

**KEYNOTE ADDRESS BY GAUTENG PREMIER DAVID MAKHURA:
AT THE DIALOGUE ON THE FINANCING OF TOWNSHIP
ENTERPRISES AND SMMEs. IVORY PARK, MIDRAND.**

20 October 2016

Programme Director

MEC Lebogang Maile, responsible for Economic Development,
Agriculture and Environment;

MEC Barbara Creecy, responsible for Finance and e-Government

The Chairperson of 4 Africa Exchange, Ms Chichi Maponya

The Chief Executive Officer of 4 Africa Exchange, Advocate Fay
Mukaddam;

Our esteemed panelists; Mr Donald Molewas, Ms Riyadh Zwane, Mr
Thulani Mabuza, Sakhumuzi and Ms Busisiwe Skenjana

Business leaders

Government officials

Members of the Media

Ladies and Gentlemen:

Since assuming office in 2014, we have consistently made the point that we will intervene to strengthen financial and non-financial support for small, medium enterprises as well township enterprises and cooperatives, in pursuit of our goal of transforming the monopoly structure of our economy.

This is in line with our programme for Transformation, Modernisation and Reindustrialisation, equally aimed at increasing substantially the number of black people, women, the youth and people with disabilities that participate in the mainstream economy of the Gauteng City Region.

We have adopted the township revitalisation strategy which focuses on the following specific interventions:

- Developing an appropriate and supportive regulatory framework
- Encouraging productive and manufacturing activities in the townships as part re-industrialization
- Providing adequate supportive infrastructure
- Improving access to markets
- Promoting investment in the township economy

Our Township Economy Revitalisation Strategy reflects our determination to mainstream the township economy, which is worth R10 billion per annum, into the broader economy of the Gauteng City Region.

We want township entrepreneurs to become major players in the provincial, national, continental and even the global economy. We are serious about transforming townships to become vibrant, sustainable economic nodes and centres of production and manufacturing.

Ladies and Gentlemen, we began our journey towards the revitalisation of the township economy by embarking on a major and unprecedented consultation process, where we interacted with no less than 50 000 township entrepreneurs in 65 townships across Gauteng.

Consistent with our posture as an activist and listening government, we listened to the stories of our township entrepreneurs; we sought to gain a deeper understanding of their challenges and we undertook that we will work with them to address their concerns and most importantly upscale their businesses.

We are pleased to announce that to date we have registered more than 6000 township entrepreneurs into the central supplier database. They can be used by any level of government. Last year the City Region governments spent 6 billion rands on procuring goods and services from township entrepreneurs up from 1.5billion from the previous financial year. Currently we are involving 2000 entrepreneurs in our supplier development programme so that they can effectively do business with government and the private sector.

We are doing all of this because we have heard you bemoan the shortage of financial support, industrial land and space for conducting business as well as a restrictive regulatory and compliance framework. We heard their cries for expanded access to training and funding to start and grow their businesses.

In response, we said, among others, we will work with all stakeholders to find innovative ways of helping these enterprises access much needed funding and thus enable them to contribute to local economic development and job creation. The initiative we are launching today is about delivering on this commitment.

Today we are launching an initiative to ensure that black people do not perpetually operate on the margins of our economy and that they have access to financial capital to start and grow their businesses. We are intervening decisively and in an innovative way to address one of the main inhibiting factors for entrepreneurship development in our province – funding.

We are providing a platform for emerging entrepreneurs who wish to raise capital to do so in well regulated, secure and cost effective environment, backed by a proven world class technology.

Ladies and Gentlemen, I ask you at this moment to pause and imagine a situation where a particular community or a group of local business people in one of our townships takes a decision to combine their savings and invest in a local stock exchange or a local trading platform such as the one we are launching today. This investment will directly benefit these members of the community and most importantly will channel resources towards funding local development initiatives and local enterprises.

I also ask you, Ladies and Gentlemen, to imagine a situation where one of the major retailers in our townships wishes to give members of the local community a stake in the business. The retailer can do this by listing a portion of its shares on this platform for the benefit of local community members.

