



**UNIVERSITY of the  
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centre for entrepreneurship  
and innovation

## **Townships to CBD: The Project of Ten Informal Traders in the Formal Economy of Cape Town, Western Cape**

Dissertation submitted in fulfilment of the requirements for the degree of Master of  
Arts in Development Studies

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## ABSTRACT

The Quarterly Labour Force survey by Statistics South Africa (2019) portrays a very bleak future for the South African economy and labour force. The unemployment rate is 27.6% and youth unemployment stands at 55.2%. The National Development Plan (NDP) recognises the relevance of the informal sector and the value that it will contribute to the economy and to solving the challenges of unemployment in South Africa. The NDP projects that the informal sector, which includes domestic work, will create between 1,2 and 2 million new jobs by 2030.

Few studies have been conducted on informal trading projects. This study explores the case of a 'transitional' informal enterprise support project aimed at micro-enterprise development wherein 10 informal traders in Cape Town took occupancy of provincial government-sponsored kiosks on 9 May 2016. The Long Street kiosks (LSK) offer 10 traders per year a unique trading opportunity in the CBD free of rent and service charges for a period of one year, with access to a unique and potentially large market.

The purpose of this study is to critically examine the role played in the informal enterprise development project by the Western Cape provincial government through its project manager, the Department of Economic Development and Tourism (DEDAT). This research attempts to investigate aspects of project design such as the selection criteria of the informal traders for the project, and selected results such as whether the project provided the traders with enough market exposure to the formal economy and whether their businesses were improved by participation in the project.

The qualitative research approach was used for this study of the LSK project, which was a single case study, as both a unit of analysis and as a research method. The study involved a combination of two approaches, namely desktop research followed by interviews and focus group sessions.

The study found that a number of limitations and shortcomings in the conduct of the project impacted on the mixed results and success achieved, pertaining to selection criteria, lack of financial and other resources, training, market-related problems, skill set limitations as well as environmental factors such as transport. The study nevertheless cast useful light on potential changes and recommendations that could enhance the project going forward and provides new insights on the complex relationship between the informal and formal

economies and their relative potential for addressing the challenges of employment and economic growth.

#### KEYWORDS

Long Street kiosk, unemployment, entrepreneurship, informal traders, informal economy, local economic development, Cape Town.

## DECLARATION

I declare that “Townships to CBD: the project of ten informal traders in the formal economy of Cape Town, Western Cape” is my own work, that it has not been submitted for any degree or examination in any other university and that all the sources I have used or quoted have been indicated and acknowledged by complete references.

**Full name:** Charleen Lucille Duncan (Student No. 8959727)

**Date:**.....

## DEDICATION

This dissertation is dedicated to my beloved parents, Charles and Shirley Filies.

I truly feel blessed to have parents like you in my life. Thank you for your constant prayers and emotional support. They are the greatest gifts that I have ever received. You have both taught me to work hard for the things that I aspire to achieve. For this, I will be forever grateful.

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## TABLE OF CONTENTS

ABSTRACT.....	i
KEYWORDS.....	ii
DECLARATION .....	iii
DEDICATION .....	iv
ACKNOWLEDGEMENTS.....	v
LIST OF FIGURES.....	viii
LIST OF TABLES.....	viii
ABBREVIATIONS/ ACRONYMS.....	ix
CHAPTER ONE: INTRODUCTION.....	1
1.1    Background information.....	1
1.2    The Long Street Kiosk project .....	4
1.3    Research problem/ Rationale for study.....	7
1.4    Research questions .....	9
1.5    Research objectives .....	9
1.6    Significance of the study .....	10
1.7    Definition of key concepts .....	11
1.8    Overview of chapters.....	13
CHAPTER TWO: BRIEF REVIEW OF RELATED LITERATURE .....	14
2.1.    General overview .....	14
2.2    Selection and identification mechanisms used to recruit participants .....	14
2.3    Exposure to business skills development and training.....	15
2.4    Logistical and financial support .....	18
2.5    Summary of the reviewed literature .....	20
2.6    Gaps identified.....	21
CHAPTER THREE: THEORETICAL FRAMEWORK AND CONCEPTUAL DESIGN.....	24
3.1    The Capability Approach.....	24
3.2    The Sustainable Livelihood Approach.....	27
3.3    The Structural Poverty Theory.....	30
3.4    Justification and conceptual design.....	31
CHAPTER FOUR: RESEARCH METHODOLOGY .....	33
4.1    Research approach.....	33
4.2    Population and sampling technique .....	34
4.3    Data collection .....	35

CHAPTER FIVE: FINDINGS AND DISCUSSION.....	37
5.1    General overview .....	37
5.2    Principal findings and discussion .....	37
5.3    Triangulation of the findings.....	51
5.4    Summary of discussion and implications.....	55
CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS .....	56
6.1    Overview of the study.....	56
6.2    Reflections on the study’s theoretical paradigm.....	56
6.3    Reflections on the methodological approach.....	57
6.4    Recommendations .....	58
6.5    Unique cases .....	59
6.6    General recommendations .....	60
6.7    Postscript .....	60
6.8    Limitations of the study .....	61
6.9    Contribution to scientific knowledge.....	61
6.10   Ethical considerations .....	62
REFERENCES.....	63
APPENDICES .....	75
APPENDIX 1: Layout and allocation of kiosks to traders.....	76
APPENDIX 2: Trader profiles .....	77
APPENDIX 3: LSK interview questionnaire.....	79
APPENDIX 4: Focus group memorandum for DEDAT officials .....	82
APPENDIX 5: LSK mentoring report .....	84
APPENDIX 6: Example of a trader profile.....	86
APPENDIX 7: Media coverage .....	89
A7.1. Article reproduced on the Western Cape Government’s website.....	89
A7.2. Article reproduced from the Independent Online website, published 9 May 2016. ....	90



## LIST OF FIGURES

Figure 1: The Capability Approach theory .....	26
Figure 2: Sustainable Livelihoods Framework .....	28
Figure 3: Conceptual design of the study .....	32
Figure 4: Overview of this process as per the DEDAT Diagram .....	40
Figure 5: Ratings of the traders' assessments .....	44

## LIST OF TABLES

Table 1: Summary of theoretical approaches reviewed .....	31
Table 2: Kiosk beneficiaries' responses .....	42
Table 3: Kiosk traders' feedback from assessments .....	42

## ABBREVIATIONS/ ACRONYMS

APEC	Asia-Pacific Economic Cooperation
CA	Capability Approach
CBD	Central Business District
CEI	Centre for Entrepreneurship and Innovation
DEDAT	Department of Economic Development and Tourism (W. Cape)
DTPW	Department of Transport and Public Works (W. Cape)
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
ILO	International Labour Office
LED	Local Economic Development
LSK	Long Street Kiosks
NDP	National Development Plan 2030
NIBUS	National Informal Business Upliftment Strategy
OECD	Organisation for Economic Cooperation and Development
SA	South Africa/ South African
SDG	Sustainable Development Goals
SLA	Sustainable Livelihood Approach
SMEs	Small and Medium Enterprises
UWC	University of the Western Cape
UWC-CEI	UWC Centre for Entrepreneurship and Innovation

# CHAPTER ONE: INTRODUCTION

## 1.1 Background information

The United Nations Sustainable Development Goals (SDGs) are a collection of 17 global goals set by its General Assembly. Goal 8 (SDG 8) advocates developing policies that encourage entrepreneurship and job creation, among others, with the aim of achieving full and productive employment and decent work for all women and men by 2030 (UN, 2015). However, realising this ambition is proving to be an enormous challenge as indicated by the UN itself:

Billions of our citizens continue to live in poverty and are denied a life of dignity. There are rising inequalities within and among countries. There are enormous disparities of opportunity, wealth and power. Gender inequality remains a key challenge. Unemployment, particularly youth unemployment, is a major concern. (UN, 2015).

Globally, the problem of employment creation has been under the spotlight. The World Bank (2013) advocates the need for a “global agenda for jobs”. The informal economy employs two billion people globally, which constitutes 61% of the world’s economically active population (ILO, 2018). Unsurprisingly, the informal economy figures prominently in scenarios for sustainable solutions to unemployment. Informal employment accounts for more than half of the total non-agricultural employment in most developing regions, as much as 82% in South Asia and 66% in Sub-Saharan Africa (ILO, 2014), with half or more of the informal workers in most regions being self-employed (Vanek, Chen, Carré, Heintz & Hussmanns, 2014).

While Jütting and De Laiglesia (2009) has concluded that ‘informal’ is normal, the informal sector is not a panacea. Globally, the informal economy is known to have minimal rights protection for workers, few opportunities for growth, inadequate resources, low productivity, poor working conditions, low levels of education and a lack of social protection. All of these factors not only hinder sustainability (ILO, 2018), but they are collectively the *opposite* of the very definition of ‘decent work’. It is important to note that in encouraging “the formalisation and growth of micro, small and medium-sized enterprises” (UN, 2015), the concept of

decent work used in SDG 8 explicitly *requires* the informal economy to transition to the formal economy.

“Over the years, we have seen a growing consensus between governments, workers and employers that the right thing to do is to move people from an informal to a formal employment situation” (ILO, 2015). In 2015, the International Labour Office (ILO) adopted an historic labour standard called Recommendation 204 that deals with the informal economy. This standard aims to facilitate transitioning millions of workers from the informal economy into the informal economy. Recommendation 204 was the first international labour standard specifically aimed at tackling the informal economy. It provides a framework which includes practical and strategic objectives while respecting workers’ rights and ensuring that livelihood and entrepreneurship development remain priorities. It promotes decent jobs in the formal economy and it discourages the informalisation of formal economy jobs (ILO, 2015). The Recommendation acknowledges that most people enter the informal economy not by choice but due to a lack of opportunities in the formal economy and the absence of any other means of livelihood. In stark contrast to the global informal economy, the informal sector in Africa employs up to 85.8% of the working population (ILO, 2018). The ILO (2015) estimates that the average size of the informal sector expressed as a percentage of gross domestic product (GDP) in Sub-Saharan Africa is 41%. This sector employs the most people; it has a representation of about three-quarters in non-agricultural employment and supplies 72% of total employment in Sub-Saharan Africa. Furthermore, it is noteworthy that 93% of new jobs created from the 1990s onwards were in the informal sector (ILO, 2015).

A collaborative report written by David, Ulrich, Zelezeck and Majoe (2012) shows the following situations in three African regional economies:

*Nairobi (Kenya)*: Providing better access to markets for informal traders was good, but not an end in itself. Stakeholder participation by all involved was important, especially the traders themselves, as the design and construction of any market space should be for their benefit and tailored to their requirements. Lack of consultation with the traders themselves was shown to be a shortcoming, resulting in a lack of real ‘ownership’ and poor design of built market space.

*Bamako (Mali)*: Building collaborative partnerships between local authorities and traders was central to the development of the local economy. This inclusive approach required the

identification of the key actors and a negotiated approach to develop trusting relationships. Forming joint management structures was important to increase revenue collections.

*Kigali (Rwanda):* Informal traders were incentivised to form cooperatives and were subsequently allocated to new trading sites where market structures were purpose-built for them. Securing on-going finance to support this development was essential as well as providing the incentives for the informal traders to assume the risks involved, as they were required to invest their own money. The traders were enabled and supported through the facilitation of access to banking facilities, affordable land, lower tariffs and affordable rental agreements.

The potential role of this sector in addressing poverty alleviation and creating employment for the most vulnerable in society cannot be ignored. It is homogenous and cuts across various sectors and the impact that it makes must be examined. The National Planning Commission argues in the NDP that job creation is South Africa's most important challenge (Republic of South Africa, 2012). The NDP highlights the need for support through creating an enabling environment for entrepreneurs to thrive and recognises the role that they can play in enterprise development and transforming the South African economy (Republic of South Africa, 2012). South Africa has many challenges post-1994, with poverty and unemployment ranked among the highest in the world. Official statistics confirm that poverty is experienced by a large percentage of the population which is manifested in their living conditions, lack of opportunities and limited potential to escape their reality. The most recent Labour Force Survey (first quarter 2019) released by Statistics South Africa indicates a national official unemployment rate of 27.6% and an expanded unemployment rate at 38% (Statistics South Africa, 2019). The Western Cape is in a slightly better position with the official unemployment rate being recorded at 19.5% in the first quarter of 2019 (and the expanded unemployment rate at 22.7%) (Statistics South Africa, 2019).

The following indicators are highlighted from the Report for the SA informal sector and the 2013 Survey of Employers and the self-employed produced by Statistics South Africa (2014):

- The SA informal sector employs around 1,5 million people, an estimated 10% of total employment.
- The sector is growing and was valued at around R120 billion, or 5% of GDP, in 2013.

- 70% of people who start informal businesses use their own money or borrow from friends and relatives.
- Over 70% of informal operations are self-funded.
- The majority (64.9%) of informal enterprise operators earn around R1,500 per month; only 9.2% earn above R6,000.
- Informal business operators mostly require marketing support and easing of government regulations (red tape).
- Unemployment is the main reason cited for being in an informal business.

The Small and Medium-sized Enterprises and Decent and Productive Employment Creation report states that “there is solid evidence confirming that SMEs are a major job creation engine” (ILO, 2015). The report further states that “SMEs make crucial contributions to job creation and income generation; they account for two-thirds of all jobs worldwide” (ILO, 2015). According to the NDP, small and expanding firms will become more prominent and generate the majority of new jobs created (Republic of South Africa, 2012). They will also contribute to changing apartheid legacy patterns of business ownership. The NDP envisages that the small business sector will create 90% of the expected 11 million jobs needed by 2030. To do so, small businesses would have to contribute roughly 800 000 jobs per year until 2030 (Republic of South Africa, 2012).

The informal sector in SA is defined as very small enterprises normally employing 0–5 persons; they contribute 5% to the GDP. These small enterprises are based in poorer neighbourhoods and generate quite low incomes according to 2013 data (Statistics South Africa, 2014: 9). Despite this bleak picture, this sector provides millions of South Africans with employment and income. Approximately 2,4 million people worked in the informal sector in SA in 2014 representing 17% or one in every six of the total number of people employed (Statistics South Africa, 2014). Statistically at least, it seems the informal economy can assist with some of the core challenges of creating jobs and facilitating economic growth in SA.

## **1.2 The Long Street Kiosk project**

The Long Street Kiosk (LSK) project is coordinated by the Department of Economic Development and Tourism (DEDAT), one of 13 departments falling under the Western Cape Government. To sketch the context, this section provides an overview of the DEDAT’s role

relative to the province and other tiers of government, followed by a description of the LSK project.

South Africa is a constitutional democracy with a three-tier system of government, namely national, provincial and local levels or spheres of government. The national, provincial and local governments each has legislative and executive authorities, which are described in the Constitution of South Africa as "distinctive, interdependent and interrelated" (Republic of South Africa, 1996).

The Western Cape Government works in cooperation with the National Government of South Africa to exercise devolved powers that include passing provincial legislation and managing provincial budgets through which to provide services to the people of the Western Cape. The Western Cape Government has committed to the strategic objective of building an "open-opportunity society for all" (Western Cape Government, 2014). This objective is aligned with the NDP and allows an actionable and measurable policy agenda focused on addressing the province's greatest challenges as well as unlocking the potential of the people in the Western Cape.

The Western Cape is the third-largest province and the third-largest contributor to GDP (after KwaZulu-Natal and Gauteng). In the 2003–2013 period, the Western Cape achieved an average economic growth rate of 3.7% per annum. The Western Cape government aims to create an enabling environment for business so that they can contribute to economic growth and create much-needed jobs in the Western Cape (Duncan, Davies & Sidiki, 2017: 3). The Western Cape government has identified five strategic goals that will facilitate the delivery of its vision and to help achieve the goals spelled out in the NDP, of which the apex goal, Provincial Strategic Goal 1, is 'creating opportunities for growth and jobs'. The DEDAT is the custodian department of Provincial Strategic Goal 1 (Western Cape Government, 2014).

This goal has two key levers:

*Economic Development*, through which we will accelerate jobs in key strategic sectors, build a skilled workforce, reduce red tape and drive innovation, and *Infrastructure and land use* for growth, through which we optimise the use of land, energy and water resources, deliver broadband across our economy and build an efficient transport system (Western Cape Government, 2014).

As the custodian, the DEDAT is thus responsible for delivering economic development and optimising infrastructure and land use for growth. The LSK project fits clearly within this developmental mandate.

The LSK project followed a provincial renovation development project. As part of the renovations, 10 kiosks were constructed along the Department of Transport and Public Works (DTPW) building in Long Street (see Appendix 1). The DEDAT secured the agreement of the DTPW to allow the space to be used for economic development. More specifically, the space would be allocated to informal traders to afford market access in the formal trading environment. The interdepartmental agreement was to be in place for three years. The agreement stipulates that no rental would be charged to the traders. Aside from saving the traders costs, this stipulation was included as charging a rental would invoke further rental obligations by the Western Cape Government to City of Cape Town entities (DTPW, 2015; City of Cape Town, 2018). Due to a property law clause, the 10 informal traders selected could occupy the kiosks for a one-year period only. Thus the three-year pilot project intended to host a different group of 10 traders each year. This study deals only with the first intake of the LSK project, which refers to the 10 informal traders selected in 2016 (See trader profiles in Appendix 2).

The relevant departments concluded the terms of the agreement in 2015 whereby the DEDAT was responsible for managing the kiosks, while the DTPW remained responsible for the maintenance of the physical space.

