



**UNIVERSITY OF CAPE TOWN**  
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

**RESILIENCE AND RISK IN THE INFORMAL ECONOMY: A  
STUDY IN THE REGULATION OF FLOODING.**

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## Abstract

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Small scale business owners living and operating businesses in flood prone informal settlement areas are amongst the most vulnerable groups of society to climate change and associated risks. The state is unable to provide key goods and services in many of these areas of limited statehood. How these business owners respond to flood hazard in areas of limited statehood is of interest to this research.

This research explores the governance processes in informal settlement areas in Cape Town, South Africa. A key concern in this study is what widespread informality means for the lived realities of the poor in environmentally vulnerable communities, particularly informal settlement areas. I explore the flood management strategies available in both the formal and informal sectors and how they are used by the small-scale business.

Using a mixed method approach, in two informal settlement areas in Cape Town, I draw out and test factors for comparison with a focus on understanding the determinants of small business owners' choice and use of flood management strategy.

The main literary contribution that this study makes is to demonstrate the ways in which civil associations in the informal sector built social capital that is then called upon at times of hazard. These civil associations help the business owners monetarily, but they also have inbuilt social capital which members exploit to respond to hazards other than the ones that the associations were created for. This way, small business owners can count on fellow community members in the face of adversity. I explore the ways that social capital is built in these associations, and how members are encouraged to contribute towards it and help others in times of need. This research helps our understanding of regulations outside of the state, and the governance role of non-state actors to respond to multiple hazards.

By interrogating this governance issue in informal settlement areas and amongst low-income owners, I contribute to the growing literature on informality in African cities. The research makes an important contribution to research study whose framing of the state is empirically based, and therefore reflects the reality on the ground in many African cities. Much of the literature on governance in African studies had assumed

the idea of a Westphalian state and interrogated the state, its functions and interaction the populace under this framing. Consequently, such research is unable to capture the real nature and governance capabilities of the state and raised more questions that it has been able to answer. Further, this framing of the governance role of the state in African cities obscures the role of non-state governance actors in both the formal and informal sectors.

To this end, I conducted interviews with a total of 154 small business owners in Joe Slovo informal settlement in Langa township and Victoria Mxenge informal settlement in Philippi township. The interviews elicited information on business owners' exposure to flooding, their response and the factors that influenced their choice to response mechanism. A survey was also conducted to get demographic data of the business owners in the research sites, other key government officials, academic researchers, and representatives of insurance companies in the formal market.

Based on this survey data further variables that could influence the choice of flood management strategy were drawn and tested in further interviews.

The findings of the research point to the usefulness of nonstate institutions in the response to flooding in poor communities. The social capital built in to civil associations and its availability to fellow members at times of adversity makes them an adaptive vehicle to respond to numerous other hazards other than the ones that they are intended for.

## Declaration

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This work has not been previously submitted in whole, or in part, for the award of any degree. It is my own work. Each significant contribution to, and quotation in this dissertation from the work(s) of other people has been attributed and has been cited and referenced.

Moliehi T. Shale

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## Acronyms

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ALS	Areas of Limited Statehood
ANC	African National Congress
BEEP	Beyond Expectation Environmental Project
CBD	Central Business District
COCT	City of Cape Town
CORC	Community Organisation Resource Centre
DA	Democratic Alliance
DRMC	Disaster Risk Management Centre
EU	European Union
FLICCR	Flooding in Cape Town under Climate Risk
GHG	Greenhouse Gas
HIV	Human Immunodeficiency Virus
JS	Joe Slovo
LSM	Living Standard Measure
NGO	Non Government Organisation
RDP	Reconstruction and Development Programme
ROSCAs	Rotating Savings and Credit Associations
SPCA	Society for the Prevention of Cruelty to Animals
TA	Tams Analyser
TRS	Temporary Residence Area
UCT	University of Cape Town
UNFCCC	United Nations Framework Convention on Climate Change

VD

Voter District

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# Chapter 1

## Introduction

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### 1.1. INTRODUCTION TO THE STUDY

Over a billion of the world's poorest and vulnerable communities will be exposed to numerous climate induced hazards and the added pressure of climate change that may result in risks such as flooding (Ayers and Huq 2009). Communities are often aware of these hazards yet many continue to make a living in these high-risk areas because they have no alternative (Schipper and Cannon 2014). In-migration into urban areas in search of services and jobs results in congestion in these underserved, flood-prone areas (Joubert 2013).

Building the capacity to respond to the impacts of climate change is critical to the survival and resilience of these communities. Resilience is understood as the “property that captures the capacity of the entity to anticipate, adapt to and recover from an event such that it resumes its original configuration, shape, functional relationships and trajectory afterwards” (Welsh 2014:15).

The resilience discourse holds great significance for governance because it marks a shift towards a system characterized by unpredictable global risks that are exceeding modern society's capacity and knowledge to deal with them (Giddens 1999). Further, the nature of these risks is that they are man-made (as opposed to being natural) and are a consequence of society's advancement and modernization. This is what is commonly referred to as the ‘Risk society’ (Beck 1989).

Uncertainty is characteristic of the risk society and jeopardises its resilience. This presents new challenges for governance (Welsh 2014). A critical consideration of the effects of resilience on governance has become increasingly important because of the increasing threat of climate change and its impacts on poor communities. In other words, “by looking at the ways in which poor households and communities are dealing with changes in weather [*associated with climate change*] we can understand the significance of what they are already doing — even if it is not immediately visible”

(Moser et al. 2010:22, Emphasis added).

In developing economies where national and or local governments are unwilling and unable to provide sufficient safety nets, communities are forced to build capacity to deal with these risks without government assistance programmes (Borzel 2010;).

This challenge is also associated with “limited statehood” (Risse and Lehmkuhl 2006:9). Börzel and Risse (2010:118-9). Describe areas of limited statehood (ALS) as follows:

“States or parts of states in which central authorities (governments) lack the ability to implement and enforce rules and decisions or in which the legitimate monopoly over the means of violence is lacking, or both, at least temporarily. The ability to enforce rules or to control the means of violence can be restricted along various dimensions: territorially; sectorally (i.e. with regard to specific policy areas); socially (i.e. with regard to specific parts of the population); and temporarily”.

From a Hobbesian theoretical viewpoint, ALS have implications for the resilience of vulnerable communities. Such implications threaten the lives and livelihoods of people in vulnerable communities, causing everyone to be thrown into further vulnerability (Wright and Head 2009). Empirical studies have shown that contrary to these Hobbesian debates, in many ALS, various non-state actors provide governance (Risse and Borzel 2010; Brynen 2008; Risse and Lehmkuhl 2006).

Non-state governance provision does not suggest that a strong state is not necessary, rather that states with weak state institutions are not void of governance. Governance is understood as “institutionalized modes of social coordination to produce and implement collectively binding rules, or to provide collective goods” (Risse and Borzel 2010:8).

This conceptual understanding of the state frustrates the Hobbesian argument that in the absence of the state monopoly, violence equates to chaos (Hobbes 1968). Governance without the state provides an alternative conceptual perspective on “non-state-centric approaches to governance, the control of violence, peace-building, and development” (Boege, Brown, and Clements 2009 in Kode 2013:6). Further, this concept of governance opens up spaces for the state to be viewed as one actor

amongst many (Wood and Shearing 2007; Black 2002).

The focus of this thesis is on state and non-state actors and the extent to which they provide governance to poor communities in areas of limited statehood to respond to climate-induced hazards. Using a particular instance of climate induced hazards, flooding, I identify three main institutions which, in theory, the poor can use in response to flooding. They are the state, formal and informal insurance. However all three institutions present unique challenges when confronted with flood management in poor informal settlement areas. Within this context, the research takes an interest in these institutions, their governance role in flooding, and the challenges unique to each sector.

I develop the idea that these three institutions can be used in response to flooding and identify the lacuna to be filled by the research through an analysis of the literature in chapter 2.

## **1.2. Background: Why a focus on insurance?**

“Risk spreading mechanisms, including insurance and reinsurance, are important components of [flood] governance” (Tierney 2012:344). The use of insurance markets to respond to flood hazards varies throughout the world, though some insurance products are more commonly used than others. For example, hazard insurance as a stand alone product is generally poorly provided in developing economies. Instead, it is typically provided in combination with other primary insurance products (Grossi and Kunreuther 2005).

Brown and Churchill (1999: viii) define insurance as the “pooling of risk over a large number of similar units, such as households, persons or businesses”. To this end, people establish what Wamsler and Lawson 2010 call a ‘security system’ that gives them access to ‘ready money’ to protect themselves from multiple risk and recover after a loss (Wamsler and Lawson 2012, Slovic 1999). Thus both formal and informal insurance, for example through member-based schemes, are included. Furthermore, it is important to note that risk mitigation extends beyond insurance (formal and informal) and includes other mitigation options such as savings.

Sometimes savings can be a more adequate risk management product than insurance. This is particularly true of areas with high risk exposure where insurance premiums

will likely increase to a level that some may not afford (World Bank 1999). Savings play a mitigative role because instead of spreading risk, they can reduce losses and be used to cover sudden loss. Also, “the same borrowing groups used for savings and lending services can be used as conduit to sell area-based index insurance” (Messer 2003:16).

At the outset of this study I considered the role of savings in the management of flooding. After persuing this theme extensively I was not confident that it was enough to make contributions to the flood governance in the research sites. Further, my curiosity about the high membership rates in burial societies – relative to savings societies – moved me further away from an investigation of savings societies.

The research does however acknowledge that family savings is a major buffer against the impact of risks. Unfortunatley, the primary purpose of savings in poor households is to increase the family’s income and assets. The fact that savings is a fairly low-cost way for families to tide over the impact of risk events is a secondary benefit. Consequently, households will often obtain some form of insurance cover even in the presence of a savings pool – in effect to protect the savings (Manje & Churchill, 2002:75 in Bester et al. 2004).

Many poor households are faced with various risks, most of which are not covered by formal insurance, highlighting the broader risk framework in the context of insurance services evaluation. This study reviews the broader risk mitigation context within which lower income households exist. Within this context, it outlines the various providers or risk mitigation services including governments, the market and civil associations (Bester et al. 2004).

This type of assistance is generally not considered to be a part of a risk mitigation strategy, but rather as coping strategies, as government is the provider of last resort and often does not guarantee assistance. However, there is some evidence that poor households do factor government assistance into their risk mitigation strategies (Bester et al. 2007).

The financial sector in South Africa is increasingly seeking ways to expand financial services to low-income earners (Chamberlain et al. 2011). In 2000, amidst pressure from the government, the financial sector developed product standards to promote the

Financial Sector Charter promoting Black Economic Empowerment. The standards were gazetted on 26 November 2012.

The financial sector code attempts to standardize insurance products so that they are more inclusive and accessible to those seeking insurance<sup>1</sup>. This guidance note to short term insurers has four main objectives, and they are to:

1. Specify the products and target market and short term insurance access;
2. Specify the measurement principles for qualifying products;
3. Specify the scorecard for measuring access for the Short-term Insurance industry; and
4. Specify the minimum access product standards.

Qualifying short-term insurance access products include the areas of low-income housing, small enterprises, infrastructure and low-income individuals. Further, the guidance note makes recommendations for liability insurance as a need for small businesses. The target market for these initiatives are Black people within Living Standard Measure (LSM)<sup>2</sup> 1-5 (Chamberlain et al. 2011).

Using a scorecard, companies will score points for developing 'appropriate products' that meet the standards approved by the Charter Council. In an effort to encourage companies to develop a range of products, the points will be allocated per product - and not per company or product category (Guidance note 804: 7.1). To ensure that companies maintain specific standards, the Charter Council has outlined access standards that meet both personal and commercial short-term insurance requirements.

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<sup>1</sup> The previously uninsured include: "Individuals earning below the tax threshold, households with an income below double the tax threshold and Black small businesses and small Black farmers" Section 3.1 of the Guidance note GN804 on access to short-term insurance, 26 November 2012.

<sup>2</sup> A wealth measure based on standards of living rather than income and is based on an index of possessions and socio-economic characteristics (Ardington et al. 2004). The LSMs range from 1-10. Typically LSM1 are rural dwellers with no basic services such as hot running water and electricity while LSM10 are typically hold professional and technical employment with a house and car.

Through the Mzansi product standards, insurance companies are encouraged to provide short-term insurance to low income households for their household contents as well as insure their buildings. According to Chamberlain et al. (2011), only two market products are compliant with the standard. Notwithstanding the availability of these offerings on the market, there has been limited uptake of these products in the market. It is estimated that no more than 26,000 policies have been sold since 2000, which falls short of the 2010 target of 146,000 (Ismail and Masinge 2011; Prahalad 2006).

### **1.3. The Analytical Framework: Climate Change Governance in Areas of Limited Statehood**

In the governance literature, many of the arguments have focused on public and private regulation as key drivers of resilience (Awortwi 2014 Tierney 2012; Wamsler and Lawson 2012). Empirical evidence suggests that non-state actors often fall short of promised effectiveness and legitimacy of public policymaking (Risse and Börzel 2010), and that it is likely to be more effective if the state oversees their goods provision (Scharpf 1997). Such is a shadow of hierarchy.

However, when the state is too weak, it is limited in its ability to enforce policy regulating the provision of goods and services for the common good (Risse 2011). The burden caused by this gap often falls on the community; particularly those members of the community that cannot afford to buy services in an often un/under-regulated market.

The principle of a shadow of hierarchy thus suggests that strong state regulation is needed for effective non-state governance (Borzel and Risse 2010). Risse and Borzel challenge the idea of a shadow of hierarchy on two accounts. On one hand, if the state is strong enough to cast a shadow of hierarchy over non-state actors to provide goods and services, then perhaps it can provide the goods and services itself. On the other hand, if the state is too weak, governance without the government is likely to take hold (ibid).

Current literature explains the consequences of weak state regulation in ensuring the participation of non-state actors in governance, and in providing goods and services

for the common good through concepts such as “logic of appropriateness” (March and Olsen 1989) or through external actors such as international organisations that are considered legitimate (Jessop 1995). Here, nonstate actors may contribute to governance with an aim to protect their reputation if it is at stake (Risse and Borzel 2010). In South Africa, there are several examples of this, particularly business engagement in the health sector (Müller-Debus et al. 2009; Thauer 2009).

Where the state is too weak to enforce collectively binding decisions, it is not anarchy that prevails. Rather, nonstate actors step in to contribute to climate change governance to ensure profitability and competitiveness. This new mode of governance is informed by the logic of a shadow of anarchy<sup>3</sup> (Axelrod 1985). Examples of the shadow of anarchy can be seen in voluntarily enforced rules and norms, such as those in transnational governance where there is no state to ensure compliance. The nodal governance literature is based on similar alternatives of governance wherein non-state actors contribute to governance with/without the state (Shearing and Wood 2007).

Against this backdrop I explore flood risk management amongst poor, small-scale business owners in areas of limited statehood. On one hand this research confirms the arguments of governance in areas of limited statehood. A look at the insurance market points to voluntary action in the provision of conservative products such as death insurance in low income markets yet higher risk products such as flood insurance are neither available to the poor, nor does the government require the insurance sector to make them available.

On the other hand, I find active micro-insurance assemblages in the informal market that provide insurance services in poor, vulnerable communities and serve a regulatory role for religio-cultural principles that are commonly used by the poor. Up to now, arguments in areas of limited statehood have largely been influenced by a rational choice understanding of social action. According to the logic of consequences, given the right incentive, nonstate actors are likely to contribute to governance and maximize their utility (Borzel and Risse 2010).

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<sup>3</sup> A state of nature in which there is no overarching authority (Moe 2005). The risk of anarchy is likely in the absence of state power to adopt and enforce collectively binding decisions (Borzel et al. 2011).

This thesis will introduce the influence of sociological understanding on the ways in which the poor in areas of limited statehood respond to hazard. The thesis makes a contribution to conversations on alternative ‘institutionalisms’, particularly the ways in which they highlight the drivers of social action, which challenge rational choice rationalism (MacAdam and Scott 2005; Scott 1998). While religio-cultural principles do not preclude rational choice rationalism<sup>4</sup>, they present an alternative view of social action and its motivations (Schipper and Cannon 2014; Schipper 2010; Pollock 2007).

Despite its usefulness in understanding governance challenges in weak states, governance in areas of limited statehood does not explain the research puzzle that underpins the informal economy literature. At the heart of the informality literature is the idea that informal spaces, particularly economic informality, have opened up as a result of weak governance. While the arguments for these claims are warranted, the theory often overlooks the complementary role of the informal economy to state-led governance. Also often neglected in the literature are the strong regulatory arrangements that characterize many institutions and associations in the informal sector (Lindell 2002; Halfani 1997; Streeck and Schmitter 1985).

The findings of my research suggest that weak state capacity might motivate poor business owners to engage in self-regulation. However, there is also evidence in the data that the poor sometimes seek goods and services in the informal sector that are not available through the state (albeit often minimal) and the market. This raises another possible explanation for the variation in the data.

With resonance to Adam Smith et al. (1976), when the state is unable or unwilling to make and enforce collectively binding decisions, no common goods may be produced at all. However, in pursuit of profits, the business sector has a major incentive to fill the governance gap by providing these goods and services. And yet the literature still points to low market activity in insurance provision for the poor in developing economies (Bester et al. 2007).

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<sup>4</sup> Rational choice rationalism assumes that all actor choices are made against perfect information on the attributes and characteristics of the selected institutional representative (Schmidt 2010).

The data in this study also points to a gap in formal insurance for the provision of goods and property insurance against flood damage because the market is unwilling to provide it. This unwillingness was largely driven by the insurance markets efforts to minimize risks associated with defaulting and affordability, and also the poor consumer's collateral such as assets and land ownership. This was hardly surprising and is often associated with high transaction costs, particularly because the value of low income earners' policies tend to be less profitable.

In informal settlement areas, residents cannot own land because their occupation is often unplanned and/or unauthorized by the municipal government (Huchzemeyer 2008 Swilling 2010). Also, the poor's view and understanding of insurance showed that they hold a negative view of the market and its products as unnecessary and wasteful. In sum, the insurance market is not willing to take a governance role in poor communities nor are poor consumers convinced of insurance's usefulness.

Up to this point I have drawn on the governance literature to paint a picture of the governance environment in areas of limited statehood. In so doing I have also tried to find explanations in the literature of how poor business owners operating in a context of informality protect their businesses from flood hazard. A detailed analysis coupled with emerging research questions is presented in Chapter 2.

#### **1.4. The research question and argument**

This thesis explores climate change adaptation actions by the poor. The main research question focuses on the poor engaged in small-scale, informal economies and asks, **how do poor business owners in informal areas respond to flood hazards?**

The main research question is addressed by the following sub-research questions which, that make up each chapter.

- What flood management resources are available from the state and its collaborative partners in responding to flooding in areas of limited statehood.
- With limited state-led flood response mechanisms, what insurance services are available to the poor in an area of limited statehood?

- In an area of limited statehood, without state and market-led flood insurance, is the social capital built in burial societies transferable to flood protection/insurance?

The research question that the thesis addresses is built on governance in areas of limited statehood and insurance literature strands, according to which, where the state is too weak to provide insurance goods and services, it sanctions the market – through a shadow of hierarchy – to take on these governance actions. And where this is not possible, the market acts under a shadow of anarchy to play the governance role in pursuit of profits. That said, in areas of limited statehood, both a shadow of hierarchy and shadow of anarchy might be missing. In which case, the literature on informality suggests that it is the informal market that fills this goods and services void left by the market and state.

I draw on the informality literature to argue that the choice of the poor to seek goods and services in the informal sector is not driven solely by a market and state governance deficit but can be explained by a logic of appropriateness which draws on shared cultural and religious norms. More specifically, the thesis focuses on the internal dynamics of the civic society associations that make them legitimate amongst their users.

I argue that the limitations in the market and state offer an explanation for a preference for civic association responses to environmental hazard. It is the shared religious and cultural customs that build social capital and networks of trust and reciprocity. These characteristics make civic associations the ideal vehicle with which to respond to flooding in areas of limited statehood.

This line of argument is informed by and seeks to add theoretical value to existing work including effective efficacy (Sampson et al. 1997), social capital (Putman 1993), the strength of weak ties (Granovetter 1982; 1973), and powers of association (Latour 1986).

Even though civic society associations, specifically burial and savings societies, are targeted at providing financial support in pre-defined periods and in response to specific events, their governance structure lends itself to provide support in response

to common hazards, including flooding. Religion and the belief in ancestors not only play an important role in the governance of burial societies; they are the pillars upon which the mutual assistance is built.

However, despite its strength in responding to social and economic challenges, the social capital built within civic associations collapses in the face of flooding. Burial society members did not make a link between burial societies and flood response. I argue first that there is a strong link, but its effectiveness is limited by the fact that flooding affects whole communities and therefore places a heavy burden on members to help one another after a flood event, as there is a high likelihood that they too might be in need of help. Putman (1993) draws similar findings on the extent of social capital in his study on community and civic engagement Northern and Southern Italian communities.

In this thesis I focus on survivalist business<sup>5</sup> owners because these SMEs are an important and vital arena of decision-making in both climate change and mitigation (Hamann and Börzel 2013). Although small-scale survivalist businesses contribute very little to green house gas (GHG) emissions, they tend to be located in ecologically sensitive areas such as low lying, water-logged areas. Survivalist businesses are also economically sensitive, with little income generated from the businesses and limited business knowledge by the owner (Collins and Murdoch 2008). Consequently, survivalist businesses tend to be short term and vulnerable to failure if the business owner faces a shock such as flood damage to the business.

The informal settlement areas under study in the city of Cape Town, South Africa present a suitable case because they are predominantly located in a low-lying, flood-prone area commonly referred to as the Cape Flats. The Cape Flats are made up of multiple, highly heterogeneous communities and economic systems (Swilling 2010). This poses a major challenge for the City of Cape Town municipal government to protect the vulnerable population of the Cape Flats (Graham 2006).

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<sup>5</sup> Medium or micro enterprises in the informal sector that are characterized by employing the operator, his/her family or unpaid labor. Survivalist businesses also often have little potential of growing (du Toit and Neves 2007).

## **1.5. Contribution of the study**

The crucial contribution that the thesis makes to the literature is on the response mechanisms to hazard within both formal and informal economies and their effectiveness in responding to flooding. Lopez-Marrero and Tschakert (2011) point that there is a pressing and urgent need for more in-depth studies with a focus on the numerous dimensions of hazard and resilience in the local level.

This thesis contributes to the literature on governance in areas of limited statehood is by demonstrating the role of informal civic society association as a functional equivalent to state and market-led flood risk governance in poor communities. I describe the regulatory framework of civic society associations in poor communities facing the threat of, and affected by flooding which points to a strong influence of religio-cultural principles both in the regulation of the associations and their members' choices of hazard response. Based on this empirical evidence I make theoretical claims that the nature of non-state hazard regulation is best understood using a sociological institutionalism understanding of social action as opposed to rational choice institutionalism.

The literary contribution of this thesis is to the climate change adaptation and governance literatures. I explore this focus through two case studies – one of an informal settlement community in Langa township and another in Philippi township. The aim is to understand the range of protections outside of the state that the poor can take to respond to hazard and their reasons for these choices. To this end, I review the state and market-led protections available to small-scale informal business owners in these sites to increase their resilience to flood impacts that are a consequence of climate change. I then review the more informal arrangements that they depend on to respond to flooding. I describe the extent to which informal response arrangements have been successful, and explore why they have been so popular while state and market-led responses continue to be unpopular and their use limited.

This thesis shows the different governance assemblages involved in the regulation of environmental hazard associated with climate change (Bulkeley 2013) and its relevance to both the governance in areas of limited statehood framework and the socio-ecological systems approach to resilience. I frame flooding as an ecosystem

hazard whose management lies in both the human and ecological systems, and demonstrate how these systems co-ordinate for a resilient environment. The study uses empirical evidence to demonstrate the challenges with multi actor governance in climate change as it affects the socio-ecological systems approach. The empirical evidence also demonstrates the challenges that climate change presents to governments in areas of limited statehood.

