

# ENTREPRENEURS TACKLING DEVELOPMENT CHALLENGES AMIDST SA'S ECONOMIC WOES

GIBS Economic Outlook Conference 2016

## SA IS STUCK IN A LOW-GROWTH TRAP

	South Africa	Developing countries	Sub-Saharan African
Labour force participation rate (% ages 15 and older)	52.1	64.3	70.9
Youth unemployment (% of youth labour force)	51.4	14.6	13.5
Share of employment in services (% of total employment)	62.7	39.1	30
GDP growth (% year-on-year, 2015 estimate)	1.3	4	3.5
Ease of doing business rank	73 (/189)		

- On the UN’s Human Development Index, South Africa is positioned in the medium human development category, ranking 116 out of 188 countries
- This rank is shared with Vietnam and El Salvador
- SA’s HDI value increased by 7.2% between 1990 and 2014

# NATIONAL DEVELOPMENT PLAN PREMISED ON HIGH RATE OF NEW BUSINESS CREATION

		New business density	Number of new limited liability companies
Brazil	2014	2.88	73,614
Hong Kong SAR, China	2014	31.3	167,28
India	2014	0.12	98,029
Isle of Man [lol]	2012	45.27	2,287
Kenya	2014	1.8	45,366
Malaysia	2014	2.37	49,203
Mauritius	2014	5.14	4,633
Nigeria	2014	0.76	71,941
Russian Federation	2014	4.2	427,39
Rwanda	2014	1.49	9,991
Singapore	2014	9.51	38,306
<b>South Africa</b>	<b>2011</b>	<b>1.82</b>	<b>59,731</b>
United Kingdom	2012	12.9	537,66

- New business density defined as the number of newly registered corporations per 1,000 working-age people (ages 15–64)

## CRITICAL VIEW OF CAPITALISM IN SA



- **‘Jobless growth’ – or more accurately employment growth slower than labour force growth**
- **Exclusion and high barriers to entry**
- **Corruption and crony capitalism (cartels, poor governance etc.)**
- **Weak entrepreneurial ecosystem**
- **Small is not beautiful**

# MODELS OF INCLUSIVE CAPITALISM



- Attempts to reimagine how society creates and distributes value
- Some might say that social progress is the inevitable fruit of capitalism. But history teaches us otherwise
- Nigerian business leader Tony Elumelu has contributed the term Africapitalism to this growing lexicon, describing it as ‘the process of transforming private investment into social wealth’
- All at the risk of becoming buzzwords/fads/trends that do not yield transformative outcomes

