



INFORMAL
ECONOMY
SUPPORT
PROGRAMME

PPT

Project Preparation Trust



South Africa • Siyasebenza



ETHEKEWINI
MUNICIPALITY

*Sithuthukisa umnotho
ngokusebenzisana
nangokubambisana
namabhizinisi asathuthuka*

*Growing the Economy by
collaboratively supporting
and connecting Micro and
Informal Enterprises*

IESP Pilot Phase Self-Evaluation Report



June 2013 to December 2016

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31 December 2016

SELF EVALUATION REPORT: INFORMAL ECONOMY SUPPORT PROGRAMME IN ETHEKWINI
BY PROJECT PREPARATION TRUST OF KZN FOR THE JOBS FUND

Project Name	Informal Economy Support Programme (IESP) <i>(Initially – “Development of Emerging Micro & Informal Enterprises in eThekwini”)</i>
Project Number	JF1/0887-2
Project Start Date	28 th June 2013 (effective) - 24 April 2013 on GMS ¹
Project End Date	30 September 2016
Total Approved Grant Amount	R5 million
Total Approved Match Funding	R1 million (+additional R1.5m from eThekwini)
Total Disbursements to Date	R6 million
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Designation	Chief Executive Officer
Report Submission Date	31 December 2016
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¹ Activities only commenced at the end of June 2013 due to the delay in eThekwini co-funding confirmation and signing of Agreement with eThekwini.

EXECUTIVE SUMMARY

This self-evaluation provides valuable information, reflections and insights pertaining to the Informal Economy Support Programme (IESP) three-year pilot phase in eThekweni. These are not only useful to PPT in further refining the IESP for the next phase, but also to the Jobs Fund, eThekweni and other key decision-makers in developing improved policies and programmes which can more effectively stimulate and support economic growth, inequality redress and job creation in South Africa.

PPT observed significant shifts in key stakeholder awareness and understanding of Micro and Informal Enterprises (MIEs) and the informal economy during the course of the three-year pilot phase, including in respect of how this critical part of the economy can be more effectively supported. It is evident that the IESP itself has significantly helped this change in awareness in various ways. However, it is also recognized that further shifts in understanding are still needed, and government policies and support programmes still need to be more effectively focused.

It is significant that the pilot phase of the IESP was unequivocally successful, not only in respect of exceeding all of its key targets (including job creation) but more importantly in respect of laying a firm platform for the next, upscaling phase.

It is emphasized that the rationale behind the IESP was not the mere creation of 216 jobs during the three-year pilot phase, but rather to use this phase as a stepping stone for the refinement and strengthening necessary for scaling up in eThekweni and promoting replication elsewhere. In and of itself, the 3-year pilot phase will not significantly impact national economic growth and job creation targets. However, if replicated and up-scaled, the IESP can and will have significant impact.

The IESP is indeed now ready for upscaling, with the required methods, tools, strategic collaborations and delivery capacity established. Funding for upscaling is now the immediate priority. End-user MIEs are typically unable to afford the business support services and other support which they desperately require and which, if provided, can help bring about much-needed economic growth, job creation and inequality redress.

The Informal Economy Support Programme (IESP) was conceptualized by PPT, working closely with eThekweni Municipality, in 2011, approved by the Jobs Fund as part of its first round of projects in 2012 and commenced in June 2013 after contracting processes were finalised.

The IESP was established with the specific objective of developing and refining an improved, programmatic and scale-able platform and model of supporting Micro and Informal Enterprises (MIEs) and the informal economy. Instead of focusing on only one business, or even one sector, the IESP provides a platform of support at Metro-level for any and all viable MIEs. It achieves this by efficiently identifying those MIEs with real growth potential and providing carefully structured support to them. At the same time, it facilitates enabling and crosscutting sector based responses and LED actions which help unblock and catalyse business growth.

MIEs and the informal economy represent a critical part of the S.A. economy. They are especially important given the slow growth of the formal economy, a situation which is likely to persist in the medium term given S.A.'s structural problems and the slowdown in the global economy. However, in South Africa there are not yet effective policies or programmes in place and most MIEs lack the business support services and other support they require.

The IESP thus addresses an important gap. It has been designed to be able to function effectively and avoid many of the pitfalls that have beset past interventions and initiatives. The success of the three-year pilot phase strongly validates the design and rationale.

The IESP has a compelling theory of change informed by this rationale. It achieves change at various levels: at the level of specific MIEs assisted; at the level of the programme itself (by building its capacity, tools, collaborations etc.); and at the level of the broader (external) policy and programme environment. All three levels of change are central to meeting its overall strategic goal. The key elements of the project are mutually supporting and well integrated in order to maximise success. Only by intervening at multiple levels and via different activities can the overall strategic goals be achieved. The success of the IESP, as per the findings of this self-evaluation, and that of the Independent Evaluation, validate the theory of change, noting that further changes are still required at the level of policy and strategy in S.A.

The IESP has proven itself to be highly relevant to the needs of MIEs, many of which have potential to grow but lack access to the necessary business support services. The IESP directly addresses this gap by providing structured business support services which can unlock business growth and job creation.

The IESP exceeded all of its key empirical targets outlined in the PIMP and Business Plan:

- Creation of new permanent jobs: 217 versus a target of 216
- Creation of short term jobs: 24 versus a target of 20
- Trained beneficiaries: 180 versus a target of 80

However, more important than these empirical results, the IESP was successful in meeting its over-arching strategic goal of providing a platform of support for MIEs which is scale-able and cost efficient and which can play a significant future role in economic growth and job creation. This is the primary hallmark of its effectiveness. The IESP was well received by MIEs and significant refinement and strengthening occurred during the three-year pilot phase in order to overcome a range of challenges and increase efficiency.

Reasons for the success of the IESP's pilot phase included: a viable, relevant niche, strong design and effective methods; the presence of significant number of viable, committed entrepreneurs within MIEs; the strong PPT organisational platform and committed, skilled personnel; strong stakeholder collaboration and support, including from eThekweni and the Jobs Fund.

A key success factor is the focus on entrepreneurs who are the 'real-deal' – who have the necessary commitment and ability to succeed. The entrepreneur is more 'bankable' than the business plan. Cost-efficient identification, assessment and selection of such entrepreneurs is essential. IESP selection criteria prioritise entrepreneur commitment and receptiveness alongside enterprise viability and job creation potential. The IESP found that there are significant numbers of MIEs which have real growth and job-creation potential.

The IESP was relatively efficient. The gross, average cost per job was R27,649, which is lower than the average for Jobs Fund Projects. There were significant improvements in efficiency during the three-year pilot phase resulting from various refinements to the methods and resources. Financial and human resources were adequate. Cost efficiencies during the next, upscaling phase will be significantly lower (around R14,000 gross cost per new permanent job).

It is emphasized that the new jobs created by the IESP are mostly in productive sectors (e.g. small manufacturing/production, services or specialized retail). In most cases, they result from and reflect new productive capacity in the S.A. economy.

The IESP represents an important innovation because it provides business development services into an otherwise unsupported market niche (MIEs and the informal economy) using particular methods, capacity, collaborations and tools. The innovation lies in the way in which the IESP is designed, resourced and implemented as a programme of support. The IESP method addresses a critical and un-serviced need.

Once up-scaled, the IESP will have significant catalytic effects. During the three-year pilot phase, it has already played a significant role in engendering greater understanding about MIEs and the informal economy and how they can be more effectively and programmatically supported. The method of the IESP can potentially be scaled up nationally and replicated in other Metros.

At the level of the MIEs supported and jobs created, the IESP has taken care and exercised due diligence in respect of the sustainability of the new permanent jobs which it has created. Although the Jobs Fund define a sustainable, permanent jobs as one which exists or can exist for more than a year, the objective is jobs (new positions in the economy) which exist on a longer term basis. The IESP is relevant in creating such sustainable jobs because the MIEs supported are carefully selected and are driven by committed entrepreneurs, most of whom have significant experience. As previously outlined, most enterprises are in productive sectors.

As a support programme, the sustainability of the IESP is premised mainly on current and future demand for its specialist, niche services from government (mainly eThekweni Municipality), the private sector (mainly Durban-based corporates) and development finance institutions (DFIs) such as SEFA. There is already acceptance of the need to intervene and support change in the economy, but a lack of viable 'vehicles' to do so. The IESP provides such a vehicle. MIEs are typically unable to afford to pay for these services directly.

A key sustainability factor is PPT's strong institutional platform as a specialist service-providing support NGO with an established track record in successfully conceptualising and implementing innovative developmental initiatives such as the IESP. PPT's delivery capacity was significantly strengthened during the pilot phase. However, it is emphasised that the IESP itself is not designed to generate profits for PPT as its main operator. Given the particular context, commercial sustainability is not the primary objective. Sustainability instead is determined by the ability of the IESP to meet all of its operational expenses through revenue generated.

Six key recommendations have been provided, based on the self-evaluation. These pertain, amongst other things, to how to support MIEs and the informal economy more effectively, how stakeholders can collaborate more effectively in this regard, how to optimise the role of support NGOs and the utilisation of more qualitative impact measures for job creation and economic growth.

More effective support of MIEs and the informal economy is clearly a strategic priority for South Africa, but to achieve this, specialist capacity and methods, such as those provided by the IESP are necessary. Given that end-users (MIEs) are unable to pay directly for the BDS and other support they require, external funding from sponsors such as the Jobs Fund is critical. However, such funding remains in short supply whilst policy and programme shifts within government in favour of MIEs and the informal economy still unfold. Without such funding, the IESP will cease to exist and support to this part of the economy will not be possible.

Economic growth which does not address poverty and inequality is not sustainable. The IESP is specifically designed to support and catalyse more inclusive, diversified and sustainable economic development. It has succeeded in demonstrating how this can be achieved in practice. If it is successful in securing further funding, the IESP will play a significant role in economic growth, inequality redress and job creation, not only directly in eThekweni, but indirectly as a model for scaling up elsewhere.

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Annexures:

- A. IESP Newsletter (Nov. 2016)
- B. Project design documents:
 - 1. JF Business Case
 - 2. Contract PIMP
 - 3. M&E Framework
 - 4. IESP Jobs Measurement Protocol
- C. PIMP Report (cumulative for entire project)
- D. Detailed M&E Framework Report
- E. IESP Evaluations:
 - 1. Independent evaluation report
 - 2. PEAP Evaluation Report
- F. IESP Second Tier Evidence:
 - 1. List of data schedules (2nd tier evidence)
 - 2. Jobs Created Schedule (with recon)
 - 3. Training Schedule
 - 4. Enterprises Supported Schedule
 - 5. Knowledge Resources Schedule
 - 6. LED Actions Schedule

G. IESP Product Schedule (all products)

H. IESP Panel of Service Providers

Abbreviations

BDS = Business Development Services

BSMTU = Business Support, Marketing and Tourism Unit

DCOC = Durban Chamber of Commerce

DSBD = Department of Small Business Development

EDIPU = Economic Development and Investment Promotions Unit

IESP = Informal Economy Support Programme

ITD = Inception to date

JF = Jobs Fund

LED = Local Economic Development

M&E = Monitoring and Evaluation

MIEs = Micro and Informal Enterprises

NMDC = Newlands Mashu PEAP = Participative Economic Action Plan

SEFA = Small Enterprise Finance Facility

1. Introduction

1.1 Project Background and Context

1.1.1 [Project proposal, approval and contracting](#)

PPT applied to the Jobs Fund in July 2011. Final approvals and contracts between PPT, the Jobs Fund and eThekweni were only finalized by June 2013 (almost two years later), with the first reporting quarter on the GMS ending June 2013). The following key dates are noted:

- PPT application to the Jobs Fund (then administered by the Development Bank of South Africa – Jobs Fund Round 001): 29th July 2011:
- Jobs Fund approval: Letters dated 26th September 2012 and 31st January 2013
- Jobs Fund agreement: last signed 18th February 2013 (signed by PPT on 23rd November 2012)
- Jobs Fund amendment 1 (re-instatement resulting from delay in eThekweni co-funding confirmation): last signed 13th June 2013 (signed by PPT on 21st May 2013)
- eThekweni agreement: last signed on 28th June 2013 (signed by PPT on 23rd June 2013)
- Cession agreement: last signed by Treasury on 04th December 2014 (signed by Jobs Fund on 30th September 2014 and signed by PPT on 20th November 2014)
- No cost extension agreement: Letter from Treasury dated 15th September 2015 approving two additional quarters ending 30 September 2016

1.1.2 [Project design documents](#)

The Project Concept was outlined in PPT's original proposals to the Jobs Fund and eThekweni Municipality in June 2011. These were refined and consolidated into the Jobs Fund Business case (June 2012) which included a results chain (summary Logical Framework format) and which preceded final Jobs Fund approval. A Project Management Implementation Plan (PIMP) was developed at the request of the Jobs Fund shortly after contracting (23 November 2012) and with input and guidance from the Jobs Fund Evaluation personnel. The PIMP is regarded as the primary set of project result indicators for performance monitoring. PPT further developed a detailed Monitoring and Evaluation Framework (Logframe format) during the first six months of the Project. For purposes of this evaluation and in order to extract and consolidate the most important and relevant project design elements (objectives, outputs, outcomes etc.) and noting the protracted timeframes since the development of the initial concept as well as the contextual factors outlined below, a summarised Logical Framework has been developed in order to focus and guide this self-evaluation. This provided a lot more detail as to the specific outputs and outcomes for each of the key project activities along with target result indicators and means of verification (MOVs). The following are thus regarded as the key project design documents relevant to this self-evaluation:

- Proposal to the Jobs Fund (2011)
- Proposal to EThekweni (2011)
- JF Business Case (including results chain in summary Logical Framework format)
- Jobs Fund Project Implementation and Management Plan (PIMP)
- IESP M&E Framework (Logical Framework)
- Summarised, consolidated Logical Framework.

1.1.3 [Project origin and rationale](#)

The Informal Economy Support Programme (IESP) was conceptualised by PPT in 2011 when it applied to the Jobs Fund for co-funding to implement and refine the initiative over a three-year pilot phase with a view to eventual upscaling.

The establishment of the IESP was informed by a recognition: a) of the importance of micro and informal enterprises (MIEs), mostly located within the informal economy; b) that this part of the economy has historically received insufficient focus with most MIEs being unable to access business development support services; c) that the formal economy cannot be relied upon to be the sole provider of job creation and economic growth.

Since the establishment of the IESP, economic growth globally and locally has substantially slowed. More than ever it is now apparent the formal economy on its own cannot address the challenges of economic growth, job creation and redress of inequality.

1.1.4 [Overall project goal](#)

As per the Project Business Plan: **“The development of micro and informal economy enterprises within eThekweni Municipality which create sustainable jobs and which build the local economy.** It will provide much needed structured support, training and mentorship to approximately 80 selected micro and informal (‘emerging’) enterprises within the City over a three-year period. These enterprises will largely be located within the informal economy, it being recognised that this part of the economy has received insufficient focus historically and that the formal sector cannot be relied upon to be the sole provider of jobs and wealth creation.”

As per M&E Framework: **“To demonstrate, refine and mainstream an improved programme of support and enablement for micro-enterprises and the informal economy by means of:**

- Enabling the growth and sustainability of 75 informal or micro enterprises in eThekweni including creating 216 new, permanent jobs
- Enhancing and strengthening eThekweni Municipality's informal economy programme
- Providing access to new knowledge resources and empowering people to understand and utilise them.”

As per PIMP Programme Outcomes:

- 216 new permanent jobs created as a result of the funded initiatives
- 20 new short term jobs during the grant funding period
- 80 trained beneficiaries.

1.1.5 [Project challenge / problem statement](#)

(As per Business Case)

It is now recognised that the formal economy cannot on its own provide employment and income generating opportunities for everyone. However, in South Africa there is no policy or programme to support this part of the economy and there is limited support and assistance for emerging enterprises.

According to Finscope (Finmark Trust, 2010), in South Africa there are close to 6 million micro businesses (less than 10 employees) of which only 17% are formally registered. 66% of micro business owners have not

completed their school education and 33% identified business strategy issues as an obstacle to success. 68% of owners started businesses due to unemployment. South Africa has a flourishing informal economy which was estimated to generate R142 billion per annum in 2003.

In this context, most ‘pro-poor’ economic development interventions in South Africa are ineffective and do not address the underlying problem. They tend to be ‘supply-led’ (e.g. the provision of grant funding to setup new businesses or co-operatives often where there is no market demand or where those involved are not viable and committed entrepreneurs). They have also tended to focus on capital expenditure and have utilised formal economy business concepts not appropriate for the entrepreneurs themselves. These historically ‘supply-led’ interventions have had limited success and have more often tended to worsen poverty and create dependency. They have also often resulted in heightened and un-met expectations.

Past interventions have been limited by: a) a failure to work with and nurture existing micro-entrepreneurs; b) business plans not developed by entrepreneurs themselves and hence often mismatched to their skill and capacity levels; c) insufficient business skills and sector skills training and mentorship for micro-enterprises including in assisting them to develop or refine more viable and competitive business plans; d) excessive focus on formal enterprise processes such as business and tax registration too early in the development of the enterprise; e) insufficient provision of professional expertise to support micro-entrepreneurs (e.g. mentorship, training, business planning); f) utilisation of co-operatives as a default model without assessing its suitability; g) excessive focus on providing capital funding for projects before business concept is proven viable and entrepreneur is ‘ready’; h) enterprise and LED projects too often government-led.

eThekweni Municipality has recognized the value of the informal economy to the City’s development and is now seeking to support and stimulate the informal economy primarily through capital investment in necessary infrastructure. PPT and the City recognise that the environment is not supportive of the informal economy, being overly focused on conventional business models and ‘formalization’, and that actors in the informal economy face numerous barriers to realizing the full potential of their economic activities and lack support.

Accordingly, PPT and the City have agreed to work together to foster a more conducive LED environment by providing enabling policy and support in terms of skills and business development without the intention of formalizing informal enterprises.