It is increasingly recognized in the literature that many governments lack the capacity to protect populations from environmental hazards and are often equally unable to oversee policies and regulations that underpin such protections. The governance role of non-state actors has become increasingly recognized and important though without the enforcement of a shadow of hierarchy, many non-state actors do not take on this governance role. Insurance is the largest industry in the world, the “world’s risk manager” (Herbstein et al. 2003:156), and plays a key role in climate change regulation by absorbing the numerous and varied shocks that society faces (Mills 2005).

The changing nature of climate change and associated uncertainty has forced the insurance industry to rethink their regulatory role and approach to climate change risks. One way of making such efforts has been to invest in and rely more on climate models than on actuarial models (Mills 2004). While this approach has significant gaps, these shifts point to the impact that climate change has had and will continue to have on regulatory institutions, and consequently the behaviors of insurance consumers threatened by climate change.

Another useful example of the institutional shifts brought about by climate change is the pressure that climate activists have increasingly placed on the insurance industry with the hope that it will influence the long-term release of greenhouse gases (GHG) by disinvesting their assets away from polluting industries (Thauer 2013). For example, in the early 1990’s, Green Peace began to make the link between climate change and insurance studies. Greenpeace was looking for an industry to stand in opposition of fossil-fuel dependent industries to limit carbon emissions. With time, more and more insurance companies have taken heed of the early warnings of Greenpeace and many insurance industries, particularly in Europe, have adopted

progressive industries that attach environmental conditionality to their product offerings (Leggett 1993).

Indeed, the financial services market seems aware of this limitation and in recent years have introduced more and more banking and insurance products to capture low-income earners, but uptake use of services remain slow. A closer look at the insurance market points to insufficient products for the poor facing flood impacts. The research will also show that despite significant efforts and resource investment, the South African government still falls short in its hazard response efforts (Chapter 5).

There is a growing number of insurance and banking products in the South African market that can be used to mitigate flood impacts, however these are still largely targeted at residential and business premises secured against a bond. The nature of homes in informal settlement areas excludes them from such cover. The insurance industry is highly regulated by and reliant on the state regulations and their effective execution at the provincial level. I argue that because state regulations are weak, the industry is unable to deal with the real cause of flood vulnerability amongst the poor and its role remains reactive.

Formal life insurance, a functional equivalent of burial society<sup>6</sup> cover, carries numerous pre-conditions for cover that are unattainable for many small-scale business owners. For example, pay slips, a regular income and a permanent address are common inhibitors of the purchase of life cover policies by the poor. More importantly however, many users want to be able to interact with their insurance provider – something which formal insurance does not make accommodations.

The result of this limited government and market-led hazard response is that the poor in vulnerable communities tend to rely more on themselves and one another to respond to climate related hazards and associated risks. But their capacity to respond and adapt to environmental hazard is limited and this further compromises resilience.

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<sup>6</sup> A micro-insurance arrangement that provides for the cost of a funeral on the death of a member or their dependent(s) (Thomson and Posel 2002).

The literature relating to resilience remains fairly broad, often describing the characteristics of resilient communities, but there remains a gap in the literature on community-level adaptation and the numerous drivers of resilience to hazard at the informal level (Bahadur et al. 2010). This thesis aims to fill this gap in the literature by identifying and analyzing some of the resilience mechanisms that are available to the poor and why some are more popularly used than others.

The study's social relevance is particularly at the level of the unit of analysis: small business owners operating informal businesses outside the regulation and protection of the state. This is a growing phenomena in the world, in both developing and developed economies, and the survival mechanisms of informal businesses needs to be better understood in order to gainfully support and make them more resilient.

## **1.6. Organization of the thesis**

The thesis is divided into eight chapters. The **introductory chapter** frames the research problem and its relevance, particularly relating to climate induced shocks as they affect business owners living in and seeking livelihoods in urban constituencies in a developing economy context. The research problem is framed in the governance literature and in the empirical data. I interrogate these literatures and related research questions in greater detail in chapter 2.

The research presents an empirical puzzle in South Africa where there is low penetration of formal insurance amongst low-income earners coupled with a state too weak to provide adequate flood response. While there is evidence of civic society associations through which the poor access micro insurance, there are no civic associations built to respond specifically to flooding.

**Chapter 2** presents the literatures used to frame the main research question that the thesis will address. I draw on the governance, resilience and informal economy literatures to understand variations in the governance of hazard by relevant actors and the preferred risk response mechanisms of the poor in affected communities.

The research draws on two case study areas in Cape Town, South Africa for empirical evidence. It assumes that the extent and quality of services provided in both case study sites is closely correlated with the community leadership. The chapter therefore

draws on the nodal governance literature to map the role of the state, the market and civic associations in the risk landscape in these poor, urban constituencies in Cape Town.

A research puzzle arises from the analysis of the literatures interrogated in this research and forms the main research question: In areas of limited statehood characterized by limited market and state-led governance actions, how do poor business owners protect their businesses from climate induced hazards such as flooding?

**Chapter 3** presents the methodological approach and outlines in detail, the preferred use of qualitative approaches by way of case study and grounded theory as used in the study as well as their usefulness in addressing the research questions presented in Chapter 2. The chapter presents the case selection, data collection, and analysis as employed in the study together with the challenges associated with the preferred methods.

**Chapter 4** presents the case study sites and describes the nature of the cases. The two case study sites of Victoria Mxenge and Joe Slovo informal settlement areas situated in Cape Town, South Africa. Both case sites are characterised by informality in governance (i.e. goods and services provision) and in the case of Joe Slovo, even the leadership is informal. Both research sites are also highly vulnerable to flooding in the winter months. And yet, the data shows that business owners in these sites do not create or belong to any civic organisations specifically designed to respond to this recurrent hazard.

The chapter characterises business owners in the research sites, and the environmental, financial and social contexts within which they operate their businesses are drawn upon in the subsequent chapters to address the questions and gaps raised in chapter 2. Through this analysis, I aim to add to the governance literature by explaining states and market capacities and how these affect the poor's decisions around hazard response.

**Chapter 5** describes the hazard management options available through the state and its partners and the associated challenges. The chapter concludes that the City of Cape Town has made significant efforts in reducing flood impacts to communities in informal settlement areas in the city. An example of the City's efforts is the storm water infrastructure built in some informal settlement areas, and the municipal government's partnership efforts in flood affected areas. However, limited knowledge of the available services, and a lack of confidence in the government undermine these efforts. Further, the City itself is filled with enforcement challenges that undermine the sustainability of its investments. For example, one of the main culprits of flooding in the informal settlements was found to be blocked drains. The City invested in building the infrastructure but did not maintain them and ensure that they are not blocked.

**Chapter 6** explores the South African insurance industry and the products that it offers in poor communities, vulnerable to flooding. Here I test the theoretical validity of the market's governance role coupled with limited state-led flood governance as framed by the literature in chapter 2. The research assumes that the role of insurance is its ability to provide a public good but that this is highly reliant on government regulation, and its affordability.

The South African government is making greater efforts to ensure greater insurance access in poor communities but the high cost of providing insurance in these communities and the insurance industry's unwillingness and limited knowledge of these communities limits insurance access. The insurance market in South Africa does not play a governance function in poor communities confronted with flood hazard because of weak state legislation of the real causes of the urban poor's vulnerability. Poor business owners in the research sites mirror the lack of interest and knowledge to engage the insurance industry.

**Chapter 7** describes burial societies and their governance role. I explore burial societies as an instance of micro-insurance and a functional equivalent of formal insurance. Burial societies are popular associations with large numbers of members. It is unsurprising that civic societies, particularly burial societies are still prevalent

hazard response mechanisms amongst their users, primarily in poor, black African communities in South Africa.

However it is surprising that similar civic associations have not been formed in specific response to climate induced impacts, particularly flooding. The chapter argues the case that the hybrid nature of burial societies makes them a preferred hazard response mechanism because they respond to a wide range of user needs and not just shocks brought about by death. To this end, I also explore the use of burial societies in response to flooding.

The chapter suggests that burial societies and the networks of assistance within them do not make direct contributions to flood hazard response. However, I argue that there are indirect contributions that members make to flood management.

The theoretical and methodological chapters are revisited in light of the empirical findings within each of these chapters. The empirical findings support a theoretical view that cultural and religious embeddedness influence actor's preferences for risk management strategies, particular area in the state's limited response to death within minority groups.

**Chapter 8** pulls all the chapters together and concludes that in areas of limited statehood, civic associations are a functional equivalent of state provision of key goods and services and the variations of this amongst different cultural and community groupings. Even though these civic associations do not translate to fully resilient communities, they provide a support system that helps members of their community to deal with day-to-day socio-economic hazards including flood impacts for affected members. However, these two have significant limitations.

### **THEORETICAL FRAMEWORK AND RESEARCH QUESTIONS**

#### **2.1 Introduction**

*“Disaster vulnerability in developing countries may very well be the most critical challenge facing development in the new millennium. Rapid population growth, urbanization, environmental degradation, and global climate change are all contributing to an increase in the frequency and magnitude of disasters. And their deadly impact is on the lives and living environment of the poor.”*

*(World Bank 2001).*

How do poor communities in informal contexts respond to disaster? Concepts such as ‘informal’, ‘poor’ and ‘disaster’ are not easily associated with order, but rather tend to be associated with ‘strife’ and ‘chaos’. Informality, in particular, is often associated with anarchy and lawlessness. The question of how poor communities respond to disaster, particularly flooding, is the central question of this thesis. To the onlooker, the lives of the poor in African cities may seem disorderly, yet they are home to millions of people who, despite “recurrent shocks and pervasive social and economic vulnerability” (Holloway 2003:1), continue to live amidst multiple hazards. This suggests that order exists, albeit in unconventional ways.

“A better understanding of community response can provide a foundation upon which mitigation and amelioration of future problems can be based” (Flint and Luloff 2005:404-5). To enrich this understanding, this thesis draws on the growing literature on governance and regulation beyond the state that has increasingly focused on the governance role of local, informal institutions, particularly in poor, urban communities (Hyden 2006; Lourenco-Lindell 2002). However, the literature still neglects to a large extent, the ways in which poor communities, living in informal contexts, manage risk in a context of limited statehood – that is, how informal community association fills the gap caused by market and state failure in response to recurrent hazards such as flooding. An understanding of these processes is useful

because it points to “the potentials of forms and modes of governance that do not necessarily conform to the agenda of mainstream funding agencies” (Hyden 2006:21).

Research on risk and disaster places considerable emphasis on poor communities as the victims of social and environmental processes (Blaikie et al. 1994; Erikson 1976; 1994; Burton et al. 1978). However, this literature often assumes that the poor are limited in their ability to address the recurrent risks facing their community. The result is a depicting of poor communities as incapable of reducing their own vulnerabilities and reliant upon external assistance (Flint and Luloff 2005). A review of the literature on civic association in poor, hazard-prone areas explores internal processes used by communities to maintain order in their communities and provide their communities of users with goods and services that are otherwise unavailable from the state and market.

Taken together, these strands of literature form a foundation for this study of the role of civil society governance in an area of limited state and market-led governance.

This chapter is structured into four sections. The literature review begins by providing a brief overview of flooding, a climate-induced hazard, as it affects the urban poor. The second section is a review of prevalent views of governance and the role of the state. Terms such as ‘nodal governance’ and ‘governance in areas of limited statehood’ have become popular in trying to make sense of current shifts in the governance literature as it attempts to explain the position of the state, particularly in developing countries. These concepts are introduced and explained in the context of the broader body of literature on governance, particularly as these are used in this literature review. The growing body of governance literature has not gone without criticism and these are highlighted in the discussion. This section frames the shifts in the position of the state in the context of market and state failure. The ways in which these co-ordination failures unfold in many developing economies and their implications for governance are also explored.

The third section builds on the question of ‘governance beyond the state’ and addresses the ways in which voluntary associations in poor communities take on governance roles in the absence of the state (Singh 2003 Swyngedouw 2005; Rose and Miller 1992). The discussion focuses on the literature on civic association.

The fourth section reviews the literature on informality and the way processes of informalisation have taken root in areas of limited statehood. A look at the informalisation, as both a process and a sector, positions informalisation as both an organic process and a response to a governance deficit. An understanding of informalisation as a process in particular, sets the tone for the following section on civic society association.

The last discussion area relates to the role of civic associations and their ability to capture the basic needs of their users - that is, the urban poor living in informal contexts - for their mere continued existence. The chapter concludes with a summary of the most important arguments of the relevant literature and the gaps the thesis seeks to fill, presenting a set of questions for discussion that will direct the flow of the subsequent analysis.

## **2.2. Context: Governance in areas of limited statehood**

I use the governance in areas of limited statehood framework to give a contextual framing of the informal settlements in which the research is conducted because they are places where the state is unable or unwilling to provide certain collective goods or services. This interpretation is informed by the definition of governance in areas of limited statehood (ALS) as provided by the Collaborative Research Center in their report, *Governance in Areas of Limited Statehood* (SFB 700).<sup>7</sup> Here, governance is defined as “institutionalised forms of social co-ordination producing and implementing collectively binding rules, or providing collective goods”, while statehood refers to a very specific form of formal institutionalised hierarchical power, namely “the ability of the state (or an alternative actor) to enforce collectively binding decisions, ultimately through coercive means that are guaranteed by a legitimate monopoly over the means of violence” (Koehler 2012:6).

Risse (2011) points to the problematic nature of a typology of statehood oriented towards a normative view of the state. A normative view reveals Eurocentricism and a

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<sup>7</sup> The Research Center (SFB) 700 *Governance in Areas of Limited Statehood* is financed by the German Research Foundation (DFG) and involved several partner organisations in Germany.

bias towards Western ideas of statehood and the market economy. This analytical challenge tends to confuse definitional issues and research questions. The definitional issues relate to the common definition of states as political entities that provide services and public goods. Such a definition is misleading, because the reality is that most 'states' in the international system do not qualify. The research challenge and the reality in most states is that

[a]reas of limited statehood concern those parts of the country in which central authorities (governments) lack the ability to implement and enforce rules and decisions in which the legitimate monopoly over the means of violence is lacking, at least temporarily (Risse 2011:4).

### **2.2.1. Dimensions of ALS and its contextual relevance**

This research takes on the research challenge that Risse (2011) frames in line with the characterization of statehood as the ability to enforce rules or to control the means of violence along various dimensions:

**Territorial** - parts of a country's territorial spaces. In the research cases, I delineate these territories in terms of informal settlement areas that are mostly found within townships. I have found no one definition for informal settlement areas in South Africa within the literature. However, the characteristics of informal settlement areas include: their unplanned residential nature and the housing structures (Stats SA 2001); illegality and informality; restricted public and private sector investment; poverty and vulnerability (National Housing Code Informal Settlement Housing Programme 2009); lack of title documents and deeds, ownership of land, access to services (toilets, water, electricity) and few points of interest (schools, transport) (LaPsis 2011).

Huchzemeyer (2004) warns that settlement informality should not be decoupled from the processes that lead to it, particularly in South Africa. Land access, its contestation and access to basic services have important implications for the definition of location and population composition of residents of informal settlement areas in South Africa.

**Sectoral** - relates to a specific policy area. The focus of this research is on goods and service provision, that is, governance of the market, state-led and informal sectors. The research frames the informal sector in particular as a characteristic of ALS,

wherein the state fails to provide even the most basic of needs that results in “problems regarding rule-making, implementation and enforcement” (Livingston and Walter-Drop 2012:116). Where these state actions are limited or non-existent, the informal sector fills the void.

**Social** - relates to specific parts of the population. In South Africa, ALS are predominantly located in poorer communities. In many of these communities governance is provided by social actors other than the state, that is, non-state actors (Kode 2013). Though statehood is not necessarily altogether missing, it is often limited, leaving spaces for governance provision through social co-ordination or collective action. To perform their governance actions and solve collective problems, non-state actors engage different modes of co-ordination (ibid). The social capital endowments of these actors are therefore critical to their success. For this reason, the research focuses on the engagement of the poor with different nodes in the governance of hazard.

**Temporal** – meaning configurations of limited statehood over time help to differentiate between parts, as opposed to complete countries (Risse 2011). Limited statehood allows for a more realistic description of the temporal variations of governance and service provision. Further, it does not suggest the complete absence of goods and services provision, but enables us to interrogate the tension that lies in the state’s ability to provide goods and services in times of stress and/or disaster. In the research sites, the lack of timely and adequate flood disaster response have led to numerous losses to both city infrastructure and the lives and property of residents, thus challenging ideas of statehood in these sites. However, this challenge has also given rise to greater collective, self-help behaviour among affected residents, particularly around times of crisis (Meier 2014).

### **2.3. Theorising state and market limitations**

Following the idea that goods and services can be provided beyond the state raises several key questions that the research addresses. Perhaps one of the most fundamental questions is how effective and legitimate governance is possible in ALS.

This requires a better understanding of non-state actors, their institutional characteristics, governance processes and their role in contemporary governance,

particularly in developing economy contexts where the concept of ALS reveals some implicit biases in the Western conceptualizations of governance (Risse 2011). For example, Western notions of governance are based on central assumptions of both development studies and development policy that fully consolidated statehood has to be the yardstick against which most existing states are measured. Risse (ibid) suggests that governance refers rather to the various modes of social co-ordination that “produce and implement collective binding rules, or to provide collective goods” (Risse 2011:9). To this end, it includes state institutions that have either ceased to exist, as in the case of failing states, or governance services that are provided beyond the state. That is, non-state actors engage in the provision of collective goods.

Also, “areas of limited statehood are often populated by traditional communities with their own social standards” (Börzel and Risse 2010:125). In South Africa this is embraced in numerous areas of governance, most notably in the traditional leadership system that is fully recognised and used alongside Western styles of national leadership. The ALS framework lends itself to an understanding of governance in poor, urban African cities, the role of the state (or lack thereof), the role of non-state actors and the co-operation of the two in governance.

### **2.3.1. The ‘co-ordination’ problem: Opening up spaces for the informal**

Before moving into a discussion on the governance role of non-state actors, I will first review the literature on the limitations of state and market governance and how it has given rise to widespread informality in governance. A review of this literature is important because it points to the governance shortcomings of both the state and the market that give rise to this so-called co-ordination problem, which has provided an opening for the informal sector to take on some of the governance functions that were previously the domain of the state or the market.

In 1977, economist Burton Weisbrod developed a theory to reconcile the co-existence of non-profit organizations and classical economic theory (Salamon and Anheier 1998:220). According to this theory, the starting point and inherent limitation in classical economics lies in market and state failure. Why certain goods and services

are provided by neither the state nor the market and rather in the informal sector can be explained by the theories of contract, government and philanthropic failure.<sup>8</sup> Taken together the inability or unwillingness of both the state and the market to provide key goods and services to the poor is commonly referred to as a ‘co-ordination problem’ (Enjolras 2000). How the informal sector is able to mitigate this co-ordination problem can be attributed to their particular type of governance structure and their democratic functioning (ibid). However, to appreciate the problems that the informal sector has to overcome to provide essential goods and services, I will review the ‘co-ordination problem’, pointing to the ways in which it has opened up spaces for the informal sector to provide key goods and services.

### **State failure: The changing view of the state as the provider of governance**

The idea of the ‘rolling back’ or ‘withering away’ of the state from central government has been widely discussed, particularly in the international relations and political science literature. This withering away of the state has opened up spaces for different governance domains, including the informal sector. Proponents of these changes have welcomed regional and international representative politics (Rosenau 1990). Others still view the sovereign state as the best regulator of political order (Krasner 1999). The varying views of a changing state are characterized by its strength and weaknesses based on the state’s social, economic and political abilities to survive (cf. Migdal 1988).

The ideal modern nation state is modelled on the state with “full sovereignty and a legitimate monopoly over the use of force” (Risse and Lehmkuhl 2006). Within this body of literature, states are categorised according to their ability to deliver political goods and services to their populace – successful states are seen as those that can provide services, including welfare, order and security (Hill 2005). Many arguments for government intervention as they relate to the market failure paradigm are based on an idealized notion of the state. Here the state is seen as not only invincible but also

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<sup>8</sup> See Salamon 1987; Hansmann 1980; and Weidsbrod 1977.

generous. As Chang (1994:25) in Wallis and Dollery (1999:25) summarizes this theory:

In many theories of state intervention, it is (implicitly) assumed that the state knows everything and can do everything. Welfare economics is an extreme case of this tendency. In welfare economics it is assumed that the state has all the relevant information for social-welfare-maximizing intervention and is able to achieve what it sets out to do. At the opposite end of this spectrum are collapsed or failed states which are unable to deliver any political goods. However, many states, particularly in Africa, and including South Africa fall somewhere in between these two categories and can be described as weak or failing.

Jackson (2000) describes weak states as those that “cannot or will not safeguard minimal civil conditions for their populations: domestic peace, law and order, and good governance”. Gros (1996) adds that in failing states, public authorities cannot or are unwilling to carry out the ‘social contract’<sup>9</sup>. This, according to Risse (2011), is a key characteristic of ALS.

Gros’ (1996) definition is informed by the “dominant neo-liberal perception that state organizations are predatory and inefficient, with rent seeking as the primary motive for the behaviour of public officials” (Robinson and White 1997:01). While this is true of many governments (Mungiu-Pippidi 2013, Kiondo 1994 in Lourenco-Lindell 2002:20), it is problematic in that it presumes that, despite its inefficiency associated with corruption, the government would otherwise have the capacity to meet the needs of its populace. Many public officials working in governments in ALS are inefficient because of limited resources, capacity and knowledge to effectively provide goods and services.

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<sup>9</sup> The view that a person’s moral and/or political obligations are dependent upon a contract or agreement among them to form the society in which they live (see Locke 2003; Rousseau 1987; Hobbes 1651).

In ALS there are spaces within which the state is strong and other areas within the same territory where it is weak. In many African countries, including South Africa, this weakness is characterized by patronage, nepotism and corruption (Dinokeng Scenarios 2009) and poor service delivery. Some of these weaknesses are attributed to Africa's colonial legacy and, in places like South Africa, apartheid has been blamed for the imbalances in social access to goods and services (Hyden 2006).

The Western model of the modern state is challenged when developing states have limited capacities on rule enforcement and over the means of violence (Risse and Lehmkuhl 2006). Consequently the state's ability to provide key protections not only varies within some states, it is sometimes completely lacking in some parts of whole territories.

The role of the state as the principal provider of goods and services is brought into question because it is often the leaders and their patrons that benefit from government-led services (Chabal 2002 Lund 2007). This personalization of power and personal enrichment are linked to what are described as failed states (Herbst 1996; Borzel 2010).

The literature on informality offers divergent views on the origin and pervasiveness of informality. One perspective is that the rise and prevalence of the informal sector is in itself an indicator of state failure. The growing informal sector can also be a sign of what Swyngedouw (2005) calls the 'junas-faced' governance beyond the state. With this Swyngedouw acknowledges the role of non-state actors in governance but that their participation cannot always be equated to democracy. In fact, it can lead to "substantial democracy deficit" (ibid: 1993). The reason for this, the author argues is that with new arrangements of governance, come new empowered institutional actors while simultaneously disempowering older/other actors. This is particularly true of weak or failed states<sup>10</sup> (Borzel 2010) often leaving room for the market to take on the leading governance role.

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<sup>10</sup> For a contrasting view of the strength of weak states, see Migdal (1988) and Jones (2010).

Another perspective attributes high informality to the negligence of the state. This view portrays the state as “either oppressive or as a poor performer and obstructive of the entrepreneurial efforts among popular groups” (Lindell 2002:15). This state negligence, it is argued, results in a disconnect between society and the state, wherein people find ways to bypass unfavourable state regulation and policies. This view, however, makes two broad assumptions. Firstly, it assumes state contest and the idea of informal activity as illegal. Secondly, this perspective assumes a uniform informal sphere in which power is concentrated and challenged in one direction, that is, against the state. This masks the usefulness of the informal sector to provide key goods and services to the citizens of the state.