## 'ENTREPRENEURS THE SILVER LINING IN A STRUGGLING ECONOMY'

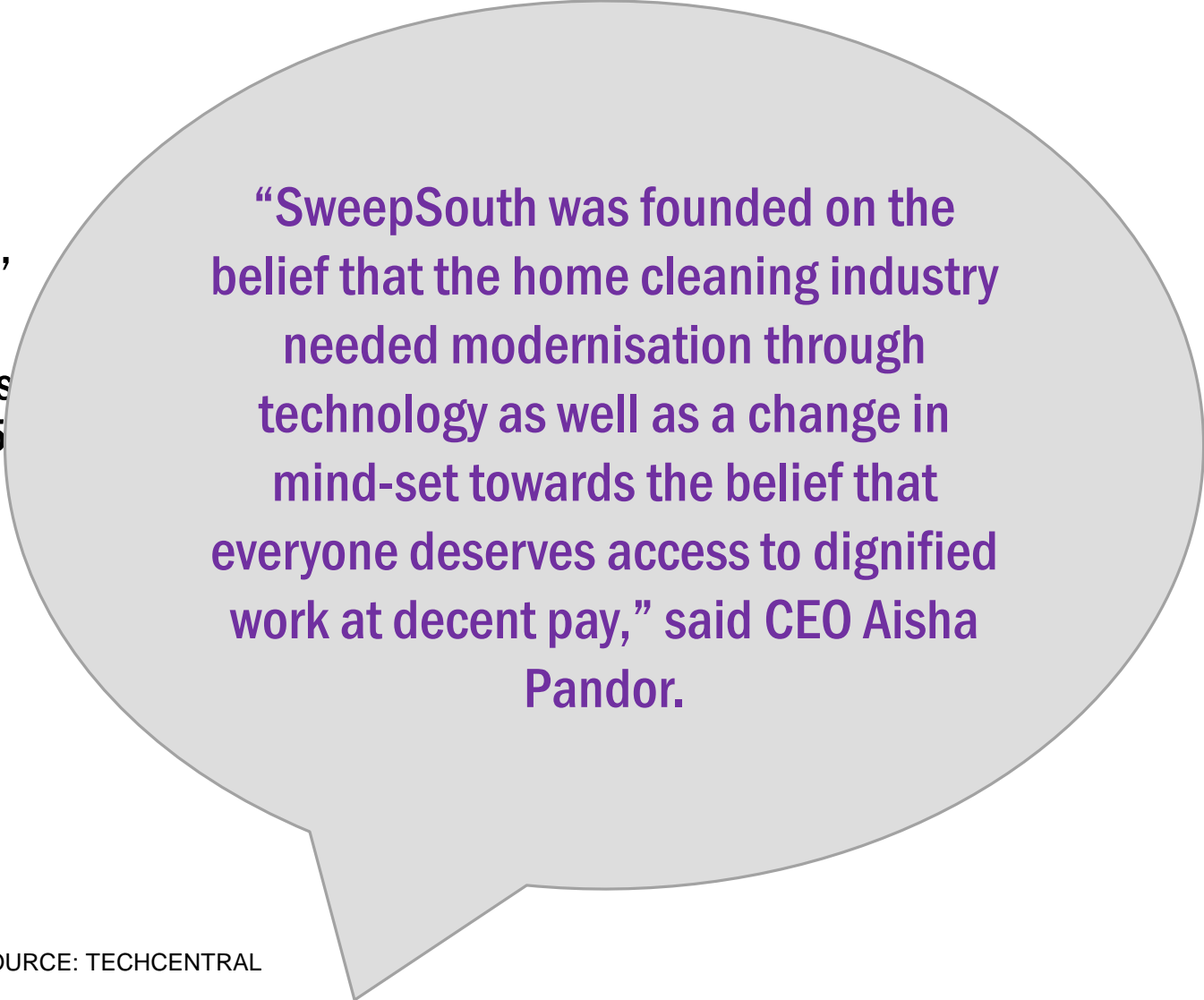
### Top three investment destinations in SSA for start-up funding

	Amount raised in 2015 (USD)
South Africa	\$54.6m
Nigeria	\$49.4
Kenya	\$47.3

Simon Hartley, founder of Wumdrop, an on-demand courier startup based in Cape Town says the dollar to rand exchange rate is the only small concern in a “generally rosy outlook”.  
[www.qz.com, 26/01/2016]

## NETWORKS, PEERS AND SHARED VALUE

- In the latest reformist models, we see business models that are shaped by the desire to optimise resources whilst generating profit and social impact
- ‘Peers Inc’ – developing platforms for sharing resources, assets, knowledge a key theme
- PwC estimates that the top five sharing economy sectors generated global revenues to the tune of \$15bn in 2015 and could reach \$335bn in 2025
- However, ‘sharing economy’ models also bring challenges such as casualised labour and sometimes provoke a negative regulatory response



“SweepSouth was founded on the belief that the home cleaning industry needed modernisation through technology as well as a change in mind-set towards the belief that everyone deserves access to dignified work at decent pay,” said CEO Aisha Pandor.

## HARNESSING NETWORKS, TECHNOLOGY AND BUSINESS TO SOLVE KEY CHALLENGES

### Recent entrants

- SweepSouth/Domestly – on-demand cleaning services
- Locomute – car-sharing
- Obami – social learning platform
- City Soiree – funding creative events
- Thundafund – crowd-funding

### Implications for growth and development

- Shared knowledge
- Enhanced earnings [ideally]
- Facilitate participation – bridge formal and informal, skilled and unskilled
- Sustainable consumption – limit environmental footprint
- Efficient production - eliminate ‘excess capacity’



## CONCLUSION

- **A new wave of entrepreneurs is emerging in South Africa which addresses pressing social problems, directly and indirectly**
- **Business models that build bridges across the ‘two-speed’ economy have the best prospects for tackling unemployment and inequality**
- **Also need to build models that apply to agriculture and manufacturing**
- **Some financiers have come to the party (see SweepSouth), though far more could be done to strengthen the entrepreneurial ecosystem, particularly to enterprises with high social impact**
- **Solutions to developmental challenges are necessarily multi-sectoral yet in the big business/big labour/big labour configuration, civil society and entrepreneurs are relegated to the margins**

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