

INFORMAL ECONOMY SUPPORT PROGRAMME (IESP)

LEARNING EVENT

2 December 2020

Buyisiwe Ngubane from the Municipal Institute of Learning (MILE) welcomed everyone and gave a brief overview of the Microsoft Teams platform and explained the house rules.

Introduction - Shunnon Tulsiram (eThekweni Municipality)

Shunnon Tulsiram thanked everyone for attending and taking part in this programme. He thanked MILE for being part of this and thanked Buyisiwe for facilitating the webinar.

He introduced the Informal Economy Support Programme (IESP) saying that this is a bespoke programme, designed to respond to the needs of the informal economy, that was put together by Project Preparation Trust (PPT). The success of the programme brought on support from Jobs Fund, the Department of Small Business Development and eThekweni Municipality.

He stated that we've seen the devastating effects of COVID-19, particularly on formal businesses. The informal economy allows an opportunity for people to seek livelihoods. There is a dearth of research on the informal economy. Such a webinar is a step in the right direction in developing more research in the field.

The IESP comes to an end in September next year (2021). Shunnon stated that it's eThekweni Municipality's intention to continue to support the programme, subject to PPT getting funding from Jobs Fund, as the programme is doing valuable support.

He ended by welcoming everyone to the webinar.

Setting the scene – Mark Misselhorn and Bawinile Peters (PPT)

The Informal Economy Support Programme (IESP) is a specialised business support initiative and is the first of its kind in South Africa. It reaches micro and informal enterprises (MIEs) in eThekweni Municipality in innovative and cost-efficient ways. Mark stated that the IESP has been running for the past 6 years and it is now in its second phase.

a) Importance of the informal economy

There is a real gap/lack of sufficient support to micro and informal enterprises (MIEs) in the economy who are making a significant impact to the economy. The IESP was developed so that this gap could be filled. The support has been refined over the years to develop a programme that really works well.

b) Overview of the IESP: aims and objectives, methodology sectoral distribution, evaluation framework

The aim of the IESP is to create jobs through providing much needed support for MIEs and the informal economy which are recognised as critical in addressing joblessness and sustainable economic growth.

Mark went through the process of selecting MIEs and the process to on-board them into the IESP. The IESP aims to support the MIEs that have the greatest potential and create jobs in the economy. It is important to identify the high-potential enterprises, but there are also those who aren't ready to scale up. The IESP does assessments that are conducted on-site, at the enterprise, in order to get a good understanding of the enterprise, and discern which enterprises have the best potential for growth. When identifying enterprises, there isn't an attempt to on-board certain sectors, and all sectors have equal opportunity to participate in the programme.

This is not a short-term programme – it aims at creating long-term, systemic change for MIEs through developing the right skills in the MIEs. He described the process of support and the kinds of support that is offered by the IESP, particularly emphasising the customised nature of the support. The IESP offers support through dedicated business mentorship, customised training, assistance in accessing finance, improving or optimising workspace, improved marketing materials and improving access to markets.

Some successes are as follows:

- As of November 2020, 407 jobs have been created from 52 enterprises. There are 99 active enterprises in the programme with a further job creation potential of 414 jobs including MIEs identified but not yet signed up.
- The IESP has received 453 applications, which shows that there is a lot of interest in the programme.
- Other successes include 123 beneficiaries trained at 27 training events. Training includes basic business skills, business management, profitability, managing money, costing and cash flow analysis as well as customer service.
- Sectoral collaborations have been developed with the Fair Food Company to assist with agricultural businesses, as well as KwaNyuswa Food Handlers and KwaNyuswa Clothing Manufacturers, with assistance from the eThekweni Business Support Unit.
- Fifty-four micro-grants, to the value of R1,248,190, have been approved. The majority of the micro-grants were utilised for production equipment/tools, as well as various other uses such as working capital, operating space, office equipment etc.
- 76 MIEs trained in COVID-19 health and safety mitigation measures. Training material (posters and manuals) delivered to 76 MIEs. 1060 facial masks and 212 sanitisers have been purchased from two MIEs and are being disbursed to enterprises. Twenty-one COVID-19 micro-grants to the value of R433K have been approved and disbursed.

