

DURBAN

ENTREPRENEURIAL
ECOSYSTEM SNAPSHOT
WITH A FOCUS ON
INNOVATION



DURBAN, SOUTH AFRICA

South Africa has been ranked an “upper middle-income” country,¹ continuing to hold second place as the largest economy in Africa based on 2017 GDP, following Nigeria. As one of the most sophisticated and rapidly growing emerging markets in the continent, South Africa has strong and well-developed financial systems and economic policy frameworks in place. However, political instability and the persistent influence of the country’s history of apartheid have had significant economic and social structural effects.² The unemployment rate remains a primary challenge, sitting at 55% youth unemployment in Quarter 1 of 2019,³ together with the skills shortage, poor quality education and persistent dual economy with increasing inequality.

Within this larger economic context, a concentrated examination of one economically active area within South Africa can provide greater insight into the country’s economic dynamics and how to foster a local environment in which small and growing businesses can thrive. The Durban Entrepreneurial Ecosystem Snapshot is one such initiative and was conducted by the Aspen Network of Development Entrepreneurs (ANDE) in partnership with Innovate Durban, a local organisation.

Durban is the largest city of KwaZulu-Natal province and chief seaport of South Africa, located on the Natal Bay of the Indian Ocean. Durban is the third most economically active city in South Africa after Cape Town and Johannesburg and is a city of ports, working as a centre of industry, trade, and manufacturing. Durban is also referred to as eThekweni, i. e. the eThekweni Metropolitan Municipality, which is a metropolitan municipality created in 2000 that includes the city of Durban and surrounding towns. The remit of this snapshot extends to the borders of the eThekweni Municipality.

The insights in this snapshot are derived from primary data collection from entrepreneur support providers in Durban, as well as stakeholder feedback and external research cited throughout the snapshot.

1 (2018). World Bank Data: South Africa. World Bank.
2 (2019). South Africa President’s State of Nation Address.
3 (2019). World Bank: South Africa Overview. World Bank.

To see more data and findings, see the digital version of ANDE’s Ecosystem Snapshots at:

ecosystems.andeglobal.org

ENTREPRENEURIAL ECOSYSTEM SNAPSHOT WITH A FOCUS ON INNOVATION



DURBAN



SUMMARY

110

NON-FINANCIAL
SUPPORT PROVIDERS

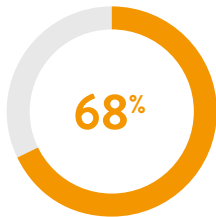
35

FINANCIAL SUPPORT
PROVIDERS

6

OTHER ECOSYSTEM
SUPPORT PROVIDERS

TOP IMPACT OBJECTIVE



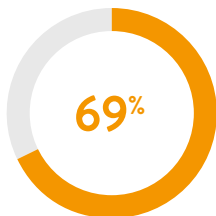
68%
OF SURVEY
RESPONDENTS
FOCUS ON CAPACITY
BUILDING

TOP SECTOR OF FOCUS



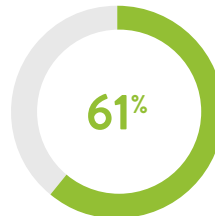
50%
OF SURVEY
RESPONDENTS ARE
SECTOR AGNOSTIC

TOP STAKEHOLDER FOCUS



69%
OF SURVEY
RESPONDENTS
FOCUS ON YOUTH
ENTREPRENEURS

TOP TYPES OF STAKEHOLDERS

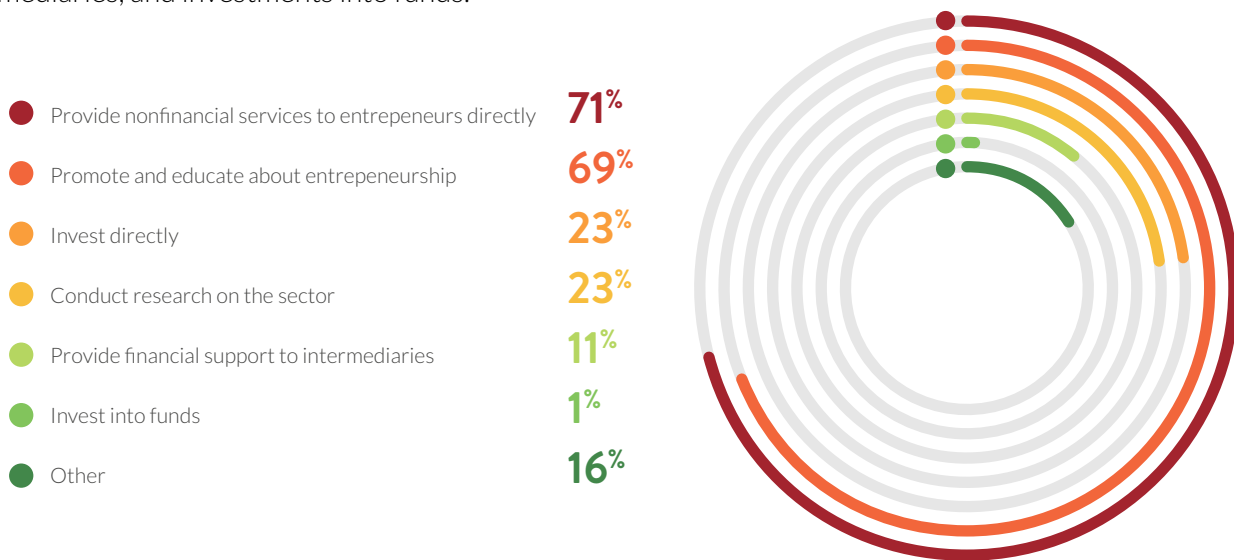


61%
OF SURVEY
RESPONDENTS
ARE BUSINESS
DEVELOPMENT
SERVICE PROVIDERS

DATA

INTERVENTION TYPE

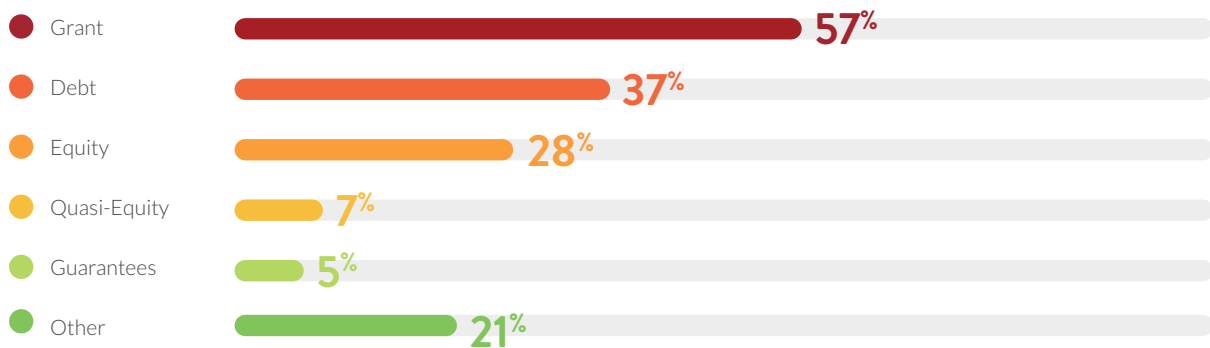
The majority of programmes surveyed provide nonfinancial support to entrepreneurs, with the greatest proportion providing nonfinancial services directly while promoting/educating about entrepreneurship more broadly. Financial support was the least common service, which includes direct investment into businesses, financial support to intermediaries, and investments into funds.



