DNA Economics

FORMATIVE EVALUATION OF GAUTENG'S TOWNSHIP ECONOMY REVITALISATION PROGRAMME

Final Report

CONFIDENTIAL

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ACKNOWLEDGEMENTS

This report has been commissioned by the Gauteng Provincial Government, the Office of the Premier.

VERSION

Version	Date	Description
Version 1	29 March 2015	Early draft report
Version 2	15 April 2015	Early draft report including information arising from consultations
Version 3	05 May 2015	First complete draft evaluation report - for HOD & Management response
Version 4	11 May 2015	Complete draft evaluation report - for Evaluation Steering Committee (ESC)
Version 5	15 May 2015	Incorporates comments from ESC meeting of 13 May 2014
Version 6	30 July 2015	Incorporates GDED Management Response
Version 7 (this report)	14 August 2015	Incorporates comments from ESC meeting of 6 August 2014

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LIST OF ACRONYMS

BBBEE	Broad-Based Black Economic Empowerment
BBBEEA	Broad-Based Black Economic Empowerment Act
BDS	Business Development Services
BLUE	Business Linkages for Underutilised Enterprises
BRR	Business Registration Review
CBA	Cost-Benefit Analysis
CIPC	Companies and Intellectual Property Commission
CoGTA	Cooperative Governance and Traditional Affairs
CSIR	Council for Scientific and Industrial Research
DPME	Department: Planning, Monitoring and Evaluation
DST	Department of Science and Technology
EE TTT	Enabling Entrepreneurship Technical Task Team
GBN	Gauteng Broadband Network
GCRO	Gauteng City-Region Observatory
GDED	Gauteng Department of Economic Development
GDP	Gross Domestic Product
GEP	Gauteng Enterprise Propeller
GPG	Gauteng Provincial Government
HRDCSA	Human Resource Development Council of South Africa
IKS	Indigenous Knowledge Systems
M&E	Monitoring and Evaluation
MFMA	Municipal Finance Management Act
NAFCOC	National African Federated Chamber of Commerce and Industry
NBFI	Non-bank financial institution
PFMA	Public Finance Management Act
R&D	Research and Development
SABS	South African Bureau of Standards
SAICA	South African Institute of Chartered Accountants
SARS	South African Revenue Service
SFA	Strategic Focus Area
SMEI	Small and Medium Enterprise Initiative
SMME	Small, Medium and Micro Enterprises

StatsSA	Statistics South Africa
TB	Township Business
TE	Township Enterprise
TER	Township Economic Revitalisation
the dti	Department of Trade and Industry
TK	Traditional Knowledge
TMR	Transformation, Modernisation and Re-industrialisation
USAid	United States Agency for International Development

EXECUTIVE SUMMARY

The Gauteng Government has identified the need for a more comprehensive and integrated approach to build and strengthen township economies, and has developed and adopted the Township Economy Revitalisation (TER) strategy. This strategy aims to create an enabling environment within townships, addressing the structural, funding and economic barriers in township economies by:

1. Ensuring an appropriate legal and regulatory framework
2. Promoting manufacturing and productive activities
3. Economic infrastructure support and clustered enterprise development
4. Promoting entrepreneurship development
5. Financing and investing in the township economy
6. Promoting access to markets
7. Promoting innovation and indigenous knowledge systems

The TER strategy sets out numerous action plans in each of these seven strategic focus areas (SFAs). It also proposes a number of additional actions needed to establish the social and economic value of township enterprises. These plans need to be tested and validated against the available research and evidence, prior to implementation. In doing this, the Gauteng Province can identify potential gaps and overlaps, and increase the likelihood that the final strategy will achieve positive outcomes.

One way of testing a strategy in the pre-implementation phase is through a formative evaluation of the programme design. Specifically, this study adopts a theory-based approach, which sets out to describe and test the theory of change for the TER strategy; to validate the connections and assumptions across each level of the underlying results chains; and to identify a set of indicators which can be used to monitor the performance of the strategy against this theoretical framework.

High-level theory of change

At the strategic level – the evaluation demonstrates how the 7 SFAs (and the accompanying actions to establish the social and economic value of township enterprises) are expected to contribute to a narrow set of common, longer-term outcomes, which together reflect the overall purpose of the TER strategy. In turn, these outcomes contribute towards the overall impact of the strategy. The TER strategy identifies three key outcomes:

- "Create the appropriate enabling environment based of strategic focus areas to revitalise the township economy;
- Establish the economic and social value of (the) township economy; and
- Ensure that the township economy becomes the key player in the provincial economy."

For this report, and to enable the development of measurable indicators, these strategic outcomes have been interpreted as:

Income generated and circulated within township areas	Sustainable and formal businesses located in township areas	TBs integrated into the mainstream economy	Formal jobs created and maintained in township areas	Improved confidence in the township economy

The development impact of the TER strategy is not explicitly defined in the underlying strategy document. But, based on the Premier's Ten-Pillar Programme to "radically transform, modernise and re-industrialise (TMR) the Gauteng Economy", the TER strategy's vision to achieve "dynamic and sustainable township enterprises with the objective of building an inclusive-labour absorbing and growing economy", and the core elements of the Gauteng 2055 vision, the following Provincial-level impact statement has been derived at this early stage in the evaluation:

> An equitable, inclusive, sustainable and industrialised Gauteng Economy

The impact and high level outcomes depends, to a varying degree, on the achievement of some combination of the lower level outcomes within the 7 SFAs. The SFA-specific diagrams presented in the main body of the report provide more detail on the specific high level outcomes to which the activities and outputs within each of the SFA's are expected to contribute.

SFA specific findings and recommendations

In general, the literature review finds that there is sufficient evidence in support of the interventions proposed across all 7 SFA's and the accompanying actions to establish the social and economic value of township enterprises. However, the evaluation and diagrammatic representations of the logic underlying each SFA identify a number of potential gaps which will need to be addressed, to ensure that specific activities actually lead to desired outputs and outcomes. The resulting recommendations, by SFA, are summarised in Table 1.

Table 1: SFA-specific recommendations

SFA	Recommendations
SFA 1	- Sufficient capacity will be needed to receive complaints or suggestions on troublesome regulations; and to assess the cost of compliance and recommend changes. - Formal structures may need to be established (along the lines of the proposed mini-GICs) within township areas to assist SMMES with registration and compliance; and to monitor enforcement.
SFA 2	- A transparent and competitive (due-diligence) process should be used to select future projects and a rigorous review and exit process established. - The sector strategies should serve to identify the particular problems confronting productive enterprises in each sector and should describe how Government can best address these problems.
SFA 3	- Clear guidelines should be developed to describe how Clusters and Hubs should be designed and managed; and the specific services that should be offered through these initiatives. This may require an independent review of past models.
SFA 4	- Prior to the implementation of any training programme, a market needs assessment should be done to ensure that the training provided covers a gap in the market; and a rigorous selection process must be in place to identify potential entrepreneurs with the highest chance of succeeding. - Beneficiaries should be registered and tracked through different training interventions to monitor progress and to prevent double-dipping.
SFA 5	- To raise debt finance, there is a need for some form of SMME loan or credit register in the Township Economy, and a corresponding enforcement mechanism. - Looking beyond debt, there is a need to engage with existing private equity investors, or to incentivise venture capitalists to enter the Township Economy.

SFA 6	- An explicit mechanism may be required to identify and develop potential suppliers of priority products, and link them to potential buyers (public and private). - A high-level of collaboration between public and private procurement offices (and related support programmes) may be needed to maximise the potential gains; and prevent duplication.
SFA 7	- It will be important to work with existing institutions/incubators; and to ensure that these incubators are sufficiently resourced to provide the right levels and forms of support (especially in the identification and protection of indigenous knowledge) and throughout the product life-cycle.
Establishing the social and economic value of Township Enterprises	- Significant information and data is needed to understand and measure township activity; and to evaluate the performance of the TER. Whereas some of this data exists, further and dedicated surveys may be needed to collect enterprise level baseline and performance data for some of the proposed indicators.

General findings and recommendations

In addition to these specific findings, the evaluation poses a number of general recommendations, which cut across most SFAs, which will contribute towards the more effective implementation of the strategy. These are summarised in Table 2.

Table 2: General recommendations

Finding	Recommendation
Learn from past experience	Review the performance and approach of other enterprise-level interventions to build on past achievements and avoid mistakes.
Leverage existing government programmes	Collaborate with other national-level initiatives in delivering new and more effective services and support to TBs; and advocate for increased attention to the Township Economy in existing programmes.
Partner with the private sector	Specify how the private sector can partner with Government, identifying and marketing projects which may be of interest to investors.
Target the right individuals and enterprises	Define and enforce the minimum characteristics, capacities and contributions that are expected of beneficiaries.
Manage and track programme beneficiaries	Register and track beneficiaries on a central database in order to provide qualifying TBs with a comprehensive suite of technical, financial and infrastructure support; and to avoid double-dipping.
Identify qualifying businesses	Create a formal register of qualifying businesses that meet and maintain minimum financial and performance criteria (for lending and procurement purpose).
Know when to get in and out	Develop clear exit criteria against which specific interventions can be assessed, and if necessary, terminated

This review also highlights some potential unintended consequences that might result from the successful implementation of the strategy, including

- A reallocation of existing capital, skills and services (public and private) away from the mainstream economy to more isolated township areas.
- An increase in property prices ahead of interventions or the gentrification of township suburbs post-implementation.
- An increase in industrial and agricultural enterprises, and the associated negative externalities, in predominantly residential areas.
- An increase in the cost of doing business in the township economy as a result of the regularisation and formalisation of enterprises.
- Pressure on supporting infrastructure such as roads, water and electricity.

Whereas none of these factors should interfere with the implementation of the strategy; additional actions may be required to ensure that these potential costs are avoided or at least constrained.

Strategic and institutional considerations

Finally, the evaluation considers the immense coordination challenges involved in implementing the TER strategy. The strategy, as it is currently constructed, is very broad in terms of its focus and the geographic space in which it operates. There is therefore some risk that Government's efforts will be spread too thin, or that it will be difficult to direct efforts at specific outcomes. In order to mitigate this, a number of institutional and strategic factors should be considered:

- **The establishment of a formal coordination or implementation mechanism.** The existing strategy is light on implementation. While it provides for the establishment of an Inter-Governmental Working Group to "guide the coordination, monitoring and evaluation of the strategy implementation", the strategy itself demands an extremely high level of capacity, coordination and advocacy across all levels of Government. This may require the establishment of a dedicated programme management office or team to drive the work programme of the Technical Working Group; to support other Government Departments in the design and implementation of specific activities; and to monitor and report on the roll-out of this strategy. *The Inter-Governmental Working Group should consider whether such a unit is required and if so how it should be constituted and where it should be located.*

- **Prioritising and sequencing activities.** It would be implausible for the Government to deliver all the proposed interventions in the short-term, and already some form of prioritisation has taken place. However, these priorities have not been explicitly identified in the strategy and it is not clear how and when all interventions will kick-in. *A more detailed implementation or work plan should be developed and costed to describe how the TER strategy will be rolled-out across the Province and over an extended period of time.*

- **Refocusing the focus areas.** This review highlights a number of inter-linkages between the SFAs. Whereas linkages between the focus areas are expected and in most cases desirable, they can also cause a loss of focus. Some consolidation and realignment may be required – if not in the strategy document – in the workplan. *The implementation plan or workplan should serve to identify those activities that cut across multiple SFAs and should also describe how departments will work together to deliver such activities. To strengthen linkages and coordination, improved databases and tracking systems may be required.*

    Development and implementation of the monitoring and evaluation framework. This report presents a formative evaluation of the TER strategy. In parallel, a monitoring and evaluation framework has been developed to enable the Provincial Government to track progress against the implementation of the strategy. To implement this framework, will require a high level of coordination and commitment across all Departments; a common understanding of the purpose and operation of the proposed monitoring and evaluation system; and sufficient budget and resources to implement this system. *A dedicated TER*

M&E workshop should be conducted to discuss the implementation of the proposed framework and allocate responsibilities.

1   INTRODUCTION

1.1   Background

The legacy of apartheid's spatial planning is apparent in South Africa's sprawling townships and its large informal settlements, on the urban edge of the city. Under the previous dispensation, townships were, purposely designed to provide urban areas with a steady supply of cheap labour. The consequences of this racially segregated form of planning remains one of the country's main challenges to growth and development.

By 1994, most of these townships were under-serviced; lacking access to basic services and public infrastructure. Since then, Government has made significant inroads in upgrading informal settlements, and extending access to water, electricity, and sanitation to townships. Other social services, such as schools and clinics, have been built to cater for the growing number of residents within these townships. Recent data from the World Bank estimates that in 2011, approximately 15.3 million people lived in townships. Put differently, about 30% of the population of South Africa reside in a township.[1] In Gauteng, this number is closer to 80%.[2]

The Gauteng Province includes the three largest townships in South Africa. Soweto, Tembisa and Katlehong are home to almost 2 million people, and their resident base continues to grow on a daily basis.[3] Indeed, the rapid urbanisation of the Gauteng Province is largely driven by migration from rural areas into townships by migrants seeking work. These migrants are often young, with minimum levels of education, looking for unskilled or semi-skilled work.

Townships consequently sit at the confluence of urban and rural economies. They are separated from urban nodes not only by distance, but also structural and social barriers. At the same time, they exist as self-contained settlements where residents can live and play without needing to access urban nodes. It is however important to note that the township economies in the Gauteng province vary considerably. For instance, one is likely to find informal traders next to the Maponya or Jabulani malls in Soweto. In contrast, Kliptown's economy is characterised by multiple small business and informal traders supplying its residents with everything from fresh produce, clothing and car repair services.[4]

Government interventions thus far have focused on two aspects of township development. First, a large emphasis has been placed on providing basic and social services to townships, meant to improve the quality of life of their residents. Second, significant efforts have been directed at trying to integrate townships with urban areas through better infrastructure. Roads and public transport infrastructure has been built to connect townships to urban areas, making it easier (and in some cases cheaper) for the township labour force to travel to work and look for employment. The Rea

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[1] Mahajan, Sandeep. (2014).
[2] GDED. (2014). Gauteng Township Economy Revitalisation Strategy. pp. 20.
[3] Extracted from Census 2011
[4] Based on a study done for the Johannesburg Development Agency (JDA).

Vaya Bus Rapid Transit system, for example, is designed to eventually link townships like Soweto to the city centre, minimising locational barriers.

Trade and industry interventions by national, provincial and local government have until now focused on discrete projects such as support to small businesses, investments in economic infrastructure for small traders or skills development programmes. Although these types of investments and interventions have been important, they are fragmented, and have had limited overall influence over the township economy. As such, there remain significant and wide-ranging barriers to the development of businesses and cooperatives in township areas. According to recent consultations undertaken by the Gauteng Department of Economic Development (GDED), these include:

- "Lack of entrepreneurial and productivity activity;
- Poor understanding of the abilities and value of township enterprises;
- Little hard evidence to demonstrate the impact and value of township enterprises;
- Limited account taken of the particular characteristics and needs of township enterprises within an enabling and supportive environment; and
- Complexity and lack of coherence within township economy sectors combined with widely varying skills and knowledge bases."[5]

For these reasons, the Gauteng Government has identified that a more comprehensive and integrated approach is needed to build and strengthen township economies. To this end, the Gauteng Government has adopted a Township Economy Revitalisation strategy. This revitalisation strategy aims to create an enabling environment within townships where businesses can grow and thrive. The revitalisation strategy seeks to address seven structural, funding and economic barriers in township economies by[6]:

1. Ensuring an appropriate legal and regulatory framework
2. Promoting manufacturing and productive activities
3. Economic infrastructure support and clustered enterprise development
4. Promoting entrepreneurship development
5. Financing and investing in the township economy
6. Promoting access to markets
7. Promoting of innovation and indigenous knowledge systems

The Township Economy Revitalisation (TER) strategy sets out numerous action plans in each of these areas. In addition, it describes a number of complementary actions that are needed to establish the social and economic value of township enterprise. These plans need to be tested and validated against the available research and evidence, prior to implementation. In doing this, the Gauteng Province can identify potential gaps and overlaps, and increase the likelihood that the final strategy will achieve positive outcomes.

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[5] GDED. (2014). Gauteng Township Economy Revitalisation Strategy. pp. 5.
[6] GDED. (2014).

1.2 Approach

One of way of testing a strategy in the pre-implementation phase is through a formative evaluation of the programme design. A formative evaluation, was first distinguished from a summative (or 'terminal') evaluation by Scriven (1997). Whereas a summative evaluation seeks to assess whether the objectives of a particular programme or intervention have been achieved; a formative evaluation seeks to: "discover deficiencies and successes in the intermediate versions of a new curriculum"[7] usually prior to its implementation. In doing so, formative evaluations should form "part of the process of development of a new product, be it a curriculum, a textbook, a television series, or a seminar [or in this case a strategy]"[8]. In terms of the National Valuation Framework, a formative evaluation is defined to include "evaluation activities undertaken to assist learning and provide information that will guide programme improvement, especially in terms of how, why, and under what conditions a policy will work or has worked"[9].

For the purpose of this evaluation, a theory-based approach has been adopted, which sets out to describe and test the theory of change for the Township Economy Revitalisation strategy; to validate the connections and assumptions across each level of the underlying results chain; and to identify a set of indicators which can be used to monitor the performance of the strategy against this theoretical framework.

Our approach draws on the Department: Planning, Monitoring and Evaluation's (DPME) guidance around formative design evaluations, and has been customised to comply with this approach as follows:

1. **Indicative Theory of change**: Up-front in the evaluation, a diagrammatic representation of the theory of change, for each of the SFAs and holistically, is developed.
2. **Diagnostic analysis:** This stage examines the nature and scale of the problem that gives rise to the need for an intervention. The analysis sets out the root cause of the problems and reviews the indicative theory of change against the available evidence.
3. **Theory of change:** This stage explains the causal relationships between each level in the results chain in more detail. It defines a set of relationships and assumptions around the conditions in which implementation will occur, and when, why and how the intervention will work.
4. **Results chain:** This stage translates the theory of change into a clear results chain. It ensures that the impacts, planned outputs and activities are appropriate, clear and measurable; and that responsibilities for each of these are assigned clearly to a group or individual.

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[7] Scriven. (1967). pp. 16.
[8] Misanchuk. (1978). pp. 4.
[9] National Evaluation Policy Framework. (2011). pp. 20.

1.3 Methodology

To guide this study, the following research questions were specified in the inception report:

1. What results chain underpins each strategic focus area?
2. Are the causal relationships between each level of the results chain supported by evidence?
3. Under what conditions do these causal relationships work?
4. What critical assumptions are made in the design of the results chain?
   a. What risks are there to these assumptions?
5. What indicators can be used to measure performance across each level in the results chain?
6. What are the potential sources of data needed to measure performance against these indicators?
   a. Specifically, can a baseline for the 2014/15 year be established?
   b. What systems are needed to collect this data?
   c. How frequently must progress against implementation be monitored and evaluated?

These research questions have been addressed through a combination of desk-top analysis and consultations with key stakeholders.

1.3.1 Review documents and collect data

For each SFA (and the accompanying set of actions to establish the social and economic value of township enterprises), the project team identified and synthesised a limited number of key academic papers, policy reports and other publicly available research. Given time limitations, and the rapid nature of this review, it was not possible to conduct a comprehensive or systematic literature review. Rather, through Google Scholar, key words were searched for within each of the SFAs and accompanying actions, in order to identify the most recent and commonly used articles on each topic. Priority was given to articles that first, focused specifically on South African townships or SMMEs; and second, focused on South Africa more generally. Where no or insufficient South African-specific research could be found, international research was considered. In addition, a more general search was undertaken for policy (i.e. non-academic) research in each area. The evidence that was collected was synthesised using the assessment framework shown in Appendix 3.