Supporting MIEs, particularly in these difficult economic times is vital. The IESP is currently seeking funding for a next (3rd) phase which needs to commence on 1 October 2021 (at the latest) in order to maintain continuity from the current phase and retain the skilled project

team. A concept proposal has been developed and submitted to eThekweni Municipality and Jobs Fund on 30 September. A report to Council will be submitted at the first meeting in January. Co-funding will be secured either from Jobs Fund or Department of Small Business Development or from donors.

Experiences from MIEs in the IESP

NN Skincare - Futhi Mkhize

The enterprise joined the IESP in 2019 and there has been so much growth since then. The enterprise needed assistance with product testing to ensure compliance with industry standards to launch into the market. The IESP paid for this, and all the products were approved and then launched. Sales have increased since this was done.

When Futhi started the business, she said that she experienced financial strain and sold her car. She used public transport to go buy stock and do deliveries. While the business is scaling up and establishing itself, the MIE Specialist assists the enterprise with transport to buy stock and this has helped the entrepreneur to use her time more efficiently, concentrating on key aspects of the business.

The enterprise is now working from an office space as the increase in sales meant that the entrepreneur could afford the rental.

When COVID-19 hit, Futhi stated that they wouldn't have survived without the IESP, as they weren't established enough to survive. The mentor was a big assistance during this time, giving advice and encouraging her to approach stores and get them to take on their products. They were successful with three stores and now they sell from these regularly.

Futhi said that the business is growing and it is much more sustainable and this is all a result of the support from the IESP.

Namu Hair Talk – Lucky Mdletshe

Lucky said that he started his business in 2012. Originally, his focus was on hair products, but with the COVID-19 pandemic, he has diversified into sanitizers. He joined the IESP in 2019. In September 2019, he received a micro-grant which was used to build up stock levels. Then in September 2020, he received another micro-grant which was used to buy mixing equipment. The IESP also assisted with the purchasing of labels and barcodes for products and advertising in a magazine. There has been a lot of progress on his products and sales have increased.

PPT bought sanitizers from Namu Hair Talk to provide to all its MIEs which was a boost to the enterprise during a difficult time. He now sells sanitizers to a store that supplies KZN and outside the province.

He thanked the IESP for their support and mentorship, saying that his business has grown and he's now living a better life. He said that he hopes this will continue so he can help others as well.

Experiences from MIE Specialists

Tholiwe Ngidi (PPT)

Tholiwe went briefly through the enterprises she supports – 20 enterprises in total. She also gave a summary of the support they have received:

- 17 MIEs received micro-grants in the form of IESP micro-grants and COVID-19 grants
- The micro-grants were used to buy equipment and the COVID-19 grants were used for salary support for employees, raw materials and equipment
- Skills development happened through training, including customised training in baking, computer skills, business management skills, profitability, and cost analysis
- COVID-19 support in the form of health and safety training was done, and sanitizers, and masks disbursed
- New business space/trading stalls attained
- Formal registration - CIPC, CSD, SARS, BEE certificate, barcodes for products was done.

Tholiwe gave a brief overview of the assistance given to Ntokozo Omotoso (manufacturing leather shoes and bags), Mandla Zama Catering and Other Projects (shisanyama and agriculture), and Thulawazi Multipurpose Co-operative (mainly agriculture). Tholiwe emphasises that skills development has been key for enterprises. This is an opportunity that would not have been available to them before.

She has seen many improvements in the lives of the people that are supported. She said that entrepreneurs tell her that they are living a better life as a result of being a part of the IESP.

