PUBLIC INVESTMENT CORPORATION®
Est. 1911

Township and Rural Economy

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Research & Innovation
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Executive Summary

The townships and rural areas represent unique and intricate geographical landscapes, historically been marked by underdevelopment, pronounced unemployment, and minimal economic activity. Nonetheless, the democratic transition has spurred substantial efforts toward their upliftment and development.

Notably, the rural population has witnessed a decline, decreasing from 42% to 32% of the total population since 2000, while the township population has shown an estimated 20% increase since 2011. Economic activities in rural areas predominantly hinge on mining and agriculture, whereas townships are bustling with diverse economic endeavors, primarily centered around retail and services.

However, these areas continue to grapple with a host of challenges impeding their economic development, including infrastructure deficiencies, elevated unemployment rates, crime, subpar education, and various other social issues that persist in many townships and rural regions.

Indeed, despite the prevailing challenges, there exist promising avenues for the prosperity of these regions. Rural areas stand to benefit from investments in agri-technology, agri-tourism, renewable energy, financial inclusion, and infrastructure development through public-private partnerships (PPPs). In the townships, growth can be stimulated through investments in retail property, light manufacturing, residential property, and tourism.

The PIC has made significant investments in the property, agriculture and mining sector which positively impact township and rural economies. Our exposure to township and rural retail, through unlisted properties division, amounts to R3.4bn. In agriculture, our investee companies have contributed 21 507 direct jobs. AFGRI provides training for emerging farmers in the books. Our mining investments are substantial, comprising about 22% of our listed equity portfolio. Mining companies undertake initiatives that uplift their communities such as providing bursaries and ESD spend over and above employment creation.

Through the **PIC Early-Stage Fund** we can unlock funding to township and rural businesses by on-lending to non-bank intermediaries focused on township/rural businesses , implementing a blended finance model in partnership with provincial DFIs/Government Agencies, and utilizing debt instruments.

THE SOUTH AFRICAN TOWNSHIP ECONOMY AND INVESTMENT OPPORTUNITIES



SA has an estimated 532 townships, with a population of 22 million*

Top 10 largest townships by population

Township	Population (2022)*
Soweto	1 525 954
Tembisa	555 731
Katlehong	489 373
Umlazi	485 773
Soshanguve	483 794
Kayelitsha	470 099
Mamelodi	401 492
Mitchells Plain	372 582
Ibhayi	285 359
Sebokeng	262 218

- Approximately **22 million** people live in the estimated **532** townships around the country.
- Like the rest of South Africa, townships have a young population, with the average age being **25 years old**. The population is predominately **black**, **Indian** and **coloured** South Africans; however, some residents are **foreign nationals** mostly from Zimbabwe, Lesotho and Mozambique, who largely occupy informal settlements.
- According to the World Bank as much as half of South Africa's urban population lives in townships and informal settlements accounting for **38%** of working age citizens, but home to nearly **60%** of its unemployed.
- Crime, poverty and unemployment remain significant problems for South African townships.
- Education also remains an issue, as many schools lack basic resources and are overcrowded. This impacts the quality of education leading to lack of skills and opportunities for future employment.
- Despite this, townships are home to numerous informal business, which are a key source of employment, goods and services for lower-income groups.

Source: The World Bank, StatsSA, PIC Research

*Based on various estimates

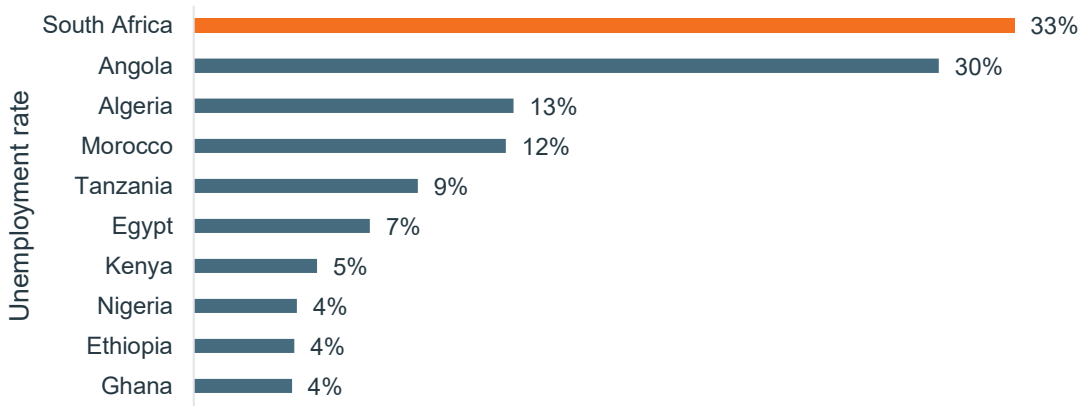
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Overview of challenges and barriers in the townships

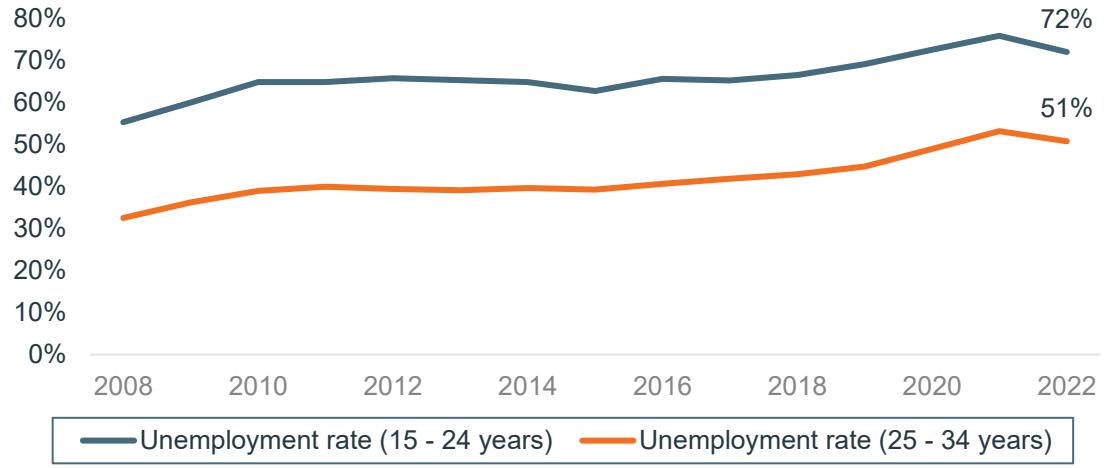
SOCIO	ECONOMIC
The quality of socio-economic infrastructure.	Lack of significant entrepreneurial and productive activity
The distance from industrial and commercial areas.	Small customer base usually limited to customers in the townships
The level of income differentiation.	Insufficient access to capital that enables business growth
The nature of the available skills set.	Lack of access to markets including preferential procurement
Size and history	Cost of regulation and compliance dissuades change from informal to formal
The extent and scale of existing economic activity	The domination of economic sectors, throughout the value chains by few monopoly players

South Africa is struggling to solve its unemployment problem

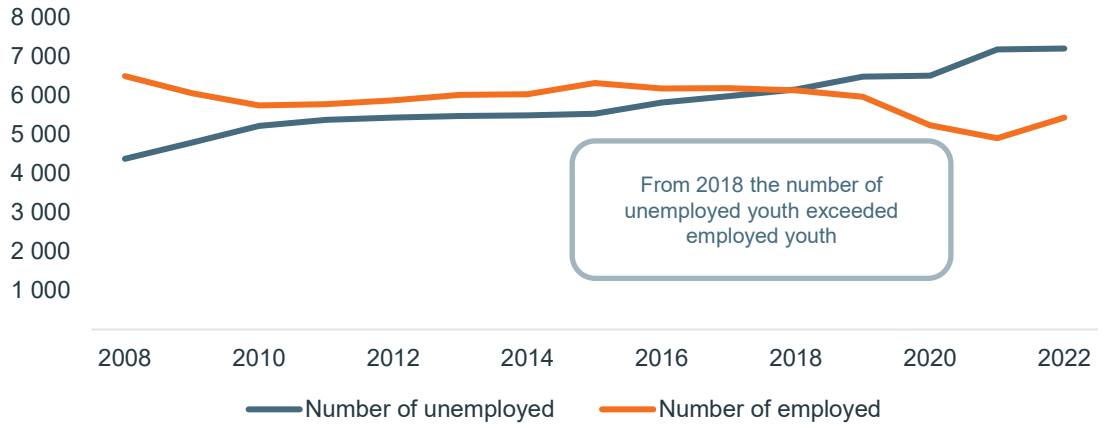
South Africa has the highest unemployment rate amongst the 10 biggest economies in Africa



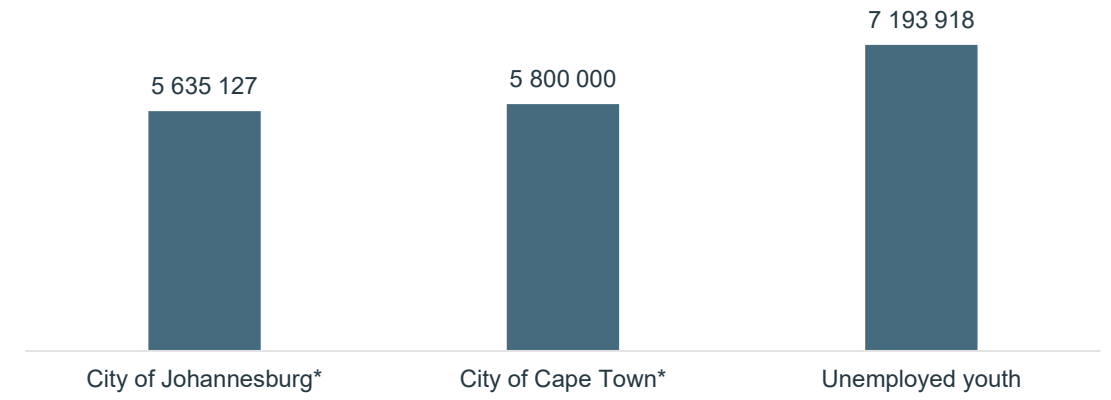
Youth unemployment rate expanded definition



