

**The Political Economy of Ingenuity:
Evaluating SME Entrepreneurship as Africa's Silver Bullet for Economic Development**

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Chapter 1

Introduction

Small to medium enterprises (SMEs) in South Africa constitute 57% of GDP and are responsible for 56% of all employment, making them important features of the economy and individuals' livelihoods.¹ Their sizeable impact led to the creation of the Department of Small Business Development (DSBD), which was unveiled by former president Jacob Zuma in 2014. The DSBD's mandate is to support SME entrepreneurs create jobs, mobilize skilled labor, and spur technological advancement. Its founding statement reads:

The Ministry of Small Business Development was established in 2014 marking a turning point in history of [small, medium, and micro-enterprises] SMME's and cooperatives development in South Africa, demonstrating Government's commitment to place SMME's and cooperatives at the center of economic growth and job creation.²

SME entrepreneurship can indeed engender higher employment and innovation rates as their work spans across formal and informal sectors to provide goods, services, and employment to numerous segments of the population.

Centering SME entrepreneurship as a driver of economic growth in the way the DSDB does aligns with the neoliberal theory of development in how it extends the function of private sector entrepreneurs into the domain of development. Since its emergence in the mid-1970s, neoliberal theory's dominance in development policy has significantly reconfigured the global economic system and the economies of individual states. Within the neoliberal framework, the most efficient organization of the economy is accomplished

¹ Department of Small Business Development, "Small Business is Big Business"; Muriithi, "African Small and Medium Enterprises (SMES) Contributions, Challenges and Solutions", 36-48.

² Ibid.

through free markets and free trade; accordingly, the private sector—not the state—should drive the productivity of the market.³ The theory names the reduced role of the state in the economy and social sector as a central tenet.⁴ Neoliberal theory subsequently devolves the economic growth and development functions relinquished by the state to corporations and businesses in the private sector.⁵ These businesses, which are legally considered individuals, are free to commodify the social security functions they assume from the state, and thus profit off of them.⁶ Private schools, healthcare centers, and water and electricity utilities are examples of this.

Large domestic and multinational corporations often have sufficient productive assets to exploit the vacuum left by the state, but SMEs also play a critical role in this regard. This research investigates how domestic SMEs' business models are designed to help the poor navigate the circumstances of economic and social insecurity neoliberalism engenders, while also being proponents of the neoliberal project by capitalizing on the vacuum left by the state. This paper argues that SMEs play a contradictory role within South Africa's neoliberal economic landscape given that they benefit from neoliberalism but also mitigate some of the economic insecurities it engenders for the poor segments that serve as clients, employees, or service providers.

The inspiration for this research stemmed from the ubiquity of discourse about innovative South African and other African entrepreneurs exercising their agency and displaying their ingenuity to creatively address problems like unemployment, unaffordable banking, or low literacy in their communities. The discourse often excluded context about

⁴ Harvey, *A Brief History of Neoliberalism*, 87, 100, 114.

⁵ Ibid.

⁶ Ibid.

how the conditions these entrepreneurs were solving came to be, which raised questions of the sustainability of relying on an independent and private entrepreneurial class to tackle fundamental development challenges. South Africa is used as the site of analysis to investigate how the adoption and proliferation of neoliberalism contributed to the nation's high poverty, unemployment rate, food insecurity, and inequality levels.⁷

In addition to the introduction and the conclusion, which constitute Chapters 1 and 5, there are three substantial chapters in this thesis. Chapter 2 provides a theoretical background on the tenets of neoliberalism relevant to SME entrepreneurship. Specifically, the synergy between the principles of the state playing a reduced role in the economy and the accompanying privatization of social welfare functions is explored.

Chapter 3 grounds the analysis within South Africa's geography and political economy to offer historical perspective on what gave rise to the adoption of neoliberalism in the country. The African National Congress (ANC) opted to keep the mineral and energy exports based economy intact by protecting the interests of apartheid-era mineral and energy conglomerate capital.⁸ This was at the expense of the ANC's liberation era platform of reconstruction and redistribution.⁹ Following this, the economy was subject to structural adjustment conditions accompanying a loan from the International Monetary Fund (IMF) as well as the shift to the neoliberal Growth, Employment, and Redistribution (GEAR) program. The consequences therein have wreaked havoc amongst the country's working class, who still navigate circumstances of extreme economic insecurity in which 55.5% of

⁷ Statistics South Africa, "Poverty Trends in South Africa: An examination of absolute poverty between 2006 & 2015".

⁸ Bond, "Why South Africa Should Undo Mandela's Economic Deals".

⁹ Adelzadeh, "From the RDP to GEAR", 67.

South Africans are below the national poverty line, 26.6% of working age adults are unemployed, and 24.6% are food insecure.¹⁰

Chapter 4 examines in depth the business models of four SME firms to assess how SME entrepreneurs operate in their contradictory roles within neoliberalism and the consequences in South Africa. The research finds that SME entrepreneurs benefit from the neoliberal organization of the South African economy as it allows them to take advantage of tenets like flexible labor markets, raise capital from overseas, and profit from the provision of social security functions people cannot obtain for free or cheaply from the state. Conversely, SMEs help the poor by offering social security provisions in the form of providing employment, streamlining informal savings systems, developing software for primary education, and financing other firms.

A Note on Methodology

The case studies span the personal finance, household services, and education sectors for variety but are by no means meant to be a representative or generalizable sample. The objective is to extract insights, using detailed examples, on how South African SMEs build their business models around managing their contradictory roles within the broader neoliberal political economy of South Africa. The study employed a mixed methodology approach. Qualitative data was obtained through in depth, semi-structured interviews conducted in person or by telephone with the profiled entrepreneurs. The

¹⁰ Statistics South Africa, "Poverty Trends in South Africa: An examination of Absolute Poverty Between 2006 & 2015".

interview questions centered around the opportunities and challenges that each firm's business model was built around. Primary documents from the ANC's online archives were used to inform the analysis of South Africa's historical and geographical context, and a range of secondary sources and media outlets was also consulted.

Below is a full list of the profiled entrepreneurs and their companies.

Company	Location	Sector	Product
Clock Education	Johannesburg, South Africa	Education	Open source curriculum management software engineering
StokFella	Johannesburg, South Africa	Savings and Investments	Informal savings vehicles for the underbanked
SweepSouth	Cape Town, Johannesburg, Durban, South Africa	Consumer services	On-demand domestic cleaning services

Chapter 5 concludes the research by contending that there are tensions within the contradictory nature of the work of SMEs. SMEs leverage neoliberal constructs like flexible labor markets and relaxed regulation surrounding capital flows to launch, run, and scale their businesses, even though some simultaneously cater to the needs of the poor. The case

studies examined also reveal that in addition to navigating these tensions, structural inefficiencies detract from the capacity of SMEs to pursue both profit and social welfare objectives. Thus, the onus for development is devolved to an entrepreneurial class that does not have access to the all the necessary inputs.

A democratically elected government remains the primary agent of people-centered development whose agency is simultaneously constricted by the constraints of the global economic system it forms a part of. The destabilization of the state's agency in this way has left the poor vulnerable to environments of economic and social insecurity. SMEs play a developmentally paradoxical role in this setting and operate outside of the scope of democratic accountability,¹¹ thereby limiting their legitimacy as sustainable agents of development.

¹¹ Democratic accountability refers to being formally liable to citizens to be socially responsible, morally just, and undertake social welfare as a mandatory objective. Wettstein, "Multinational Corporations and Global Justice: Human Rights Obligations of a Quasi- Governmental Institution", 8-16.

Chapter 2

Neoliberalism and Development

Neoliberalism and Development in the Global South

In 1973, the proliferation of the Organization of Petroleum Exporting Countries' excess petrodollars through Wall Street's investment banks presented the US with the opportunity to offer high-interest loans to poorer countries.¹² When Mexico was the first of many countries to unexpectedly default, the global balance of payments was disrupted and the stability of entire financial system was compromised.¹³ In response to this, the International Monetary Fund was repurposed to ensure that countries in the global South repay their loans.¹⁴ According to neoliberal theory, this was to happen if the global South's economies were restructured, liberalized, and deregulated.¹⁵ In this framework, economic growth would come through lowering or eliminating barriers to free trade; privatizing state-owned industries and utilities; and making labor markets flexible and have less protection for workers.¹⁶ Most significantly to this study, the state should voluntarily reduce its interference in the economy and social sector and the private sector should take over as the engine for economic growth.¹⁷

¹² Harvey, *A Brief History of Neoliberalism*, 28.

¹³ Gibbon, "The World Bank and African Poverty, 1973–91", 197-198.

¹⁴ Harvey, *A Brief History of Neoliberalism*, 12.

¹⁵ Rist, *The History of Development*, 24-36.

¹⁶ For insights on SAPs, post-Washington Consensus growth, and neoliberalism in Africa, see Thandika Mkandawire, Joseph Mensah, Eunice Sahle, and Iboe Hutchful's contributions.

¹⁷ Rist, *The History of Development*, 24-36.

Neoliberalism's expansion to African states took place primarily through terms and conditions attached to funding from the international financial institutions (IFIs).¹⁸ This was highly successful in the 1980s, when 38 African governments entered into 244 loan agreements with the World Bank and the IMF.¹⁹ By the 1990s, IMF deals were still active in 36 countries, which is more than 70% and 65% of the continent each decade.²⁰ Financial assistance from IFIs carried conditions of economic policy reform in the form of Structural Adjustment Programs (SAPs).²¹ SAPs were designed to facilitate developing countries' adoption of neoliberalism in order to expand the practice's influence as the dominant global economic system. SAPs prescribed market primacy as foundational to economic growth, defined by increasing gross domestic product (GDP). Subsequently, growth is meant to engender economic development, which refers to the distribution of GDP and an improvement in the quality of life of citizens.²²

The Privatization of Development

Within neoliberalism, the vacuums left the by withdrawn state are meant to be filled by the private sector, whose role is to undertake economic development and social welfare.

David Harvey delineates:

Neoliberalism is in the first instance a theory of political economic practices that proposes that human well-being can best be advanced by liberating individual

¹⁸ Ncube and Lufumpa, *The Emerging Middle Class in Africa*, 37-38. The other IFIs are the World Bank and the World Trade Organization.

¹⁹ Osome, "In Search of the State? Neoliberalism and the Labor Question for Pan-African Feminism", 16.