At the start, the DEDAT viewed the kiosks as ideally placed to empower township-based businesses, aiming to provide low-level start-up businesses with an opportunity to not only access a different market but to trade in the CBD, potentially a much larger, wealthier market. The DEDAT manages the project along the lines of an endowment, as an extension of existing DEDAT SME support programmes. To enhance the successful implementation of the LSK project, the DEDAT partnered with the University of the Western Cape's Centre for Entrepreneurship and Innovation (UWC-CEI). The UWC-CEI provides business support, whereby traders have access to advisers, business skills development workshops and mentorship, free of charge. To increase sustainability, UWC-CEI, as a partner of the DEDAT, has sponsored the mentorship and training support provided to the beneficiaries trading at the LSK.



In short, the LSK project is an interdepartmental agreement between provincial departments and the UWC-CEI that is in place for three years and enables selected informal traders to acquire valuable skills and use rent-free space in the Cape Town CBD to assist transitioning from the informal to the formal economy.

### **1.3 Research problem/ Rationale for study**

The LSK project is located within what is arguably the largest crisis facing SA today. The lack of decent employment negatively impacts an individual and the family of an individual which – when experienced on the current scale – negatively affects the community and broader society. In South Africa, the current official unemployment rate is 27.6% and youth unemployment is 55.2% (Statistics South Africa, 2019). The continuous rise in unemployment has been a recurring phenomenon since 2013 that has had severe effects on the entire socio-economic and cultural structures of the South African society. This situation has been caused by a complex of factors, including the following:

- **Legacy of apartheid and poor education and training:** The oppressive system of apartheid deliberately excluded black people from accessing quality education and training, which widened the skills gap between black and white. Due to this inequality, most black people could only access lower-level and lower-earning jobs in the labour market.
- **Effects of the 2008/2009 global recession:** The recession caused by the global financial crisis affected the South African economy. The manufacturing industry was the most affected sector as its workforce had to be significantly reduced, contributing further to the high unemployment rate. Over the past decade, more than 300 000 people lost their jobs in the manufacturing industry alone (GroundUp, 2019).
- **Slow economic growth:** For many years, South Africa has had very slow economic growth that is directly linked to the unemployment rate as the rate of growth has been too slow to impact positively on the jobs deficit by creating job opportunities (DTI, 2014).
- **General lack of interest in entrepreneurship:** Many stakeholders have developed various initiatives to enhance entrepreneurship, yet entrepreneurial activity in South Africa remains an area which lacks interest (GERA, 2014). Some of the reasons for this are highlighted later in the study, but they include lack of capital, lack of role models, the absence of entrepreneurship education and lack of supporting infrastructure.

It is imperative to understand the interlinked causes of unemployment in South Africa if this challenge is to be addressed and resolved.

The unemployment crisis contributes greatly to and is exacerbated by two of the country's other big socio-economic challenges, namely poverty and inequality (Ranchhod, 2019). The lack of access to quality education directly contributes to an increase in poverty, gangsterism, crime and corruption and inadequate housing – all factors that are widening the equality gap in South Africa. Unemployment contributes to health issues like depression, low self-esteem, anxiety and other mental health issues (Burdo, 2018) and lower disease resistance and energy levels. High levels of unemployment equate to no income, increasing personal debt levels, adding to the risk of local businesses failing and increasing government social welfare spending. This has further implications for the government's ability to spend on other developmental priorities (Burdo, 2018).

A particularly vexing national problem is the fact that crime rates tend to increase when unemployment rates increase. Aside from the negative impacts on quality of life in affected communities, endemic crime discourages foreign investment and encourages emigration of wealth and talented individuals (the brain drain). Burdo (2018) comments that “individuals who are unemployed for socially unacceptable reasons and don't wish to seek out job opportunities are more likely to engage in burglary or robbery.”

The South African government has identified numerous solutions to lessen unemployment in South Africa including looking to the informal economy to assist with some of the core challenges of creating jobs and facilitating economic growth in South Africa. The informal economy contributes to job creation in marginalised areas through business creation and the transfer of skills and experience within the informal economy (Maloney, 2004).

The informal economy plays a vital role in job creation and income generation potential. This sector is relatively easy for the unemployed and the vulnerable in society to access because the entry requirements are low. Minimal education, skills, technology and capital are needed (ILO, 2014).

The NDP recognises the relevance of the informal sector and the value that this sector can contribute to the challenges of unemployment in SA. The projection in the NDP is that the informal sector, which includes domestic work, will create between 1,2 and 2 million new

jobs by 2030 (Republic of South Africa, 2012). The National Informal Business Upliftment Strategy (NIBUS) is the first national policy on the informal sector (Department of Trade and Industry, 2014). This is currently being implemented through the NIBUS road map. It is important to note that the government expectation is that the informal economy *must* provide jobs, with intent similar to the OECD claim that the informal sector acts as a “shock absorber in times of economic crises” (OECD, 2009). The role that government then plays becomes very important as it assumes the role of a conduit for the establishment of all the necessary links between the informal and the informal economy (ILO, 2014). The LSK project was undertaken very much in the spirit of this understanding of the role of government.

Du Toit and Neves (2014) highlight the lack of research and the many research gaps in the study of the informal economy. The need to challenge and address these research gaps become relevant if we want to address economic development and influence policies to impact this sector (Palmade & Anayiotos, 2005). That said, the author agrees that the current state of the informal economy has as yet little to no influence on the economic development agenda in South Africa (Fourie, 2013).

#### **1.4 Research questions**

This study seeks to answer the following research questions:

- I. What is the adequacy of strategy employed by the Western Cape provincial government in identifying and selecting the informal traders to become Long Street Kiosk traders?
- II. To what extent are the traders being properly equipped by the programme with effective business skills for them to be more successful entrepreneurs in the formal economy?
- III. What is the impact of the strategy of the provincial government in terms of its financial and logistical support to sustain the Long Street Kiosk traders beyond the rent-free space for a one-year period?

#### **1.5 Research objectives**

This study seeks to critically examine the role played by the Western Cape provincial government in the local enterprise development project in Cape Town managed by the

DEDAT. This study attempts to investigate: if the right informal traders were selected for the project; if the project provides beneficiaries with enough market exposure to the formal economy; and if the objective of boosting their enterprise growth and size was achieved.

Specifically, this study seeks to:

- I. Examine the selection and identification mechanisms used by the DEDAT to recruit kiosk traders;
- II. Assess the informal traders with reference to exposure to business skills development and training within the one-year rent-free space;
- III. Investigate the logistical and financial support accessible beyond the one-year rent-free space.

## **1.6 Significance of the study**

1.6.1 This research contributes to the body of knowledge regarding the transition of the informal economy into an informal economy. As described above, the statistical evidence highlights why this knowledge is urgently needed and how the informal economy can contribute to economic development, job creation and poverty alleviation in SA.

1.6.2 This study highlights the role government can play in eradicating poverty and transforming the entrepreneurial and economic landscapes in South Africa. The LSK is an entrepreneurship project managed by a provincial government department within the department's business development support programme. As such, the LSK constitutes a critically important case study in government economic intervention.

1.6.3 As shown in Chapter 2 there is a lack of findings in the literature concerning the role of provincial or regional governments in supporting development in the informal economy, including in South Africa. This study addresses the gap as it examines the impact of the Western Cape provincial government on the development and transformation of part of the local informal economy.

1.6.4 This study seeks to contribute to knowledge in the economic development and entrepreneurship fields. The findings of this study will provide the three levels of government, policy and decision makers, businesses and NGOs with a deeper and thorough

understanding of the dynamics of developing the informal economy and its contribution to the economic development of SA.

1.6.5 This study informs and facilitates how incubators in the Western Cape may be set up and casts light on the processes required to support the transition from the informal to the formal sector.

1.6.6 Lastly, this study is important because the project created a rare nexus of government, academia and business for scoping, resourcing and delivering a unique LED project involving the informal economy. In the light of the questions communities and students have raised in recent years about higher education institutions' relevance and contributions to development in the changing South African landscape, this study also reveals the value added by one academic intervention in economic development.

## 1.7 Definition of key concepts

Several key concepts used in this research study have been widely discussed and interpreted elsewhere and therefore it is useful to clarify here how these terms have been employed in this dissertation:

**Formal Economy:** Refers to all economic activities operating within the official legal framework that are paying taxes on all generated incomes (Ojo, 2019). For the purpose of this research, the formal economy is represented in the transition into the Long Street kiosks.

**Informal Economy:** Refers to all legal but unofficial goods and labour markets where labour is hugely diverse and incomes are not declared and are not typically wage dependent (Ojo, 2019). The informal economy in this research is represented by the kiosk owners' businesses as they were previously operated in the township economy.

**Informal Sector:** Comprises informal businesses and self-employed individuals operating outside the protection of the law and/ or outside of the regulatory framework (ILO, 2014; Duncan et al., 2017: 5).

**Informal trader:** An entrepreneur operating outside of regulatory systems (Turkina and Thai, 2013; Duncan et al., 2017: 5). The informal trader in the research is the LSK kiosk owner.

**Entrepreneurship:** “Any attempts at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business” (GERA, 2012).

**Mentoring:** Is a process for the informal transmission of knowledge, social capital and psychosocial support, usually face-to-face over a sustained period of time, from a mentor perceived to have greater relevant knowledge and experience, to a mentee (Bozeman & Feeny, 2007; Duncan et al., 2017: 5).

**Kiosk:** A kiosk business is a (usually small) retail outlet that offers a variety of products or services to consumers. Kiosks may be temporary structures constructed of wood, roofing sheets and other repurposed material or a permanent brick & mortar structure (Sayedi & Abu-Abdissamad, 2016). In this research project, the kiosks referred to are always the Long Street kiosks of the LSK project.

**Business Incubator:** A business incubator is defined as “a facility established to nurture young (start-up) firms during their early months or years. It usually provides affordable space, shared offices and services, hands-on management training, marketing support and, often, access to some form of financing” (Collin, 2015). The National Business Incubation Association also defines a business incubator as a catalyst tool for either regional or national economic development (NBIA, 2007). For the purpose of this research and the research objectives, the concept of an incubator is used to answer the research questions posed. Although the LSK is not an incubator in the strictest definition of the concept, it is argued that incubation is a useful term of reference or organising concept to use in this study because, as shown in Chapter 2, many of the key aspects of business incubation are relevant to the conduct and delivery of the LSK project.

## **1.8 Overview of chapters**

This thesis is divided into six chapters:

Chapter One is the introduction of the study; it discusses the background, sets the research questions and objectives of the study as well as deals with the contextualising of the Long Street Kiosk project within the Western Cape Government Strategic framework, with an emphasis on DEDAT and the LSK project.

Chapter Two is the literature review of the study; it synthesises previous literature about the topic and identifies the research gaps.

Chapter Three, the theoretical framework of the study, discusses key theories related to the research questions and elaborates the conceptual framework of the study.

Chapter Four is the research methodology of the study. It discusses the research design, the sampling, data collection method, data analysis procedure and ethical considerations of the study.

Chapter Five describes and analyses the findings of the study.

Chapter Six is the concluding chapter of the study. It answers the research questions, shows the limitations of the study and provides perspectives for future research.

# **CHAPTER TWO: BRIEF REVIEW OF RELATED LITERATURE**

## **2.1. General overview**

In South Africa, incubators are considered as a contributing factor that can impact on economic growth and economic development (Mothibi 2014; Lose & Tengeh, 2016). Through the process of incubation, employment opportunities are created. This process of incubation also reduces poverty and inequalities in South Africa. Lose and Tengeh (2015) highlight that in developing countries, the spotlight on business incubation has increased because there is a recognition that incubation positively impacts on economic and social factors. Masutha and Rogerson (2014) and Dubihlela and Van Schalkwyk (2014) point out that incubation is a ‘strategic tool’ that assists small businesses in the start-up phase. Furthermore, they support the view by Lose and Tengeh (2015) that both developing and developed countries promote the idea of incubation and the role that incubation plays in reducing the high failure rate of businesses in the early start-up phase. In South Africa, the literature on incubation performance in terms of international standards is limited (Cullen, Calitz & Chandler, 2014). Ndabeni (2008) agrees that the process is very new in South Africa and it an area that requires on-going research. Many researchers have looked at the factors that contribute to success (Lose & Tengeh, 2015; Tengeh & Choto, 2015). Buys and Mbewana (2007) and Ndabeni (2008) identified 13 factors that can contribute to the success of incubation in South Africa. Three of these factors form the focus areas of this literature review.

## **2.2 Selection and identification mechanisms used to recruit participants**

Success factors for incubators and accelerators cover a great deal of literature around the selection process and the selection criteria used to identify the participants in such programmes. It is important to select and identify the right SMEs to successfully transition them from the informal to the formal economy.

### **2.2.1 Multiple dimensional aspects of selection criteria**

Effective selection criteria should be multi-dimensional and include online applications, and interviews by both internal and external parties. The selection process also has a focus on



diversity, management skills, technical skills, previous work experience and expertise (Lumpkin & Ireland, 1988; Wiggins & Gibson, 2003; Hackett & Dilts, 2004; Bergek & Norrman, 2008). Aerts, Matthyssens and Vandembemt (2007) noted that incubators that screen selection should always ensure that the indicators used are balanced. A set of balanced indicators contributes directly to the failure rate. Bizzotto (2003) suggests that the critical success factors for any incubator lie in the quality of the selection criteria. Therefore, the goal of any selection process should be to identify the business plan that has a greater chance to succeed. Being selective ensures quality. Cammarata (2003), highlighting why client selection is important for the success of the incubator or for the programme, argued that “the ultimate goal of a client selection process is to determine the existence of an appropriate match between the prospective client needs and the purpose of the incubator.” Similarly, Walker (2004) highlights how the selection process finds a suitable fit between the “mission” and the resources of the incubator or the programme.

Endeavor SA and First National Bank (FNB) highlight the need for selection criteria so that the correct entrepreneurs can be selected for the incubation programme (Endeavor SA/FNB, 2009). Dee, Gill, Lacher, Livesey and Minshall (2012) and Isabelle (2013) comment on the importance of predefined criteria for the selection of clients. In the case study of the Shanduka Black Umbrellas incubator, incubatees had to meet a number of strict criteria to ensure that a suitable fit was made (Mhlahlo, 2013).

## **2.3 Exposure to business skills development and training**

The informal sector’s contribution to a country’s economy cannot be overstated. According to the UNESCO Education For All Global Monitoring Report (2012:1), the informal sector concerns almost all of the economies of Sub-Saharan countries and, in most of these countries, the sector employs up to 90% of its economically active population. Despite its significance and economic impact, the examination of the informal economy from a skills acquisition and development perspective remains limited, with a few notable exceptions (Webb, Bruton, Tihanyi & Ireland, 2013).

### **2.3.1 Skills development for business incubators**

In the case of business incubators, a particular emphasis is placed on the acquisition of a diversified set of skills for novice entrepreneurs (i.e. entrepreneurs whose current businesses are their first businesses). This is due to the fact that certain entrepreneurial abilities can only

be learned through prior entrepreneurship engagement, which novice entrepreneurs usually lack (Fukugawa, 2013: 72). The issue of skills development in the informal economy is of huge importance in many countries. In India, several efforts have been made by the government sector to establish various organisations and schemes aiming at promoting entrepreneurship through training, skills development and enhancement, institutional and infrastructure support (Goel & Rishi, 2012: 51).

In Japan, business incubators play a core role in skills acquisition and development by novice entrepreneurs throughout the incubation period by providing them with various skills according to the characteristics of technology or the industry they are aiming to enter. These skills range from the general to the specific and include finance, bookkeeping, marketing and research & development (Fukugawa, 2013: 72).

In South Africa, the Skills Development Act, Skills Development Levies Act and the National Skills Development Strategy, HRD Strategy provide mechanisms and tools for the training and development of employees in a manner that supports the realisation of service excellence and employment equity. Improving the skills base and fostering positive entrepreneurial attitudes through the education system are critical (GERA, 2010: 62). The *Global Entrepreneurship Monitor* (GEM) recommends the expansion of interventions to address the skills gap, nationwide mentorship programmes and the strengthening and support entities that support entrepreneurship development.

An informal sector study conducted in seven African countries concludes that on-the-job training, self-training and traditional apprenticeships account for 95% of the training in the informal sector (Adams, 2008). Senegal has some 400 000 youth in apprenticeships compared with 7 000 in technical and vocational education and training (Adams, 2008). Monk, Sandefur and Teal (2007), using a household survey in Ghana, find that 80% of training is acquired through on-the-job training and traditional apprenticeships.

The University of the Western Cape (UWC), understanding the key role of entrepreneurship in the context of stimulating small business growth, wants to position itself strongly in this space. UWC understands the importance of this role in reducing unemployment and contributing to the informal economy growth (UWC, 2016). While entrepreneurship is considered to be an important mechanism for economic development through job creation, the GEM ranks South Africa in the bottom third of all efficiency-driven economies in terms

of perceived capabilities and entrepreneurial intentions (GERA, 2010: 15). In the 2010 GEM, 53% of South African experts surveyed cited education and training as key factors constraining entrepreneurship (GERA, 2010: 15).