Number of employed vs unemployed youth
(15 - 34 years)



If the unemployed youth was a metro it would be the largest metro in South Africa
Number of people

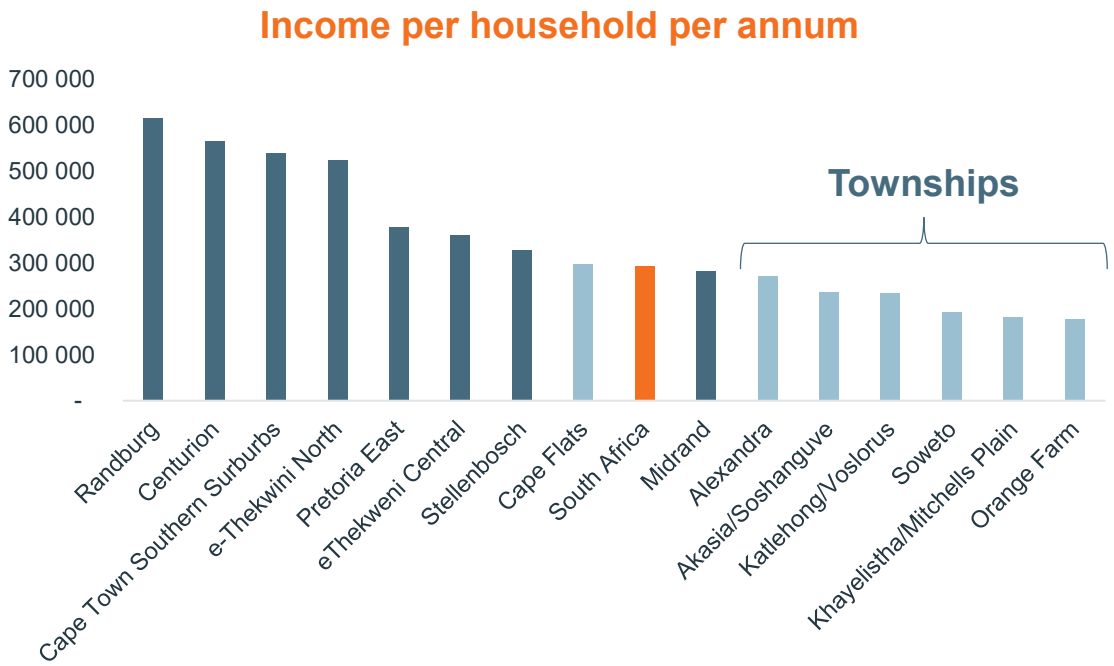


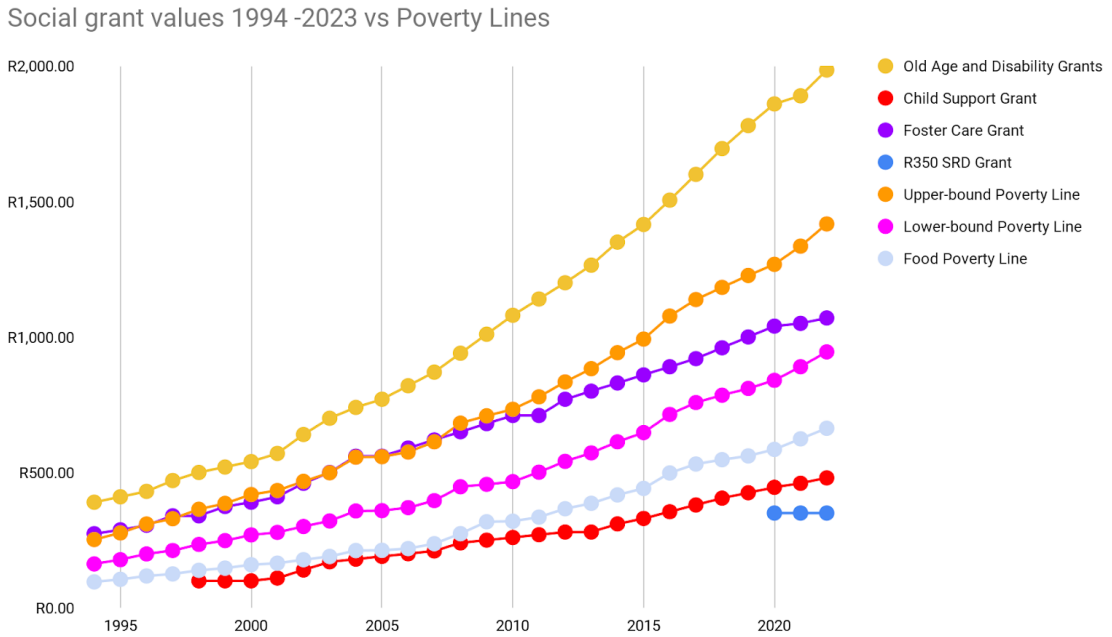
Source: Statssa, PIC Research

*2023 estimates

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Household income in the townships lags the rest of South Africa



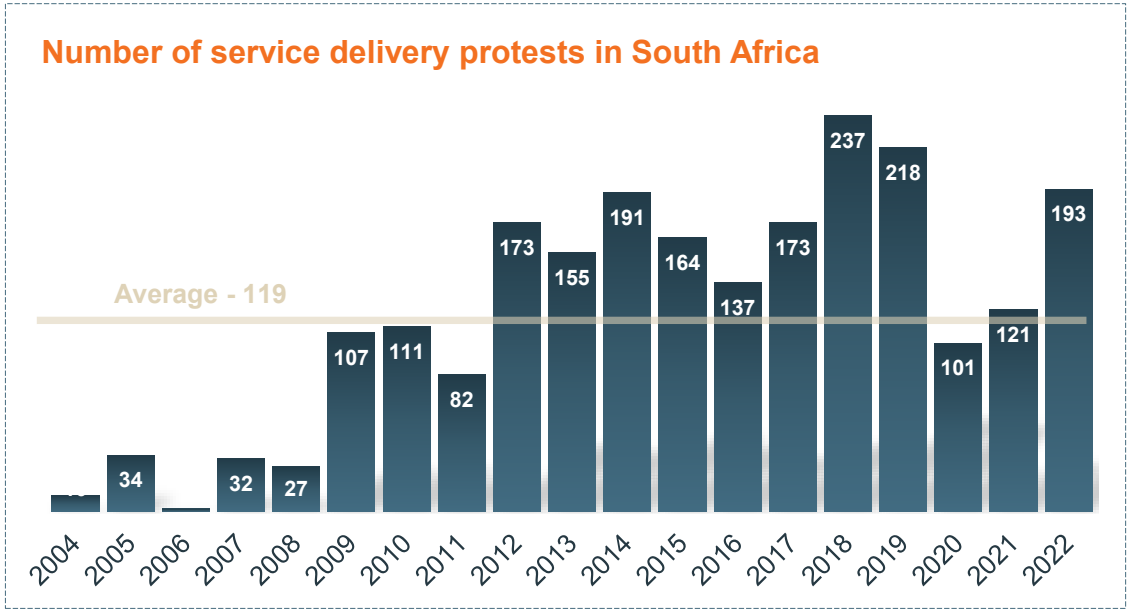


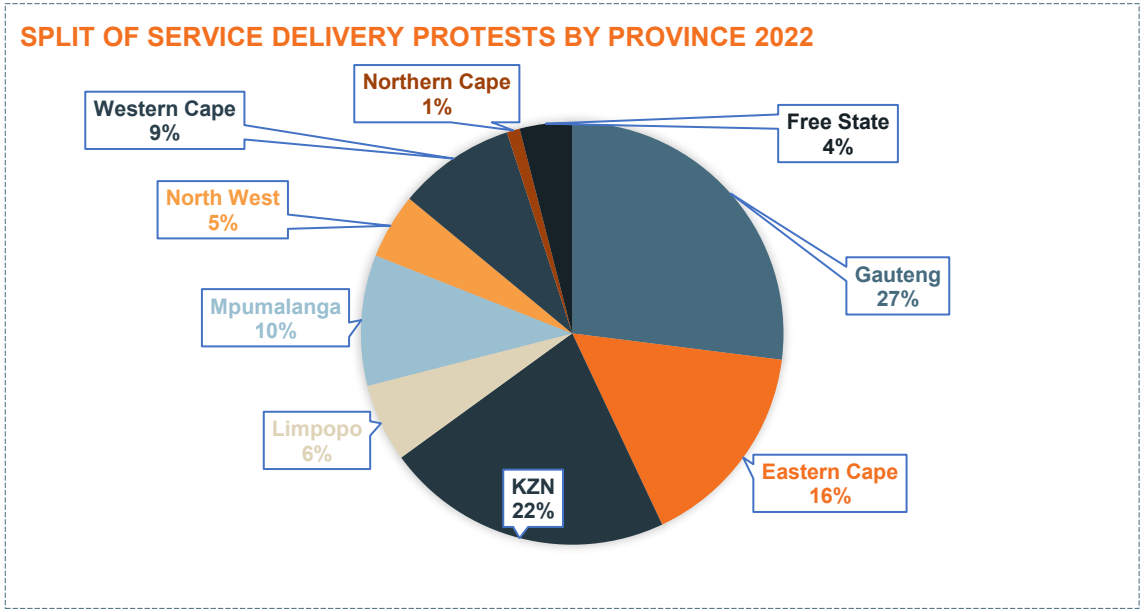
- Income levels in the townships are lower than in more affluent urban areas and lower than the South African average of **R249,000**. The average income in the sampled areas is **R227,366 per annum.**
- Many residents in the townships are employed in the informal sector, such as street vending, minibus taxi drivers, domestic work, and other small-scale business which are lower paying jobs.
- Formal employment opportunities in the townships remain limited and the lack of access to quality education and training further contributes to income disparities. Township residents mostly work in cities and urban areas.