²⁰ Ibid.

²¹ Ibid.

²² Meyer, Masehla and Kot, "The Relationship Between Economic Growth and Economic Development: A Regional Assessment in South Africa", 1377-1382.

entrepreneurial freedoms and skills within an institutional framework characterized by strong private property rights, free markets, and free trade. The role of the state is to create and preserve an institutional framework appropriate to such practices.²³

Entrepreneurship as a Neoliberal Silver Bullet

Adhering to the ideological separation of the state's role in the economy and the well-being of its citizens leads to reduced spending on social welfare provisions like healthcare, education, and utilities. Subsequently, the private sector fills the vacuum left by the state and profits from the commodification of these goods and services. One example of this is the how the South African national electricity utility and roads agency were converted from state-owned enterprises (SOE) to parastatals.²⁴ In other instances, private firms take over entire welfare functions by running private hospitals or schools.

Economic and social insecurity can spur individuals and communities to seek out ways to remedy their circumstances outside of ineffectual states and large, private companies. Liberal individualism, which exalts one's autonomy to pursue their own well-being is a central component of this neoliberal theory of development.²⁵ Entrepreneurship in this context can be opportunity-based or survivalist.²⁶ The tale of the innovative African who made a solar lamp/water pump/radio from virtually nothing before distributing the innovation throughout his region is idealized in ways that neglect the material insecurity

²³ Harvey, *A Brief History of Neoliberalism*, 2.

²⁴ Gentle, "Escom to Eskom: From Racial Keynesian Capitalism to Neoliberalism (1910-1994)", 51.

²⁵ Harvey, *A Brief History of Neoliberalism*, 64.

²⁶ Opportunity entrepreneurship occurs when people start businesses to exploit a need in the market for which they think they can offer a unique, profitable solution. Approximately 44% of African entrepreneurs fall into this category. Survival entrepreneurship occurs when people start businesses because they struggle to make a living by finding employment elsewhere. Approximately 33% of African entrepreneurs fall into this category. African Development Bank, Organization for Economic Cooperation and Development and the United Nations Development Program, "African Economic Outlook (AEO)".

that necessitated the ingenuity. Entrepreneurship in development forms part of the effort to rebrand the free market as an inclusive one and privatizing the onus of societal welfare.²⁷ This extreme devolution names self-determination and ingenuity as the new determining factors for upward mobility and increased economic agency for the poor. Dolan and Rajak capture it well in writing: “Autonomy, ingenuity, self-mastery, homegrown innovation and freedom from the dependence of aid and welfare are just some of the moral and social goods that this discourse of new entrepreneurship in development lays claim to as both the driver and product.”²⁸

The continent boasts the world’s greatest proportion of adults (22%) starting new businesses.²⁹ Between 3% and 60% of GDP and up to 90% of employment can be attributed to formal and informal SMEs across Africa.³⁰ In South Africa, SMEs constitute 57% of GDP and are responsible for 56% of all employment.³¹ A quick Google search of “Africa” and “entrepreneurship” can leave one feeling rather optimistic. The African Development Bank’s (AfDB) African Economic Outlook report names entrepreneurship as the cornerstone of the continent’s industrialization agenda, the priority for the next decade of economic development.³² Moreover, articles and reports with titles like “Why Entrepreneurship is Booming in Africa” by the Harvard Business Review,³³ “Why Africa’s

²⁷ Dolan and Rajak, "Remaking Africa's Informal Economies: Youth, Entrepreneurship and the Promise of Inclusion at the Bottom of the Pyramid", 514.

²⁸ Ibid., 515.

²⁹ African Development Bank, Organization for Economic Cooperation and Development and the United Nations Development Program, "African Economic Outlook (AEO)".

³⁰ Muriithi, "African Small and Medium Enterprises (SMES) Contributions, Challenges and Solutions", 44-48.

³¹ Department of Small Business Development, "Small Business is Big Business".

³² African Development Bank, Organization for Economic Cooperation and Development and the United Nations Development Program, "African Economic Outlook (AEO)".

³³ Ekekwe, "Why African Entrepreneurship Is Booming".

Young People Should Turn to Entrepreneurship” by the World Economic Forum,³⁴ and “Africa Looks to Its Entrepreneurs” by the United Nations’ Africa Renewal Magazine³⁵ have become ubiquitous following the collapse of the 2000 - 2015 “Africa Rising” commodity boom.

In Support of Entrepreneurship’s Role in Economic Growth

SMEs, in the contemporary African development context, operate primarily at the base of the pyramid (BOP) where most Africans are in terms of income and purchasing power. Business at the BOP (BBOP) includes for-profit enterprises that engage the world’s approximately four billion lowest earners as employees, service providers, or consumers.³⁶ The BBOP framework is a highly-lauded alternative to reliance on the public sector and foreign aid as drivers of economic growth and development for this population. BBOP rejects one-size-fits-all business models and instead embraces tailor-made formatting that suits the BOP’s consumption patterns. Examples of localized problem solving by entrepreneurs include innovations such as pay-as-you-go, mobile-first technology, and off-grid solar.

Entrepreneurs, both opportunity and survivalist, have an acute understanding of the need for these specialized business models and the advantage of being closer to the issues than many governments, larger companies, or foreign multinationals. For both types, innovation begins with identifying a challenge. Designing and selling the solution is the backbone of building a scalable enterprise. Many startups in Africa address issues that fall

³⁴ Bonnici, "Why Africa’s Young People Should Turn to Entrepreneurship".

³⁵ Obonyo, "Africa Looks to Its Entrepreneurs".

³⁶ Rangan, Chu, and Petkoski, "The Globe: Segmenting the Base of the Pyramid".

into one of two categories. The first is lowering barriers to access/reducing friction in people's lives by streamlining and reducing the cost of processes like paying for energy or water. The second is increasing the volume and variety of options people have to add value to their lives such as obtain gainful employment, learn new skills, or purchase a product or service.

The Advantage of Specialized, Profitable Solutions

SMEs – technology-enabled startups, specifically – place great importance on highly-tailored solutions. Countless feedback loops are utilized in market research, product design, and service delivery. Thus, businesses become hands-on, context-driven, and sensitive and adaptive to end users' needs. These business models are built from barebones structures often called minimum viable products (MVPs).³⁷ MVPs are released to end users to test and evaluate using various experimental techniques. In A/B testing, randomized groups of end users are offered slightly different versions of the product or service to evaluate which is more useful as measured by customer acquisition or repeat use rates.³⁸ Another technique is price elasticity testing using coupons with varying discounts.³⁹ The coupon redemption rates at each discount amount are analyzed to gauge the price point at which the consumers believe a product offers value for money. Other methods include target audience focus groups and referral and group-purchase discounts.⁴⁰ All resultant

³⁷ York and Danes, "Customer Development, Innovation, And Decision-Making Biases in the Lean Startup", 25-26.

³⁸ Pandor, interview by author, July, 2016.

³⁹ Ibid.

⁴⁰ Ibid.

data is analyzed to decipher end user needs, preferences, and purchasing power. Products and services are then further tailored based on these outcomes, resulting in highly specialized customer profiles that equip the startup to cater to consumers across various socioeconomic and geographic contexts.⁴¹ Finding and exploiting the ideal consumer-product fit enable startups to scale-up and become financially successful.⁴²

Understanding the patterns of diverse consumer segments on the continent has powerful implications. First, how people spend their money, particularly at the BOP where resources are limited, indicates their needs and values. Second, parsing the consumption patterns of various groups can shed light on the current state of resource distribution in any given geography. For example, if people in a particular area or of a particular age are disproportionately turning to the private sector for a certain good or service, this indicates it is not being adequately provided by the public sector. Third, Africa remains a data-poor landscape in many ways. Thus, any understanding of how differences across gender, class, or geography affects demand for goods and services is generative.

Self-Sufficiency through Wage Labor as Welfare

In the neoliberal tradition, entrepreneurship provides job creation as a means to economic development. Increasing the proportion of wage earners excuses the state from having to extend wealth redistribution initiatives like cash transfers to the poor or free or subsidized education, housing, and healthcare. The onus thus devolves to individuals to

⁴¹ York and Danes, "Customer Development, Innovation, And Decision-Making Biases in the Lean Startup", 25-26

⁴² Ibid.

seek out these essential services for themselves, which is based on the assumption that everyone has the same capability to undertake this in the absence of an social security safety the part of the state.⁴³ In the neoliberal framework, private firms also contribute to public welfare as provers of provide jobs, wages, and, by extension, the financial and social security that comes with those provisions.⁴⁴ The African National Congress' (ANC) White Paper on Social Welfare of 1997, for example, listed “welfare-to-work training” as a strategy to divert people from relying on welfare to relying on employment.⁴⁵ Salim Vally and Enver Motala corroborate this in arguing that, “the casualisation of labour [*sic*] and the persistent threat of joblessness for those who are employed are the inevitable consequences of the present systems of production, exchange, distribution and realisation [*sic*] compounded by the weaknesses of the social policies in dealing with these.”⁴⁶

They also contend that the emphasis on commercially productive, commodified labor renders the socially reproductive labor that millions perform invisible and unrewarded.⁴⁷ The way in which labor is commodified within capitalist production often exploits labor and forces workers to take up precarious, insecure work at the expense of other socially beneficial labor.⁴⁸ Vally and Motala elaborate: “The question we have to ask is about how we conceptualize the difference between the forms of work that, on the one hand, are largely responses to the crisis of personal and community lives—subsistence and

⁴³ Jessop, *The Future of the Capitalist State*, 152; Jamie Peck, *Workfare States*, 77.

⁴⁴ Barchiesi, “Wage Labour, Citizenship, Social Discipline”, 206.

⁴⁵ *Ibid.*

⁴⁶ Vally and Motala, “Education, Training and Work Under Neoliberalism in South Africa: Toward Alternatives”, 7.

⁴⁷ *Ibid.*

⁴⁸ *Ibid.*, 10. Hardt and Negri’s delineation of the “race to the bottom” also offers useful analysis here.

sub subsistence [...] work—from [...] responding to the alienating characteristics of capitalist production.”⁴⁹

SMEs are responsible for between 3% and 60% of employment and up to 90% of GDP across Africa.⁵⁰ In South Africa, they constitute 57% of GDP and are responsible for 56% of all employment.⁵¹ SMEs are praised for their aforementioned contributions to African economies, but it is important to contextualize and interrogate the nature of these contributions. Their role in the privatization of development is significant and merits deeper analysis than reducing their impact to the aforementioned statistics. Thus, the next chapter provides the South African historical and economic context against which SMEs’ role in privatized development will be evaluated in this study.

