



**DRAKENSTEIN**

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# DRAFT TOWNSHIP ECONOMY STRATEGY

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## 1. INTRODUCTION

Townships are of the most dynamic yet complex political, social and economic spaces in South Africa today. They accommodate most of the urban population on a small physical footprint. High population density, poverty, unemployment and related social ills make them the top priority for inclusive socio-economic growth and development in South Africa.

The township economy can be defined as economic activity within townships which includes both formal and informal businesses, with some having a symbiotic relationship (WCEDP, 2019). Many township enterprises have become a way of surviving, especially for those who are unable to find formal employment as it helps households put food on the table. The township economy can also be characterised as an economic system that provides for the community's social and economic needs within a specific geographical space.

Since the advent of democracy a number of studies have been undertaken to understand the complexities of how a township economy functions in post-apartheid. Similarly there has also been a number of debates around the understanding of the informal sector in South Africa. To understand how the township economy is constituted one needs to have an understanding of the definitions of the township economy and informal sector respectively. For purposes of this strategy the following definitions will be used:

### 1.1 Definitions

- **“township economy”**: The township economy can be defined as economic activity within townships. It refers to an economic system that is spatially located within a specific area usually a township. In South African apartheid spatial planning terms, a township is defined as a dense urban settlement usually developed on the outskirts of the town mostly removed from industrial and commercial activity away from people's places of work (WCEDP, 2019). Traditionally townships were created to ensure that black and coloured people were removed from easy access to equal socio-economic opportunities.
- **“informal sector”**: Fourie's (2018) definition indicates that the sector constitutes of all informal enterprises, their owner-operators/employers and all employees, paid and unpaid, in all economic sectors (manufacturing, retail, construction and including agriculture). According to the World Bank (2015), the informal economy can be classified as a sector which does not pay tax and is not recognised as a normal source of income.

### 1.2 Assumptions

Based on the above definitions we can confirm the following:

- The township economy contributes significantly to the local Gross Domestic Product of South Africa but reliable data remains a challenge due to the significant prevalence of the informal sector;
- The high level of unemployment must be taken into consideration in order to understand the dynamics of the township economy as in many instances, minimal formal economic opportunities are created in the township. This leads to residents opting to become survivalist entrepreneurs which in turn further limits wealth and job creation.
- The barriers to entry are often insurmountable as local governments continue to see townships as places to “live” with limited integrated infrastructure to live work and play.

### 1.3 Purpose of the Township Economy Strategy

In 2019 Drakenstein municipality approved a 14 year Integrated Economic Growth Strategy that sets out a bold implementation plan to achieve “a global and innovative city that provides opportunities for all its residents” (IEGS, 2019). The vision is built on values that promote inclusivity, fairness and equity. Furthermore, the core pillars that support the vision are governance and institutions, infrastructure, partnerships, shared identity and social cohesion (IEGS, 2019).

The purpose of developing the draft Township Economy Strategy is to spatially locate the township economy of Drakenstein and to provide an enabling environment and governance principles to unlock the full potential of Drakenstein’s township economies in light of the new economy post Covid-19.

As with the Informal Trading Enhancement Strategy the draft Township Economy Strategy is set within the context of the municipality’s Vision 2032. The facets of this vision are economic dynamism, quality of life for all, a strong, well governed brand and financial sustainability (Draft SDF, 2020). Within the context of this vision the following Planning tools guide this strategy.

**Table 1: Planning tools**

| Serial No | Planning tool               | Description  |
|-----------|-----------------------------|--|
| 1.        | Integrated Development Plan | The Integrated Development Plan (IDP) is the overall strategic development plan for the municipality, prepared in terms of the Municipal Systems Act, Act 32 of 2000 which guides decision-making, budgeting and development in the municipality. The IDP provides a framework to develop key interventions to unlock the economy, alleviate poverty and facilitate economic development. The development of the township economy in Drakenstein has been prioritised as a key |

