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iLembe's Entrepreneurial Ecosystem Mapping Report



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Executive Summary

The world is experiencing a surge of literature focusing on entrepreneurial ecosystem development to promote sustainable development outcomes. A central focus of this literature is on the constituents and measurements of the state of the entrepreneurial ecosystem. Several models of entrepreneurial ecosystems have been proposed based on academic evidence and/or policy and entrepreneurship practice. However, there is minimal literature on the entrepreneurial ecosystem from the Global South due to an absence of data infrastructure. As such, most entrepreneurial ecosystem studies are from the Global North because of the presupposed data availability and resources to track and map the conditions for entrepreneurship. There have been several attempts to address the dearth of studies and track and measure entrepreneurial ecosystems in Africa using various data sources and tools, such as the Global Entrepreneurship Monitor, the Aspen Network of Development Enterprises, and most recently, the African Entrepreneurial Ecosystem Index.

The improvement of the understanding of South Africa's entrepreneurial ecosystem could unlock effective solutions to improve the ecosystem thereby addressing the high business failure rate and low entrepreneurial intentions, possibly resulting in lowering the unemployment rate. In the bid to contribute to emerging entrepreneurial ecosystem literature, Allan & Gill Gray Philanthropy South Africa (AGGP_SA) explored the entrepreneurial ecosystem of the iLembe District in South Africa. The work was undertaken as part of a series of entrepreneurial ecosystem measurement efforts to understand economic drivers and binding constraints in making entrepreneurship work in South Africa. A place-based approach was adopted due to the uniqueness of each region and the need to ensure comparable data across diverse entrepreneurial ecosystems within the various municipalities. iLembe in KwaZulu-Natal, South Africa is the first region that was chosen and the results are what follows.



Methodology

The study used Stam's (2015) entrepreneurial ecosystem framework based on ten conditions: physical infrastructure, formal institutions, entrepreneurial culture, talent, leadership, networks, intermediary, demand, new knowledge, research and development, and access to finance. Indicators were developed and tracked based on South Africa's ecosystem for each of the ten conditions. The data presented explicitly shows the state of each condition per municipality that makes up the iLembe District (KwaDukuza, Mandeni, Maphumulo and Ndwedwe) and at the district level (iLembe). The improvement of these conditions and the entrepreneurial ecosystem at large enables the prevalence of productive entrepreneurship and economic development in South Africa.

South Africa's entrepreneurial ecosystem could unlock effective solutions to improve the ecosystem, thereby addressing the high business failure rate and low entrepreneurial intentions, possibly resulting in lowering the unemployment rate

Findings and Recommendations



Physical Infrastructure: Infrastructure distribution in iLembe's local municipalities is uneven and shapes uneven development outcomes. Dilapidated railway infrastructure increased the cost of living and transporting goods and services. Substantial infrastructure investment is needed in lagging municipalities (Maphumulo, Ndwedwe and Mandeni) to enable more businesses to invest in the region.



Talent: iLembe's educator to learner ratio of 1:30 provides an enabling schooling environment. More TVET colleges are required in other municipalities (Ndwedwe, Mandeni and Maphumulo) as there is a low provision of TVET education in these municipalities. While KwaDukuza has 6 TVETs in its jurisdiction, other municipalities only have one each. TVETs must align their offered qualifications with the relevant skills needed in the iLembe District.



Entrepreneurial Culture: There are mixed feelings about the entrepreneurial culture in iLembe. The Business Confidence Index was below 50 index points, however, the economic activity index and sentiments per sector showed encouragement at 59.9 index points. The data on the iLembe Business Confidence Index needs to be decentralised to show a view per municipality for effective place-based interventions. The entrepreneurial environment of Mandeni, maphumulo and Ndwedwe need to be improved to spur economic activities that lead to employment creation.



Formal Institutions: Most municipalities in the iLembe region do not have the required training and development centres and skilled SMME facilitators. The role played by institutions in the entrepreneurial ecosystem needs to match the strengths of these respective municipalities.



Demand: KwaDukuza and Mandeni show higher rates of manufacturing in their jurisdiction, whilst Maphumulo and Ndwedwe have weaker entrepreneurial ecosystems dominated by government activities. Entrepreneurship and small business development must be promoted in municipalities with higher government contributions to employment. As it stands, KwaDukuza has more ventures and jobs than all other municipalities combined in the iLembe District. There is a need to diversify and allow the private sector to invest in these regions to ensure less reliance on the government. As it stands, iLembe has more ventures and jobs than all other municipalities combined.



Access to Finance: The access to finance space is underpinned by inequalities between the different municipalities in iLembe. As noted, there is an overconcentration of financial institutions in KwaDukuza, whereas there is a dearth of financial institutions in other municipalities. The government must not be the only source of funding for most entrepreneurs.



Leadership: The existence of the entrepreneurship competition and the relationship between the municipality's agency and the chamber of commerce leverages opportunities for entrepreneurs. Data on the iLembe Business Confidence Index needs to be shared with other municipalities. This could push other municipalities to adopt a similar approach to valuing their entrepreneurial ecosystems.



Networks: The entrepreneurial ecosystem in KwaDukuza is enriched by the existence of network platforms such as formal and informal chambers of businesses and the economic development agency. Networking platforms are currently dominated by the government.



New Knowledge/Research and Development (R&D): Municipalities have limited to no R&D budget, thereby impacting their ability to innovate and identify new economic opportunities. Municipalities must build research and development capabilities focused on improving the prospects of local businesses and track patents emerging from their jurisdiction.



Intermediary: There seems to be no coordination of all the various entrepreneurship incubation and acceleration programmes in iLembe. Secondly, most of these programmes are implemented by government, even though business development is not the core service of the government. Municipalities should consider partnering with private entities to offer incubation and acceleration services instead of doing it in-house. Most Local Economic Development (LED) units do not have capacity and therefore cannot have internal incubation capacity.

Acknowledgements

We would like to acknowledge South African entrepreneurial ecosystem builders for the continuous efforts in improving the ecosystem to better the socio-economic conditions of those mired in unemployment, poverty and inequality. Special acknowledgment goes to the KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs (COGTA), the Department of Economic Development, Tourism and Environmental Affairs (EDTEA) for welcoming the endeavours of the Connecten project, and availing the iLembe District as a potential pilot for testing an ecosystem approach to regional development. This project could not have been a success without the willingness of the Enterprise iLembe Development Agency for the partnership throughout this project.

Recognition is also given to diverse ecosystems players that provide entrepreneurial ecosystem data that informs evidence-based decision making. In this context, data from COGTA's National Strategic Hub, National Treasury's Spatial Tax Data, iLembe Chamber of Commerce and Statistics South Africa were instrumental in strengthening the report.

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1. Introduction

South Africa consists of many organisations that are committed to improving the country's entrepreneurial ecosystem. A particular focus is ensuring more businesses can start and grow, leading to sustainable and decent employment opportunities. As it stands, South Africa has a high rate of poverty, estimated to be at 55% of South Africa's population.¹ The country's stubborn unemployment rate has been persistently high because of the failure to create jobs and grow the economy. A recent review of the first ten years of the National Development Plan showed that the country has regressed in employment creation and poverty alleviation efforts.² This suggests the need to build a stronger ecosystem capable of supporting entrepreneurs and promoting the use of evidence in decision-making.

Data from the Global Entrepreneurship Monitor also revealed that South Africa's business discontinuance rate increased from 4.9% in 2019 to 13.9% in 2022.³ The increased discontinuance rate can be attributed to the COVID-19 pandemic which caused a global slowdown in economic activities and subsequent closure of many businesses. South Africa has a high business failure rate, with 50% of businesses failing within the first three years, and the figure increasing to 80% within 5 years.⁴ The state of South Africa's entrepreneurial ecosystem explains the low total early-stage entrepreneurial activity (8.5%) and why South Africa is ranked 33rd out of 49 countries.⁵

This study was undertaken to respond and contribute to the mapping of South Africa's entrepreneurial ecosystem using Stam's entrepreneurial ecosystem framework. As such, the study aimed to map and measure the entrepreneurial ecosystem of one district in South Africa. The mapping was undertaken in the iLembe District, which is situated on the North Coast of KwaZulu-Natal. The mapping and measurement also consisted of the local municipalities (KwaDukuza, Mandeni, Maphumulo and Ndwedwe) to complete a comparative overview of these four municipalities.

1.1. Background and Strategy for iLembe's Ecosystem Diagnosis

The iLembe District Municipality (including its four local municipalities) was identified as a key region to undertake the first entrepreneurial ecosystem mapping based on the Connecten⁶ framework in South Africa. The region was chosen because it has a mixture of urban and rural contexts, thereby offering appropriate insights into the entrepreneurial ecosystem of the diverse types of municipalities. It was also chosen as stakeholders in the region expressed an interest to use the evidence in making decisions on how to improve the local entrepreneurial ecosystem. An important consideration was the state of each of the ten conditions in iLembe, and within the four municipalities in iLembe.

1 World Bank. (2020). *Overcoming Poverty and Inequality in South Africa: An Assessment of Drivers, Constraints and Opportunities*. New York: World Bank

2 Khambule, I. (2024). 'A Systematic Review of Ten Years of South Africa's Developmental State Ambition', in Khambule, I and Kariuki, K (eds). *Ten Years of South Africa's National Development Plan: Progress, Challenges, and the Future*. Johannesburg: University of Johannesburg.

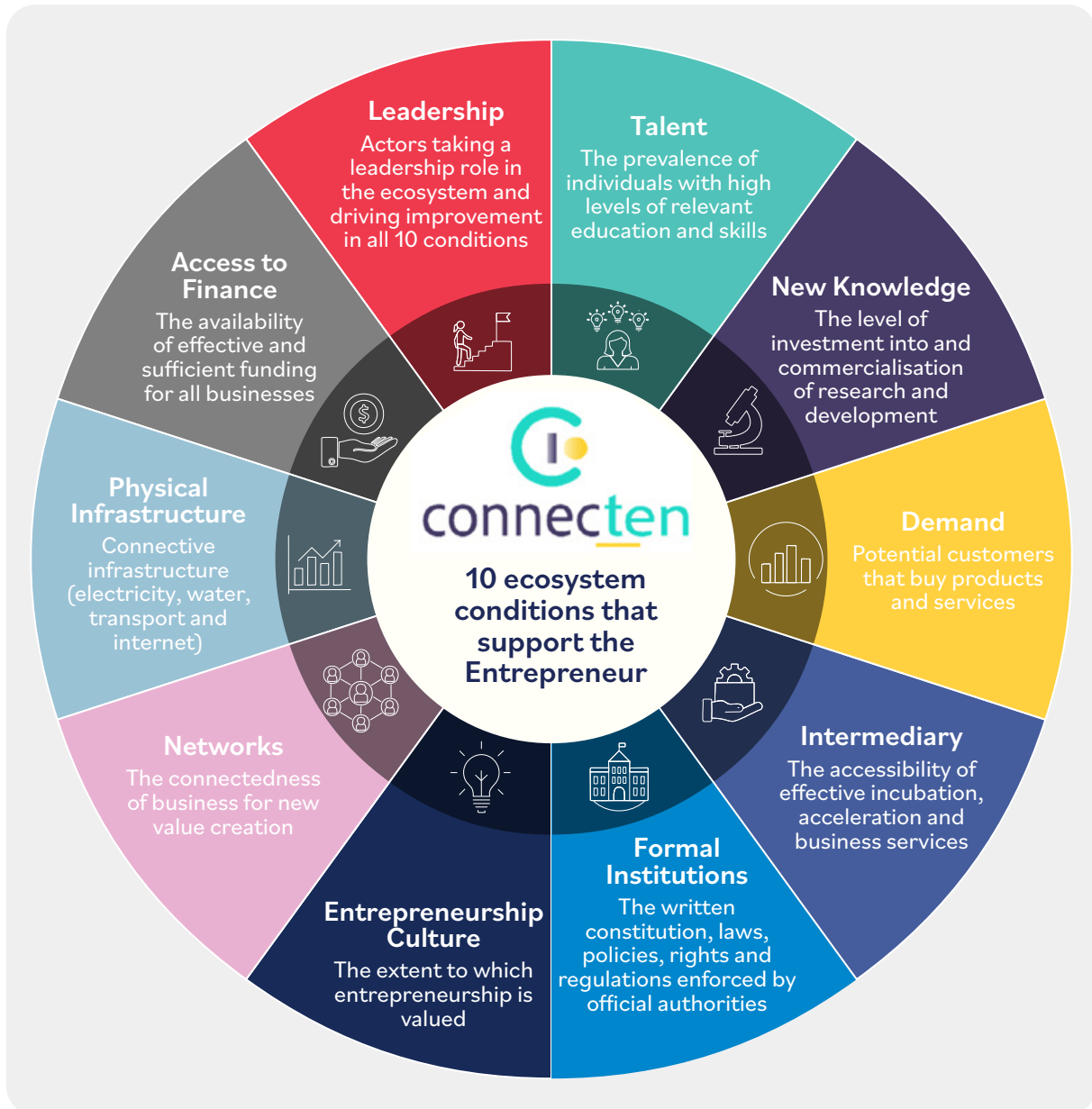
3 Business discontinuity refers to the permanent or temporary discontinuance of business operations. For GEM, this includes businesses sold.