Ica Mbebe (Esinam Global Business Services)

Ica introduced her business management consulting firm. She then went into the 'good', the 'bad', and the 'ugly' of working with MIEs. The 'good' includes working with the concept of asset-based community development (ABCD) in order to encourage entrepreneurs to recognise what assets they have in order to utilise these strategically. A focus of hers is to help entrepreneurs differentiate between hand-up and hand-out mentality as this programme has a hand-up approach and encourages entrepreneurs to draw on their own resources. She has also had good success with building relevant business acumen, and empowering entrepreneurs by meeting their needs first before ticking boxes.

When looking at the 'bad', enterprises often have insufficient funds to do all the necessary things in order to grow. This does constrain them significantly. COVID-19 has had a large impact on the enterprises and further constrains them. Small businesses can easily become survivalist businesses in difficult times. She added that the term 'employment' needs to be redefined to fit small business needs and growth as this has quite a rigid definition that doesn't suit the informal economy. She said that there should be greater emphasis on creating and valuing part-time employment as well. The economy is moving towards more adaptive/agile jobs

When it comes to the ‘ugly’, the IESP has a lot of administration and a lot of paperwork that needs to be done. Issues of insubordination are on the rise, post-COVID-19. Enterprises are in a difficult position and it’s important to look at rights versus responsibility, and accountability versus reality.

Hopefully this programme will continue to contribute to strengthening the informal economy and build up entrepreneurs for years to come. The IESP has such a large impact and this kind of support should be supported.

Feedback from independent evaluation – Tamlynn Fleetwood

Tamlynn conducted a baseline evaluation that was submitted in October 2018. A mid-term evaluation was conducted from June to December 2019. A final impact evaluation will be undertaken from April to September 2021.

Tamlynn gave an overview of the results of the mid-term evaluation saying:

- Entrepreneurs described how both financial and non-financial support helped grow their businesses, improve productivity, and create new jobs
- Interviewed MIE owners explained how the micro-grants enabled them to purchase equipment, materials, and access new business spaces that in turn contributed to their ability to grow their businesses and create jobs. The fact that micro-grants are small helps to guard against dependency
- Access to training opportunities, support with business branding and marketing, and access to finance to purchase equipment were the most significant interventions for entrepreneurs and were cited most frequently as key job creation triggers
- Many MIE owners were supported in improving their business marketing strategies and branding (10/23 or 44%), e.g., promotion flyers, banners, business cards, labels. Feedback from entrepreneurs describes the impact this made on improving business visibility, attracting new clientele, and in boosting entrepreneurs’ confidence to approach new and bigger customers
- A large majority of interviewed entrepreneurs received training (17/23 or 74%). Training varied, e.g., business skills and financial administration training, the development of business plans and profiles. The majority were satisfied that their needs had been met and could articulate how the training had helped them (15/17 or 88%). Investing in strengthening the skills of entrepreneurs is essential to build the resilience of entrepreneurs and MIEs, and increases the chance of business sustainability. Training needs to be ongoing to embed and enhance knowledge and skills
- When it comes to mentorship, the evaluation revealed unintended benefits: boosting trust in government and government programmes, increased confidence, hope and motivation. The personal attention and commitment from mentors was highly valued.
- The majority of interviewed entrepreneurs (19/23 or 83%) agreed that the IESP was relevant to their needs, and the needs of other MIEs in the informal sector.

In conclusion, results showed:

- The importance of both financial and non-financial interventions – different types of support interventions can complement each other and enhance impact
- The need to meet unique needs of enterprises
- Professionalism and efficiency
- The importance of skilled and committed mentors
- The importance of appropriate impact indicators – the programme needs to appreciate the nature of work in the informal economy and the economic contribution of more flexible types of employment opportunities. Temporary, casual, permanent jobs all in the informal sector, all contribute to the economy. We need to ensure that we capture the value of all of these.

Questions and comments

How are enterprises identified/onboarded?

