



KWAZULU-NATAL PROVINCE
ECONOMIC DEVELOPMENT, TOURISM
AND ENVIRONMENTAL AFFAIRS
REPUBLIC OF SOUTH AFRICA



**Trade &
Investment**
KwaZulu-Natal
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KWAZULU-NATAL RURAL AND TOWNSHIP ECONOMIES REVITALISATION STRATEGY

SITUATIONAL ANALYSIS REPORT
DECEMBER 2020





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Prepared for:	Trade and Investment KwaZulu-Natal
Contact Person:	General and Technical Enquiries: Ms. Zodumo Ngidi Tel: 031 368 9600 Email: zodumo@tikzn.co.za
Contact details:	Trade and Investment KwaZulu-Natal Trade and Investment House 1 Arundel Close Kingsmead Office Park Durban Tel: 031- 368 9600
Prepared by:	Urban-Econ Development Economists
Contact details:	37 Hunt Road, Glenwood, Durban, 4062, South Africa Tel: +27 (0)31 202 9673 e-mail: durban@urban-econ.com
Contact Person:	Mr Eugene de Beer



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SECTION 1: INTRODUCTION

1.1. BACKGROUND

The rural and township areas in South Africa are those parts of the country where poverty is most concentrated. This is due to a number of reasons of which the historic legacies of apartheid, the concentrations of a large part of the previously disadvantaged population of the country, the shortage of quality infrastructure and deficiencies in skills and support systems are all contributing factors. The people and communities of the rural areas and townships consequently largely remain under-developed and disadvantaged.

Alignment of the RTERS

The rural and township revitalisation strategy aligns to many existing and planned national, provincial and local policies and strategies. The main focus of the rural and township revitalisation strategy is on the economic challenges experienced by enterprises and entrepreneurs in the rural areas and townships, although not exclusively so. It is a broad based and integrated strategy that also takes factors related to the economic challenges of the rural and township areas into account.

There is a renewed focus and effort in the country to address this problem and to give concerted attention to the economic development challenges of the rural areas and townships. Over the last couple of years significant case study research have taken place by a number of organisations and institutions into the nature and character of the rural areas and townships and the challenges of developing their economies. A number of policies and strategies have also already been developed at national, provincial and local levels to address the challenges of the rural areas and townships. The time has now come to focus on the implementation of

many of the plans and to revitalise the economies.

In 2010, the National Planning Commission (NPC) conducted a diagnostic review for South Africa to assess progress in terms of poverty, unemployment and inequality. The NPC identified a number of challenges facing the South African economy which included a need to ensure that economic opportunities are spread to rural and township areas where a significant portion of the population resides.

The KwaZulu-Natal Province Cabinet had taken a resolution that a KwaZulu-Natal Rural and Township Economies Revitalization Strategy (RTERS) must be developed. Trade and Investment KwaZulu-Natal (TIKZN), in partnership with the Department of Economic Development, Tourism and Environmental Affairs (EDTEA), leads the development of the KZN Township and Rural Economies Revitalization Strategy (KZN RTERS). The strategy will inform required government interventions in rural and township areas.

The rural and township revitalisation strategy aligns to a large number of existing and planned national, provincial and local policies and strategies. The focus of the rural and township revitalisation strategy is in part, focused broadly on the economic challenges experienced by enterprises and entrepreneurs in the rural areas and townships, although not exclusively so. It

is a broad based and integrated strategy that also takes factors related to the economic challenges into account. The RTERS relates closely to the implementation of a number of sector strategies such as the Radical Agrarian Socio-Economic Transformation (RASET) programme, the enterprise development strategy and informal sector development strategy of the Department of Economic Development, Tourism and Environmental Affairs (EDTEA). It also relates to the Local Economic Development programme of the Department of Cooperative Development and Traditional Affairs (Cogta) and their Small Town Revitalisation Strategy. At Provincial level the Provincial Growth and Development Plan provides the contextual framework within which the strategy is vested; while at Local level the respective Integrated Development Plans, Local Economic Development Plans and the District Growth and Development Plans are important partnership programmes.

Two very important recent initiatives that related closely to the implementation of the rural and township revitalisation strategy are the District Development Model being spearheaded by national Cogta and the Provincial Economic Reconstruction and Transformation Plan. The District Development Model seeks to coordinate the initiatives of Local government into a One Plan to achieve greater efficiency and effectiveness in the application of local resources and outcomes of service delivery. The Economic Reconstruction and Transformation Plan drives the recovery of the province after the disastrous effects of the Covid-19

pandemic. Both these initiatives aim to improve the livelihoods of local people and communities significantly. This objective is shared by the rural and township economic revitalisation strategy. The strategy is to improve the livelihoods of poor people on the ground through the effective implementation of sustainable projects and initiatives.

The rural and township economic revitalisation strategy has an overlapping yet unique role to play in alleviating poverty and addressing the high levels of unemployment in these areas. The RTERS should not be confused with, for example, the rural or township development strategies. Such strategies aim to address the development of these areas in their totality, comprehensively and integrally. The RTERS should be seen to be a sub-sector plan of Rural and Township Development Plan, and of the IDPs, LEDs and GDPs of the District and Local Municipalities. One of the main aims of the KZN RTERS is therefore to align its interventions with the other related policies and strategies. A selection of some of the most relevant policies and strategies are shown in the list below.

RTERS as a sub-sector Strategy

The RTERS should be seen to be a sub-sector plan of Rural and Township Development Plan, and of the IDPs, LEDs and GDPs of the District and Local Municipalities. One of the main aims of the KZN RTERS is therefore to align its interventions with the other related policies and strategies.

Figure 1: A selection of some of the more prominent policies and strategies related to the Rural and Township Economic Revitalisation Strategy.

COMPREHENSIVE AND INTEGRATED PLANS	SECTOR PLANS AND PROGRAMMES	GEOGRAPHICALLY BASED PLANS
National Development Plan	DARDLR: Comprehensive Rural Development Strategy; KZN 10 Districts Rural Development Plans	National Spatial Development Framework; Integrated Urban Development Framework; District Development Model (One Plan)
Provincial Growth and Development Plan	EDTEA Enterprise Development Strategy	Municipal Integrated Development Plans and Spatial Development Frameworks
Provincial Spatial Development Framework	EDTEA Cooperative Development Strategy	District and Municipal LED Strategies
Kwazulu-Natal Economic Reconstruction and Transformation Plan	EDTEA ICT Development Strategy	District Growth and Development Plans
National Township and Village Economies Development Framework	EDTEA RASET	KZN Integrated Trade and Investment Strategy
	COGTA: Small Town Socio-Economic Revitalisation Strategy	

In order to formulate the KZN Rural and Township Economies Revitalization Strategy an extensive consultation process is being undertaken. This will take on the form of interviews, surveys and workshops being held with stakeholder organisations and individuals. A concerted effort has been made to involve all interested and affected parties in the consultation process. A letter has been circulated and a survey conducted inviting interested parties to make submissions to the researchers about the needs of the rural and township economies and enterprises.

1.2. OVERALL OBJECTIVES OF THE STUDY

The overall objective of the study is to develop a clear approach and methodology that will assist the KZN province with the revitalisation strategy of the economies of rural areas and townships in the province.

The aim of the strategy is to develop an economic revitalisation strategy for the KwaZulu-Natal rural and township economies that is comprehensive yet focused so that implementation of the key project will take place.

The strategy is to identify high impact projects and an appropriate strategy implementation monitoring and evaluation plan. The strategy is to address the following issues:

- Investigate and develop strategies that support the growth and sustainability of the rural and township economies.
- The Provincial Government must be bold and decisive on the implementation of a radical socio-economic transformation programme that enhance economic participation in townships and rural areas.
- Identify land in townships which can be used for township economic development.

The programmes for the rural and township economy revitalisation will cater for the economic and business activities beyond those listed in the terms of reference. Rural and township enterprises are involved in wide and diverse economic activities, ranging from spaza shops, street vending, hair salons, shebeens, minibus taxis, mechanical services, manufacturing, burial societies, stokvels and childcare services. These are largely micro-enterprises with low capital and low skills base. Women entrepreneurs are in the majority.

1.3. SCOPE OF THE STRATEGY

The scope of the strategy is to include the following phases of which this report is the first Situation Analysis Report.

1.3.1. SITUATIONAL ANALYSIS

To conduct a review of existing literature in the space of rural and township economic revitalization and identify:

- Best Practices
- Strengths, Weaknesses, Opportunities and Threats (SWOT) for KZN
- Propose change theory
- Identify possible interventions for implementation and
- Conduct stakeholder consultations and workshops.

To review a number of documents such as:

- Constitution
- National, Provincial and Local Planning Documents
- Rural development policies and implementation reviews/ reports
- Economic development policies and implementation reviews/reports
- Economic transformation legislation/ policies; KZN priority programmed and
- Township economy development.

1.3.2. DEVELOPMENT/DRAFTING OF THE RTES

The draft strategy will be developed based on the findings from the situation analysis and identified recommendations. The strategy needs to be in line with the South African government legislation and priorities. There is a need to ensure alignment between the different stakeholders across all spheres of government as well as the KZN transformation agenda.

1.3.3. IMPLEMENTATION PLAN AND MONITORING & EVALUATION (M&E) FRAMEWORK

The service provider will need to develop an implementation plan that will take into account the various role players. There is also a need to measure the impact of the strategy therefore a comprehensive monitoring and evaluation (M&E) plan is necessary.

- Develop the Implementation plan
- Institutionalization framework
- Develop the Monitoring and Evaluation (M&E) framework.

1.4. RESEARCH APPROACH AND METHODOLOGY

The research approach adopted to the formulation of the strategy is a consultative one based on sound background research taking existing policies, strategies and research into account. The consultation approach involves the application of the following aspects.

1.4.1. THE INTERESTED AND AFFECTED PARTIES

A database of interested and affected parties was compiled to involve all levels of stakeholders including national and provincial departments, district and local municipalities, private sector and civil society representative organisations¹. The database makes provision for cross sectoral stakeholder involvement including manufacturing, trade, tourism, micro-enterprise, and agri-business. The database of stakeholders is designed to be representative of all the main interest groups. A total about 1 480 names and email addresses are listed. The list is continuously updated and refined.

The purpose, and therefore the composition of the stakeholder list, is to involve government officials, private sector and civil society representative organisations in the formulation of the strategy. The database does not include the contact details of individual rural or township enterprises. It is important to note that a survey report was published by EDTEA in March 2020 dealing with the profiles and needs of the enterprises themselves. It is therefore the purpose of this Strategy to build and augment on the primary research already undertaken by EDTEA.

The list was compiled from a number of sources that made the information and data available including the consultation lists of the Provincial Spatial Development Framework (PSDF) review process, the Department of Economic Development, Tourism and Environmental Affairs, Cogta and the Moses Kotane Institute.

The database was used during the research process to invite stakeholders to make submissions to the researchers, undertake individual personal interviews, distribute an on-line questionnaire, and to extend invitations to the workshops.

¹ The database of interested and affected parties compiled from a variety of sources can be viewed at:
<https://drive.google.com/drive/folders/1hnVwXucUGDHgYKDGKEX7kaNLqT9giCN9?usp=sharing>

1.4.2. CONSULTATION TECHNIQUES

The consultation process and techniques used during the compilation of the Situation Analysis report leading to the formulation of the Strategy is designed to allow the stakeholders maximum opportunity to participate in the planning process. Provision is therefore made for the stakeholders to engage with the researchers and to make submissions to them.

A letter introducing the project was distributed to all the stakeholders inviting them to make submissions to the researchers and A broad-based questionnaire was distributed aimed at receiving inputs on the rural areas and township economic needs. Individual interviews with key stakeholders are conducted during the whole strategy formulation process and two workshops are planned during the study duration.

The consultation process does not make provision for primary research with rural and township enterprises or entrepreneurs. That has already been done with the publication of the Township and Rural Economy Revitalisation Research, EDTEA March 2020.

1.4.3. DESKTOP RESEARCH AND DATA COLLATION

Desktop research was undertaken by reviewing all relevant and available documentation related to the rural areas and townships. A library of documentation was compiled for this purpose and divided into the following main categories; national and provincial policies and strategies, district and local municipal related policy and strategy reports and documents; background research and case studies. The policies, strategies and research into rural area and township economies is large and it is not possible to review all the reports and documents. An approach was adopted to review the policies, strategies and research reports as a body of knowledge from which the key aspects of principal to inform the strategy formulation process are drawn. The library of documentation is available and is made accessible.²

Two of the most important background documents that provided insight into the townships of South Africa are the Township Economic Development Policy for the Gauteng City Region (GCR), released in February 2020 and the book Township Economy: Peoples, Spaces and Practices launched in August 2020. These are but two of the important documents. Other important reference documents include:

- Economics-of-South-African-townships-special-focus-on-Diepsloot
- ESIED Cluster Economic Reconstruction and Transformation Implementation Plan, August 2020
- Gauteng-Township-Economy-Revitalisation-Strategy-2014-2019
- National Township and Village Economies Development Framework

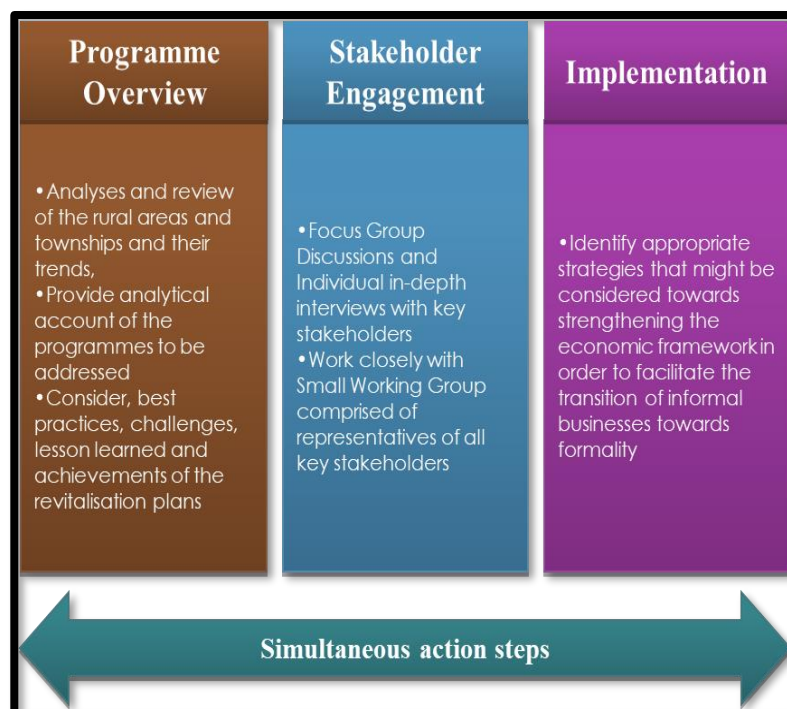
² There are a vast number of policies, strategies, plans and research documentation that relates to the RTERS due to breadth and depth of the strategy. The research undertaken for this strategy collated the most recent of these documents and reviewed them as part of the research. They can be access at:

<https://drive.google.com/drive/folders/1U2tAAs6iDZtHLbAuTkvLe40Ck1bgXheX?usp=sharing>

- South Africa Business Incubator Establishment Handbook A Guide to Establishing Business Incubators in South Africa
- Strengthening Township Economies in South Africa: The Case for Better Regulation and Policy Innovation
- The EDP-HSRC-Township-Economies-Toolkit.
- The Small, Medium and Micro Enterprise Sector of South Africa
- Township and Rural Economy revitalisation research- EDTEA March 2020
- Township Economies Series of five papers issued by National Treasury's City Support Programme.

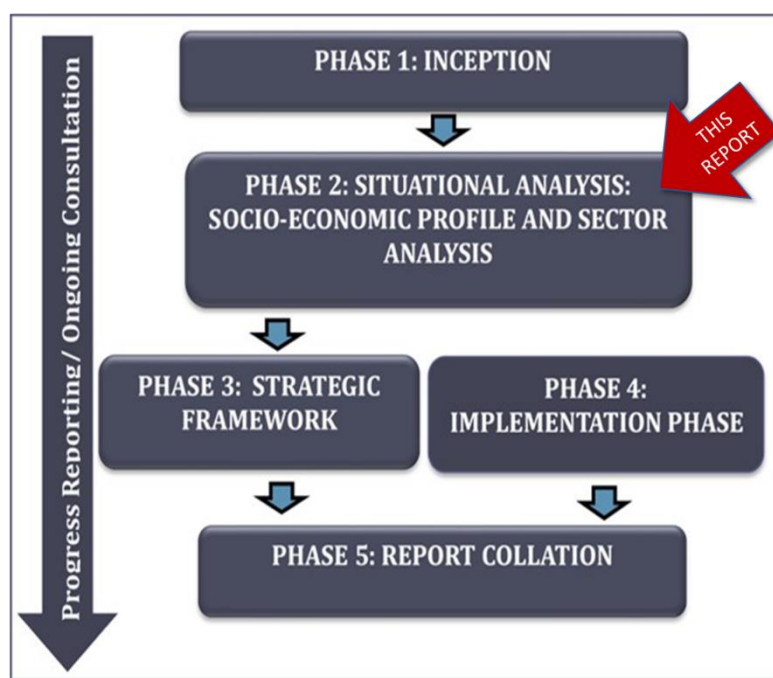
Statistical data and information to profile the rural areas and townships are largely drawn from the formal StatsSA sources for comparison purposes and the application of standardised definitions and planning parameters. The researchers are aware that almost every Local and District Municipality have various compilations of data for their respective towns, townships and rural areas. The data is however not always compiled according to the official standardised methodologies and definitions and therefore becomes unusable in a research document such as this. It is therefore recognised that the latest data and information available through more localised research have been used in this Situation Analysis report. The profiles created and used in this report is nevertheless accurate in terms of the given definitions and profiles and provide a true and accurate profile of the rural areas and townships.

1.4.4. APPROACH AND PROCEDURAL METHODOLOGY



The study approach and methodology is based on based on comprehensive stakeholder engagements as well as a thorough study of relevant and appropriate documentation of which some is referred to in the Terms of Reference with a focus on priority project identification for implementation. This is illustrated in the diagram.

The project methodology followed in this project is shown in the following diagramme.



The Inception of the project is planned together with a Project Steering Committee in Phase 1. Phase 2 deals with the current situation analysis of the rural and township areas and is the subject of this report. The strategic framework for the RTERS will be formulated during Phase 3 and the Implementation of the project planned during Phase 4 of the process. The total project is due for completion in March 2021.

1.4.5. PROJECT STEERING COMMITTEE

The project is led by a partnership between Trade and Investment KZN and the Department of Economic Development, Tourism and Environmental Affairs. A project Steering Committee have been constituted to provide overall guidance and direction to the project. The members of the Steering Committee are listed in the following table.

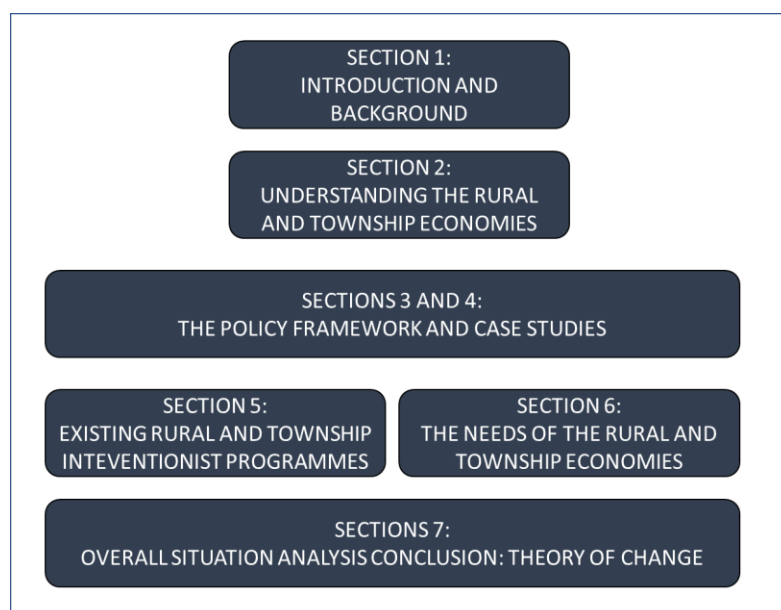
Table 1: Rural and Township Economic Revitalisation Strategy Project Steering Committee.

NAME	TELEPHONE	ORGNISATION	EMAIL
Ms Cebile Khanyile	081 743 9340	B-BBEE Policy	Cebile.khanyile@kznredtea.gov.za
Zodumo Ngidi	063 692 1635	TIKZN	zodumo@tikzn.co.za
Nissar Mahomed	071 608 6786	TIKZN	nisaar@tikzn.co.za
Ndumiso Mlambo	031 368 9642	TIKZN	ndumiso@tikzn.co.za
Mr Dumisani Mhlongo	071 689 2778	SMME Development	Dumisani.mhlongo@kznredtea.gov.za
Malusi Mpanza	065 803 0001	Coop Development	Malusi.mpanza@kznredtea.gov.za
Mark Hempson	082 887 5167	Policy and Planning	Mark.hempson@kznredtea.gov.za
Thembalihle Ndlovu	081 552 2726	Research	Thembalihle.ndlovu@kznredtea.gov.za
Meryl-Lynne Colborne	082 889 4654	M & E	Meryl-lynne.colborne@kznredtea.gov.za
Lucy Mokoena	082 460 7972	LED	Lucy.mokoena@kznredtea.gov.za
Naledi May	071 686 8500	LED	Naledi.may@kznredtea.gov.za
Ms Sinegugu Hlela	not available	not available	sinegugu.hlela@kznredtea.gov.za
Ms Zamagcaba Thembela	not available	not available	zamagcaba.thembela@kznredtea.gov.za

NAME	TELEPHONE	ORGNISATION	EMAIL
Dr Thembinkosi Twalo	031 266 1777	MKI	thembinkosi.twalo@moseskotane.com
Prashina Mohangi		Salga	pmohangi@salga.org.za
Ross Hoole		DRDLR	Ross.Hoole@drdlr.gov.za
Yvonne Ofusu-Kwayke		COGTA	Yvonne.Ofosu@kzncogta.gov.za
Felicity Mitchell		DARD	Felicity.mitchell@kzndae.gov.za
Stephan Viljoen	071 605 3674	DADRLR	Stephanus.Viljoen@drdlr.gov.za

1.5. OUTLINE OF THE REPORT

The outline of this Situation Analysis report is designed to provide an overview of the current situation as it relates to the development of the rural areas and townships in KwaZulu-Natal. The logical outline of the report is shown in the diagram below and explained thereafter.



A definition of the rural and township areas are presented in Section 2 and an overview is provided of the main characteristics of the areas. A statistical profile of the rural areas and township is then also developed based on the most recent available data and information. Section 2 is concluded with an overview of the areas and a framework for the further development of the Situation Analysis report is provided.

Section three provides an overview of the most pertinent policies and strategies that have a bearing on the revitalisation of the respective economies. Due to the vast number of national, provincial and local policies and strategies that are relevant to this rural and township topic, it is not possible within the ambit of this report to provide a policy by policy over of each one of the documents. The approach adopted is to provide an overview of the “collective body of policies and strategies” and to highlight the main principles and arguments that are derived from the policies and strategies. A detailed outline of the most important policies and strategies is provided and several other planning and research reports such as the Provincial Spatial Development Framework that is currently under review. This section is concluded with a summary of the important policy and strategy principles that the RTERS would need to adhere to.

Section 4 of this report provides a short overview of international and South African case studies. The focus of this section is to derive the important principles and lessons from experience which is relevant to the formulation of this RTERS.

Section 5 is designed to record and analyse the current government programmes that have relevance to the rural and township areas. The number of existing national and provincial programmes currently being implemented by the various government departments is extensive. This section concludes by highlighting the most important gaps and duplications in the current programmes.

Section 6 focuses on the needs of the rural and township economies. Most of this section is based on the March 2020 primary research undertaken by EDTEA. However, additional information drawn from other research is also incorporated into this section to provide a comprehensive overview of those aspects within the rural and township areas and related to enterprise development that should be addressed.

The last and final Section 7 of the report draws a conclusion on the implications of the preceding research in a Theory of Change model. The Theory of Change is used to assess the current state of interventions in the rural and township areas and the gaps and overlaps that may exist. This last section arrives at initial conclusions about the format that the future RTERS may take and sets the scene for the next phase of the project which deals with the formulation of the implementation strategy.

SECTION 2: UNDERSTANDING OF THE RURAL AND TOWNSHIP ECONOMIES

2.1. INTRODUCTION AND METHODOLOGY

This section presents a dynamic analysis and socio-economic assessment of rural and township areas in KZN as per the latest available data with the objective of providing a profile of the 'typical' rural and township settlement which can largely be applied across the province.

This section seeks to reflect on the current socio-economic developments in rural and township economies in KZN with the view of providing a strong conceptual and empirical basis to inform the Strategy. It provides the demographic patterns, labour dynamics, economic developments, and other socio-economic indices related to poverty and unemployment. These indices highlight performance and trends of selected development indicators and set the basis for planning, action prioritisation to improve the lives of people in the province.

This section serves as a diagnostic description that articulates key questions which should be addressed by the RTERS. It provides a high-level descriptive analysis of the socio-economic trends and dynamics in KZN rural and township areas.

Townships are challenging spaces for economic development and quite different to rural areas, despite the tendency to link them together. This suggests a lack of appreciation of the distinctive obstacles and opportunities facing township and rural economies. Therefore, this assessment follows a separate analysis of township and rural areas in order to understand the unique characteristics and dynamics of each.

The first part of this section provides an overview perspective of rural areas and townships in KZN based on research findings from available literature. This is followed by a second section that provides a more detailed and comparative analysis of rural and township economies. This section is divided into two sub sections firstly providing insight into rural areas within KZN followed by an analysis of township economy. This approach brings each component of the Strategy into focus separately for a better understanding of each.

Much of the data needed for socio-economic indicators are often already being collected by different agencies and departments. However, the availability of data is uneven across indicators. Therefore, the information used in this analysis is drawn from several sources. The statistical data is drawn mainly from 2018 CSIR Mesozone data for KwaZulu-Natal. This was integrated with data drawn from Statistics South Africa, the official data provider of Census 2011 data, to augment the Mesozone data where some information was not available. Further information was drawn from several research papers, studies, various relevant annual departmental reports and policy documents to provide a holistic overview of rural and township economies in KZN.

Based on a common minimum set of information to be collected for the purposes of developing this Strategy the key socio-economic elements identified that are important to understand the status quo of rural and township areas in KZN include demographic, economic, household socio—economic status. For comparability with other analysis these common indicators can be applied at many different levels as they are structural and/or sustainable

indicators. These indicators represent various aspects of socio-economic status and difficulties which may be linked to the general level of development in rural and township settlements.

The Assessment Framework used to create the socioeconomic profile is structured as follows:

Table 2: Socio-economic Data used in the Analysis

	Profile	Criteria	Significance
1	Demographic Profile	Population	<ul style="list-style-type: none"> • Absolute size of rural and township settlements
		Gender	<ul style="list-style-type: none"> • Gender split in rural and township areas
		Age	<ul style="list-style-type: none"> • Size of economically active population in rural and township areas • Dependency ratios
2	Socio-economic Profile	Income	<ul style="list-style-type: none"> • Inequality of Income distribution
		Poverty	<ul style="list-style-type: none"> • Poverty and vulnerability risk of rural and township populations
		Employment	<ul style="list-style-type: none"> • Absolute levels of unemployment
4	Economic Profile	GVA per Sector	<ul style="list-style-type: none"> • Absolute size of rural and township economies • Contribution of rural and township economies • Leading or Dominant economic sectors in rural and township economies

Due to the large volume of data involved in the assessment process, the assessment methodology follows:

- Averaging the stats for a given year across rural and townships to create the “typical or average rural area or township in KZN” profile.

The structure of the assessment methodology follows giving a summary comparative profile analysis of the typical rural and townships in KZN. Profiles of each are presented in the form of summary tables of data. The assessment represents a diagnostic exercise whose results are carried forward for incorporation into the drafting of the Rural and Township Economies Revitalisation Strategy.

This section will be structured as follows:

Section	Content
Summary Overview	High level, broad description of rural and township economies in KZN to provide background and orientation
Rural Economic Profile and Trends	Comparative detailed analysis of KZN Rural areas divided into: <ol style="list-style-type: none"> demographic socio economic and economic terms.
Township Economic Profile and Trends	Comparative detailed analysis of KZN Townships divided into: <ol style="list-style-type: none"> demographic socio economic economic terms.

2.2. CONCEPTUALISING RURAL AND TOWNSHIP AREAS

In order to correctly craft interventions that are designed to revitalise rural area and township economies, appropriate definitions of “rural areas” and “townships” are required. Further, in view of creating a socio-economic profile this concept remains an important one for correct statistical classification and identification.

This section discusses the definitions of rural and township areas for the purposes of developing a socio-economic profile of rural and township areas in KZN in order to provide guidance for the development of the KZN Rural and Township Economies Revitalisation Strategy.

2.2.1. CONSTRUCTING A DEFINITION OF RURAL AREAS

In KwaZulu-Natal and in South Africa as a whole, the classification of the Province into urban and rural areas is an ongoing process. Defining urban and rural areas for South Africa and KZN has a long history and it remains relevant today, forming an integral part of the Province’s growth and development strategies.

However, the differentiation between rural and urban areas is complex. Further complicating the situation is the large-scale re-demarcation of provincial and municipal boundaries that accompanied the transformation of provincial and local government after apartheid. This process removed the administrative distinction between urban and rural areas, in recognition of the strong linkages between towns and the countryside. Although a largely positive development, it has made determining what constitutes a rural area (and by extension a rural province or municipality) more complicated.

There is no standard or common definition of rural areas. As there is no common understanding of what constitutes a rural area or rural municipality, a hybrid of administrative, historic, and literature-based approaches is used to establish a definition.

Some definitions have been developed based on the type of application of the definition, for example, the provision of basic services in the former homelands in South Africa, where the former homelands were referred to as rural. The other evolving trend in the country is to base the definition of rural and urban areas on settlement typologies that classify areas based on common characteristics such as size, function, and institutional legacy. In some cases, the definition refers to historical and spatial nature of areas for example the former homeland areas where the spatial nature of rural areas was planned to ensure racial segregation under the apartheid law.

Rural areas in the province vary from commercial farms, small towns to large rural settlements under traditional authority. Rural areas in the Ingonyama Trust Board (ITB) areas are generally characterised by a scattered settlement pattern due to the undulating hills and settlements that tend to develop along ridgelines or near rivers. Rural settlements did not develop

Defining Rural Areas

The concept of rurality is often a complex one with no formal common or standard definition of rural areas.

As there is no common understanding of what constitutes a rural area or rural municipality, a hybrid of administrative, historic, and literature-based approaches is used to establish a definition.

according to predetermined systems and procedures. The majority developed and emerged in the context of social identity and livelihood strategies. However, this situation is slowly changing due to planning interventions of the Ingonyama Trust Board and the various District Municipalities (DM) and Local Municipality (LM) Spatial Development Frameworks (SDFs). The following are some of the key features of the development of rural settlement in KZN:

- The settlements have no predetermining spatial structure and clearly, no formal spatial planning has taken place. They are scattered in an unsystematic manner in space.
- Land allocation happens in terms of the traditional land allocation system, which is not based on any specific standards. As a result, site sizes vary significantly irrespective of land use.
- Land use management is based on collective memory where members of the community collectively agree through the authority of the Traditional Council that a piece of land is earmarked for a particular use or belongs to someone.
- Settlements differ in size and density depending on location in relation to the above-mentioned factors. Relatively high-density settlements are found in areas along the major transport routes.
- The area is generally characterised by rugged terrain and settlements occur along ridgelines forming a continuous line, which breaks where the area becomes very steep.

Rural areas are defined in the StatsSA Discussion paper of 2003 which provides a classification of rural and urban areas in South Africa. The classification system is based on an enumerator level analysis of land-uses, population size and population densities and are report on at a sub-place level. Enumeration Areas (EAs) demarcated for the censuses were assigned geographical characteristics that describes the type of geographical area it resided in mainly based on administrative boundaries and aerial photograph interpretation (called EA-types and Geography-types). EAs were classified according to these to give some indication of rural (and urban).³ Certain characteristics have been identified to identify rural areas. The common characteristics for rural areas are listed below:

Table 3: Summary of census variables that separate (or describe) rural areas based on non-spatial statistical methods

Rural (farm)	Rural (traditional)
Race group of head of household (African/Coloured)	Race group of head of household (African) with larger number of children ever born i.e. 10 or more
Persons with no or some primary schooling	Persons with no or some primary schooling
Households with water from a borehole or well	Households using river or spring water as the main supply water
Households using gas, paraffin, wood, and coal as the main source of energy for cooking	Per Households using wood, animal dung or solar as the main source of energy for cooking sons living in traditional/ hut structures
Head of household occupation is skilled agriculture/ fishery or elementary work	Head of household occupation is skilled agriculture/ fishery
Low income persons	Person with no or very low annual income

³ Stats SA has discontinued the publication of spatially disaggregated (urban and rural) official statistics. Note the new Stats SA definition now has small areas as opposed to enumeration areas and use the following three classifications: urban, tribal areas and farms.

Rural (farm)	Rural (traditional)
Households with chemical toilets or pit latrines	Households with pit latrines

Source: StatsSA, 2003; Laldaparsad, 2006

The KZN Rural Development Framework (2013) defines rural areas from a population (low density) and primary economic activity (farming and natural resources) viewpoint. The KZN Rural Development Framework (RDF) refers to the National Rural Development Framework which defines rural areas as areas in which people farm or depend on natural resources, including villages, small towns and under-developed vast spaces of sparse settlements and land under traditional authority that are dispersed throughout areas connecting larger towns and cities. In the KZN context this includes large settlements in former homelands created by apartheid removals which depend on migratory labour and remittances for survival and the KZN RDF expands the primary economic activity adding that the farming is mostly subsistence in nature. Rural areas are therefore defined by the KZN RDF as having at least the following two characteristics:

- Sparsely populated areas in which people farm or depend on natural resources, including villages and small towns that are dispersed through these areas.
- Areas that include large settlements in the former homelands, which depend on migratory labour and remittances, as well as government social grants for their survival, and typically have traditional land tenure systems.

The Department of Rural Development and Land Reform (DRDLR) defines as rural areas outside urban settlements where population densities are less than one dwelling unit per hectare, and describes rural development as generally including primary economic activities: agriculture, agro processing, mining, tourism, resource extraction, water, energy (DRDLR Development Edges: A Settlement Typology, 2015).

The National Department of Cooperative Governance and Traditional Affairs (COGTA) has developed an analytical tool to help classify municipalities based on their spatial characteristics. Category B municipalities are classified into categories B1, B2, B3 and B4. Both B3 and B4 municipalities (and C2 district municipalities) are classified as rural⁴. The advantage of this rural/urban classification is its general acceptance and use, at least within the local government sphere. However, the disadvantage is the classification may be somewhat outdated, having remained largely static over the years, with the only real changes being the “upgrading” of two secondary cities to metropolitan status.

In many cases, the area considered rural is defined in relation to the areas considered to be urban. Often what is rural is simply what is not urban. However, rural economies are becoming more diverse, while rural places are increasingly accessible, adjacent to expanding urban areas, and have preferred amenities. “Rural” vs. “urban” is increasingly more than a simple dichotomy. There is a strong interdependence that produces a continuum from dense urban places to remote rural places.

In addition to being able to establish what is a rural area, it is also useful as part of the definition to characterize how different parts of rural areas vary from one to the other. That means

⁴ Please see Annexure A for a complete classification of municipalities

constructing a definition that can represent rural areas along a continuum, rather than lumping them all together under the same label.

Rural settlements in KZN have different dynamics, which have implications for development and planning. Rural settlements respond to a range of factors including topographical features, access to natural resources, livelihood strategies, access to basic services and road infrastructure. The following table provides a classification of rural areas.

Table 4: Rural Classification and Dimensions

Type of Region	Characteristics of the Region
Deep/Dispersed rural region	<ul style="list-style-type: none"> • Located in a compromised geographical location, for example very mountainous areas, and isolated in terms of distance and access. • Located at four hours or more driving distance to a major metropolitan region. • No clear primary node, but a number of small service centres in the form of small villages. • More than 90 percent of land uses and economic activities involved in agricultural and/or primary sectors. • Examples include the central and southern parts of Kwa-Zulu/Natal Province
Rural region	<ul style="list-style-type: none"> • Isolated in terms of distance and access, but less so than a deep rural region. • Located two to four hours driving distance from a major metropolitan area. • Rural nodes in the form of medium to small rural towns as service centres, with a clearly defined hierarchy of nodes, a primary node and connectivity corridors. • More than 75 percent of land uses and economic activities involved in agricultural and/or primary sector
Fringe/ peripheral rural region	<ul style="list-style-type: none"> • Strategically located on the fringe or periphery of an urban region. • Located within a two hour or less driving distance from major metropolitan areas. • Allows for economic opportunities in sectors other than agricultural. • Less than 50 percent of land uses, and economic activities involved in agricultural and/or primary sector. • Strong hierarchy of nodes and corridors – nodes range from large rural towns to small rural towns
Rural Settlements on privately owned and mission land	<ul style="list-style-type: none"> • Pockets of rural settlement developed in areas designated for white occupation under the apartheid regime. • Includes settlements located on land purchased by syndicates of Black, Coloured and Indian owners prior to the enactment of apartheid legislation which precluded people of colour from purchasing land in white areas • Also exists on mission-owned land throughout rural areas • The original intention was for families to establish viable agricultural holdings, but over time, this gave way to predominantly housing settlements due to the demand for access to land.
Land Reform Settlements	<ul style="list-style-type: none"> • Since 1994, the implementation of the land reform programme has resulted in tracts of state owned and commercial farming land being set aside for redistribution and restitution to black people • Partially planned and serviced rural settlements • Good examples of these settlements include AmaHlubi in Imbabazane Municipality, Amantungwa in Emadlangeni Municipality and Ngome in Umvoti Municipality

Source: Meyer, 2014

These various dimensions of rurality in KZN are depicted in the figure below.

Figure 2: A depiction of the KZN Rural Dimensions



The key outcome of this exercise, then, is to develop a definition. The definition depends on the purpose for which it is sought. The purpose in the current setting is to provide perspective that will help guide the KZN Rural and Township Economies Revitalisation Strategy policy design and implementation and ultimately measure progress toward Strategy goals.