N=123

INVESTMENT INSTRUMENT

Grants are the most common type of investment instrument provided to entrepreneurs in Durban, provided by 57% of surveyed programmes. This is likely due to the nature of many of the organisations operating these programmes being government or academic entities for which grants are a more typical instrument relative to debt or equity. As a result of the Broad-Based Black Economic Empowerment² (B-BBEE) framework, government departments working to promote and develop sustainable and competitive businesses have been mandated to promote black entrepreneurship through their programmes using grants or investments into small and growing businesses.

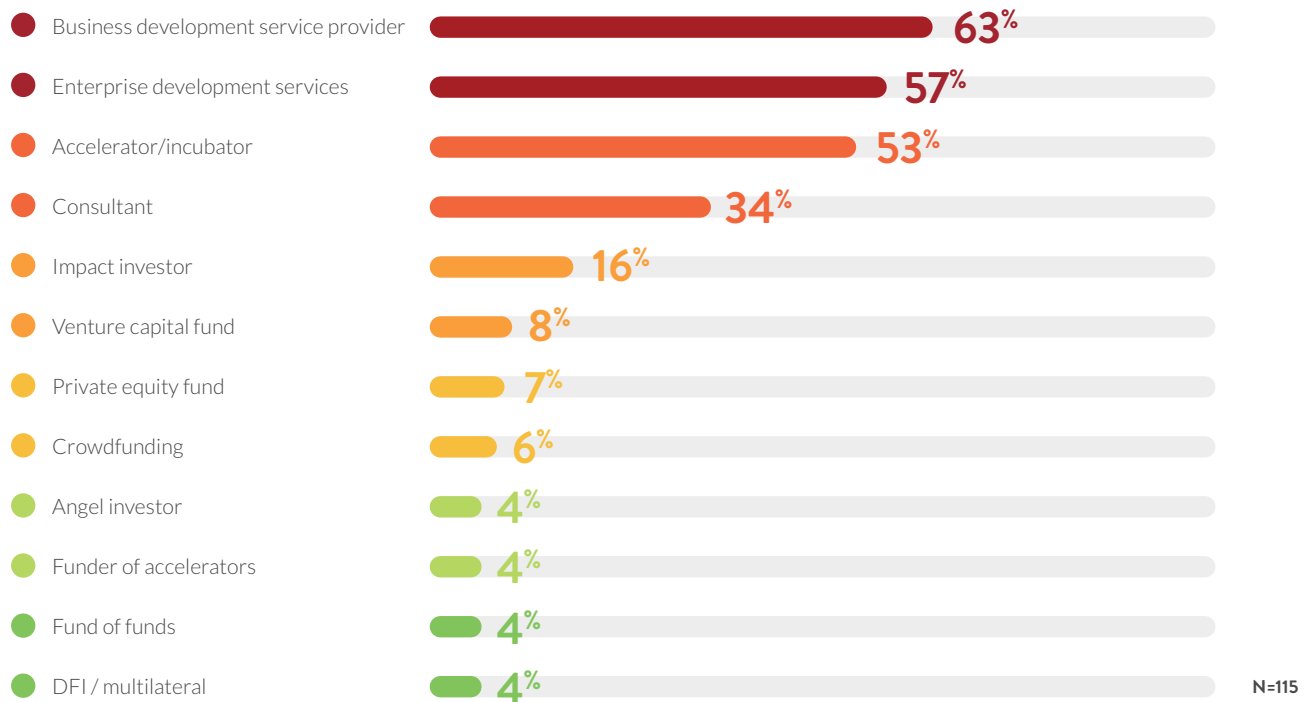


N=87

2 <http://www.economic.gov.za/about-us/programmes/economic-policy-development/b-bbee>

STAKEHOLDER TYPE

Very few programmes identified as finance providers such as impact investors, venture capital funds, private equity funds, and angel investors. According to a recent Durban Government Treasury Economic Review, this may be due to a perception that there is a limited local pipeline of investment-ready entrepreneurs.³ The most common types of stakeholders in the ecosystem, based on survey responses, are non-financial service providers such as business development service providers, enterprise development services, and accelerators/incubators.



³ Province of Kwazulu-Natal: Socio-Economic Review and Outlook 2019/2020, KwaZulu-Natal Provincial Government

NONFINANCIAL SUPPORT

Over half of programmes that provide nonfinancial support offer networking services. Other popular nonfinancial support services include business strategy and planning, leadership development and financial management.

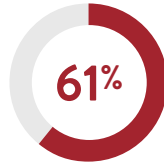
Access to networks and partners (94)



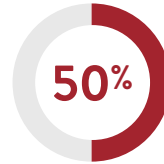
Business strategy and planning (83)



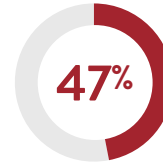
Leadership development (73)



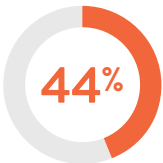
Financial management (60)



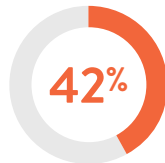
Marketing support or market research (56)



Needs assessment (52)



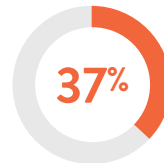
Ideation (50)



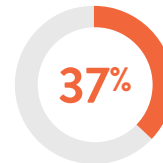
Governance structure (46)



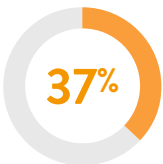
Media exposure (44)



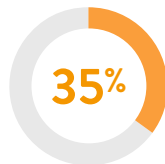
Technology development or adoption (44)



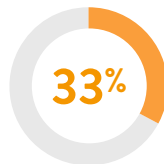
Performance management (44)



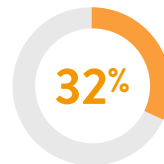
Building HR capacity (42)



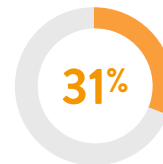
Legal, accounting, other office services (39)



Value/supply chain development (38)



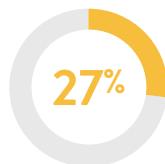
Due diligence (37)



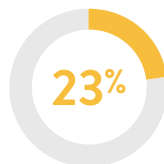
Building M&E capacity (34)



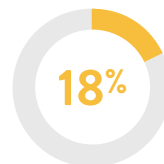
Sector development (32)



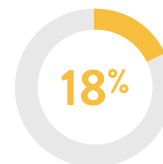
Investor matchmaking (27)



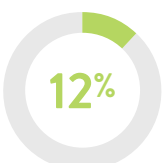
Exit strategies (22)



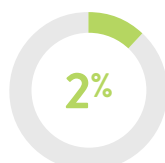
Investor showcases (22)



Product certification (14)



