

Fact Sheet

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University of Stellenbosch
The BOP Learning Lab



The ultimate BoP Laboratory - A socio-economic snapshot of Khayelitsha

Khayelitsha, or “new home” in isiXhosa, is one of South Africa’s largest townships, with an official population count of around 450,000, but most probably around double that. It is also one of South Africa’s youngest and fastest-growing large urban settlements, having come into existence less than three decades ago.

The aim of this fact sheet will be to provide a brief socio-economic snapshot of Khayelitsha, including:

- Examples of what the statistics do and do not tell us;
- Going beyond the clichés, with some interesting insights into household expenses;
- Propose options for a new way forward and a radical vision for the future, and what role the private sector can play to help turn that vision into reality.

Brief background

Founded in 1983, Khayelitsha represented one of the apartheid regime’s last attempts to enforce

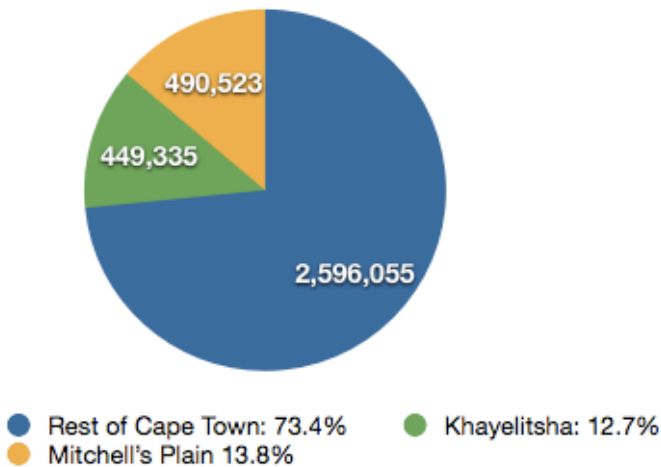
the Group Areas Act of 1950, which designated separate residential areas along racial lines. Seen as the solution to two problems – the growing number of migrants from the Eastern Cape, and overcrowding in existing Cape Town townships – Khayelitsha was promoted by the apartheid authorities as a ‘model township’, with supposedly better basic services and schools than what was customary in most other townships. Repeated attempts in the mid-1980s to move people forcibly from older Cape Town townships, most notably Crossroads in Nyanga, resulted in determined civil resistance and a lethal confrontation with the state’s

security apparatus that cost many lives and formed one of the high watermarks of the struggle against the apartheid regime in its dying days.

While Khayelitsha was supposed to be a “model” township, the reality today is that it is confronted with

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Total population : 3,535,913 (2009 Estimate)



the same issues as hundreds of other poor settlements in South Africa: Poverty, inadequate housing, lack of access to sanitation and running water, lack of access to energy, high unemployment and crime.

I. Lies, damn lies and statistics

Mark Twain’s famous quip about statistics arguably applies to Khayelitsha even more than for most other cities: “There are lies, damn lies, and statistics”. Bearing this in mind, the below data must be seen as just one category of indicators. Nevertheless, what numbers are available reveal some highly relevant information. The following section is a small snapshot of numbers that have been compiled mainly based on data provided by the City of Cape Town in 2008-2009. The national census of 2011 will very likely provide completely updated information and uncover some interesting trends.

Population and density Khayelitsha is part of the overall Cape Town Metro area, a grouping that includes 45 municipal districts and

consists of approximately just over 3.5 million people. If the official figure of around 450,000 people is to be believed, Khayelitsha’s population represents about 12.7% of the total population of

the Cape Town Metro. In reality, as mentioned, Khayelitsha’s true share is probably much closer to 750,000 or even 800,000, i.e. a good 20% of Cape Town’s total. While no precise figures are available, it is also widely accepted that a very large proportion of Khayelitsha’s people are first generation Capetonians, having typically migrated from economically depressed rural areas in the Eastern Cape province.

Not surprisingly, available data indicates that Khayelitsha’s population is also overwhelmingly young: Almost a third (29%) of the total is under the age of 14, and

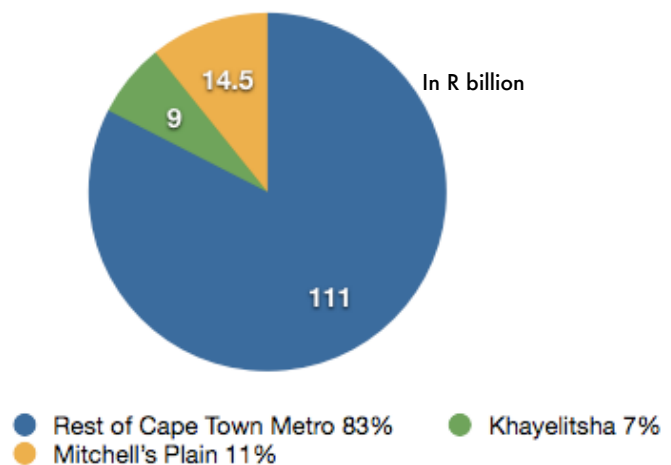
75% are under the age of 35. Slightly less expected, considering the cliches about migrant workers leaving the women behind in rural areas, is that there are more females (53%) than males.