1.1.6 Solution – method and expected results

The following ‘High Level Results Chain’ (updated version from the 2012 Business Case) outlines the key activities, outputs and outcomes anticipated at the project design stage:

Table 1: Results Chain from Business Case

Activities	Outputs	Immediate outcomes	Intermediate outcomes	Final outcome
1. Selection of viable enterprises / entrepreneurs	Assessment tool. Assessment reports. Enterprise schedules/database.	80 enterprises selected for support and development	1. Additional and more sustainable jobs in the micro and informal enterprise sector in eThekweni created (at least 216)	1. Enhanced and expanded micro and informal enterprises (MIEs) within eThekweni Municipality which create
2. Entrepreneur training and skills development	Attendance registers. Training reports. Trainee schedules.	At least 80 entrepreneurs have increased skills and capacity	2. Improved local economic	

3. Business development, optimization and mentorship	Business development plans. Mentorship reports. Jobs records/evidence. Enterprise and jobs schedules. Enterprise profiles.	At least 80 entrepreneurs have improved business plans (more competitive and viable with increased employment potential) and receive business development support services and mentorship (to overcome challenges)	development enabled including more effective municipal investments. 4. Economic relationships developed/enhanced including those between established and emerging business	sustainable jobs and which build the local economy. 2. Viable programme platform established and refined for future MIE support.
4. Enabling local economic development actions (e.g. collective buying and distribution, municipal infrastructure investment in enabling economic infrastructure)	Report on enabling actions identified and taken including new and appropriate local economic infrastructure provided (e.g. hubs, water supply, and logistics).	More conducive and enabling local economic environment including improved access to funding, infrastructure and relationships by MEs.	5. More effective methodologies and approaches for micro and informal enterprise development developed and mainstreamed	
5. Impact evaluation	Impact evaluation reports. Report against PIMP and M&E Framework. Progress reports.	Improved learning in terms of impacts achieved and potential for refinement and replication		
6. Knowledge resources and dissemination.	New and refined knowledge resources (provided to a range of key stakeholders)	Improved local and external knowledge and understanding of improved and potentially replicable and scale-able		

1.1.7 [Project Implementation and Management Plan - PIMP](#)

The PIMP (a standard Jobs Fund instrument) extracts and defines particular outcome and output indicators in a different and more empirical format relative to those stated within the initial project design documents. The PIMP focuses mainly on immediate outcomes as opposed to intermediate/long term outcomes. It was developed by PPT at the request of the Jobs Fund after contracting in order to provide them with a streamlined tool for monitoring the Project. Its development was facilitated by Jobs Fund M&E personnel. The PIMP emphasises indicators or measures of particular interest to the Jobs Fund and presumably helps to align different project to standard Jobs Fund measures such as job creation, training, business plans, knowledge resources and partnerships. In this regard it is no doubt necessary and useful to the Job Fund.

The PIMP does however present some drawbacks in respect of impact evaluation since it tends to focus the Project more empirically around the PIMP measures rather than qualitatively around a broader set of measures. This is most evident by comparing the key outcomes on the PIMP compared to those in the Business Plan (aligned with the original PPT Proposal) and the detailed M&E Framework.

The PIMP thus represents a compromise between the broader qualitative and strategic design principles of the IESP and the need for the Jobs Fund to focus on specific, priority quantitative measures with the former

being generally disregarded or under-emphasised in the Jobs Fund routine monitoring and impact evaluation processes.

1.1.8 Beneficiaries

The targeted beneficiaries were primarily entrepreneurs, and their employees, within the micro and informal economy. The main focus was on micro and informal enterprises (MIEs)². The following extract from the 2012 Business Plan outlines the initial intention:

“The intention is to select and support 80 micro enterprises and businesses which are viable in the long term and which have the potential to create further jobs. For this reason, owners of micro enterprises and businesses will be selected on the basis of their commitment, the viability of their business plans and their experience. It is noted however that there is a gender dimension to the informal economy and that women are often over represented in enterprise activities that generate poor incomes. Often women face greater obstacles and risks in engaging in income generating activities. This also applies to persons with disabilities. It must also be noted that the youth in South Africa comprise the largest portion of unemployed, and that many school leavers are ill prepared for and unlikely to join the formal economy. These considerations will inform the selection of beneficiaries.”

It is noted that assumptions were made, at the time of the initial proposal and later updated when the Business Case was developed, as to the expected mix of enterprises in respect of their size in terms of job creation/employees. This jobs model was utilised to model the number of expected jobs and the number of enterprises that were expected to generate these jobs. The following is the update at the time of the Business Case. It is emphasised that this was a working model prior to specific enterprises having been selected:

Table 2: Anticipated micro and informal enterprises as per the 2011 Business Case

Informal / micro enterprises	Enterprises to be assisted	new jobs to be created
enterprises with no new jobs	20	0
enterprises with one new job	40	40
enterprises with 4 new jobs	16	64
enterprises with 8 new jobs	4	32
one agrihub - Marrianhill	1	80
	81	216

Additional information was also provided to the Jobs Fund around the time of the development of the Business Case in respect of the typical types of enterprises which were anticipated (e.g. under categories such as specialised retail, small manufacturing, services etc.)

² MIEs = Micro and Informal Enterprises was a term coined by the IESP to describe the niche sector of enterprise with the following characteristics: enterprises with less than 5 jobs (initially), enterprises which may be operating from informal premises, enterprise that do not comply with some or all statutory requirements for businesses - e.g. SARS business registration.

1.1.9 [Budget](#)

The Project Budget for the IESP was R6million (R5million from the Jobs Fund and R1million from eThekwini). *The additional co-funding from eThekwini, while not directly proposed to the Jobs Fund, increased co-funding toward the IESP initiative by the value of R1.5million.*³.

1.1.10 [Timeframe](#)

The Project took place over a timeframe of 39 months, commencing early July 2013 and ending 30th September 2016. Due to the timing of the Jobs Fund and eThekwini contracting referred to previously, the first quarter logged on the Jobs Fund GMS was the quarter ending June 2013, even though project work had not yet fully commenced at this time.

1.1.11 [Geographic focus](#)

The geographic focus of the IESP was eThekwini Municipality, with a particular focus on communities, settlements and precincts where micro and informal enterprises operate (e.g. townships and informal settlements).

1.1.12 [Capacity and collaborations](#)

The IESP is a collaborative effort. PPT made significant use of outsourced specialists and collaborations with other NGOs such as Newlands Mashu and Africalgnite. Internal PPT capacity was expanded and strengthened during the pilot phase. PPT also collaborated closely with eThekwini Municipality, its primary local partner, as well as other organisations such as the Durban Chamber of Commerce and other established businesses.

PPT retains the primary responsibility for managing and co-ordinating the IESP, although it does this in close consultation and co-operation with eThekwini Municipality, mainly via the Economic Development and Investment Promotion Unit and Business Support (EDIPU) and Marketing and Tourism Unit (BSMTU).

³ The additional activities included: Participative Economic Action Plans (PEAPs) in six priority precincts, expanded support to PEAP service providers procured by eThekwini to undertake PEAPs City-wide; additional knowledge resources, knowledge sharing and roundtable discussions.

1.2 Project Theory of Change

The IESP sought to respond meaningfully to address the problem statement (outlined in 1.1) by means of a range of complementary and mutually reinforcing interventions. The overall objective provided and enabled a different and more effective method and platform for supporting MIEs and the informal economy, it being recognised that this is an important gap and a necessity in meeting key national objectives such as economic growth, job creation and the redress of inequality.

Three main types of change were sought by means of the three-year pilot phase of the IESP:

1. Changes within targeted enterprises in respect of job creation, entrepreneurial capacity, business viability etc.
2. Changes within the IESP as a programme and within PPT as the main operator of the IESP in respect of its skills, experience, capacity, collaborations, methods, tools etc.
3. Changes within the broader policy and programme environment – both within eThekweni and more broadly in terms of greater understanding of the informal economy and MIEs and how this sector can be more effectively and programmatically supported by various stakeholders (including the Jobs Fund, the National Department of Small Business Development and Corporates).

Please refer also to Annexure D for the detailed Logical Framework as well as to the results chain in section 1.1.

The theory of change is to achieve the stated overall objective through intervening at different levels and in different ways with a mix of short, medium, and long-term outcomes thereby being accomplished. For example, the short term job creation target of 216 on its own was not regarded as strategically significant, but lent credibility to the IESP's methods and, in achieving this short term outcome, significant learning, refinement and stakeholder buy-in was secured.

The key element in the theory of change is achieving greater understanding amongst key decision makers and stakeholders as to Micro and Informal Enterprises (MIEs) and the informal economy, their importance and how they can be more effectively and programmatically supported in various ways.

It is evident that this change is indeed starting to happen at both City and National levels with the IESP having played a significant contributing role. However, it is also apparent that there are various factors which present barriers to the theory of change and related key stakeholder receptiveness/understanding. These include:

- Emphasis on job creation as the primary proxy and measure for economic growth and inequality redress: Whilst job creation is important, pursuing it can lead to unintended consequences and create perverse incentives. PPT views job creation as an outcome of other responses and inputs and these need to be the primary focus, even if it might take time to achieve the broader enabling changes that are required (both at enterprise level and in the enabling environment).
- Emphasis on supporting the formal business sector, particularly on the use of employment contracts as a primary jobs measure: Whilst the IESP Job Measurement Protocol, approved by the Jobs Fund signifies significant progress, many engagements with the monitoring and evaluation team indicated that contracts of employment remain first prize.
- Emphasis on formalisation: Many stakeholders, including the National Department of Small Business Development (DSBD), regard formalisation, or transitioning towards it, as a critical success factor and requirement. To some extent this is presumably informed by a desire to increase the tax base in S.A. and create decent work (as per ILO Recommendation - R205). However, pushing for formalisation

too quickly can break emerging enterprises. It is noted that there is an unavoidable tension between labour regulation and job creation with some realism and compromise necessary (whereas the ILO tend to present these as mutually supporting). Most MIEs simply cannot meet all ILO, SARS, Environmental and Dept. Labour requirements. Some flexibility with respect to labour regulation is required.

- Conflation of street trading with the informal economy: This is a common problem and severely under-represents the nature and value of the informal economy. Unspecialised retail (such as street trading) in reality represents limited business growth and job creation opportunities and constitutes only a small part of the overall informal and micro economy. Street trading is typically survivalist. By contrast, is accepted by the DSBD and others that most of the high potential MIEs are within different sectors such as manufacturing, services and specialised retail.
- Emphasis on capital and business finance: provision of finance and capital without enablement of entrepreneurs to make efficient use of the resources is a serious concern for business growth and development. Most government grant funding for LED and business development is biased towards capital items and/or infrastructure. There remains insufficient recognition that, for this expenditure to be effective, it needs to be linked with business support services which ensure business viability and effective use of both grant and loan funding provided.
- Emphasis on start-ups: Most start-ups fail⁴. This is normal and inevitable, since entrepreneurs need experience in order to flourish and survive. Yet in S.A. we still tend to focus on and prioritise start-ups over the development of existing businesses.
- Emphasis on youth: Most entrepreneurs require experience in order to succeed. Refer also to start-ups above. It is regarded as normal for most young people to require some workplace experience employed in business in order to have the necessary skills to be successful entrepreneurs. Whilst youth unemployment is a key priority in S.A. it is challenging to instil entrepreneurship. Young entrepreneurs identified by the project have shown commitment and initiative.
- Becoming an entrepreneur often seen as an alternative to unemployment: Very few people have what it takes to become an entrepreneur. It is erroneous to think that most unemployed people can solve their unemployment by becoming entrepreneurs in their own right. Very few will be able to succeed.
- Emphasis on co-operatives: Despite growing realisation that the current co-operatives programme in S.A. has largely failed, funding for co-operatives is still easier to obtain than funding for existing enterprises, not only for capital, but also for Business Development Services (BDS).
- Regarding MIEs and informal economy as purely survivalist: Even though most MIEs are indeed survivalist, a significant number have real potential to grow. Given the large number of MIEs, even a small percentage which are viable constitutes a significant growth opportunity for S.A. even if identifying and selecting them might require specialised, cost efficient methods such as those developed by the IESP.

⁴ “Statistics reveal that 80% of start-ups in SA fail within the first three years of operation and this can largely be attributed to the lack of support.” 2015: <http://www.smesouthafrica.co.za/15688/The-BIG-reason-why-startups-with-business-support-do-better-than-those-that-dont/>

2. Independent Impact Evaluation – Main Findings

The Independent Impact Evaluation undertaken by David Christianson (finalized September 2016 – Annexure E1) is an important input into this self-evaluation. The evaluation was favourable and validated both the performance of the IESP during its pilot phase as well as the value proposition going forward. A summary of the main findings of this independent evaluation are therefore provided below (page references and quotations pertain to the Evaluation Report in the annexure).

- **Jobs target:** *The IESP met its job creation target making use of the JF-approved IESP Jobs Measurement Protocol (which replaces a formal contract of employment). “The jobs claimed by the IESP have been proven by documentation supplied regularly by the participating MIEs themselves”. (pg. 3).*
- **Jobs measurement:** *Job measurement was time consuming and onerous: “(T)he requirements for collection of jobs evidence were sufficiently difficult and time-consuming as to verge on onerous. By contrast, the measurement and monitoring of jobs in the formal economy (by means of contracts of employment) requires minimal time inputs.*
- **Enterprise screening:** *“(V)ery large number of informal enterprises needed to be screened in order to identify those most likely to succeed. Selection tools were refined twice over the course of the programme and were found to be far more nimble and effective by the end than they had been at the outset. The programme confirmed that only a small proportion of informal enterprises have real growth potential...” (pg. 3).*
COMMENTARY: It is noted that this was an anticipated scenario. However, given the size of the informal and micro economy, even though only a relatively small portion of all businesses afford real business growth potential, the cumulative economic impacts of supporting and realising this growth are significant. The fact that most enterprises are survivalist is therefore not problematic unless this results in a blanket generalisation for all MIEs. Conversely, the value of survivalist MIEs should also be appreciated (even if these are not the main target of the IESP), since these enterprises support large numbers of livelihoods and household survival strategies which would otherwise not be possible.
- **IsiQalo** *“was found to be an effective diagnostic tool which also generated additional (business education) spinoffs” (pg. 3).*
- **Focus on genuine entrepreneurs:** *“Although the focus of selection was the individual enterprise, PPT’s preference was to identify and work with genuine entrepreneurs. The results (below) validated this approach”. (pg. 3)*
- **IESP BDS efficacy:** *“The impact assessment analysed 20 enterprises which had received support through the IESP, most of which had been recorded as creating new jobs. In just over half (11) of the cases, BDS interventions had been institutionalised and were in regular use in the enterprise. These included financial management systems, bookkeeping, production management, supplier management and marketing.” (pg. 4).*
- **Primary BDS interventions:** *The IESP’s primary support interventions were basic business training (105 people; 48 enterprises), the compilation of business plans and profiles (91), bookkeeping (6), production management (5), HR management (1), assistance in finding premises (7; 2 successful, 5 ‘on-going’), sectoral skills training (28), sourcing inputs (5), marketing (30), finance applications (6).*
- **Avoiding dependency:** *“PPT mentors appeared especially adept at avoiding the sort of dependency that could have resulted had they acted as ‘unpaid employees’.” (pg. 4).*
- **Success in identifying MIEs with growth potential:** *“It was found that the IESP had indeed identified MIEs with high growth potential ...The impact assessment found that at least half of the 20 enterprises analysed appeared to be on a successful growth path...” (pg. 4).*
- **Measuring informal business effectiveness:** *“Informality meant that many of the criteria which would*

conventionally be applied to assessing (formal sector) small enterprises – such as turnover and sales figures – were not strictly applicable due to informal record keeping. (pg. 4).

- Limitations of jobs as the primary measure – real value of the IESP lies elsewhere: “The evaluation found that the Jobs Fund’s primary reporting metric – the number of jobs created – is extremely limited and that *the true value of the intervention lies elsewhere*. These include, in the words of the IESPs Quarterly Reports: ‘Strengthening micro-enterprises (e.g. in terms of their business models and approaches); strengthening micro-entrepreneurs (in terms of their skills and capacities); helping to create a stronger local culture of entrepreneurship; the development of new methods, tool and knowledge resources which can be replicated and up-scaled.’
- Job creation in the pipeline: Job creation has been successful in the IESP and, perhaps more importantly, *looks like continuing* in the case of the six loan applicant enterprises (amongst others), well after Jobs Fund Support has ceased. Developing informal enterprises to a point where they are eligible for loans has to be regarded a considerable achievement.
- Overall IESP performance against JF criteria: “It was concluded that the *IESP had met the Jobs Fund’s criteria of relevance, efficiency, effectiveness, equity, outcomes and sustainability*. The informal sector comprised nearly one quarter of the KwaZulu-Natal provincial economy in 2015 (24.9%). The IESP did succeed in identifying enterprises in this sector with high growth potential and thus *demonstrated that informality can usefully be viewed in terms of potential.*” (pg. 4).
- Successful IESP innovation and value proposition in a difficult niche: Although the “informal economy is a notoriously difficult space” (pg.5), the evaluation found that “there is no doubt that there exist informal enterprises with considerable growth potential” (ibid) and that the IESP as an “imaginative programme” nonetheless succeeded within this important niche (ibid). “Not only does the informal economy constitute nearly a quarter of the provincial economy in 2015⁵ (24.9 percent) but almost all successful (formal) businesses started out with some degree of informality. There can be no doubt about the relevance of a business development programme focussed on this space.” (pg. 7).
- Negative impact of slowed economic growth: “Finally, it needs to be remembered that the IESP was implemented during a time of very low growth in the country as a whole. According to Stats SA, annual growth was 2.2 percent in 2013, 1.5 percent in 2014 and 1.3 percent in 2015. In Q. 1 of 2016 it dropped into negative territory (-0.2 percent y/o/y). ... This was a tough time for anyone seeking to grow an enterprise of any sort and job creation has been, if anything, even more difficult ... The national unemployment rate (narrow definition) remained almost static at around 26 percent throughout the period.” (pg. 8).
- Value in focusing on the entrepreneur rather than the enterprise: “The jobs metric produces another distortion – the focus on enterprises rather than entrepreneurs...This has led to a time and labour-intensive process of trying, inappropriately, to measure enterprise development rather than the development of the capacities of individual entrepreneurs...To focus on the enterprise in the informal economy is to fall into the ‘planner’ (bureaucratic) intervention trap. (pg. 21).

