



GAUTENG PROVINCE

ECONOMIC DEVELOPMENT
REPUBLIC OF SOUTH AFRICA

TOWNSHIP INDUSTRIAL CLUSTERS PROGRAMME

1. Background

- 1.1 Industrialization is a proven development path towards economic success and prosperity for all countries and regions. It is for this reason that the national government has embarked on a range of ambitious programmes to position South Africa as a globally competitive industrial economy.
- 1.2 Although Gauteng remains the country's main industrial hub that contributes about 35% of national GVA, 36% of national manufacturing sector employment, 59% of national exports, and 65% of national imports by the end of 2017; the industrial structure of the province remains characteristic of apartheid development plans. There is a need for a developmental state represented by the Gauteng government to intervene decisively in order to transform the economy and industrial structure.
- 1.3 The Gauteng Provincial Government has also prioritized industrial development as a strategic economic development imperative, and in this regard the following are just some of the programmes developed to promote broader economic development in the Gauteng City Region:
- GCR – Economic Development Plan
 - Township Economic Revitalisation Strategy
 - West Rand Economic Development Plan
 - Sedibeng Regional Economic Development Plan
- 1.4 Despite these initiatives, the legacy of apartheid development system continues to be manifested in the GCR as follows:
- Regions that were marginalised by the apartheid government, mostly townships and other areas designated for blacks and Africans, still do not have the industrial eco-systems that are necessary to transform them into industrial production centres, and

- Black people still play a marginal role in the industrial production systems, except as the providers of unskilled and semi-skilled labour.

1.5 The National Industrial Policy Framework (NIPF) identified the following development ambitions to underpin the development and implementation of South Africa's industrial development agenda:

- To facilitate diversification beyond our current reliance on traditional commodities and non-tradable services by promoting and supporting increased value-addition and movement into non-traditional tradable goods and services that compete in export markets as well as against imports.
- The long-term intensification of South Africa's industrialisation process and movement towards a knowledge economy.
- The promotion of a more labour-absorbing industrialisation path with a particular emphasis on tradable labour-absorbing goods and services and economic linkages that catalyse employment creation.
- The promotion of a broader-based industrialisation path characterised by greater levels of participation of historically disadvantaged people and marginalised regions in the mainstream of the industrial economy.
- Contributing to industrial development on the African continent with a strong emphasis on building its productive capabilities.

1.6 In line with the NIPF, The Township Industrial Cluster Programme is mainly informed by the need to adopt an industrial development path characterized by increasing participation of marginalised citizens and regions. In this regard, the Township Industrial Cluster Programme is intended to support townships and similar regions within the GCR to develop their productive capacity and thus be transformed into industrial production centres. In addition, the programme aims at facilitating the entry and participation of black people in the prioritised product or industrial value chains.