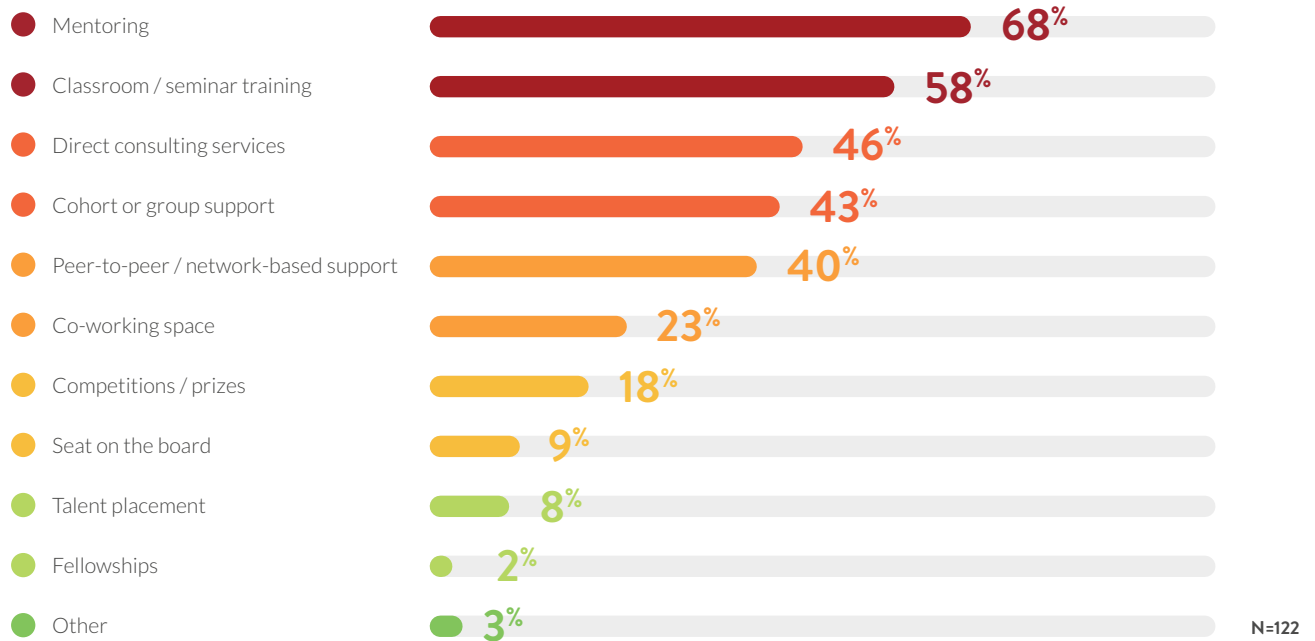
Other (14)



N=119

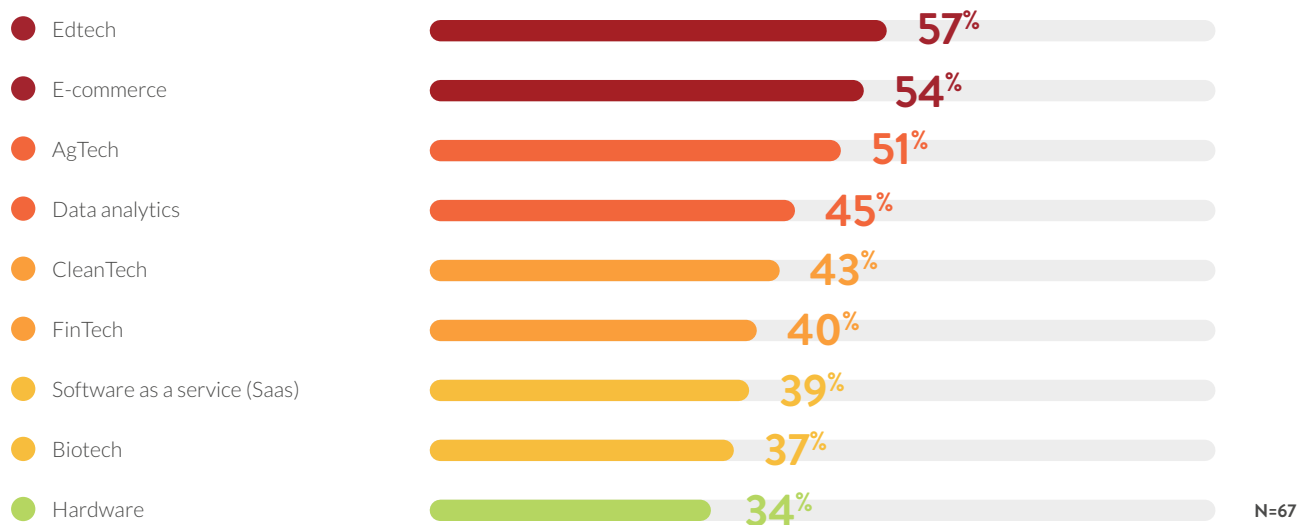
NONFINANCIAL SUPPORT DELIVERY MECHANISM

The most common delivery mechanisms for nonfinancial support are mentorship and classroom training.