### **2.3.2 Challenges faced by business traders**

Makgamatho (2014) examined the challenges faced by SMEs in the agriculture, manufacturing, information and communications technology (ICT) and tourism sectors in South Africa. She rates the five biggest challenges as follows:

- 1 Lack of skills: Most entrepreneurs lack the skills, mind-set and business acumen to run a business.
- 2 Lack of understanding of market requirements: This relates particularly to poor awareness of what the market needs, the associated opportunities and how to access them.
- 3 Profitability and sustainability: The majority of SMEs are barely 'making it'.
- 4 Ineffective support: Support is fragmented and uncoordinated and most beneficiaries do not have knowledge of programmes or how to access them.
- 5 Red tape: Excessive regulation or rigid conformity to formal rules that are considered redundant or bureaucratic and hinder or prevent action or decision-making.

According to the Western Cape Provincial Strategic Plan (Western Cape Government, 2014), SMEs face unique challenges which differentiate them from larger companies. The following areas, inter alia, were highlighted as recommendations made by the literature:

- Improving management skills is of critical importance to help the business improve, although other kinds of skill development are also required.
- Access to market opportunities to develop and expand businesses.

The closure rate of SMEs in South Africa, where currently the number of SMEs closing exceeds the number of SMEs being established (GERA, 2016, 2017), poses a challenge in efforts to address unemployment.

Informal business operators require mostly financial training, marketing support and easing of government regulations. There is a serious lack of evidence that entrepreneurship training is consistently achieving applied benefits like entrepreneurial competencies (Cho & Honorati, 2013; Martin, McNally & Kay, 2013; Rauch & Hulsink, 2015).

## **2.4 Logistical and financial support**

### **2.4.1 Resource allocation**

Recent studies offer insight into debates on the informal sector and what would be required to transition from the informal to the formal economy. In Vietnam, Nguyen, Verrynne and Steen (2014) examine Vietnamese firms over time to investigate why some firms formalised and why other remained informal. The results identify three drivers, of which one is the critical aspect of access to government financial support.

In Malaysia however, four elements are identified in relation to the business incubation process. Resource allocation, one of the four elements, refers to the resources that are available to assist the “quality” and “utilisation” (Hackett and Dilts, 2004). These resources are defined by Daft (1983) as all the assets controlled by the incubator that would enable the incubator to operate optimally. Hackett and Dilts (2004) also emphasise the importance of the quality of the resources made available to incubators to ensure continuity in the incubation process. Further studies indicate the importance of funding and the vital role of local universities in ensuring success (Bøllingtoft & Ulhoi, 2005; Carayannis & Von Zedtwitz, 2005; Becker & Gassmann, 2006; McAdam & McAdam; 2008).

In addition, the lack of access to funding in both developed and developing countries remains a major constraint in the drive to move the informal economy into the formal economy. This constraint has a major impact with regard to growth, access to resources, access to technology or to simple just survive (Levitsky, 1996). Lack of access to finance by the informal sector has led to lack of market access and market value which has resulted in financial services institutions being less skilled (and experienced) in servicing this sector (Hawtrey, 1996). With respect to the challenge that the financial services sector does not fully understand and cannot fully support the informal sector, Lattimore, Madge, Martin and Mills (1998) confirm that banks generally have difficulty in supporting this sector because its borrowing is often small and too frequent and this kind of lending does not appeal to the mainstream financial institutions. Lack of information like financial records, insufficient or no collateral, weak

business plans, no records of performance, no credit records or history of formal borrowing and lack of formal or legal status contribute to the difficulty that banks face in providing access to funding at an acceptable risk level.

Halls (2002) presents evidence from the Asia-Pacific Economic Cooperation (APEC) economies. This literature suggests that the proportion of bank loans given to small business has declined in the last decade from 39% in 1994 to 19% in 2000 in Australia, and from 40% in 1993 to 27% in 1999 in Chinese Taipei. A lesser but very similar downward trend is evident in Canada, Indonesia, Japan and Korea. Halls (2002) suggests that the decline may be caused by banks having to tighten their lending to small business either because of regulatory changes and requirements or because banks have a perception that this kind of lending is less attractive. Halls' (2002) study reports trends in the APEC economies towards policies that discriminate against lending to small businesses. Tax rates in the APEC economies between 1994 and 2001 also increased from 18% to 60% which influence the decline in financial support for start-ups.

Within the South African context, there are similar challenges linked to access to finance. The obstacles pertaining to red tape make obtaining finance an on-going challenge. The government has made various funds available and created a dedicated ministry in 2014 to address the challenges to small business development and entrepreneurship.

#### **2.4.2 Lack of policies to support the informal economy**

Halls (2002) highlights the importance of policies to support this sector and suggests that policy should have three main objectives:

- 1 “Genuine competition between the various strata of the financial sector, from banks to non-financial intermediaries to foreign banks.
- 2 The removal of artificial disadvantages to small business financing such as lack of advocacy, extending the function of the ombudsman, the re-evaluation of the access to credit criteria.
- 3 Actively nurturing the growth of an open capital market for small business products”.

Added to this, the Pacific Economic Cooperation Council strongly recommends that bank staff be trained to better help and support this sector. A better understanding of this sector will ensure that better support can be achieved (Halls, 2002).

## **2.5 Summary of the reviewed literature**

The specific concept of kiosk traders is unknown in the reviewed literature and the review has generally shown limitations in regard to trading projects of this type. There is a lack of information on the South African context and very little research has been discovered on partnerships across the triple helix (i.e. academia, industry and government sectors). Consequently, this study was forced to use the concept of incubation to facilitate the research questions.

The reviewed literature indicates the valuable contribution that this sector makes to the economy. The sector creates jobs, contributes to GDP and is a platform from which to transition informal business into formal business. It is evident from the above review of the literature that the informal sector needs to be facilitated and developed to achieve these contributions optimally.

### **2.5.1 Selection and identification mechanism used by the DEDAT to recruit kiosk traders**

There is a need for a clear strategic vision on the appropriate process of selection of beneficiaries for business incubation and how informal businesses should be supported and developed to unlock the economic potential of this sector. The literature on the South African context suggests that it is important to recognise the challenges of diversity and the impact of social, political and economical realities. Spatial challenges cannot be overlooked as the transition from the informal to formal economy is also about physical space.

The literature review suggests that there is a need for multiple, pre-defined selection criteria to be employed to recruit the participants. A suitable fit which is linked alignment to the business plan and the strategic objectives of the project must be obtained.

### **2.5.2 Exposure to business skills development and training**

Broad resources are required and the training and development provided should be holistic. The literature shows that training and development should be extended to service providers as well.

The literature suggests various mechanisms are employed in different countries to ensure that entrepreneurship is promoted through training and development. Skills range from general to very specific and incubator-specific training and development.

The literature shows there is a huge focus in Africa on vocational training and apprenticeship, with on-the-job training being a common term that is mentioned. The GEM reports highlight education and training as a key constraint to entrepreneurship development in South Africa. In South Africa, skills development also contributes to dealing with the quality of work and employment equity challenges.

The literature illustrates that the lack of skills is linked to a lack of business acumen, a lack of understanding of what the market requirements are and ineffective support, which contribute to sustainability and profitability challenges.

### **2.5.3 Logistical and financial support**

The literature reveals a few critical aspects which contribute directly to the transition from an informal to a formal economy, one of which is access to government financial support. The study in Malaysia speaks directly to the aspect of resource allocation. The quality of the resources is another important criterion that the literature reveals.

The constraints of access to funding in developing countries become a huge factor in formalising the informal economy. The financial and logistical constraints of this sector impact on the quality and the growth of the informal economy. Without the addition of logistical and financial support, the growth and development of this sector will be inhibited. Training and development are required not only for the informal traders but also for the ecosystem involved in supporting this sector. Policy, and the lack of it in this economy, is part of the ecosystem that is inhibiting development.

## **2.6 Gaps identified**

1. The above reviewed literature clearly shows gaps for further research on the topic within South Africa.
2. There is no policy in the Western Cape that describes the processes of transitioning the informal economy to the formal. This study is a unique opportunity to contribute to

policy development and recommendations for selection, training and development of entrepreneurs by government entities.

3. In terms of the selection criteria, the literature shows the critical importance of the process used to evaluate potential capabilities to attain success. Selection criteria should also be linked to acceptance criteria. Furthermore, questions pertaining to the pool of applicants from which beneficiaries are selected also need to be considered. How do we broaden the base to find a broader selection? Who makes up the selection committee between the business and the entrepreneur, who is evaluated? These questions were not answered in the above literature review and thus constitute gaps in the knowledge of selection criteria.
4. The reviewed literature lacked substance on the role of transformation and its contribution to diversity.
5. The literature failed to address the critical issues of developing and testing suitable models for incubators in South Africa and proposing entrepreneurial training models for such incubation.
6. The literature reveals very little research elaborating on the issue of the efficacy of training output and how this can be measured. What model qualities should be strived for in the light of so many current training activities being ineffective?
7. The research reveals gaps with reference to the suitability of training which speaks to specific outcomes within specific contexts.
8. Access to finance and the challenges to access are unclear. If government funding is available, how does the informal sector access this funding and is this methodology suitable? No clear evidence was found with reference to this and relevant policies within the government structures were not easily accessible.
9. There is a lack of research in areas pertaining to the impact of service institutions, particularly with regard to financial support for this sector.
10. The 2014 GEM report recommends “state-supported funding for the micro and informal sector” (GERA, 2014). More research is needed on the suitability criteria of future beneficiaries, specifically the need to consider innovative ways of assessing applicants’



financial readiness or creditworthiness (credit checks) for taking on grants or loans and the risks involved.

# **CHAPTER THREE: THEORETICAL FRAMEWORK AND CONCEPTUAL DESIGN**

Abend (2008) describes the theoretical framework as “the structure that can hold or support a theory of a research study”. The theoretical framework introduces and describes the theory that underpinned and determined how the research problem was studied.

For this study, three theories were explored as the possible basis of a theoretical framework: the Capability Approach, the Sustainable Livelihood Approach and the Structural Poverty Theory. Each of these theories is explained below and then compared. The chapter concludes with the justification for the selected theory that was used for the study.

## **3.1 The Capability Approach**

The Capability Approach (CA) was developed by Amartya Sen in the 1980s. Sen’s CA is a moral framework, which proposes that social arrangements should be primarily evaluated according to the extent of freedom people have to promote or achieve functionings they value.

The CA involves “concentration on freedoms to achieve in general and the capabilities to function in particular” (Sen 1995). Sen’s view of the CA serves as an alternative way of thinking about socio-economic evaluation. It opposes solely evaluating human well-being on the basis of income and expenditure or utility (Gasper, 2007) and rather prefers evaluating what people can do or be with the opportunities at their disposal in line with their conception of “a good life” (Sen, 1985b).

Such agency has an element of choice to it. Agency is only activated once the individual decides to act on his/her capability set (opportunity set of achievable functionings available to them), which in turn is influenced by an individual’s social context, institutional systems available to them, different conversion factors among many other influences (Conradie, 2013).

Building on the grounds that one needs both the freedom of choice and the opportunity to pursue the valued functionings (the standards of living conditions attained), agency or choice can be seen as the driver for this pursuit of a comfortable living condition (Sen, 1985a).

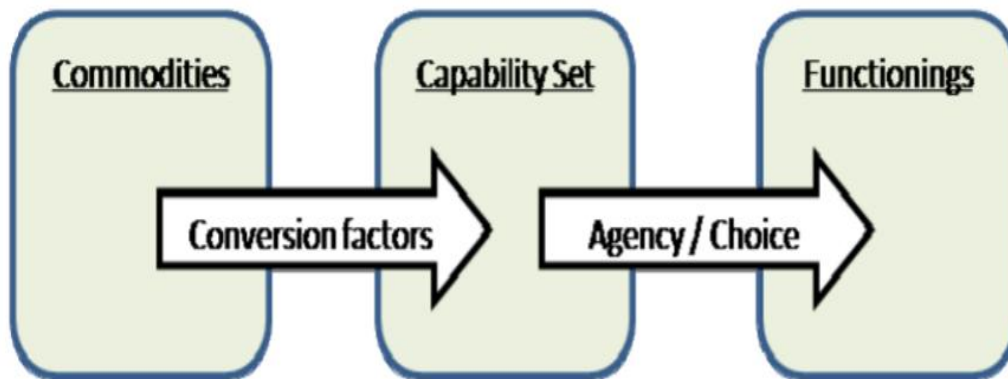
Agency is therefore having the freedom or autonomy to make your own choices and to behave in line with the choices made.

Although it is submitted that agency is integrally related to self-autonomy and being involved in the activities that touch an individual's life (Drydyk, 2008; Alkire & Deneulin, 2009), agency also relates to actions taken in the pursuit of one's goals. Agency relates to the pursuit of goals and could be associated with the goals of an individual or a group. Agency is also manifested through a freedom component. While autonomy and goal pursuit are important parts of agency, having the freedom to change components of one's life and the ability to act on the things one values are other essential parts of agency (Ibrahim & Alkire, 2007; Alkire & Deneulin, 2009).

The CA stresses that focus should be on people's functionings and whether they have the capability to explore potential (Robeyns, 2003b, 2005; Qizilbash, 2011). While income is crucial for human development, Sen argues that assessing the quality of life must take into consideration that people are different and that they differ "...in their capacity to convert income and commodities into valuable achievements" (Clark, 2005a). Therefore it becomes important to consider how well people are able to function with the goods and services at their disposal (Clark, 2005a). The CA is a flexible framework and as such, it allows the researcher to develop and apply it in various ways and disciplines (Clark, 2005b). In this regard, the capability approach has allowed researchers to broaden the informational base for evaluation refocusing attention on the people, both as ends and means of development and, by so doing, allows the focus to be shifted to the importance of making people and their well-being essential to any development endeavour (Clark, 2005a; Conradie, 2013).

Furthermore, the approach allows researchers to recognise the diversity of human nature, acknowledging that different societies, cultures and people will have different aspirations and different values which will impact differently on their ability to transform goods and commodities into valuable functionings and capabilities (Clark, 2005a).

**Figure 1: The Capability Approach theory**



Source: Robeyns, 2003a: 12.

The figure above describes the three main pillars of the CA, namely commodities, capability set and functionings, which are briefly explained below.

**Capability Set and Commodities:** It is important to understand that capabilities cannot exist without **commodities** and cannot function without conversion factors. There is an interchangeable relationship between **commodities** and capabilities. The capability set also speaks to the capabilities of the individual from a self-actualisation perspective. Capabilities will also include confidence, resilience, opportunity-driven and other competencies related to the self.

**Functionings:** This aspect of the above model refers to the achievement; a function is related to the living conditions which are achieved from the freedom of choice.

Sen argues that because people's choices and lives are shaped and impacted by their contextual and personal environments how these social environments influence their ability to function must be taken into consideration (Stewart, 2005; Conradie, 2013). Due to the diversity of people's abilities to transform goods into valuable functionings (conversion factors), the CA considers that people should be equal in terms of their freedom to achieve their valued lives. Development initiatives should, therefore, be focused on assessing whether people have equal access to the means needed to achieve the lives which they desire (Gasper, 2007).

### **Critique/ Limitations**

One of the main criticisms levelled against the CA revolves around operationalisation. Babic, Graf and Castro (2010) note that a consensus has not been reached on how to identify the relevant functionings/ capabilities in a given context and on which functionings/ capabilities are most important for measurement. This lack of consensus exists even between Sen and Martha Nussbaum, the two leading authors on the approach.

Similarly, Sugden (1993:1953) questions the operationalisation of Sen's framework, arguing that:

Given the rich array of functionings that Sen takes to be relevant, given the extent of disagreement among reasonable people about the nature of the good life, and given the unresolved problem of how to value sets, it is natural to ask how far Sen's framework is operational.

This view might represent a misunderstanding of the debate around the operationalisation of the CA. It is exactly the versatility of the approach, however, that allows the researcher to determine and select which functionings are useful to the purpose of the study (Clark, 2005b).

Another line of critique against the approach has been towards its individuality. Some authors argued that the approach deals with the measurement and assessment of the functionings and capabilities of individuals (Robeyns, 2000), while others have called for the approach to pay more attention to social influences as human beings are embedded in relationships consisting of family, social, cultural and political groups, who inextricably influence our choices (Stewart, 2005). However, Conradie (2013) points out that it is exactly the individuality of the approach that allows for the 'emergence of the rich human being' which makes the CA a suitable theory to use in studies involving human beings' overall well-being and capabilities.