⁴⁹ Vally and Motala, "Education, Training and Work Under Neoliberalism in South Africa: Toward Alternatives", 10.

⁵⁰ Department of Small Business Development, "Small Business Is Big Business"; Muriithi, "African Small and Medium Enterprises (SMES) Contributions, Challenges and Solutions", 36-48.

⁵¹ Ibid.

Chapter 3

South Africa's Political Economy of Development

This chapter will outline South Africa's neoliberal transformation following its independence in 1994 and the decisions made by the African National Congress (ANC) to keep the economy intact.⁵² The ANC embraced neoliberal economic restructuring through a combination of SAP-imposed and domestically drafted economic policy.⁵³ Plans for managing fiscal debt, attracting investment, and spurring economic growth followed the neoliberal template and placed major emphasis on the role of the private sector in building the country's economy.⁵⁴ The power afforded to the private sector, combined with the neglect of the poor masses in the context of these plans, bred an environment of extreme inequality that persists to this day. This setting presents a ripe landscape for the emergence of numerous private enterprises run by large corporations, parastatal oligarchies, and survival and opportunity entrepreneurs, each of which interact with neoliberalism in varying ways depending on their size and interests.

In April of 1994, the ANC drafted the Reconstruction and Development Plan (RDP) as its blueprint for socioeconomic transformation.⁵⁵ The strategy inspired great optimism with its people-centeredness, wealth redistribution emphasis, and ambitious growth and development goals for the non-white majority.⁵⁶ In the plan, growth was defined as "the

⁵² Maharaj, Desai, and Bond, *Zuma's Own Goal*, 17.

⁵³ Bond, "Why South Africa Should Undo Mandela's Economic Deals".

⁵⁴ Ibid.

⁵⁵ Maharaj, Desai, and Bond, *Zuma's Own Goal*, 10.

⁵⁶ Adelzadeh, "From the RDP to GEAR: The Gradual Embracing of Neoliberalism in Economic Policy", 67.

measurable increase in the output of the modern industrial economy” and development as “a marginal effort of redistribution to areas of urban and rural poverty.”⁵⁷ The prospect of the premier liberation movement championing the journey towards radical socioeconomic uplift for the masses felt like an auspicious rebirth for the country.

The official White Paper on the RDP, released in September of 1994, reported stark deviations from the redistribution and re-enfranchisement platform originally espoused in the base document.⁵⁸ Influential party officials believed that the redistribution policies were not in alignment with neoliberal market principles, which could jeopardize plans to keep the economy intact.⁵⁹ As Michael Hardt and Antonio Negri outline, states orient their economies to attract global capital by subordinating the needs of labor and society as a whole in what they term the “race to the bottom”, which includes lowering wages and protections for laborers.⁶⁰ Michael Neocosmos and Bond contend that the ANC feared that the consequence of non-compliance to neoliberal principles would mean unsuccessful integration into the global economy as a new republic.⁶¹ Thus, in 1996, the ANC abandoned the RDP for the completely neoliberal Growth, Employment and Redistribution (GEAR) program, which Hart calls “a home-grown version of structural adjustment”.⁶² In defending this marked change, Mbeki stressed that “solutions which are in discord with the rest of the world” were impractical and unrealistic.⁶³

⁵⁷ African National Congress, “The Reconstruction and Development Programme”.

⁵⁸ Adelzadeh, “From the RDP to GEAR: The Gradual Embracing of Neoliberalism in Economic Policy”, 67.

⁵⁹ Maharaj, Desai, and Bond, *Zuma's Own Goal*, 17.

⁶⁰ Hardt and Negri, *Empire*, 279.

⁶¹ Maharaj, Desai, and Bond, *Zuma's Own Goal*, 17.

⁶² Hart, “Provocations of Neoliberalism: Contesting the Nation and Liberation After Apartheid”, 73.

⁶³ African National Congress, “The State and Social Transformation - Discussion Document”.

Prioritizing alignment to the interests of Western hegemonic powers at the expense of South African labor and society was an especially precarious decision that would set a bad precedent for future economic policy.⁶⁴ The ANC co-opted neoliberal economic policy by way of trade liberalization, privatization of essential services and state assets, securitization of private property rights, and the deregulation of lucrative industries such as mining and agriculture.⁶⁵ Following the precedent set by the RDP WP, fiscal prudence became the key objective for sustainable growth redistribution of dispossessed wealth was eliminated.⁶⁶ Section 3.2.2 reads:

The RDP brings together strategies to harness all our resources in a coherent and purposeful effort that can be sustained into the future. These strategies will be implemented at national, provincial and local level by the Government, parastatals, business and organisations [*sic*]within civil society all working within the framework of the RDP. All levels of government must pay attention to affordability given our commitment to fiscal discipline and to achievable goals.⁶⁷

With regard to the interaction of fiscal, monetary and economic policy, the WP deviates from the RDP's goal to dramatically reconfigure the financial sector and construct new, inclusive instruments built on fresh foundations.⁶⁸ Instead, pre-existing systems that privileged wealthy, mostly white actors while disenfranchising Africans were narrowly altered to include African elites.⁶⁹ Given their status as cornerstones of South Africa's economy, the mining and energy sectors are representative of the consequences of the failed reconstruction and de-racialization of the economy. Mining and energy

⁶⁴ Maharaj, Desai, and Bond, *Zuma's Own Goal*, 17.

⁶⁵ Adelzadeh and Padayachee, "The RDP White Paper: Reconstruction of a Development Vision?", 5.

⁶⁶ *Ibid.*

⁶⁷ African National Congress, "RDP White Paper: Discussion Document".

⁶⁸ Amílcar Cabral and Franz Fanon are two significant advocates for the total destruction of structures of colonial rule rather than attempting to reconfigure them to African objectives. Cabral, *Unity and Struggle*, 239-242; Fanon, "On Violence", 3-6.

⁶⁹ Ashman, Fine, and Newman, "The Crisis in South Africa: Neoliberalism, Financialization and Uneven and Combined Development", 181.

conglomerates (MECs) founded by British, Afrikaner, and other foreign investors enjoyed a monopoly over the country's key export industries and remain reliant on the exploitation of black and migrant labor.⁷⁰ The ANC was hesitant to disrupt the functioning of the apartheid-inherited economy with a reconstruction and redistribution mandate in not only the MEC sectors, but in general.⁷¹ Bond poses the question: "if white capital was to be untouched how was capitalism in South Africa to be de-racialized, never mind decent living standards achieved for the [black] majority?"⁷² As a result, the groups excluded by imperialist financial instruments continued to be economically marginalized. The WP describes the privatization and deregulation of sectors like agriculture, mining, and manufacturing, which are historically responsible for employment of rural, non-white, and women workers.⁷³ Opening up these sectors to the free market allowed competition with more established, robust, and healthily subsidized global counterparts.⁷⁴ Far from delivering freedom from structural economic dispossession, these GEAR's terms worked to sustain African economies' marginalized positions in the global economic system.

GEAR's extensive range of neoliberal reforms afforded already wealthy capitalists greater opportunity to expand and solidify their investments in and outside of South Africa. In particular, GEAR initiated the removal of tariffs that destabilized labor-intensive manufacturing industries in which millions of low-skilled workers earned their livelihood.⁷⁵ Without participation by working class people in labor policy design meant

⁷⁰ Ibid., 180.

⁷¹ Ibid., 182.

⁷² Saul and Bond, *South Africa – the Present as History: From Mrs Ples to Mandela & Marikana*, 111.

⁷³ Ashman, Fine, and Newman, "The Crisis in South Africa", 179, 181. For further debates on neoliberalism's gendered effects, and the role women play in mitigating social security crises see Janine Brodie's work in *The Strategic Silence: Gender and Economic Policy* and elsewhere.

⁷⁴ Ashman, Fine, and Newman, 181-182.

⁷⁵ Ibid., 183.

the voices of groups with intersectional marginalized identities like African women, rural laborers, or migrant workers were not heard.⁷⁶ Most notably, the state became a “manager” of the transformation, and called on the private sector to drive of development.⁷⁷ In the RDP WP preamble, President Nelson Mandela wrote:

While both business and labour [*sic*] have the freedom in a democratic South Africa to protect and promote their immediate interests, it is the Government's fervent hope that they will jointly pursue the broader challenges of extending opportunity to the millions of adult South Africans who can currently find no place in the formal economy.⁷⁸

The GEAR report reads:

In brief, government consumption expenditure should be cut back, private and public sector wage increases kept in check, tariff reform accelerated to compensate for the depreciation and domestic savings performance improved. These measures will counteract the inflationary impact of the exchange rate adjustment, permit fiscal deficit targets to be reached, establish a climate for continued investor confidence and facilitate the financing of both private sector investment and accelerated development expenditure.⁷⁹

Overall, GEAR cast the state in the role of facilitator⁸⁰ in constructing an enabling environment in which domestic and foreign actors like multinational corporations, banks, other governments, and international financial institutions could invest, “while their societies are being asked to wait patiently for the trickle-down benefits of corporate ingenuity,” as Alexander observes.⁸¹ As neoliberal interventions maintain unequal

⁷⁶ Adelzadeh, " From the RDP to GEAR: The Gradual Embracing of Neoliberalism in Economic Policy", 69-74.

⁷⁷ *Ibid.*, 67.

⁷⁸ African National Congress, "RDP White Paper: Discussion Document".

⁷⁹ Department of Finance, Republic of South Africa, "Growth, Employment and Redistribution: A Macroeconomic Strategy", 5.

⁸⁰ As an actor who allows operations to take place rather than one who actively puts in motion initiatives like training or job creation.

⁸¹ Alexander, *An Ordinary Country*, 163.

macroeconomic equilibria that disadvantage emerging economies like South Africa's,⁸² co-opting these ill-suited policies at as crucial a time as independence squandered the transient opportunity to genuinely transform the landscape of economic freedom in South Africa.