The IESP promotes the programme at various events – roadshow events, radio interviews, government meetings, through the network etc. Any MIE is encouraged to apply. The application forms are vetted and then shortlisted if they have potential for growth. An assessment of the enterprise is then done on-site and submitted to the IESP. These assessments are then vetted again. If successful, the enterprise is signed up to the programme.

What is the situation with part-time jobs?

Part-time jobs are perhaps even more important in the informal economy. We have always wanted to report on these jobs. Jobs Fund has expanded their criteria and we now report on these.

Can anything be done regarding the administrative burden?

The reporting process and the directive on the evidence required comes from National Treasury and the need for audits and to be accountable for the money. We need to respect their need for evidence. We'd happily like to streamline the process, taking into account the needs of the funders.

Are you helping the enterprises to identify their competitive edge?

Every business has a business development plan that looks at the business and identifies their competitive edge and what is needed to develop to ensure their sustainability. The MIE Specialist and entrepreneurs work towards leveraging this.

Group discussions

Financial vs non-financial support

From the discussion, it was agreed that providing both types of support are important as it is a more holistic type of support. Some programmes just give financial support without the non-financial. Fortunately, the IESP offers a sustainable option for non-financial support. The micro-grants are small and there is additional mentorship support given around this to reduce dependency.

It is a significant challenge for enterprises trying to access larger amounts of money from financial institutions. The required paperwork for loans creates large barriers to entry. It was shared that when the programme was designed, there was a loan facility built into the plan, however all the organisations/banks that the IESP approached were not willing to partner with the IESP to manage this.

Micro-grants are important, but low-interest loans would also make a big difference in the lives of MIEs. In terms of financial support, it was emphasised that it's more important that people get loans, particularly with low interest rate as grants don't give the incentive to entrepreneurs to make the grant work hard for its value.

Mark asked Lucky Mdletshe from Namu Hair Talk to describe his experiences with this. Lucky said that he agreed regarding the differences between loan and grant. He said that loans might lead to greater sustainability and teach good business practices to note the value of this injection of working capital. Mark asked if he had applied for loans. Lucky responded that he had applied a few times for loans, but was not successful. The red tape was too difficult to get through and he gave up. Mark asked about interest and whether Namu Hair would be prepared to pay interest. The entrepreneur said that he would be prepared to pay interest.

Futhi Mkhize from NN Skincare added that the micro-grant was a massive support for the enterprise. The micro-grant triggered the jobs in the enterprise. She said that she had no stress as a result of the micro-grant and now feels ready to apply for a loan. She said that when she joined the programme, she was not prepared to apply for a loan. She wasn't sure where she stood in terms of growth. Now, the ground is solid and she feels the business is in a good position to apply for a loan.

Most banks require credit history. A lot of MIEs the IESP works with don't have a credit history. They also don't have any collateral for the banks. No financial service providers will give a loan if they aren't a formal business. Businesses might need to formalise to access these loans. We need to look at options for building up a credit history for enterprises and entrepreneurs as individuals. Perhaps efforts need to be done to assist enterprises to do this. Stepping the business up to be ready for a loan is important – the business needs to be fit enough to take this on.

Enabling partnerships for supporting MIEs and the informal economy

Enabling partnerships are key. This is a bespoke programme. The programme should showcase its successes with the goal of being brought into mainstream government programmes. This learning event is a step in the right direction. Mark thanked MILE for setting this webinar up, saying it is a key factor in establishing a good channel of communication.

There was the suggestion that the IESP should collaborate with academia to assist evaluate the programme and give it more credibility. Having a bit more collaborations with academia would give more credibility to return on investment. Mark responded in the plenary that the IESP is collaborating with UKZN. This needs to be shared more moving forward.

Profiling the business and profiling participants is important. There is a need to highlight the successes of enterprises in a bolder way. It was agreed that there should be greater sharing of successes and information. The time and the space to share more around what the IESP does is vitally important.

