



## INFORMAL ECONOMY SUPPORT PROGRAMME IN ETHEKWINI

**A Ground-breaking Initiative:** The Informal Economy Support Programme (IESP), the first of its kind in South Africa, is a specialised business support initiative. It reaches micro and informal enterprises (MIEs) in innovative and cost-efficient ways. It unlocks untapped job creation through niche-focused services and other structured interventions across a range of sectors (e.g. manufacturing, specialist retail, services, contracting and agriculture). It is programmatic and scale-able.

**Goal of the IESP in eThekweni:** The Programme seeks to provide an improved platform for effectively and sustainably supporting MIEs. The long-term goal is to establish programmatic and functional support. The short-term goal in the current (pilot) phase is to create 216 new, permanent jobs and establish the necessary specialist capacity, skills, tools and knowledge resources. An upscaling phase is being planned.

**Success of the Current (Pilot) Phase:** The Programme is making strong headway in realising its ambitious, innovative and important goals. As at 31st December 2015: 161 jobs were created; there is job creation potential of 430 in the pipeline; 50 enterprises have been assisted in various ways including skills training, business plan optimisation and mentorship; 182

enterprises have been identified, assessed and screened; 8 toolkits and 23 case studies have been developed; substantial delivery capacity has been established (internally + productive collaborations with NGOs, professionals and corporates).

**Importance of the Informal Economy:** The importance of the informal economy in its many facets is well recognised. This economy is large and vibrant. Its contribution to long-term economic growth, job creation and improved livelihood security is significant. It includes large numbers of micro manufacturers and retailers, street traders, micro farmers, contractors and crafters. The formal economy, on its own, cannot address joblessness, especially within the current context of slow economic growth and high structural unemployment. Without effective informal economy support, overall economic growth, poverty, inequality and joblessness cannot be addressed. The informal economy is an important long-term driver of economic growth. It offers significant job creation potential and supports large numbers of livelihoods that are critical for the poorest of the poor.

**National Priority:** “Small business is big business,” – President Jacob Zuma, State of the Nation Address, 2015. The importance of the informal economy is recognised within the National Development Plan (NDP) and is reflected in the recent establishment of a dedicated National Department of Small Business Development (DSBD).

**Top and left:** Eyekethelo is a furniture manufacturer that produces high quality furniture. They are being assisted by PPT to access new markets, improve production efficiency and access finance. PPT has provided ‘isiqalo’ basic business skills and on-site sector skills training. Two new permanent jobs have been created with potential for at least two more. The enterprise is located at Adams Mission, Amanzimtoti.





## IESP Methodology and Activities

The Programme provides a specialised business support service and other structured interventions to proactively develop MIEs and the informal economy across a range of sectors (e.g. manufacturing, specialist retail, services, contracting and agriculture). Services are provided to selected enterprises that meet specific 'entrance' criteria.

They may be co-operatives, sole proprietorships or closed corporations but do not have to be formally registered. Additional enabling interventions such as Participative Economic Action Planning (PEAP) and facilitating affordable business space or enabling economic infrastructure, are also undertaken.

Key Programme activities include the following:

**Enterprise Identification, Assessment and Selection:** Only enterprises that meet specific pre-conditions are eligible for support. These include enterprise viability, job creation potential and entrepreneur commitment. Eligible enterprises are evaluated and structured support is offered up to a maximum budget per enterprise on this basis.

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.

**Business Mentorship:** This includes assisting 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 encouraging on an ongoing basis and acting as a 'sounding board'.



**Above and top:** Akubeziyesuka is a block manufacturing co-operative, but is also involved in other entrepreneurial activities. PPT has provided 'isiqalo' basic business skills training, assisted in preparing a SEFA business plan to access finance to support expansion plans, and drafting letters to potential clients and contractors. Seven new permanent jobs have been created, with potential for 13 more. The enterprise is located in Folweni.

**Above and right:** The Udumo and Khumalo crafters are being supported via a PPT-AfricaIgnite collaboration. The crafters are being supported to improve their product quality, gain access to new markets and develop a stronger business model. Basic 'isiqalo' business skills training have been provided by PPT. Twenty-eight new jobs have been created. The crafters are located in Kwa Ngcolosi and Ntshongweni.

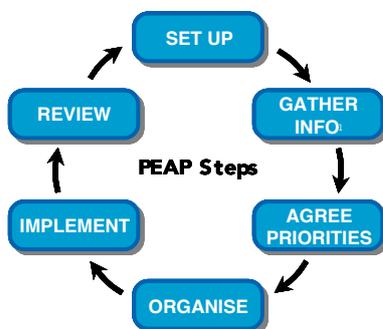
### Targeted Business Development Support Services:

A range of 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.

**Training and Skills Development:** This may include 'isiqalo' (basic business skills) training (e.g. to improve cashflow management, understanding profitability, matching product to market, etc.) or onsite sector-specific skills training focused, for example, on production efficiency (e.g. 'cut, make and trim', machinist training, workspace layout) or product design and development.

