

Tshepo 1Million Kasi Unltd/ Township Marketplace Platform and GPG SMME Clearing house

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1 Problem statement

The driving dynamics of youth unemployment in Gauteng, as nationally, are often interdependent, and complex. The following are some of the factors that define the context within which youth unemployment is manifested:

- **Skills Mismatches:** The Gauteng economy requires a relatively skilled emergent workforce. However, school leaving rates leave much to be desired with only 60% of youth completing their matric. These low completion rates are again experienced in the tertiary learning institutions.
- **Lack of Social Networks for Work:** Research demonstrates, consistently, that unemployment runs in families. Exclusive social networks create information asymmetries that negate the potential for poor work-seekers to find work.
- **Limited Work Experience:** Employers are increasingly seeking job applicants with more than a year of work experience. Yet ~50% of youth in the Province have never worked.
- **Spatial Factors:** While the Province is making investments to improve connectivity and reduce the impact of the spatial divides created during apartheid, exclusive spatial development and urban sprawl of near periphery populations makes transport to employment a major driver of unemployment.
- **Resources for Work-Seeking:** Within these many barriers, thousands of work-seekers, search for work on a daily-basis. This requires commitment, determination, motivation and financial resources. However, the direct costs of transport, internet usage, printing CVs, and making phone calls, and the indirect costs of the responsibilities these work-seekers may have for the elderly or young in their households, are significant for poor households. Moreover, investment in learning – through public and private colleges, is also costly. Therefore, the financial resources required for work-seeking are a significant barrier to work-seekers.

The evidence suggests that high transport costs particularly disadvantage low-income black youth living far from jobs – the specific demographic experiencing highest unemployment rates and targeted by the Province. Transport costs are the largest component of youth job search costs, and thus they financially constrain job search.¹

Townships and informal settlements represent the ecosystem within which unemployment, especially youth unemployment manifests itself – and without the capacity to generate entry-level work experience in townships and deprived areas more broadly, the bulk of the youth workforce will be perpetually on the wrong side of these barriers to entry.

Yet the SMME economy is not labour absorbent – in the most recent tax cycle, 54 % of all formal jobs were accounted for by the largest 1000 firms in the country, and over 50 % of registered commercial entities report no profits. Over 70% of SMMEs in Gauteng are estimated to be own account workers.

2 Jobs impact

We are committing in Gauteng, via Tshepo 1Million Kasi Unlimited and the wider SMME clearing house, to support 200,000 SMMEs this way over the coming years, who can in turn host over 400,000-600,000 interns / entry level workers per year.

3 Theory of change

The SMME Clearing House (encompassing the Tshepo 1Million Kasi Unlimited Initiative) matches well vetted SMMEs, identified across a range of private and public sector initiatives, with more established companies, enabling market access which in turn enables SMMEs will take advantage of these opportunities through business development support and access to finance based on offtake agreements.

This is being built up by Gauteng Provincial Government as a partnership with the CEO Initiative/ Youth Employment Service. This partnership further strengthened by the fact that both programmes have recognised that getting masses of young people to take their first step

¹ L. Graham, L. Patel, G. Chowa, R. Masa, Z. Khan, L. Williams and S. Mthembu, (2016). 'Youth Assets for Employability: An evaluation of youth employability interventions – A baseline report'. Johannesburg: [Centre for Social Development in Africa](#), University of Johannesburg.

into the economy also has to mean empowering businesses of all sizes to become employers, particularly in our townships.

The evidence from the township economy audits (see below) conducted in Feb-March 2017 is that most township firms operate at around R30k per month turnover, and do not hire or maintain a workforce until their turnover reaches around R100k per month. Enabling this expansion, and linking it to hiring through systems such as the Tshepo 1Million/ Harambee clearing house, is a key intervention to scale mass employment where the vast majority of young jobseekers live. This directly confronts the spatial, resource, network and work experience barriers listed in the problem statement.

4 Existing initiatives/experience

TSHEPO 1MILLION is the Gauteng Provincial Government's comprehensive youth empowerment initiative (an evolution of the Tshepo 500k programme launched in 2014, accelerating into Tshepo 1Million with an upgraded programme design from January 2017 onwards). The programme uses a comprehensive clearing house system to channel youth with a range of different skill levels and profiles into four types of opportunities :

- Demand-led learning (skills and competency development linked to increased employability)
- Transitional/ temporary work
- Decent jobs and new economic activity (mainly micro-franchising and own-account contracting/ self-employment).