For example, “one of the most common ways in which the state provides protections to its population is through social security and social insurance schemes, as well as policy measures like transfers and subsidies to offer individual and community protection” (Jutting 2000:6). However,

...in many developing economies these social securities are compromised by powerful macroeconomic factors such as foreign debt, collapsing commodity prices and limited export earnings and the resultant negative impacts on employment opportunities are some of the drivers of widespread trends in socio-economic vulnerability, undermining resilience to natural or other shocks at both household as well as national levels (Holloway 2003:2, ).

Bulkeley (2013) emphasises the importance of the integration of resilience across all levels of governance precisely because of the idea that “contemporary governance discourses are about sharing responsibilities between state and non-state actors for risk management, and conditions for innovation and change towards a new, more sustainable state ...even in the absence of guidance from national policies and enabling frameworks” to increase resilience (Vedeld et al. 2015:289).

Given that only a limited proportion of the population in developing countries works in the formal sector, coverage is limited to a small proportion of the larger population. It is important to broaden the view and understanding of social security to the self-employed and informal-sector workers. Jutting (2000) points to the importance of moving away from the Western understanding of social security mechanisms, as those

are formed within a specific ecological and socio-economic setting in Western countries.

Despite an increase in growth in the informal sector, our knowledge of the politics of informality are still limited. Lourenco-Lindell (2002) suggests that this limitation is the result of deeply rooted views of the informal sector that tend to overlook the agency of people and their engagement with the informal economy. Much of the literature has focused on defining the informal economy and its potential for economic development (Prahalad and Hart 2002). Other perspectives of informality focus on the income strategies used by people in the informal economy in the face of global economic pressure and changing formal employment (Rakodi and Lloyd-Jones 2002 in Lindell 2010), generally overlooking the experiences of actors in the informal sector.

Another perspective on informal support systems might be better at grasping the complexity of informal assemblages. An empirical analysis of support systems, instances of co-operation and specific social realities help to capture the multi-dimensional support systems that lie outside the realm of the state (Lourenco-Lindell 2002).

An important perspective, as it relates to this research, is that the informal literature has highlighted the kinds of personal networks that urban dwellers build to sustain their informal activities (Lourenco-Lindell 2002). Lindell (2010) argues that some analyses give little attention to informal economy actors' potential for collective organisation. Further, their organisation is often overlooked as having little capability for collective mobilization (cf. Castells and Portes 1989). Contrary to this view, some work has emphasised the capabilities and opportunities of collaboration between diverse cultural and social backgrounds of urban actors in the informal sector (Simone 2004).

The insurance sector is a useful example of a mechanism provided by the state and market in many developed economies to help absorb shocks. "In developing economies, not only are insurance markets missing, but possible substitutes in the form of labour markets and credit markets are either non-existent or do not function properly" (Jutting 2000:1). A tax base is an alternative for funding a social safety net

system, but collection in the informal sector would be difficult (ibid). This begs the question: what do the poor do when faced with this governance gap?

At the national level and in many ALS, the role of the market is very important in providing the goods and services that the state cannot, such as private sector insurance. However, it is often the wealthier individuals of a society that are willing and/or able to pay for insurance services, while the most needy and vulnerable groups in society cannot (Jutting 2000, Robinson and White 1997). Further, a risky environment lacking resources, infrastructure and information, "... leads to high unit transaction costs per insurance contract and therefore high premiums, which cannot be paid by the majority of the population" (Jutting 2000:9). However, even this does not fully capture the theoretical and empirical puzzle.

In summary, this research uses the governance approach as a theoretical lens to explain the use of multiple actors as, in the absence (or limited involvement) of the state, they respond to the multiple hazards with which poor business owners in informal contexts are confronted. This research is informed by a post-positivist methodology in which the researcher participates in the in the social world within which the study is undertaken. Consequently, comparisons between formal and informal for example, are approached with great caution and flexibility (see Comaroff and Comaroff 2012). It is with this same caution and flexibility that this analysis makes a contribution to an understanding of poor, vulnerable communities and their engagement and use of both formal and informal nodes for governance services.

### **Market failure**

"Classical economic theory acknowledges the inherent limitation of the market to provide public goods" (Salamon and Anheier 1998:220). Wolf's (1989:19-20) observation of market failure as "...markets may fail to produce either economically (efficient) or socially desirable (equitable) outcomes..." is useful in that it acknowledges the economic and social dimensions of market outcomes.

A principal source of market failure is that "the market only values what can be quantified and expressed in monetary terms". However, the aim of "human behaviour and activities is not always aimed at actualizing those monetary values. Human beings use culture, solidarity, social interest and other variables that cannot be quantified. To get a

fuller appreciation of these non-monetary values, a market-focused institutional coordination mechanism is needed” (Enjolras 2000:50).<sup>11</sup>

Another source of market failure, most commonly found in developing market contexts, is the limited market competition that results in high prices of goods and services that poor urban consumers cannot afford. Wallis and Dollery (1999) cite geographical factors, such as large distances or isolated locations that make it less profitable for businesses to provide services in remote areas. In South Africa, this is a contentious issue in the privatization of water because as water prices increased, the poor could not afford it and were forced to purchase it from informal actors. Also, a common source of market failure is the undersupply of goods and services. For example, the overconsumption of communal goods such as grazing pastures.

Governments’ legal systems have also been identified as a cause of market failure through their exclusionary markets – pushing some actors out and leaving others to monopolize the market. It is argued that too much government intervention in the market raises the “barriers to entry into an industry which arise from increasing returns to scale...Because of the technological nature of production in industries of this kind, competition simply cannot exist” (Wallis and Dollery 1999:17). Proponents of this view therefore call for less government intervention in market events, which they view as organic processes.

However, the so-called ‘rolling back of the state’ has been criticized for increasing, rather than reducing, state regulatory density (Vogel 1996) and many others<sup>12</sup> have concluded that deregulation never took place (Braithwaite 2000). For example, ordoliberalists view state activity in economic regulation as part of the solution to market failure rather than the problem. The issue for ordoliberalists therefore is not whether state intervention is necessary, but rather how much is needed to enable functioning markets (Siems and Schnyder 2013).

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<sup>11</sup> I borrow from other authors such as March and Olsen (1998) and Schmidt (2010) and suggest a move away from rational choice institutionalization towards a sociological institutional understanding of social interaction. The market and the state are not excluded from this institutional landscape. I discuss this at greater length later in the chapter.

<sup>12</sup> Borzel (2011) refers to this regulatory density as the ‘shadow of hierarchy’.

One result of these exclusionary markets and demands for rolling back of the state is what Kolk and Pinkse (2005) call ‘laggards’. Laggards are companies that do not contribute to governance, often as a result of weak company self-regulation and the absence of a shadow of hierarchy. The absence of a credible threat cast by state regulation explains the significant number of laggards in many developing economies. Kapfudzaruwa (2013) reaches the same findings in his study of business’ contribution to climate change governance in South Africa and Kenya. Many South African companies do not provide governance services where there is neither the threat of state regulation or civic society pressure, meaning that there is little risk to their company image and profits. The banking, telecommunications and services business industries often fall under the ‘laggards’ category, because they, unlike the energy sector for example, are arguably less energy intensive and therefore face less regulatory, physical and economic risks from climate change. The high proportion of companies in the services sector falling into the laggards category results in a shortage of affordable services for the poor because businesses can focus more on profits, and therefore target middle income and rich households without state sanction.

#### **Why a focus on commercial insurance?**

The research focuses on formal insurance as both a market player and goods and service provider, that is, governance. The role of insurance in the governance of insurance against climate change impacts has gained increasing attention globally. For example, Article 4.8 of the UNFCCC calls upon Convention Parties to consider insurance amongst other actions to respond to climate change impacts in developing countries (United Nations 1992).

The idea of insurance as part of a climate change response strategy is informed by different views, particularly the view of the insurance industry as a key component of economic development and therefore, intimately linked to and impacted by climate change impacts, such as flooding (Geneva Reports 2009).

Insurance is the world’s largest industry and is both an aggregator of climate change impacts and a market actor that can play an important role in decreasing human and systems vulnerability (Mills 2004). Put differently, insurance has the financial capacity to manage and spread risks associated with extreme weather events that are

accelerated by climate change. Insurance also has the ability to encourage loss-reducing behaviours more effectively than the public sector (World Bank 1999). Insurance is by no means the panacea for climate related hazards; it is one of many actors, including government and civil society, that can manage the costs associated with climate-induced losses (Mills 2004).

In developing countries where climate-induced hazards are growing quickly, insurance holds great promise for decreasing vulnerability associated with climate change impacts. However, the penetration of insurance in these developing markets is significantly low in comparison to that of industrialized countries (Mills 2004). The penetration of disaster insurance is particularly low in the low-income segments of society (ibid). Consequently, the burden of absorbing the large cost of natural disasters falls on national governments that are already struggling to meet other development priorities.

In areas of limited statehood, the state-led social support networks play a limited role in responding to social vulnerability (Awortwi 2014), particularly when disasters affect whole regions and burden the already limited financial capacity and willingness of many national governments. The literature shows that the rural poor, particularly those dependent on farming are pushed into further poverty after a climate disaster because they take out high-interest loans, sell assets such as livestock, or engage in low-risk farming to limit their exposure (Linnerooth-Beyer and Mechler 2006).

The success of insurance is highly dependent on the financial, political and regulatory environment (Mills et al. 2002). Meaning, that insurance regulation should equally satisfy the profitability of the insurance providers without compromising availability and affordability to the consumer. One way of ensuring this is through government policies that can foster a change in the behaviours of insurance consumers, while simultaneously maintaining transparency and responsibility in insurance companies to get the trust of consumers (Mills 2004).

To this end, governments are believed to be the best placed to manage these risks associated with climate change, particularly flooding, which account for great global losses in the public sector (Zhengtang 2011, Huber 2004). By partnering with governments, the insurance industry can better adapt to climate-induced hazards

rather than be reactive. However, moral hazard becomes a significant threat. If governments provide insurance or support insurance programs, it is likely to be at very low rates that cannot cover the cost of the risk (Zhengtang 2011). However, areas of limited statehood are characterized by weak regulatory enforcement, making their role in the governance of flooding further limited.

As Paterson (1999) points out, the business of insurance is to maximize their profits and to avoid over-exposure to hazards, yet the insurance industry's reaction to climate-induced hazards has been very slow and reactive. The example of health insurance and its expansion in low-income countries is an example of the ways in which the insurance industry has been proactive in developing new products and making them available to low income earners in other sectors. This is in part because of the short-term nature of health insurance contracts – making the investment period shorter. Insuring climate hazards, on the other hand, is limited by the uncertainty that characterizes climate-induced hazards.

Also, the insurance industry has limited knowledge and experience in providing cover for the poor that are highly vulnerable to climate-induced hazards and there is little incentive to provide cover because they are often not sanctioned to do so by national governments, though this is changing slowly.<sup>13</sup> Again, the role that government can play in insurance provision to the poor can be greater – as an enabler through appropriate policy and as a regulator.

Access to formal insurance remains an important area that can help poor people manage risk. “Across sub-Saharan Africa for example, only 20 per cent of households have accounts with financial institutions” (World Bank 2008:35 in Moser et al. 2010). A large proportion of low-income people is excluded from formal financial services and is pushed to use less secure methods such as informal borrowing.

With the increased occurrence and severity of environmental hazards and their impact on poor communities, coupled with weak government-led goods and service provision,

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<sup>13</sup> In South Africa, the government has outlined standards for the access of products to be developed by the short-term insurance industry in an aim to ensure greater insurance access amongst low-income earners (see Gazette 359154, South Africa, 2012).

the research examines the insurance products available to poor business owners and their response to formal insurance.

## **2.4. Theorising Multi-level governance: The preference for nodal governance**

This research uses governance literature as a theoretical lens to make sense of the provision of goods and services where state-led governance is limited, particularly relating to the governance of hazard in poor communities. Governance theory, as initially formulated, suggests that the state provides all communal resources (Wood and Shearing 2007). For example, as Batley et al. (2006:135) point out,

...the history of the first three quarters of the twentieth century can be seen as one where states held clear authority within their borders, acquired growing functions and tended to perform them on their own. The latter part of the twentieth century and early twenty-first century was characterized by a more porous view of the nation-state, fewer directly performed and more partnership with other actors.

In developing countries, it had been hoped that the state would take the lead in restructuring the economy towards industrial development, particularly in countries dependent upon primary goods export (Todaro 1994). However, this has not materialised. In fact, the architecture of the state in many developing countries is far from what it was hoped it would be, often demonstrating plural governance systems.

Multi-level conceptions of governance in the governance literature often deal with the European Union (Hooghe and Marks 2001, 2003; Kohler and Eising 1999; Benz 2004). “There is a pressing need to develop refined conceptual tools and normative designs that better allow us to break free from the traditional embrace that state-centred thinking has held and permit us to understand the limitations and possibilities of different sites of governance” (Crawford 2006:458) and to advance more of this knowledge outside of developed economies.

Another useful governance perspective is the policy network perspective because it focuses on inter-organizational networks involving a range of public and private actors dispersed in society. In this perspective, the state does not necessarily hold a

sovereign position in these networks, but can steer them (Rhodes 1997). Exchanges within these networks are characterized by trust, reciprocity, and mutual recognition and are regulated by rules agreed upon by interdependent participant organizations (Rhodes 1997; Granados and Knoke 2005 in Lindell 2008). However, this perspective has been developed in the context of Western liberal democracies and its application in developing economy contexts is limited (Lindell 2008).

The contemporary governance literature points to collaborative forms of governance – that is the provision of goods and services from both formal and informal institutions. Contemporary views of the post regulatory state are expressed in concepts such as ‘nodal governance’ (Rhodes 1997; Johnston and Shearing 2003; Shearing and Wood 2003; Burris et al. 2005) and ‘smart regulation’ (Gunningham et al. 1998). This research draws on and seeks to contribute to the nodal concept of governance.

#### **2.4.1. Nodal governance: Formal and informal systems**

Nodal governance is useful in highlighting how power is exercised within a social network. In the nodal governance view, actors are seen as nodes with individual knowledge and capacities to mobilize and keep the system governed (Burris 2004). The state is viewed as one node amongst many (Johnston and Shearing 2003). Nodal governance therefore embraces the middle ground between governance with the state and governance without the state. This is useful in ALS, particularly contexts of informality where state and non-state governance institutions often work within the same space (either together or independently) to provide governance services.

Shearing (2006) cautions against the ‘state-centred’ approach that dominates the social sciences, because it limits research from understanding the governing capacities of diverse forms of non-state governance. This is especially the case in the literature on (physical) security, which challenges the idea of the state as sole provider of security and rather recognizes the state as one of many nodes of a network delivering security, with the network including the voluntary and informal sectors amongst others (Johnston and Shearing 2003; Shearing and Wood 2003).

Developing economy contexts provide especially useful cases because they offer empirical examples of a plurality of governance in whole territories as opposed to broad assumptions of developing economy territories as homogeneous.<sup>14</sup> However, similar to these multi-level governance approaches, including nodal governance, they are limited in their application in the informal economy context. This research makes an empirical contribution to this gap by exploring how small business owners operating within ALS leverage multiple nodes of governance, including the state, the market and the informal sector, to gain access to key goods and services that help mitigate recurring environmental hazards.

## **2.5. Theorising civic association and governance in poor urban constituencies**

*In not being regulated by the state, informal activity is not unregulated.*  
(Harris-White 2003)

Traditionally, the literature on civic association has been used to explain the visions and aspiration for development as a vehicle for the provision of goods and services for all. “Broad promises for the developing world such as ‘health for all’ and ‘universal primary education’” (Hyden 2006:184) were part of this rhetoric. However, there have been significant shifts in the expectations and role of civic associations and these shifts are marked as a consequence of the inability of the state to deliver on its ‘development’ promise.

In an attempt to solve the research puzzle on the governance role of civic association in the shadow of limited state and market-led governance, the literature turns to civic society associations and their governance role in ALS. Framing civil society as a governance actor allows us to recognize its role as the voice of the poor in shaping our views on key issues that have mainly been lumped together under the broader concept of development (Hyden 2006:183).

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<sup>14</sup> Liberalism is useful in understanding historical accounts of governance and organizational models in developing economies, however it is criticized for being insufficient in understanding resultant local practices and political outcomes (cf. Mohan and Stokke 2000).

Also, a key gap in the governance literature is the result of a modernization bias that presupposes both strong states and strong society. This assumes both have sufficient resources and capacity to meet their agreed roles. It also presupposes collective self-organization and established hierarchy (Börzel 2010). In many developing countries numerous variables undermine such networks, some of which are low institutional capacity, civil society lack of trust in the government and the government's willingness to take on certain roles or responsibilities in the network. While the role of government remains important and the 'shadow of hierarchy' cast by the government provides an incentive for co-operation between the government and non-state actors (ibid), it is not always available or possible, thus, opening up spaces for governance by civil society and the informal sector.

Civic associations are important to governance for many reasons, however, there is a tendency to overlook their governance role due to their informal nature. Hyden (2006:5) indicates that "scholars find it hard to study things informal. They are hard to identify and even more difficult to measure. Because informal institutions are not transparent, they are typically left out altogether or spoken of only in general terms such as culture".

The increased conceptual priority to non-state actors and their governance function has pulled civic into theoretical debates on their role in providing the goods and services that the state is not providing. However, as Börzel (2010) cautions, where the government is weak, so too are its civic associations.

### **2.5.1. Civic society association: The third sector?**

Schuppert (1991) refers to civic associations as 'the third sector' and unlike the other two sectors (market and state), it is a sector bound together by an appeal to voluntarism, whereas the integrity of the state depends on the rule of law, and the market on commercial pressure (ibid). Others describe civic associations as

...structurally separate from government; they do not generate profits which are distributed to members, nor are they primarily motivated by commercial considerations; they are self-governing in that they control their own activities through internal governance procedures and enjoy a significant degree of autonomy;

and rely on a significant element of voluntary participation (Robinson and White 1997:5).

The literature on civic associations still frames them as a part of a tripartite arrangement between the state and the markets (Archer 1994). The idea of 'good governance' for example is built on this understanding of a triad whose aim is to balance growth, stability and equity (Lewis 2002:571). White's (1998) analysis of voluntary associations reveals similar findings, pointing to their role in the development of a like-minded culture that facilitates participation and action in matters such as good governance so that problems such as patron-clientelism find it difficult to take root in these communities. Tontensen et al. (2001) adds that this has particularly been a concern in Africa over the last four decades wherein the state has performed shockingly badly as a result of mismanagement and corruption, resulting in the failure of many state governance structures.

The problem with this view of civil society is that it assumes co-operation between the state, civil society and the economy. Gramsci (1971) presented a different view of civil societies. Gramsci suggested that civil society was in fact separate from the state and the economy and viewed these as sites of resistance to the state. Examples of this type of civil society organisation can be seen in Eastern Europe, Latin America and indeed even in Southern Africa.

In sub-Saharan Africa the non-state sector has played a significant role in the provision of health and education services since the colonial period. South Africa in particular has a long history of civic association in opposition to the oppressive apartheid government. In no other region has the direct involvement of civic organisations in service provision achieved such prominence and for this reason merits detailed consideration (Robinson and White 1997:9).

Although the characteristics of civic association are often made with reference to the state, they may also be completely neutral vis-à-vis the state (Tostensen et al. 2001).

In fact, even in the context of informal settlement areas, reliance on civic association is an informal survival strategy that takes the place of state-directed development initiatives including social security services such as insurance.

Any analysis of non-state provisioning should begin with an assessment of the various types of civic association engaged in such functions. A distinction is often made between formal and informal organizations – the former adhere to codified rules and regulations governing organizational behavior, and gain legal recognition as a legitimate actor from state authorities, whereas the latter refers to groups of individuals who co-operate in the financial and provisioning of goods and services for the benefit of their communities, through reciprocal exchange (Robinson and White 1997:6).

The non-state sector, “by virtue of philanthropic, political, religious motivations”, is assumed to have greater benefits in delivering services to low-income or socially disadvantaged people (Robinson and White 1997:19). Non-state actors’ closeness to the communities that they operate in may promote trust between them and their members that may be lacking among other service providers whose services are solely profit oriented, or self-interested as is the view of state provision by some (ibid). The focus of this research is on the informal organizations as these are prevalent in the research sites and commonly used by residents to respond to multiple sources of adversity and hazard.

### **2.5.2. The dark side of civic association**

Civic associations often come about in response to a goods and services deficit from state or the market, though Salamon (1987) warns this is not to suggest that they offer a guaranteed return. In fact, civil society organizations have been criticized on numerous grounds in relation to their governance role. Much of the criticism relates to their organisation and inclusiveness.

To illustrate this point, I draw on Katsaura (2012) who argues that while community governance is desirable, it is also characterised by both coalition and contestation. Katsaura concludes that to gain influence, community-based organizations (or in the case of this research, civic associations) forge strategic alliances with other nodes – in both the private and public sectors. Further, even though civil society organisations are renowned as participatory spaces, they are also spaces in which ‘anti-democratic’ behaviours are displayed. For this reason, Katsaura (ibid) likens the civil society

realm with the state – “a realm of power struggles, control, domination, conflict and political partnerships” (Katsaura 2012: 340).

Hasan (1990), whose research explores the types of community organization that develop in low-income communities in five cities in Pakistan, offers another critique of civic associations. The smallness and local nature of community organization and the fact that they usually organize around specific issues are often seen as weaknesses. This criticism stems from the fact that, individually, the community organizations are “too weak and their actions, too sectoral to involve them in larger development issues, and therefore have no political influence” (ibid: 6).

There are also challenges regarding who participates. Here, variables such as gender, political affiliation, and religion may play an influential role. Based on this, Mitlin (2001:157) cautions that “grass root organizations do not necessarily assist in the reduction of the symptoms of urban poverty and vulnerability, due to exclusion from access to basic services, or in the consolidation of social capital”. Evidence suggests that the quality of services provided through civic organisations impacts viability, partly because they attempt to spread resources too thinly, but also because of technical complexities inherent in certain forms of service provision, which non-specialist organizations are not well equipped to handle.

The continued use and prevalence of these organizations suggests that some of the weaknesses that Mitlin (2001) highlights have some benefit to these organizations. Mitlin’s (ibid) research also reveals some of the ways in which civic associations manage internal problems, such as leadership abuse, and discriminate membership. While this research does not discount the difficulties and weaknesses within the associations, exposing some of these contextual weaknesses is in itself an important contribution to the broader understanding of the internal structure of grassroots organizations and the areas in which they can be strengthened in line with the causes of those weaknesses.

There remains little documented on the structure and governance role(s) of civic associations in poor communities. For example, in South African townships, the use of civic associations to escape political oppression was critical in the anti-apartheid struggle of the mid-1980s (Mitlin and Mogaladi 2009). Yet little is known of how

they are used in the current post-apartheid context, how many of them exist, their types and composition, and the ways in which they govern their communities of users. This is especially important in poor urban communities in South Africa today where the state and the market play a marginal role in providing services that help communities to manage the wide range of hazards with which they are confronted every day. It is also an area of knowledge to which this research seeks to make a contribution.

Indeed as Castells (2000:693) proposes, "...we need to understand the processes of constitution, organization, and change of a new society, probably starting with its social structure – the network society". Castells offers a number of dimensions<sup>15</sup> of the network society, but perhaps the most useful for this review is "the transformation of state-centered society to one which is based on negotiated institutions, in favor of value-founded communes" (ibid: 694). This dimension therefore places governance at the heart of our understanding of society and its actors' collective decisions in the face of multiple hazards. After all, governance relies on the expression and transmission of decisions for a common end.