In conclusion, for the purposes of profiling rural areas in the development of this Strategy, the definition of rural areas is:

Areas that are sparsely populated, where the population largely possesses limited economic and other community services and is largely dependent on subsistence farming and/or natural resources as the primary economic activities.

The following common characteristics are identified as relating to rural areas:

1. Sparsely populated population
2. Low population densities
3. Agriculture, mostly subsistence farming, dominates the economy
4. Land is relatively cheap
5. Limited opportunities for resource mobilization and economic development
6. Often characterised by higher levels of deprivation and higher poverty incidence
7. High cost of service delivery and transport due to lower economies of scale and more expensive travel to facilities
8. Geographical remoteness and long distance from amenities like shopping malls, internet services, gyms etc
9. Typographical features that hinder physical access, for instance, mountainous landscapes and poor road conditions

2.2.2. CONSTRUCTING A DEFINITION OF TOWNSHIPS

The term township has no formal definition in KZN and in South Africa as a whole. However, the term township in South Africa is heavily influenced by prior government policy where government played a more active role in controlling the influx of non-whites into urban areas through the introduction of legislations that racially segregated South Africa with the intention of creating disseminated labour pools that supported apartheid ideals.

Many definitions have been put forward that attempt to define townships based on legislation that gave rise to these settlements; namely The Black Communities Development Act (Section 33), Proclamation R293 of 1962, Proclamation R154 of 1983 and GN R1886 of 1990 in Trust Areas, National Home lands and Independent States. These legislative instruments designated certain areas as "whites only" for residential purposes and resulted in underdeveloped areas (townships) where Blacks, Coloureds and Indians who provided labour in the "whites only" areas lived.

Townships are often defined as underdeveloped, usually (but not only) urban, residential areas that were deliberately designated under apartheid legislation for exclusive occupation by people classified as Africans, Coloureds and Indians (non-whites) to function as segregated dormitories supplying labour to economic centres that were designated 'white only'. Business formation and ownership were prohibited, except for very basic activities. The township layout and infrastructure were designed for simple residential purposes. The Terms of Reference to this project define township as: "as formerly non-white areas where Africans, Indians and Coloureds resided during apartheid in South Africa." This definition is, however, found to be inadequate for the purposes of this project as it excludes the extensive urban and peri-urban growth that has taken place in 'townships' since the end of apartheid.

Although formal segregation ended with the new democracy, many of these township areas as well as other low-income housing areas (such as informal settlements and low-income housing estates) have seen rapid growth. Townships therefore also refer to urban settlements developed through the democratic government's housing subsidy scheme (Reconstruction and Development Programme and Breaking New Ground).

The large-scale government housing - Reconstruction and Development Programme/Breaking New Ground (RDP/BNG) programme typically resulted in rows of small, free-standing houses on the urban periphery, located just as far from economic opportunities as their apartheid predecessors. One reason for this is that many RDP/BNG developments were built on land acquired during the apartheid era. With increased urbanization and urban sprawl post-apartheid, this put more pressure on townships which resulted in the formation of informal settlements.

It is therefore useful to distinguish between townships established under the different governance regimes and to include informal settlements as well in the formulation of a definition of townships.

An important distinction to note for the development of this Strategy is that townships as defined herein must be located in urban and peri-urban areas. This therefore excludes informal settlements in rural areas. There are no criteria defined to distinguish between peri-urban and


rural settlements and the KwaZulu-Natal Department of Human Settlements⁵ recommend using 'common sense' to do so.

Figure 3: An example of Urban, Peri Urban and Rural boundaries based on the 'common sense' recommendation

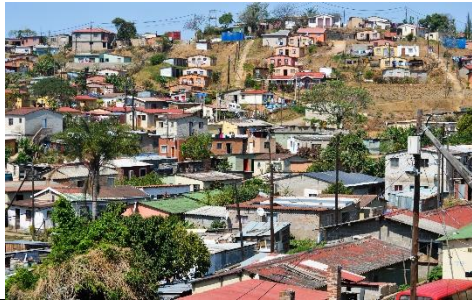



Thus, three categories or classifications of townships can be identified outlined the following table.

Table 5: Classification of Townships in KZN

CLASSIFICATION	DESCRIPTION	EXAMPLE
Apartheid Townships	Created as "dormitory" settlements for non-white labour to serve white industry/employers in core urban areas through the Group Areas Act and other pieces of town planning legislation. Includes most large townships built in the 1950s by the apartheid government, or that saw significant expansion after this period. Examples include KwaMashu	Image 1: KwaMashu Township 

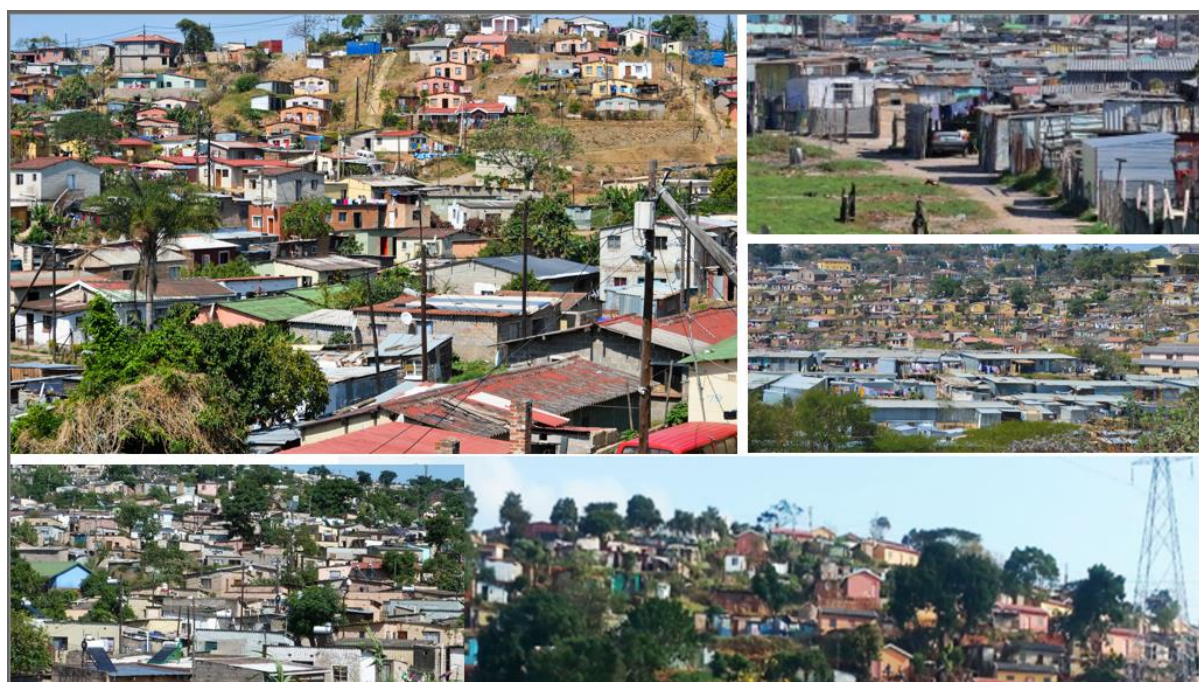
⁵ KwaZulu-Natal Department of Human Settlements (February 2011), Informal Settlement Eradication Strategy for KwaZulu-Natal, Project Preparation Trust of KwaZulu-Natal

CLASSIFICATION	DESCRIPTION	EXAMPLE
Post-Apartheid Townships	These have been shaped by the national housing programme, resulting in extensive sprawling residential settlements on cheap, peripheral land. Many RDP/BNG townships lack public facilities and social amenities. Examples include Cato Manor	<p>Image 2: Cato Manor Township</p> 
Informal settlements	Informal settlements can also be regarded as part of the township economy. Shacks have mushroomed on formally developed land (in existing townships, especially in the backyards of RDP/BNG houses) and on occupied land designated for other purposes. An additional criterion in defining an informal settlement stipulates that informal settlements must be located in urban and peri-urban areas. Examples include The Foreman Road, Pilgrim Informal Settlements	<p>Image 3: Foreman Road Informal Settlement</p> 

Source: Scheba and Turok, 2019

In many cases, there are hardly any hard distinctions between these three classifications with most townships in the province comprising a mixture of low-cost housing and mushrooming informal dwellings and shacks as shown in the images below.

Figure 4: A mixture of Informal Structures and Low-Cost housing structures in various townships in KZN



Without over-generalizing, because every township is unique in various ways, certain common characteristics have been identified and can be applied to identify townships.

Townships represent exclusion by design and have a historic legacy of both economic and social marginalisation. Typically, townships are mostly characterized by low levels of community facilities and commercial investment, high unemployment, low household incomes and poverty. Townships are often overpopulated and experience a lack of basic municipal services because minimal investment was made in townships and the rapid growth of township residents was not planned for.

Economically, townships are characterised by diverse economic activities (ranging from spaza shops, arts and craft to brick laying). These enterprises are mostly informal and retail in nature. Financial constraints usually prevent most township enterprises from prospering, hindering ordinary people from actively participating and contributing to the economy thus production in townships is subsistent in nature. This reflects the historical function and subsequent growth dynamics of townships. Beyond this, townships differ significantly from each other with regard to their size, physical form, infrastructure services, social dynamics and so on. These differences matter greatly for their economic development potential.

In conclusion, for the purposes of profiling townships in the development of this Strategy, the term 'township' used in the discussions is deemed to include any of the urban or peri urban areas that are densely populated, characterised by high levels of poverty and unemployment and limited commercial and other community services and opportunities.

Many of them share the following characteristics:

- 1. High population densities with many low-income households possessing low purchasing power**
- 2. High levels of unemployment, poverty, and social ills (crime, drug misuse, gangsterism, xenophobia, stigma against private enterprise, etc.)**
- 3. Inadequate public facilities and social amenities (electricity, water and sanitation systems, hospitals, schools, colleges, libraries etc.)**
- 4. Low-income housing estates, which are generally not fully functional neighbourhoods**
- 5. Poor economic infrastructure in terms of banks, business services, logistics, serviced land, industrial areas, business parks, etc.**
- 6. Low levels of investment in people, commerce, and productive activities**
- 7. High levels of financial leakage and poor resource retention**
- 8. Restricted linkages with formal value chains elsewhere**
- 9. Unsupportive economic institutions and governance arrangements**

2.3. OVERVIEW OF RURAL AND TOWNSHIP ECONOMIES

KwaZulu-Natal is home to a large number of townships and larger rural settlements of which the post prominent ones across the eThekweni Metropolitan and ten Districts of the province are listed in the table below. The criteria used to identify these townships and larger settlements are those formally established as townships and ones often being associated with functioning as townships although not formally or legally classified as townships.

Table 6: KZN Townships and Prominent Rural Settlements

No.	TOWNSHIP	ADJACENT CITY/TOWN	DISTRICT AND METRO AREA
1.	Bhekuzulu	Vryheid	Zululand
2.	Bhobhoyi	Port Shepstone	Ugu
3.	Bhongweni	Kokstad	Harry Gwala
4.	Bombay Heights	PMB	uMgungundlovu
5.	Bruntville	Mooi-River	uMgungundlovu
6.	Chatsworth	Durban	eThekweni
7.	Chesterville	Durban	eThekweni
8.	Clare Estate	Durban	eThekweni
9.	Clermont	Durban	eThekweni
10.	Cool Air	Cool Air	uMgungundlovu
11.	Dukuduku	Hluhluwe	uMkhanyakude
12.	Dumbe	Paul Pietersburg	Zululand
13.	Edendale	PMB	uMgungundlovu
14.	eMondlo	Vryheid	Zululand
15.	eNhlalakahle	Greytown	uMzinyathi
16.	Esigodlweni	Estcourt	uThukela
17.	Esikhawini	Empangeni	King Cetshwayo
18.	Etete	KwaDukuza	iLembe
19.	Ezakheni	Ladysmith	uThukela
20.	Fernwood	Newcastle	Amajuba
21.	Folweni	Durban	eThekweni
22.	Forderville	Estcourt	uThukela
23.	Gamalake	Margate	Ugu
24.	Genzinsila	Eshowe	King Cetshwayo
25.	Ghandi Park	Newcastle	Amajuba
26.	Groutville	KwaDukuza	iLembe
27.	Governor	Port Shepstone	Ugu
28.	Imbali	PMB	uMgungundlovu
29.	Inanda	Durban	eThekweni
30.	Inkanyezi	Colenso	uThukela
31.	iXopo township	Ixopo	Harry Gwala
32.	Khayalisha	Howick	uMgungundlovu
33.	Khethani	Winterton	uThukela

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No.	TOWNSHIP	ADJACENT CITY/TOWN	DISTRICT AND METRO AREA
34.	Khulu Village	Mtubatuba	uMkhanyakude
35.	KwaMashu	Durban	eThekwini
36.	KwaMsane	Mtubatuba	uMkhanyakude
37.	KwaNobamba	Weneen	uThukela
38.	Lamontville	Durban	eThekwini
39.	Lennoxton	Newcastle	Amajuba
40.	Lions River	Howick	uMgungundlovu
41.	Lotusville	PMB	uMgungundlovu
42.	Madadeni	Newcastle	Amajuba
43.	Manguze	uMhlabuyalingana	uMkhanyakude
44.	Merebank	Durban	eThekwini
45.	Mountain Rise	PMB	uMgungundlovu
46.	Mpohomeni	Howick	uMgungundlovu
47.	Mpolweni	PMB	uMgungundlovu
48.	Mpophomeni	Howick	uMgungundlovu
49.	Mpumalanga	Durban	eThekwini
50.	Naidooville	Umkomaas	eThekwini
51.	Ncotshane	Phongolo	Zululand
52.	Ndalení	Richmond	uMgungundlovu
53.	Newlands East	Durban	eThekwini
54.	Newlands West	Durban	eThekwini
55.	Ngwelezane	Empangeni	King Cetshwayo
56.	Nkobongo	KwaDukuza	iLembe
57.	Nseleni	Empangeni	King Cetshwayo
58.	Ntuzuma	Durban	eThekwini
59.	Orient Height	PMB	uMgungundlovu
60.	Osizweni	Newcastle	Amajuba
61.	Phoenix	Durban	eThekwini
62.	Phumlas	Howick	uMgungundlovu
63.	Raisethop	PMB	uMgungundlovu
64.	Shakaskraal	KwaDukuza	iLembe
65.	Sibongile	Dundee	uMzinyathi
66.	Sithembile	Glencoe	uMzinyathi
67.	Siyathuthuka	Richmond	uMgungundlovu
68.	Sobantu	PMB	uMgungundlovu
69.	Steadville	Ladysmith	uThukela
70.	Sundumbili	Mandeni area	iLembe
71.	Suryaville	Newcastle	Amajuba
72.	Sydenham	Durban	eThekwini
73.	Thokozani	Albert Falls	uMgungundlovu

No.	TOWNSHIP	ADJACENT CITY/TOWN	DISTRICT AND METRO AREA
74.	Thubalethu	Melmoth	King Cetshwayo
75.	Tongaat	Durban	eThekwini
76.	Trust Feed	New Hanover	uMgungundlovu
77.	Tshelimnyama	Pinetown	eThekwini
78.	Utrecht	eMadlangeni	Amajuba
79.	uMbumbulu	Durban	eThekwini
80.	Umlazi	Durban	eThekwini
81.	Verulam	Durban	eThekwini
82.	Wembezi	Estcourt	uThukela
83.	Wentworth	Durban	eThekwini

Source: Urban-Econ compilation from own research and the Places Journal, 2020.

This section provides a summary overview description of rural and township economies in KZN. A more detailed unpacking of the rural and township profiles is provided in the next section.

2.3.1. RURAL ECONOMY OVERVIEW

Rural economies in South Africa are complex and diverse as they may comprise of commercial farmers, subsistence farmers, small towns, and villages. Shifts in aspects of rural economies in KZN including rural employment and population reflect larger shifts in the national economy.

The Rural Economy

Rural KZN has deteriorated and is in economic decline

Characterised by:

- high unemployment and poverty
- low-income base
- limited employment opportunities,
- under-utilisation of local resources,
- decrease in agricultural activities,
- lack of linkages and transport routes,
- decay in maintenance of infrastructure,
- lack of community facilities,
- a lack of spatial and land use planning

These shifts include the expansion of employment in the services sector and a decline in the relative size of the manufacturing sector. These shifts have made rural places with high-valued natural amenities more accessible and desirable destinations for retirees, tourism related businesses, and services sector firms.

Rural areas are also home to people attracted by a rural lifestyle and lower land and housing prices, and willing to commute to cities for employment and for cultural reasons. Rural economies are becoming more diverse, while rural places are increasingly accessible, adjacent to

expanding urban areas, and can be considered potential growth points for increased development in KZN.

Although rural towns are considered potential growth points for development, the perception is that rural areas and rural towns have been neglected when compared with urban and metropolitan areas in KZN. Rural KZN has deteriorated consistently over the last few decades

and rural areas, including rural towns, are experiencing an economic decline. Rural towns are struggling to provide the basic level of service delivery required, and there are limited efforts to provide an enabling local economic development environment by local government. Exacerbating this is the fact that in the past, rural development efforts have been poorly coordinated between the different spheres of government and implementation occurred in an ad hoc manner.

Rural areas generally lag on economic performance indicators, such as economic growth, labour force participation rates, unemployment, education attainment and life expectancy at birth. Challenges include insufficient skills and educational performance, socio-spatial inequalities, infrastructure deficits, housing backlogs, environmental issues, an ageing population and health disparities.

In addition, rapid changes in the economy affect these regions differently from cities and towns, offering different challenges as well as opportunities. Some rural areas benefited from technological change and the relocation of manufacturing into rural areas, while other areas benefited from reduced transportation and communication costs.

There are also issues such as the underutilisation and sustainable use of local natural resources; poor access to socio-economic facilities, public services, infrastructure and other essential services; the low levels of skills; unresolved land reform and land ownership issues; and the unexploited opportunities in labour intensive industries such as agriculture, tourism, mining and manufacturing. Other challenges exist in terms of establishing small businesses as communities often rely on social services for support and to provide for their own basic needs. Poor infrastructure and low availability of government services limit the type of manufacturing activities that can be conducted which is also exacerbated by the lack of viable markets to participate in the economy.

As a result of the above identified characteristics the cost of living in rural areas is high due to accessibility challenges to goods and services. This poses major challenges to service delivery agents and policy makers. Another major challenge of these settlements is that some of the households and /or public facilities developed on land that is not suitable for development. Local governments that are dominated by rural areas often have challenges raising their own income due to low tax base. Resource challenges have led to development challenges or low levels of development in rural areas.

The main reason cited for this phenomenon is urbanisation. Rural areas are competing with larger cities, with comparative and competitive advantages, identified globally as engines of growth due to skewed resource allocation. Turn-around strategies are required to ensure that rural areas provide economic and social opportunities for local communities.

The agricultural sector is of major importance for rural economies. The main economic activity in rural areas is farming and agriculture. However, this is mainly traditional agriculture with much of the production being for subsistence purposes.

Main Economic Sector

The main economic activity in rural areas is farming and agriculture

Mainly traditional agriculture with much of the production being for subsistence purposes

However, the rural economy is no longer just farm economy.

Other aspects of societal development, including access to water, electricity, roads, schools, and health in rural areas are of greater importance

Agricultural supply chains need improvement and reform to move from traditional to modern methods of agricultural production are needed. Improved access and ownership regarding agricultural land in rural areas, is critical for rural development. Effective institutions could assist in creating an enabling economic environment in the rural and urban areas of a rural region. The contribution of rural regions and the agriculture sector are pivotal for economic growth, food production and security, social cohesion and political stability in KZN.

However, the growing consensus is that rural development is more than just agriculture, land reform and food security. The rural economy is no longer just farm economy. Agrarian reform is only a part of rural economic development, which needs to address other aspects of societal development, including universal access to water, electricity, roads, schools and health in rural areas. These are constitutionally mandated services and essential for the livelihoods of rural communities. The relevance of multiple sectors and multiple factors, the interplay of demand and supply, and the need to understand household and producer responses to market signals and policies are of greater importance in this setting.

Rural revitalisation and development is a complicated process, and an integrated and comprehensive process is required for success. Most issues link to economic planning and strategic spatial planning. These two tools, in conjunction with others, could play a key role in the revitalisation process.

2.3.2. TOWNSHIP ECONOMY OVERVIEW

Townships have a unique and distinct history, which has had a direct impact on the socio-economic status of these areas and how people perceive and operate within them. Prior to 1994, Townships operated and functioned in isolation from the mainstream economy and society, and were associated with racial segregation, exclusion and the marginal provision of services and economic opportunities. Post 1994, the township economy is attracting a great deal of policy interest, partly because of the persistence of concentrated poverty and the lack of economic transformation since democracy. Understanding how the township

economy operates may offer some clues as to how to deal with strategies supporting their re-integration into the wider urban and economic fabric.

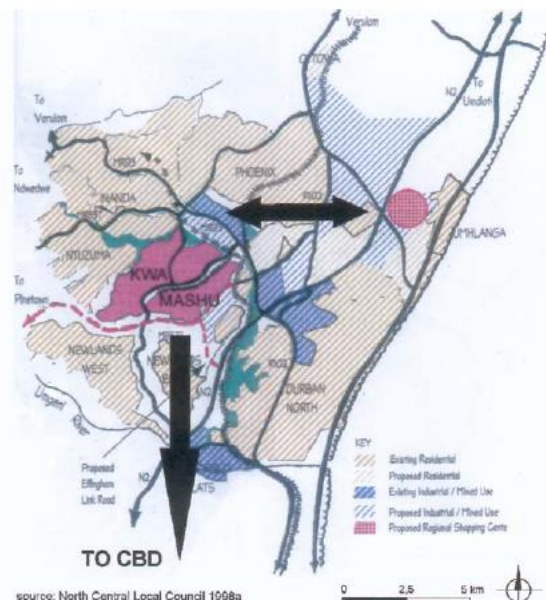
The “township economy” generally refers to all the economic activities occurring in formally promulgated urban areas known as townships as defined by this report. Township economy’ refers to enterprises and markets based in the townships. These enterprises are operated by township entrepreneurs to meet primarily the needs within and beyond the township and therefore can be understood as ‘township enterprises’ as distinguished from those operated by entrepreneurs outside the township. Township enterprises are diverse, with high rate of informality and provide a range of goods and services to meet the needs of township communities and beyond. This encompasses the production, distribution, exchange and consumption of goods and services. It is a spatial concept in nature as it relates to a specific location of economic activity.

Although townships were established close to the urban environment, the people that lived there were required to commute to and from their places of employment which were mainly in the central business district. As a result of rural to urban migration and forced removals, townships tended to be highly populated and suffered from a lack of basic municipal services due to minimal investment and unplanned rapid expansion. This legacy has continued post-apartheid and the same challenges still exist in townships.

Interestingly, many township's location in relation to the rest of the urban economy has changed over time as

Slide 5: INK & Umhlanga Ridge in the North of eThekweni

The slide shows how close (5km) the residential conurbations of Inanda, Ntuzuma and KwaMashu (INK) are to Umhlanga while being quite far from the Durban CBD (20km).



cities expand and the

structure of nodes and corridors alters. Since the 1990s in all large cities, new economic activity nodes have developed outside their historic central business districts. Today, many cities are multi-nodal cities. These structural changes affect townships in different ways. Many townships are now close to new economic nodes. An example is INK (Inanda, Ntuzuma and KwaMashu) in Durban that is now only one freeway exit away from Umhlanga Ridge.

But proximity to areas of economic growth alone has neither resulted in integration nor in visible developmental benefits in the townships. Many residents of INK have found jobs at Umhlanga Ridge but getting there has remained difficult because Umhlanga Ridge was planned without public transport links to the nearby townships. In the evenings hundreds of black employees wait at makeshift taxi ranks in the parking lot of the main shopping mall for transport.

Township economies comprise a range of activities within different industry sectors. Some are conducted by large, formal companies, but most enterprises are small and informal. Township economies are largely marginal and undiversified. Usually characterised by many small-scale production and service activities that are individually, or family owned and use simple, labour intensive technology. Manufacturing activities are notably limited, along with the jobs and business services often associated with their presence. Those manufacturing enterprises that do exist are rarely linked into value chains or markets outside the township.

Township enterprises are involved in wide and diverse economic activities, ranging from spaza shops, street vending, hair salons, shebeens, minibus taxis, to mechanical services, manufacturing, burial societies, stokvels and childcare services. These are largely micro-enterprises with low capital and low skills base. Women entrepreneurs are in majority. The main township economic activities include agriculture, manufacturing, retail, personal and household services, business services, transportation and tourism. Economic activity of many townships is generally limited to retail trade (frequently informal trade), transportation, and government services. Growth in these sectors is often stifled by lack of access to land, funding, economic infrastructure, low skills and educational levels and poor transport systems.

The Township Economy

Comprises a range of activities within different industry sectors

Largely micro-enterprises with low capital and low skills base

Despite the apparent dynamism, most local economic activities are trapped within a narrow band of informal activities

As such, most township jobs are informal and precarious.

The single biggest category of activity is informal retail trade, consisting mainly of street trading, spaza shops, and shebeens, many operating from homes and on a very small scale

Grocery, food and liquor services comprise the majority of all township businesses, followed by local services, including hair salons/barber shops, traditional healers, mechanical/electrical repairs, recycling, churches and early childhood education (educare) centres. The minibus taxi industry also plays a vital role, reflecting the poor location of many townships and the paucity of formal public transport. In contrast, manufacturing makes up a small proportion of all enterprises and they are 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.

Despite the apparent dynamism of South Africa's township areas, most local economic activities are trapped within a narrow band of informal activities. The returns to these activities are often low, as are the employment multipliers. As such, most township jobs are informal and precarious

The single biggest category of activity is informal retail trade, consisting mainly of street trading, spaza shops, and shebeens, many operating from homes and on a very small scale. Its scale suggests low barriers to entry and low start-up costs, as well as strong demand for convenience (daily top-up shopping). Products sold are almost exclusively produced by firms based elsewhere: maize meal, bread, milk, coffee, peanut butter etc. are all made by well-established conglomerates.

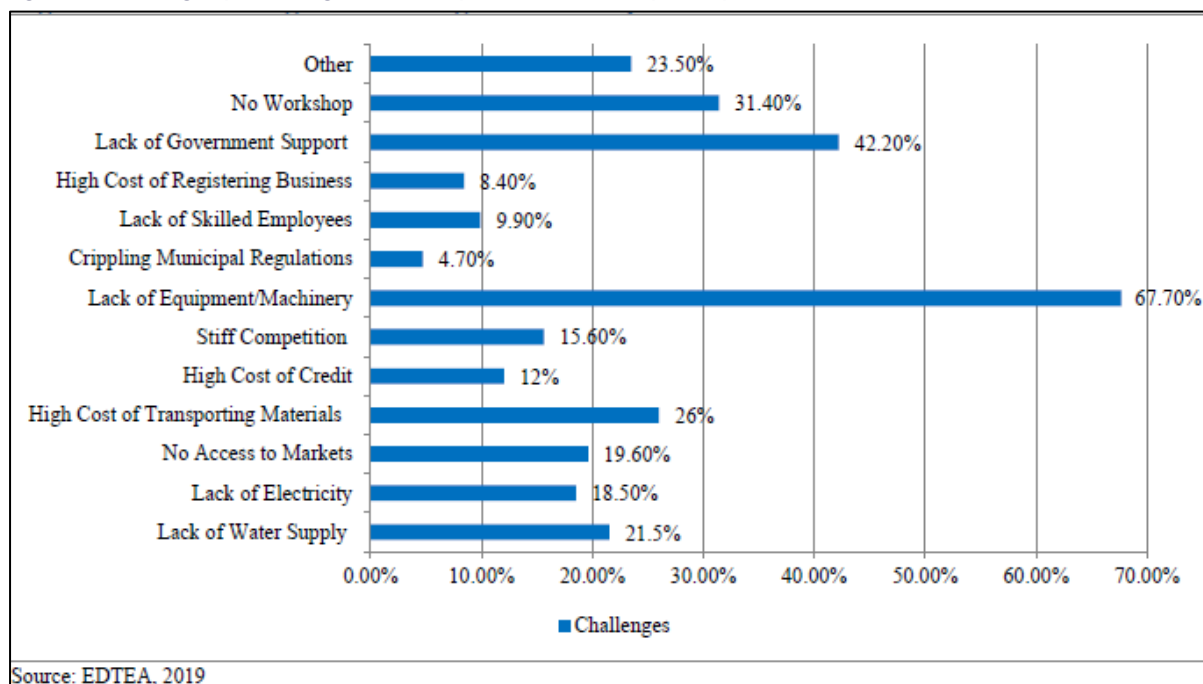
Several economic studies observe that township residents spend most of their disposable income outside the townships. If more attractive and cheaper shopping facilities are made available, then local spending may increase in many townships. It might contribute to retaining existing, or attracting new, middle income residents to the townships. Malls appear to satisfy the shopping aspirations of township residents for a choice of high-quality goods and an exciting shopping experience and in many townships shopping malls or centres are being developed at nodes. The downside of the mall-development trend is that most malls are owned and operated by large investors from outside the townships which negatively affects the informal and micro enterprises of the residents. Although the malls are physically located in the townships and allow convenience to the residents, the money still flows out of the townships.

Township enterprises perform a complementary role in enabling formal retailers and wholesalers to access a growing segment of low-income consumers who have large collective spending power. Formal retail chains have also invested in townships in recent years. Informal traders generally resent the expansion of supermarkets into townships because they can undercut their prices. Although measurement is difficult, evidence suggests that supermarkets have both positive and negative effects on informal traders, depending on the locational configuration and products sold. A common criticism is that supermarkets are often situated in shopping malls, which exclude informal traders from their premises.

Previous studies suggest a range of barriers to the development of township enterprises, including the physical environment for business, human skills and capabilities, access to finance and business services, distance from affluent consumer markets, crime, insecurity, and police harassment. Many of these obstacles reinforce each other and compound the significance of any particular constraint. The result can be a vicious circle, which increases risk and discourages township enterprises from reinvesting to expand and to strengthen their capabilities over time. For example, many spaza shops and township service providers are deterred from stocking a wider range of products or trading longer hours by crime and xenophobic attacks. Better road layouts, street lighting, clustering of outlets and related infrastructure could alleviate these constraints.

Township enterprises also fail to increase their incomes by investing to develop distinctive, higher value products and services. Instead they are caught up in a constant struggle to survive. The lack of adaptation and innovation also limits the product variety and choice available to local consumers. As a result, townships continue to lurk on the margins of neighbouring urban core economies unable to attract formal private investment.

Figure 5: Challenges preventing business expansion in Township Enterprises



The top three challenges hindering the growth of township businesses are:

- Lack of equipment.
- Lack of government support and
- Lack of workshops

While Townships possess the human, physical, social, cultural, physical, and other assets that can be harnessed towards the successful transformation of the Province in their current conditions, they also represent a substantial risk. If provincial government and other role players fail to address concerns, issues, backlogs, and marginalisation in Townships, they potentially could have a destabilising effect and could cast a shadow over KZN's future economic outlook. Townships can become an integral part of progress, integration, and optimal economic vibrancy in urban areas in the Province. However, this will take substantial financial resources together with a multi-stakeholder commitment and government leadership.

2.4. THE RURAL SOCIO -ECONOMIC PROFILES AND TRENDS

This section includes rural statistics that describe the demographic, socio economic and economic conditions in rural areas as defined in this report.

The view of rural areas is comprehensive, including social and economic aspects of life in those places. The social dimension concerns households and includes issues such as poverty and income levels. The economic dimension covers the size and structure of rural economies.

There is no single standard definition of rural areas across data sources, nor is there alignment across data sources with regard to the demarcation of settlement areas. It is therefore expected that estimates generated by various data sources will differ.

A number of data sources have been used to compile this profile. These include household level data from the 2011 Census and a range of nationally representative household surveys

including the 2016 Community Surveys. Settlement level data was also reviewed namely 2020 CSIR Mesozone data for the province as well as various secondary sources including StatsSA and other studies.

2.4.1. METHODOLOGY

In the 2001 Census all residential Enumeration Areas (EAs) are categorised as either Urban areas, Tribal or Traditional Areas or Farm. This therefore forms the potential proxy indicator in the 2011 Census that can be used to identify households who live in rural areas. Based on enumeration area (EA) logic, Tribal or Traditional Areas and Farms make up the non-urban areas and therefore reasonably can be applied as a proxy to represent rural areas in KZN.

In the absence of a formal definition of townships and alignment across data sources, the methodology applied in the analysis of data relies on this proxy indicator and descriptor for rural based on the sum of all non-urban Enumerator Areas (geography types) designations namely:

1. Tribal or Traditional Areas
2. Farms

The analysis based on this proxy descriptive indicator in the following sections represents estimations and **should be regarded as indicative** as there is insufficient data to determine whether these households do, in fact, live in rural areas as defined by this report. Given the volatility and nature of settlement patterns coupled with the lack of sound data until a formal standard definition of rural areas is developed, the trends and profile provided here is therefore an approximation of the actual status of the Rural areas. However, it is possible to make use of these estimates especially for short term decision making.

2.4.2. DEMOGRAPHIC PROFILE AND TRENDS

A fundamental characteristic of the Province is the fact that it is predominately rural in nature. The table below provides a breakdown of provinces ranked according to the level of "ruralness", as derived from a composite index that takes into account the share of B3 and B4⁶⁶ municipalities in each province. Provinces with higher composite indexes are more rural in nature than provinces with lower indexes. Based on this analysis , KwaZulu-Natal is the second most rural province in South Africa.

Table 7: Provincial ranking according to composite rural index

	% share of B3 and B4 municipalities	% share of B4 municipalities	Composite average	Rural ranking
Limpopo	92%	64%	78%	1
KwaZulu-Natal⁷	79%	54%	66%	2
Eastern Cape	87%	38%	63%	3

⁶⁶ B3 Municipalities: Municipalities without a large town as a core urban settlement. Rural areas in this category are characterised by the presence of commercial farms because these local economies are largely agriculture based. B4 Municipalities: contain no more than one or two small towns and are largely characterised by communal land tenure and villages or scattered groups of dwellings and are typically in former homelands

⁷ Please see Annexure A for the complete breakdown of categories of municipalities in KZN

	% share of B3 and B4 municipalities	% share of B4 municipalities	Composite average	Rural ranking
North West	74%	26%	50%	4
Northern Cape	92%	4%	48%	5
Mpumalanga	67%	28%	47%	6
Free State	75%	0%	38%	7
Western Cape	60%	0%	30%	8
Gauteng	8%	0%	4%	9

Source: Mabugu, 2018 based on Global Insight data

As such a unique attribute of the province is that almost 40% (approximately 2.84 million hectares) of the land within province falls under the custodianship of the Ingonyama Trust Board (ITB) and as such accommodates a large portion of the population of the province, mainly in the form of rural and communal villages, which are amongst the most vulnerable in the province. The communal nature of the land and the vast extent thereof has, in the past, impacted on the development investments intended by both government and private sector. The composition thereof is reflected hereunder:

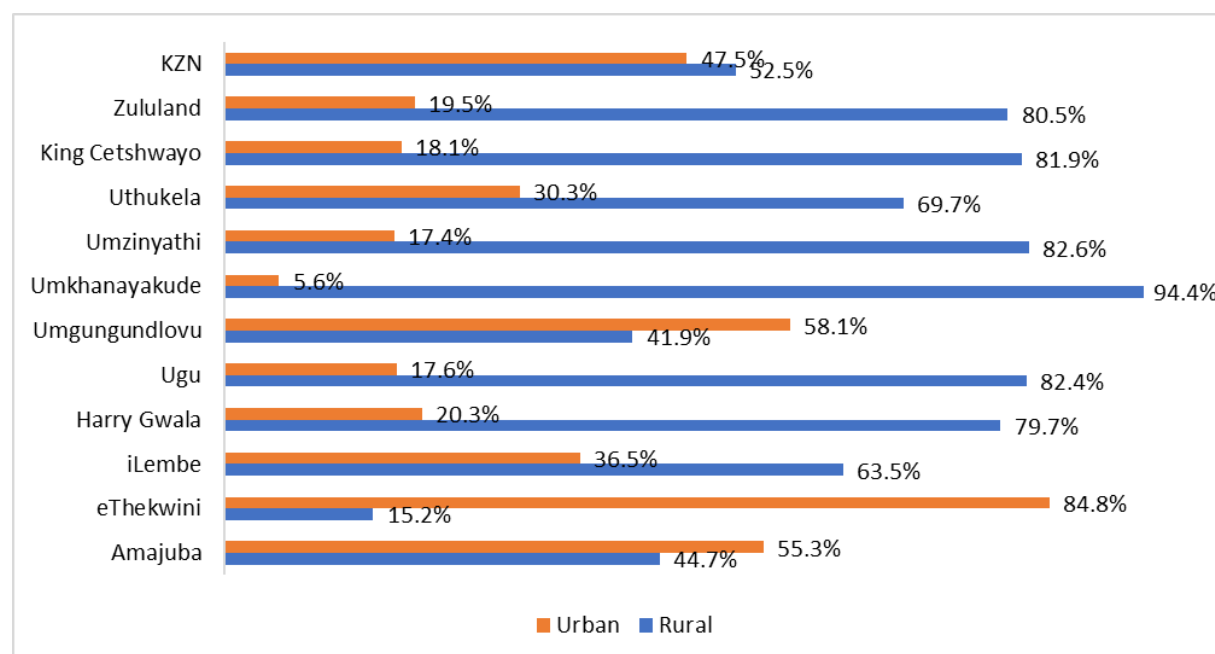
Table 8: Composition of land within the province falls under the custodianship of the Ingonyama Trust Board (ITB)

District/Metro	Total Municipal Area km ²	Traditional Authority Area km ²	Traditional Authority portion of District/Metro
Amajuba	6 911.86	510.33	7.4%
eThekweni	2 291.33	1 078.67	47.1%
iLembe	3 269.31	2 078.75	63.6%
Harry Gwala	10 552.00	1 816.38	17.2%
Ugu	5 047.57	2 370.70	47.0%
Umgungundlovu	9 514.59	1 038.46	10.9%
Umkhanayakude	13 861.50	7 064.01	51.0%
Umzinyathi	8 589.65	4 010.53	46.7%
Uthukela	11 331.20	2 103.38	18.6%
King Cetshwayo	8 214.21	5 757.48	70.1%
Zululand	14 799.80	4 961.41	33.5%
Total Traditional Area	94 383.02	32 790.10	34.7%

Source: KZN Department of Human Settlements Annual Performance Plan 2019/20, Housing Development Agency

Based on StatsSA population data, about 52% of the population currently resides in rural areas with Umkhanayakude District being the most rural with an approximately 95% rural population. eThekweni is the least rural district with only a 15% rural population. Reflected hereunder is the profile of the rural vs urban composition of the Province.