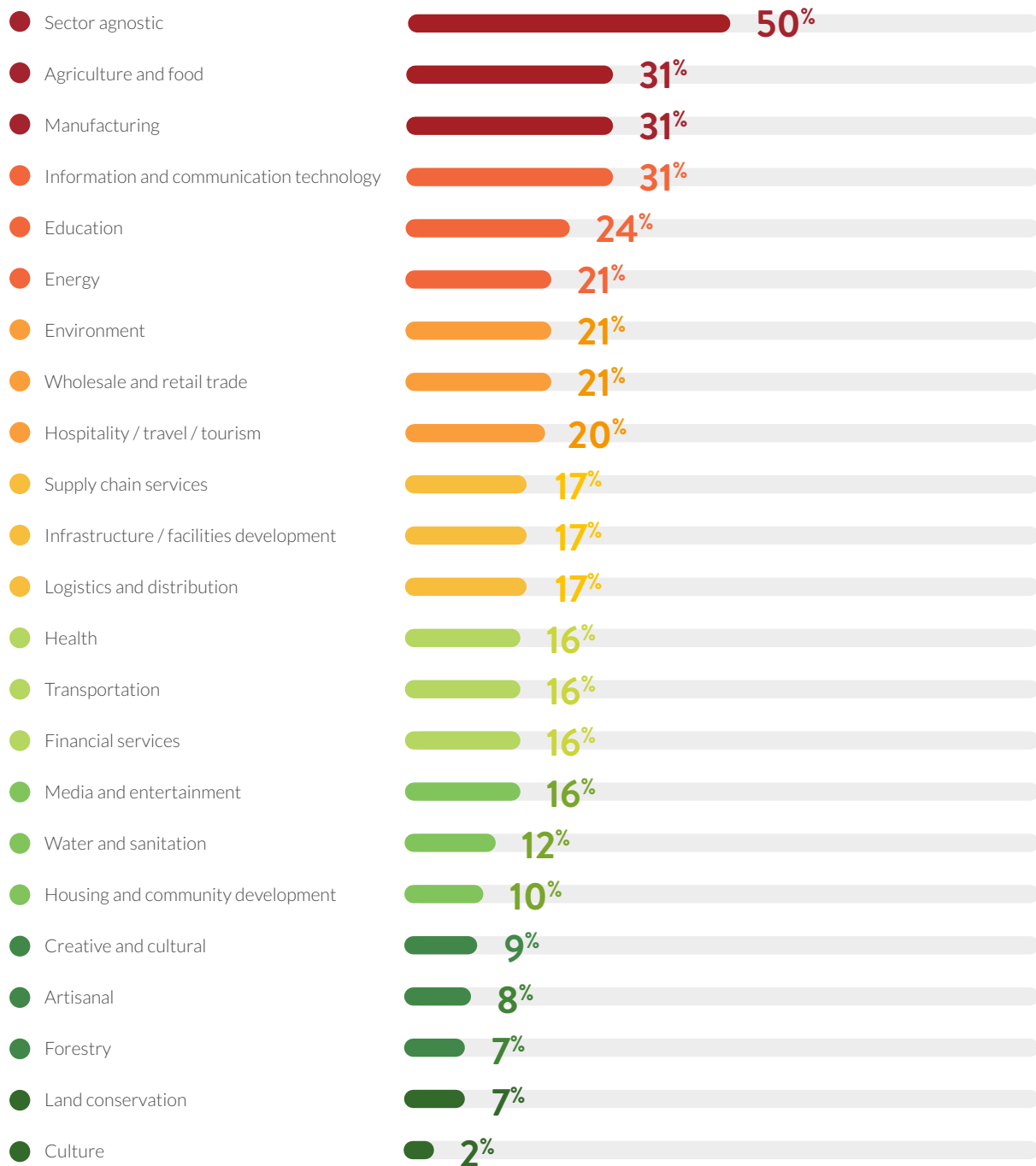
VERTICALS

The common verticals of focus for Durban entrepreneurial support providers include EdTech, E-commerce, and AgTech, with the least common being Hardware.



SECTORS OF FOCUS

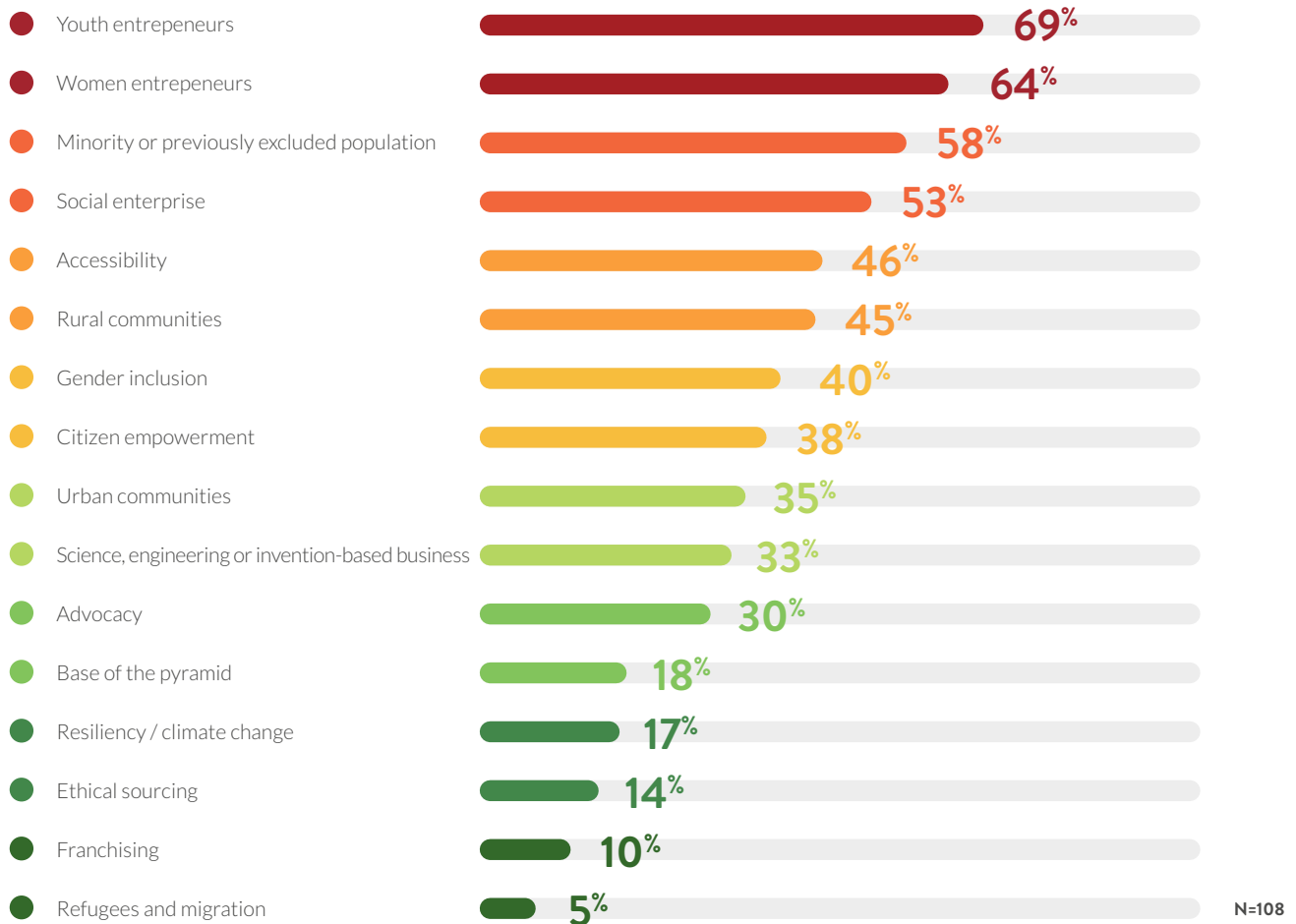
Almost half of the surveyed programmes are sector agnostic, followed by agriculture and food, manufacturing, and information and communication technology. This reflects Durban’s high level of industrialization and favourable climate and soil for agriculture, as well as its position as a national communications hub. The fact that many of the programmes are sector agnostic may reflect the diversification of the local economy, making it necessary for programmes to be prepared to serve entrepreneurs from all sectors.