### **2.5.3. Civic association: A response mechanism to multiple hazards**

The *raison d'être* of civic associations is pooling resources amongst a community of members to fulfil a predefined need. There are numerous determinants of co-operation in civic associations. One determining factor is wealth. "Poorer people face similar common dilemmas more frequently because they own less productive private assets and thus have to access common-pool resources for their subsistence. And, they do so with people of similar wealth or social status" (Lindell 2010:134).

Civic association is also driven by a reciprocity principle amongst members (Horch 1994). That is, pro-social behaviours of helping others when in need; prayerfulness; and other acts of service to fellow members in their time of need are strongly manifested (Bowles and Gintis 2002). Lindell (2010) adds that civic association value

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<sup>15</sup> The principles and assertions that underlie Manual Castells' (1996) "theory of the "rise" of "networked society" are defined by four dimensions: (1) the new technological paradigm, (2) globalization, (3) enclosing of cultural manifestations, and (4) demise of the sovereign nation-state.

shared norms and group identity. This helps reduce the ‘tragedy of the commons’ in these self-governed associations. This is also acknowledged in the nodal governance literature, according to which “a node may use rules or laws, or threats, or social pressure, stigma or any other mode of control at its disposal. Nodes directly govern the people who are subject to their influence” (Burriss et al. 2004:14).

Civic associations are also acknowledged for their role in enabling participation in decision making to adapt to hazards in numerous academic disciplines, such as sociology, but most notably in environmental studies (see Ostrom 2010; Agrawal 2008). For example, the climate change and adaptation literature has increasingly interrogated the role of civic association in communities’ ability to respond to climate change. According to Adger (2003:4), “although none of their explicit mandates are to deal with climate-related risks or adapting to climate change, there is much scope for them (civic associations) to be adapted to reduce vulnerability”. As a result, “local institutions played a key role, both directly and indirectly, in adaptation to climate variability and other shocks” (Vincent 2006:1).

These member-based organizations, also referred to as non-profits, cooperatives, mutual self-help groups, provide basic services to their members on a voluntary basis (Jutting 2000). Their size is small to medium, varying between 10 and 500 members. The members are usually concentrated in one community, so that they face a similar “socio-economic background and the organization operates in a decentralized way” (ibid).

An analysis of civic associations and their governance role also contributes to an ongoing theoretical conversation in the disaster literature. Traditionally, local agency with the capacity to act in the face of a crisis has been excluded from analysis due to the emphasis on external environmental forces or social vulnerability – particularly large-scale NGOs and the state (Blaikie et al. 1994; Burton et al. 1978). This view presents an incomplete and flawed understanding of community life – particularly in poor, urban communities.

While community vulnerability is important to understand, so too is community action. “The reality that communities are complex, undiminished in the face of risk, is too often ignored” (Flint and Luloff 2005:404). Lowenthal (2000:404) suggests that

we have been insufficiently aware of communities as social organisms and “their endurance ... involves a calculus of risk much more complex and far-reaching than that normally deployed on behalf of individuals”.

More recent efforts have shown the complexity of social vulnerability and promoted the role of communities as agents of change in reducing vulnerability. Poor, urban communities are dynamic sites embedded in social contexts, representing different, intersecting values and levels of vulnerability. How people come together to make collective decisions in the face of multiple hazards, and in the context of limited state and market-led response mechanisms is the focus of this thesis.

This analysis cannot be made independently of the role of local institutions in their governance role, particularly if these areas of strength lie in places where the state is weak. Cultivating or improving a complementary relationship between the state and civic associations or within civic associations themselves is an area of theorisation still lacking in African literature (Hyden 2006), and one whose teachings can be applied in other development challenges in which civil engagement is required such as climate change.

## **2.6. Civic society association: Social capital, collective action and the local provision of governance**

The recognition that collective action is important for achieving good governance in the absence of the state<sup>16</sup> has increased in the analysis of state-society relations. To this end, social and cultural factors shape institutions and organizations in various ways (Scott 1998). This contextual view of social interaction not only explains the ways in which the state is affected by micro-level social interactions but also how the state in turn affects these interactions (March and Olsen 1989). Civic associations have therefore gained a lot of attention – particularly the ways in which they encourage accountability, participation and propagate a ‘democratic culture’

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<sup>16</sup> ‘Governance without the state’ acknowledges that governance exists even where the state does not or cannot provide it. Borrowed from political sociology, this has become an increasingly popular term to explain the way in which societies manage their affairs and the social conditions under which this happens (Tilly 2004).

(Mungiu-Pippidi 2013, Fukuyama 2001). There is also a lot of interest in the ways that these associations are organized and function (Rothstein and Stolle 2001).

In order to achieve good governance, White (1998:4) points to a political culture that seeks social cohesion as a crucial characteristic of civic associations. “In a civic-minded culture citizens expect their leaders to be accountable and can call them to account where appropriate; and second, voluntary associations are run according to the rules supported by the group”. Accountability, trust and adherence to rules are all critical to the composition and function of civic associations.

The outcomes of civic association and action are therefore closely associated with their social capital<sup>17</sup>. According to authors like Putman and Fukuyama, social capital is important in civil associations and building ‘social capital’ in both economic and political life has been widely researched and documented (Fukuyama 1995; Putman 1993). According to Fukuyama (2001), the norms that constitute social capital are instantiated by human relationships. In line with this view, trust, networks, and civil society, are the added benefits of social capital (Fukuyama 2001). Further, “the shared norms should lead to group co-operation and are therefore related to valuable interpersonal virtues including keeping of commitments, reciprocity and reliable performance of duties (ibid).

Putnam, Leonardi, and Nanetti (1993:173-4) in Kode (2013:35) name four beneficial outcomes of networks that are also critical for the provision of governance:

- Networks of civic engagement increase the potential costs to a defector in any individual transaction.
- Networks of civic engagement, in the language of game theory, increase the iteration and interconnectedness of games.
- Networks of civic engagement foster robust norms of reciprocity.
- Networks of civic engagement facilitate communication and improve the flow of

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<sup>17</sup> In their seminal study, *Making Democracy Work*, Putnam et al. defines social capital as the “features of social organization, such as trust, norms, and networks, that can improve the efficiency of society by facilitating co-ordinated actions.” Social capital is therefore thought to lead to better “institutional performance” (Putnam, Leonardi, and Nanetti 1993: 8 and 167).

information about the trustworthiness of individuals.

- Networks of civic engagement embody past success at collaboration, which can serve as a culturally defined template for future collaboration.

Ostrom's (2008) theory of social capital takes on a broader theoretical conceptualization of social capital as a collective asset in which actors invest with an expectation of future benefits. Adler and Kwon argue that "[t]hrough investment in building their network of external relations, both individual and collective actors can augment their social capital and thereby gain benefits in the form of superior access to information, power, and solidarity; and by investing in the development of their internal relations, collective actors can strengthen their collective identity and augment their capacity for collective action" (Adler and Kwon 2002:21 in Kode 2013:11). Further, like other forms of capital, social capital is 'convertible' and can be used for other purposes other than the one for which it was created (ibid; cf. Coleman 1990).

Civic associations also tend to be formed along religious and cultural ties and in this sense are viewed as carriers of positive values and morals required for cohesive communities – "without the help or intrusion of the state" (Tonstensen, 2001:12). In fact, many civic associations are borne out of the frustration with the state's limited engagement and service provision. This also marks the different types of social capital that exist in the literature.

The social capital literature makes a differentiation in co-ordination between bonding, bridging and linking. Bonding denotes connections between similar people such as family and relatives (Woolcock 2001) and is closely associated with Granovetter's (1973) concept of 'strong ties'. Bridging refers to the connections with people that are demographically different. For example, people in power, such as politicians. Bridging therefore denotes individuals' connections with formal institutions (Putman 1993). Granovetter (1973) identifies these as 'weak ties'. Linking refers to connections at differing social and economic scales (Field 2003), that is, how social capital brings together people from diverse backgrounds, giving it resonance to both the strong and weak ties.

An appreciation for this differentiation is important for this research because it has implications for the theoretical understanding of governance and state-society interaction in ALS. For example, Woolcock and Narayan (2000) argue that in the OECD context, bonding of social capital may be seen to undermine democratic institutions, as strong bonds often result in club goods and can result in society-wide negative externalities.

By contrast, in non-OECD contexts the prevalence of bonding social capital is quite high, though it often co-exists with bridging social capital. This means that while on one hand there is a strong embrace of social, historical and religious traditions in social capital (Rothstein and Stolle 2001, Fukuyama 1996) these exist alongside more institutionalized roots of social capital, therefore showing causal relevance between social capital and civic culture.

### **2.6.1. Social capital and state institutions**

According to scholars like Berman 1997, Levi 1996, Skocpol 1996 and Tarrow 1994, in order for social capital to flourish, it has to be embedded and linked to formal state institutions. According to these scholars, social capital does not exist independently of civic society; in fact, government and political institutions influence social capital. While it is true that generalised trust is shaped by and can be traced back across generations, it is also closely intertwined with other modern-day aspects of civil society, such as regional and national institutions (Rothstein and Stolle 2011).

Rothstein and Stolle (2001) argue that the causal mechanisms of the relationship between government institutions and social capital point to a presence of strong, dense horizontal, and cross-cutting networks in which the development of cooperative values and norms among citizens are shared. While this does not state aspects of social interaction that matter in the creation of generalised trust and norms of reciprocity, it does acknowledge that not all voluntary organisations are established to create trust amongst their members. In fact, some create distrust amongst their members because of homogeneity or exclusivity. However, if diversity and co-operation between people of different backgrounds is to bare cooperative values, the connection within this diversity seems to depend a lot on the national context.

In this view, the state is an important player because the state “enables the establishment of contracts in that they provide information and monitor laws; they enforce rights and rules that sanction lawbreakers, and protect minorities” (Levi 1998: 85 in Rothstein and Stolle 2001). Here, the individual’s perception of what is fair and just is built on a generalized trust in the state, which in turn is used as mirror for fellow citizens. This view of course assumes that the state has the capacity to “monitor free riding and to punish defection” (Rothstein and Stolle 2001:6).

Perhaps it is the differences in state capacity that we ought to look to for an understanding of regional and national differences in social capital levels. In South Africa, the reverse causal logic is more plausible. Rothstein and Stolle (2001) argue that it is not only detrimental to the view of the government and its governance capabilities in this way, people also transfer these views to others in general. The character of political institutions therefore plays a critical role in generalized values, such as trust and reciprocity upon which social capital is built amongst citizens.

Assuming that there is generalised trust and trust in political institutions, the logic follows that citizens will comply with government demands, such as paying taxes and the rule of law (cf. Scholz and Lubell 1998). Citizen’s experiences and of those closely related to them, like friends, family and same identified group members influence the way they think about others and the trust they choose to assign to them. In sum, there are three corresponding variables at play in the relationship between social capital and civil culture: the generalized view and trust of the government; the generalized behaviour of other citizens; and one’s own or close others’ experiences of the government.

Hardin (1999) challenges this view, citing that it is not possible to trust the government because it is impossible to have complete information about such a large entity. Therefore, we can only trust individuals that we know because we have/can collect the necessary information upon which to make our decisions to entrust them with something important. Civil association provides a platform for this intimate knowledge, making it a better enabler of collective trust.

Hardin’s (1999) view is clearly informed by the rational choice theory according to which citizen actions are driven by an incentive. This is particularly true of trust in

procedures that make institutions work, such as political parties, where one supports a political party as long as it keeps its promise and opposes the ruling party if it does not meet its promises. The experience of state agencies therefore concerns who gets what; in other words, questions of redistribution come to the fore. In such debates, we often refer to the 'haves' and the 'have not's', therefore building a friction between those in need of, and who receive government services, and those who do not. This friction often coincides with pre-existing divisions, such as gender, income levels and race.

Consequently, it is often the have not's that loose trust in the government and its ability to provide them with goods and services. "As a result, it makes no sense for the poor to trust 'most people' if they are generally known to cheat, bribe and other ways corrupt the impartiality of government institutions in order to extract special favors" and makes more sense to rather place trust in those "that are generally known to refrain from such forms of behavior" (Rothstein and Stolle 2001:17). How people decide that others are worthy of their trust is an important point of interest in the civil association literature.

This research positions itself squarely between the culturalist and institutionalist dimensions of social capital. Similar to Granovetter (1973), the research takes the view that governance is facilitated by various forms of small- and large-scale interaction between and across actors. This theoretical positioning allows me to approach the general research puzzle. I therefore make a contribution to an area of the literature that has received little attention so far, that is, the view that the poor in civic associations are participants and not by-standers in governance solutions because they have social capital. This link between social capital and governance outcomes has received little attention in the literature on governance in areas of limited statehood (Kode 2013). This analysis can give useful insight into the social conditions necessary for governance actors to solve collective problems where state and market-led governance are limited.

### **2.6.2. Civic association and the role of (local) leadership**

Civic society associations have a long history in local-level politics in many developing economies. In South Africa they are historically notable in their use in

escaping political oppression, in response to the privatization of public goods and services and as a vehicle for external assistance at the grassroots level (Enjolras 2000). Common examples of civic associations that *do not* hold a counter position to the state can be seen in networks of mutual help such as Rotating Savings and Credit Associations (ROSCA). ROSCAs are widely used in poor constituencies in developing economies to pool limited resources and spread risks among members. All ROSCAs are used amongst informal groups in low-income social structures. In South Africa ROSCA are broadly referred to as '*stokvels*' and they have become a common feature in the economic lives of black Africans (Verhoef 2001).

In the 1980s civic association in South African townships were representatives of their communities against the apartheid state. One of their key strategies was building a collective identity of township residents or the community. Civic associations took on many powers and responsibilities of the local state (Seekings 1996). The role of the leadership of these groups was therefore crucial to their effectiveness and popularity. It also greatly influenced the composition of these groups.

Given the interest of this research on the impact of leadership on goods and service delivery in informal settlement areas, a contextual understanding of leadership and local level politics is important. It is important first because poor communities in South Africa have such a long history of civic association. However, the literature on post-apartheid urban communities now suggests that informal settlements are highly transitory areas and have become sites of fluidity and social fragmentation (Bahre 2007, Huchzemeyer 2004). In this ever-changing socio-political landscape of informal settlement areas, leaders have taken advantage of the fragmented communities and their distance from state-led governance. The result has been local- level leadership often characterized by abuses of power and patronage (Adler 1994).

In South Africa local councillors are critical actors in local governance. "Councillors serve as the interface between the citizens they represent and the municipal officials who design and implement development policies...and to act as a watchdog and ensure the municipality implements policies to address the needs of citizens" (Paradza et al. 2010:11). The role of councillors in their communities is therefore directly correlated to their communities' access to goods and services. A close look at service

delivery and resultant protests in poor communities around South Africa is just one of the indicators that suggest that it is community-level officials who cheat the system and cause backlogs in service delivery and who influence citizen's trust in the government. This is supported by study findings like the *Afrobarometer Round 4* (2008) that point to key weaknesses in the national performance of local councillors in areas including engagement and consultation with local communities, a lack of trust in councillors and consequently in the government to provide basic services, and the belief that as much as 62 per cent of councillors are involved in corruption.

The urban literature also suggests that communities' alienation or distance from the state has also opened up spaces for other actors such as NGOs to create what they refer to as a 'deep democracy', which is another way of building social capital in communities that are otherwise fragmented by differences across race, culture and politics. In other words, the NGO community can be seen to be 'bridging social capital'. But despite the important role of NGOs in connecting communities to external actors – and sometimes the state – their interventions can lead to internal conflict (cf. Drivdal 2014).

An understanding of the underlying social conditions and political life that is grounded in civic organization is important to solving this puzzle of governance in areas of limited statehood. However the literature, particularly the urban literature tends to take cases of successful governance outside the state as an exception instead of viewing them as opportunities for further interrogation. The assumption, it seems, is that informal settlement areas are inherently informal in their social organization. An analytical analysis of civic associations and the processes that make them work is an important focus of this thesis and one that is still under-explored in the literature.

This thesis uses the case of civic associations to contribute to the informal and governance theories with a focus on the influence on leadership in community self-organisation and the social capital built within these organisations for goods and services access beyond the state. This contributes to an age-old theoretical debate in the social sciences around 'how social order is possible' and how we can move away from the idealized concept of communities within society as homogeneous groups that produce orderly outcomes (Crawford 2006, Streeck and Schmitter 1985),

especially where there is little government intervention. At the core of these ongoing theoretical debates lie the central and contested questions of what motivates individuals to engage in social action and what makes them respect and accept the collective outcomes that ensue from these group actions (ibid). In its contribution, the thesis highlights not only the regulatory processes of these civic associations but also the internal problems that are borne of these processes.

## **2.8. Theoretical framework: Institutionalisms of social action and civic engagement**

In an effort to better appreciate and make sense of the multiple nodes of governance in the research sites, I draw on the new institutionalism framework. The framework enables a better analysis of differing institutional logics, their contextual relevance in ALS and their usefulness in explaining the poor's engagement with difference institutions (or lack thereof) for governance services. In this section I present the new institutionalism framework, its use and appropriateness in the study.

### **2.8.1. Reflecting on Rational Choice and preference for Sociological institutionalism**

Civil society and citizen's participation in African politics has been largely theorized as a consequence and response to neo-liberalism and capitalism. This is especially true of local politics in informal settlement areas in urban South Africa (Lindell 2010; Hansen and Vaa 2004). The failure of neo-liberal policies in South Africa has further advanced a desire to seek alternative ways of understanding social movements in South Africa.

In post-apartheid South Africa, the theoretical focus has moved away from social movements' actions toward or against national government. Instead, there has been a resurgence of and call for a greater focus on cultural and normative frameworks with a focus on what sustains organisations (Scott 1998, DiMaggio and Powell 1983). This has pulled social capital and culture into the organisational field. There is a greater focus on actors' actions and relations rather than focusing solely on the organisation itself (McAdam and Scott 2005).

In line with these theoretical developments, sociological intuitionism "focuses on the forms and procedures of organizational life stemming from culturally specific

practices, with institutions cast as the norms, cognitive frames, scripts, and meaning systems that guide human action according to a ‘logic of appropriateness’<sup>18</sup> (Schmidt 2010:13). Sociological institutionalism (See Figure 1) attributes actor behaviour to the logic of social-cultural appropriateness of idealised routines and moral cues embedded in individual behaviour (Lembani 2013). This is in contrast to rational choice institutionalism, which inherently assumes that all actor choices are made against perfect information on the attributes and characteristics of the selected institutional representative.

In ALS, this is problematic in that the notion of transaction costs limits government power and enforce property rights, thus providing information that will reduce the uncertainty and impose penalties for deviance or elite exploitation. However, this assumed predictability of actors within and between institutions requires strong government regulation to not only enforce the required property rights but for the appropriate distribution of power between and amongst actors (see Hall and Taylor 1996).

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<sup>18</sup> According to March and Olsen (1998: 951), the logic of appropriateness is wherein “action involves evoking an identity or role and matching the obligations of that identity or role to a specific situation”. Therefore, the rules and norms of the group are known to all members and accepted.

**Figure 1 Constitutive elements and assumptions of the three<sup>19</sup> Institutionalisms.**

Source: Schmidt (2010:5).

	Rational choice institutionalism	Historical institutionalism	Sociological institutionalism
Object of explanation	Behavior of rational actors	Structures and practices	Norms and culture of social agents
Logic of explanation	Calculation	Path-dependency	Appropriateness
Definition of institutions	Incentive structures	Macro-historical structures and regularities	Cultural norms and frames
Approach to change	Static – continuity through fixed preferences, stable institutions	Static – continuity through path dependency interrupted by critical junctures	Static – continuity through cultural norms and rules
Explanation of change	Exogenous shock	Exogenous shock	Exogenous shock
Recent innovations to explain change	Endogenous ascription of interest shifts through RI political coalitions or HI self-reinforcing or self-undermining processes	Endogenous description of incremental change through layering, drift, conversion	Endogenous construction (merge with DI)

RI = rational choice institutionalism; HI = historical institutionalism; DI = discursive institutionalism.

Sociological institutionalism acknowledges that

...compared to traditional settings, modern urban society is full of frequent and rapid changes. These continual changes repeatedly obliterate prior trusted schemes for action and require constant and pragmatic accommodation for ever-renewing circumstances. Fearful of unknowns and wary of the unexpected, modern actors sharpen their rational sensibilities and look for means to alleviate uncertainty (Yair 2008:55).

One way in which actors manage uncertainty is to adopt conformist norms and values from their peers. The logic behind such a strategy is that it earns them the respect and approval of their peers (ibid).

Coleman (1990)<sup>20</sup> has shown that in large anonymous groups, people behave rationally and egoistically. But in small and personal groups, actors tend to co-operate,

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<sup>19</sup> For the purposes of this discussion, I only draw on two institutionalisms, i.e. rational choice and sociological institutionalism, as these are most relevant to the framing of the theoretical framework.

largely because of trust and moral commitments. More crucially, he has shown that over the long run it is these small and solidarity groups, driven by non-rational sentiments of loyalty and trust, that tend to prosper (Coleman 1990 in Yair 2003).

However, sociological institutionalism is not without its criticisms. Thelen (1999) posits the dominant criticism against sociological institutionalism, which presumes a shared cultural script amongst all actors. While in reality, culture is ever evolving and faces contestation, rejection and resistance across generations and contexts of the emerging social problems. What is more accurate is that culture is affected by contrasting political convictions and an ever-changing status quo (ibid). Also limited is our knowledge of how sociological institutionalism regulates social order and compels collective choices (Hall and Taylor 1996 in Lembani 2013).

“In democratic contexts where the rule of law is well established”, it is often the shared principles of rights and obligations effected through “political and legal debates and decisions” that lead to the internalization of rules of appropriateness. Legalization too has a similar impact (March and Olsen 2009:14). Our understanding is still very limited on the conditions that make actors more trustful of procedures and institutions where there is no shadow of hierarchy (Borzel 2011). In other words, trustworthiness becomes an important link between social capital and effectiveness of the institutions that members view as legitimate.

Herrmann, Risse and Brewer (2004 in March and Olsen 2009:14) show that there is limited knowledge in the literature about the logics of appropriateness and codes of appropriate behaviour in areas of limited statehood where “core political identities are not primordial or constant” (ibid) and government-led regulatory sanctions are weak. In these contexts, the authors point to the relative importance of belonging to larger social categories such as nation, gender, class, race, religion and ethnicity. These variables are reviewed in greater detail in chapter 4 as key variables in the governance of risk in the research sites because of their influence on members’ participation in civic associations and the implications that such participation has on access to goods

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<sup>20</sup> Coleman’s (1990) results are derived from a test on prisoners’ dilemma in the laboratory in order to explicate the conditions under which effective norms emerge. Prisoners in a laboratory?

and services. It seems that a focus on social capital in the context of non-state governance, particularly its role in civic associations, is important in understanding institutional behaviour in the provision of goods and services in ALS.

## **2.9. Conclusion: Research questions and implications for theory**

In this chapter I have tried to draw on the literature to make sense of this conceptual puzzle of governance without the state and the market.

Following Hobbesian theory, the state enforces rules, decisions and provides public goods. The theory suggests that human beings are unable to fulfill these functions and provide collective goods on their own – without the state (Kode 2013). However Hobbesian theory is challenged throughout ALS because the state is limited in its ability to provide goods and services and alternative means of provision is established.

While South Africa as an emerging economy certainly does not qualify as a failing state, it presents a good example of limited statehood in a particular policy area, namely environmental protection. Flood hazard is a useful lens through which to test the contributions of these literatures as well as to challenge some of their provisions. Comparing two case studies in townships of Cape Town, South Africa, reveals the challenge to mainstream governance literature in explaining how the urban poor protect their livelihoods from climate-induced hazard. A comparison of the two cases highlights some of the characteristics that affect the poor's engagement with different governance nodes. The ways in which the urban poor engage non-state actors for governance functions in ALS – particularly the ways in which the poor engage multiple governance nodes to respond to hazards in these governance contexts - is of particular interest in the research.