1.3.2 Consultations

To validate the evidence collected and obtain additional information on proposed activities, interviews were conducted with key units within the Provincial Government responsible for each of the different SFAs of the TER strategy. An initial list of potential interviewees was provided by the client. All of these individuals were contacted for interviews, though many were not available or non-responsive. A complete list of all officials interviewed is provided in Appendix 2. The specific questions asked of these interviewees, against each of the high level evaluation questions, are outlined in the evaluation matrix (Appendix 4).

In addition to these consultations, draft versions of the report were presented to users through regular meetings of the Evaluation Steering Committee; and at the TER Programme Inter-governmental Working Committee meetings of 23 April and 15 July 2015.

1.4 Working definitions

In designing and evaluating a targeted intervention such as the TER strategy, careful attention must be given to defining the specific scope of the strategy and the intended beneficiaries.

In the strategy itself, the 'township economy' is described as "enterprises and markets based in the townships"; 'townships' as "old and new black residential areas, including informal settlements"; and 'township enterprises' as those "operated by township entrepreneurs to meet primarily the needs within and beyond the township".[10] The strategy goes on to describe the characteristics of these townships and the enterprises within them.

However, no specific definitions are provided in the strategy to outline the geographic or sectoral boundaries of the township economy; or the nature of the enterprises to be supported. As such, at this early stage in the evaluation, a broad definition of the township economy will be assumed to include all economic activity that takes place within or with a suburb or city in Gauteng that was formerly officially designated for black occupation by apartheid legislation; or any economic activity within or with any new settlement (post-1994) that is of predominantly black occupation.[11]

Likewise, a broad definition of township enterprises will be adopted, to include any business organisation involved in the production or delivery of commercial or social goods and services, and whose primary place of business is located in and/or originates within a township's boundaries.

These definitions will be refined, if necessary, during the consultation and data review phases of this project.

1.5 Purpose and outline of this report

The main purpose of this formative evaluation is to develop and assess the theory of change for the TER Strategy, based on the existing strategy document and a rapid review of the available literature, and to identify a long-list of indicators which could be used to monitor and evaluate the performance of this strategy.

The report begins with a description of the high or strategy level theory of change, and explains how the seven Strategic Focus Areas (SFAs) of the TER Strategy together with the accompanying set of actions to establish the social and economic value of township enterprises, contribute towards the achievement of a set of common outcomes and impacts.

Most of the rest of the report is then concerned with the development and assessment of the theory of change within each of the SFAs, and the accompanying actions. This includes the derivation of a

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[10] GDED. (2014). Gauteng Township Economy Revitalisation Strategy. pp. 4.
[11] Loosely based on the Oxford Dictionary definition of a township (in South Africa):
http://www.oxforddictionaries.com/definition/english/township

diagrammatic 'results chain' for each SFA and the accompanying set of actions, as well as the identification of an initial set of output and outcome level indicators.

Finally, a number of general observations, based on the evaluation to date, are provided in Sections 11 and 12. Section **Error! Reference source not found.** briefly outlines the next steps in this project.

The ideas and illustrations in this report are based on a desk-top review of the TER strategy and other studies and documents; as well as consultations with Provincial Government officials and other experts.

1.6   Limitations of this evaluation

As a rapid and formative evaluation, this work did not involve wide-scale consultations with potential users of the report or the beneficiaries of the proposed TER interventions. Moreover, it does not include a comprehensive and systematic literature review. As such, this evaluation does not provide an authoritative account of the evidence and views in support of all TER interventions; but instead relies on the prior work and consultations involved in the development of the TER strategy as a substantive starting point for the ensuing analysis.

It is also important to note that the terms of reference did not allow for primary data gathering and analysis; and all data used in the development of the monitoring and evaluation framework is therefore limited to data which is publically available. The corresponding M&E framework provides recommendations in areas where primary data analysis may be needed to develop an appropriate baseline, and to monitor performance.

2   HIGH LEVEL THEORY OF CHANGE AND INDICATORS

The TER strategy consists of 7 SFAs (and an accompanying set of actions to establish the social and economic value of township enterprises), each of which constitute a series of thematic actions and outputs which are intended to contribute towards the achievement of specific outcomes. In most cases, these thematic outcomes are unique to a specific pillar, and it is therefore necessary to consider how the theory of change reveals itself within each of these SFAs (and the accompanying set of actions). This analysis is provided in the following sections.

At a higher - strategy level – these pillars contribute towards the achievement of a narrower set of common and longer-term outcomes, which together reflect the overall purpose of the TER strategy; and in turn, these outcomes contribute towards the overall impact of the strategy. The TER strategy identifies the following three key outcomes:

- "Create the appropriate enabling environment based of strategic focus areas to revitalise the township economy;
- Establish the economic and social value of (the) township economy; and

- Ensure that the township economy becomes the key player in the provincial economy."[12]

For the purpose of this report, and to enable and development of measurable indicators, these outcomes have been expanded and interpreted as:

Income generated and circulated within township areas	Sustainable and formal businesses located in township areas	TBs integrated into the mainstream economy	Formal jobs created and maintained in township areas	Improved confidence in the township economy

The desired impact of the TER strategy is not explicitly defined in the underlying strategy document. But, based on the Premier's Ten-Pillar Programme to "radically transform, modernise and re-industrialise (TMR) the Gauteng Economy"[13]; the TER strategy's vision to achieve "Dynamic and sustainable township enterprises with the objective of building an inclusive-labour absorbing and growing economy"[14]; and the core elements of the Gauteng 2055 vision ("equitable growth, social inclusivity and cohesion, sustainable development and infrastructure, and good governance"[15]); the following Provincial-level impact statement has been derived:

> An equitable, inclusive, sustainable and industrialised Gauteng Economy

Whereas the results chain within each of the SFAs is largely linear – it is possible to explain how each activity contributes towards certain outputs and outcomes – at the strategy level, these relationships are much more complex. Each of the above high level outcomes depends, to a varying degree, on the achievement of some combination of the lower level outcomes. This is illustrated in Figure 1 below. The SFA-specific diagrams presented in the following sections, and the attached excel-based M&E framework, provide more detail on the specific high level outcomes to which each of these SFA's are expected to contribute.

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[12] GDED. (2014). pp. 27.
[13] GDED. (2014). pp. 10.
[14] GDED. (2014). pp. 18.
[15] Gauteng Planning Commission. (2012).

Figure 1: TER High-level Results Chain

Impact	An equitable, inclusive, sustainable & industrialised Gauteng Economy				
Strategic Outcomes	Formal jobs created and maintained in township areas	Sustainable and formal businesses located in township areas	Income generated & circulated within township areas	Township businesses integrated into the mainstream economy	Improved confidence in the township economy

Programme Outcomes

- Reduced cost of doing business for TBs
- Increased number of residential-based TBs
- Increased number of registered TBs

- Increased productivity/ capacity of TBs
- Lower levels of market concentration in target sectors

- 100% broadband penetration
- Increased number of TBs in street level nodes
- Increased number of geographic clusters
- Increased number of sustainable consumer cooperatives

- Increased number of entrepreneurs in the township economy

- More TBs finance through GEP
- Expanded financial inclusion for township residents
- Improved access to capital for TBs
- Increased private equity investment into TBs

- Higher level of local content in township & mainstream markets
- Higher level of GPG procurement from TB
- Increased number of sustainable consumer cooperatives
- Increased linkages with (mainstream) private sector

- Protection of indigenous knowledge
- Innovation and commercialisation of products

- Improved measurement and evaluation
- Improved awareness of the township economy
- Platform for recognition, cooperation and knolwedge0sharing
- Improved quality of TBs products and services

SFA

| SFA 1 | SFA 2 | SFA 3 | SFA 4 | SFA 5 | SFA 6 | SFA 7 | Establishing the social and economic value of TEs |

In order to monitor and evaluation the overall achievement of the TER strategy, an indicative set of high-level outcome and impact indicators have been identified. These are described in Table 3 below. The extent to which this data is available or can be collected (including as part of the proposed baseline study) will be reviewed in the development of the M&E Framework.

Table 3: Potential high-level outcome and impact indicators for the TER

Indicator	Frequency	Potential source
Strategic Outcomes		
Total number of formal sector jobs within the township economy	Annual	StatsSA/ Independent survey
Average annual income of workers within the township economy	Annual	StatsSA/ Independent survey
Total number of registered businesses within the township economy	Annual	SARS/CIPC/ Independent survey
Average annual revenue of businesses registered within the township economy	Annual	SARS/CIPC/ Independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/independent survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent survey
Total value of sales from township businesses to business and consumers outside of the township economy	Annual	Independent survey
Total value of purchases of township businesses from business located outside of the township economy	Annual	Independent survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal
Development Impacts		
Total value-added of Gauteng as a % of national GDP	Quarterly	StatsSA
Provincial economic growth rate	Annual	StatsSA
Total value-added by the secondary (manufacturing) sector as % of Gauteng GDP	Annual	StatsSA
Total value-added by the tertiary (services) sector as % of Gauteng GDP	Annual	StatsSA
Provincial GDP/capita	Annual	StatsSA
Provincial Gini co-efficient	Annual	StatsSA
Total % of households within Gauteng below the national (or a defined) poverty line	Annual	StatsSA
Total value of goods and services purchased by the largest 10% of businesses in Gauteng from the township economy	Annual	Independent survey
Black ownership as a per cent of total ownership of businesses located in Gauteng	Annual	Independent survey
Gauteng labour absorption rate	Annual	StatsSA

3 SFA 1: ENSURING AN APPROPRIATE LEGAL AND REGULATORY FRAMEWORK

3.1 Strategic objective and desired change

Strategic focus area (SFA) 1 aims to review and revise the regulatory and legal framework applicable to small businesses in order to increase the growth and sustainability of these businesses. This SFA focuses on provincial and municipal regulations and bylaws which firstly, place both a time and monetary burden on small businesses, and secondly, may discourage informal businesses from growing and registering as formal businesses. It is expected that by revising these regulations and bylaws, the cost of compliance will be reduced and that this reduced burden will in turn lead to more profitable and formalised township businesses, and in some cases, increased revenue for the Provincial Government. Table 4 below summarises the specific actions in the TER needed to achieve this desired change.

Table 4: Desired change and necessary actions – SFA 1

WHAT	**Desired change**
	Reduced regulatory and administrative burden on township businesses → lower cost of doing business/ increased number of formal township businesses → increased growth and sustainability of township business/ increased income generated and circulated in township areas
HOW	**Actions required to achieve desired change**
	Reviewing and revising of the regulatory framework
	Reviewing and revising of the municipal bylaws
	Implementation of education campaigns and training programmes on how to register/ formalise a township business

3.2 Context

The purpose of a strong legal and regulatory framework in the business environment is twofold. First, it mitigates market inefficiencies, such as barriers to entry, monopoly market power and information asymmetries; and second, it helps mitigate the negative effects which may result from undertaking such a business activity, e.g. labour laws and safety standards.[16]

The legal and regulatory framework in South Africa comprises legislation and regulations set at all three spheres of government - national, provincial, and municipal. In areas of concurrent jurisdiction, legislation is often set at both national and provincial levels, with the provinces mandated with ensuring that all national legislation and regulations are enforced. The regulatory role of municipalities is conferred upon them by the Constitution, allowing them to administer, through bylaws, all matters in Part B of Schedule 4 and 5 of the Constitution. Figure 2 illustrates some of the laws and regulations applicable to businesses in South Africa.

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[16] Dixon et al. (2006).

Figure 2: Legislative framework

Source: Pahwa et al, 2006: 10

Compliance with the regulatory framework carries a cost borne by the regulated entity. According to a 2004[17] study, the number of regulatory instruments in South Africa had increased from 521 in 2002 to 1,309 in 2004. In monetary terms, compliance with regulations cost the business sector 6.5% of GDP in 2004 (the equivalent of R79 billion).

Box 1: What is meant by regulatory burden on businesses?

> The regulatory burden refers to the costs imposed on businesses by the legal and regulatory framework. The 2 main costs or burdens are:
>
> - The administration and paperwork effort and costs involved in complying with the regulatory framework. These costs may be once-off (business registration) or ongoing (enforcement, inspection and licence renewals). The effort put into handling (or avoiding) the regulatory regime distracts businesses from their main performance goals. A reduced regulatory burden would allow owners to spend more time on running their businesses; and
> - The costs arising from the disincentives, distortions and regulatory duplication can distort resource allocations, restrict flexibility and provide disincentives to acquiring inputs and increasing output, thus adversely affecting productivity and business performance.

Source: Bickerdyke & Lattimore, 1997: 1

This regulatory and administrative burden, and the accompanying high cost, on small businesses are well documented in studies analysing the success and failures of small businesses in South Africa. Box 2 below details some of the laws and regulations which burden small businesses.

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[17] Paton (2004). Cited in Ferreira. (2007).

Box 2: The "general" regulatory burden on a small business

A new enterprise with a turnover of more than the VAT threshold (R300 000*) will have to comply with nine separate registration requirements, involving contact with five different central government offices, after which the business will face a large number of other requirements:

General start-up: nine registration requirements, five different offices

- Reserve a company name, name and articles of association
- Register for: VAT; skills levy, indicating the relevant SETA; PAYE; Income tax
- Register with Unemployment Insurance Fund; Regional Services Council
- Register as employer for Workman's Compensation

People and workplace

- Basic Conditions of Employment Act
- Occupational Health & Safety
- Compensation for Occupational Injuries and Diseases Act
- Skills Development Act & Levy
- Unemployment Insurance Act
- Employment Equity Act
- Broad Based Black Economic Empowerment Act

Taxation

- Standard Income Tax on Employees (SITE)
- Income tax
- PAYE
- Provisional tax
- Value added tax

Miscellaneous

- Competition Act
- Consumer Affairs Act
- Promotion of Access to Information Act
- Trademarks, registered design, patents, merchandise marks, copyright
- Environmental policy & legislation
- Tourism levies and requirements
- Customs & excise

* The VAT threshold has since increased to R1 million

Source: SBP, 2004: 8

It is important to note, that in addition to the "general regulations" applicable to businesses, some sectors have additional regulations specific to its activities to which businesses must also comply.

At municipal level, businesses are also required to comply with financial and non-financial local government regulations such as zoning, rates, levies, and licensing as detailed in Box 3.

Box 3: The local government regulatory burden on small businesses

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Financial

- Property Rates:
- Levies and User Charges
- Debt Collection
- Debt and Credit Control
- Supply Chain Management

Non-financial

- Land use management and controls (development rights & zoning).
- Business licences (including health and fire requirements) are required for the legal operation of certain businesses, such as health, entertainment, supply of meals, and hawkers.

Source: Pahwa et al., 2006: 63

The cost of compliance is often comparable between large and small firms, thus placing a disproportionate burden on smaller firms, with the regulatory cost per worker for a 5-employee business 10 times higher than for one with 200 employees[18]. This finding is supported by another study:

> *"Big firms have the largest costs absolutely but, in relation to their size, small firms bear the heaviest burden. Compliance costs represent 8,3 per cent of turnover for enterprises with annual sales of less than R1 million, and 0,2 per cent of turnover for corporations with sales of R1 billion or more."[19]*

In addition, it was also found that municipal level local government regulations in South Africa accounted for 6% of the recurring compliance cost to businesses, with municipal regulations ranking 9th of the 14 "*most time consuming, troublesome and costly regulations.*"[20]

Accordingly, for a small businesses, with a turnover of less than R1 million, the average annual recurring cost of compliance is R 32,482.00 of which tax compliance accounts for 34.7% (R 11,271), followed by ongoing registration (16%, R 5,230), labour (15%, R 4,785), statistical returns (12%), employment equity (7%, R 2,319), and additional regulations (6%, R 1,985). Compliance with local government regulations accounted for 9% of annual compliance costs (R 2,995).[21]

While the many laws and regulations set at National level, such as employment and taxation, are difficult and lengthy to revise, those regulations and bylaws imposed at provincial and municipal level can, as a first step, be reviewed and revised to lessen the regulatory and administrative burden on small township businesses in the Gauteng Province. Here, the Province could make use of the

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[18] Paton (2004). Cited in Ferreira. (2007).

[19] SBP. (2004). pp. 2.

[20] SBP. (2004). pp. 11.

[21] SBP. (2004).

guidelines developed by CoGTA and **the dti**[22] as well as the tools and experience developed by the Presidency in support of Regulatory Impact Assessments[23] (RIA).

In addition, the review of processes relating to the licensing and registration of township enterprises could result in streamlined, simplified, efficient and cost-effective processes which help lower the burden and cost of doing business for these enterprises, while the review and revision of restrictive bylaws could increase the number of residential-based retail business in townships.

Table 5 provides a brief summary of the evidence supporting or contradicting the objectives and desired change of SFA 1.

Table 5: Evidence assessment – SFA1

	Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
	Contradictory	Caution	Good
WHY	Pahwa, S., Bester, J., van Nieuwenhuyzen, H., Dawood, G., Pieterse, D. (2006). Impact of Municipal Regulations on SMMEs. • Details the effects of both financial and non-financial municipal regulations on SMMEs • Provides recommendations on how to ease the burden of municipal regulations and bylaws on small businesses		Good
	Ferreira, E.J. 2007. An analysis of business interventions and their effect on the perceived success of South African small and medium enterprises. • Increasing number of regulatory instruments in South Africa • Compliance cost for small business 10 times higher than for big businesses.		Good
	CoGTA & the dti. 2013. Guidelines for Reducing Municipal Red Tape: How Municipalities can Improve Service Delivery that Supports Small Business. • Details how unfavourable regulatory environments, high costs and risks of doing business in local business environments can discourage investors (both domestic and foreign) and stands in the way of innovation, growth and the potential creation of jobs. • The dti in partnership with CoGTA has embarked on a programme to provide a framework and guidelines on the reduction of red tape at local government level, thus allowing SMEs to take advantage of the business opportunities emanating from local municipalities		Good
	European Commission. 2007. Models to Reduce the Disproportionate Regulatory Burden on SMMEs. • "A complete exemption of small businesses is not possible without jeopardising the purpose of a regulation. But it is possible to alleviate the regulatory burden on small businesses by subjecting them only to parts of the regulation or a reduced set of obligations" • "By simplifying regulations and processes, it is possible to make compliance easier for small enterprises"		Good

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[22] CoGTA and **the dti**. (2013). pp. 3.

[23] The Regulatory Impact Assessment process is under review, with Cabinet expected to adopt a revised, Socio-Economic Impact Assessment (SEIA) framework. To date, no guidance has been issued around the SEIA.

	SBP. 2004. Counting the cost of red tape for business in South Africa. • Reviews the various laws and regulations applicable to small business • Details the once-off and recurring compliance costs, going as far as to compare them based on turnover size.	Good

3.3 Assumptions and risks

The literature review and limited number of consultations held with stakeholder to date, has informed a number of assumptions, implementation and exogenous, which must hold true if the planned activities are to achieve the desired intermediate outcomes. While most of these assumptions are mentioned in some form within the TER strategy, those highlighted in yellow call for some caution, while those in red pose a serious risk if not addressed adequately. Potential areas for concern include:

- Despite previous efforts by government to encourage informal businesses to undertake the process of formalisation, there has been little evidence of change. This, together with the literature suggests that many informal businesses do not perceive the benefits of formalisation to outweigh the costs. As such, the training and workshops to inform township businesses on the processes of formalising might not be sufficient to bring about the desired change. This may require the development of a targeted incentive mechanism to motivate formalisation; as well as increased attention to enforcement.