Source: Quantec EasyData, PIC Research calculations

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There has been growing discontent in South Africa, especially in the townships. 193 service delivery protests were recorded in 2022

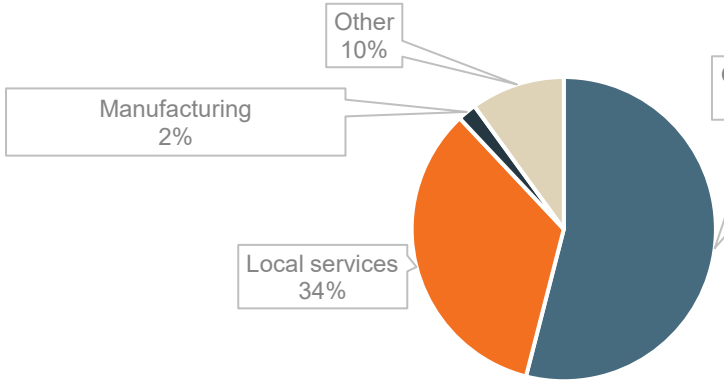




- South Africa has seen numerous service delivery protests over the last decade. Total protests for 2022 were at **193**, this number is lower than the record protest levels of 2018 and 2019, which saw **237** and **218** protests, respectively but above the average of **119**.
- **Gauteng** remains the province with most protest activity, followed by **Kwa-Zulu Natal** and **Eastern Cape**.
- Protests are increasingly seen in urbanised areas, particularly in the townships around informal settlements, protests are seen as the go-to course of action for many of these communities.
- **Electricity** is noted as the biggest cause and driver of service delivery protests, although other causes are noted such as access to **clean water**, **unemployment**, **crime** and **lack of land and housing**.

The total market value of the township economy is estimated to be R900 billion

Split of businesses in the township
n=11,000



Low barriers to entry
Low start-up costs
Strong demand for convenience

Products sold are almost exclusively produced by firms elsewhere. Products are mostly produced by well-established conglomerates

- The total market value of the township economy is estimated to be **R900 billion,** with approximately 60% of the market formal and 40% informal.
- About **17%** of all employment is found through the informal sector also known as the “township economy”.
- The informal economy also contributes **6%** towards GDP.
- According to the 2021 FinScope survey, there were approximately **1.1 million** micro, small and medium enterprises, employing **5.6 million** people and contributing **27%** to GDP.
- According to FNB there are around **30-40** businesses per **1,000** people in the townships, translating to roughly **800,000** to **one million** businesses.
- However, the current township economies are marginal. An example is Soweto which is the most populated area of Johannesburg with **24%** of residents living there but contributes only about **5%** of the city's economy.
- According to ABSA, Umlazi, Tembisa and Mamelodi have a higher density of registered businesses than Soweto and Khayelitsha.

Source: Presentation, Mail & Investec, ABSA, FNB

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Townships are a hub of various entrepreneurial activity but not without its challenges

RETAIL

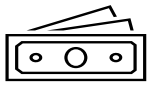
Spaza Shops and retail chains	Fast food outlets	Butchery	Bakeries	Hawkers	Lifestyle	Clothing retailers
						

SERVICES

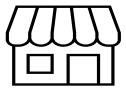
Backroom rentals	Minibus operators	Funeral homes	Panel beaters	Metal fabricators	Childcare services	Barbers and salons
						

KEY CHALLENGES

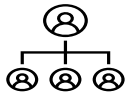
% of businesses surveyed



Access to finance
66%



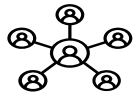
Lack of market access
52%



Lack of management skills
52%



Limited growth mindset
25%



Broader social issues
21%

Source: PIC Research, Tshani Network of Development Entrepreneurs

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The retail property sector has been successful in entering the township market

Key players

- Vukile Property Fund
- Exemplar REIT
- Resilient Property
- Fairvest Property
- Dipula Income Fund

Growth drivers

- **Saturation of retail in the suburbs** causing retailers to look to expand elsewhere.
- **Income and living standards** in the townships have increased, increasing their buying power.
- Many township residents purchase their higher-costs goods (clothes, electronics, processed food) outside the township, and so retailers are merely capturing this leaker income by locating closer to township residents.
- The **convenience factor** that drives retail means that retailers have had to locate closer to their customers to capture these markets.

Threats

- **Cyclical economic patterns**, such as inflation, high interest rates, and slow economic growth.
- **Rental costs** is prohibitive for various small traders
- Large shopping centres are seen as a threat to smaller retail traders, which could cause some tension.
- **Oversupply of retail property** and **low demand** could reduce the returns of these properties.

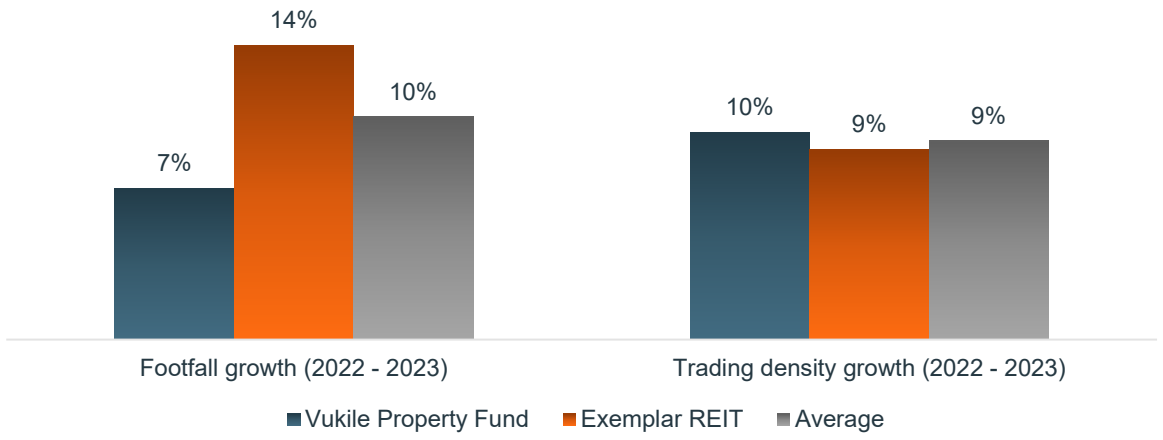
Informal retail

- The informal retail sector is valued at around **R158 billion**, comprised of around **134 000** trading outlets.
- It's estimated that **70%-90%** of spazas are run by immigrants, with four dominant groups – Somali, Ethiopian, Bangladeshi and Pakistani.

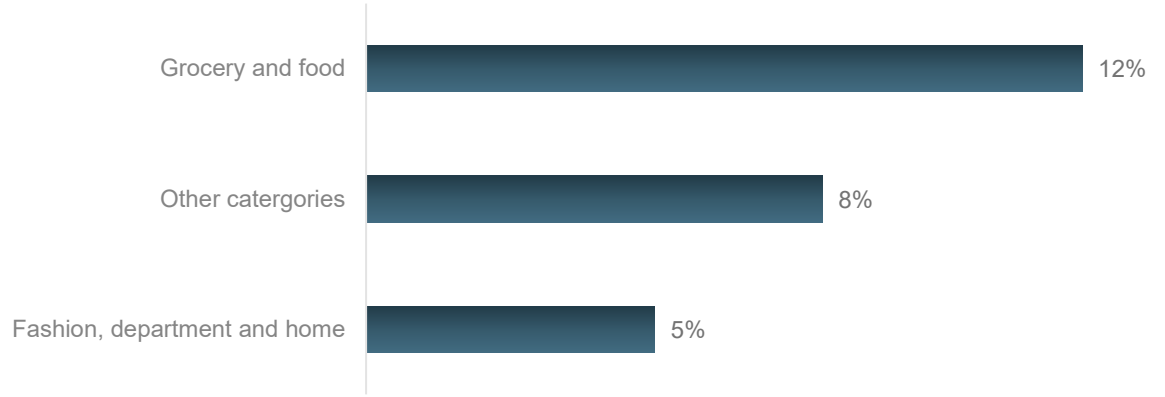
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According to Vukile Property Fund, township retail continues to attract increased levels of consumers

Township retail property trading numbers



Annualised trading density growth % per category (2022 - 2023)*



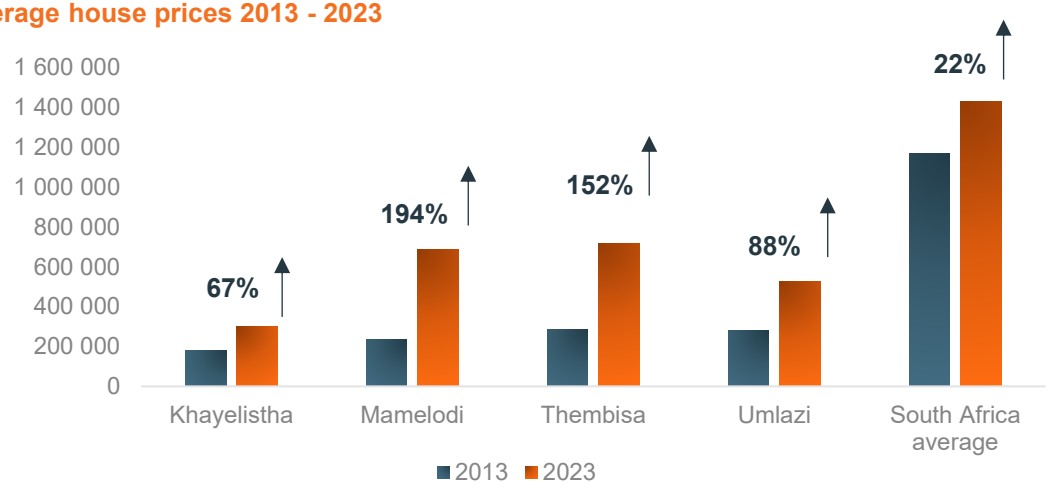
- Vukile and Exemplar who are the largest players in the township retail property market continue to record strong performance at their township centres, recording average footfall growth of **10%** and average trading density of **9%.**
- The trading statistics indicate that township centres continue to attract increased levels of consumers, with numbers now higher than pre-pandemic levels.
- Strong trading density growth have been recorded in the **Health and beauty sector** (19.3%), **Restaurants and coffee shops** (15.2%) and **Bottle stores** (15.2%).
- Lower trading density growth was recorded in **Cellphones** (0.7%), **Electronics** (0.9%) and **Home Furnishings** (-5.6%).
- The outlook for the sector is positive and investment opportunities remain. Exemplar has stated that have **536,000m²** in developments in the pipeline in both the rural and townships. The sub-sector is expected to outperform urbanised retail and commercial property.