N=121

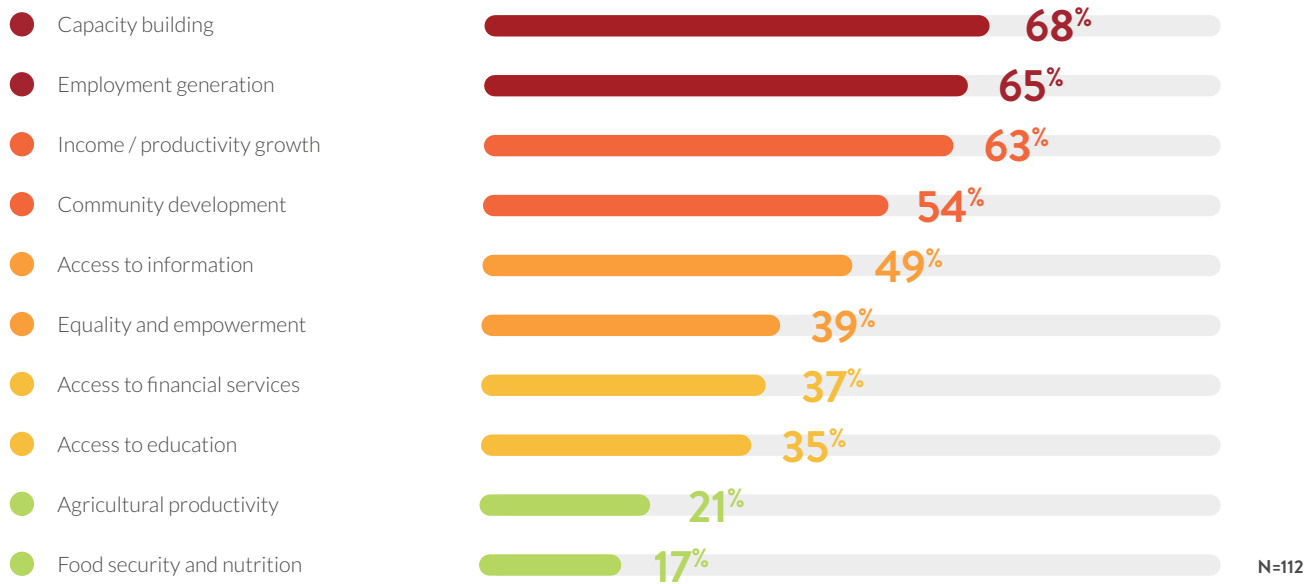
STAKEHOLDER OR BUSINESS MODEL FOCUS

Youth entrepreneurs are the most common stakeholder groups that programmes focus on, which reflects the country-wide unemployment issue that South African youth face. Youth unemployment in the KwaZulu-Natal province reached 55% as of a 2016 census, one of the highest rates in the world, and many social sector-oriented programmes see this as an area of potentially significant impact.



IMPACT OBJECTIVE

The most common impact objective among programmes was capacity building, followed closely by those focused on economic themes, including employment generation and income/productivity growth. This seems to speak very directly to the economic challenges facing the region. Notably, nearly half of the programmes focus on creating access to information, which is a significant barrier to local entrepreneurs.



CHALLENGES

Youth unemployment: South Africa's province of KwaZulu-Natal has one of the highest youth unemployment rates in the world⁴, with 37% of young people (aged 15-24) unemployed.⁵ The Department of Statistics in South Africa cites lack of experience and length of unemployment as factors causing increased vulnerability for South African youth.⁶

Lack of local culture of entrepreneurship: Perceptions of entrepreneurship as a viable career path remain low in Durban. According to surveys by the Global Entrepreneurship Monitor (GEM), 43% of the adult population in South Africa perceive a good opportunity to start a business⁷, compared to 70% overall in sub-Saharan Africa⁸. Respondents commonly cited fear of failure as a significant barrier, and while public sector initiatives such as GoDurban and Durban Investment and Promotion have gone a long way to promote Durban as an attractive investment opportunity, the entrepreneurial community remains rather insular, with a limited perception of its potential to scale business outside the city, province or beyond.

Access to information: Entrepreneurs in Durban, especially the large portion that live in outlying townships and rural areas, face significant barriers to accessing information on available finance or non-financial support, as well as market and networking opportunities. Durban, like many ecosystems, lacks a free, comprehensive and up-to-date information platform to access this information, and previous attempts to develop such a platform have not been adequately maintained or updated. This challenge forces entrepreneurs to spend valuable time sourcing information through referrals, word of mouth or increasingly through social media.

Gaps in type of support: Local entrepreneurship support programmes show a bias towards general peer-to-peer mentoring and networking support, with a limited number of programmes offering more technical, sector-specific training. This may be due to a lack of sufficient resources to develop and maintain technical expertise. Corporate engagement in strategic supplier development could help fill this technical gap, but currently remains limited in the local ecosystem.

Nascent early-stage capital markets: Although South Africa as a country has well-developed capital markets, the local ecosystem in Durban has limited financing available that is appropriate for early-stage and growth-seeking entrepreneurs. Though there are a significant number of government grant programmes, these do not provide the sort of growth-oriented capital to crowd in sufficient private investment.

4 Moodley, J. (2019). High youth unemployment in KZN a worry for all. IOL The Post.

5 Maluleke, R. (2019). Quarterly Labour Force Survey Q1:2019. Statistics South Africa.

6 Ibid.

7 (2018). Global Report 2017/2018. Global Entrepreneurship Monitor.

8 (2019). The world's trumpeting Entrepreneurship but South Africa is not listening and responding. Mancosa United Universities.

OPPORTUNITIES

Low cost of doing business: Relatively inexpensive input costs such as rent, raw materials and labour make Durban an attractive place to establish a business. The Durban business community is relatively small and easy to navigate, especially in regard to government regulatory bodies and support agencies. More broadly, South Africa's process to start a business appears to be simpler than other countries', with the number of procedures and number of days required to start a business falling below average among Africa's top consumer markets.⁹

Attractive investment context: According to the [World Economic Forum's 2019 Global Competitiveness Index](#), South Africa is a "regional financial hub, with well-developed equity, insurance and credit markets." A Deloitte study highlighted Durban in particular as an attractive destination for investment due to its social environment and good transport and logistics infrastructure¹⁰. Africa's largest port city is already home to a booming manufacturing sector, second only in the country to the Gauteng province.

Strong academic institutions: The KwaZulu-Natal province is recognised for its strong academic capabilities. Institutions such as the University of Kwa-Zulu Natal (UKZN) and Durban University of Technology (DUT) are active in supporting new ideas through academic publications and research. These institutions are also proactive in linking with local agencies that specialize in particular sectors.

Collaborative environment: Durban's entrepreneurial ecosystem support providers are in a strong position to organise and collaborate on efforts to better address the needs of entrepreneurs and potential entrepreneurs. Based on the sample of programmes in this snapshot, it seems feasible to galvanise the ecosystem to tackle some of the most pressing issues preventing entrepreneurship from flourishing.

9 Schwab, K. (2019). Insight Report: Global Competitiveness Report 2017-2018. World Economic Forum.

10 Merkofer, P., Rampathy, C. (2016). Driving Investment: Is Durban and KwaZulu-Natal ready? Deloitte.

RECOMMENDATIONS



Increase support for technical skill-building: Many of the key issues prohibiting entrepreneurs' success in the ecosystem, including the fear of starting a business and confidence/ability when communicating with investors, can be addressed by building technical skills. Combining this with the existing mentorship support that is already available through more than half of the programmes surveyed (68%) can help build confidence, which will reflect in higher levels of entrepreneurial engagement.



Improve access to information: Access to information is the fifth most common impact objective among ecosystem players, with approximately half of programmes surveyed citing this as a facet of their programming. However, lack of access to actionable information remains a barrier to both current and aspiring entrepreneurs, affecting their ability to identify and develop business opportunities. Creating and maintaining a platform that provides up-to-date information on resources available to local entrepreneurs could help address this issue. This may involve leveraging existing national platforms to incorporate a Durban focus, or identifying local partners with the resources to support and implement such an effort.