We are intervening in this manner because, for a long time capital, in our country, has been systematically mal-distributed and there was a de-link with emerging entrepreneurs.

Initiatives around the township stock exchange will go a long way in ensuring that this “missing capital”, this “latent capital” will have a platform through which it can be channelled to where it is really needed the most.

Our intervention will help in deepening the financial system, ensuring that it is accessible to people in the townships, who make up 80% of Gauteng’s residents. It will mean greater diversity of the financial assets available for individuals, corporates and organisations.

We are of the view that for township entrepreneurs to become a true force in the South African economy they will need the economic, financial and human resource capacity and muscle to undertake large, high value, labour absorbing, highly productive projects - they can no longer just be marginal players in the economy.

For instance an entrepreneur wanting to grow his or her business may not be able to raise capital in a bank, but this intervention will make it possible for him or her to do so relying on community investments that support local infrastructure or businesses.

We urge more businesses to take initiatives on issues of accessibility and functionality. What makes it different from others is its explicit pursuit and mobilization of latent capital. It is necessary to create an entirely new and dedicated exchange.

It is a matter of concern that currently no less than R 200 billion is sitting in the balance sheets of corporate South Africa, unused and un-invested. We have also noted that about 80% of the R10 billion generated within the township economy, is repatriated and spent outside the townships, instead of it circulating in the local communities to support local economic development.

In addition, although no one really knows the exact size of the stokvel and burial societies movement, studies by independent agencies have confirmed now and again, that we are dealing with a large movement of probably between 80,000 and 100,000 burial societies nationally. The figure is higher if we include stokvels in general.

The 2014 Finscope Consumer Survey, a FinMark Trust research project that has been conducting studies on burial societies for more than 10 years, indicates that burial societies alone could be serving at least 11, 7 million direct members, excluding dependents of members. According to the Study 37% (4.3 million) of these members are in Gauteng.

Another study by Darlyn Collin from the Financial Dairies project, estimates that in a township like Diepsloot, an average number of dependents covered by a member of a burial society could be as high as 6; which is way above those covered by many private funeral insurance providers.

Research also shows that women form the majority of the burial societies sector, representing more than 61% of membership. The majority of members are those who are working, especially low-income workers and elderly who benefit from social grants – although membership composition cuts across the whole African working class, irrespective of their income.

The Finscope research estimates that the membership of burial societies contributes between R6 billion to R15 billion per annum to their societies. Other studies such as the African Response data put the figure even higher at R25 billion when stokvels are included.

During the Taxi Indaba we held in July this year we were able to secure a commitment from the taxi industry that no less than 70 000 taxi operators in Gauteng are willing to combine their savings into a cooperative bank.

Ladies and Gentlemen, it is this latent, sometimes unused and misdirected capital that we are targeting to channel through our initiatives on Township Stock Exchange. We call on more businesses to come with more solutions. We need more than one initiative regarding how we can fund the growth of township enterprises and SMMEs.

Our goal is to ensure that this capital supports local economic development, including making funding available for local entrepreneurs and local infrastructure development projects.

We are already in conversation with stakeholders in the stockvels and burial societies movement as well as in the broader collective savings schemes sector to identify innovative ways of channelling community savings into productive investment that benefit communities directly, especially in the townships.

We are determined to work in partnership with industry players to drive the agenda of deepening an efficient financial system that more effectively channels society's savings to their most productive use.

For instance last year we signed a Memorandum of Understanding with the Banking Association of South Africa to mobilize investment, social capital as well as to develop innovative funding models to support the township economy and township entrepreneurs, SMEs and black industrialists.

In addition, we are in discussions with the JSE with a view to identifying alternative and innovative sources of funding our programme to revitalize the township economy and support the SME sector.

Let us have a dialogue on how to finance SMMEs, cooperatives and township businesses in a sustainable way.

Let this be the beginning of many exciting, ground breaking innovations that will come in the near future as we transform fundamentally the financial system in our country, for the benefit of all.

Thank you.