



THE PRESIDENCY  
REPUBLIC OF SOUTH AFRICA



PRESIDENTIAL  
YOUTH  
EMPLOYMENT  
INTERVENTION

LEARNING BRIEF

# Catalysing Youth Enterprise:

## Tackling Youth Unemployment through Entrepreneurship in Township and Rural Economies



## Event Overview

On the 20th of November 2024, the Presidential Youth Employment Intervention (PYEI) hosted a learning event entitled “Catalysing Youth Enterprise: Tackling Youth Unemployment through Entrepreneurship in Township and Rural Economies”.

The event focused on understanding the unique challenges and opportunities faced by young entrepreneurs in township and rural economies.

The event brought together stakeholders, including young entrepreneurs, enterprise support organisations (ESOs), and policymakers, to uncover actionable learnings around fostering youth entrepreneurship in township and rural economies in South Africa. This learning brief provides an overview of key learnings that emerged from the day’s discussion.



Entrepreneurship is a calling. You have an urge to solve a problem and you have to also be crazy, like a certain amount of craziness to believe in yourself against all odds.

– Youth Voices: Mpho Modotoane – Izinkanyezi Group



# Programme:



Waseem Carrim	NYDA (Keynote)
Tobias Muehler	GIZ
Ercilia Mate Ubisse	ANDE (Presentation)
Prof Anastacia Mamabolo	GIBS (Presentation)

## Panels Discussions:

### Stakeholders Panel

Facilitator: Ercilia Mate Ubisse - ANDE

Nelisiwe Nzimande	NYDA
Zolisanani Nxobongwana	SEDFA
Thabo Leshoeli	TechnoServe
Seth Mulli	Allan Gray Makers

### Young Entrepreneur Panel

Facilitator: Vusi Vokwana - Kasi Catalyst

Joshua Ramme	Kasi Stock Exchange
Teko Motlabi	Roomsta
Andisiwe Satshwa	Lancesat Suppliers
Lucy Machaba	Lucy's School Uniforms
Prosperity Mukhari	Wikon Construction/Sarang Security
Mpho Modotoane	Izinkanyezi Group
Mukundi Makatu	Truckle
Karabo Sekotlong	Phidisang Trading

# Key Challenges for Young Entrepreneurs in Township and Rural Economies



Professor Anastacia Mamabolo provided an overview of the key unique challenges that face young entrepreneurs operating in township and rural economies. The insights are based on research conducted on young entrepreneurs in the rural and township economies in South Africa. Key challenges that emerged from the research include:

## LACK OF ACCESS TO INFORMATION

Many young entrepreneurs operating in township and rural economies lack access to reliable information regarding support mechanisms and regulatory requirements. Even in urban areas like Johannesburg, where one might expect better access to information, young entrepreneurs often struggle to navigate the complex landscape of regulatory compliance. This lack of awareness limits their ability to leverage available resources and support for business growth.

## INFRASTRUCTURAL CHALLENGES

Inadequate physical and digital infrastructure, particularly in rural areas, remains a significant hurdle for many young entrepreneurs. Many entrepreneurs, particularly those involved in manufacturing, are unable to access the physical infrastructure needed to run their businesses.

This includes a lack of secure physical spaces to operate in, as well as insufficient virtual platforms for networking and business development. This lack of access to online platforms for networking and business promotion further inhibits young entrepreneurs from reaching broader markets and opportunities.



There's a lot of opportunities in Limpopo, but the challenge is that we don't have the access to resources. It's still developing, but there's so much that can be done with the right support.

– Youth Voices: Karabo Sekotlong – Phidisang Trading



## LACK OF ACCESS TO FINANCE AND DEBT AVERSION

Access to finance remains a critical challenge for young entrepreneurs. Despite debt being the primary financial instrument available for small and medium-sized enterprises, many young entrepreneurs are averse to taking on debt to fund their businesses. This aversion is largely due to negative socio-cultural associations with debt and personal experiences with financial hardship.

In addition, traditional financial institutions such as banks often require collateral, which young entrepreneurs, particularly young women, often lack and this further exacerbates challenges in accessing financing. Tailored financial education interventions are required to assist young entrepreneurs in understanding how to leverage debt financing to grow their businesses and how to navigate traditional funding systems.