|    |                                       |  |
|----|---------------------------------------|--|
|    |                                       | initiative to unlock the economic growth potential of previously disadvantaged areas.  |
| 2. | Spatial Development Framework         | The Spatial Development Framework (SDF) sets out the long term spatial vision of the desired spatial form of the municipality. The SDF spatially locates the economy. At a conceptual level, economic growth and its application through the SDF, relates to spatial strategies to increase the economic attractiveness, competitiveness and Gross Domestic Product (GDP) of the municipality. The Township Economy Strategy (TES) therefore needs to align to the SDF spatial themes which focus primarily on protecting threatened or scarce assets, bring about spatial change and to facilitate sustainable new development. |
| 3. | Integrated Economic Growth Strategy   | The Integrated Economic Growth Strategy (IEGS) is a strategic sector plan of the IDP outlining key focus areas to stimulate economic growth and development. The strategic objectives of the Township Economy Strategy are aligned to the strategic objectives of the Integrated Economic Growth strategy that relate to sustainable inclusive economic growth.  |
| 4. | Informal Trading Enhancement Strategy | The strategy seeks to harness ownership of the developmental agenda of the informal sector while aligning funding to the relevant Council policies and the Integrated Development Plan (IDP) priorities. The Informal Trading Enhancement Strategy (ITES) and the Township Economic Strategy (TES) are inextricably linked due to the significant informal economic activity that occurs in South African townships.   |
| 5. | SMME Business Support Plan            | The SMME Business Support Plan is an important tool that allows the municipality to facilitate an enabling environment for businesses to thrive through the design, development and implementation of projects, programmes and initiatives to support small businesses to become more globally competitive.  |

## **2. GLOBAL CONTEXT AND THE IMPACT OF COVID-19**

Since January 2020 the global economy as we know it has experienced catastrophic changes due to the onset of Covid-19. With more than 55% of South Africans living on less than R992 rand per month since 2017, the effect of Covid-19 will increase this number rapidly (Statssa, 2015). As a result, the township economy will have to absorb significant economic shocks because of its large informal economic activities.

Globally, our township economies are often compared to global informal sector trends. Below is a brief summary of the current informal sector trends globally. According to Van Niekerk (2018:23) these global trends demonstrate that the local township economy is no different to the typical informal sector that exists in Africa, Eurasia and even Latin America.

### **2.1 African trends**

In Lagos and other large African cities, informal markets are no different from what is already known as the typical African informal sector. The informal sector consists of 40% to 60% of informal businesses. Historical and social behavioural patterns also play an important role in informal business activities as many of them have a long history.

### **2.2 Latin American trends**

There are many writings about informal businesses in Chile, Argentina, Brazil and other Latin American countries. In cities like Rio de Janeiro, Sao Paulo and others, there is a dualism which is more relevant to South Africa. These countries have shown that they can address and solve problems in the informal sector and have shown to have more stable economic development patterns. If South Africa is to learn from Latin American initiatives, it would be best to focus on policies and projects applied by community organisations, city governments, donor agencies and specific NGOs instead of focusing on comprehensive government programmes and policies.

### **2.3 Eurasian trends**

Continents such as Europe, and some parts of Asia have different policy approaches in respect of the informal sector because they are different in dynamics, size and shape. The informal sector and the respective policies in some of the countries on these continents are highly developed.

### **3. NATIONAL CONTEXT**

The National Development Plan of 2013 outlines bold milestones to achieve inclusive economic growth; close to full employment, and ensure that we expand wealth distribution amongst previously disadvantaged communities (National Development Plan, 2013). The plan further outlines a number of actions most notably the support for small business through better co-ordination of relevant agencies, development finance institutions, public and private incubators and a commitment to public and private procurement approaches that stimulate domestic industry and job creation (National Development Plan, 2013). In 2014 the Department of Trade and Industry (DTI) developed a pioneering strategy called the National Informal Business Upliftment Strategy (NIBUS) to set the developmental agenda for the informal sector in South Africa (NIBUS, 2014).

### **4. PROVINCIAL CONTEXT**

In the Western Cape, the Provincial Government acknowledges the growth potential of the sector and has facilitated a number of strategic support initiatives to assist development practitioners to manage the complexities of the township economy locally.