⁵ <http://www.kzntreasury.gov.za/Newsroom/Speeches/speech-final-for-informal-economy-workshop-4-may-2014.pdf>

3. Purpose and Scope of the Self-Evaluation

This self-evaluation is being undertaken mainly in order to facilitate reflection, evaluation and learning which can help to refine and strengthen the IESP as a scale-able economic development and job creation initiative as well as to help to disseminate such learning amongst key partners and other stakeholders, including the Jobs Fund, eThekweni Municipality, and the Department of Small Business.

Although this self-evaluation was not a requirement at the time of signing of the agreement between PPT and the Jobs Fund, it was included in the subsequent Jobs Fund Guidelines (of October 2014) and the Jobs Fund requested that PPT also undertake this self-evaluation as part of the closeout of the pilot phase of the IESP. It is hoped that this self-evaluation will provide the Jobs Fund with useful learning about the IESP and help inform the design of future initiatives.

It is also noted that the IESP pilot phase was intended to lay the platform for an up-scaled phase and that the Jobs Fund would consider funding such a subsequent phase, subject to the efficacy of the current, pilot phase, which has now been achieved. It is therefore also hoped that this self-evaluation will assist the Jobs Fund in understanding the efficacy and importance of the current phase, it being recognized that the IESP was different from many other Jobs Fund projects given its niche focus on micro and informal enterprises.

It is recognised that, in the context of the Jobs Fund, the self-evaluation has three main objectives:

- **Model Efficacy:** To find out whether the particular job creation intervention implemented by the JF Partner is effective (i.e. are actual new sustainable jobs being created as a result of the JF grant);
- **Accountability:** To promote accountability and transparency, and to assess and disclose the extent of project results;
- **Learning:** To synthesize lessons that can help to improve selection, design and implementation of future projects and inform policy development.

4. Self-evaluation Methodology

4.1 Method overview

This self-evaluation makes use of the established systems, tools and processes which have been developed for the IESP during its design phase. It incorporates a mix of different evaluation and research methods and a mix of primary and secondary data/information sources:

- a. **empirical evaluation** based on data obtained and as recorded (mainly) in the 2nd tier evidence schedules listed below and the PIMP;
- b. **non-empirical, qualitative evaluation** methods including:
 - i. primary information obtained from the semi-structured enterprise interviews by the independent evaluator, David Christianson;
 - ii. primary information obtained from semi-structured PEAP interviews by PPT (Sinethemba Mthimkhulu) with PPT personnel, PEAP participants/enterprises and other PEAP service providers;
 - iii. experience of the PPT team as recorded in various project documents (e.g. quarterly reports, newsletters, roundtable discussions etc.) as well as additional information recorded directly into this evaluation based on the personal experience of the main author (PPT's CEO, Mark Misselhorn) and other team members (including Tanya Dayaram, Inba Govender, Nana Ndlovu).

4.2 List of Data Schedules (2nd Tier Evidence)

- **Database of enterprises identified and assessed** (measures all identified and assessed, enterprises nominated for support)
- **Schedule of All Trainees** (measures beneficiaries of Isiqalo, advanced business skills and sector skills and shows disaggregation by gender, age, population group, and unique trainees)
- **Enterprise development Tracker** (measures number of enterprises assisted, business plans developed, disaggregation of enterprise by job potential category and job creation category)
- **Jobs created Tracker** (measures number of new permanent and short term jobs including disaggregation on FTE, gender, age, population group, earnings)
- **Knowledge resources Tracker** (measures number of knowledge resources and case studies developed / documented)
- **Enabling LED actions:** lists enabling LED actions made or facilitated.

4.3 List of Primary Data Types (1st Tier Evidence)

- **Employee information form** (tracks names, ID numbers and other particulars of new employees)
- **Employee monthly schedule** (tracks new employee attendance at work)
- **Copies of identity documents** of new employees (this was only requested by the JF in the latter part of the project – resulting in a few cases where they could not be obtained).
- **Attendance registers** for training
- **Micro-grower consent forms and profiles**
- **Craft collaboration agreements**

4.4 Jobs Measurement Protocol for the IESP

A jobs measurement protocol was agreed between PPT and the Jobs Fund in a meeting held on 27th February 2015 and emailed to the Jobs Fund on 02 March 2015. This establishes the primary form of evidence for a new permanent job as a detailed schedule of new persons employed with all of their particulars and signed off by both the entrepreneur and PPT mentor, usually on a quarterly basis. This is supported and motivated by a business development plan and rolling mentorship report. Routine visits/inspections to enterprises are carried out for confirmation purposes. A revised Protocol including micro-agricultural jobs was emailed to the Jobs Fund on 27 July 2015. Refer to **Annexure B.4.** - IESP Jobs Measurement Protocol as well as the commentary under section 5.9.

5. Evaluation against Design Framework

This section provides an assessment against the key goals, objectives, outcomes and outputs specified in the project design documents including the project Business Plan (referred to here as 'Business Plan') and the PIMP but also including certain key additional items from the detailed M&E Framework.

Given the overlap and varying formulations of outputs and outcomes between the Business Plan, PIMP and M&E Framework as well as the expression of certain outputs and outcomes at both Objective and Activity levels, the key outcomes and outputs have been summarised thematically in sections 5.3 to 5.11 in order to avoid repetition and to make this report more accessible.

5.1 Overall Goal / Final Outcome

Target: Enhanced and expanded micro and informal economy enterprises within eThekweni Municipality which create sustainable jobs and which build the local economy (*from the Business Plan*). To **demonstrate, refine and mainstream an improved programme of support** and enablement for micro-enterprises and the informal economy by means of: a) Enabling the growth and sustainability of 75 informal or micro enterprises in eThekweni including creating 216 new, permanent jobs; b) Enhancing and strengthening eThekweni Municipality's informal economy programme; c) Providing access to new knowledge resources and empowering people to understand and utilise them." [*From the detailed M&E Framework.*]

Achievement and commentary: The goal and final outcome were successfully achieved and have in many instances exceeded expectation. There has been significant refinement and strengthening of the project method and delivery capacity during the period of the three-and-a-half-year pilot phase. A smaller number of higher potential enterprises were supported which nonetheless delivered more than the projected number of new permanent jobs. New methods of measuring informal jobs were developed which were accepted by the Jobs Fund (i.e. in the absence of contracts of employment). Significant numbers of committed entrepreneurs with viable businesses were encountered. A greater understanding of both the importance and economic value of MIEs and the informal economy was achieved amongst key stakeholders (including eThekweni, the Jobs Fund and the DSBD). A range of enabling collaborations were developed. A strong IESP platform has been developed which can now be utilised for a next phase of upscaling and further rollout. It was evident that the IESP does indeed provide support within a niche which continues to be unsupported by other mainstream programmes. The MIEs which the IESP assists are unable to access support from other sources.

5.2 PIMP – Summary of Achievement against Empirical Targets

The IESP exceeded all of its programme outcome targets⁶ (pertaining to job creation and training) and met or exceeded most of the project-level outcome and output targets as outlined in the summary score-card below.

PROGRAMME OUTCOMES	Planned	Actual	achievement
Number of New permanent jobs created as a result of the funded initiatives	216	217	100%
Number of new short term jobs during the grant funding period	20	24	120%
Number of trained beneficiaries	80	180	225%

IMPLEMENTATION PLAN	TOTAL PLANNED	TOTAL ACTUAL (ITD)	PERCENTAGE ACHIEVED (ITD)
Project Outputs			
Number of new permanent jobs created as a result of the funded initiatives	216	217	100%
Number of new short term jobs during the grant funding period	20	24	120%
Number of unique trainees (excluding overlaps - those receiving more than one type of training)	80	180	225%
No. of enterprises assisted	81	52	64%
No. of enterprises not expanding but made more sustainable	20	30	150%
No. of enterprises expanded with 1-3 new job	40	9	23%
No. of enterprises expanded with 4-7 new jobs	16	2	13%
No. of enterprises expanded with 8+ new jobs	4	8	200%
No. of agrihubs (no of micro-growers)	1	3	300%
Enterprises assistance discontinued	0	21	
Knowledge resources and dissemination	5	31	620%
Methodologies and knowledge resources documented and disseminated (with an innovation focus)	Y	Y(8)	100%
No. of case studies documented with learning	5	23	460%
Monitoring & evaluation			
Development of M&E plan	Y	Y	100%
Determine baseline for enterprises i.t.o. jobs, turnover	Y	Y	100%
Ongoing (quarterly) progress monitoring (e.g. site visits, reports from service providers, steering committee meetings, evaluation of service provider products)	Y	Y	100%

⁶ Note: The PIMP that was signed off by PPT and JF as an Annexure to the Contract and did not specify or require a disaggregation for gender, race and age. This was only introduced as a firm requirement by the JF post-contracting.

Quarterly reporting	Y	Y	100%
Impact evaluation (according to M&E plan and in particular the enterprises) - 18 months and 3 years (contract end)	Y	Y	100%
Enabling LED environment			
Enabling LED actions formulated	Y	Y	100%
Partnerships Developed	0	0	
Partnership between PPT and eThekweni Municipality in respect of LED support	Y	Y	100%
Support partnership to one agri-hub	Y	Y	100%
Support partnership with beneficiary enterprises	Y	Y	100%
Business plans developed or optimised	75	29	39%
No. of new business plans developed (NOTE: Entire number of new business plans to be developed is 15)	15	19	127%
No. of existing plans improved or optimised (NOTE: Entire number of business plans to be optimised is 60)	60	10	17%
<i>No. of preliminary business plans (documented enterprise nominations)-added to contract PIMP</i>	60	49	82%
Mentorship and business development support & optimisation	140	256	183%
Provision of mentorship to entrepreneurs (no. of contact sessions)	Y	Y	100%
No. of entrepreneurs receiving mentorship (NOTE: entire number of people receiving mentorship is 70).	70	256	183%
Identification, screening, selection and initial profiling of entrepreneurs	80	488	610%
Engagement with LED actors in the City to ID priority projects	Y	Y	100%
Engagement with PEAP service providers to identify enterprises in priority precincts	Y	Y	100%
Initial engagement with potential enterprises / pre-screening	Y	Y	100%
No. enterprises assessed / pre-screened - (ADDED TO CONTRACT PIMP IN Q5)	Y	Y	100%
No. of enterprises selected	80	45	56%
Procurement of service providers			
Procurement of main service providers (selection / engagement / IsiqQalo / mentorship)	Y	Y	100%
Procurement for high level business and sector skills training	Y	Y	100%
Induction and orientation of service providers	Y	Y	100%
IMPLEMENTATION PLAN			
Project Outputs	TOTAL PLANNED	TOTAL ACTUAL (ITD)	PERCENTAGE ACHIEVED (ITD)

5.3 Enterprise Identification, Screening & Selection

Description: Identification, screening assessments and selection of most viable enterprises/entrepreneurs including identification, profiling and assessments. Only enterprises that met specific pre-conditions were eligible for support. These criteria included enterprise viability, job creation potential and entrepreneur commitment.

Target and Achievement:

- Achievement: 488 (610% of target) vs Target of 80 MIEs identified and screened.
- Achievement: 52 MIEs selected (65% of target) vs Target of 80 MIEs for IESP support.
- Achievement: Selection tool developed as per the target.
- Achievement: developed enterprise screening and assessment tool.

Commentary:

- The IESP methodological refinement included focusing on a smaller number of higher potential enterprises/entrepreneurs. The initial rough target of 80 was informed by a rough enterprise distribution model based on crude assumptions (refer to section 1.1). The refinement was driven mainly by: a) the need to generate sufficient new permanent jobs within the project timeframe (i.e. some enterprises with potential could either not generate significant number of new jobs within the project timeframe, or there were going to be difficulties in measuring jobs); b) the need to achieve cost-efficiency (i.e. the adverse cost-benefit in supporting enterprises which only create small numbers of jobs).
- There were unforeseen challenges with our enterprise identification method in the first year which we had to compensate for. In particular: a) it was intended that the City's rollout of PEAPs would help to identify enterprises (when in fact this was significantly delayed and did not happen in time); b) the City's own database (i.e. of the Business Support Unit) would yield a significant number of viable candidate enterprises (when in fact most of these enterprises had received training but were not yet in business).
- The intention with the IESP was mainly on developing the entrepreneur and the business, with jobs flowing naturally thereafter as a secondary focus. The main focus was on finding entrepreneurs who were the 'real deal' and worth nurturing and supporting. Due to the need to meet jobs targets, the primary shift was changed midway through the project to creating jobs. Viable, 'real-deal' entrepreneurs were still targeted, but only to the extent that 'bankable', measurable jobs could be delivered (achieved, measured and verified using the protocol agreed with the Jobs Fund).
- The comprehensive database of 488 MIEs is regarded as a valuable and un-scheduled additional outcome of the project.
- Another methodological refinement was the move towards a more streamlined method of identifying enterprises. This was initially very time consuming. As a result, the following methodological refinements were implemented: a) desktop utilization of 'rough cut' tool to eliminate non-viable enterprises; b) use of MIE survey and related database to identify and prioritise enterprises; c) use of IESP Web Portal (portal developed and recently commissioned – once fully up and running it will enable MIEs to apply for IESP support online).
- **IESP Portal:** The IESP web-based Portal was developed in 2016. It will be utilised to enable more efficient enterprise identification and assessment, marketing of MIEs, information dissemination, and stakeholder collaboration. The IESP Portal includes an MIE business directory, online MIE profiles, an MIE online forum, and corporate tender notice board amongst other things. The current MIE database is available for download online at www.iesp.org.za.

5.4 Business Development Support & Mentorship

Description: This is a core activity of the IESP. Dedicated assistance is provided to each entrepreneur in respect of improving and developing his / her enterprise making use of a business development plan (i.e. priority actions for business enhancement). This is undertaken in a facilitative fashion so that the entrepreneur 'learns by doing' and plays an active and leading role in the process (e.g. in identifying problem areas and finding solutions to them).

➤ **Business Development services:**

- *Business plan development and optimisation* is undertaken collaboratively with enterprises, which has a focus on identifying practical actions and supports that can catalyse growth and optimisation. Enterprises must 'own' and 'drive' their plans to avoid dependency.
- *Specific support services* are provided to each enterprise based on a business development plan. These are often provided by specialists and may include: profitability and cash-flow analysis; record and book-keeping; workspace access and optimisation (e.g. layout); accessing finance for working capital or capital acquisitions; markets and selling: e.g. identifying and accessing new markets; establishing new business collaboration; human resources management and compliance; product/service and production, e.g. refinement, re-development, differentiation, improved manufacturing methods; logistics, e.g. bulk ordering direct from wholesalers, shared transport to market; legal and compliance, e.g. income tax, VAT, health safety, etc.; and procurement, e.g. of raw materials or input services. Follow through mentorship support is provided to each enterprise in order to assist them in overcoming challenges and further reviewing and optimising their business plan / business model. This mentorship assists the entrepreneur to identify and resolve challenges on an ongoing basis, identifying specific areas where specialist assistance can catalyse change, distinguishing short- versus long-term plans, as well as encouragement and acting as a 'sounding board'.
- *Training* was not initially included as part of the BDS and mentorship activity, but as a separate and usually a prior activity, mainly focusing on broad business skills. During the course of the project, it became evident that providing specific and very focused types of training as part of business development services was beneficial and often necessary. In addition, the Jobs Fund indicated, during the course of the project, that training not directly linked to job creation, was not desirable. Going forward specific training needs (directly linked to enterprise development and job creation) will be identified early as part of the package of services that will be provided to selected MIEs.

➤ **Sectorally-focused support (micro-growers and crafts):**

- **Micro-growers:** Part of the Pilot phase of the IESP aimed to create 80 permanent jobs through support to micro-growers associated with Partner Farmer AgriHubs in the eThekweni Municipality. PPT collaborated with Newlands Mashu Community Development Centre (NMCDC) to provide skills and mentorship to 100 identified micro-growers to increase and monitor their production. As at 30th June 2016, PPT reported 91 new permanent jobs from the three AgriHubs.
- **Crafters:** A collaboration programme for enterprises involved in the craft sector was developed by the IESP team which included sector skills training, basic business skills training and market access which is part and parcel of mentorship for the crafters. PPT collaborated with AfricaIgnite to provide skills and mentorship to 24 identified crafters to improve the quality of production and enable crafters to access new markets. As at 30th September 2016, PPT reported 22 new permanent jobs from the craft enterprises (namely: Khumalo Family Crafters and Udomo Bead Work).

- **Small construction contractors:** The construction sector has been identified as a key sector in creating jobs. However, a lack of certain skills and funding have been identified as a challenge to advancing small contractors and creating the required jobs. In addition, the jobs created are mainly part-time or short term in nature and normally last for the duration of a project or contractor appointment. An activity was designed to support established programmes such as the EPWP and Vukuphila (an emerging contractor support programme of eThekweni) by adding capacity in particular areas of constraint such as the development of basic business management skills and improved business plans in order to assist emerging contractors to grow and become more sustainable. This activity was not made part of the project implementation due to time and capacity constraints. Pawalukhasa and PPT collaborated for the purpose of supporting contractors exiting eThekweni Municipality's Vukuphila programme to obtain higher level certification to take on larger projects. Whilst this afforded a strategic opportunity and significant job creation potential, it was discontinued due to short term Pawalukhasa capacity constraints.
- **Textile manufacturers:** owners of textile MIEs were brought together by a PPT facilitator (Mandla Sindane) to form the Textile Industry Collaboration Task Team. This collaborative effort was designed to assist in setting up a sustainable collaboration with identified goals and priorities that would operate autonomously from the IESP once established.
- **Steel manufacturers:** Similar to the above textile collaboration, an initial meeting took place, but there was no uptake by the steel MIEs

Target and Achievement:

- Achievement: 217 (100% of target) new permanent jobs created vs Target of 216.
- Achievement: 52 enterprises supported (65% of target) vs Target of 80.
- Achievement: 29 business plans developed or optimized vs Target of 70.
- Additional outcomes with no target set:
 - At least 569 new permanent jobs in the pipeline within 34 enterprises⁷
 - 385 existing jobs within supported enterprises more sustainable.