Source: Vukile Property Fund, Exemplar REIT

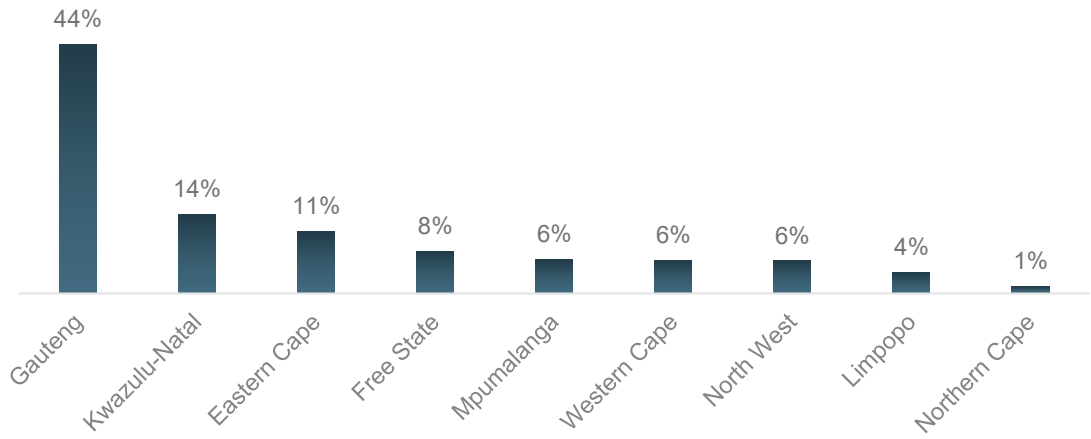
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The residential property market has been booming in the townships, but industrial and office property is almost non-existent

Average house prices 2013 - 2023



Township property market per region



Drivers of growth in residential property

- The building of malls and shopping centres has boosted the township property market.
- Infrastructure improvements.
- Diversity in property types, means the township can cater to different income groups.
- The rental market is robust, which has driven the demand for property to rent out.
- Private property developers continue to invest in the space (e.g.: Cosmopolitan and Calgro).
- Despite its shortcomings, people continue to live in the township due to the sense of community experienced.



Source: BusinessTech, PIC Research

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Demand for rental property to boom, especially in townships that are close to economic hubs, such as Soweto, Cosmo City and Tembisa

The township backroom/flat rental market



Size of informal back room rental market – **R1 billion.**



Number of rooms **– 5 million to 8 million.**



Rental price **– R1500 to R3000 and upwards.**



Accounts for **35%** of all rentals in South Africa.

Opportunities in this space lie in:

- Backyard/flat rentals and property development
- Financing of extensions and property refurbishment
- Investing in impact-driven property finance start-ups
- Investing in online property rental platforms

Risks in this space lie in:

- Lack of formalisation in the backroom rental space
- Lack of regulation in market (utilising shacks, overcrowding)
- Many properties may not meet zoning requirements
- Barriers to finance

Source: PIC Research, Issuu, Mail & Guardian

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The tourism sector has had success in certain townships that have the necessary attractions

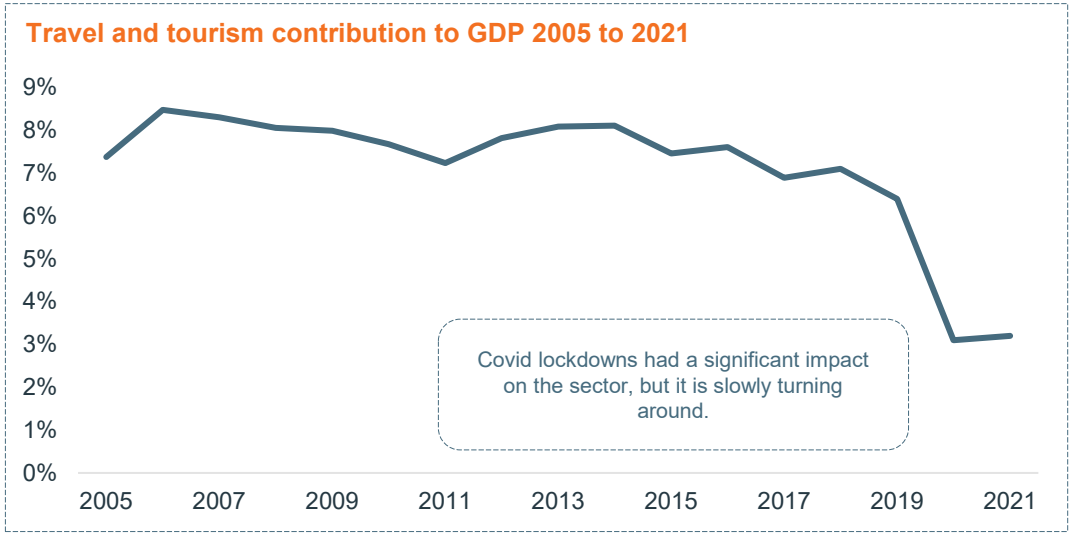




Image: Tourists in Langa township

- Township tours are popular tourist activities. However, only several townships are tourist-friendly, due to their **proximity to cities** and **established infrastructure**.
- Success factors are aligned to the **historical**, **cultura**l and **natural** assets within an area, we well as to major events that may occur there.
- **Soweto** (South Africa's largest township), **Langa** (the oldest), **Khayelitsha, Gugulethu** and **Umlazi** are the most popular township tourist destinations.
- There has been criticism of township tourism as glossing over poverty, however township tourism allows these areas to participate in the lucrative tourism sector.
- Local restaurants, bars, craftsmen and guesthouses and tour operators benefit from tourist visits.
- Safety remains a constraint to the growth of this sub-sector of the market. Unfortunately, townships have some of the highest crime rates and this discourages more tourists from visiting these areas.
- Opportunities remain in financing existing accommodation spaces for expansion and renovation, for these entrepreneurs to attract more tourists.

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Manufacturing occurs on a micro and informal scale in most townships, but light manufacturing presents a growth opportunity

Township manufacturing activity



Wood and metal work (Furniture and security features)



Food and beverages (home-based food processing such as atchar, jams, confectionaries and bakeries)



Textiles, clothes and leather goods (custom-made and traditional wear, shoes and bags)



Chemicals (cleaning products)



Transport equipment (spares)

- Manufacturing in the townships takes place on a **small scale**, due to **poor location** and **infrastructure**, and limited backward and forward industries based in these areas.
- Manufacturing remains crucial to reducing unemployment and is considered the highest job multiplier of any sector because of its significant vertical linkages with other sectors.
- A greater manufacturing presence in townships would lead to **economic diversification** and possibly minimise the impact shocks that come with being dependent on one or few industries.
- **Light manufacturing** is an opportunity for the township market. Light manufacturing produces less pollution and noise compared to heavy industry and can therefore take place in residential areas. It's also less capital intensive than heavy industries and more consumer-oriented rather than business oriented.
- Lack of infrastructure, access to supplies and the general decline of the sector, will be a constraint to the opportunity
- Light manufacturing industry includes:
  - Consumer electronics
  - Clothing
  - Toys
  - Chemicals
  - Food
  - Furniture production