One of the challenges that the MIEs experience is around transport. Developing a transport system for small businesses is important. There was the suggestion to partner with Uber to offer a reduced rate to support MIES.

Challenges facing micro and informal enterprises in a time of COVID-19

Small businesses didn't have the required documentation to access funding around COVID-19. There needs to be a better network of support for enterprises. There are currently different skill levels, with different partners fulfilling different roles and not enough understanding between stakeholders.

Space is always a problem as MIEs grow their businesses. They don't have the necessary funding to grow. The municipality should look at available buildings and provide these at a reduced cost. An example given was of Ithala – they provided the buildings and reduced rates, but water and electricity were too high for this to be feasible. The municipality could come in here to assist.

In terms of work times, some work is seasonal. There should be a more flexible definition of jobs. Furthermore, UIF should be accessible for both part-time and full-time employees.

In terms of COVID-19 challenges one MIE was able to take advantage of the situation and get stock into different shops. While COVID-19 has made it very difficult for enterprises, it's not all doom and gloom, and there is some light ahead. We need to push forward as a city, as PPT, as individual businesses as the informal economy plays a huge role in contributing to South Africa's economy.

Wrap up and summary – Tamlynn Fleetwood

Tamlynn thanked the partners again. She said that it's a wonderful programme and it was so inspiring to meet the entrepreneurs and hear about their experiences. She is looking forward to the next evaluation.

In summary, both financial and non-financial support are necessary. There should be a huge push for access to finance as this is what all businesses need. Funds shouldn't be given without a plan/without other support. Loans with small interest would be useful. The enterprises must be loan-ready, so the loan isn't a risk to the business.

The IESP model is so effective because it is customised, provides unique support and it really tailors interventions around the enterprise – this is so important for sustainability.

Training and strengthening entrepreneurs is key. This is evident in the entrepreneurs surviving in COVID-19 times and finding opportunities for growth during very difficult times.

A programme like this can only work if you have the right people with the right experience, and soft skills. Having a good relationship with a caring mentor, who you are able to phone for support is key. The programme is very intensive, and requires coaches that will spend quite a bit of time with entrepreneurs, which will then taper off. Retaining good mentors is important.

Partnerships and different government entities and different collaborations are also vital. It is important to look at how to leverage there to have the most impact. Options around cheap rental with the eThekweni Municipality is one example of this. Any creative, out the box partnerships should be explored.

When it comes to measuring impact, and relooking at indicators, the nature of work in the informal economy, there are still research gaps. What is the exact contribution to income or livelihoods? It would be interesting to find out more about the impact of the new jobs and exploring the impact on the lives of the new employees.

The programme needs a lot less administration. Moving forward, measures of success and setting realistic targets needs to be considered. If it's just about jobs, then tailor the indicators to this. If not, what else is important to measure? How is this valued?

It is so encouraging that there are a lot of people in the room today who feel that the project should be mainstreamed. There is a huge demand, with a lot of applications coming in. What needs to be done to take this to scale? It is very cost-effective as a programme. Such a little bit of money can trigger such a big impact. It's a pity that the financial lenders don't see this.

More needs to be done to promote the profile of the success of the model and the success of the programme and enterprises. The IESP needs to look at better ways of disseminating information around this. Who do we want to reach and what would we do to reach them?

Conclusion – Mark Misselhorn

Mark said that the informal economy is vitally important in South Africa, as the formal economy alone is not going to put food on the table. The informal economy is strong, and resilient. We understand the informal economy and value MIEs – it's important to mainstream them in the economy. There is a lot of potential if MIEs can be supported in the right way.

Collaboration and sharing information is key. We can't support this part of the economy as individuals. We need to find each other and work collaboratively. PPT has really appreciated working with the various stakeholders. He said that what we have achieved so far is only a start. We need to think beyond that, to how we do more, and how we can move beyond.

Our next priority is to secure the funding and the partnerships in order to take this forward. The IESP needs to be able to keep the current capacity in play, as it's hard to build this from scratch. We need to keep the momentum going and then build on this.