4 Global Entrepreneurship Monitor. (2023). *South Africa - Global Entrepreneurship Monitor*. London: GEM.

5 Ibid.

6 Connecten is an initiative of AGGP_SA which aims to measure and improve the entrepreneurship ecosystem. Across the ten conditions displayed in Figure 1.1, it aims to assess the health of the entrepreneurial environment where businesses operate and bring stakeholders together to enable collective action to improve it.

Figure 1. Connecten ecosystem conditions



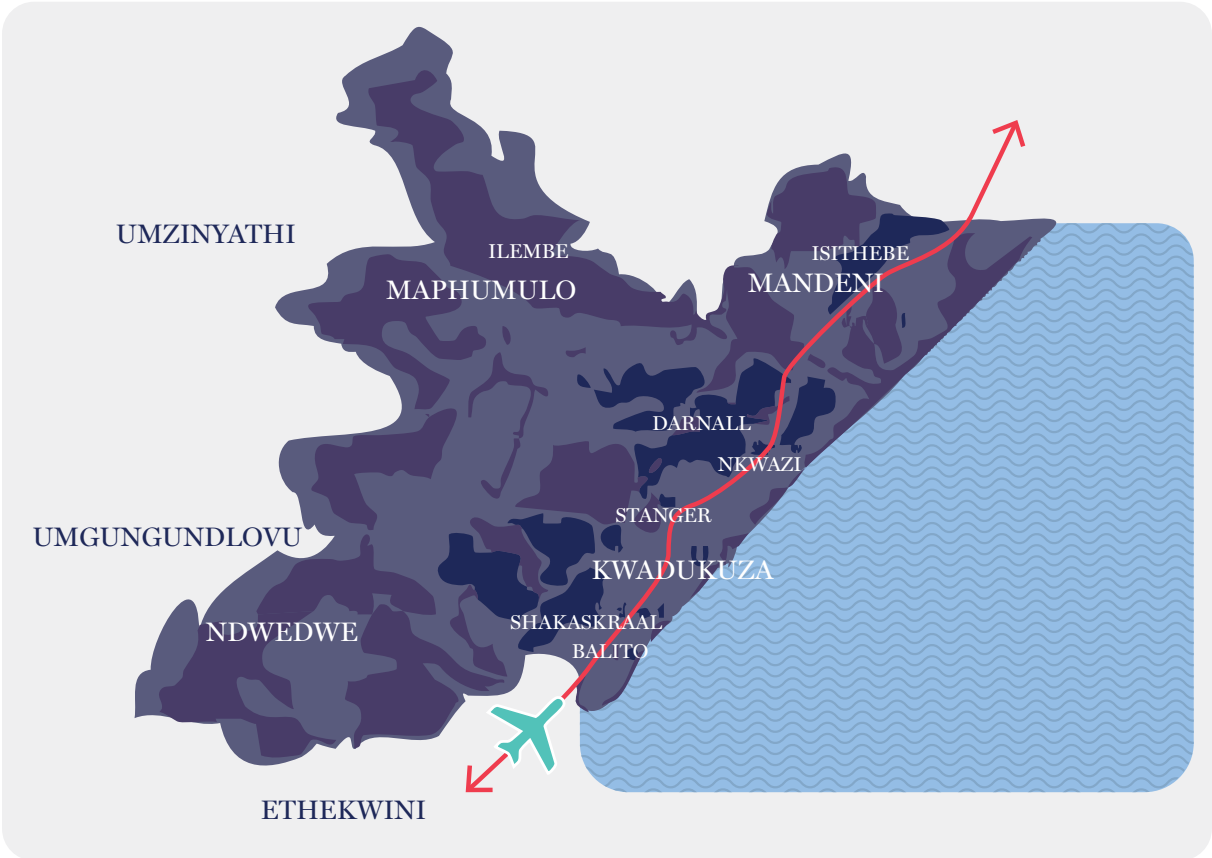
Author: AGGP_SA (2024)

The ten entrepreneurial ecosystem conditions being tracked, and their definitions are shown in Figure 1. The ten conditions are: entrepreneurial culture, formal institutions, intermediaries, demand, new knowledge/research and development, talent, leadership, access to finance, physical infrastructure, and networks. The combination of these ten conditions is argued to represent critical components of a healthy entrepreneurial ecosystem based on the state of each condition/element. As such, these ten entrepreneurial ecosystem conditions are used as the methodological framework for diagnosing the ecosystem landscape in the iLembe region. No other studies use this entrepreneurial ecosystem framework in the African context. The main argument is that a healthy state for all these conditions improves economic development prospects.

1.2. Understanding iLembe

The map displays the geographical location of iLembe District (DC29) which “lies on the east coast of KwaZulu-Natal, between eThekweni Metro in the south and uThungulu District in the North. To the West, iLembe is bordered by two Districts: uMgungundlovu and uMzinyathi. At 3 260km², this is the smallest of the 10 KZN District Municipalities.⁷ Figure 2 shows the map of the iLembe District.

Figure 2. Map of iLembe District



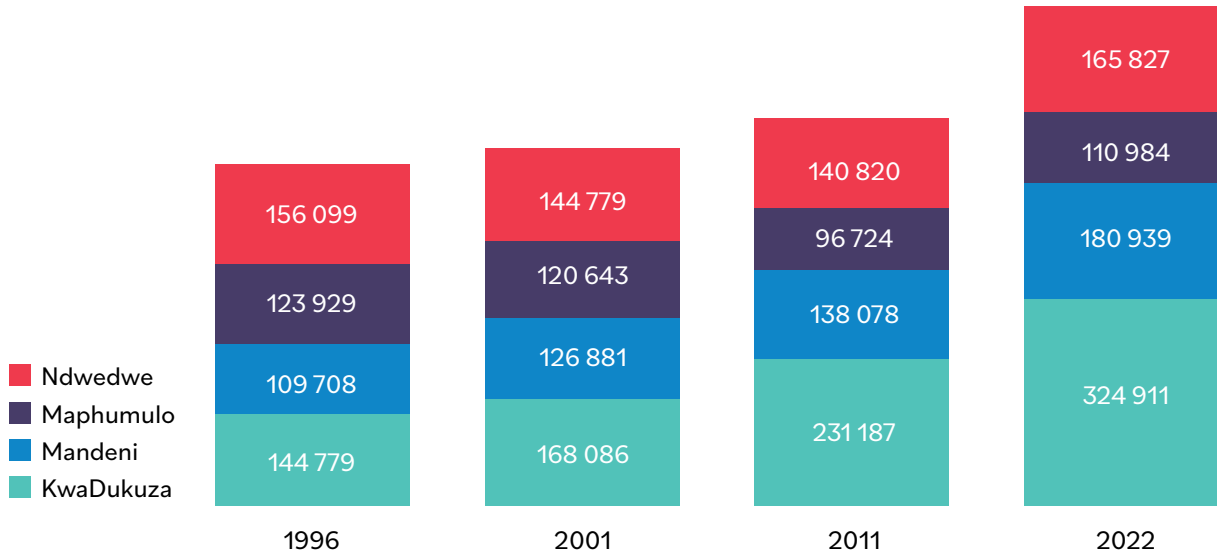
Source: KwaDukuza Municipality IDP (2023)

iLembe District is constituted of four local municipalities; Mandeni, KwaDukuza, Ndwedwe and Maphumulo (iLembe IDP, 2015: 15). The district is made up of dual socio-economic conditions because of the high number of people who live in poverty, often inland, and the remainder who are wealthier, often on the coast. The District is made up of 45 Traditional Authority (TA) areas where settlement is controlled by Traditional Authorities according to a traditional land tenure system. These TA areas cover approximately 63% of the total area where the State and the Ingonyama Trust own the majority of the land within the Municipality of Maphumulo, the lower reaches of Ndwedwe (69%) and coastal and inland reaches of Mandeni (49%). (iLembe IDP, 2016: 15). The huge percentage (63%) of land that is controlled by traditional authorities signals that the district is vastly rural. Local municipalities such as Maphumulo and Ndwedwe are examples of this, to the extent that most of their populations reside in areas that lack basic service delivery.

7 iLembe District Municipality. (2023). Integrated Development Plan. iLembe: iDM

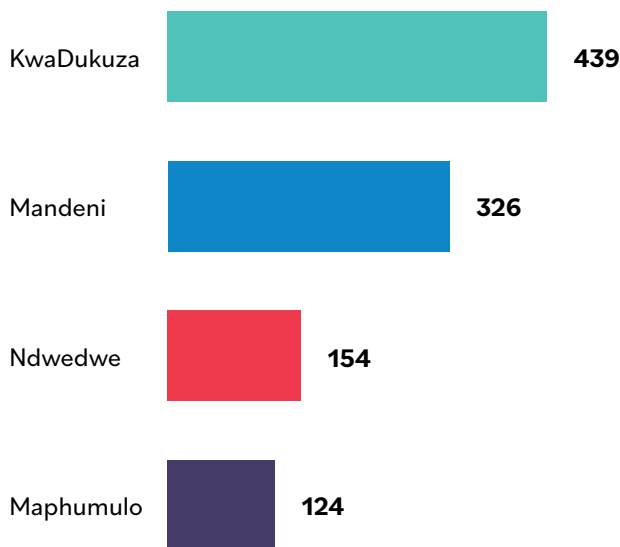
Data from StatsSA shows that iLembe’s population grew by 4.2% from 606, 810 in 2011 to 782, 000 people. KwaDukuza experienced the highest increase of all iLembe municipalities.

Figure 3. Population in iLembe



Definition: Total population: All the inhabitants of a geographic area at a specific point in time
 Source: Statistics SA, Census/Community Survey (2022)

Figure 4. Population Density

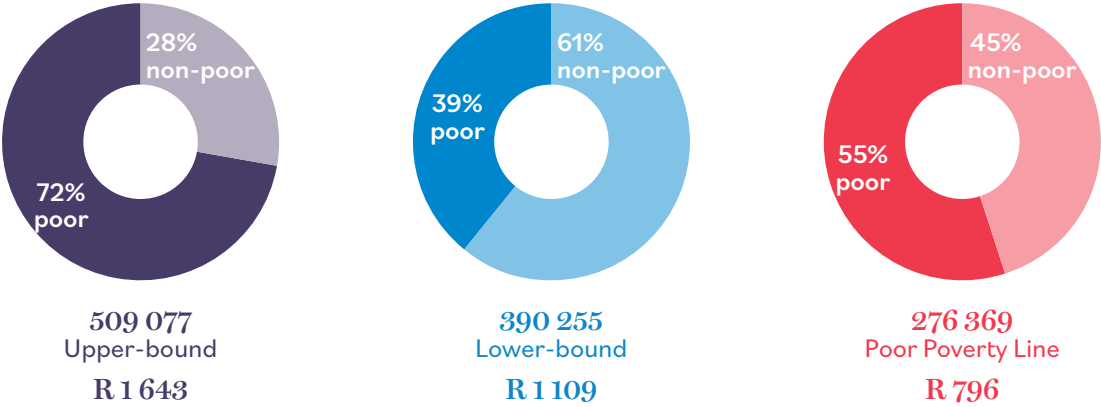


Definition: Population density: The number of people per square kilometre (calculated)
 Source: Statistics SA, Census/Community Survey by the Municipal Demarcation Board; National Strategic Hub

Population density is an important indicator of the living environment and conditions of the population in a particular environment. The graph shows that KwaDukuza’s population density is 439 people per square kilometre, followed by Mandeni, with a population density of 326. Both these municipalities have the largest population in the iLembe district. In addition to this, higher population density follows economic activity, with areas with greater economic activity likely to have a higher density compared to areas with lower economic activity. This is evident in that Ndwedwe and Maphumulo have higher density per square kilometre, and lower economic activities compared to the other two municipalities.

South Africa has a 55.5% poverty rate based on the 2016 multidimensional poverty index released by StatsSA. The below graph shows the poverty rate in the iLembe District.