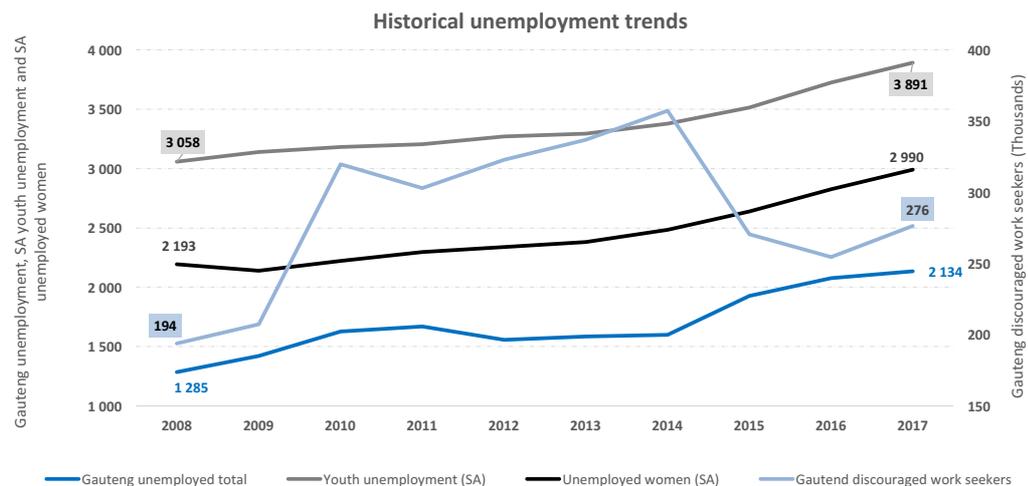
2. Problem statement

2.1 Due to the legacy of apartheid spatial development policy and practices, townships have acutely under-developed industrial production systems. In essence, townships are merely residential centres that serve as sources of cheap labour. One of the consequences of this apartheid spatial development is that township dwellers have to travel long distances to and from work on a daily basis, at a huge cost relative to non-township dwellers.

2.2 The province is experiencing very high levels of unemployment which is above the national rate, and based on national statistics, the vast majority of the unemployed are young people and black. The diagram below highlights historical unemployment trends in South Africa and Gauteng.



UNEMPLOYMENT



Thousands	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Gauteng unemployed total	1 285	1 423	1 627	1 669	1 557	1 587	1 599	1 928	2 078	2 134
Gauteng discouraged work seekers	194	207	320	303	323	337	357	271	255	276
Youth unemployment (SA)	3 058	3 141	3 180	3 205	3 271	3 295	3 377	3 512	3 725	3 891
Unemployed women (SA)	2 193	2 139	2 221	2 298	2 337	2 381	2 482	2 640	2 827	2 990

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The high levels of unemployment, in turn, feed into and contribute to increases in both inequality and poverty.

2.3 There are also changes with respect to employment intensity in across many sectors that suggest that many of GCR – EDP priority sectors are increasingly less employment intensive. This implies that investments in these sectors produce marginal net jobs. Example are the BMW investment for the “3 series” replacement and Ford investment for the Ford Ranger manufacturing. Despite these being significant investments, there are practically no additional jobs. In contrast, entrepreneurship and self-employment are becoming the most effective method of job creation when the right support is provided.

2.4 Majority of the unemployed lack the technical know-how and skills required for employment in an economy with increasing skills intensity or even to create opportunities for self-employment. The structure of the country’s education and training system is such that matric graduates still require technical and vocational skills training in order to improve their employment prospects.

3 Programme goals and objectives

The purpose of the Township Industrial Clusters Programme is to develop the productive capacity of townships across the Gauteng City Region with a view to create, expand and diversify economic opportunities and also create sustainable jobs and enterprises.

The goals of the Programme are as follows:

- Large-scale employment creation through self-employment and entrepreneurship,
- Entrepreneurship development and promotion, and
- Industrial development in townships and contribution to the transformation of townships into industrial centres.

The objectives of the Programme are as follows:

- To develop and implement customized interventions for township based industrial clusters,
- To facilitate large-scale employment through self-employment and entrepreneurship,
- To develop and implement customized enterprise development plans in support of township industrial clusters, and
- To develop industrial eco-systems to support cluster development and enterprise development.
- To support and contribute to the development of black industrialists, and to
- Promote and support investments in townships and other previously marginalised regions.

4 Targeted beneficiaries

The GCR Township Industrial Clusters Programme is intended to benefit the following groups:

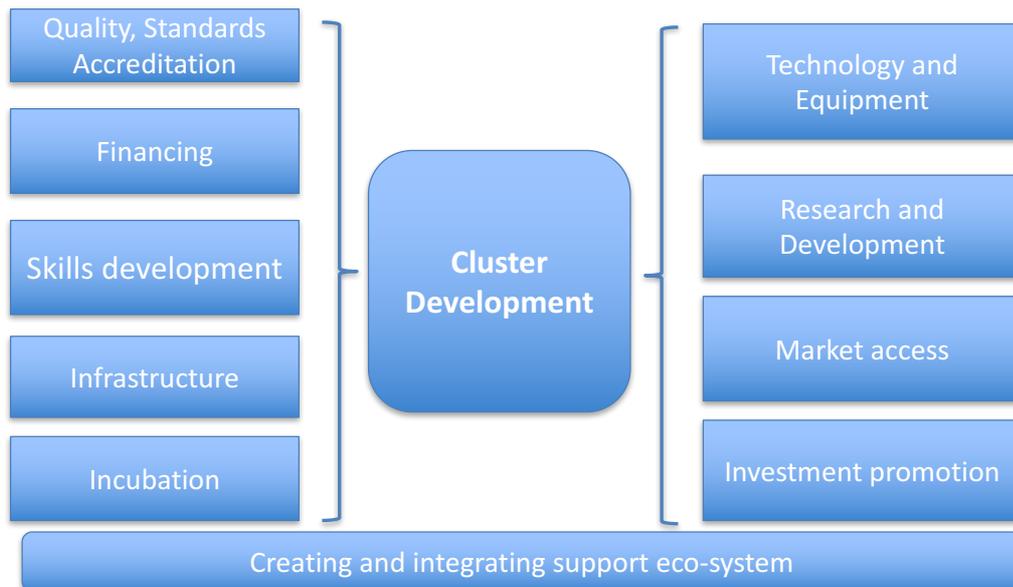
- The unemployed, especially the youth, women, and people with disabilities,
- Previously marginalised and under-developed regions in the GCR such as townships, and
- Township based small and medium enterprises, especially those owned by blacks, youth, women and people with disabilities,

5 Programme structure

5.4 Township Cluster Development Framework



CLUSTER DEVELOPMENT FRAMEWORK

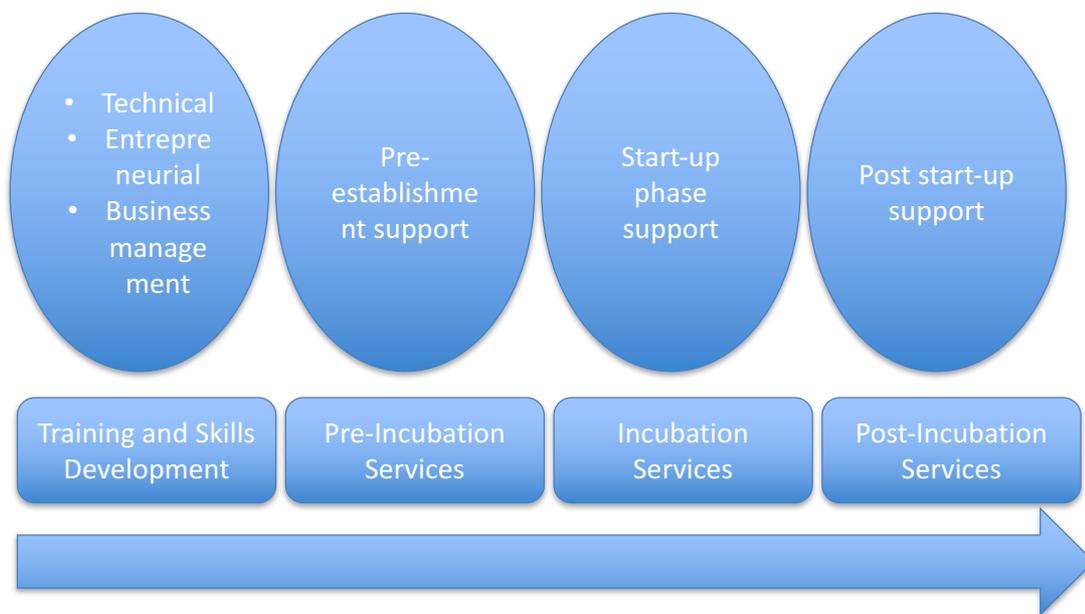


The diagram above shows the broad range of services that are to be provided to enterprises and entrepreneurs participating in the township industrial clusters initiative. Each Township Industrial Cluster Plan will outline relevant interventions from among those outlined in the framework. The exact nature and scale of each service will be determined by the structure and composition of each cluster as well as the needs of the enterprises and entrepreneurs in each cluster.

