

The Townships Project

by Prof. John Yogis

In November, 1998, as Martha Deacon ('77) told *Hearsay*, she attended the eighth assembly of the World Council of Churches in Harare, Zimbabwe at the invitation of a friend, former Senator Lois Wilson. On the way she stopped in South Africa, where visits to black townships revealed horrific poverty. Her life changed in Soweto as she saw photos from June 16, 1976, the day 12-year-old Hector Pieterse was shot to death during a peaceful protest over the imposition of Afrikaans as a medium of instruction in township schools. The anger and tragedy of that day changed the course of South African history, marking the beginning of the end of apartheid.

Later, in Harare, Dr. Nelson Mandela, then president of South Africa, issued a challenge to those attending the assembly to do something about poverty in his country. Martha took the challenge to heart. She was familiar with the work of economist Muhammad Yunus, who won the Nobel Peace Prize eight years later with the Grameen Bank. Yunus

had proven that the poor pay back group loans made without collateral to start or expand a business. These loans can counter extreme poverty and a high rate of under and unemployment. She believed a similar microlending model might work in South African townships. South Africa is the wealthiest country in Africa, itself the richest continent in terms of natural resources. However, more than 20 million (40 per cent) South Africans subsist on less than \$2 a day and the continent of Africa has the lowest per capita income in the world.

On her return to Canada, Martha spoke to friends and faith communities from Halifax to Vancouver to test interest in supporting what she was calling The Townships Project. The response was overwhelmingly positive. In addition to

many individual donations, Canadian Memorial United Church in Vancouver donated \$15,000 and INASMUCH, a non-profit, NGO in Toronto committed to helping under-privileged people in developing countries, donated \$10,000 to seed the launch. She found a South African partner, the Eastern Cape Provincial Council of Churches, willing to make Grameen-style business loans, starting at about \$100 in the Township of Mdantsane, East London, South Africa.

In April 1999, Martha trained a number of township women in microlending practices in Mdantsane, and they began to make loans through a microfinance institution set up for the purpose. On August 1, 1999, the project was officially launched by Graca Machel in the presence of her husband, Dr.

Nelson Mandela.

One example of the many loans that have been made is Salthy Mkhantshwa. She is an enterprising woman who started selling meat packs to her neighbours after receiving a \$125 loan. She repaid her first loan in four months. With the profits from her meat pack business she bought a computer, a printer, a scanner and a photocopier. Salthy now runs the only internet café in Bel-fast Township. Previously, members of her community had to travel some distance to Mkhuhla by "combi taxi" to make a photocopy. Now they save the transport cost and support Salthy's business.

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more than 50,000 loans, changing the lives of about 250,000 individuals. Each loan generally helps at least five family members. In the first six years, The Townships Project supported about 2000 loans. Now, the institutions it supports are making more than 2000 loans each month.

What does changing a life mean? How deep, how lasting is that change? How much progress is really being made? All microlending institutions face the same four challenges: there are severe limits on what you can achieve with a \$100 loan – more investment is often essential; most borrowers are not entrepreneurs, they just want a job; lack of skills and training results in too many identical businesses that only compete on price; and those who succeed may be pulled down by a jealous community. The Townships Project learned that microlending could not do the job of eradicating systemic poverty alone. By working across many disciplines and through many experiences, solutions began to emerge.

In 2011, 13 years after Martha's first visit to Soweto, The Townships Project held the first MicroFranchising Launch: Trade Show and Workshops in the township of Khayelitsha, Cape Town, South Africa. From August 31 to September 2, in the O.R. Tambo Recreation Centre that had hosted township people daily during the FIFA World Cup of 2010, a different game was being played. Policymakers from the Departments of Trade and Industry and Social Development, stakeholders from NGOs, microlending institutions, community organizations, township businesses, suburban entrepreneurs, multinationals and large South African corporations, all came together by invitation. The three-day event was a riveting, overwhelming success. The Launch is an initiative that aims to build a massive job creation engine at the base of the economic pyramid using the world's most successful business system, franchising, to fight the

world's most intractable problem—systemic poverty. The Townships Project partnered with the University of Cape Town's Graduate School of Business. Standard Bank and LegalWise provided major sponsorship.

South Africa is unique in that businesses must spend 3 per cent of net profits after tax on enterprise development in addition to prescribed amounts on corporate social investment, amounting to approximately \$1-billion annually. Many corporations do not know how to spend this money effectively. The Launch aims to provide a solution by identifying potential microfranchise businesses that they can support. Microfranchises are businesses that can be branded, systematized, replicated and sold at an affordable price, ideally the price of a microloan. Successful microfranchises will provide better goods and services at cheaper prices than townships people are currently paying for similar goods and services. They will also provide the opportunity for the poorest to effectively "buy a job", including the training that is necessary to run the microfranchise.