Figure 5. Population Density



Source: National Strategic Hub Estimates (2025)

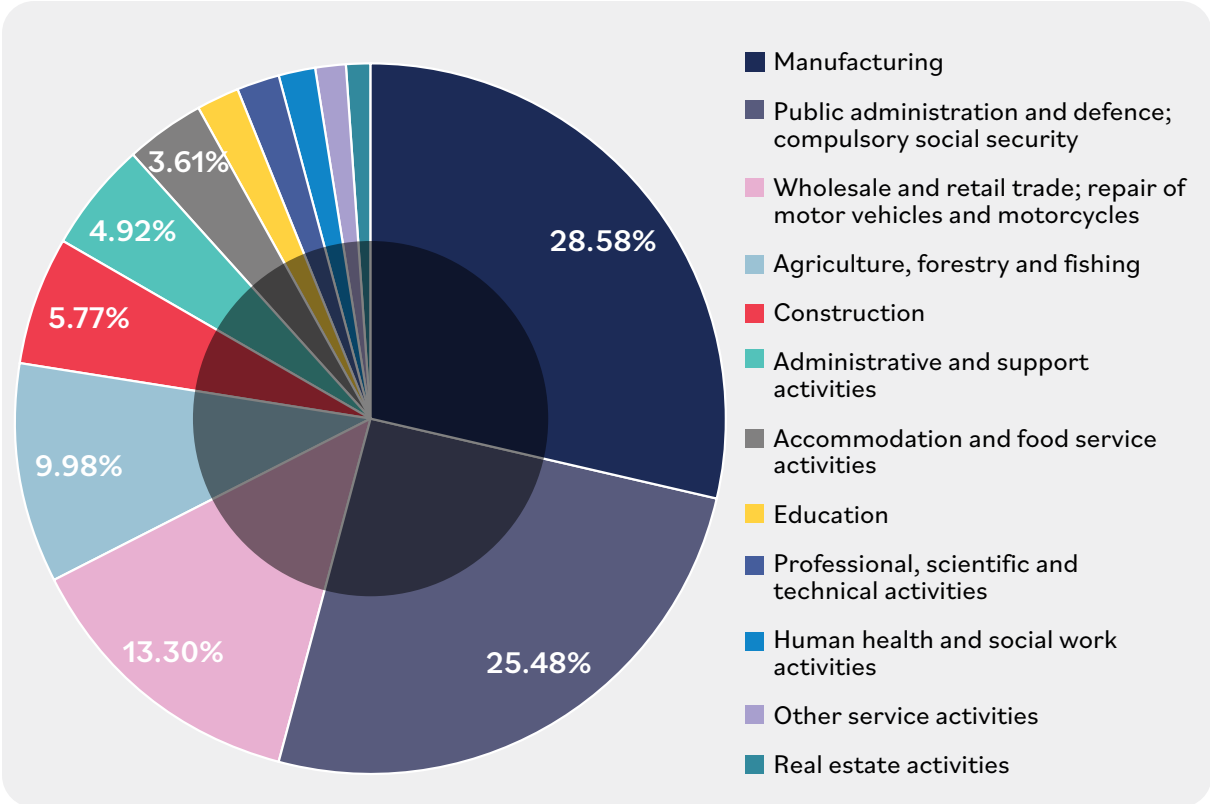
Based on the statistics, data shows that 72% of the population in iLembe are considered poor based on the upper bound poverty line, and 28% are considered non-poor based on the UBPL. This data does not break down the statistics per municipality, but nonetheless show that the district needs to deal with he poverty issue.



KwaDukuza is estimated to have a 3.3% increase in population compared to Ndwedwe which had the lowest increase of 1.3%. Interestingly, the iLembe district had a high percentage change in population. It is also evident that lesser populated municipalities in 2011 recorded the lowest population growth rate in 2022. Economic data on the state of the economic development ecosystem was generated from the Spatial Economic Activity Data project.⁸ Figure 6 shows the industrial breakdown of iLembe’s economy.

The region was chosen because it has a mixture of urban and rural contexts, thereby offering appropriate insights into the entrepreneurial ecosystem of the diverse types of municipalities

Figure 6. iLembe’s Industrial Profile



Source: Spatial Economic Activity Data (2024)

The data from Figure 6 shows that manufacturing is the largest contributor (28.58%) in the iLembe District (employment and economic contribution). This is followed by public administration services (including social security), which accounts for 25.45%. This reflects a high dependence on government services for employment. Wholesale and retail trade emerged as the third largest contributor 13.30%, with this sector experiencing a

8 Spatial Economic Activity Data. (2024). iLembe’s Industrial Profile. Available at: <https://spatialtaxdata.org.za/dashboards/jobs-growth>

rapid boom over the last decade. Agriculture at 9.98% emerged as the fourth-largest employer due to the massive agricultural activities in the iLembe region, particularly in the sugarcane sector. In addition to these sectors, tourism and agriculture play a prominent role in the iLembe District as evident in the vast sugarcane industry in the region. The spike in iLembe's tourism industry is mainly driven by property development around resorts, and growing leisure enterprises.

1.3. Enterprise iLembe Economic Development Agency

The iLembe District established the Enterprise iLembe Development Agency as a municipal entity to lead the district's economic development plans. *Box 1* shows a profile of the agency and its role in the entrepreneurial ecosystem.

Box 1: Profile of Enterprise iLembe Economic Development Agency



Enterprise iLembe is the economic development agency wholly-owned by the iLembe District Municipality mandated to pursue and attract investment and facilitate economic development in the KZN iLembe District. The mandate of the Agency is to promote Trade and Investment opportunities within its four municipalities with the following sectors; Agriculture, Tourism, Manufacturing and Services. The objective of Enterprise iLembe is to improve the competitiveness of iLembe District by creating an environment that will enable local businesses within the district to compete successfully on the international stage, to participate in the economy of the country and to promote local economic development through small business development. The philosophy that drives Enterprise iLembe is built on promoting a participatory process where local people from all sectors work together to stimulate local commercial activity, resulting in a resilient and sustainable economy. It is a tool that will help create decent jobs and improve the quality of life for everyone, including the poor and marginalised. This is reflected in the Industrial Development Strategy developed around the District. They have the slogan, “*We think global and act local.*”

The agency is responsible for SMME support, promotion of entrepreneurship, and enterprise and supplier development of SMMEs in the region. Thus, Enterprise iLembe implemented a district-wide business incubator to ensure that SMMEs in the District are supported, guided and nurtured.

Business support services provided by Enterprise iLembe include the following:

- Comprehensive business tools and templates
- Business Management training and Mentoring support
- A professional accounting service and accounting officer validation and sign-off AFS at a minimal fee
- Assistance with statutory and taxation compliance requirements
- Access to information (updates on available tenders and business opportunities)
- Assistance with maintenance and management of the Central Supplier Database and other procurement portals

Source: Enterprise iLembe Development Agency (2024)⁹

⁹ Enterprise iLembe Development Agency. (2024). Enterprise iLembe Incubator. Available at: <https://www.enterpriseilembe.co.za/enterprise-ilembe-incubator.html>

As evident from *Box 1*, Enterprise iLembe plays an essential role in coordinating and leading economic development activities in the iLembe region. The Municipal Systems Act defines a municipal entity as:

“A company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities, and includes, in the case of a company under such ownership control, any subsidiary of (that company)”.¹⁰

In this provision, it means that Enterprise iLembe is owned by the iLembe District Municipality and the four local municipalities, KwaDukuza, Mandeni, Maphumulo and Ndwedwe.

10 Municipal Systems Act. (2003). Local Government: Municipal Systems Act No.32 of 2000. Pretoria: Government Gazette



2. Physical Infrastructure

Definition: Physical infrastructure is foundational in the entrepreneurial ecosystem condition because of its connective role in enabling entrepreneurship to thrive through breaking physical barriers, connecting products with customers in different areas, and enabling cost-effective manufacturing and logistics through economies of scale. It enables entrepreneurs and potential investors to seize opportunities in any region regardless of the business or entrepreneur's physical location. The cost of business tends to be higher in areas without sufficient infrastructure (such as some African regions). Access to fast and reliable internet services, electricity, water and good roads and ports are some measures that tell us how physical infrastructure supports entrepreneurs.

To contextualise, physical infrastructure refers to the core infrastructure needed to host the starting and growth of businesses, including office buildings, access to the internet, roads, electricity, water and any other connective infrastructure required. Regions with lower rates of access to infrastructure have a higher cost of doing business.¹¹ This issue is prevalent in many countries across the globe because of old, dilapidated, and inaccessible infrastructure making it difficult and costly to manufacture, transport, and sell products.

It is documented that investment tends to follow infrastructure, which shapes entrepreneurial outcomes between regions that have accessible infrastructure and regions without sufficient infrastructure. The following table uses data from Statistics South Africa¹² to show the rate of access to selected infrastructure in the iLembe region.

Table 1. Access to Infrastructure in the iLembe Region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Formal dwelling	94.8%	92.3%	66.6%	72.2%	87.6%	88.5%
Access to electricity	98.5%	98.2%	94.9%	96.3%	97.7%	89.8%
Access to water	72.8%	67.8%	48.4%	45.4%	64.7%	87%
Access to a flushing toilet	58.0%	43.4%	16.5%	22.2%	44.6%	68.6%
Access to a cellphone	86.4%	88.0%	76.8%	23.6%	-	92.1%
Access to internet	31.9% Cell: 16.1% Home: 8.2%	29.0% Cell:19.3% Home:3.3%	18.2% Cell:12.5% Home:1.3%	23.4% Cell:16.7% Home:1.4%	28%	78.7%
Types of transportation infrastructure	N2, R102, Freight Railway, Trucking	N2, R102, Freight Railway, Trucking	R102, Trucking	No provincial roads	N2, R102, Freight Railway, Trucking	

Stats SA (2022; 2011)

¹¹ Boks, H., & Mazenda, A. (2023). Entrepreneurship in emerging cities: mitigating impediments to small business development in Tshwane, South Africa. *Commonwealth Journal of Local Governance*, (28), 105-121.

¹² Statistics South Africa. (2022). *Municipal Fact Sheet*. Pretoria: StatsSA.

Settlement type is generally considered a good socio-economic indicator as it pinpoints where people stay and the likely infrastructure they access in their space. From [Table 1](#) iLembe has a high rate (87.6%) of people who live in formal dwellings. A geographical breakdown of the data per municipality shows that KwaDukuza (94.8%) and Mandeni (92.3%) have the highest rates of people living in formal dwellings, with Ndwedwe (72.2%) and Maphumulo (66.6%) having lower rates. Interestingly, both KwaDukuza and Mandeni score higher than the iLembe average of 87.6%.

Access to electricity is a vital measure of access to infrastructure because it provides energy for heating, lighting and cooking in iLembe which can support manufacturing of goods at a relatively cheap rate if produced in large quantities. Electricity access is at a high of 97.7%, which is higher than the national average of 89.8%. Breaking the data down per municipality shows that access to electricity is above the national average for all local municipalities in iLembe as per [Table 1](#). While there is relatively high access to electricity in iLembe, the data on access to water is a bit concerning. Only 64.7% of the population in iLembe has access to water (piped water inside or on-site). KwaDukuza (72.8%) and Mandeni (67.8%) have higher rates of access to water, while Ndwedwe (45.4%) and Maphumulo (48.4%) score below the 50% mark. An emerging trend from the data in [Table 1](#) is that coastal municipalities (KwaDukuza and Mandeni) have better access to infrastructure than inland municipalities. Indeed, investment tends to favour coastal regions because of attractions such as beaches and resorts that drive tourism. This may explain the high rate of tourism businesses and other emerging retail businesses in KwaDukuza, specifically within the Ballito region (one of the fastest-growing towns in South Africa).

Digital infrastructure has emerged as one of the most important levers for the entrepreneurial ecosystem because of advances in digital innovations as well as access to both resources and customers to start and grow businesses. Data on cellphone usage in iLembe shows a concentration in KwaDukuza (86.4%), Mandeni (88.0%) and Maphumulo (76.8%), while Ndwedwe significantly lags (22.2%). Whilst cellphone penetration is high in three of the regions, data on internet access shows a worrying picture as a very low share of the population has access to the internet at home and on the cellphones in all municipalities ranging from 1-19%. The Mandeni Integrated Development Plan (IDP) (2024) paints a bleak picture of internet access because of the high cost of internet access compared to other municipalities in the region. The iLembe region identified opportunities in the ICT sector, which opens doors for new markets for entrepreneurs. This identified opportunity should be used to unlock solutions for Mandeni's ICT challenges.