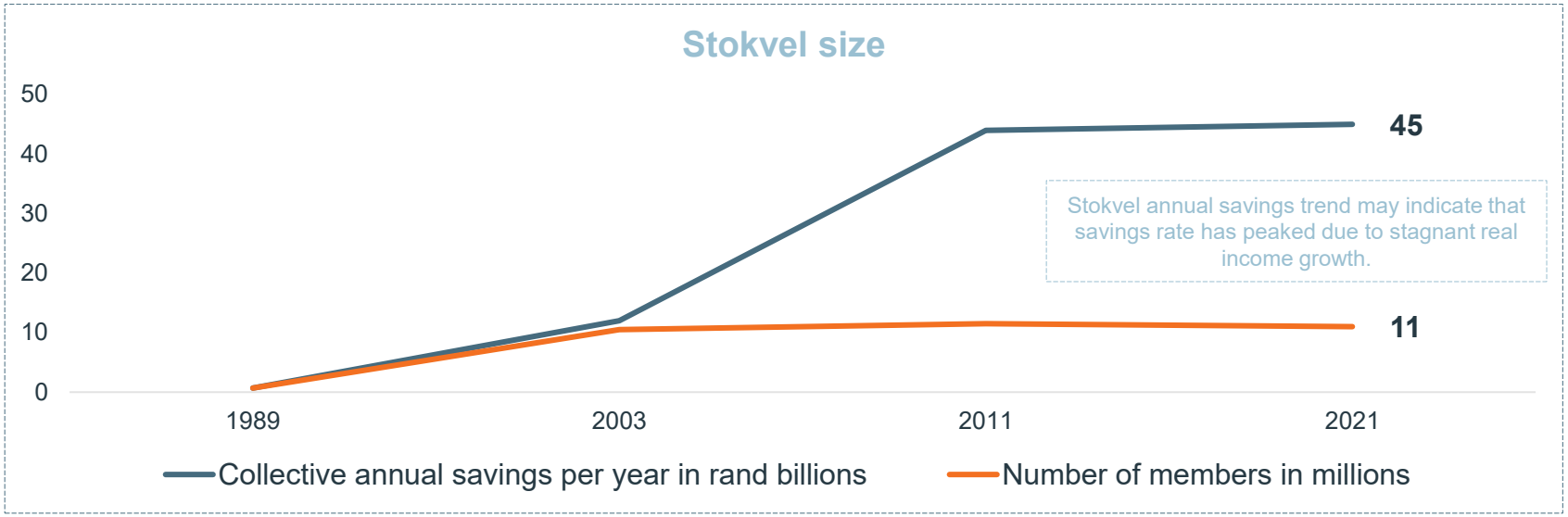
The stokvel has been an alternative financing and savings solution in the informal sector for decades.

R45bn
industry

800,000
stokvels nationwide

R1214 average monthly contributions

11 million
South Africans are members of a stokvel



Types stokvels:

Saving stokvels – Members contribute a fixed amount of money into a common pool, and they mutually agree upon the order or cycle of receiving the pooled funds

Burial stokvels – Provide material and non-material support to members and their families in the event of death.

Investment stokvels – The common goal of investment stokvels is to accumulate capital by investing in business ventures.

High-budget stokvels – Operate as a financial institution and are established for the purpose of promoting savings and investments.

Key regulatory barriers to the township economy

National Building Regulations

These regulations set unsuitable regulations for informal enterprises and township context. Structures must be built out of brick and timber, unless NBHRC approval is obtained.

Business that are constructed out of corrugated iron, zinc sheets, homemade bricks, operating out of old shipping containers or other unconventional materials fall foul of these standards.

Health and safety regulations

These regulations normally impose exacting conditions on informal enterprises, people selling food need to comply with general hygiene requirements. Municipal by-laws prohibit meat slaughtering outdoors and preparing meals on open fires. Yet this is a popular and profitable activity in the townships.

National Road Traffic Act

Act prohibits informal trading along many roads, including on roads within five metres of any intersection, yet intersections are popular places to trade because of passing customer traffic and growth.

Business Licenses

The process of obtaining business licenses and permits is cumbersome and costly. The application requires documentation that many township entrepreneurs find difficult to supply, such as proof of address.

Enterprises that prepare food also have to get a permit from the municipal engineering department to comply with regulations about the disposal of industrial effluent.

Pollution, noise and tobacco regulations

Currently no more than 25% of any premises may be allocated to the smoking area. This is a serious constraint in small restaurants, bars and taverns due to lack of sufficient space.

Cigarettes are also prohibited from being sold individually, despite this being a common practice among street vendors and spaza shops.

An important theme to note is that many of these obstacles are inter-dependent, in that difficulties obtaining one type of permit or approval can prevent others from being obtained

Source: PIC Research, Sonja Turok, 2019 "Strengthening Township Economies in South Africa"

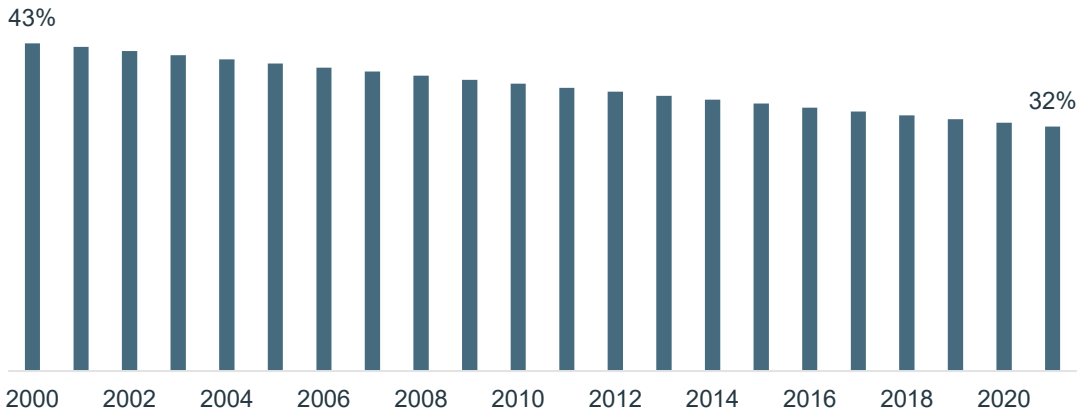
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THE SOUTH AFRICAN RURAL ECONOMY AND INVESTMENT OPPORTUNITIES

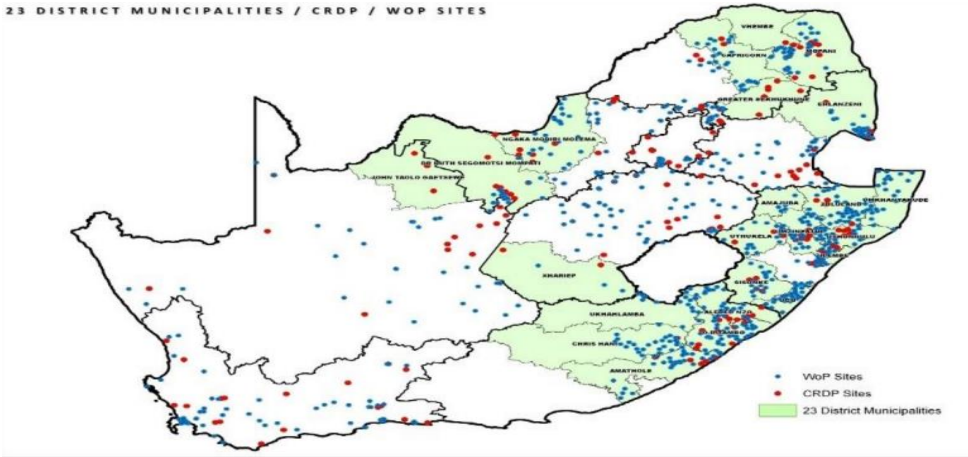


The rural population has declined in the last 20 years

Rural population as a % of total population



Rural area hotspots



Population – Approximately **32%** of the South African population live in rural areas, with the population estimated at **19 million** as at 2021, this figure has been declining gradually over the last decade due to rapid urbanisation. **KZN**, **Eastern Cape** and **Limpopo** have the largest concentration of people living in the rural areas.

Income and expenses – Rural communities in South Africa depend on subsistence and commercial farming, remittances, social grants, and the mining industry for income. These areas have the highest proportion of people living in poverty, primarily due to unemployment and limited educational attainment.

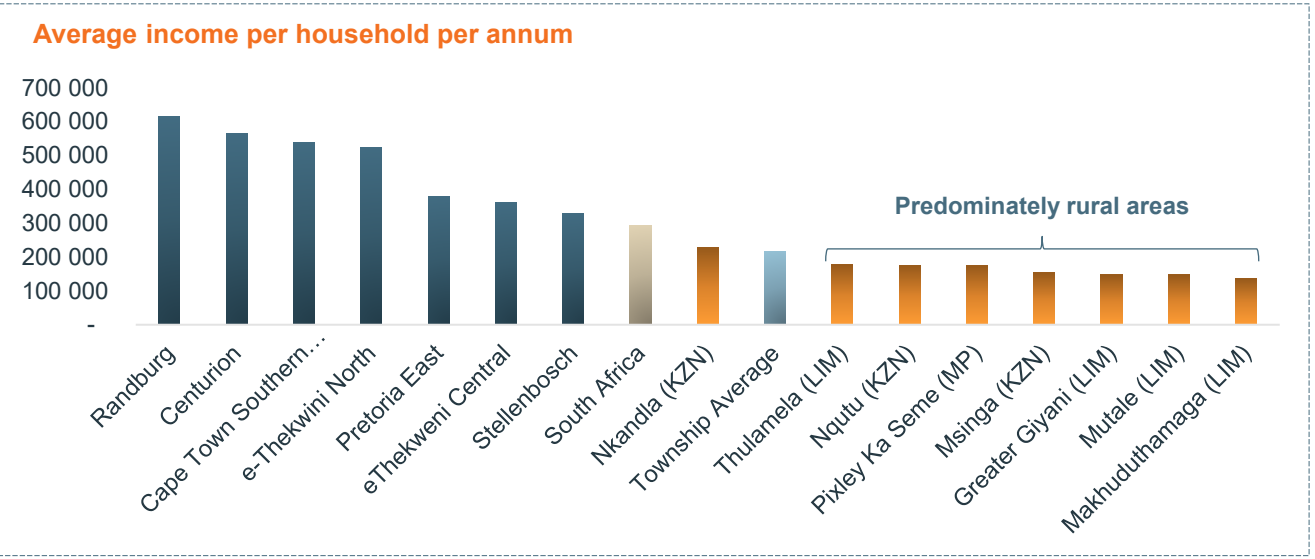
Education and Healthcare – There are an estimated **11 252** schools in rural areas across South Africa, many of which face infrastructural challenges, teacher shortages and other critical challenges. In terms of healthcare, recent health outcomes indicate that a child living in rural Eastern Cape is more than twice as likely to die in the first year of life than a child from the Western Cape.