It is important to note that even while the state is at the helm of the economy, as a “manager” or otherwise, the state’s agency remains restricted by transnational neoliberal forces. Capital accumulation and expenditure; the protection or liberalization of certain industries and labor markets; and the scope of social service provision is subject to terms and conditions from the IFIs that do not always suit the needs of the impoverished majority. The GEAR report is forthcoming about how opening up the economy made the state itself subject to transnational influences that limit its agency to fulfil the progressive, redistributive objectives originally outlined in the RDP. The report’s section on labor market reform clarifies that, “Furthermore, the general direction of economic policy is towards greater openness and competitiveness. The economy will thus become increasingly subject to global forces.”⁸³

GEAR was replaced by the Accelerated and Shared Growth Initiative for South Africa (ASGISA) in 2005.⁸⁴ ASGISA was developed as a response to GEAR’s discordant effects on especially economically vulnerable groups like women and smallholder farmers, even during the “Africa Rising” commodity boom.⁸⁵ The significant strain placed on people who

⁸² Escobar, "Power and Visibility: Development and the Invention and Management of the Third World", 428-443.

⁸³ Department of Finance, Republic of South Africa, "Growth, Employment and Redistribution: A Macroeconomic Strategy", 19.

⁸⁴ ASGISA was followed by The New Growth Plan (NGP) of 2010, which was virtually the same thing just five years later. Adelzadeh, " From the RDP to GEAR: The Gradual Embracing of Neoliberalism in Economic Policy", 69-74.

⁸⁵ Davies, "Accelerating Shared Growth in South Africa".

relied on work from sectors destroyed by deregulation forced millions into taking up insecure, low-paying work in the informal sector.⁸⁶ Reduced social spending inhibits governments' abilities to mitigate the effects of severe job displacement, which transfers responsibility for adapting to the economic and social consequences to individuals and their familial units. The loss of protection against perils like unemployment and poverty disproportionately affects women.⁸⁷ For example, care of children, the sick, and the elderly when privatized healthcare is too costly or sourcing water from alternative sources if privatization makes it too expensive tends to be the responsibility of women in the household. This is because rather than functioning as egalitarian units, households operate according to patriarchal hierarchies of gender, age, and kinship that usually disadvantage women and youth.⁸⁸ Performing this unpaid labor leaves women less time to earn a living and contribute to household income. The gendered power differential within households then affords men access to liquid resources in ways that both reinforce their power over women and allow them to cushion themselves against deprivation, thus generally relegating women and children to conditions of chronically lower economic agency relative to the men in their lives.⁸⁹

⁸⁶ Osome, "In Search of the State?", 11.

⁸⁷ *Ibid.*, 13.

⁸⁸ Songso, "Gender, Environment and Human Securing in the Greater Accra Metropolitan (GAMA), Ghana", 132.

⁸⁹ *Ibid.*

The ANC's Neoliberal Economic Compromise

Over the 24-year lifespan of South Africa, the effects of neoliberalism have bred high levels of insecure employment in the informal sector and poverty rates consistently above 50%.⁹⁰ Simultaneously, South Africa is also home to an incredibly wealthy, predominantly white, capitalist class whose wealth was protected during the democratic transition by the ANC's failure to completely restructure the state's financial apparatus.⁹¹ As a result, the country is characterized as the most unequal society in the world by multiple standards including the GINI coefficient.⁹² Georges Nzongola-Ntalaja invokes Frantz Fanon in explaining such stark disparities in African postcolonial states, writing:

By refusing to 'follow the path of revolution', as Fanon wrote forty years ago, such leaders are content with playing the neo-colonial role of intermediary between Western capitalism and their people. The major consequences of this option are the development of a state bourgeoisie, or what Fanon called a 'bourgeoisie of the civil service' bent on using the state institutions as a means of self-enrichment, the deeper underdevelopment of the country, and the further impoverishment of the masses.⁹³

Patrick Bond contends that the abandonment of the RDP for GEAR was the seminal failure of the ANC in delivering on its promise for economic development for the South African majority. Instead, fear of disrupting the state's relationship with big business and Afrikaner nationalist capital, as well as of being "left behind" by the world's major powers, preempted the country's descent into the neoliberalism in a way that has earned South Africa one of the highest GINI indices in the world.⁹⁴

⁹⁰ Statistics South Africa, "Poverty on the Rise in South Africa".

⁹¹ Bond and Ruiters, "Uneven Development and Scale Politics in Southern Africa: What We Learn from Neil Smith", 171-175.

⁹² Ibid.

⁹³ Nzongola-Ntalaja, "Challenges to State Building in Africa", 79.

⁹⁴ World Bank, "The World Bank in South Africa".

Table 1: 8 fundamental components of the GEAR's economic policy:

Number	Economic, Monetary, or Fiscal Policy Decision
1	Servicing the USD 25 billion apartheid-era foreign debt, which left Mandela's administration cash-strapped and unable to channel enough funds into basic services for the poor
2	Granting the South African Reserve Bank autonomy, thereby shielding it from democratic accountability, which the Bank subsequently leveraged to raised interest rates and deregulate exchange controls (both of which encouraged capital flight)
3	Borrowing USD 850 million from the International Monetary Fund in 1993; this loan carried terms such as eliminating import surcharges protecting local industries, reducing public spending, public sector salaries, and overall wages
4	Joining the World Trade Organization (WTO) as a transitional, rather than a developing economy, which precluded the right to protect labor-intensive firms, resulting in mass job loss
5	Decreasing primary corporate taxes by 19%
6	Partially privatizing state assets like Eskom, Telkom and Transnet
7	Solidifying property rights, thus restricting the feasibility of land redistribution policies

8	<p>Allowing the relocation of large private firms' head offices overseas, resulting in balance of payments deficits and a reduced sense of corporate responsibility to national growth</p>
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Source: Bond, Patrick. "Why South Africa Should Undo Mandela's Economic Deals". The Conversation, 2016. <http://theconversation.com/why-south-africa-should-undo-mandelas-economic-deals-52767>.

The Lack of Confidence in the State

A dissonance emerged between the broader narrative of “Africa Rising” and the lived experience of the continued elusiveness of economic uplift for ordinary Africans. Even during the “Africa Rising” commodity price boom between 2000 and 2015, when a significant number of African economies exhibited impressive growth and a year-on-year decline of the poverty rate, economic development was not proportionately actualized for those countries’ impoverished majorities.⁹⁵ When economies are based on a narrow range of primary commodities and not sufficiently diversified, as is South Africa’s around minerals and fossil fuel energy, an elite group tends to work to assert control over the key revenue-generating export by forming patrimonial networks and oligarchies across public and private sectors.⁹⁶ Partaking of the wealth is then contingent on becoming part of these networks, which is both undemocratic as well as unrealistic for most ordinary citizens. In the South African context, Black Economic Empowerment (BEE) is an example of this at play.⁹⁷ Originally a strategy to include the non-white majority in management and

⁹⁵ United Nations Development Programme, "Primary Commodity Booms and Busts".

⁹⁶ Ncube and Lufumpa, *The Emerging Middle Class in Africa*, 35-36.

⁹⁷ Western Cape Government, "Black Economic Empowerment: Overview".

ownership ranks, the system quickly became a vehicle to sustain patrimonial networks and enrich an increasingly wealthy few.

Many ordinary Africans are likely to align with the Afro-pessimist stance, which critiques African governments for not properly capitalizing on the “Africa Rising” commodity boom.⁹⁸ The critique berates states for failing to adequately diversify their economies and instead revel in the concentration of wealth amongst elite alliances.⁹⁹

National wealth is retained amongst patrimonial networks in two key ways. The first is the tender process in which private firms respond to requests for proposals to work with the state on a project-by-project basis. Annual reports from the Auditor General often reveal flagrant corruption in this process in which tenders are awarded to large, private firms within the administering public official’s networks.¹⁰⁰ Underhanded deals also corrupt this process when public officials earn kickbacks to privilege some firms over others.

The second way is in line with the neoliberal convention of privatizing state assets: public-private partnerships (PPP). Along with the privatization of state assets and responsibilities, PPPs are based on the proposed efficiency of the state outsourcing operational burdens and private firms winning the government as a lucrative client. PPPs are often entered into with large, private corporations, some of which have significant foreign financial backing or part ownership.¹⁰¹

The South African Social Security Agency (SASSA) has one such partnership with electronic payments company Net1 to distribute social grants, the Ilembe District

⁹⁸ World Bank Group, "Africa Rising: A Tale of Growth, Inequality and Great Promise".

⁹⁹ Ncube and Lufumpa, *The Emerging Middle Class in Africa*, 36.

¹⁰⁰ Mantzaris, "Public Procurement, Tendering and Corruption Realities, Challenges and Tangible Solutions", 67-79.

¹⁰¹ Ibid.

Municipality with Siza Water Company for water management, and the Mpumalanga Tourism and Parks Agency with Manyeleti Conservation Trust to manage several eco-tourism reserves.¹⁰² These partnerships still concentrate wealth amongst well-established firms that sometimes repatriate profits to large, multinational parent companies, thus failing to keep revenue and the creation of innovative intellectual property domestic. PPPs have also been implicated in a number of corrupt dealings, the most recent of which was between SASSA and Net1. The North Gauteng High Court has ordered that Net1 repay SASSA ZAR 316 million with interest after Net1 artificially inflated the number of social grant recipients it was serving on behalf of SASSA and charged the government institution accordingly.¹⁰³ It is also worth inquiring how the institution responsible for the dispersion of social grants to the poor can mismanage an amount that large.

The elitism of tender and PPP processes further exacerbates the disappointment ordinary citizens have in their governments. Rife corruption in such processes maintains economic underclasses and renders the promise of improved material well-being meant to accompany political and cultural emancipation unfulfilled. Ordinary South Africans are increasingly cognizant of the ineffectuality of a state run by people whose interests and problems seem worlds apart from their own. Bond refers to the disparities between those fortunate enough to be partaking in wealth and those in the majority living below the poverty line as South Africa's pandemic of unequal and uneven development.¹⁰⁴ Just 11 years after independence, South Africa had the world's highest increase in dollar

¹⁰² South African Institute of International Affairs, "SAIIA - PPP - Ilembe – Siza Water Concession", SAIIA; National Treasury of the Republic of South Africa, "Annexure E: Public-Private Partnerships".

¹⁰³ Banton, "CPS Ordered to Pay Back R316m to SASSA".