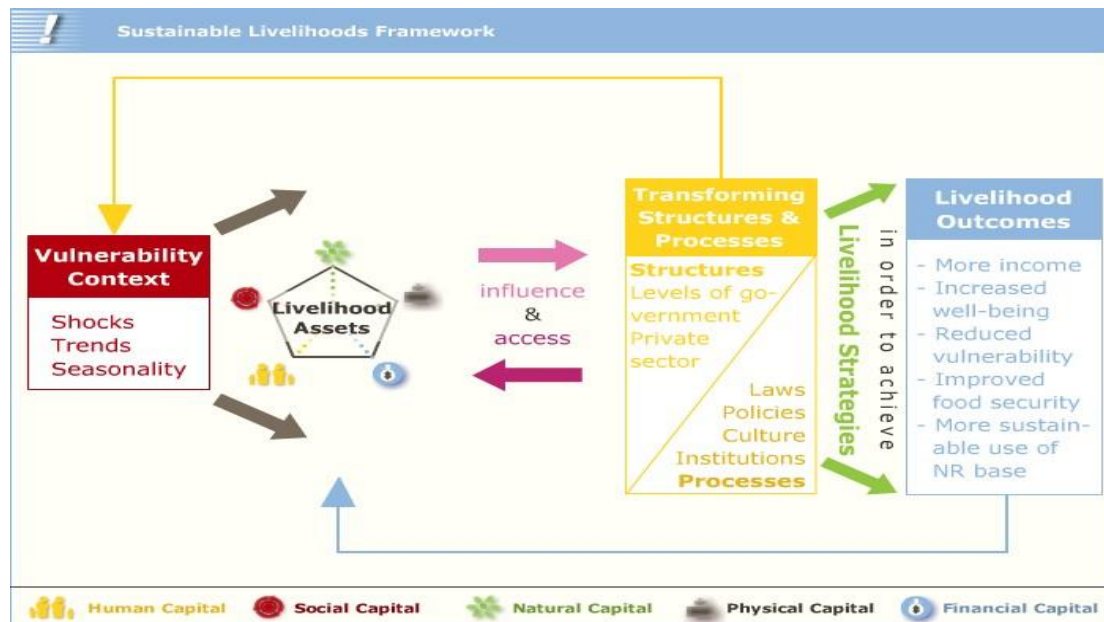
### **3.2 The Sustainable Livelihood Approach**

The idea of the SLA emerged during the Brundtland Commission on Environment and Development as a method of connecting socio-economic and ecological reflections in a cohesive, policy-relevant organisation (Morse, McNamara & Acholo, 2009). The primary focus of the SLA was on rural areas, especially to empower rural farmers who lack the skills to build assets.

The definition of the SLA is based on the factors which poor people can build on to achieve a livelihood outcome. These factors include important assets such as food stocks, store value

and cash saving. These are tangible assets and resources (e.g. land, water, trees, livestock, etc.) as well as intangible assets such as claims (demands and appeals) which can be made for material and moral support.

**Figure 2: Sustainable Livelihoods Framework**



Source: Department for International Development (DFID, 1999).

This stresses the importance of asset building and how communities shape their future. Social capital, financial capital, physical capital, human capital and natural capital can play important roles in building a sustainable future for poor people. These capitals can be destroyed by shocks and disasters (e.g. physical infrastructure can be destroyed by floods and earthquakes). Therefore, the SLA advocates for a people-centred approach where people shape their destiny.

The Sustainable Livelihood Approach (SLA) proposes a logical and coherent framework for poverty reduction. According to Chambers and Conway (1992: 296) the SLA:

Encompasses the capabilities, assets, including both material and social resources, and activities required for means of living; a livelihood is sustainable which can cope with and recover from stress and shocks, maintain or enhance its capabilities and assets, and provide sustainable livelihood opportunities for the next generation; and which contributes net benefits to other livelihoods at the local and global levels and in the short and long term (Chambers & Conway, 1992: 296).

Additionally, Morse et al. (2009) define the SLA as a process of capacity building by enhancing the capabilities and assets of the poor to avoid shocks and stresses.

The SLA is centred on three observations. Firstly, it acknowledges economic growth as essential means to fight against poverty, but it does not necessarily mean economic growth will reduce poverty since it also depends on the capabilities of the poor. Therefore, any intervention that seeks to better the lives of the poor must be done through empowering and building people's capabilities so they can build their assets.

Secondly, the SLA argues that the poor have realised that poverty is not only due to having low income, but there are also other dimensions that determine poverty such as illiteracy, bad health and lack social services. The persistent of these problems is likely to perpetuate poverty and create a sense of vulnerability.

Thirdly, the SLA notes the role of poor people; their voice has to be heard and they should be the core of policy design and the projects that are intended to improve their lives (Morse & McNamara, 2013).

### **Critique/ Limitations**

The strengths of the approach are that it aims to reflect the complex range of assets and activities on which people depend for their livelihoods and recognises the importance to poor people of assets which they do not own. By drawing attention to the multiplicity of assets that people make use of when constructing their livelihoods, the SLA produces a more holistic view on what resources, or combination of resources, are important to the poor, including not only physical and natural resources but also their social and human capital (Krantz, 2001).

Another feature of the SLA is that it facilitates and encourages multi-sector working. The approach also facilitates an understanding of the underlying causes of poverty by focusing on the variety of factors at different levels that directly or indirectly determine or constrain poor people's access to resources/ assets of different kinds, and thus their livelihoods. Finally, it provides a more realistic framework for assessing the direct and indirect effects on people's living conditions than, for example, one-dimensional productivity or income criteria (Krantz, 2001).

There are also some weaknesses. The SLA does not provide a true platform to really deal with the issue of how to identify the poor that need assistance. Also, the way resources and other livelihood opportunities are distributed locally are often influenced by informal structures of social dominance and power within the communities themselves.

Concerns which have been expressed about the approach are that it is stronger on micro detail than on how these concerns may be linked to macro policy, that it does not address issues of politics and of power and authority, and that it has been stronger in developing the analytical framework than in showing how it may add operational value, especially to overall policy.

### **3.3 The Structural Poverty Theory**

The structural poverty theory blames poverty on circumstances and structures in the social or economic systems such as racism, sexism and segregation limits rather than on the individual.

Therefore, poverty is viewed as a structural phenomenon, caused by the deprivation of training and job opportunities that are sufficient to maintain acceptable standards of living or quality of life (Maril, 1988; Cobb, 1992: 1; Duncan 1992: 104). In this view, people are in poverty because they find themselves trapped in an economic system that delivers them inadequate income.

Albrecht and Albrecht. (2000: 67) contribute to these theories by pointing out that massive restructuring of the economy also contributes to increased economic and social marginalisation of entire groups of people. Such structural theories absolve the poor from blame for their condition. To an extent, this approach also robs the poor of agency. Poverty is therefore blamed not on the individual but on structural failures, which include sexism, racism and bad governance, the wretched state of infrastructural development, poor development policies and even geographical placement or physical location.

Poor people do not necessarily remain trapped forever. One year they are in a low-income trap, but the next year they may escape having found a job or got a promotion (Warren, Roberts, Breunig & Alvarez, 2014). But the poverty trap that they were in doesn't go away. Others will inevitably find themselves in that trap because it is a persistent defect in the economic structure. It follows from this that impoverished people are not the same people every year. It also follows in this view that the only way to reduce poverty is to alter the economic structure to reduce the number of poverty traps in it.



**Table 1: Summary of theoretical approaches reviewed**

	Key variables	Measurable indicator	Claimed causality or Association	Weaknesses
<b>Capabilities Approach</b>	1. Commodities 2. Capability Set 3. Functionings 4. Agency	Monetary measures and non-monetary measures of well-being Human development index Gender-related development index Gender empowerment measure Gender inequality index Human Poverty Index	The capability for employment may require more years of education in a richer society.	Lack of consensus on operationalisation. Misunderstanding of the debate around the operationalisation of Sen's framework. Individuality. Poor value for money.
<b>Sustainable Livelihood Approach</b>	1. Poverty eradication 2. Tangible assets and resources 3. Intangible assets	Economic growth may be essential for poverty reduction illiteracy, bad health, and lack social services. Vulnerability and social exclusion. The ability to avoid or more usually to withstand and recover from stresses and shocks.	Various factors and processes which either constrain or enhance poor people's ability to make a living in an economically, ecologically and socially sustainable manner.	SLA does not provide a true platform on how to identify the poor. SLA does not address issues of politics and of power and authority. SLA is stronger on micro detail and in developing the analytical framework than in showing how it may add operational value, especially to the overall policy.
<b>Structural Theory of Poverty</b>	1. Racism 2. Sexism 3. Segregation limits	Poverty is caused by deprivation of training and job opportunities sufficient to maintain acceptable standards of living or quality of life.	Issues of governance and poor development policies are indeed relevant to the current scenario of poverty in Cape Town although they don't fully account for the present status quo.	The theory focuses mainly on behavior. Lack of coherence among the varied accounts. The effects of structure vary across time and place.

### 3.4 Justification and conceptual design

Having reviewed the three approaches, the capability approach, primarily as Sen developed it, was chosen as a valid and suitable theory that best suited the objectives for this study, because the CA's underlying premises are in line with the foundational ideas of the research programme undertaken on commodities, capability set and functionings.

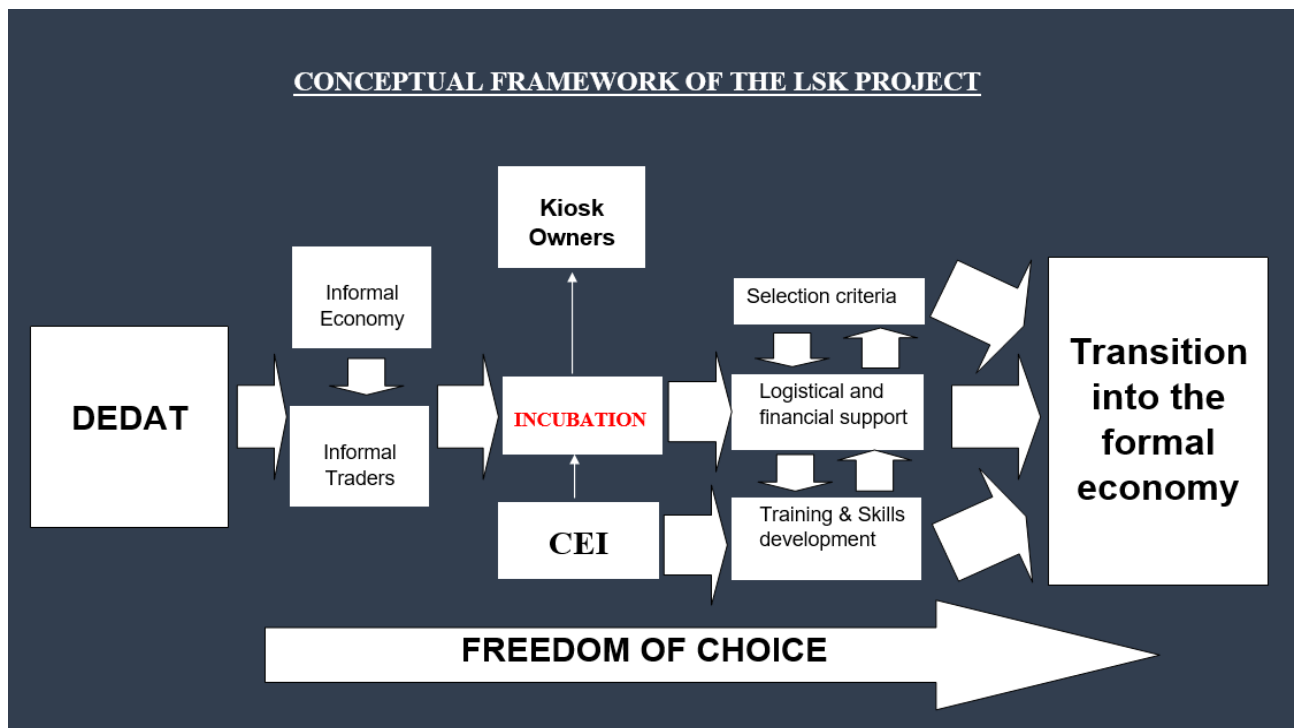
Another reason for using the approach is Sen's emphasis on agency as a central concept and also as a central normative concern. Making an attempt to realise one's aspirations must involve agency, or it will not succeed.

In this instance, the main pillars of the CA, graphically depicted in Figure 3 below, will be incorporated as follows:

- I. Commodities: this refers primarily to the kiosks provided to the LSK informal traders in the Cape Town CBD.

- II. Capability set: this refers to the traders' skill sets as informal traders, competencies as entrepreneurs and the traders' ability to access and mobilise the resource of a kiosk. The capability set also speaks to the capabilities of the individual from a self-actualisation perspective. Capabilities will also include confidence, resilience, opportunity-driven and other competencies related to the self. The research aims to unpack the uniqueness of this capability set in a South African context, especially within the informal trading space.
- III. Functionings: For the purpose of this study, functionings will make reference to the transition from the informal 'township' economy into the formal economy.
- IV. Agency: The capabilities enable the kiosk operator in this research project to function as an entrepreneur within a formal trading space. The informal trader has the freedom, the choice and the opportunity to pursue functionings within the kiosk (the commodity).

**Figure 3: Conceptual design of the study**



Source: Author, based on Robeyns (2003a: 12).

## **CHAPTER FOUR: RESEARCH METHODOLOGY**

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done. Research methodology involves the various steps that are adopted by a researcher in studying the research problem along with the logic behind them (Kothari, 2004: 8). The methodology section of a research paper answers two main questions: how was the data collected or generated and, how was it analysed?

As mentioned, the objectives of this study are to:

- I. Examine the selection and identification mechanisms used by the DEDAT to recruit kiosk traders;
- II. Assess the informal traders with reference to exposure to business skills development and training within the one-year rent-free space;
- III. Investigate the logistical and financial support accessible beyond the one-year rent-free space.

### **4.1 Research approach**

For the purpose of this study, the qualitative research approach was used. This study was conducted by means of two approaches, namely desktop research, followed by interviews and focus group sessions. According to Creswell, Hanson, Clark Plano and Morales (2007), there are five common types of qualitative approaches in qualitative research design: narrative research, case study research, grounded theory, phenomenology and ethnography research.

This research was conducted by means of a single case study of the Long Street Kiosk project, both as a unit of analysis and as a research method. The case study research method is defined by Yin (1984: 23) as “an empirical inquiry that investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used.” Although some authors consider the case study to be a research methodology on its own (Tellis, 1997; Creswell, 2007; Djemilou & Bayat, 2018), others such as Stake (2005: 438) view it as “a choice of what is to be studied”. O’Sullivan, Rassel and Berner (2008: 40),

Mavodza and Ngulube (2011: 17) and Djemilou and Bayat (2018) all state that a hallmark of a case study is the combination of several different sources of information. In this study, publicly available documents, institutional documents from the DEDAT, and interview and focus group transcripts were all used as data (primary and secondary).

## **4.2 Population and sampling technique**

Mouton (2002: 136) asserts that the key concept in sampling is representativeness. Unless the sample from which the researcher will generalise truthfully or faithfully represents the population from which it was drawn, there is no reason to believe that the population has the same properties as those of the sample. This study only deals with the first intake of 10 traders of 2016 and the 10 government officials who were involved in the launch of the project from 2015 to 2016. Thus, for the sake of this study, the population sample that was used is the 10 informal traders selected for the LSK project, as well as the 10 government officials from the DEDAT that formed a focus group.

In this study, the sampling technique that was used to identify the participants is convenience sampling, as only informal traders and government officials participating in the LSK project conformed to the criteria involved and the purpose for this study. Mouton (2002: 136) defines convenience sampling as a type of non-probability or non-random sampling method where members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time or the willingness to participate, are included for the purpose of the study.

### **4.2.1 Advantages of the convenience sampling technique**

Convenience sampling can be used by almost anyone and has been around for generations. One of the reasons that it is most often used is due to the numerous advantages it provides. Convenience sampling is extremely speedy: when time is of the essence, many researchers turn to convenience sampling for data collection, as they can swiftly gather data and begin their calculations (Wright, 2002). The method is easy: through this type of sampling, researchers can easily finish collecting data in a matter of hours, free from worrying about whether it is an accurate representation of the population (Given, 2008). Furthermore, data is readily available with this method. The data is readily available to be collected as researchers using this technique do not have to travel great distances to collect the data, but simply pull it from whatever environment is nearby (Johnson & Christensen, 2012; Palinkas, Horwitz,

Green, Wisdom, Duan & Hoagwood, 2013). In addition, convenience sampling is cost effective, causing it to be an attractive option for most researchers. This method allows for funds to be distributed to other aspects of the project (Teddlie & Yu, 2007).

#### **4.2.2 Disadvantages of the convenience sampling technique**

Even though convenience sampling can be easy to obtain, its disadvantages usually outweigh the advantages. This sampling technique may be more appropriate for one type of study and less for another. Also, the results of the convenience sampling cannot be generalised to the target population because of the potential bias of the sampling technique. The bias of the sample cannot be measured. Therefore, inferences based on convenience sampling should be made only about the sample itself.

### **4.3 Data collection**

For this project, the research setting is Long Street, in the Cape Town CBD in the Western Cape Province.

The data collection process unfolded as follows:

- 1 A focus group with 10 key government officials from the DEDAT was set up before the LSK project kicked off, designed to specifically look at the role of the DEDAT within the Western Cape Government and the operationalisation of the LSK project.
- 2 A semi-structured interview of each of the 10 informal traders involved in the LSK project, with open-ended questions. In each case, the informal trader was handed a questionnaire (see Appendix 3) on their involvement in the LSK project.
- 3 A one-on-one session ensued shortly after the interview was completed, in order to design the various informal trader profiles.
- 4 A focus group with all the 10 informal traders was also convened after the interview. This allowed the experiences of the informal traders in this project to provide in-depth and detailed qualitative data with rich descriptions to increase the validity and trustworthiness of the study.
- 5 Group mentoring sessions with the whole group of 10 informal traders (see Appendix 5).

- 6 A focus group session with the 10 key government officials from the DEDAT were convened after the LSK project was completed. These were aimed at discussing the selection process with regards to future expectations, the lessons learnt from the first intake and the sustainability and future focus-based questions within different levels of government (see Appendix 4).