Modes of transportation are essential for transporting workers and goods and services. KwaDukuza and Mandeni are located on strategic national routes with abundant access to national and provincial roads, and access to rail freight. However, the inefficiencies facing the Passenger Railway of South Africa (PRASA) affected worker mobility. For example, a monthly ticket train from KwaDukuza to Durban used to cost R150. However, after PRASA inefficiencies resulted in the closure of the rail link between the two regional economies, workers now pay around R150 for a daily return trip.¹³

Such costs not only impact workers, but also impact the cost of doing business through increased costs of transporting goods and services. The high cost and low reliability have resulted in less people using what used to be a very cost-effective mode of transport in trains. Data from StatsSA shows that the number of people who use trains declined from 1.5 million in 2013 to 600,000 in 2020, representing a decline of 900,000 people.¹⁴

13 Makhaye, Chris. (2023). [KZN commuters deal with skyrocketing travel costs, unemployment as Prasa network lies in ruins \(dailymaver-ick.co.za\)](#)

14 StatsSA. (2024). Transport: Travel survey – Online Updates. Available at: [Living condition | Statistics South Africa \(statssa.gov.za\)](#)

This results in more road usage and a higher cost of doing business through hiring or purchasing trucks.

iLembe is within the national routes and benefits from being in proximity to two sea ports, the Richards Bay Port and the Durban Port. However, these ports are ranked amongst the worst in the world, with the Durban Port Harbour ranked 398th of 405 global ports.¹⁵

2.1. Implications for the Entrepreneurial Ecosystem

The iLembe region has a relatively good rate of physical infrastructure (access to formal dwellings, electricity and water) needed for starting and growing businesses and this is generally better in the coastal municipalities, KwaDukuza and Mandeni. The high cost of using rail transports after the closure of critical train lines has resulted in both a lower disposable income to purchase goods and services (purchasing and saving power) and a higher cost of living due to the higher cost of transporting goods and services to the iLembe region. Internet connection remains a key constraint in all municipalities, especially in Mandeni.

A key concern is the disparity in infrastructure between KwaDukuza and the other municipalities. KwaDukuza is at the high end, considering the mass infrastructure rolled out due to the growth of the Ballito nodal point (economic area) and the business park. KwaDukuza's infrastructure has made the municipality attractive for investors and new businesses opening in the region. For example, KwaDukuza has several towns, whereas other municipalities are only serviced by one town/centre in their respective jurisdiction.

2.2. Recommendations

- Substantial infrastructure investment (water and railway) is needed in lagging municipalities, Maphumulo, Ndwedwe and Mandeni, to enable more businesses to invest in the region. In this case, Development Finance Institutions (DFIs) such as the Development Bank of Southern Africa could lead in facilitating infrastructure development.
- Fixing the railway line between KwaDukuza and Durban may alleviate many working people from the burden of the high cost of traveling.
- There is a need for better digital infrastructure in Maphumulo, Mandeni and Ndwedwe. The cost of internet services in Mandeni is identified as the biggest constraint to digitising communities and enabling entrepreneurship.

Electricity
access is at
97.7%,
which is higher than
the national average

¹⁵ World Bank. (2024). The Container Port Performance Index 2023 : A Comparable Assessment of Performance Based on Vessel Time in Port. New York: World Bank.



3. Talent

Definition: The prevalence of individuals with high levels of relevant education and skills. To create more entrepreneurs and talent that entrepreneurs can hire, there needs to be a high prevalence and supply of relevantly skilled people (human capital). The needed human capital is derived from educational outcomes and skills individuals build as they access training and education (measured by HDI). Important foundational skills for entrepreneurs are literacy, numeracy, entrepreneurship competencies and STEM (Science, Technology, Engineering and Maths) skills.

South Africa ranks in the bottom, 16% (119 out of 141) of countries in quality education, and 81% of learners in grade 4 to 10-year-olds are unable to read for meaning.¹⁶ Education is essential to creating and staffing businesses capable of competing in an entrepreneurial ecosystem. For a municipal entrepreneurial ecosystem mapping, talent should not only be reduced to people's educational backgrounds but include the schooling environment. [Table 2](#) lists key considerations for measuring talent in a municipal economic development space.

[Table 2](#) shows that KwaDukuza has the highest rate (11%) of the population with higher education than all municipalities, including the average for the iLembe region (8.1%). This rate is one percentage point below the national rate standing at 12.2%.

Table 2. Talent measurement in the iLembe region

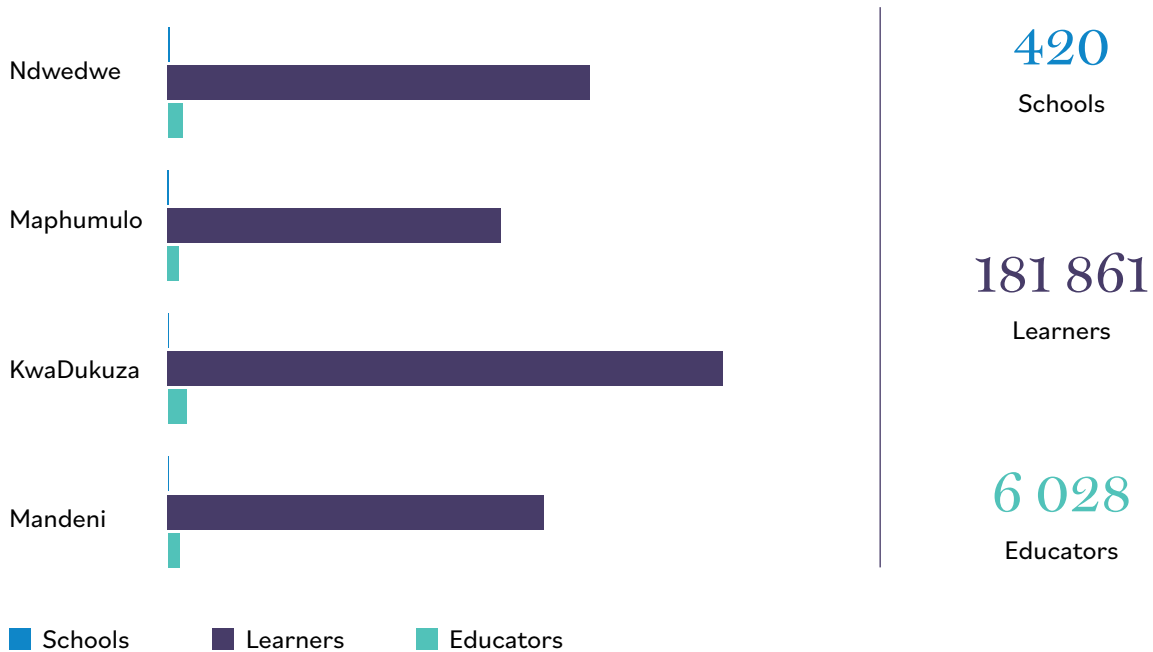
Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Population	324 912	180 939	110 983	165 826	782 661	64 007,187
Higher education	11.1%	7.2%	5.0%	4.2%	8.1%	12.2%
Matric	41.7%	40.2%	30.9%	33%	38%	37.6%
No formal education	6.8%	8.4%	20.8%	16.5%	10.8%	2.7%
Number of schools	127	34	117	140	418* (2%)	24 900
Number of TVETs (campuses)	6	(1 campus)*	1	1	9 (4%)	250
Number of Universities	0	0	0	0	0	26

*One of KwaDukuza's TVET campuses are in Mandeni

Source: Stats SA (2022)

¹⁶ Department of Basic Education. (2021). *Progress in International Reading Literacy Study 2021*. Pretoria: DBE

Figure 7. Total number of ordinary schools, educators and learners, 2022

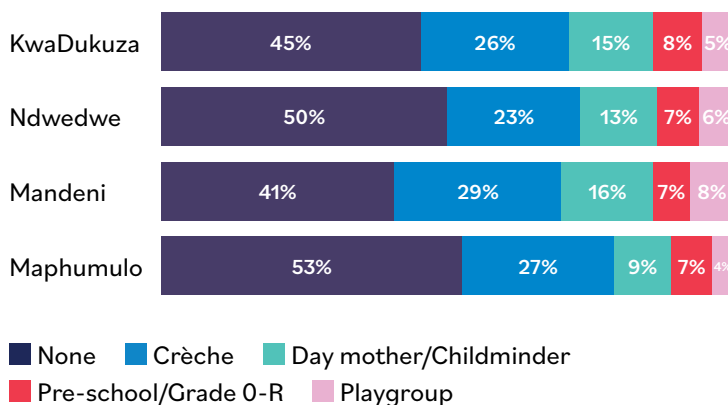


Ordinary school: An education institution which enrolls learners in one or more grades from Grade R (reception) to Grade 12.

Source: Department of Basic Education Management Information System (EMIS); National Strategic Hub

The above graph shows total number of schools, educators and learners in the iLembe District, and within each municipality that fall under the iLembe region. It total, there are 420 ordinary schools, and 181 861 learners recorded in the year 2022. In addition to this, there were 6028 educators, which translates into 1 educator per 30 learners. This is double the norm of the OECD region of 2 educator per 15 learners. However, by the Department of Basic Education standards, schools in iLembe are well below the recommended ratio of one educator per 40 learners. This suggests an enabling environment for teachers in the iLembe region.

Figure 8. Percentage of children aged 0-6 attending ECD programmes, 2022



Definition: ECD programmes: Planned activities to promote the emotional, mental, spiritual, moral, physical and social development of children from birth to 6 years (early childhood development).

Source: Statistics SA Census/Community Survey (2022); National Strategic Hub

South Africa faces a huge challenge related to early childhood education with emerging evidence showing that 81% of learners aged 10 or in grade 10 are unable to write and read for meaning. A major concern is that there is a higher percentage (42%) of children aged 0-6 who are not attending ECD programmes. However, this rate could be affected by learners below the 18 months that most children tend to attend ECD programmes. An average of 26% of children in iLembe attend an ECD programme, followed by 13% of children left with child minders/day mother, 7% in pre-school and another 7% classified as unspecified.

KwaDukuza has the highest rate of population with higher education (11.1%), followed by Mandeni (7.2%), then Maphumulo (5%) and Ndwedwe (4.2%). These are all below the national average. The level of the population with matric (grade 12) almost follows similar patterns as KwaDukuza (41.7%) has the highest rate of the population with matric, followed by Mandeni (40.2%), Ndwedwe (33%) and Maphumulo (30.9%). Ndwedwe (140) had the largest number of schools, followed by KwaDukuza (127), Maphumulo (117) and Mandeni with the least number of schools at 34. It is also important to consider that a significant number of learners in iLembe attend school in KwaDukuza because the leading schools in iLembe are found within the Stanger (the main economic hub in KwaDukuza).

iLembe does not have
any universities, but has
9 TVET
institutions

While iLembe has a fair rate of the population with higher education for a small-town municipality at 8%, it does not have any universities. However, it does have 9 TVET institutions, with six of those being in KwaDukuza (Umfolozzi, iLembe FET College, Stanger FET College, KwaDukuza Technical College, ShakaInd Technical College, and Boston City Campus Stanger) and one campus (Umfolozzi's second campus) based in Mandeni. Maphumulo has one TVET college (Umfolozzi TVET College), and Ndwedwe also has one (Elangeni College).

A cross-sectional view of schooling infrastructure shows that most schools do not provide an internet connection for students. Furthermore, the Mandeni IDP (2024: 55) revealed that many schools in the Mandeni Local Municipality do “not have any access to water and sanitation services.”¹⁷ “This presents a further [physical infrastructure] challenge that requires urgent [intervention in] collaboration with efforts from the Department of Education and iLembe District” (Mandeni Local Municipality, 2024: 55). A COGTA¹⁸ profiling report of iLembe revealed that the iLembe Chamber of Commerce’s skills audit showed the lack of technical skills and the need to upskill certain sectors, with a particular focus on trades. This suggests the need to ensure local TVET structures address skills shortages in the iLembe region.

3.1. Implications for the Entrepreneurial Ecosystem

The data shows that the iLembe region has increased the share of the population with higher education degrees from 5.8% in 2011 to 8.1% in 2022, with KwaDukuza and Mandeni experiencing the most significant jumps. There is a higher concentration of TVET institutions in KwaDukuza (6) than all other municipalities combined. This is consistent with the rate of infrastructure found in KwaDukuza. However, an emerging concern is that KwaDukuza’s progress has left little growth room for other municipalities and there is not a lot of opportunity for talent to upskill in those regions.

¹⁷ Mandeni Local Municipality. (2024). *Integrated Development Plan: Final 2024/2025 Review*. Mandeni: MLM.

¹⁸ Cooperative Governance and Traditional Affairs. (2020). *iLembe District Municipality: Profile and Analysis District Development Model*. Pietermaritzburg: COGTA.

Figure 9. Functional literacy, 2022



Definition: Literacy rate: The proportion of the population above 15 years of age who can write and read with understanding i.e. and have completed at least Grade 7

Source: Statistics SA Census/Community Survey (2022); National Strategic Hub



3.2. Recommendations

- The region needs to invest in access to good schools for Ndwedwe, Maphumulo and Mandeni. The current status quo causes a high dependence on schools in KwaDukuza.
- Technical skills must be improved through stronger TVET and industry partnerships within the skills identified by the iLembe Chamber of Commerce.
- More TVET colleges are required in other municipalities (Ndwedwe, Mandeni and Maphumulo). While KwaDukuza has 6 TVETs in its jurisdiction, other municipalities only have one each.
- Such TVET colleges could address skills required per region. For example, agricultural colleges may be needed in Ndwedwe and Maphumulo, where there is a higher concentration of agricultural activities.