Khayelitsha is also growing at breakneck speed: In addition to natural growth in such a young population, an estimated 50,000 people migrate from rural areas to Cape Town every year².

In terms of household occupation, figures put the average number of people per dwelling at around 4.1, compared with an average of around 3.7 for Cape Town metro as a whole.

Disposable Income³ In 2008, total disposable income for Cape Town metro was measured at R135.5 billion. Khayelitsha’s share of that income stood at about R9 billion, or 7% of the total. This translates in an annual income per capita of about R20,000 per person in Khayelitsha, which is just over half the overall average for Cape Town of R39,115. The real figure is probably substantially lower if one takes into

Disposable income (Current income less taxes on income and wealth)



account that official figures are likely to underestimate Khayelitsha's population considerably.

Household Expenses The City of Cape Town compiles some very detailed data on household expenditure. This data is based on point of sales rather than the place of residence of buyers, so the actual expenses of Khayelitsha residents remain difficult to ascertain. Given the fact that Khayelitsha has few shops and only two minor shopping malls, most people do at least part of their weekly or monthly shopping elsewhere. According to this data, a typical Khayelitsha household spends around R 8,200 per year on food, beverage and tobacco; much less than the average R 10,880 for the City of Cape Town as a whole. Clothing and footwear represents another big expense, with an annual expenditure of R 1,722 (exactly on par with the Cape Town average). However, in contrast with residents



Family picture in Khayelitsha Site C (Photo: Reciprocity)

elsewhere in the city, Khayelitshans spend far less on rent: Rental expenses are an average of R 1,800 per annum per capita, less than one third of the overall average of Cape Town (R5,977).

Income taxes: Khayelitsha's share in income tax paid in the City of Cape Town in 2008 stands at 5.9% (R480m out of a total of R8.1bn) – a reflection of its great poverty and the fact that very few of its residents earn above the income tax threshold.

Type of dwellings, access to water, sanitation and energy:

The quality of housing is one of the most immediately visible contrasts between Khayelitsha and the rest of Cape Town. Only a quarter (24%) of the 100,000 dwellings fall into the category of "formal" housing – the corresponding figure for the city as a whole is 54%. More than two thirds of Khayelitsha's residents live in informal housing, such as shacks and backyard dwellings.

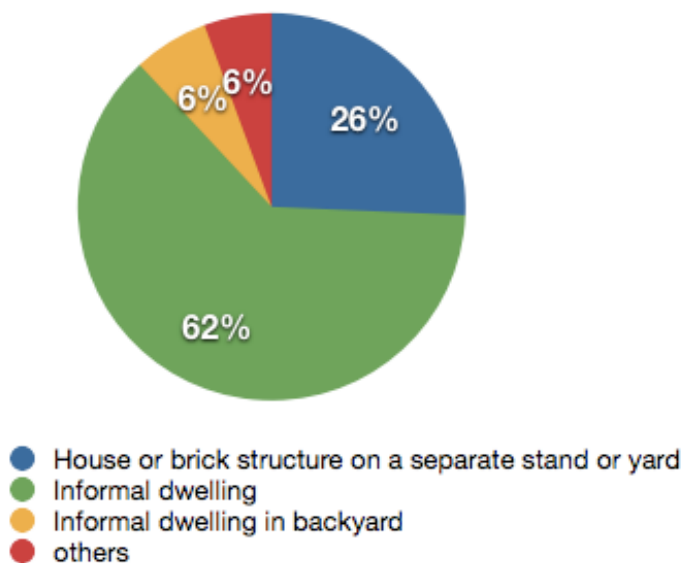
Water supply and sanitation:

Only 19% of all dwellings in Khayelitsha have piped water indoors (compared with 65% for Cape Town as a whole). A huge proportion of people rely on outdoor taps, either inside the yard or within 200 m of the house, and 16% of households have no access to piped water less than 200 m away.

Energy Supply:

Khayelitsha residents rely on two main sources of energy: Electricity (74% of dwellings are connected to the grid, legally or otherwise);

Type of dwelling: Khayelitsha



and paraffin (23%). Anecdotal evidence suggests that many people use electricity for a few weeks every month, and typically switch to cheaper paraffin for the last few days of the month when household cash has run out to cover prepaid electricity⁴.

II. Beyond Statistics

This avalanche of numbers largely confirms what we already know: Khayelitsha, like any other township in South Africa, is confronted with serious developmental challenges linked to widespread poverty. Khayelitsha however, is far from being a uniform place. Statistics don't reveal that there are, for example, pockets of relative prosperity and middle-class living standards, including in Elitha Park, Khaya and Eyethu.

