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The economy we are waiting for may never arrive: we need to imagine new paths to development

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South Africa's development challenge is not only economic; it is also one of imagination. We need to find new areas where growth, innovation, and opportunity can thrive.

South Africa spends a great deal of time waiting. We are waiting for growth to return, for investment to arrive, for transformation to work, for unemployment to fall – waiting for an economy capable of delivering broad-based inclusion. Yet despite three decades of reform, many of these expectations have remained stubbornly unmet.

What if the economy we are waiting for is not simply delayed? What if the problem is that we are still thinking about development with a set of assumptions inherited from another era?

Why do policies aimed at change so often reproduce or intensify inequality, despite all efforts to the contrary?

This article argues that South Africa's development challenge is not only economic; it is also imaginative. As economic realities become more fragmented, digital, urban and informal, our institutions continue to privilege a narrow set of development pathways. The question is therefore not simply how to accelerate growth, but how to expand our understanding of where and how economic value, innovation, and opportunity might emerge.

The standard response to unemployment, for instance support to small businesses, interventions like the Expanded Public Works Programme (EPWP), numerous job and investment summits, industrial strategies and the like, has done little to improve the options available to a mostly young jobless population.

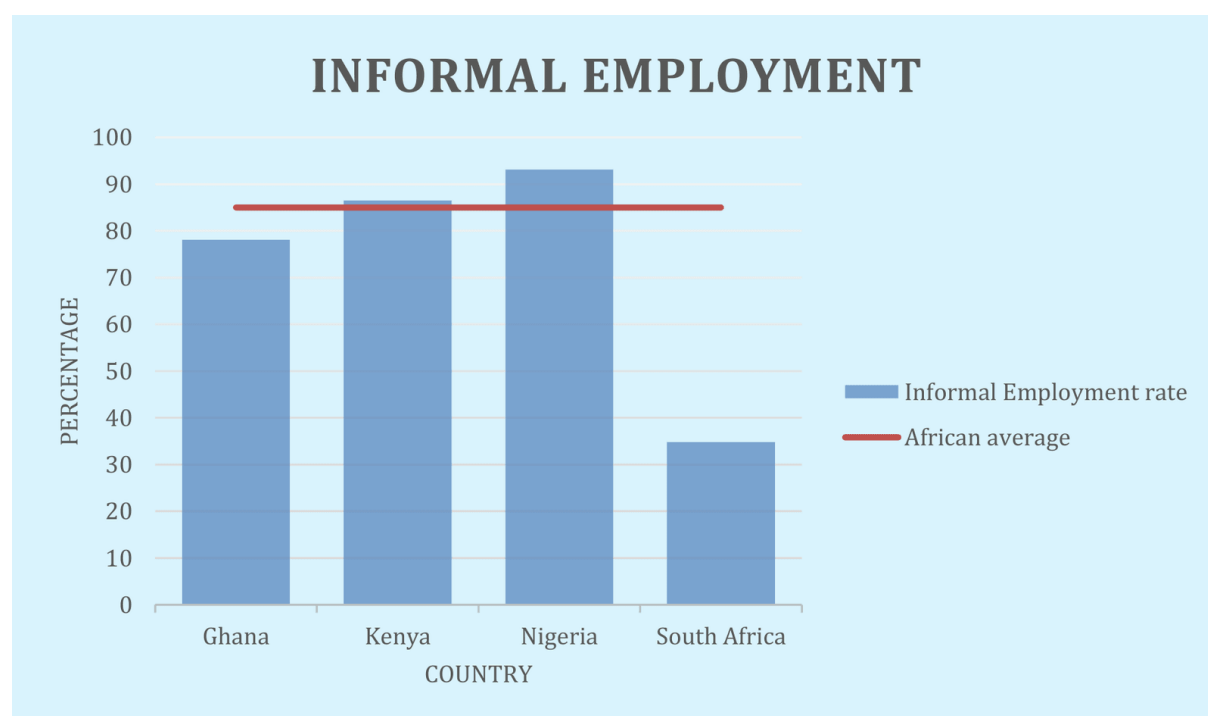
With an unemployment rate surpassing 32% and overall youth unemployment exceeding 60%^[1], economist [Justin Visagie](#) has argued in this publication that we would have to practically double formal employment to absorb current and new job seekers.