4. Entrepreneurial Culture

Definition: Entrepreneurship Culture is how much entrepreneurship is prioritised, valued and encouraged in South Africa's society. In addition, it is the extent that ethical and responsible business practices are supported and encouraged so that businesses are a force for good rather than a detractor in society. Outcomes of a positive and supportive entrepreneurship culture would be that many more people in South Africa are motivated and intend to be responsible entrepreneurs. Input measures such as the percentage (%) of people that won't start a business due to fear of failure, and entrepreneurship motivation for responsible entrepreneurship and output measures such as intention and early-stage entrepreneurial activity tell us how positive the entrepreneurship culture in a country is.

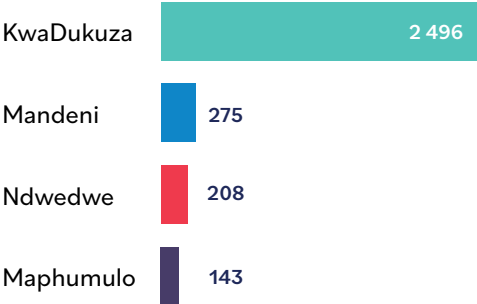
A healthy entrepreneurial culture is characterised by various elements, including that local citizens aspire to be entrepreneurs and are able to identify market opportunities. Entrepreneurial culture is encouraged through the existence of many accessible and relatable entrepreneur role models, a low fear of failure and high risk tolerance in society. It is through an effective entrepreneurial culture that regions produce more entrepreneurs and a higher rate of innovations for the market and thus create new job opportunities based on the volume of businesses opening in a particular region. While there are challenges in tracking entrepreneurial culture based on certain administered competencies (individual entrepreneurial aspirations and intentions), we can use existing data from the iLembe Chamber of Commerce's Business Confidence Index¹⁹ (iBCI) to measure people's response about starting and growing businesses in the iLembe region. [Table 3](#) shows measurement indicators for entrepreneurial culture in iLembe.

¹⁹ iLembe Chamber of Commerce, Industry and Tourism. (2024). *iLembe Business Confidence Index (iBCI) – 2024 Mid-Year*. Ballito: iLembe Chamber of Commerce, Industry and Tourism.

KwaDukuza has an estimated 2 496 formal businesses, followed by Mandeni with 275 businesses, and 208 and 148 for Ndwedwe and Maphumulo, respectively. Within these establishments, 895 are in manufacturing, followed by 479 in wholesale, 423 in professional, scientific and technical services, and 345 ventures in construction as well as 269 in administrative and support services. These numbers correspond with the high economic activities and contribution made by KwaDukuza in the iLembe District.

Based on the economic activities happening in the iLembe District, it is expected that KwaDukuza will contribute the majority of jobs in the region. The graph below shows the type of employment of those employed in the iLembe District.

Figure 10. Total number of establishments



Definition: Establishments: Based on the completion of IRP5/IT3a certificates where employers list the workplace address of each employee.

Source: Treasury, SA Spatial Economic Tax data

Figure 11. Top 5 industries by number of establishments

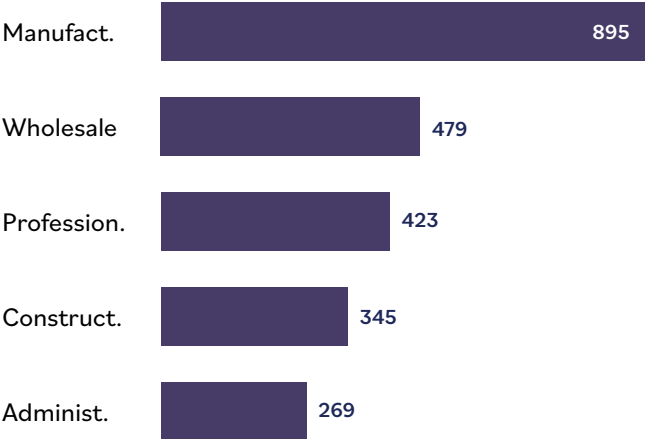
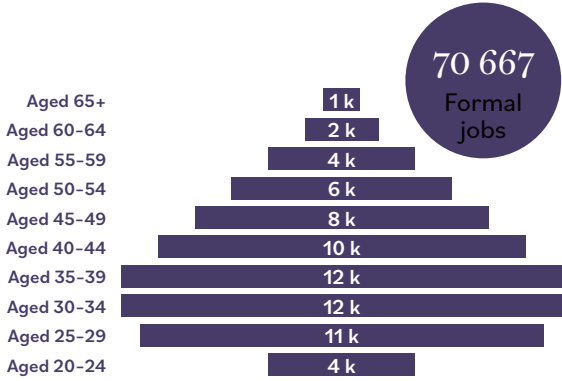
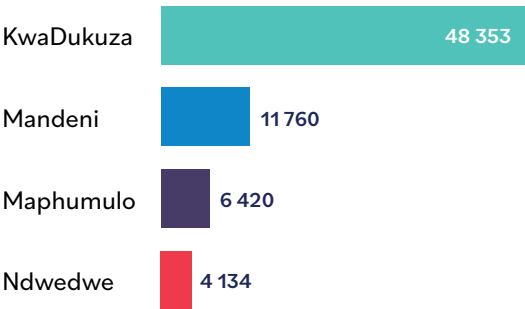


Figure 12. Total number of full time equivalent employees



Definition: Establishments and the completion of IRP5/IT3a certificates where employers list the workplace address of each employee.

Source: Treasury, SA Spatial Economic Tax data

KwaDukuza has the highest rate of full time employment in the district, with 48 353 people in employment, followed by 11 760 in Mandeni, 6 420 in Maphumulo and Ndwedwe with 4134. Based on this information, KwaDukuza contributes more than double the employment created by all the other municipalities combined.

South Africa has a 55.5% poverty rate based on the 2016 multidimensional poverty index released by StatsSA. The below graph shows the poverty rate in the iLembe District.

Table 3. Entrepreneurial culture in the iLembe region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
iLembe Business Confidence Index (iBCI)		No data			49.9	38 in Q3 of 2024
iBCI Economic Activity		No data			55.8	Total early-stage entrepreneurial activity (8.5%)
iBCI Survey Index		No data			44.0	Entrepreneurial intentions 1(11.9-20%)
Business sentiment per economic sector		No data			50.0	Business culture and competition 4.3/7 or 55%
Business expectations		No data			59.6	Entrepreneurial motivation for responsible

Source: iLembe Chamber of Commerce (2024)

Data for entrepreneurial culture is measured through the lens of the iLembe District and not broken down per municipality because the iLembe Business Confidence Index provides centralised data at the regional level. Based on [Table 3](#), iLembe’s Business Confidence Index stood at 49.9 points, which represented a 1.4 index points decline from the second half of 2023. This means the business confidence was below the neutral point of 50 basis points. The performance of iLembe’s business confidence is often similar to the national business index, as they follow similar trends of fluctuation. This is largely because local issues culminate to impact the national agenda/sentiment.

A second focus was on the iBCI’s Economic Activity, which improved by 3 index points to 55.8 index points from 2023. The iBCI also measures sentiments per economic sector, and this came with an overall score of 50 points. This means that the business sentiments were neutral. Lastly, an important consideration of the iBCI is the business expectations in the coming quarters, which revealed a high of 59.6 index points, suggesting good sentiments about the economic environment in iLembe for businesses.

Data from GEM shows that 594 million people (accounting 7.4% of the global population) are entrepreneurs. The University of Pretoria highlights that seven out of 100 people in South Africa are entrepreneurs, whereas the country needs to ensure that 20-25 people out of 100 need to be entrepreneurs for South Africa to grow its economy. In iLembe, some estimates suggest that the district has 150 entrepreneurs per 100,000, which is relatively lower than the suggested global average. This suggests the need for iLembe to improve and support new and emerging entrepreneurs.

4.1. Implications for the Entrepreneurial Ecosystem

All the indicators for business confidence and economic outlook show a fairly average entrepreneurial culture in iLembe. The Business Confidence Index points are mostly below the neutral mark of 50 index points and while there is more encouraging data on business sentiments per sector and economic activity, there is room for improvement.

There is a need for disaggregated data per local municipality to understand the different business index confidence and economic activity and sentiments in local municipalities. Nonetheless, the perceptions of the entrepreneurial ecosystem in iLembe remains fairly healthy based on the statistics that most businesses are positive about their business expectations in the region (59.6), and positive business economic activity (55.8).

Entrepreneurial culture is encouraged through the existence of many accessible and relatable entrepreneur role models, a low fear of failure and high risk tolerance in society

4.2. Recommendations

- There is no data in the region to measure entrepreneurial intentions amongst the population and thus there is a need to measure the entrepreneurial intentions of the adult population including students and learners in iLembe to understand if they see entrepreneurship as a viable career choice.
- The data on the iLembe Business Confidence Index needs to be decentralised to localised data per municipality for effective interventions to be developed at the local level.
- The needs of the business community must be prioritised to ensure improved business confidence, i.e., such as expanding business parks and provision of infrastructure.
- Entrepreneurs must be given the space to fail and learn through local incubations and competitions as this might improve entrepreneurial intentions for example, the iLembe Business Chamber should expand their entrepreneurship competition to include schools.





5. Formal Institutions

Definition: The written constitution, laws, policies, rights, and regulations enforced by official authorities, also known as the rules of the game in society. It is the quality of government and regulations that support businesses. Formal Institutions are structured and public-purpose institutions that establish and shape public economic policy and the regulatory environment in which businesses, society and organisations interact, and which influences the ease at which businesses can start and grow. Measures such as the level of corruption, good governance, and time to register a business all play a part in understanding how well formal institutions support entrepreneurship.

Formal institutions refer to the established rules in society as anchored by the written constitution, laws, policies, rights, and regulations that support the start and growth of businesses and reduce corruption and crime. Included in these policies are those that attract investment into a region and can shape how entrepreneurial a geographical location is likely to become. An important consideration is what municipalities are doing around enacting enabling regulations and curbing of crime and corruption to spur entrepreneurship and the related growth and development in their region.

Table 4 shows key metrics in tracking the quality of formal institutions, and how this relates to the entrepreneurial ecosystem. Key measures such as service delivery rate, good governance and corruption perceptions are standard measures that are used widely including by institutions such as the World Bank.

Table 4. Formal institutions in the iLembe region²⁰

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Basic service delivery	60-80%				53%	Policy vision and stability - 3.6 - (42.7%)
Financial viability and management					54%	
Municipal Transformation and Institutional Development					80%	Human capital in the public sector - 3.6 - (42.7%)
Good governance and democracy					85%	Rule of law - 52.6
Local Economic Development					79%	Political stability - 0.7/2.5 - 35.9
Auditor General's Report Outcomes	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	Unqualified with findings	NA

Source: Municipal IDP's

²⁰ The data for regional and national are different because regions have different measures. There is a need to plan for standardising the measures.

Service delivery rate is one measure for understanding the quality of municipal institutions. As per [Table 4](#), iLembe's service delivery score was 53%. This reflects an average rate for a country where service delivery protests are the norm. A COGTA report showed that KwaDukuza's service delivery rate fluctuates between 60-80%.²¹

The financial visibility of the iLembe district was at 80%, significantly higher than most municipalities in the country. Some municipalities are struggling with financial management for reasons such as a lack of

financial skills and consultants doing unsatisfactory work. The financial viability is also impacted by the fact that local municipalities only collect 50%-70% of their revenue, whereas metropolitan municipalities collect at around 90% of their revenue. This is largely due to metropolitan municipalities having more affluent areas that pay rates and taxes.

In relation to municipal transformation, iLembe scored 80%, and 85% on the good governance index. In the corruption index, iLembe scored 69 out of 100. However, these rankings do not paint a clear picture as all municipalities under iLembe received unqualified audit outcomes with findings as per AG report.

A municipal regulatory environment is important in shaping the business environment and ability to attract investment. The entire iLembe district benefited from the Vuthela iLembe LED Programme with the Swiss Government.²² This support resulted in a R23 million grant for the ease of doing business systems and tools project. This is based on the R125 million granted by the Swiss Government through the Vuthela LED Programme to improve the business and economic development environment in KwaDukuza. This project identifies red tape in the entire iLembe district and systems for addressing the red tape. The Ndwedwe Local Municipality has also identified red tape it wishes to address in the business landscape.

The establishment of the Enterprise iLembe Development Agency was an important step in addressing the regulatory challenges in iLembe. LEDAs are established as public-private serving vehicles to ensure an improved business environment. In the iLembe region, Enterprise iLembe supports the coordination of LED efforts at the district level, while also working closely to support business needs.

5.1. Institutions in the Entrepreneurial ecosystem

Municipalities play an essential role in the entrepreneurial ecosystem. As localised institutions, municipalities provide essential infrastructure needed by businesses. Furthermore, municipalities also regulate the business environment and provide incentives needed to spur investment. [Table 5](#) shows the role played by each LED unit in the entrepreneurial ecosystem.