Figure 6: Rural-Urban Distribution of the KZN population



Source: StatsSA 2011, 2018 CSIR Mesozone Data adjusted to 2020

In terms of population sizes, about 5.8 million people reside in rural areas in KZN. However, the rural population in the province is stagnating with a low population compound annual growth rate of 0.4% calculated over 20 years. Based on this historical growth rate, it is expected that the rural population in KZN may grow to about 6.1 million people in the next five years.

Table 9: KZN Per District Rural Population Estimates 2010 - 2050

	2010	2015	2020	2025	2030	2035	2050
KZN	5 404 487	5 640 868	5 850 081	6 116 353	6 433 908	6 688 932	7 422 796
Amajuba	226 109	235 998	244 751	255 891	269 177	279 846	310 549
eThekweni	533 426	556 757	577 406	603 687	635 030	660 201	732 634
Harry Gwala	295 396	308 316	319 751	334 305	351 662	365 601	405 712
iLembe	483 210	504 345	523 050	546 857	575 250	598 051	663 665
King Cetshwayo	745 181	777 773	806 620	843 334	887 119	922 282	1 023 469
Ugu	285 589	298 080	309 135	323 206	339 986	353 463	392 242
Umgungundlovu	961 033	1 003 067	1 040 269	1 087 618	1 144 086	1 189 435	1 319 931
Umkhanyakude	522 790	545 655	565 893	591 650	622 368	647 037	718 026
Umzinyathi	357 985	373 643	387 500	405 138	426 172	443 065	491 675
Uthukela	544 324	568 131	589 203	616 021	648 004	673 689	747 602
Zululand	641 090	669 130	693 947	725 533	763 202	793 453	880 505

*estimates based on historical growth rates calculated over 20 years

Source: Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data, StatsSA MidYear Population Estimates 2020, 2020 CSIR GreenBook, SEDAC 2020 Pop Estimates

The economically active population (measured as the population aged 15–64 years) is considerably smaller in rural areas than in urban areas, accounting for 55% of people, compared to 69% of the population in the metro and 64% in other large urban centres. Young people under the age of 15 make up 39% of the population in rural areas which is higher in contrast to 25% in eThekweni Metro and 30% in large towns. Generally, females outnumber males in the KZN rural population, and this may be attributable to several demographic factors

including sex selective mortality and migration processes. About 53% of KZN's population is female and 47% is male. This is relatively similar across all settlement typologies in the Province.

Table 10: Age and Gender Distribution of KZN Rural Population in comparison to urban areas

CATEGORY	DESCRIPTION	RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
YOUTH	0 - 14 years	39.3%	25.2%	30.6%	37.0%	32.2%
WORKING AGE	15 – 64 years	55.6%	69.8%	64.5%	57.9%	62.4%
ELDERLY	65 years +	5.2%	5.0%	5.0%	5.1%	5.5%
GENDER	MALE	46.2%	48.9%	47.7%	46.8%	47.5%
	FEMALE	53.8%	51.1%	52.3%	53.2%	52.5%

Source: StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

2.4.3. SOCIOECONOMIC PROFILE AND TRENDS

People in rural municipalities are less likely to have school qualifications than their urban counterparts: only 22% of the population over the age of 20 years in rural areas have matric qualifications compared to 37% in urban areas. While a significantly larger population over the age of 20 years has no schooling; 18% compared to only 3% in eThekweni Metro and 5% in large urban centres.

Table 11: Comparative Education Profile of Rural Households in KZN

CATEGORY	RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
No Schooling	18.1%	3.5%	5.8%	9.3%	8.3%
Some Primary	24.4%	11.6%	14.6%	17.6%	16.1%
Some Secondary	29.2%	31.5%	30.9%	29.9%	30.6%
Matric	22.3%	37.3%	32.8%	30.2%	31.8%
Higher Education	5.9%	16.1%	15.9%	13.1%	13.2%

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

Poverty is one of the most widely recognized human and social development challenges in KwaZulu-Natal. It is a multidimensional phenomenon that encompasses several economic and social factors. Rural areas have relatively high levels of poverty and service delivery backlogs. About 22% of households in rural areas are poor which is comparatively higher than the 20% average for urban areas. High levels of poverty have numerous manifestations; these include a lack of income and productive resources sufficient to ensure sustainable livelihoods, hunger and malnutrition, poor health conditions, and limited or a complete lack of access to education and other basic services.

As formal employment opportunities in rural areas are limited and often seasonal, unsurprisingly unemployment averages 33% in rural areas, using the official (or narrow) definition of unemployment. This is significantly higher than the rate of unemployment in eThekweni Metro for example which is 26%. It is also important to note that this is likely however to rise in 2020 and going forward in the immediate future on the back of several job losses due to the impact of COVID-19 on the KZN economy. The prevalence of unemployment among the rural youth population may be attributed to the lack of employable skills. This is further worsened by low educational attainment as most young people tend to drop out of school before completing secondary level. It is within this backdrop that rural areas have a large number of discouraged work-seekers and thus high unemployment rate.

Access to infrastructure affects the ability of municipalities to carry out their functions and deliver services to their communities. In urban areas, the average overall access to electricity is above 80% with 90% of households in the metro with access to electricity. In comparison, rural municipalities have a substantially lower access to electricity with only 50% of rural households having access to electricity.

Access to water in rural areas, although at a higher level than sanitation, has not improved much over the years. This is because the spatial setting of households in some rural municipalities makes delivering services difficult. The majority of those being connected to municipal services are poor and unemployed, which poses a challenge for local economic development and the viability of municipalities. Only 27% of rural households have access to piped water either inside their dwelling or less than 200m from their dwelling.

Table 12: Comparative Summary Socioeconomic Status of Rural Households in KZN

		RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
POVERTY	Poor Households	22.1%	20.4%	21.0%	21.6%	21.3%
UNEMPLOYMENT RATE	Narrow/Strict	33.5%	26.9%	30.5%	33.5%	30.6%
ACCESS TO SERVICES	Electricity	50.3%	89.5%	89.4%	78.4%	78.0%
	Piped Water < 200M from Dwelling	27.4%	80.1%	75.3%	66.2%	63.6%

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

This trend translates into very low household incomes leaving rural municipalities with a low revenue base. Many rural households in KZN fall within the very low to low income category (over 75% of rural households in the province) earning less than R153 600 on average per annum. This is a weighted average monthly income of about R3 350 per household. With an average household size of 5 persons per household this may be related to the high poverty incidence within the province

Table 13: Comparative Household Average Annual Income Distribution

CATEGORY	DESCRIPTION	RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
Very Low Income	R0 - R19 200	57.8%	41.8%	46.1%	50.9%	48.0%
Low Income	R19 201 - R38 400	24.7%	17.0%	18.6%	20.2%	19.8%
Lower Middle Income	R38 401 - R153 600	13.6%	23.9%	21.5%	20.1%	20.2%
Upper Middle Income	R153 601 - R614 400	3.4%	14.3%	11.9%	7.8%	10.1%
High Income	R614 401 -R2 457 600	0.4%	2.7%	1.6%	0.7%	1.6%
Very High Income	R 2457 601+	0.1%	0.3%	0.3%	0.2%	0.2%
Monthly Income	Weighted Average	R 3 350	R 9 301	R 7 343	R 5 221	R 6 824

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

2.4.4. ECONOMIC PROFILE AND TRENDS

Economic activities are less diversified and lower in rural areas than in urban areas, which partly explains the high unemployment rate in rural areas.

In terms of absolute GVA size, rural economies are significantly smaller compared to urban centres with a GVA of about R47 billion per annum. This makes up only 11% of total provincial GVA compared to eThekweni which makes up over half of the provincial economy. The rural economy is also growing at a very low rate of 1.6% per annum on average over a period of twenty years which is much lower compared to urban economic growth rates.

Table 14: Comparative Summary Economic Size of KZN Rural Economy in GVA terms at Current Prices in R Billions

	RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
Total Gross Value Added (R billions)	47.5	238.6	104.7	32.1	422.9
GVA as a % of KZN GVA	11.2%	56.4%	24.8%	7.6%	-
GVA Compound Annual Growth Rate	1.6%	3.0%	2.7%	3.4%	2.8%

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

An estimation of the absolute size of the KZN rural economy in GVA terms shows that it may grow to up to R80 billion by 2035 based on historical growth rates. However, it is important to note the anticipated negative fallout from the impact of COVID-19 on the economy in KZN. The global and national as well as the provincial economy are expected to contract sharply in 2020 due the effect of the COVID-19 pandemic.

An analysis of the distribution of the province's economic activities shows that the KZN rural economy is dominated by eThekweni Metro. This is the main economic hub for the province making up over half of the total provincial economic output. The next major contributor to KZN rural economy is Umgungundlovu DM followed by King Cetshwayo DM. The rest of the province is relatively subdued with Umkhanyakude DM having the lowest contribution despite having the largest rural population in the province.

Table 15: KZN Per District GVA Estimates 2011 – 2035 at Current Prices in R Billions

RURAL GVA (R billions)	2011	2016	2020*	2035*
KZN	43.7	47.5	56.7	79.9
Amajuba	1.9	2.0	2.3	2.5
eThekweni	24.3	26.3	31.6	46.1
Harry Gwala	0.9	1.0	1.2	1.8
Ilembe	1.8	2.1	2.5	3.9
King Cetshwayo	3.3	3.6	4.3	5.8
Ugu	1.8	2.0	2.4	3.5
Umgungundlovu	5.1	5.5	6.6	9.2
Umkhanyakude	0.8	0.8	1.0	1.5
Umzinyathi	0.8	0.9	1.1	1.5
Uthukela	1.4	1.5	1.8	2.5
Zululand	1.6	1.7	1.9	2.2

*estimates based on historical growth rates calculated over 20 years

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The following figures outline the structure of KZN's economy indicating the largest sector based on respective contribution per industry to the rural economy's GVA.

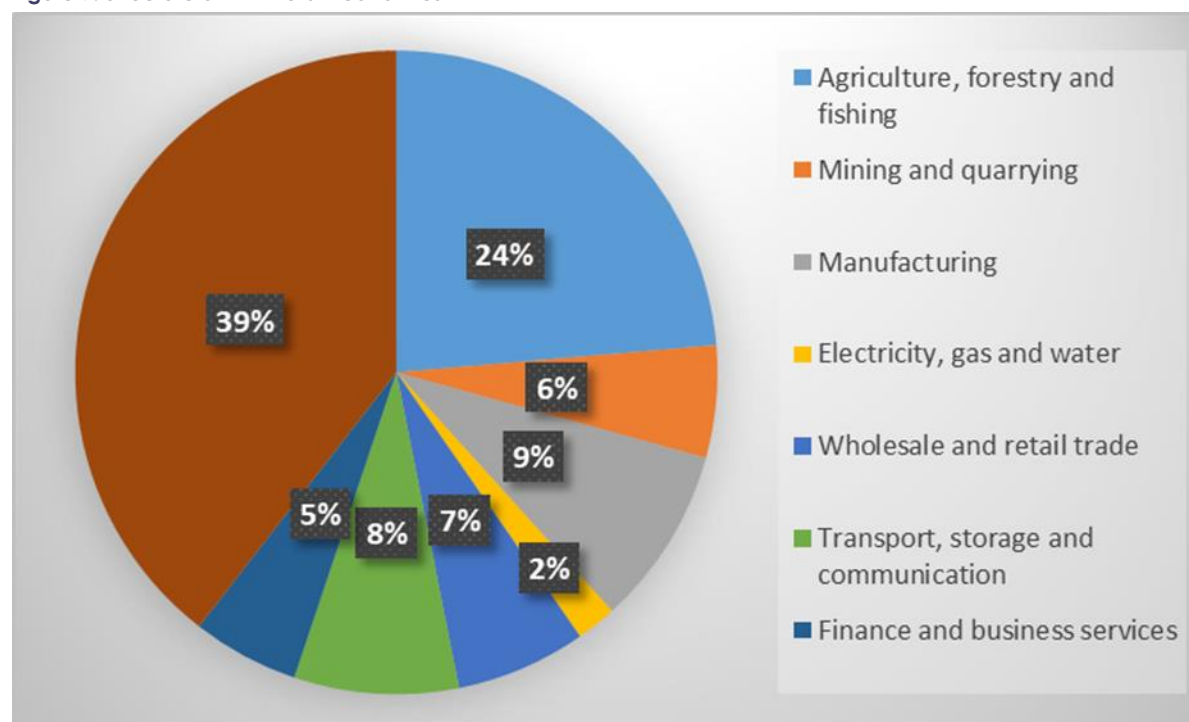
Table 16: Comparative Structure of KZN Rural Economy: Based on Per Sector GVA at Current Prices

SECTOR	RURAL	METRO	LARGE TOWNS	SMALL TOWNS	KZN
Agriculture, Forestry and Fishing	23.6%	1.3%	3.4%	3.2%	4.6%
Mining and Quarrying	5.6%	0.3%	2.9%	1.4%	1.8%
Manufacturing	9.0%	20.6%	19.7%	19.9%	19.0%
Electricity, Gas and Water	2.0%	2.1%	2.7%	3.2%	2.4%
Wholesale and retail trade	6.6%	18.0%	16.5%	24.4%	16.7%
Transport, storage and communication	8.3%	14.7%	11.6%	13.3%	13.0%
Finance, insurance and business services	5.4%	22.6%	19.9%	15.3%	19.2%
General Government Services ⁸	39.5%	20.8%	23.8%	18.8%	23.4%

Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

*estimates based on historical growth rates calculated over 20 years

Figure 7: Structure of KZN Rural Economies

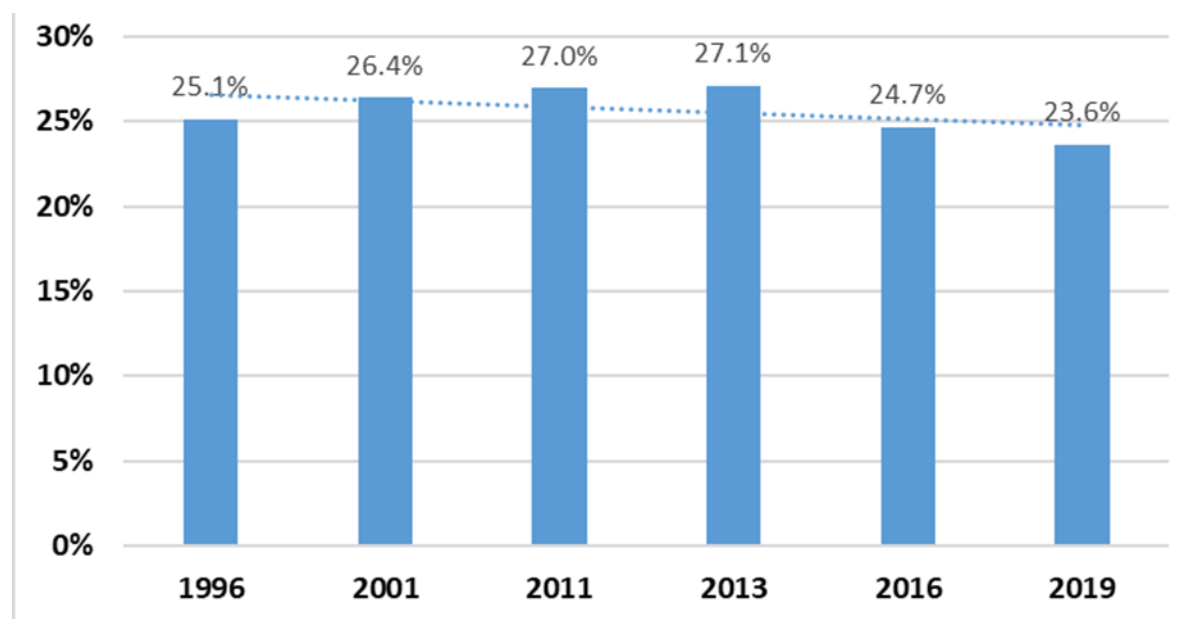


Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The two largest sectors in rural areas are Agriculture, forestry and fishing contributing 25% of rural GVA and General Government Services making up 39% of rural GVA. Compared to urban areas where Agriculture, forestry and fishing plays a significantly smaller role and the tertiary sector including Finance and business services contributing more to urban economies. The smallest sector is the Utilities sector (electricity, gas and water) which constitutes only 2% of the rural economy.

⁸ Includes the health service, teachers, police, agricultural extension officers that work in the rural areas.

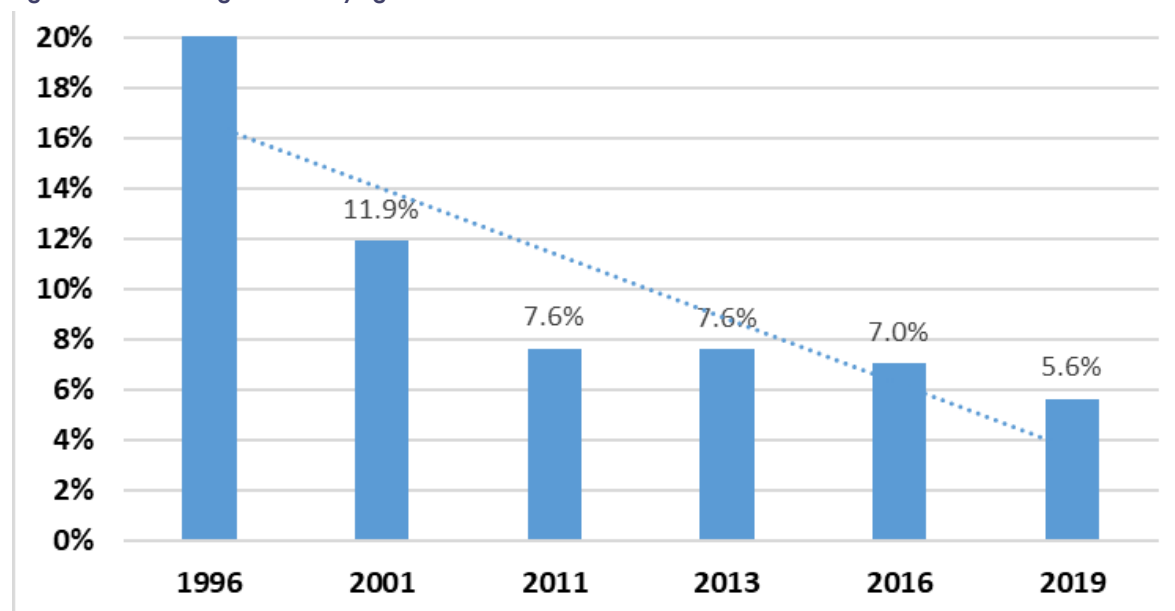
Figure 8: KZN Rural Agricultural Sector Trends 1996 – 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The agricultural sector in rural areas has had no major changes in size and contribution remaining fairly stable at about 25% of the rural economy on average. 2011 to 2013 saw the sector marginally increase in size and contribution however this dropped slightly to 25% in 2019. The compound annual growth rate of the sector is 1.5% per annum on average calculated over a twenty-year period (1996 – 2016).

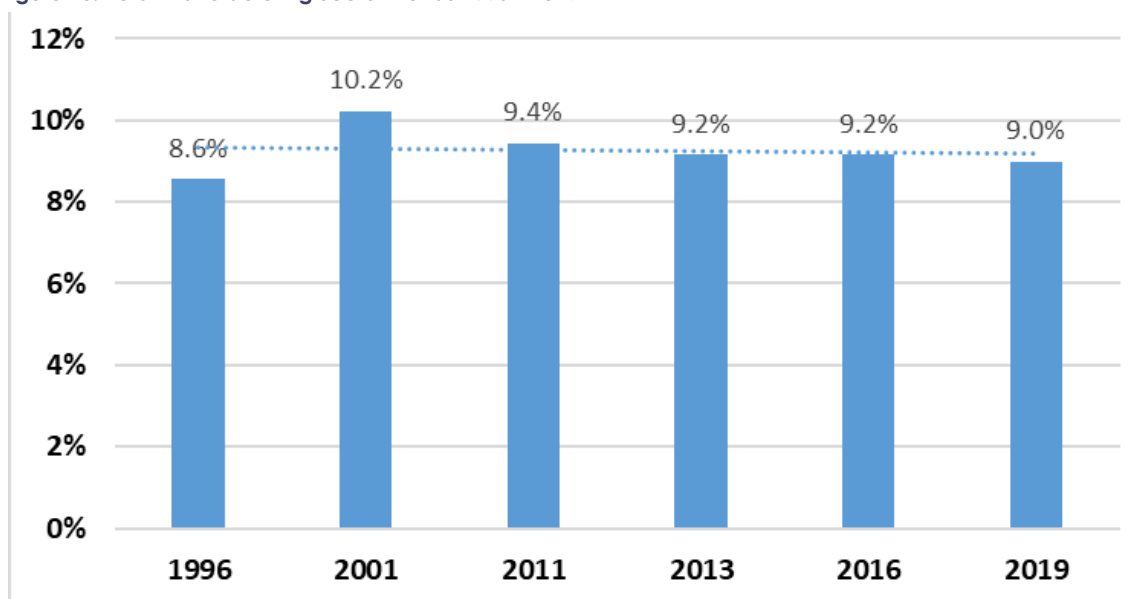
Figure 9: Rural Mining and Quarrying Sector Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The mining sector in rural areas has been in steady decline with a compound annual growth rate of -3.8% per annum on average over a twenty-year period. The trend shows the declining relative size and contribution of the sector to the rural economy over time from 1996 to 2019.

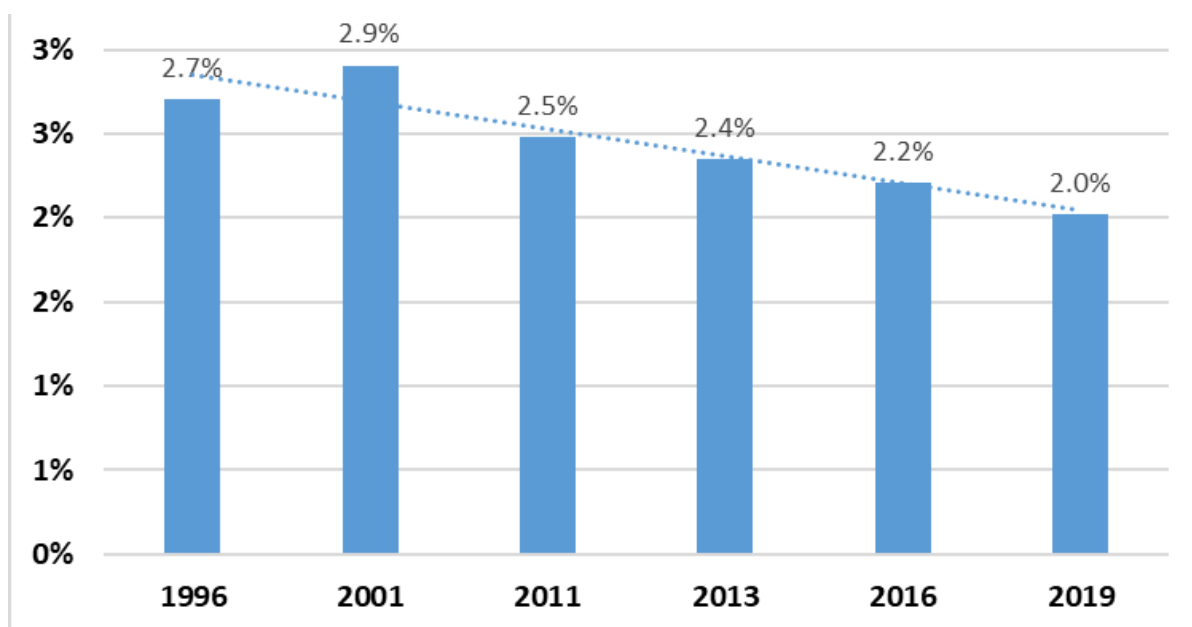
Figure 10: Rural Manufacturing Sector Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The trend in the rural utilities sector has been a steady decline over time since 1996. Although the sector has largely remained at the same relative size and contribution to the rural economy of about 2% per over the twenty-year period. The compound average annual growth rate for the sector is 0.6% compounded from 1996 to 2019.

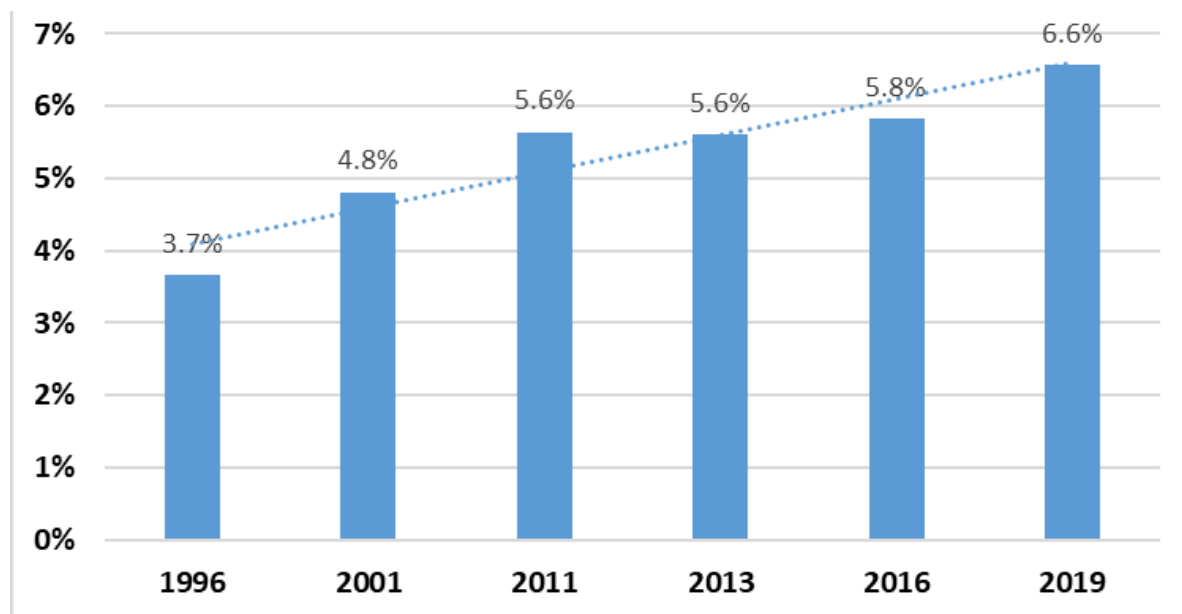
Figure 11: Rural Utilities (Electricity, Gas and Water) Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The retail trade sector has grown in size and significance within the rural economy over time with a general rising trendline in rural areas in KZN as shown in the graph below. There is a marked increase from 1996 to 2019 with a compound annual growth rate of 4% in the sector.

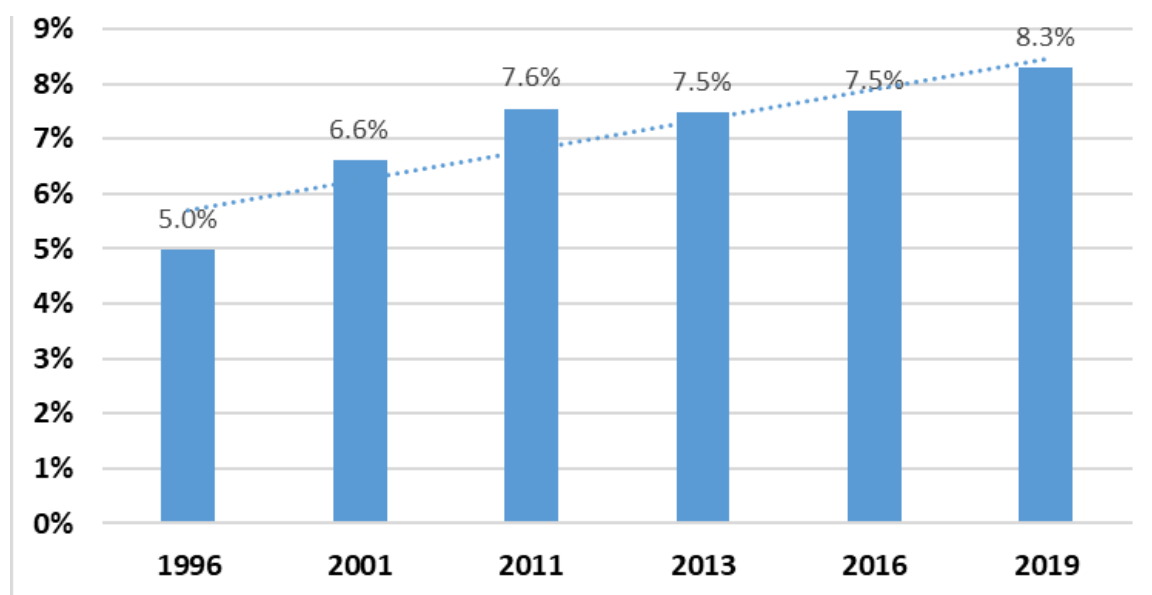
Figure 12: KZN Rural Wholesale and Retail Trade Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The transport sector has also shown a marked improvement in terms of the contribution to the rural economy. The sector has grown by 3.7% on average annually since 1996 compounded over a twenty-year period to 2019.

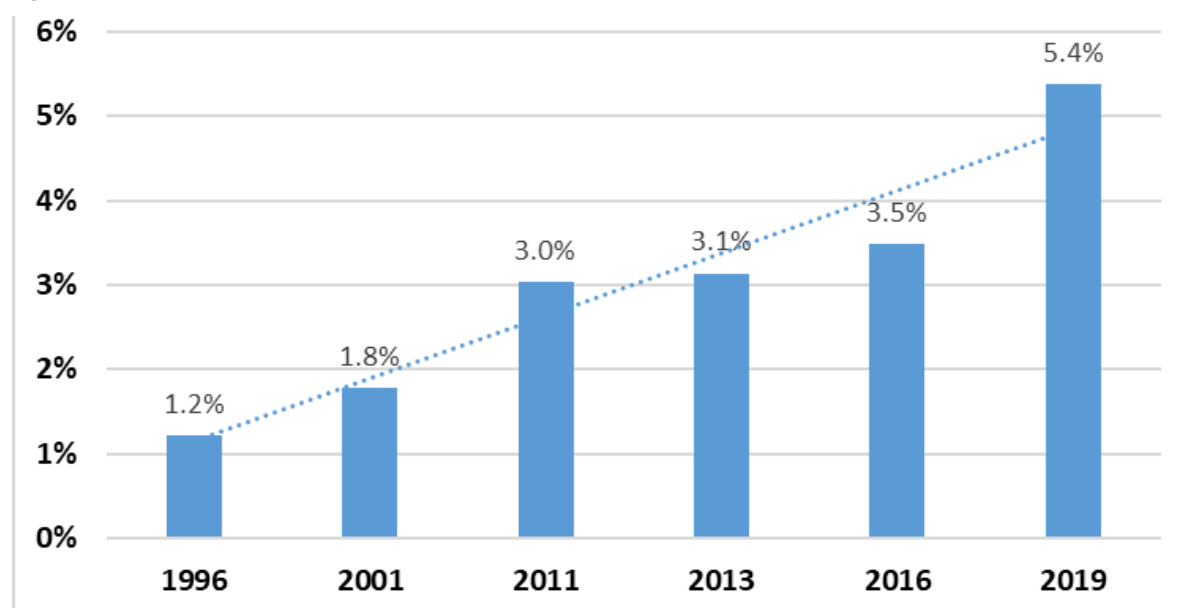
Figure 13: KZN Rural Transport Sector Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The largest growth in the KZN rural economies has been in the Finance and Business Services sector with a sector growth rate of 7.1% per annum compounded from 1996 to 2019. The sector is however relatively small contributing a small percentage (about 5.4%) to the total rural economy relative to the other sectors.

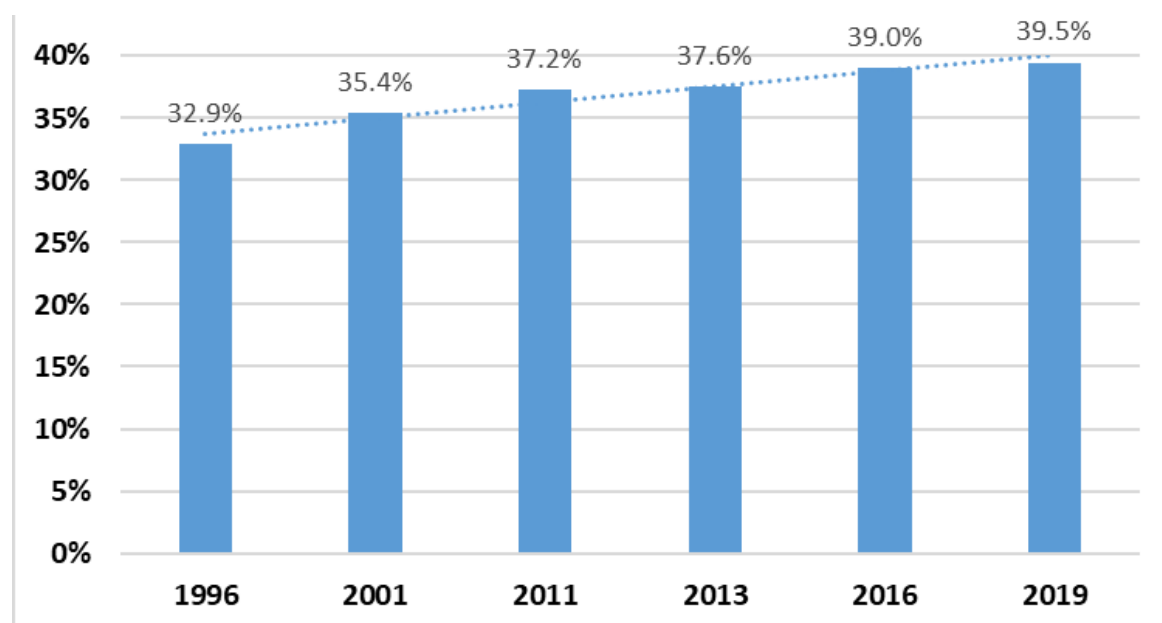
Figure 14: KZN Rural Finance and Business Services Sector Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The largest sector in the KZN rural economy is the General Government Services sector which includes the health service, teachers, police, agricultural extension officers and other social and community services that work in the rural areas. The sector has been experiencing a steady incline over the past twenty years in KZN rural areas and has a compound average annual growth rate of 2.5%.

Figure 15: KZN Rural Government Services Sector Trends 1996 - 2019



Source: Calculations based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

2.5. THE TOWNSHIP SOCIO - ECONOMIC PROFILES AND TRENDS

This section includes statistics that describe the demographic, socio economic and economic conditions in townships as defined in this report. The profile is comprehensive and includes issues such as poverty and income levels.

There is no single standard definition of townships across data sources, nor is there alignment across data sources with regard to the demarcation of settlement areas. It is therefore expected that estimates generated by various data sources will differ.

A number of data sources have been used to compile this profile. These include household level data from the 2011 Census and a range of nationally representative household surveys. Settlement level data was also reviewed namely 2020 CSIR Mesozone data for the province as well as various secondary sources including StatsSA and other studies.

2.5.1. METHODOLOGY

In the 2001 Census all residential Enumeration Areas (EAs) are categorised as either Urban Areas, Tribal/Traditional Settlements or Farms. In addition, dwellings are categorised as either formal dwellings or informal dwellings, including shacks not in backyards, shacks in backyards and traditional dwellings.

There are therefore two indicators in the 2011 Census that can be used to identify households who live in townships, one based on enumeration area (Urban Area EA) and the other based on the type of dwelling (brick or concrete block structure and shacks not in backyard).

In the absence of a formal definition of townships and alignment across data sources, the methodology applied in the analysis of data relies on proxy indicator and descriptor for townships based on Enumerator Area (geography type) designation:

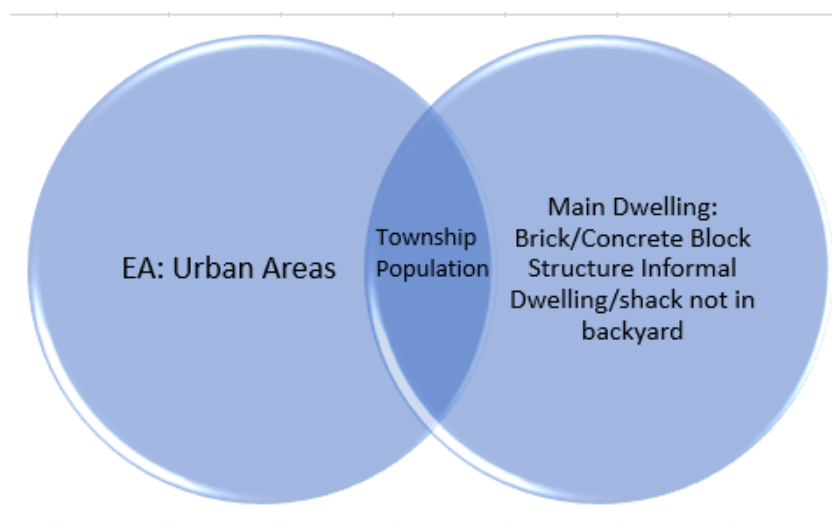
1. Urban area

And dwelling type, namely those who live in:

1. Brick/concrete block structure
2. Informal dwelling/shack, not in backyard e.g. in an informal/squatter settlement

As shown in the figure below.

Figure 16: Cross-over of Type of Dwelling and Enumeration Area: KwaZulu-Natal



The analysis based on this proxy descriptive indicator in the following sections represents estimations and **should be regarded as indicative** as there is insufficient data to determine whether these households do, in fact, live in townships as defined by this report. Given the volatility and nature of settlement patterns coupled with the lack of sound data until a formal standard definition of townships is developed poses a limitation to the depth of the analysis. However, it is possible to make use of these estimates especially for short term decision making.