**Micro-grower Support Linked to Agri-hubs:** Eighty micro-growers in association with three hubs are being supported to improve agricultural practices, optimise crop mix and quality, link with agri-hubs, and access new and better markets.

**Participative Economic Action Planning:** PEAP is a structured, local planning process driven and owned by local economic actors, which identifies priority (catalytic) actions or initiatives that can produce change.



**Enabling LED Actions:** E.g. the provision of affordable manufacturing space or an enabling infrastructure such as water supply or access roads.

**Monitoring, Evaluation, Learning and Toolkits:** M&E is undertaken on an ongoing basis to ensure learning and methodological refinement. Impact is evaluated, key learning extracted and feedback given to key stakeholders. Existing knowledge resources and practical toolkits are refined and new ones created where necessary.

## Collaborations and Delivery Capacity

The IESP within eThekweni is a collaborative effort. PPT is working closely with the Municipality (including the Economic Development, Business Support and Engineering Services Units) and other stakeholders. Collaborations are important in establishing the necessary capacity to successfully deliver the Programme. These collaborations include: Newlands-Mashu (agri-hubs/micro-growers); Africalgnite (crafters); Pawalukasa (small construction contractors); Durban Chamber of Commerce; a range of specialist professional service providers including business coaches; and corporates (e.g. in accessing supply chains).

PPT will make use of a strong panel of specialist service providers in delivering the programme, which will include individual and organisational partners with varying skill sets and capacities (e.g. finances, human resources, agriculture, crafts, manufacturing methods, marketing, etc.).



**Above and right:** The Georgesamo Co-op is a small farm that focuses mainly on pig production (but also includes chicken farming and crop farming). PPT has assisted with a brief analysis of the business and the identification of key impediments to business optimisation and one member of the co-op received basic 'isiqalo' business skills training. The business has created one new full-time permanent job and is located at Georgetdale, Hammersdale. The Co-op is owned by eight members but run by one member, Muzi Zondi.

**Above:** Makholeka Trading verge maintenance business. PPT assisted the entrepreneur with: a savings plan, enabling the purchase of two additional brush cutters; securing a mobile office; and a SEFA business plan to access finance to purchase additional equipment and thereby upscale their contract. Ten new permanent jobs have been created.

# Upscaling the IESP in eThekweni

Although it is now accepted that micro-enterprises and the informal economy are critical in addressing joblessness and sustainable economic growth, there remains a vacuum of effective support and a range of other barriers. The innovative and scale-able support programme is unique in being able to reach micro and informal enterprises (MIEs) in order to unlock unrealised job creation potential. Additional funding in order to upscale and fully operationalise is therefore essential. The Programme is ready for upscaling and fundraising is underway. The current momentum needs to be maintained. The platform necessary for upscaling has been laid with the required methods, tools, collaborations and capacity established. Funding for upscaling is the immediate priority.

## About PPT

Project Preparation Trust of KwaZulu-Natal (PPT) is an independent public interest organisation with more than 20 years' experience in the preparation of a range of developmental projects for communities and in mobilising capital funding and other resources for them. PPT particularly focuses on the poorest of the poor, and those in special need such as people residing in highly marginalised rural communities or urban informal settlements, or vulnerable children. The projects with which PPT is involved are often innovative pilots, which test new or improved development solutions and approaches. PPT's approach is participative, systematic and holistic.

PPT was registered with the Master of High Court in 1993, the year before the election of South Africa's first democratic government. PPT is a registered not-for-profit organisation. To date, the projects PPT has prepared have resulted in R1.82 billion in capital funding being leveraged for over 218 000 disadvantaged households in 170 pro-poor development projects. The projects include housing and infrastructure, special needs housing and HIV/Aids relief, pro-poor local economic development, sustainable energies and capacity building and skills transfer.



*Nhlanhla's Steelworks specialises in the manufacture of high quality mild steel and aluminium products such as gates, balustrades, door frames, burglar guards, palisade fencing, razor wire and carports. They also do panel beating and gate automation and intercom setups. PPT has assisted with: basic "isiqalo" business skills training; a business development plan; addressing day-to-day operational challenges; and obtaining secure tenure. Two new permanent jobs have been created with potential to create an additional three. The business was established in 1993 by Mr Nhlanhla Mchunu and is located in Umlazi.*



*Fruittee Belliez prepares fresh and healthy fruit and vegetable products such as cut and packaged fruit and vegetable salads and plans to add juices, packed olives, branded herbs and essential oils as part of their main offering. PPT has provided support in respect of accessing the new factory premises, business planning, business management practices and securing SEFA funding. PPT also provided 'isiqalo' basic business skills training. There is potential for 15 new jobs in the short term and 45 in the long term. The business was established Umlazi in 2009 and is now located at Hillcrest.*

**"Working to change the lives of the poor through appropriate and sustainable development"**

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