- While the strategy mentions that the Province will work with the Ministry for Small Business Development to review and reduce the regulatory burden, it does not provide any detail on how these formal engagements will be structured. In addition, to engage with National Departments, formal structures may need to be put in place to assist township businesses. For example, most SARS and CIPC offices are set in urban areas; establishing satellite offices in townships would reduce the cost of compliance by decreasing the time it takes to access such services. The proposed 'mini-Gauteng Investment Centres' (GICs) may serve this need.

Table 6 below summarises the implementation and exogenous assumptions relating to SFA 1.

Table 6: Implementation and exogenous assumptions relating to SFA 1

	No	Implementation
ASSUMPTIONS	1	The province is willing and able to revise identified (burdensome) laws and regulations
	2	The municipalities are willing and able to revise identified (burdensome) bylaws
	3	Training and awareness campaigns will encourage registration/ formalisation of TBs
		Exogenous
	4	National Government is responsive to proposed revisions to national laws and regulations
	5	Township businesses are willing to formalise their township businesses

3.4   Unintended outcomes

Changing the legal status of informal businesses within townships requires that these businesses conform to the regulatory requirements imposed upon them. This may lead to an increase in the cost of doing business for some businesses; or in extreme cases, may lead to the closure of businesses that are unable or unwilling to obtain formal licenses or permissions. Micro businesses in particular may be unable to absorb these costs. In addition, there may be an increased administrative and enforcement burden on Government arising from a higher number of registered businesses.

3.5   Results chain

An initial review of the strategy, the literature review, and preliminary consultations with key experts and the Steering Committee, have resulted in the development of a results chain as highlighted in Figure 3. This revised results chain provides additional activities and outputs which may not be clearly reflected in the TER strategy. Specifically:

- The results chain highlights the need for a specific activity relating to engagements with national departments, as well as the establishment of formal structures in township areas to assist SMMES in registration and compliance.
- The need for an incentive (or alternatively an enforcement) mechanism to encourage the formalisation of township businesses.

In addition, the Province may need to review its capacity to receive complaints or suggestions on troublesome laws and regulations; and to assess the cost of compliance and recommend changes or improvements. The experience of the red-tape reduction campaign and unit in the Western Cape may be instructive[24].

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[24] Western Cape: Red Tape Reduction. Retrieved from https://www.westerncape.gov.za/redtapereduction/

Figure 3: SFA 1 Indicative results chain (numbered assumptions – refer to Table 6 above)

3.5.1 Linkages to other SFAs

In addition to the reduction in compliance costs to township businesses, access to finance, markets and training programmes can help these businesses grow and become sustainable. As such, this SFA demonstrates strong linkages with SFA3, SFA 4, SFA 5, and SFA 6. If registration is a desired outcome, making access to these other forms of support conditional upon formalisation, could be considered for larger township businesses.

3.6 Potential indicators

Table 7 below provides a list of output and outcome indicators that could be used to monitor progress for SFA 1. This list will be refined and/ or reduced after consultations with the identified stakeholders.

Table 7: Potential indicators for SFA 1

Indicator	Frequency	Potential source
Activity and Output		
Number of identified regulations revised or simplified	Annual	Internal
Number of identified processes revised or simplified	Annual	Internal
Number of identified by-laws revised	Annual	Internal
Number of training or awareness workshop conducted	Quarterly	Internal
Number of TBS that attended training or awareness workshops	Quarterly	Internal
Programme Outcome		
The total annual cost incurred by TBs that can be directly attributed to compliance with identified local government regulations and bylaws	Annual	Survey
The total annual cost incurred by TBs that can be directly attributed to compliance with identified provincial government regulations	Annual	Survey
The total annual cost incurred by TBs that can be directly attributed to compliance with identified national government regulations	Annual	Survey
Number of workshop participants that were not previously registered but have registered with SARS & CIPC	Quarterly	Internal/ SARS/ CIPC
Strategic (Provincial) Outcome		
Total number of registered businesses within township economy	Annual	SARS/ CIPC/ Independent survey
Average annual revenue of businesses registered within township economy	Annual	SARS/ CIPC/ Independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/ Independent Survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent Survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey

4 SFA 2: PROMOTING MANUFACTURING AND PRODUCTIVE ACTIVITIES

4.1 Strategic objective and desired change

Strategic focus area (SFA) 2 aims to provide training, technical assistance, and project support to township businesses active in the manufacturing sector, thus increasing the level of local content in the market, and decreasing the dominant position of larger manufacturers. The use of government procurement as a means of growing these businesses has been moved to section (access to markets), and it is recommended that all the activities linked to government procurement be captured in SFA 6 of the TER strategy. This section thus focuses on the provision of direct support to specified industrial projects, the development of 11 sector strategies, and leveraging of existing programmes as a means of achieving the desired change. Table 8 below summarises the specific actions in the TER needed to achieve this objective.

Table 8: Desired change and necessary actions – SFA 2

WHAT	**Desired change**
	Strengthening of township businesses through training, technical assistance and project support → increased productivity and manufacturing capacity of township businesses → increased level of local content in the market → improved ability to compete with dominant players → lower levels of market concentration in targeted sectors → increased growth and sustainability of township business/ increased income generated and circulated in township areas/ township businesses integrated into the mainstream economy
HOW	**Actions required to achieve desired change**
	Support and assistance to specific projects in priority manufacturing sub-sectors
	Development of sector strategies
	Leverage existing national industrial support programmes

4.2 Context

Aside from the financial constraints to manufacturing, the non-financial challenges facing the growth and sustainability of small businesses in the sector are well documented in the literature. These include a lack of knowledge, a lack of capacity planning, and limited managerial skills and expertise.[25] Other operational challenges relating to businesses in the manufacturing sector include an inability to access technology, a lack of proper quality control in manufacturing and production processes, and the inability to sources inputs from suppliers at a competitive price. These challenges can prevent small manufacturers from competing more effectively with dominant businesses in the formal sector.

A study by SEDA in 2012 identified the general challenges facing SMMEs in South Africa, as well as those specific to the manufacturing sector:

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[25] Ligthelm & Cant. Cited in Brink and Cant. (2003). pp. 4.

- A lack of capacity to undertake market research,
- Limited product differentiation,
- A shortage of technical skills,
- Difficulty competing with large, established manufacturers and foreign imports,
- Poor quality of supporting infrastructure,
- Lack of access to appropriate equipment and technology, and
- Fragmented and uncoordinated support.[26]

Technical assistance programmes, also known as business development services, can help overcome these challenges by helping small businesses improve their productivity, manufacturing capacity, competitiveness, and ultimately their growth and long-term sustainability. The provision of financial and non-financial assistance to small businesses in South Africa has long been the focus of government, with several programmes implemented to redress SMME challenges. These the establishment of Local Business Service Centres (LBSCs), tender service centres, Manufacturing Advisory Centres (MACs), local industrial parks (LIPs) and business incubators.[27]

Despite the successes of some interventions, studies reviewing previous government assistance programmes found the following shortcomings: the programmes offered little in the way of support for survivalists and rural SMMEs; access to, and awareness of such programmes were skewed in favour of urban-based SMMEs; and the geographical distribution of the providers of such assistance was uneven, such that the costs of accessing the services were too high to be a viable option.[28]

As such, more structured, targeted and geographically appropriate technical assistance programmes are needed. Such programmes are diverse in nature, and may include a wide variety of content, including but not limited to:

- Business planning support;
- Financial planning and debt management;
- Risk management;
- Human resource and capacity planning;
- Industry-specific training and technical skills development, including training on the operational aspects of procurement of inputs, costing of goods and services, productivity, inventory management, and technological advancements;
- Assistance to comply with industry standards, regulations and accreditation requirements;
- Marketing management; and
- The establishment of industry-specific common facilities for the provision of technical assistance services.[29;30]

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[26] SEDA. (2012).

[27] Ferreira. (2007). pp. 67.

[28] Rogerson. Cited in Ferreira. (2007). pp. 68.

[29] Tsehloane & Nelson. Cited in Ferreira. (2007). pp. 110.

[30] SEDA. (2012).

Mentoring and coaching can also be used to supplement the technical assistance provided by linking small business owners to business professionals who can guide them through major decisions around the expansion and management of their business.

Table 9 provides a brief summary of the evidence supporting or contradicting the objectives and desired change underlying SFA 2.

Table 9: Evidence assessment – SFA2

Evidence assessment (causal link between outputs and outcomes)		Strength of evidence	
Contradictory	Caution	Good	
Ferriera, E.J. 2007. An Analysis of Business Interventions and their Effect on the Perceived Success of South African Small and Medium Enterprises. University of South Africa. The study consolidates several research papers on the non-financial constraints hindering the success of SMMEs: - Many competent business people with outstanding ideas do not know how to manage a business. These businesses fail because of poor management skills and a lack of business knowledge (Nieuwenhuizen). - Increasing productivity lies in the human resource and technological components of the business. As such, it is necessary to understand how the design of practices and processes can lead to greater productivity and performance (Ciavarella) - Access to expert knowledge is one of the main factors that enable SMME owners to run their businesses successfully (Ueckermann) - A lack of proper business strategy and planning. Technical and managerial skills are often non-existent (Mutharika) - Survey in which more than two-thirds of business owners thought that their businesses were more successful after they had received such assistance		Good	
SEDA, 2012. Analysis of the Needs, State and Performance of Small and Medium Businesses in the Agriculture, manufacturing, ICT and Tourism Sectors in South Africa Identified the most urgent needs of SMMEs in the manufacturing sector		Good	

4.3 Assumptions and risks

The literature review and limited number of consultations held with stakeholders to date, has informed a number of assumptions, implementation and exogenous, which must hold true if the planned activities are to have achieve the desired intermediate outcomes. While most of these assumptions are mentioned in some form within the TER strategy, those highlighted in yellow, call for some caution, while those in red pose a serious risk if not addressed adequately. Potential areas for concern include:

- The implementation plan for the TER strategy identifies several manufacturing enterprises which have been selected for support. The specific projects were selected by the

Government from submissions that were made to the Premier's Office, and prior to the completion of the sector strategies that are expected to guide these interventions. The assumption is that a rigorous feasibility was completed, detailing the demand for such products, the need for intervention, and the ability of township businesses to provide such products competitively.

- Likewise, the strategy assumes that direct government intervention is required to enable these projects to succeed, but does not describe the specific form that this intervention will take. Prior providing support to the establishment of new manufacturing entities, it is important to identify the particular problem which this intervention seeks to redress, and to consider the most efficient option for doing so. Otherwise there is some risk that government funds may be misdirected or that these projects might not be sustainable without ongoing government support.

- It follows, that the Government should also develop a rigorous due-diligence and review process that enables it to monitor the success of such interventions, and to exit the project should support no longer be required, or should the project be unlikely to succeed. This is important to ensure that government funds are not wasted on redundant or infeasible enterprises or industrial projects.

Table 10 below summarises the implementation and exogenous assumptions relating to SFA 2.

Table 10: Implementation and exogenous assumptions relating to SFA 2

	No	Implementation
ASSUMPTIONS	1	Feasible and sustainable projects have been identified for support
	2	Projects require government intervention to succeed (market failure)
	3	The assistance provided address the specific constraints hindering SMMEs in the targeted sub-sector
		Exogenous
	4	There is sufficient demand for the identified manufactured products
	5	Township businesses are able to supply these products competitively

4.4 Unintended outcomes

In targeting specific industries and companies, there is some risk that the gains to these new businesses might come at the cost of more established and potentially more efficient businesses. This would reduce the overall efficiency of manufacturing in the Province, and potentially, lead to the creation of new companies that depend on Government support for their survival. Increasing manufacturing within township suburbs may also result in negative externalities (i.e. pollution), and manufacturing businesses will place additional strain on the existing physical infrastructure within townships.

4.5 Results chain

An initial review of the strategy, the literature review, and preliminary consultations with key experts and the Steering Committee, have resulted in the development of a results chain as highlighted in

Figure 4. This revised results chain provides additional activities and outputs which may not be clearly reflected in the TER strategy. Specifically:

- A wide, transparent and competitive process should be used to identify potential enterprises and projects.
- Independent feasibility (cost/benefits analysis) studies should be completed to ensure that the correct projects are selected and supported.
- A critical review and exit plan must be formulated and implemented to ensure that unsustainable projects are cut as soon as possible, or that scarce government funds are not wasted on redundant projects that no longer require official support.
- In addition to the support programmes implemented by the Gauteng Province, several other programmes at national level, such as those implemented by **the dti**, can be leveraged to support such manufacturing activities.
- As mentioned earlier, it is proposed that all activities, outputs and outcomes relating to procurement be moved to SFA 6, so that they may be implemented and monitored through this focus area as a cohesive set of interventions.

In addition, looking forward, it will be important that the project level interventions are informed by the sector and industrial strategies that are developed by the DED. These strategies should serve to identify the specific constraints to industrial development in these sectors, and how they are to be addressed by the proposed project or sector-wide interventions. The sector strategies should also signal township opportunities to private investors and entrepreneurs.

4.5.1   Linkages to other SFAs

In addition to the support provided under this SFA, a high level coordination will be needed with SFA 3, SFA 5, and SFA 6 to provide these manufacturing enterprises with infrastructure, finance and access to markets. Managing these linkages requires that township businesses that access the offerings under any of these SFAs be registered and tracked to ensure that they are able to access the full range of offerings applicable to them.

Figure 4: SFA 2 Indicative results chain (numbered assumptions – refer to Table 10 above)

4.6 Potential indicators

Table 11 below provides a list of output and outcome indicators that could be used to monitor progress for SFA 2. This list will be refined and/ or reduced after consultations with the identified stakeholders.

Table 11: Potential indicators for SFA 2

Indicator	Frequency	Potential source
Activity and Output		
Total rand value of GPG support to identified projects (by project)	Quarterly	Internal
Number of independent feasibility (CBA) studies completed (as % of total existing projects)	Annual	Internal
Number of annual reviews completed (as % of total existing projects))	Annual	Internal
Number of sector strategies completed (as % of total number)	Annual	Internal
Programme Outcome		
Increased employment in supported projects (by project)	Annual	Internal
Increased output in supported projects (by project)	Annual	Internal
Employment per rand invested by GPG (Ratio)	Annual	Internal
Output per rand invested by GPG (Ratio)	Annual	Internal
ROI (NPAT/ total investment) of supported projects	Annual	Internal
Strategic (Provincial) Outcome		
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/ Independent Survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent Survey
Total number of registered businesses within township economy	Annual	SARS/ CIPC
Average annual revenue of businesses registered within township economy	Annual	SARS/ CIPC
Total value of sales from township businesses to business and consumers outside of township economy	Annual	Independent Survey
Total value of purchases of township businesses from business outside of township economy	Annual	Independent Survey
Total number of formal sector jobs within the township economy	Annual	StatsSA/ Independent Survey
Average annual income of workers within the township economy	Annual	StatsSA/ Independent Survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal

5 SFA 3: ECONOMIC INFRASTRUCTURE SUPPORT AND CLUSTERED ENTERPRISE DEVELOPMENT

5.1 Strategic objective and desired change

SFA 3 focuses on the provision of different kinds of specialised economic infrastructure to township businesses, thus reducing the cost of doing business as well as increasing linkages and cooperation between these businesses. It also focuses on the wide-spread roll-out of the Gauteng Broadband Network (GBN) in business hotspots in the townships, as well as the establishment of industrial parks, business hubs and incubators and the provision of management, administrative and technical support. The SFA also identifies the use of consumer to strengthen the buying power of TBs to achieve economies of scale. Table 12 below summarises the specific actions in the TER needed to achieve this objective.

Table 12: Desired change and necessary actions – SFA 3

WHAT	**Desired change**	
	Investment in targeted economic infrastructure → increased number of industrial hubs → reduced cost of doing business and improved cooperation between enterprises → increased number of township business	
HOW	**Actions required to achieve desired change**	
	Develop specialist economic infrastructure for clustered enterprises (industrial parks, hubs, etc.)	
	Roll out the Gauteng Broadband Network (GBN)	
	Provide dedicated support services to the geographic clusters/ street level nodes	
	Facilitate access to land for industrial development	

5.2 Context

Another of the challenges preventing the start-up of new business, or the expansion of existing small businesses, is the high recurring operational costs relating to infrastructure, services, telecommunication and transport. Studies often stress that one of the core factors needed to grow small businesses, irrespective of the economic model, is the provision of adequate premises and support [31]. Clustered enterprises are seen as a means of supporting the start-up and growth of SMMEs engaged in similar activities by grouping them in a single geographic location.

The European Commission definition of a clustered enterprise is:

> *"groups of specialised enterprises – often SMEs – and other related supporting actors that cooperate closely together in a particular location. In working together SMEs can be more innovative, create more jobs and register more international trademarks and patents than they would alone."*

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[31] Mantle et al (1992). Cited in Ferreira. (2007). pp. 44.

Clustered enterprises come in many forms; business parks, industrial parks, innovation hubs, incubators, and shared production centres, each of which offer a different level of services and infrastructure, depending on the needs of the resident businesses. The various forms of clustered enterprises are differentiated as illustrated in Figure 5.[32]

Figure 5: Forms of clustered enterprises

Source: European Commission, cited in Ackomak, 2009: 4

Some of the services offered by clustered enterprises include, but are not limited to:

1. Physical infrastructure and facilities, including workspace, telecommunications, and machinery,
2. Management and administrative support,
3. Technical assistance; including training and mentorship, and
4. Professional services; legal, financial, and human resource.[33]

The benefits of participating in a business cluster are clear, with studies highlighting that through clustering, businesses of all sizes can utilise public infrastructure, leverage common facilities, and gain access to several other critical business inputs such as finance, labour, research and advice. [34] Additional benefits include:

- Improved cooperation between enterprises in the cluster through informal networking,
- Increased opportunities for value-add within the cluster,

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[32] European Commission. (2002). Cited in Ackomak. (2009).
[33] Scaramuzzi. (2002).
[34] Falcke, C.O. (1999).

- Some clusters qualify for tax benefits,
- Reduced cost of doing business, through the use of common infrastructure, technology and even machinery,
- High value for money. Enrolment into clusters often carries a small cost, which when compared to the benefits received, is often insignificant, and
- Improved avenues to access markets and finance.

Table 13 provides a brief summary of the evidence supporting or contradicting the objectives and desired change of SFA 3.