2.5.2. DEMOGRAPHIC PROFILE AND TRENDS

About 24% of the province's population lives in townships which is approximately 2.6 million people in 670 000 households across KZN live in townships (as defined for the purposes of this report).

Table 17: KZN Per District Township Population Estimates 2010 - 2050

	2010	2015	2020	2025	2030	2035	2050
KZN	2 478 524	2 586 930	2 682 876	2 804 989	2 950 622	3 067 577	3 404 130
Amajuba	121 943	127 277	131 997	138 005	145 171	150 925	167 483
eThekweni	842 698	879 556	912 178	953 696	1 003 211	1 042 976	1 157 404
Harry Gwala	112 029	116 929	121 266	126 786	133 368	138 654	153 867
Ilembe	145 985	152 370	158 021	165 214	173 792	180 680	200 503
King Cetshwayo	217 862	227 391	235 825	246 559	259 360	269 640	299 223
Ugu	164 078	171 255	177 606	185 690	195 331	203 074	225 353
Umgungundlovu	245 126	255 847	265 336	277 413	291 816	303 383	336 668
Umkhanyakude	152 429	159 096	164 997	172 507	181 463	188 656	209 354
Umkhanyathi	123 678	129 088	133 875	139 969	147 236	153 072	169 866
Uthukela	160 113	167 116	173 314	181 202	190 610	198 165	219 907
Zululand	191 838	200 228	207 655	217 106	228 378	237 430	263 480

Source: Calculations Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data, StatsSA MidYear Population Estimates 2020, 2020 CSIR GreenBook, SEDAC 2020 Pop Estimates

The average household size in townships is about 4 people living in overcrowded conditions. The majority of the households in townships are single person households headed by Black/African adult males aged between 18 to 44 years. On average about 30% of households are single person household. Household heads in townships are also noticeably young and 35% are headed by adult males between the ages of 18 and 44 while about 21% are headed by Black/African adult females aged between 18 to 44 years.

The economically active population (measured as the population aged 15–64 years) is considerably the largest age cohort in townships. The elderly make up the smallest age group. Generally, females outnumber males in townships, and this is the similar trend across the province.

Table 18: Age and Gender Distribution of KZN Township Population in comparison to KZN

CATEGORY	DESCRIPTION	TOWNSHIPS	KZN
YOUTH	0 - 14 years	26%	32.2%
WORKING AGE	15 – 64 years	70%	62.4%

CATEGORY	DESCRIPTION	TOWNSHIPS	KZN
ELDERLY	65 years +	4%	5.5%
GENDER	MALE	49%	47.5%
	FEMALE	51%	52.5%

Source: Calculations Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

2.5.3. SOCIOECONOMIC PROFILE AND TRENDS

Many of the people living in township areas are educated with the majority having completed primary and secondary schooling and at least matric.

Table 19: Comparative Education Profile of Township Households in KZN

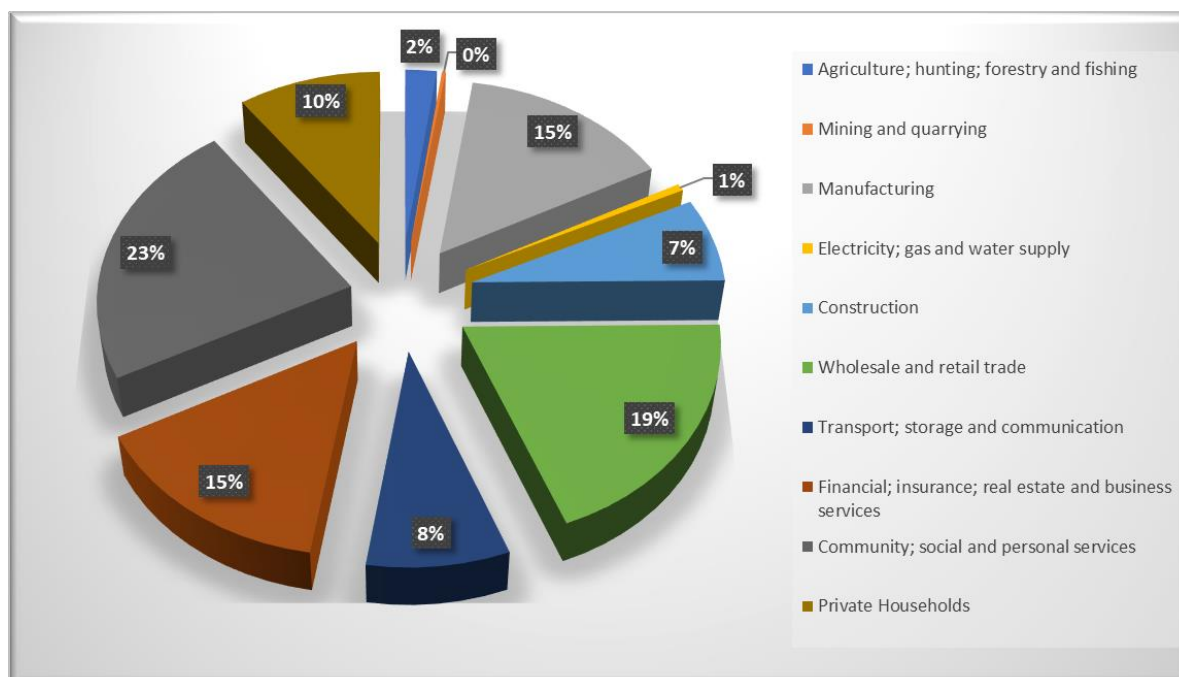
CATEGORY	TOWNSHIPS	KZN
No Schooling	4%	8.3%
Some Primary	10%	16.1%
Some Secondary	35%	30.6%
Matric	39%	31.8%
Higher Education	8%	13.2%

Source: Calculations Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

The KZN township unemployment rate is about 37% using the narrow definition which is quite high in comparison to the overall KZN's unemployment rate of 30%. Much of the employment is in the formal sector with the Manufacturing industry, Wholesale and retail trade, and Community and Social services being the largest employers.

Additionally, studies show that the youth entrepreneurs have huge issues that hinder them from pursuing entrepreneurship. The social issues include some of these youths being breadwinners in their families and the burden to financially support their families. The pressure makes it more difficult to start their own businesses such that they prefer finding employment even if they were low paying and with few opportunities (EDTEA, 2020).

Figure 17: Employment Structure in KZN Townships



Source: Calculations Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

A large proportion of households fall within the low to very low-income categories with nearly 70% of households earning less than R153 600 annually on average. The weighted average monthly income of households in townships is R5 244 per month.

Table 20: Comparative Household Average Annual Income Distribution in Townships

CATEGORY	DESCRIPTION	TOWNSHIPS	KZN
Very Low Income	R0 - R19 200	48%	48.0%
Low Income	R19 201 - R38 400	19%	19.8%
Lower Middle Income	R38 401 - R153 600	24%	20.2%
Upper Middle Income	R153 601 - R614 400	8%	10.1%
High Income	R614 401 -R2 457 600	1%	1.6%
Very High Income	R 2457 601+	0%	0.2%
Monthly Income	Weighted Average	R 5 200	R 9 301

Source: Calculations Based on StatsSA 2011 Census Data; 2016 CSIR Mesozone Data adjusted to 2020

In terms of municipal service delivery, basic living conditions and access to services, generally most households have access to electricity and piped water either within their dwelling or yard. At least 90% of households living in townships use electricity for lighting and energy. At least 80% of households have access to piped water within 200 metres from their dwelling. About 90% of households have their refuse removed by local authority at least once a week while about 65% have flush toilet systems connected to a sewerage system.

CATEGORY	DESCRIPTION	TOWNSHIPS	KZN
ACCESS TO SERVICES	Electricity	92%	78.0%
	Piped Water < 200M from Dwelling	81%	63.6%
	Refuse removal at least once a week	90%	51.6%
	Flush toilet (connected to sewerage system)	65%	40.42%

Source: Calculations Based on StatsSA 2011 Census Data; 2018 CSIR Mesozone Data adjusted to 2020

2.5.4. ECONOMIC PROFILE AND TRENDS

Township economies comprise a range of activities within different industry sectors. Some are conducted by large, formal companies, but most enterprises are small and informal. Township enterprises range from spaza shops, street vending, hair salons, shebeens, minibus taxis, to mechanical services, small scale manufacturing, burial societies, stokvels and childcare services.

The main township economic sectors include:

1. Retail and Trade
2. Small Scale Manufacturing
3. Personal and Household Services (including domestic work)
4. Transportation
5. Business Services
6. Tourism
7. Subsistence Urban Agriculture

Table 21: Structure of Township Enterprises Sectoral Activities

SECTORS	CLUSTERS				
Retail	Butcheries	Spaza shops	Fish and chips	Fruit and vegetable stalls	General Dealers
Service Industry	Hair Salons	Shebeens	Shisanyama	Security companies	Gym
	Sewing and Tailoring, including shoemakers	Sanitation (plumbers)	Mobile toilets	Car wash	Burial society
Construction and real estate	Brick laying	Construction business	Property development	Renting	Manufacturing bricks
Tourism	Tourism guide and logistics	Bed and Breakfast	Restaurants	Catering and events	Shisanyama
	Water sports and recreation parks	Heritage tourism	Conferencing	Sports Tourism	Tour operators
Manufacturing	Clothing and textile	Auto body repairs and maintenance Auto mechanic	Furniture manufacturing	Steel production	Tar and oil production
	Carpentry	Charcoal manufacturing	Welding pipe and fitting	Plastics recycling	Baking and confectionary

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SECTORS	CLUSTERS				
Transport	Automotive cooperatives	Minibus taxi ownership	Logistics companies	Taxi Associations	Tour operators
Agriculture and agro processing	Olive oil for fuel	Bio-fuel	Milling	Poultry retail	Vegetable production
Finance	Stokvels	Mashonisa money/lending schemes	Burial societies		
Creative Industry	Arts and craft Cinemas	Music and Entertainment	Fashion design Bead making	Music and video production	Coordination of cultural events
Government and Community Service	Child care and early development centres Care for elderly Feeding Schemes	Clothes for school and police uniforms Furniture for office space	Facilitation of social grants agents	Hospices	
Technology/Knowledge Economy	Internet solutions in townships	Multimedia service centres	Technology Application designs	Electronic Repairs	ICT Recycling
Green Economy	Waste Management	Recycling	Coal and wood making		
Blue Economy	Tourism	Fishing	Water sports and recreation		

Source: Gauteng Township Economy Revitalisation, 2014 - 2019

Based on the findings of the research conducted by EDTEA on KZN Rural and Township Economies (2020), the following are some of the sectors that are thriving and could potentially unlock economic potential of townships

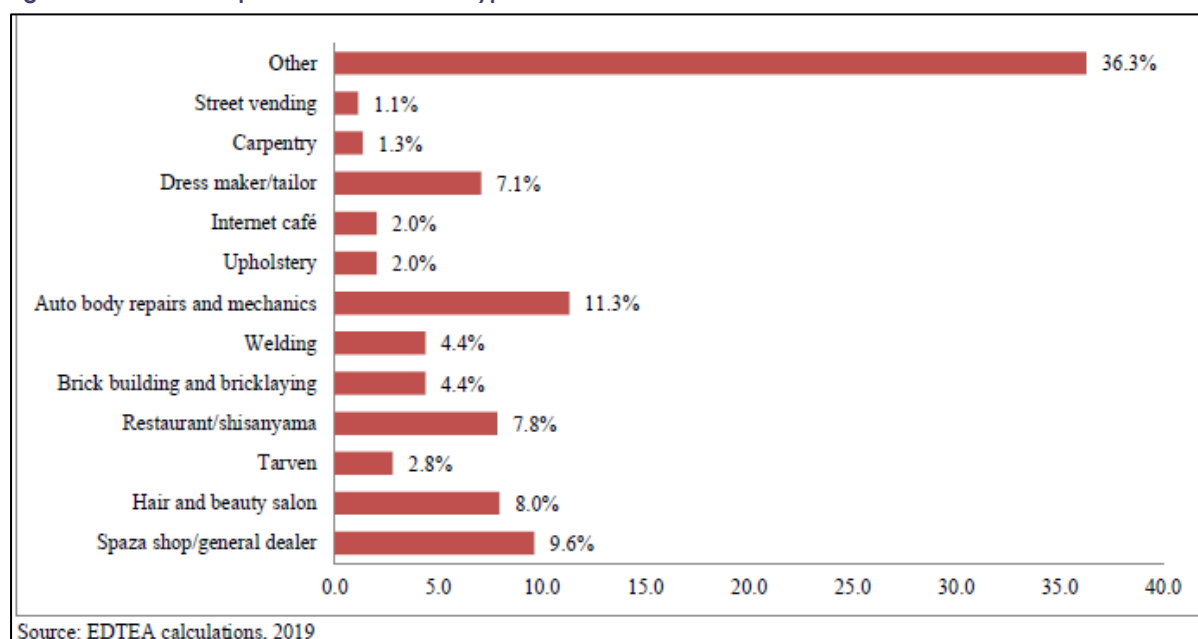
Table 22: Thriving Township Sectors

TECHNICAL SKILLS	ENTERPRISE DEVELOPMENT
Brick Laying	Gastronomic Tourism
Painting	Shisanyama
Building Alterations	Street Vendors
Brick Moulding	Retailing
Security Fencing	Cross Border Trade
Panel Moulding	Salon and Barber Shops
Security	Township Garages (Auto Repairs, Panel Beating)

TECHNICAL SKILLS	ENTERPRISE DEVELOPMENT
Sewing	Car Wash
Arts and Crafts	Private Tutoring
Welding	Accommodation (Rental, Bed and Breakfast)
	Tavern
	Agro-Processing (uMqombothi Brewing)
	Urban Agriculture
	Open Markets
	Furniture Manufacturing
	Bakeries

Source: EDTEA Rural and Township Economies Revitalisation Research, 2020

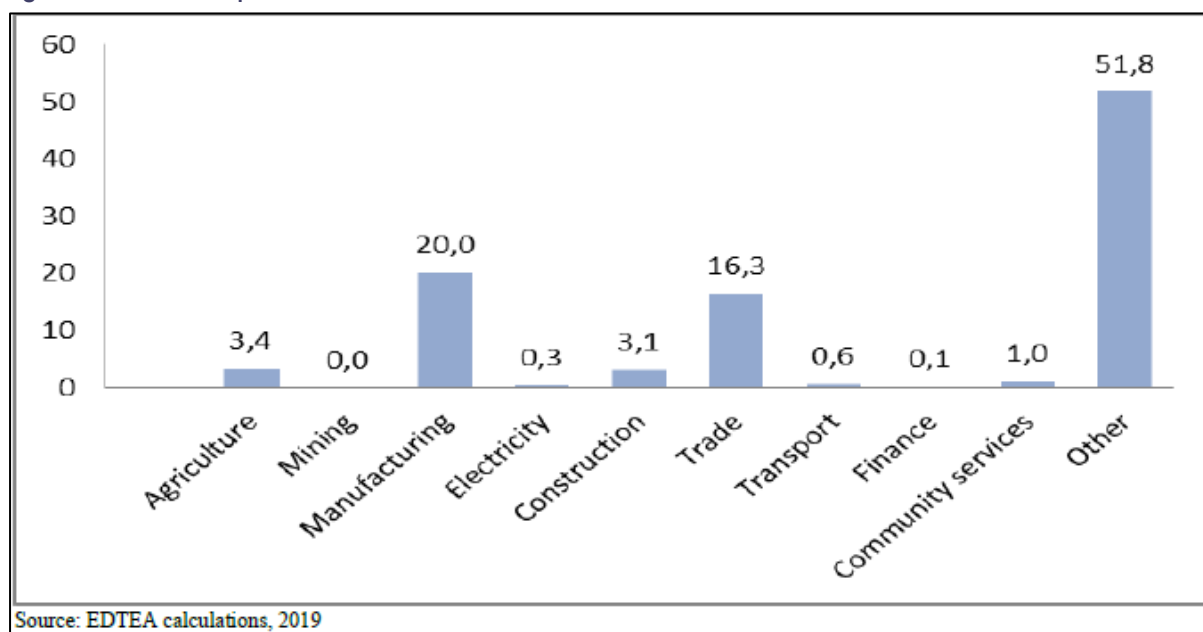
Figure 18: KZN Township Economies Business Types



Studies on township economy lists retailers; salons; shisanyamas; motor and cellular services; repair shops and small-scale manufacturers as popular businesses in township. The results above support these claims. These businesses are mostly labour intensive and therefore have potential to contribute to reducing unemployment in the rural areas and townships. However, most of these businesses are considered to be survivalists. It is important that township and rural enterprises move out of this survivalist mode through taking advantage of the financial and non- financial support and access to markets provided by local government agencies. It is also essential that entrepreneurs up skill themselves by improving on their education, business skills and other soft skills to remain on top of the game.

The following graph gives the per sector breakdown of township economies.

Figure 19: KZN Township Economies Per Sector Breakdown



“Other” refers to businesses that do not fall under any of the following sectors: agriculture, mining, manufacturing, electricity, construction, trade, transport, finance, or community services. Examples of such businesses include hair salons, fast food outlets, panel beaters, internet cafes, car washes, driving schools, tarvens, and day cares. More than half (51.8%) of business owners interviewed operate businesses that fall under the other category. The manufacturing and the trade industry seem to be dominant in the township and rural area enterprises.

The impact of COVID-19 on people living in townships has been dramatic and severe. The greatest impact has been the increase in unemployment and poverty. Between February and June 2020, labourers were 10 times more likely to have lost their jobs. During this period there was a 2.2 million decrease in employment countrywide. Much of the job losses were in community and social services and in the trade sector, all of which would have impacted on the economy of townships.

2.6. RESOURCE ANALYSIS OF RURAL AND TOWNSHIP ECONOMIES

This section provides an analysis of the existing resource base in rural areas and in townships in the province. The purpose of this section is to identify and evaluate the resources available within rural and township areas in KZN that can be harnessed to enhance the condition of the people living in these areas and contribute to the overall strategic objective of revitalising rural and township economies.

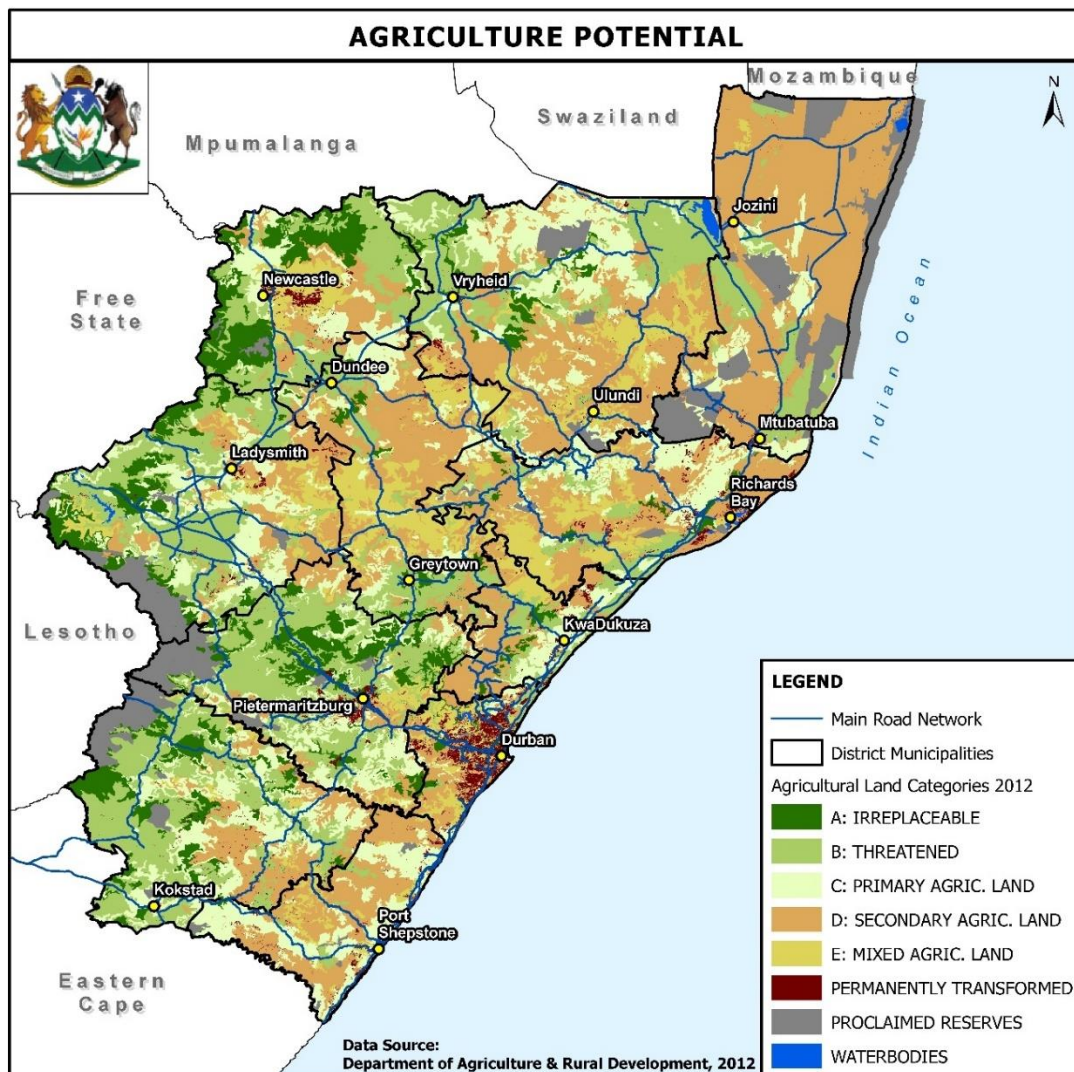
2.6.1. RURAL RESOURCES

The landscape of KwaZulu-Natal is characterised by a vast rural hinterland, where an estimated 52% of the population resides and where 18.6% (536 225) of households are classified as agricultural households. Based on the South African National Land-Cover 2018 data, the province has about 17 995.83 km², nearly 20% of the province, of cultivated land most of which

falls under rural areas. Rural areas therefore represent a vast land resource of agricultural potential with tremendous potential for agricultural expansion. The province should continue to implement policies and strategies that seek to promote agricultural sector development in rural areas. Such that if the agricultural natural resources in rural areas are optimally managed, the production yield could be increased dramatically and thus unlock the full agricultural production potential and contribute significantly to food security. This can be done by encouraging investment in primary agriculture as well as agro-processing.

Further, sub-tropical climate and good soils create favourable conditions for agricultural production, and the province can become the country's leading producer of agricultural produce including timber and livestock among other things.

The map below depicts the agricultural potential in KZN



The capability of land to produce food is largely determined by physical factors such as the terrain (altitude and slope), soils and climate. An analysis of site-specific circumstances is needed to identify areas that could be used to optimise agricultural production. Rural areas are generally characterised by a scattered settlement pattern due to the undulating hills and settlements that tend to develop along ridgelines or near rivers. The elevation and slope also

influence production patterns since biological production regions impacts especially on agriculture and the crops that could be cultivated within specific regions. Thus, the specific landscape influences the primary economic base for the various regions.

Although the province has vast resources and potential for prosperity, the rural areas remain underdeveloped with limited economic opportunities and social development. Currently 18.2% of households in KZN are involved in agricultural activities. However, most of this is subsistence farming. 75.1% of households involved in agricultural activities in KZN do so to secure an additional source of food or purely for subsistence with only 0.5% of households involved in agriculture reported sales from farming products and services as their least main source of income. While 13.8% of households involved in agriculture do so as their main source of food. Further, subsistence agriculture increased from 3.3% to 7.4% in extent between 2005 and 2011.

Increased conversion of arable agricultural land to non-agricultural development coupled with increasing land degradation results in lower soil productivity and food production potential is in decline. The need to preserve agricultural land for farming purposes and compatible uses, and to improve the food production potential of the province have become more urgent.

In a post-modern society, rural areas and the countryside have grown in both importance and appeal. Rural areas in KZN are largely untouched areas with an abundance of natural beauty, vast ecosystems, unique landscapes, and cultural value. Those dwelling in urban and suburban areas are increasingly drawn to rural areas, often because they perceive that rural communities have a unique charm and provide respite from a faster-paced urban lifestyle.

The reasons that attract people to the rural area have largely to do with the image of rurality, the traditional, romantic idea of a lifestyle that is both plain and simple, the search for peace and solitude, and the increasing interest in free outdoor activities. Thus, the nostalgia for ones origins, the appeal of the most basic aspects of life and the need to restore the old ties with the nature of rural areas prove to be most appealing, especially for those who lead an urban lifestyle, one which is anonymous, congested, highly organized increasingly complex and inhuman

This market pressure towards the development of new and diversified rural tourism products and experiences leads to business opportunities. Together with the chance to integrate these products within a wider economic, social and cultural local and regional basis, they constitute the foundations of the development potential of rural areas. The rural areas in KZN have a unique comparative advantage in this regard with the potential to develop rural tourism opportunities based around natural resources, outdoor sports and recreation, agriculture, and unique cultural features.

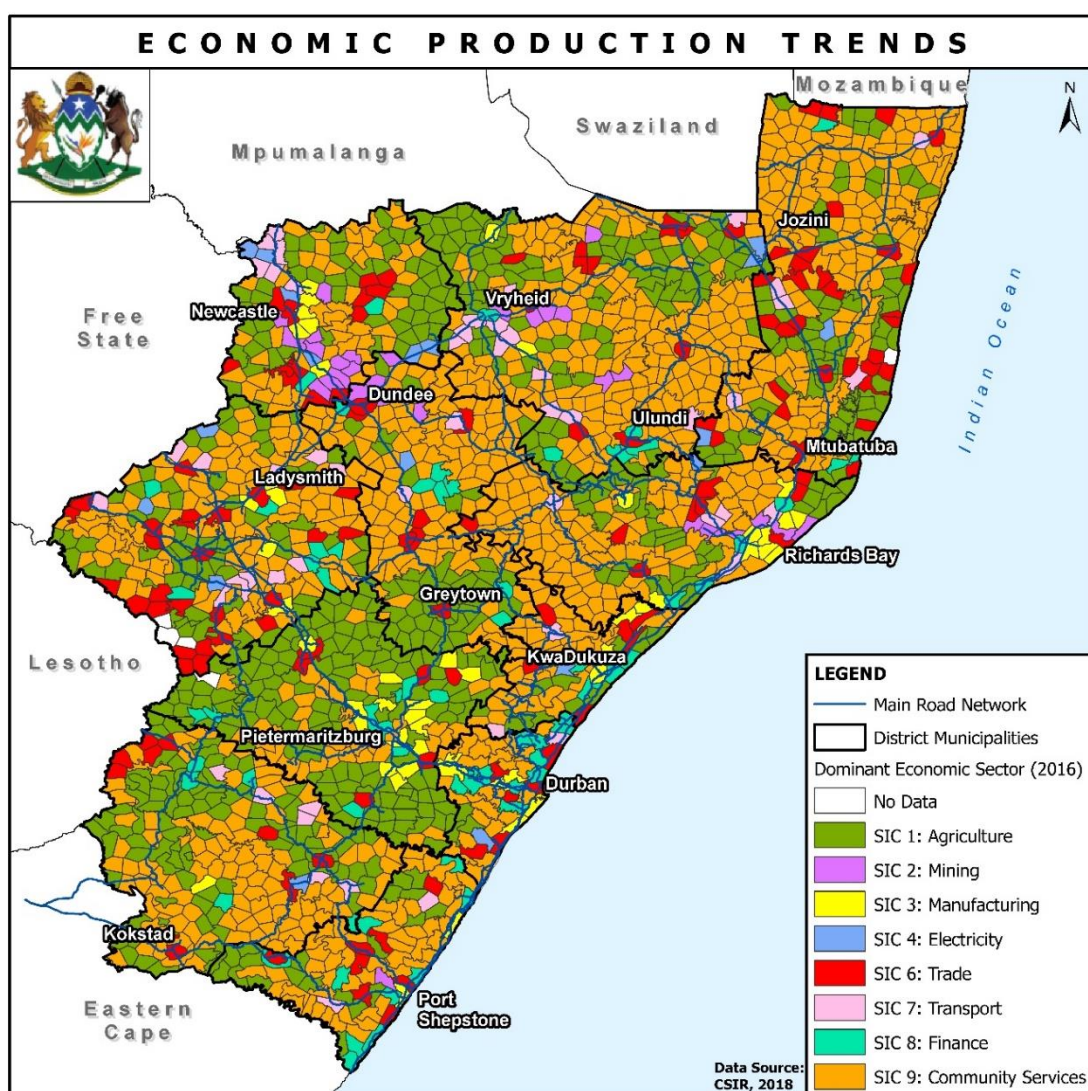
In this way rural tourism can be regarded as a factor of tourism development and could enhance the improvement and rebalancing of rural economic and social development.

2.6.2. TOWNSHIP RESOURCES

Whilst township enterprises are mostly necessity micro in nature, characterised by poverty and low incomes, there are many that were born out of opportunity. Both necessity and opportunity enterprises have produced successful black entrepreneurs who have 'graduated' from exclusively serving the township economy or trace their roots in the township economy. Meeting the social and economic needs of township communities, on the basis of co-operation and solidarity, has been one of the defining features of township enterprises. Township enterprises have a distinct and vital role to play in helping to create a vibrant socially inclusive, labour-absorbing and growing economy.

There is immense productive potential in township enterprises, especially in light manufacturing and construction where local entrepreneurs could participate in reconstruction of shacks into and informal dwellings into safer communal houses. Participating in the green economy through recycling. Enhancing agriculture in townships through agro processing of backyard gardens produce.

The map below shows the economic production trends across KZN showing the dominant economic activities.



Since the end of the apartheid international tourism in South Africa has increasingly gained importance for the national economy. Over the years a particular form of tourism has also emerged namely Township tourism, i.e. guided tours to the residential areas of the black population. About 300,000 tourists per year visit the townships of Durban, Cape Town, and Johannesburg. The tours are also called Cultural, Social, or Reality Tours. Townships have therefore emerged as an attraction and township tourism could hold development potential. Townships can be tourism attractions with a focus on culture and heritage, areas for tourism that are not adequately explored. The unique blend of culture, heritage, nature-based, rural and urban experiences make townships a rich and varied all year destination. There are great economic opportunities related to township tours which have not been given adequate attention. Guided tours, which are supposed to give international visitors an insight into the history, the culture, and the living conditions of township residents, constitute the main segment of this sector of the tourist industry. Township tourism could play a crucial role in the development of small enterprises in townships and has been a booming business especially in Durban for more than a decade.

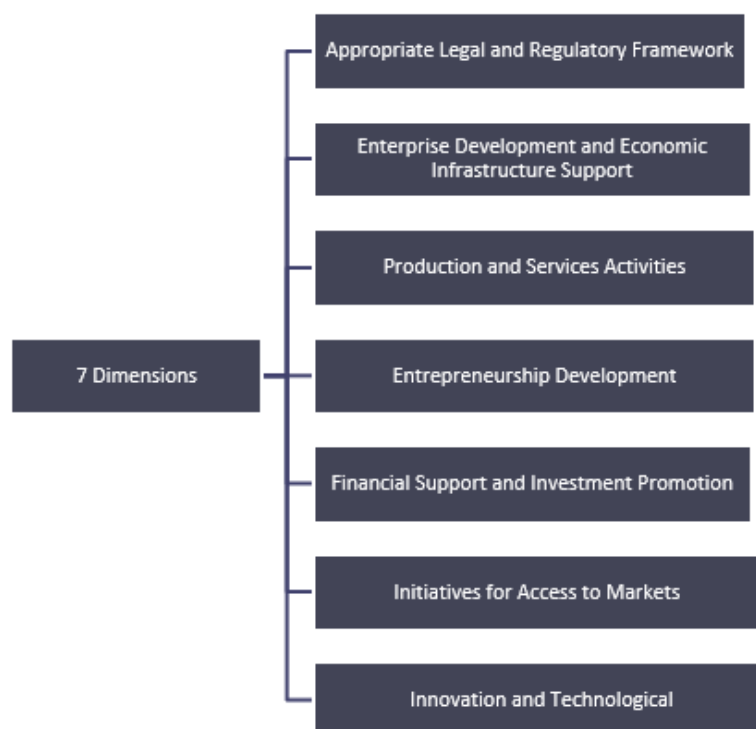
However, the promotion of township tourism and development is faced with several problematic and ethical issues. Often it is regarded as voyeuristic and unauthentic. Local residents benefit little from current configurations of township tourism as local entrepreneurs face a number of barriers in terms of running tourism businesses successfully and sustainably. Therefore, care must be taken in harnessing township tourism potential that requires innovation and a transformed approach to encourage direct participation of historically disadvantaged communities and offer real and easy to access opportunities for the economic empowerment of residents in townships.

2.7. CONCLUSION

2.7.1. SUMMARY FINDINGS

The discussed findings from section two can then be used for the evaluation of gaps and opportunities identified in rural and township economies. This therefore assists in the identification of possible interventions which would be useful in addressing and revitalising the economies of rural and township economies. For both rural and township economies, there are common dimensions which must be analysed as the key elements which are the building blocks of rural and township economies. These dimensions are identified as critical DNA elements making up rural and township enterprises and these can be grouped into 7 Dimension as illustrated in the diagram below:

Figure 20: The 7 Dimensions



2.7.2. RURAL AREAS

Rural economies in South Africa are complex and diverse as they may comprise of commercial farmers, subsistence farmers, small towns, and villages.

Rural areas are also home to people attracted by a rural lifestyle and lower land and housing prices, and willing to commute to cities for employment and for cultural reasons. Rural economies are becoming more diverse, while rural places are increasingly accessible, adjacent to expanding urban areas, and can be considered potential growth points for increased development in KZN. These factors have made rural places with high-valued natural amenities more accessible and desirable destinations for retirees, tourism related businesses, and services sector firms.

Although rural towns are considered potential growth points for development, the perception is that rural areas and rural towns have been neglected when compared with urban and metropolitan areas in KZN. Rural KZN has deteriorated consistently over the last few decades and rural areas, including rural towns, are experiencing an economic decline. Rural towns are struggling to provide the basic level of service delivery required, and there are limited efforts to provide an enabling local economic development environment by local government. Exacerbating this is the fact that in the past, rural development efforts have been poorly coordinated between the different spheres of government and implementation occurred in an ad hoc manner.

2.7.3. TOWNSHIPS

Townships have a unique and distinct history, which has had a direct impact on the socio-economic status of these areas and how people perceive and operate within them. Prior to 1994, Townships operated and functioned in isolation from the mainstream economy and society, and were associated with racial segregation, exclusion and the marginal provision of services and economic opportunities. Post 1994, the township economy is attracting a great deal of policy interest, partly because of the persistence of concentrated poverty and the lack of economic transformation since democracy.

Typically, townships are mostly characterized by low levels of community facilities and commercial investment, high unemployment, low household incomes and poverty. Townships are often overpopulated and experience a lack of basic municipal services because minimal investment was made in townships and the rapid growth of township residents was not planned for.

Economically, townships are characterised by diverse economic activities (ranging from spaza shops, arts and craft to brick laying). These enterprises are mostly informal and retail in nature. Financial constraints usually prevent most township enterprises from prospering, hindering ordinary people from actively participating and contributing to the economy thus production in townships is subsistent in nature. Beyond this, townships differ significantly from each other with regard to their size, physical form, infrastructure services and social dynamics.

While Townships possess the human, physical, social, cultural, physical, and other assets that can be harnessed towards the successful transformation of the Province in their current conditions, they also represent a substantial risk. If provincial government and other role players fail to address concerns, issues, backlogs, and marginalisation in Townships, they potentially could have a destabilising effect and could cast a shadow over KZN's future economic outlook. Townships can become an integral part of progress, integration, and optimal economic vibrancy in urban areas in the Province. However, this will take substantial financial resources together with a multi-stakeholder commitment and government leadership.

SECTION 3: POLICY FRAMEWORK

3.1. INTRODUCTION

The Rural and Township Revitalisation Strategy for the KZN Province will be. Implementable programmes of the revitalisation strategy for KZN Township and Rural communities will be developed in line with seven main strategic areas of focus. These strategic areas are identified as the pillars for rural and township development/growth as they aim to address the needs of township and rural economies. The seven pillars are:



APPROPRIATE LEGAL AND REGULATORY FRAMEWORK



PRODUCTION AND SERVICE ACTIVITIES



ENTERPRISE DEVELOPMENT AND ECONOMIC INFRASTRUCTURE SUPPORT



ENTREPRENEURSHIP DEVELOPMENT



FINANCIAL SUPPORT AND INVESTMENT PROMOTION



INITIATIVES FOR ACCESS TO MARKETS



INNOVATION AND TECHNOLOGICAL ADVANCEMENT

Each one of the above-mentioned pillars will be broken down into sub-components for a detailed discussion. A SWOT analysis will be used as a conclusion to this section to highlight the various strengths, weaknesses, opportunities and threats identified in the policy framework. To ensure a comprehensive discussion of the research of the current policy framework, documents ranging from international case studies, national policies, provincial strategies as well as local municipal level policies will be reviewed. The following is a list of the documents which are taken into account in completing this section.