¹⁰⁴ Bond and Ruiters, "Uneven Development and Scale Politics in Southern Africa: What We Learn from Neil Smith", 172.

millionaires per capita (5880 new ones) while millions lost their livelihoods as a result of the opening up of labor-intensive industries to the free market.¹⁰⁵

Grassroots Dissent with the Fruits of Neoliberalism

The South African masses are not subjects who passively accept the consequences of macroeconomic and political decisions made on their behalf, particularly if those consequences adversely affect their societal wellbeing. The country exhibits a long history of mass labor and civil society movements who mobilize and advocate for themselves.¹⁰⁶

#FeesMustFall, a movement of working-class South African university students, is a pertinent demonstration of a majority that is increasingly angered by unequal and uneven development. The movement consisted of student protests against high university fees which representatives assert help maintain historic disparities along class and race lines. #FeesMustFall began as a sign of discontent over a proposed fee hike of 11.5% for the 2016 academic year – which former President Zuma later repealed – before growing into a platform to express broader dissent over the inaccessibility of higher education for most non-white South Africans.¹⁰⁷

South Africa's first post-apartheid massacre at Marikana is another relevant example. Apartheid-era class, gender, and racial divides still have poor black miners performing risky work underground for a non-living wage, while profits from the sale of gold, diamonds, and, in the case of Marikana, platinum, enrich the South African and

¹⁰⁵ Hart, "Provocations of Neoliberalism", 82.

¹⁰⁶ Polanyi, *The Great Transformation*, 257.

¹⁰⁷ Naicker, "From Marikana to #Feesmustfall: The Praxis of Popular Politics in South Africa", 53-61.

international elite. Intense frustration with this economic marginalization and the resultant conditions of deprivation extend to miners' families and communities. Protests took the form of weeks of downed tools and, tragically, 34 deaths at the hands of police.¹⁰⁸

#FeesMustFall proves that it is not enough for formerly segregated institutions like universities to be desegregated, if historical economic marginalization continues to systematically exclude the same, less privileged classes. The Marikana Massacre demonstrates that opportunity for work is not enough if laborers are not compensated a wage that affords them the capabilities they consider worthwhile, like being able to pay their children's school fees.

More evidence of South Africans' impatience with the unequal and uneven development the neoliberal state is in the founding of the Economic Freedom Fighters (EFF). Led by former Zuma-loyalist Julius Malema, the party's manifesto asserts that: "Political power without economic emancipation is meaningless."¹⁰⁹ It advocates for "radical economic transformation" in the form of the "nationalization of mines, banks, and other strategic sectors of the economy without compensation", the expropriation of land without compensation for equitable redistribution, and the dramatic reduction of foreign ownership and control of domestic assets and businesses.¹¹⁰ The party's pro-working class and expanded economic agency stance has helped it become the third most influential party in parliament with 6.35% of seats in the National Assembly.¹¹¹ It is surpassed only by the ANC and the Democratic Alliance, both of which boast significant historical cultural capital.

¹⁰⁸ News24, "Marikana Death Toll Rises to 46".

¹⁰⁹ EFF: Economic Freedom Fighters, "About Us".

¹¹⁰ EFF: Economic Freedom Fighters, "Policy".

¹¹¹ "How Parliament Is Structured - Parliament of South Africa".

Overall, 55.5% of South Africans live below the national poverty line of USD 81 per month, 24.6% are food insecure, and 26.6% of working age adults are unemployed.¹¹² Despite such evidence that practices like flexible, labor markets; opening up labor-intensive industries to the free market; and a less interventionist state in the economy and social sector have begat significant economic and social insecurity for the poor, the ANC continues to repackage neoliberal policy into new national development plans, the most recent of which is the National Development Plan (NDP).

The National Planning Commission that drafted the NDP in 2012 (whose second-in-command happened to be the current president, Cyril Ramaphosa) named 8 factors as barriers to growth and development. They are: high unemployment; low quality education for the black majority; inadequate infrastructure; unchanged apartheid-era urban planning that perpetuates spatial exclusion; an economy that is over-reliant on mineral exports; low quality and public health systems and other public services; high corruption rates; and a socially divided civil society¹¹³ To this list could be added high incidents of gender-based violence, food insecurity, and low levels of integration between rural and urban service delivery. The aforementioned NDP focus areas summarize the conditions resulting from complete adoption of neoliberalism at the expense of a genuine transformation in the material conditions of the masses.

¹¹² Statistics South Africa, "Poverty Trends in South Africa: An Examination of Absolute Poverty Between 2006 & 2015".

¹¹³ Alexander, "The National Development Plan: A Vision for 2030".

Flexible Labor Markets

What of the millions of low-skilled, unemployed citizens whose hopes for development rested on electing (and consistently reelecting) the ANC? According to party rhetoric: creating jobs to increase the proportion of self-sufficient wage earners.¹¹⁴ Whether employment is secure, permanent, or adequately compensated appears immaterial to the ANC, which describes any employed, “self-sufficient” citizen as one less to subsidize.¹¹⁵ Extreme deregulation and casualization of the labor market post-apartheid was used by the ANC to support its job-creation-as-economic-growth stance.¹¹⁶ The emphasis on private sector job creation oversimplified South Africa’s complex labor environment, which had been pillaged by the liberalization of and subsequent job loss in labor-intensive industries like manufacturing, clothing, and textiles as a result of IMF imposed structural adjustment and GEAR.¹¹⁷

As part of the NDP, the National Treasury pays a subsidy to employers to create casual jobs for the young and unemployed or underemployed.¹¹⁸ This casual labor leaves millions economically insecure despite being employed in some capacity. Often, the labor is performed without protections like formal contracts, unemployment insurance, or paid leave clauses.¹¹⁹ Additionally, the privatization of essential services places greater strain on

¹¹⁴ Department of Finance, Republic of South Africa, "Growth, Employment and Redistribution: A Macroeconomic Strategy", 1; Barchiesi, "Wage Labour, Citizenship, Social Discipline", 193.

¹¹⁵ Ibid.

¹¹⁶ Di Paola and Pons-Vignon, "Labour Market Restructuring in South Africa: Low Wages, High Insecurity", 630.

¹¹⁷ Barchiesi, "Wage Labour, Citizenship, Social Discipline", 205.

¹¹⁸ Di Paola and Pons-Vignon, "Labour Market Restructuring in South Africa: Low Wages, High Insecurity", 630.

¹¹⁹ Ibid., 631.

already meager incomes.¹²⁰ Conversely, deregulating finance, currency, and capital markets has kept the financial sector healthy, with the Johannesburg Stock Exchange remaining the largest of its kind in Africa. Because of this, colonial and apartheid-era white capital remains intact, the elite black bourgeois is enriched, and the majority forms an economic underclass. Financialization is largely based on South Africa's minerals and energy sectors, which are capital, and not labor-intensive industries, further propagating the economy's structural bias in favor of capital rather than labor.¹²¹ Neoliberalism prioritizes the interests of capital over labor in ways that uninterruptedly reproduce socioeconomic inequality even in the democratic era.¹²²

Given that social welfare for the country's impoverished population, which has risen from 45% in 1994 to over 55% currently, would entail major public spending, ANC senior strategists were adamant about the impracticality of the RDP's original redistribution agenda while being cautious not to reject it outright in their rhetoric.¹²³ In what Bond famously calls "talking left and walking right", the ANC was reluctant to roll out a truly socioeconomically transformative strategy, opting instead to prioritize market efficiency via reduced public spending, deregulation of exchange controls to attract foreign investment, and liberalizing economies.¹²⁴ Social grants have never been completely eliminated, but they remain meager and the grant system is not in and of itself a comprehensive economic development strategy. Subsequently, the responsibility for the overall improvement in material conditions and socioeconomic inclusion is devolved to

¹²⁰ Ibid.

¹²¹ Ibid. 630.

¹²² Ibid., 629.

¹²³ Statistics South Africa, "Poverty on the Rise in South Africa"; Maharaj, Desai, and Bond, *Zuma's Own Goal*, 18.

¹²⁴ Bond, "Why South Africa Should Undo Mandela's Economic Deals".

individuals and private firms in order to relieve the state of these functions, thereby keeping its role in the economy confined and disengaged from the original “A better life for all” mandate.¹²⁵

Entrepreneurship in South Africa

Now in its 24th year of power, the ANC is still committed to neoliberalism and privatization of human development. In 2014, former president Zuma launched the Department of Small Business Development (DSBD) to operationalize the outsourcing of some of the responsibilities of job creation, the mobilization of skilled labor, and technological advancement to this private, entrepreneurial group. The department’s official founding statement declared:

The Ministry of Small Business Development was established in 2014 marking a turning point in history of [small, medium, and micro-enterprises] SMME’s and cooperatives development in South Africa, demonstrating Government’s commitment to place SMME’s and cooperatives at the center of economic growth and job creation.¹²⁶

This chapter provided the historical and economic context with within the work of 3 specific SMEs will be evaluated in the next chapter. The advent, evolution, and contemporary implications of neoliberalism’s influence in the South African economy produced a wide range of both opportunities and constraints for SME entrepreneurs whose business models are based at the BOP in the country. The next chapter examines how the work of SMEs perpetuates the neoliberal agenda by filling vacuums left by the reduced role

¹²⁵ The ANC’s slogan.

¹²⁶ Department of Small Business Development, “Small Business is Big Business”.

of the state and simultaneously helps the poor navigate the effects of the economic insecurity neoliberalism has engendered.

Chapter 4

SME Entrepreneurship and Development in South Africa

This chapter will examine the specific ways in which the neoliberal tenets of reducing the role of the state in the economy and the privatizing of development and welfare interact with regard to SME entrepreneurship. When states reduce their role in the economy in line with neoliberal principles, businesses step in to exploit the opportunity to fill this vacuum.¹²⁷ This can be done via provisions of certain goods or services like healthcare and schooling or by creating opportunities for wage labor, potentially with welfare benefits.¹²⁸ This is the key tenet of privatizing economic development.¹²⁹ Much research has been done on how large domestic and multinational corporations occupy these spaces, but SMEs also play a role.