Table 13: Evidence assessment – SFA3

Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
Contradictory	Caution	Good
Ackomak, S.I. 2009. Incubators as tools for entrepreneurship promotion in developing countries. • Incubators reduce start-up and early stage operational costs, and the risk of doing business by providing a protective environment for start-ups. • Stimulates networking among firms		Good
Lalkaka, R. 2001. Best Practices' in Business Incubation: Lessons (yet to be) Learned. Highlights the benefits of incubation for tenants, government, society, and general businesses. • For tenants, it enhances the chances of success, raises credibility, helps improve skills, creates synergy among client-firms, facilitates access to mentors, information and seed capital • For governments, it helps overcome market failures, promotes regional development, generates jobs, incomes and taxes, and becomes a demonstration of the political commitment to small businesses • For business: the BIC can develop opportunities for acquiring innovations, supply chain management and spin-offs, and helps them meet their social responsibilities. • For the local community: creates self-esteem and an entrepreneurial culture, together with local incomes as a majority of graduating businesses stay within the area		Good
NEF. Plugging the leaks: Making the most of every pound that enters the local economy. • Explains the importance of generating and circulating income in any local economy, through the benefits of the "local multiplier effect" • Local economies must "attract more money into an area – inward investment, grants, welfare benefits, export sales and so on, and slow down the rate of leakage through local sourcing, adding value locally, and using local resources.		Good

5.3 Assumptions and risks

The literature review and limited number of consultations held with stakeholder to date, has informed a number of assumptions, implementation and exogenous, which must hold true if the planned activities are to achieve the desired intermediate outcomes. While most of these assumptions are mentioned in some form in the TER strategy, those highlighted in yellow call for some caution, while those in red pose a serious risk if not addresses adequately. Potential areas for concern include:

- One of the key determinants of support models or structures for clustered enterprises is that these structures are both well managed, and that the enterprises who participate in them are selected after meeting stringent qualification criteria.
- No 'one size fits all' model exists for business incubators or other support structures for clustered enterprises. Rather these models need to be designed and adapted to meet the specific needs of the participating businesses and can therefore vary significantly depending on the size of the businesses, the sector in which they participate, and their specialised technical or knowledge requirements.
- Given the significant funding required to establish such a cluster, a strong monitoring framework must be incorporated to ensure that any problems are quickly identified and resolved.
- When determining the geographic locations in which to build any form of infrastructure for a specific cluster, clear evidence must exist that there are sufficient township businesses of a good quality which can participate in the cluster.
- In order for consumer cooperatives to work, the participating township businesses must be willing to collaborate with other owners, as this would involve them relinquishing a level of control and decision making to the cooperative.

Table 14 below summarises the implementation and exogenous assumptions relating to SFA 3.

Table 14: Implementation and exogenous assumptions relating to SFA 3

	No	Implementation
ASSUMPTIONS	1	The clusters will be well managed, with participating enterprises carefully selected
	2	Relevant and applicable business training and support will be provided (practical)
	3	Pro-active and continuous monitoring will be incorporated to quickly highlight problem areas
		Exogenous
	4	There is sufficient number and quality of township businesses within an identified township
	5	Township businesses are willing to cooperate (cooperatives/ community markets)

5.4 Unintended outcomes

Incubators and hubs are usually established to meet very specific needs and provide specialist services and support to deserving businesses at the early stage of their development. On the other hand, there is often pressure on these 'institutions' to increase volumes and generate quick results; and it can be difficult to push-out unsuccessful incubates or tenants. This can lead to a dilution of

resources and services; and poor outcomes. There is also some risk that new businesses become overly dependent on the services and facilities provided by Government and are unable to graduate or expand.

5.5 Results chain

An initial review of the strategy, the literature review, and preliminary consultations with key experts and the Steering Committee, have resulted in the development of a results chain as highlighted in Figure 6. This indicative results chain provides additional activities and outputs which may not be clearly reflected in the TER strategy. Specifically:

- Before establishing any new form of support or structure for clustered enterprises, an in-depth review of existing models should be undertaken to understand the key characteristics of each model: the managerial needs, the administrative support required, and potential selection and funding requirements. This will also allow the Province to review the lessons-learnt from previous initiatives. Ideally, a set of guidelines for new hubs or clusters should be developed.
- Once a site has been identified for a cluster, an independent feasibility study or cost/benefit analysis should be completed to ensure that there is sufficient demand for this intervention in this area or sector, and that the correct type of cluster is established.
- The maintenance costs and governance of hubs and incubators must be continuously reviewed, and clear targeted must be formulated to ensure that poorly implemented or unsustainable clusters are identified as soon as possible.

It is important to note that in most cases, the Government is looking to refurbish existing sites, rather than create new industrial parks. In doing so, care must be taken to ensure that the problems encountered in the management and maintenance of these sites previously are understood and adequately addressed. This may require an independent review of these past investments.

Figure 6: SFA 3 Indicative results chain (numbered assumptions – refer to Table 14 above)

5.5.1 Linkages to other SFAs

In addition to the support provided under this SFA, strong linkages are required to SFA 4, SFA 5, and SFA 6, to provide the clustered enterprises with training support, finance and access to markets. There would also be possible linkages to SFA 7, providing the manufacturers of indigenous products with the infrastructure and support needed to produce such products.

5.6 Potential indicators

Table 15 provides a list of output and outcome indicators that could be used to monitor progress for SFA 3. This list will be refined and/ or reduced after consultations with the identified stakeholders.

Table 15: Potential indicators for SFA 3

Indicator	Frequency	Potential source
Activity and Output		
Number of independent feasibility studies completed for new clusters (as % of total identified clusters)	Quarterly	Internal
Number of cluster developments completed (by type of development)	Quarterly	Internal
Cost of completed cluster developments as % of planned cost (for each development)	Quarterly	Internal
The total financial contribution of the GP to the overall development cost (for each cluster development)	Quarterly	Internal
The annual maintenance cost of each cluster development as a % of the total operational cost (or initial investment)	Quarterly	Internal
The annual staff cost of each cluster development as a % of the total operational cost	Quarterly	Internal
Number of consumer cooperatives registered	Quarterly	Internal
Number of Wi-Fi hotspots established through the roll-out of the GBN	Quarterly	Internal
Programme Outcome		
Number of enterprises located in the cluster (for each development or type of development)	Quarterly	Internal
Number of private jobs created (for each development or type of development)	Annual	Internal
Annual cost to GP as % of total operational cost (for each development or type of development)	Annual	Internal
Total operational cost / total number of beneficiaries (for each development or type of development)	Annual	Internal
Total graduates as % of enrolment into incubators	Annual	Internal
Total drop-outs as % of enrolment into incubators	Annual	Internal
Profit margin of participants in consumer co-operatives	Annual	Internal (Survey)
Strategic (Provincial) Outcome		
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/ Independent Survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent Survey

Total number of registered businesses within township economy	Annual	SARS/ CIPC
Average annual revenue of businesses registered within township economy	Annual	SARS/ CIPC
Total value of sales from township businesses to business and/or consumers outside of township economy	Annual	Independent Survey
Total value of purchases of township businesses from business outside of township economy	Annual	Independent Survey
Total number of formal sector jobs within the township economy	Annual	StatsSA/ Independent Survey
Average annual income of workers within the township economy	Annual	StatsSA/ Independent Survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal

6 SFA 4: PROMOTING ENTREPRENEURSHIP DEVELOPMENT

6.1 Strategic objective and desired change

SFA 4 focuses on the expansion of training and workplace programmes in townships, thus increasing the total number of entrepreneurs and employment opportunities in the township economy. Specific programmes include the Tshepo 500,000 initiative, and collaboration with SETAs, FETs and state-owned enterprises to produce artisans and apprenticeships within townships. Table 16 below summarises the specific actions in the TER needed to achieve this change objective.

Table 16: Desired change and necessary actions – SFA 4

WHAT	**Desired change**
	Expansion of training and workplace programmes → increased number of entrepreneurs/ employment opportunities in townships → growth of township business
HOW	**Actions required to achieve desired change**
	Identify potential entrepreneurs (talent search)
	Training and transfer of skills to potential entrepreneurs
	Extend (improve awareness of) existing skills programmes to townships

6.2 Context

While no standard definition for entrepreneur or entrepreneurship exists, it is broadly seen as having the ability to create something out of almost nothing. In this report, we use the definition "*entrepreneurship involves the creation of new enterprises.*" [35] It is widely considered a driver of economic change, and a means to lower unemployment and alleviate poverty.

Entrepreneurship is pursued for one of two reasons; the drive to be an entrepreneur, or out of necessity when no other employment is available. These factors are illustrated in Figure 7 below.

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[35] Low and Macmillan (1988). Cited in Agbenyegah. (2013).

Figure 7: What motivates entrepreneurship?

When entrepreneurship emerges from a combination of largely push factors (as is often likely in the South African context), owners often lack the general characteristics of entrepreneurship, such as business acumen, sector knowledge, and managerial and administrative skills. As such, despite the positive economic effects of entrepreneurship, success is scarce or short-lived. Some of the constraints limiting the successes of small businesses in South Africa include:

- The inability to plan efficiently and comprehensively
- Limited knowledge and business acumen and skill
- A tack of technical ability, and
- Limited access to information.[36]

Training and workshops dedicated to improving the skills of entrepreneurs can lower the failure rate, and open opportunities for expansion. For example, a well-developed business plan can help owners' access finance, while targeted training can help reduce business operation costs.

According to the Enabling Entrepreneurship Technical Task Team (EE TTT) of the Human Resource Development Council of South Africa (HRDCSA), there are a large number of programmes and significant resources dedicated to the training and support of entrepreneurs in South Africa, but these

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[36] Agbenyegah. (2013).

efforts are often uncoordinated, with limited effectiveness. The EE TTT has established 7 work streams, some of which can be leveraged by the Gauteng Provincial Government, including:

1. Work stream 4: A national portal for entrepreneurs, managed by SEDA, which will act as a one-stop shop containing all relevant information.
2. Work stream 5: Barriers to entrepreneurship and recommendations to remove barriers. Under this work stream, the EE TTT has established an inter-governmental Business Registration Review (BRR) team with the aim of creating a single point of entry where entrepreneurs can register their businesses.
3. Work stream 6: The state of entrepreneurship in South Africa, under which the EE TTT aims to develop a database of wholesalers who conduct business with SMMEs. The database will also include information of all programmes extending assistance to SMEs.
4. Work stream 7: The provision of free websites and tools, rolled out in Gauteng and the KZN to date, aims to provide free websites to small businesses thus allowing them to access both local and international markets.[37]

As such, in addition to new training programmes and workshops implemented by the GPG, it will be important to review and leverage existing training programmes in order to maximise the quantity and quality of services available to township businesses.

Table 17 provides a summary of the evidence supporting or contradicting the objectives and desired change of SFA 4.

Table 17: Evidence assessment – SFA 4

Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
Contradictory	Caution	Good
Increased training for entrepreneurs will lead to an increase in entrepreneurship and township businesses		
Agbenyegah, 2013. Challenges facing rural entrepreneurship in selected areas in South Africa. Details some of the benefits of entrepreneurship • Entrepreneurship is the largest contributor and generator of employment opportunities; hence entrepreneurship alleviates growing levels of poverty (Herrington et al) • Entrepreneurship can solve socio-economic problems such as to combat the growing poverty rates and to offer employment opportunities; entrepreneurial activity fosters lasting economic growth and development (Minniti; Carree & Thurik) • Generally entrepreneurial activities allow poor households to earn income through the supply of individual labour and hence impact on the economic growth and alleviate poverty (Fox and Gaal)		Good

[37] HRDCSA. (2012).

Agbenyegah, 2013. Challenges facing rural entrepreneurship in selected areas in South Africa. Details why entrepreneurs and small businesses fail. • Approximately 30% of the owner-managers lack skills including business skills (Roodt) • Challenges such as inadequate management skills, lack of experience, knowledge and training impact negatively on small business performance (Shejavali) • One of the most common challenges of small businesses is poor management style (Badenhorst et al) • The skills and training accorded the owner-managers (entrepreneurs) of small businesses fall short of expectations • The owner-managers (entrepreneurs) of small businesses lack skills of business planning, accounting and production skills (Jain) • Inadequate managerial skills within the small business sector constrain small business growth in South Africa (Luiz) • The small business sector finds it very difficult to operate business activities without much skill (Lotz & Marais)	Good
Agbenyegah, 2013. Challenges facing rural entrepreneurship in selected areas in South Africa. How does training and education help small businesses? • Through education and training, individual entrepreneurs begin to reap the fruits of entrepreneurship and the essence of entrepreneurial opportunities within the business environment as knowledgeable individuals with relevant skills pursue start-up businesses (Martinez et al) • Owner-managers with adequate management and leadership skills in addition to a well-documented and viable business plan are able to acquire financial support from banks (Mahadea)	Good
Agbenyegah, 2013 also details some of the concerns raised by authors who have studied entrepreneurship • Skills training alone is not the solution; other limitations including a lack of adequate financial resources, unavailability of marketing information, poor level of literacy and the general lack of support services are some of the contributory factors that challenge small businesses' survival (Ladzani and Van Vuuren). • Fluctuations in the marketplace means that the owner-managers need regular skills training in order to curtail the escalating failure rates within the small business environment (Ladzani). • Majority of the entrepreneurs were unaware of the numerous support services, service providers and specific centres where such services can be accessed (Fatoki & Gawe).	Caution

6.3 Assumptions and risks

The literature review and limited number of consultations held with stakeholder to date, has informed a number of assumptions, implementation and exogenous, which must hold true if the planned activities are to achieve the desired intermediate outcomes. While most of these assumptions are

mentioned in some form within the TER strategy, those highlighted in yellow call for some caution, while those in red pose a serious risk if not addresses adequately. The potential areas for concern include:

- A rigorous selection process is in place to identify potential entrepreneurs with the highest chance of succeeding. In doing this, the programme has a higher change of achieving the desired outcomes.
- Any training and assistance provided to entrepreneurs should be done on a continuous basis. As market conditions change, entrepreneurs require training and guidance to help overcome any new challenges they may encounter.
- While the provision of training and skills is needed, the implementers must ensure that adequate opportunities exist for the participants of the programmes to implement skills learned in a productive and profitable way.

Table 18: Implementation and exogenous assumptions relating to SFA 4

	No	**Implementation**
ASSUMPTIONS	1	The correct individuals are selected for participation in TER projects
	2	Appropriate training and continuous assistance is provided
		Exogenous
	3	There are adequate opportunities for new entrepreneurs (in the sectors/ skills) trained
	4	There are strong linkages between training and other TER programmes

6.4 Unintended outcomes

Training people in entrepreneurship is difficult, and business skills are just one of the many barriers to small enterprise development and job creation within township areas. On the other hand, training programmes are a relatively quick and easy means to reach and equip a large number of individuals with new knowledge and skills. Matching these news skills to the actual skills demanded in the workplace is key. Unless there are sufficient business or workplace opportunities available to absorb the increased supply of trainees, increased training could prove to be costly and ineffective.

6.5 Results chain

An initial review of the strategy, the literature review, and preliminary consultations with key experts and the Steering Committee, have resulted in the development of a results chain as highlighted in Figure 8. This indicative results chain provides additional activities and outputs which may not be clearly reflected in the TER strategy. Specifically:

- Prior to the implementation of any training programme, a market needs assessment should be done to ensure that the training provided covers a gap in the market. By doing this, implementers and participants can be reasonably assured that adequate opportunities exist for the use of these skills in a productive and profitable way.

- Training alone is insufficient as a means of creating entrepreneurs. Training programmes and graduates must feed seamlessly into other TER programmes such as access to infrastructure, finance and markets. In order to do this, a database or register of trainees must be kept so that they can access the full suite of TER offerings.

It is also important to recognise the difference between programmes aimed at supporting entrepreneurs, and those that serve to equip people with the knowledge and skills required to find employment. It follows that the outputs from these different types of interventions should be measured and evaluated differently. Otherwise there is some risk that incubator programmes, which are intended to provide in-depth assistance to a small number of carefully selected entrepreneurs; will be encouraged to raise graduate numbers in order to meeting training targets and reduce the level and quality of support provided.

Figure 8: SFA 4 Indicative results chain (numbered assumptions – refer to Table 18 above)

Numbers in blocks correspond to assumptions in the main report

6.5.1 Linkages to other SFAs

In addition to the support provided through this SFA, strong linkages are required with SFA 1, SFA 3, SFA 5 and SFA 6, to ensure that graduates receive the necessary support in terms of finance, infrastructure and access to markets. Managing these linkages requires that township businesses that access the offerings under any of these SFAs be registered and tracked to ensure that they access the full range of offerings applicable to them. As such, a centralised management, information, and coordination system is likely to be of significant.

6.6 Potential indicators

Table 19 provides a list of output and outcome indicators that could be used to monitor progress for SFA 4. This list will be refined and/ or reduced after consultations with the identified stakeholders.

Table 19: Potential indicators for SFA 4

Indicator	Frequency	Potential source
Activity and Output		
Number of training programmes implemented	Quarterly	Internal
Number of workshops implemented	Quarterly	Internal
Number of participants trained	Quarterly	Internal
Average pre-training assessment score	Quarterly	Internal
Average post-training assessment score	Quarterly	Internal
Programme Outcome		
Number of new businesses started by programme participants (by programme or workshop)	Annual	Internal (Survey)
Number of beneficiaries placed in formal jobs (by programme or workshop)	Annual	Internal (Survey)
Average income of beneficiaries (by programme or workshop)	Annual	Internal (Survey)
Return on investment (GP spend/ average change in income)	Annual	Internal (Survey)
Strategic (Provincial) Outcome		
Total number of registered businesses within township economy	Annual	SARS/ CIPC
Average annual revenue of businesses registered within township economy	Annual	SARS/ CIPC
Total number of formal sector jobs within the township economy	Annual	StatsSA/ Independent Survey
Average annual income of workers within the township economy	Annual	StatsSA/ Independent Survey

7 SFA 5: FINANCING AND INVESTING IN THE TOWNSHIP ECONOMY

7.1 Strategic objective and desired change

The financing and investment pillar focuses on the difficulties experienced by TBs in accessing external finance, and the need to bring additional and new forms of finance into the Township Economy. Specifically, the strategy identifies the need to re-capitalise and strengthen the Gauteng Enterprise Propeller (GEP); investigate the establishment of a state-owned bank, Township Economy Bond or Solidarity Fund; and develop and formalise cooperative banks and insurance enterprises. Together, these initiatives are expected enhance financial access for businesses and residents throughout the Township Economy.

The main actions specified in the TER in order to achieve this change are summarised in Table 20 below.

Table 20: Desired change and necessary actions – SFA 5

WHAT	**Desired change**
	Leveraging additional finance for TBs through the GEP, co-operative banks and the introduction of specialist funds and bonds → improved access to capital for township businesses and residents → new / expanded TBs
HOW	**Actions required to achieve desired change**
	Investigate and potentially establish Township Solidarity Fund, Township Economy Bond and State Owned Bank
	Recapitalise and strengthen the Gauteng Enterprise Propeller
	Support the establishment of cooperative banks & cooperative insurance enterprises

7.2 Context

There is a vast literature on the financial constraints to SMMEs in general, and the particular and peculiar difficulties encountered by small and black-owned business in South Africa in accessing capital. Together, the evidence strongly supports the need for supply-side interventions, but there are questions about the effectiveness of previous (largely national) government programmes in this area.

In 2002 the National Treasury (through Policy Board for Financial Services and Regulation) appointed an expert task team to review the constraints to access to finance for SMMEs in South Africa. The findings from this task team are comprehensive and instructive; and are supported by more recent studies[38].

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[38] see Rogerson (2008) for a literature review of this topic

The task team[39] describes the unique features of PDI SMMEs in South Africa: they have "little or no savings; little or no access to family finance/neighbourhood finance; little or no valuable investment in residential property." Moreover, these SMMEs generally do not have access to traditional sources of bank or venture capital finance and rely largely on their limited own resources. They also note the reluctance of South African to finance SMMEs.