(Note: refer to second tier data schedules in **Annexure F** for details on the key targets and achievements)

Commentary:

- **Business Development Services:**
 - *Business plan development and optimisation* was provided to supported MIES, the initial target was 70, however due to the refined selection method, fewer enterprises were selected and therefore fewer business plans were developed
 - *Specific support services* were significantly refined during the course of the pilot phase. Ongoing mentorship was not sufficient on its own and ongoing mentorship, not directly linked to job creation, was discontinued during the first year of the programme. The mentorship provided was clearly appreciated by enterprises and was helpful to them. However, it was often not directly linked to or leveraging job creation (within the timeframe of the project). It was also costly. In order to reduce costs and meet job creation targets (and for similar reasons outlined above), enterprises which could not reliably achieve jobs within the project timeframe (or where acquiring jobs evidence was likely to be difficult) were eliminated. Focus on a smaller number

⁷ There are 28 enterprises which have already received IESP support of some sort with additional job creation potential of 267. In addition, on PPT's MIE survey database of 488 enterprises, there are at least 41 viable enterprises with good high potential which can potentially create 871 jobs. The combined totals of 69 enterprises and 1,138 potential new jobs have been conservatized by 50% to give the figures reported here.

of enterprises: As outlined previously, a smaller number of higher potential enterprises were supported relative to the initial model (52 instead of 80 were focused on of which 21 yielded jobs within the project timeframe). This is not regarded as a deficiency, but rather reflects a refinement of the project method. More tightly structured packages of support was conceptualized and implemented. The method was refined in that, as part of the initial assessment, a specific business development service package will be offered and owners of MIE's will be requested to commit to the business development plan (which includes them providing the IESP with data as well as receiving services) upfront.

Table 3: Types of services offered by the IESP in the Pilot Phase

Pilot Project Phase	Services
IESP Implementation As part of the IESP there are compulsory items on the Programme and there are optional extras provided at the discretion of PPT. Specialist analysis and products are as planned and specified as per the refined method.	Enterprise assessment / diagnosis Determines entry into the IESP
	<u>PPT mentorship:</u> Basic assessment of profitability and basic cash-flow analysis for initiating best practice in record-keeping Distinguishing short versus long-term plans Assistance in accessing finance A professional 'sounding-board' for identifying and resolving specific challenges Assistance in accessing new markets and establishing new business collaborations.
	<u>Training:</u> isiQalo basic business skills training Business skills training - advanced Sector skills training
	<u>Specialized services:</u> A Panel of Service Providers is available to enterprises selected for IESP which include: Chartered accountants, town planners, business coaches, facilitators, sector specific skills development professionals and collaborations with corporates.

- Capital leverage for MIEs: Although the main focus was on BDS and not business finance, in several enterprises, access to finance (e.g. for tools, equipment or working capital) was a constraint. However, the requirements of current micro-finance lenders (including SEFA which was the best aligned) are typically beyond the reach of many MIEs. Typical challenges included: a) Business application formats difficult to understand and fill in; b) business plan and cash-flow documentation beyond MIE skillset; c) in some cases, minimum loan sizes too big. PPT did however take two actions in this regard:
 - **SEFA small loan MIE facility** – see 5.6.
 - **eThekweni Micro-grants proposal:** PPT submitted a proposal for R400,000 for grant funding for 24 enterprises to eThekweni in February 2015 at their invitation (10 enterprises at R25k and 15 at R10k). The proposal however was never approved due mainly to ambivalence about directly funding private enterprises and slow municipal/Committee processes in 2016.
 - **Affordable business space:** Functional and affordable business space was a key crosscutting challenge. Refer also to section 5.6.
- Time availability of Entrepreneurs: Most entrepreneurs are extremely busy and their time availability is highly constrained. This poses a range of challenges including securing meetings and acquiring data.
- Entrepreneur fatigue: Closely related to the above, in some cases, enterprises became fatigued (e.g. in respect of taking action on business development priorities or providing PPT with jobs evidence).
- Sectoral interventions: It is recognized that certain interventions cannot be made at the level of the individual enterprises (refer also to the enabling LED actions outlined in 5.6). One of these are sectoral

interventions which can unlock the potential of a grouping of enterprises within a particular sector (e.g. steel or clothing manufacture). Some work was done on this during the pilot phase and this will be pursued during the next phase. The two collaborative engagements that were fully implanted yielded good results as follows:

- Micro-growers: 91 jobs created and successful collaboration with Newlands Mashu Permaculture
- Crafters: 22 jobs created and successful collaboration with Africa!Ignite
- IESP Panel of Service Providers: Refer to 5.7.
- Emphasis on co-operatives: There is growing realisation that the current co-operatives programme in S.A. has largely failed. In addition, funding for co-operatives is still easier to obtain than funding for existing enterprises, not only for capital, but also for Business Development Services (BDS). It is noted that the IESP experienced these challenges in assisting Akubesiyezuka and Zukula Sikhakhane enterprises. Akubesiyezuka's lead entrepreneur was taking on all the responsibility for the business despite the co-operative arrangement and opted to change to sole ownership. By contrast, Zukula attempted to leverage funding from the co-operatives programme by assisting to form the Cottonlands Business Co-operative and restructure his operations. This endeavour was not successful. In both cases the enterprises were not able to function effectively as co-operatives. Key problems related to ineffectively defined roles and responsibilities within the co-operative and difficulties with decision-making.

5.5 Job Creation

Target: create 216 new, permanent jobs in the micro and informal enterprise sector in eThekweni. This was achieved via business support services, training and mentorship to selected MIEs (as outlined in 5.4 above) as well as via support to micro-growers (where a production-based jobs measure was utilised). Refer to **Annexure B4** – IESP Jobs Measurement Protocol which outlines how MIE and micro-grower jobs were measured and verified.

Achievement: The target was exceeded – 217 new permanent jobs created. In addition: a) there is significant potential for additional job creation within the enterprises selected – at least 586 new permanent jobs in the pipeline within 34 enterprises⁸; b) 385 existing jobs were made more sustainable; c) there were jobs which the project team believe had been created (e.g. based on site visits or entrepreneur oral reports) but where the required jobs evidence could not be collected or time-effectively collected. As indicated above, an IESP Job Measurement Protocol was developed and utilised (as approved by the Jobs Fund). This enabled the effective and reliable measurement of jobs in the absence of employment contracts.

Commentary:

- Productive growth in economy: Most of the new, permanent jobs created by the IESP are productive sectors (e.g. small manufacturing/production, services or specialized retail). They result from and reflect new productive capacity in the S.A. economy.
- Challenges in measuring jobs: It was time-consuming to gather jobs evidence from enterprises. This was usually done on a quarterly basis. As previously indicated, most entrepreneurs have severe pressures on their time and are often stressed and not available to meet. This was made more difficult in most instances because the jobs protocol kicked in only after support was provided or

⁸ There are 28 enterprises which have already received IESP support of some sort with additional job creation potential of 267. In addition, on PPT's MIE survey database of 488 enterprises, there are at least 41 viable enterprises with good high potential which can potentially create 1173 jobs. The combined total of 69 enterprises and 1173 jobs has been conservatized by 50% to give the figure reported here.

started. In the next phase this will be addressed by including jobs reporting obligations for MIEs as part of the initial agreement whereby an agreed packages of BDS is provided.

- Sectoral mix: The sectors which were supported by IESP have also been identified as key growth sectors by the National Department of Small Business Development.
- Enterprise accessibility: As previously indicated, entrepreneurs were not always easily accessible.
- Job measurement dominating: Measuring jobs became a major focus and project activity in its own right. To some extent this shifted resources and attention away from enterprise and entrepreneur development.
- Refer also to commentary under 5.4.

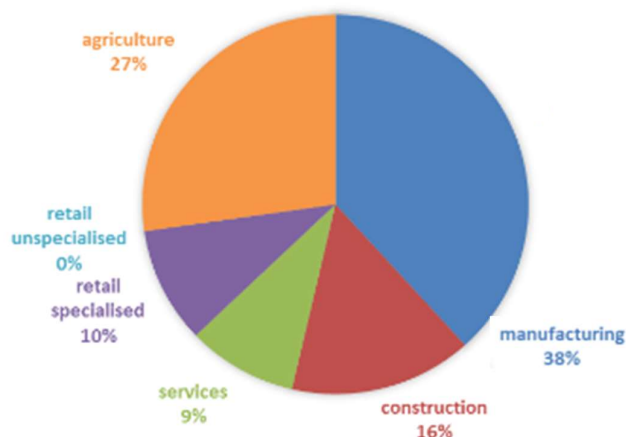


Figure 1: Pie Chart of sectors supported in the Pilot Phase of IESP

Table 4: IESP Enterprises and jobs created

Micro / informal enterprise (MIE)	Jobs created	Type of business	Sector
Akubeziyesuka Agri Co-Op	15	Various - block manufacturer, crèche, taxi services	Manufacturing
Ester Masinga	2	Manufacturing traditional three legged pots	Manufacturing
Eyekehthelo Furniture Co-Op	3	Wood crafters - high end quality product design and manufacture	Manufacturing
Frutee Belliez	4	Manufacturing food, Catering	Manufacturing
Georgesamo Agri Co-Op	1	Piggery and crop farming	Agriculture
Green Door	4	Textile /Clothing - production of linen (hospitals, hotels etc.)	Manufacturing
Khumalo / Zimisele	11	Crafts / beadwork - design and production	Specialised retail
Kukies Bakery	1	Confectionery - baking cakes, biscuits, scones (funerals, wedding & functions, catering)	Manufacturing
Makholeka	46	Road verge maintenance	Services
Nathi Interior Designs	1	Assembly and design of kitchen cupboards, built in units and other selected products	Manufacturing
Nhlapo Steelworks	1	Steel products (gates, burglar, window & doors)	Manufacturing
Nhlanhla Steelworks	1	Steel products (gates, burglar, window & doors)	Manufacturing
Agrihubs x 3	91	Micro-growers	Agriculture
Nonhlanhla Zondi - Manqoba's Tavern	9	Various businesses (retail, tavern, taxi service, etc.)	Services
Udomo Crafters	11	Crafts / beadwork - design and production of beadwork	Specialised retail
Vukaphansi Agri Co-Op	1	Piggery and crop farming	Agri-production
Zamakuphila	1	Textile / clothing: Uniforms & badges	Manufacturing
Zukula / Sikhakhane Block-making	12	Various - block manufacturer, taxi services, etc.	Manufacturing
Ziyawa Shisa-nyama	2	Various businesses (retail: tavern& 'shisanyama')	Specialised retail
Total MIE jobs created	217		

5.6 Enabling Local Economic Development

Target: Eight improved local economic development initiatives/actions enabled including more effective municipal investments. This is mainly focused on supporting and assisting eThekweni in undertaking smarter investments and actions to create a more enabling local environment for MIEs (including utilizing its own funding). Activities were to include engagement with local economic actors in the informal and formal economy and within the public sector and the identification of key enabling local economic development actions or interventions which can be made in order to create a more enabling business environment (e.g. enabling municipal investment in economic infrastructure, improved transport and logistics, local product branding, collective buying, marketing and distribution).

Achievement and commentary: 16 enabling LED actions⁹ were achieved (versus a non-numerical 'yes' target on the PIMP and a target of 8 on the detailed M&E Framework) . Substantial progress was realised as outlined below. It is noted that certain interventions necessary for MIE development cannot be taken at the enterprise-level and certain broader actions and interventions such as those outlined below are also necessary. The Project was conceptualised in this way, however to a significant extent, the need to chase down job targets resulted in a reduced emphasis on achieving the ideal targets. These will however be pursued further in the next phase of the IESP (e.g. SEFA small loan facility).

- **Participative Economic Action Planning (PEAPs):** LED planning and municipal investment occurred via PEAPs. 12 additional PEAPs in 12 additional informal economy precincts were rolled out in the period, 6 undertaken directly by PPT and six by service providers to the City who were trained and supported by PPT.
- **Affordable business space:** A lack of suitable space (mainly for small scale manufacturing) was an identified blockage to creating more jobs. eThekweni requested PPT's assistance in conceptualising, planning and designing affordable business space, including the development of tender documents. Three localities were selected and proposals prepared for R1.8million (for Hammersdale- Ithala building; KwaMashu- Nandi Drive; KwaMashu- Mandela Road; and Bester Market- Bridge City precinct). Whilst the initial concept at eThekweni's request was utilising containers, at PPT's recommendation it was subsequently agreed that, where possible, warehousing-type space would be more functional and better value for money. Whilst the construction has not yet been put out to tender, the work done establishes a new direction in respect of the location of such space as well as its design concept and materials (steel-frame warehousing).
- **SEFA MIE small loan facility:** PPT engaged with the Small Enterprise Finance Association (SEFA) over an extended time period, not only to assist certain enterprises who could meet existing SEFA requirements to apply and secure funding, but more importantly, to assist them in developing and managing a dedicated small-loan facility for MIEs who fall below their usual threshold size and with the IESP providing additional support and risk management.

⁹ 12 PEAPs, 3 affordable business space plans, 1 SEFA micro-finance proposal.

5.7 Enabling Partnerships, Collaborations & Relationships

Target: Develop partnerships with the local municipality, an agri-hub and beneficiary enterprises

Achievement and commentary: The IESP is a collaborative effort and significant progress was realised and many more relationships were initiated. PPT works closely with the supported beneficiaries, developed a collaboration with Newlands Mashu Permaculture in support to selected micro-growers in three agrihubs, and continues to work closely with the eThekweni Municipality (including the Economic Development, Engineering Services¹⁰, Business Support, Marketing and Tourism Units) and other stakeholders.

- **IESP Delivery capacity:** The capacity of the IESP to deliver was substantially developed during the course of the pilot phase. This was in large measure due to a range of enabling collaborations. Collaborations are important in establishing the necessary capacity to successfully deliver the Programme.
 - **IESP panel of specialist service providers:** A strong panel of specialist service providers was developed for delivering the programme. It includes individual specialists and organisational partners with varying skill sets and capacities (e.g. finances, human resources, agriculture, crafts, manufacturing methods, marketing, business coaches, etc.).
 - **eThekweni understanding and buy-in:** A significant increase in the understanding of and appetite for supporting the informal economy and MIEs within the City, largely as a direct result of the IESP. This includes both the Economic Development and Business Support Units in the City and will have significant downstream LED impacts. The IESP was presented to the Economic Development and Planning Committee of Council in November and was well received by the new Councillors and senior political leadership. At the IESP awards ceremony in September 2016 there was positive feedback from senior City officials. The City's EDGE publication released in November 2016 significantly featured IESP enterprises and work and related to this was knowledge dissemination at the EDGE seminar, held in late November 2016, which reflected significant engagement by senior City officials demonstrating an understanding of the importance of the informal economy and MIEs. The relationship between PPT and eThekweni in respect of MIEs and Informal Economy was strengthened.
 - **MIEs:** Improved contact and understanding was achieved between MIEs and the IESP/eThekweni Municipality (e.g. via site visits, roundtables, the IESP awards function, direct and indirect contact with eThekweni Business Support and Economic Development Units).
 - **Dept. Small Business Development (DSBD):** A relationship between the DSDB and PPT and eThekweni Municipality was forged as a direct result of the pilot phase of the IESP. This included bilateral meetings and teleconferences. A proposal for DSBD funding was invited and submitted. Discussions are ongoing with respect to DSBD co-funding for the next phase.
 - **Sector-level interventions and collaboration:**
 - **Pawalukhasa** – construction sector (micro contractors).
 - **Newlands Mashu** – micro-growers.
 - **Africa-Ignite** – crafters.
- For further details refer to section 5.4.*
- **PEAPs:** PEAPs are an important LED planning tool whose principal benefit is improved relationship/understanding amongst local economic actors (and also between them the external stakeholders such as eThekweni). Some refinement of the PEAP method is beneficial. The City will consider further rollout of PEAPs once it has considered the PEAP evaluation report by PPT.
 - **Durban Chamber of Commerce:** Significant engagement with the Durban Chamber of Commerce occurred with a view to secure greater access to the supply chain of corporates. So far this process

¹⁰ Mainly in respect of emerging contractors and the City's Vukuphila Programme.

has been identified but has not yielded any concrete results. PPT joined DCOC as a member to facilitate this process and significant time investment would be required toward developing a strategy for collaboration. Sectorally-based interventions may well be a more time efficient approach (refer to 5.4 and 5.6).

- SA Shipyards/Corporate Forum: Significant effort was invested in forging an MOU/collaboration with SA Shipyards with a view to establishing a Corporate Forum to be utilised as a platform for MIE support and CSI investment. A draft MOU was developed. SA Shipyards however appeared to lose interest in the initiative and the effort in pursuing it was, at the time, deemed not viable relative to other, more immediate priorities (e.g. job creation within existing MIEs being supported).
- SEFA: Refer to 5.6.

5.8 Training and skills development for enterprises

Description: Training and skills development for entrepreneurs and employees in business including IsiQalo (basic business skills training) and sector-specific, workplace skills training.

