

**UNLOCKING TOWNSHIP
MARKETS**

FOCUS OF THE MODULE

- Nature of markets, how they operate, how public and private sector actions can improve how well they function.
- Goals of township economic development
- Area-based interventions in relation to other non-spatial interventions
- Desired outcomes of township economic development
 - Improving the land market
 - Enhancing township labour market competitiveness
 - Supporting township residential property markets
 - Commercial property markets and small business

MARKET DEFINITIONS

- Market - a set of arrangements by which buyers and sellers exchange goods, services or information; involves the interaction of demand and supply
- Markets consist of:
 - an institutional foundation (laws, rules, regulations, enforcement)
 - organisations which provide services (estate agents, financial institutions, informal lenders)
 - support organisations such as research and data vendors
- Market failure occurs when the market fails to distribute resources efficiently (state intervention may be needed)

Access frontiers (1)

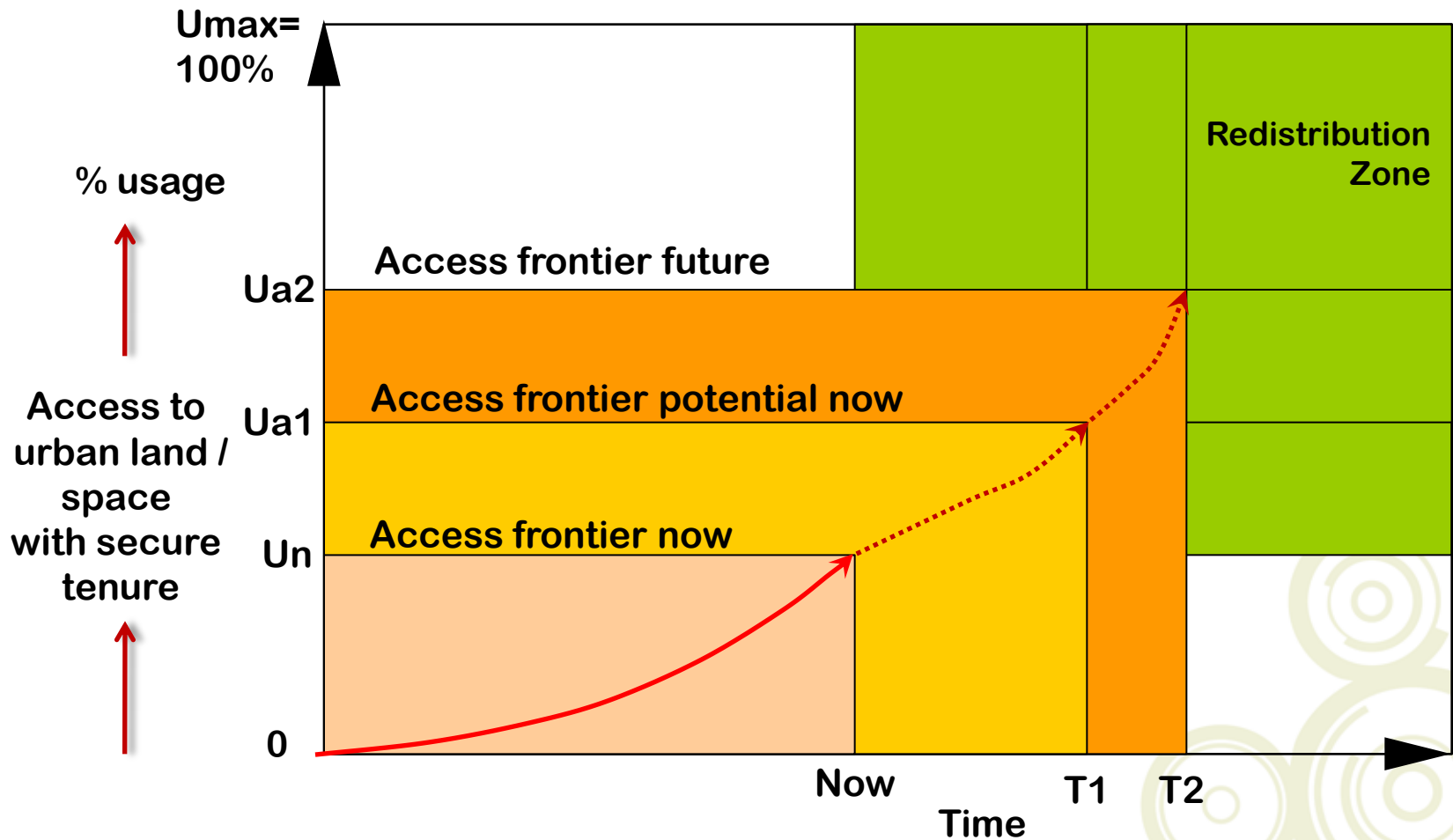
- Defined as the current maximum proportion of people in a society who could access a product or service, given the current configuration of costs and market structure
- Segments the market for a product into four groups:
 - those who use it now
 - those who could have it but don't want it
 - those who are within the reach of the market now and in the foreseeable future if changes were made in the environment,
 - those outside of the reach of the market due to poverty