The financial visibility was
80%,
significantly higher than
most municipalities
in SA

21 COGTA. (2020). iLembe's Profile. Pietermaritzburg: COGTA

22 KwaDukuza Local Municipality. (2024).

Table 5. The Role played by Municipal LED Units in the entrepreneurial ecosystem

Municipality	Role in the Entrepreneurial Ecosystem
KwaDukuza LED Unit	<ul style="list-style-type: none"> • Facilitator: economic development and inclusive growth through various policies • Stimulator: uses its incentive policy and other policies to stimulate economic activities • Regulator: promulgates laws, bylaws and takes decisions that support economic development • Partner with community, public and private sectors on various economic development projects • The municipality will invest in public goods that support economic development • Promote/market the municipality will promote or market the area as an investors' and tourists' destination of choice
Ndwedwe LED Unit	<ul style="list-style-type: none"> • A focus on the development of key economic sectors (agriculture, manufacturing, tourism, SMME & informal sector and services) • Advancement of investment promotion and facilitation as a means to stimulate economic development • Development of SMMEs and promotion of entrepreneurship • Industry-driven skills development and training • Skills development and training programmes • Diversification while building upon existing competitive advantages • Marketed as an investment friendly municipality
Mandeni LED Unit	<ul style="list-style-type: none"> • Provision of infrastructure and quality and reliable services • Facilitating the development of key economic sectors • Providing support for emerging businesses • Coordinating district and regional economic development • Promoting and marketing the district for investments
Maphumulo LED Unit	<ul style="list-style-type: none"> • Supporting small and medium-sized enterprises • Encouraging the formation of new enterprises • Investing in physical (hard) infrastructure • Investing in soft infrastructure (educational and workforce development, institutional support systems and regulatory issues) • Supporting the growth of particular clusters of businesses • Supporting informal and newly emerging businesses and • Targeting certain disadvantaged groups
iLembe District	<ul style="list-style-type: none"> • Enterprise iLembe is the Economic Development Agency owned by iLembe District Municipality • Develop, review and strengthen the local economic development strategy on behalf of the district and family of municipalities • Champion a wide range of activities which emerge as important from the family of IDPs and LED Strategies • Co-ordinate LED activities to ensure alignment and integration • District marketing and promotion of tourism and investment promotion • Facilitate the identification, packaging and implementation of catalytic projects in the four key sectors and new sectors • Provide professional and multi-skilled support and networking services to major investors who wish to invest in the region • Work with local government to facilitate a business-enabling environment • Implement business, retention and expansion (BR&E) programmes in partnership with local businesses

Source: Municipal IDPs and Enterprise iLembe

Table 5 shows the role played by each municipality in the entrepreneurial ecosystem. Leading themes that emerged include: providing support for small businesses, marketing investment opportunities, regulating business activities and policy incentives. Despite the many roles listed in the Table, most municipalities in the iLembe region do not have the required funding to support small businesses/entrepreneurs in their regions. In addition to this, there is a lack of training and development centres, skilled SMME facilitators and lack of investment as reported by all municipalities.

5.2. Implications for the entrepreneurial ecosystem

Literature on LED identifies Enterprise iLembe Development Agency as an aspiring model for improving the entrepreneurial ecosystem based on the roles and functions of the entity and its embeddedness with local businesses. The investment received by the iLembe region is a testament to iLembe's entrepreneurial ecosystem. However, there is a need to ensure data sharing on the activities and successes of entrepreneurial projects

in the region. Municipalities should focus on using their institutional strengths to improve the entrepreneurial ecosystem guided by the respective roles they play in business development. The role played by institutions in the entrepreneurial ecosystem needs to match the strength of these respective municipalities.

In relation to municipal transformation, iLembe scored **80%**, and **85%** on the good governance index

5.3. Recommendations

- The relationship between public institutions (Enterprise iLembe) and private institutions (iLembe Chamber) must be shared within the entrepreneurial ecosystem as a potent example of the role institutions can play in the entrepreneurial ecosystem.
- A common understanding of a monitoring and reporting framework for municipal performance must be developed for ease of comparing municipalities.
- The success of interventions must not only be reflected through better-performing municipalities, but should reflect an even focus on all municipalities.
- Municipalities as local institutions need to be supported to develop a clear guideline of the role they play in the entrepreneurial ecosystem based on their strengths.

6. Demand

Definition: The number of customers (whether local or international) that exist to buy the entrepreneurs' products and services (supply) and which will sustain the business through revenue growth. Also known as access to markets. Entrepreneurs fail when they introduce products that are not in demand or where the population that it is intended for does not have the financial power to buy. Increased formality often allows for more opportunities to access customers for example through being able to access supply chains of bigger, more formalised businesses. Small business's ability to employ others can be a proxy for measuring how well they are able to access demand and grow their revenue and thus employ others. Measures such as disposable income per capita, the current turnover per sector in a region, the potential market size as measured by the total Gross Domestic Product (GDP) and in particular how much small businesses contribute to the GDP can help us measure demand. This will tell us the potential and sufficiency of demand.

Demand is the existence of customers that can buy an entrepreneur's products and services and it plays an essential role in the entrepreneurial ecosystem as this is key to driving and funding growth of businesses. It is based on the competitive advantage of a particular region, the purchasing power of the local population and the ability to access customers through supply chains and other channels. In the case of municipalities, the issue of demand is important because it shapes municipal prospects and their socio-economic standing in the country. Determining metrics for measuring demand is not straightforward because of the underdeveloped markets within many municipalities. [Table 6](#) shows some metrics that can potentially elucidate the state of demand in a particular region. These demand measures are important in determining the growth prospects of any region.

Table 6. Demand measures in the iLembe region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Top 3 economic sectors	Man. 23.74% Gov. 20.55% Ret. 16.33%	Man. 55.18% Gov. 16.19% Adm. 16.19%	Gov. 67.73% Man.19.99% Ret. 6.33%	Gov. 42.76% Agr. 26.23% Man. 15.50%	Man. 28.58% Finance 15% Community services 14%	Services - 62.3%; Industry - 24.6%; Agriculture - 2.38%
Average monthly Income	3.2-6.4K 6.4 - 12.8K	3.2 - 6.4K	25.6- 51.2K 12.8K-25.6K	3.2-6.4K	29.3% of workers earn 3.2 - 6.4K	R26 032K
Largest employer	Manufacturing	Manufacturing	Government	Government	Manufacturing	Community and social services
Areas driving demand	Tourism, beaches,	Tugela Mouth, Isithebe	N/A	Agriculture	Coastal areas (KwaDukuza)	Tourism, finance, real estate and business services

*see write up on next page

Source: Spatial Tax Data (2024)

The top 3 economic sectors in the iLembe region are manufacturing (28.58%), finance (15%) and community services (14%). These patterns are different for each local municipality. For example, the top two economic sectors in KwaDukuza and Mandeni are manufacturing and government, with manufacturing contributing more than 55% in Mandeni, whereas it contributes 23.74% in KwaDukuza. Maphumulo and Mandeni are significantly dominated by government services (67.73% and 42.76%, respectively) and the government sector is also listed as a potential growth sector. However, municipalities that tend to have government activities as the main economic sector tend to be poor as is evident in these municipalities and they should look to the private sector for more sustainable economic growth.

Average income is an important measure that influences demand in a particular region as it influences consumer spending power. While iLembe and Mandeni are the biggest economic contributors in iLembe, Maphumulo has the highest average income because the government sector pays better than sectors such as agriculture. In the entire iLembe region, 29.3% of the workers earn between R3.2-6.2K. This feature is driven by municipalities such as KwaDukuza and Mandeni, which are the largest contributors within the iLembe region. These figures reflect low, limited spending power because of the large mass of residents that earn less, while a few earn more. One of the key drivers of demand in the iLembe region are the coastal areas that have world-class beaches in KwaDukuza and the related tourism activity and businesses. Most entrepreneurial activities happening in the region outside of manufacturing are tourism related. Literature also shows that most LED success in South Africa is attributed to tourism. While data shows that potential sectors are within manufacturing, there seems to be less focus on tourism as a potential driver of growth despite massive successes over the last decade. For example, the Ballito Pro in KwaDukuza receives R5 million in support from the municipality, which in turn brings thousands of tourists. In addition to this, there is R3.5 billion attracted to building a Club Med in the Ballito-Zimbali area.²³ Contrastingly, South Africa's economy is mainly driven by the service industry despite its contradictory economic structure.

Tourism also plays an essential role in iLembe's economy, as evident in the various resort-related investments in the region. Places like Ballito and Zimbali have become leading tourism destinations for the entire province of KwaZulu-Natal, and many other parts of the country. The ClubMed development is testament to the role played by tourism in the iLembe region. Agriculture also remains a key driver for iLembe's economy, and a major source of income for areas such as Ndwedwe and Maphumulo. However, there is a need to ensure increased entrepreneurial opportunities within these sectors of the economy. Such entrepreneurial opportunities can be identified and packaged by Enterprise iLembe working with the iLembe Chamber of Commerce.

6.1. Implications for the Entrepreneurial Ecosystem

While KwaDukuza and Mandeni show a high rate of manufacturing in their jurisdiction, Maphumulo and Ndwedwe have weaker entrepreneurial ecosystems dominated by government activities. These two municipalities have not been successful in bringing sufficient investment to improve their rurality. There is a need for the government to consider incentives capable of developing new economic and industrial bases to boost private sector investment.

²³ KwaDukuza (2020). IDP.

6.2. Recommendations

- Revitalise the Isithebe Industrial Park in Mandeni to ensure it returns to its glory days. The Isithebe Industrial Park is one of the largest employers of all industrial parks in South Africa, but is currently facing several challenges. This is important for improving the country's manufacturing capacity.
- Entrepreneurship and small business development must be promoted in municipalities with higher government contributions to employment. There is a need to diversify and allow the private sector to invest in these regions to ensure less reliance on the government.



7. Access to Finance

Definition: The availability and sufficiency of effective and right-fit funding for all businesses at any stage and size led by entrepreneurs from any background and demographic. Having the right types of funding instruments at each stage of the business that is available to all that need it will unlock growth in ventures. The private sector often supplies financing for business but excludes those that might be seen as riskier investments such as small or informal businesses or female-run ventures. Thus, government and civil society's role in either providing direct financing or guarantees to de-risk financing for the private sector is critical. This is particularly important to promote growth in small businesses in developing nations. Measures such as the funding gap and availability of finance help us understand how well the current funding is supporting entrepreneurship.

Access to finance is the backbone for small businesses as many South African entrepreneurs emerge from poor socio-economic backgrounds with no capital to support their ventures. Mapping the finance landscape in a region requires access to banking institutions, loans, grants and other types of financial institutions set up to support emerging businesses. In this context, mapping available funding opportunities and structures is important to understanding the financing landscape of a municipality. The study considered available data on access to finance in the iLembe region. [Table 7](#) shows the metrics used and the data drawn from different documents.

Table 7. Access to finance measurement in the iLembe region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Exist of fin. institutions	All major fin. institutions	Few fin. Institutions (Ithala)	Few fin. Institutions	Few fin. Institutions	Sum of 4 municipalities	Funding Gap - R364 billion
Municipal spend on SMMEs	Ease of Doing Business (R5.8m) -2022 Ballito Pro (R5m); R500k for LED start-up, Small Business Week, Agricultural LED start-up – received R1m from Municipal Employment Initiative (municipality co-funded for agricultural inputs)	SMME capacity building and other initiatives – R7m	No data	R84m on emerging local contractors + R770k to support local businesses	Sum of 4 municipalities	Government spend on SMMEs - R4.4 billion
Financial support received by the Informal Economy	R150k for informal trading facilities	Included in municipal spend	R300 x 40 beneficiaries during COVID-19 + 131 individuals from SEDA+Nedbank	No data	Sum of 4 municipalities	Share of SMMEs receiving funding - 3%
External investment	<ul style="list-style-type: none"> • Club Med R3.5bn • R125m Vuthela LED programme • Zimbali Lakes - R300m • Ballito Hills - R2.5bn • Partnership with ABSA and Nedbank to support small businesses (access to finance) 	N/A	No data	No data	Sum of 4 municipalities	Access to financial services - 4.2 out of 7 people

Source: Municipal IDPs

From the data sources, it was established that KwaDukuza has all major financial institutions, such as Standard Bank, Nedbank and ABSA in its jurisdiction. These financial institutions are found in the KwaDukuza CBD and Ballito area. However, other municipalities such as Mandeni, Maphumulo and Ndwedwe have limited access to financial institutions. This affects the support received by entrepreneurs because of the lack of financial services including banking facilities.

Municipalities play an essential role in improving the entrepreneurial ecosystem by providing funding support to SMMEs. Traditionally, in the absence of financial institutions to support local enterprises, state institutions such as Development Finance Institutions

(DFIs) close the gap. In the case of this entrepreneurial ecosystem, municipalities often ensure that 30% of their procurement goes to local small businesses as a form of market access. Such an approach is instrumental in providing businesses with the needed experience and income-generating opportunities. For example, Ndwedwe ensures that R84 million is spent on emerging local contractors.