They also don't:

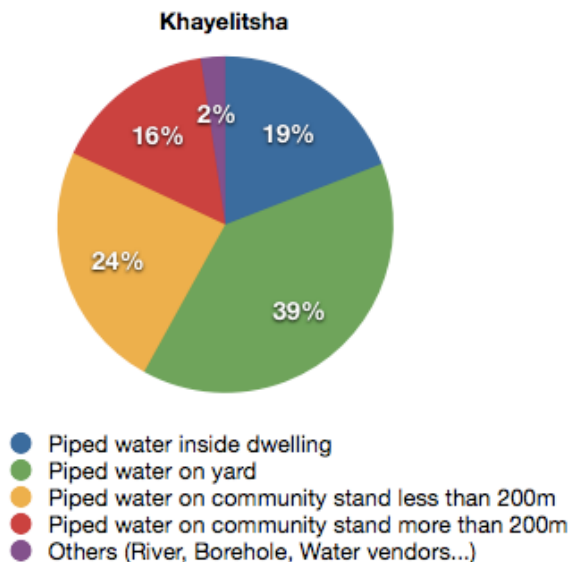
- Inform us about what proportion of household expenses is spent within Khayelitsha;

- Provide any indication on the impact of shopping malls (do they bring cheaper goods to poor households, or threaten spazas, one of a handful of home-grown opportunities for employment and capital accumulation?);

- Help understand how the formal economy directly benefits from the informal economy and current economic structures perpetuate existing imbalances, relegating Khayelitsha as bottomless reservoir of cheap labour

Each of these questions might, on their own merits, warrant a fact sheet or a full case study.

But perhaps a more pertinent question would be: What would it take to turn a place like Khayelitsha



into a city in its own right? Is it possible to imagine a day when people might be commuting to Khayelitsha in the morning for work, rather than away from it? A place in which businesses might be willing to establish offices or even headquarters? This type of radical vision may seem far beyond reach for now. However, a mix of public policy measures and private-sector driven initiatives may help create the right conditions for sustainable long-term economic improvement. These could, for example, include:

Redefining and enhancing the role of the Small Enterprise Development Agency (SEDA): The government's small business development agency (SEDA), which falls under the the Department of Trade and Industry (Dti), could play a far bigger role in nurturing, supporting, and expanding small businesses all over South Africa, and especially in township environments. Regulations to register businesses should be simplified to an absolute minimum with clear rewards for entering the formal sector, for example in the form of easy access to subsidized



Hair Dresser in Khayelitsha Site B (Photo: Reciprocity)

credit and microfinance, as well as training modules;

Tax Incentives Will providing tax incentives to businesses to set up headquarters and/or branches in Khayelitsha encourage them to do so? There may be an ideological debate about whether or not it is appropriate to encourage “tax competition” between districts or provinces within the country, but policy instruments such as 5 or 10-year tax breaks for establishing businesses in poor low-income areas, such as Khayelitsha, could help establish entrepreneurial ecosystems. It may be an option worth exploring.

Harnessing opportunities for the private sector: The private sector, especially larger corporates, is increasingly aware of the opportunities present in low income areas. In Khayelitsha alone, immediate untapped opportunities are present in the field of financial services (especially mobile money), home upgrading and repairs (plastering, tiling, electrical

installations, insulation, energy-saving light bulbs, solar panels...), distribution and delivery of goods....In each of these domains, large businesses could harness potential with relatively small capital injections through networks of micro-franchises, for example.

Strengthening the links between the formal and informal sectors –

A survey conducted by PlaNet Finance and Reciprocity in August 2010 shows that the vast majority of small informal entrepreneurs in Khayelitsha, Nyanga and other Cape townships are seeking to expand their businesses but fail to do so because the type of credit, insurance, training and financial services available in the formal market is not adapted to their needs. Financial institutions, insurance companies, mobile phone operators, to name just a few, need to seize opportunities available to them to fill the gaps in the market.

Conclusion

Often considered to be South Africa’s largest township, Khayelitsha could be seen as the perfect laboratory in which to pilot and test innovative business models. Its population is a cross-section of South Africa’s urban underbelly, from job-seeking newcomers freshly arrived from depressed rural areas, to established first, second or third-generation Capetonians slowly climbing the social ladder. It is, in this sense, probably as representative of South Africa’s current BoP landscape as one can get.

Pierre Coetzer, Reciprocity

Your Contacts at the BOP Learning Lab Southern Africa:



University of Stellenbosch Business School
Prof. Wolfgang Thomas
T: +27 82 770 9694
E: wthomas@usb.ac.za
Norma Sayman (Secretary)
E: ns5@usb.ac.za
W: www.usb.sun.ac.za



Reciprocity
Nicolas Pascarel / Pierre Coetzer
T: +27 21 424 4488
M: +27 82 319 8404
E: info@reciprocity.co.za
W: www.reciprocity.co.za