Mark thanked everyone for attending saying that it has been a very fruitful engagement. He thanked the presenters and thanked the MIEs for attending and making the time to join today. They work incredibly hard so sacrificing time to be here is very appreciated.

Mark thanked the internal team and the external specialists. He said that their work is the core of the programme, and without this, the programme couldn't achieve the things that it does.

He thanked all partners in the city and said they move from strength to strength. There are a lot of other synergies that we could tap into with the departments in the city as the informal economy spans other important parts of development.

He thanked the Jobs Fund, eThekweni Municipality and the Department of Small Business Development as the funders of the programme. The IESP couldn't achieve what it has without this support.

Thanked MILE for their efforts. Thanked Buyi Ngubane for facilitating, saying that she is incredibly skilled at what she does.

Finally, Mark stated that the IESP will plan for a follow up webinar so that we can zoom in on the important issues and have richer engagement. This event has opened up a platform for further discussion as there is a lot to be said.

Appendix

Participants

- Jay Kalichuran
- Lucky Mldetshe
- Mark Misselhorn
- Mimi Ndokweni
- Shadreck Matanhire
- Shunnon Tulsiram
- Sine Mhlongo
- Tamlynn Fleetwood
- Tholiwe Ngidi
- Vumi Mchunu
- Vuyiswa Sogoni
- Zinhle Nkwanyana
- Bahle Mazeka
- Geoff Feldon
- Gugu Ngcobo
- Justin Rajan
- Khosi Zulu
- Leon Chetty
- Menzi Masikane
- Nedon Ramsuran
- Nomalungelo Moroka
- Oswald Nzama
- Steven Muleya
- Sthe Bani
- Thando Mnikathi
- Caitlin Martin
- Ayanda Ciliza
- Bawinile Peters
- Buyisiwe Ngubane
- Deshini Pillay
- Futhi Mkhize
- Genevieve Hartley
- Ica Mbebe
- Janice Moodley
- Janet Okeyo
- Nosisa Mabaso
- Nhanhla Nyanga
- Bheki Mabona

Apologies received from: Doug Jooste, Nathaniel, and Phumelele Kunene.

Feedback session

A feedback session was held with representatives from the IESP and MILE.

The following feedback was shared:

- Attendance (around 12am) was 46 people. This was positive, considering not many people had registered before the event.
- There were a few technical issues, but these things happen. They were handled well.
- Group discussions went well. It took some time to get people to open up and start talking and this cut into discussion time. Just as everyone get talking, it was time to wrap up. Next time, the presentations will be shorter, and more time allocated for discussions.
- Buyi did an excellent job of facilitating and holding it together – this really helped.
- The branded digital backgrounds looked very professional. The IESP will try to solve the technical issues to get these next time, as it is a good thing to have.
- It was good to have a dry run to get people used to speaking on this platform. This solved a lot of issues at a later stage.
- Presentations from the IESP were received late. MILE needs to get them by midday the day before so that they can backstop if there are issues sharing presentations.
- Some presenters were weaker than others. There was too much detail on some presentations. We need to set the scene rather than get bogged down. There is a tendency to read presentations and once this starts happening, it slows down.
- There were some technical issues with people saying they were unable to join the breakaway groups. This was possibly an issue on their end.
- Buyisiwe added that some people said they didn't receive the link to the meeting. This was possibly 'user error' as they generate the email automatically when people register.

Moving forward, a follow-up webinar will be planned as there was demand for this. There is a lot more to be said. Another engagement that picks up the threads from this first one could be useful. Exposing more entrepreneurs to online events is beneficial and this could help them with familiarity with online spaces and connecting with customers online.

Mark suggested planning another event for March/April next year. He said he'd touch base with Buyi in the next year. He thanked everyone from MILE saying it's so helpful to have people with the right tools, experience and processes to hold this engagement.