Increase engagement with corporates: Durban has an increasingly diverse economic landscape, with extensive opportunity for public and private sectors to collaborate. The Durban automotive and maritime sectors are examples of local government working together with the private sector to provide deeper, more strategic support to entrepreneurs and innovators. This model can be expanded. There is room for the private sector to intensify its engagement with the government across sectors to understand key development plans and the role that corporates can play to support entrepreneurial inclusion within these.



Engage investors to support local entrepreneurship: Despite capital being available, very little of it flows to entrepreneurs, particularly in the Durban area. Among innovation-focused ventures specifically, entrepreneurs face difficulties communicating their new ideas to investors without having previously established a relationship. Additionally, while available capital appears to be suited for entrepreneurs, in reality the deal sizes are typically out of range for most start-ups.¹¹ Creating a line of communication where entrepreneurs and support programmes can better understand the expectations of investors and further tailor support services to prepare entrepreneurs accordingly may help improve the flow of funds.

11 (2019). The State of the Sector: 2018 Report. Aspen Network of Development Entrepreneurs.

TYPE OF FINANCIAL SUPPORT



Academic institution







IDEA	START UP	EARLY	GROWTH	MATURE
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1956 Women Empowerment Programme (Southern African Institute of Learning (SAIL))				
Airos online coding bootcamps, Airo				
BioDurban (KwaZulu Natal Research Innovations and Sequencing Platform (KRISP), University of KwaZulu Natal)				
Centre for Social Entrepreneurship and Rapid Incubator (CSERI) (Durban University of Technology)				
ENSPIRE (UKZN InQubate)				
Ignition for Entrepreneurs (Africa Trust Academy)				
Project kwenza (The Maker Space Foundation)				
Regional and Local Economic Development (LED) Initiative: LED Champions (Regional and Local Economic Development Initiative)				
Technology Station in Chemicals (Mangosuthu University of Technology)				

TYPE OF FINANCIAL SUPPORT



 Bank or financial institution

IDEA 	START UP 	EARLY 	GROWTH 	MATURE 
FUNDABA (FNB)				
		Ithala Development Finance Corporation (Ithala Development Finance Corporation)		
		Risk financier for SMEs including Technical Assistance and Mentorship (Business Partners Limited)		

TYPE OF FINANCIAL SUPPORT

- EQUITY
- QUASI-EQUITY
- DEBT
- GRANT
- GUARANTEES

Capacity Development Provider

IDEA	START UP	EARLY	GROWTH	MATURE
3-day Practical Systematic Innovation Workshops Novation Now (Pty) Ltd.				
Asidlondlobale Enterprise Development Programme (Asidlondlobale Enterprise Development Solutions)				
Aurik Business Accelerator (Aurik Buisness Accelerator)				
Awethu Project Incubator (The Awethu Projects)				
BizFarm Incubation Services (bizfarm)				
Black Umbrellas Full Incubation Program (Resident) (Black Umbrellas)				
Business assessment and financial intervention programmes (CPG Chartered Accountants Inc.)				
Business Incubation (Durban Technology Hub t/a SmartXchange)				
Business Support and Development Services (NSP CONSULTANTS)				
BusinessFit (Pty) Ltd (DRG Outsourcing)				
Co-operatives Incubator Hub (Asikhule Co-operatives Development Corporation NPC)				
CVC Africa and Transnet Maritime Incubation Program (CVC Africa ED Partners PTY LTD)				
Digify PRO (Digify Africa)				
Digital Transformation and Training (Brave Ideas)				

TYPE OF FINANCIAL SUPPORT



Capacity Development Provider

IDEA	START UP	EARLY	GROWTH	MATURE
Endeavor SA (Endeavor)				
Enterprise Ilembe Business Incubator (Goshen Entrepreneurship Hub)				
Entrepreneurship Education (FutureproofSA)				
eThekwini Furniture Cluster (KwaZulu-Natal Clothing and Textiles Cluster)				
Flexible Workspace (Flexible WorkSpace)				
FNB Social Enterprises Impact Lab (Fetola)				
Furntech Business Technology Incubation (BTI) Programme (The Furniture Technology Centre Trust t/a Furntech)				
Google Impact Challenge - South Africa (Impact Amplifier)				
Harambee Youth Employment Accelerator (Harambee Youth Employment Accelerator)				
Hivos Food & Lifestyle Fund (Hivos)				
Impact Assessment / Evaluation, Mapping and Design, M&E Strategy (ATMS Foundation/AMSCO)				
Informal Economy Support Programme (Project Preparation Trust of KZN)				
innovation 2 Business masterclass (innovation 2 Business Foundation)				
Innovator Support Programme (Innovate Durban)				

TYPE OF FINANCIAL SUPPORT



Capacity Development Provider

IDEA	START UP	EARLY	GROWTH	MATURE
Khulisa Business Development (Domino Business Development (Pty) Ltd)				
KZN Clothing and Textiles Cluster (KwaZulu-Natal Clothing and Textiles Cluster)				
KZN Growth Coalition (KZN Department of Economic Development, Tourism and Environmental Affairs)				
Linkedin Brand Blueprint (POPTAG BRANDS)				
Livelihoods and Economic Development Programme (Outsourced Client Solutions Africa)				
Mahatma Gandhi Institute for Computer Education and Information Technology (Phoenix Settlement Trust)				
Management By Objectives Training (Vector Consulting)				
Minara Chamber of Commerce (Minara Chamber of Commerce)				
MyGrowthFund Venture Capital (My Growth Fund)				
NPC Sebenza (Catalyx Consulting)				
One Planet Cities project (Bioregional South Africa)				
Orenda O-Zones (Orenda Foundation)				
Outsourced Client Solutions (OCS) Africa Incubation Hub (Outsourced Client Solutions Africa)				
Pitching Den (Innovate Durban)				

TYPE OF FINANCIAL SUPPORT



Capacity Development Provider

IDEA	START UP	EARLY	GROWTH	MATURE
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Property Point Enterprise and Supplier Development Programme (Property Point)				
SAB Foundation Social Innovation Fund (SIF) (Impact Amplifier)				
SAB Foundation Tholoana Programme (Fetola)				
SaveAct programme (SaveAct)				
Small business development services (Small Enterprise Development Agency)				
Socionext Entrepreneurship Acceleration Program (Socionext)				
Spartan SME Finance (Spartan SME Finance)				
Start Your Business (African Management Institute)				
The Clothing Bank and The Appliance Bank (The Clothing Bank)				
The Durban Entrepreneurs Club Membership (Durban Entrepreneurs Club)				
The Durban Innovation Hub (The Durban Innovation Hub)				
The Entrepreneurs' Organisation: Durban Chapter (The Entrepreneurs' Organisation)				
The Hookup Dinner Crowdfunding and Networking events. (The Hook Up Dinner Durban)				
Umvuzo Business Network (Umvuzo BSD)				