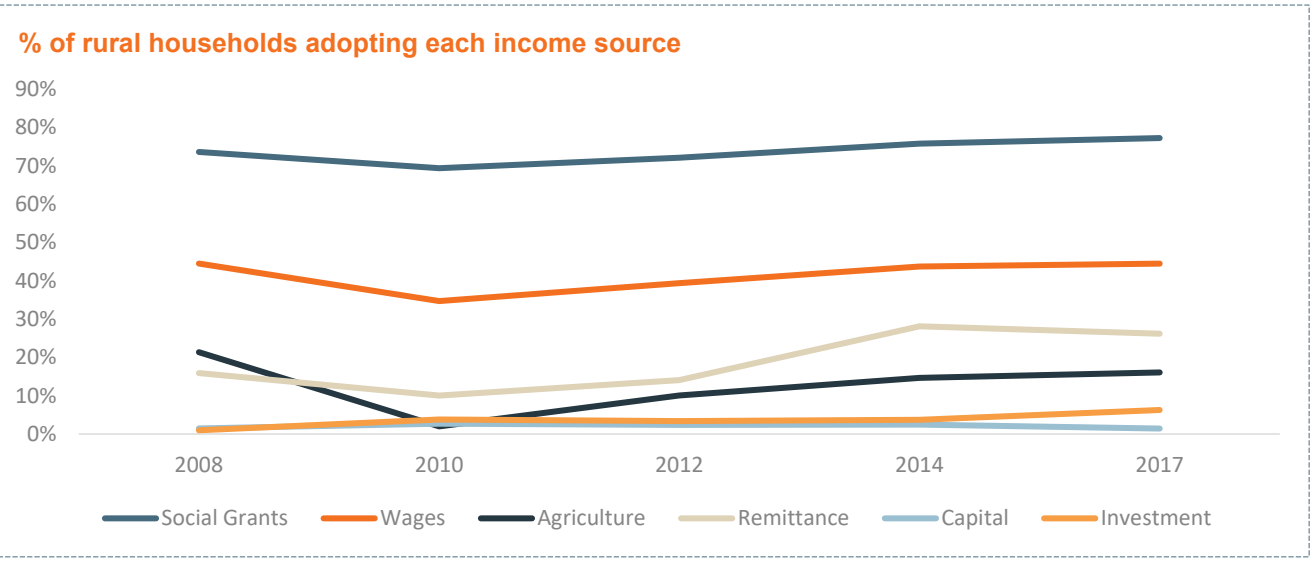
Employment – Unemployment rates are factually higher in the rural areas than urban areas. Limited economic opportunities in these areas has created an employment gap. This has necessitated the movement of people from the rural areas to urban areas in search of better employment prospects.

Source: StatsSA, World Bank, Department of Agriculture, Land Reform and Rural Development

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Household income in the rural areas significantly lags the rest of South Africa



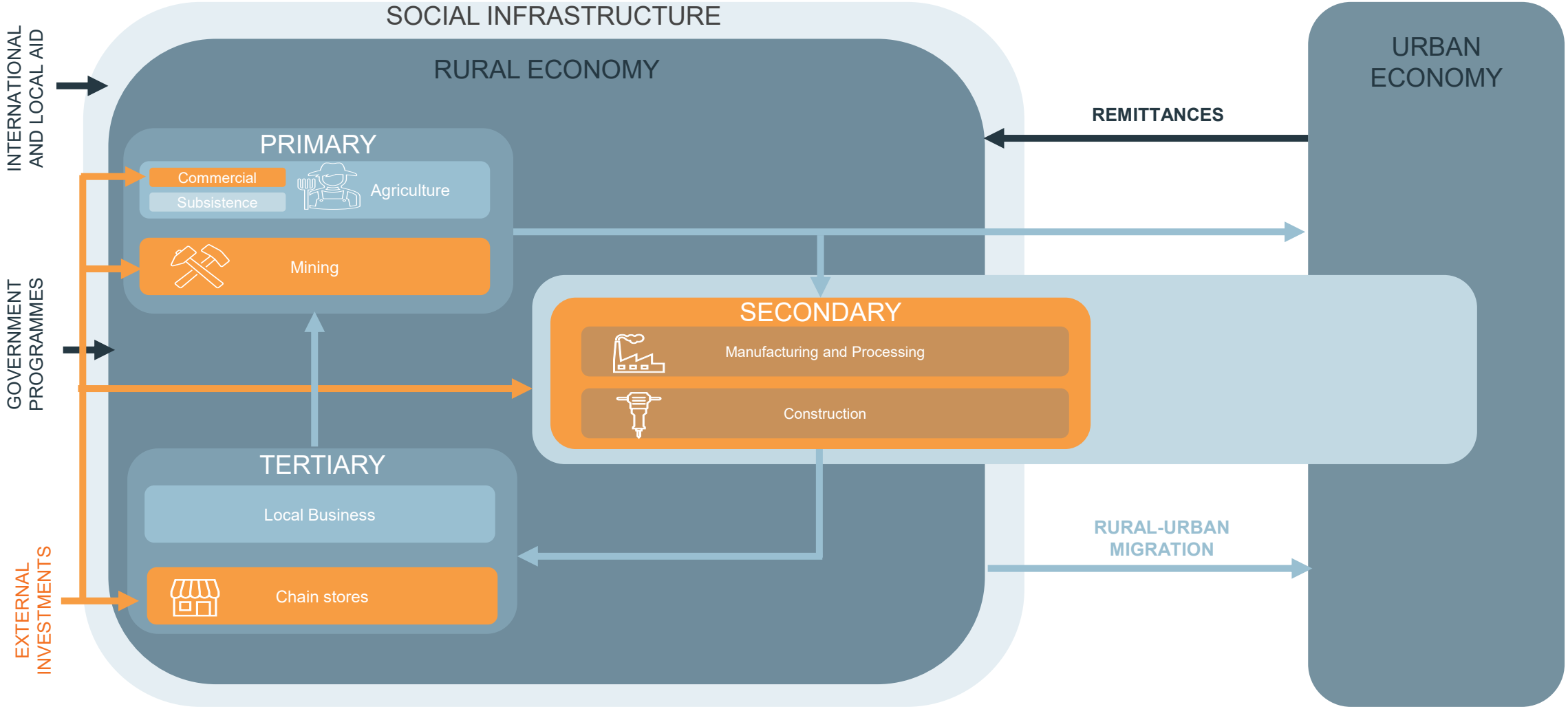


- Rural areas lag in household income and have the highest poverty concentration. It is estimated that **59.7%** of the population living below poverty line are found in rural areas.
- The average household income in the selected sample areas is **R160,000 per annum** which lags both townships and South Africa average household income.
- There is a significant reliance on social grants as a source of income, with **77%** of rural households adopting grants as a source of income, Lack of relative wealth is shown with a low number of households adopting income from capital and investment sources.
- Increasing household income requires strong economic intervention:
  - Encouraging job creation and reducing unemployment, through labour market reforms and job training programs.
  - Ensuring that we have a well-educated and skilled workforce which is more likely to secure higher paying jobs.
  - Continuing to invest in rural development and agriculture can raise incomes in the rural area.

Source: Quantec, PIC Research calculations, StatsSA

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Rural areas are highly dependent on mining, agriculture and remittances

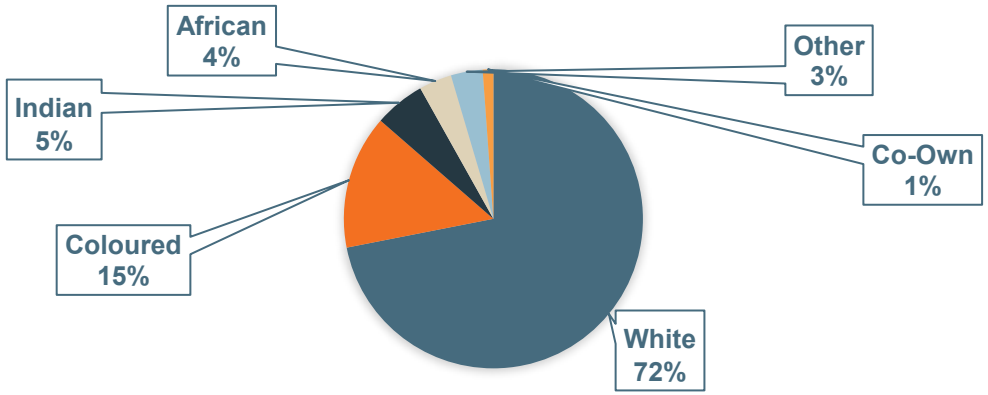


Source: DIC adaptation from the Department of Agriculture, Land Reform and Rural Development

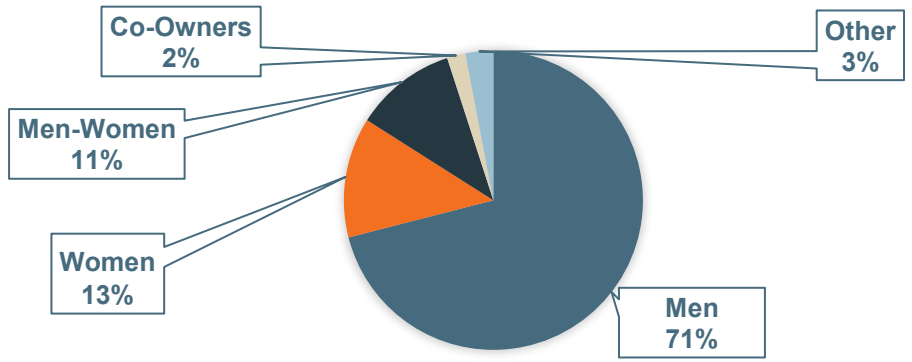
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Racial and gender disparities are evident in land ownership