I started the chapter by framing the research context using the governance in areas of limited statehood framework to emphasize the state-society interaction in urban governance and its implications for governance in informal settlement areas. By framing the informal settlement areas as ALS, the capacity of the community to govern is reflected upon in the analysis. Further, governance in ALS acknowledges the role of the state (albeit limited) and that of partnerships with external actors to create 'deep democracy' (Robin 2010), which more accurately depicts the governance

landscape in South Africa than that offered by neo-liberal and neo-Marxist governance perspectives.

A major thrust of the chapter is on social capital, particularly in the context of civic associations. I draw on the theory of weak and strong societal ties (Granovetter 1985) and their influence on individual and institutional behaviour (March and Olsen 1984). Through this I contribute to an understanding of actors' social embeddedness and how it influences their interaction and institutional co-ordination without falling into the social trap of collective action (Kode 2013). At a broader level this is useful in explaining social co-ordination in the absence of the state.

The research does not take for granted, however, that non-state institutions are without weaknesses. In fact, the research explores both the ways in which civic associations empower their community of members as well as how they limit them through the rules and norms that guide them (March and Olsen 1984). This is a growing area of knowledge and I make a contribution by drawing on two empirical cases from a limited statehood governance perspective. In this way, the research also highlights the characteristics that affect the governance contributions of civic association.

My analysis also looks at the ways in which the state-led governance gap opens up spaces for a spectrum of non-state actors to provide governance services both with and without the participation of the state. This speaks to the importance and value of non-state actors in these communities without discarding the fact that the value of the state too, remains a valuable and much needed one. Here I adapt Borzel's (2010) idea of a shadow of hierarchy.

To explain participation in civic associations, I use the sociological institutionalism framework that focuses on the institutional environment and its influence on the internal organization and systems of order in these associations. By relating this framework to the contextual factors, particularly the uncertainty and instability (Ross 2010) that characterize informal settlements, I am able to both challenge and contribute to the literature on informality, which for a long time has framed community-led associations as chaotic and disorderly (Whyte 1955; Myers 2011). Part of the reason for this compromised view of informal contexts is that prior

research has largely examined informal contexts as vulnerable spaces and never fully understood the ways in which order is negotiated with the limited participation of the state in these contexts.

This research advances an alternative view, also grounded in the civic associations literature that depicts civic association as highly regulated institutions (Harris-White 2003) and that their rules and norms often spill over into individual's lives outside of the association (Kode 2013).

Sociological institutionalism also makes it possible to analyse not just the outcomes of civic associations but rather the internal processes within them and the conditions underlying norm creation and governance provision. This is a blinding of the organization between the civil society actors.

I argue that by studying civic associations, researchers can contribute to an understanding of a process through which the poor and vulnerable make decisions relating to governance. This argument is influenced by the sociological institutionalism view that the urban poor make governance decisions not entirely following a rational choice logic. Rather, their decisions are driven by cultural and context-specific variables, such as shared values, norms and meaning structures. I explore how these manifest themselves in the social organization and the individual and group behaviours of poor business owners that are confronted by multiple hazards in the research sites.

The literature introduced in this chapter will be expanded upon over four substantive chapters of the thesis (chapters 5 – 8) to explore the general puzzle of governance in areas of limited statehood. The chapters investigate the ways in which poor business owners engage different nodes of governance in an effort to respond to the multiple hazards that they face in the informal settlement areas in which they live and operate their businesses.

Chapter 5 explores the relationship between state and non-state institutions and in turn how community members engage these institutional settings for governance in areas of limited statehood. The thesis makes an empirical contribution to the governance in areas of limited statehood framework by showing the extent to which governments are able to provide goods and services to their populace and where they fall short.

South Africa is a great site to demonstrate these phenomena, because of the disparity in governance that is characteristic of middle-class and low-income communities, further illustrating a state characterized by areas of limited statehood.

The chapter also makes a theoretical contribution by demonstrating the limitations of theorizing around the state in developing economies by rational choice institutionalism alone. In areas of limited statehood, where governance decisions are often in total isolation of the state, rational choice theorization falls short of capturing the norms and context-specific variables, such as culture, which influence the poor's governance decisions, especially whether or not to use the available aid and government-led relief services (Nunn 2009). This understanding rather calls for a sociological logic of governance decision-making and will be discussed in greater detail and with examples in chapters 7 and 8.

Chapter 6 explores the engagement of the poor with the market. The chapter follows the governance in areas of limited statehood theorization, according to which, where state-driven governance is limited the state has an incentive to provide governance services. To problematize this however, the shadow of hierarchy in areas of limited statehood is often limited. The chapter draws on the insurance sector as a market actor that, notwithstanding a lack of a shadow of hierarchy, provides insurance to low-income earners. The chapter uses the case of the insurance market to explore the implications of this characteristic in governance on the poor's engagement (or lack thereof) with the market.

The last two chapters explore civic associations as sources of governance in ALS. Both chapters explore the structure of civic associations and how they build social capital in a context of limited statehood. The chapter makes two broad contributions, namely: the uses of civic associations in post-apartheid South Africa, where the state is not necessarily the target of resistance; and, to highlight the challenges and contextual weaknesses of these associations (Mitlin 2001). In this way, the research contributes to a critical analysis of the contributions of civic associations in the provision of goods and services in areas of limited statehood.

In Chapter 7 I draw on savings societies as an instance of civic association and look at the ways in which social capital is built within them. The chapter also uses savings

societies to explore Granovetter's (1973) theorization of social capital that civic associations interact with other nodes, including the state, to achieve their goals and further build their social capital. This analysis brings back the focus to the agency within poor communities in the absence of the state.

In Chapter 8 I look at the role of burial societies as a functional equivalent of insurance in the formal sector. The principal function of burial societies is to build social capital around death. In the chapter, I explore the 'convertibility' of their social capital in response to shocks other than those around which the savings society is built (Adler and Kwon 2002; Coleman 1990). The chapter also contributes to theoretical debate on individuals' motivation to engage in social action and their respect and acceptance of collective outcomes (Crawford 1998) based on a logic of appropriateness (Schmidt 2010). By drawing on sociological institutionalism, the research will contribute to a better understanding of how social order is regulated and compels collective choices without state sanction (Lembani 2013).

Chapter 9 offers a conclusion by drawing on the subsequent empirical chapters and their contributions to the overarching research question.

### **METHODOLOGY: MUSINGS OF MULTI-SECTOR ENQUIRY AND PULLING IT ALL TOGETHER**

#### **3.1. Introduction**

This chapter outlines and offers justification for the mixed method approach that I have used to generate data to answer the research questions. The study used a largely qualitative approach. After all the explicit goal of the research was to describe how poor business owners manage hazards in the context of limited statehood. Furthermore, qualitative research is able to accommodate contextual issues while understanding the meanings and drivers of actors in the social realm (Babbie 2007).

To this end, I used a descriptive approach in order to capture some of the challenges of operating small businesses in informal constituencies, to understand the social networks that business owners took part in and how these were not only regulated to make them sustainable but also maintain the relationships within them.

The chapter is presented in 5 sections. Section 3.1 outlines the theoretical views used in the study as well as the assumptions of the research. I then discuss the reasons that the research took on a largely qualitative approach.

Section 3.2 outlines the research design and the processes followed in the research. One of the most important considerations for the research was the location of the research sites. This is mainly because I was exploring areas with poor households that are affected by flooding, but there were also safety considerations in the choice of the research sites. A flexible research strategy was therefore most suitable and I outline this process. Here also I outline how the research sites and the research participants were selected.

Section 3.3 then outlines the strategy of enquiry used in the research, namely the case study approach. I outline the reasoning behind this choice of approach and the process that I followed in its use.

Section 3.4 outlines the validity of the research by looking at the methods of data collection followed in an effort to answer the research question.

Section 3.5 reflects on the ethical considerations in the research in line with the requirements of the University of Cape Town Research Ethics committee guidelines. The chapter concludes with a reflection on the limitations of the study in section 3.6 and shows how these were managed. This is followed by a summary of the chapter.

### **3.2. Research approach: Epistemology and Constructivism**

In light of the numerous and varied qualitative and quantitative methods that I could adopt for the research, coupled with the ontological and epistemological sources that I could approach the research with, a reflection on my worldview coupled with some of the insights that I had on the research sites were well suited for the use of the constructivist approach.

Constructivist approaches of inquiry draw on different influences and research approaches that emphasize the constant interaction between existing theory and data derived from empirical investigation (Layder 1998; Glaser and Strauss 1967). Here, “the investigator and the object of investigation are assumed to be interactively linked so that the ‘findings’ are literally created as the investigation proceeds” (Guba and Lincoln 1994:111). In other words, the theories are allowed to emerge out of the data with the progression of the research. For this reason I elected to draw on adaptive theory in the coding and analysis of the data. I expand on this in section 3.4 of this chapter.

Adaptive theory in particular accommodates the view of the world as highly complex and varied amongst different actors. This is in line with the theorization of governance as nodal as I have presented in Chapter 2. Further, adaptive theory demands great flexibility of the researcher undertaking the study (Layder 1998). This made the theory consistent with, and fitting for use in the informal settlement areas that are characterized by plurality, namely the co-existence of the formal and informal systems of governance.

Constructivism follows the idea that “.reality is socially constructed, shaped by social factors such as age, gender, race, class and culture” (Charmaz 2000). Sociologists also rely on variables such as status, social roles, norms and values, and group affiliation to act towards the things that have meaning to them (Blumer 1986). In my research these factors include age, gender, ethnicity, religion, market and state service-led

provision. These variables had a significant impact on poor business owners' response to hazards in the business because they influenced the business type and the hazards associated with that sector.

To analyse business owners' engagement with government departments, the formal economy and civic associations, I borrow from Blumer's (1957) collective action theory. According to the collective action theory, the "socially marginalized join social movements because they gain important forms of social solidarity from them" (Blumer 1986:4). For example, culture is conceived of and defined by traditional and customary norms as well as shared social norms which are based on what people do and how they relate to one another (ibid).

In other words, "multiple knowledges that can coexist when equally competent (or trusted) interpreters agree, and/or depending on social, political, cultural economic, ethnic and gender factors that differentiate the interpreters" (Guba and Lincoln 1994: 116). To capture this variation across different social variables, I highlighted their significance to the research question throughout the thesis. The social variables and how they relate to the research question are introduced and justified in chapter 4.

The constructivist paradigm fits most closely with my worldview and acknowledges the multi-faceted nature of my research and the multiple realities involved in it. While I considered other perspectives, particularly the critical theory perspective, constructivism was more fitting because it captured factors in the research sites that determined business activity and political participation. For example, the literature on informality shows that even though women are often more active than men in informal business, it is the men that own the productive assets and arguably hold the power (Lindell et al. 2013, Lourenco-Lindell 2010, Khauval et al. 2009, Verhoef 2001). Only once in the field was I able to see this variation in gender and resource ownership.

A constructivist orientation also made it possible to incorporate the views of the research participants in civic association activities while also keeping an eye on the institutional design of the associations that they ascribed to as well as those that they showed less interest in either because of a lack of access or lack of fit with their needs.

This is in line with Berger and Luckmann's (1967) ideas on the social construction of reality.

Similarly, Barley and Tolbert (1997) claim that "institutions are socially constructed templates of action, generated and maintained through ongoing interaction, and that organizations are formed and informed by these institutions". For example, I examined the rules of burial societies and their influence on norms around participation, reciprocity and in-kind assistance to other members. These are largely informed by the cultural and religious views of their users.

Also important in the research is a focus on the interaction between structural factors, such as community leadership and access to external institutions and resources, because of their influence on the poor's choice of hazard management strategy.

### **3.3. Mixed methods: a greater influence of qualitative enquiry**

#### **3.3.1. The qualitative approach**

The qualitative approach was appropriate for the research because the research question focused first on how civic associations fill the gap created by market and government failure to provide governance; and second, on the limited utility of formal sector insurance amongst poor groups whose lives are confronted with hazard. The questions therefore focused on understanding the conditions that influence users' choice in the management of a climate-related hazards. Further, the practices and views of business owners were important and needed to be captured within the context of limited state and market hazard response.

A qualitative approach was well suited to answering the research questions because it has the capacity to embrace the issues within context without losing the meanings that the research participants attach to them. Also, a qualitative approach can make sense of the thoughts, views, attitudes and practises of governance actors in the context within which the system is embedded (Crossley 2005). The theory therefore largely defines these patterns depending on the research question and the data gathered.

Once in the field and especially after spending some time with research assistants and some research participants, I often found that explanations for certain behaviors or norms became clearer either because these actions were repeated, and therefore stood

out, or because the research participants realized my surprise and reactively offered an explanation (Creswell 2009). Such depth could not have been captured with a quantitative research approach. Further, I was able to gain better insight into the complex nature of human interaction by ‘being there’. Another strength of qualitative field research is that it places the researcher in the thick of human interaction, which in turn provides greater validity in the research.

Qualitative research covers a variety of methods for collecting empirical materials and can produce descriptive analyses of differing meanings in individuals’ lives (Denzin and Lincoln 2000). Furthermore, it can be used together with quantitative approaches characterised by mathematical and statistical data. Because of the spread of knowledge that the study sought to engage, using methods such as structured interviews and observation were useful in covering the overall contextual basis of the study. These methods were useful in outlining the overall intentions of actors in their collaborative efforts.

### **3.3.2. The quantitative approach**

The research made use of both the qualitative and quantitative approaches. The quantitative approach used survey methods to paint a picture of informal business operations in the research sites and to capture the demographic data of the participants in this sector. To this end, quantitative data was not in any way meant to fully capture the experiences of business owners in the informal sector but rather to position the participants against secondary data on the sector.

The main limitation of quantitative approaches as they relate to this study is that they cannot accommodate the complex nature of collaborative efforts, their contexts and institutional design. They were therefore deemed unlikely to fully capture the experiences (Neuman 2003) of business owners in the informal sector and their hazard management practices where state capacities were weak or unavailable.

The quantitative data generated through the surveys were useful in determining ‘effects/outcomes’ (Creswell 2009), and bridges the relationship between variables, interpretation, and analysis. I found that variables including age, nationality, gender and marital status had a significant effect on civil society participation and consequently on business owners’ preferred hazard management strategies. I present

these data in chapter 4 and elaborate on their significance to the research questions in the empirical chapters.

### **3.4. Case study: Finding variation across two cases**

Case study research includes single and multiple case studies. A multiple or comparative case study approach was used in this research because it made it possible to observe variation across two cases and tests the influence of different variables across cases. Multiple cases also have the distinct advantage that they are considered to be more robust and compelling (Yin 2009) and they can be coupled with numerous other methods of data collection.

A comparative case study method was the most appropriate research method because it allowed me to explore the relationships between key variables and the relationships as they relate to goods and service provision in two areas of limited statehood –for that is how the research sites were categorized. This decision was made in line with Yin (1994) and Eisenhardt’s (1989) assertions that case studies are most relevant for studies that seek to explain present circumstances. Research that seeks to explain *why* or *how* social phenomena works is therefore often well developed through case studies.

Case studies are also relevant to “questions that require in-depth descriptions of social phenomena” (Yin 2009:4). Using the two cases gave insight on the phenomenon, that is, they are cases of poor people in informal contexts and how they deal with adversity. To this end, I focus on informal business owners as the unit of analysis and flooding as a key hazard that threatens their businesses.

Case studies are best used in “studies that seek to study phenomena in their contexts, rather than independent of their context” (Gibbert et al. 2008:1466). It was therefore fitting to use the case study method because I wanted to observe the businesses that the participants owned and how the complex environments within which their businesses were situated and operating affected these. In this study I wanted to understand the sources of assistance that business owners use in response to hazards to the business, particularly flooding. I especially wanted to explore what influenced that decision-making process. For example, I wanted answers to questions such as why some business owners members of savings societies while others prefer burial

societies? I also wanted to know whether this choice was driven by limited or inaccessible response mechanisms in the market or whether it was driven by social or cultural preferences. The context here was the informal settlement areas that my participants lived and operated their businesses in, both of which were highly vulnerable to flooding.

The main challenge with a multiple case study approach is that it often generates more variables than data points, making the data cumbersome (Holley 2010) and increasing the risk of a lack of research focus. However, coupled with the adaptive theory analysis tools, and constant reference to the literature, theoretical propositions from the literature steered the research, data and analysis.

### **3.5. Methods of data collection and analysis**

A mixed methods approach was used to investigate the ways in which poor business owners responded to threats, particularly climate induced threats in their businesses. Using an interview schedule, interviews and focus groups were conducted in the research sites. The details of these measures are outlined below. By using this data collection procedure, I aimed to establish and record how a number of small-scale, informal business owners operating in each of the research sites engaged with both formal and informal agents of assistance in the face of hazards affecting the business. I was particularly interested in the social networks providing help in the event of a flood, as well as the business owners' participation in groups that provided support. This two-pronged approach to the sources of assistance was very important because it was often the sole source of assistance to many poor business owners – with limited access and use of state-led and market-led assistance.

The choice of data collection methods was also to a great extent informed by my familiarity with the methods and that I had some level of skill in using them, particularly administering the survey and conducting interviews. The research benefited greatly from the use of participant observation methods. Some of the data presented in this research draws on the observation notes that I took during field visits. I discuss the validity of these observations in section 3.7 of this chapter.

### **3.5.2. Document Analysis and secondary data**

Given the multi-dimensional sources of data in the study, so too were its sources and types of secondary data. Although I collected secondary data throughout the research, at the beginning of the research it was especially important because it gave me insight into the context settings that I was to work in.

To gain better insight into the City of Cape Town's work in the informal settlement areas, I drew on documents relating on the City of Cape Town's flood risk management strategies including maps, financial reports, impact assessment review documents, press releases and newspaper articles. National plans and legislative documents were also very useful, particularly when coupled with departmental annual progress reports. This was later used for comparison with residents' experience of and changes in City-level flood management efforts over time. Other government publications that I reviewed outlined the regulatory framework within which insurance, trading and a range of other (formal and informal) commercial activities are conducted.

Many of the Government reports also outlined the political context within which the programs were implemented and information about their development programs. In chapter 5 this background was useful in understanding the intentions, make-up and operations of the interdepartmental committee overseeing flooding in informal settlement areas around the city.

Colleagues in the Flooding in Cape Town under Climate Risk Research Project (FLiCRR) project at the University of Cape Town had recently concluded a large research study on flooding in the City and through them I had access to secondary data in the form of minutes of official and community meetings, and interview transcripts with key municipal government department officials represented in the City flooding task team. Access to the FLiCRR data was especially helpful when I returned to the field in 2014 because since I had left the field in 2012, there had been numerous research studies around flooding in the City. I was very wary of stakeholder fatigue and indeed the large number of municipal government officials and local leaders cited stakeholder fatigue as the reason for refusal for interviews.

Reports produced by NGOs working in informal settlement areas around Cape Town were also very insightful. For instance in 2009, the CORC<sup>21</sup> in partnership with the Joe Slovo Task team undertook an enumeration study. Using a survey questionnaire, volunteer enumerators in Joe Slovo collected data on 23 variables that included household demographic data, employment, disaster history and others. Reports such as this one provided statistical data that was more accurate than what I was able to find in the national census data. In the case of Philippi, Adlard (2008) compiled a rich historical analysis (social, economic, political) of all the various neighborhoods within Philippi from the 1800s until 2008 and I drew heavily on his analysis.

There were reports that captured savings and burial society practices in African communities in the urban city. These tended to be longitudinal studies giving historical accounts of how civic association was built around these and other societies. For example, in Philippi there are numerous reports that give accounts of the use of women's savings associations to build houses as well as build community (cf. Huchzermeyer 2006; McEwan 2003; Patel and Mitlin 2002; and Bolnick et al. 2008).

### **3.5.3. Survey**

The surveys conducted in both periods of fieldwork elicited fulfilled the qualitative data component of the study. Through the use of the survey, the demographic data of the business owners, the basic household as well as the business information procedures. A total of 154<sup>22</sup> surveys were conducted. In both research sites, the initial business owners were initially selected randomly. Conducting random interviews did not mean that the research was random or lacked direction because I had clearly defined questions and probed for issues significant to the study. I tried to make this small sample diverse to cover the different business sectors in the informal sector by nationality, age, marital status, education and the gender of business owners. An

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<sup>21</sup> Community Organisation Resource Centre (CORC) is a non-governmental organisation that supports communities prepared and willing to help themselves. CORC provides support to networks of urban and rural poor communities who mobilize themselves around their own resources and capacities (CORC 2009).

<sup>22</sup> The surveys were usually conducted just with the interviews. Consequently, there are an equal number of interviews and surveys conducted in the study.

analysis of this data is presented in Chapter 4.

#### **3.5.4. Interviewing**

The interviews conducted in the study were consistent with the ethical requirements and considerations outlined by the Research Ethics committee at the University of Cape Town. I outline details of this under 'Ethical considerations' (See Section 3.8 of this chapter). The interviews were conducted in several phases with respondents representing each of the groups represented in the research, that is insurance companies, (relevant) municipal government departments, savings societies and burial societies.

##### **Small scale business owners in the research sites**

The data collection process spanned between 2010 and 2014. The interviews were conducted in June – July 2010 (in Victoria Mxenge) and October 2010 to November (in Joe Slovo) were interviewed for the study. Numerous follow-up interviews in the informal settlements were conducted outside of these time frames. I returned to the field again in January – February 2014 and in this time I conducted interviews with insurance companies and representatives of municipal government departments in the task team.

Through the interviews I sought to explore how small businesses experiencing a general condition of environmental threat due to recurring flooding differed in their vulnerability in terms of the response strategies at their disposal. By using open-ended research questions, the extent of their community engagement in non-market responses, I identified that there were high membership numbers in burial societies and savings societies amongst the business owners.

The interview questions coupled with the survey questions also identified considerable differences amongst business owners that took up membership in civil associations and those that did not. This prompted me to sample across gender, age and nationality.

The interviews with the business owners were conducted in two phases. First a short survey questionnaire was administered with the intention of drawing up the qualitative data based on business owners' demographic information. In another

section of the survey questionnaire were questions relating to the business owners employment and residential information. Interview discussion points that were laid out in 4 parts then followed the survey questions.

In the first part, the interview discussion points elicited information about the business. The second part was for participants that were no longer in business. They were asked about the businesses that they formerly owned and the reasons for their closure. In part three questions were around the business environment, particularly the areas that the business owners faced the greatest difficulty with. Lastly, part four of the interview elicited information on the business owners' sources of support and assistance in light of the responses obtained in part three about the business environment and related difficulties.

The business owners were encouraged to talk as much as possible and where possible, the interviews were very conversational as opposed to being question-and-answer interactions. Many business owners picked up points outside of the questions and some often got sidetracked but it was never difficult to reel the conversation back to cover the discussion points. Therefore even though the discussion points were laid out sequentially on the interview sheet, often times the questioning did not follow this sequence.

The length of the interviews varied, with the shortest interview recorded at an hour long and the longest took approximately 2 hours. The interviews were often followed by a discussion of the data with my research assistant that often extended over another two hours.

The interviews were open-ended in an effort to give participants to elaborate as much as possible as this is critical to the qualitative approach. To this end, the interviews often opened with participants talking about the types of business that they operate and their experiences over the time that they had operated them. Interestingly, almost all of the participants often ended up talking about the challenges that they faced in their businesses. In spite of the grim circumstances that many of the business owners operated their businesses under, many were eager to continue and were open to assistance where available, even though they were not prepared to pay for it (I explore this further in chapter 5). Questions about what they did when they needed assistance

in the business were asked and these were followed by where/whom they felt assistance ought to come from.

### **Flood Task Team Participants**

Another group of research participants was made up of municipal government officials. Identifying relevant municipal government officials was made even easier by my networks and fellow research colleagues in the FliCCR project. A total of ten representative members of the task team<sup>23</sup> were approached for interview and I was able to secure interviews with just three officials. One represented the Department of Informal settlements, another was a ward councilor and the third respondent was the head of a local NGO that the City partnered with to distribute food and goods in disaster-affected areas around Cape Town. Through FliCCR, I also had access to transcripts from interview with officials from the following municipal government departments: Roads and Storm water; Environmental Health; and Water and Sanitation.