So where might alternatives emerge? Rather than looking only to national policy or large-scale economic interventions, we suggest paying greater attention to the innovation and experimentation already taking place within cities and communities.

The informal sector is not the fringe of the economy

Across the African continent, informality is not the exception but the rule. In Kenya, informal employment accounts for roughly 86% while in Ghana the latest reported figure in 2015 was closer to 78%. Informal traders and artisans, as well as micro-entrepreneurs form the backbone of local commerce in both countries [2]. Nigeria, Africa's most populous economy, registers informal employment at approximately 93%. By contrast, South Africa's informal employment accounts for only 34% of its labour force and is notably well below the continental average of around 85%.

Figure 1



Source: International Labour Organization (ILOSTAT) Country Profiles; [Statistics in Africa](#) // ILO Modelled Estimates (ILOEST) database, ILOSTAT

The point is not to “formalise” informality but rather to recognise what potential may exist to develop and harness local innovations that respond to actual needs and experiences.

Examples of locally driven innovation already exist across African cities, such as Nairobi where youth-led fintech platforms have extended financial services to informal traders who are excluded from the formal banking system. Another example is in Accra, where community waste-management enterprises have emerged in the absence of adequate municipal services, helping to create employment whilst addressing an important public goods gap. These are responses that grew from local conditions and knowledge to address real local needs. The question is not whether African cities can innovate, but whether their governments are able to ‘get out of the way’ (of the imaginative process) and to find meaningful ways to step in strategically in support of what may already be working.

Localising innovation: beyond centralisation

In South Africa (and in Ghana and Kenya, for example)^[2], innovation policy is largely conceived and developed at the national level and expected to diffuse downward. But innovation is not neutral. It does not trickle down evenly.

The result is what we might call ‘death by centralisation’- where local economies suffocate not from a lack of ideas, but from a lack of institutional permission and enablement to try them.