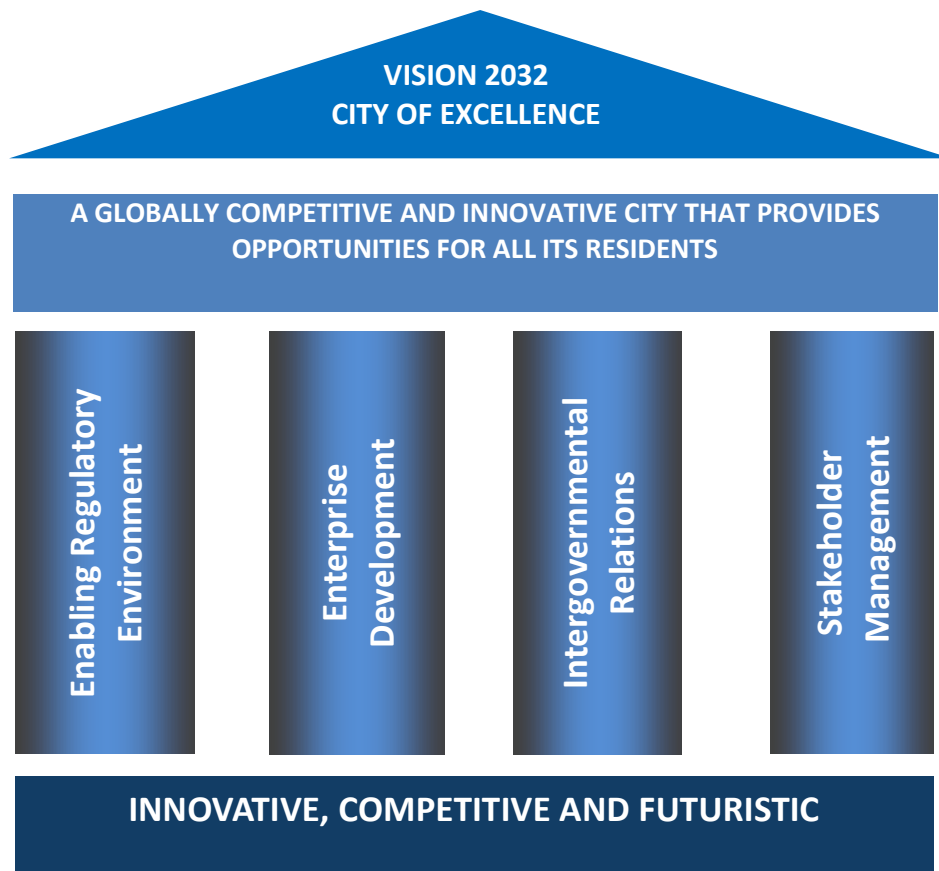
### **5. DRAKENSTEIN CONTEXT**

Since 2012 the municipality has acknowledged that the informal sector plays an important role in Drakenstein's economy hence the development of the Informal Trading Management Policy which was subsequently reviewed in 2018. This policy led to linking some trading areas and commercial zones primarily in the traditional Central Business Districts of Paarl and Wellington respectively. It also allowed for the establishment of business hives in traditional township areas in Drakenstein such as Mbekweni, some areas in Paarl East and in Gouda, a rural town towards the far north.

In Drakenstein, 11 233 informal sector jobs were created of the 12 618 net additional jobs between 2006 and 2017 (MERO, 2017) which reflects the growth potential of this sector. In 2018 the Integrated Economic Strategy Framework highlighted the need to prioritize the informal sector as a priority sector (IESF, 2018). It recommended that this sector required increased government awareness, access to finance and the provision of sufficient business support, suitable infrastructure and also required support to assist informal sector enterprises to migrate from informal business to formal status.

In 2019 the municipality further demonstrated their commitment towards the informal sector with the development of the Informal Trading Enhancement Strategy which is aligned with the NIBUS. Drakenstein's Informal Trading Enhancement Strategy is built on four strategic pillars as listed below.

**Figure 1: Four strategic pillars of the Informal Trading Enhancement Strategy**



*Source: ITES, (2019)*

## **6. STRATEGIC OBJECTIVES AND PILLARS**

The Township Economy Strategy serves as an enabling strategy to achieve a more conducive, innovative and developmentally orientated regulatory environment at municipal level to revitalise the local township economies of Drakenstein.

### **6.1. The objectives are as follows:**

- 6.1.1 To facilitate an enabling regulatory environment to unlock the full economic potential of Drakenstein's townships;
- 6.1.2 To facilitate suitable infrastructure to create more inclusive economic opportunities for existing township entrepreneurs and new entrepreneurs;
- 6.1.3 To facilitate sufficient business support and capacity building interventions to build more entrepreneurs and township enterprises especially in light of Covid-19; and



- 6.1.4 To facilitate business linkages between the informal and formal sectors through partnerships and collaboration.

## **6.2. The Strategy's core pillars**

The core pillars of the strategy are as follows:

### **6.2.1 Provision of an adequate regulatory and policy environment**

The economy of this country cannot function without local government's support. To do this the municipality must ensure that the required enabling environment is in place. Local government must get the basics right. This means reducing red tape to improve the conditions to do business in townships and addressing appropriate land use management and other regulatory issues that hamper economic development.

### **6.2.2 Economic infrastructure**

For businesses to prosper they need suitable infrastructure which includes access to electricity, roads and water, suitable lighting, adequate public transport, transport facilities, access to reliable internet (the Covid-19 pandemic requires this as a basic infrastructure) and sufficient security.

