THE CHALLENGES OF FORMING PARTNERSHIPS BETWEEN INFORMAL BUSINESSES IN INFORMAL SETTLEMENTS AND CORPORATE SOUTH AFRICA

Nomthandazo Hadebe

A research report submitted to the Faculty of Engineering and the Built Environment, of the University of the Witwatersrand, Johannesburg, in partial fulfillment of the requirements for the degree of Master of Science in Development Planning.

Johannesburg 2008
DECLARATION

I declare that this research report is my own original, unaided work. This research report has not been submitted previously for any degree or examination in any other university. It is being submitted for the degree of Master of Science in Development Planning at the Faculty of Engineering and the Built Environment, of the University of the Witwatersrand, Johannesburg.

__________________________
(Signature of candidate)

________ day of _____________ (year) _______
Abstract

Since the institution of apartheid in the last century, informal businesses have not been looked at in a positive light. Some of them have been attacked, some have been displaced in the city, and much more profoundly, they have been rendered invisible in both urban and industrial policy. While the dawn of a new democracy has facilitated the development of new policies to cater as much as possible for this sector, many of them still fall through the crevices. The reasons given are: they are small, informal and ‘unbankable.’ In the informal settlements of South Africa, these reasons have been epitomized by many other associated social, political and economic justifications. For these reasons, the formation of partnerships between informal businesses in townships and corporate South Africa has remained a pipe dream.

This study seeks to explore the reasons for the persistence of this scenario. In doing so, the research starts by adopting a ‘continental approach’, that is, exploring the literature dealing with experiences of informal businesses in various continents such as Latin America, South Asia and Africa. This approach is accompanied by a comparative analysis of these experiences, with particular reference to South Africa. The discussion of these experiences is linked to the investigation of the Diepsloot case study whereby twelve informal operators were interviewed in terms of their partnership linkages with corporate South Africa. The interviews were also conducted amongst corporate businesses such as Group Five and Corobrick.

The major finding of this research is that the informal sector has the potential to operate effective businesses, but it is constrained by overly restrictive by-laws, lack of business skills and access to financial assistance. The research reveals that there is a maze of linkages that exist between various actors in the townships and the rest of the country which are defined in social, political and economic terms, but are not yet part of the transaction in developing partnerships in economic development. The researcher makes the planning recommendation that Provincial governments working with local municipalities should develop policies and a comprehensive management plans to provide skills training, access to capital in order to encourage corporate South Africa to engage businesses operating in informal settlements with a view of creating sustainable partnerships.
DEDICATION

For Thulani and Bajabulile Hadebe, thank you.
ACKNOWLEDGEMENTS

I gratefully acknowledge the assistance of Associate Professor Mfaniseni Sihlongonyane, his insightful guidance as well as encouragement throughout the research report. I would also like to thank all my respondents for their openness and interest in my work.
# TABLE OF CONTENTS

Declaration  
Abstract  
Acknowledgements  
List of figures  

## CHAPTER ONE: Introduction to the Formidable Problem of Informality

1.1 Introduction  
1.2 Characteristics of the Informal Sector  
1.3 Main Research Question  5  
1.3.1 Sub-questions  5  
1.4 Research Approaches  6  
1.4.1 Research Methods  6  
1.4.2 Sample Procedures  7  
1.4.3 Methods of Achieving Reliable Results  8  
1.4.4 Data Analysis Strategies  8  
1.4.5 Limitations of The Research  9  
1.5 Overview of International Experience on Informality and Partnerships  9  
1.6 Conclusion  15

## CHAPTER TWO: Literature Review

2.1 Introduction  17  
2.2 The Nature of the Sector  18  
2.3 Parallel between the Developed and Developing Countries  20  
2.4 The Concept of Marginality  23  
2.5 American Informal Economy  26  
2.6 Asian Informal Economy  27  
2.7 Linkages with the Formal Economy and the Formal Regulatory Environment  28  
2.8 The Informal Sector and the Macro-economy  30
4.5 Number of Hours Traders Worked Per Day 64
4.6 Where Traders Buy Their Stock 65
4.7 How Much Profit do Traders Make Each Month 67
4.8 How Do You See Big Established Businesses 69
4.9 Partnership between Corporate South Africa and Informal Businesses 70
4.10 Conclusion 71

CHAPTER FIVE: Conclusion and Recommendations – Development Policy For The Informal Sector

5.1 Introduction 74
5.2 Challenges of Forming Partnerships 74
5.3 Strategic Interventions 81
5.4 Collaborative Planning 82
5.5 Equitable Planning 84

5.6 Capacity Building 88
5.7 Conclusion 90

References 92
Appendix 1 104
<table>
<thead>
<tr>
<th>Figure</th>
<th>Description</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.1</td>
<td>Location Map of Diepsloot</td>
<td>50</td>
</tr>
<tr>
<td>4.2</td>
<td>Informal Traders on the William Nicol Highway</td>
<td>52</td>
</tr>
<tr>
<td>4.3</td>
<td>Informal Trader on William Nicol Highway</td>
<td>53</td>
</tr>
<tr>
<td>4.4</td>
<td>Customer Looking at Training Shoes</td>
<td>54</td>
</tr>
<tr>
<td>4.5</td>
<td>Diepsloot Mall</td>
<td>55</td>
</tr>
<tr>
<td>4.6</td>
<td>Segmentation of Informal Employment by Average Earnings and Gender</td>
<td>57</td>
</tr>
<tr>
<td>5.1</td>
<td>Multipronged Planning Process</td>
<td>82</td>
</tr>
</tbody>
</table>
GLOSSARY:

ANC – African National Congress
BBP – Better Buildings Programme
BID – Business Improvement District
CBD – Central Business District
CEO – Chief Executive Officer
CID – City Improvement District
CIQ – Cultural Industry Quarter
CJP – Central Johannesburg Partnership
CSR – Corporate social responsibility
CSU – Central Strategy Unit
DPW – Department of Public Works
DPLG – Department of Provincial and Local Government
DTI – Department of Trade and Industry
EDU – Economic Development Unit
EPWP – Expanded Public Works Programme
GEAR – Growth, Employment and Redistribution
GTA – Gauteng Tourism Authority
IDP – Integrated Development Plan
IMC – International Marketing Council
JDA – Johannesburg Development Agency
JHB – Johannesburg
JHC – Johannesburg Housing Company
JICBC – Johannesburg Inner City Business Coalition
JPC – Johannesburg Property Company
LED – Local Economic Development
NAC – National Arts Council
NID – Newtown Improvement Districts
NPM – New Public Management
RDP – Reconstruction and Development Programme
SANCO – South African National Civic Organisation
SDI – Spatial Development Initiatives
SMME – Small, medium and micro enterprise
UDZ – Urban Development Zones
URP – Urban Renewal Programmes