In total, the data was collected through one set of interviews of the LSK traders, followed by one-on-one sessions with constructive feedback from the participants, then group mentoring sessions and a focus group session with all the LSK traders (see Appendix 5). Two focus group sessions with the 10 government officials from the DEDAT were also conducted. Secondary data was also used for this study, such as the available literature on informal trading development, the financial statements of the traders, and reports from the sponsor organisations. Records like the traders' financial records and secondary reports were also useful to corroborate the qualitative findings through data triangulation.

A content analysis of the DEDAT's institutional documents was also conducted. The institutional documents gave the researcher insight into the thinking within the DEDAT. Yin (1984: 80) points out that "the most important use of documents is to corroborate and augment evidence from other sources". The researcher made extensive use of the DEDAT's website to access annual reports, policies, legislation, press releases and various other documents that were deemed relevant to the study and that could reveal details about the DEDAT's role in the promotion of the informal economy.

# **CHAPTER FIVE: FINDINGS AND DISCUSSION**

## **5.1 General overview**

Data analysis was carried out after the interviews and the focus group sessions were transcribed. All the responses to the questions were categorised to identify themes as suggested by Hancock (1998). In order to ensure quality data, a triangulation of data collection methods was used.

The recorded interviews and focus groups were then analysed through thematic content analysis. From a process view, the researcher started with coding for reduction in data and the recognition and categorisation of the data. Once all the data was categorised per case, common themes across the case studies were aggregated, as multiple sub-cases allow for cross-case analysis. The interpretations of the data were shared with the study informants for their opinions and comments on trustworthiness.

The semi-structured interviews conducted allowed the researcher to put the focus on the trader's individual experiences, their backgrounds, business performance and challenges. The trader identities in this section were already in the public domain and the traders were comfortable with sharing them.

## **5.2 Principal findings and discussion**

### **5.2.1 Findings on focus group sessions with DEDAT officials**

The original intent for the LSK project was confirmed to be developmental, with provision for access to market, market traction and economic opportunity for traders. The DEDAT managed the project along the lines of an endowment. The DEDAT attempted taking informal township business to the formal economy and to support the traders' progression to an extent that they could meet the expense and complexity of formal trading arrangements.

The first intake procedure received a low number of applications. Communication with applicants was hampered in that emails as the preferred communication was a challenge. The subsequent option for text message communication had an equally poor response rate. The data raised a number of concerns with the performance of the project and the trader

challenges such as transport or staff not turning up. Many traders were not trading as well as expected and the DEDAT had not expected the low trading rate.

The DEDAT kept a register to track when kiosks were open or not. Two traders from the first intake were actually evicted for not trading regularly. The DEDAT received many enquiries during the first project period when those interested saw how regularly kiosks were closed. A WhatsApp group for the traders was used to report problems but this facility was not always well utilised.

Aside from determining the reasons why the project did not deliver as well as expected, the DEDAT was also concerned because government resources were being used in support of the project. The project's public profile was being negatively affected by challenges such as the frequency of kiosks remaining close during normal trading hours. Issues with regard to trader difficulty caught the DEDAT by surprise.

An emerging point of interest for the study and project development is whether an informal sector enterprise development project is possible in a bureaucratic administration-heavy environment. The following were important factors raised within the focus group:

- Not informal sector traders but formal township-based entrepreneurs who were not established were selected.
- The LSK project needed to be framed according to its own distinction, as the unique project was neither a business accelerator nor an enterprise incubator.
- DEDAT assumptions – the officials expected more from the traders.
- The DEDAT did not observe an understanding of entrepreneurship and accompanying behaviours within the traders, such as LSK traders being more competitive and innovative in finding solutions to the challenges. However, certain traders did achieve success without requiring more support from the DEDAT.
- The DEDAT observed a dependency mind-set in the traders.

The DEDAT is faced with project evaluation criteria that favour the financial performance of the traders, rather than enterprise and entrepreneurship development. Criteria of project evaluation required in reports were discussed as being disjointed with the reality of an LED perspective. In the project timeline, the expectation was for project performance based on



immediate success as it was conceived that with rent and service costs waived the traders were automatically guaranteed success. This assumption proved incorrect.

Project reporting criteria overly focused on quantifiable results such as sales and profits, which are disjointed with a project deemed developmental and largely experimental at the time. The resulting observation for the researcher became an issue of reporting requirements not providing space or opportunity to take the project realities as a developmental project on-board. The disjoint between the developmental nature of the project versus the reporting requirements was raised at our meetings. This was discussed and observed as a challenge to the DEDAT team as their reporting line demanded progress in aspects that took more time than expected.

Reporting criteria was felt to not adequately take into account the difficulties experienced by the project team in the day-to-day challenges they observed the traders having. Project challenges were listed when the DEDAT met the UWC-CEI in November 2016, including:

- Staffing issues when staff did not turn up to run the kiosks.
- Working capital constraints reduced the stock required to trade successfully.
- Interdepartmental cooperation was not sufficiently forthcoming in meeting the demands of the project. This resulted in delays where even small requirements such as signage and beneficiaries' shop fitting installations were affected.

### **5.2.2 Findings on selection criteria**

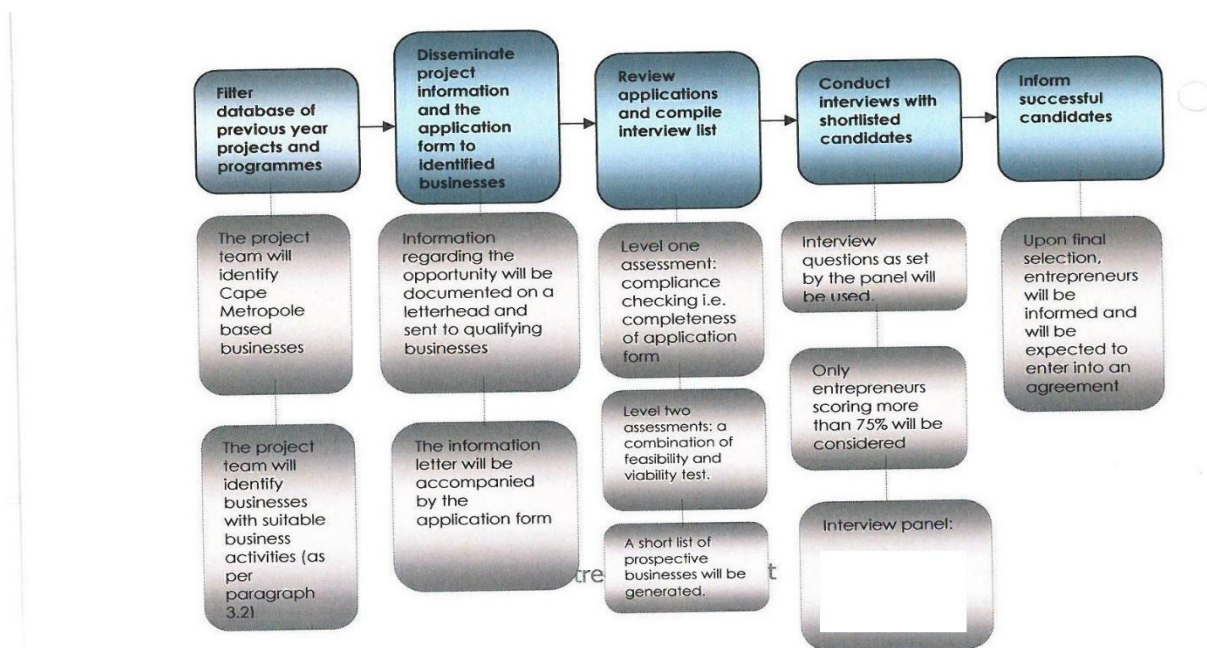
It is important to note that the findings in this section were not sourced from the informal traders, as they had no say in the selection process. These were exclusively sourced from the key DEDAT government officials. Three entities were involved in the selection criteria process: the DEDAT, Western Cape Clothing Textile Service Centre (CLOTEX) and the Cape Craft and Design Institute (CCDI).

The DEDAT used the following criteria to select eligible traders for the LSK project:

- Only businesses that had been formerly supported through a DEDAT programme. One such programme involved participants in an eight-week grassroots enterprise business training project supported by Business Bridge.
- Businesses trading for a minimum of 24 months, with proof of trading provided via management accounts and/ or signed annual financial statements.

- The business had to be operating within the Cape Metropole area.
- Only registered businesses with the CIPC and/ or SARS.
- A valid tax clearance certificate had to be supplied.
- Applicants had to be of a legal age to own a business.
- Business owners had to be employed full-time in the operations and management of the entity that applied.
- The applicant had to be a small or micro-enterprise as defined in the National Small Business Act and be compliant with all statutory requirements for that kind of business.

**Figure 4: Overview of this process as per the DEDAT Diagram**



Source: DEDAT LSK Business Plan 2016–17.

### 5.2.3 Discussion on selection criteria

The project targeted informal traders operating in the townships in the Cape Town metropole (See trader profiles in Appendix 2 and 6). Twenty-one applications were received and 10 were selected based on the above criteria. The vision was clearly spelled out to traders, which the department wanted to give township-based businesses an opportunity to trade in the CBD. The LSK project was a novel idea and was identified as a pilot project which is seen as a support mechanism for township-based businesses to transition into the formal economy.

Through the interview process with the traders, the suitability and fit were recurrent questions. A suitable fit is directly linked to the growth of the business in the kiosk. Many traders spoke about space size and space suitability for their products. While developing the trader profiles, it was evident that suitability and fit for purpose should have been part of the selection criteria. One of the 10 traders selected was selling leather goods and there was no shade available for his kiosk. His business was greatly affected due to his products being damaged by the elements. Another trader that was selected had a hairdressing business and she was unable to operate effectively due to the lack of running water in the kiosk. A trader remarked, “The space is very tiny and not very user-friendly for someone operating a food-related business”. Another trader selling artworks expressed the view that “spacing is restricted for bigger artworks; this limits the amount of product that I can have on hand”.

**Diversity of tenant mix** also needed to be taken into account in the selection criteria. Through the profile development and interview process, the data collected showed that two traders were selling similar products. The relevance of market viability with reference to tenant mix is another important factor that was highlighted. This was directly connected to sales, business growth and the transition into the formal economy.

**Transport costs** from townships to the CBD was another factor that many of the traders grappled with and felt was not adequately addressed by the DEDAT during the selection process or considered relevant by the DEDAT when devising its selection criteria. Geographical and spatial challenges within the Western Cape should have been taken into consideration to support transition from the informal economy in the township to the formal economy 30 kilometres away.

#### **5.2.4 Findings on business development and support**

The University of the Western Cape (UWC) Centre for Entrepreneurship and Innovation (UWC-CEI) entered into an agreement with the DEDAT to support the traders with business coaching, business training, business skills development and group mentorship interventions. The extent of the CEI’s offer included workshops, worksheets, individual action sessions, diagnostic assessments and workshop sessions. Due to the lack of budget, the CEI used existing programmes to support the traders. The aim of these training sessions was to facilitate their growth and development within their respective businesses.

Once selected and accepted into the programme, traders were trained on various topics and subjects for six months. The training included roundtable discussions, one-on-one discussions (coaching and mentoring sessions) and input from various professionals that successfully contributed to the rolling out of the LSK project. Informal traders received training in fields such as organisation and operations, human resource, finance, information technology, marketing and customer relations. Upon graduation, informal traders were provided with a certificate of completion and a business plan which included an operations methodology plan that would assist them with a ‘way forward’ strategy.

The table below summarises the findings on training and mentoring from the informal traders’ perspectives, based on the assessments conducted afterwards.

**Table 2: Kiosk beneficiaries’ responses**

<i>Discussion Topics</i>	<i>Findings</i>
Organisation & Operations	The majority of the kiosk beneficiaries understood what they would like to achieve in the medium and long term regarding their mission and vision. In terms of operations, six of the kiosk beneficiaries had no operations processes in place while four had some processes in place.
Human Resources	Eight of the kiosk beneficiaries had no human resource processes in place while two had some form of process in place.
Finance	All kiosk beneficiaries’ businesses were registered with the CIPC and the yearly turnover of the majority of the businesses was between 0 – R 50,000. All of the kiosk beneficiaries had no formal finance procedures but they had some form of processes in place regarding finance.
Information Technology	It was determined that only one kiosk beneficiary had the required elements in place for information technology, while the majority of the kiosk beneficiaries only used external and internal emails for communication and did not have any other elements in place.
Marketing	The majority of the kiosk beneficiaries knew who their target market was but, in terms of the marketing strategies, had none or only a few elements in place. Only two of the kiosk beneficiaries had a documented marketing plan.
Customer Relations	Based on the findings, eight of the kiosk beneficiaries had no documented customer relations process in place while two did. The majority of the kiosk beneficiaries keep in contact with their customers as some sort of after-delivery service.

Source: Duncan et al. (2017).

Training sessions that the informal traders received were assessed. Below is a tabular representation of the graphical feedback received from the traders’ assessments of the training.

**Table 3: Kiosk traders’ feedback from assessments**

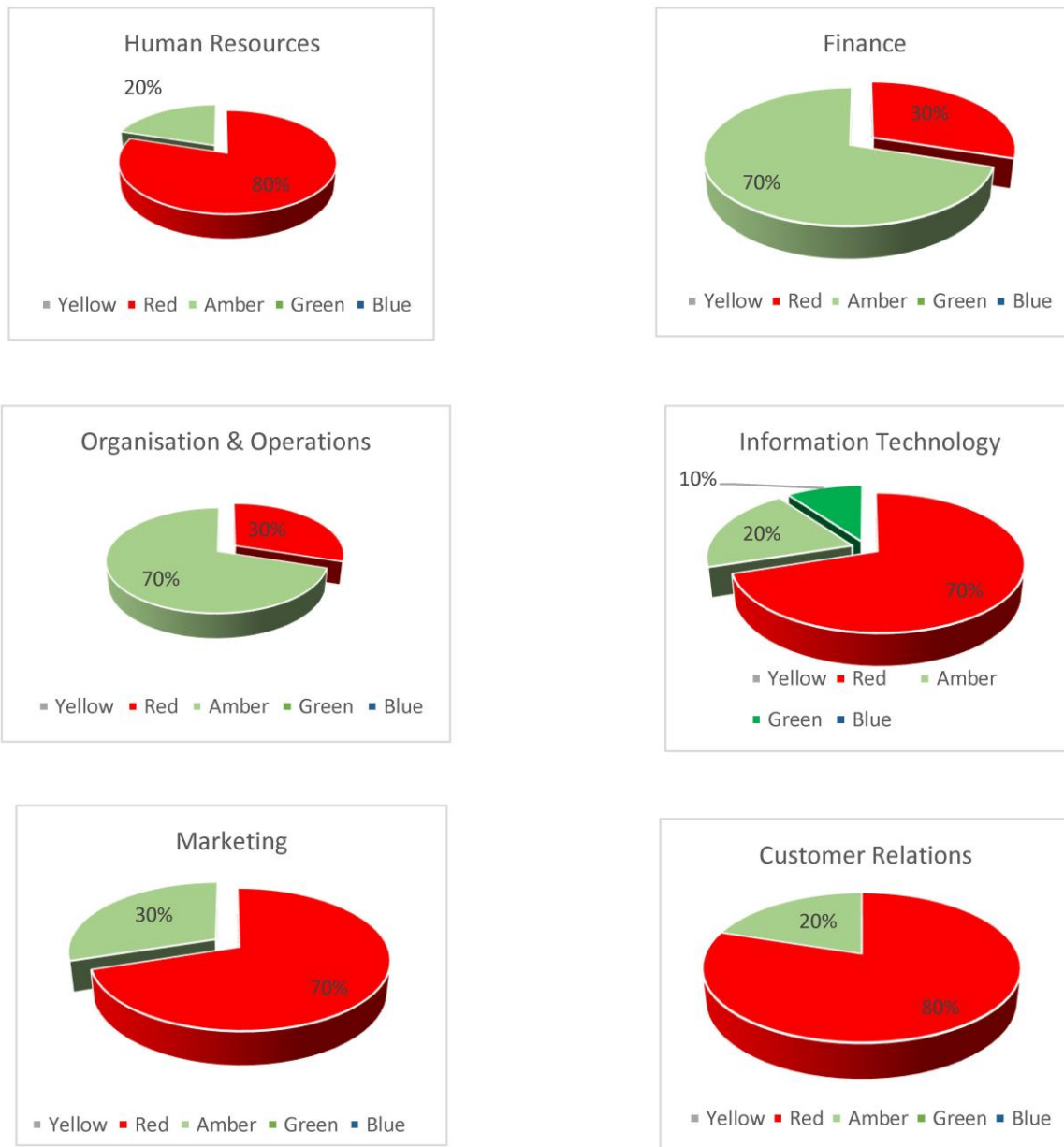
<i>Discussion Topics</i>	<i>Yellow (1) Weak</i>	<i>Red (2) Acceptable</i>	<i>Amber (3) Good</i>	<i>Green (4) Very Good</i>	<i>Blue (5) Excellent</i>	
Organisation & Operations		30%	70%			100%
Human		80%	20%			100%

Resources						
Finance		30%	70%			100%
Information Technology		70%	20%	10%		100%
Marketing		70%	30%			100%
Customer Relations		80%	20%			100%

Source: Duncan et al. (2017).

The pie charts in Figure 5 below illustrate the table data reflected above.

**Figure 5: Ratings of the traders' assessments**



Source: Duncan et al. (2017)

Some of the comments received in interviews with the traders added valuable insight into the issue of business development and support. A trader asserted: “When you give someone an opportunity, you have to provide the relevant resources for growth to take place”. Another trader added, “If this is an opportunity to emerge into a better economy, where is the training that will make me successful?”