Table 23: Relevant Policy Framework Documents

	Policies and Strategies	Research Documents
National Level	<ul style="list-style-type: none"> • Medium Term Strategic Framework • Nine Point Plan • National Infrastructure Plan • Medium Term Strategic Framework • Programme Combating Land Degradation • Nine Point Plan • National Infrastructure Plan 2012 • Industrial Policy Action Plan • Agricultural Resource Policy and Plans • Operation Phakisa • Transformation Strategy for the Tourism Sector, 2018 • National Development Plan • Draft National Spatial Development Framework 	<ul style="list-style-type: none"> • Investigation into Appropriate Definitions of Urban and Rural Areas for South Africa • Programme Combating Land Degradation • A Study on the Revitalisation of Rural Towns in South Africa • Township Economies Series: Cities Support Programme • Building the Economies of Villages, Towns and Small Dorpies • Strengthening Township Economies in South Africa: the Case for Better Regulation and Policy Innovation (2019)

	<ul style="list-style-type: none"> • Integrated Urban Development Framework (IUDF) 2016 • Comprehensive Plan for The Development of Sustainable Human Settlements • National Strategy for Sustainable Development • The Rural Development Strategy of the Government of National Unity • National LED Framework 2018 • Comprehensive Rural Development Programme • Agricultural Policy Action Plan • National Township and Villages Economies Development Framework 2019 • Tourism Sector Recovery Plan. COVID-19 Response, August 2020 • Sustainable Rural Tourism Strategies • National Tourism Sector Strategy (NTSS) 2016-2026 • Final National Rural Tourism Strategy 	<ul style="list-style-type: none"> • World Bank, (2014). Economics of South African Townships - Special Focus on Diepsloot • Rural and township economies workshop presentations, 18-20 November 2019, Nelspruit: • 1a Keynote Address Li Pernegger Paper: Training for Township Renewal, 2007 • New radical plan for smaller towns in South Africa • These are the biggest townships in South Africa • Life in Townships. Is it worth to visit townships in South Africa? • Rural Tourism HSRC Press, 2007. • Leveraging State-owned tourism assets for black Small, Medium and Micro Enterprises development: a case of state-owned parks, lodges and attractions – phase two (2) • Strategic interventions towards enhancing rural economies • SACN_ULM_township_economies • EDP HSRC Township-Economies-Toolkit • Township Economic Development: A Framework for the Development of Metro Strategies 2018 • Township Industrialists: A case study of Soweto Gold • Township Regeneration in Small Towns: A Case Study • Booyens, Irma - Creative Slum Tourism - South African Township Explorations • Townships as attraction: an empirical study of township tourism in Cape Town. • Township Economy (People, Spaces and Practices)
Provincial Level	<ul style="list-style-type: none"> • GP Comprehensive Rural Dev Strategy Booklet • Gauteng-Township-Economy-Revitalisation-Strategy-2014-2019 • Development Edges: A Settlement Typology, DRDLR, 2015 • KwaZulu-Natal Urban Edges 2009 • KZN Coastal Management Programme • Provincial Waste Management Plans • KZN Infrastructure Master Plan • KZN Reconstruction and Transformation Plan (Covid-19 Plan) 	<ul style="list-style-type: none"> • Demacon Ekurhuleni Townships Market Potential Analysis_July 2014 ANNEXURE C • Township Tourism in KZN • KZN Township Tourism Report In-depth Interviews • Freedom Route Brochrelower • Township and Rural Economic Revitalisation Study, EDTEA, March 2020 • Tourism and Rural Development - eMazizini Village Experience

	<ul style="list-style-type: none"> • KZN Small Town Socio-Economic Revitalisation Strategy, draft September 2020 • Provincial Growth and Development Plan 2019 • Provincial Spatial Development Framework 2011 (REVISION 2020) • KZN Informal Economy Strategy Draft • KZN Informal Economy Policy • KZN Agricultural Master Plan • Provincial Human Settlement Master Spatial Plan 2016 • Provincial Spatial Economic Development Strategy 2017 • RASET and Operation Vula programme • NC Rural Strategy 2010 • Drakenstein Township Economic Strategy Draft July 2020 	
Local Level	<ul style="list-style-type: none"> • Municipal Integrated Development Plans and Spatial Development Frameworks • District Growth and Development Plans • District Development Models • District Rural Development Plans • New District Coordination Model 	<ul style="list-style-type: none"> • Final Route 22 Feasibility Study • Durban township tour study

Documents identified as being most relevant for the study on the revitalisation of rural and township economies are highlighted as per the list below:

- KZN EDTEA March 2020 Rural and Township Revitalisation Strategy
- National Development Plan
- Comprehensive Rural Development Plan
- 10 District Development Plans
- South African Recovery Plan
- The KZN Recovery Plan
- South African Cities Network
- Provincial Growth Development Plan
- EDTEA Development Policies
 - ICT Strategy
 - SMME Strategy
 - BEE Strategy
 - Cooperatives Strategy
- Township Economy (People, Spaces, Practices)

3.2. LEGAL AND REGULATORY FRAMEWORK

3.2.1. LEGALITIES IN RURAL AND TOWNSHIPS AREAS

The diversity in terms of South African legal and regulatory frameworks illustrates how diverse rural and township enterprises are. These regulations aim to address all matters relating to these

enterprises but can at the same time lead to great confusion for the operators of rural and township economies. Compliance with these regulations start with the enterprise founders deciding on the best structure of the business (i.e. is it a private company, cooperative or a social enterprise). Other factors which will influence the nature of the enterprise include factors such as access to funding and capital support.

In comparison to urban areas, rural and township businesses have a very low level of business registration. According to the World Bank (2014), in South Africa less than 20% of rural and township businesses are formally registered. When compared to urban areas, just over 30% of these businesses are said to be registered as formal business operations. The high level of informal businesses in rural and township economies limits businesses from taking advantage of the available government legalities which are designed to protect these enterprises. With the lack of formalisation in rural and township businesses, government experiences challenges when attempting to address challenges faced by these enterprises as their records are not well captured. This has resulted in an influx of foreign owned businesses occupying and establishing businesses such as spaza's in these areas.

The government has over the years tried to introduce various legislative initiatives in an attempt to try and encourage informal enterprise owners to formalise their businesses so as to ensure their recognition into the mainstream economy. The following is a list of some of the policies and regulations which aim to highlight the importance of formalising informal business operations:

- Recommendation 204 of the International Labour Organization: A guide for countries in formalizing their informal economies.
- Draft Business Licensing Bill: The Bill aims to provide for a simple and enabling framework for procedures for application of business licences by setting norms and standards' providing 'a framework for co-operative governance'. The draft Bill specified that anyone involved in business activities – no matter how small – would need a licence.
- The Bank Act exemption notice 2014: this provides an exemption to informal saving groups from the Banks Act. This exemption notice also allows a process of registration as cooperative financial institutions whilst retaining their informality at individual level of operation.
- Amended Cooperatives Act of 2013: enables burial societies to come together and form a primary or secondary cooperative whilst retaining a level of informality at an individual level of operation. This act also allows informal traders to establish consumer cooperatives.
- The Financial Services Board (FSB) provides exemptions for stokvels and burial societies from the old Friendly Society Act. These exemptions are allowed for amounts not exceeding R100 000 of savings deposits.

3.2.2. REGULATORY AND ADMINISTRATIVE MATTERS

There are many regulations and tax laws which are applicable to these enterprises. Regulatory bodies such as the South African Reserve Bank (SARB) and the Cooperative Bank Development Agency (CBDA) have come up with registration responsibilities in relation to cooperative financial institutions and cooperative banks. The current regulatory framework has been designed with formal enterprises in mind and might not be very accommodating to informal rural and township enterprise establishments. Government is trying to introduce measures to ensure that the regulatory, tax and administrative framework should not hinder the development and growth of rural and township enterprises such as income tax threshold exemptions.

Provincial and local government initiative have also been introduced in an attempt to try and reduce the burden of by-laws and regulatory compliance on rural and township enterprises in the areas of licensing, registrations and/or permits. These initiatives try to reduce the costs factor and aim to simplify the compliance of rural and township enterprises. The regulation policies assist in providing guidelines for training aimed at informal enterprises and SMMEs, guideline assistance with registration for formalisation and the removal of biasness against residential based businesses.

KEY FINDINGS

- The diverse nature of South African legal and regulatory frameworks is an illustration of how diverse rural and township enterprises are.
- High level of informal businesses in rural and township economies limits these enterprises from benefiting out of available government legalities which are designed to protect these enterprises.
- With informal enterprises, the South African government experiences difficulties when attempting to address challenges faced by these enterprises as their records are not well captured and cannot be verifiable.
- Government has over the years tried to introduce various legislative initiatives in an attempt to try and encourage informal enterprise owners to formalise their businesses.
- The current regulatory framework has been designed with formal enterprises in mind and might not be very accommodating to informal rural and township enterprise establishments.
- Local governments have also introduced initiative in an attempt to try and reduce the burden of by-laws and regulatory compliance on rural and township enterprises in the areas of licensing, registrations and/or permits.

3.3. PRODUCTION AND SERVICE ACTIVITIES

3.3.1. PRODUCTION ENTERPRISES

In KwaZulu-Natal, manufacturing plays a critical role in job creation and accounts for 22% GDP contribution across the province (PGDP, 2019). Manufacturing hotspots in the province are located at close proximity to township economies and this allows these industries to access a

pool of labour from township economies. The South African and Provincial government has developed a number of strategies to ensure that rural and township economies surrounding these manufacturing industrial areas are able to benefit from co-existing with large corporations. These strategies aim to shift the belief that rural and township economies are merely consumers of manufactured products and introduce programmes which incentivise the internal manufacturing of products in these rural and township economies. In the below table are some of the main products which are common in rural and township production sectors:

Table 24: Rural and Township Examples of Produced Goods

Items		Items	
	Glass & aluminium production		Furniture production
	Bricks, steel and lintels production		Soap production
	Gate production		Broom production
	Tombstone production		Clothes sewing
	Timber production		Carpet production

3.3.2. SUPPORT FOR LOCAL PRODUCTION

The National Department of Economic Development has developed proposals with the aim of assisting in strengthening the regulations of the structure of industrial companies and regulating of pricing structures, through the Companies Act, will open new opportunities for new entrants who want to tap into the bigger manufacturing market.

In 2015, the South African Cabinet approved the Black Industrialists Policy which aligns with the Industrial Policy Action Plan, the National Development Plan and the Nine Point Plan. The Black Industrialists (BI) policy aims to leverage the State's capacity to unlock the industrial potential that exists within black-owned and managed businesses that operate within the South African economy through deliberate, targeted and well-defined financial and non-financial interventions as described in the IPAP and other government policies.

Small industry players in the South African manufacturing sector often face many barriers to market entry mainly from larger industry players. In its 2014 report titled "The Economics of South African Townships", the World Bank highlights that the big industry players in the manufacturing sector reduce entry points for smaller enterprises trying to participate in the manufacturing sector. The report further states that in practice, the South African retail landscape dominates the small business and informal sector through the distribution of branded products into areas that are not well served by retail networks such as townships and informal settlements. To ease

the difficulties experienced by rural and township enterprises entering the manufacturing sector, enterprise support initiatives are crucial. The government has introduced a number of support initiatives for small and medium manufacturing and these include:

- Encouraging the procurement of government supplies to be from local manufacturers at all spheres of government (i.e. national, provincial and local government level).
- The government has through Proudly South African and various other private retailers, been promoting the Buy Local Campaign.
- Procurement of at least 75% from local manufacturers. This intervention aims to prioritise industrial or manufacturing cooperatives and related service cooperatives.

KEY FINDINGS

- Big industry players create barriers to entry for small manufacturing enterprises.
- Despite plans to purchase from local manufacturers, government is still failing to meet its target of purchasing 75% of its supplies from local manufacturing entities.
- Significant number of industry players import products from other regions, and this highlights the lack of competitiveness from South African manufacturing enterprises.

3.4. ENTERPRISE DEVELOPMENT AND ECONOMIC INFRASTRUCTURE SUPPORT

3.4.1. SUPPORT AND INTER-ENTERPRISE COOPERATION

Rural and township economies have, for many decades, been experiencing a lack of adequate economic infrastructure dedicated to small enterprises. Such infrastructure includes incubation hubs and operational spaces. The lack of support in terms of economic infrastructure limits the ability of small enterprises to grow and scale their operations. South Africa, through its various government units at national/provincial/ and local level, has established number of programmes aimed at providing enterprise support to boost entrepreneurship and production activities in rural areas and township areas. Example of infrastructural measures put in place to try and support rural and township economies include:

- Industrial Hubs
- Business Parks
- Energy Supply
- Waste Management
- Access to Internet

The above listed measures encourage cooperation between rural and township economies and also improve their chances of being competitive in the mainstream economy as enterprises are able to benefit from shared knowledge and opportunities.

The development of enterprise clusters is another initiative which the South African government has prioritised to empower rural and township enterprises. To ensure the successful establishment of these clusters, the government provides facilitation support in partnership with private sector institutions such mining groups, automotive manufacturers and big retail industry players. These programmes educate entrepreneurs on the benefits of joining hands and

working as cooperatives instead of working in silos. To be successful, the enterprise clusters have to demonstrate the following characteristics (REF These):

- Location: enterprises participating in these programmes must be located at close proximity to each other
- Commonality: enterprises participating in these programmes must demonstrate common elements such as; common suppliers, common markets and common sectors.
- Incubation and mentorship: the clusters should provide incubation and business mentorship services to participants
- Skills development: the clusters should provide skills development workshops to participants
- Access to information: the clusters should provide the participants with access to information relevant for their development.

3.4.2. TYPES OF INFRASTRUCTURE SUPPORT

Support infrastructure for rural and township enterprises can be divided into two main groups namely; soft infrastructure and hard infrastructure. Soft infrastructure includes elements such as local schools, tertiary institutions, local trade and professional associations, as well as economic development agencies which support the activities of the enterprises. The quality of this infrastructure is a strong determinant of the success of the clustered enterprises. Hard infrastructure refers to infrastructures such as roads, ports, waste management and communication linkages. To be able to be competitive with other locations, these infrastructure elements have to at least match the available infrastructure of the competing destinations. The South African government, from national to local level, has prioritised the development of infrastructure for street-level enterprise nodes for micro-enterprise within the rural and township economies. This infrastructure support is aimed at assisting entrepreneurs in the following areas:

- street vendors operating at taxi ranks,
- micro-enterprises within townships,
- arts and culture entrepreneurs, as well as,
- mechanical rural and township service providers.

Government's support for these rural and township nodes ensures the clustering of enterprises as well as ease of applying cooperative strategies aimed at empowering SMMEs in these nodes. Streets such as Mbe Road in Umlazi can be seen as tourists attraction nodes as these are home to two of the largest Shisanyama hotspots in South Africa being Eyadini and Max's Lifestyle. Road upgrades and business support services have helped in the revitalisation Umlazi township. Trade and Industrial Policy Strategies (TIPS) highlights government's commitment to the development of street-level enterprise nodes which require a process of formalization through recognition of residential-based operating enterprises like spaza shops, whilst promoting others type of enterprise (like home-based manufacturing) to migrate to other street-level nodes or industrial parks. These designated street level nodes are the focal point

for extending provision of public services (e.g. water and electricity for enterprises) as well as mobile business support services by government agencies and other partners.

KEY FINDINGS

- Rural and Township Enterprises lack the support adequate economic infrastructure dedicated to small enterprises.
- National, provincial and local government departments have established number of strategies aimed at providing enterprise support to boost the development of rural and township enterprises.
- Policies and strategies encourage cooperation between rural and township economies so as to improve their chances of being competitive in the mainstream economy.
- To ensure the success of enterprise clusters, strategic documents highlight the importance of establishing partnerships between private and public institutions.
- The quality of both soft and hard infrastructure is a strong determinant of the success of clustered enterprises.
- Infrastructure support for street-level nodes has been prioritised in a number of government policies and strategies.

3.5. ENTREPRENEURSHIP DEVELOPMENT

3.5.1. SUPPORT FOR ENTREPRENEURS

South African SMMEs have a low success rate, with stats indicating that between 70%-80% of start-ups fail within their first 5 years of operation. Due to the challenges faced by rural and township SMMEs, the failure rate in these areas might be higher than the South African Average. This poses a challenge for job seekers as SMME are known to be significant players when it comes to employment creation.

Entrepreneurs can be split into two categories namely; business and social entrepreneurs. Business are purely focused on profit making whereas social entrepreneurs focus on both social and financial return as finances are required to meet the social needs. Social entrepreneurs are more likely to organise their enterprises as cooperatives, not-for profit organisations while business entrepreneurs usually run their businesses as private companies. Support must take into account general features of entrepreneurship as well their different forms. Government is committed to working more closely with training providers, mentors, whether public or private sector, to ensure that the level and quality of support is available in the province, and in some sectors, is made available to township enterprises. Major players in the areas of rural and township skills development include the Sector Education Training Authorities (SETAs), Further Education and Training colleges (FETs) and other state-owned enterprises like Transnet and Eskom, especially in manufacturing, construction, maintenance and green economy.

KEY FINDINGS

- More than 50% of South African start-ups fail within the first five years of launching their businesses.

- Entrepreneurship interventions from South African policies and strategy are more focused on job creation and poverty alleviation. There are very limited interventions which focus on stimulating business growth and encouraging innovation for global competitiveness.
- Instead of trying to create a business-friendly environment through lowering the barriers to entry for small enterprises, most government interventions aim to provide small enterprises with direct assistance such as financial support and equipment.

3.6. FINANCIAL SUPPORT AND INVESTMENT PROMOTION

3.6.1. ELIMINATE FINANCIAL EXCLUSION

A major stumbling block for rural and township small and medium enterprises is access to financial support from both public and private finance providers. A World Bank (2014) report which assessed access to finance for township start-ups found that, township residents and businesses alike have a lower access to financial services in townships when compared to urban area. The report further states that, “adults in townships are twice as likely to be under-banked when compared to urban areas”. Other reports have found that access to financial capital is more difficult in rural economies when compared to the findings relating to township economies. The high rate of financial exclusion of rural and township enterprises is also a major contributor to the level of informal enterprises in these areas.

The establishment of Ithala Development Finance Corporate (IDFC) is one noticeable initiative which aims to provide rural and township enterprises with low cost financial support. Ithala manages fully integrated business activities that provide a range of financial and property services throughout KZN. The finance corporate’s mandate is to promote development within the province with a development focus on increasing the participation of black people in all sectors of the economy while creating sustainable jobs and developing skills of the population. Ithala has three major wholly owned subsidiaries, namely Ithala Limited, the KZN Growth Fund Managers and Ubuciko Twines and Fabrics (Pty) Ltd (Ithala, 2020).

In May 2020, Ubank signed a partnership with the Black Business Council which will see the establishment of a R1 Billion fund for the support of rural and township enterprises. Strengthening access to cooperative finance for rural and township enterprises in order to bring more residents into the mainstream economy and thus widen the enterprise pool in these economies and the province is one key step to promote the growth of new enterprises. Traditional forms of cooperation and solidarity in community finance exist in the rural and townships. The two most common forms of these are:

- Stokvels (also known as social savings clubs) that are omnipresent in townships and involve a large number of people. For many generations they have contributed to the wellbeing of hundreds of thousands of township households.
- Burial societies, which can be considered a form of micro-insurance

These traditional self-help groups share common principles of modern cooperatives. However, both stokvels and burial societies face many internal and external challenges –organisational

or basic management skills, lack of legal status and exploitation by commercial service providers (banks, insurance companies and funeral parlours, etc).

A significant number of stokvels and burial societies remain isolated to each other and unrecognised or supported by government – the 1934 Friendly Society Act that still operates, exempt burial societies from regulation by the Financial Services Board (FSB) and this legislation is largely inappropriate for burial societies. So far there has been no successful and effective effort to organise burial societies at representation or service provision – although there exist several efforts to organise them at secondary cooperative or federation or associational levels.

Through various strategy and policy documents, the government has highlighted some challenges facing burial societies and stokvels and identified new opportunities for greater vibrancy and growth, especially in potential formalisation through cooperative enterprise forms. These opportunities include but not limited to the following:

- Own cooperative banks that are owned and controlled by those who bank at them and have bank accounts in them, bringing better returns on their investments and providing a range of services and products to their members. This is made possible by Cooperative Banks Act of 2007 and government support agency – the CBDA; and
- Own cooperative insurance owned and controlled by those who pay premiums-providing a range of products including that funeral, insuring enterprise risks and other benefits to their members. This is made possible by National Treasury proposals to provide special dispensations for cooperative burial societies to enter the world formal micro-insurance.

KEY FINDINGS

- Access to financial support for rural and township enterprises is identified as one of the leading stumbling blocks limiting the growth of these enterprises.
- Government interventions such as Ithala Development Finance Corporate play a critical role in bridging the financial gap experienced by rural and township economies.
- National and provincial strategies highlight that strengthening access to cooperative finance for rural and township enterprises in order to encourage more businesses into the mainstream economy is one of the key steps to promoting the growth of new enterprises.

3.7. PROMOTING ACCESS TO MARKETS

3.7.1. SUPPORT FOR RURAL AND TOWNSHIP BUSINESSES

The Constitution permits organs of state (such as departments of government and public entities) to implement a preferential procurement policy that advances persons previously disadvantaged by unfair discrimination. Section 217(3) of the Constitution provides for legislation that will prescribe a framework within which the policy must be implemented to be enacted. In line with section 217(3) of the Constitution, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) and the regulations published under it in 2011 (PPPFA

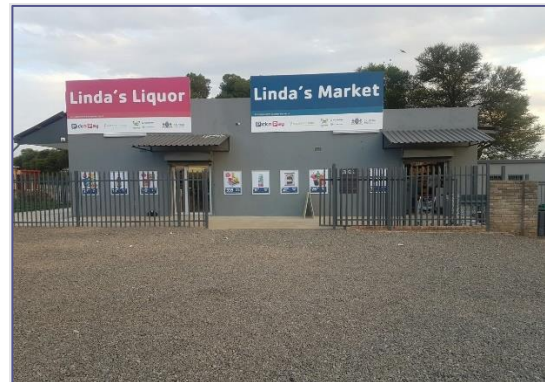
Regulations) prescribe requirements regarding black economic empowerment (BEE) considerations for state tenders.

The Local Government: Municipal Systems Act 32 of 2000 and the Municipal Finance Management Act 56 of 2003 (MFMA) regulate, among others, the manner in which municipal powers and functions are exercised and performed and the management of the financial affairs of municipalities and other institutions in the local sphere of government. These require that the entities to which they apply, adhere to the PPPFA.

Local government supplier databases reveal that a significant number of suppliers of government departments do not manufacture the products they are supplying. They import products from other regions and resell to the South African government. Through prioritising the purchase of goods from rural and township enterprises, the government believes that this will encourage the growth of rural and township enterprises which would lead to the strengthening of local manufacturing enterprises.

The rural and township enterprises have, in recent years, had to deal with strong competition from well establish retail industry players who seen an opportunity and have started to enter rural and township markets aggressively. Such industry players include the like of Shoprite and Pick 'n Pay who have established container and spaza shops to in an attempt to try and get a share of this these markets. This is threatening the existence of traditional community stores in these areas.

Figure 21: Shoprite and Pick n Pay Spaza Shops



The KZN government has put in place a number of plans to assist rural and township enterprises in gaining access to the mainstream economy. These plans include:

- Establishment of Industrial parks
- Establishment of SMME Hubs
- Training Manufacturing Programme of Transnet and PRASA.

The private sector is also playing a critical role in assisting rural and township enterprises gain access to the mainstream economy through various initiatives from the following corporates:

- Toyota
- Sapref

- Engen
- Mondi Paper

KEY FINDINGS

- As per the South Africa constitution, organs of state are permitted to implement a preferential procurement policy that advances persons previously disadvantaged by unfair discrimination.
- Strategies investigating local government database reveal that a significant number of suppliers of government departments do not manufacture the products they are supplying but instead purchase these products from other regions and resale to government.
- At a provincial level, the KZN government has developed a number of strategies to try and assist rural and township enterprises in gaining access to the mainstream economy and these include planned industrial parks, SMME hubs and training manufacturing programmes.

3.8. INNOVATION AND TECHNOLOGICAL ADVANCEMENT

Innovation and technological advancements are increasingly recognised as important policy tools for addressing the structural problems that characterise poverty in marginalised rural and township economies. In an attempt to promote alignment with the National Development Plan, the Department of Science and Technology prioritises support for innovation systems which are inclusive and focusing on SMEs in township and informal settlements, as well as rural areas and cooperatives.

The promotion and protection of Indigenous Knowledge Systems (IKS) is also seen as a critical element when it comes to innovation and technological advancement. The South African government has placed a great degree of emphasis on the development of Indigenous Knowledge Systems (IKS) policy and legislation, which is expected to significantly protect, develop and promote IKS. This helps improve the livelihood and economic wellbeing of the indigenous and local communities, by ensuring equitable and fair benefits sharing.

In some South African provinces, the government has established interventions such as the Innovation Hub concept. These hubs are considered as the innovation agencies and are usually championed by provincial Departments of Economic Development. The role of The Innovation Hub (TIH) is to mobilise knowledge owners across various communities, assist those who are in ICT application space and refer those who are operating beyond TIH mandate to organisation such as CSIR, Universities, Department of Science and Technology.

The KwaZulu-Natal Provincial government has embarked on an initiative to establish Technology Parks/Hubs that will spur the economic growth of the province and serve as a catalyst for job creation, investment attraction and innovation. With innovation being such a critical pillar for economic growth and the advancement of a knowledge economy, it will cut across the other activities in these innovation-oriented Technology Parks. While innovation will

be a major focus the technology park/hub will consist of appropriate precincts that will form a hybrid technology park for the dominant and emerging sectors of the region/municipalities, nationally and globally. It will house businesses (multi-nationals, large, medium, small) R&D & Innovation facilities, incubators, technology commercialization facilities, agencies, foreign companies and investors. The Moses Kotane Institute is also involved in the implementation of a technological advancement and innovation programme, KZN Digital Centres, which aims to drive innovation at local government level. The programme is currently being implemented in the following areas across the province:

- Bergville;
- Mfolozi;
- Kokstad;
- Dube Trade Port/ La Mercy;
- Phongolo;
- Jozini;
- Inkosi Langalibalele.

KEY FINDINGS

- KZN provincial government has a number of planned projects for the fast-tracking of technological advancement and innovation in rural and township enterprises.
- The Department of Science and Technology prioritises support for innovation systems which are inclusive and focusing on SMMEs in rural and township economies.

3.9. CONCLUSION

From the above analysis of various policy, strategy and research documents there is clear indication that rural and township economies have not seen significant economic development over the past three decades. These economies are still categorised by high levels of poverty, unemployment levels as lack of infrastructure necessary for creating a conducive environment for economic growth. A number of strategies and policy documents have been developed to attempt addressing these issues, however, implementation of some suggested interventions has been lagging which has resulted in very little change in the economic conditions of rural and township enterprises.

SECTION 4: CASE STUDIES – RURAL AND TOWNSHIP PLANS AND STUDIES

4.1. INTRODUCTION

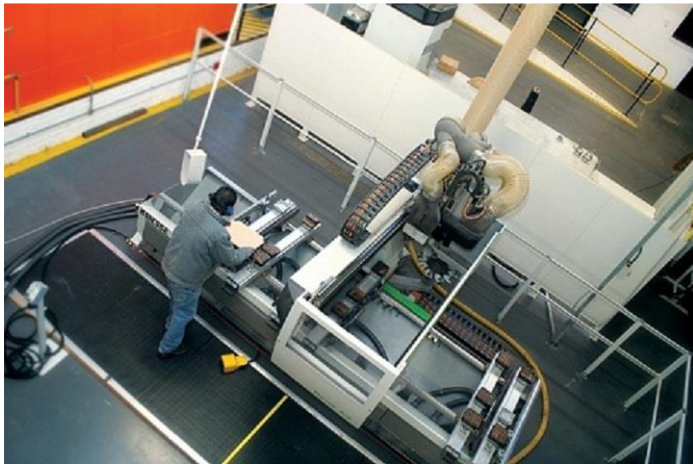
The selection of benchmarking studies plays a critical role in the analysis of key success factors, or lack thereof, when considering which interventions are appropriate for revitalisation strategies. This method also comes with limitations as different countries and regions have unique characteristics which could result in similar interventions yielding different results. In spite of these noted limitations, the review of case studies still enables for a better analysis of the level of success in the application of rural and township growth interventions across other regions. The process of case study analysis also enables learning from regions which might not have been able to successfully apply rural and township strategies. This plays a critical role when it comes to the recommendations of this rural and township revitalisation strategy. The case study review will mainly be split into two sub-sections, which will be local South African case studies and the second part will deal with international cases with a focus on BIC (i.e., Brazil, India, and China) countries.

The case studies are based on desktop research and the availability of information varies between the different regions. The availability of information is also a major determinant on the comprehensiveness of the case study discussions. It's, however, important to note that together the case studies provide interesting lessons for South Africa in reviewing past policies and developing new programme and strategies.

4.2. LOCAL CASE STUDIES

4.2.1. Inanda, Ntuzuma And Kwamashu Complex

In an attempt to try and empower entrepreneurs operating within the furniture manufacturing sphere, the eThekweni municipality partnered with the Furniture Technology Centre Trust (Furntech) to provide support to township furniture entrepreneurs. Furntech is a national furniture incubation and training institution which has a variety of support programmes throughout South African Townships. The PINK furniture incubator caters for entrepreneurs operating in Phoenix, Inanda, Ntuzuma and KwaMashu township (PINK). The incubation establishment is designed in the form of a large factory with machinery support being provided for onsite use by furniture manufacturers. Other forms of support provided by the incubator include advanced technology training and market access channels.



OBJECTIVES OF PROGRAMME

The primary objectives of the programme is to provide a comprehensive programme to train and support existing and potential entrepreneurs within the furniture manufacturing sector through:

- Expanding the skills base
- Identifying and mentoring new entrepreneurs
- Job creation and business development

Entrepreneurs who enrol for the programme have are taken through a five-phase process:

- Phase 1: Business skills development
- Phase 2: Technical skills development
- Phase 3: Soft skills
- Phase 4: Business technology incubation
- Phase 5: Graduation from incubation programme

4.2.2. ANGLO ZIMELE (ACROSS SOUTH AFRICA)

South African mining giant, Anglo American established one of South Africa's biggest enterprise development initiatives called Anglo Zimele. Anglo Zimele is an investment fund and SME business incubator that targets mining-affected and labour-supply areas across southern Africa. It does so with a view to facilitating the development of SMEs across a range of economic sectors that are cognate to Anglo American's core business as a diversified miner. The initiative aims to empower groups from previously disadvantaged backgrounds with access opportunities into the mainstream economy. In 2008, the programme was able to support 228 businesses, which provided jobs to 10,419 individuals and collectively turned over R1,3 billion of revenue in that year.

Over the past two decades, Anglo Zimele has developed into a catalyst for emerging black business in South Africa, empowering black entrepreneurs through the creation and transformation of small and medium enterprises (SMEs).



Key Success Factors of Zimele:

- Expertise
- Scale
- Commerciality
- Synergies with core business
- Building on supply chains
- Business incubation and training
- Enterprise hubs
- Partnerships

To provide better hands-on support to initiatives within individual communities, the Zimele Fund developed small business hubs which are currently operating in Gauteng, Limpopo, Mpumalanga, Free State, Western Cape, Northern Cape and North West. The hub concept has been enjoying great success in South Africa with a current estimate of 24 hubs across South Africa with the exception of KZN and Eastern Cape. The programme has an existence of over 20 community-based hubs in South Africa with plans to develop 30 more hubs across the country.

4.2.3. TOWNSHIP ENTERPRISE HUBS (NYDA)

In a drive to promote entrepreneurship in township communities, the National Youth Development Agency (NYDA) in partnership with the National Department of Economic Development launched township enterprise hubs in 2012. The hub initiative is one of the interventions that specifically focus on establishing automotive, industrial, and services hubs within townships.

These hubs are focused in promoting entrepreneurship amongst the youth so as to enable them to not only create employment for themselves but also for other community member who are unemployed. This also ensure the participation of youth owned enterprises in the mainstream economy as well as the formalisation of informal enterprise operations.



Photo caption: Beneficiaries of the Township Hubs hair salons project

Gauteng Premier at time of launch, Nomvula Mokonyane, said:

"The Gauteng government decided to develop and implement the youth employment strategy to respond to the plight of young people in township and semi-rural areas by developing youth-owned economic hubs."

Participants of this project received assistance to the value of more than R500 000 which covered, inter alia, the following:

- Basic business management training,
- Product selection,
- Specialisation techniques,
- Marketing,
- Mentorship
- A loan facility

4.2.4. RURAL ENTERPRISE DEVELOPMENT (RED) HUBS

The Eastern Cape Rural Development Agency has driven the establishment and implementation of rural development hubs in an attempt to address the challenges faced by small-scale farmers in the province.



Key Focus Areas:

- Primary production
- Food processing
- Product marketing
- Storage facilities
- Mechanisation

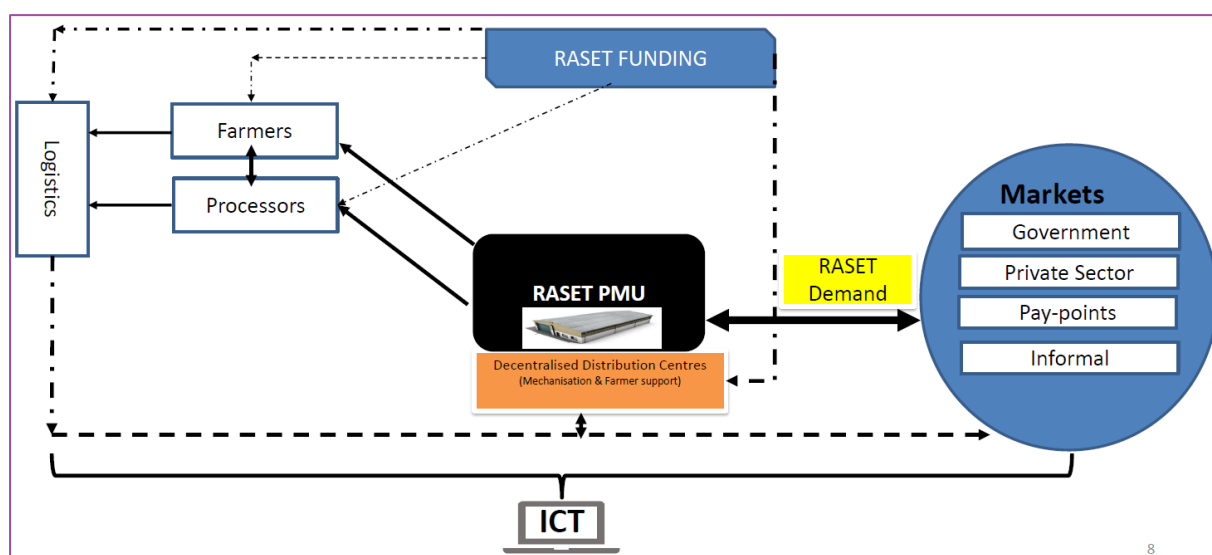
These hubs prioritise the establishment of mechanisation units with machinery and implements such as tractors, harvesters for production. In addition, it encourages the development of storage and processing facilities such as the installation of grain storage silos and the establishment of milling plants for value addition purposes. Furthermore, the hubs advocate for the establishment of marketing services in the form of trading centres which should be a one-stop shop for farmers to procure all production inputs. For example, currently, farmers grow produce and sell it to the manufacturing hubs for processing and value addition which is then sold back to rural communities at a higher price. The RED Hub seeks to reverse this anomaly

and it ensures that production within the community, stored and processed in the community and sold within the community.

4.2.5. RADICAL AGRARIAN SOCIO-ECONOMIC TRANSFORMATION (RASET)

Various programmes have been introduced and are being implemented across the province of KwaZulu-Natal's rural and township economies. One such programme is RASET which falls under the Operation Vula initiative. The RASET programme aims promote localization by encouraging government's procurement of locally produced goods and services. RASET's operational structure uses a Project Management Unit (PMU) which is responsible for the following functions:

- planning, coordination and monitoring and evaluation;
- Demand and supply management;
- Farmer and processor support;
- Resource mobilization; and
- Logistics coordination.



The programme has experienced success and challenges since its inception and these can be summarised as follows:

Successes	Challenges
<ul style="list-style-type: none"> • Linking of HDI farmers and agro-processors with private and government markets • Economic transformation • Fast-tracking government commitment and service delivery within the agricultural sector 	<ul style="list-style-type: none"> • Failing to ring fence the RASET fund • Shortage of dedicated personnel to implement the RASET programme • Lack of commitment to the RASET programme by some of the participating departments

Successes	Challenges
<ul style="list-style-type: none"> Establishing mechanization through revolving credit facilities that assist farmers to be paid on time Creating an enabling environment for HDI farmers and HDI agro-processors 	

4.3. INTERNATIONAL CASE STUDIES

4.3.1. BRAZIL

Through greater focus on the formalisation of previously informal enterprise, Brazil has achieved noticeable progress in reducing inequality and ensuring economic inclusion. As a result of this, the country has seen increases in formal employment figures. In recent years, Brazil has been focusing on fostering innovation and crowding in investment in information and technology. The country's level of inequality still remains high and addressing this still features high on the government's policy programmes despite the current economic and political climate challenges which are posing a threat to addressing social objectives of the country.

The South African economy also faces similar challenges to that of Brazil, but the country can learn from the lessons of the Brazilian nation. The economic achievements of Brazil tend to be the result of an integrated set of policies that combine enterprise development promotion with access to credit and a more favourable regulatory environment. The effectiveness of efforts to formalise the informal economy in recent years cannot be attributed to any single policy initiative, but rather to their interconnectedness and to synergies created with other policy areas. An important consideration for the effective implementation of these policies is the economic environment of a nation. In the case of Brazil, the period between 2000-2010 was one with high economic growth and greater income distribution resulted in greater formalisation of enterprises. During this period there was greater public policy formulation and coordination in many spheres, including macroeconomic development, trade, credit, education, science and technology to name a few. Below is an example of one programme aimed at empowering rural enterprises in Brazil.

Example: Increased Support for Small Rural Farmers in Brazil

In an attempt to address the country's problems of unemployment and poverty, Brazil increased its support for small crop producers through the introduction of the Food Acquisition Program in 2003. The program guarantees demand in local markets for small producers through local government purchases of agricultural products which are harvested by these farmers. The program provides funding to cooperatives and associations to build food reserves, where foodstuffs can be stored for post-harvest periods when supply is lower and the market price is more favourable, and to buy food for use in government institutions. Through the use of government purchasing power, rural small farmers are able to operate successful small businesses and also create employment for others. These purchases are seen as a strategic

way to spur rural development, even as they address problems of hunger and nutritional deficiencies using the food purchased in government assistance programs



Key Components:

- Identification of beneficiaries
- Enables government to purchase products at fixed prices without bidding process
- Prevents exploitation of small-scale farmers by offering reasonable purchase offers
- Several government ministries oversee the implementation process

The objectives of the Food

Acquisition Program can be summarised in the following box

- Encourage family agriculture, promoting social and economic inclusion, with incentives for sustainable production, processing, food industrialization, and income generation;
- Promote the consumption of food produced through family agriculture;
- Promote access to food in necessary quantity, quality, and regularity for people facing food and nutritional insecurity, recognizing access to adequate and healthy food as a human right;
- Support food supplies through government food purchases at the city, state, and national levels, including providing food in schools and in the areas served by public entities.
- Build public food reserves produced by family farmers;
- Support agriculture storage reserves formed by cooperatives and other formal family agriculture organizations;
- Strengthen local and regional commercial networks;
- Promote biodiversity and organic and agro-ecological food production, as well as incentivize healthy food habits at the local and regional levels; and
- Support agricultural cooperatives and associations

4.3.2. INDIA

India is one of the biggest countries in the world and is identified as one of the strongest amongst the 3rd world countries. With a growing population of more than 1 billion people, the country has established a number of interventions to try and create employment opportunities for its citizens.

