



BUFFALO CITY–ETHEKWINI MUNICIPALITY BUSINESS INCUBATION LEARNING EXCHANGE

LEARNING NOTE

Wednesday, 06 August – Thursday 07 August 2014

Day 1: Wednesday, 06 August 2014 | SEDA Offices, 127 Johannes Nkosi Street, Warwick Junction

Introduction

Officials from East London's Buffalo City Metro visited eThekweni Municipality to gain insight on the City's best practice models to support Small, Micro and Medium sized Enterprises (SMMEs). Given the success of various models applied by eThekweni's Business Support Unit, the lessons from the exchange would be used to improve Buffalo City's Business Support model. This Learning Note captures the key points that emerged from discussions between Buffalo City's Business Development Unit, eThekweni Municipality's Business Support Unit, the SmartXchange Centre of Excellence and The Municipal Institute of Learning (MILE).

SESSION 1

To open learning exchange, the facilitator invited the participants to share some of their expectations. Buffalo City indicated their interest in learning more about eThekweni's incubation hub i.e. how to set up an incubation hub, how the City supports the incubation hub, how to link businesses in incubation to opportunities in the market and how to construct a Local Economic Development Learnership Programme. eThekweni Municipality indicated an interest in learning more about the model that was applied in developing Buffalo City's Coega Industrial Development Zone.

SESSION 2A

The Durban Business Fair – Siyabonga Luthuli: Project Executive, Business Support, eThekweni Municipality

With Buffalo City in the process of launching the Small Medium and Micro Enterprises (SMME) Business Fair, the discussion surrounded the key factors that have led to the success of the Durban Business Fair. Luthuli indicated that eThekweni's main focus is on SMME's. He said that the fair's popularity has grown with extensive public relations and marketing (approximately R2 million spent), innovation and dedicated workshops on how to exhibit. The Durban Fair has become the leading event for exhibitors in the region and the City profits from it largely through fees paid by SMMEs to exhibit.

Women Empowerment – Khosi Sithole: Programme Manager, eThekweni Municipality

The Business Support Unit launched the Women Empowerment programme in 2006 to address gender inequalities, raise the profile for women enterprises and create an entry point for male dominated industries.



Sithole indicated that women in construction and engineering programmes go through theoretical and practical training. However, stipends and catering are not provided to the entrepreneurs. Access to information is gained through empowerment workshops and information sharing platforms. The programme's exit strategy is through the business fair which provides SMMEs access to the market.

Tourism Enterprise Development – Nelisa Mshengu: Programme Manager, eThekweni Municipality

eThekweni Municipality follows the provincial strategy on the development of Community Tourism Organisations' (CTOs). A Memorandum of Agreement provides the mandate for the City to support CTOs and the strategy outlines what is required for the City to support CTOs.

Mshengu pointed out that one of the challenges eThekweni Municipality faces in tourism development is the management of heritage sites. The City's Parks Department has now been mandated with the maintenance of heritage sites.

Supporting the development of Cooperatives – Siyabonga Luthuli: Project Executive, Business Support, eThekweni Municipality

In terms of supporting Cooperatives (co-ops), every city faces challenges such as dependency, network extensions and entry points into the main market. Luthuli suggested that dependency affects every company, not just cooperatives. eThekweni Municipality provides a clear Memorandum of Understanding on the terms of the contract, time-frames and also encourages co-ops to look for opportunities outside of the municipality.

Luthuli highlighted that the number of co-ops in eThekweni has increased since the Parks Department has taken over the responsibility. The aim is for all unskilled opportunities to be given to co-ops. The City is also in the process of transforming informal traders to co-ops to assist with cleaning the city.

Co-ops are prone to conflict because of the structure. At present municipal employees and cooperatives work side by side. Conflict arises where co-ops are made aware of municipal employees' salary scales. Unions play a role where there is any conflict surrounding salary scales. This is a challenge and the Business Support Unit is making an effort to educate employees on the role of cooperatives. Conflicts are dealt with at the incubator.

Business Support encourages co-ops to diversify their trade and go into other sectors besides grass cutting. With the purchase of equipment, it is uncommon for co-ops to purchase equipment in their personal capacity, the City has negotiates better rates for equipment.

With regard to the contractual obligations of parties, co-ops are registered through SEDA, interested parties are required to go through a workshop prior to opening a co-op (provides



info on the process and what exactly it entails), co-ops cannot be incubated for longer than 3 years.

Fashion, Arts & Crafts Development (Pearl Mzimela represented Sindi Ntshangas: Programme Manager, Business Support, eThekweni Municipality)

In relation to partnerships with institutions of higher learning, eThekweni is not the only entity that assists fashion designers; the KZN Fashion council also assists emerging designers. Business Support is working one Higher Learning Institute – The Durban University of Technology (DUT). There are both qualified and self-taught designers that are eligible for the City's Fashion Programme.