TYPE OF FINANCIAL SUPPORT



Capacity Development Provider

IDEA	START UP	EARLY	GROWTH	MATURE
USE IT Non-Profit Organisation (Use It Waste Beneficiation (RF) NPC)				
Volunteer mentorship programme (National Mentorship Movement)				
Yanda Innovation Consultants (Yanda Innovation Consultants)				
ygap (ygap)				
Youth Income Generation & Entrepreneurship Pathway Development (Harambee Employment Youth Accelerator)				
Youth Innovation Challenge (Innovate Durban)				

TYPE OF FINANCIAL SUPPORT



Corporation or Corporate Foundation

	IDEA	START UP	EARLY	GROWTH	MATURE
Allan Gray Orbis Foundation (Allan Gray Orbis Foundation)					
ExoLab (I-Innovate)					
Faranani Rural Women Training Initiative (PwC)					
Innovate Durban Port Youth Challenge (Transnet Port Terminals)					
Mentoring SMEs and sourcing funding for them (Business as Mission SA)					
Oracle for Startups (Oracle)					
Raizcorp Entrepreneurial Development Programmes (Raizcorp)					
The Corner Office (The Corner Office)					
The Sett coworking space and training venue (The Sett)					
ThundaFund (Thundafund)					

TYPE OF FINANCIAL SUPPORT

 EQUITY






 QUASI-EQUITY

 DEBT

 GRANT

 GUARANTEES








 Development Finance Institution or Donor Agency

IDEA	START UP	EARLY	GROWTH	MATURE
				
Entrepreneurship Development Programme (National Youth Development Agency)				
Finfind (FinFind)				
Gro-E Youth Scheme Programme (IDC)				
The National Empowerment Fund (Department of Trade and Industry: South Africa)				

TYPE OF FINANCIAL SUPPORT



Foundation

IDEA	START UP	EARLY	GROWTH	MATURE
 <p>Clothes to Good (Clothes to Good)</p>				  
<p>OTC Business Ministry (BrightSpark Brand Colab)</p>				

TYPE OF FINANCIAL SUPPORT



Government Agency



Agency	IDEA	START UP	EARLY	GROWTH	MATURE	Financial Support Type
Business Support: SMME Development eThekweni Municipality						GRANT
Durban Chamber of Commerce and Industry Enterprise and Supplier Development (Durban Chamber of Com. and Ind. NPC)						
Eskom Development Foundation NPC (Eskom South Africa)						
Seed Fund and Youth Technology Innovation Programme (Technology Innovation Agency)						EQUITY, GRANT
Small Enterprise Finance Agency (sefa) financial products and services (Small Enterprise Finance Agency)						DEBT, GRANT
Trade & Investment KwaZulu-Natal (TIKZN) (Trade & Investment KwaZulu-Natal (TIKZN))						

TYPE OF FINANCIAL SUPPORT

 EQUITY














 QUASI-EQUITY

 DEBT

 GRANT

 GUARANTEES






 Investor

	IDEA	START UP	EARLY	GROWTH	MATURE
Ashburton Credit Enhanced Fund I and II (Ashburton Investments)					
Credit Guarantees (Them bani International/Shared Interest)					
Enterprise and Supplier Development (Edge Growth)					
Enterprizer Network (LifeCo UnLtd SA)					 
Faster Capital Incubation Program (Faster Capital)					
GroFin SGB Fund (GroFin)					
Innovation Edge (Innovation Edge)					
Kingson Capital Fund Two (Kingson Capital)					 
Purchase Order Financing (NuMedia Direct Marketing)					
Small Business Accelerator in Digital Sector (MultX (Pty) Ltd)					 

TYPE OF FINANCIAL SUPPORT



 Media Organization

IDEA 	START UP 	EARLY 	GROWTH 	MATURE 
Enterprise & Supplier Development Expo (Smart Procurement)				
Entrihub network (ENTRIHUB)				

TYPE OF FINANCIAL SUPPORT

- EQUITY
- QUASI-EQUITY
- DEBT
- GRANT
- GUARANTEES

Research or Advisory Service Provider

IDEA	START UP	EARLY	GROWTH	MATURE
Catalyst for Growth (Catalyst for Growth)				
Enterprise Development (Niya Consulting)				
Enterprise Development Programmes (South African Institute of Chartered Accountants)				
Innovation Ignition Program (Moses Kotane Institute)				
Operation Due Diligence and Operations Reviews (Due Diligence Partners)				
The Garage (Lindon Corporation)				

TYPE OF FINANCIAL SUPPORT



Sector Association

IDEA	START UP	EARLY	GROWTH	MATURE
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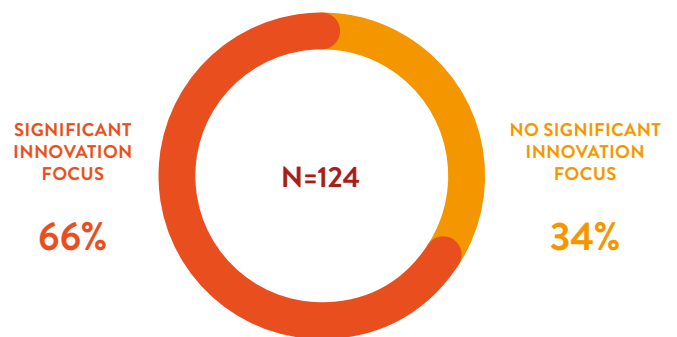
Consolidating the ecosystem (SABTIA)				
Creative Entrepreneurs Graduate Academy (Open Plan Studio)				
Durban Tech startup ecosystem (SILICON DURBS)				
Institute of Business Advisors Southern Africa (Institute of Business Advisors Southern Africa (IBASA))				
InvoTech Innovation Technology Business Incubator (InvoTech)				
Junior Chamber International: Durban (Junior Chamber International)				
National Small Business Chamber (National Small Business Chamber)				
Transnet Disabled Programme (Saica Enterprise Development)				
Venture Central digital platform for entrepreneurs (SiMODiSA Start Up)				

INNOVATION SUPPORT IN DURBAN'S ENTREPRENEURIAL ECOSYSTEM

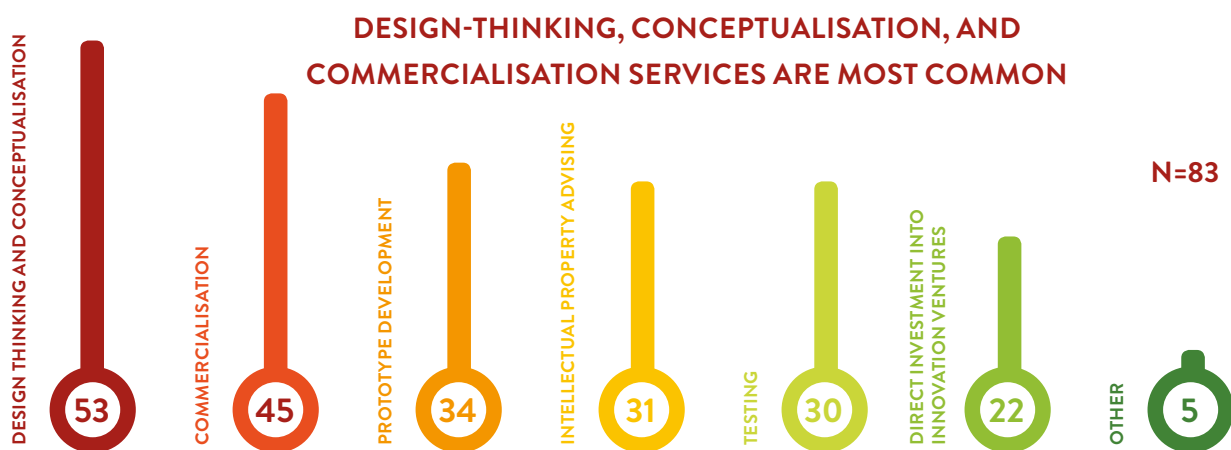
Innovation and entrepreneurship are intrinsically linked. Entrepreneurs, and in particular growth-oriented entrepreneurs, develop innovative products, services, and business models to create value in a market and contribute to local economic development. This section of the snapshot explores the various innovation-focused¹² resources available to entrepreneurs in the Durban ecosystem and in the broader South African context.