Encouraging a culture of entrepreneurship has been identified as a critical element of job creation. India's National Bank for Agriculture and Rural Development (NABARD) has developed and supports Rural Entrepreneurship Development Programmes which aim to create sustainable employment and income opportunities for the benefit of educated unemployed rural youth. These programmes aim to develop entrepreneurial and activity-oriented skills among these unemployed youth individuals willing to create small or micro-enterprises by working with government agencies and NGOs involved in rural development.

Hence, Rural Entrepreneurship Development Programmes indirectly support entrepreneurs through various agencies and NGOs.



Types of Rural Entrepreneurship Development Programmes:

- Swarnajayanti Gram Swarozgar Yojana
- National Program for Rural Industrialization (NPRI)
- Micro and Small Enterprises – Cluster Development Program (MSE – CDP)

The Rural Entrepreneurship Development Programme can be divided into three phases, namely:

- Phase 1 - Pre-Training Phase: In the pre-training phase, a detailed survey is done for identifying prospective business activities or market. Then publicity, awareness and motivational campaign are conducted for Entrepreneurship development in coordination with Banks or Government Departments or other NGOs.
- Phase 2 – Training Phase: Entrepreneurs undergo a 6 to 8-week training process which also comprises of modules to be completed.
- Phase 3 – Post Training: The program endeavours to facilitate in the hand-holding or syndication of bank loan or creation of the SMME enterprise for a period of a minimum of 2 years.

4.3.3. CHINA

According to the World Economic Forum (2015), there is growing evidence that the Chinese economic miracle is a consequence of the rural entrepreneurship which started in the 1980s. Millions of township and rural enterprises were created in various Chinese provinces and this played a key role in stimulating rural industrialisation. Over the past 60 years, China has experimented extensively with policies and programmes to encourage the growth of rural enterprises. These include providing isolated agricultural areas with key producer inputs and access to post-harvest, value-added food processing.

By 1995, China's village enterprises had helped bring about a revolution in the country's agriculture. They had evolved to account for approximately 25% of GDP, 66% of all rural economic output and more than 33% of total export earnings. Most of them have become private enterprises that focus on areas outside agricultural inputs or food processing.



China's initial rural enterprise strategy focused on the so-called five small industries it deemed crucial to agricultural growth:

- chemical fertiliser;
- cement;
- energy;
- iron and steel; and
- farm machinery.

As a result, China's rural enterprises increasingly shifted from supplying agricultural producer inputs to labour-intensive consumer goods for domestic and international markets. From the mid-1980s to the 1990s, China's township and rural enterprises saw explosive growth in these areas. At the same time, they continued to supply agricultural producers with access to key inputs, new technologies and food-processing services. The most successful were those with strong links to:

- urban and peri-urban industries with which they could form joint ventures and share technical information;
- those in private ownership; and
- those who were willing to shift from supplying producer inputs for farmers to manufacturing consumer goods.

China's experience provides a mechanism for enhancing rural access to agricultural inputs such as fertilisers and mechanisation, as well as post-harvest food processing. Rural enterprises may make the most sense in areas where farm-to-market roads cannot be easily established.

By keeping workers and economic activity in rural areas, China has helped expand rural markets and limit rural-urban migration. This has also helped create conditions under which it is easier for the government to provide key social services such as health care and education.

4.4. CONCLUSION

The above discussed case studies, at both international and national level, outline different experiences in the development of rural and/or township economies with a significant number of programmes aimed at developing and empowering enterprise operating within the rural agricultural sphere. With findings illustrating that there are many interventions (such as enterprise hubs and enterprise training) which are provided by institutions of government, these interventions tend to be generic and therefore cannot meet the real-time specific needs of small business owners.

The identified BIC countries present different experiences in the development and support of rural and township enterprises. Rural and township enterprises across all of these countries plays an important role in fighting poverty, inequality and the creation of employment. The success of these small enterprises has resulted in there being greater prioritisation of government policies and strategies aimed at empowering rural and township enterprises in these economies. To a certain extent, South Africa also mirrors some of the institutions and initiatives implemented in these BIC countries. However, there is more which South Africa can learn from these countries in the sphere of revitalising rural and township economies. There are also some possible gaps and shortcomings in the South African enterprise development framework when

compared to the above discussed countries. Below is a summary table which illustrates some lessons and potential shortcomings which are to be taken into account when developing the strategic interventions for the revitalisation of rural and township economies:

Local Lessons
<ul style="list-style-type: none"> • Currently, intergovernmental coordination is weak and this leads to duplication and uncoordinated interventions from various departments • SMME focused research is currently lacking across various South African provinces • Zoning by-laws, complex compliance requirements and administrative inefficiencies at the municipal level are giving rise to red tape burdens. • While there are a large number of business development service providers implementing programmes across South Africa, these are generic, and not designed to meet the real-time and specific needs of rural and township enterprise owners. • Despite the existence of numerous agencies and DFIs, cash-flow and finance constraints are still a key challenge to rural and township enterprises. • There is little development on infrastructure projects related specifically to rural and township enterprises.
International Lessons
<ul style="list-style-type: none"> • Rural and township enterprise support organisations need to be well-capacitated in terms of skills and budgets. • Rural and township enterprise agencies should be protected from government influence or interference. • Government's plan for rural and township enterprises support must be simple, smart and well-coordinated. • There must be a commitment to improving the ease of doing business (reducing red tape) at the highest level of Government. • A common vision for rural and township enterprise development should be set and agreed to at the highest level of Government. • Small business policies must be backed by measurable targets and performance must be monitored and reviewed regularly. • There needs to be strong partnerships between the private and public sector, including working groups, networks and the development of a "national consensus".

SECTION 5: RURAL AND TOWNSHIP ECONOMIES PROGRAMME INTERVENTIONS

5.1. INTRODUCTION

The National and KwaZulu-Natal provincial government has undertaken an extensive number of programmes over the years. For government to be able to cost-effectively implement its mandatory policies and strategies discussed in the previous section of this report, it has to implement various programmes that are related to the basic strategic mandate of the various government departments. Some of these programmes include the deployment of resources for the delivery of services. The table below provides a comprehensive list of government programmes at a national and provincial level.

Table 25: National and Provincial Programmes

National Programmes	Provincial Programmes
<ul style="list-style-type: none"> • Agri-Park and Farmer Support Programme • Agri Business Development Agency • Back-to-Basics is a programme • Black Business Supplier Development Programme (BBSDP) • Black Industrialists Development Programme • Bucket Eradication Programme • Community Work Programme • Comprehensive Rural Development Programme • Expanded Public Works Programme (EPWP) • Finance for small businesses and for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment. • Home-Based Community Care Programme • Human settlements programmes and projects • Implementation of anti-crime initiatives • Local Economic Development (LED) • Moving towards a Green Economy. • Municipal Infrastructure Grant • National Rural Youth Service Corps programme • National School Nutrition Programme • Neighbourhood Development Grant programme • Oceans economy (Operation Phakisa) – where relevant • Public Art Development Programme • Public Service Innovation in the public sector. 	<ul style="list-style-type: none"> • Rural Development Programme • Future Farmers Partnership Programme • Agri-park Programme • Back to Basics Programme • Infrastructure Rehabilitation Programme • Imizi Yezizwe Programme • Community Work Programme (CWP) • Massification Programme • Radical Agrarian Socio-Economic Transformation (RASET) Programme • Small Town Rehabilitation Programme • Corridor Development Programme • Amakhosi Rural Local Economic Development Programme • Red Tape Reduction Programme • Women RLED Programme • Leadership & Good Governance Programme • Multi-Party-Political Intervention Programme • SMME and Co-operatives development programmes • Bulk Buying and Warehousing Programme • Ndumo Yenkululeko Regeneration programme • Vuthela iLembe Local Economic Development Support Programme • Maritime Enterprise Development and Incubation Programme • Beach Development Programme • Tourism Mentorship Programme • Tourism Graduate Development Programme • Community Based Tourism Projects • School Nutrition Programme

National Programmes	Provincial Programmes
<ul style="list-style-type: none"> Recapitalisation and Development Programme (RADP) Sector Educating and Training Authority (SETA) framework S'hamba Sonke (walking together); a labour-intensive road-maintenance programme Small Enterprise Finance Agency (SEFA) Technology for Sustainable Livelihoods Working for Energy programme Working for Water Youth Build and National Youth Service programme. 	<ul style="list-style-type: none"> Central Chronic Medication Dispensing and Distribution (CCMDD) programme Clinic Realisation and Maintenance (ICRM) programme Bucket Eradication Programme Poverty Eradication Master Plan (PEMP) Expanded Public Works Programme (EPWP) Schools Maintenance Programme Eyesizwe Contractor Development Programme Automated Business Licencing and Information Management System

This section aims to provide a comprehensive list of programmes that are most relevant to the service delivery, support and economic transformation of rural and township economies of KwaZulu-Natal.

5.2. RURAL AND TOWNSHIP AREAS

With an estimated 49% of the KZN population residing in rural areas, this leaves almost half of the population isolated from economic activity. The KZN government has implemented a number of programmes to try to ensure that the mass population is integrated into the mainstream population.

Economic growth in townships are often stifled by lack of access to land, funding, economic infrastructure, low skills and educational levels and poor transport systems. Thus, government programmes that target these aspects are important for the development of townships in KZN.

5.3. RURAL AND TOWNSHIP PROGRAMMES

The provincial and national programmes most relevant to rural and township economies are outlined below:

5.3.1. PROVINCIAL PROGRAMME

1. AGRI-PARK PROGRAMME

This programme focuses on revitalising agriculture and the agro-processing value chains. One key component of the Agri-Parks programme is the Farmer Production Support Unit (FPSU). The FPSUs was envisaged as the first leg of the Agri-Parks Programme. Some of the main ideas behind the FPSU model was provision of business planning services and production plans for rural farmers with a focus is on the most deprived rural areas in the province. The FPSUs are convenience centres and the first line of service delivery to rural household, rural agricultural enterprises, and farmers in land reform and restitution (Department of Agriculture, Land Reform and Rural Development, 2019). The FPSUs are central service points where small-scale farmers and rural agri-enterprises could come for a variety of services. During the 2016/17 period, KZN participants had a revenue of R13.6 million after selling 1 638 cattle during the 2017/18 period. Over the past six years, 2 350 beneficiaries have generated R109 million in income. However, the programme has received complaints from the farmers. These include fact that the pack-

houses were not close enough for them and were overall noted as impractical. In addition, some farmers were frustrated by the lack of monitoring of projects in that in KZN which hinders the impact of the FPSUs in the province (Department of Agriculture, Land Reform and Rural Development, 2019).

2. AGRICULTURAL EDUCATION AND TRAINING (AET) PROGRAMME

The mission of the AET programme is to work toward improved, relevant, and effective teaching, research and extension in the 21st century (KZN Provincial Planning Commission, 2015). Improving human capital in agriculture is especially important where the shortage of trained human resources is a major limiting factor to development (KZN Provincial Planning Commission, 2015). One of the main challenges that constrain quality provision of AET in South Africa is lack of access mostly by previously disadvantaged groups (DAFF, n.d). Recent studies of Agricultural Education and Training in Sub-Saharan Africa suggest that many agricultural education curricula have shortcomings as they are unresponsive to socioeconomic, technological, physical and environmental changes in the rural sector and are inappropriate for the local context (KZN Provincial Planning Commission, 2015).

3. AMAKHOSI RURAL LOCAL ECONOMIC DEVELOPMENT PROGRAMME

This programme deals with the establishing cultural villages. The key area is the Radical Agrarian Socio-Economic Transformation Programme which is aimed at ensuring that rural communities partake in the procurement of fresh produce by government for different purposes including: feeding scheme for schools, hospitals, jails and other departments. Through this programme government ensures adequate resources and support are invested into supporting communities in farming and related sectors of the economy (KZN Cooperative Governance and Traditional Affairs, 2019).

4. BACK TO BASICS PROGRAMME

This programme deals with refocusing local government to the provision of core services such as clean drinking water, sanitation, electricity, shelter, waste removal and roads. In KZN, sixty on municipalities are committed s to implementing the programme (eThekweni Municipality, 2011).

The programme has five pillars, namely:

- Provision of basic services – creating decent living conditions
- Good governance
- Public participation
- Financial management
- Institutional capacity

5. BUCKET ERADICATION PROGRAMME

This programme is aimed at improving infrastructure in underdeveloped areas. The objective of this programme is to eradicate all bucket toilets across the province (The South African Government, 2020).

6. COMMUNITY WORK PROGRAMME (CWP)

The programme is aimed at tackling poverty and unemployment. This is a public employment programme linked to Expanded Public Works Programme (EPWP) (KZN Cooperative Governance and Traditional Affairs, n.d.). The province succeeded in the delivery of government services, by ensuring that more than 30 500 beneficiaries from twenty nine municipalities received an income from a day's work through this programme. The programme provides an employment safety net by giving participants a minimum number of regular days of work, thus providing a predictable income stream (KZN Cooperative Governance and Traditional Affairs, n.d.). This programme complements government's existing social grants programme (KZN Cooperative Governance and Traditional Affairs, n.d.).

7. CORRIDOR DEVELOPMENT PROGRAMME

The programme aims at assisting Municipalities to enhance their local economic potentials through various types of developmental initiatives comprising of social and economic infrastructure. The Department facilitated fifteen new corridor development projects in various priority corridors (KZN Cooperative Governance and Traditional Affairs, n.d.).

There is a primary and secondary corridor programmes in KZN include the following⁹:

- eThekweni/uMhlathuze Corridor (PC1) focusing primarily on development opportunities being presented as part of the La Mercy/DTP Development and creating opportunities for linking and strengthening the second and first economy.
- eThekweni/Msunduzi / uMngeni Corridor (PC2) focusing primarily on establishing inter-municipal planning processes to ensure that the development opportunities presented in this region are optimized.
- Umhlathuze/Ulundi / Vryheid (SC1) Corridor as a new link between the Richards Bay harbor and Gauteng, focusing primarily on the section between Ulundi and the Cengen Gate of Umfolozi Game Reserve, and the Ulundi Airport.
- Lebombo SDI Corridor (SC5) focusing primarily on Developments along the southern and eastern sections of the Pongola Port Dam, tourism facilities along the new SDI Route to Mozambique, large scale agricultural development and enhancing the development opportunities related to the Greater St Lucia Wetland Park.

⁹ Primary Corridor (PC): A corridor with very high economic growth potential within all three sectors which serves areas of high poverty densities; and

Secondary Corridor (SC): A corridor serving areas of high poverty levels with good economic development potential within one or two sectors

- Port Shepstone/St Faiths/Ixopo Corridor (SC6) focusing primarily on Developing a direct link between the Southern Drakensberg and the Coastal areas to expand the basket of tourist destinations and spending options.
- Battlefields Route Corridor (SC12 Umzinyathi), focusing primarily on the route between Dundee and Greytown via Msinga, as a priority for the further development of the battlefields routes of the Province (KZN Department of Transport , 2019)

8. EYESIZWE CONTRACTOR DEVELOPMENT PROGRAMME (ECDP)

ECDP aims to increase and promote capacity, equity ownership, skills improvement, maintenance of capital works, sustainability and performance of registered and emerging contractors, with preference given to youth, women and persons with disabilities (PWDS) and military veterans registered on the national military veterans database. The programme is a means to implement successful Contractor Development Programmes (CDPs) within the province. Emerging contractors who have are registered with ECDP are loaded on the departmental websites. The design of the development programme fosters that all categories of contractors should be able to receive support and advice with improvement in their CIDB grading, establishment of positive relationships with financial institutions, access to contract opportunities, improve in their projects track-records, improve in financial track-records, assist in accessing funding and assist to secure recognised qualifications (South African Government, 2019). The programme thus helps in the development of emerging and previously disadvantaged contractors (KZN Department of Public Works, 2016).

9. FUTURE FARMERS PARTNERSHIP PROGRAMME

The programme is aimed at providing meaningful employment for future farmers and develop them to their full potential (Sernick Group, 2020). The programme uses an apprenticeship-model to qualify farm managers who are capable of running commercial operations. If a candidate shows passion, commitment and potential after the two-year apprenticeship they are sent abroad for practical experience. Future Farmers currently has forty programme participants gaining experience at commercial farms in the United States and Australia. This programme therefore gives participants the opportunity to expand their knowledge of global agricultural practices. This programme goal gives young people from impoverished background the opportunity to be commercial farmers (Sernick Group, 2020).

10. IGULA

Igula stands for Inclusive Growth, Unity and Economic Liberation of Africans in particular and Blacks in general (KZN Department of Transport, 2018). The KZN province aim to encourage radical socio-economic transformation while expanding roads and transportation infrastructure and services in the province. Hence the focus of this programme is on empowering previously disadvantaged individuals and on transforming the transport sector in line with the demographics of the Province (KZN Department of Transport, 2018).

11. INFRASTRUCTURE REHABILITATION PROGRAMME

This programme promotes safe and adequate office environments in addition to providing improved mobile service points for SASSA, Health Clinics and Operation Sukuma Sakhe initiatives amongst others. This programme helps to address infrastructure limitations in isolated and undeveloped regions.

12. IMIZI YEZIZWE PROGRAMME

The aim of this programme is to construct suitable housing for prioritised Amakhosi within the Province. This programme helps address the lack of housing infrastructure in rural areas.

13. LANDCARE PROGRAMME

Through this programme, the province continues to optimise productivity and the sustainability of agricultural natural resources by promoting community participation in sustainable land use and its management. Community based projects amounting to R42 million were implemented in the 2019/2021 financial year and over 1000 EPWP jobs opportunities were created. In the current financial year, the province will implement community-based projects under LandCare to rehabilitate agricultural land and create over 1100 EPWP job opportunities. Over and above community-based projects, the programme will also fund in-school initiatives under the JuniorCare Programme. The programme will also be able to create awareness for the various environmental days like World Wetland Day, Water Week, World Desertification Day and Arbor Day. The LandCare programme also provides accredited training to its beneficiaries. Over 500 participants will receive training in chainsaw operation, health and safety, first aid and mixed farming. An amount of R53 million has been set aside to ensure the implementation of the LandCare programme interventions for this financial year (KZN Agriculture and Rural Development, 2016).

14. MULTI-PLANTING SEASON (PHEZ'KOMKHONO) PROGRAMME

This programme aims to assist farmers in the province plant over 11 000 hectares in the financial year 2019/20. This programme will be accelerated through the use and promotion of conservation tillage to enable development of more areas and protection of natural resources. Farmers will be encouraged to practice this farming method including other climate smart agricultural technologies in light of global warming and climate change (KZN Agriculture and Rural Development, 2016). In addition, as part of enterprise development, the Department of agricultural in the province will pilot in two districts the use of locally based SMMEs to provide mechanisation services. This initiative will enable convenient provision of services and subsequently benefit both the local businesses and farmers who were unable to receive the mechanisation services (KZN Agriculture and Rural Development, 2016).

15. NDUMO YENKULULEKO REGENERATION PROGRAMME

This is aimed at providing socio-economic facilities, services and infrastructure development in an effort to improve the living standards in the Ndumo area.

16. OPERATION VULA

As part of activating Radical Economic Transformation, the KZN government launched Operation Vula which serves as a vehicle to mobilise all sectors of the economy towards achieving economic transformation in the province. The programme aims to remove socio-economic disparities caused by an apartheid past. Through Operation Vula the provincial government utilises its procurement system to encourage growth of historically marginalised entrepreneurs. Operation Vula coincided with the Radical Agrarian Socio-Economic Transformation (RASET) programme (KZN EDTEA , 2020).

17. RADICAL SOCIO-ECONOMIC AGRARIAN TRANSFORMATION (RASET)

In line with the provincial governments Radical Economic Transformation initiative, the RASET programme aims to guarantee a market for small scale emerging enterprises such as co-operatives that would supply products to different government departments (KZN EDTEA , 2020). RASET also aims to improve the value chain of food production and supply for underprivileged farmers and emerging agro-businesses; as the current value chain is dominated by few large-scale farmers. The programme also assists in increasing food security, improves market opportunities for previously disadvantaged farmers, producing employment opportunities for youth and women, reduces government dependency and promotes agricultural land utilisation (KZN EDTEA , 2020).

18. RED TAPE REDUCTION PROGRAMME

This programme involves the reduction of red tape through earmarking struggling municipalities and prioritising support. The programme aims to address administrative, compliance and regulatory processes impacting negatively on small-, micro- and medium-sized enterprises (SMMEs), thereby reducing their efficiency. The programme's ultimate goal is to improve service delivery and reduce the cost of doing business at local government level. Ten districts and the eThekweni Metro will be supported in dealing with red tape in different areas of their business processes, including (KZN Cooperative Governance and Traditional Affairs, 2017):

- Lengthy and inefficient supply chain management processes (which ultimately affect the 30-day payment system to SMMEs);
- Municipal building plans approval processes;
- Effectiveness of the complaints notifications system;
- Communication of relevant business information by municipalities to small businesses;
- An assessment of the enforcement of municipal by-laws which are relevant to business signage; and
- Municipal business registrations and permits.

19. RURAL DEVELOPMENT PROGRAMME

This programme provides practical assistance on farming mentorship and support. The vision of the programme is for rural communities in KZN to have sustainable prosperity through viable

development, growing economies, healthy and skilled people, full employment and universal access to all basic social services by 2030 (KZN Department of Agriculture and Rural Development , 2016). This will be achieved through co-ordinating and facilitating the scale up and the provision of integrated comprehensive rural development for sustainable well- being of rural communities (KZN Department of Agriculture and Rural Development , 2016).

According to the Department of Agriculture and Rural Development, the key interventions include the co-ordination of:

- Comprehensive and integrated provincial planning, monitoring and reporting on Rural Development Outcomes
- Improved Land Administration and Spatial Planning for integrated development of rural areas
- Sustainable Land Reform
- Rural Infrastructure Development (RID)
- Comprehensive and integrated provincial planning, monitoring and reporting on Rural Development Outcomes
- Improved Land Administration and Spatial Planning for integrated development of rural areas
- Sustainable Land Reform
- Rural Infrastructure Development (RID)

20. SCHOOL NUTRITION PROGRAMME

This programme aims to enhance the learning capacity of learners through the provision of a healthy meal at schools. Where it is implemented, the programme has shown to improve punctuality, regular school attendance, concentration and the general wellbeing of participating learners. Whilst learners are being provided with nutritious meals, they are also taught to establish and maintain good eating and lifestyle habits for life. Nutrition Education also provides educators with resource materials to support curriculum and to make every school a healthy school. Schools are also encouraged to establish food gardens from which they obtain fresh produce (vegetables/fruit) to supplement the menu in line with South African Food Based Dietary Guidelines. Learners, teachers & parents are provided with skills to grow their own food contributing towards long-term household food security. The gardens are also used as a teaching and learning resource and to beautify the environment (The Mercury, 2020).

21. SCHOOLS MAINTENANCE PROGRAMME

This programme is aims to assist poor, no fee schools with basic maintenance of school infrastructure to ensure that our children are able to learn in a favourable environment (KZN Department of Public Works, 2016). The EPWP maintenance programme is one of the sub-programmes of the EPWP, which aims to the absorption of youth, women and persons with disabilities. This programme involves the physical maintenance, repairs, site clearance and cleaning of schools targeted at various wards within identified municipalities. The programme also offer various skills transfer to individual participants (KZN Department of Public Works, 2016).

The impact and value of the programme is firstly for schools' premises are kept clean and remain a 'danger-free zone' whilst schools' assets are well maintained. Thus this programme aims to ensure that the environment ultimately remain free from any health risk towards the pupils and educators (KZN Department of Public Works, 2016).

22. SMALL TOWN REHABILITATION PROGRAMME

The main aim of this programme is to create a safe and clean environment that will result in investment retention, attraction and expansion (KZN Cooperative Governance and Traditional Affairs, n.d.). In the process short term jobs are created through the infrastructure developments while more sustainable jobs are created through the private sector investment. Small Rural towns continue to face a number of challenges so the intention of the programme is to ensure that the competitiveness of small towns. The impact of the programme is being realised in the small towns of Melmoth, Nquthu, Nkandla, UMzimkhulu, Harding and Ladysmith. Regarding the formalisation of towns, good progress has been made which has led to the formalisation of Ndwedwe and Maphumulo. Other municipalities that have been assisted through this program include Jozini municipality in the development of Ndumo and Ingwe municipality with the adoption of schemes for Creighton, Donnybrook and Creighton (KZN Cooperative Governance and Traditional Affairs, n.d.).

23. SMME AND CO-OPERATIVES DEVELOPMENT PROGRAMMES

This programme aims to grow entrepreneurship to change the economic landscape. The programme creates an enabling environment for these enterprises, including access to finance, entrepreneurial skill development, training, mentoring and coaching etc. Through this programme, a platform is created for various sector projects such as tourism development, arts and craft, women and youth empowerment, access to markets, construction, business linkages, exhibitions and fairs etc (eThekweni Municipality, 2011).

24. TOURISM MENTORSHIP PROGRAMME

This is aimed at advancing the objectives of the tourism B-BBEE sector code through the mentoring of Small Medium Micro Enterprises (SMME's) through partnership with well-established business. The programme has had nine intakes within a period of nine years and has assisted numerous tourism small enterprises inclusive of tour operators, accommodation establishments, travel agents and restaurants (KZN EDTEA, 2014)

The programme focuses on the following:

- Customer services
- Business management
- Hospitality Business Skills training
- Access to market
- Marketing in Tourism (KZN EDTEA, 2014)

25. VUTHELA ILEMBE LOCAL ECONOMIC DEVELOPMENT SUPPORT PROGRAMME

This provides technical assistance to assist government in their efforts to reduce disparities and unlock the economic potential of KwaDukuza and Mandeni Municipalities. The Vuthela iLembe LED Programme aims to contribute to the improvement of the economic future of the iLembe District and the quality of life of its inhabitants, through sustainable growth of the local economy and the creation of higher, better and more inclusive employment and income generating opportunities (Vuthela, 2018).

26. AUTOMATED BUSINESS LICENCING AND INFORMATION MANAGEMENT

The Automated Business Licencing and Information Management System was developed by EDTEA in an attempt to introduce standardisation and reduce red tape for all business establishments across KZN. According to the Business Act No. 71 of 1991, for a Municipality to issue out business licences, the following functions have to be in place:

- Town Planning Unit;
- Building Control unit;
- Fire and Safety Unit;
- Environment Health Unit; and
- Law Enforcement Unit (Traffic); whilst the
- LED Unit is administrator of the function.

Due to the fact that most Municipalities across the province do not have full complement of these units, they are not able to issue business licences. This is the gap which is being filled by the introduction of the automated system as businesses are able to complete online licence applications irrespective of where they are located.

5.3.2. NATIONAL PROGRAMMES

1. ANIMAL AND VELD MANAGEMENT PROGRAMME (AVMP)

The AVMP aims to address the unsustainable land use management practices in rural areas that have generally led to poor management of the veld and overstocking, causing low livestock production and deterioration of the natural resources (grazing, water, soil) and resulting in land degradation and deforestation. In addressing these problems, the AVMP has three projects namely; soil rehabilitation, re-greening the environment and decongesting the space (The South African Government, 2020). The intended outcomes of the AVMP are food security; improved rural livelihoods; improved livestock and veld management; increased production, improved environmental management, and enabling rural communities to use land more sustainably (The South African Government, 2020). The AVMP is aimed at providing relief for farmers in rural areas operating under challenging circumstances made worse by spatial congestion and environmental degradation owing to overgrazing. In this programme farmers are identified in communal areas who have showed potential for successful farming. Based on their track record, such farmers will be moved into some of the state-owned farms to enable them to expand their farming operations (The South African Government, 2020).

2. BLACK BUSINESS SUPPLIER DEVELOPMENT PROGRAMME (BBSDP)

The Department of Trade and Industry (dti) provides financial support to qualifying companies in various sectors of the economy. Financial support is offered for various economic activities, including manufacturing, business competitiveness, export development and market access, as well as foreign direct investment. Included here is finance for small businesses (The dti, n.d). BBSDP provides grants to small black-owned enterprises and aims to improve sustainability and competitiveness of majority black-owned enterprises and thereby integrate them into the mainstream economy (The dti, n.d).

The beneficiaries of this programme include:

- Majority black-owned enterprises or those with a predominantly black management team
- Enterprises with a turnover of at least R1 million and not more than R35 million, and
- The enterprise must have been operating and trading for at least one financial year.

The benefits of this programme includes a 50% grant for the cost of approved tools, machinery and equipment to a maximum of R800,000; and 80% grant for approved training and business development services to a maximum of R200 000 (The dti, n.d).

3. COMPREHENSIVE RURAL DEVELOPMENT PROGRAMME (CRDP)

The DRDLR, in line with the NDP, adopted the CRDP and the Agrarian Transformation Strategy to address the challenges facing people living in the rural areas. The CRDP aims to create sustainable rural communities throughout the country. The CRDP is focused on enabling rural people to take control of their lives, with support from government. The programme aims to deal with rural poverty effectively through the optimal use and management of natural resources through an integrated agrarian transformation and the strategic investment in economic and social infrastructure that will benefit rural communities.

4. COMPREHENSIVE AGRICULTURAL SUPPORT PROGRAMME (CASP)

The aim of this programme is to provide post settlement support to the targeted beneficiaries of land reform and to other producers who have acquired land through private means and are, for example, engaged in value-adding enterprises domestically or involved in export (SA Department of Agriculture, n.d). The programme is a core focus for the department and will make interventions in six priority areas:

- Information and technology management
- Technical and advisory assistance, and regulatory services
- Marketing and business development
- Training and capacity building
- On/off farm infrastructure and product inputs
- Financial support

The Expected outcomes:

- Increased creation of wealth in agriculture and rural areas
- Increased sustainable employment

- Increased incomes and increased foreign exchange earnings
- Reduces poverty and inequalities in land and enterprise ownership
- Improved farming efficiency
- Improved national and household food security
- Stable and safe rural communities, reduces levels of crime and violence, and sustainable rural development
- Improved investor confidence, leading to increased domestic and foreign investment
- Pride and dignity in agriculture as an occupation and sector

The target beneficiaries of this programme are the previously disadvantaged group that usually reside in rural and township areas.

5. Other Agricultural Programmes

The Department of Rural Development and Land Reform (DRDLR) had succeeded in helping to create a better life for millions of residents in villages throughout South Africa by providing food for the hungry, stimulating local economies, establishing jobs and reducing poverty.

- In an effort to improve the economy, the DRDLR acquired and distributed 834 134 hectares of land throughout the country. To ensure sustained production on land provided by government, 712 067 smallholder producers, including those under the RADP, were supported through various initiatives including access to information.
- Another 10 271 resources-poor historically disadvantaged producers were given support that enabled them to access water and 2 073 water-use licences were finalised, enabling the farmers to irrigate their land.
- A total of 33 341 smallholder producers were assisted to access markets and 1 284 producer co-operatives and marketing depots were established to increase their competitiveness and take advantage of market opportunities.
- More than one million household and institutional and community gardens were established. Food was distributed to 2,8 million people through the Food for All Programme including community nutrition development centres. About nine million learners gained access to nutritious food through the School Nutrition Programme.
- Infrastructure development has contributed to 503 365 households gaining access to clean running water, about one million gaining access to sanitation and just above 11 million gaining access to electricity.

6. COMMUNITY WORK PROGRAMME (CWP)

This programme aims to create work opportunities covering all local municipalities. It is a community driven government programme based in the Department of Cooperative Governance (DCoG). The CWP has over the years been able to establish ten key strategic partnerships in order to enhance the quality of work outputs and sustain projects initiatives. However, Implementing Agents enter into a number of informal partnerships or cooperation arrangements in implementing various initiatives that contribute to useful work since work activities cut across different sectors (SA Department of Cooperative Governance Traditional Affairs, 2020)

7. COVID-19 RESPONSE PROGRAMMES

National government has made available more than R5 billion in support to municipalities to assist them in responding to the COVID-19 pandemic in the 2019/20 municipal financial year. This support is assisting municipalities to provide additional access to basic services for vulnerable communities during the lockdown and to sanitize public transport facilities as the economy undergoes a phased re-opening. National Treasury has granted approvals that funds transferred to municipalities but not contractually committed can be reallocated to be used to respond to the COVID19 pandemic. These reallocations approved in terms of section 20(6) of the Division of Revenue Act, 2019, include:

- R2.4 billion in Urban Settlements Development Grant allocations to metropolitan municipalities. These funds will be used for providing water and sanitation, mainly in under-serviced informal settlements and to cover the increased costs of more frequent waste management and other services.
- R1.5 billion in Municipal Infrastructure Grant allocations can be reallocated for the provision of water and sanitation, including where urgent maintenance is needed to restore the functionality of water infrastructure.
- R970 million in Public Transport Network Grant allocations may be reallocated, mainly for sanitisation of public transport facilities.
- R306 million in the indirect Regional Bulk Infrastructure Grant was reallocated at the end of the 2019/20 national financial year and transferred to Rand Water to fund the roll-out of water tanks to supply communities without reliable access to water services. (The South African Government, 2020).

8. EXPANDED PUBLIC WORKS PROGRAMME (EPWP)

The EPWP provides poverty and income relief through temporary work for the unemployed. EPWP includes the Home-Based Community Care programme which provides health and social services to vulnerable people in their homes, and trains caregivers to administer these services and Food for Waste Programmes (The South African Government, 2020).

The EPWP is one of government's key programmes aimed at providing poverty and income relief through temporary work for the unemployed. The EPWP is a nationwide programme covering all spheres of government and State-Owned Enterprises. The programme provides an important avenue for labour absorption and income transfers to poor households, in the short to medium-term. EPWP projects employ workers on a temporary or ongoing basis with government, contractors, or other non-governmental organisations under the Ministerial Conditions of Employment for the EPWP or learnership employment conditions.

The EPWP creates work opportunities in four sectors, namely infrastructure, non-state, environment and culture and social, by:

- Increasing the labour intensity of government-funded infrastructure projects
- Creating work opportunities through the non-profit organisation programme and community (The South African Government, 2020).

9. HOME-BASED COMMUNITY CARE PROGRAMME

This programme provides health and social services to vulnerable people in their homes, and trains caregivers to administer these services (KZNPPHC, 2020). It incorporates Home Based Carers into the Home and Community Based Care Programme and provided training according to National Qualifications Framework (NQF) Level 1. The programme helps Community Health Workers (CHWs) develop their skills, created employment, contributed to poverty alleviation and encouraged self-employment in order for people to sustain themselves. Home community-based care also empower a community to take care of its health through education and training. CCWs have an important role to play in educating communities and interacting with households on a regular basis. CCWs focus on projects and activities to reduce risk factors that contribute significantly to the burden of disease.

10. INTEGRATED NATIONAL ELECTRIFICATION PROGRAMME (INEP)

Municipalities and Eskom are responsible for reticulation and distribution of electricity to households, in their licensed areas and they are both funded by the Department of Energy (DoE) through the INEP programme. The government has implemented many programmes with the aim of increasing electricity services in particular to low-cost residential housing. Over 7,4 million households has been connected to grid and over 160 307 connected by non-grid technology between 1994 and 31 March 2018 (Department of Energy, n.d.). The DoE aims to extend electrical services to deep rural areas including the twenty seven Priority Districts in the country (Department of Energy, n.d.).

11. INFORMAL TRADERS UPLIFTMENT PROJECT (ITUP)

The NIBUS seeks to uplift informal businesses and render support to local chambers/business associations and Municipal Local Economic Development offices to deliver and facilitate access to upliftment programmes. The focus will mainly be on designated groups, i.e. women, youth and people with disabilities, in townships and rural areas of South Africa. The strategy advances Government's priorities of speeding up growth and transforming the economy to create decent work and sustainable livelihoods through inclusive growth (SA Department of Small Business Development, 2020). The strategy specifically targets entrepreneurs in the informal economy. This sector has been identified as critical in addressing the key developmental goals of the Government, namely sustainable livelihoods (poverty), job creation (unemployment) and equality (inequality). More than two million South Africans are making means in the informal economy, mostly as survivalist enterprises. There are also vibrant economic business activities that need support to graduate from survival to sustainability and performance (SA Department of Small Business Development, 2020).

Targeted Informal Business Beneficiaries in the identified five sectors of this programme are:

- Retail: Seventy-eight per cent of informal business activities are in this sector. Increasing the trader's (street traders, spaza shops, general dealers and those in markets) competitiveness through skilling and infrastructure upgrade is paramount. One of the goals is for the growth and transformation of the sector into activities such as bulk buying, warehousing and distribution;

- Manufacturing: A value-creating economy is important beyond simply buying and selling. The need has been identified to support enterprises in this sector as it has a potential to create more jobs and greater contribution to the country's Gross Domestic Product (GDP). This further advances the objectives of the Industrial Policy Action Plan (IPAP) and the National Growth Path (NGP);
- Services: Most township businesses are in this sector, which include, amongst others, auto body repairers (panel beaters, spray painters, etc.), mechanics, car washers, hairdressers, tourism, day-care centres;
- Agriculture: The strategy identified this sector given its rural base. Both primary and secondary (agro-processing) activities are being targeted; and
- Construction and maintenance: Given the country's focus on Strategic Infrastructure Projects, building a force of artisans who are entrepreneurs is critical.

12. INFORMAL AND MICRO ENTERPRISE SUPPORT PROGRAMME

To target informal businesses and prioritizing women, youth and people with disabilities who own businesses based in townships, rural areas and depressed areas in towns and cities.

13. KHA RI GUDE MASS LITERACY CAMPAIGN

This Kha ri Gude (Tshivenda for 'let us learn') programme teaches adults who missed out on their schooling, and who cannot read or write, in literacy classes that held all over South Africa. The Kha Ri Gude Literacy Campaign intended to reduce the national rate of illiteracy. The aim of Kha Ri Gude is to empower (skills development) socially disadvantaged people to become self-reliant and to be able to participate more effectively in the economy and society.