Municipalities also dedicated some funds to support small businesses. KwaDukuza dedicated R500,000 to support local businesses during Small Business Week, whereas Mandeni dedicated R7 million toward SMME capacity building and other initiatives. In addition to this, municipalities also spent some of their budget supporting local informal economy enterprises. For example, KwaDukuza dedicated R150,000 in supporting informal workers with trading facilities, whereas Ndwedwe gave beneficiaries a once off R300 each to recover from the impact of COVID-19. Ndwedwe listed access to finance as one of the leading barriers for small businesses in their locality.

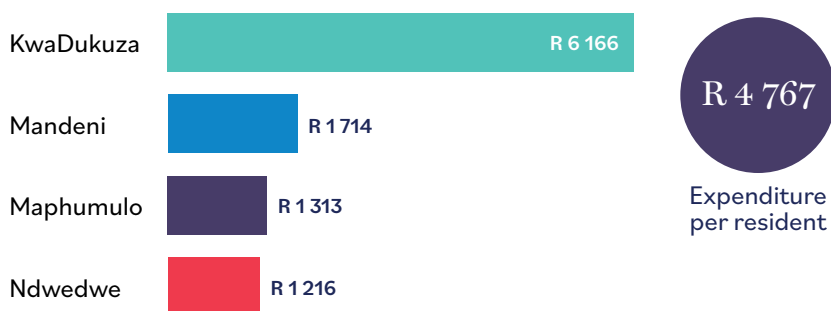
Data on external investment was considered as a measure because investment often leads to access to finance and markets for local businesses. In this category, KwaDukuza listed various investments made into the locality. The KwaDukuza Municipality has been able to attract investment that unlocks business opportunities and procurement opportunities for local businesses. R3.5 billion has been attracted to building a Club Med in the Ballito-Zimbali area. In addition to this, R125 million was granted by the Swiss Government through the Vuthela LED programme to improve the business and economic development environment in KwaDukuza. Further to this, Zimbali Lakes has attracted a further R300 million in investments for the coastal resort space, which has unlimited construction opportunities in the region. In addition to this, R2.5 billion has been raised and invested in the area from prominent players such as the Balwin group for the development of Ballito Hills. This has contributed to massive job opportunities for local businesses and generated employment opportunities.

The absence of capacity to fund local entrepreneurs is concerning, and suggests the need for regions to have ring-fenced finance dedicated to emerging businesses with the potential to compete locally, provincially, and nationally. As it stands, DSBD provides funding for businesses, but there seems to be a lack of coherency and ability to coordinate local funding sources. Further to this, it is important to consider a database on the performance of businesses that have been funded. Nationally, data shows that most loans to small businesses are non-performing.

Municipalities often ensure that **30%** of their procurement goes to local small businesses

Municipal spending per citizen has an important correlation to the level of development in a particular area. The below graph shows the total spending per resident for all municipalities in the iLembe region.

Figure 13. Total municipal spending per resident



Definition: Municipal per capita spending average: The total municipal expenditure divided by the total population
 Stats SA Quarterly financial statistics of municipalities MYPE

KwaDukuza has a high rate of municipal spending per citizen at R6 166, just R1 235 below the provincial average of R7 401. A stark disparity is also recorded in that KwaDukuza spends more per resident than all other municipalities combined, with all other municipalities each spending less than R1800 per resident. These figures raise questions as other municipalities have lower populations, and dividing their budget by the population size should put them in a better position than KwaDukuza rate because of the municipality’s higher population.

7.1. Implications for the Entrepreneurial Ecosystem

The access to finance space is underpinned by inequalities between the different municipalities in iLembe. As noted, there is an overconcentration of financial institutions in KwaDukuza, whereas there is a dearth of financial institutions in other municipalities. It is often DFIs such as Ithala that play an important role in closing the financing gap in municipalities such as Mandeni, Ndwedwe and Maphumulo. Overall, there seems to be lesser investment in inland municipalities such as Ndwedwe and Maphumulo, which then impacts on local municipalities and their ability to support entrepreneurs.

7.2. Recommendations

- The government must not be the only source of funding for most entrepreneurs. This promotes a culture where tenders are equated to entrepreneurship. Businesses must introduce new and innovative products to the market to attract venture capital.
- Innovative finance products such as stock guarantees that meet the needs of entrepreneurs in far-reaching rural communities need to be developed and piloted.
- The iLembe Chamber needs to play a leading role in promoting better access to finance for businesses in the iLembe region. Finance opportunities must be leveraged from financial institutions and the private sector.



8. Leadership

Definition: Actors taking a leadership role in the ecosystem and driving improvement in all the ten conditions that constitute the ecosystem. These leaders are often existing successful entrepreneurs in the private sector that use their success and influence to push for improvements and innovations that not only benefit their own business but other entrepreneurs too. This role can also be played by the public or civil sector if required for example if existing leadership is insufficient. These leaders play a pioneering role in guiding, providing vision, foresight and direction, to the entrepreneurial ecosystem. This could include shaping perceptions about entrepreneurship, financing other entrepreneurs, influencing policies that support entrepreneurship, or lowering entry barriers and creating opportunities for smaller businesses through their supply chains.

Leaders in entrepreneurship are successful entrepreneurs who give back to the ecosystem investing their time and expertise in support of the entrepreneurial ecosystem. Leaders play an important role in the entrepreneurial ecosystem by inspiring others to follow their entrepreneurial path and spearheading an entrepreneurial vision. For students and emerging entrepreneurs, leaders are important role models capable of shaping the entrepreneurship journey and providing inspiring stories.

Leadership in the entrepreneurial ecosystem cannot be separated from the public-private partnership that can be forged for the greater economic good. Some of the important leadership metrics to be considered in the entrepreneurial ecosystem appear in [Table 8](#).

Table 8. Leadership measurement in the iLembe region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
No of partnerships	Vuthela iLembe LED Programme with the Swiss Government	Vuthela iLembe LED Programme with the Swiss Government	Vuthela iLembe LED Programme with the Swiss Government	Vuthela iLembe LED Programme with the Swiss Government	Vuthela iLembe LED Programme with the Swiss Government	Investment climate -4 in Africa
Entrepreneurial leaders through chamber	Yes	Yes	Yes	Yes	Yes	Growth outlook - 0.9% in 2024
Entrepreneurial leaders through agency	Yes	Yes	Yes	Yes	Yes	No data

Source: Municipal IDPs

The data generated from various sources shows that the Vuthela iLembe LED programme with the Swiss Government has shaped and inspired a new LED space in KwaDukuza. The R125 million grant includes the need to capacitate officials, but the most important element of leadership is how the funding is used to develop a framework for ease of doing business index in the iLembe region.²⁴ This has been an instrumental approach as also reflected in the success of the iLembe Business Confidence Index.

²⁴ KwaDukuza. (2024). IDP.

Box 2: The iLembe Entrepreneurship Programme

THE ENTREPRENEUR 2024

Congratulations to the winners of The Entrepreneur 2024 programme, who were announced at the annual Exhibition which was held on the 28th of October 2024 at the CMH Ford Ballito Showroom.

This Exhibition showcased the hard work, innovation, and passion of the finalists, offering them an opportunity to introduce their businesses to the public.

First placed winner was Sithembile Ndlovu, the Mushroom Queen, second placed winner was Claire Butler, owner of Humidity Hulk, whilst the third placed winner was Donovan Gumedede from Asbongah Foods.

The iLembe Chamber's partners in The Entrepreneur 2024 business accelerator programme are Enterprise iLembe, Airports Company South Africa,

King Shaka International Airport, The North Coast Courier, Siza Water, ENGIE Peakers Operations and Avon Peaking Power.

The programme's digital partner is Ballito ISP.

The Entrepreneur programme is an accredited UKZN Graduate School of Business & Leadership short course. ■

W: www.ilembechamber.co.za



The Entrepreneur 2024 Adjudication Panel, Skhumbuzo Nxumalo, Asha Lucken, Brett Michielin, and Justin Scott.



The Entrepreneur 2024 winners.



Three Sons & Daughter Landscaping's Thembelihle Mchunu at The Entrepreneur 2024 Exhibition at CMH Ford Ballito.

The Entrepreneur Programme is an accredited UKZN Graduate School of Business and Leadership Short Course (NVQ level 5). Under the academic guidance of University of KwaZulu-Natal (UKZN) Graduate School of Business and Leadership and the Massachusetts Institute of Technology (MIT), as part of the CREATE Programme, the academic content of workshops is based on Dr Alexander Osterwalder's Business Model Canvas. The Business Model Canvas is used as a framework by finalists to interrogate their businesses at a practical level. In support of the workshops, finalists receive personal guidance and advice from Chamber-accredited Business Mentors. These Mentors offer an extensive suite of skills and experience, enabling finalists to immediately implement learnings into their businesses.

Finalists also receive professional guidance and input on the Corporate Identity (CI) of their businesses, resulting in the development of digital and/or traditional, sponsored, marketing collateral. In this regard, the iLembe Chamber is supported by a team of professional branding specialists who, with the support of the mentors, assist the finalists in developing a unique corporate identity as well as related branding. The Programme's highlight is The Entrepreneur Exhibition, the final event at which the competition winner is also announced.

Source: Business Sense²⁵

As outlined in Box 2, iLembe's entrepreneurial ecosystem runs the Entrepreneurship programme, which has been in place for more than 15 years. The programme is in partnership with Enterprise iLembe, Airports Company South Africa, King Shaka International Airport, The North Coast Courier, Siza Water, ENGIE Peakers Operations and Avon Peaking Power. As noted, the partnership also benefits from partnerships with academic institutions, such as UKZN and MIT.

²⁵ For more on the entrepreneurship programme, see: [ilembe Chamber-The Entrepreneur 2024](https://static.wixstatic.com/media/a2292c_e5d0153c979a4150868fd58ddede8ad4~mv2.jpg/v1/fill/w_1000,h_563,al_c,q_85,usm_0.66_1.00_0.01/a2292c_e5d0153c979a4150868fd58ddede8ad4~mv2.jpg) [https://static.wixstatic.com/media/a2292c_e5d0153c979a4150868fd58ddede8ad4~mv2.jpg](https://static.wixstatic.com/media/a2292c_e5d0153c979a4150868fd58ddede8ad4~mv2.jpg/v1/fill/w_1000,h_563,al_c,q_85,usm_0.66_1.00_0.01/a2292c_e5d0153c979a4150868fd58ddede8ad4~mv2.jpg) <https://www.kzntopbusiness.com/post/ilembe-chamber-the-entrepreneur-2024>

Enterprise iLembe plays an essential leadership role in the iLembe region as an intermediary between investors and the local needs of the municipality. The investment is generated by investment and promotion packages done by Enterprise iLembe, thereby identifying opportunities in the region and selling such opportunities to international investors. Importantly, this work is undertaken in partnership with the iLembe Chamber. Such a novel approach shows benefits derived from collaboration between the public and private sectors. These two players also co-host the iLembe Entrepreneurship Programme, where the most aspiring businesses compete for a prize.

iLembe's
Entrepreneurship
programme has been
in place for more than
15 years

8.1. Implications for the Entrepreneurial Ecosystem

Existing data on leadership within the KwaDukuza area show promising trends for building effective entrepreneurial structures and attributes amongst emerging entrepreneurs. This is through the existence of the entrepreneurship competition and the relationship between the municipality's agency and the chamber of commerce. In addition to this, the ecosystem approach taken by the Vuthela LED programme has the potential to shape the entrepreneurial ecosystem to be receptive of the needs of local entrepreneurs.

8.2. Recommendations

- There is a need to share more news about what entrepreneurial leaders are doing in iLembe's entrepreneurial ecosystem. Such stories have the potential to spark entrepreneurship in the region and be an example to other regions.
- Data on the iLembe Business Confidence Index needs to be shared with other municipalities. This could push other municipalities to adopt a similar approach to valuing their entrepreneurial ecosystems and seeking ways of improving the space in which businesses operate within the regions.
- The entrepreneurship programme should be extended to other parts of KwaZulu-Natal.



9. Networks

Definition: The connectedness of businesses in an ecosystem that enables the creation of new value chains through collaboration to maximise on existing and new opportunities. It is the strength of partnership and collaboration amongst different organisations and ventures in the entrepreneurship ecosystem. When organisations know about and trust each other, they can more easily work together and leverage off strengths, thereby creating value. Research on networks in South Africa is scarce but starting to emerge, including research looking at informal structures in the informal economy. Measures such as business collaboration and existence of chambers of commerce are measures of the strength of networks in the entrepreneurship ecosystem.