Access frontiers (2)

- Focuses on how to increase the proportion of the eligible population who can access a product or service, such as land or urban services.
- This requires understanding why people are not using a product or service, and defining effective access carefully.
- Distinguishes three zones in a market, based on the positions of current usage and current and future access frontiers:
 - market enablement zone
 - market development zone
 - market redistribution zone



Market development and the access frontier

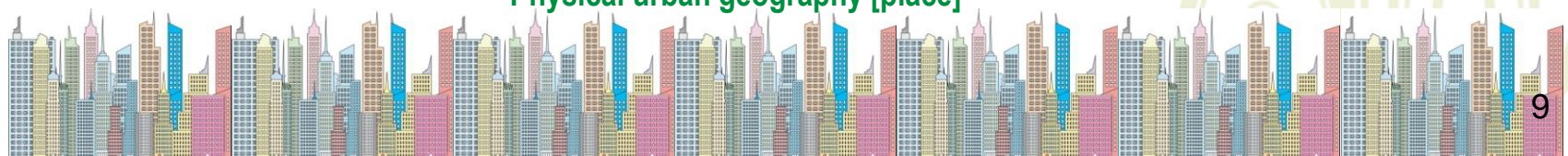
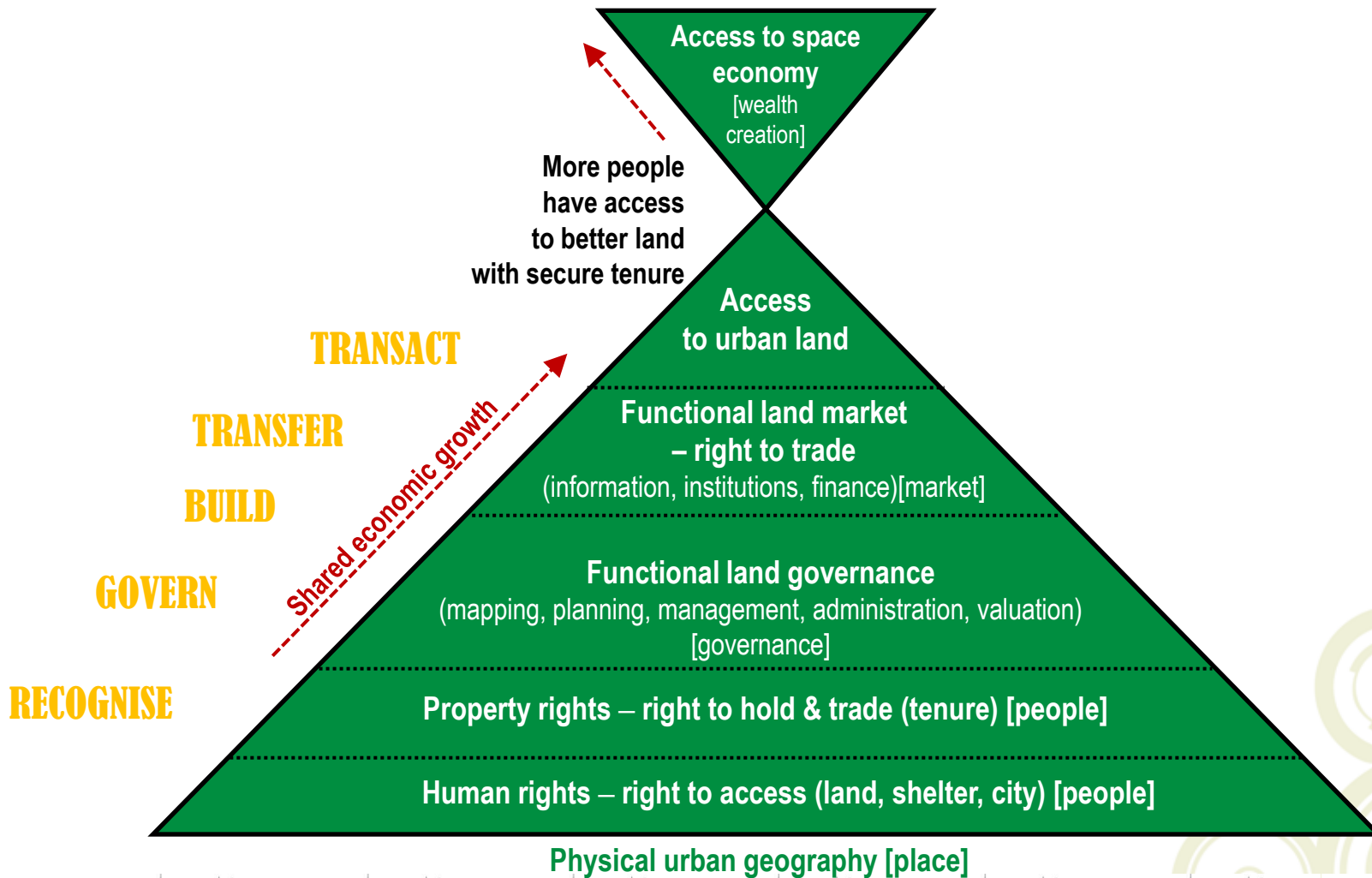