However, the task team is not convinced that an increased supply of finance, and specifically debt finance, would overcome these particular problems: "In practice SMMEs with a proven track record hardly ever experience a shortage of debt financing…. Government interventions in the past to stimulate the provision of debt finance had been misdirected. Public-policy interventions should be reoriented, away from debt-oriented interventions to emphasise initiatives that support or facilitate the provision of equity to SMMEs."[40]

For these reasons, the task team strong recommends new and innovative mechanism to support investment into small businesses in South Africa, largely though the expansion of venture capital funds and support to 'angel investors'. Specifically, they suggest that Government could look to support or incentivise the establishment of information portals, fora or match-making services to link Township Businesses to private investors.

The task team also considered the role of non-bank financial intermediaries in increasing access to finance for SMEs. Whereas the international experience shows that financial innovation and risk-taking is more likely to take place outside of the traditional banking sector, they note that in South Africa: "the regulatory environment is not neutral between banks and NBFIs, and this has a strongly negative impact on the participation of NBFIs in SMME finance. There are also inconsistencies between the regulation of different types of credit, which, in turn, introduce further regulatory bias and have potentially negative consequences for SMME finance."[41]

Here the task team notes that a lack of comprehensive information on the exposure and credit profile of SMEs greatly increases the risk of lending to them, and thereby the cost. It follows that: "The ability (i) to access comprehensive information about SMME exposures and repayment profiles and (ii) to access such information through an electronic interface has the potential to make a significant impact on the volume of SMME finance being provided, as well as various categories of SMMEs that may gain access to finance and the cost of such finance."[42]

Specifically, the task team calls for the establishment of a dedicated SMME database to improve access to (non-credit risk) information about the sector and the extent and validity of collateral pledged by SMMEs. Similarly, Rogerson[43] highlights the need to invest in information systems, such as credit bureaus, in order to facilitate the delivery of finance to SMMEs. This is confirmed by an MFRC survey of 80 micro-lenders: "the greatest challenges facing lenders in providing SMME

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[39] Falkena et al. (2002). pp. 49.
[40] Falkena et al. (2002). pp. 54.
[41] Falkena et al. (2002). pp. 116.
[42] Falkena et al. (2002). pp. 122.
[43] Rogerson. (2008). pp.77.

finance were identified as: understanding all the risks associated with SMME lending; obtaining quick and meaningful borrower information for making an informed decision about SMME loans; obtaining wholesale funding to provide SMME loans to end-users; and limitations to the Usury Act and Exemption Notice."[44]

The ability to enforce claims against defaulting SMMEs is equally problematic. According to the task team "improving the accessibility and efficiency of the public infrastructure in this area would reduce the risk of and eventual loss resulting from an SMME defaulting on debt or other obligations. It would therefore facilitate increased lending to SMMEs. In addition, access to specialised courts to act against SMMEs that default on loan obligations could also facilitate SMME finance."[45]

Many of the above problems are not new and Government has invested significant resources and established multiple institutions to address these challenges. The evidence suggests that these interventions have had mixed results. Monkan (2003[46]) undertook a review of all of the National Department of Trade and Industry's offerings in support of SMME development and derived the following general conclusions:

- "Problems are inherent in the supply-driven character of existing finance programmes and that a more flexible 'collaborator friendly approach' might be more effective for government.
- That simple traditional models of assessing credit worthiness may be unsuitable for the target SMME market.
- The effectiveness of government support in terms of the neediest SMMEs might be enhanced if it offered retail support through provincial and local governments as well as wholesale finance through Khula.
- Separating BDS services from access to financial services was not addressing the practical challenges facing entrepreneurs.
- There is lack of understanding and monitoring of the SMME marketplace, its participants and performance, which feeds into difficulties of effective management and development.
- Given international trends away from government-led delivery of financial support to SMMEs, the need was identified to encourage more partnerships with the private sector to drive the delivery of financial support.
- Overall, the most appropriate path for SMME support might be to shift away from a 'heavy-handed' state-led approach towards a 'financial market systems approach' involving the promotion of a market-enabling environment."

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[44] Falkena et al. (2002). pp. 132.
[45] Falkena et al. (2002). pp. 122.
[46] Monkan (2003). Cited in Rogerson. (2008). pp. 68.

Table 21: Evidence assessment – SFA 5

	Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
	Contradictory	Caution	Good
	The provision of additional finance and the development of new financial instruments and enterprises will enable the entry or expansion of TBs		
WHY	World Bank (2006), Khubeka (2006) and FinMark Trust (2006) in Rogerson (2008) confirm that access to finance is amongst the greatest constraints to SMMEs. • "Both the Johannesburg and Durban surveys of SMMEs, which were conducted by the World Bank showed lack of credit to be a core business constraint faced by especially emerging SMME entrepreneurs" pg. 63 • "Issues of poor access and high interest rates were underpinnings of low usage of formal bank loans and exacerbated by complex application processes, lack of collateral and credit history" pg. 63 • "Any improvement in the investment climate for micro-enterprises is conditional upon an enhanced access of entrepreneurs to finance" pg. 63 • "in Gauteng's SMME economy family and friends are the main source of financial borrowing especially for the start-up of new enterprises. The incidence of loans and borrowing from the formal financial sector by small businesses is low…with only 2% of survey respondents reporting use of loans"		Good
	World Bank (2006), Angela Motsa & Associates (2004), Naidoo (2006) and Falkena et al (2001) in Rogerson (2008) highlight the differential financial needs of different SMMEs: • "across different phases in SMME development – from start-up through growth phase and into a stable phase – different financing requirements have been observed." Pg. 63 • "the majority in this second group of entrepreneurs (black SMMEs) have neither their own or friends/relatives resources; no possible collateral and no access to traditional debt due to their fragility and risk of failure" pg. 63 • "the most significant difference in constraints as reported in a sample of micro-enterprise (ME) as opposed to formal SMEs or large enterprise was in access to finance…access to and cost of finance is a concern principally for black-owned MEs" pg. 64 • there is a need for "a more deliberate and integrated strategy focusing on women in business" and in particular to address the marginalised position of black women in terms of access to finance for business development" pg. 65		Caution
	Angela Motsa & Associates (2004) and Niewenhuizen and Kroon (2003) in Rogerson (2008) highlight the shortcomings of commercial banks: • Commercial banks "do not have the skills set for assessing start-ups and small enterprises. Furthermore, it was found that banks were not able to interact effectively with entrepreneurs" pg. 66 • "existing criteria for and methods of evaluation of loans discriminate against SMME entrepreneurs and do not Identify potentially successful owners of SMMEs, instead they focus on potentially successful enterprises" pg. 66. • "Initiatives made by banks to enter the market have centred largely on the formally employed and/or delivering products to established rather than emerging SMMEs" pg. 66		Good

	Siyongwana (2004), Bay Research and Consulting Services (2002) and Baumann (2004) in Rogerson (2008) describe the role and limitations of the micro-finance sector: • "the informal or unregistered micro lending sector is an important segment of the 'unbanked' sector of the South African population" and provides "a valuable financial service to a section of the population that is unable to utilise the formal banking system" pg. 67 • "most of the existing SMME financing products are useless for poor township or rural households. These poor households can benefit, however, from "other micro financial services" pg. 67 • "it is questioned whether supply of microcredit is an appropriate intervention and that a more appropriate support channel might be through support for Accumulating Savings and Credit Associations" pg. 68	Caution

7.3 Assumptions and risks

Based on this brief review of the literature, a number of assumptions have been identified, which must be in place for the planned activities to have the desired intermediate outcome. Whereas most of these assumptions are addressed in some way in the strategy, those highlighted in yellow remain cause for some caution and those in red pose serious risks, unless adequate mitigation actions are put in place. Potential areas of concern include:

- The overriding focus of the TER strategy, in this pillar, seems to involve leveraging additional or new forms of debt finance. Whereas the literature recognises the potential role of non-banking financial institutions, such as cooperative, in delivering innovative solutions in non-traditional markets, it also highlights some serious constraints. These include the lack information available on SMMEs, the need for an enforcement mechanism to recover claims, and regulatory bias. Thus, to be effective, the introduction of new forms of debt finance into the Township Economy would need to be accompanied by supporting infrastructure and reforms in all of these areas.

- It follows, that investors would be unlikely to invest in a Township Bond or Fund unless there was some certainty that the risk of doing so could be properly assessed, and that there was a reasonable chance of recovering money in the case of default. This too would likely require the establishment of some form of credit register and enforcement mechanism.

- There is also some uncertainty around the amount of savings available in the Township Economy that could go towards the establishment of a sizeable cooperative sector; and the willingness of township entrepreneurs to borrow money from banks or cooperatives in order to fund their future growth. Evidence from elsewhere suggests that private equity or venture capital investment may be more appropriate and desirable in funding the growth of small or micro-enterprises.

Table 22: Implementation and exogenous assumptions relating to SFA 5

	No.	Implementation
ASSUMPTIONS	1	Additional funds can be secured and made available through the GEP
	2	More organised or formalised cooperatives can be established to finance TBs
	3	Corporate investors are willing to invest in a development-orientated Township Fund or Bond
		Exogenous
	4	TBs are currently constrained by a lack of access to finance
	5	TB's are willing and able to assume the risks associated with debt finance
	6	There is a sufficiently broad capital base within the Township Economy to create and sustain cooperative banks
	7	Cooperative banks and insurance enterprises are able to enter the market and make reasonable returns
	8	Financial institutions (traditional and new) are able to accurately ascertain the risk of lending to SMMEs, and enforce claims on defaulters.

7.4   Unintended outcomes

The literature highlights the difficulties encountered by commercial banks in assessing the risks associated with small enterprises, and in developing appropriate products for emerging SMMEs. These problems are likely to be particularly severe in township areas, where traditional banks have less experience and a lower presence. Whereas the Government may be more willing to take on such risks, this may contribute to some level of adverse selection; whereby the commercial banks cherry-pick the most viable of businesses and the Government takes on the most risky.

7.5   Results chain

The results chain shown in Figure 9 describes our understanding of the theory of change as it applies Strategic Focus Area 5. In order to address the risks and unintended outcomes raised above, a number of activities and outputs have been included in this indicative results chain (the uncoloured blocks), which may not be reflected in the current TER strategy and Implementation Plan. Specifically:

- The results chain specifies the need to introduce some form of SMME loan or credit register in the Township Economy, and a corresponding enforcement mechanism. The most appropriate structure and operation of these arrangements would need to be further investigated.
- Whereas the current strategy introduces a number of activities which may or may not give rise to new lending products and institutions, it does not appear to consider the potential role of private equity investment. Some form of mechanism for engaging with existing private equity investors, or incentivising venture capitalists to enter the Township Economy, has therefore been added. This is expected to lead to increased private investment into TBs.

Figure 9: SFA 5 Indicative results chain (numbered assumptions - refer to Table 22 above)

7.5.1 Linkages to other SFAs

To ensure that any additional finance made available to the Township Economy is used productively, it is important that it is directed at growing and sustainable TBs. As such, the success of this SFA is likely to depend significantly on the quality of the training and support provided through SFA 4 and the market opportunities created through SFAs 2 and 6. In order to maximise the potential complementarities between these different SFAs and to reduce the risks on investors and lenders, it would be helpful to register and track SMMEs that participate in TER activities, and to share information on their characteristics and performance across these different pillars.

7.6 Potential indicators

Table 23 below provides a long-list of potential output and outcome indicators that could be used to report progress on and monitor the success of SFA 5. This list will be refined, and if necessary reduced, in consultation with Government stakeholders.

Table 23: Potential indicators for SFA 5

Indicator	Frequency	Potential source
Activity and Output		
Total value of GEP funds available to lend to TBs	Quarterly	Internal
Total value of funds raised by Township Economy Fund *	Annual	Internal
Total value of funds raised by Township Economy Fund as % of funding target*	Annual	Internal
Total value of funds raised by Township Economy Bond *	Annual	Internal
Total value of funds raised by Township Economy Bond as % of funding target*	Annual	Internal
Total number of formal cooperative banks established	Quarterly	Internal
Total number of formal cooperative insurance enterprises established	Quarterly	Internal
Dedicated TB loan or credit register established'*	Annual	Internal
Dedicated TB loan enforcement mechanism established*	Annual	Internal
Private equity or venture capital investment mechanism established *	Annual	Internal
Programme Outcome		
Total value of loans issued by GEP to TBs	Quarterly	Internal
Total value of loans issued by GEP to TBs as % of total loans issued	Quarterly	Internal
Total number of recipients of loans issued by GEP to TBs	Quarterly	Internal
Annual default rate (value of defaults as % of total outstanding loans) of GEP	Annual	Internal
Total value of funds disbursed by Township Economy Fund *	Annual	Internal
Annual return on funds under management by the Township Economy Fund *	Annual	Internal

Annual default rate (value of defaults as % of total disbursements) of TEF*	Annual	Internal
Total value of funds disbursed through the Township Economy Bond *	Annual	Internal
Annual yield on the Township Economy Bond	Annual	Internal
Annual default rate (value of defaults as % of total disbursements) of TEB*	Annual	Internal
Total value of assets under management of cooperative banks	Annual	Internal
Total number of members of cooperative banks	Annual	Internal
Total value of policies issued by cooperative insurance enterprises	Annual	Internal
Total number of members of cooperative insurance enterprises	Annual	Internal
Total number of TBs registered with loan or credit register'*	Quarterly	Internal
Total number of claims submitted to loan enforcement mechanism	Quarterly	Internal
Total value of claims submitted to the loan enforcement mechanism	Quarterly	Internal
Total number of claims recovered through the loan enforcement mechanism	Quarterly	Internal
Total value of claims recovered through the loan enforcement mechanism	Quarterly	Internal
Total value of private funds secured for investment into Township Economy through the venture capital investment mechanism *	Annual	Internal
Total number of TB recipients of private investment though the venture capital investment mechanism *	Annual	Internal
Strategic (Provincial) Outcome		
Total number of formal sector jobs within the township economy	Annual	StatsSA/independent survey
Average annual income of workers within the township economy	Annual	StatsSA/ Independent survey
Total number of registered businesses within the township economy	Annual	SARS/CIPC/ Independent survey
Average annual revenue of businesses registered within the township economy	Annual	SARS/CIPC/ Independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/ Independent survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal
Activity relating to new proposed activity		

8 SFA 6: ENSURING ACCESS TO MARKETS

8.1 Strategic objective and desired change

The market access pillar discusses the use of government procurement as an instrument to support the growth or creation of Township Businesses; and the potential role of community markets and clusters in deepening linkages between producers and sellers with and outside of the Township Economy. Support to the establishment of community markets and industrial clusters are addressed more fully in Section 5; and it is recommended that these activities are captured and monitored in this pillar of the TER. This section is then focused clearly and explicitly on the ability of TBs 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.

The main actions specified in the TER in order to achieve this change are summarised in Table 24 below.

Table 24: Desired change and necessary actions – SFA 6

WHAT	**Desired change**
	Revised government procurement guidelines and training for TBs & procurement units → increased awareness of market access opportunities for TBs → increased procurement from TBs → higher level of local content in township & mainstream markets
HOW	**Actions required to achieve desired change**
	Review and revise Provincial Government procurement guidelines / database
	Training (and monitoring) of public sector procurement units
	Specialised training and toolkits for township enterprises

8.2 Context

In general, the available evidence demonstrates that preferential procurement can be used to achieve socio-economic objectives, and that such interventions are justified and needed in South Africa.

Prior to 1994, government procurement in South Africa was determined on the basis of price, alone, and "the system was geared towards large and established contractors. Thus new contractors found it very difficult to participate in government procurement procedures."[47] In addition, "the specification of unnecessarily high standards in tender advertisements for goods or services is recognised at local government level (not at national and provincial government level though) as possibly having the effect of discouraging or excluding small firms from tendering."[48]

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[47] Bolton. (2006). pp. 202.
[48] Bolton. (2006). pp. 202.

In order to correct for past discrimination, and the inherent biases in this system, specific provisions were included in the Constitution, the Procurement Act, the PFMA, the BBBEEA, the MFMA and the Municipal Systems Act[49]. Together, these laws and regulations recognise the potential contribution of government procurement as a policy tool that should be used to increase the participation of small and specifically black-owned business in the economy.

South Africa's approach, to date, has been to incentivise change through a preferential scoring system that targets specific groups, and not to introduce set-asides or quotas. Watermeyer[50] strongly endorses this approach and highlights some of the potential dangers of an overtly prescriptive procurement system: "these instruments can constrain the private sector in its ability to deliver and can therefore impact negatively on the time, cost and quality aspects of a contract. Competition within protected markets does not necessarily translate into competitiveness in non-protected markets".

Watermeyer also demonstrates the success of the South African preferential procurement system. Prior to its introduction, the total value of contracts issued by the National Department of Works to black-owned and managed small businesses, accounted for just 2.5% of the total. In the period August 1996 to June 1997, this increased to 22%. Importantly, the average financial premium paid by the Department, being the difference between the successful bid and the lowest cost acceptable bid, was just 0,3%.

The gains from targeted procurement are not limited to the public sector. A study and survey undertaken by Luiz[51] confirmed that outsourcing, in South Africa, is underdeveloped when compared to other countries, and that large South African firms continue to engage in many non-core activities that have been outsourced elsewhere. There are therefore significant opportunities to divest aspects of their business or source goods and services from new and small enterprises. With the advent of BBBEE, and especially the implementation of the revised guidelines from April 2015, there is now additional motivation to do so.

However, according to Luiz[52] and the World Bank[53], the primary challenge facing SMMEs a steady demand from business and government for the goods and services that they produce. For buyers, this is complicated by the risks involved in purchasing from new and small suppliers, and the incentives on individual procurement managers to deliver immediate results and at the lowest cost. As such, they are reluctant to spend time and effort mentoring and supporting un-tested SMMEs. For small businesses, the up-front cost of tendering for business is disproportionately high, and in many cases, they do not have the capital needed to meet bulk orders and sustain themselves over extended payment periods. Additionally, government has become infamous as a late payer which places huge burdens on companies; SMMEs in particular cannot cope with such a situation."[54]

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[49] Bolton. (2006).
[50] Watermeyer. (2000). pp.6.
[51] Luiz. (2002).
[52] Luiz. (2002).
[53] World Bank. (2000).
[54] Luiz. (2002). pp. 24.

For these reasons, Luiz[55] argues that a 'business as usual' approach cannot work. He also provides a number of examples where companies or programmes have specifically sought to increase the participation of SMMEs in private (large corporate) and government procurement. In the private sector, De Beers / Anglo American initiated their Small and Medium Enterprise Initiative (SMEI) in 1989. The SMEI included a dedicated team of consultants to continuously assess the company's procurement spend for business opportunities that could be outsourced to SMMEs; and to then find and support qualifying businesses or entrepreneurs to participate in the initiative. It also invested directed in participating SMMEs and provided them with advice. In its first ten years the initiative placed more than R1bn of procurement through SMMES. Most other corporates surveyed in this study had similar programmes in place.

In the public sector, the Business Linkages for Underutilised Enterprises (BLUE) project, funded by USAID in cooperation with NAFCOC in 1995, aimed to establish long-term supplier relations between small businesses and large buyers in Government and the private sector. The programme targeted existing SMMES, with a minimum turnover, and provided them dedicated training and accreditation support through decentralised advisory centres. In doing so, the project acted as a quality assurance agency for those businesses that met its minimum registration requirements. In three years, it has secured 670 contracts, worth R105 mn, from 222 large buyers. The project was closed as a result of a lack of funding.