Target and Achievement:

- Achievement: 180 people trained (225% achievement) vs Target of 80
- Achieved an updated IsiQalo training manual

Commentary:

- IsiQalo training was originally envisaged as an introductory intervention to assist large numbers of entrepreneurs – a grouping bigger than those receiving business development support. This also assisted in identifying and selecting viable entrepreneurs.
- IsiQalo proved beneficial to participants, however it does not necessarily directly drive job creation, unless it is provided only to a group of pre-selected enterprises which have already been shown to have job creation potential. This is how it will be utilized in the next phase.
- Workplace-based skills development proved beneficial (e.g. cut-make trim, factory space layout etc.).
- The Jobs Fund indicated, midway through the Project, that it only wanted training to be provided in cases where it was directly linked to new job creation. Given that PPT had already met its training targets (mainly via IsiQalo, it did not prioritise any further training, except for sector-related, workplace skills training.
- A more detailed assessment of the specific benefits of training (as envisaged in the M&E framework) was not possible within the confines of the pilot project. In the case of IsiQalo, this was because of the large numbers of participants, informal training environment, and relatively low skill levels of participants, and because PPT was not continuing to work with most participants in respect of business development services. In the case of sector skills training, this was because of the workplace nature of the training. It is possible to remedy this in the next phase.
- Higher level business skills training was deliberately not provided (except in one instance and even then on a limited basis) due to an absence of demand, limited entrepreneur time and de-prioritisation of training targets by the Jobs Fund.

5.9 Monitoring & Impact Evaluation

Description: The purpose of this activity is to ensure that project activities are accurately monitored and are completed as per scope, on time and within budget, and that required outputs are achieved. Impact of project is evaluated to determine whether the project has achieved its overall goals and the intended

outcomes of each activity. This includes the development of M&E Framework, implementation of all activities defined in framework including assessments and measurements against target output and outcome indicators, all reporting and associated risk management.

Target and Achievement:

- Achieved the development of detailed M&E Framework (refer to Annexure D)
- Achievement: 14 reports submitted and accepted by JF and eThekweni vs Target of 12 Quarterly¹¹
- Additional (unscheduled at project design stage – these being subsequent requests of the Jobs Fund arising from post-contract JF Guidelines):
 - IESP Jobs Measurement Protocol (refer to Annexure B4).
 - Independent Impact Evaluation by David Christianson (September 2016),
 - Self-evaluation by PPT (December 2016).

Commentary:

- PIMP: The PIMP is regarded as the main contractual document which provides the key performance measures against which project performance is to be assessed. It is however very empirical and focused on short term outcomes such as job creation.
- IESP Jobs Measurement Protocol: A jobs measurement protocol, appropriate to MIEs and the informal economy, was agreed between PPT and the Jobs Fund in a meeting held on 27th February 2015, documented by PPT and emailed to the Jobs Fund on 02 March 2015. This establishes a comprehensive and verifiable alternative MOV to formal contracts of employment. Refer to Annexure B4.
- M&E Framework: PPT developed a more detailed M&E Framework for its own purposes in order to obtain additional M&E data and to assist with learning and IESP method refinement. Whilst not all of the data could be collected, it was nonetheless valuable in providing additional learning and in helping to focus impact evaluation.
- The IESP is multifaceted, consisting of several mutually supporting activities and interventions. This has made the project more difficult to evaluate and, in some instances, more difficult to align with other support programmes which have particular foci (e.g. Jobs Fund or DSDB).

5.10 Knowledge Resources & Dissemination

Description: The purpose of this activity is to ensure that learning from the project is consolidated into practical and accessible knowledge resources and disseminated.

Target and Achievement:

- Achievement of 9 methods and tools developed and documented.
- Achievement 23 case studies developed vs Target of 5.
- Achievement 3 knowledge dissemination and learning workshops held vs Target: of 2 (namely the Roundtable, EDGE seminar and the IESP Awards ceremony)

Commentary:

- Toolkits – 9 main tools, 5 toolkits, 24 components:
 - Enterprise selection and screening tool (5 main tools, 12 components),
 - Enterprise survey tool (questionnaire linked to Excel database),

¹¹ Noting the addition of an approved two quarters to the JF Project ending 30 September 2016

- Business Development Plan tool
- Comprehensive PEAP toolkits (6 components),
- IsiQalo basic business skills training manual (6 components),
- Case studies: 23 enterprise case studies.
- Learning events and knowledge sharing: a roundtable meeting involving entrepreneurs, IESP team and eThekweni (held on 04 November 2015), The EDGE seminar (held on 22 November 2016) an IESP Awards Function (held on 15 September 2016). In addition, several meetings with eThekweni (EDU and BSU) to report back and disseminate method and learning as well as Project Steering Committee meetings (held quarterly).
- Information on the IESP can be found on PPT's website¹²
- A dedicated IESP web-based Portal was developed to create a web-based platform for communicating, sharing data and disseminating knowledge¹³. Refer to section 5.3 and 8.2.i. for more information.

5.11 More Efficient Methodologies

Target: More effective methodologies and approaches for micro and informal enterprise development developed and mainstreamed.

Achievement and commentary: The target was exceeded:

- At the level of the IESP's methods and tools, the targets were exceeded - refer to 4.5 (Activity 6). The development of new methods and tools was a particular area of success. More will be done in the next phase in respect of refining, expanding and mainstreaming the use of these tools.
- At the level of strengthening the City's broader Informal Economy Programme, significant progress was made, in particular during the last year of the 3-year pilot phase. The Project has played a significant role in this regard. Examples of this include: the scaled up rollout of Participative Economic Action Plans (PEAPs) throughout the City using methods and tools developed by PPT and with direct PPT support and training; a positive shift towards funding more appropriate, functional and inclusive affordable business/manufacturing space for MIEs; a roundtable workshop/discussion including key City officials and IESP-supported MIEs as well as other knowledge-sharing discussions. Clear evidence of this shift in understanding was the City's flagship EDGE (Economic Development and Growth in eThekweni) Publication and Seminar of November 2016. The publication featured the IESP and utilised images of MIEs it has supported (including the front cover image). At the Seminar itself, the latest IESP Newsletter was circulated. The nature of the discussions at the seminar clearly reflected a shift in understanding of the importance of MIEs in economic development in the City.
- In addition, significant progress was made in engendering greater support amongst key external stakeholder as to the importance of MIEs and the informal economy and how they can be more effectively and programmatically supported. Aside from eThekweni Municipality, PPT observed positive shifts in understanding within the Jobs Fund itself as well as the Department of Small Business Development, SEFA, Durban Chamber of Commerce and corporates, amongst others.

6. Assessment using Jobs Fund Evaluation Measures

¹² www.pptrust.org.za

¹³ www.iesp.org.za

6.1 Relevance

The IESP is highly relevant to the needs of micro and informal enterprises (MIEs), many of which have potential to grow but lack access to the necessary business support services. The IESP directly addresses this gap by providing structured business support services which can unlock business growth and job creation.

The IESP is also highly relevant in meeting national objectives of economic growth and job creation, especially given the environment of high unemployment and slow local and international economic growth within the formal sector. The Programme was conceptualized in close collaboration with eThekweni Municipality and was informed by PPT's extensive prior experience working with various MIEs on other support programmes both within eThekweni and in other parts of KZN. The particular needs of MIEs and challenges facing them were thus factored into the conceptualization and design of the IESP.

Methods of the IESP are uniquely tailored to address the market gap of BDS for MIEs and its overall strategy has proven itself as effective and relevant. MIEs typically cannot afford to pay for specialist business support services. The IESP provides these at a zero cost to the enterprise for a particular package of services based on an assessment of growth potential and focused on addressing specific business growth trigger points (i.e. business development barriers or opportunities identified). The independent analysis provided by the IESP is valuable to MIEs who are often locked into a mode of maintaining current operations and benefit from an outside perspective and encouragement. Most MIEs have particular constraints which block business growth which can be overcome with the right kind of support (e.g. improved financial record keeping).

As outlined in the preceding sections, the activities and outputs of the project are consistent with its intended outcomes and impacts. There was significant refinement of the IESP method during the course of the pilot phase intervention. A key factor is to make efficient use of available funding to leverage entrepreneur empowerment, business growth and job creation. Please refer to section 1.1. for more information about the rationale for the IESP and problem statement which it addresses.

6.2 Effectiveness

6.2.1 Overview

The IESP exceeded all of its key targets¹⁴ as outlined below.

Table 5: PIMP indicators and achievements on main programme outcomes

Indicator (as applicable)	Year 1		Year 2		Year 3		Final Total		Beneficiary Actuals (disaggregated)			
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	%≤35	% F	% M	%PDI
Number of new permanent jobs created as a result of the funded initiatives	0	0	108	17	108	200	216	217	38%	44%	56%	100%
Number of new short term jobs during of the grant funding	0	2	10	5	10	17	20	24	25%	38%	62%	63%
No. of Trained Beneficiaries	80	32	0	47	0	101	80	180	22%	68%	32%	100%

6.2.2 Additional value/achievements

In addition, there were a range of additional achievements including the development of significant enabling collaborations and delivery capacity, the development of toolkits and knowledge resources, and improvements in the LED environment (e.g. PEAPs and affordable business space planning).

6.2.3 Contract extension

A no-cost time extension of two quarters was applied for and approved by the Jobs Fund on 15th September 2015. This time extension was beneficial because the first reporting quarter of the project was largely unproductive (given that the contract with eThekweni Municipality for co-funding was only signed towards the end of the last month of quarter) and also to provide additional time for support and follow-through for enterprises receiving support and to maximize the job creation leverage. The time extension had no negative cost impacts and it was entirely beneficial.

6.2.4 Reasons for success

Key reasons for the success of the IESP in efficiently achieving its result targets include:

- Effective project concept which addresses a real and compelling market gap (BDS for MIEs and related enabling LED actions).
- Strong organizational platform in Project Preparation Trust – an organization of more than twenty years' standing with comprehensive understanding of the complex array of challenges and opportunities within the informal sector and the ability to conceptualize and deliver effective support programmes in areas where government and other agencies are unable to operate

¹⁴ Note: project implementation period ended 30 September so the project life was over 3 years i.e 3 years and 6 months. Therefore, the achievements that took place after March 2016 (April to September 2016) are added to year 3.

effectively.

- Committed and skilled personnel (within PPT and on its panel of service providers).
- Significant commitment from eThekweni to the IESP with the commitment and understanding increasing and broadening over the term of the 3-year pilot phase.
- Jobs Fund support for the 3-year pilot phase.
- Significant numbers of highly committed entrepreneurs within the MIE/informal economy space.
- Significant numbers of enterprises with real growth potential – even though as a proportion of all enterprises they represent a small percentage.
- Significant development and refinement of the Programmes methodology and activities.

6.2.5 [Management and governance arrangements of Project](#)

Management and governance arrangements were generally effective. All reporting deadlines were met and data and evidence provided on time and as required as per PPT's standard data management processes (all key data is supported by valid forms of evidence, signed off by both the Project officer and Finance manager). Some challenges were experienced during the first year of the project in respect of coordinating enterprise assessments, business mentorship activities and data collection. This was addressed mid-project and these challenges were resolved. No problems were experienced with respect to governance as evidenced by four clean audit reports, which were conducted by SizweNtsalubaGobodo and also in line with PPT's approved financial controls.

6.2.6 [Jobs Fund management, governance and processes](#)

The Jobs Fund were substantially supportive of the IESP and PPT acknowledges the Jobs Fund for recognizing the strategic value of the IESP and the importance of MIEs and the informal economy as a critical component of long-term economic growth and job creation strategies in S.A.

It is however noted that, in the early stages when the JF fell under the DBSA, there were some difficulties pertaining to communication and discontinuities with certain personnel assigned to the Project. This resulted in some time wastage and gaps in a lack of full understanding.

Various changes within the Jobs Fund occurred including an evolution of Jobs Fund methods, processes, reporting requirements and institutional arrangements during the three and half year term of the Project (and five years since the initial project was developed and submitted). It was also evident, in the early stages, that there was not always full understanding about the IESP.

There was a shift in the Jobs Fund (JF) during the early stages of the pilot phase towards a greater focus job creation as a more primary factor as opposed to enterprise and entrepreneur development (which formed the main basis of PPT's original proposal). It is noted that the original application targeted 138 new jobs and this was increased to 216 at the time of developing the final PIMP (June 2012) due to the Jobs Fund's desire to achieve greater job creation numbers. This was not a negative factor in its own right, provided the additional, qualitative measures are still afforded value.

There were also some shifts in JF expectations as to how jobs were to be measured within the informal economy context. These were eventually resolved in a positive fashion.

Several changes in JF personnel assigned to the project (at M&E and Project Manager levels) during the early period of DBSA managed period caused a degree of discontinuity and confusion.

There was a significant improvement when the Jobs Fund was handed over to National Treasury. Overall expectations, processes and communications in the latter period have been clear.

6.2.7 Effectiveness of specific interventions/activities

All of the key interventions / activities were beneficial and contributed towards overall project success. Refer to section 5 for more information. The following summative comments are made:

- *Enterprise identification, assessment and selection:* This is a critical project activity, essential for 'filtering' those entrepreneurs/enterprises with real potential to grow. It was effective. Significant refinement to the method was achieved during the course of the 3-year pilot phase.
- *Business development support and mentorship:* This is critical and is the core of the IESP. It was effective. Significant refinement occurred during the course of the 3-year pilot phase. Going forward, a greater emphasis on sectorally-based responses (e.g. textile or steel manufacture) will be beneficial (e.g. to facilitate collective access to raw materials at lower cost or to collaborate in respect of accessing new markets through being able to meet larger orders). Significant constraints were experienced in accessing capital finance (grant or loan) for selected (viable) enterprises.
- *Enabling LED actions:* This remains an important activity. It was partially effective and contributed towards success, although in some cases indirectly and/or with some of the impacts being long term (beyond the project end date). However, the extent to which, going forward, these actions are directly facilitated by the IESP (as opposed to directly by eThekweni) remains to be seen. Certain (e.g. SEFA small loan facility) will be driven directly by the IESP. Others, such as PEAPs, are likely to be undertaken directly by eThekweni. Still others, such as affordable business space, would still benefit from some level of IESP input to keep them on track.
- *Enabling partnerships and collaborations:* These remain critical, especially given the nature of the IESP and the need for stakeholder support for methods and approaches that are not yet mainstreamed and generally prevalent. They were effective and remain a priority going forward. There are several relationships and collaborations which afford significant job creation and MIE development potential, which have not yet been fully tapped (e.g. SEFA, DSDB).
- *Training and skills development:* This remains an important activity, but one which will be selectively undertaken. It proved effective during the three-year pilot phase, although in some cases the benefits were not directly linked to job creation which could be measured during the project life cycle. Certain training (e.g. workplace skills training and IsiQalo rendered to prioritized enterprises) was more closely linked. However others (e.g. IsiQalo rendered to enterprises which did not receive BDS) served broader objectives such as helping to identify and select viable enterprises and generally strengthen local business skills. Going forward, the IESP will provide training in a more targeted fashion, it being noted that the training element of the Project was conceptualized before the Jobs Fund requested that training be directly linked to job creation.
- *Knowledge resources & dissemination:* This remains an important activity and one that proved effective. Many of the tools developed were necessary for the IESP to function effectively and did not previously exist. Others have played an important role in strengthening key stakeholder and decision makers understanding of MIEs and the informal economy.
- *M&E:* This remains an important activity and one that was effective in most respects. However, streamlining of the evaluation framework was necessary and there are limitations in respect of certain data availability (most notably financial information about enterprises such as profit and turnover). The collection of data from MIEs is time consuming and streamlined tools are necessary. The Job Measurement Protocol functioned effectively, although even this data was time-

consuming to collect (compared to the evidence of a jobs contract in the formal sector). Going forward, and now that the IESP's tools are more clearly defined, the data requirements will be more tightly negotiated with enterprises as part of the offer and acceptance of BDS support.

6.2.8 [Adjustments made to process and indicators](#)

No adjustments were made to target indicators and all of the key indicators were met or exceeded. As outlined in section 5 and in the preceding sub-section, significant refinement to various activities were made (notably enterprise selection and business support packages). These refinements are regarded as a project success and lay a strong platform for the next phase.

6.2.9 [Gender and youth equality](#)

The Project was relatively successful in respect of gender equality, with approximately 43.6% of entrepreneurs being female and 44% of new permanent jobs (96) created being occupied by females. As previously indicated in section 1.2 (theory of change barriers), there are constraints with respect to identifying viable youth entrepreneurs, in particular given the need to focus substantially on existing enterprises with a track record. Nonetheless, a few of the entrepreneurs assisted were youth and 38% of jobs created were occupied by youth (82). It is again emphasized that the primary objective of the IESP is to empower and grow MIEs with the priority being on those with the greatest potential. It is problematic to add a selection restriction/criterion pertaining to youth, especially since, in the long run, enterprises will employ a mix of age groups as employees, including youth.

6.2.10 [Conversion of outputs into outcomes](#)

Refer to “Effectiveness of specific interventions/activities” earlier in this section. Outputs have indeed been converted into outcomes (noting that all PIMP outcome targets were exceeded).

It is however again noted that the some of the most critical project outcomes are not reflected on the PIMP, which is the main monitoring evaluation tool used by the Jobs Fund (e.g. establishing a viable platform for supporting MIEs and the informal economy which can be scaled up going forward). The strategic outcomes of the IESP extend beyond immediate job creation (during the term of the Project) and cannot be easily empirically measured. Significant progress has however been made with these strategic objectives, in particular given the historical lack of understanding of MIEs and the informal economy and how to more effectively support this critical part of the economy.