Networks and associations play an essential role in lobbying for an improved entrepreneurial ecosystem by representing local businesses and creating networking opportunities. A productive entrepreneurial ecosystem can be produced through effective networking with potential mentoring and funding opportunities for emerging businesses. Associations such as the chambers of commerce, formal and informal organisations and many other structures that promote the well-being of businesses form part of networks. Developing metrics for networks requires careful consideration of structures that qualify as networking avenues in the entrepreneurial ecosystem. [Table 9](#) shows some metrics capable of explaining networks in a municipal entrepreneurial ecosystem.

Table 9. Networks measurement in iLembe

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
Existence of chambers of commerce					Yes	Yes
Existence of informal economy associations	Yes	Yes	Yes	Yes	Yes	Yes
Existence of tourism associations	Yes	Yes	Yes	Yes	Yes	Yes
Existence of LED Forum	Yes	Yes	Yes	No	Yes	Yes
Existence of investment forum	Special Projects Task Team - HoDs - interact with investors/ developers of high-impact projects					

Source: AGGP_SA (2024)

The existence of the iLembe Chamber of Commerce provides networking and lobbying functions for local

businesses in the region. The Chamber is established at a regional level, and thereby supports all businesses that are members of the association. This space provides local businesses with networking opportunities with established businesses within the region. It is such networks that give birth to avenues to new capital and potential markets for small and emerging businesses. Such collaborations are important in not only improving the entrepreneurial ecosystem, but in providing assistance for new businesses.

The iLembe Chamber provides the iConnect as a hub of opportunity where local businesses can share information. In addition to this, the Chamber also has the following priorities:

Table 10. iLembe Chamber Aims and Pillars

Aim	Pillars
Be the recognised and effective voice of business on the North Coast of KZN, South Africa	Being an influential and credible Chamber with both financial and reputational viability
Promote the region as a tourism, business and investment destination	Stakeholder relationships and collaboration
Help grow and strengthen local business	Influencing infrastructure, including strategic infrastructure, development
Bridge the gap and improve communication between the public and private sector	Business retention and promotion of investment into the iLembe district
Provide a platform for business linkages and business opportunities	Human capital development, business, and entrepreneurial support

Source: iLembe Chamber (2024)

Informal businesses are increasingly organising into a chamber in iLembe to respond to the growing challenges and demands. A network of informal businesses organised and formed by informal enterprises is prevalent in all municipalities. The informal chamber represents the needs of informal workers and has a seat in the district LED forum. As such, they also provide networking opportunities and increase their influence in decision-making.

The LED forum in iLembe consists of different departments as it takes an ecosystem approach to entrepreneurship. These departments range from: community development, local economic development, integrated development planning and the local chambers of commerce. This structure provides a platform for chambers to influence decision-making and ensure municipalities adopt business policies capable of promoting their growth and survival. The parallel structure through the Special Projects Task Team enhances networking and thereby creating avenues for stakeholders to collaborate.

9.1. Implications for the Entrepreneurial Ecosystem

The entrepreneurial ecosystem in KwaDukuza is enriched by the existence of platforms such as formal and informal chambers of businesses and the economic development agency. These structures provide avenues for local entrepreneurs to work hand in hand with public officials and influence entrepreneurial outcomes. However, a more coordinated approach is required to ensure institutional arrangements to fix bottlenecks in iLembe’s entrepreneurial ecosystem.

9.2. Recommendations

- The model applied by the iLembe Chamber must be shared widely within the ecosystem to encourage more network opportunities for businesses in various districts.
- Spaces must be provided for the network of informal traders and be afforded similar respect given to formal businesses.
- Networking platforms should not be dominated by government entities, but by private entrepreneurs that seek to create a new vision for the entrepreneurial ecosystem.





10. Research and Development / New Knowledge

Definition: The level of investment into and commercialisation of Research and Development (R&D). More R&D for small and bigger businesses can lead to more innovation and more opportunity to create value to others as these innovations increasingly become the catalysts of new and resilient business ventures with a competitive advantage. Amid the 4th industrial revolution, technological innovation in the production of goods and services has become increasingly important in driving modern economies. To achieve an edge in a globally competitive economy, nations can increase their investment in R&D as a strategy to create new knowledge and innovations that support new business creation. Measures such as % of GDP that is invested in R&D, the number of patents and level of commercialisation of these patents can tell us how well the research is creating value for others and supporting the start of new businesses.

Research and development play a significant role in the modern economy driven by innovation. Countries that spend more on innovation tend to do economically better than those that do not prioritise R&D in their regions. R&D is mainly driven by universities, research councils, government and the private sector. However, little is known about municipalities and their R&D capabilities, and how these contribute to their economies.

Without R&D, it can be concluded that municipalities are unlikely to be innovative and competitive in improving their industry. [Table 11](#) shows the measure for research and development in iLembe. South Africa’s spending on research and development stood at 0.62% in 2021, relatively low compared to other years and countries.

Table 11. Research and development measured in iLembe’s entrepreneurial ecosystem

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
R&D Budget					Yes	Yes
No data	No data	R300K per annum	Requested	No data	0.6% of GDP	
R&D capacity	None	None	None	None	Limited	Universities and research councils

Source: AGGP-SA (2024)

Research and development data is scarce in most municipalities. While all municipalities have LED offices, there is no research and development capacity within. In this case, most municipalities in iLembe do not have research and development budget items in their IDPs. Maphumulo’s 2020/21 LED Strategy for Maphumulo suggested that the municipality allocate R300,000 per annum for Research and Development.²⁶ However, this suggestion was not taken up, and no research is being undertaken to improve municipal competitiveness. Research undertaken by consultants is only in the form of improving LED strategies.

²⁶ Maphumulo Local Municipality. (2024). Integrated Development Plan. Maphumulo: MLM.

The Ndwedwe IDP states that the municipality has developed:

“Feasibility plans for Kwaloshe Forestry Development and Bhamshela Feasibility study. The municipality hopes to receive funding for packaged Tourism, Agricultural and Construction Feasibility studies. The municipality has an approved budget for a small amount for research and development for the new financial year”²⁷.

However, there is no mention of how much was approved.

Enterprise iLembe undertakes various research projects within the iLembe region. The two flagship research projects are; the Tourism Performance Report and the Business Confidence Index. These two research projects are instrumental in sharing data on the state of the entrepreneurial ecosystem, with a particular focus on tourism. Tourism is one of the most promising sectors of the economy in KwaDukuza.²⁸

The lack of data on research and development activities in iLembe is a concern because it affects a clear understanding of the entrepreneurial ecosystem. In most cases, Enterprise iLembe is requested to assist with sourcing funding for research and development activities for municipalities.

10.1. Implications for the Entrepreneurial Ecosystem

The research and development space in iLembe paints a bleak picture because R&D is instrumental in building a competitive edge for municipalities and surrounding businesses. This problem arises because of the lack of R&D skills, budget and outcomes.

10.2. Recommendations

- Municipalities and the private sector must assign more budget for research and development to improve their competitive edge and toward identifying potential economic opportunities, products and services in the regions.
- Municipalities must build research and development capabilities as well as skills to enable them to understand and use research and data to inform how they improve the prospects of local businesses. They should leverage off other’s research capabilities e.g. universities and private sector.

²⁷ Ndwedwe LM (2024). IDP., 366.

²⁸ Enterprise iLembe Development Agency. (2024). Annual Reports. Available at: <https://www.enterpriseilembe.co.za/enterprise-ilembe-documents/ilembe-research-reports.html>

11. Intermediaries

Definition: The accessibility of effective incubation, acceleration and business support services. These are Entrepreneurship Support Organisations (ESOs) that work directly with entrepreneurs to start and grow their businesses (typically incubators and accelerators) as well as business services such as legal, accounting and Human Resource (HR) support. Incubation and acceleration often link entrepreneurs to many elements that are critical for a business to thrive such as finance, customers, market information, mentors, business services and education or training. They are seen to be an essential support for entrepreneurs to start and sustain their businesses and reduce the failure rates in the first few years of operating. Measures such as the number and geographic and sector concentration of incubators and accelerators as well as the quality of the ESOs inform how well intermediaries are supporting entrepreneurs.

Intermediary services refer to entrepreneurship support structures offering mentorship and incubation opportunities for emerging businesses. In South Africa, mentorship and incubation are instrumental in addressing the high business failure rate. However, most incubators exist in metropolitan areas, with little to no information on incubators at the small-town and rural municipal levels. It therefore becomes important for an ecosystem mapping of the entrepreneurial ecosystem at this level to consider some incubation opportunities in this space. Developing metrics for measuring the level of support in the entrepreneurial ecosystem requires an enhanced understanding of all entrepreneurship support organisations in a district. [Table 12](#) shows some metrics capable of delineating this information.

Table 12. Intermediary measurement in the iLembe Region

Indicator	KwaDukuza	Mandeni	Maphumulo	Ndwedwe	iLembe	National
No. of Incubators / accelerators	KwaDukuza Entrepreneurial Programme - is an 8-week programme focusing on building the capacity of 20 selected entrepreneurs annually with various skills and business support.	Contractor Development Programme	None known	Emerging Contractors Programme	Enterprise iLembe Incubation -Youth Enterprise Park	105
No. of economic development agencies	1	1	1	1	Enterprise Economic Development Agency	37
No of ESOs	No data	No data	No data	No data		No data
Chamber incubation					Incubator within chambers	No data

Source: Municipal IDPs

The first point of incubation in iLembe is the emerging contractor programme heralded by the iLembe Chamber. This programme is a joint initiative with the Department of Economic Development and Environmental Affairs, focusing on improving the capacity of emerging contractors in various fields in the region. The programme provides business skills to these emerging entrepreneurs to competitively bid for government and private sector contracts.

15 contractors
benefited and created over
100 employment
opportunities

The second support in the iLembe region is the 8-week KwaDukuza entrepreneurship programme aimed at focusing on building the capacity of twenty selected entrepreneurs with various skills and business support services. This programme is undertaken outside of Enterprise iLembe as it is spearheaded by the local municipality.

Mandeni has a Contractor Development Programme (CDP) to support and unlock new businesses by improving their contracting capacity, which benefited 15 contractors and created over 100 employment opportunities.²⁹ A similar programme exists in Ndwedwe, where the focus is on improving local businesses through the Emerging Contractors programme.³⁰ Maphumulo's IDP is 356 pages long, yet the phrase "small businesses" appears 10 times in the document.

In comparison to national data, it is observed that 75% of the business incubators (105) were concentrated in KwaZulu-Natal, Eastern Cape, Gauteng and the Western Cape. As noted in this report, iLembe is in KwaZulu-Natal. However, an important observation from this study is that Enterprise iLembe and the iLembe Chamber are the custodians of intermediary services in the iLembe region. Enterprise iLembe Leads with the Youth Enterprise Park where youth-owned business office parks were established and handed over to the youth of Mandeni. The youth are incubated by Enterprise iLembe to improve the success of their ventures through the provision of working infrastructure in the form of an office park. The key mandate of Enterprise iLembe is;

- Nurturing new ideas which have commercial potential AND have high impact potential in regard to poverty alleviation, jobs and empowerment;
- Building partnerships between the public sector, support institutions, the private sector and the community;
- Building partnerships within each locality and supporting one another in service delivery; and
- Collectively building the gap between the first and second economies through catalytic and high-impact projects (Enterprise iLembe, 2022).

²⁹ Mandeni LM. (2024). IDP

³⁰ Ndwedwe LM. (2020). IDP.

11.1. Implications for the Entrepreneurial Ecosystem

Incubation is an important element in making entrepreneurship work through fostering a culture of support in the ecosystem. The work undertaken by the Chamber of Commerce and Enterprise iLembe is instrumental in building the necessary foundation for entrepreneurs to succeed. The ability of the KwaDukuza Municipality to be at the epicentre of these support programmes shows an entrepreneurial and innovative approach to building entrepreneurs from the grassroots level.

There seems to be limited coordination of all the various incubated programmes in iLembe. Secondly, most incubation happens within the government, whereas business development is not the core service of the government. There is therefore a need to ensure incubation happens outside the government through private business channels that specialise in this. Previous research/ literature shows that the government adopts a poverty alleviation focused approach to economic development rather than an entrepreneurial focused approach.

11.2. Recommendations

- Municipalities should consider partnering with private entities to offer incubation services rather than doing it in-house. Most LED units do not have capacity and cannot therefore have internal incubation capacity.
- There is a need to incubate businesses outside the Contractors Development Programme. Enterprise iLembe must work with businesses that offer new products.
- Public-funded economic development should consider taking an entrepreneurial focused approach.



Allan & Gill Gray
PHILANTHROPIES

“With South Africa failing to arrest the growing rates of unemployment and the inevitable impact of poverty and inequality; Erik Stam’s work has shown that getting these ten entrepreneurship ecosystem elements (infrastructure, finance, leadership, talent, entrepreneurship culture, knowledge, intermediaries, demands and networks) is a necessity for entrepreneurship to work and promote responsible entrepreneurship to address the country’s high socio-economic inequality rates”

– Khambule 2023

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