INDIVIDUAL FARM AND AGRICULTURE LAND OWNERSHIP BY RACE



INDIVIDUAL FARM AND AGRICULTURE LAND OWNERSHIP BY GENDER

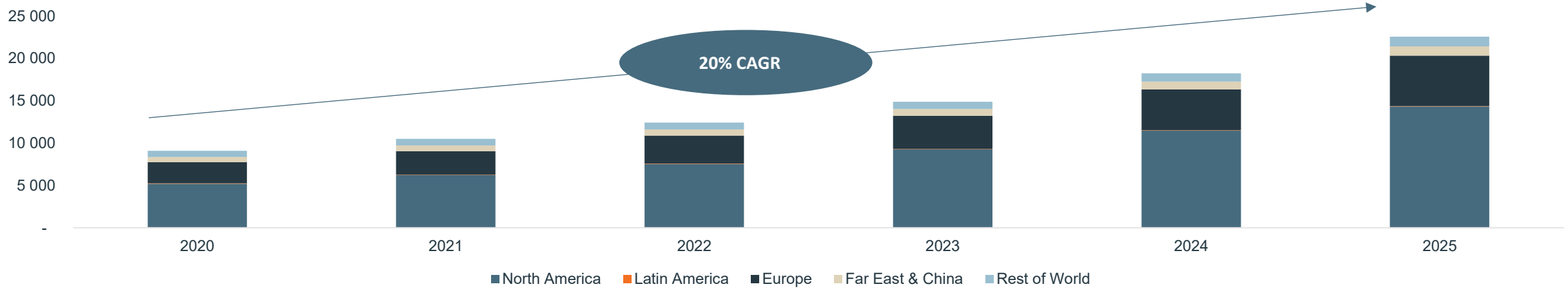


- White individuals continue to hold the majority share of farm and agricultural land, possessing approximately 26.6 million hectares (72%) of the total land. In contrast, Black ownership stands at a mere 4%, with Coloured and Indian individuals falling between these two extremes, possessing 15% and 5% of the land, respectively.
- Gender ownership also exhibits a notable gap, with men possessing 71% of farm and agriculture land, compared to only 13% owned by women.
- The legacy of apartheid-era policies, such as forced removals and discriminatory land laws, has left a lasting impact on land ownership patterns. Many black South Africans were dispossessed of their land without compensation, leading to deep-seated inequalities in land ownership.
- Emerging farmers, particularly those from historically disadvantaged backgrounds, still face challenges in securing tenure rights. This insecurity hampers investment, access to credit, and long-term planning, undermining the viability and sustainability of farming ventures.

Agricultural technology provides a good investment opportunity for the PIC that also benefits the rural economy

Agricultural technology (Agtech) market value worldwide, by region.

in million U.S. dollars



Agricultural technology has gained increased importance in recent years. The agtech market consists of the following segments: **agricultural management platforms**, **supply chain** and **inventory management solutions**, **GPS services** and **field mapping services**, **agricultural monitoring services**, and **micro-farming solutions**. Benefits include:

- Higher crop productivity
- Decreased use of water, fertilizer, and pesticides, which in turn keeps food prices down
- Reduced impact on natural ecosystems
- Less runoff of chemicals into rivers and groundwater
- Increased worker safety

Source: USDA, Statista

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Renewal energy investments can be used to boost the rural economy

Rural areas attract a large portion of the investment in renewal energy (RE) deployment.

This benefits rural communities in several ways:

- **New revenue sources**: RE increases the tax base in rural communities, which can support better service provision. It can also generate extra income for landowners and land-based activities. For example, farmers and forest owners who integrate renewable energy production into their activities have diversified, increased and stabilised their income sources.
- **New job and business opportunities**, especially when plenty of actors are involved and when the RE activity is well integrated within the local economy.
- **Innovations in products, practices and policies** in rural areas. In hosting RE, rural areas are the places where new technologies are tested, challenges first appear, and new policy approaches are trialed.
- **Affordable energy**. RE provides remote rural regions with the opportunity to produce their own energy (electricity and heat in particular), rather than importing conventional energy from outside.



Wind Farms

- The country has significant wind resources and sufficient open land to produce wind power.
- A study by the Council for Scientific and Industrial Research found that approximately 80% of South Africa's land mass has enough wind for economically viable wind farms with an average capacity factor above 30%.



Solar Farms

- Solar farms help contribute to rural communities economically and directly.
- Community solar provides residents electricity at a lower cost than traditional utility electricity. Local farmers and landowners can also benefit from the land supporting the energy system if the system owners choose to lease instead of purchase the property.

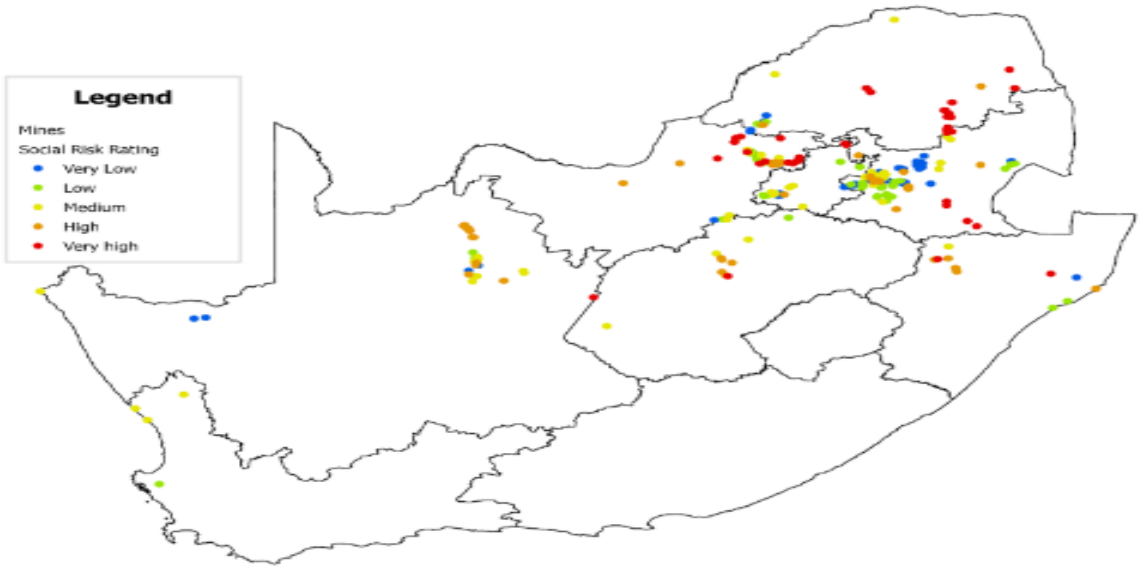
Source: OECD, PIC Research, Farmersweekly

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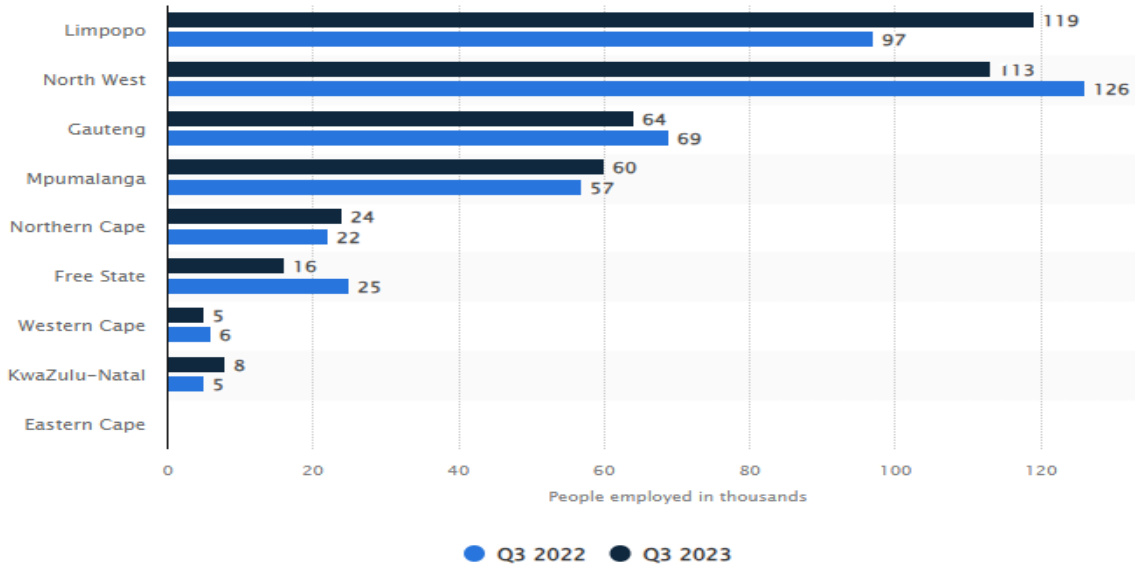
Location of South African mines and impact of their closure
21% of SA mines could close in next 10 years

- Seven factors influencing the likelihood of mine closures in SA were identified and used to quantify closure risk. Life of Mine, Mineral Reserves, Commodity Prices, Operating Costs, Company type, Social license to operate and Political dynamics.
- Out of 230 operating mines rated, 48 are expected to close in the next 10 years.
- The social impact will be hardest felt in areas far away from urban areas, as those workers have no alternatives for employment.
- The largest social impacts will be felt in the PGM and chrome mining areas of the North-West and Limpopo Provinces as they are surrounded by deprived rural villages and have very large workforces.