The interviews with the municipal government officials were around 5 key discussion points. First the officials were questioned on theirs and their department's role in disaster management in the city. Respondents were asked how the different roles of task team members were coordinated and this preceded discussion point on the challenges of synergizing multiple roles from relevant municipal government departments. Lastly, the officials were also asked about their engagement with disaster-affected communities, how they went about entering these sites and some of the challenges they faced once there.

### **Formal Insurance companies**

Representatives of formal insurance companies were also approached for interview on the their companies' insurance products for lower income earners. I specifically targeted the top three largest and most popularly used insurance companies in South

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<sup>23</sup> The Flood task team comprises approximately 32 City of Cape Town municipal departments and a selection of external actors.

Africa: Old Mutual, Sanlam and Santam. However, I was also able to interview representatives from Liberty Life and ABSA.

The insurance company representatives were asked questions around the following discussion points: the insurance products available through the insurance company – particularly those specifically targeted at lower income earners; the conditions of eligibility for insurance cover; the policies that guide insurance provision to lower income earners; the rate of insurance uptake amongst the lower incomes earners; and the challenges associated with providing insurance to low income earners.

### **3.5.5. Focus group interviews**

Focus groups are a research technique that collects data through group interaction on a predefined topic (Morgan 1996). The use of focus group discussions would give me an impression of some of the pervasive hazards and the responses by business owners. The focus group discussions would also a useful platform in which to ask participants about my observations and to foster a discussion about some of the emerging themes from the data that I was collecting. The focus groups therefore complemented the data collection techniques used in the study in that they would make it possible to make sense of and better understand statements and behaviors of the business owners (Macnaghten and Myers 2004).

I arranged a total of four focus group discussions (two in each research site), with ten participants in each discussion group. The discussion points in the focus group discussion were as follows:

- What did you do to protect your shop goods in the recent flood?
- Please talk to me about the challenges that you experience in business when it floods.
- What losses have you experienced and where did you get help to overcome these in a previous flood event?
- Have you ever gotten help from fellow members of a savings group, burial society or your church? If so, how did they help?

The focus group discussion was held at the home of business owners that I had met in July 2012, at her shack in Joe Slovo. The business owner had invited the focus group

participants; many were her friends and neighbors that owned businesses of different kinds.

A total of 6 (5 women and 1 man) business owners participated in the discussion and the total discussion time was one hour and thirty minutes. However, getting business owners to commit time to focus group discussions and finding suitable venues in which to hold the discussion proved challenging. I had planned to conduct 3 focus group meetings but I successfully conducted only one because many business owners did not want to participate in the focus groups, citing that they took up too much of their time. The business owners also complained that they did not get any direct benefit from participating in the focus groups. They said in previous meetings of this kind, they had spent time helping researchers like myself and received nothing in return.

### **3.5.6. Data Analysis**

The research focused on the data and generated mental concepts that were tested and verified through more questioning and engagement with the research participants (Strauss and Corbin 1998). My relationship with some research participants and research assistants was very helpful in this process because of their ability to interpret situations and statements in ways that I would have possibly overlooked.

The data analysis and theory generation process (Charmaz 2000) started with questioning the meanings in the data and picking up the use of words. In this *open coding* process (Strauss and Corbin 1998) concepts and their properties emanate from the data. I did the coding at the end of the day of interviews when I reviewed interviews, noted emanating questions, recorded my observations. Often in this process I also queried the data, posing questions to follow up on whether my understanding was correct or not. This process was also vital for the saturation of categories (Glaser and Strauss 1967; Strauss and Corbin 1998). I then verified the emerging themes with the research assistant after which we tried to revisit the research participants to test them with new research participants.

The open coding process then gave way to *axial coding* (Strauss and Corbin 1998) as I created categories based on the verification process with the research participants.

This of course also meant that other categories were either abandoned or became a subcategory of a more prevalent category. Through the *selective coding* phase I selected broader categories. The process of associating the selected broad categories with subcategories used *selective coding (ibid)* and until I reached saturation.

Saturation was reached when these themes were verified in the field and there were fewer and fewer new themes generated from the data. However, time was also useful in deciding on when to stop the coding process and use the data and theoretical categories that I had generated. This cut-off point came after six intense months in the field, which was followed by occasional visits thereafter over another six months.

### **Transcribing and TAMS Analyser**

As more and more categories were generated, the data became increasingly cumbersome. The interview narrative was transcribed verbatim and thematically analyzed using an electronic tool called the TAMS Analyser (TA). TA is specifically designed to work with ethnographic material and works by selecting the relevant text in a passage and assigning a code consistent with the risk management tools used in poor communities. The tool therefore allowed me to extract, analyze and systematically save the coded categories (Weinstein 2006).

With TA I was able to upload interview transcripts onto the programme and add observational notes into it and even cluster the data under broader categories. This way I was able to analyse not only the responses of the research participants but I could add my observations to the analysis as well. Further, TA allowed me to make notes on some of the literatures that ‘spoke’ to the emerging data and I was later able to easily draw themes against which I wrote the thesis report. This was also useful in that I could mitigate a common criticism lodged against computer analysis programs. That is, although computer programs allow easy mapping of relationships, there is a danger in placing too much emphasis on their analysis as it isolates the researcher’s interpretations and does not make provisions for the researcher’s views of the data as it emerges (Charmaz 2000; Strauss and Corbin 1990).

More importantly, with TA, I was able to better streamline data from different actor groups in the study and generate further categories from these. For example, interviews with government department representatives involved in flood

management in the City of Cape Town highlighted some of the challenges that the departments faced in providing services in informal settlement areas. A look at the interview data with the business owners often corroborated these data, giving a richer perspective of the problem of service delivery in the city's informal settlement areas.

I was able to continue using the programme when I was not at the university and offline. This choice was particularly made at a time when I thought that I would conclude the analysis away from the UCT campus. Indeed, I did end up leaving the university while still working on the analysis and continued to use the programme without interruptions.

### **3.6. Site identification and participant selection**

The research sites were selected in line with the governance in areas of limited statehood framework, the research sought a better understanding on the services available to communities with little or limited state-led governance. Further, I wanted to understand what residents of areas with less state-led goods and services did to access their equivalent? To this end, a comparison was made between Victoria Mxenge, a community under the leadership of a municipal elect ward councilor and Joe Slovo, whose leadership was made up of an informally elected task team.

A housing list was not available at the time of collecting the data from which a sample could be drawn. The initial respondents were selected by the type of business that they operated, that is, small-scale informal (unregistered) business operating in their informal settlement. The research sites were also selected because they are both highly vulnerable to flooding because of their location in the Cape Flats – a comparison of the two research sites would therefore reveal differences in the strategies (if any) that the business owners were using to respond to the impacts of flooding on their businesses.

The main differences between the research sites are the types of leadership (with community-based leadership in Joe Slovo and municipal elected leadership in Victoria Mxenge); and the housing types (with informal housing in Joe Slovo and a combination of built houses and informal housing in Victoria Mxenge). The type of leadership it is also a good basis for comparison because it has a direct bearing on the community members' access to goods and services.

South Africa's history of racial segregation has had a direct impact and implications on leadership in the informal settlement areas born of this segregation. For example, during apartheid – led by a single party state, local government leaders overseeing the informal settlement areas were appointed based on race and their affiliation with the state (Cole 1987). With the democratic dispensation, there were more political players vying for leadership roles and competition over these often led to violent conflict between leaders and residents at community level, that is in the informal settlement areas (see Bahre 2007; Skuse and Cousins 2007).

These conflicts hampered community-level development in many ways including damage to municipal infrastructure and the loss of lives. However, it also pointed to a growing community engagement (Lemanski 2008). This is characterised by the political organization that was present in many informal settlement areas and which often violently defied the apartheid government in the fight for democracy (Desai 2002).

The result of this resistance against the state was felt within the communities as well and is often associated with fragmentation and a lack of transparency (Drivdal 2014; Zuern 2011). Heller (2003) in Drivdal (2014:16) takes on a more optimistic view of this fragmentation as an indicator of “alternative civic movements or “new voices of protest”, thus opening up plural channels for participation and governance to poor residents of informal settlement areas.

These governance dynamics and their history have important relevance to the dissertation's overall theoretical considerations in that they identify with the idea of multiple governance actors for the urban poor (in contrast with a single movement that protested against apartheid) while also acknowledging that these governance strategies are not always inclusive nor are they always lawful (Skuse and Cousins 2007).

An example of the tensions in leadership is best illustrated by the following events that took place in Joe Slovo. The Joe Slovo task team (hereafter referred to as JS task team) was formed in response to a lack of services in Joe Slovo and particularly in response to a fire in 2006 that burned down 60 shacks (Sosibo 2011). The leadership in Joe Slovo prides itself of being accessible to the community and, indeed, I found

that some of the business owners sampled in the study had worked closely with the community leadership on matters relating to their businesses. For example, a local businessman<sup>24</sup> explained how, on numerous occasions, the City of Cape Town public safety officials had warned him to dismantle a bridge over a water channel that he had built using old wood. He ignored the Council's warning because one of the task team members had told him not to dismantle the bridge. The task team member said the bridge provided a service to the community and made it easy and safe for residents to cross the open water way.

Even though some business owners said that the JS task team leadership was accessible to them in matters relating to their businesses, there was no clear link between the leadership and business owners' flood response. However the leadership clearly involved itself in peripheral issues, such as in the case of the bridge owner.

Within this context, the dissertation sought to understand how poor business owners in the informal settlement areas negotiate this 'chaotic'<sup>25</sup> leadership space to access goods and services, particularly the everyday activities and organisational processes through which environmental threats are negotiated and basic goods and services are sought.

The type of housing was also used for comparison because many of the business owners operate their businesses from their homes. Therefore the type of housing was thought to have a direct correlation to the exposure to flood hazard, its management and consequently, the success of the business.

The comparative research sites were also used to provide a more accurate reproduction and in order to observe the similarities and differences between the two sites. The variables that I found most significant for the study and within which the most differences were found in the research sites were:

- housing and infrastructure;

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<sup>24</sup> Interview with bridge business owner, 4 November 2010, Joe Slovo.

<sup>25</sup> The idea of chaos and disorder is recurrent in urban literature and refutes the idea that informality should equate to chaos and rather reveal the macro-level organizational structures that facilitate stability (see Krasner and Risse 2014).

- community leadership;
- gender; and
- age.

I discuss the significance of these variables to the research question in Chapter 4.

### **3.6.1. Accessing the case study sites and participants**

Informal settlement areas are characterized by uncertainty and are highly transient. I found that once in the field, I spent a lot of time following up on agreements that were made on interview times and follow up visits. This was especially frequent in Joe Slovo as some people had begun the relocation process and were either moving to new communities or other parts of Joe Slovo. Time spent in the research sites required a lot of patience and flexibility on my part.

One of the main challenges during the period of data collection was finding participants, especially for follow up visits. Because of the transitory nature of informal settlement areas, some research participants were not always available at the times that we had initially agreed to meet.

The decision on the appropriateness of the research participants in the study was determined by the research problem. It was obvious that *small-business owners* in the research sites would be the unit of analysis but within this I tried to have some variation along business type, gender, age, level of education and nationality. However, I had a hard time gaining access to non-South African business owners in the research sites. Three reasons could explain this challenge.

First, business owners in informal settlement areas are targets of robberies because it is assumed that they have large amounts of money at their business premises. Non South African owned businesses in the research sites tended to be bigger, therefore suggesting that the money they generated was greater than that of smaller (South African owned) businesses.

My identity as a researcher and foreign national working in South Africa influenced the research, particularly in interpreting the data. I had to negotiate two considerations associated with the use of qualitative data analysis methods. On one hand I had to be cognizant of the fact that there are many viewpoints to the data (Silverman 2006) and

that mine was just one of many but by no means was a 'truth'. To do this, I remained followed the advice of (Polsky 1967) to be cognizant of my role as a researcher and therefore as someone asking people to trust me and share information with me. In return, I had to be honest about the research and my own intentions with it. On many occasions this was important as research participants wanted to know what I would do with the information that I was collecting and whether they would derive any immediate benefit from it. To this I often responded that the direct benefit would be for me towards earning a PhD degree.

On the other hand I was aware of- and reflected on even the things that research participants did not say. For example, I often felt that foreign-national business owners withheld information in the presence of my research assistants. When I felt that they were uncomfortable sharing some information, I would often return on my own to probe further on the questions that were not answered to my satisfaction. Sometimes this yielded more detailed answers, but not all the time.

Second, in the time that I was collecting data for the research, many non-South Africans and their businesses were victims of xenophobic attacks. This was not the first time that non-South Africans had been victims of these acts of violence and they were understandably suspect of outsiders asking questions about their nationality and details of their businesses. This demanded that I prove myself (Marks 2001)<sup>26</sup> to these business owners. To do this, I often stressed that I did not speak Xhosa, I made inferences of my life experiences in my home country, Lesotho. Often I tried to find ways to focus the business owners' attention on my identity as a university student. This I did by making reference to the Ethics code of research and the guidelines that the University demanded that I follow for my safety and that of my research participants.

Lastly, despite explaining who I was, the intentions of my research and the emphasis on being non-South African myself, I was still viewed as a local. Perhaps it is because

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<sup>26</sup> Monique Marks' experiences of proving oneself as told in her book, *Young Warriors: Youth politics, identity and violence in South Africa*, provided a useful learning for me on the significance of the changing identities of the researcher and how they influence the research.

I was always accompanied by a (South African) community member. Talking to me about their businesses in the presence of a known local might have made them feel more vulnerable to robbery or xenophobic violence. In the end, nine non-South African business owners were interviewed.

My intention was always to interview an equal number of female and male business owners and I feared that this random approach would jeopardise that. Indeed I was able to sample more female than male business owners. This was just one of many compromises and modifications that I had to make in the face of changing circumstances and difficulty in securing participants during the data collection process<sup>27</sup>.

Cornelius and Lyness (1980) as well as Cameron (1978) reflect on this issue, that while careful consideration ought to be given to the methodological and theoretical issues around identifying and defining the units of analysis, the researcher is often forced to defer to the dictates of resource and participant availability. Also, the availability of business owners for interview was also highly reliant on whether they knew the research assistants that helped me to approach them for interview. However, in every interview that was successfully completed with the business owners, they were asked to refer us to neighbors and or friends that also owned businesses. This snowball sampling approach (Babbie and Mouton 2001) was very useful in helping me identify and secure more business owners for interview.

The sample generated from this approach included entrepreneurs who were no longer in business. I was especially interested in business owners whose businesses had been destroyed following a climate related event. However, in all cases, it seemed that in the end it was financial challenges that had led to the closure of many businesses.

Apart from their suitability, there were considerations made about gaining access to of small business owners at times most convenient for them. Browne (1976) adds fun to

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<sup>27</sup> See Kulka (1982) for examples of problems frequently encountered in the research from various authorities conducting research in the behavioral sciences.

this list. Even though I enjoyed working in the research sites, I had great difficulty with asking for people's time and giving back little to nothing. Many times, participants asked very frankly what benefit they would get from participating in the research. It was always very uncomfortable for me to explain to them that it might be very little, if anything at all. Depending of course on whose hands the dissertation landed in. Many participants seemed appeased by this answer despite the amounts of time that I was demanding of them.

The total number of in the research sites was 75 in Joe Slovo and 79 in Victoria Mxenge (5 of whom were no longer business owners). The number of business owners sampled in the study corresponded with 26 and 30 male and 50 and 48 per cent female in Joe Slovo and Victoria Mxenge respectively.

### **3.6.2. Fieldwork hazards and dangers**

Security is a big concern for doing research in the informal settlement areas, particularly for a foreign national and that does not speak the Xhosa language. Threats to personal security were many but the ones I was most vulnerable to were robbery and assault. The emergence of such situations is unpredictable and even the locals are highly vulnerable, which makes avoiding them difficult.

Advice from the locals, particularly my research assistants were very helpful but I also learned to make decisions with safety as the main determinant of my actions. In many situations I decided against interviewing some business owners, even with the presence of a research assistant if I felt uncomfortable. This was particularly the case when the interviews were to be conducted in the business owners' home where there would be little traffic from customers coming to buy. While visiting business owners at their places of work was disruptive, it ensured some amount of safety and also allowed me to observe them while they worked.

In the weeks towards the end of the World Cup games in 2010, safety became an even greater concern for me because of the xenophobic attacks that were taking place in many informal settlement areas around Cape Town. I had been working in Joe Slovo at the time and while there had been no reported attacks in the informal settlement up to that time, my research assistant advised that I rather stay away from the field for some time. By then, many people in the community had seen me around and knew

that I was a foreign national and student at UCT. Knowing that she could not protect me if anything happened, my research assistant advised that I stay away for some time until things were calmer in other townships.

There was already very little police and community interaction in the settlement so I could not count on the police to come to my aid in the event of an emergency. I returned to the field later in July 2010. As a precaution I often went into the field later in the day when people were out and about and I made sure that I left by 4pm in time to avoid the rush of workers coming back into the informal settlements.

Even though I was not harmed and no threats that I was aware of were targeted at me – there were two major events in Joe Slovo that made my time there very uncomfortable. In one instance after doing a series of interviews, my research assistant and I walked into a mob of residents attacking a community church. The police had been called in but were struggling to control the large and angry crowd. We later found out that the church Minister had been accused of sexually harassing a young female church member. In another instance, a Somali owned spaza shop not far from where my research assistant lived, had been robbed at gunpoint in the early hours of the morning and one of the shop owners was injured in the gunfire.

Victoria Mxenge felt somewhat different. Perhaps I had been in the field long enough that despite my awareness of the dangers, I started to become more relaxed. Also, in Victoria Mxenge I never saw or heard of any violent activity in the area that I was working in. However, when I met a community activist and business owners - who later assisted me briefly with identifying Somali leather works business owners, I was again reminded of the dangers in the informal settlement and the particular vulnerability of foreign nationals.

The research assistant had been running his business out of a shipping container in the community of Crossroads and had decided to rent a partitioned section of it to a Somali business owner. According him, some community members had warned him of rumors in the community of the dissatisfaction of some community members around his co-operation with the Somalis. In March 2010, the business owner's shipping container was burned down and when I met him later that year he had lodged a complaint with the police for arson.

Two years after our meeting I reached out to this particular research assistant to arrange a follow-on research visit and was met with news of his death. According to an article in a local newspaper, he had been killed over clashes with a local councilor over corrupt housing distribution in the N2 Gateway Housing project.

It is safe to say that my safety in the field was a function of luck and a high reliance on the communities that I worked in, especially my research assistants. They also played a very useful 'security' role for which I will always be grateful.

### **3.7. Validity of the data and field relations**

I developed an especially close relationship with one of the research assistants in Joe Slovo. I spent many hours at her home when we were not conducting interviews. Many times we talked about life in the settlement but our times together were often spent talking about the day's interviews and scoping what respondents to approach next. This is likely to have lent a higher degree of reliability in the information that she gave me, often explaining Xhosa customs and practices, particularly in relation to the observations that I had made and noted during the course of the day.

In Philippi I was also introduced to a small business owner, a leather shoes and accessories and we became fast friends and he soon became my research assistant. The decision to employ this, and subsequent research assistants in the research was based on their familiarity with the informal settlement and small business owners operating businesses in the settlement. The assistants had to be English and Xhosa (as the majority of business owners only spoke Xhosa) speakers. Although I did not base my selection of the research assistants on their education level, they had to be able to write in English.

The adaptive theory approach helped me to marry the data generated from different participants such as the business owners and the government officials and to establish themes across actor groups. The incorporation of multiple methods and approaches

not only enhances the validity of the study, it is also a key method of triangulation<sup>28</sup> (Yin 2003).

The differences associated with the use of different methods became very apparent once in the field. Especially interesting was observing the interaction between business owners and their customers and hearing the behaviors that they said they practiced within civic associations. While in one setting, their business, they took on more of a leadership role, in the associations they allowed themselves to be led, often without questioning the leadership of the societies.

### **3.8. Fieldwork ethics**

In the process of arranging meetings and conducting interviews, I was guided by ethical considerations.

Ethics is intrinsic to the constructivist paradigm because of the inclusion of participant values in the inquiry (starting with respondents' existing constructions and working toward increased information and sophistication in their constructions as well as in the inquirer's construction) (Guba and Lincoln 1994:115).

I enjoyed my close relationship with two of the three research assistants that I worked with but I was also very aware on many instances that ours was not an equal relationship and often felt that they sometimes told me what they thought I ought to hear and not what they really felt or wished to express.

One area that was often difficult to negotiate was keeping my personal life out of the field but with time that was difficult to hold back because I was being exposed to such great detail of their personal lives. I was always very careful however to ensure the anonymity and confidentiality of the research assistants, the research participants that we visited together and the information shared between us.

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<sup>28</sup> Triangulation involves using more than one method to gather data, including interviews, observations, questionnaires, and documents (Denzin 2005). It is a method of crosschecking data from multiple sources to search for regularities in the research data (O'Donoghue and Punch 2003.)

The research interviews were conducted in line with the guidelines and clearance that I had been granted by the University of Cape Town's Research Ethics committee. Before conducting the interviews, research participants were given an information sheet outlining the research and its aims. The information sheet was available in both English and Xhosa and depending on the language that the participants were comfortable reading; they were left with a copy in their preferred language. However, I also made sure I discussed the information sheet with the research participants prior to the interviews. This was not only to clarify the points on the information sheet but it was also in an effort to accommodate illiterate participants. In these discussions, I emphasized anonymity and confidentiality. Potential participants were also made to understand that their participation was not only voluntary, but also that they would not be financially compensated for it.

When participants agreed to take part in the study, I presented them with a consent form, which they signed and kept a signed copy of. The information and consent forms provided details of the intended use of the data as well as the precautions taken for confidentiality and anonymity of the research participant. The forms also provided the contact information of the Research Ethics officer at the University of Cape Town and those of my supervisor.

The problem with though was that I had very little control over the research assistants' confidentiality of the information shared by the research participants. Realising that this was not something that I could control, I often spoke to the research assistants about the importance of their job helping me and how much the success of my research rested on them keeping the information heard in the interviews confidential. By the time I left the field, I had had no complaints from the research participants about breach of confidentiality.

### **3.9. Conclusion**

This chapter has outlined the methodological procedures followed in this thesis. I have tried to demonstrate the appropriateness of the chosen research methods for eliciting and interpreting data on the research question.

As highlighted in the chapter, using adaptive theory systematically, particularly the constant comparison between the cases and the verification with the research participants, highlighted intricate details between the cases and helped to explain covert phenomena. Through adaptive theory I was also able to draw relationships between variables such as age, gender, nationality with the broader data relating to the research questions such as their impact on access to state-led services or influence of business owners' participation in the informal sector. This adds depth to the thesis, allowing it to test theoretical claims, particularly around the actions of the formal and informal markets in the absence of state action.

The chapter has also explained how challenges were overcome in the research sites. Access to respondents presented the main challenge in this research. It was overcome by a more flexible approach and asking respondents for referrals through the snowballing method. Another grave challenge was around safety and this was overcome by building relationships with the research assistants and following their advice, particularly research assistants and through limiting the time spent in the field everyday. This had its limitations but it proved an effective safety measure. Lastly, the chapter has pointed to the ethical considerations that were taken in the study and how these were approached.

In the following chapter I present some background to the cases and offers context to the research problem and demonstrate the relevance of the data categories generated in the analysis in order to address the research question.

### **THE STUDY AREA: LIVELIHOODS AND ASSOCIATED CHALLENGES**

#### **4.1. Introduction**

This chapter is a presentation of the two case study sites. Within these communities I specifically focused on small-scale, informal business owners and the conditions under which they conducted business, as well as the ways in which they engaged the different actors to respond to flooding. The actors responding to flooding were identified as the state, the formal insurance sector and civil society associations, namely burial societies.