Based on the experience of these previous interventions and across a number of other countries, Luiz highlights a number of ways in which large corporate and government buyers can assist in expanding access to smaller suppliers. These include:

- Specifying smaller, more regular contracts instead of infrequent bulk orders
- Simplifying tender documents and procedures
- Educating regional or branch managers on the benefits of working with SMMEs
- Developing business opportunity centres, industry hives, matchmaker fairs
- Creating small business directories or databases
- Independent accreditation to alleviate the problems of asymmetrical information

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[55] Luis. (2002).

Table 25: Evidence assessment – SFA 6

	Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
	Contradictory	Caution	Good
	Improved awareness and better access to public (and private sector) procurement opportunities will contribute to the growth of township enterprises		
WHY	Luiz (2002) highlight the potential gains and shortcomings of targeted procurement: • "The products of SMMEs tend to originate from indigenous craft traditions, and they are also more likely to satisfy the needs of poor people than are the products of large enterprises and foreign technology" Luiz (2002), pg.2 • "Big business can act as a powerful stimulus for the SMME sector by providing a real and steady source of demand. However, companies may have to work closely with the SMMEs to ensure that the product they produce is of the necessary quality and that delivery targets are met" pg. 6 • "Direct interventions, such as India's policy of reserving certain products for small enterprises, may be counterproductive if they protect expensive, low quality goods", pg. 4		Caution
	World Bank survey (2000) of SMMEs highlights some of the difficulties they encounter in supplying to government: • "The most important constraints faced by SMMEs are insufficient demand (primary constraint), cost of capital, crime, and infrastructure" (in Luiz 2002, pg. 5) • "Government procurement seemed to have a very limited impact with just over 10% of the firms surveyed having been awarded a government contract. The average time taken in preparing a submission for a government contract was 3.1 months and the ratio of successes versus failures in terms of contracts submitted was just over 3:1." (in Luiz 2002, pg. 6)		Caution
	The World Bank (1993) in Luiz (2002) describes how different countries have sought to link small and large businesses. • "Korea introduced mandatory links, by requiring that 1,200 items in 40 industrial sectors be supplied by 2,200 contractors. In Korea today, 98% of all business falls within the SMME sector and account for 66% of all jobs and 40% of all exports. The mandatory links have been effective because they have been integrated with other pro- Small Business Development programmes. • By contrast, product reservation in India has not worked because the choice of products is arbitrary, policy criteria are lacking, and product reservation is not linked with other policy objectives. • In Ireland, linkage programmes are coordinated by a 20-person team that focuses on building relationships between SMMEs and big business. On the demand side, it undertakes research to discover what, when and how much the company buys, at what cost and the technical requirements for products. On the supply side, it aims to analyse which enterprises have the capacity to supply the product and what upgrading is needed. As such, it seeks to match the capabilities of the purchaser and supplier (Luiz 2002, pg. 27).		Good

	Bolton (2006) highlights the potential costs involved in using procurement as a policy tool; and how these can potentially be mitigated: • "It cannot be argued that there are no costs involved in using procurement as a policy tool. Costs may flow from, inter alia, the following: longer tendering periods to secure participation by the relevant groups (target groups); the training of emerging businesses; and the administrative costs associated with the enforcement of policies" (Bolton 2006, pg. 200) • "Provided that the use of procurement as a policy tool has measurable targets; the processes used are verifiable, auditable, and transparent; and the use of procurement as a policy tool takes place within a competitive environment, procurement can to a large extent contribute to the development of growing enterprises that are able to participate equitably in the global economy" (Bolton 2006, pg. 195). • "the financial premiums born by the state in adopting affirmative procurement policy in the construction industry, in particular, have proved to be nominal compared with the initial projected outcomes and the overall benefits" Gounden, 2000 in Bolton 2006, pg. 200)	Caution

8.3 Assumptions and risks

Based on this brief review of the literature and the limited number of consultations that have taken place to date, a number of assumptions have been identified, which must be in place for the planned activities to have the desired intermediate outcome. Whereas most of these assumptions are addressed in some way in the strategy, those highlighted in yellow remain cause for some caution and those in red pose serious risks, unless adequate mitigation actions are put in place. Potential areas of concern include:

• The literature highlights the need for an explicit mechanism to identify and develop potential suppliers of priority products, and link them to potential buyers. Whereas the need for such linkages is noted in the strategy, these linkages are unlikely to materialise unless dedicated resources are put to this task. This may require establishing a team of business development specialists to provide this kind of 'match-making' and mentoring support; alternatively, some of the advisory and support programmes described elsewhere in the TER could be assigned this responsibility.

• This support would also need to address the potential compliance costs associated with government tenders; and the difficulties encountered by small businesses in meeting the quality and quantity requirements of large buyers and competing with established suppliers. Some form of accreditation or pre-qualification system for targeted and 'approved' businesses could serve to reduce costs and enable them to achieve sufficient orders to develop economies of scale.

• The strategy focuses largely on the role of the public sector. Corporate buyers are facing similar challenges in identifying small and new suppliers and the new BBBEE codes provide strong incentives to them to do so. Moreover, the evidence suggests that many of them do already have long-standing programmes in place. A high-level of collaboration between public and private procurement offices (and related support programmes) may be needed to maximise the potential gains; and prevent duplication.

- Although the evidence suggests that the existing government procurement system does not raise the price of goods and services unreasonably; the fact that this strategy is focused on a specific geographic market and therefore a limited number of potential suppliers, suggests that this assumption and the associated risk should be monitored.

Table 26: Implementation and exogenous assumptions relating to SFA 6

ASSUMPTIONS	
	Implementation
	Provincial guidelines can be revised to specifically target or encourage participation by township enterprises
	Government and corporate procurement officers are incentivised to purchase from SMMEs and are able to identify potential suppliers
	Government is able to pay small suppliers promptly
	Preferential procurement (from a larger number of smaller suppliers) does not raise the price of goods and services unreasonably
	Exogenous
	TBs are able to meet the compliance and administrative costs of tendering
	TBs are able to supply the specific goods and services (quantity and quality) demanded by the Provincial Government
	Corporate buyers are willing to invest in developing or identifying new suppliers
	TBs are able to compete with large and established suppliers

8.4 Unintended outcomes

The literature highlights a number of risks associated with preferential procurement. Small businesses are typically not geared towards supplying large government or private buyers, and may not be able to meet the necessary quantity and quality requirements. This may lead to supply chain disruptions and quality concerns. Moreover, using procurement as a policy instrument can raise the cost of procurement: directly, though higher prices; and indirectly, through the additional time and effort taken to develop and administer a larger number of small suppliers.

8.5 Results chain

The results chain shown in Figure 10 describes our understanding of the theory of change as it applies SFA 6. In order to address the risks and unintended outcomes raised above, a number of activities and outputs have been included in this indicative results chain (the uncoloured blocks), which may not be reflected in the current TER strategy and Implementation Plan. Specifically:

- The results chain specifies the need to identify a list of priority products which can then be actively sourced from TBs. Likewise, it notes the need to establish a formal match-making process or project, which links potential (and preferably accredited) suppliers to these priority products.
- Specific mention is made of the need to engage with private sector buyers, and to learn from and work with their existing supplier development programmes.

- As indicated earlier, it is proposed that all activities, outputs and outcomes related to the development of consumer cooperatives and clustered enterprises, be moved to SFA 3, so that they can be implemented and monitored as a cohesive set of interventions.

It is important to recognise the progress made by the Gauteng Department of Health in targeting new suppliers for state hospitals, most notably for the provision of linen and food products. In doing so the Department has developed an accreditation system to ensure that suppliers meet specific quality requirements, and issues short-term contracts to test new suppliers before extending or terminating their services. The lessons from this intervention should be shared with other Departments.

Figure 10: SFA 6 Indicative results chain (numbered assumptions - refer to Table 26 above)

8.5.1 Linkages to other SFAs

For TBs to be able to compete to provide competitive goods and services to large public sector and corporate buyers, they will need to be equipped with the necessary skills, finance, infrastructure to do so, and the environment in which they operate must be sufficiently supportive. As such, the achievement of this SFA would strongly benefit from a high level of coordination with SFA1, SFA3, SFA 4 and SFA 5. In addition, where such TBs are active in the priority manufacturing sectors targeted by the TER Strategy, then linkages with SFA 2 would be equally important.

To manage all of these linkages, it will be important to register and track those TBs that have been targeted for procurement purposes and to ensure that they are provided with the full suite of support that is available. Likewise, it will be important that information on procurement opportunities feed through to activities and institutions in all of these other SFAs (so that participating entrepreneurs and project implementers are aware of these priority markets). A centralised management, information and coordination system will be a priority.

8.6 Potential indicators

Table 27 below provides a long-list of potential output and outcome indicators that could be used to report progress on and monitor the success of SFA 6. This list will be refined, and if necessary reduced, in consultation with Government stakeholders.

Table 27: Potential indicators for SFA 6

Indicator	Frequency	Potential source
Activity and Output		
The total number of products identified and listed by (Gauteng Treasury?) for priority procurement from TBs	Quarterly	Internal (Treasury)
The total value of the products identified and listed by (Gauteng Treasury?) for priority procurement from TBs, as a percentage of the total value of contracts awarded.	Quarterly	Internal (Treasury)
The total number of TBs registered on the GP supplier database	Quarterly	Internal (Treasury)
The total number of TBs registered on the GP supplier database as a percentage of the total number of companies registered	Quarterly	Internal (Treasury)
The total number of RFQs issued to TBs	Quarterly	Internal (Treasury)
The total number of responses received from TBs to RFQs issued	Quarterly	Internal (Treasury)
The total number of compliant responses received from TBs to RFQs issued	Quarterly	Internal (Treasury)
The total number of RFPs issued	Quarterly	Internal (Treasury)
The total number of bids received from TBs to RFPs issued	Quarterly	Internal (Treasury)
The total number of bids received for identified products	Quarterly	Internal (Treasury)
The total number of bids received from TBs for identified products	Quarterly	Internal (Treasury)
Programme Outcome		
The total value of work awarded to TBs through RFQs as a percentage of the total value of contracts issued though RFQs	Quarterly	Internal (Treasury)

The total value of bids for RFPs issued to TBs as a percentage of the total value of RFPs awarded	Quarterly	Internal (Treasury)
The total value of identified products purchased from accredited TBs as a percentage of the total value of identified products purchased	Quarterly	Internal (Treasury)
The average difference in price between the successful bid and the lowest acceptable bid on identified products	Quarterly	Internal (Treasury)
Strategic (Provincial) Outcome		
Total number of registered businesses within the township economy	Annual	SARS/CIPC/independent survey
Average annual revenue of businesses registered within the township economy	Annual	SARS/CIPC/independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/independent survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent survey
Total value of sales from township businesses to business and consumers outside of the township economy	Annual	Independent survey
Total value of purchases of township businesses from business located outside of the township economy	Annual	Independent survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal

9 SFA 7: PROMOTION OF INNOVATION AND INDIGENOUS KNOWLEDGE SYSTEMS

9.1 Strategic objective and desired change

This strategic objective is clear in its proposed intervention and desired outcomes. Providing support for firms to innovate, protect indigenous knowledge and improve the commercialisation of products under development will result in more successful enterprises in townships. This is summarised below.

Table 28: Desired change and necessary actions – SFA 7

	Desired change		
WHAT	Reduce cost of product development → Increase use of standards guidelines and systems to protect indigenous knowledge → Support product feasibility studies → Increase the rate of innovation and commercialisation, and protect indigenous knowledge systems		
	Actions required to achieve desired change		
HOW	Support SMMEs throughout the commercialisation process		
	Enable and encourage communities to access systems to protect and commercialise indigenous knowledge		

9.2 Context

In general, the innovation and product commercialisation processes follow a clear trajectory, from idea generation (conception), to development (implementation), and finally to commercialisation of products (marketing).[56] There is a wealth of evidence that promotes public sector support to SMMEs in this cycle.

R&D support by the public sector has been shown to have clear and tangible benefits for both organisations being supported and the economy as a whole. As early as the 1960s, it observed that market economies may fail to provide socially optimal levels of R&D activity, especially where knowledge (in general and derived from R&D) is characterised as a non-rival good.[57] R&D investment may also be constrained by capital market imperfections, requiring public sector investment to shore up investment shortfalls. Information asymmetries around innovative activities and the value of new products may also result in financing constraints for R&D activity. This has important implications for the support of R&D activities within economies, and especially for smaller firms that may already face high barriers to market and product entry.

Public investment in the support of R&D activities has been found to have both positive crowding-in effects and a significant impact on overall growth,[58] while a review of fiscal incentives for R&D, show that a dollar in tax credit for R&D stimulates a dollar of additional R&D.[59] More recently, evidence has

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[56] Du Preez and Louw. (2008).

[57] Arrow. (1962).

[58] Cohen *et al.* (2002).

[59] Hall and van Reenen. (2000).

found clear evidence of a crowding-in effect from public sector R&D investment in the UK.[60] A meta-analysis of government support to private sector R&D investment largely corroborates these findings.[61] There is therefore clear evidence that R&D support has a positive long-term impact on innovation.

However, SMMEs also face distinct barriers in both the early and late stages of the commercialisation process. As highlighted in SEDA reviews, potential new entrants and SMMEs face particular barriers in the registration of patents and trademarks, undertaking feasibility studies and developing business plans for new products. SMMEs may also face specific challenges in adhering to standards and quality guidelines. As noted by the EU (2012) and UN (2005) the establishment of standards play an important part in reducing transactions costs and providing product certainty by reducing information asymmetries. Standards can also contribute economies of scale. It follows that various studies have shown that standards can contribute significantly to economic growth.[62]

The EU (2012) highlights that there are clear benefits for SMEs implementing standards, including implementing tried and tested best practice and providing consumers with a measure of trust and confidence in products that may be unfamiliar and unknown. The need to meet legislative and regulatory requirements may also be important factors for the implementation of standards.

It is clear that SMMEs and entrepreneurs face a range of challenges and barriers in developing new products and innovating. These challenges relate not only to early R&D activities but occur throughout the commercialisation value chain. This is also true for the commercialisation of products developed through indigenous knowledge systems.

Within South Africa's system of innovation, indigenous knowledge has increasingly been acknowledged as an important contributor. The definition of indigenous knowledge remains broad though this term has come to define two distinct forms of knowledge: Traditional Knowledge (TK) and Traditional Cultural Expressions (TCE). While these two forms of indigenous knowledge remain linked and intertwined, the ways in which they are and should be legally protected is often different. As defined by WIPO (2012), TK can be understood as:

> *Knowledge, know-how, skills innovations or practices passed between generations; in a traditional context; and that form part of the traditional lifestyle of indigenous and local communities who act as their guardian or custodian.*

Thus TK can be broadly used to define agricultural, technological or medicinal knowledge. On the other hand TCEs broadly refers to knowledge around the expression of traditional culture. As highlighted by WIPO (2012):

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[60] Haskel *et al.* (2014).
[61] Correa *et al.* (2013).
[62] See Din (2011).

TCEs are, succinctly, the forms in which traditional culture is expressed…can be, for example, dances, songs, handicraft, designs, ceremonies, tales or many other artistic or cultural expressions.

In the South African context, an Indigenous Knowledge Systems (IKS) Policy was adopted by Cabinet in 2004. This policy identified three key deliverables to emerge from the implementation of IKS: a system to record indigenous knowledge, an intellectual property framework incorporating indigenous knowledge and the integration and promotion of the IKS within the national system of innovation.

Subsequently, the Department of Science and Technology (DST), in conjunction with the CSIR, has developed a National Recordal System to act as a repository of indigenous knowledge.[63] To date, highly contested revisions to intellectual property laws have also been made to incorporate protection for broad definitions of indigenous knowledge. A further bill, focussing on the protection of indigenous knowledge systems, is expected to be enacted in 2015.

Given the communal nature of indigenous knowledge and the complexity of the knowledge system as a whole, in many instances the promotion and protection of indigenous knowledge is likely to follow a separate process from the commercialisation of indigenous products, services and technologies.

Table 29: Evidence assessment – SFA7

	Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
	Contradictory	Weak	Good
WHY	Supporting innovation will benefit SMEs and economic growth		
	SEDA sector reviews • Firms face barriers to commercialisation at the conceptualisation, design and marketing stages		Good
	Cohen et al (2002), Hall and van Reenen (2000), Haskel et al (2014), Correa et al (2013) • Public sector support in R&D has positive crowding-in effects for R&D investment • R&D investment has long-term impacts on economic growth		Good
	EU (2012), UN (2005) • Standards and quality regulations have clear benefits for firms, especially for SMEs providing new products to the market.		Good
	Blind et al (2011) • Standards and quality regulations contribute significantly to economic growth		Good

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[63] http://www.csir.co.za/meraka/National_Recordal_System.html

9.3 Assumptions and risks

The link between activities and outcomes in this SFA rests on a number of key assumptions and risks. These are highlighted below.

- A key assumption is that existing incubators (and The Innovation Hub in particular) have the capacity and skills to support the innovation and commercialisation process, particularly in the area of indigenous knowledge. It will be important to ensure that these incubators are sufficiently resourced to provide the right levels of support.
- While the TER strategy focuses on R&D, it is important to note that, as highlighted in Section 9.2, enterprises and firms face numerous challenges in the product life cycle, from early stage product design (where R&D support is focused) to product commercialisation. In order for public sector interventions to be successful, these need to focus on challenges faced throughout the product cycle.
- While indigenous knowledge systems have been a government focus for over a decade, there remain possible gaps in the systems that have been implemented to protect and promote indigenous knowledge. In particular, systems for the recording of indigenous knowledge continue to be rolled out across institutions, while the recordal system has only been recently activated. Legislation to encourage the commercialisation of indigenous knowledge remains contentious, while a draft bill to protect indigenous knowledge systems is yet to be enacted. This has implications for defining how the TER will engage with the promotion and protection of indigenous knowledge systems.

Table 30: Implementation and exogenous assumptions relating to SFA 7

	No.	Implementation
ASSUMPTIONS	1	Existing incubators have capacity and skills to support indigenous knowledge and innovation.
	2	SMMEs are able to access support at all levels of the innovation / commercialisation cycle.
	3	Existing systems for indigenous knowledge recording and registration is active and provides effective protection.
		Exogenous
	4	Regulation and legislation on Indigenous Knowledge is clear and effective.
	5	There is sufficient demand for new and indigenous products and services to make them commercially viable.
	6	There are sufficient indigenous products and services identified for initial development.

9.4 Unintended outcomes

The formalisation of indigenous knowledge products may raise both the price and quality (standards) of these products. This may have the unintended consequence of reducing the demand for these products, effectively gentrifying such products and placing them out of reach of previous consumers. Formalisation of this sector may also result in a consolidation of producers of indigenous knowledge products, resulting in a loss of income for some informal enterprises.

The commercialisation of products may also lead to producers moving out of the township economy, as increased demand for these new products results in firms searching for cheaper or more productive processes and resources in order to reduce marginal and average costs. Where the commercialisation of products results in a substantially wider and different demand, these firms may also choose to re-locate their operations closer to these markets.