With regard to monitoring and supporting the quality of products, Mzimela indicated that product development service providers are invited to tender for this function. Research on the fashion and crafts industries is essential for product development.

At the city's annual Durban Fashion Fair (DFF), the majority of the designers are from Durban. But there are many others invited from other parts of SA and Africa. Incentives for the designers include participating in the Fair, exposure through PR and Marketing and sponsored travel to other cities (Cape Town and Johannesburg) for big events.

A Fashion Hub has been established by EDU but it has not yet fully taken off. The long term goal is that a fashion & crafts hub will be fully launched and provide all of the resources and industrial equipment required.

SESSION 3

City's Approach to Contractor Development - Skuta Ncobo: Business Support Programme Manager, SEDA, eThekweni

In relation to eThekweni's approach to contract development, the programme looks at training on both technical skills and soft skills.

Construction Incubation Model – SEDA eThekweni

The key challenge in the construction incubator is tendering and competitiveness. Contractors often lower their tender to get a contract. It was recommended that contractors not reduce the value of their tender to get a contract; but rather see it as an opportunity. The eThekweni Construction Incubator is located in the Inanda Ntuzuma KwaMashu (INK) area but does not only target INK. By 2016, SEDA offices will have opened in every province in SA.

Day 2: Thursday, 07 August 2014 – SmartXchange Offices, 5 Walnut Road, Durban Central

SESSION 1

In the opening and welcome session of Day 2, Jonathan Naidoo (CEO of SmartXchange) provided a very vibrant overview of SmartXchange. He indicated that the company follows



a very participatory process within the Incubator. Abigail Ndlovu (Marketing and Communications, SmartXchange) stressed the team's commitment in making a global impact through the Incubation programme.

The SmartXchange Business Model – Jonathan Naidoo: CEO, SmartXchange

Naidoo explained that the centre has expanded on its ICT space to include Media and Electronics; it is now referred to as an MICTE space.

Buffalo City made reference to the challenge they are facing where entrepreneurs do not receive the support they should whilst in the incubation hub, and also the lack of support from the private sector. Naidoo suggested that City's port could be a key sector for the city to engage with.

Buffalo City expressed interest in learning more SmartXchange's KUMISA (Music) Incubator. There are a great number of artists that don't make it to the mainstream in Buffalo City. Many good talents are exploited by management. The participants agreed that there is a high demand for creative arts at high profile events in South Africa (especially government events).

eThekweni provides funding of R4million for operational costs at SmartXchange and the company takes on 45 – 50 candidates annually. A financial responsibility that is placed on entrepreneurs is the rental of office or 'hotdesk' space. When candidates need training, there is flexibility for training which is funded from the training budget. When monitoring incubatees, SmartXchange looks at factors such as income, expenditure, number of clients engaged with and the number of jobs created.

The SmartXchange Incubation Programme – Petunia Mthombeni: SMME Administrator, SmartXchange

The Incubation programmes offered at SmartXchange include Electronics, software development, technical support, IT related training and media.

SmartXchange ICT Entrepreneur's Zimkhitha Jamjam and Conrad David made short presentations on their experiences and success that came from starting out at the SmartXchange incubator. Lessons that emerged from their presentations were the importance of internet connectivity infrastructure; it was also recommended that municipalities engage with respective chambers of commerce; allowing entrepreneurs to take the lead and share their experience is a positive; lastly it was stressed that municipalities need to make efforts to change citizens' perspectives and mind-sets on entrepreneurship.

Email Etiquette – Surendra Thakur – Director KZN E-Skills Collab

'Netiquette' is a term used to refer to the etiquette of electronic communication. Email is used for corporate communications and is therefore a reflection of the sender and business.



Thakur suggested that there are four 'D's to follow in email etiquette: Deal, Delegate, Delete, Defer.

Closing Remarks

The two day learning exchange provided linkages between Buffalo City and eThekweni Municipality's Business Support units. It enabled Buffalo City to identify knowledge and practice gaps and suggest a new agenda for Business Development and Support in the East London Metro.

Top 5 Lessons Learned

1. Linkages between private sector assists in bridging the Municipality's resource gap (Buffalo City needs a strategy to the rope the private sector in)
2. In the Construction Learnership, it is important to have skills analysis to link Learnership to projects on the ground (in support of SMME progress)
3. The construction point of view provided a perspective on what is required in IT
4. The institutional arrangement at eThekweni propels people to do more in their area of speciality (i.e. one person that deals with business linkages and partnerships)
5. Political backing is crucial for the success of any SMME support programme.

Way Forward

The important factors Buffalo City should consider in developing its Incubation Hub are as follows: The assistance of a funding agency is vital to support the programme. There must be clarity on how to initiate, nurture and maintain public private partnerships. Any incubation model has core factors that include soft skills, passion, accountability, responsibility and development. In terms of governance, full representation and transparent senior management is critical. Entrepreneurs should possess skills, knowledge and a positive attitude. Lastly, specialist facilities such as a media centre and functional boardroom would be required.