The research sites in this study, Victoria Mxenge informal settlement in Philippi Township and Joe Slovo informal settlement in Langa Township, like many informal settlement areas in the City of Cape Town, are highly vulnerable to flooding in the winter months (May – July). The main characteristic of informal settlements is the housing structures; the “shelter [is] usually constructed with unconventional building materials... [they are] unauthorized settlements with shacks on legal services sites” (Huchzermeyer 2008:2). As a result of the fragile housing structures and the poor infrastructure in these communities, the impact of flooding is of a much higher magnitude than in other more formal built communities of the city.

The availability of basic services is also an important characteristic of informal settlement areas. Some informal settlement areas do not have basic services, such as water, sanitation services, electricity, gravel roads and drainage systems. These services are often unavailable in privately owned, high-density areas (Desportes 2014). Adlard 2009 found that in Joe Slovo, the most urgent needs were electricity, water and toilets while in Philippi, residents’ needs included public infrastructure.

The preventative flood responses of the City tend to be ineffective because of limited infrastructure, such as a lack of drainage systems, and, where they do exist, they are often blocked by waste (Armitage et al. 2009). Consequently, when the impacts of

climate change such as heavy rain occur, these communities' "capacities to withstand or recover" from them is often difficult (Vedeld 2015:289). Herein lies the link between the governance challenge and its contributions to communities' weakened resilience. Further, the poor in informal settlement areas are even more vulnerable to flooding because of limited financial resources to buy durable structural materials and monetary protection against flooding, such as insurance.

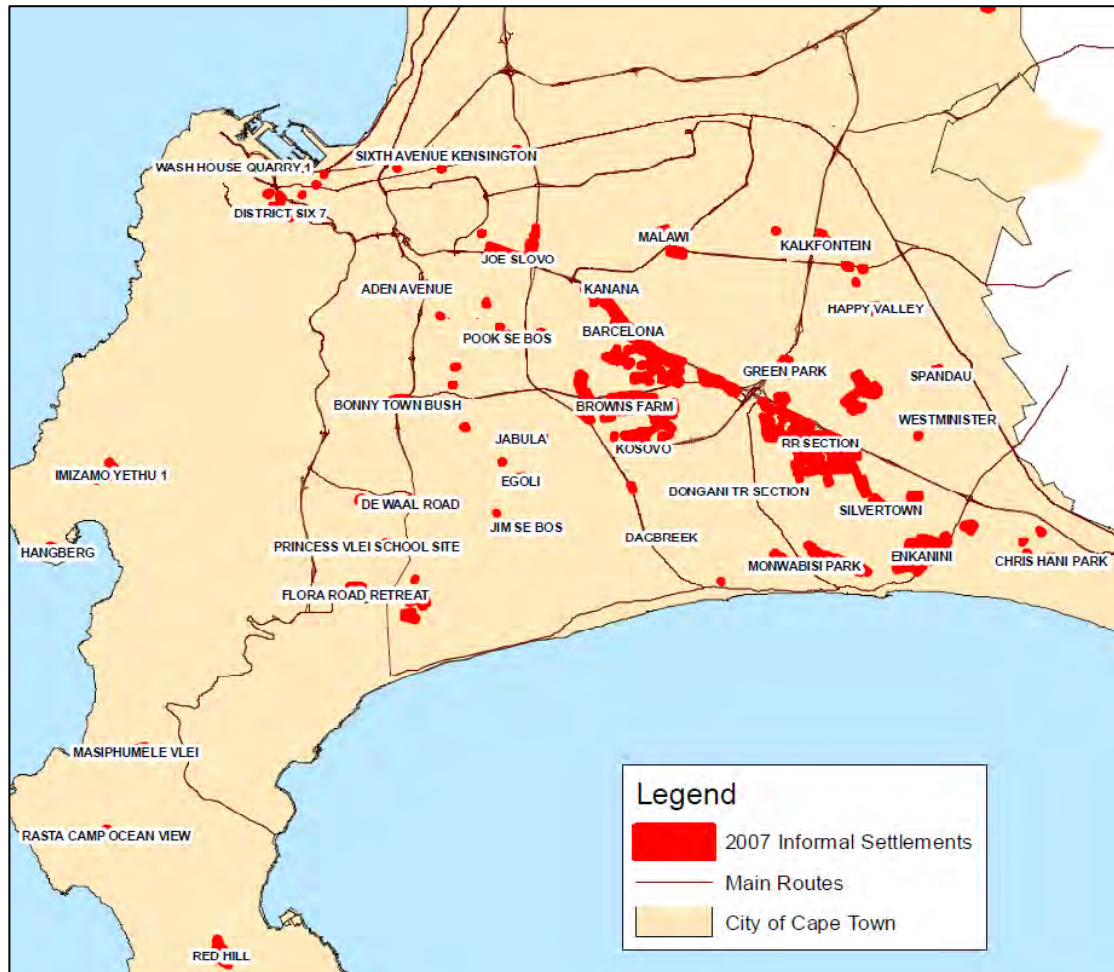
The research sites are also confronted with other social risks, including high levels of crime and violence, unemployment and the prevalence of HIV. According to Bahre (2012), for the poor in the urban townships of Cape Town, high rates of death cause income loss and households often accrue significant debt because of costs associated with burying their loved ones. How these hazards impact a typical business owner's flood response mechanisms is a key focus of the research.

To better appreciate the complex social and environmental conditions in which poor, small business owners do business, this chapter provides some context in five sections. The first section introduces the two research sites. The second section presents and draws comparative variables between the main characteristics of the two research sites. In the third section a brief overview of the business owners sampled in the research is presented, along with the types of business they operate. In the fourth section I present the hazards that the businesses face. Lastly, I present the strategies that business owners use to overcome the named challenges.

## **4.2. Introducing the research sites and their key characteristics**

There is increasing attention in the African urban literature on informal settlement areas in cities of the South, yet small scale, informal businesses operating within informal settlement areas remain under-explored (Lund and Skinner 2004). In the City of Cape Town survey, data about informal trade is outdated – the last available survey data was from a 2002 study (Fleming 2013). Also, it is limited to the city centre and not peripheral areas, such as informal settlement areas. The data presented in this chapter points to informal business activity in the research sites.

#### 4.2.1. Joe Slovo informal settlement, Langa Township



**Fig. 2: Location Map outlining research sites in City of Cape Town. Source: <http://www.heksie.com/photos/CapeShackMap.PNG>**

The Joe Slovo informal settlement was established in the early 1990s by former occupants of Langa hostels<sup>29</sup> and backyard dwellers. The proximity of the settlement to the Cape Town central business district (CBD) and the commuter train network provided settlers with easy access to work in the city as well as neighbouring areas, such as Epping, Langa and Pinelands (Phuhlisani 2009).

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<sup>29</sup> Designated barracks originally built for male migrant workers living in the city and enforced under apartheid legislation. Hostels tended to be underserved and overcrowded – often with migrants from one district sharing a room. See Ramphela (1989).

Joe Slovo is situated 10 km east of the Cape Town CBD on vacant land along the N2 highway (CORC 2009). According to the City of Cape Town (2000, 2004 and 2005), the dwelling count in Joe Slovo was 1,195 informal homes in 1996. By 1998, the number had increased to 2,153 and by 2000 the figure stood at 4,300 dwellings. By 2003 there were 5,431 dwellings in the informal settlement. The rapid population rise in the settlement was coupled with several risks, namely fires and flooding as a result of insufficient storm water drainage (Phuhlisani 2009). Since 2000, the City of Cape Town has provided more services, particularly standpipes and toilets, but environmental and health hazards continue to plague the settlement (City of Cape Town IDP 2004/5).

Initially, the community of Joe Slovo was made up of only shack structures, but in recent years there have been huge changes in the settlement. The most significant of which has been an urban housing project called the N2 Gateway, whose aim was to provide rental-housing stock for the poor and to enable in-situ upgrades. The project has proceeded despite contestation from the community and has resulted in large-scale relocations.

When I first visited Joe Slovo in 2010, the dwellings were mostly shacks, except for the newly developed RDP houses and the 'flats'<sup>30</sup>. There were a few signs of state infrastructure and service provision in the settlement: all the toilets and water points in Joe Slovo were communal and the City oversaw their waste management. There is also the tarred road that divides the formal housing area and the informal settlement area. The roads within the settlement itself were all dirt roads. There were no water channels along the dirt roads to divert waste, consequently, when it rained, the water often flowed into the shacks close to the road. The water flowing downstream of the main tarred road and through the community eventually found its way into the open water diversion channel built by the City at the periphery of the settlement.

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<sup>30</sup> High-density, multi-story blocks of apartments built for the poor. These were originally meant to house migrants working in the city but with high urban migration rates, these one-person accommodations were often shared by many (Huchzemeyer 2010). Business owners in the flats and hostels were not sampled in the study because the two do not fit under the classification of informal settlement housing.

The poor infrastructure in the settlement is caused by a lack of planning and can be traced back to apartheid spatial planning practices that have resulted in inefficiencies, such as “unequal access to economic and social opportunities, poorly located lower-income settlements, and insufficient public transport” (du Plessis 2014: 70; Tostensten et al. 2001; Stren 1998). Coupled with ever increasing rates of urbanization, workers coming to the city in search of employment continue to resort to these accommodations because of their accessibility and low cost (Swilling 2010; Huchzemeyer 2010).

One of the key differentiating characteristics between the two settlements was their respective type of leadership. The Victoria Mxenge community was under the leadership of a municipal, elected ward councillor, whereas in Joe Slovo, the leadership was made up of an informally elected task team. The leadership type in the research sites is important for the research question. To understand the sources of business owners’ vulnerability, it is important to understand the sources of assistance available to them for hazard response.

#### **4.2.2. Victoria Mxenge informal settlement, Philippi Township**

Philippi was originally a dune area and was later used for grazing by the farmers in the area in the 1970s. In the 1980s, the area developed into a residential area as a result of apartheid policies. Consequently, people from the former homelands of Ciskei and Transkei, as well as those from surrounding communities such as Nyanga, Langa and Gugulethu, began to settle there. Another reason for the growth of Philippi was the closure of farming areas in nearby Mitchells Plain and the former labourers having to settle in areas that fell under the category of the apartheid government’s housing relocation laws (Adlard 2009).

Philippi is a large, diverse area with different housing types, population groups and businesses. There is a large number of Xhosa speakers in Victoria Mxenge informal settlement.<sup>31</sup> Many of these Xhosa speakers are in-migrants from the former

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<sup>31</sup> The main languages spoken in the Western Cape province are Afrikaans (55,3per cent), isiXhosa (23,7per cent) and English (19,3per cent) (Statistics South Africa 2006). In the two research sites, Xhosa was the predominant language spoken by the business owners.

homelands of the Eastern Cape Province that come to Cape Town in search of jobs and better services (Robins 2010). The variation found within the community of Victoria Mxenge makes it particularly interesting. One area of Victoria Mxenge is made up predominantly of formal houses and has some basic infrastructure, such as tarred roads, water channels and street lighting. The adjoining community of Phola Park also falls under Victoria Mxenge, but is made up of shack structures with no water management infrastructure. In Phola Park, community members have to make use of communal taps and toilets, but it was unclear whether the electricity connections in business owners' homes and businesses was legal or not.

Victoria Mxenge falls under the ward leadership of a female councillor member of the ANC. As a member of the City Ward Council, the councillor represents her constituency at the highest representative government in the City. This also means that the constituency has direct access to City resources for goods and service provision within the ward.

The two business owners in Victoria Mxenge that did talk about their community leader mentioned her in the context of her political affiliation. One business owner, a young shoe repairman, mentioned that he would have liked to approach the local councillor for assistance with his business. However, he had decided against approaching her because of rumours in the community that she was not a nice person.<sup>32</sup> Another respondent, a *shebeen* owner said that he did not know the local councillor, but he had heard that she discriminated against non-ANC political party members and he was a member of the COPE political party.<sup>33</sup>

The way in which financial resources are funnelled into the informal settlement areas is largely through the ward councillors who have access to the City Council, which disburses the funds against the needs of the communities. The leadership in a community therefore has a direct impact on the communities' access to municipal funds for infrastructure development and service delivery.

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<sup>32</sup> Interview with shoe repair shop owner, 9 June 2010, Victoria Mxenge.

<sup>33</sup> Interview with *shebeen* business owner, 15 June 2010, Victoria Mxenge.

Waste collection was another visible service in the research sites. In Victoria Mxenge, residents said there were no waste collection services. While in Joe Slovo I saw waste being collected on numerous occasions. Residents did not know whether the City was collecting the waste itself or whether the service was being provided through a private company.

A key characteristic of informal settlement areas is the type of housing and the infrastructure (such as roads, water channels, toilets, access to water) within them. A comparison between the housing and infrastructure in Joe Slovo and Victoria Mxenge points to limitations in the availability of basic services, particularly toilets, water access points, waste collection and built roads. Joe Slovo has municipal public toilets shared amongst the households, and it has communal water taps. In Victoria Mxenge, some formal houses have individual toilets and water. But, with just 33 per cent of Victoria Mxenge residents living in formal housing, this is a very small portion of the resident population that has access to these services.



**Photo 1. Photo showing type of ‘spaza shop’. Shop owner (right) and research assistant (left). Source: Author.**

Across Lansdowne Road,<sup>34</sup> the large arterial road that connects Philippi to the Southern Suburbs of Cape Town, lies Phola Park. Phola Park falls under Victoria Mxenge, a community made up almost completely of shacks, no built roads and no drainage system.

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<sup>34</sup> The arterial road that connects Philippi to the Southern Suburbs of Cape Town.



**Photo 2: Communal toilets and waste dumping in Joe Slovo. Source: Author.**

While these characteristics on their own are not surprising, I expected a noticeable difference in the availability of services in the two research sites. I thought that Phola Park would be better serviced than Joe Slovo. The reason for this is that Phola Park falls under the leadership of a ward councillor therefore the area is eligible for government and municipal infrastructure development funds. I especially thought that waste collection in the communal toilets in Victoria Mxenge would be better than it was in Joe Slovo, but for the most part their situations were similar.

In many other parts of the City, waste collection is a task taken on by the local municipality and given that the leadership of Victoria Mxenge is led by a municipal, elected representative, I expected this and other municipal-led services to be available here and less so in Joe Slovo (see Photo 2). Yet, there is no waste management in Victoria Mxenge. Many business owners said that they had never thought of approaching the local Councillor about the waste site and looking into ways of having the waste in their community removed.

### 4.3. Characterising business and business owners in the research sites

The data presented in this section is aimed at giving comparative observations of the business owners sampled in the study.

The population in the informal settlement areas is predominantly African. They are mainly of Xhosa descent and have migrated from the Eastern Cape Province. The research sites also have a high unemployment rate because the “[a]bsorption capacity in the formal sector is not adequate to mitigate the level of unemployment in Cape Town, and the informal trading sector plays an important role in providing employment to a significant number of people” (City of Cape Town 2013:10).

The discussions in this chapter are based on data collected through the use of my survey questionnaire and in-depth interviews. The number of respondents covered in the survey was 75 in Joe Slovo and 79 in Victoria Mxenge. The sample included five former business owners and nine foreign nationals (see Fig. 3). Also, there are a greater number of female business owners than males sampled in both research sites.

**Table 1: Overview of the demographic data on research sample**

	<b>Characteristics</b>	<b>Victoria Mxenge</b>	<b>Joe Slovo</b>
<b>Gender</b>	Female	48	50
	Male	30	26
<b>Nationality</b>	Non-South African	9	0
	South African	70	75
<b>Age Group</b>	16 – 25	24	4
	26 – 34	18	37
	35 – 44	13	26
	45 – 54	24	8
<b>Marital Status</b>	Married/ Living as married	18	34
	Previously married	11	7
	Single	50	34
<b>Average monthly income</b>	<R399.00	3	6
	400-699	5	6

	700-1199	7	3
	1200-1999	0	1
	2000+	2	1
<b>Educational level attained</b>	Primary School	4	6
	High School	12	9
	Post- Matric	1	2
	University	0	1

There were noticeable patterns in the age of business owners sampled in the research sites (see Fig.3). In both research sites the business owners were concentrated in the 26-34 age-group. However, Victoria Mxenge also had a sizeable number of both older (45-54) and younger (16-25) business owners than Joe Slovo.

#### **4.4. Business type by sector**

There was a division along gender and business sector in the research sites (see Fig. 4). Male business owners owned all the fruit and vegetable businesses, while the cooked food business owners were all female. The fruit and vegetable sellers all sold away from their homes (or at least not in the home) while the female business owners selling, cooked food sold both outside and in the home. Women tend to be more concentrated in businesses that allow them to stay in the home whereas the men always worked outside the home. While on one hand this is advantageous because the women are less exposed to environmental hazards of operating in open, unsheltered areas (as many men sold their produce on pavements) – the women’s limited mobility also suggests that they are limited in their income-generating potential.

Business owners, particularly males trading from unsheltered, outdoor premises in both research sites mentioned that when it rained, they did not go to work because there tended to be fewer customers and because the rain damaged their merchandise. Rain, therefore had a direct impact on the mobility of the business owners and their profits.

Some women ventured away from home. A middle-aged lady selling stiff, cornmeal-based porridge, called ‘*pap*’,<sup>35</sup> with sour milk at the Victoria Mxenge taxi rank described her choice of business premises as follows: “It’s a good place because it’s the only place that was available...I have worked from the same premises for 10 years”. The taxi rank is a high-density area with many commuters throughout the day, but it is an open space with no protection from the harsh winter rain, cold and wind.

**Table 2: Detailed analysis of business type by sector**

Service Sector	Business type	Research site	
		Victoria Mxenge	Joe Slovo
<b>Service</b>	Phone shops, recycling, car wash, selling shacks and  Hair salons	24	18
<b>Production</b>	Art and crafts  Leather works/sewing	16	12
<b>Retail</b>	<i>Shebeen/Bar</i> ,  Fruit and vegetables,  Cooked food,  <i>Spaza</i> shop	38	45
<b>Total</b>		<b>79</b>	<b>75</b>

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<sup>35</sup> Interview with cooked food seller, 27 July 2010, Victoria Mxenge.

In both research sites, most business owners said that the location of their businesses was based on ease of access to customers and areas with the most traffic. This was in fact true for some, but there were many other businesses tucked away in the settlement, particularly businesses operated from home.

All the businesses sampled in the research sites were individually owned with no paid employees. However, in discussions with respondents it was clear that family members were very helpful in the business for in-kind and financial assistance in the businesses. I present this data in greater length later in this chapter.

#### 4.5. Business hazard exposure and vulnerability

In order to understand the areas in which vulnerability is experienced in the business and the strategies used to respond to it, the respondents were asked to name the areas of business that presented the most significant challenges to them. The areas that businesses are most vulnerable fit into four broad categories, namely: environmental, financial, market and legal challenges. These areas of vulnerability are presented in Table 3 according to their importance, as expressed by the business owners.

All 154 business owners sampled in both research sites pointed to environmental and economic difficulty as the most significant challenges in their business, while legal challenges were the least cited. There was a close correlation between environmental hazards and the financial vulnerability of the business, with rain and heat most cited as triggers to financial vulnerability. I elaborate on this point later in this chapter in a discussion on financial vulnerability. I now turn to a discussion of the challenges as they affect the business owners.

**Table 3: Business challenges in Joe Slovo and Victoria Mxenge**

	Joe Slovo	Victoria Mxenge
<b>Environmental</b>		
Rain	17	15
Heat	5	7
Unsafe physical environment (e.g. rodents)	2	7
<b>Financial</b>		
Customer debt	8	3

Low profit	13	7
Other financial (irregular income, household demand)	8	7
<b>Market</b>		
Competition	8	3
Low business knowledge	2	7
No business marketing/advertising skills	2	3
<b>Legal</b>		
Municipality	8	3
Conflict with private land owner	0	7
<b>Social</b>		
Crime	2	10

#### **4.5.1. Environmental hazard: Flood hazard exposure and vulnerability of the poor, urban business owner**

In the semi-structured interviews, business owners were asked to explain how climate related impacts affected their business.<sup>36</sup> Rain and extreme heat were cited as the most destructive weather elements; the heat was associated most with rotting merchandise and rain was associated with damaging the buildings and sometimes leading to the closure of businesses.

With the help of a translator, I was always very careful to ask the respondents to explain what they meant when making reference to rain. This was in an effort not only to making sure that it was flooding that they were referring to, but also to avoid misrepresentation of the respondents, as this could have had significant implications for the results. In response, many business owners described flooding as heavy rain, often extending over a number of days and especially common in the winter months.

The winter months are a period of heavy flooding. Flooding is especially common in the informal settlement areas where storm water drains tend to be blocked by garbage and soil runoff. Added to that, the location of informal settlement areas in low-lying

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<sup>36</sup> This is discussed at greater length in chapter 3.

areas increases their vulnerability to flooding (Bouchard et al. 2007; Ziervogel and Mukheiber 2007). Many of the business owners in the study sites were very vocal about their experiences of living in and operating a business from a shack and these grievances were often coupled with drain blockages and shack-structure leakages.

Rain was associated with two particular problems. The first was related to its effect on mobility. Consequently, the rainy winter months were often significantly lower in profit because there were many rainy days during which business owners were unable to go to work or make sales. In Bamu and Theron's study (2012), the fear of illness because of rain was also associated with rainy days. The second was related to the shack structures. Here, there was differentiation between business sector type and vulnerability. Business owners operating out of a shack structure complained the most about the rain. For example, a fruit and vegetable business owner<sup>37</sup> also selling small food items said that the business shack from which he operated was unsafe because of the leaks in the roof. When it rained, items such as salt and spices were damaged. The wood and aluminium sheets that kept the structure up also had many holes in them, letting in a lot of moisture. Even if the water was not seeping through the roof, the salt would still be damaged from ground moisture, because the shack floor was not covered.

A fresh meat seller<sup>38</sup> also experienced damage from heavy rain and flooding in Joe Slovo. Her ox-meat sales business operates from her shack. The shack had been flooded before and then been fixed. However, when it rained there were numerous problems because, as she described it, the place that she sells from is "a shack, not a house". She said that when it rains "there is a leak in the roof and water also comes through the front door. I dig a channel outside to divert the water on to the street. In the shack there is a pole which pushes the roof up so that the water is tilted towards the edges of the shack and not drip inside". Although there was no damage to her meat during the heavy rains, she was afraid that the water flowing into her shack through the bottom of the door might damage the deep freezer in which the meat was

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<sup>37</sup> Interview with *spaza* shop owner, 10 November 2010, Joe Slovo.

<sup>38</sup> Interview with meat business owner, 04 November 2010, Joe Slovo.

stored. She said that when it rained she constantly wiped the shack floor to ensure that it remained dry.

Many business owners were using heavy plastic film for insulation. There were a few other visible measures being taken by the business owners to better insulate their businesses from the rain. This was especially surprising to find in Joe Slovo, because during and before the time that this study was conducted, the leadership of the community task team and a local NGO named CORC (Community Organisation Resource Centre) had been working on a re-blocking<sup>39</sup> project to upgrade shacks vulnerable to hazards, including fire and flooding. I anticipated that many shack owners in the settlement would be more aware of and using different methods of protecting their shacks from flooding, such as putting slabs around their shack to elevate the doorway.

Many of the business owners that cited rain as a hazard in Victoria Mxenge were residents in Phola Park, where the business owners lived and traded in shacks and the road was not tarred. I also noticed that in the area of formal houses in Victoria Mxenge the flooding problem was different. Many of the roads here were tarred and there were storm water drains, but many of these drains were blocked with waste. So, despite the water drainage infrastructure in the settlement, formal houses were still vulnerable to flooding.