9.5 Results chain

The results chain highlights potential areas that may need careful review or additional focus in the TER, including:
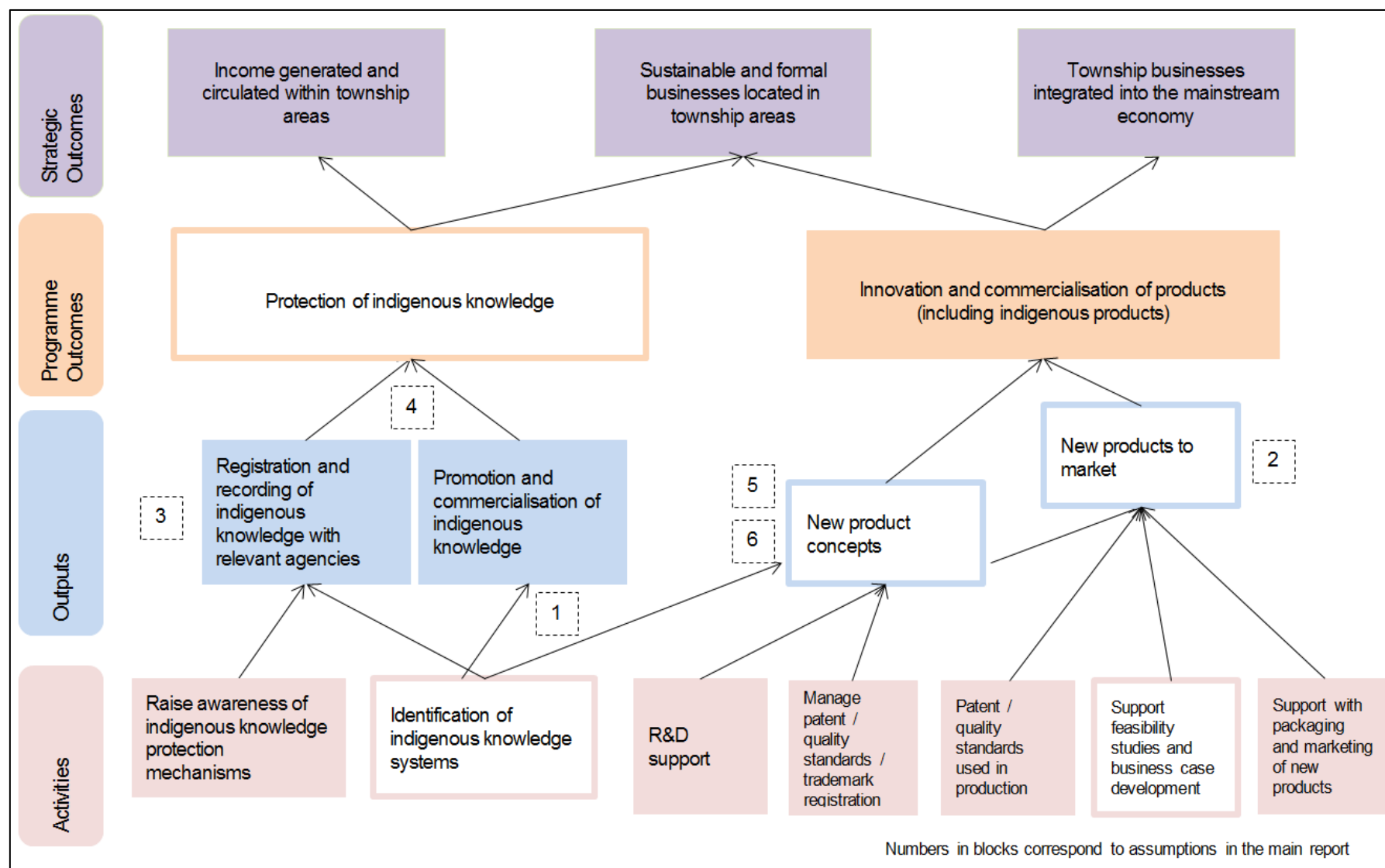
- The identification of indigenous knowledge systems. A key determinant in protecting indigenous knowledge is identifying exactly which knowledge, technologies, products and services can be classified as indigenous knowledge. This will require the requisite skills and capacity by the agency responsible for doing so.
- As highlighted in Section 9.2, protecting indigenous knowledge may not always result in the commercialisation of such knowledge. There may sometimes be a clear distinction between indigenous knowledge that is protected and recorded and that which is able to be commercialised.
- Also noted in Section 9.2, while much of the focus of the TER strategy is on R&D support, firms often require support throughout the value chain in order to reduce the product commercialisation failure rate and ensure that early stage support leads to successful product commercialisation. Thus, there is a need to ensure that adequate support is provided in all stages through, for example, also providing support in feasibility studies, market analysis and the development of product business cases.

The consultations reveal some degree of uncertainty in terms of what is regarded as indigenous knowledge, and whether the necessary policy and legal instruments have been put in place to support the growth of this sector. This will need to be clarified prior to implementation.

9.5.1 Linkages to other SFAs

Product development is closely related to a number of other SFAs, including SFA 5 and 6. Where the focus is the establishment of sustainable SMMEs through the commercialisation of products, this can only be achieved if both product support and enterprise development support is also provided. Similarly, firms focusing on innovation and product development are likely to require access to finance. Finally, the choice of firms to register and make use of quality and product standards is likely to increase the perceptions around, and confidence in, these firms and their products and services.

Figure 11: SFA 7 Indicative results chain (numbered assumptions - refer to Table 30 above)

9.6 Potential indicators

Table 31 provides a long list of potential indicators for SFA 7.

Table 31 Potential indicators for SFA 7

Indicator	Frequency	Potential source
Activity and Output		
Number of indigenous knowledge products registered with CSIR (National Recordal System)	Annual	CSIR
Number of new patents registered	Annual	CIPC
Number of new trademarks registered	Annual	CIPC
Number of new product and quality standards registered with SABS	Annual	SABS
Number of supported entrepreneurs using registered standards	Annual	Internal
Total value amount of support provided per entrepreneur / SMME	Annual	Internal
Programme Outcome		
Number of new products available through formal retailers	Annual	Internal
Number of indigenous products available through formal retailers	Annual	Internal
Total sales of new products available through formal retailers	Annual	Internal
Total sales of indigenous products available through formal retailers	Annual	Internal
Strategic (Provincial) Outcome		
Total number of registered businesses within the township economy	Annual	SARS/CIPC/independent survey
Average annual revenue of businesses registered within the township economy	Annual	SARS/CIPC/independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/independent survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent survey
Total value of sales from township businesses to business and consumers outside of the township economy	Annual	Independent survey
Total value of purchases of township businesses from business located outside of the township economy	Annual	Independent survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey
Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal

10 ESTABLISHING THE SOCIAL AND ECONOMIC VALUE OF TOWNSHIP ENTERPRISES

10.1 Strategic objective and desired change

This cross-cutting objective focuses on changing perceptions of township economies. As the value and contribution of township economies is better measured and understood, the perceived benefits from investing in and supporting these economies is likely to change. The focus of this accompanying set of actions is therefore on building and implementing a framework to address information and perception gaps related to township economies. In addition, it is important to ensure that township enterprises have the confidence to grow and engage with the formal sector in order to shift and alter perceptions. Business networks and associations play an important role in developing this confidence and building linkages. Supporting such township organisations is therefore also an important objective.

These objectives and actions are summarised below.

Table 32: Desired change and necessary actions – establishing the social and economic value of TEs

WHAT	**Desired change**
	Establish baseline information on Township economies → Undertake regular economic studies on Township performance → Support township associations and networks to build confidence and develop linkages → Reshape perception of the opportunities in, and contribution of, Township economies.
HOW	**Actions required to achieve desired change**
	Develop framework to continually assess township economy and distribute this information
	Identify and select township networks and associations to support
	Develop formal partnerships to provide recognition of successful township businesses

10.2 Context

As highlighted by Pernegger and Godehart (2007), there remains some disagreement as to the definition of the term "township". In many instances, the term informal settlements and townships is often used interchangeably. The authors highlight that this term is generally understood to refer to the:

> "…underdeveloped, usually (but not only) urban, residential areas that during Apartheid were reserved for non-whites (Africans, Coloureds and Indians) who lived near or worked in areas that were designated 'white only' (under the Black Communities Development Act (Section 33) and Proclamation R293 of 1962, Proclamation R154 of 1983 and GN R1886 of 1990 in Trust Areas, National Home lands and Independent States)."

During Apartheid townships were developed on the periphery of cities, serving as an area for the location of non-white labour and often under-serviced by social and network infrastructure. The historic location of these townships has also affected economic activity in different ways. Townships that continue to be located far from cities and central areas of business are likely to have experienced an exodus of residents and businesses since 1994.

However, many townships are now located in close proximity to significant areas of economic activity - cities have expanded and become multi-nodal, often resulting in the continued influx of people into these townships. But despite their increasingly close proximity to urban business areas, townships often remain poorly integrated with other parts of these cities, with many reflecting little improvement in investment or business activity within the townships themselves.[64]

The historic (and in some cases continued) neglect of township areas has in many instances resulted in misconceptions and little understanding of the economic potential of townships. As noted by Misselhorn (2008) in his reflection on informal settlements:

> *Assumptions and misconceptions about informal settlements abound...Few have had the opportunity of working directly with the residents of informal settlements or of battling to match essentially mechanistic and inflexible funding programmes with actual issues and needs on the ground. There is thus generally limited understanding of the actual dynamics within informal settlements, the complex social and survival networks that characterise them, and of the significant technical and social challenges in effecting housing and infrastructural development for them.*

These misconceptions and the continued view of townships as "holding places" for labour can have a significant impact on public and private sector investment choices, in both infrastructure and economic activity. Increasingly, both private and public research institutions are undertaking periodic and ad hoc studies of township economies to better understand the dynamics, their role and wider contribution.

Research units and academic institutions are also important sources of insight into township communities. These include units such as the Gauteng City-Region Observatory (GCRO), a partnership between the University of Johannesburg, the University of the Witwatersrand and the Gauteng Provincial Government. Periodic surveys, such as those undertaken by Statistics South Africa and a number of market research companies[65] also provide useful information and data on South African townships, though this is often as part of a wider survey not focused specifically on townships.

These studies have provided useful insight into the size and structure of township economies. For example, Mahajan (2014) provides deep insight into economic activity in Diepsloot, surmising that while many self-employed operate survivalist businesses, there is a growing proportion of small and medium businesses that are running profitably and generating employment opportunities within the township itself. Total household spending in 2011 was estimated at over R2 billion, with roughly one third of this spent outside of Diepsloot. Other studies by NGOs (such as the Sustainable Livelihoods Foundation) and the private sector (such as the DEMACON market study of township shopping centres[66]) provide similar but ad hoc insights into township economies.

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[64] Pernegger and Godehart. (2007).
[65] This includes for example, the ROOTS survey managed by NAB and conducted every three years.
[66] DEMACON. (2010). Impact of Township Shopping Centres. DEMACON Market Studies.

However, there exists little, if any, continuous surveys and studies across the broad range of Gauteng's townships to provide regular and accurate information on the development and potential of these areas. For many investors and role players in the formal sector, township economies therefore continue to be perceived as providing little opportunities for investment, growth and development.

Within townships SMMEs require the ability to collaborate and network to effectively engage with the formal sector, develop effective linkages for their businesses and build confidence in the importance and success of township enterprises. Supporting the development of such networks, and instilling confidence in these businesses, is an important tool in the enterprise development framework.

Networking opportunities provided by South African incubators are key success factors for SMME development in South Africa.[67] Similarly, it was found that successful SMEs in Sub-Saharan Africa make use of business networks and relationships to get around market failures and limited formal institutions.[68] Such strategic networks and industry associations support SMME development in a number of ways, including through providing credible sources of information and through the provision of social support.[69]

Improving perceptions and confidence of opportunities in, and the contribution of, township economies therefore rests on ensuring that stakeholders that sit outside of townships are regularly provided with accurate information. This also requires that enterprises within the townships themselves are able to rely on township-based organisations and networks which act as social support, confidence building and information sharing mechanisms.

Table 33: Evidence assessment – establishing the social and economic value of TEs

	Evidence assessment (causal link between outputs and outcomes)		Strength of evidence
	Contradictory	Weak	Good
WHY	Changing perceptions of and improving confidence in township economies requires better, regular information and effective township business networks and organisations.		
	• There is insufficient regular data on the performance of township based businesses and the township economy in Gauteng.		Good
	Buys and Mbewana (2007) • Identifies networking opportunities provided by incubators as a key success factor for SMME development in South Africa.		Good
	Biggs and Shah (2007) • SMEs in Sub-Saharan Africa make extensive use of business networks and relationships to get around market failures and limited formal institutions.		Good
	SBP (2009) • See early success in peer networking model as a vehicle for building social capital among small business owners.		Good

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[67] Buys and Mbewana. (2007).

[68] Biggs and Shah. (2007).

[69] Ferreira. (2007).

	Ferreira (2007) • Strategic alliance networks and industry associations are important support mechanisms for small businesses, as credible sources of advice and through the social support provide by these linkages.	Good

10.3 Assumptions and risks

The main potential areas of concern and assumptions are highlighted below.

- There is limited information on township activity, specifically at the enterprise level. In addition, informal businesses and the complexities of township economies may require unique tools and approaches to data collection.

- It is clear from the literature review that supporting networks and collaboration between SMMEs is a key driver in growing, and building confidence, in small enterprises. However, the amount and type of support to be provided by the public sector is likely to be limited. Competition for this support is therefore likely to emerge between the various organisations and associations established to represent township SMMEs. In order to ensure that the support provided is not counter-productive (by for example driving perceptions that certain associations are "favoured" or supporting associations with limited support and effectiveness) clear rules need to be established upfront. There is little evidence in the strategy that the need for this has been identified or noted.

- A key focus of this strategy is improving the perception of township businesses through the development of an accreditation or branding system. There may be evidence that a firm's association with certain brands can improve the perception of that firm's quality. However, it is not clear how the creation of a new township-focused accreditation scheme or brand will positively impact on quality perceptions. In many cases, relevant standards and accreditation schemes already exist for products and services provided. These include, for example, the South African Institute of Chartered Accountants (SAICA) and the product standards provided SABS. Rather than focus on developing a new township-focused branding or accreditation scheme, it may be more useful to support a firm's entry into, and adherence to, existing accreditation schemes and standards.

Table 34: Implementation and exogenous assumptions relating to establishing the social and economic value of TEs

	No.	Implementation
ASSUMPTIONS	1	Comprehensive, regular and rigorous data can be collected on the structure, size and performance of the township economy.
	2	There is sufficient internal capacity to collect, analyse and report on the data required to assess the economic contribution of Township economies.
	3	There is a clear framework for determining which networks and associations to provide support to.
	4	Accreditation schemes to provide an indication, and improve perception, of quality do not already exist.
		Exogenous
	5	Government and private stakeholders require more information on the structure, size and performance of the township economy.

	6	There is sufficient external capacity to collect, analyse and report on the data required to assess the economic contribution of Township economies.

10.4 Unintended outcomes

A potential consequence of the improved data collection, understanding and attention given to township economies, may be the creation of unrealistic expectations that these will immediately and directly lead to improvements in township economies, through increased government support. Alternatively, this data might reveal new and unanticipated challenges (or opportunities) which may demand very different kinds of interventions.
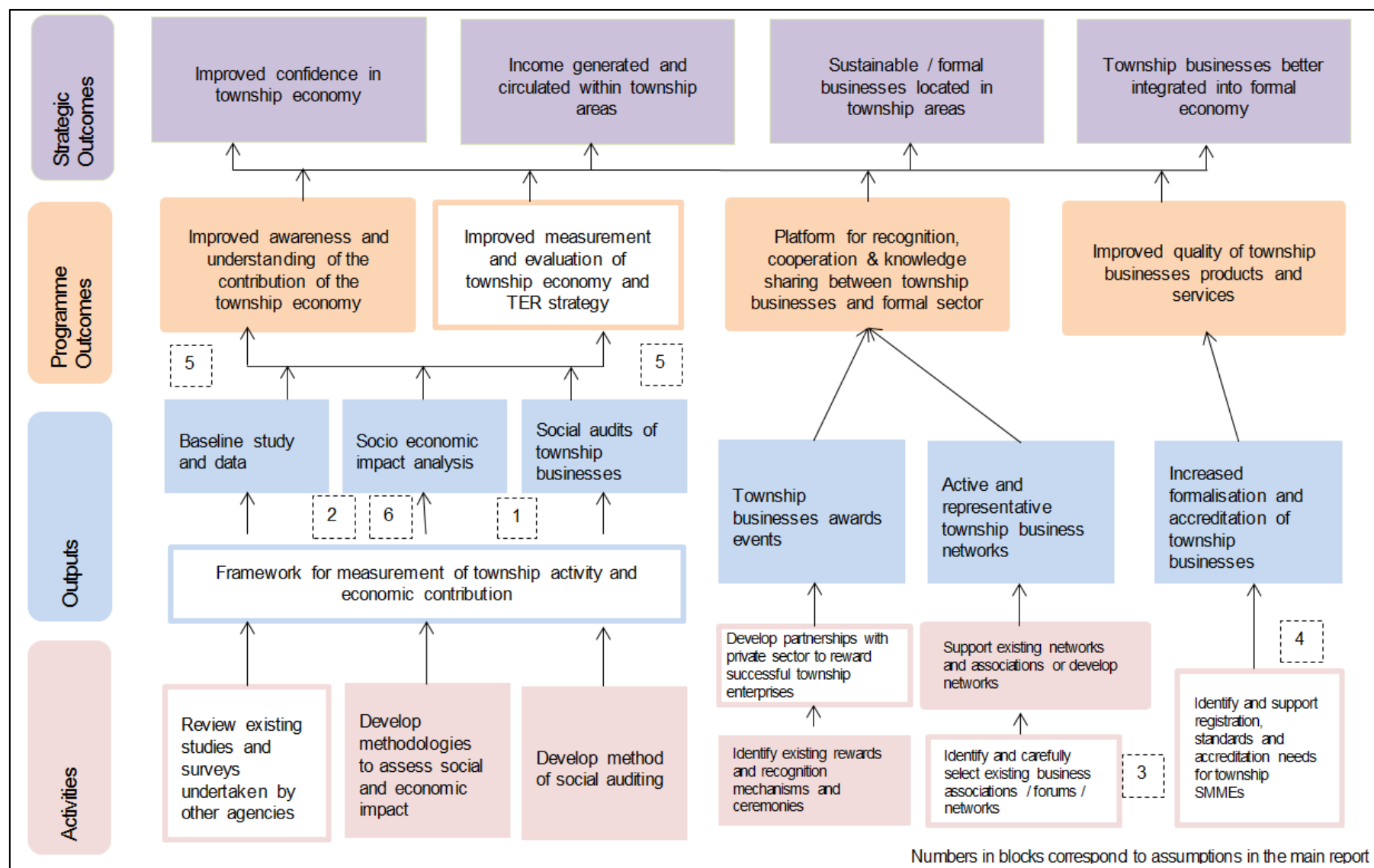
Business recognition, accreditation and reward platforms intentionally favour recipients, and unless these processes are transparent and well-managed, this may generate accusations of bias or favouritism. There is also some risk that awardees and newly accredited businesses will not be able to meet the increased demand resulting from recognition.

10.5 Results chain

The results chain for this set of cross-cutting activities is shown in Figure 12. Specific areas that may not be currently or adequately reflected in the TER include:

- Where possible, the existing Quality of Life Survey should be extended to collect the information needed to evaluate the performance of the TER Strategy, though a dedicated survey/pilot studies may be needed to collected enterprise level baseline and performance data for some of the proposed indicators. The specific data to be collected, and the methodology for doing so, will be described in the Monitoring and Evaluation Framework.
- While not a primary focus for this strategic area, the formal collection of township data (through a well-defined framework) will also result in the ability to evaluate both the outputs and anticipated outcomes of the TER. Thus, the township measurement framework can be an important tool in the continuous improvement of the strategy to revitalise township economies.
- An important component of building recognition systems will be to identify key formal private sector partners for such ceremonies. This can serve to provide both the awards and successful firms with greater exposure and develop linkages between township enterprises and private sector firms.
- In supporting township business networks and associations it will be important to carefully and objectively select the most appropriate networks, as highlighted in Section 10.3.
- As discussed in Section 10.3, a more sensible approach to raising the perceived quality of township firms is to support the use of and access to existing accreditation bodies. This is likely to be more beneficial for firms in demonstrating their ability to deliver quality products and services to sceptical private sector clients.