### **6.2.3 Business skills development and entrepreneurship**

The strategy will focus on a structured framework to facilitate targeted business support initiatives to both formal and informal sector enterprises. The business support will focus on building the entrepreneur as the "jockey" of the enterprise but it will also focus on the growth of the business. In addition it will include the establishment of a virtual "business incubator" to allow entrepreneurs to become part of a localised supply chain network.

### **6.2.4 Provision of market support and business linkages through partnerships and collaboration**

The impact of Covid-19 will exacerbate poverty and inequality in South Africa. Unfortunately our townships will be severely affected. Government will have to ensure that procurement regulations are adapted in order to ignite the local economy. To do this, the municipality will have to take the lead in developing "Buy-local" campaigns first. In doing this the municipality will demonstrate its commitment to build a resilient economy.

## **7. ECONOMIC SECTOR FOCUS**

In townships there are many different types of businesses that are mostly informal such as, street vending, taxis, spaza shops, hair salons and shebeens. The Sustainable Livelihoods Foundation (2016) conducted a study which surveyed about 11 000 township businesses in four provinces. The study revealed that 54% of all township businesses consist of grocery, food and liquor services. In addition 34% of the businesses are local services which included hair salons/barber shops, churches, traditional healers, recycling, early childhood education i.e. edu-care centres and mechanical/electrical repairs. Similarly the sectors operating in Drakenstein's townships are no different.

Furthermore, economic activities in townships are divided into different sectors. These sectors include: urban agriculture (primary sector), manufacturing (secondary sector) and various services-related activities- retail, personal services, household services, business services (tertiary sector), and finally the transport and tourism sectors.

### **7.1 Agriculture**

People in townships often choose urban agriculture as means of surviving. It is not really a route to growth but a choice of refuge. Urban agriculture is often deserted when there are other economic opportunities to explore and it often depends on who has access to land to practice farming.

### **7.2 Manufacturing**

The Manufacturing sector sources from different vendors and sell goods to scattered markets. Many townships do not have much manufacturing taking place. It occurs on a small scale and is often done in people's homes and involves activities such as furniture manufacturing, baking, sewing (sometimes cut, make and trim services are included) and welding.

### **7.3 Retail trade**

Township communities focus more on markets, with a large number of households spending most of their income on food, clothes, home electronics and furniture. In townships the majority of the economic activity is in the retail sector.

### **7.4 Services**

Services such as traditional healers, hair salons, plumbers, mechanics and electricians are mostly internally orientated as they cater for township residents.

## **7.5 Transport**

Most people in townships do not own cars and are therefore dependent on public transport. The most common form of public transport are taxis and minibuses, in spite of the fact that trains and buses are also used by townships residents. The transport industry in the township is primarily unregulated due to the high prevalence of privately owned taxis.

## **7.6 Tourism**

People come from different parts of the world and are attracted by township tourism to experience the culture of townships. The main components of the tourism experience are craft markets, cultural and political sites, and local restaurants. Tourism supports 1.5 million jobs and allows a massive potential for job creation. There is an estimation that for every 12 tourists in South Africa, 1 job is created. The jobs created within the tourism industry, creates jobs at all skill levels and can absorb a high number of unskilled workers therefore playing an imperative role in the local economy (South African Tourism, 2020). Townships have become more accessible hence more tourism opportunities can be created. Township tourism shows immense potential to provide growing economic opportunities for local entrepreneurs.

Township tourism is becoming more popular. Tourists and travellers are looking for a more 'authentic' tourism experience. It brings a portion of South Africa's lucrative tourism sector to some of the poorest and most vulnerable communities. Township tourism opens the traveller's viewpoint to the reality of the living conditions of most of the South African population. At the same time, it shows a place full of energy, culture and hope for the future. Township tourism ensures sustainable tourism development whilst highlighting tourism attractions, with a focus on culture and heritage. The Domestic Tourism Growth Strategy of 2012 until 2020 suggests that tourism needs to expand into new areas and promote the direct participation of historically disadvantaged groups (DTGS, 2012). This is because if tourism is to impact significantly on poverty and unemployment, it must be developed in areas beyond the traditional routes and nodes currently used.

There are many townships in South Africa but only a few are tourist-friendly, due to their proximity to cities and infrastructure. Townships such as Soweto in Gauteng and Gugulethu and Langa in the Western Cape are more popular tourism destinations because of its rich cultural and historical significance.