The provision of jobs and essential services by SMEs can mitigate some of the economic insecurity that stems from implications of neoliberalism across various segments of the population. Generally, this takes the form of creating jobs, which, paradoxically, is in alignment with the wage labor as welfare argument, and providing goods and services tailored for the poor like alternative informal savings instruments. While they affect change only in proportion to their small to medium size and often function as disparate, individually productive silos, SMEs in South Africa constitute 57% of GDP and are

¹²⁷ Harvey, *A Brief History of Neoliberalism*, 87, 100, 114.

¹²⁸ Barchiesi, "Wage Labour, Citizenship, Social Discipline", 206-210.

¹²⁹ Dolan and Rajak, "Remaking Africa's Informal Economies: Youth, Entrepreneurship and the Promise of Inclusion at the Bottom of the Pyramid", 514.

responsible for 56% of all employment.¹³⁰ Their sizeable impact warrants the study of their contradictory role as both proponents of the privatization of development and as agents to help people navigate the economic insecurities induced by the reduced role of the state. The business models of four different firms that span the financial, household services, and education sectors are examined in an attempt to understand the tensions that exist due to this dual nature of SMEs.

Case Studies

StokFella: Pro-Poor Informal Savings and Investment Mechanisms

Across Africa, people band together to form informal, self-led savings groups. In South Africa, these are called stokvels.¹³¹ Members contribute a specific amount of money to a collective fund at regular intervals and each month, a different member collects the total and can spend it as they wish. Alternatively, the collective fund is invested rather than paid out in order to earn more interest than could have been earned by an individual saver. The dividends at year's end are evenly distributed amongst members to use to pay school fees, put down a deposit for a car, or start a small business. Against a backdrop of shrinking subsidies for the poor, these community-led financial safety nets are a lifeline for many. The 2017 Old Mutual Savings and Investment Monitor survey revealed that for the black

¹³⁰ Department of Small Business Development, "Small Business Is Big Business"; Muriithi, "African Small and Medium Enterprises (SMEs) Contributions, Challenges and Solutions", 36-48.

¹³¹ Varying versions exist in the form of chamas (or harambees for one-time collective fundraising) in Kenya, susus in Ghana, and numerous others across the continent. Osei-Assibey, "What Drives Behavioral Intention of Mobile Money Adoption? The Case of Ancient Susu Saving Operations in Ghana", 962-979; Kinyanjui, *Women and the Informal Economy in Urban Africa*, 99-103.

South African majority, 53% of informal saving is through stokvels.¹³² This is compelling as informal savings are second only to funeral insurance as the preferred method of saving and investing for lower and middle class South Africans.¹³³

The informality of stokvels can lead to administrative pitfalls. The risks of money mismanagement are far greater when multiple individuals' savings or investments, and, by extension, those of their families, are at stake. StokFella, a startup that allows stokvel administrators to manage the group's finances and find opportunities to earn greater returns on funds, works to remedy this. Five-member stokvels can use the free, basic version of the software. Larger stokvels pay transaction fees on each contribution or withdrawal made.¹³⁴ The StokFella mobile application's 5000 downloads in 2017, its first year of operation, are minor in this billion-rand industry but in line with South Africa's high mobile penetration rate.¹³⁵ Founder Tshepo Moloi notes that high broadband fees in South Africa (as in much of Africa) are still a major deterrent to using the application as regularly as is useful.¹³⁶

In addition to the aforementioned administrative benefits obtained from a system like StokFella, scaling the business model can have positive implications for helping low-income earners build credit through monitoring their regular deposits to their stokvels. Moloi's vision for StokFella is to financially empower South Africa's low and middle classes by streamlining their informal savings mechanisms and developing alternative, pro-poor methods to build creditworthiness. Moloi explains: "We are targeting

¹³² Old Mutual Life Assurance Company, "Savings and Investment Monitor 2017".

¹³³ Ibid.

¹³⁴ See <http://stokfella.com/screen/>

¹³⁵ Global System for Mobile Communications, "The Mobile Economy Africa 2016", 24.

¹³⁶ Tsele, "What You Learn in the First Year of Running a Fintech Startup in SA".

black households that are interested in building a financial portfolio, as the app looks to open the doors to greater market opportunities for those with informal saving vehicles.”¹³⁷ The model has an Africa-wide market given the ubiquity of stokvel-esque community saving mechanisms across the continent. Low levels of regional economic integration that do not allow entrepreneurs, like Moloji, to scale such broadly applicable businesses and technology across the continent is an issue worth exploration.

The necessity of stokvels and the size of the ZAR 49 billion industry in South Africa highlight the privatization and individualization of social security.¹³⁸ The financial safety nets offered by stokvels help people balance earning low, irregular incomes with paying for privatized or only lightly subsidized social services like healthcare, utilities, and education. Stokvels are also simpler, more affordable, and less intimidating savings vehicles than formal banks which often charge fees unsuited to people earning low, unpredictable incomes from casual, flexible, and informal labor. South Africa’s big banks, including the entirely privatized Reserve Bank, are owned by oligarchies of foreign and elite local investors - recently and infamously christened white monopoly capital.¹³⁹ The oligarchies’ control over major segments of the economy has pre-1994 roots and survived the democratic transition.¹⁴⁰ The ANC’s preferential treatment of the interests of capital

¹³⁷ Ibid.

¹³⁸ Kemp, "Measuring Shadow Banking Activities and Exploring its Interconnectedness with Banks in South Africa".

¹³⁹ A term popularized over the past couple of years in calls for radical, socialist economic transformation. It must be noted, however, that the term excludes the black corporate and public-sector elite who benefit from their links to the historically privileged whites alluded to in the term. Bond, "South Africa: Elite Schism Allows Consensus to Emerge", 20.

¹⁴⁰ Bond, "Why South Africa Should Undo Mandela's Economic Deals".

owners over those of laborers is certainly evident when one considers the unemployment pandemic that necessitates stokvels as a form of individualized social security.¹⁴¹

SweepSouth: Flexible Labor Markets and the Rise of the Gig Economy

Stokvels have served domestic workers for decades. SweepSouth, an SME, is an on-demand domestic cleaning service that uses a mobile application to connect experienced domestic workers with people who need their services on a regular or ad hoc basis.¹⁴² Domestic workers in South Africa are predominantly undereducated and low earning black women who oftentimes are the breadwinners for their families. A majority of the 6000 women the platform has worked with were previously either underemployed or unemployed.¹⁴³ Finding opportunities for employment in low skill occupations like domestic cleaning, plumbing, or carpentry often takes place in highly informal, unregulated forms.¹⁴⁴ These can be referrals through personal networks or potential employees that stand with “worker for hire” signs at traffic lights. Obtaining work through these means leaves laborers incredibly vulnerable to the multitude of drawbacks of the casual labor economy. For example, lack of a formal contract offers workers no legal forum in which to handle disputes like not being paid fairly, being made to work in terrible conditions, or working for long periods without rest.

¹⁴¹ Di Paola and Pons-Vignon, "Labour Market Restructuring in South Africa: Low Wages, High Insecurity", 630.

¹⁴² Pandor, interview with author January 7, 2018.

¹⁴³ Ibid.

¹⁴⁴ Kenny and Webster, "Eroding the Core: Flexibility and the Re-Segmentation of the South African Labour Market", 216-243.

Because domestic cleaning and plumbing typically occur inside private homes, the casual laborer in someone else's domain is subject to a steep power asymmetry; this leaves women, particularly vulnerable to exploitation. When performing casual labor, women report experiencing anxiety due to: sexual and physical assault, being locked onto premises and forced to work longer hours, and walking alone after dark to public transport hubs.¹⁴⁵ Joining SweepSouth as contractual workers mitigates some of these concerns. As a part of SweepSouth, domestic workers gain three advantages: 1) working within a fixed set of hours that are compensated at living-wage, 2) an operational team who knows their location of work at all times, and 3) insurance by SweepSouth against accidental damage to client property for which they would have otherwise been liable.

This formalization of pockets of the informal economy also increases the proportion of formally banked workers. SweepSouth brokered a partnership with First National Bank to provide cleaners with low-fee accounts in which to deposit their wages.¹⁴⁶ Many cleaners were previously unbanked or had accounts with fee structures ill-suited to their low incomes.¹⁴⁷ Having a bank account serves as an entry point for increased economic agency in other ways such as building creditworthiness, receiving loans, and having a secure place to accrue savings. The economic agency-enhancing effects of this cannot be overstated, especially for lower class women. The formalization of casual labor is particularly relevant given that Sub-Saharan Africa's informal economy possesses an abundance of economic activity and is where millions make their livelihood.¹⁴⁸ Sub Saharan

¹⁴⁵ Pandor, interview with author January 7, 2018.

¹⁴⁶ Ibid.

¹⁴⁷ Ibid.

¹⁴⁸ Medina, Jonelis and Cangul, "The Informal Economy in Sub-Saharan Africa: Size and Determinants", 13.

Africa's informal economy constitutes approximately 40% of GDP on average, although variation is large.¹⁴⁹ In South Africa, the informal sector is estimated to equate about 20% of GDP, whereas in Nigeria and Tanzania the estimate is as high as 60%.¹⁵⁰ In terms of economic growth, the formalization of segments of the informal sector also expands the state's taxation base.

SweepSouth's approach to job creation is a useful instance with which to evaluate flexible labor markets. In terms of contractual labor in her business model, co-founder Aisha Pandor explains:

The way we are able to [pay above minimum wage] is we say [to clients], 'You're not able to pay someone [to work for you] full-time, every single day but then what you can do is employ someone once or twice a week and our service takes care of [them] the rest of the time. So you're spreading [the domestic worker's wages] between different customers.'¹⁵¹

To date, 6000 domestic workers have used the platform to find work.¹⁵² In a 2018 television interview, Pandor reflects on how she and co-founder, Alen Ribic, "were on the ground speaking to domestic workers in our neighborhood to spread the word [...] The network effects [that come about as a result of] high unemployment rates in informal areas [mean] we literally are trying to keep up."¹⁵³

Pandor notes that while the idea for SweepSouth was inspired by her own struggle to hire a domestic worker, conversations with the first few women she recruited revealed to her the struggles women faced due to the informality of the sector. She decided to actively address both the challenges faced by domestic workers to find employment and

¹⁴⁹ Ibid.

¹⁵⁰ Ibid.

¹⁵¹ Pandor, interview by SABC news, 2018.

¹⁵² Pandor, interview with author January 7, 2018.

