

BUILDING **SHARED PROSPERITY** IN SOUTH AFRICA

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How do we get there?

South Africa needs more jobs, more growth and less inequality. In the past few weeks, in [this series of posts](#), we have laid out a three-pronged strategy of what we need to do. This post focuses on how to get there, what could make these strategies possible.

It is widely said that in South Africa we write good policies, make good plans, but that we don't know how to implement them. What that glib 'truism' ignores is that a key test of the quality of a policy or strategy is whether it can be implemented in the real world we live in.

Contestation around policy all-too-easily bogs down in narrowly parochial interests, and zero-sum bargaining – resulting in either stalemate or empty words. Can our proposals work in the gritty here and now, not in some imagined logical, sensible, far-thinking society?

Here are the three prongs of our proposed strategy:

- The first prong ([laid out in more detail](#)) focuses on removing the obstacles and reinforcing the incentives for growth in the larger scale, formal part of the economy. This is already starting, overseen by the Business-Government Partnership and Operation Vulindlela, but needs to progress much further.

- The second prong (see [HERE](#)) is to create an economic environment which enables informal businesses to fulfil their job-creating and income-generating potential among poorer segments of our economy and society.
- The third prong (see [HERE](#)) aims to raise the productivity of a significant portion of smaller, sometimes informal, businesses through access to effective connectivity and contemporary information technology-enabled tools.

On their own, none of the three prongs offer what our country urgently needs – a hopeful, inclusive vision. For much of South African society, the first prong – ‘go for growth’ – feels mostly irrelevant or ‘take your medicine’. It is not in itself an enthusiasm-evoking goal. The elimination of load-shedding was vindication, but electricity prices still climb and the returns from the other reforms don’t yet manifest in the lives of South Africans.

The second prong – unleashing the informal sector – may resonate with struggling informal sector entrepreneurs, but the rest of society may be indifferent at best. At worst, there may be resistance from entrenched formal sector operators that feel threatened or intruded upon. Similarly, organised labour may object to ‘unfair competition’. And urban elites may want to protect their uncluttered cities and suburbs.

The third prong – leveraging the connective revolution in ways that help raise incomes in the precarious middle segment of our society – may be feared as treading on the toes of weaker microbusiness competitors. More competitive, efficient connected small firms will probably also compete with existing, less productive formal sector firms. Further, [as we detail here](#) the net effect on jobs is likely to be marginal; a narrowly tech-focused approach to business development may seem elitist, disconnected from the central challenges confronting South African society.

While presented separately each of the three prongs would thus be challenging to promote, we believe that together they mutually reinforce each other in ways that enable the whole to add up to way more than the sum of the parts. Considered as a whole, we think that the three-pronged strategy provides a vision which can enable hope to trump cynicism and parochialism – but we also need to consider the manner of implementation of each of the prongs of the strategy.

To begin with the first prong, formal sector growth is achievable, in part, through the centralised power and top-down decision-making that we have relied on for so long. Fixing Eskom, transforming the electricity market, fixing Transnet, reforming transport markets, fixing the visa system (as Operation Vulindlela has shown – these can largely be driven by centralised technocratic processes.

But eliciting private sector investment on the scale needed calls for more than alleviating specific bottlenecks; it requires rebuilding relationships of trust between investors and government. This can only be achieved in joint, ongoing combined processes for developing and implementing projects and sector strategies, with genuine engagement between government and business at the earliest possible moment and continuing for as long as needed. By contrast, for many years South Africa’s industrial strategy has centred on targeted, state-led development.

There is, of course, a delicate balance – even as they work with business, government leaders must be vigilant to ensure that the state is not captured by private interests, and to preserve what experts on the developmental state call the state’s ‘relative, embedded autonomy’.

Turning to the second and third prongs of our strategy, both depend for their success on catalysing a response from tens of thousands of actors: micro and small enterprises, alongside creative, supportive entrepreneurship from within the formal private sector. This calls for unleashing, rather than top-down micro-management; for loosening the grip of rigid regulatory and zoning restrictions on informal firms which [as one of our earlier posts delineated](#) in their echoes of apartheid-era controls make South Africa an outlier among middle income countries.

While some reforms to support the informal sector need resources from various spheres of government – fighting extortion rackets and providing secure facilities for informal traders, for example – the approach needs to draw on the energies of the broader set of stakeholders whose cooperation or active support is needed. When initiatives need consent and support – when, say, the project is to provide informal traders secure facilities in new locations in prosperous suburbs – multi-stakeholder task forces could be set the challenge of resolving deadlocks as an alternative to simple resistance.

Implementing the third prong of our strategy also calls for facilitating dynamism rather than top-down control, reflecting the reality that momentum for the connective revolution at the interface between township and formal economies has emerged spontaneously from within the private sector. If economic policymakers have paid any attention at all, they have viewed it as a sideshow. Yet [as we argued in an earlier post](#), considered in combination with informal sector liberalisation, a connective revolution at the interface offers a unique opportunity for helping to fill the missing economic middle that has long bedeviled South Africa. Pro-active intervention could provide valuable support – but only if (like the approaches to implementation we have suggested for the first two prongs) policymakers work in partnership with formal and informal firms, and other non-governmental players already active in this space, learning from them, and supporting what works, rather than bringing their own top-down prescriptions.

In sum, taken in combination, the three prongs of the strategy for growth and jobs provide an opportunity to present the outcome as the result of a series of simultaneous trade-offs. Formal sector firms will have new growth opportunities beyond a zero-sum game because of a better environment for formal sector growth, the poor will benefit through more job opportunities, the middle of the economy will strengthen, and the better-off will share the benefits of a safer and more prosperous society. Along with strong endorsement from trusted leaders, effective communication as to how the whole of the three-pronged strategy adds up to more than the sum of its parts will be absolutely critical for its success.

To move forward along these lines, we need to rediscover a capability that once made us a global model of what is possible – our ability to build coalitions for reform. As shown by the new Government-Business Partnership, our electricity reforms, Operation Vulindlela and, indeed, the very existence of the Government of National Unity, this ability continues to be part of the essence of who we are. Can we summon it one more time – and thereby give renewed energy to the promise of a better life for all?

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Building Shared Prosperity in South Africa

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- **Blog 2** – [Going for Growth](#)
- **Blog 3** – [Jobs and the Informal Sector](#)
- **Blog 4** – [Overcoming Dualism](#)

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