These opportunities are delivered through a curated ecosystem of corporate, social sector and training sector partnerships, including a core partnership with Harambee Youth Employment Accelerator to run the programme's main clearing house (itself linked to a network of over 400 companies) and incubate the partnership fund for co-investment with the private sector in youth economic empowerment.

Kasi Unlimited is the entrepreneurship development and township marketplace arm of Tshepo 1Million, connecting township-based businesses at all levels to access to market (principally business-to-business, as a component of various corporate partnerships), access to finance (particularly where linked to offtake agreements) and access to skills and capacity (including fast and less burdensome ways to formalize). A condition of ongoing access to the TMP for small and emerging firms is that they hire/ contract young jobseekers or interns from the programme as their turnover increases. A key data resource at the heart of the current programme is a geo-coded database of 80,000-plus township firms gathered by 750 young data-auditors across the 9 most populated peri-urban townships in Gauteng

Building on the over 40 agreements and pledges Tshepo 1Million has signed with corporate, training and social sector partners, the programme closely with President's Youth Employment Service or YES, to drive placements of interns into companies of all sizes, with a particular focus on supporting township firms to become employers of local youth in their neighbourhoods. Working with YES, the CEO initiative and Business Leadership South Africa, we are mobilizing corporate South Africa to open up its value chains to Gauteng's townships in ways which enable township SMMEs to grow and host interns channelled through the YES & Tshepo 1Million partnership.

CLEARING HOUSE FUNCTIONALITY

The primary partners are Gauteng Provincial Government, the University of Johannesburg (UJ) and the Youth Employment Service (YES) CEO Initiative. Their roles are as follows:

Gauteng Provincial Government

1. GPG and UJ have built and are maintaining an SMME Data Hub - a powerhouse of key geographic, firm level and individual level data resources on candidate firms and their owners, vetted and cross referenced for reliability, and updated through crowd sourced feedback.
2. Common profiles are created using data from a range of government and private sector programmes, including detailed geocoding of location of individual firms.
3. UJ has built and is maintaining a search and recommendation algorithm for searching the SMME Data Hub using AI and ML technologies to match SMMEs to opportunities identified by the ESD Fund.
4. GPG, the CEO initiative and their partners are facilitating business development support for identified SMMEs being lined up for various streams of opportunities.

CEO/ YES Initiative

1. Administers a supplier and enterprise development fund used to receive funding for programs in fulfilment of BBBEE scorecard points based on supplier and enterprise development activities and value chain capability analysis
2. Identifies opportunities for SMME's within core value chains of established institutions
3. Manages these opportunities in collaboration with the procuring entity utilizing committed funding
4. Extracts relevant value chain data from procuring partners to analyze potential opportunities using AI and ML technologies, in conjunction with the SMME Data Hub, ensuring data integrity and privacy
5. Mobilizes membership of CEO Initiative, Business Leadership South Africa and the Public Sector to participate.

Within the GPG's own procurement, these systems and partnerships are specifically calibrated to manage the Gauteng@work programme, which transparently and openly sources and supports local, emerging firms who can create work and economic upliftment in townships, informal settlements and rural areas using government contracting. This includes a much more developmental role for main contractors, supported by GPG through the SMME clearing house technology platform.

The SMME clearing house functionality goes live as of 10-07-2018, though it draws on the experience of implementing the Kasi Unltd programme logic in the FMCG and last-mile distribution space (a partnership with Coca-Cola Beverages SA, L'oreal, Big Save wholesalers and Boloro). This initiative, following a successful pilot/ prototyping phase, is going live as of 16-07-2016 in Tembisa (linked to township hub partnership with YES) and Central Johannesburg, with expansion to approximately 15 areas across Gauteng planned (anchored by the container micro-malls/ Hubs being deployed with YES as storage sites. This is creating opportunities primarily for microfranchised owner-drivers at present, but is expanding to include placement into paid work with a range of retail and service providers in townships serviced by these networks, as well as other categories of micro franchising (including ethnic hair, linked to partnership with L'Oreal and Godrich).

5 Constituency participation in implementation

Organised business – as detailed under theory of change

Academic sector – currently University of Johannesburg, but not limited to one institution. The key opportunity is to establish research clusters conducting process engineering / big data analyses of value chains

Public Sector – Gauteng Provincial Government for the moment, but extensible to both provincial and local governments under spatial economic development and local economic development mandates. Also aligns strongly with the Enterprise and Co-operative Development Institute initiative being run as a partnership between Services SETA, SEDA and the wider Dept of Small Business Development.