¹⁵³ Ibid.

those faced by consumers to find and hire ad hoc cleaners.¹⁵⁴ Pandor declared that she and her co-founder set out to achieve a number of objectives in founding the company.¹⁵⁵ First, she reiterates the purpose of the company to connect people who can offer domestic work services to those who need them. Second is:

setting decent rates that are far above minimum wage. [Next] is obviously addressing unemployment and underemployment. 70% of people who joined our platform - although they are all skilled - were unemployed. 30% [were] underemployed. We also like to think of impact not just in terms of the domestic workers on the platform, but also what that means for their families. Lastly, we're also trying to address skills building and upskilling domestic workers.¹⁵⁶

It is important, however, to assess the types of jobs SMEs like SweepSouth create and not fall into the ANC's pattern of counting any labor as unreservedly beneficial, regardless of precariousness and the unpredictability of the income and financial security it affords workers. Here, a contradiction arises in how SweepSouth addresses high unemployment rates by leveraging flexible labor markets. While earning wages is beneficial for the domestic workers, operating as independent contractors does not afford them the same protections as full-time workers, nor does it pay them enough for them to be financially secure, especially if they have families to provide for. Low wages also prevent workers privatized social services. Pandor reveals that according to the media, providing employment of any kinds is portrayed a socially productive feat. Simultaneously, she observes that structural inefficiencies prevent her from sustaining this job creation in spite of its casual nature. She notes:

SweepSouth is literally being paraded all over the city and country as a company doing a great job at job creation but every single day there's an issue with transport. You definitely get to a point in your growth where this really gets in the way of you scaling. When you're trying to get from 1 to 10 [customers] you're focused on the

¹⁵⁴ Pandor, interview by SABC News, 2018.

¹⁵⁵ Pandor, interview with author January 7, 2018.

¹⁵⁶ Pandor, Interview by SABC news, 2018.

more immediate operations of the business environment, but when you're really trying to scale, external realities become a lot more relevant.¹⁵⁷

Above, Pandor refers to one of the many challenges SweepSouth faces in its work at the BOP in South Africa: dealing with historical legacies of exclusion and segregation in urban planning. SweepSouth's headquarters are based in Cape Town, which exhibits an apartheid-era urban planning landscape.¹⁵⁸ Historically and predominantly Black and Coloured townships were built to be far from the central business district in the city center and from historically and predominantly white suburbs. Even though political apartheid ended in 1994, apartheid-era settlement patterns resemble those enforced through the Group Areas Act.¹⁵⁹ Thus, to travel into the city or suburbs to work, cleaners rely on public transportation, much of which is privatized by the unregulated, mafia-esque minibus taxi industry.

The industry is estimated to be worth between USD 4 billion and USD 8 billion and is host to a lucrative network of untaxed entrepreneurs.¹⁶⁰ Taxis run on their own dynamic schedules and routes that prioritize profits over efficiency for commuters. For example, a taxi needs to fill to capacity (about 14 commuters) before it will depart from a terminal, no matter how long that takes. This makes it difficult for workers to estimate their arrival time to work in the morning or home at night.¹⁶¹ Unfortunately, the national train service, laden with delays and operating within stations rife with theft, does not offer a viable solution. Johannesburg's Rea Vaya Bus Rapid Transit (BRT) System was the government's attempt to

¹⁵⁷ Pandor, interview with author January 7, 2018.

¹⁵⁸ Maharaj, "The Group Areas Act and Community Destruction in South Africa", 1-25.

¹⁵⁹ The law that mandated segregation of residential and commercial settlements by race, which was violently enforced through forced removals. Ibid.

¹⁶⁰ In April 2018 exchange rates. "How Much Money Taxis Make in South Africa".

¹⁶¹ Pandor, interview with author January 7, 2018.

compete with the taxi industry, but BRT busses run less often and on less extensive routes, making the service less competitive than the taxi industry.¹⁶² In addition, the aforementioned apartheid-era urban planning requires cleaners to travel by foot to reach transportation hubs, which can be dangerous for women late at night or early in the morning.

For women, trekking those distances early in the morning or late at night exposes them to gender-based violence. Sadly, this violence occurs inside South African households as well. Pandor reports that incidents of domestic violence prevent women continued work with SweepSouth. The lack of adequate structures to address crime and violence in many South African cities poses a hurdle for SweepSouth in terms safety for both cleaners and clients.¹⁶³ Pandor reports that the company has to convince potential clients that it is safe to have their cleaners come into their homes. In fact, a major selling point of SweepSouth, particularly in Johannesburg, is that the cleaners are vetted, unlike in the case of hiring a casual laborer.¹⁶⁴ This certainly reflects the air of distrust that still plagues race and class relations in South African society. The divide between low class and middle class tends to run along black-white race lines.

While the company acts as a connector platform, most of the time domestic workers make their own way to and from work and communicate both with SweepSouth management and their clients via a designated mobile application, phone calls, or text/Whatsapp messages. Thus, communication is a major component of the ability to successfully work remotely. The high cost of mobile data in South Africa and unreliable

¹⁶² Venter, "The Lurch Towards Formalisation: Lessons from the Implementation of BRT in Johannesburg, South Africa", 114-120.

¹⁶³ Pandor, interview with author January 7, 2018.

¹⁶⁴ Ibid.

connectivity in the impoverished areas in which cleaners tend to live reflect inadequate communication and internet infrastructure.¹⁶⁵ This is alarming given the pointed move industries are making in the digital direction. Pandor recalls being shocked at how difficult it was to perform simple business setup tasks. She notes that registering the business with the Companies and Intellectual Properties Commission took several weeks, as did setting up a business bank account.¹⁶⁶ Pandor reveals that the difficulty in finding and setting up an account that would serve the specific needs of an SME like SweepSouth does not correlate with the assertion by governmental bodies like the Departments of Small Business Development or Trade and Industry of their commitment to foster a thriving entrepreneurship ecosystem.¹⁶⁷ Additionally, Pandor remarks that filling technical, software engineering roles with skilled talent is difficult, which she believes highlights the inadequate training of a highly skilled labor force in the country.¹⁶⁸ Pandor feels that the physical, communication, and financial infrastructures of South Africa are not conducive for startups to achieve substantive development goals.¹⁶⁹

Clock Education: Skills, Education, and Digital Literacy

Kola Olajide is the co-founder of Clock Education, a software development firm built to streamline knowledge creation, retention, and dissemination within educational institutions around Africa.¹⁷⁰ Clock Education sells software that allows educators to

¹⁶⁵ Global System for Mobile Communications, "The Mobile Economy Africa 2016".

¹⁶⁶ Pandor, interview with author, January 7, 2018.

¹⁶⁷ Ibid.

¹⁶⁸ Ibid.

¹⁶⁹ Ibid.

¹⁷⁰ Olajide, interview with author, January, 3, 2018.

digitize their lessons, track each student's progress, and design individualized learning plans that can be administered over the digital platform.¹⁷¹ Of the company's target audience, Olajide shared, "One of the happiest days of my life was when a 50-year-old woman, a teacher in Cape Town, used Clock to digitize her classroom without even contacting us. She didn't need to contact us with any issues or queries ... [She] just did it."¹⁷²

Olajide indicated that such stories reflect Clock's ideal impact on the education space. Regrettably, Olajide asserts that schools in South Africa are not forward-thinking when it comes to technology and thus were not primed to use Clock Education's product at a rate that would sustain the firm.¹⁷³ This is troubling because in this day and age, digital literacy is a crucial rather than supplementary part of a complete education. Neglecting digital literacy is disadvantaging the African child from an incredibly early stage. Olajide elaborated that he understands that many schools with which his firm has tried to work are still facing grassroot problems like retaining quality teachers, getting textbooks delivered on time, and having suitable infrastructure.¹⁷⁴ Thus, Olajide poses the question, "How can you [think about] rolling out personalized recommendations based on individualized metric tracking for each student (a service Clock often writes into software for schools) when teachers don't even have email addresses? There are a lot of grassroots problems schools need to take care of before they can take advantage of the technology that's available."¹⁷⁵

¹⁷¹ Ibid.

¹⁷² The package that allowed the teacher to do this costs the school she teaches as USD 19 per month.

¹⁷³ Olajide, interview with author, January, 3, 2018.

¹⁷⁴ Ibid.

¹⁷⁵ Ibid.

An education system unprimed for the entrepreneur to influence necessitated a pivot to focusing on corporations with whom working made financial sense. “I’m not passionate about corporates. K - 12 education is where the passion is and we really believe we can turn that [sector] around, but it’s very clear that [the sector is] not ready.”¹⁷⁶ Olajide outlines his motivation for starting Clock Technologies as his passion for [grade] K to 12 education. He elaborates that, “As a company, we are trying to accelerate the progress of [that space].”¹⁷⁷ In reference to seeing teachers take advantage of Clock’s software to digitize and improve their classes, Olajide reveals, “That’s what excites me. Not [that] we made \$100,000.”¹⁷⁸

The company has also branched out in efforts to try and meet the education sector where it is, rather than waiting for it to mature, by designing software that addresses some of the more fundamental issues plaguing K - 12 education. As of 2018, this has taken the form of a diagnostic tool as, “the first step to creating a solution is know[ing] you have a problem.”¹⁷⁹ The tool allows schools to sign up to design tailored, automatically graded tests that dramatically reduce the amount of time teachers spend going through individual results. This frees up time for teachers to focus on recommendations and remedial support and can be a great help for understaffed public schools in which one teacher can be assigned between 50 and 100 students, above the legal 1:40 ratio set by the Ministry of Basic Education.¹⁸⁰ Olajide also cites the difficulty of fundraising, unreliability of internet connectivity, and low access to technical talent as key pain points. With regard to Clock’s

¹⁷⁶ Ibid.

¹⁷⁷ Kola Olajide, interview with author, January 3, 2018.

¹⁷⁸ Ibid.

¹⁷⁹ Ibid.

¹⁸⁰ Marais, “We Can’t Believe What We See’: Overcrowded Classrooms Through the Eyes of Student Teachers”, 1.

fundraising journey, Olajide explains that he knew capital from South African investors was not something on which he could count.