The time set aside for group mentoring was another challenge. When do you mentor a business owner when he or she is expected to keep the kiosk open and functional? Below are comments pertaining to mentoring.

Trader 1: Mentor advised to “try to find faster ways of doing things” and provided advice on delegating: “sometimes some things you don’t have to do them yourself – try and get other people to do it for you”.

Trader 3: “What we learnt there is basically like before we would take money from the sales and pay for fuel out of our own pockets and drive around. And end of the month we ask, but where has the money gone? We have applied and as a result, when we go to the garage, we want the receipts.”

Trader 5: “So for me, it has given me something, it has made a difference”... “Better human resource skills in dealing with her staff and performs frequent stock control checks.”

Trader 6: “Finance training was very practical about our businesses – I implemented, and it helped me run the finances of the business. Before this, I was just taking money, fetching the money every day, but now I also do stocktaking. It helped me a lot, I don’t just take money and go, I know what was sold, where the money is coming from, and the profit.”

Trader 7: “The mentoring brings a lot of things I have not brought into consideration”. Bookkeeping and tracking expenses: “keeping record of everything – I was keeping record of sales, but some things I overlooked. [Helpful yes, as it is assisting him to do some things differently, like using a laptop, and] “Technology is very helpful with administrative duties”.

Trader 8: “A one-on-one mentor would even be great”.

This raises the expectation for more traditional mentoring. Mentoring is generally based on a one-on-one relationship model, whereas the kiosk project mentoring has ‘formal’ group mentoring taking place normally with shorter time frames and better structured, akin to coaching.

When considering the individual profiles, it may be more evident that each trader has specific developmental needs. Using the lens of management and entrepreneurship provides a different approach to understanding the traders’ needs. Prior to the training session, a

business diagnostics test was conducted by the UWC-CEI. The outcomes of the diagnostics test were as follows:

- All informal traders had their companies' compliance-related issues resolved.
- The majority of the informal traders knew exactly what they wanted to achieve in the long term; they set values by which they operated in principle.
- 60% of the informal traders were aware of their operations processes.
- In terms of marketing, 80% of the informal traders were aware of their target market, and 40% of them had a range of marketing strategies/ promotional materials in place while the other 60% just did the normal basic marketing (word-of-mouth and social media).

### **5.2.5 Discussion on business development and support**

It is important that entrepreneurship development is supported by training and development. Skills should be specific to the requirements of the incubator or the needs of the project. In this project, no budget was made available for training but the project management saw a need to find a relevant training partner and other relevant stakeholders were identified to support the programme.

The training session that focused on finance was very interactive, due to the fact that the informal traders had been struggling with budgeting, cash flow projections and income and expenses reports. Organisation and operations had the same levels of participation and questioning. For this reason, the UWC-CEI included a business plan and a strategic document as outcomes after the programme. Human resources may be a reconsidered in future training as it was a less interactive session since most traders did not have employees. Customer relations had the highest acceptance rating as indicated in the above graph and may be an area that needs much more attention.

Marketing, IT and customer relations were integrated into experiential learning with relevant sector role models. This was well received, extremely interactive and the reaction to the topics indicated that these three elements were valuable. It is noteworthy that in both the project design and the beneficiaries' expectations, neither DEDAT nor the traders seemed to think it necessary to conduct a marketing campaign to promote the kiosks. Both assumed that sufficient customers would find the kiosks. Thus the DEDAT placed information about the kiosks on the provincial government's website and media coverage was confined to a handful



of articles (See Appendix 7 for sample articles). It is important to note that IT is recognised even in the informal sector as a required skill to advance. The findings show that only one of the traders used advanced IT. Future training should include e-skills and basic technology training to advance the informal economy.

The UWC-CEI has a huge focus on entrepreneurship training. This includes that any learning should be implemented into a business almost immediately, which was very positively received by the informal traders. The approach that the UWC-CEI used to implement in this training was valuable because it employed various methodologies and created a toolkit with resources that would be beneficial to the traders even after their training. The approach to use the training period to enhance and develop business profiles which included strategy development was another much needed add-on for the informal traders.

The UWC CEI first attempted the training at the DEDAT's premises in Cape Town. However, attendance was very low. The venue was shifted to UWC and 90% attended the remaining sessions. The UWC CEI also had to allow for make-up sessions, which is another vital factor when training in this sector. The venue and the time of day and how the training is conducted from a language and cultural point of view were other important factors to be considered. The UWC CEI facilitators conducted their training sessions in all three languages used in the Western Cape. This programme emphasised the need for more entrepreneurship training programmes for this sector. This training also stressed that we need an ecosystem that can be supportive as a collective towards the informal sector. The research also highlighted that training occurs at various levels of the businesses and various levels within the ecosystem supported the businesses.

### **5.2.6 Findings on logistical and financial support**

The majority of the traders interviewed indicated that a lack of working capital or the limited capital available restricts and indeed reduces their operations and sales. Financial support has been the most sensitive issues with respect to the LSK project as evidenced by these comments from various traders:

Trader 1: "There is a lot of money that is put aside for small business people, but we don't know how to get this."

Trader 2: "I do not have enough money to buy the stock."

Trader 3: “The Department should have a better understanding of what it means to assist small businesses who regularly struggle with finances...When you give an opportunity to someone that you know is not necessarily equipped for it, you have to have resources in place to help them to grow.”

Trader 4: “To improve the business performance capital is needed...not a loan; there is a lot of money that is put aside for small business people but we don’t know how to get this. So help is needed to get this because government has allocated money for small business.”

[And spacing is an issue] “If I can have a bigger space, I know I can make money here in Cape Town.”

Trader 5: “I took stock from the Khayelitsha salon. I was taking it from the profit in Khayelitsha as I do not have that capital. I have still to take some [cash] from the business in Khayelitsha to pay her [kiosk sales assistant].”

Trader 6: “I had to get people and that comes with money and I was not prepared.”

Trader 7: “I had to think fast to create a product, cost less and I ended up spending around R200, which is super low [compared to normal costs]. I had to create such a product so that I can be able to open the kiosk.”

Trader 8: “I had limited product offering because of the money; the little stuff I did get was not doing badly. If I had more stock I would have made much more.”

Furthermore, the informal traders also lamented the lack of basic resources and the many logistical issues. The following comments were observed during the interviews:

One trader highlighted: “The lack of signage does not help to promote the traders”.

Another trader complained: “A leaking sink has been leaking for over a week. This has been reported but still no action. The sun is a problem for the products. Delays in getting things done are a concern, as everything takes forever.”

Another frustrated trader commented: “The lights could be switched on for safety at night. Security is not visible and reactive enough. The department may not be ready to fully assist traders. Everything takes time and we are running out of time...Heard that there is no budget for this project.”

One trader vehemently added: “Not having access to machinery is forcing hand production. In need of a production machine that costs around R150, 000. [Currently, the trader manually produces at the kiosk, working late nights and very long shifts. There were two assistants working, although one was fired for being unprofessional in the workplace.] Lighting issues have been a problem. Security is a concern and there are problems with theft and one trader was mugged and stabbed [suggests full-time security]. Administration and computers need proper space, and such spacing is not available at the kiosk.”

Finally, concerns over the duration of the rent-free space and the way forward were frequently raised by the informal traders:

“There needs to be a longer lease. I may gain customers and then I am making the kiosks work for another person. The people who will operate next will get the customers, whereas we were struggling. [thinks the next kiosk operators will get the benefit from this hard work] so for us it is unfair.”

[Staff training would be useful] “I don’t know if it will be asking too much from the department, but even our staff need to be trained. We provide an opportunity for the unemployed, but they don’t run the business the way it must, they come late and they take advantage because we are not here.”

The focus group discussions with DEDAT officials shed light on the financial and logistical support provided, within the budgetary limitations of the LSK project. The following findings were obtained:

Traders occupied the kiosks for twelve months because longer periods would have brought into force property laws that threatened to excessively delay the project launch. The traders did not pay any rent or service charges. A DEDAT official commented: “This progression for the LSK project we saw as forming part of the department’s approach for LED”.

Furthermore, some of the DEDAT officials believed that the traders were not trading efficiently in terms of trading hours, and some traders were pricing themselves out of business. For example, coffee prices well above the norm for Long Street.

### **5.2.7 Discussion on logistical and financial support**

The DEDAT is aware of the cash flow constraints that the traders face. However, the DEDAT does not have funds allocated for this type of assistance, and it would rather assist the traders in applying for external funding.

Consensus exists among DEDAT officials around the issue of lack of access to working capital, which in turn restricts kiosk performance. This is similar to the aforementioned case in Rwanda (see section 1.1), where securing on-going finance and finding incentives for the informal traders to assume the risks involved were undertaken. The issue of lack of access to finance in the SME sector is well known. The challenges reported by the traders emphasise the issue of whether the government and private SME funding are easily accessible to those most in need of business finance to fund growth. Red tape and access to finance within the ecosystem is another pertinent area. Sufficient knowledge and adequate training for the service providers who operate in this space are required. The support to and the understanding of this sector directly impact on the quality of the transition. This research showed that free rental, training and no service fees were not sufficient to create an enabling environment for this sector to flourish. The future selection criteria should include financial readiness and creditworthiness if we want to ensure that current financial resources can be accessed.

A policy with reference to this sector is lacking and should include ‘pooling’ government resources that can be accessed with a special focus on enhancing the informal economy.

Logistical support and the practicality of the kiosk and the potential market traction and economic opportunity should be taken into consideration. From the findings above security, lighting, shade, etc. play functional roles in transitioning in this economy. A project of this nature cannot be implemented without financial resources for logistics. The literature reveals that the quality of the resources will impact on the quality of the project. Lack of logistical resources would therefore directly hinder the growth and development of the transitioning informal sector.

The LSK project needs to identify how the logistical resources can be impacted positively by tapping into the ecosystems within the triple helix of academia, industry and government, as the DEDAT was able to do with the UWC-CEI in respect of training. This research underlines the equal importance of resources as an extension of finance.

### 5.3 Triangulation of the findings

The above findings extracted from the data collected shed light on a better understanding of the LSK traders' experiences in this pilot project. For further perspective, it is important to understand how the findings relate to or differ from the reviewed literature. This triangulation is important for the study because the research can offer insight and support in an on-going manner to the LSK project, which is in the process of inducting its fourth intake.

The selection criteria were prescribed by the DEDAT for the first intake of the LSK project and mainly focused on compliance issues, with one criterion focusing on participation in a DEDAT training programme. The literature broadly supports the findings with respect to having a selection criteria process for a project of this nature. However, the findings fail to cover all the requirements that effective selection criteria for a business incubator should address, as elaborated in the literature (Buys & Mbewana, 2007; Ndabeni, 2008; Lose & Tengeh, 2015; Tengeh & Choto, 2015).

Success factors of incubators and accelerators are dependent on the selection criteria. In selecting the right business to facilitate the transition from the informal economy into the formal economy, planners should consider the reviewed literature to facilitate the future planning of projects of this nature. Aerts et al. (2007) suggested that screening in client selection should use balanced indicators. The DEDAT's indicators were heavily focused on compliance only and therefore there was no balance in the indicators. Bizzotto (2003) makes reference to the quality of the indicators and how quality has a direct relationship to the success of the incubator.

The research findings support the view that suitability and tenant-mix was a negative experience for the traders. Cammarata (2003) speaks about an appropriate match between the client and the purpose of the incubator. Walker (2004) shares the value of a suitable fit, the suitability of products and the relevance of this in relation to the success of the project.

Furthermore, the findings suggest that the DEDAT's selection criteria process was one-dimensional. The reviewed literature, guided by Lumpkin and Ireland (1988), Wiggins and Gibson (2003), Hackett and Dilts (2004) and Bergek and Norrman (2008) criticise the one-dimensional approach as used in the LSK project. The authors contend that effective selection

criteria must be multi-dimensional and should include online applications and interviews by both internal and external parties, as stated in Chapter 2.

The findings in the study show that tenant-mix was not a consideration in the DEDAT selection criteria. One negative consequence of this was the fact that two informal traders selected in the LSK project were selling a similar product, making it challenging for both of them to sell and make a profit. As illustrated by Buys and Mbewana (2007), Ndabeni (2008), Lose and Tengeh (2015) and Tengeh and Choto (2015), the issue of tenant-mix must be prioritised within the selection process and the relevance of the correct tenant-mix for a business incubator should not be understated.

With respect to skills development and training, the findings reveal how the DEDAT recognised the importance of providing training and mentorship to the informal traders by partnering with UWC-CEI to facilitate this role. This result is in accordance with the reviewed literature such as Goel and Rishi (2012) and many others which underscore the importance of training and development within the informal economy.

The literature suggests that specific skills such as financial management are deemed invaluable for informal traders (Fukugawa, 2013). This is supported by the findings in this research which show how well received the finance training was by the participants. The workshop session assisted traders who had struggled with concepts like budgeting and cash flow projections in the past. The findings further show that the informal traders had no formal accounting and bookkeeping procedures within their businesses, but rather employed some rudimentary or makeshift processes to support the financial aspects of their businesses.

Moreover, Fukugawa (2013) mentions the lack of skills in technology and IT which often acts as a barrier for traders. The research findings support this as they revealed only one trader who was skilled in advanced IT and were able to use it in his business. The findings illustrate the need for more technology and IT training to be included in future programmes in the informal economy.

In addition, mentorship is considered paramount and was evidently expressed in the reviewed literature. The GEM (GERA, 2010) indicated that an intervention for training and skills development needs to be further supported by mentorship. The DEDAT attempted to support the kiosk traders by allowing the UWC-CEI to provide them with group mentorship. The

findings reveal that this method of mentorship may not be ideal to meet the individual needs of the traders. Some of the stumbling blocks that prevented the group mentorship from achieving greater success were venue availability, venue choice, training time, language, including makeup sessions (in cases where traders missed scheduled sessions), and a broader support system.

The DEDAT did not utilise the on-the-job-training concept that was discussed at length in the literature. In a household survey conducted by Monk, Sandefur and Teal (2007) in Ghana, the concept of on-the-job training was highly supported, for example. This may be a consideration that can be adapted by the DEDAT for future iterations of the LSK project.

The findings highlight the important role that the DEDAT played with respect to the LSK project by providing an avenue for informal traders to transition into the formal market. This clearly coincides with the literature such as Makgamatho (2014), who examined the many challenges that traders can experience when the market sector changes. This author argues that a lack of understanding of the market requirements will lead to failure to succeed in the new market.

The findings pertaining to the lack of financial and logistical support for this project are supported by the reviewed literature. A study in Vietnam by Nguyen et al. (2014) investigated Vietnamese firms over a period to find out why some firms transition into the formal economy while others remain in the informal economy. The literature confirms that a critical aspect that supports such transition is government financial support. The findings of this study reveal that the DEDAT was dealing with its own cash flow challenges and that no government funds were available for this project. The DEDAT could only facilitate access to finance with external funders in the ecosystem.

The findings of the study show that despite the DEDAT offering free rental space and not charging any service fees (for consumables), the participants lacked access to funding and experienced a lack of working capital which impacted on the kiosks' performance. Kiosk beneficiaries generally had difficulty taking full advantage of the kiosk opportunity with their limited access to capital. The majority experienced restricted operations and reduced sales as a consequence.

The study demonstrates that, despite the advantages conceded to the LSK traders, these are not sufficient for the project to flourish without additional funding support.

The literature shows that universities can play an important role within incubators from a resource perspective, as stated by Carayannis and Von Zedtwitz (2005). The LSK project included the UWC-CEI as a partner and as a stakeholder, which performed a capacity-building role for the traders.

The reviewed literature supported the choice of participants with higher levels of creditworthiness and readiness to apply for financial support to financial service providers. Selecting traders with the above requirements could further ease the burden of cash flow and access to finance challenges experienced by the traders.

Makgamatho (2014) examined the five biggest challenges faced by South African SMEs which included red tape and ineffective support. The research findings support the literature and reveal the frustration the traders experienced with red tape. Ineffectual support by government officials and poorly coordinated provision by the various government roleplayers contributed to the lack of red tape reduction in this project which impacted on kiosk performance.

Lattimore et al. (1998) concluded that insufficient collateral, insufficient business plans and lack of financial records all hinder the loan process. The findings of this research conclude that inadequate financial systems and processes are in place, this contributed to the design of the training programme and the mentorship intervention of the traders by UWC-CEI.

Halls (2002) raises concerns about adequate policies that can support and advance this sector. The findings show that no relevant policies are available to the DEDAT to support its development of the informal economy. Resources should be 'pooled' through policy development that can be supportive of the informal economy.

Resources and the quality of resources have a direct relationship with each other when we consider kiosk performance. Hackett and Dilts (2004) comment on "quality" and "utilisation" when they refer to resource allocation within incubators.

The research findings show how security, parking, weather, running water and street children all negatively impacted the kiosk performance. This is an indication that a project of this



nature cannot function optimally without financial resources for logistics. The lack of logistical support impacted on the quality and quality was linked to kiosk performance.

#### **5.4 Summary of discussion and implications**

This study suggests that South Africa has been focusing on both the creation and retention of jobs across all sectors and has not prioritised fostering the development of the informal economy, or its transition to the formal economy, despite sentiments in the NDP, the existence of a national department and various programmes. The GEM reports show that entrepreneurship development in South Africa is consistently constrained by the lack of emphasis on appropriate training and education. Among three critical factors that are required to support this development, Nguyen et al. (2014) identified one as access to government financial support. The effect of the lack of such funding was confirmed in the study as the DEDAT was unable to assist the kiosk traders with finance and limited working capital was a key barrier for many beneficiaries.