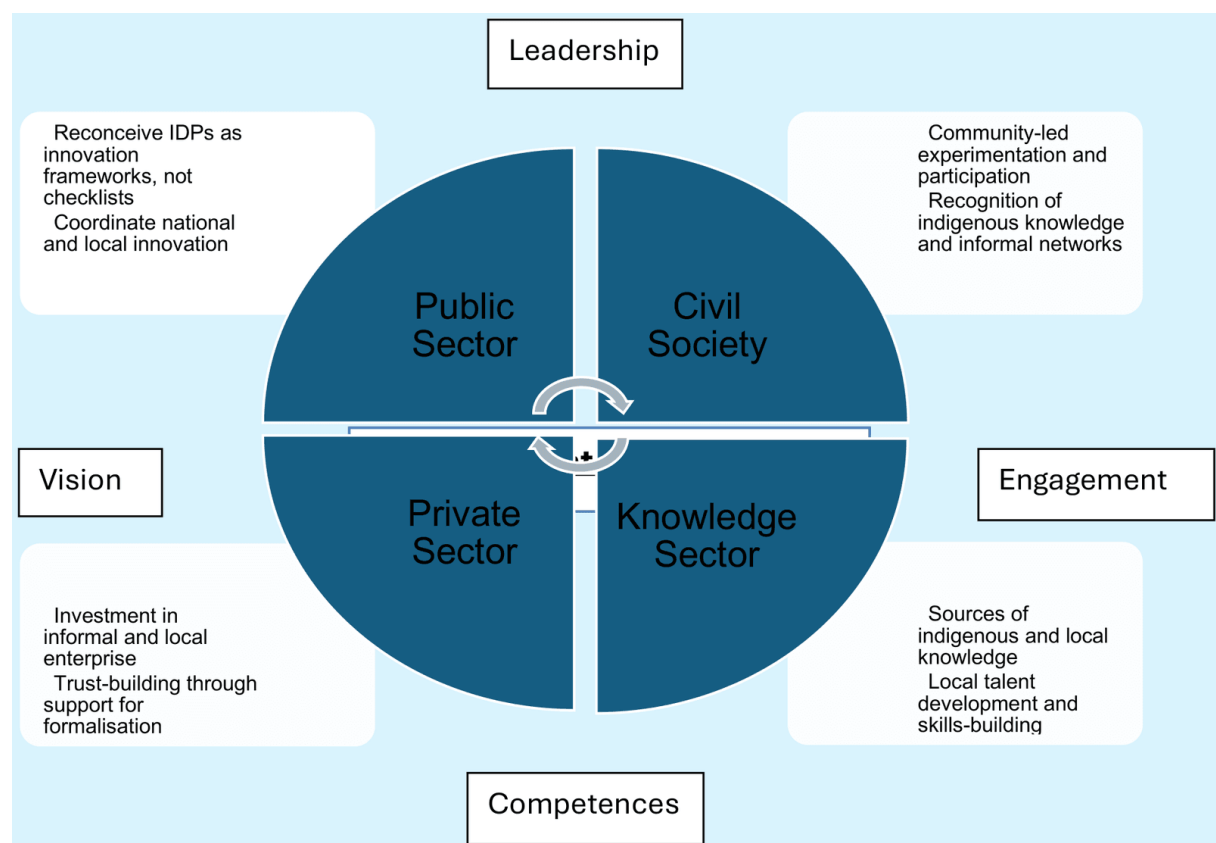
Local spaces are where indigenous knowledge, informal networks, and community ingenuity interact with formal economic structures. But this experimentation requires intentional institutional design. Innovation does not happen accidentally in marginalised communities, but it happens despite the structures and barriers that they face.

Cities are given responsibilities without the necessary resources, autonomy, or recognition as sites of economic experimentation. And yet they are the perfect arena for the testing of ideas.

Cities are not just service-delivery units; they can become laboratories for innovation that link local and national systems and where creativity can take place.

In practical terms, this means cities using the instruments they already hold. In South African cities, the Integrated Development Plan (IDP) process could be reconceived to move away from serving as merely a service-delivery checklist, and into more of an innovation ecosystem framework. A framework that maps out relevant local actors or informal enterprises, and community-led experiments alongside formal commitments.^[3]

Figure 2



Source: adapted from Kociuba et al. (2023)^[4]

In Nairobi and Accra, city governments have already begun using spatial development frameworks to deliberately group together informal enterprises in ways that allow for knowledge sharing and collective procurement, and this helps in reducing the cost-per-trader of formalisation.

Space to explore

Jayati Ghosh, a member of the International Panel on Inequality established by President Cyril Ramaphosa during South Africa's presidency of the G20, provides critical insight into the enduring nature of our unequal system. As UNESCO's account of her 2025 Albert Hirschman Lecture summarises it:

For decades, development economics has drifted away from its original purpose: understanding and transforming the structures that create inequality... too often, development policy aims to 'alleviate' poverty rather than transform the structures that produce it. We need to design our economy to meet our social needs within environmental and planetary boundaries.^[5]

Instead of using a growth model that is not working, or trying to find some new blueprint, we should take seriously the economic experiments already emerging around us: in informal markets, community enterprises, local innovation ecosystems, cooperative arrangements, digital networks, and urban adaptations.

Many will, of course, fail or disappoint. But unless we create space for exploration, only the familiar solutions will be available. And we can see where those have led us, even in the so-called best of times!

The task is therefore not simply to innovate within existing development paradigms, but to broaden what counts as legitimate economic possibility. South Africa's development challenge may be less about discovering "the right model," and more about recognising, supporting and learning from emerging alternatives. We may need to focus less on certainty about the future, and more on our capacity to explore it.

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