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

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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.

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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