economy.

MEC Tau has brought additional insights and energy in the development of the Bill, which will today be signed into law.

We return to Soweto to say that for eight years of being tireless and outspoken champions of the development of the Township Economy, we deliver this New Deal for the Township Economy.

This Act is about inclusion and transformation.

Today, I am filled with deep emotions as I sign into law a historic piece of legislation, the Township Economic Development Act. I suspect it is at a scale equivalent to Obamacare. Obamacare was about providing for millions of Americans who did not have health insurance cover. Our Act is aimed at including hundreds of thousands of Township entrepreneurs who were left out of the mainstream of the economy.

This Act is a timeless monument to the resilience and tenacity of towering pioneers of the Township Economy such as Ntate Richard Maponya and many men and women who have built thriving township businesses against the wishes of the architects of apartheid who designed townships as dormitories of cheap black labour.

Unlike the apartheid by-laws, this Act will make it possible and mandatory for provincial and local government to actively support small businesses and township enterprises owned and operated by South African citizens.

This Act will outlaw the harassment of small and informal businesses by law enforcement agencies. It creates new rules that are more favourable for entrepreneurs. Township businesses need supportive and transformative regulations, not harassment.

President Ramaphosa said to me that this Act is a template of what South Africa's township and village economies need.

The Township Economic Development Act also creates a Partnership Fund that will assist small and medium sized township businesses to have access to funding to grow

and sustain their own business operations and create jobs and inter-generational wealth.

With the support of the Gauteng Enterprise Propeller (GEP), Industrial Development Corporation (IDC), SA SME Fund and Standard Bank, R850 million will be immediately available to assist township businesses to rebuild and grow.

The Township Economic Development Act now compels provincial government and municipalities to procure goods and services from local township-based businesses owned by South Africans. It also encourages business to manufacture such goods locally so that jobs can be created in the townships.

The Act will make it easy to release land for Township Economic Development and lease such land on a long-term basis, to those township entrepreneurs who want to grow food and expand their businesses.

The Act will also create a new framework for big corporates that invest and operate in the townships to partner with local businesses, including offering shelf space for goods produced in the townships by local businesses.

Following the passing of the Bill by the provincial Legislature in March 2022, MECs came back to report about this development in the forty biggest townships. The feedback we got is that there is lot of excitement in the communities now that the Bill has been passed.

Several concerns were raised in the recent report-back meetings. Intermittent electricity cuts due to loadshedding and cable theft and rising levels of crime and lawlessness negatively affect township businesses. There was a strong call to ensure that the public servants and government agencies that will implement the Act must be capable and ethical so that the objectives of the Act are realised. There were also fears that criminal networks can set up bogus businesses in the townships in order to benefit from the Act.

Government is setting up systems and processes to ensure that the Act is implemented swiftly and diligently. The partnership fund is managed well with the help of capable public and private sector finance institutions.

It is important to note that the Township Economic Development Act is explicitly about supporting township businesses owned by South Africans.

We are not apologetic about this initiative to redress the injustices of the past and deal decisively with the structural economic challenges of poverty, unemployment, and inequality that South Africa faces. All over the world, developmental states make interventions that seek to assist their citizens to overcome historical, geographic or social disadvantage.

Dr Thami Mazwai was sharing with me his insights about the fact that township economic development interventions such as ours are not unique in the Global South: Asia and South America have some good lessons about focusing on small businesses in communities to become the key drivers of job creation and economic recovery.

In a recent master class on “Rethinking Economic Policy Post-COVID-19”, Professor Dani Rodrik, made a strong case that South Africa’s economy needs to look at doing much more to stimulate low-skill economic activity and small businesses to deal with the challenges of structural transformation and unemployment – he was sceptical about interventions focused only on FDI into high-skill sectors such as advanced manufacturing, financial and businesses.

Our Township Economic Development Act aims at stimulating small business and the informal sector, while at the same time integrating the interventions in the high-growth sectors with those in the township economy.

A mistaken critique of the Gauteng Township Economy intervention is that this strategy seeks to delink the townships from the economic mainstream. In fact, we seek to achieve the opposite: creating staircases and linkages between what President Thabo Mbeki referred to as “the first economy and second economy”, but doing so on the strength and potential of township businesses.

Our provincial economic strategy seeks to integrate township businesses into the value chains of the 10 high-growth sectors of the Gauteng Economy:

1. Energy, with a focus on new technologies and a diverse energy mix
2. Transportation and Logistics
3. ICT, Media and Digital Services - the digital economy
4. Tourism and Hospitality
5. Agri-food and Agribusiness, focusing on value chains
6. Construction and Infrastructure
7. Automotive, Aerospace and Defence
8. Financial Services
9. Cultural and Creative Industries
10. Industrialisation of Cannabis

We are unwavering in our commitment to the transformation, modernisation and re-industrialisation of our provincial economy in pursuit of inclusive growth and shared prosperity.

We would like to see meaningful and significant participation of township businesses in the major sectors of our provincial economy. Small businesses that manufacture goods in the townships should be supported and mainstreamed into the Special Economic Zones in the different development corridors, industrial clusters, industrial parks and the new township enterprise zones that will be designated.

We certainly want to see productive township businesses that can export their manufactured and agricultural products to the different regions and countries of our continent, taking full advantage of the Africa Continental Free Trade Area (AfCFTA).

Let me conclude by paying tribute to Dr Thami Mazwai, who has been a source of inspiration and encouragement. He has researched and written volumes of articles about the Township Economy and has contributed immensely to policy development on small businesses in national government.

I would like you to join me in commending all the parties for passing the Township Economic Development Bill in historic unanimous votes in our Legislature and councils. By so doing, they have put the people of Gauteng first. It is possible to work together in the best interest of service delivery and socioeconomic development for the residents.

As we journey towards a transformed and inclusive economy, we need to remind entrepreneurs that all government can do is to create a more favourable environment for township businesses to thrive. It is entrepreneurs who must take the risk and work hard to build businesses that can create jobs and inter-generational wealth. Even this Act, that will never be an easy job to do.

One of the great things about this province, is that we believe in the idea of unleashing the energies, creativity, and capacities of our people. Nowhere is this idea much more probable than in the township economy. We are a province and country that has produced the most daring entrepreneurs.

As I sign and assent this Bill as a new Act of our Provincial Legislature, the work of implementation starts now!

Thank you!