Going forward the municipality will focus on clustering sectors to facilitate targeted interventions in specific townships within Drakenstein.

## 8. IMPLEMENTATION PLAN

The new reality and way of work post Covid-19 will require a major focus on partnerships and collaboration. The municipality will develop effective partnerships to assist with the implementation of the proposed strategy. The key activities to be undertaken during the next three to five years are encapsulated in the table below and will be primarily driven by adopting a broad based partnership approach with the private sector, community based organisations and other public sector institutions.

### Table 2: Implementation Plan: 2020- 2025

| Pillar   | Project/ Initiative   | Deliverable  | Time-Frame                                  |
|--|---|--|---|
| 1. Enabling Regulatory and Policy Environment      | Ensure that all informal trading related policies and by-laws are reviewed and updated. | <ul style="list-style-type: none"> <li>Review of Informal Trading Management Policy and finalise Informal Trading by-law.</li> <li>Provision of red tape reduction measures to ensure the ease of establishing businesses in townships.</li> <li>Structure appropriate land uses along key transport nodes.</li> </ul>             | 2020 -2021<br><br>2021-2022                 |
| 2. Economic Infrastructure                         | Identification of suitable sites to establish businesses in demarcated township areas   | <ul style="list-style-type: none"> <li>Conduct a survey of all suitable sites in Drakenstein townships.</li> <li>Submit applications to the Municipal Infrastructure Grant (MIG) to develop suitable infrastructure to promote clusters of SMME incubators in designated areas.</li> <li>Build suitable infrastructure.</li> </ul> | 2020-2021<br><br>2020-2021<br><br>2021-2023 |
| 3.Business Skills Development and Entrepreneurship | Building resilient entrepreneurs  | <ul style="list-style-type: none"> <li>Conduct training in essential business skills.</li> <li>Build peer mentoring support mechanisms.</li> <li>Provide customised support based on individual business needs.</li> </ul>   | 2020-2021<br><br>ongoing                    |

|   |  |   |                   |
|---|--|---|-------------------|
|   |  | <ul style="list-style-type: none"> <li>Facilitate access to funding to finance businesses.</li> </ul>   |                   |
| 4. Provision of market support and business linkages through partnerships and collaboration | Access to local, regional and global markets, value chains and improve procurement opportunities through access to connectivity. | <ul style="list-style-type: none"> <li>Facilitate local procurement opportunities through the implementation of a new Preferential Procurement Policy.</li> <li>Facilitate business linkages with other local, regional and national value chains.</li> </ul> | 2021-2025 ongoing |

Source: Adopted from WCEDP (2019)

## 9. MONITORING, EVALUATION AND REVIEW

This strategy addresses issues that relate to the Integrated Development Plan's Key Focus Area (KFA31) that deals with economic development and poverty alleviation. It also gives effect to at least four of the Integrated Economic Growth Strategy's strategic enablers that include infrastructure development, small business linkages, business and industrial parks, and skills development respectively (IEGS, 2019). The indicators below will measure the effective implementation of the Township Economy Strategy. Note that the Informal Trading Enhancement Strategy and the Township Economy Strategy are inextricably linked hence we have used similar type of indicators to measure the implementation.

**Table 3: Key Performance Indicators**

| Key Performance Area (KPA)   | Key Focus Area (KFA)                                 | Key Performance Indicators (KPI's) |  |
|--|--|------------------------------------|--|
|  |  | No.                                | KPI  |
| <b>KPA 5:</b><br><u>Planning and Economic Development</u><br><br><u>KPA 5 Strategic objective:</u><br>To facilitate sustainable economic empowerment for all communities within Drakenstein and enabling a viable and conducive economic environment through the development of related initiatives including job creation and skills development. | KFA 31: Economic development and poverty alleviation | 1.                                 | Number of township infrastructure projects established                                   |
|  |  | 2.                                 | Number of Business incubators established  |
|  |  | 3.                                 | Number of township enterprises   |
|  |  | 4.                                 | Employment:<br>By sector and sub-sector<br>By formal sector<br>By informal sector        |
|  |  | 5.                                 | Number of partnerships established with private sector and other government institutions |
|  |  | 6.                                 | Employment (number and rate)   |

Source: IETS, (2019)

## 10. CONCLUSION

The township economy in Drakenstein is larger than what we know. This economy also provides opportunities for a large proportion of Drakenstein's population to become economically active. The success of the implementation of this strategy relies primarily on the municipality's commitment to drive the implementation of the first building blocks. This can only be realised through participatory governance, transparency, setting the spatial transformation agenda and driving the new social compact with the community.

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