6.2 The process



BROAD ROLL-OUT PROCESS



The roll-out process for each individual project within the programme will broadly comprise the following inter-linked phases:

6.2.1 Phase 1: Training and skills development: The focus of this phase is on the provision of the following training programmes:

- (i) **Technical training programmes:** to equip participants with the technical skills and know-how to produce the targeted products,
- (ii) **Entrepreneurial training programmes:** to equip participants with the necessary skills to become successful entrepreneurs,
- (iii) **Business management skills programmes:** to equip participants with the requisite business administration skills.

The technical details, duration and other arrangements will be detailed the project or business plans for each product or industry.

6.2.2 Phase 2: Pre-incubation services: This phase focuses on the provision of support services in the early start-up phase of enterprises and includes services such as business registration, registration of intellectual property and patents, business plan development, etc.

6.2.3 Phase 3: Incubation: This phase focuses on the provision of comprehensive incubation services which are aimed at assisting the enterprises to begin operations in a much more protected environment.

6.2.4 Phase 4: Post-incubation services: This is the phase in which the enterprises have been tested through the incubation phase and have now grown and matured to operate on their own. At this phase, support is being scaled down and the entrepreneurs are now in a position to continue with operations on their own.

6.3 Priority products

While there is in essence no limit on the number of products to be included in the programme, however, the following have been prioritised mainly based on the speed with which projects can be developed and implemented:



PRIORITY TOWNSHIP CLUSTERS



6 Key support requirements

Area	Requirement
(1) Skills development, education and training: provision of technical, entrepreneurial and business management skills	Technical partner(s) to provide skills development, education and training for each product line.
(2) Incubation services: provision of pre-incubation, incubation and post-incubation support services.	Technical partner(s) to provide pre-incubation, incubation and post-incubation support services.
(3) Business facilities: provision of infrastructure in the form of business facilities that adequately accommodate the needs of the enterprises and entrepreneurs.	The GDED Group in partnership with metros can provide business facilities at the various industrial parks and enterprise hubs. Consideration should be given to subsidized rentals were subsidies are gradually phased out over time.
(4) Machinery and tools: provision of machinery and tools that to enable entrepreneurs and enterprises to produce the products that meet market requirements.	Provision of grants to purchase machinery and tools for those who successfully complete training programmes and enter incubation. For elementary machinery and tools, GDED should consider purchasing such tools, and DTI grants should be leveraged for more expensive tools.
(5) Financing support: provision of tailor-made financing solutions in partnership with DFIs and other departments.	Develop a broad range of financing instruments including grants and loan schemes in partnership with DFIs such as GEP, etc.
(6) Market access: provision of support for local and international marketing.	Develop a broad range of instruments to facilitate market access such as offtake agreements, support for marketing materials for each enterprise and per cluster, domestic and international marketing platforms.
(7) Shared services: provision of common facilities and services for enterprises in the various clusters.	Integrate the provision of shared services in the Cluster Management Organisations' operational models.

7 Programme implementing agencies

The success of the programme depends on the speed and quality of execution and therefore the capabilities of implementing partners. The programme will be implemented through partnerships with a range of agencies across all the spheres of government, including the following:

- SEDA incubators
- Private sector incubators
- DFIs
- Standards, quality, accreditation and metrology (SQAM) bodies,
- Productivity improvement support agencies,
- Technical and vocational training institutions.

The relationship will be anchored on service delivery contracts between the GDED and each implementing agency. The replication of individual product clusters will depend on, amongst others, the performance of each product cluster, budget availability, and readiness of institutions to take on and execute additional projects.

9 Monitoring, reporting and evaluation

Monitoring and reporting plans will be integrated into each cluster development plan and responsibilities assigned to each implementing agency. The GDED Monitoring and Evaluation Unit will develop and implement an appropriate evaluation plan.

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