6.2.1 [Contextual shifts and impacts](#)

Aside from the afore-mentioned shifts and evolution within the Jobs Fund itself, there were some additional factors which had impacts on the pilot phase of the IESP:

- A significant slow-down in SA and global economies. This negatively impacted both the formal and informal economies and made the IESP's 3-year pilot phase significantly more challenging with a reduction in the number of opportunities that could be pursued. Success was achieved, but more could have been achieved in more buoyant market conditions.
- Limited understanding of the informal economy: Despite its obvious importance, there remains limited understanding of the informal economy in certain quarters and how it can best be supported. PPT's JF Project shows how improved support can be provide in a programmatic and practical way. However, over and above the difficulties in innovating a new method, PPT at times faced an

additional challenge in having to communicate the project rationale, context and relevant M&E tools on an ongoing basis. There is now a positive shift in this regard, but there is still not full receptiveness and understanding in all quarters.

6.3 Efficiency

6.3.1 [Financial Assessment](#)

Table 6: Projected Income, approved budget and actual disbursements

Projected Income	Budget Approved	Actual Disbursed
A Jobs Fund Grant	5,000,000	5,000,000
B Matched Funding	1,000,000	1,000,000
<ul style="list-style-type: none"> • Own Funding Contributions 		
<ul style="list-style-type: none"> • Contributions from other Sources 	1,000,000	1,000,000
<ul style="list-style-type: none"> • Loan Financing 		
<ul style="list-style-type: none"> • Value of in kind contributions 		
D Other Project Income		
E (A+B+D) Total Income	6,000,000	6,000,000
PLANNED EXPENDITURE	Budget	Actual
F.a Management Costs	758,000	968,740
F.b Transfers and Subsidies		
G Project-related Costs	5,242,000	5,031,260
<ul style="list-style-type: none"> • Compensation 	1,714,000	3,394,802
<ul style="list-style-type: none"> • Goods and Services 	3,419,000	1,354,598
<ul style="list-style-type: none"> • Goods and Services - Other 	109,000	281,860
<ul style="list-style-type: none"> • Capital 		
K (F+G) Total Expenditure	6,000,000	6,000,000
FINAL COST PER JOB (new, permanent)	Projected	Actual
	R27,778	27,649

6.3.2 [Cost justification](#)

The IESP offers good value for money in respect of job creation relative to other economic development and job creation initiatives. The gross cost per new, permanent job on the 3-year pilot phase was R27.6k and this will improve significantly to R13.5k on the next, upscaling phase. It is understood that the gross cost per job in the IESP of R27k is significantly better than the average for Jobs Fund projects. The cost efficiency will improve significantly in the next phase due to the necessary systems, processes, methods and capacity now having been established. As previously noted, there has been significant refinement to the IESP's methods and significant delivery capacity and standard tools have been developed.

In addition, it is emphasized that the new jobs created by the IESP are mostly in productive sectors (e.g. small manufacturing/production, services or specialized retail). In most cases, they result from and reflect new productive capacity in the S.A. economy. It is expected that these represent a net growth of jobs in the S.A. economy as opposed to jobs being shifted from one place to another as might occur in some other initiatives (e.g. it is possible, using formal contracts as a jobs measure, that by insourcing instead of

outsourcing a service, for example, new permanent jobs can be reported with no net jobs gain in the economy).

6.3.3 [Synergies with other partners and programmes](#)

Collaboration and co-operation are a central element of the IESP and are a key reason for its success so far. Significant progress was realized in the pilot phase in this regard (refer to section 5.7). The development of certain additional synergies will be taken further in the next upscaling phase (e.g. SEFA, DSDB).

6.3.4 [Adequacy of technical resources](#)

There was significant strengthening of the IESP's technical resources during the 3 year pilot phase. The technical resources are now adequate – refer also to section 5.7 (panel of IESP Service Providers). Technical resourcing refinements included: a) moving away from general business mentors towards greater use of specialists (e.g. accounting, cut-make-trim, record keeping); b) increase in number of specialists being used.

6.3.5 [Adequacy of financial resources](#)

The financial resources were adequate, although the efficiency with which these were utilized improved significantly during the course of the Project. There were some inefficiencies during the first year, in particular in respect of enterprise selection, ongoing mentorship not directly linked to job creation, and more tightly structured BDS packages. As outlined in sections 5.3 and 5.4, there was significant refinement of the IESP's methods during this time.

6.4 Impact

6.4.1 [Summary of key intended impacts](#)

Positive impacts:

- The IESP exceeded all of the programme-level outcome impacts targeted in the PIMP (job creation and training) and met or exceeded most of the project-level outcomes.
- However, as previously indicated, the primary impact value of the IESP does not lie in immediate job creation but rather in respect of establishing a platform for upscaling, replication and mainstreaming. In and of itself, the 3-year pilot phase will not significantly impact national economic growth and job creation targets. However, if replicated and up-scaled, the IESP can and will have significant impact. It is therefore significant that most of the key additional outcome indicators/measures arising from the Business Case and detailed M&E Framework were also achieved (e.g. pertaining to stakeholder collaboration, methodological refinement, delivery capacity, knowledge resources and toolkits). It is again emphasized that the IESP is a unique initiative which establishes a programmatic response model to support MIEs and the informal economy and which addresses a critical gap in both the market and current government programmes.
- The direct value proposition of the Project extends well beyond job creation. Whilst job creation is achieved, the core value of the project lies largely in other areas such as:
 - Strengthening micro-enterprises (e.g. in terms of their business models and approaches).
 - Strengthening micro-entrepreneurs (in terms of their skills and capacities).
 - Helping to create a stronger local culture of entrepreneurship.

- Development of new methods, tools and knowledge resources which can be replicated and up-scaled.
- Enabling LED actions and sector based interventions with broader knock-on benefits. (see 5.4 and 5.6).

Negative impacts: There were no known negative impacts. Great care was taken to avoid creating enterprise dependency and unrealistic expectations.

6.4.2 [Summary of additional key impacts](#)

The project was well designed and most of the impacts achieved were anticipated and planned for, with several targets being exceeded (e.g. job creation, training and enabling LED actions). It is again noted that the value of the IESP extends well beyond job creation and much of the core value lies in other key areas. Refer to 6.4.1 above for details. These significant qualitative and strategic impacts (e.g. in respect of creating a viable IESP platform and mainstreaming programmatic support to MIEs and the informal economy) were part of the project plan for the pilot phase and are therefore not regarded as ‘additional impacts’.

6.4.3 [Innovation](#)

The IESP is an innovation in and of itself, although it is apparent that this is not always appreciated or understood. It is also a programme-level innovation (focussed on scale-able change) rather than a project-level innovation. It is innovative because it provides BDS and related support into an otherwise unsupported market niche (MIEs and the informal economy) using particular methods, capacity, collaborations and tools. The innovation lies in the way in which the IESP is designed, resourced and implemented as a programme of support. Though BDS in itself is not a new concept, providing them to MIEs and in the space of the informal economy is. This is because such services are typically unavailable to MIEs for various reasons and providing them in this space requires special methods and capacity. Not only can MIE’s typically not afford to pay for BDS but they are also not available in a form which is appropriate for and accessible to them. BDS requires significant adaption and customisation in this space (e.g. due to constrained literacy and time availability) and in addition, the informal economy context needs to be understood by the specialist service providers (e.g. in respect of how to communicate, establish trust etc.). The IESP’s innovation lies in providing of BDS to this niche sector which is a critical part of the economy.

However, notwithstanding the above, it is apparent that the innovative dimension of the IESP is not always fully recognised. This is probably because innovation is most often associated with entirely new products (e.g. technology) or services - ‘radical’ from a product or services point of view. By contrast, the IESP’s innovation is ‘incremental’ from a service point of view, but with radical aspects in respect of process, methods and in reaching into a new market segment (MIEs and the informal economy). The Jobs Fund itself provides for various types of ‘incremental’ innovation (such as that provided by the IESP) in its own definition, including “*a process that changes the way in which products or services are created or delivered as well as a paradigm shift whereby changing the participants or direction which is presently a dominant paradigm within the system*”¹⁵. There is also a tendency to associate innovation with specific projects rather than programmes.

It is assumed that PPT’s application to the JF for IESP funding for the next phase via the Innovation Round (submitted February 2016) was turned down principally due to it being regarded as insufficiently innovative

¹⁵ Jobs Fund 6CFP Innovation Round Term Sheet (16 November 2015) – 5.1

(i.e. it being an ‘incremental’ rather than a ‘radical’ innovation¹⁶), even though, as outlined above, it does align with the JF’s overall definition of innovation. It is assumed that there may have been a preference for initiatives which focussed on radical product innovation (e.g. new technology), rather than initiatives such as the IESP where the innovation lies mainly in introducing an existing type of service into a new and strategic market niche with significant modification of the service offering being required.

In the South African context, where there is a compelling need to address and overcome a range of large-scale challenges, including those pertaining to the economy, job creation and inequality, incremental innovation at the programme-level can play an especially important role. A crosscutting challenge in S.A. is unequal access to resources and opportunities. Often radical, product innovation is emphasised over getting the basics right. Often ‘best practice’ or ‘world-class’ is emphasised over what is ‘fit for purpose’ and scale-able. Achieving change at scale and population coverage are critical in the S.A. context. This means balancing so-called ‘depth’ and ‘breadth’ responses and ensuring optimal use of limited financial and other resources to produce change and transformation.

The IESP, as a programme-level innovation, is thus highly relevant and indeed necessary in supporting and stimulating an important and under-served part of the economy. Process and delivery innovation such the IESP (e.g. making use of the specialist capacity and resources of a dedicated support NGO such as PPT) is necessary in order to achieve change at scale and in order to ‘get the basics right’ (e.g. getting BDS services to under-resourced MIEs who need them most).

6.4.4 [Catalytic effects and systemic change](#)

Once up-scaled, the IESP will have significant catalytic effects. It has already played a significant role in engendering greater understanding about MIEs and the informal economy and how they can be more effectively and programmatically supported. The method of the IESP can potentially be scaled up nationally and replicated in other Metros.

The goal of the IESP is to: “Demonstrate, refine and mainstream an improved programme of support and enablement for micro-enterprises and the informal economy” (as per the Project Logframe). Whilst its immediate objectives are to upscale within eThekweni Municipality, the niche market gap it fills is prevalent across South Africa. The IESP’s methods, systems and tools are replicable in other parts of South Africa, especially in other Cities/urban centres.

The IESP method addresses a critical and under-served need using innovative methods. There is acceptance within government, private sector and NGO sectors that the informal/MIEs are strategic, not only for economic growth and job creation, but also to address poverty and inequality. Economic growth which does not address poverty and inequality is not sustainable, this being one of the contrasts between American and Chinese economic growth over the past few decades (as highlighted by renowned economist and Nobel Laureat Joseph Stiglitz).

Whether the IESP itself in future expands its operations outside eThekweni (e.g. to other KZN urban centres) or other market players/ government start utilising its principles within existing or new and better diversified economic support programmes, the IESP clearly represents a path-breaking approach and affords substantial potential for further replication and upscaling.

¹⁶ Jobs Fund 6CFP Innovation Round Term Sheet (16 November 2015) – 5.1

6.5 Sustainability

6.5.1 [Project \(IESP\) sustainability](#)

The IESP is a scale-able support programme for BDS and other assistance to MIEs and the informal economy. It addresses a critical market gap.

The sustainability of the IESP is premised mainly on current and future demand for its specialist, niche services from government (mainly eThekweni Municipality), the private sector (mainly Durban-based corporates) and development finance institutions (DFIs) such as SEFA. There is already acceptance of the need to intervene and support change, but a lack of viable 'vehicles' to do so. The IESP provides such a vehicle. Whilst end-user MIEs can pay for some IESP services, this will never cover all of its costs.

There is already substantial proof of this demand arising from the current pilot phase. Full operationalisation will strengthen the market offering enabling full sustainability e.g.: via strengthened collaborations; expanded specialist capacity; improved economies of scale.

The demand for IESP services is underpinned by economic necessity for South Africa and a realisation, both locally and internationally, that the informal economy and MIEs are key drivers of economic growth and job creation. They are recognised as 'here to stay' and as including large numbers of dynamic enterprises. It is also recognised that interventions need to be made. Change will not happen organically.

A key sustainability factor is PPT's strong institutional platform as a specialist service-providing support NGO with an established track record in successfully conceptualising and implementing innovative developmental initiatives such as the IESP.

The IESP itself is not designed to generate business owner or shareholder profits. Given the particular context, commercial sustainability is determined by the ability of the IESP to meet all of its operational expenses through revenue generated from clients.

6.5.2 [Sustainability of jobs created and enterprises supported](#)

The IESP has taken care and exercised due diligence in respect of the sustainability of the new permanent jobs which it has created (refer to the Jobs Measurement Protocol in Annexure B4 and 2nd tier evidence in Annexure F2). Although the Jobs Fund define a sustainable, permanent jobs as one which exists or can exist for more than a year, the objective is naturally jobs (new positions in the economy) which exist on a longer term basis. There are however obvious and inherent difficulties in determining job sustainability as well as associated net-gain of jobs in the economy. The nature of the economy and constituent companies change over time. This is normal and necessary. No business/company can guarantee its future existence due to a range of factors, some of which may be beyond its control (e.g. changing global demand, recession, unforeseen technology changes/product redundancy, new competitors or products etc.). This relates to the limitations of job creation as the primary measure of economic/business growth. The real value of the IESP extends well beyond immediate job creation. Its biggest value proposition is in developing entrepreneurs, engendering a stronger culture of entrepreneurship and in helping other support programmes and LED investments to be more intelligently and effectively focused (e.g. affordable business space, micro-grants).

6.5.3 [Implications for future JF focus](#)

More effectively supporting MIEs and the informal economy is clearly a strategic priority for South Africa, but to achieve this, specialist capacity and methods, such as those provided by the IESP are necessary. Given

that end-users (MIEs) are unable to directly pay for the BDS and other support they require, external funding is critical and it is therefore hoped that the Jobs Fund will continue to provide some of its funding to support this critical part of the economy. The paying 'clients' of the IESP consist mainly of those funders and government entities with an interest in producing economic change in this part of the economy and creating new, permanent, sustainable jobs. It is hoped that the Jobs Fund will therefore consider further funding for the next phase of the IESP and for other, similar initiatives. Without such funding, the IESP will cease to exist and support to this part of the economy will not be possible.

The Jobs Fund can also play an important role in helping to engender greater understanding and realism about MIEs and the informal economy and how to more effectively support them, given its prominent positioning and credibility in S.A.

6.5.4 [Support of IESP by other institutions](#)

Support for the IESP (and similar initiatives supporting MIEs and the informal economy) is critical for reasons outlined above. The status of support is as follows:

- *eThekweni Municipality*: eThekweni are PPT's core partner and the anchor co-funder of the IESP. The key departments (Economic Development and Investment Promotions, Business Support, Marketing and Tourism and Human Settlements Units) are fully supportive of the IESP. A Committee Report on the IESP was presented to the Economic Development and Planning Committee in November 2016 and was well received. At earlier stages in the Programme however, there have been challenges in securing optimal understanding and buy-in from certain Councilors and the Economic Development and Planning Committee. For example, in the early stages the IESP was confused with the PEAP rollout Programme. Also, the 2016 local government elections had a negative impact in respect of tabling a report to the aforementioned Committee to secure co-funding commitment for the next phase. This will now only be possible early in 2017.
- *Jobs Fund*: The Jobs Fund are regarded by PPT and the IESP as a second anchor funder, including for the next phase. Whilst it is understood that the Jobs Fund prefer not to fund an initiative more than once, the IESP is atypical of most Jobs Fund grantee programmes in terms of its market niche, end-user affordability and a lack of other funding options for this critical part of the economy.
- *National Department of Small Business*: The DSBD were extensively engaged during the latter part of 2016. They strongly endorsed the IESP's methods and informal economy focus. There was a strong alignment with their own Programme objectives and priority sectors. They invited an IESP funding proposal which was submitted in July 2016. However, for various reasons, there are limits to the kind of activities and enterprises they can support (e.g. preference for small grants and enterprises which can be 'transitioned' to formal status). They are however seen as a part co-funder for the next phase, providing 50% matched funding together with eThekweni Municipality.
- *SEFA*: The initial engagements with SEFA during the 3-year pilot phase were promising. Further work is required early in the next stage in order to finalise arrangements for a dedicated small loan facility for MIEs with the IESP providing special support and risk reduction (e.g. enterprises screening, business support, monitoring and early risk detection/mitigation). SEFA are clearly interested in penetrating this market segment.
- *Corporates*: Whilst some progress was made with corporates, more work needs to be done in the next phase. There is significant potential to tap into corporate funding for the IESP as well as corporate supply chains for MIEs. This does however require associated sectoral interventions and sufficient economies of scale which will only be possible once next-phase funding is secured.

Overall, whilst there is significant support from local and national institutions and a strong platform has been

laid, more still needs to be done to enable replication and upscaling of IESP-type support both within eThekweni and elsewhere in S.A. This includes promoting greater understanding of MIEs and the informal economy and how they can be more effectively supported. Existing programmes, methods and preconceptions still tend to dominate (e.g. focus on co-operatives; regarding MIEs and the informal economy as purely survivalist with limited economic growth contribution; preference for capital funding and infrastructure as opposed to BDS for MIEs).