Most capital allocated to startup funding lives outside of Africa. Kola asserts that Africans with enough wealth to invest at the appropriate volumes prefer investing in more traditional, tangible assets like minerals.¹⁸¹ Olajide proposes that partnerships composed of domestic startups, national institutions like reserve banks, the public sector, and established private sector multinational companies need to be forged.¹⁸² Additionally, he espouses that entrepreneurs in the African context should not attempt to reinvent the wheel but instead leverage the insights that bigger corporations, African or not, have garnered.¹⁸³ In light of this, Olajide sees entrepreneurs exercising their constitutive freedom as agents of development by, “taking advantage of their positions and becoming the nucleus [that connects] the right people to create innovative solutions.”¹⁸⁴ Olajide also works as a technical advisor for several digital companies, including Microsoft, and uses his positions there as an example. “I can easily connect the dots [between the different digital firms I consult for] to tell you how people need to work together to create solutions,” he adds.¹⁸⁵

¹⁸¹ Olajide alludes to Dangote, the richest man in Africa with investments in cement, sugar, iron, and iron amongst other, similar commodities. Ref: "Bloomberg Billionaires Index - Aliko Dangote", 2018.

¹⁸² Kola Olajide, interview with author, January, 3, 2018.

¹⁸³ Ibid.

¹⁸⁴ Ibid.

¹⁸⁵ Ibid.

The Limitations of Entrepreneurship for Development

According to all 3 entrepreneurs, certain aspects of the South African Reserve Bank's monetary policy are unfavorable to SME entrepreneurs. Olajide explains that his qualm is that for a smooth exit, a business' intellectual property needs to live outside of South Africa or risk losing 30% of its sale price in fees to the Reserve Bank. These unfavorable intellectual property (IP) rights are a significant roadblock, according to Olajide, who notes that in an exit, they are a business' greatest assets. Olajide explains that diligent investors are well aware of the restraints that the South African Reserve Bank (SARB) places on being able to invest in South African companies. Olajide observes that, "The SARB is a big bottleneck [that] is not trying to make [entrepreneurs' and investors'] lives easier."¹⁸⁶ Pandor adds, "Sometimes [I think]: I don't need [the state] to help - I just need [the state] to not mess it up. I need the government to think, 'How do we step back and allow (SME success) to happen?'"¹⁸⁷ Moloji's vision for StokFella is to support low to middle class households and individuals increase their financial security through streamlining their informal savings mechanisms and developing alternative, pro-poor methods to build creditworthiness.¹⁸⁸ He explains that the firm, "are targeting black households that are interested in building a financial portfolio, as the app looks to open the doors to greater market opportunities for those with informal saving vehicles."¹⁸⁹

Above, we see each entrepreneur's need for relaxed capital, credit, and finance markets as well as how the gains they anticipate therein are major incentives for their

¹⁸⁶ Ibid.

¹⁸⁷ Aisha Pandor, interview with author, Cape Town, January 7, 2018.

¹⁸⁸ Skade, "Stokfella: Bringing Financial Inclusion to Black People".

¹⁸⁹ Ibid.

businesses. For each entrepreneur in question, running a profitable business and pursuing development objectives are equally weighted goals. These objectives are: to create jobs, streamline informal work and savings vehicles, and design technology for education. Nevertheless, this chapter demonstrates that decisions on creating, running, and growing SMEs are not made in a vacuum, but are themselves products and perpetuators of broader systems of neoliberal economic organization.

Entrepreneurship's Gender Bias

Another distinct way in which neoliberal economic principles negate the inherent inequality in its prioritization of market primacy via entrepreneurship is its gender bias. Championing entrepreneurship as South Africa's development silver bullet takes for granted that men and women have equal access to productive assets like capital, property, and credit histories in order to build these SMEs. Pandor agrees, remarking: "A disproportionate number of South African households are headed by single mothers (50-64%) which means that many women cannot responsibly take the risks of entrepreneurship without having a partner with a stable job [...] It is also more difficult for women to start businesses and secure business financing."¹⁹⁰ For example, accruing enough personal savings to use as capital is easier for men who are paid more than women for equal work.¹⁹¹

¹⁹⁰ "Aisha Pandor: The Uber of Cleaning, African Style", She Inspires Her.

¹⁹¹ Madzwamuse, "Economic Justice as a Site for Women's Empowerment".

Women also are more likely to work in the informal sector, which tends to pay lower wages than the formal sector.¹⁹² Informal sector work does not offer formal benefits like health insurance, which means workers need to pay for such amenities out of pocket. Additionally, women's overrepresentation in performing unpaid social reproductive labor in the private sphere further disadvantages them financially and makes it difficult, if not impossible, for them to take the financial risk of starting a business.¹⁹³ The aforementioned limitations also apply to building credit and getting loans to start and run businesses. Evelyn Derera, Pepukayi Chitakunye, and Charles O'Neill contend that women's lower formal economic activity paints them as high-risk borrowers who are likely to be required to put up more collateral, pay higher interest rates, or be approved for shorter term loans.¹⁹⁴ Women also constantly navigate gender-based discrimination that undermines their capabilities in business, which hinders women's success with SMEs.

Development without Democratic Accountability?

Ultimately, championing entrepreneurship as a silver bullet for development is not a break from the neoliberal tradition that has crippled the livelihoods of many working and middle class South Africans. A thriving entrepreneurial ecosystem relies on the free market in which capital accumulation and profit, not social and economic security for the poor, are the objectives around which interventions are designed. Although many entrepreneurs choose to use their agency to try and achieve development objectives, their development

¹⁹² Ibid.

¹⁹³ Ibid.

¹⁹⁴ Derera, Chitakunye and O'Neill, "The Impact of Gender on Start-Up Capital: A Case of Women Entrepreneurs in South Africa", 107-111.

contributions are optional, and they are not accountable to any democratic processes or bodies.¹⁹⁵ Lastly, for firms that attempt to strike a perfect balance between profiting off of helping the poor and actually helping the poor, running a business is not without its operational and structural hurdles. Despite SMEs' progress in creating jobs and contributing substantially to African economies, their impact is still in proportion to their small to medium size.

¹⁹⁵ Wettstein, "Multinational Corporations and Global Justice: Human Rights Obligations of a Quasi-Governmental Institution", 8-16.

Chapter 5

Conclusion

The rolling back of the role of the state in the economy and social sector, and the accompanying privatization of economic development has wreaked havoc on the lives of millions of South Africans. Presently, 55.5% live below the national poverty line of USD 81 per month, 24.6% are food insecure, and 26.6% of working age adults are unemployed.¹⁹⁶ The capacity of South African SME entrepreneurs to cater to various segments of the population's poor in ways tailored to their circumstances can help offset the disparaging effects of neoliberal economic policy. However, relegating the responsibility of remedying these conditions to a private, entrepreneurial class is in paradoxical alignment with the neoliberal principles that engender these economic and social insecurities.

Thus, the role of SME entrepreneurship in development is not a break from the neoliberal tradition that has crippled the livelihoods of many working and middle class South Africans. Simultaneously, the SME entrepreneurs interviewed in this study, like many others, are of the opinion that they contribute positively to economic development by creating jobs, helping people save and invest securely, and financing the growth of other enterprises. An analysis of their business models revealed the tensions and contradictory nature of their work as, in many instances, neoliberal constructs like flexible labor markets and relaxed regulation surrounding capital flows were crucial to the success of their enterprises. Moreover, the case studies revealed that in addition to navigating these

¹⁹⁶ Statistics South Africa, "Poverty Trends in South Africa: An examination of absolute poverty between 2006 & 2015".

tensions, there are structural inefficiencies that inhibit the ability of SMEs to successfully grow. A lack of public sector investment in infrastructure and skilled labor were common themes in this study's interview data. This indicates additional tensions in neoliberalism's relegation of development objectives to a private, entrepreneurial class that does not have sufficient access to the relevant inputs.

Given the highly integrated nature of the global economic system, it is also important to note the range of transnational influences the South African government is subject to, limits its agency. Ties to international capital extend into South Africa's colonial and apartheid eras and survived the democratic transition.¹⁹⁷ Mainly, this took the form of abandoning the RDP agenda in favor of keeping the pre-1994 economy intact; taking on a USD 850 million IMF loan and the accompanying Structural Adjustment Plan in 1993; and solidifying neoliberalism's centrality in the South African economy through GEAR. This interplay of domestic and global forces has produced a state that is subject to the neoliberal project in ways that tend to the interests of an elite, transnational, capitalist class at the expense of the impoverished majority.

The state needs to fulfill its role as the primary agent of development by using its agency in various ways. First, it must advocate for more favorable integration of South Africa and its African neighbors into the global economy within the constraints of the undemocratic, neoliberal global economic system. This can take the form of leveraging the power of negotiating as regional blocs; increasing the proportion of intra-Africa trade as an alternative, more sustainable and autonomous source of growth; and diversifying national economies. Second, as Bond notes, the ANC needs to reconsider the effects of the economic

¹⁹⁷ Hart, "Provocations of Neoliberalism: Contesting the Nation and Liberation After Apartheid", 73.

compromises made in the 1990s. If it is to regain cultural legitimacy as a party whose interests align with those of the majority, the ANC will have to temper its hyper-neoliberal position and embrace its founding principles as espoused in the Reconstruction and Development Plan.¹⁹⁸ As Kenyan investor Ory Okolloh notes, the continent cannot, “entrepreneur itself out of its basic problems”.¹⁹⁹

The private sector²⁰⁰ was not democratically elected to govern South Africa and ensure that citizens’ basic needs are met, but the national government was. Circumventing that duty and instead aligning national policy to externally developed economic principles imposed and co-opted by a transnational elite is unacceptable and will certainly perpetuate the subjugation of the poor.²⁰¹ Regardless of the innovation with which SME entrepreneurs leverage their bottom-up, highly tailored business models, their role within neoliberal development remains paradoxical and outside of the scope of democratic accountability,²⁰² thereby limiting their legitimacy.

¹⁹⁸ Adelzadeh, "From the RDP to GEAR: The Gradual Embracing of Neoliberalism in Economic Policy", 69-74.

¹⁹⁹ Kuo, "Video: Ory Okolloh Explains Why Africa Can't Entrepreneur Itself Out of its Basic Problems".

²⁰⁰ Both large corporations and SMEs across formal and informal sectors.

²⁰¹ Hart, "Provocations of Neoliberalism: Contesting the Nation and Liberation After Apartheid", 73.

²⁰² Wettstein, "Multinational Corporations and Global Justice: Human Rights Obligations of a Quasi-Governmental Institution", 8-16.

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