Location of all SA mines and areas with largest social impact from mine closures



Number of people employed in the mining industry in SA per province

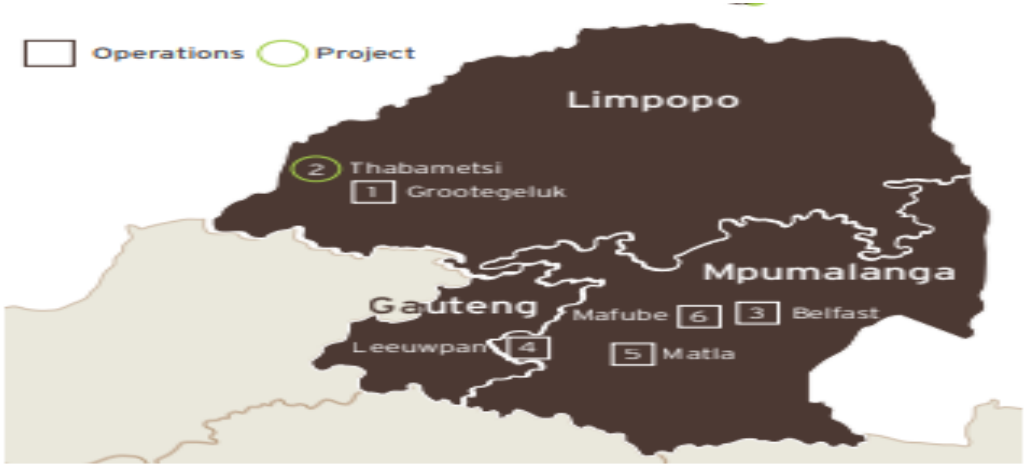


Social License Mine Risk Rating System for South Africa, https://www.mdpi.com/2673-6489/4/1/5, Statistica

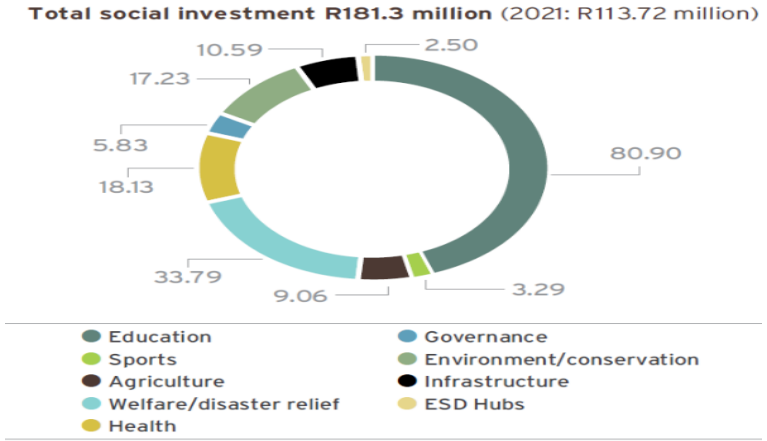
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Case Study: Exxaro
Social and Environmental impact

Location of Exxaro's operations



Social investment in local economic development (Rm)



Exxaro operates 5 coal mines and two wind farms in South Africa. The PIC has a 15% shareholding in the company. Mining companies invest significantly in the communities in which they operate, in order to sustain their social licence to operate. Some key facts about the company's social and environmental impact in 2022 are included below:

Number of employees:	19 242
% of women employees:	29%
Renewable energy generation:	671GWh
BEE Ownership:	47%
Employee salaries:	R4,4 billion
Training spend:	R331 million (6% of payroll)
Community expenditure:	R473 million
Net Zero target:	2050
Number of learners supported:	41 000 (including in communities)
ESD spend:	R291 million

Source: Exxaro

Tourism and agri-tourism has the potential of boosting rural areas

South Africa with its diverse cultures, geological wealth and biodiversity can benefit from agri-tourism.

- Agritourism, specifically wine-tourism, is one of the fastest-growing sectors in the ecotourism industry.
- Agritourism can help to enhance the demand for local produce, boost regional marketing efforts, and create value-added and direct marketing opportunities to stimulate local economic activity.
- By combining tourism with the uniqueness and diversity of local agriculture, agritourism could create opportunities for local farmers to increase their revenue and enhance the viability of their operations
- Agritourism could also provide an excellent vehicle for educating the public about the importance of agriculture and its contribution to the country's economy.

Agritourism activities

Farm Tours: Visitors can tour working farms to learn about various agricultural practices, crop cultivation, and livestock farming.

Farm Stays: Accommodations on farms, such as guesthouses or cottages, allow guests to experience farm life and participate in daily activities.

Harvesting and Food Experiences: Guests can participate in harvesting crops or picking fruits, often followed by farm-to-table cooking experiences.

Wine and Vineyard Tours: South Africa is known for its wine regions, and vineyard tours and wine tastings can be a significant draw.

Animal Encounters: Visitors can interact with farm animals, including petting zoos, horseback riding, and even wildlife safaris in some regions.

Culinary Tours: Culinary experiences can include cheese and dairy production, beekeeping, and learning about local food traditions.

Cultural and Heritage Activities: Engage visitors with cultural activities such as traditional music, dance, and storytelling.

Source: PIC Research, Global Newswire, Farmersweekly

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Financial inclusion remains a challenge in the rural areas due to the characteristics of these areas

Characteristics of rural populations

- Low population density
- Low incomes, high incidence of poverty
- Low financial/general literacy
- Lack of traditional collateral (e.g., limited land ownership, particularly for women)
- Low access to smartphones/internet
- High informality
- Poor infrastructure

Characteristics of agricultural activity

- Seasonality of income streams
- Exposure to exogenous risks
- Covariance of risks
- Vulnerability of price fluctuations
- Underdeveloped commodity exchange systems

Possible solutions

Mobile banking and digital financial service - solutions such as mobile wallets, SMS banking, and USSD banking which are accessible through mobile phones.

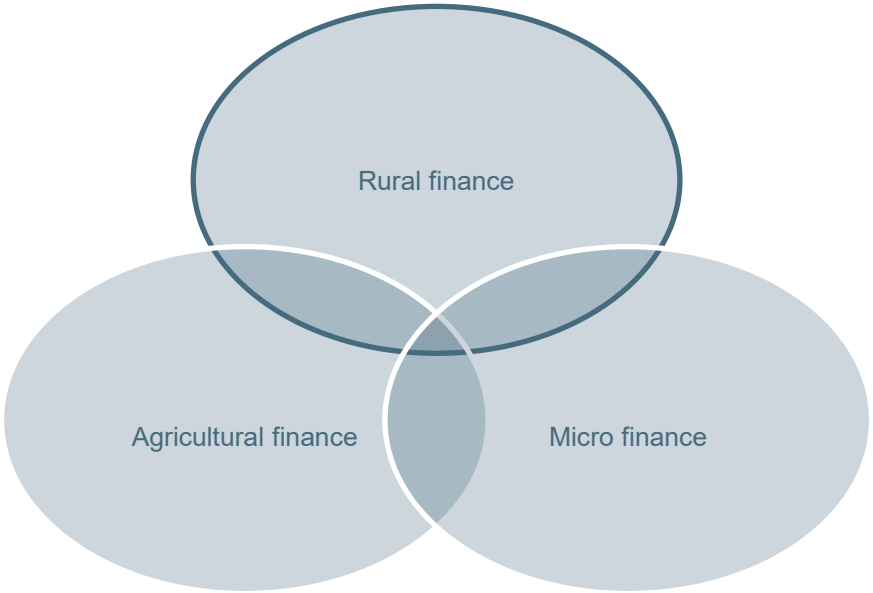
Agent banking and correspondent banking – Increasing the network of banking agents, who can provide services such as cash deposits, withdrawals and bill payments.

Financial literacy and education – Provide financial literacy and education programmes in rural communities, this allows people to learn how to manage their finances and use financial services effectively.

Fintech solutions – Utilising various fintech solutions that can offer innovative and cost-effective solutions for digital payments, lending, and insurance.

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Rural areas have access to a variety of financial institutions but there is more to be done in micro finance



Financial services providers

Public sector

- Land Bank
- Provincial parastatals
- Post office outlets

Private sector

- NGOs
- Village Banks
- Credit Unions
- Co-operatives
- Commercial Banks
- Retail Stores
- Pawnbrokers
- TEBA Cash

Informal sector

- Burial Societies
- Stokvels
- Mashonisas

- Migration to urban areas increases remittance flows among family members, as such the demand for efficient money transfer services has increased.
- Post Office saving banks have increased importance due to their facilitation of SASSA payments to beneficiaries. Supermarkets are also an avenue of paying social grants to recipients.
- Access to credit for micro-enterprises is limited. The few formal sector lending institutions that there are, either do not cater for clients without adequate traditional collateral or do so only for specific needs, such as seasonal agricultural input requirements.
- Micro-finance activity in the rural areas mostly takes place through community informal savings groups (e.g.: Stokvels).

Source: International Labour Office, PIC Research

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Partnering with non-bank institutions that are focused on providing funding to township and rural businesses

On-lending to nonbank intermediaries focused on township and rural businesses – strategic implementing partners.

Blended capital - partner with Provincial DFIs/government agencies to provide grant funding a "first loss" position/grant funding". This will reduce the cost of capital for intermediaries and end beneficiaries.

Debt instruments

Strategic objectives

Addressing lack of finance

Supporting job creation

Non-financial support & formalization of businesses

Issue Request For Proposals (RFP) from potential Strategic Implementing Partners.

Selection criteria to cover:

- History investing in township and rural businesses.
- Proven track record and capabilities in servicing the requisite target areas. Return history must be disclosed.
- Ability to crowd in co-funding and leverage these partnerships.
- Contribute to building a robust, enabling, supportive and inclusive ecosystem in support of the township and rural economy.
- Evidence of a strong pipeline of transactions.
- Post investment support.
- PIC Transformation criteria.

Source: PIC Research, IDC

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Company Secretary: Ms Bongani Maserumule

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