The study reveals that stakeholders in the LSK project are not equipped with all the skills required to understand the formal sector and the challenges of operating in this sector. For instance, red tape is a particular aspect that has not been well addressed along with the issue of easing of government regulations to facilitate growth in the informal economy.

It is evident that the lack of relevant and supportive policies that are implemented across the three tiers of government (i.e. national, provincial and local) is a major obstacle to the smooth transition of informal traders into the formal economy. The informal economy is growing and requires a progressive mind-set and a creative approach to policy, training, government regulations, red tape reduction and on-going support from the stakeholders in this ecosystem.

This study shows that the ecosystem to support the informal sector is not aligned to provide unfettered access to this pipeline of resources for holistic development. Among others, access to technology and the training in relevant technology are imperative for the informal sector to develop to the level of job creation envisaged in the NDP.

The current DEDAT approach to mentorship provides for group mentoring that coincides with the training, which lessens its effectiveness in providing individual one-on-one advice. In further developments, one-on-one mentoring may be best as a continued support measure to take into account the individual needs of the beneficiaries.

# CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS

## 6.1 Overview of the study

Township-based micro-enterprise development is important for LED, although few studies have been conducted on such projects as highlighted.

This study examined a township enterprise support project in Cape Town, managed by the Western Cape Provincial Government's Department of Economic Development and Tourism. In this study, the case example is a transitional informal enterprise support project wherein 10 informal traders were provided with an opportunity to occupy and trade from heavily subsidised provincial government-sponsored kiosks for a year in Long Street in the CBD in Cape Town.

The research into the LSK project is useful for gaining insights about the practical issues and challenges to assisting township entrepreneurs to transition into the formal economy. This research project will hopefully assist a better understanding of the government's efforts, role and challenges in creating economic opportunities for small-scale entrepreneurs.

## 6.2 Reflections on the study's theoretical paradigm

The Capabilities Approach has added value in this study because it is applicable across political, economic and cultural borders. This approach lends itself to making contrasts between success and failures. The approach can direct public and political attention to neglected dimensions of human well-being, with reference to the aspirations to succeed of entrepreneurs like the subjects of this research.

This approach further emphasises human well-being, as it has a basic human needs focus. The framework is "outcome orientated" (Nussbaum, 2006). The framework allows for looking at what the traders have as individuals, how the traders use the resources optimally and what the traders can do with these resources to achieve growth and development in their businesses.

In the focus groups, the DEDAT raised the concern that the traders were not capable of seeing this as an opportunity. The capability framework facilitated the study's suggested recommendations which highlighted necessary capabilities for this project to succeed going forward. Furthermore, this framework can contribute to policy development. This framework was valuable for the research objectives pertaining to selection criteria and training and development. Here, capabilities had a huge influence on the further recommendations for this project.

### **6.3 Reflections on the methodological approach**

The methodology in this study was most appropriate because it allowed the research to be in-depth and provided various sources from which to extract information. The methodology used was qualitative research, using diverse data collection instruments such as interview sessions, one-on-one sessions with constructive feedback from the participants, group mentoring and focus group sessions.

This approach allowed for the facilitation of meaningful conversations, both in focus group sessions and in one-on-one interventions. These conversations allowed the researcher to listen, observe and understand the challenges in great detail. This allowed for clear and concise communication which ultimately facilitated trust. The project is multi-dimensional with various stakeholders involved. This has enabled the methodology to be multi-layered and the quest for information was richer and fuller and definitely allowed for more reflection. This methodology allowed for a different narration to develop. Traders felt that the stories they shared were valued and understood. They also experienced the richness of research and felt that they had added something to this narrative.

Because the qualitative method is subjective and can lead to bias, it is therefore advisable to only use this method if the subject and the environment is one that the researcher can fully understand within the relevant ecosystem, which was the case in this research project. The around confirmation, contradiction and enrichment to the research data that this methodology allowed added significant value for the researcher.

Additionally, trust and communication were important for a research project of this nature as it involved some important government stakeholders and discussed some matters that are highly sensitive and confidential. However, this methodology was not cost-effective as it

required substantial logistical and financial resources as well as time to cater for the LSK project and all the data collection modes used for this research. For the purpose of supporting the broader project and the on-going relationship between the DEDAT and UWC, funding and resources were made available to develop the depth of this information.

#### **6.4 Recommendations**

1. For the selection criteria, the DEDAT should focus more on youth entrepreneurs who have unique product offerings. The consideration for unique businesses does not take away the need for ‘ordinary’ businesses such as coffee shops and fast food kiosks.
2. Applicants with better levels of creditworthiness and readiness to apply for financial support, as well as a commitment to mentorship, may be considered more viable.
3. For future intakes, the DEDAT should only consider applicants with a single business and not multiple business operations.
4. The DEDAT should ensure that its application process is strengthened, so as to attract a wider range of applicants who can provide the fit the DEDAT envisages for the project.
5. The application process needs to be aligned with the DEDAT’s original intention of providing opportunities for “low-level start-up businesses”.
6. DEDAT should resolve the question as to whether the project should operate more like a business accelerator or an enterprise incubator. Each option has a distinct set of operational requirements which dictates different selection criteria.
7. Different levels of business development require different emphases and there needs to be specific attention given to individual business needs. Moving forward, the DEDAT should consider customised business support and mentorship to the kiosk traders by employing strategic partnerships with key stakeholders.
8. Where mentoring is concerned, the DEDAT should ensure that a one-on-one model of mentorship is used that focuses on the traders’ individual needs.
9. The DEDAT must ensure that access to working capital is planned ahead of the next intake and provided as part of the project.

10. The DEDAT should set up an inter-departmental priority task team that will strengthen the strategic-level agreement between partnering entities.
11. DEDAT partnerships with SME finance support partners should be developed specifically for future project beneficiaries for the sake of simplifying application processes and reducing time when finance may be required.
12. Sustainability and logistical support from incubation necessitate a look at exit strategies with the on-going support for financial sustainability.
13. Re-evaluation of small business financing, lack of advocacy and lending criteria, among others, should be reviewed to impact more positively on the informal sector.

The above recommendations are in line with the 2014 GEM report recommendations for “state-supported funding for the micro and informal sector” (GERA, 2014).

## **6.5 Unique cases**

This research project noted some unique success stories in the informal economy that can inform future intakes of the LSK project. One of the LSK traders in this study developed an original product offering in the production of wooden crafted bags. This unique offering resulted in superior sales when compared to the other LSK traders. This is a potential high-growth entrepreneur considering that the entrepreneur achieved an average sales growth of *nearly 350%* when comparing the first three months’ sales to the last three months. A second kiosk owner who designs and sells her own clothing brand shows very strong potential. The interview with this trader revealed a very determined entrepreneur who shows great promise and determination to grow her brand.

Both these cases showcase youth entrepreneurship, new enterprises in the manufacturing industry and enterprise in the clothing and apparel sectors. All of these sectors are currently flagged by the national government for their strategic importance to economic growth and job creation. From a selection criteria process consideration, focusing on the above-mentioned sectors would be very relevant to economic growth in the Western Cape (Cape Town is historically the hub of SA’s textile and clothing industry) and South Africa as a whole.

## **6.6 General recommendations**

The project is unique in its nature and has no precedent in the Western Cape. For these reasons, there are practical recommendations for the DEDAT to consider:

- 1 The traders included in this study had genuine concerns around the 12-month rent-free period coming to its end and the way forward for their businesses. These concerns must be addressed at the outset with each intake. All exiting traders should be provided with continued support to enable them to exit without suffering business disruption and undue stress. Options for consideration should be continued one-on-one mentoring in assisting beneficiaries to strategise post-project.
- 2 The DEDAT should set up inter-departmental task teams as a priority to strengthen strategic-level agreements between entities for the cutting of red tape in line with the CoCT's review of its business support policy.
- 3 The conceptual framework and the link to entrepreneurship training and the concept of capabilities are areas that need further research as highlighted in this study.
- 4 This research also highlighted a need for suitable training for service providers and other important ecosystem stakeholders.

## **6.7 Postscript**

It is important to note that despite all the opportunities and all the capabilities given to the participants in the LSK project, the 10 informal traders from the first intake did not transition into the formal economy. The following factors were complicit in their failure:

- The inadequate selection criteria implemented by the project managers (DEDAT).
- Lack of logistical and financial support (capital, travel distance from the township to the CBD).
- Lack of basic resources to run their businesses (e.g. water, sanitation, security).
- Uncertainty around the future of their incubation period (what would happen to the traders after the 12-month rent-free period expired, particularly in terms of market access).

- Most crucially, the freedom of choice to transition was probably non-existent. The traders may have simply decided not to attempt to transition into the formal economy as it would have been more costly (and likely less profitable in at least the short term) for their businesses to duplicate the market access afforded them by the LSK project.

## **6.8 Limitations of the study**

This study is not intended to generate universal truths or generalise the findings. The research is specific to the LSK project. Time and budgetary constraints limited the current focus, scope and extent of this study. For example, the study had to exclude a comparative study of the businesses' performance before, during and after participation in the LSK project. This could have assisted the DEDAT to determine its holistic return on investment. The research was influenced by the information provided by the respondents and may consequently not be as objective as possible, given the qualitative nature of the project and the research.

## **6.9 Contribution to scientific knowledge**

6.9.1 This research created an opportunity for a university and governmental departments to work together. The research provided on-going reports to the DEDAT and other stakeholders involved which allowed the project to link policy developments to the research outcomes.

6.9.2 This study created an opportunity for the traders to tell their stories and therefore create trader profiles which were an interesting development tool for each trader when the training and development journey started (an example of a trader profile is attached as Appendix 6). The research is still being used in the LSK project due to the fact that the DEDAT was concluding the fourth intake of traders at the time of writing and UWC-CEI is still an active participant in the project.

6.9.3 This research highlights the relevance of an ecosystem that includes the triple helix. With reference to policymaking, this research has added value at all three levels of government with different dialogue groups. Community engagement in the informal sector is equally important. The research shows that we may need a different lens in the informal economy; entrepreneurship management and incubation are areas that will need further research.

6.9.4 The contribution to knowledge and the model (conceptual framework) that are evolving out of this research will be utilised when developing an incubator with a particular focus on the selection criteria. The research highlights the relevance and the importance of training and development and this knowledge presents an opportunity to further explore human capital development and the transfer climate.

## **6.10 Ethical considerations**

This project considered the following ethical concerns when embarking on the empirical study: informed consent and minimisation of harm (Davidson & Tolich, 1999; Bryman, 2004; Check & Schutt, 2012).

Participation in the study was entirely voluntary, without pressure and enticement. Permission was obtained from all participants. There was no reason not to be open about the information on the proposed study and participants were allowed to withdraw their participation and their data after the interview, change their responses or add information.

It was equally important that participants be informed of what would happen to the data gathered. Participants who engaged in the interviews were provided with an information sheet that fully informed them of the nature of the research and the process. Informed consent was also sought from the participants' employers.

The issue of minimising harm extends to providing anonymity and confidentiality regarding the participants' records. In the interviews, it was not possible to maintain anonymity due to the small sample size of the interviewees and the use of group focus sessions. However, pseudonyms were applied to interview participants and to allow the interviews to be transcribed in an objective manner.

The confidentiality of the information provided was maintained at all costs. No information was publicly released and no details have been removed from the transcripts and data. Participants were invited to ask questions and clarify any issues. The raw data remains locked in a cupboard and electronic files are password-protected. Voice recordings are kept on a separate drive from the transcripts. Access is restricted to the research supervisor and the author. Data will be kept secure from unauthorised access in an electronic format, for 10 years following the conclusion of the study and destroyed thereafter.



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## APPENDICES

Appendix 1: Layout and allocation of kiosks to traders

Appendix 2: Trader profiles

Appendix 3: LSK interview questionnaire

Appendix 4: Focus group memorandum for DEDAT officials

Appendix 5: LSK mentoring report

Appendix 6: Example of a trader profile

Appendix 7: Media coverage

APPENDIX 1: Layout and allocation of kiosks to traders

WALE STREET	<b>No: 1</b>	<b>No:2</b>	<b>No:3</b>	<b>No:4</b>	<b>No:5</b>	<b>No:6</b>	<b>No:7</b>	<b>No:8</b>	<b>No:9</b>	<b>No:10</b>	DORP STREET
	<b>Business Name:</b> Rea Nubea (Pty) Ltd  <b>Owner's name:</b> Nolitha Qhuma	<b>Business Name:</b> Bright Ideas Projects 2268  <b>Owner's name:</b> Millicent Tingwe	<b>Business Name:</b> Zandile Luzuko  <b>Owner's name:</b> Lavina Louw / Brian Vumazonke	<b>Business Name:</b> Ntontose Sport (Pty) Ltd  <b>Owner's name:</b> Sibongiseni Ntontose	<b>Business Name:</b> Coffee Expert (Ltd)  <b>Owner's name:</b> Wonga Expert (Ltd)	<b>Business Name:</b> Ncobo Enterprise  <b>Owner's name:</b> Noxolo Cecilia Ncobo	<b>Business Name:</b> Ghetto Art Gallery  <b>Owner's name:</b> Bongolwethu Flepu	<b>Business Name:</b> Vivie's salon Destiny  <b>Owner's name:</b> Funiwe Vivian Mayonga	<b>Business Name:</b> Panashe Designers SA  <b>Owner's name:</b> Sphiwe Alex Jele	<b>Business Name:</b> TSUC (Pty) Ltd  <b>Owner's name:</b> Simthembile Sylvester Soto	
LONG STREET											

## APPENDIX 2: Trader profiles

### **Kiosk no. 1**

**Business Name:** Rea Nubea (Pty) Ltd

**Owner's name:** Nolitha Qhum

**From:** Khayelitsha

**Products:** She designs and sells clothes, accessories and bags.

**Market:** Youth

### **Kiosk no. 2**

**Business Name:** Bright Ideas Projects 2268

**Owner's name:** Millicent Tingwe

**From:** Langa

**Products:** Sells clothes

**Market:** General

### **Kiosk no. 3**

**Business Name:** Zandile Luzuko

**Owner's name:** Lavina Louw / Brian Vumazonke

**From:** Gugulethu

**Products:** Sells handbags and goods made from recycled products

**Market:** General

### **Kiosk no. 4**

**Business Name:** Ntontose Sport (Pty) Ltd

**Owner's name:** Sibongiseni Ntontose

**From:** Philippi

**Products:** Sells sports apparel

**Market:** General

### **Kiosk no. 5**

**Business Name:** Coffee Expert (Ltd)

**Owner's name:** Wonga Expert (Ltd)

**From:** Khayelitsha

**Products:** Sells coffee, muffins, pre-packaged coffee, mugs and t-shirts

**Market:** General

**Kiosk no. 6**

**Business Name:** Ncobo Enterprise

**Owner's name:** Noxolo Cecilia Ncobo

**From:** Khayelitsha

**Products:** Sells cosmetics and hair products

**Market:** Women

**Kiosk no. 7**

**Business Name:** Ghetto Art Gallery

**Owner's name:** Bongolwethu Flepu

**From:** Kayamandi, Stellenbosch

**Products:** Sells paintings

**Market:** General

**Kiosk no. 8**

**Business Name:** Onak and Lib

**Owner's name:** Funiwe Vivian Mayonga

**From:** Khayelitsha

**Products:** Sell hair and beauty products

**Market:** Women

**Kiosk no. 9**

**Business Name:** Panashe Designers SA

**Owner's name:** Sphiwe Alex Jele

**From:** Philippi

**Products:** Sells furnibags and wooden bags

**Market:** General

**Kiosk no. 10**

**Business Name:** TSUC (Pty) Ltd

**Owner's name:** Simthembile Sylvester Soto

**From:** Khayelitsha

**Products:** Sells sandwiches and cooldrinks

**Market:** General



### APPENDIX 3: LSK interview questionnaire



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#### SEMI-STRUCTURED INDIVIDUAL INTERVIEW GUIDE

#### **Research Topic: Township' to CBD. The Project of Ten Informal Traders in the Formal Economy of Cape Town, Western Cape.**

Our names are Clint Davies and Mfundo Sidiki, we are researchers commissioned by the University of the Western Cape (UWC), Centre for Entrepreneurship and Innovation (CEI) to conduct research and document the project of 10 informal traders having access to trading kiosks in Long Street, Cape Town.

UWC's CEI is a partner to the Department of Economic Development and Tourism, and is contributing mentoring and fellowship assistance to develop the sustainability of the beneficiaries in the kiosks. The study will explore how the mentorship and fellowship programme support influences the management and entrepreneurship skills of the informal traders, during the project period.

**The research reporting will be shared with all relevant stakeholders and may inform policy and practise to others interested in developing the informal sector.** And provide insights into how informal traders, like you, may be assisted to migrate and trade in the formal economy. In order to undertake this study, we have invited you to participate in the study as you are one of the informal traders participating in the project.

This interview will take approximately 1 hour and will be recorded; this is to assist an accurate and truthful account of our discussion. But you may also refuse to answer any questions that you do not want to answer, or stop the interview at any time. All information obtained from the interviews will be treated with strict confidentiality and will be used only for research purposes. The audiotapes and interview notes will be kept locked at our office that is secure at all times.