## ACCESS TO RELEVANT ENTREPRENEURIAL EDUCATION AND SUPPORT

Young people often lack access to relevant and effective entrepreneurial education and support programmes. Where training programmes are available, these programmes often employ traditional teaching methods, which focus on disseminating generic theoretical concepts and often deliver interventions that are not aligned with the needs of entrepreneurs.

The incorporation of technology, experiential learning, and peer-driven learning models into entrepreneurial education and training is required to foster more engaging and effective learning experiences for young entrepreneurs. In addition, tailor-made programmes that cater to the specific stages of young entrepreneurs' businesses are required to ensure that training is relevant.



You do need money, but it's not just about money; it's about providing support to scale the business. When you do all the groundwork, other people come in once they see the potential.

– Youth Voices: Teko Motlabi – Roomsta



## LACK OF TRUST IN THE ECOSYSTEM AND SUPPORT ACTORS

Youth entrepreneurs report a lack of trust in ESOs. Young entrepreneurs noted that they often face negative perceptions about the reliability and credibility of their businesses when engaging with ESOs and other support organisations within the entrepreneurial ecosystem. In addition, young people have a perception that government-run entrepreneurship support programmes are corrupt and lack transparency in the way programmes and resources are allocated.

This contributes to a distrust of institutions within the entrepreneurial ecosystem. As a result, young entrepreneurs often avoid engaging in these formal support systems, leading them to rely more on informal networks within their communities. These networks are an asset as they often provide a channel for information sharing about funding opportunities, peer-to-peer learning and business leads.



It's like the system is not designed for us. It's like it's designed for (..) well-established businesses

– Youth Voices: Karabo Sekotlong – Phidisang Trading



## LIMITED OPPORTUNITIES FOR COLLABORATION AND NETWORKING

Networking is crucial for any entrepreneur, yet many young entrepreneurs in rural and township areas face limited opportunities to connect with peers, mentors, and potential partners. Without proper networking platforms, young entrepreneurs struggle to access the guidance and resources they need to grow their businesses. The lack of opportunities for collaboration within the entrepreneurial community further isolates these young business owners, reducing their chances of success.



# Successful Strategies and Best Practices

The event included a panel discussion of representatives from ESOs, government organisations and private sector institutions. Based on the panel discussion, several key strategies and approaches emerged for effectively addressing the challenges facing young entrepreneurs in South Africa's township and rural economies. These include:

## ADDRESSING ACCESS TO FINANCE

Access to finance remains a persistent challenge for young entrepreneurs, particularly in informal economies. Several solutions were suggested, including the establishment of revolving credit facilities, particularly for businesses with long working capital cycles that could contribute to supporting the growth of youth-owned enterprises. However, it was also noted that financial institutions must move beyond the traditional requirements for collateral, which are often not suited for the businesses of young entrepreneurs, and explore alternative financial instruments such as micro-loans or revenue-based financing.

Concessional financing such as low-interest fixed-rate loans by organisations such as the Small Enterprise Development and Finance Agency (SEDFA), provides young people with the catalytic funding required to grow their businesses sustainably. In addition blended finance in the form of loans and grants provided on preferential terms can support young entrepreneurs through the early stages of their businesses. Alternative approaches include organisations such as Allan Gray Makers, that leverage partnerships with private sector actors to provide financing for specific needs, such as tools or materials for young people.

## ACCESS TO MARKET

Panelists noted that solving the challenge of access to the market for young entrepreneurs is critical to the growth of youth-owned enterprises. Panelists emphasised the importance of creating local ecosystems that facilitate market connections. Networking opportunities where young entrepreneurs can interact and collaborate with other young entrepreneurs provide effective channels for facilitating peer-to-peer knowledge exchange. Through these networks, young entrepreneurs can form valuable business connections and potentially leverage these to access market opportunities.

Additionally, creating youth-based procurement programmes within the community can help small entrepreneurs secure sales within their own networks, improving market access without the need for the immediate support of large corporates. At the policy level, incentives for the private sector to procure from youth-owned businesses should be implemented to encourage private sector participation in building the youth entrepreneurship ecosystem.