Overall, Sub-Saharan Africa is replete with entrepreneurial activity; the level of early-stage entrepreneurial activity on the continent is 13% higher than the global average.¹³ However, much of this is so-called “subsistence entrepreneurship,” or micro-entrepreneurship that is undertaken out of the necessity to meet basic needs, with only 20% of African entrepreneurs offering new products or services to the market.¹⁴ Still, South Africa at a country level is in a strong position as it pertains to entrepreneurship and innovation, leading in the region (second to Botswana) on the 2018 Global Entrepreneurship Index and ranking highly in terms of level of innovation.¹⁵

OVER HALF OF DURBAN PROGRAMMES HAVE A SIGNIFICANT FOCUS ON INNOVATION



The overall entrepreneurial ecosystem in Durban has a significant and growing number of resources specifically targeting innovation-focused enterprises. Two-thirds (66%) of programmes surveyed indicated a significant focus on innovation, and these innovation-focused programmes tended to be younger, with an average initiation year of 2013 compared to an average initiation year of 2008 for programmes not focused on innovation.



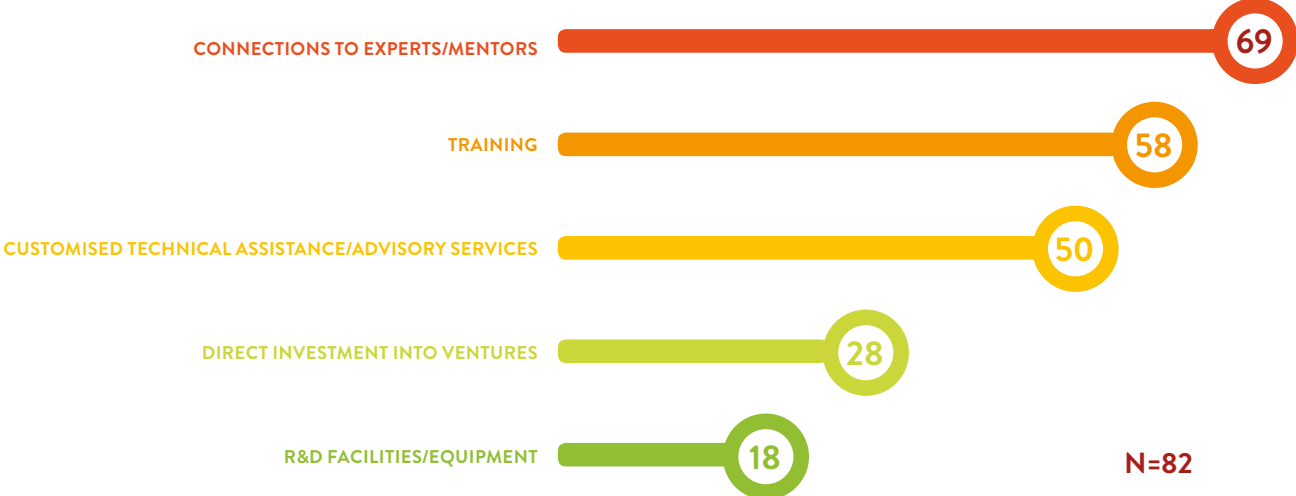
12 For the purposes of this study, innovation-focused programmes are defined as those that actively support the research, development, and testing of new or improved products or services.

13 Liu, A. (2019). Africa's future is innovation rather than industrialization. World Economic Forum, Regional Agenda.

14 Why Africa Has the World's Highest Entrepreneurship and Discontinuance Rates

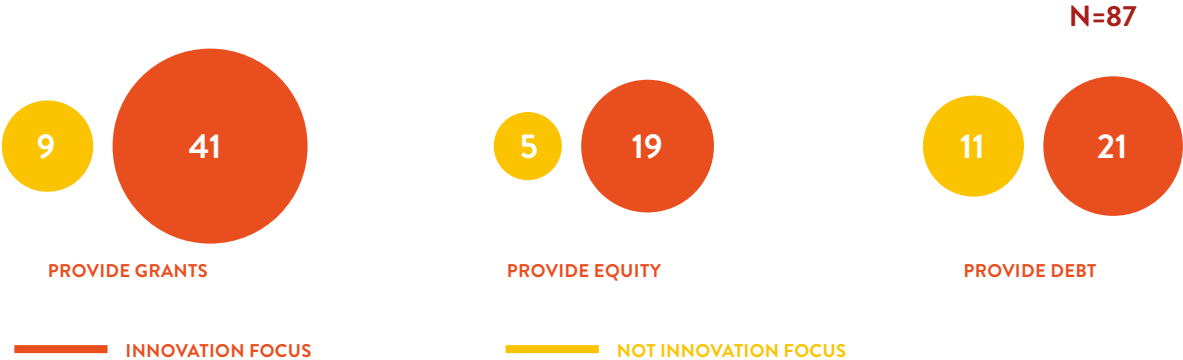
15 Readiness for the Future of Production Report 2018

The most common type of support provided by innovation-focused programmes is design thinking and conceptualization, followed by commercialization. The innovation-focused programmes delivering these services most commonly target start-up and early stage ventures (83% and 79%, respectively), primarily delivered by way of connections to experts/mentors, training, and customized technical assistance/advisory services.



Relatively few programmes invest directly into ventures; however, for those that do, using flexible instruments like equity and grants is more common among innovation-focused programmes. Nearly 80% of the stakeholders using equity instruments have a focus on innovation, whereas only about 65% of stakeholders using debt have this focus.

EQUITY AND GRANTS ARE MORE COMMON AMONG INNOVATION-FOCUSED PROGRAMMES



A promising insight from this snapshot and a potential opportunity for the sector is the level of collaboration in Durban’s innovation-entrepreneurship community; of the programmes that indicated a significant focus on innovation, 43% have partnered with at least one other innovation ecosystem player. The most common partner is Innovate Durban, with which 25 respondents have partnered, followed by the Technology Innovation Agency (18 respondents), Smart Exchange (13 respondents), and Moses Kotane Institute (12 respondents).

For more information about this snapshot, please contact the staff of ANDE's South Africa Chapter:

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