7. Post Implementation Activities

Actions	Due date
Proposals to eThekweni & Department of Small Business for partial co-funding (combined 50%) for next phase	Approximately 28 th February 2017
Proposal to Jobs Fund for funding for next phase	16 th March 2017
Monitoring update to JF on jobs and enterprises from 3-year pilot phase 12 months post-contract	30 th September 2017
Commencement of next, upscaling phase	Approximately 15 th January 2018

8. Lessons Learned

8.1 Overview of good practices/lessons learned during 3-year pilot phase:

- i. **Many MIEs have real growth potential and can create jobs:** MIEs and informal economy matter and can be cost effectively supported to create significant numbers of new, permanent, sustainable jobs. There are plentiful MIEs/entrepreneurs with real growth potential.
- ii. **The entrepreneur is more 'bankable' than the business plan.** The primary focus should be the entrepreneur. The key business success factor is the entrepreneur.
- iii. **Focusing on startups is limiting:** At the outset, PPT recognized that the success rate of business start-ups, across the board, is very low. The IESP therefore gave no special priority to startups. Only one start-up met the IESP's selection criteria. Focusing on start-ups would indeed have been very limiting, yet is often pursued as a government priority.
- iv. **Jobs are not the only measure that matters:** Whilst the creation of new permanent jobs is an important and understandable measure of economic growth, it is insufficient as the sole and perhaps even the primary measure. Additional qualitative impact measures are important.
- v. **MIEs and informal economy still poorly understood:** Despite an increased awareness of the importance of MIEs and the informal economy in S.A. there remains a low level of understanding as to their nature, potential and as to how they can be effectively supported.
- vi. **Specialist capacity and methods needed to effectively reach and support MIEs:** MIEs and the informal economy are different in many respects to formal small to medium businesses. Conventional BDS approaches and service providers are typically not effective.
- vii. **Sector level interventions can yield positive impacts:** Sector level responses can afford better economies of scale than bilateral support.
- viii. **Enabling LED actions/interventions can help catalyze growth:** Although there can be a significant lead-in time with these interventions (e.g. affordable business space, SEFA small loan facility), they can unblock or help catalyze business growth within MIEs.
- ix. **Cost-efficient enterprise identification, assessment and selection is key:** Although there are significant number of viable MIEs with real growth potential, a large number of MIEs need to be 'sifted' in order to identify those with the potential and receptiveness to receiving support.
- x. **Tightly structured BDS packages linked to job creation targets are key:** The cost of providing support services can easily escalate disproportionately to job creation and business growth potential unless there is a tightly structured, cost effective approach such as that developed by the IESP.
- xi. **Alternative job measurement protocols to contracts of employment:** Alternative job measurement protocols to employment contracts are necessary, appropriate and viable in the context of MIEs and the informal economy.
- xii. **Certain sectors afford greater potential:** Sectors such as manufacturing, services and specialized retail afford the greatest enterprise growth and job creation potential.
- xiii. **Government grants for enterprise development not optimally focused:** Government grant funding for MIE development is not optimally focused in several respects:
 - o Over-focus on funding capital and infrastructure instead of business support
 - o Over-emphasis on co-operatives
 - o Difficulties in securing funding for private MIEs.
- xiv. **IESP does not fit typical JF sustainability/business model:** Whilst the IESP is cost-effective, impactful and sustainable (as outlined in 6.5), the sustainability model is atypical relative to most JF projects. PPT, as a support NGO and NPO, does not have a conventional profit motivation nor does it have a conventional equity business stake.
- xv. **1:1 (50%) co-funding requirement can pose unintended impact limitations:** Whilst PPT is taking action to secure the required 1:1/50% co-funding for the next phase, the process is challenging and dilutes the extent of the impact which could be achieved if the co-funding requirement was less. The 50% requirement produces no beneficial incentive or leverage for PPT given the unique IESP focus (MIEs and the informal economy) and delivery model.

- xvi. **Appropriate, programmatic innovation in the S.A. context:** The kind of programmatic innovation provided by the IESP is appropriate and necessary in the S.A. context. Although there is often a greater emphasis on radical, product innovation (e.g. new technology), the mainstay of achieving scale-able economic growth, job creation and inequality redress in S.A. will be various forms of incremental innovation, including ‘getting the basics right’ and ensuring more equitable access to opportunities and resources within the economy through new and better processes and methods.

8.2 Summary of lessons learned and applied during 3-year pilot phase:

- i. **Refined and streamlined enterprise identification and selection method:** As outlined in 5.3 and 8.1, significant refinement of the IESPs method for identification, assessment and selection of MIEs occurred during the 3-year pilot phase. Refinements included: utilization of an MIE survey and database to identify and pre-screen enterprises; use of the IESP’s web-based portal to enable MIEs to apply for assistance online in the next phase; stringent utilization of the ‘rough-cut’ screening tool; eliminating preliminary mentorship if MIEs do not immediately meet selection criteria and express clear interest in working in a structured fashion.
- ii. **More tightly structured business support packages:** As outlined in 5.4 and 8.1, significant refinement of the IESPs BDS occurred during the 3-year pilot phase resulting in a cost-effective and viable model for rollout and upscaling in the next phase. Refinements included: more specific and tightly structured packages of support with a finite budget and time allocation; greater use of specialists instead of general mentors; ensuring stronger up-front commitment/agreement in respect of the business development plan (priority actions to catalyze growth and improvement).
- iii. **Sectoral approaches:** Whilst some sectoral approaches (e.g. micro-growers) were anticipated prior to the proposal, additional ones (e.g. crafters) became successful during the three-year pilot phase and several others (e.g. textile and steel manufacturers, small building contractors) were started with significant job-creation potential for the next phase.
- iv. **Data management tools:** The IESP generates a significant amount of data (e.g. pertaining to jobs, trainees, entrepreneurs, businesses, sectoral foci, disaggregation’s by gender and age etc.). The extent and complexity of the data exceeded PPT’s expectation at the time of the initial proposal. Dedicated data management tools (e.g. Excel schedules) have been developed in order to manage this data. In all cases, and as per PPT’s standard data management processes, all key data is supported by valid forms of evidence. Data is inputted by the Project Officer and checked by PPT’s Finance Manager. Data schedules are signed off by both of these personnel to ensure data reliability.

8.2.1 MIEs have real growth potential and can create jobs

Table 7: Lesson- MIEs have real growth potential and can create jobs

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, Sector lessons Aspects/challenges: This relates to the overall focus and rationale of the IESP which the 3-year pilot phase strongly validated.</i>
Situational Context:	<i>There is insufficient awareness of and focus on MIEs and the informal economy within the programmes of government and other key actors. There is often an incorrect perception that all MIEs are survivalist in nature and afford limited sustainable business growth and job creation potential.</i>
Action Taken:	<i>The IESP was conceptualised to directly and programmatically address this challenge and it succeeded in doing so, clearly demonstrating the rationale for upscaling and replication. Significant methodological refinement was achieved.</i>
Result(s) Achieved:	<i>Significant positive impacts were achieved (as outlined elsewhere in this evaluation) with all key quantitative and qualitative targets met or exceeded.</i>
Summary Statement:	<i>MIEs and informal economy matter and can be cost effectively supported to create</i>

	<i>significant numbers of new, permanent, sustainable jobs. There are plentiful MIEs/entrepreneurs with real growth potential (provided there is an effective and cost-efficient identification and selection method such as that of the IESP). A key selection factor is that the entrepreneur is the 'real-deal'. Potential is greater in productive sectors (e.g. manufacturing, services and specialized retail).</i>
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8.2.2 [The entrepreneur is more bankable than the business plan](#)

The primary focus should be the entrepreneur. The key business success factor is the entrepreneur, especially in the context of MIEs. If the entrepreneur is the 'real-deal' then, provided the business concept is viable in other respects, business growth can often be achieved and job creation will naturally follow (depending of course on the business growth). In most instances, such entrepreneurs are already in business or have had business experience in order to test themselves and learn.

Table 8: Lesson-The entrepreneur is more bankable

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes Aspects/challenges: This relates to how BDS support programmes in the MIE space can be more effectively structured.</i>
Situational Context:	<i>MIEs and the informal economy are essential for job creation and economic growth in S.A. However, there remains insufficient awareness of and focus on MIEs and the informal economy within the programmes of government and other key actors. There is often an incorrect perception that all MIEs are survivalist in nature and afford limited sustainable business growth and job creation potential.</i>
Action Taken:	<i>The IESP was conceptualised to directly and programmatically address this challenge and it succeeded in doing so, clearly demonstrating the rationale for upscaling and replication. Significant methodological refinement was achieved.</i>
Result(s) Achieved:	<i>Significant positive impacts were achieved (as outlined elsewhere in this evaluation) with all key quantitative and qualitative targets met or exceeded.</i>
Summary Statement:	<i>MIEs and informal economy matter and can be cost effectively supported to create new, permanent, sustainable jobs. There are plentiful MIEs/entrepreneurs with real growth potential (provided there is an effective and cost-efficient identification and selection method such as that of the IESP).</i>

8.2.3 [Focusing on start-ups is limiting](#)

Table 9: Lesson - Focusing on start-ups is limiting

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, sector lessons Aspects/challenges: This relates to optimal enterprise selection and prioritisation</i>
Situational Context:	<i>Start-ups are high risk. Most start-ups fail.</i>
Action Taken:	<i>As envisaged in the design of the Project, start-ups were only considered if they met usual IESP selection criteria. This meant that only one start-up was selected for support.</i>
Result(s) Achieved:	<i>The application of clear selection criteria eliminated most start-ups from selection. The door to start-ups however remains open.</i>
Summary Statement:	<i>The success rate of business start-ups, across the board, is very low. Most entrepreneurs fail with their first attempt. Even with good BDS, start-ups are very</i>

	<i>risky. This is especially so given that the core success factor is the entrepreneur him or herself (as outlined above). Given the need to optimize scarce BDS funding and meet economic and job creation imperatives, it is therefore natural that most enterprises who meet IESP selection criteria are already in business since these afford the maximum return on effort and investment.</i>
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8.2.4 Jobs not the only measure that matters

Table 10: Lesson - Measures that matters

Key Aspect or Challenge:	<i>Category: Project design, M&E, scaling up Aspects/challenges: This relates to planning better for more effective long-term economic growth, inequality redress and job creation in S.A.</i>
Situational Context:	<i>Whilst the creation of new permanent jobs is an important and understandable measure of economic growth, it is insufficient as the sole and perhaps even the primary measure. Not only can chasing jobs numbers result in unintended consequences or create perverse incentives for intermediaries (as outlined in section 5.5), but, more importantly, there are other important impact measures which are often less quantitative, which are essential both in incentivizing and measuring economic growth initiatives such as those supported by the Jobs Fund. Utilising such additional impact measures also assists in more effectively capturing and communicating much of the broader economic value inherent in initiatives such as the IESP (e.g. laying a platform for a new and scale-able model of support for MIEs, enabling LED actions with longer term but less direct benefits).</i>
Action Taken:	<i>As envisaged in the design of the Project, the IESP set itself additional, non-empirical programme outcome targets focussing on creating a viable platform for scaling up and replication.</i>
Result(s) Achieved:	<i>The above additional measures were achieved.</i>
Summary Statement:	<i>The additional measures are considered necessary in achieving national economic growth, inequality and job creation imperatives.</i>

8.2.5 MIEs and informal economy still poorly understood

Table 11: Lesson - Informal economy still poorly understood

Key Aspect or Challenge:	<i>Category: Project design, sector lessons, M&E, scaling up Aspects/challenges: This relates to how economic development programmes are designed to address national economic growth, inequality redress and job creation objectives.</i>
Situational Context:	<i>Despite an increased awareness of the importance of MIEs and the informal economy in S.A. there remains a low level of understanding as to their nature, potential and as to how they can be effectively supported. A common problem is that of conflating the informal economy with street trading which in reality only represents a very small part of the informal economy and a part which provides limited growth potential and job creation and which tends to be survivalist and transient in nature, adding little or no productive value to the economy, even if it supports many livelihoods. By contrast the typical sectors in which both PPT and the DSDB have found MIEs to have potential, is in productive sectors such as small manufacturing, services and specialized retail. Another</i>

	<i>problem is the perception that MIEs are only survivalist in nature. Although many or even most are, there are also many which are businesses with real growth potential led by committed entrepreneurs. Knowledge sharing events (e.g. IESP roundtables, the enterprise awards ceremony and the EDGE seminar in 2016) can play a valuable role in building understanding, consensus and buy-in and overcoming preconceptions and prejudices. In implementing the IESP, these barriers remain in certain quarters.</i>
Action Taken:	<i>The IESP specifically targets MIEs and the informal economy.</i>
Result(s) Achieved:	<i>The IESP was successful in meeting its targets and demonstrating efficacy in the space of MIEs and informal economy.</i>
Summary Statement:	<i>Greater priority needs to be afforded to MIEs and the informal economy within government policies, programmes and initiatives.</i>

8.2.6 Specialist capacity and methods needed to effectively reach and support MIEs

Table 12: Lesson - Special capacity

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, scaling up Aspects/challenges: This relates to how MIE support programmes need to be differently designed and resourced in order to achieve results and impacts.</i>
Situational Context:	<i>MIEs and the informal economy are different in many respects to formal small to medium businesses. Conventional BDS approaches and service providers are typically not effective. Some BDS specialists are not able to work effectively in the informal sector for various reasons and some re-skilling of them is then required. An intimate understanding of this part of the economy is a key success factor. Key factors include: acute time constraints, variable levels of literacy, variable levels of trust - need to be able to establish rapport and trust, aversion to documentation and paperwork, informal tenure and land use etc. Even with the benefit of PPT's significant prior experience working in the MIE/informal economy space, there was significant learning and refinement both of approach and capacity (refer to Annexure H) during the three-year pilot phase.</i>
Action Taken:	<i>Specialist delivery capacity was significantly strengthened during the course of the 3 year pilot phase.</i>
Result(s) Achieved:	<i>IESP methods and capacity were strengthened.</i>
Summary Statement:	<i>The right kind of methods and capacity are key success factors. The IESP will expand its capacity in the next phase. Refer also to Annexure H.</i>

8.2.7 [Sector level interventions can yield positive impacts](#)

Table 13: Lesson - Positive impacts from sectoral interventions

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, sector lessons, scaling up</i> <i>Aspects/challenges: This relates mainly to the optimal design and implementation of MIE support programmes. It also relates to how to optimally support and focus MIE support programmes by introducing a sector support dimension.</i>
Situational Context:	<i>It was evident from the three-year pilot phase that sector-level interventions afford significant return on effort and investment in respect of job creation and enterprise development. Sector level responses can afford better economies of scale than bilateral support. Whilst two of these were successfully pursued to the point of job creation in the pilot phase (micro-growers and crafting) there were others which were started and which will afford returns in the next phase (e.g. small construction contractors, textile manufacturers, steel manufacturers). Time and resources did not permit these to be fully pursued within the project time frame. There are still other sectors which the IESP has yet to pursue. This appears consistent with the Jobs Fund's own findings and emphasis for the next 'industry change' proposal call.</i>
Action Taken:	<i>Several sector level interventions were successfully achieved and others are in the pipeline. These will received special attention during the next phase.</i>
Result(s) Achieved:	<i>Significant jobs numbers achieved via sectoral responses. Platform laid for several new sectoral interventions in the next phase.</i>
Summary Statement:	<i>See situational context above.</i>

8.2.8 [Enabling LED actions/interventions can help catalyse growth](#)

Table 14: Lesson - Growth from Enabling LED Actions

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, sector lessons, scaling up</i> <i>Aspects/challenges: This relates mainly to the optimal design and implementation of MIE support programmes.</i>
Situational Context:	<i>Although there can be a significant lead-in time with these interventions (e.g. affordable business space, SEFA small loan facility), they can unblock or help catalyse business growth within MIEs in significant ways. There are many instances where it is not possible to address blockages or constraints at the level of an individual enterprise. These will be actively pursued further in the next phase of the IESP.</i>
Action Taken:	<i>As envisaged in the design of the Project, enabling LED actions, and sectoral interventions (e.g. micro-growers, crafters, small building contractors, textile and steel manufacturers), were implemented or initiated.</i>
Result(s) Achieved:	<i>Significant progress achieved with affordable business space planning and SEFA small loan facility, amongst others</i>
Summary Statement:	<i>See situational context above. These remain a priority for the next phase.</i>

8.2.9 Cost-efficient enterprise identification, assessment and selection is key

Table 15: Lesson - efficient selection

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, M&E, scaling up</i> <i>Aspects/challenges: This relates to how MIE support programmes can be more effectively established by ensuring the involvement of viable enterprises/entrepreneurs.</i>
Situational Context:	<i>Although there are significant number of viable MIEs with real growth potential, a large number of MIEs need to be ‘sifted’ in order to identify those with the potential and receptiveness to receiving support. Based on experience in the 3-year pilot phase, between 10% and 15% of MIEs assessed had growth potential (noting however that PPT tended to avoid assessing enterprises with obviously limited job-creation potential such as street vendors). The IESP’s selection tool (‘rough-cut’) proved effective – it asks six key questions: is the entrepreneur the ‘real deal’; is there a clearly defined product/service; is there a market for it; is there capacity to deliver it; can it make a real profit; can jobs be created?</i>
Action Taken:	<i>The method was significantly refined and strengthened during the pilot phase. E.g. utilization of an MIE survey and database to identify and pre-screen enterprises; use of the IESP’s web-based portal to enable MIEs to apply for assistance online in the next phase; stringent utilization of the ‘rough-cut’ screening tool; eliminating preliminary mentorship if MIEs do not immediately meet selection criteria and express clear interest in working in a structured fashion.</i>
Result(s) Achieved:	<i>Enterprise selection efficiency improved during the course of the IESP and was a major area of learning and refinement.</i>
Summary Statement:	<i>See situational context above. Amongst other things, there are currently at least 34 MIEs already identified which have job creation potential for the next phase.</i>

8.2.10 Tightly structured BDS packages linked to job creation are key

Table 16: Lesson - Structured support services

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, sector lessons, M&E, scaling up</i> <i>Aspects/challenges: This relates to how MIE support programmes can be more effectively and cost effectively delivered within the particular conditions of the informal economy.</i>
Situational Context:	<i>The cost of providing support services can easily escalate disproportionately to job creation and business growth potential. This includes the risk of ongoing, ‘reactive’ mentorship to MIEs (which MIEs may find beneficial but which might not necessarily lead to job creation). To prevent this from happening: a) the BDS provided need to be specific and tightly structured (i.e. addressing specific areas or issues); b) they need to be for a maximum time/cost input; c) they need to directly linked to a business development plan (priority areas for change) and realistic job creation targets; d) they need to be informed by a clear analysis of the enterprise which the entrepreneur has been part of and buys into; e) the action plan must include actions and responsibilities for the entrepreneur and not just the specialist(s) providing the support; f) the action plan must be realistic and achievable within reasonable timeframes (not focused on long term visions and strategies); g) there needs to be a clear agreement, preferably signed, with the enterprise confirming the above commitments. Whilst most of these steps were envisaged in the initial process design, they were not always effectively</i>

