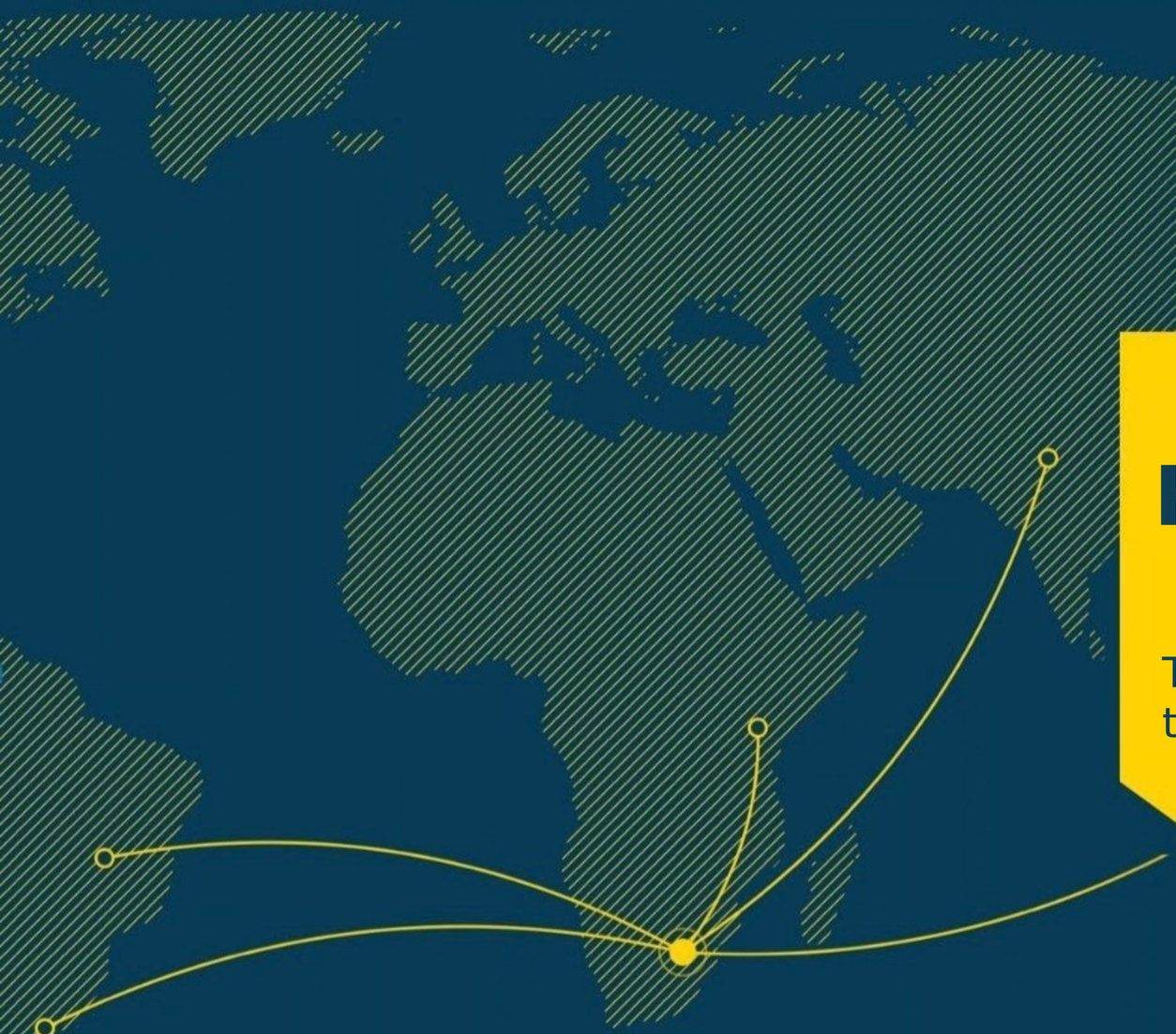


new south institute

How do we get there?

Thinking about implementation—how to overcome the obstacles to job-creating reforms

Three prongs

Removing the obstacles and reinforcing incentives for growth in the formal part of the economy

Creating an environment which enables informal businesses to fulfil their job-creating and income-generating potential

Raising the productivity of smaller, sometimes informal, businesses through access to effective connectivity and contemporary information technology-enabled tools

We believe that together they mutually reinforce each other in ways that enable the whole to add up to more than the sum of the parts

Is formal sector growth as easy as OV?

- Some growth can/must be driven from the centre—electricity and transport (visible investment needed)
- Water and sanitation reforms are harder—need broad engagement
- Driving private sector investment needs:
- Joint, ongoing processes for developing and implementing projects and sector strategies
- Genuine engagement between government and business at the earliest possible moment is needed, continuing for as long as necessary
- In contrast, for many years South Africa’s industrial strategy has advocated targeted, state-led development (Masterplans)
- Need to rebuild trust and confidence to encourage investment

Second & third prongs need to catalyse

Some top-down effective actions are necessary—e.g. fighting extortion rackets and providing secure facilities for informal traders

BUT

Tens of thousands of actors must be mobilized

Micro & small enterprises must engage

alongside creative, supportive entrepreneurship from within the formal private sector

Unleashing, enabling, without top-down micro-management

Support needed from a range of stakeholders

Example: rezoning for informal traders

Local governments need to rezone and provide facilities

But loosening/altering rigid regulatory and zoning restrictions on informal firms needs broad consent and support

Without multi-stakeholder processes it will be very hard to rezone, to open-up previously defended spaces even in commercial areas

The connectivity revolution requires

Policymakers to 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, constantly iterating

rather than bringing own top-down prescriptions

Trade offs and communication

- Three parallel initiatives/prongs are opportunity to present the outcome as the result of a series of simultaneous trade-offs—everybody wins
- Formal sector firms will have new growth opportunities because of a better environment for formal sector growth,
- The poor will benefit through more job opportunities,
- The middle of the economy will prosper
- And the better-off will share a safer and more prosperous society
- Success will need:
- strong endorsement from trusted leaders
- and 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