The Launch focused on 15 businesses, some tiny, some not, to identify those that could be successfully transformed into microfranchises. Great stories emerged during the workshops. Kabelo Kale started a commercial advertising business in Soweto by employing local artists to paint advertisements on walls. Kabelo's problem was that the "grannies", who owned the most strategic walls, would rent the same wall two or three times over, once to him and then again to his competitors. Conflicts abounded. Kabelo solved his greatest barrier to growth by talking with some township teenagers. Their suggestion: find the chief granny through the local church. Explain the situation to her. She will bring the rest into line, and may arrange for the next generations to remain loyal to Kabelo's company as well.

Lebo Malepa, founder of Soweto Bicycle Tours, won the support he needed to systematize his business so that he can develop a nationwide brand. Lebo is a natural entrepreneur, having started selling African crafts outside the Hector Pieterse Memorial site in 1999. Honda came with a plan to introduce its scooters to daily commuters from the townships to the cities. During the workshops, it discovered an excellent,

safe and growing new market, focused on providing transport for local businesses within townships.

Everyone discovered the power of small, the beauty of micro, and the wonderful solutions that arise from reaching across gulfs of different experiences and skills to solve problems together. Other African countries were also represented.

Since the event in 2011, the South African Department of Trade and Industry has worked to support the process for five of the 15 businesses at the Launch to become microfranchises, a significant policy development and financial commitment. The South African Department of Social Development has issued a request for proposals for Asset Based Community Development (ABCD) workshops to be conducted for 150 NGOs in all nine provinces. The Townships Project applauds these policy developments.

The Townships Project, learning from Canada's own Coady International Institute, is convinced that ABCD is a pre-requisite for any poverty eradication initiative. In essence, ABCD involves asking a community the enabling question: "What do we have?" instead of the proverbial victim question: "What do you need?" An empowered community uses whatever resources it has to the maximum; a despairing community struggles to use any resources constructively.

Starting with ABCD, MicroFranchising Launch: Trade Show and Workshops focuses on creating massive change behind a complex social issue by engaging all possible stakeholders to agree on a common agenda, shared measurement systems and mutually reinforcing activities backed up by continuous communication. All this is held together by a backbone support organization, a catalyst, which is The Townships Project. See http://www.ssireview.org/articles/entry/collective_impact

MicroFranchising Launch builds collective impact by mounting a sustained campaign to increase the capacity and organization of all efforts to replace poverty with prosperity at the base of the economic pyramid. The task is to create a microfranchising industry by providing a catalyst to align community, NGO, industry and government resources behind

proven methodology developed in the past few decades: ABCD, microlending, corporate social investment and franchising, all made even more effective by the pervasiveness of mobile telephones.

This is difficult work, and there are many more challenges ahead, but the rewards for success could be astonishing. Building MicroFranchising Launch into a continuous process as well as an annual event aims to achieve two things at the base of the economic pyramid: construct a self-perpetuating job creation engine and provide investment opportunities for established and new businesses by opening up markets for products and services that are better and cheaper than those currently being purchased. This process continues to build momentum with the second MicroFranchising Launch scheduled for October 2012 in Soweto.

Benefits can accrue not only to the under and unemployed poor, but also to national and international brand names that choose to support MicroFranchising Launch, seizing this opportunity to extend their social licence to operate, and ultimately increasing their profit potential, into fast developing markets. With perseverance, this initiative might just mark the beginning of the end of systemic poverty. Nothing short of reaching that goal will be acceptable to The Townships Project. •



Martha Deacon graduated to become a corporate, commercial and securities solicitor with the Toronto law firm of Fraser & Beatty (now Fraser Milner Casgrain). From 1986 to 1994 she was a founding shareholder, Vice-President Corporate Finance and Director of a stock-broking and investment-banking firm that ultimately became a subsidiary of Barclays. She then founded P1 Parking Systems Inc. in Vancouver and subsequently sold it to Impark. In 1998, she founded The Townships Project, a Canadian registered charity focused on poverty eradication in South Africa. She lives in Toronto and Charlottetown, and visits South Africa twice annually.

To see a recent interview about Martha's work, visit: <http://www.extraordinarywomentv.com/topics/martha-deacon/>

To learn more about The Townships Project and its events and activities in Canada, including a May event in Toronto and an annual three-day bike ride on Thanksgiving weekend across PEI, visit websites www.thetownshipsproject.org, www.lendtoend.org, and www.tip2tip4africa.org.