	<i>implemented by the project team. Strengthening the project team during the course of the project was an important factor in achieving a more structured approach.</i>
Action Taken:	<i>The method and how it was being implemented by the project team were both significantly refined and strengthened during the pilot phase to enable better planned and more cost-effective interventions. E.g. more specific and tightly structured packages of support with a finite budget and time allocation; greater use of specialists instead of general mentors; ensuring stronger up-front commitment/agreement in respect of the business development plan (priority actions to catalyse growth and improvement).</i>
Result(s) Achieved:	<i>Enterprise BDS efficiency improved during the course of the IESP and was a major area of learning and refinement.</i>
Summary Statement:	<i>See situational context above. A strong platform has been laid for the next phase.</i>

8.2.11 [Alternative job measurement protocols to contracts of employment](#)

Table 17: Lesson - Alternative measurement protocols

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, M&E, scaling up Aspects/challenges: This relates to developing appropriate measures and tools for M&E in the MIEs and informal economy space.</i>
Situational Context:	<i>Alternative job measurement protocols to employment contracts are necessary, appropriate and viable in the context of MIEs and the informal economy. PPT's protocol for MIEs is a schedule of new employee details signed off by both the entrepreneur and business mentor/specialist (as per Annexure B4). This is usually obtained on a quarterly basis. Whilst this measure is significantly more time consuming as a means of evidence than an employment contract, it is a serviceable and reliable means of evidence and, provided its utilization is agreed with the entrepreneur at the outset, the time required to monitor and acquire the evidence is acceptable.</i>
Action Taken:	<i>As outlined above, a dedicated IESP Jobs Protocol was developed and approved by the Jobs Fund (see Annexure B4)</i>
Result(s) Achieved:	<i>Significant measurement of new permanent jobs was possible within the space of MIEs and informal economy.</i>
Summary Statement:	<i>See situational context above. The tools developed are fit for purpose in the next phase.</i>

8.2.12 [Certain sectors afford greater potential](#)

Table 18: Lesson - Sector potential

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, sector lessons, scaling up Aspects/challenges: This relates to how to optimally support and focus MIE support programmes by focusing on sectors with the greatest potential and conversely avoiding excessive focus on sectors with limited potential.</i>
Situational Context:	<i>Sectors such as manufacturing (e.g. textiles, steel, furniture), services (e.g. verge maintenance, funerals, catering) and specialized retail (e.g. confectionary, ice cream) afford the greatest enterprise growth and job creation potential. This aligns with findings of the Dept. Small Business Development. These sectors also often have the potential to help establish new productive capacity in the economy. The unspecialized</i>

	<i>retail sector (e.g. street vending) by contrast offered limited to no growth potential.</i>
Action Taken:	<i>At the design stage, PPT was already aware from prior work as to the limited economic growth potential in certain sectors such as unspecialised retail e.g. street trading. However, even amongst the enterprises selected, there was further demonstration of which sectors are most productive and viable.</i>
Result(s) Achieved:	<i>Job creation targets were met with significant additional potential in the pipeline.</i>
Summary Statement:	<i>See situational context above. Priority sectors will received special focus in the next phase, including via sectoral interventions and enabling LED actions.</i>

8.2.13 Government grants for enterprise development not optimally focused

Government grant funding for enterprise development is not optimally focused in several respects:

- **Over-focus on funding capital and infrastructure instead of business support:** Most government grant funding for LED and business development is biased towards capital items and/or infrastructure. There remains insufficient recognition that, for this expenditure to be effective, it needs to be linked with business support services which ensure business viability and effective use of funding.
- **Over-emphasis on co-operatives:** It is relatively easy to secure funding for co-operatives, especially co-operatives which are start-ups. Despite recognition that many or most co-operatives funded have failed to thrive as viable businesses, there is still much more funding available for co-operatives (e.g. from DSBD or Municipalities). To some extent this reflects an understandable constraint in government providing funding to individuals or private businesses, but the net effect is that the most viable enterprises from a growth point of view tend to be unable to attract funding. This also creates incentives for individual entrepreneurs to form co-operatives of convenience in order to secure government funding, often with negative consequences. Challenges pertaining to collective decision making, shared assets and sharing limited profits between many 'shareholders' are amongst the constraints facing many cooperatives.
- **Difficulties in securing funding for private MIEs:** As outlined above, private MIEs find it difficult to secure government funding.

Table 19 Lesson – Government grants for enterprise development not optimally focussed

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, partnerships, scaling up Aspects/challenges: This relates to how government and government supported programmes can more effectively utilise limited fiscal resources to stimulate sustainable economic growth, inequality redress and job creation.</i>
Situational Context:	<i>The current funding utilisation is non-optimal and there is significant waste as well as unintended negative consequences (e.g. individuals investing time in co-operatives which fail; unused economic assets/infrastructure). MIEs are substantially 'left out' compared to co-operatives or big initiatives such as PPPs or flagship joint ventures between the private sector and communities. Refer to text in 8.15 above</i>
Action Taken:	<i>This is beyond the sphere of influence of the IESP. Some efforts were made (e.g. testing eThekweni micro-grants for MIEs where are not co-operatives) but these met with limited or no success.</i>
Result(s) Achieved:	<i>Intervention is required at a higher level.</i>
Summary Statement:	<i>This is an area where more effective design of government programmes could trigger greater strategic impacts w.r.t economic growth, inequality redress and job creation. A key factor is to balance the desire of government to avoid unfair enrichment of individuals (including MFMA/PFMA rules) with the need to find smarter ways to support</i>

	<i>and incentivise entrepreneurs within the MIE and informal economy space. Refer to text in 8.15 above</i>
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8.2.14 Effective data management tools are necessary

Table 20 Lesson - Effective management tools

Key Aspect or Challenge:	<i>Category: Project design, Implementation processes, M&E, scaling up Aspects/challenges: This relates to how to effectively manage data and information so as to measure impacts more effectively and reliably and inform future programme design.</i>
Situational Context:	<i>The IESP generates a significant amount of data (e.g. pertaining to jobs, entrepreneurs, businesses, sectoral foci, trainees, dis-aggregations by gender and age etc.). The extent and complexity of the data exceeded PPT's initial expectations. Dedicated data management tools (e.g. Excel schedules) have been developed in order to manage this data. In all cases, and as per PPT's standard data management processes, all key data is supported by valid forms evidence. Data is inputted by the Project Officer and checked by PPT's Finance Manager. Data schedules are signed off by both of these personnel to ensure data reliability.</i>
Action Taken:	<i>See situational context above– customised and effective tools developed and implemented.</i>
Result(s) Achieved:	<i>New permanent jobs along with a range of other important outcomes were effectively measured and verified within the MIE and informal economy space, despite a range of complexities and challenges along the way.</i>
Summary Statement:	<i>See situational context above. The tools developed are fit for purpose for the next, upscaling phase. There are areas where further refinement and streamlining are possible.</i>

8.2.15 IESP does not fit typical JF sustainability/business model

Table 21: Lesson – IESP sustainability model atypical

Key Aspect or Challenge:	<i>The IESP does not fit typical JF sustainability/business model: Whilst the IESP is cost-effective, impactful and sustainable (as outlined in 6.5), the sustainability model is atypical relative to most JF projects in certain key respects. For example, the end user MIE (end-user client) usually cannot afford to pay. The main paying clients are those with a core interest in supporting and developing MIEs and the informal economy (e.g. Municipality, JF, corporates, SEFA etc.). In addition, PPT, as a support NGO and NPO, does not have a profit motivation nor does it have a conventional equity business stake.</i>
Situational Context:	<i>See above. There may be expectations on the IESP that it should achieve sustainability in ways that are not appropriate given its distinct purpose and character.</i>
Action Taken:	<i>There is limited action that PPT can directly take to address this situation beyond providing feedback (such as that contained in this self-evaluation) and securing funding for the next phase.</i>
Result(s) Achieved:	<i>The IESP has fulfilled sustainability objectives in substantive ways (as outlined in 6.5).</i>
Summary Statement:	<i>See above.</i>

8.2.16 1:1 (50%) co-funding requirement can pose unintended impact limitations

Table 22: Lesson – 50% co-funding requirement can pose impact limitations

Key Aspect or Challenge:	<i>The 50% co-funding requirement can pose impact limitations: Whilst PPT is taking action to secure the required 50% co-funding for the next phase, the process is challenging and dilutes the extent of the impact which could be achieved if the co-funding requirement was less. In the case of the IESP, an increased co-funding requirement (relative to the 1:5 required for the first round) in no way increases PPT's commitment. It produces no beneficial incentive or leverage given the unique IESP focus (MIEs and the informal economy) and model. Instead it reduces the scale of the next phase of the project and creates obstacles for PPT in respect of securing and coordinating multiple sources of co-funding (in this case eThekweni Metro and the Dept. Small Business).</i>
Situational Context:	<i>See above.</i>
Action Taken:	<i>For PPT: Steady progress is being made in securing the necessary co-funding for the next phase from the DSBD and eThekweni Metro. For the JF: It is appreciated that this challenge cannot be addressed in the JF's next proposal call which is already released. This feedback may however be taken into consideration by the JF in future calls, in particular those which might take particular cognisance of MIEs and the informal economy and the role of non-profit support NGOs such as PPT.</i>
Result(s) Achieved:	<i>See above.</i>
Summary Statement:	<i>Whilst steady co-funding progress is being made, the 50% co-funding requirement does not produce any positive incentives for the IESP and reduces the scale of impact it can achieve in the next phase.</i>

8.2.17 Appropriate, programmatic innovation in the S.A. context

Table 23: Lesson – Appropriate, programmatic innovation

Key Aspect or Challenge:	<i><u>Category:</u> Project design, Implementation processes, M&E, scaling up</i>
Situational Context:	<i>The kind of programmatic innovation provided by the IESP is appropriate and necessary in the S.A. context because it ensures that resources (in this case specialist business development services) are made accessible to a significant part of the population (and economy) who would otherwise not have access. Although there is often a greater emphasis on radical, product innovation (e.g. new technology), the mainstay achieving scale-able economic growth, job creation and inequality redress in S.A. will be various forms of incremental innovation, including 'getting the basics right' and ensuring more equitable access to opportunities and resources within the economy through new and better processes and methods. Innovative methods, approaches, capacities and collaborations such as those provided by IESP are essential in achieving this strategic goal. Refer to 6.4.3 for more detail.</i>
Action Taken:	<i>For PPT: PPT has conceptualised the IESP as an innovation which addresses a key strategic objective for S.A. For the JF: It is hoped that the JF can assist in creating greater awareness (in particular within various spheres of government) of the value of programmatic innovations such as the IESP and the need to balance these better with the usual focus (priority) on product innovations such as new technology.</i>

Result(s) Achieved:	<i>See above.</i>
Summary Statement:	<i>A more balanced understanding of innovation in the S.A. context is necessary. Programme-level innovations, which are more 'incremental' than 'radical' in their orientation, are important in 'getting the basics right', creating more equal access to resources and opportunities, and producing sustainable change and transformation, including in respect of the economy and job creation.</i>

9. Conclusion

This self-evaluation provides valuable information, reflections and insights pertaining to the Informal Economy Support Programme (IESP) three-year pilot phase in eThekweni. These are not only useful to PPT in further refining the design of the IESP for the next phase, but also to the Jobs Fund, eThekweni and other key decision-makers in developing improved policies and programmes which can more effectively stimulate and support economic growth, redress inequality and create jobs in South Africa.

PPT has observed significant shifts in key stakeholder awareness and understanding of MIEs and the informal economy during the course of the three-year pilot phase of the IESP, including in respect of how this critical part of the economy can be supported more effectively. It is evident that the IESP itself has helped this change in awareness significantly in various ways.

However, it is also recognized that further shifts in understanding are still needed, and government policies and support programmes still need to be focused more effectively. There remain a range of unhelpful preconceptions as well as the inertia of certain existing programmes and strategies which pose barriers to change. Government funding streams still tend to be focused on cooperatives, physical assets and infrastructure, and high profile projects as opposed to business support services and smaller, enabling LED interventions. There is also sometimes uncertainty about how to engage with programmes such as the IESP (as opposed to the norm of stand-alone 'projects') as well as how to partner optimally with non-profit support organizations such as PPT which do not fit the default government-private sector model of collaboration.

It is significant that the pilot phase of the IESP was unequivocally successful, not only in respect of exceeding all of its key targets (including job creation) but more importantly in respect of laying a firm platform for the next, upscaling phase.

It is emphasized that the rationale behind the IESP was not the mere creation of 216 jobs during the three-year pilot phase, but rather to use the first phase as a stepping stone for the refinement and strengthening necessary for scaling up in eThekweni and promoting replication elsewhere.

The IESP is indeed now ready for upscaling, with the required methods, tools, strategic collaborations and delivery capacity established. Funding for upscaling is now the immediate priority. End-user MIEs are typically unable to afford the business support services and other support which they desperately require and which, if provided, can help bring about real and much-needed economic growth, inequality redress and job creation.

It is accepted that growth in the formal economy is slow and, given global and local conditions, this is unlikely to change in the near future. In this context, MIEs and the informal economy are especially important, not only in respect of the large number of livelihoods which they support, but also in respect of laying a platform for stronger and more diverse future economic growth.

The evidence of this evaluation clearly illustrates that micro and informal enterprises should not be regarded as an 'optional extra' for investment and support or as part of peripheral poverty alleviation measures, although at times they are still sometimes characterized in this way. The IESP has provided a different perspective and a viable, alternative mode of response. It has demonstrated that MIEs warrant real priority and focus through effectively structured and programmatic support of the kind offered by the IESP.

The effectiveness of the IESP model is, in large measure, due to it being driven and managed by a specialist support NGO in the form of PPT which has particular, niche skills, experience and capacities, and partnerships. These niche capacities have been developed over a period of more than 20 years in working closely with informality and low income, under-resourced communities and through working across a wide range of projects types and funding sources. This capacity and expertise enable the responsiveness and flexibility necessary in the particular space of MIEs and the informal economy.

Although it is now increasingly accepted that micro-enterprises and the informal economy are critical in addressing joblessness and sustainable economic growth in South Africa, there remains a vacuum of effective support and a range of other barriers. The IESP provides a viable, proven and scale-able support model which is unique in being able to reach micro and informal enterprises (MIEs) in order to unlock unrealized job creation potential. Additional funding in order to upscale and fully operationalize is therefore essential in order to take advantage of the platform laid and maintain the current momentum.

10. Recommendations

Recommendation / Action	Lead responsibility	Others involved	Timeline
i. Assimilation of learning pertaining to MIEs and Informal Economy including via JF learning forum: Specific and structured feedback from JF grantees working in the MIE and informal economy space at a forthcoming JF learning forum so as to share and consolidate learning and in particular to inform: a) JF future processes and strategies; b) JF/Treasury feedback on key issues to other Departments/ spheres of government (including the DSBD & Municipalities) in respect of how other funding instruments, policies and programmes can be optimized in order to achieve the national imperatives of economic growth, inequality redress and job creation.	JF	PPT and other relevant grantees	2017
ii. Confirm eThekweni and DSBD IESP co-funding for next phase: These processes are already underway, but further work is still required.	PPT & eThekweni	DSBD	Jan-Feb 2017
iii. Apply for IESP next JF round: 16 March 2017 on 'Industry Change for Scaling Inclusive Job Creation Models'.	PPT	EThekweni, DSBD	16 March 2017
iv. Reconsider 50% JF co-funding obligation for support NGOs operating within informal economy: This requirement places a significant barrier for a non-profit, NGO to secure the necessary co-funding. It limits the impacts which can be achieved. Refer also to section 8.2.16.	JF		Medium term – 2017/8
v. Introduce additional JF qualitative impact measures: In particular those which relate to programmatic and systemic change – beyond counting the jobs. This will assist in mitigating the downsides and unintended negative impacts of chasing down jobs numbers which, at times, does not produce the right kind of incentives and sector behaviour on its own. Grantees (such as the IESP) no doubt either have, or can produce, such additional measures. This would significantly enrich the JF programme as well as other state programmes targeting the economy.	JF	JF Grantees	2017
vi. Government procurement framework for non-profit support NGOs: It is recommended that National Treasury consider the merits of creating special provisions in the MFMA and PFMA (or else enabling practice notes) which enable more effective procurement of and collaboration with support NGOs which are registered NPOs (not for profits) in order to better tap the distinct capacities and other value they offer. <i>Explanatory note: A limiting factor for upscaling the IESP has been the slow process of securing the necessary co-funding from eThekweni and the DSBD. This is substantially related to procurement processes which are unsuited to a collaborative initiative such as the IESP rather than a lack of interest or will. Whilst this constraint cannot be rapidly solved, it is hoped that it can be addressed in the medium term with National Treasury potentially playing a role. There is currently no effective procurement</i>	National Treasury	Other Departments and spheres of government	Medium term - 2017/18

framework in terms of which government can procure and collaborate with support NGOs. The existing frameworks (PFMA and MFMA) are premised mainly on the relationship between government and the private sector. Support NGOs which are registered NPOs (such as PPT) are distinct in many important respects from the private sector. The absence of an enabling framework for NGO procurement and collaboration is severely limiting developmentally for S.A., especially in an environment where most support NGOs can no longer access substantial external donor funding. The key value support NGOs can offer S.A. is their specialist, niche-orientated skills and capacities, rather than additional funding. External donors correctly identify S.A. as a middle-income country with an inequality problem. S.A. has the necessary fiscal resources to enable change and transformation, but needs to use these fiscal resources more efficiently. In this context, support NGOs have much to offer, not only in the space of MIEs and the informal economy, but also in others (e.g. upgrading informal settlements, early childhood development etc.)

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