Figure 12: Indicative results chain - establishing the social and economic value of TEs (numbered assumptions - refer to Table 34 above)

10.5.1 Linkages to other SFAs

This set of cross cutting activities has important complementarities with SFA 4, which focuses on enterprise development. The development of business networks (within which township enterprises can collaborate, build confidence and share knowledge) is an important contributing factor to the establishment of successful SMMEs. Similarly, developing firms to ensure that they meet quality standards and are able to benefit from accreditation systems is dependent on firms being able to access other significant components of enterprise development. The meeting and use of standards also has clear alignment with SFA 7.

10.6 Potential indicators

Table 35 provides a preliminary list of potential indicators for outcomes and outputs for this set of activities.

Table 35: Potential indicators for establishing the social and economic value of TEs

Indicator	Frequency	Potential source
Output		
Number of social audits completed using data collected	Annual	Internal
Completion of baseline study	Once-off	Internal
Number of economic studies undertaken using data collected	Annual	Internal
Number of business networks and associations supported	Annual	Internal
Number of awards / events supported by GDED and private partners	Annual	Internal
Programme Outcome		
Number of external reports / articles written on the Township economy	Annual	Survey
Number township firms supplying formal private firms	Annual	Survey
Strategic (Provincial) Outcome		
Total number of registered businesses within the township economy	Annual	SARS/CIPC/independent survey
Average annual revenue of businesses registered within the township economy	Annual	SARS/CIPC/independent survey
Total value-added within township economy as % of total Gauteng GDP	Annual	StatsSA/independent survey
Total township household expenditure on goods and services from township businesses as a % of total township household expenditure	Annual	Independent survey
Total value of sales from township businesses to business and consumers outside of the township economy	Annual	Independent survey
Total value of purchases of township businesses from business located outside of the township economy	Annual	Independent survey
Total value of new investment by TBs into the township economy	Annual	Independent survey
Total value of new investment by private investors located outside of the township economy into the township economy	Annual	Independent survey

Total value of new investment by the Gauteng Provincial Government into the township economy as a % of total GPG capital expenditure	Annual	Internal

11 GENERAL OBSERVATIONS AND INITIAL RECOMMENDATIONS

In addition to the specific comments and concerns noted above, there are a number of general observations that cut across more than one of the SFAs, and are likely to be instrumental in the design and implementation of the overall Strategy. These include:

- **Learning from past experience.** Whereas the TER strategy itself is innovative and new, many of the proposed activities have been tried elsewhere in South Africa, and with mixed success. To build on past achievements, and avoid mistakes, it will be important to review the performance and approach of other enterprise-level interventions. Specifically, the Province should be encouraged to engage with the likes of SEDA and the Jobs Fund, who have recently concluded comprehensive evaluations of their own business models.

- **Leveraging existing government programmes**. Likewise, in order to prevent duplication, and make maximum use of the Province's own resources, there are significant opportunities to collaborate with other national-level initiatives in delivering new and more effective services and support to TBs. In the area of skills training, mention is made of the SETAs; and in the development and accreditation of new standards, working with the South African Bureau of Standards will be key. But in many other areas it may be possible to leverage existing activities and resources to provide Gauteng-specific solutions. This may include advocating that a specific share of existing or new incentive programmes be ring-fenced for township interventions.

- **Partnerships with the private sector**. The implementation and success of this strategy will depend largely on its ability to grow the private township economy; and significant attention is given to how new businesses will be created and supported in this space. Less detail is however provided on how the large and existing Gauteng private sector will be mobilised to work with or invest in the Township Economy. This could include direct investment and procurement; but Government could also make greater use of private sector institutions and experts to deliver skills and support to TBs. Consideration should be given to the preparation of an accompanying marketing report, which describes how the private sector can partner with the Government in revitalising the Township Economy and identifies particular projects or incentives which may be of interest to investors. Here, the Province may be able to learn from the experience and apparent success of the Neighbourhood Development Partnership Programme of the National Treasury (NDP), which uses its allocated funding to "stimulate and accelerate investment in poor, underserved residential township neighbourhoods by

providing technical assistance and/ (or) capital grant financing for municipal projects that have either a distinct private sector element or an intention to achieve this".[70]

- **Targeting the right individuals and enterprises**. The literature and the South African experience highlight the need for well-defined and strictly enforced selection criteria in selecting beneficiaries for participation in programme activities. This is particularly important in ensuring that the outputs from training and other forms of direct support generate meaningful and measureable outcomes. Careful consideration should be given to defining the minimum characteristics, capacities and contributions of project beneficiaries.

- **Managing and tracking programme beneficiaries.** The evaluation highlights the high degree of dependency between different interventions, and the importance of the linkages between the proposed focus areas. Ideally, a qualifying TB or individual should be provided with a comprehensive suite of technical, financial and infrastructure support; this support should be coordinated across different activities and implementing partners; and the beneficiary should be carefully managed through this process in a systematic way. For such a system to work effectively and to prevent double-dipping, beneficiaries may need to be registered and tracked on a central database, and their progression and performance recorded.

- **Identifying and accrediting qualifying businesses.** A critical and common constraint to the growth of TBs is their ability to access finance and (private and public) procurement opportunities; largely because investors and buyers are unable to accurately assess the risks associated with lending to or buying from them. Both of these risks could potentially be mitigated if a formal register could be created, for qualifying businesses, that meet and maintain minimum financial and performance criteria. All loans to and purchases from these businesses could be recorded on this central register and this information could be made available to lenders and procurement departments.

- **Knowing when to get in and out.** Many of the proposed activities come with significant risks; which the Province is willing and able to absorb as part of its longer-term developmental mandate. However, in order to ensure that the Province's resources are targeted at the most appropriate interventions, it is important that these risks are identified and regularly assessed. This should include the preparation of detailed feasibility or cost-benefit studies prior to the launch of new interventions; the implementation of a comprehensive monitoring and evaluation framework; and the development of clear exit criteria against which these interventions can be assessed, and if necessary, terminated.

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[70] NDPG. 2008. Annual Grant Performance Evaluation Report (2007 – 2008). Retrieved from http://ndp.treasury.gov.za/Reports/Annual%20Grant%20Reports/2007-08%20NDPG%20Annual%20Grant%20Performance%20Evaluation%20Report.pdf

- **Making good use of data; and making it available to others.** The successful development, implementation and monitoring of the TER depends absolutely on our understanding of the Township Economy, and how this strategy engages with it. Without high quality data it is impossible to know what interventions are needed and whether the strategy is working, or not. The Province has taken an important step in this direction by investing in a substantive Quality of Life survey; and extensions and updates will be required to monitor performance. Moreover, this data will need to be made available to TBs, prospective investors and project implementers to enable them to plan and evaluate their own interventions.

The review has also highlighted a number of potential unintended consequences that might result from the successful implementation of the strategy. In addition to those described within each SFA, there are some general consequences which may emerge as a direct result of the overall success of the Strategy. These may include:

- A reallocation of existing capital, skills and services (public and private) away from the mainstream economy to more isolated township areas.
- An increase in property prices ahead of interventions or the gentrification of township suburbs post-implementation.
- An increase in industrial and agricultural enterprises, and the associated negative externalities, in predominantly residential areas.
- An increase in the cost of doing business in the township economy as a result of the regularisation and formalisation of enterprises.
- Pressure on supporting infrastructure, such as roads, water and electricity.

Whereas none of these factors should interfere with the implementation of the strategy; additional actions or activities may be required to ensure that these potential costs are avoided or at least constrained.

12 STRATEGIC AND INSTITUTIONAL CONSIDERATIONS

The TER strategy and accompanying Implementation Plan, as they are currently written, describe a wide range of concepts, activities and projects which together are expected to contribute towards the revitalisation of the Township Economy. Most of these interventions are well-considered and many of them are already underway. The strategy brings them together through 7 SFAs, and in doing so, seeks to direct additional resources and attention to the Province's plans and ambitions in this area.

For this strategy to have a meaningful and lasting impact, the Government's available resources will need to be targeted at the main constraints and opportunities in the Township Economy. The strategy as it is currently constructed is very broad in terms of its focus and the geographic space in which it operates. There is therefore some risk that the Government's efforts will be spread too thin and wide, or that it will be difficult to direct these efforts at specific outcomes. In order to mitigate this risk and manages the multiple linkages between the different aspects of the Strategy, a number of institutional actions should be considered:

- **The establishment of a formal coordination or implementation mechanism.** The existing strategy is light on implementation. While it provides for the establishment of an Inter-Governmental Working Group to "guide the coordination, monitoring and evaluation of the strategy implementation", the strategy itself demands an extremely high level of capacity, coordination and advocacy across all levels of Government. This may require the establishment of a dedicated programme management office or team to drive the work programme of the Technical Working Group; to support other Government Departments in the design and implementation of specific activities; and to monitor and report on the roll-out of this strategy.

  Action: The Inter-Governmental Working Group should consider whether such a unit is required and if so how it should be constituted and where it should be located.

- **Prioritising and sequencing activities.** It would be implausible for the Government to deliver all of the proposed interventions in the short-term, and already some form of prioritisation has taken place. However, these priorities have not been explicitly identified in the strategy and it is not clear how and when specific interventions will kick-in. The Implementation Plan provides more detail on specific activities, but most of these activities do not extend beyond the current financial year. In developing the workplan for this strategy, it may be useful to identify a narrower set of immediate priorities, and to spell out how the strategy is expected to unfold and expand over time.

  Action: A more detailed implementation or work plan should be developed and costed to describe how the TER strategy will be rolled-out across the Province and over an extended period of time.

- **Refocusing the focus areas.** This review has highlighted a number of inter-linkages between many of the focus areas. Whereas linkages between the focus areas are expected and in most cases desirable, they can also cause a loss of focus within specific areas. For example, there are multiple interventions planned to support the development of entrepreneurs within the Township Economy. But by spreading these interventions between SFA 4 (technical assistance to entrepreneurs), SFA 3 (incubators for entrepreneurs) and SFA 7 (technology and innovation for specific types of entrepreneurs); it becomes difficult to see how all of these different forms of support will come together in a coherent way. Conversely, SFA 4 includes support to entrepreneurs as well as to education and skills development; two very different types of interventions that involve very different modalities. Some consolidation and realignment may be required – if not in the strategy document – in the workplan.

  Action: The implementation plan or workplan should serve to identify those activities that cut across multiple SFAs and should also describe how departments will work together to deliver such activities. To strengthen linkages and coordination, improved databases and tracking systems may be required – as is proposed in Table 36 below.

- **Development and implementation of the monitoring and evaluation framework.** This report presents a formative evaluation of the TER strategy; and is based primarily on a rapid review of the available literature and consultations with a limited number of officials. In parallel, a monitoring and evaluation framework has been developed to enable the Provincial Government to track progress against the implementation of the strategy. The Monitoring and Evaluation Framework sets out the indicators to be monitored, how frequently and by whom. To implement this framework, will require a high level of coordination and commitment across all Departments; a common understanding of the purpose and operation of the proposed monitoring and evaluation system; and sufficient budget and resources to implement this system.

  Action: A dedicated TER M&E workshop should be conducted to discuss the implementation of the proposed framework and allocate responsibilities.

12.1 Areas for further work and research

Looking beyond the scope of this particular evaluation, there are a number of areas where further work may be required to address questions or suggestions raised in this report, and to collect the data needed in the monitoring and evaluation framework. Some initial ideas are summarised in the table below.

Table 36: Recommendations for further work and research

Issue	Recommendation	Responsibility
The evaluation report and consultations reveal concerns about the ability of the Government to manage and track beneficiaries through different programmes, and the potential for double-dipping.	The feasibility of an electronic database and tracking system should be investigated; to be used across all Provincial skills and enterprise development programmes.	DEDT/GEP
The report highlights the need for sufficient capacity and resources to review the cost of doing business, hear and investigate regulatory complaints, and to recommend changes or improvements.	The Province may need to review its capacity to receive complaints or suggestions on troublesome laws and regulations; and to assess the cost of compliance and recommend changes or improvements.	Office of the Premier
The TER proposes the expanded use of incubators to support new entrepreneurs, but does not put forward a specific model and approach to incubation and innovation.	It would be useful to review the successes and failures of current incubator and innovation support models in South African; and to develop a best-practice model for implementation in Gauteng through the TER strategy.	DEDT
The evaluation and consultations suggest that it is currently difficult to assess the risks involved in lending to small businesses, and recovering loans in the case of default is equally problematic.	The feasibility of some form of credit register and enforcement mechanism for small businesses across Gauteng should be considered.	DEDT/GEP
The TER Strategy sets out the role of Government in revitalising the Township Economy, but does not demonstrate how private investors, incubators, procurement agents and training	A separate marketing/investment document should be developed to specify opportunities for private sector engagement, investment and	DEDT/GEP

companies (amongst other non-government actors) should engage with this strategy.	cooperation in the implementation of the TER Strategy.	
Whereas some of the data that will be required for evaluation purposes is available from existing and official sources, much of it will need to be collected specifically for the purpose of evaluating the success of this strategy.	A dedicated firm-level survey may be needed to collect baseline and performance data for some of the proposed indicators; the specific data to be collected, and the methodology for doing so, will be described in the Monitoring and Evaluation Framework.	Office of the Premier

FINAL REPORT

APPENDIX 1   INDICATORS AND DATA AVAILABILITY

In order to monitor and evaluate the achievement of the TER strategy, an indicative (long-list) of indicators has been identified. The definition, collection and use of these indicators is fully described in the monitoring and evaluation framework that has been developed as part of this project. To inform this framework, an initial assessment of the data that is available, for all of these indicators, has been concluded. Whereas most of the activity and output level indicators will be informed by internal data, external and alternative sources will be required to monitor outcomes and impact. In doing so, some of the main data partners for the monitoring and evaluation of the TER strategy would include:

1. StatsSA: StatsSA collects and reports on a wide range of data at the national and provincial level. While some data, such as GDP and labour data, are reported on a quarterly basis; other data, such as poverty levels, rely on surveys conducted every 2 to 4 years.

2. Gauteng City-Region Observatory (GCRO): As the knowledge base of the province, the GCRO collects data and benchmarks the city-region. The GCRO publishes data briefs which contain underlying data that can be used to monitor the TER (e.g. data Brief 6 (January 2015) - Informal sector enterprise and employment in Gauteng. In addition, the GCRO collates the survey data collected in the National Census at the provincial level.

3. Companies and Intellectual Property Commission (CIPC): As the registrar of Companies, Co-operatives and Intellectual Property Rights, the CIPC maintains records of all new businesses, reporting on these in their annual reports.

4. South African Bureau of Standards (SABS): The SABS tracks and records all new product and quality standards registered with the SABS.

5. South African Revenue Service (SARS)

The TER Monitoring and Evaluation Framework describes all of the proposed indicators, the sources from which data may be required, the existing data published by the source, and the frequency of such publication.

APPENDIX 2   CONSULTATIONS

Table 37: Stakeholders interviewed

Organisation	Person	Date of interview
DED	Mathopane Masha	31-Mar
	DDG Makhukhu	
	Steven Ngobeni (representative)	2-Apr
	DDG Masondo (representative)	
	DDG Moholwa (representative)	
Finance	Alan Moonsammy	26-Mar (telecon)
Health	Dot Corrigan	01-Apr
Emfuleni	Sibusiso Biyela	27-Mar (telecon)
GDARD	Kgari Manotwane	01-Apr
	Dr Akerele (representative)	
GEP	Lesley Kwapeng	24-Apr
	Nthabiseng Kunene	
	Nadas Pillay	
	Selloane Matoase	
	Fikile Mazibuko	
	Tello May	
	Mpumelelo Ndebele	
Innovation Hub	Tsietsi Maleho	02-Apr

APPENDIX 3   ASSESSMENT FRAMEWORK

WHAT	**Desired change**		

HOW	**Actions required to achieve desired change**		

WHY	**Evidence assessment (causal link between outputs and outcomes)**		**Strength of evidence**
	Contradictory	Caution	Good

ASSUMPTIONS	**Implementation**
	Exogenous

APPENDIX 4 EVALUATION MATRIX: GAUTENG TOWNSHIP ECONOMIC REVITALISATION STRATEGY

EVALUATION QUESTIONS	SOURCES OF EVIDENCE (shaded blocks indicate primary source of evidence for each EQ)			
	Government documents / strategies	Data and literature review	Stakeholder interviews	Independent experts (DNA and external)
What results chain underpins each strategic focus area?	What are the planned activities, outputs and outcomes within each of the focus areas? What other activities or programmes implemented or planned by Government (National, Provincial or Local) may contribute towards the achievement of this results chain?		Do the draft results chains include all planned TER activities and outputs? Are any of these activities/outputs incorrect or outside of the strategic focus of the TER? Are you aware of any other activities or programmes implemented or planned by Government (National, Provincial or Local) which may contribute towards the achievement of this results chain?	Are you aware of any other activities or programmes implemented or planned by Government (National, Provincial or Local) which may contribute towards the achievement of this results chain?
Are the causal relationships between each level of the results chain supported by evidence?		Does the available empirical evidence from South Africa or more widely, support the causal relationships reflected in the results chain? What is the 'strength' of this evidence?		Does the available empirical evidence from South Africa or more widely, support the causal relationships reflected in the results chain? What is the 'strength' of this evidence?
Under what conditions do these causal relationships work?		What other factors may contribute towards or mitigate against causality?		What other factors may contribute towards or mitigate against causality?
What critical assumptions are made in the design of the results chain?	What assumptions, if any, are identified in the TER strategy and related documents?		In addition to the activities specified in the results chain, what else will Government need to do in order to achieve these outputs and ensure that they have the desired outcomes?	In addition to the activities specified in the results chain, what else will need to be done in order to achieve these outputs and ensure that they have the desired outcomes?

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EVALUATION QUESTIONS	SOURCES OF EVIDENCE (shaded blocks indicate primary source of evidence for each EQ)			
	Government documents / strategies	Data and literature review	Stakeholder interviews	Independent experts (DNA and external)
			Outside of Government, what other conditions will need to be satisfied, or challenges overcome, for these activities to succeed?	
What risks are they to these assumptions?	What risks, if any, are identified in the TER strategy and related documents?		What internal or external factors may prevent the achievement of these outputs and outcomes?	What internal or external factors may prevent the achievement of these outputs and outcomes?
What indicators can be used to measure performance across each level in the results chain?	What indicators, if any, have been identified in the TER strategy or are used in related documents?		What indicators, if any, are currently used by Government to measure delivery against any of these activities, or any similar activities? What are the potential strengths and weaknesses of the proposed indicators?	What indicators would be most appropriate to measure Government's performance against this strategy?
What are the potential sources of data needed to measure performance against these indicators?	What baseline data, if any, is provided in the TER strategy or in related documents?	What data is currently available in South Africa related to the proposed indicators?	Are you aware of any existing data sources within Government related to the proposed indicators?	What data is currently available in South Africa related to the proposed indicators?

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