## MARKET READINESS TRAINING (BUSINESS DEVELOPMENT SUPPORT)

A key strategy to overcome the challenge of market readiness is offering tailored business development support. Panelists highlighted the importance of preparing young entrepreneurs for business-to-business (B2B) markets, which requires a shift in mindset and skills from engaging primarily with consumers to engaging with larger institutions. Programmes that provide market readiness training are essential, especially for young entrepreneurs who want to gain access to the value chains of large corporations and effectively service these larger organisations.

In such instances, a basic understanding of business practices and engagement with corporate clients is required. By offering practical training and exposing entrepreneurs to real-world market conditions, support organizations can ensure that entrepreneurs are better prepared to meet the expectations of larger clients.

## PROVIDING INVESTMENT READINESS SUPPORT

Pre-investment support was noted as a critical intervention in solving the access to finance challenges facing young entrepreneurs. Young entrepreneurs not only require sustainable businesses to attract funding but also an understanding of what is required by investors and how to attract investors. Programmes that provide capacity-building support to young entrepreneurs to meet funding requirements such as compliance requirements, maintenance of financial records and operational requirements, have the potential to improve access to capital.

Suggested approaches include collaborating with funding institutions and hosting pitch events or hackathons, where entrepreneurs can practice and demonstrate their readiness for investment. This process helps ensure that entrepreneurs are not only seeking funds but are capable of managing those funds effectively.



It is essential to pinpoint the serious entrepreneurs and actually help them scale... we need to focus on quality over quantity.

– Youth Voices: Teko Motlabi – Roomsta



## OPTIMISING SELECTION

Effective selection of young entrepreneurs for business support programmes is crucial for ensuring the success and sustainability of these initiatives. Panelists highlighted the need for more strategic and thorough selection processes to identify young people who possess the necessary competencies required to succeed in entrepreneurship. Strategies for optimizing the selection of young people into entrepreneurship programmes include focusing on both the entrepreneurial mindset and the stage of business development. Panelists emphasized that successful entrepreneurs are not just those with good business ideas but those who possess resilience, drive, and a willingness to learn.

Selection should prioritise individuals who demonstrate a strong entrepreneurial spirit and the capacity to navigate challenges. Additionally, the selection process must align with the entrepreneur's stage—whether they are in the idea validation phase, just starting, or scaling—ensuring they receive the appropriate support at each stage. To avoid perpetuating dependency on ESOs, the process should identify entrepreneurs who demonstrate potential to eventually become self-sufficient and drive their own business development. Finally, post-selection mentorship and tracking are crucial to ensure that entrepreneurs are progressing and receiving the necessary support for long-term success.

## CREATING SAFE SPACES

Creating safe spaces for young entrepreneurs, particularly in townships and rural areas, is a crucial intervention to support their growth and sustainability. These spaces serve as environments where entrepreneurs can engage with one another, share challenges and opportunities, and access the resources they need to thrive. Young entrepreneurs often have to travel to affluent areas like Sandton to find the networks and services they need to grow their business—these resources should be made available in their community contexts. Safe spaces should allow for mentorship, collaboration, and business development, fostering a sense of community where entrepreneurs can learn from those who have walked similar paths.

By providing these spaces, entrepreneurs gain not only practical support but also emotional and psychological backing, which is essential in the challenging journey of entrepreneurship. These community-centred hubs can play a pivotal role in normalising entrepreneurship, especially in environments where it is still often seen as a risky or unconventional path. Furthermore, these safe spaces should be inclusive, welcoming all entrepreneurs regardless of their business stage or size, and designed to facilitate peer learning and networking, which are often the most valuable forms of support for emerging entrepreneurs.





# Conclusion

The event highlighted the tremendous potential for youth entrepreneurship to address youth unemployment in South Africa's township and rural economies. However, in order to realise this potential, more collaboration and coordination is required within the entrepreneurship ecosystem to ensure ESOs and other support organisations are not working in silos and effectively support young people. Through strategic partnerships, shared resources, and a more unified approach, the support organisations in the ecosystem can better support young entrepreneurs by providing them with the tools, mentorship, and market access they need to scale their businesses. This collaborative effort would not only foster more sustainable youth-led enterprises but also address key challenges such as access to finance, market readiness, and business development, ultimately empowering youth to drive economic growth in their communities.



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