How government can expand the access frontier

- State interventions must focus on the redistribution zone (consumers who are beyond the reach of the market due to poverty)
- State interventions in the redistribution zone:
 - direct investments in urban infrastructure, good planning, skills development etc.
 - regulate the market
 - incentivise market players
- State intervention can meet the needs of the very poor, while maintaining the incentive for private firms to push the access frontier, and remove barriers to market development

Making markets work for the poor

- Aims to expand poor people's choices - it establishes where the poor are in markets
- Addresses key impediments to a better functioning market
- Markets need to be harnessed to work for the poor
- Private-sector involvement in opening up markets will help to reduce poverty
- Highlights both monetary and non-monetary forms of exchange, i.e. market systems
- State action such as regulation, research and information can be used to intervene and promote access
- The role of government is a facilitating one that is ideally temporary, and acts as a catalyst for others in the market system without becoming part of the system directly



TOWNSHIP MARKETS AND ECONOMIC DEVELOPMENT



Outcomes of township economic development

- **Increasing net township financial flows:**
 - increasing the demand for township residents in external work
 - retaining higher income households and attracting new wage earners as residents of townships
 - increasing sales to township enterprises from external markets
- **Increasing the internal circulation of money in townships:**
 - intercepting retail expenditure by township residents at ‘in township’ centres
 - expanding the range and competitiveness of goods and services provided by township enterprises
 - creating property investment opportunities in the township for residents and commercial enterprises
 - increasing the number of jobs within townships

Area-based and other interventions

- Economies can be grown in three ways:
 - creating new enterprises (generates 15 – 25% jobs)
 - attracting investment from outside (10 – 20% jobs)
 - growing existing businesses (60 – 80% jobs)
- Spatial and non-spatial interventions:
 - build on local advantages and opportunities
 - develop partnerships
 - integrated action by government, the private-sector and NGOs
 - invest in hard, soft and institutional infrastructure
 - develop strategies to grow and retain local business and skills
 - provide integrated, multi-sector initiatives

IMPROVING THE LAND MARKET

Government's role

- Government is responsible for land administration – necessary for a well functioning land market.
- Public sector intervention should be through instruments that enhance knowledge, skills, relationships and market information of potential entrants to the market.
- The state's role is to harness the power of the market to broaden access to new players so more poor people have access to better land, leading to access to the other markets (labour and capital).

Role of municipalities in improving the land market

- Planning and land use management (identify desired patterns of land use; allocate rights to use and develop urban land)
- Taxing land use values
- Land acquisition and disposal
- Fulfil planning, regulatory and enforcement functions
- Align policies and interventions to work with the market, not in isolation of it
- Interventions must be market enhancing and incentive compatible:
 - introduce market compatible incentives
 - simplify legislation
 - enhance affordability/ reduce transaction costs (home-loan tax relief, declining interest rates for first time home buyers, greater incentives for employer-financed housing and accommodation schemes)

ENHANCING LABOUR MARKET COMPETITIVENESS

- Three pronged approach:
 - 1.** Increase the overall demand for labour and make township labour more attractive to increase its share of total city labour demand
 - 2.** Align skills of township labour pools with the city's economic growth trajectory
 - 3.** Reduce transaction costs by facilitating information flows and providing cheap and efficient transportation links between the township and the city
- To stimulate township labour markets, the economy both within the township and external to it need to be considered
- Enhancing labour market competitiveness needs to address:
 - individual issues such as skills and educational qualifications
 - structural issues of access (transport and access to information)

Interventions (1)

Improving skills and qualifications:

- Aligning skills of township labour with the city's economic growth trajectory:
 - improve access to education and relevant training
 - provision of bursaries and information on education opportunities
 - on-the-job training, mentorships, internships, apprenticeships
 - part-time classes and local training
- Municipality database with current employment opportunities and requirements - can be used to develop skills placement programmes
- Work with the private sector and tertiary institutions to ascertain the skills and qualifications needed in the area, and develop appropriate programmes to address these
- Work with other spheres of government to develop or fund the necessary programmes

Interventions (2)

Facilitate information flows and reduce transaction costs:

- Labour's competitiveness is linked to the ability to access jobs, skills and information. This includes geographic or spatial access (transportation infrastructure), and virtual access (IT connectivity, databases, etc)
- Reduce the amount households spend on transport into the city, by improving the road and rail infrastructure, improving the public transport system, and promoting corridor development
- Increase access to IT and related services, train SMMEs and provide career advice, increasing workers' knowledge of, and access to, work opportunities