14. NATIONAL RURAL YOUTH SERVICE CORPS PROGRAMME

The NARYSEC is a skills development initiative, which forms part of the CRDP's job-creation model. The initiative recruits unemployed youth from rural areas between the ages of 18 and 25, who have passed Grade 12 or have higher qualifications, and equips them with business and entrepreneurial skills. The job opportunities provided through the initiative include areas such as administration, agriculture, construction, education, engineering, health and safety, hospitality, renewable energy and transport. In addition to these job opportunities, it also provides character building programmes, soft and hard skills training and dispatch the youth to rural areas to undertake various rural infrastructure and other development projects. Thus, this programme transforms youth from rural areas, from being job seekers to become job creators and aiming to break social grant dependency.

The objectives of Narysec are to:

- Train youth through specifically developed programmes linked to community needs in rural areas
- Develop youth with multidisciplinary skills through civic education
- Capacitate youth in retaining knowledge and technical skills acquired during training

- Increase the number of rural communities receiving support in their self-development through the CRDP.

The programme has been specifically designed as part of the National Youth Service and focuses on aspects of discipline, patriotism and service delivery in rural communities.

15. NEIGHBOURHOOD DEVELOPMENT GRANT PROGRAMME

This programme offers a conditional grant to municipalities to stimulate and accelerate investment in poor, underserved residential neighbourhoods. The programme is driven by the notion that public investment and funding can be used creatively to attract private and community investment to unlock the social and economic potential in targeted underserved neighbourhoods, generally townships. This in turn will not only improve the quality of life of residents but also contribute to South Africa's economic performance. The purpose of the grant is to therefore fund, support and facilitate the planning and development of neighbourhood development programmes and projects that provide catalytic infrastructure to leverage third party public and private sector investment for future and more sustainable development. The programme is aimed at facilitating the eradication of spatial inequality to enable the creation of liveable, sustainable, resilient, efficient and integrated human settlements (The Department of National Treasury, n.d).

16. MUNICIPAL INFRASTRUCTURE GRANT

This grant aims to eradicate municipal infrastructure backlogs in poor communities to ensure the provision of basic services such as water, sanitation, roads and community lighting.

17. RECAPITALISATION AND DEVELOPMENT PROGRAMME (RADP)

This programme develops and provides strategic support to farmers and cooperatives (Department of Rural Development and Land Reform, 2019)

Functions of this programme includes:

- Develop and provide policies, procedures and systems for RADP
- Facilitate and liaise with stakeholders for the support of RADP
- Provide strategic support on land reform farms' value chain
- Ensure recapitalisation and development on acquired land with clusters

Recapitalization and Development focuses on human (capacity development), infrastructure development and operational inputs on properties in distress and newly acquired through the land reform redistribution, restitution and other programmes since 1994 as well as other agricultural properties in distress acquired without grant funding. The approach is to ensure that the enterprises are profitable and sustainable across the value chain in line with the Business Plan which stipulates comprehensive development requirements of targeted properties over 5-year recapitalization and development cycle (Department of Rural Development and Land Reform, 2019). Different projects are likely to require different development interventions which include addressing the basic needs for security of tenure, housing and infrastructure for farm workers, farm dwellers and labour tenants as prescribed by

the Extension of Security of Tenure Act and as per lease policy requirements to adhere to relevant labour legislation. These cases may require intense social facilitation and household profiling (Department of Rural Development and Land Reform, 2019).

18. REVISED TAXI RECAPITALISATION PROGRAMME (RTRP)

This programme is an intervention by government to bring about safe, effective, reliable, affordable and accessible taxi operations by introducing new taxi vehicles designed to undertake public transport functions (The South African Government, 2019). The Taxi Recapitalization SA has established sites in all nine provinces and these sites are open to receive applications for scrapping of old taxis. The revised aims to extend the scope of the original programme and encompasses the following additional elements:

- Extending the scope of this programme beyond the scrapping Old Taxi Vehicles (OTVs) to also include commercialization. Commercialisation includes the development of sustainable commercially viable Revised Taxi Recapitalisation Programme management solutions. This will be achieved by leveraging opportunities available in the minibus taxi industry's value chain to ensure that taxi operators are active and meaningful participants (The South African Government, 2019).
- To include an illegal operations and verification process as part of the programme. This is helping to determine of the extent of illegal taxi operations in the country through the population a comprehensive database of legitimate minibus taxi industry's operators and operations in the country (The South African Government, 2019).
- The programme also includes elements of change management and unity. Here, the Department of Transport intends to use the this programme as a catalyst for change to the taxi industry's operating model (The South African Government, 2019).

19. RURAL DEVELOPMENT AND LAND REFORM TRAINING

The skills development provided by DRDLR's National Youth Service Corps (NARYSEC) is in the areas of construction, agriculture, disaster mitigation, office management, basic administrative skills, project administration and enterprise development (Department of Rural Development and Land Reform, 2019). Construction in rural areas has been identified as an immediate focus area of skills development. The skills-development phase will be followed by the community-service phase, where the youth will apply their newly acquired skills in rural communities under the leadership/mentorship of the responsible department. The final phase or exit strategy of the Narysec will be linked to the maintenance and operations activities of local and district municipalities. The strategic outcomes of the programme in the long term are expected to be:

- A decline in the level of youth unemployment in rural areas
- An increase in literacy and skills
- An increase in disposable income of youth in rural areas as a result of employment and entrepreneurial opportunities
- Decreased dependence on transfers from family members working in urban areas.

- On conclusion of the four-year Narysec programme, the participants are in positions to be employed, or to contribute to the economies of their respective communities through building enterprises.

In its initial phase, it enlisted 7 958 young people between 18 and 35 years of age, with a minimum educational standard of Grade 10. They were drawn from rural wards across the country, including farms, small rural towns and some peri-urban areas (Department of Rural Development and Land Reform, 2019).

20. RURAL ENTERPRISE INDUSTRIAL DEVELOPMENT (REID)

REID aims to create an enabling institutional environment for vibrant and sustainable rural communities. The approach is based on social mobilisation of rural communities so that there can be ownership of rural development projects and programmes. The programme pursues job creation including investment strategies, like Agriparks, rural agricultural settlements and the River Valley Catalytic Programme.

21. S'HAMBA SONKE PROGRAMME

S'hamba Sonke (walking together) is a labour-intensive road-maintenance programme involving all provinces. The programme was launched by the Department of Transport in 2011 to address the backlog in road repairs. The programme, through the Provincial Roads Maintenance Grant, consists of three budget components. The largest enables provinces to expand their maintenance activities. The other components allow provinces to repair roads damaged by floods and cover the cost of rehabilitation work created by coal haulage activities in Mpumalanga and Gauteng. The DoT, through the Rural Roads Asset Management Systems grant, supports local government in improving the planning and budgeting of rural roads infrastructure. The grant funds the collection of accurate data on the condition and usage of rural roads in line with the Road Infrastructure Strategic Framework.

22. SMALL ENTERPRISE FINANCE AGENCY (SEFA)

Through SEFA, rural and township economies are able to access development finance. This institute offers easy access to finance in an efficient and sustainable way, to SMME's throughout South Africa. SEFA's focus is the financing needs of SMMEs and co-operatives and the agency is committed to providing them with the best service and expertise (Small Enterprise Finance Agency, 2020).

23. TECHNOLOGY FOR SUSTAINABLE LIVELIHOODS PROGRAMME

The Technology for Sustainable Livelihoods drives the implementation of the Department's Innovation for Local Economic Development (ILED) strategy. The strategy seeks to redefine LED policy and practice in the country by placing innovation at the centre of development to aid in increasing the prosperity of marginalised people. Accordingly, the ILED portfolio of programmes is specifically designed to achieve three key objectives:

- To catalyse community-owned local industries and production value chains through the exploitation of technology and other forms of innovation to support small enterprise development and job creation.
- To strengthen local systems of innovation, i.e. to increase local capabilities and capacities; enhance local knowledge exchanges and networks (comprising Living Labs, private sector innovation centres, innovative businesses, universities, TVET, community colleges etc.); and increase local science and innovation activities that can create solutions to address poverty and exclusion from economic opportunities.
- To support local government and LED actors and agents in fostering innovation-driven LED through capacity building, decision-support tools and knowledge products.

The key sub-programmes include:

- Local Agricultural Systems of Innovation and Production

Here agriculture and agro-processing in rural and peri-urban areas are supported. Sites are established in rural and peri-urban district municipalities to catalyse local value chains and clusters in essential oils, medicinal plants, and aquaculture. The aim here is to unlock the potential of local/priority value chains and clusters through the deployment of science, technology and innovation. Stakeholders along the innovation value chain within local systems are empowered to contribute to the development of priority local sectors through knowledge generation, technology transfer and innovation (SA Department of Science and Innovation, n.d.).

- Living Labs

The Living Labs programme is designed to increase the spatial footprint of innovation in South Africa through the establishment of community-based co-creation innovation labs and support programmes. The aim here is to enable the youth to become innovators and local stakeholders to co-create solutions specific to their contexts. These ICT-based facilities are set up in rural, peri-urban and township communities, with a bias towards rural communities (SA Department of Science and Innovation, n.d.)

- Local Innovation and Assessment Toolbox

The Local Innovation and Assessment Toolbox (LIAT) is an evolving set of tools designed to help district municipalities and other LED actors and agents to understand their local innovation landscapes. LIAT can be used to facilitate interactions among various innovation actors and partners (i.e. innovative businesses, knowledge organisations, government and the non-profit sector) to ensure inclusive, focused development and optimal use of local resources for locally-driven development that has desirable social, economic and environmental outcomes (SA Department of Science and Innovation, n.d.).

24. WORKING FOR ENERGY PROGRAMME

This programme aims to provide sustainable clean energy solutions to rural and low-income urban communities in the country. The programme seeks to use available technologies and

develop local skills to harness available renewable energy resources to produce useable energy for the benefit of low income communities (Sanedi, 2017). The programme also investigates various ways to derive renewable energy from various sources. The following some of rural areas and township interventions considered under the programme:

- Biogas to energy from agricultural waste
- Biofuels development and implementation for rural applications
- Mini-grid hybrid and smart grid systems fed from renewable based electricity supplies for rural and low-income areas' applications
- Mini-hydro systems and run of river schemes for off-grid applications
- Solar power (concentrated photo voltaic systems) for off grid for rural and low-income areas' applications
- Waste to energy from municipal solid waste or sewage treatment for off-grid and research and development
- Mini and micro wind energy generation for off grid rural and low-income areas' applications
- Alternative fuel sources for space heating, cooking and water heating in low cost housing.

The programme also encompasses energy saving initiatives using renewable materials of typical dwelling structures in informal settlements in the country. The programme assess new ways of regulating the ambient temperature to make dwellings as comfortable as possible. The programme places a special emphasis job creation, skills development and community enterprise development. The main target of this programme is the youth, women and people with disabilities in rural areas and low-income urban communities.

25. WORKING FOR WATER PROGRAMME

This programme aims to eradicate invasive alien vegetation to conserve water and the environment. The objective is to reduce the density of established, terrestrial, invasive alien plants, through labour intensive, mechanical and chemical control, by 22% per annum.

This programme works in partnership with local communities, to whom it provides jobs, and with Government departments including the Departments of Environmental Affairs and Tourism, Agriculture, and Trade and Industry, provincial departments of agriculture, conservation and environment, research foundations and private companies. Since its inception in 1995, the programme has cleared more than one million hectares of invasive alien plants providing jobs and training to approximately 20 000 people from among the most marginalized sectors of society per annum. Of these, 52% are women. The programme currently runs over 300 projects in all nine of South Africa's provinces. Scientists and field workers use a range of methods to control invasive alien plants. These include:

- Mechanical methods - felling, removing or burning invading alien plants.
- Chemical methods - using environmentally safe herbicides.

Social development is an integral part of Working for Water, affecting all operations of the programme. The Social Development thrust is aimed principally at poverty relief, but it also seeks to optimise benefits in general. The programme's targets are as follows:

- Create of jobs per annum, for previously unemployed individuals.
- Allocate 60% of these jobs to women.
- Allocate 20% of the jobs to youth (persons under the age of 23 years).
- Allocate 2% (minimum amount) of the jobs to disabled persons.
- Ensure every worker receives a minimum average of two days of training per month.
- Ensure every project has a functional steering committee.
- Ensure every worker receives an hour of HIV-AIDS awareness training per quarter.
- Ensure every project allows for access to childcare facilities
- Partnership with the PPASA

26. WORKING ON FIRE PROGRAMME (WOF)

This is a job creation programme focusing on implementing Integrated Fire Management. The programme recruits youth from marginalised communities, trains them in fire awareness and education, prevention and fire suppression skills and employs them as WOF participants. The programme currently employs nearly 5000 young men and women, stationed at 200 bases across the country. WOF has grown with just 850 veld and forest firefighters (SA Department of Environment, Forestry and Fisheries, n.d).

27. YOUTH JOBS IN WASTE PROGRAMME

This programme focuses on landfill operation and management, planning administration relating to waste collection and planning and undertaking waste awareness campaigns (SA Department of Environmental Affairs, 2019). The waste sector has been identified as one of the critical sectors with the potential to contribute substantially to the generation of jobs within the green economy. It is in this light that the department has expanded its programmes in job creation and enterprise development programmes in this sector. The programme aims to create job opportunities, on-the-job training, continuous up-skilling, as well as enterprise development for the youth. Jobs will be created by placing young people in municipalities as Landfill Site Assistants, Waste Collection Administrators and Environmental Awareness Educators. Further work opportunities will be created from the construction activities associated with the building or erection of landfill site offices, ablution facilities, as well as weigh pad platforms at landfill sites across the country. It is also expected that some of the young people recruited into the Programme will move on to further their environmental careers and young people in each of South Africa's nine provinces will benefit from this programme (SA Department of Environmental Affairs, 2019).

5.4. ASSESSMENT OF RURAL AND TOWNSHIP PROGRAMMES

Table 26: Rural and Township Programme Assessment

RURAL AND TOWNSHIP DEVELOPMENT THEMES:	RURAL AREAS	TOWNSHIP AREAS
1. ENSURING AN APPROPRIATE LEGAL AND REGULATORY FRAMEWORK	<ul style="list-style-type: none"> Community Work Programme – providing an employment safety net minimum number of days to get an income Operation Vula- procurement systems Rural Development Programme – provides a regulatory framework for rural development via SPLUMA. 	<ul style="list-style-type: none"> Community Work Programme- providing an employment safety net minimum number of days to get an income Operation Vula- procurement systems
2. PROMOTING MANUFACTURING AND PRODUCTIVE ACTIVITIES	<ul style="list-style-type: none"> Agri-park programme -agro-processing promotion 	
3. PROVISION OF ECONOMIC INFRASTRUCTURE AND SHARED FACILITIES FOR SMALL ENTERPRISE	<ul style="list-style-type: none"> Agri parks programme- FPSUs and shared facilities 	
4. ECONOMIC INFRASTRUCTURE SUPPORT AND CLUSTERED ENTERPRISE DEVELOPMENT	<ul style="list-style-type: none"> Agri parks programme Amakhosi rural local economic development programme - service provision Back to basics programme.- service provision Igula – provision of transport infrastructure improvements, socio economic infrastructure Infrastructure rehabilitation program Imizi Yesizwe programme LandCare programme- optimise productivity and the sustainability of agricultural natural resources by promoting community participation in sustainable land use and its management 	<ul style="list-style-type: none"> Back to basics programme - service provision in marginalised communities Igula -provision of transport infrastructure improvements, socio economic infrastructure Infrastructure rehabilitation program Imizi Yesizwe programme
5. PROMOTING ENTREPRENEURSHIP DEVELOPMENT	<ul style="list-style-type: none"> Agri parks programme Agricultural education and training programme – through upskilling people in agriculture Future Farmers Programme - offering training to youth, and apprenticeship programmes for farming. 	<ul style="list-style-type: none"> Operation Vula - government utilises its procurement system to encourage growth of historically marginalised entrepreneurs. Red tape reduction programme – encouraging

	<ul style="list-style-type: none"> Multi-Planting Season (Phez'komkhono) Programme- assists farmers in the province plant crops thus encouraging enterprise development Operation Vula - government utilises its procurement system to encourage growth of historically marginalised entrepreneurs. RASET - assisting growth with small scale farming enterprises.) Red tape reduction programme – encouraging enterprise development through the reduction of red tape 	enterprise development through the reduction of red tape
6. FINANCING AND INVESTING IN THE TOWNSHIP ECONOMY		
7. ENSURING ACCESS TO MARKETS	<ul style="list-style-type: none"> Corridor development programme – closing the gap between markets, integrating marginalised communities RASET-guaranteeing access to markets Small town rehabilitation programme – this programme aims to promote and attract investment in small towns (which sometimes incorporates/encompasses rural areas) which can promote access to markets for enterprises in these areas. 	<ul style="list-style-type: none"> Corridor development programme - closing the gap between markets, integrating marginalised communities RASET-guaranteeing access to markets Small town rehabilitation programme – this programme aims to promote and attract investment in small towns/township which sometimes incorporates/encompasses township areas) areas which can promote access to markets for enterprises in these areas.
8. PROMOTION OF INNOVATION AND INDIGENOUS KNOWLEDGE SYSTEMS	<ul style="list-style-type: none"> Future farmers Programme- innovation programme for youth to expand global understanding of agricultural practices. School Nutrition Programme – this programme aims to enhance the learning capacity of learners through the provision of a healthy meal at schools thus could indirectly lead to enhanced innovation in rural areas 	<ul style="list-style-type: none"> Future farmers programme innovation programme for youth to expand global understanding of agricultural practices. School Nutrition Programme – this programme aims to enhance the learning capacity of learners through the provision of a healthy meal at schools thus could indirectly lead to enhanced innovation in rural areas

5.5. RURAL AND TOWNSHIP PROJECTS

Various projects which are currently being implemented across the KZN province have also been identified as being pivotal in the development of rural and township economies. The below list, which is still being populated as part of the on-going stakeholder engagements, illustrates some of these projects:

Project Name	Location	district	category
Madzikane Farms	Nokweja	Harry Gwala	Citrus
Aphamile Agri Enterprise	Weneen	uThukhela	Vegetables
Ungqo Products Pty (Ltd)			Beauty and wellness
M.Family Trust	uLundi	Zululand	Beef and abattoir
TKZ Trading Enterprise	Greytown	uMzinyathi	vegetables
Phesheya Farm	Camperdown	uMgungundlovu	Herbs and vegetables
BBS Project	Kokstad	Harry Gwala	vegetables
Kmd Essential oils	Ezingolweni	Ugu	Essential oils
Amashitshi oapa coop Cooperative	Stanger	iLembe	Broiler poultry
New Generation seedlings	Camperdown	uMgungundlovu	vegetables
Mpoma Milling	Nongoma	Zululand	Milling
Izibusiso			Bananas

5.6. CONCLUSION

This section of the report outlines the current supply of financial and non-financial support in the form of government programmes to rural and township economies. Both national and provincial programmes that are most relevant to rural and township economies were discussed in this section. Provincial government programmes that may be relevant and accessed to assist in the implementation of the STRS include but are not limited to

Operation Vula is being realised through revitalisation of township and rural economies, Public Procurement, Radical Agrarian Socio-Economic Transformation (RASET) and Black Industrialist programmes. The RIDP program was to stimulate productivity through innovation support.

Programmes such as the Special Programme for Industrial Innovation and the Technology and Human Resources for Industry Programme were introduced. Tax incentives were offered and a number of other initiatives such as funding, mentorship and support through the DTI and its agencies. National government financial and non-financial economic support programmes for rural and township economies are also extensive.

In rural areas and townships KwaZulu-Natal, as in the rest of South Africa, the eradication of poverty and provision of services has become a major political, social and moral imperative. The challenge is complex, and poverty is often both a cause and outcome of ill health, food insecurity and other contributing factors. For example, on the one hand poverty creates ill health by forcing people to live in over-crowded conditions with limited access to safe water and sanitation. On the other hand, when people are ill, they are unable to work and access the medicine they need, they have to forego other essential needs and ultimately they lose their income. Once trapped in poverty, households struggle to escape without the assistance and support from others. The presence of women and youth emerging entrepreneurs. The responsibility as government is to work and ensure an ongoing mentorship and ensuring access to market opportunities of women and youth as well as encouraging banking institutions to make finances available.

For nearly twenty-five years, our Province has travelled a long road in our quest to ensure that the freedom that we attained in 1994 is translated and felt even in the economic arena. However, there are still major challenges in the transformation of the economy in the Province. One of them is the practice by some companies and individuals that dump their black partners once the contract has been secured and not paying them even 30% of sub-contracting which is an important requirement for the PPPFA Regulations. Operation Vula is centred on strengthening local economies and reorienting them to become effective centres of production, information processing and spatial development.

As part of this initiative it is important to prolong money circulation in townships and rural areas by plucking money leakages thus forcing money to exchange more hands before it leaves the community. This will be achieved by increasing the local provision of a variety of services to local community by local enterprises. It is for this reason that Government will support and promote local economic development and local small-scale industries.

Operation Vula is being realised through revitalisation of township and rural economies, Public Procurement, Radical Agrarian Socio-Economic Transformation (RASET) and Black Industrialist programmes. To support local traders, yesterday we successfully launched the Bulk Buying and Warehousing programme at Mandeni.

SECTION 6: RURAL AND TOWNSHIP ECONOMIES NEEDS ASSESSMENT

6.1. NATIONAL OVERVIEW OF RURAL AND TOWNSHIP NEEDS

After a detailed analysis of the interventions, programmes and projects which are currently being implemented for the improvement of rural and township economies, this section aims to draw out what areas which require further investigation for the revitalisation of rural and township economies. This is achieved through identifying the gaps between what interventions exist and what interventions are necessary to ensure the successful revitalisation of rural and township economies.

Nationally, the challenges and economic gaps experienced in rural and township economies are similar in nature and this is largely due to the sad past of the South African economy. In recent years, government has been giving great attention to these economies because of the persistence of concentrated poverty and the lack of economic transformation in these economies since democracy.

During October 2018, President Ramaphosa accompanied investors to the country's most famous township, Soweto, to pledge government support for township enterprises, thereby affirming recent government commitments to transform "rural and township economies". In his Economic Stimulus and Recovery Plan, the President boldly announced a reprioritization of R50 billion in government spending towards the rural and township economies. He also promised to set up a township and rural entrepreneurship fund to expand existing projects and support new initiatives (EWN 2018). The box below highlights some common challenges experienced by rural and township economies across South Africa.

Gaps in Rural and Township Economies

- Land in townships is scarce
- Lack of infrastructure, access to suppliers and modern distribution networks in rural and township economies.
- The low-income and shallow local market supports mainly smaller enterprises and a limited number of large shopping centres.
- Rural and township areas have low levels of skills and education among community members.
- Inefficiencies increase in relation to rural and township locations and the distance from the economic opportunities.
- The lack of training and business information.
- Access to finance for the marketing of establishments and the upgrading of premises.
- Unfair competition from established firms
- Restricted access to external markets
- High levels of financial leakage and poor resource retention
- Limited entrepreneurial traditions, business capabilities and vocational skills
- Inadequate public facilities and social amenities (hospitals, schools, colleges, libraries, etc.)

- Unsupportive economic institutions and governance arrangements which results in enforced informality.

6.2. EXTRACTS FROM EDTEA MARCH 2020 STUDY

KZN's Department of Economic Development, Tourism and Environmental Affairs (EDTEA) completed a study in March 2020 which specifically looks at the needs for revitalisation of rural and township economies across the province. This study is therefore used as the base for the needs assessment of rural and township economies in KZN. Further research and consultations are also carried out with relevant stakeholders through surveys and interviews to ensure that all important matters are captured in this study.

The process of assessing needs across rural and township economies is aligned with the seven dimensions discussed in previous sections namely;

- Appropriate Legal and Regulatory Framework
- Production and Services Activities
- Enterprise Development and Economic Infrastructure Support
- Entrepreneurship Development
- Financial Support and Investment Promotion
- Initiatives for Access to Markets
- Innovation and Technological Advancement

6.2.1. ENSURING AN APPROPRIATE LEGAL AND REGULATORY FRAMEWORK

The current regulatory framework and administrative processes are in many ways unsupportive and inappropriate for township and rural enterprises, which results in “enforced informality” (Charman et al. 2013). In other words, the framework pushes the already vulnerable entrepreneurs into operating under the unregulated economy without formal safeguards. Further, it results in an uneven enforcement of practices by government. This creates an environment of uncertainty, ambiguity, and extra-legal social regulations, which poses higher risks and is not conducive to long-term investment to develop rural and township enterprises and places. Entrepreneurs struggle to access credit and are vulnerable to unfair or illegal lending practices which charge excessive rates of repayment. There are three broad challenges of the current governance framework:

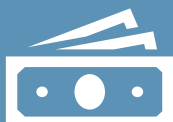
Norms and Standards



South African norms and standards are focused on high-income enterprises and not adapted to the distinctive needs and circumstances of rural and township economies. These regulations favour larger businesses with the economic power to negotiate exclusive access to specially zoned land and business parks in and around some of the townships. Due to limited access to financial capital, rural and township entrepreneurs tend to rely on low-cost building materials such as corrugated iron and zinc sheets as well as old shipping containers. Since most of these materials do not comply with official building and zoning

regulations, these enterprises are excluded from regulations and cannot gain access to formal spaces such as shopping malls.

**Compliance
Procedure
Costs**



The cost element plays a critical role when it comes to the decision of whether an enterprise should comply with formalisation procedures (business laws and regulations) or remain informal. Small rural and township enterprises are disproportionately burdened by onerous administrative procedures because they do not have the dedicated capacity of larger firms to deal with the red tape. Entrepreneurs operating in these rural and township economies often lack the understanding of dealing with complex regulatory requirements and many lack the technical systems to submit documents effectively and timeously.

**Enforcement
Matters**



The inconsistent enforcement of regulations leads to uncertainties which in turn will discourage the flow of investment into the rural and township economy development. Without clearly defined enforcement measures, rural and township entrepreneurs might decide to operate informally as a way of avoiding tax burdens and/or compliance with labour conditions for their employees. Some of these enterprises find it more profitable to engage in the trade of illicit goods and services as the consequences of being involved in these are not clearly defined.

6.2.2. ENTERPRISE DEVELOPMENT AND ECONOMIC INFRASTRUCTURE SUPPORT

Poor infrastructure and capacity are one of the main reasons behind the failing township and rural enterprises which results in high levels of outmigration. Reliable access to water, electricity, communication services, as well as affordable and safe public transport is extremely important for stimulating business growth; therefore, lack of crucial infrastructure is another challenge that hinders the development of rural and township enterprises (Van Vuuren, 2019). Many business owners in townships operate their businesses from their homes; where crucial infrastructure and services such as electricity, a reliable telephone system, and Asymmetric Digital Subscriber Line (ADSL) might not be limited in availability. Lack of safe and affordable public transport is also a major challenge because business owners have to travel outside their respective rural and township area for them to make bulk purchases, since there are no wholesalers within most of these areas (Agupusi, 2007).

6.2.3. ENTREPRENEURSHIP DEVELOPMENT

Entrepreneurial education plays a pivotal role in stimulating entrepreneurship and self-employment. Studies show that entrepreneurial education strengthens one's ability to create wealth and produces champions of innovation as well as self-sufficient individuals (Maziriri & Madinga, 2016).

A significant number of businesses operating within townships are set up by individuals looking to find an alternative to unemployment; who often lack basic business skills. Business owners in townships still have a long way to go as some do not keep financial records nor do they have a bank account (Ntema & Marais, 2012). Most small and informal businesses in South Africa are not set up to innovate, but to provide an alternative income (Van Vuuren, 2019); however, Maziriri and Madinga (2016) believe that South Africa does not lack innovation, but lacks business education and entrepreneurial skills that have the ability to empower individuals. Furthermore, the gap in entrepreneurial training indicates that South Africa's education system does not promote entrepreneurship as a career – entrepreneurship is only seen as an option one takes up when they cannot secure employment.

6.2.4. FINANCIAL SUPPORT AND INVESTMENT PROMOTION

A majority of small businesses in rural and township areas usually do not have access to the necessary financial tools to advance their business ideas and do not have a strong enough credit rating to qualify for funding. The culture of conservatism among banks in South Africa is dominant because banks and other lenders are resistant to lending to start-ups since this is viewed as a risky investment (Van Vuuren, 2019). Running a business that has no finances or no proper knowledge of managing finances is very difficult and lack of proper financing delays the growth of small businesses (Mbonyane & Ladzani, 2011).

Poor financial skills/knowledge is one of the many reasons why business owners in townships often experience difficulties in their pursuit of funding. A great majority of business owners in townships are often at a disadvantage because they have a poor understanding of financial jargon and lack of understanding of credit processes as well as the role of credit bureaus. In the face of resources made available by private and public development finance institutions; only a few business owners know about such institutions, the products they offer, and how to access these products (Makana, Kubaison & Njati, 2014).

Lack of access to capital is the main barrier to business innovation and success in townships. Small business owners usually do not have the capital to fund their business ideas and do not have a strong enough credit rating to qualify for funding. The culture of conservatism among banks in South Africa is dominant because banks and other lenders are resistant to lending to start-ups since this is viewed as a risky investment (Van Vuuren, 2019). Running a business that has no finances or no proper knowledge of managing finances is very difficult and lack of proper financing delays the growth of small businesses (Mbonyane & Ladzani, 2011).

Due to the nature of most rural and township businesses (i.e. businesses for survival), most of these entrepreneurs lack collateral and a good credit history which would improve their chances of receiving financial support (Financial Services Regulatory Task Group, 2007). South African entrepreneurs looking to finance their business ventures through traditional lending routes will often be frustrated and discouraged. Application and approval processes usually

undergo long delays and lenders expect applicants to provide good credit and collateral. Even with all this in line, small businesses aren't necessarily guaranteed loans.

6.2.5. INITIATIVES FOR ACCESS TO MARKETS

Rural and township enterprises struggle to access markets due to lack of information about the different ways to promote or market their businesses, and this in turn limits their growth prospects. Limited access to markets is also one of the major challenges faced by entrepreneurs and small businesses in rural and township areas. According to Heather Lowe, head of enterprise development at FNB Business, limited market access is one of the fundamental barriers to South Africa's attempts to boost small and medium enterprises (SME). Lowe, emphasized that, South Africa must find ways to help SMEs gain access to various markets and go beyond just providing funding and early-stage mentorship. Ensuring access to markets is about the use of government procurement as an instrument to support the growth or creation of township businesses as well as the potential role of community markets and clusters in deepening linkages between producers and sellers within and outside of the township economy (Kubone, 2018). This, therefore, addresses the ability of township businesses to obtain improved access to government and corporate markets through revised procurement procedures. This in turn would generate a higher level of local content within the township economy and stronger linkages with mainstream markets.

Entrepreneurs from townships suffer from the effects of a lack of effective networks, the presence of sustainable networks enables them to make the contacts which benefit businesses. The same applies to bulk purchasing, which can be done if owners know how to network and to act collectively in order to make combined bulk purchases. Moreover, the effective business networks are tremendously beneficial, entrepreneurs benefit from the contributions made by reliable counterparts and by the distributors of goods and services, of which it makes a positive contribution to the growth and development of businesses.

6.2.6. ACCESS TO FUNDING

A great majority of business owners in townships are often at a disadvantage because they have a poor understanding of financial jargon and lack of understanding of credit processes as well as the role of credit bureaus. In the face of resources made available by private and public development finance institutions; only a few business owners know about such institutions, the products they offer, and how to access these products (Makena, Kubaison & Njati, 2014). Lack of access to capital is the main barrier to business innovation and success in townships

Small business owners usually do not have the capital to fund their business ideas and do not have a strong enough credit rating to qualify for funding. The culture of conservatism among banks in South Africa is dominant because banks and other lenders are resistant to lending to start-ups since this is viewed as a risky investment (Van Vuuren, 2019). Running a business that

has no finances or no proper knowledge of managing finances is very difficult and lack of proper financing delays the growth of small businesses (Mbonyane & Ladzani, 2011). Poor entrepreneurial education is one of the many reasons why business owners in townships often experience difficulties in their pursuit of funding.

Amongst the top reasons for small business owners' failure to expand and create more employment is the lack of access to finance as a result of a lack of collateral, poor or non-existent credit history and poorly put together business plans (Financial Services Regulatory Task Group, 2007). South African entrepreneurs looking to finance their business ventures through traditional lending routes will often be frustrated and discouraged. Application and approval processes usually undergo long delays and lenders expect applicants to provide good credit and collateral. Even with all this in line, small businesses aren't necessarily guaranteed loans.

6.2.7. OTHER

Security

The growth and success of small businesses such as spaza shops, is extremely affected by the high rates of crime faced by South African markets. Most of crimes occur in South African townships, where small businesses such as spaza shops and restaurants are victims of organised crime. In the townships, the high unemployment rate and poverty are the main drivers of robbery, murder and related types of crimes. The robbers are able to take advantages because of the lack of security on the premises, the enterprises that experience much of these crimes are spaza shops, they become the main targets since customers buy on cash basis. Crimes such as robberies, break-ins, and vandalism hinder the development of small businesses in townships. Costs incurred by the owners of businesses which fall victim to such crimes include improving security and repairs to damaged property (Mbonyane & Ladzani, 2011). According to Ntema and Marais (2012), business owners in certain townships no longer buy in bulk because once the criminals see a truck offloading stock; there will be a break-in that evening and all the stock will be taken. Another effect of crime is felt through the withdrawal of service providers who avoid areas that have high crime rates – this makes the cost of doing business very high (Agupusi, 2007). The lack of proper strict regulations for the establishment of places such as taverns is also a contributor to the high levels of crime and other social ills. This discourages investment into townships.

Shopping Malls

The mushrooming of shopping malls in the townships has seemingly resulted in the decline in township businesses' share, especially retailers. Smaller businesses find themselves disadvantaged owing to rental practices that favour large operators. While shopping centres may offer price and convenience advantages to local consumers, they are stifling much-needed entrepreneurship and, as a result, South Africa's growth and employment ambitions.

6.2.8. SECTORAL CHALLENGES

The challenges identified in rural and township areas can also be broken down per sector as is the case in the table below.

Table 27: Sectoral Challenges

Sector	Identified Challenge
Agriculture	Agriculture is unlikely to be a significant driver of economic growth in townships due to the number of constraints that affect growth in this sector. The scarcity of land, high competition among the citizens and the lack of skills are the main factors that limit growth in this sector. It is important that subsistence farming and small-scale commercial farming be promoted in rural areas.
Automotive	Lack of access to funding, poor business management skills, lack of proper infrastructure and poor entrepreneurial skills are some of the challenges hindering the growth of small automotive businesses in townships. There is need for townships to participate in the automotive value chains. The development of the automotive supplier park in Durban will go a long way in promoting automotive value chain development in the province.
Community Services	South African government has provided initiatives to support such services in the country. However, in rural and township areas there are few centres that have received facilities to ensure that the people in the community get the necessary services. Poor infrastructure in these areas contributes to having lack of community services.
Construction	In general, this sector is often challenged by poor economic growth and low infrastructure spending. The great majority of rural and township residents are still not accustomed to saving. Hence, rural and township entrepreneurs in this sector offer products that many want but cannot afford.
Finance	There are few businesses in rural and township areas that are under the finance sector; hence, the sector is not recognised as a significant driver




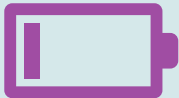
Sector	Identified Challenge
	of the growth in the rural and township economies.
Gastronomy	The popularity of food markets in rural and township areas has spread like wildfire, with many entrepreneurs launching their own cookouts/food.
Manufacturing	The formal manufacturing sector is an important source of employment for rural and township residents and a slowdown in the performance of the country's manufacturing sector affects the job security of many residents in these communities. In contrast, manufacturing occurs on a small scale in rural and township economies due to poor location and infrastructure. Manufacturing that takes place within these areas is often home-based, serves the local market and includes activities such as sewing; baking; furniture manufacturing and many more.
Retail Trade	The development of shopping centres in South African rural and township economies has increased significantly over the past 15 years. These developments have an impact on conventional retail businesses in rural and township economies. Retail businesses operating in these areas tend to supply to surrounding communities and they are extremely sensitive to changes in exogenous demand.
Transport	Taxis and buses play a crucial role in the success of other activities and sectors in operating in rural and township economies. The flow of transportation is unidirectional, and this shows a very high inefficient system for example public transport is usually full in when it goes to one direction and return empty, this is one of the issues that inhibits growth in this sector. Most rural and township communities have poor transport infrastructure.





The above table provides a brief illustration of some of the leading sectors across KZN's rural and township economies. From the discussion, it can be established that there are sectors, such as transportation, which are a major contributor to the development of other sectors, and this also indirectly illustrates that people residing in these communities have little access to private use cars. Other sectors such as agriculture have a better success rate in rural areas than in townships due to factors such as overcrowding and scarce availability of farming land.

6.3. STAKEHOLDER SURVEY RESULTS

Surveys, via the Survey Monkey Platform, were emailed to over 1400 stakeholders in an attempt to try and obtain a comprehensive understanding of the characteristics, challenges and interventions relating to rural and township economies. The number of respondents who completed the survey is 58 individuals, which represents a 4% response rate for this survey.