6 Benefits

What social/economic groups would benefit from the proposal directly and indirectly? Please use the following table, and do not list more than 5 groups. Please describe the benefits as precisely as possible.

Group	Job creation	Other benefits	Time frame for success
Young Jobseekers in townships, informal settlements and rural areas	Entry level opportunities as interns/ employees for 400k-600k young people in Gauteng over 3-5 years	Constitutes a work-readiness bridge for wider opportunities outside of township/ informal areas via programmes such as Tshepo 1Million/ Harambee clearing house	3-5 years
Township-based SMMES (30k – 100k turnover per month)		Business development support, offtake-driven financing and staff search and management support to enable expansion	1-3 years
SMMEs qualifying for Supplier Dev Status (up R50M per annum)		Exposure to opportunities and off-take driven financing as part of wider value chains	1-3 years
Established firms		Commercially coherent / economy expanding compliance with sector charters, ESD and BBEEE	1-3 years
Residents of townships		Improved and more cost-efficient retail and services/ improved quality of life	3-5 years

7 Cost and potential sources of funding

What social/economic groups would bear the cost of implementing the proposal directly or indirectly? Please use the following table, and do not list more than 5 groups. Please

describe the costs as precisely as possible. In the case of financial costs, who would pay them?

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact
Established firms	<p>Platform maintenance less than R100k per year</p> <p>In-depth site verification costs and business development costs variable, based on ESD requirements</p> <p>ESD for township HUB establishment (point of contact, training, trading space) approx. R2M – R5M per site based on implementation to date</p>	Enterprise and supplier development funds in compliance with charters and BBBEE scorecards	Within 1 year
Research institutions contributing to value chain analysis to identify opportunities and build AI/ ML methodologies to support ongoing refinement, particularly	Estimate from UJ is R19 million over 5 years for the most fleshed-out version of the envisioned research institute	<p>Sponsorship/ investment by commercially incentivised larger firms</p> <p>NRF and research support bodies</p>	1 -3 years

Group	Anticipated costs	Potential sources of funding to implement the project	Time frame for impact
Public sector clearing house programmes matching young jobseekers to relevant opportunities	Approx 9k per candidate	Existing clearing house funding streams	Within 1 year

8 Risks

What are the main risks that would prevent the proposal from achieving the anticipated outcomes? Describe *at least two*.

- a) Participation by owners of value chains/ larger corporates
- b) Information asymmetry within larger companies with respect to where opportunities in their value chains lie
- c) Compliance and management failures on the part of SMMEs
- d) Appropriate matching of young workforce to specific opportunities.

9 Risk mitigation

Risk	Mitigation	Owner
a) Participation by owners of value chains/ larger corporates	<ul style="list-style-type: none"> • Streamlined fulfilment of BBEEE and other obligations through clearing house programmes • Direct federation with existing ESD fund managers (system has negotiated formal relationship with Profit- 	SMME clearing house operating partnership

Risk	Mitigation	Owner
	Share partners, for example)	
b) Information asymmetry within larger companies with respect to where opportunities in their value chains lie	Process engineer / big-data driven review of value-chain data supplied to neutral 3 rd party (data is to be held by a trust with specific constraints on data use, with all parties represented)	SMME clearing house operating partnership
c) Compliance and management failures on the part of SMMEs	Targeted, value chain specific Business development support delivered as part of ESD provision, with ongoing contact through township hubs and use of best of breed, locally-configured online / on-phone tools	SMME clearing house operating partnership
d) Appropriate matching of young workforce to specific opportunities	Intermediation, matching and bridging through clearing house programmes (Tshepo 1Million/ Harambee in Gauteng	Clearing House programme owner (Tshepo 1Million/ Harambee in Gauteng)

10 Additional comments

The SMME clearing house is a wider initiative of Gauteng Provincial Government, which ties into, but is also distinct from the Tshepo 1Million initiative . Under Tshepo 1Million opportunities are delivered through a curated ecosystem of corporate, social sector and training sector partnerships, including a core partnership with Harambee Youth Employment Accelerator to run the programme's main clearing house (itself linked to a network of over 400 companies) and incubate the partnership fund for co-investment with the private sector in youth economic empowerment.