If you are ready we will begin the interview.

## **INTRODUCTION**

Hello and thank you for taking part in this interview.

- 1. We will start with some personal information, if you are comfortable, but if not then questions that are unsuited, need not be answered please;**

<b><i>Gather information prior to the interview or at the beginning of the actual interview</i></b>	
Confirm name and surname from data-base. Note the Gender of participant	
Establish the trader's birth date?	
Where were you born? Please state town & province.	
If not born in Cape Town, when did you move here?	
What is your marital status?	
How many children, grandchildren do you have?	
Discuss schooling, last grade attended or passed? <b>If Needed;</b> Discuss post-matric qualifications?	

2. Can you tell us about your working life, maybe the jobs you have had before you started as a trader?
3. Can you tell us about your first business, running a stall or kiosk, and maybe how this comes about?
  - a. What do you think has made you survive in this type of business?
4. Do you still take on jobs, if you get the opportunity to work somewhere else?

### **Information about the trading at Long Street Kiosks;**

5. How did you become a part of this project? Please tell us about this?
  1. Explore the selection process, in the participant becoming involved in the project? (Get the participant perspective)
6. And here at the Long Street Kiosk Project, can you tell us about your business is doing?
7. How is the kiosk performing currently, please tell us about how your sales and budgeting, like your expenses and profits?
8. Where were you trading before the long street project, do you still trade there and how does Long Street compare to that?
9. What are benefits for you, what is working well for you while trading in Long Street?
10. Are there any problems that you have with trading in Long Street Kiosks?
11. When you had problems while trading in Long Street, how do you go about addressing them?
12. Do you have any recommendations for the project, and what may the project do to give you more assistance, or improve the project for future?
13. Have your exceptions of this project been met, could you please explain?

**Specific questions about the mentoring;**

14. How has the mentor contributed to improving your business skills? In areas, such as;
  - a) What training is the mentor providing you with?
  - b) Do you think the training by the mentor is helpful for your business?
  - c) Can you describe any business activities that are done differently now, compared to before, what is different now?
  - d) In which ways are you learning to manage the new trading space in Long Street?
  - e) Do you think more time will assist to get used to it?

**Specific questions with regards to outcomes of the meeting of 25.10.2016;**

15. How is the trading space in Long Street different to trading in the former trading space, like in the township?
16. Is it different; is it comfortable for you personally or do you prefer to have someone else run the business here for you?
17. Is there anything that you do not like about trading here?
18. Do you have good access to running water and electricity?
19. How is the storage facility, do you have any problems with storage, or need extra storage space?
20. How is the access to toilet facilities, for you?
21. How the weather here affecting your business, is there any problems with rain, or sun?

**Specific questions with regards to gender and family responsibility;**

22. How is your family responsibility, what is required of you?
23. Does your family responsibility affect your business, and how you trade here in Long Street?

**CLOSURE**

1. Is there anything else that you would like to share?
2. Overall, what has the interview experience been like for you?

**FINAL COMMENTS**

Thank you so much for participating in the interview today. We will be back in touch with you to provide a copy of the interview and to plan the next steps of the project. If you have any questions, please feel free to contact me. Provide contact details.

## APPENDIX 4: Focus group memorandum for DEDAT officials



### LSK Memo: of focus group DEDAT meeting 09 November

Date: 18-11-2017

Please see below key points summary, discussed at the meeting held with DEDAT on the 9<sup>th</sup> November 2017.

#### Definitions:

- Definitions require clarity of terms such as township entrepreneurship vs informal economy enterprise
- Most of the beneficiaries are registered businesses e.g., they had registered companies already existing going into LSK.
- LSK beneficiaries not strictly informal, more township-based, and needs to be defined as such
- Clearly explain the distinction between enterprise and local economic development

#### Reporting context - Original intent

Introductory framework needs rework and is essential to capture context, where a balanced view is offered to readers. Context to interpret later points of discussion. This will lessen the report bias.

- Original intent for the project LSK confirmed as developmental, should be amplified in the report
- With access to market and market traction for traders being a key factor
- Access to market at no cost for 1 year.
- DEDAT firstly recognised the opportunity and initiated LSK through intervention at departmental head level
- The subsequent opportunity which DEDAT opened is a long term intention for sustainable enterprise development
- The LSK project design provided for free rent and no service charges
- The LSK project provided free mentoring

#### Roles

- LSK project is interdepartmental at provincial level (DEDAT & Public works), not intergovernmental (City of Cape Town & DEDAT).
- City's role is overstated currently, they were not determined as project partners.
- DEDAT mandate is to create an enabling environment for business to operate but not to 'babysit' businesses. There seems to be misconceptions about the role of government from the traders.
- DEDAT was and is not prepared to provide lifeline support in all needs of the LSK beneficiaries.
- The issue is of DEDAT avoiding LSK trader overdependence on project support, which to DEDAT's mind is an unhealthy situation which does not fit their role for enterprise development, in the LSK learning to be self-sufficient.

#### Performance evaluation

- The typical DEDAT unit measurement of successes, such as job creation, increase in sales, profits were not the measurements of project success evaluation. Although this was the impression the LSK researchers were left with, after initial interviews
- For this unique project, a softer, less stringent evaluation criteria was applied for the township entrepreneurs given the understanding that they were not well established.
- DEDAT however underestimated the challenges they eventually experienced with the project. Such as adherence to opening and closing trading times...transport and staff issues which the LSK traders had trouble with.



#### DEDAT assumptions and expectations for the LSK:

- Entrepreneurial capability of the LSK traders  
DEDAT observed a dependency mind-set from the traders. DEDAT expectations were that traders could have been intuitive and innovative regarding challenges that arose in the course of doing business as associated with the meaning of entrepreneurship.
- Traders were not trading efficiently in terms of trading hours, some traders were pricing themselves out of business, for example coffee prices well above the norm for Long Street.
- DEDAT did not observe an understanding of entrepreneurship and accompanying behaviours within the traders, such as LSK traders being more competitive and innovative if finding solutions to the challenges. However certain traders did achieve success without requiring more support from DEDAT.

#### Mentoring/ Business Training

- This was an extended means by DEDAT to assist traders to succeed in the LSK project.
- There must be more attention paid to the mentoring aspect of the project, in reporting on the intervention and its strengths and weaknesses.
- Samantha Oliphant's reports to be taken into account, was it training vs mentoring?

#### Incubator/ accelerator

The LSK does not have to be viewed in either of these prisms. It is its own unique project.

#### General additional commentary

The writing style and tone of the reporting remains a concern for DEDAT.

LSK by proxy raised expectations that with programme support the LSK traders would do better.

In addition, DEDAT was and is not prepared to provide lifeline support in all needs of the LSK beneficiaries.

The issue is of avoiding over-dependence on project support, which to DEDAT's mind is an unhealthy situation which does not fit their role for enterprise development

In the LSK project, traders learning to be self-sufficient is important. The project is geared towards longer term implementation over several years with multiple sets of beneficiaries.



UNIVERSITY of the  
WESTERN CAPE



centre for entrepreneurship  
and innovation

## From the Office of Centre for Entrepreneurship and Innovation

### Kiosk Beneficiaries Feedback Report 2016

<b><i>Project Title</i></b>	Economic Development Kiosk Beneficiaries
<b><i>Discussion Topics</i></b>	Organisation & Operations Human Resources Finance Information Technology Marketing Customer Relations
<b><i>Round Table Discussion Location</i></b>	UWC – Boardroom
<b><i>Proposed Dates</i></b>	1 September 2016 – Finance 15 September 2016 – Organisation & Operations 6 October 2016 – Human Resources 20 October 2016 – Information Technology, Marketing and Customer Relations
<b><i>No. of Kiosk Beneficiaries</i></b>	10
<b><i>Facilitator</i></b>	ANONYMOUS

#### 1. **Description of Round Table Discussion Topics**

##### **Organisation & Operations**

- Importance of putting the basic structure in place regarding the culture or the business, what the vision, mission and values are.
- Identifying the importance of a documented Operations Plan/Policy and Procedures.
- Insight to operate your business effectively and efficiently.

##### **Human Resources**

- Highlighting the importance of roles and responsibilities.
- The importance of a documented Human Resource Manual with emphasis on the different policies it entails.

- How a Human Resource Manual can impact your working environment, it can create a suitable working environment and promote healthy workplace relations.

### **Finance**

- Highlighting compliance issues and regulations.
- Highlighting the importance of income and expense in the business.
- Drafting your business Cash Flow Projections.
- The importance of budgeting.

### **Information Technology**

- Highlighting the importance of Information Technology in the business.
- Importance of backing up documentation/files and utilizing the correct software.

### **Marketing**

- The importance of a Marketing Plan.
- Highlighting the importance of Marketing in the business.
- Highlighting the various marketing methods.

### **Customer Relations**

- Highlighting the importance of Customer Relations policy and procedures.
- Addressing the importance of after service relationships.
- Importance of client satisfaction, keeping your clients happy.

## **2. Feedback given to Kiosk Beneficiaries**

The kiosk findings report was discussed with 7 of the kiosk beneficiaries and 3 of the findings report was emailed to the remaining kiosk beneficiaries.

## **3. Kiosk Beneficiaries Attendance**

The commitment from kiosk beneficiaries to attend sessions were low at first but attendance improved drastically when venue changed to UWC.

## **4. Kiosk Beneficiaries Interaction**

Kiosk beneficiaries all seem committed and excited about upcoming round table sessions.

## **5. Facilitator's feedback regarding course material**

Programme to be reviewed as part of research project since the programme is designed for more established businesses.

## APPENDIX 6: Example of a trader profile



### **CENTRE FOR ENTREPRENEURSHIP AND INNOVATION (CEI) ENTREPRENEURSHIP RESEARCH UNIT**

#### **INDIVIDUAL TRADER PROFILE**

*for*

**Ms. Nolitha Qhuma-Rea Nubia (Pty) Ltd**

---

Ms Charleen Duncan (CEI Director – Research Oversight)

Clint Davies (Lead Researcher)  
Mfundo Sidiki (Research Assistant)



## **Ms Nolitha Qhuma – Rea Nubia (Pty) Ltd.**

Nolitha's background is steeped in family entrepreneurship, and she "grew up in a tavern", spending many days after school serving customers. Her family owned a shebeen and spaza shop in Khayelitsha, Cape Town. In hindsight this played a big role in her journey as an entrepreneur and the discipline, hard work and "not sleeping [enough]" are valuable lessons she learnt at an early age. The separation of her parents changed her circumstances however, and life began to be tough for her.

After finishing matric she attended a private college for 6 months while working at the Protea Hotel washing dishes full-time after school. Eventually she could not afford the tuition costs at the private college and registered at Northlink College. After 18 months, she completed a certificate in clothing production and started job hunting. She hoped to find a job and learn: "to make mistakes at the expense of an employer" and then establish her own business. After a year of not finding work she found out about the Business Place (Khayelitsha). She started attending workshops and training for starting a business.

She was offered a job as a receptionist at the Business Place and worked there for a year and a half. She learnt a lot in that time and met young and old entrepreneurs. She managed to save R30,000 towards her start-up capital. She found a business partner and they identified a business opportunity in the Eastern Cape, producing new uniforms for rural schools. This would be her first 'big' business venture, as previously she had done "things on the side to make some extra money".

This venture failed after a year: "I made a loss....pricing and estimations I'm not good at." She returned to CT feeling dejected. She returned to the Business Place and worked part-time, when she heard about the Raymond Ackerman Academy Entrepreneurship programme where she applied and was accepted.

Nolitha relied only on the sandwiches provided at the programme for food, but she managed to see it through to completion. She regards herself as a hard worker: "I wanted to learn. I wanted to get this and I was the first one in and last one out every day." Then the opportunity to apply for the Long Street kiosk came. She realised after being interviewed that she was competing with other clothing design businesses. After being selected, she raised start-up capital by borrowing R4,000 from friends and family to start trading at the kiosk.

Nolitha is an African inspired young designer, and exclusively sells the clothing that she produces. Her clothing ranges between women and men clothing styles. At the start she used the R4,000 to "purchase fabric and fix the kiosk." Sales were good but she had little stock: "If I had more stock I would have made much more. The little stuff I did get, the crewnecks were not doing badly." The reality was "I had to put back into the business and do all the things like putting in shelving...I had limited product offering because of the money." She chose not to do marketing as she feared not meeting her customers' demand for her product.

The kiosk is not performing well at the moment. Sales have dwindled since the passing of winter as her initial sales were from crewnecks and it was tourists who supported her. Recently funding came through from the NYDA and with summer ahead she is hoping for a big turnaround in her business performance. Her two income streams are customised placed orders and over the counter retail sales. Her major production takes place at her home factory.

### **Entrepreneurship and Management**

Nolitha may be described as an opportunity-driven youth entrepreneur, who frequently pursues opportunity despite the necessity-driven circumstances. She employs one person at the kiosk and manages the kiosk by frequent visits. Lack of proper machinery and equipment slowed business as she started operating with a

domestic sewing machine which resulted in her not having confidence in her brand going to market. She chose to protect her brand by not marketing: “My fear is I start marketing and I don’t have products.”

## APPENDIX 7: Media coverage

### A7.1. Article reproduced on the Western Cape Government's website.

7/19/2019 Long Street kiosks and mosaic artwork | Western Cape Government


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### Long Street kiosks and mosaic artwork

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A total of 10 entrepreneurs from across the province have been given the go-ahead to start operating from a set of on-street kiosks in Long Street.

On 9 May 2016, Alan Winde, Western Cape Minister of Economic Opportunities, officially handed over the keys to the new kiosks, which are located on the corners of Long and Wale streets in Cape Town, to the group of entrepreneurs. This forms part of a joint initiative between the Western Cape Departments of Economic Development and Tourism and Transport and Public Works.

Minister Winde said: "We're handing over the space to the entrepreneurs, they can now customise and make it their own. Located in the middle of the CBD, from here they will be able to showcase and sell their goods in one of our region's most vibrant spaces."

"Each kiosk is equipped with a preparation bowl fixed with brackets to the internal wall, precast concrete serving counter, 2 lockable hand operated roller shutters, electrical light switch and double point plugs. Other facilities are located within the main building. The space has been constructed taking into careful consideration the needs of the beneficiaries, and to aid in the efficient and effective running of their businesses. We are very proud of this initiative, and the impact it will have on the lives of the chosen beneficiaries," said Minister of Transport and Public Works, Donald Grant.

The kiosks will operate between 7am and 5pm on weekdays and between 7am and 2pm over weekends.



Click on the images below to enlarge



#### Long Street kiosks' mosaic artwork

The new Long Street kiosks were decorated in mosaic artworks done by a local group of community artists from Delft, Cape Town.

The original group was started in 1998 with a group of 20 youths that were trained to do mosaic artworks. Of the original group, about 7 people, including Xolani Badli and Mbuyiseli Somdaka, are still involved in the current projects and in training of other youths.

Common themes for their projects include culture, diversity and trees. This is because these mosaics and murals can be made in bright colours in order to create a beautiful settings.

All of their projects and training are self-funding and entirely dependent on the amount of work or projects they get tasked with – similar to the Long Street project, which was an initiative of the artists and Western Cape Departments of Economic Development and Tourism and Transport and Public Works.

Source: <https://www.westerncape.gov.za/general-publication/long-street-kiosks-and-mosaic-artwork-1>  
[accessed on 17 July 2019]

**A7.2. Article reproduced from the Independent Online website, published 9 May 2016.**

## Township traders move to Long Street kiosks

WESTERN CAPE / 9 MAY 2016, 3:01PM / JABULILE S. NGWENYA



*Western Cape MEC of Economic Opportunities Alan Winde*

Cape Town - Ten emerging entrepreneurs selected from several townships will soon start trading their goods on Long Street in the Cape Town city centre from several on-street kiosks.

The kiosks, which form part of an initiative between the province's departments of economic development and tourism and transport and public works are located on the corners of Long and Wale streets in Cape Town.

Economic Opportunities MEC Alan Winde on Monday handed over the keys to the kiosks to the entrepreneurs who were from Philippi, Khayelitsha, Kayamandi, Langa and Gugulethu.

The entrepreneurs, he said, were carefully selected through the government's Partner Network in which aspiring entrepreneurs "were invited to briefing sessions and assessed on the viability of their business and suitability for the site".

He said that now that the department had handed over the kiosks to the entrepreneurs, they could "now customize and make it their own."

He said the kiosks, which were situated in the city's CBD would enable the selected entrepreneurs to "showcase and sell their goods in one of our region's most vibrant spaces".

Consumers could expect to see a variety of products for sale from these kiosks, including hair products, clothing accessories, handbags, refreshments, and artwork.

"We know that entrepreneurs are key job creators, employing over 500 000 people in the Western Cape. That is why we have invested in initiatives like these, which give small businesses the support they need to take their enterprises to the next level," said Winde.

We've given over 30 000 entrepreneurs the tools they need to start a business since 2009 and in this financial year we're investing a further R40.9 million into the development and support of small businesses."

Winde urged residents to "take ownership of the space" and launched a campaign to name the initiative.

The entrepreneurs are expected to start trading from the end of May, and their kiosks would operate from 7am to 5pm during the week and from 7am to 2pm on the weekend.

Source: <https://www.iol.co.za/news/south-africa/western-cape/township-traders-move-to-long-street-kiosks-2019434> [Accessed on 15 July 2019]