Table 28: Summary findings of the survey are captured in the table below:

Question	Common Response
<p>1. what are the main characteristics of the rural areas of KZN?</p> 	<p>1.1. Lack of well-maintained economic infrastructure</p> <p>1.2. High level of unemployment among women and youth</p> <p>1.3. Low economic activity</p> <p>1.4. Lack of land ownership</p> <p>1.5. Dependence on Social grants</p>
<p>2. what are the main characteristics of the townships of KZN?</p> 	<p>2.1. Poor infrastructure maintenance</p> <p>2.2. High level of unemployment</p> <p>2.3. Densely populated communities</p> <p>2.4. Informal enterprises</p> <p>2.5. Low levels of crime</p>
<p>3. what are the main economic needs or challenges experienced in the rural areas in KZN?</p> 	<p>3.1. Road infrastructure</p> <p>3.2. Lack of agricultural assistance</p> <p>3.3. SMME training programmes</p> <p>3.4. Lack of financial assistance for start-up enterprises</p> <p>3.5. Basic land use guidelines are lacking</p>
<p>4. what are the main economic needs or challenges experienced in the township areas in KZN?</p> 	<p>4.1. Non-Functional Public Facilities</p> <p>4.2. Lack of SMME training programmes</p> <p>4.3. Support Facilities for SMMEs such as Incubator are lacking</p> <p>4.4. Market linkages and procurement support are not well facilitated</p> <p>4.5. Assistance with enterprise compliance is absent.</p>
<p>5. What are the most important actions, projects or programmes that should</p>	<p>5.1. Transformation of the Ingonyama Trust Board (ITB)</p>

Question	Common Response	
<p>be undertaken in the rural areas to revitalize the economies of those areas?</p> 	5.2.	Improved access to relevant enterprise development information
	5.3.	Support for small scale farmers
	5.4.	Encourage large entities, both public and private to procure from local suppliers
	5.5.	Maintain a database of local suppliers at LED Offices
<p>6. What are the most important actions, projects or programmes that should be undertaken in the township areas to revitalise the economies of those areas?</p> 	6.1.	Training which prioritises black youth owned, and women owned businesses
	6.2.	Facilitate workshops to educate SMMEs on available support initiatives
	6.3.	Encourage large entities, both public and private to procure from local suppliers
	6.4.	Main a database of local suppliers at LED Offices
	6.5.	Encourage large industries operating close to partnerships to create job opportunities for youth
<p>7. Which government economic programmes or projects are you aware of that are already being implemented in the rural areas?</p> 	7.1.	RASET
	7.2.	EPWP and CWP
	7.3.	Small towns rehabilitation programme
	7.4.	FPSUs by DALRRD
	7.5.	Schools nutrition programme
<p>8. Which government economic programmes or projects are you aware of that are already being implemented in the township areas?</p> 	8.1.	Black Industrialist Programme
	8.2.	EPWP
	8.3.	Schools nutrition programme
	8.4.	Bulk buying programme
	8.5.	Business Support Services

After three decades of democracy, there appears to be very little change in the economic features that define rural and township areas. These areas are still facing high levels of unemployment, lack of adequate service delivery, poor economic infrastructure, and high

levels informal small enterprises. Despite the development of many plans and strategies, there has been very little improvement in the economic standing of these communities. Strategies to be suggested in this rural and townships economies revitalisation strategy will aim to encourage for the implementation of feasible interventions which are informed by successes experienced in other regions, as discussed in the case studies section, and the above results from various stakeholders who participated in the survey.

6.4. CONCLUSIONS

From the analysis of the rural and township needs identified in this section the following conclusions are reached:

1. The provincial government and other relevant organisations should create an environment that is conducive to the rural and township business and entrepreneurial developments. An environment that provides business owners with easy access to support programmes such as sectorial incubators, business hubs, industrial parks, business parks, training and learning centres, public-private partnerships programmes, and collaboration with government agencies, that focuses on the expansion of training and workplace programmes in rural and township areas that promotes entrepreneurship development.
2. There is need for the simplification of regulations for rural and township enterprises in relation to licensing, permits or registration of the business enterprises, do away with bureaucracy and red tapes which are not cost effective in promoting township entrepreneurship. Businesses with a registered legal status can be regulated, guided, and can operate under legal framework applicable to small businesses as stipulated under provincial business laws. This will benefit the businesses as they will have access to information from government, government agencies, and other institutions that will support, grow, and sustain their businesses.
3. There is need for the establishment of partnerships with organisations that provide training and mentorships for small businesses in rural and township areas. More campaigns and seminars targeted at financial training for entrepreneurs, with full range of financial tools, should be made available and easily accessible to entrepreneurs in rural and township areas.
4. Support programmes should be set-up and these should focus on addressing the difficulties experienced by rural and township businesses in accessing external finance, either through a bank or any other financial institutions.
5. Liquidity problems and awareness or access to business support on factors that entrepreneurs are currently facing in their running businesses, financial management training is required as it was evident from this research. Financial education and training will provide entrepreneurs with knowledge with liquidity problems. Managerial challenges are often associated with the lack of skills by the entrepreneur to operate a business venture.

SECTION 7: THE THEORY OF CHANGE ANALYSIS RELEVANT TO THE RURAL AND TOWNSHIP ECONOMIES

7.1 PURPOSE OF THE THEORY OF CHANGE (TOC)

The concept of "The Theory of Change" is a technique which demonstrates how an intervention contributes to the intended outcomes. When performing evaluations, this technique is used widely to determine the pathways through which an intervention contributes to outcomes. These theories are built on evidence, research or an intuitive understanding of how a programme works. When properly applied, a theory of change becomes a guideline for ways in which interventions can be better implemented to ensure maximum benefits in the form of outcomes (DPME, 2020))

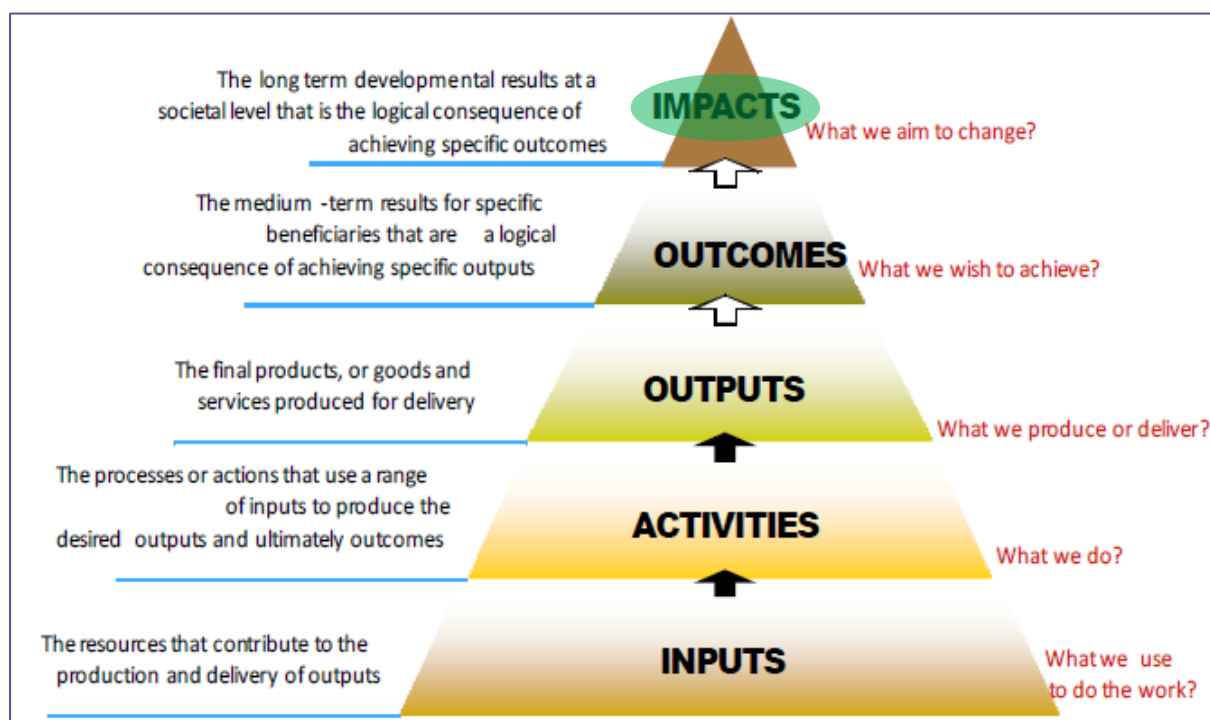
In the Rural and Townships Economies Revitalisation Strategy Report, the technique of a theory of change will be developed to illustrate some the gaps identified during the consultations and analysis of available resources relevant to this project. A number of high-level assumptions are also used as illustrated in the block titled "key assumptions" below.

The rural and township economies revitalisation strategy takes as its starting point the identified problem that despite many years of providing comprehensive support to small business through government institutions and programmes, key gaps remain with respect to:

- a) the scope and quality of support availed to rural and township enterprises.
- b) the integration of support provided by various government departments and institutions; and
- c) the lack of effective partnerships, especially with non-government stakeholders.

For an in-depth assessment/evaluation, the theory of change will then be broken down into four components, namely; inputs, activities, outputs and outcomes. These components can be seen as the steppingstones which lead to the impacts (the desired aim).

Figure 22: Components of the Theory of Change



Source: INSP: 2005

Inputs

Key inputs that need to be in place include national planning and policy frameworks as well as public and private sector support institutions. At the level of inputs, the strategy will aim to mobilise funding, human resources, infrastructure and equipment as well as partnerships in a range of activities across government.

Activities

The generic activities to be illustrated in the theory of change include research, information and communication; legislative and regulatory interventions; business development services and training; the provision of financing; infrastructure development and inter-governmental coordination. These activities occur across a number of government programmes and institutions.

Outputs

With respect to outputs, these comprise the core strategic programmes as envisaged in the rural and township economies revitalisation strategy (RTERS). Importantly these are not

programmes in the strict sense undertaken in a single department etc., but rather a set of strategic intentions that are aligned to specific objectives.

Outcomes

The theory of change therefore envisages that the achievement of the strategic outputs will result in key outcomes which are inter-related and mutually reinforcing. If achieved, the outcomes will result in faster enterprise creation, higher survival rates and growth and expansion of such enterprises in respect of markets, employment and contribution to GDP as their competitiveness, productivity and capability is enhanced through business development, technical and financial support within a regulatory and broader enterprise system that is enabling and supportive of small enterprises. The long-term outcome of the aggregate growth and development of small enterprises is the increased contribution by these enterprises to economic growth, job creation and inclusion.

Key Assumptions

Underlying the theory of change is a number of key assumptions:

- At the inputs level the key assumptions are that the necessary financial and human resources, infrastructure, planning and policy frameworks as well public and private sector support institutions are available and /or effective. The strategy importantly assumes that much of this is in place (for instance the operations and effectiveness of institutions such as SEDA), and forms a key starting point.
- At the activity level a critical assumption is that inter-governmental systems are in place and function. Better and more effective coordination of activities and outputs across government (line departments and the three spheres) is critical. However, such improved integration, alignment and coordination can only occur if the necessary system to do so is operational and effective.
- In respect of strategic outputs the rural and township economies revitalisation strategy assumes that public sector programmes are effective (especially with respect to procurement related activities), that the private sector is willing and able to participate in the strategy and that appropriately designed incentives are sufficient to drive changed behaviour at SMME level.
- The overall outcomes are heavily dependent on the broader macroeconomic environment that is conducive to investment and economic growth.

Annexure B of this report provides a more detail discussion of the change theory elements as identified in the situational analysis research phase.

SECTION 8: CONCLUSION

South African Rural and Township economies are complex and diverse as they may comprise of commercial farmers, subsistence farmers, manufacturing and various service offerings aimed at serving needs of the local market. Rural areas are home to people attracted by a rural lifestyle and lower land and housing prices willing to commute to cities for employment and for cultural reasons. On the other hand, townships are mostly characterized by low levels of community facilities and commercial investment, high unemployment, low household incomes and poverty. Townships are often overpopulated whereas rural areas are the least populated across the South African settlement types. Although rural towns are considered potential growth points for development, the perception is that rural areas and rural towns have been neglected when compared with urban and metropolitan areas in KZN.



From the analysed policy, strategy and research documents it can be established that rural and township economies have not experienced noticeable economic development over the past three decades. South Africa's rural and township economies are still categorised by high levels of poverty and unemployment. Local and international case studies have also been used for benchmarking purposed as these will contribute towards the strategy formulation phase. A number of strategy and policy documents have been developed over the years, however, the implementation of some suggested interventions has been lagging which has resulted in very little change in the economic conditions of rural and township enterprises. The following are key findings of the situational analysis report:



- High level of informal businesses in rural and township economies limits these enterprises from benefiting out of available government legalities which are designed to protect these enterprises.
- With informal enterprises, the South African government experiences difficulties when attempting to address challenges faced by these enterprises as their records are not well captured and cannot be verifiable.
- Government has over the years tried to introduce various legislative initiatives in an attempt to try and encourage informal enterprise owners to formalise their businesses.
- The current regulatory framework has been designed with formal enterprises in mind and might not be very accommodating to informal rural and township enterprise establishments.
- Small enterprises experience barriers to entry into mainstream economy.
- Government is not meeting its target of purchasing a significant portion of its supplies from local manufacturing entities operating in rural and township areas.
- There is lack of support with adequate economic infrastructure dedicated to small enterprises.
- Cooperation between rural and township economies is lacking. Getting this right could improve their chances of being competitive in the mainstream economy.
- The establishment partnerships between private and public institutions is important for the success of clustered enterprises.

- Infrastructure support for street-level nodes has been prioritised in a number of government policies and strategies, however, the implementation of these has been slow.
- Market failure - demand and supply are failing small scale information sector enterprises; leakages of buying power; larger businesses are from the "outside"; pricing and cost of getting quality products in the townships.
- Regulation: A significant factor in townships, and in the rural areas relates mainly to land access and availability; cost and ease of business establishment
- There are many government interventionists programmes and projects that have a direct role to play in the revitalization of the two economies
- Little change in the economic and socio-economic position of most of the rural and township population. Evidence suggest that the economic welfare of the rural population has declined.
- There is little coordination to the rural and township areas. This despite the PGDS/P; PSDF and PSEDF, the IDPs, LEDs and local SDFs.
- Entrepreneurship interventions are more focused on job creation and poverty alleviation with few focused on encouraging innovation in small enterprises.
- Government interventions aim to provide small enterprises with direct assistance instead of creating an enabling business environment.
- Access to financial support for rural and township enterprises is still a major concern in limiting enterprise growth.
- Strengthening access to cooperative finance for rural and township enterprises is key to promoting the growth of enterprises.
- As per the South Africa constitution, organs of state are permitted to implement a preferential procurement policy that advances persons previously disadvantaged by unfair discrimination.
- The KZN government has a number of interventions aimed at assisting rural and township enterprises in gaining access to the mainstream economy (these include planned industrial parks, SMME hubs and training manufacturing programmes).
- The Department of Science and Technology prioritises support for innovation systems which are inclusive and focusing on small enterprises in rural and township economies.

The following Strengths, Weaknesses, Opportunities and Threats table provides a summary of the main characteristics of the rural and townships economies.

RURAL AND TOWNSHIP ECONOMIES SWOT ANALYSIS

Internal Factors	
 Strengths	 Weaknesses
<ul style="list-style-type: none"> • Large working age population • Growing population 	<ul style="list-style-type: none"> • Cost of accessing basic service is high • Topography – inaccessibility

<ul style="list-style-type: none"> • The existence of small businesses creates employment opportunities for the unemployed. • Land availability, especially in rural areas. • Residents are readily available for new employment opportunities, within and outside rural and township areas • Potential engines for economic development • Vast expanses of arable land in rural areas • An abundance of natural beauty and resources in rural areas 	<ul style="list-style-type: none"> • Distances from urban nodes and transport routes for rural areas • high unemployment and poverty • low-income base • lack of linkages and transport routes for rural areas • Location of townships outside economic nodes – spatial disconnection and fragmentation • Legacy challenges • High levels of crime and social unrest/protests/xenophobic attacks etc – destabilizing effect • Limited labour absorptive capacity of rural and township markets • Majority of business owners lack basic skills and knowledge of how to operate a business. • Majority of businesses are not registered, hence, cannot qualify for government funding. • Businesses have poor or no marketing strategies. • Lack of crucial economic infrastructure. • Rural and township areas are often poorly marketed and are a limited priority for investment. • High transport costs incurred when purchasing business supplies
External Factors	
 Opportunities	 Threats
<ul style="list-style-type: none"> • Urbanisation moving urban nodes towards/closer to townships – increased opportunities closer to townships • Rural and Township Tourism potential • Green economy – the production of goods from recycled content • Blue Economy • Knowledge/Technology Economy • Agro-processing – the production of food from the produce of their backyard gardens 	<ul style="list-style-type: none"> • Limited employment opportunities, • Under-utilisation of local resources, • Decrease in agricultural activities in rural areas, • Decay in maintenance of infrastructure, • Lack of community facilities, • A lack of spatial and land use planning • Skewed resource allocation • Urbanisation for rural areas • Lack of research and reliable data on rural and township areas

<ul style="list-style-type: none"> • Reconstruction of shacks into safer communal houses by local enterprises • There is a growing interest from government in revitalising the rural township economy. • Rural and township economies have room for growth. • Opening merchants/wholesalers within rural and township settlements will reduce costs incurred when transporting business supplies from the place of production to the point of consumption • Business owners can make use of development centres to broaden their business knowledge. • Secured commitments from development finance institutions. 	<ul style="list-style-type: none"> • Little hard evidence to demonstrate the impact and value addition of rural and township enterprises • Policy uncertainty including municipal and town by-laws which may inhibit small enterprises • Quick Fix Solutions – superficial policy response from government • Development of formal businesses in rural and township areas which kill small informal traders • Sporadic employment • Low skills and education base • Lack of access to markets • Poor linkages and value chains outside of rural and township areas • Impact of COVID-19 • Poor understanding of the abilities and value of rural and township enterprises • Lack of access to land • Monopolies • Stiff competition - most businesses offer the same products and/services. Also, these businesses are situated in proximity to each other. • Lack of community support. • Mistrust in government procedures by communities
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ANNEXURE A: CLASSIFICATION OF MUNICIPALITIES

Classification of municipalities in South Africa

Class	Characteristics	Number
Metros	Category A municipalities	8
Secondary cities (B1)	All local municipalities referred to as secondary cities	19
Large towns (B2)	All local municipalities with an urban core. These municipalities have large urban dwelling populations, but the size of their populations vary hugely.	26
Small towns (B3)	Municipalities without a large town as a core urban settlement. Typically they have relatively small populations, of which a significant proportion is urban and based in one or small towns. Rural areas in this category are characterised by the presence of commercial farms because these local economies are largely agriculture-based. The existence of such important rural areas and agriculture sector explains why they are included the analysis of rural municipalities.	113
Mostly rural (B4)	Municipalities that contain no more than one or two small towns and are characterised by communal land tenure and villages or scattered groups of dwellings, and are typically located in former homelands.	68
Districts (C1 and non-rural)	District municipalities.	9
Districts (rural)	District municipalities that are rural.	35

Province	Metros (A)	Secondary cities (B1)	Large towns (B2)	Small towns (B3)	Mostly rural (B4)	Districts (C1)	Districts (C2)	South Africa
Eastern Cape	2		3	19	15	1	5	45
Free State	1	1	3	15		4		24
Gauteng	3	2	3	1		2		11
KwaZulu-Natal	1	3	6	14	27	0	10	61
Limpopo	0	1	1	7	16	1	4	30
Mpumalanga		4	2	8	4	3		21
Northern Cape		1		25	1	6		33
North West		4	2	9	5	2	2	24
Western Cape	1	3	6	15		4		29
Total	8	19	26	113	68	23	21	278

Source: National Treasury 2011 definitions

ANNEXURE B: APPLICATION OF THE THEORY OF CHANGE

THEORY OF CHANGE

The concept of "The Theory of Change" is a technique which demonstrates how an intervention contributes to the intended outcomes. When performing evaluations, this technique is used widely to determine the pathways through which an intervention contributes to outcomes. These theories are built on evidence, research or an intuitive understanding of how a programme works. When properly applied, a theory of change becomes a guideline for ways in which interventions can be better implemented to ensure maximum benefits in the form of outcomes (DPME, 2020))

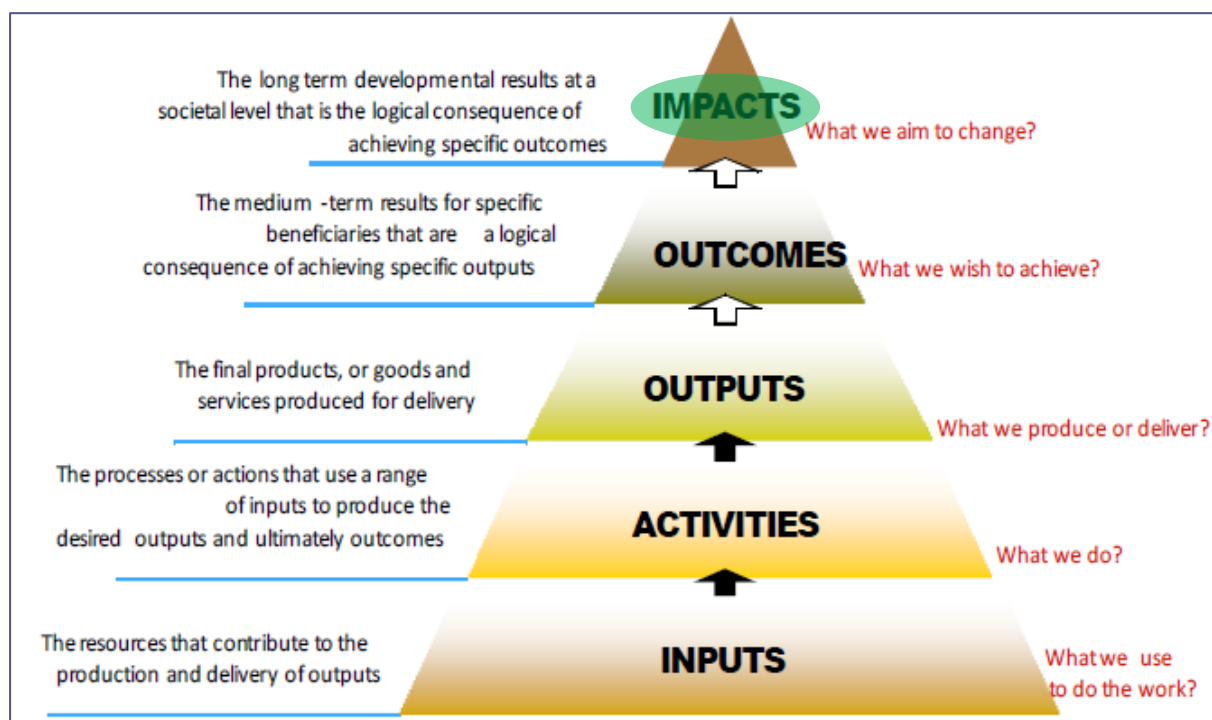
In this Rural and Townships Economies Revitalisation Strategy Report, the technique of a theory of change is developed to illustrate some the gaps identified during the consultations and analysis of available resources relevant to this project. A number of high-level assumptions are also described. The following is a brief description of some of these assumptions:

- Small enterprises offer the possibility to address the economic and social wellbeing of poor communities in South Africa through bringing in people from survivalist, lower level and informal economies into the economic mainstream (addressing the challenges of job creation, economic growth and equity). In order to achieve this potential, there is a need to encourage and support the continued creation of new start-up enterprises and this requires unblocking constraints to new entrants through the provision of adequate support to improve business survival rates. For this to be achieved there has to be:
 - Effective networking, adequate skilling, mentoring, developing good business acumen and practices etc. (effective support institutions and mechanism)
 - A favourable legislative environment
 - Access to markets
 - Access to technology
- Critical is also integration – of different socio-economic policy areas; programmes within the public sector and between public and private sectors and of different entrepreneurship and small enterprise promotion institutions.
- Furthermore, achieving the potential of rural and township enterprises also requires focused support to designated target groups and priority geographic areas and sectors, as well as support for fostering enterprise firms, co-operatives and special institutional arrangements.
- There is also the need for the ongoing profiling of the small business sector, improving access to small business support and information, strengthening small business advocacy, delivering effective service and monitoring impact.

The rural and township economies revitalisation strategy takes as its starting point the problem statement that despite many years of providing comprehensive support to small business through government institutions and programmes, key gaps remain with respect to:

- d) the scope and quality of small enterprise support;
- e) the integration of support provided by various government departments and institutions; and
- f) the lack of effective partnerships, especially with non-government stakeholders and role players.

For an in-depth assessment/evaluation, the theory of change is broken down into four components, namely; inputs, activities, outputs and outcomes. These components can be seen as the steppingstones which lead to the impacts (the desired aim).



Source: INSP: 2005

Inputs

Key inputs that need to be in place include national planning and policy frameworks as well as public and private sector support institutions. At the level of inputs, the strategy aims to mobilise and deploy funding, human resources, infrastructure and equipment as well as partnerships in a range of activities across government.

Activities

The generic activities which are illustrated in the theory of change include research, information and communication; legislative and regulatory interventions; business development services and training; the provision of financing; infrastructure development and inter-governmental coordination. These activities occur across a number of government

programmes and institutions. A key assumption here is that an effective inter-governmental system is in place and functions which can be utilised to achieve improved integration and coordination.

Outputs

With respect to outputs, these comprise the core strategic programmes as envisaged in the rural and township economies revitalisation strategy (RTERS). Importantly these are not programmes in the strict sense undertaken in a single department etc., but rather a set of strategic intentions that are aligned to specific objectives. In terms of the Strategy the actual location of such outputs is also cross-cutting in respect of government departments and the three spheres. The Strategic Outputs can be broadly grouped into four clusters of Outputs that support four key Outcomes under the RTERS:

- Societal level outputs, comprising Entrepreneurship culture and Enterprise Creation programmes. The intent is to increase the awareness of opportunities and related information as well as incentives with respect to entrepreneurship and small business. Through such awareness and information the rural and township economies revitalisation strategy hopes to drive an improvement in entrepreneurial culture among rural and township economies.
- Enterprise Environment level outputs, that comprise a number of Strategic Outputs including a network of small enterprise finance, public sector procurement programmes; strengthened business support services and enterprise networks, an improved regulatory environment and capacity building throughout the public-sector enterprise support system. The achievement of these strategic outputs – comprising legal, regulatory, financial, infrastructure and capacity building interventions - make it easier for rural and township enterprises to start-up and increase their survival rates.
- Firm-Level (SMME) outputs, which comprise small enterprise business development services and SMME support incentives. Direct SMME support interventions enable SMME's to be more sustainable, competitive and to grow and contribute the outcome of improved completeness, productivity and capability of SMMEs.
- Strategy level outputs that include entrepreneurship and small business research and an over-arching monitoring framework. These strategic outputs enable the overall strategy and its programmes / interventions to be monitored, supported / influenced by data and evidence through an effect feedback loop into the design of specific Strategic Outputs and activities. These outputs contribute to the creation of a more responsive small enterprise Policy environment outcome.

Outcomes

The theory of change therefore envisages that the achievement of the strategic outputs will result in four key Outcomes that are inter-related and mutually reinforcing.

Outcome	Description
First	Improved entrepreneurial culture and faster enterprise creation rate should result in increased entrepreneurial activity and in a greater number of start-ups and more new enterprise creation, i.e. more people willing to take up enterprise creation opportunities in rural and township areas.
Second	Improved enabling environment for rural and township enterprises, ensures that there is an enabling environment (for instance regulatory framework) as well as direct support which improves the survival rates of start-ups and SMMEs, and encourages new businesses to formalise and expand, especially within poor communities such as rural and township areas.
Third	Improved competitiveness, productivity and capability of small enterprises, if achieved should see a growing number of enterprises with the appropriate capability and access to markets that are able to employ more people and contribute more to the provincial and national GDP.
Fourth	A more responsive SMME policy environment, provides ongoing support to appropriate policy and programme design and interventions in support the SMME ecosystem.

If achieved, the outcomes will result in faster enterprise creation, higher survival rates and growth and expansion of such enterprises in respect of markets, employment and contribution to GDP as their competitiveness, productivity and capability is enhanced through business development, technical and financial support within a regulatory and broader enterprise system that is enabling and supportive of SMME's. The long-term outcome of the aggregate growth and development of small enterprises is the increased contribution by these enterprises to economic growth, job creation and inclusion.

Finally, as noted in the National Development Plan (NDP), the increased contribution by small enterprises to economic growth, job creation and inclusion, will contribute to faster economic growth, higher investment and greater labour absorption.

THEORY OF CHANGE (TOC) ASSESSMENT

The purpose of this assessment is threefold:

- To assess to what extent intended output of current strategies were delivered/achieved.
- To assess the achievement of or likely achievement of intended outcomes given the achievement of the various outputs.
- To review the importance of key assumptions and to assess the extent to which these have held.

On the basis of this assessment we provide an overall commentary on the overall theory of change and proposed modifications to current interventions where possible.

At the overall level, the evaluation, based on the available evidence, finds that the theory of change is working and remains appropriate. As evident below this is not to say that all outputs and outcomes have been achieved.

Broadly the evaluation indicates that the overall theory of change in its original formulation is sound. Specifically, the theory of change articulates the critical point that all of the strategic outputs need to be delivered in order for any meaningful change to be affected in the SMME ecosystem. The evidence suggests that in many areas there are key gaps which could undermined the effectiveness of the rural and township economies revitalisation strategy. Additionally, a number of critical assumptions with respect to the policy context, effective inter-governmental coordination as well as broader economic environment have not held and undermined the strategy's achievement of its outcomes.

Findings in respect of key assumptions

A critical area in the analysis of the theory of change in relation to the available evidence highlights is the key assumptions that need to hold if the anticipated change is to be realised. Critical assumptions that have not held could undermine the rural and township economies revitalisation strategy's effectiveness and these assumptions include:

- Effective and conducive national economic planning and policy framework exists
- Effective Intergovernmental System is in place and functional
- Macro-economic environment conducive to investment and economic growth

It should also be noted that the analysis has highlighted the need to include an additional assumption in respect of a conducive economic / industrial structure.

Findings in respect of inputs

At the level of inputs, the evaluation reveals that broadly there is sufficient funding for the implementation of the strategy and that sufficient support institutions (both public and private) exist and are willing to support small enterprises. However, the evidence suggests that there are insufficient skilled and professional personnel to ensure that the interventions are implemented successfully.

Furthermore, the broad range of objectives and policies across government and the private sector means that alignment of partner's objectives is not as strong as it could be. In respect of adequate infrastructure, the evidence suggests that while some infrastructure exists much of this is outdated with little renewal or investment having taken place during the period of the past few years.

Findings in respect of activities

In respect of activities, it is noted that while there is a significant amount of business development services and training being provided as well as notable progress in the provision of financing, many other activities are being partially implemented.

It is noted that there is little evidence of any substantive and effective legislative and regulatory intervention in support of rural and township enterprise support programmes. Research,

information and communication in support of these enterprises and the promotion of their needs and impact is weak. The development of new infrastructure also has not been adequate to meet the requirements of the rural and township strategies. Important to note is that overall inter-governmental coordination of these activities has been very weak. This can severely undermine the effectiveness of the revitalisation strategy and diminishes its potential impact.

Findings in respect of outputs

At the heart of the rural and township revitalisation strategy are a number of strategic outputs. The primary focus of the revitalisation strategy is the delivery of a number of outputs (which may be programmes or other interventions across different government spheres). These strategic outputs are all required if the necessary change is to occur which will result in the outcomes desired. Summarised below is the extent to which these strategic outputs have been delivered as per current government interventions:

- Entrepreneurship Culture and Enterprise Creation Promotion Campaign: While there have been limited outputs in respect to the DTI and State-Owned Entities as well as within some Provincial and Local Governments the overall level of entrepreneurship and enterprise creation campaigns remains limited.
- Dedicated network of Small Enterprise Finance: Despite the establishment of institutions such as the Small Enterprise Finance Agency (SEFA) for simplifying finance access for small enterprises, the overall small enterprise finance network remains limited. The leverage achieved on public resources is also limited.
- Demand for Small Enterprise Products & Services: While there has been some traction on preferential procurement, core elements of the National Procurement Programme and their successes have not been well researched as these have only been introduced in recent years.
- Strengthened Local Network for Small Business Development Support Services: SEDA and SEFA have established a broad network across the country through a network of co-locations and offices. SEFA does not report how much funding was applied for, only that which was approved. While there are a large number of facilitators and access points (e.g. SEDA and most municipalities), participation / utilisation rates appear to be low. It is also noted that some municipalities and development institutions leverage property portfolios for small enterprise support.
- SMME Business Development Services: There has been significant achievement in this regard – notably via SEDA however more is required. In respect of private agencies there is no data while for provincial agencies there is limited data, and uneven reporting. In addition, there has been support provided through Corporate ED programmes (under the BEE Codes). SEDA Tech Incubators have reported a 60-70% success on participants in incubators, however sustainability is not measured.
- Strengthened Enterprise Networks: There is little evidence of strengthened networks, as well as little data in the strategy on what constitutes a network i.e. the criteria for a network. Most networks are through local chambers of commerce which are weak and private sector led. Furthermore, private sector participation – which has filled some

gaps – is primarily driven by the need for Enterprise Development points in terms of the B-BEE scorecards. These scorecards have increased corporates activities aligned to SMMEs however, evidence of increased participation of the target groups identified in the strategy remain elusive in their reporting.

- SMME Support Incentives: A significant number of incentives have been developed but most target specific sectors, not SMMEs.
- Improved Regulatory Environment: The impact of the Company's Act is noted, but beyond this there has been very little achieved. Red-Tape is generally accepted as increasing in the provincial setting. Several Regulatory Impact Assessments have been concluded, but not aware of any that focus specifically on the interests of SMMEs.
- Entrepreneurship and Small Business Research: There has been very little comprehensive entrepreneurship and small business research conducted or commissioned by government.
- Capacity building throughout the public-sector enterprise support system: Based on the evidence there has been no systematic capacity building programme undertaken within government.
- Partnerships with national business organisations and individual corporations: There has been limited progress in establishing partnerships.
- Over-arching monitoring framework: No systematic monitoring framework or programme has been established.

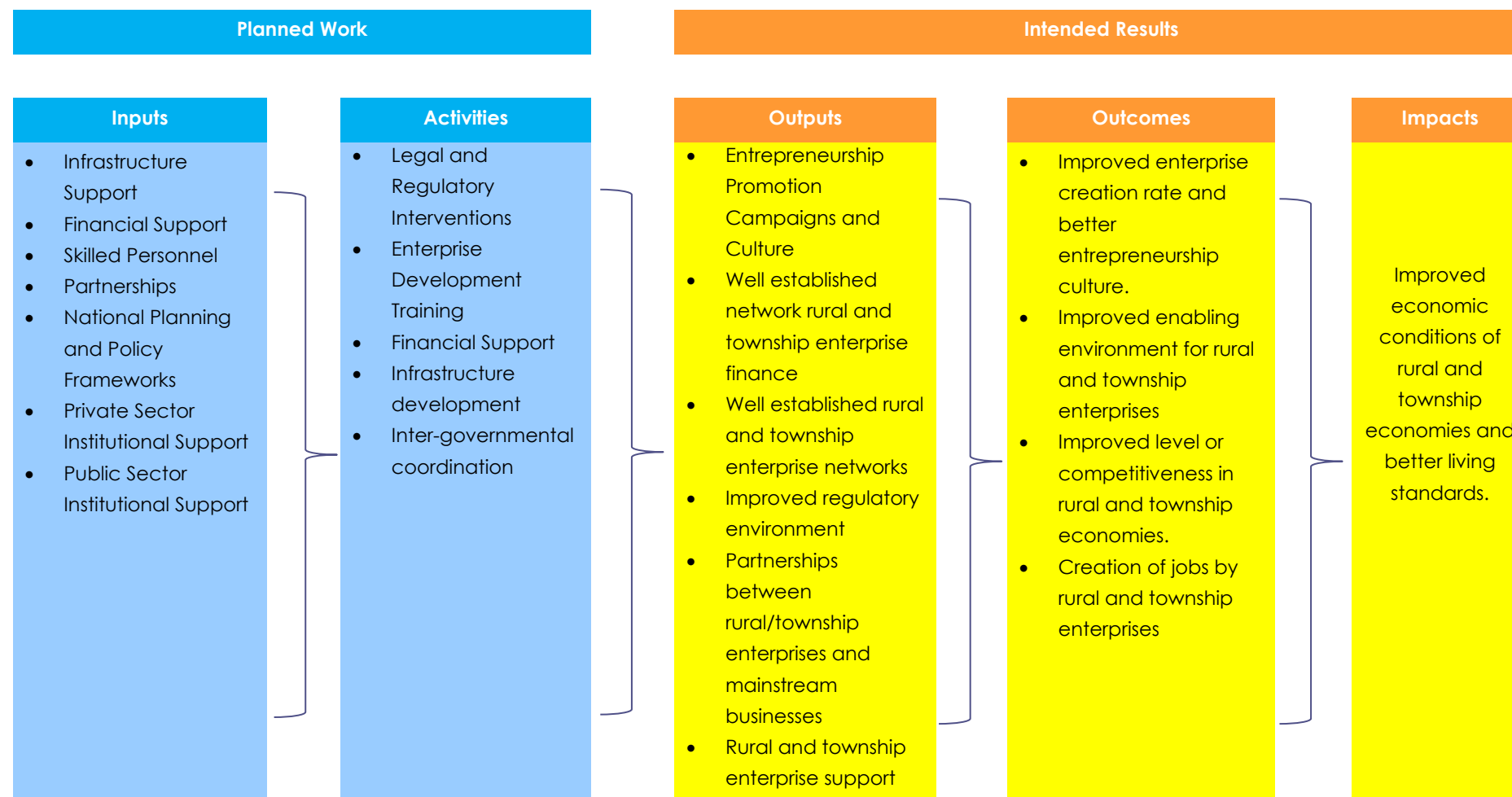
Findings in respect of outcomes

Summarised below is the extent to which outcomes have been achieved which are greatly influenced by the progress made under outputs.:

- Increased contribution by rural and township enterprises to economic growth, job creation and inclusion has not seen a significant change in recent years. Given that key strategic outputs have not been delivered and that intermediate outcomes have not been achieved the achievement of the long-term outcomes is unlikely.
- Improved entrepreneurial culture and faster enterprise creation rate: While Entrepreneurship as a career is perceived highly and a good career choice, there is limited evidence of any improved entrepreneurial culture and faster enterprise creation in rural and township areas.
- More responsive SMME policy environment (crosscutting): More attention is being paid to SMMEs concerns in the form of increased policy prioritisation.
- Improved enabling environment for SMMEs: There is limited evidence of any improved enabling environment for SMME's. Overall Business environment is ranked as declining and this has been made worse by the recent Covid Pandemic which has led to many SME's having to shut down due to a tough business environment across SA.

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The table below provides a brief summary of the above discussed theory of change steps. These are split into two groupings namely, planned work (i.e. inputs and activities) and intended results (i.e. outputs, outcomes and impact)



NOTES