In one case, a *spaza* shop owner living in a formal house in Victoria Mxenge said that she had to change the composition of her shop stock because of rain. She explained that fresh chicken always made a lot of money but when it rained, it was difficult to slaughter the chickens, so they sold more frozen chicken instead. The profit margin for the frozen chickens was not as high as that of the fresh chickens but they could at least be bought in bulk and stored in a freezer.

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<sup>39</sup> Reblocking is a process based primarily on the spatial reconfiguration of shacks in informal settlements (SDI 2012). Shacks are rearranged and reconstructed to maximize open space in the settlement. Shacks are also often built on raised platforms and the settlements graded to prevent flooding (WPI 2012). Available at <http://wp.wpi.edu/capetown/homepage/projects/p2012/mtshini-wam/mtshini-wam/what-is-reblocking/>. Accessed 21 October 2013.

Much like the business owners in Joe Slovo, business owners in Victoria Mxenge cited roof leakages in their shacks as a big problem. In response to this problem, shack dwellers in Victoria Mxenge used plastic sheeting to insulate the shack roofs and, despite the example of a *shebeen* owner who used sand bags when it rained, I found no other evidence of sandbag use. The *shebeen* owner explained his use of sandbags:

I put sand bags at the back of the shack to control the water. I also had a tarred road at the front of the shack. The tar helps to fill up the small ponds that had formed because of the holes on the road. The tar is good...it levels the road so that the water can flow away from the shack.<sup>40</sup>

Other common methods of protecting shacks from flooding were raising and/or supporting the base of the shacks. Often an extra layer of wood was mounted onto the edge of the shack to make it thicker and at other times, crates were placed at the front of the shack door and the level of the door raised when it rained.

The heat was also mentioned as a business hazard in the summer months. High temperatures especially affect fresh fruit and vegetable sellers. The problem was especially common in businesses that operated outside the home because they did not have electricity to refrigerate their food. The problem with heat was experienced in much the same way in Joe Slovo as it was in Victoria Mxenge.

A fresh fruit and vegetable seller in Victoria Mxenge presented the challenge that heat presents to his business and his community. When I met the young male business owner, he was outside his shack displaying some of the produce that he had just purchased from the market in Philippi. The fruit and vegetables were displayed on raised wooden crates and carefully laid out on clean plastic sheeting. He mentioned that this was to attract customers. I imagined that the location of his table might repel customers because it was in front of a ditch with dirty water flowing from a communal tap where women were washing clothes. Behind his table were communal

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<sup>40</sup> Interview with *shebeen* owner, 15 June 2010, Victoria Mxenge.

pit latrines and waste heaps where the community disposed of its waste. In response to the greatest challenge in the business he said:

The big problem is with rats. They eat the produce...They [rats] eat goods of about the value of R20.00 per day. They [rats] come at night. They come into the house, not the stand.<sup>41</sup>

According to the fruit and vegetable business owner, the problem with rats was especially bad in the summer months. The rats had found refuge in the waste pit and food selling businesses were easy targets for their scavenging. This was one of two refuse points that I noticed in Victoria Mxenge and in both waste sites, nearby business owners complained that there was a rat problem caused by the refuse sites. The other refuse site was located in the part of Victoria Mxenge with the formal houses. The *spaza* shop owner ran his business out of one of the rooms in his home – a brick building with iron sheeting as roofing. He explained the problem in the following way:

The building is well suited for trading but I have a problem with rats. The mice come from the nearby open field, which has running water and ditches. The mice eat bread and maize meal the most...the damage to the stock could amount to about R200.00 per month.<sup>42</sup>

Given that the *spaza* shop owner said that his profits were approximately R400.00 per month, the damage to his stock was about half of his monthly earnings.

Only one Joe Slovo business owner mentioned rats as a problem. One of the smaller dumping sites was situated close to a fruit and vegetable business whose owner also complained of a loss of profits due to rats and excessive rotting in the summer months. This was the only business owner that complained of rats as a problem in his business in Joe Slovo.

The pit latrines that line the streets of Joe Slovo could harbour many rats, but on many occasions on my visit there I noticed a waste collection truck collecting

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<sup>41</sup> Interview with fresh produce business, 26 July 2010, Victoria Mxenge.

<sup>42</sup> Interview with *spaza* shop owner, 19 July 2013, Victoria Mxenge.

waste. My research assistant said that the truck came once a week, on a Monday, and that was not enough because many people shared the latrines.

There were areas in Joe Slovo that were clearly open, waste-dumping areas. Especially on hot days a pungent smell lingered in many parts of the informal settlement. This did not seem to disrupt business despite being very unpleasant. The issue of waste (management) brings state-led service provision into focus and demonstrated the variation between the two sites.

#### **4.5.2. Financial vulnerability**

The main streets of Victoria Mxenge and Joe Slovo are lined with small (informal) businesses. Despite their numbers, there is not much variation in the types of merchandise that is sold in them, particularly the *spaza* shops that stock basic food items, such as bread, oil, sugar, tea and eggs. As mentioned in the previous section, the types of businesses sampled for this research fall into three categories: retail, services and production. For instance, in Joe Slovo, three *spaza* shops – barely meters apart – sold the same products.

None of the South African business owners were happy about the financial health of their businesses and I will now present the data as it relates to the financial vulnerability of their businesses. Four broad categories of financial vulnerability emerged from the data. Listed in the order of their importance they are: competition, low profit, debtors and business failure.

## Low profit



**Photo 3: Picture showing merchandise in spaza shop. Source: Author.**

*Spaza* shop owners especially complained that foreign-owned businesses in the area were the reason that they were experiencing such significant declines in their customer base(s). Somali-owned *spaza* shops are thought to be cheaper because it is claimed that the Somali business owners buy their products in bulk for several businesses at a time. They are therefore able to sell their products at a slightly lower price than some of the South African business owners who buy smaller amounts of stock and do so individually (Sadouni 2009).

A former *spaza* shop owner in Victoria Mxenge said:

If I was still in business I think I wouldn't be doing well because the Somalis have really cheap prices and I wouldn't be able to compete. I don't know why they are so much cheaper.<sup>43</sup>

In Victoria Mxenge another business owner offered a slightly different view on the causes of low profit, saying: "The biggest challenge with the current business is also financial, but it is largely so because there are a lot of shops in the area" The respondent added that "...the difference that the (newly opened) shops has made is big because when there were only two shops before, I made a good profit but now I see very little profit".<sup>44</sup>

In a different business sector, the live chicken business in Victoria Mxenge, chicken sellers were concentrated in one particular patch of Lansdowne Road. A former chicken seller in Victoria Mxenge<sup>45</sup> said that initially the high concentration of similar businesses in one area ensured that the chicken prices were regulated. However, more and more sellers were moving into Philippi and particularly this area on Lansdowne Road to sell their chickens. The new-comers dropped their prices to attract customers, making it difficult to not only regulate this market but for others to make a profit. "The chicken cost R35.00 and the 'Rock'<sup>46</sup> was R50.00. When the competition came the chicken price dropped to R28.00 and the rock dropped to R40.00." She said that this put significant strain on her household of four.

A hair salon owner in Victoria Mxenge also complained about business competition, saying: "I don't have as many clients as I had before. Instead of having 5 customers, maybe I get only 2 [per day]. Everyone seems to want to go into the hair salon business."<sup>47</sup>

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<sup>43</sup> Interview with former *spaza* shop owner, 21 June 2010, Victoria Mxenge.

<sup>44</sup> Interview with *spaza* shop owner, 19 July 2010, Victoria Mxenge.

<sup>45</sup> Interview with fruit and vegetable seller, 19 July 2010, Victoria Mxenge.

<sup>46</sup> 'Rock' refers to chickens that are sold after having been reared for egg hatching. According to the respondent, consumers prefer rock meat because it is tougher and more flavourful. 'Chickens' refer to frozen chickens, often bought directly from the large chicken producers or supermarkets.

<sup>47</sup> Interview with hair salon owner, 27 July 2010, Victoria Mxenge.

Another source of competition is supermarkets. A fruit and vegetable seller in Joe Slovo said that when the prices of produce increase at the market, he had to pass on the costs to the customers. The problem, he said, is that “customers panic and go to Shoprite because it will be cheaper.”<sup>48</sup> Similarly, in Victoria Mxenge small business owners often made reference to the nearby Shoprite supermarket as their chief competitor.

When asked whether they would consider moving their businesses to different locations, only two business owners said that they had considered it in the past, but had never actually moved.

It is not surprising that business owners in both research sites complained about low profits because of competition and their close proximity to bigger businesses and smaller businesses owned by foreign nationals, particularly Somalian nationals.<sup>49</sup> Yet there was no effective response, such as institutions or groups set up amongst community members to bulk buy their products at lower prices. Also, in Philippi a small business support hub, called ‘The Business Place’, provides information, referrals, training, workshops, networking and business opportunities (The Business Place 2013). The Business Place branch in Cape Town is a short walk from Victoria Mxenge, yet none of the business owners sampled in the research in Victoria Mxenge mentioned being members of that forum or ever using the resource centre, even though it is freely available.

### **Giving and seeking credit**

In response to the stiff market competition, many business owners gave their customers credit. Paradoxically, poor debt repayment was also cited as a contributor to financial challenges in the business.

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<sup>48</sup> Interview with *spaza* shop owner, 10 November 2010, Joe Slovo.

<sup>49</sup> Somali nationals were not the only foreign national small business owners in the research sites. However, South African small business owners often made reference to Somali nationals in particular, as they are the biggest business competitors.

Despite citing outstanding payments as one of the biggest business challenges, business owners in the research sites did not seem to be very adamant that their customers pay at the time of purchase. Instead, they readily gave credit. Default rates tended to be high and business owners' response to dealing with defaulters was informal, as opposed to seeking resolve through formal channels such as the police.

A meat seller in Joe Slovo explained why she did not approach the police when her customers did not pay: "I am afraid of going to the police because the business is illegal – I don't have a license."<sup>50</sup> She said she felt especially uncomfortable approaching male customers for repayment and on numerous occasions she decided to write off the debts instead of approaching the police to intervene. She also said that she thought that if she did not sell on credit, people would not buy from her. "When people need meat during the week they know that I can assist, so, if I did not sell on credit, my business wouldn't be successful". See Box 1 (further below) for how business owners deal with defaulters.

Lindell et al. (2013) find a similar pattern in their study on gender differences in the African business environment. The authors found that South African female entrepreneurs had slightly varying conflict management styles than their male counterparts. Female business owners tended to make use of 'an integrating' style of conflict management, with greater co-operation, avoidance and less assertion. The authors conclude that this style of conflict management is non-constructive and does not benefit anyone. In other words, this may make the business owner more vulnerable because she compromises profits in the name of making peace with the defaulter.

Business owners in Joe Slovo also demonstrated a willingness to give credit to their customers despite the high risk of non-payment. Many of the business owners said that they would continue to sell their merchandise on credit as long as the customer made the repayment in the agreed time. A shoe and clothing business owner participating in the focus group discussion explained this risk taking by saying: "If I

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<sup>50</sup> Interview with fresh meat seller, 4 November 2010, Joe Slovo.

know you and where you stay, I have to give you [*shoes*] so that if you don't want to pay, I can follow you. But if *you* just come and say: 'I want this'; I can't give it to you" (emphasis added).<sup>51</sup> That is, she felt more at ease giving credit to people she could locate in the event that they did not pay at the agreed time.

A *shebeen* owner in Victoria Mxenge said that he used a similar strategy to keep his customers. He explained: "People don't always get in to buy the stuff. They don't have money sometimes. To deal with the problem, I just let them so that they can keep coming back. Most of the customers are from Mxenge (across the road). There aren't many from this area (Phola Park)."<sup>52</sup>

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<sup>51</sup> Focus Group participant, 17 July 2012. Joe Slovo.

<sup>52</sup> Interview with *shebeen* owner, 15 June 2010, Victoria Mxenge.

### **Dealing with defaulters and debt repayment**

Sitting in front of her shack, the owner of a fresh meat selling business explained to me why defaulters were a problem in her business and how she got them to pay their debts.

“ ... in a month, about 1 or 2 people don't pay. The problem is adding up because in a month about 2 people will not pay and in the following month another 2 don't pay. The money becomes a lot...I have never thought of taking them to the police. ”

In response to my question about what she has done in the past when faced with the problem of defaulter, she answers by telling a story.

The story is of a customer that owed her money for over 2 years – since 2004. In 2006, she went to get the money and the defaulter still would not pay her. She then took the defaulter's bag and brought it home with her. The defaulter reported her to the police. When the police arrived they asked her not to take the law into her own hands and return the bag and ordered the defaulter to pay. The defaulter still did not pay and she eventually wrote off the debt. This incident made her feel as though the police could not help her.

In another interview, a 20-something saving's group treasurer had this to say on how

#### **Box 1 Defaulter and debt repayment. Excerpts from interview with meat seller, Joe Slovo, 04 November 2010 and savings group treasurer.**

In the focus group with business owners in Joe Slovo, business owners agreed that if they did not offer credit to their customers, their businesses would not make any money. Members of the group went on to indicate that in the past they had extended credit even to people that do not live in their neighbourhood. They acknowledged the risk in doing so, but quickly said that sometimes the people around them preferred seeking services from people that were not in their immediate vicinity. For example, a hair salon owner mentioned that up to half of her regular customers, to whom she was also extending credit, lived in neighbouring townships. She said that she had customers from Philippi, Langa, Delft and Khayelitsha. A shack builder in Philippi also said that his customer network extended to places such as Fish Hoek, Khayelitsha,

Stellenbosch and Gugulethu, but they did not allow customers from these distant areas to purchase merchandise on credit.<sup>53</sup>

The focus group members also agreed that some of their neighbours preferred to support foreign-owned businesses rather than those of the local owners. Some of the focus group members felt that repayment was not a matter of not having enough money, but rather a fear of some business owners but not others. A food seller gave the example of some of the people in her neighbourhood:

...some other time they can buy. But it will be few people not all of them. And if the other people from the other area come selling door to door, like the foreigners, they will buy from them even if something costs R500, they will buy from them. But you who are living here with them selling that for only R250, they won't buy. Even if you give them 2 months to pay on credit. They won't...And they won't be scared to pay those people but for you, you have to run after them and if you don't run after them you won't get your money. I can promise you that. So sometimes you need to say please, I need the money. *Asseblief*<sup>54</sup>!

In Victoria Mxenge, a former business owner said that her former customers supported her not because of her relationship with them but rather because her business was closer (in distance) to them. As she explained: "People did not support my business because of our relationships, it was simply because I was closer to them."<sup>56</sup> She also mentioned that, when her business was still open she offered credit to her customers and it is possible that some of her customers bought from her because she offered credit. I later found out that many foreign national business owners reported defaulters to the police and this may be the reason that creditors are likely to repay them timelier than they do South African business owners.

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<sup>53</sup> Focus Group interview, 17 July 2012, Joe Slovo.

<sup>54</sup> Afrikaans word meaning 'Please'.

<sup>55</sup> Focus Group interview, 17 July 2012, Joe Slovo.

<sup>56</sup> Former *spaza* shop owner, 21 June 2010, Victoria Mxenge.

Business owners in Joe Slovo seemed to have less of a problem with outstanding debts. Only three business owners cited this as a problem. However, the story of one business owner suggests that the local leadership made itself available for dispute resolution around debt repayment. A bridge owner mentioned that, even though there were people who used the bridge and refused to pay after crossing, he did not have too much of a problem with payment because the people in the community knew that he had close ties with the community task team:<sup>57</sup> “They [customers] really respect the task team so they don’t give me a hard time.”<sup>58</sup>

Similarly, a crafts seller in Joe Slovo mentioned that she was on very good terms with the members of the task team and that when people had problems in their businesses they could talk to the task team members. Members of the task team also engaged in issues involving community members and the municipal government on illegal shack building and demolition.

When asked whether they bought shop stock on credit, many business owners in both Joe Slovo and Victoria Mxenge said they would be uncomfortable doing this. For example, a food business owner in Joe Slovo said:

I don’t want to borrow money, it is going to stress me and I don’t work so I would not be able to pay back the loan. Other places ask to see a pay slip and I don’t have one because I don’t work.<sup>59</sup>

In Victoria Mxenge, a former *spaza* shop owner said: “I wouldn’t borrow money to re-open the business because I wouldn’t be able to repay the loan”.<sup>60</sup>

Some business owners also seemed to base their decision not to get loans from other institutions, such as banks, on the fact that their customers are unreliable in making payments and that this would possibly affect their ability to service their own loans. A

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<sup>57</sup> A group formed in response to a lack of services in Joe Slovo and particularly in response to a fire in 2006 that burned down 60 shacks (LRC Oral History Project, 8 September 2008). Available at [http://www.historicalpapers.wits.ac.za/inventories/inv\\_pdf/AG3298/AG3298-1-200-text.pdf](http://www.historicalpapers.wits.ac.za/inventories/inv_pdf/AG3298/AG3298-1-200-text.pdf). Accessed 12 October 2013.

<sup>58</sup> Former *spaza* shop owner, 21 June 2010, Joe Slovo.

<sup>59</sup> Interview with day care centre owner, 20 October 2010, Joe Slovo.

<sup>60</sup> Interview with former *spaza* shop owner, 21 June 2010, Victoria Mxenge.

food business owner<sup>61</sup> in Joe Slovo mentioned that she would not be able to get a loan from the bank, not only because she did not have a pay slip, but also because she was too scared of taking out a loan because she had no guarantee that her customers would pay her on time. She said there was no guarantee that she would be able to service the loan within the time frames that the creditors demanded.

A particular service area that did not tolerate creditors and overdue payments was burial societies. In Victoria Mxenge, a burial society committee member explained that in cases such as loss of income, members were given a grace period of up to three months to pay their burial society contributions. She seemed less patient with others who could not or would not explain their reasons for late payment to the burial society leadership. According to her, members generally paid their contributions in the burial society, but her unsympathetic position was based on past experiences with some burial society members. She went as far as stating, “As a secretary I must be very careful because people are crooks.”<sup>62</sup>

Similar to other local businesses, burial societies deal with defaulting members by making them repay the amounts of money that they owe as opposed to handing them over to the police for fraud or legally sanctioning the payments. The burial society executive mentioned that the members who had been caught had repaid the money to the burial society – suggesting that the burial society had been effective at retrieving the payments from their members.

In this section I have tried to demonstrate that, despite the risk of defaulting, giving credit to customers remains a common business strategy. Despite easy access to police mediation in both research sites and the community leadership in the case of Joe Slovo, business owners preferred to deal with defaulters on their own. The choice to manage defaulters by taking their valuables is illegal and it puts the business owner at risk of revenge by the defaulter. In places characterized by high rates of violence such as these, I expected the mediation role of the police to be visible. This points to a disassociation with the state-based institution.

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<sup>61</sup> Interview with food seller, 20 October 2010, Joe Slovo.

<sup>62</sup> Interview with burial society committee member, 18 June 2010, Victoria Mxenge.

By comparison, the situation in Joe Slovo also suggests greater service provision by the community-led leadership. There was a similar discomfort towards market responses, especially bank-sought loans. Many business owners expressed fear that they might struggle to service the loans. Unlike their small businesses, the banks would in fact call on the state to deal with defaulting, either through the police or through the courts. There is a demonstrable discomfort amongst business owners interacting with the state and market when dealing with challenges in their businesses, particularly the challenge of financial vulnerability. This finding is important to the research question, particularly as it relates to drivers of hazard response. These issues are developed in chapters 5 and 6 respectively.

### **Business failure**

The research sample included five former business owners. The reasons for the collapse of their businesses varied and so were reasons given against rebuilding them. A young businesswoman selling fresh chicken in Victoria Mxenge attributed the closure of her business to harassment from officials from the Society for the Prevention of Cruelty to Animals (SPCA). She said that SPCA officials often approached her and fellow fresh chicken sellers on routine checks about the treatment of the chickens. Even though the chickens were well fed, given water and protected from weather elements, the officials often confiscated them and insisted that the sellers pay a fine for neglect. On many occasions she claimed she was unable to pay the fines and could not get her chickens back. She experienced great profit losses because of this. This was but one of the pressures that led to the eventual closure of her business. Other contributors to the business closure were competition at the sale site and with the surrounding communities.

In Philippi, a businessman from Zimbabwe told me of his first business, selling fruit and vegetables in Delft. He explained that he had been selling the fruit and vegetables on the side of a road under a stand. When it rained his stand was flooded and in the summer when it got very hot, the produce would rot. After numerous attempts at rebuilding the business, it was flooded once more and he decided to try his hand at another type of business.

In Joe Slovo, a middle-aged, male *spaza* shop owner said the business was not going well at the time of the interview. He complained of financial stress. Some weeks later the shack from which his business was operating was closed and I later learned that he had been very ill and had left for the Eastern Cape to be close to his family. He had passed away some months later. Another one of the five cases of failed businesses, that of a former *spaza* shop owner at the Philippi business centre, was the only business where failure was not the result of climate hazards or financial strain. The former *spaza* shop owner said that she made the decision to close her business to make time to participate in a self-help housing building project. Since then she had not worked or re-opened the business and she and her children relied on her mother's old-age government grant.

In sum, low profits and customer debt were the biggest contributors to financial difficulty in businesses. These causal factors were closely linked to environmental hazard, particularly flooding resulting from heavy rain.

#### **4.5.3. Social vulnerability**

Crime was an ever-present threat in the research sites. In many cases, business owners did not explicitly express their concerns about crime, but these were often inferred or expressed in their behaviours. For example, in Joe Slovo, a fruit and vegetable shop owner explained that he took some of his merchandise home with him at the end of the day just in case the shop was burgled in the course of the night.

Also in Joe Slovo, a young shop owner<sup>63</sup> explained that at the end of every day she too packed up her shop contents and took them to her shack, which included a small gas stove, a 9-kilogram gas tank and the bowls in which she mixed her dough. The reason for this she said was that the shack was built with very old material and she was afraid that thieves would find it easy to break in and take some of her equipment. Indeed, this was not an unfounded fear, because not far from her business, another

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<sup>63</sup> Interview with fat cake (type of doughnut) business owner, 24 January 2014, Joe Slovo.

business owner selling meat<sup>64</sup> told me how her shack had been burgled. She said that the thieves had come in through her old corrugated iron roof and stole some of the meat in her freezer and some household items. Heavy rains had further weakened the already fragile shack structures. The business owners, unable to mend them, lived with the risk of more than just damage due to flooding.

In Joe Slovo, I heard stories of people being attacked and their money stolen while on their way to work and there were many stories of robberies of Somali shops. On one occasion, I arrived in Joe Slovo to find that the previous night a Somali-owned *spaza* shop had been burgled. One of the shop owners had been shot while sleeping at the back of the shop and the robbers had gotten away with some money. There was a heavy police presence and the shop was closed for a few days, but later re-opened.

The threat of crime towards foreign-owned shops such as the Somali-owned *spaza* shop, compared to shops whose owners were South African (especially Xhosa speaking), was very visible. The recently robbed Somali-owned *spaza* shop was operating out of a shipping container on one of the main streets. The doors and windows of the shop were reinforced with metal bars. Several attendants, all of whom were male, always staffed the shop. I approached this Somali shop owner for interview and he declined.

A hair salon owner in Victoria Mxenge talked about a robbery at her shop in an unemotive way. She described her experience(s) of crime at both her shops in the following way:

The theft is the biggest challenge for the business...theft has always been the biggest challenge – since 2001. I think that other businesses in the area also have a problem with theft. The households around here don't seem to have so much of a problem with break-ins, only the businesses. The [hair salon] business was burnt down in 2006. I think

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<sup>64</sup> Interview with fresh meat seller, 4 November 2010, Joe Slovo.

it was on purpose. It took 2 weeks to rebuild the business. The 2 weeks was a short time. 'If I don't have business, I don't have income so I have to push it...I have to show the enemy (the person who did it) that I have power again'. I had money at the time so it was quicker to rebuild. It [the shop premises] is not suitable because it can easily be broken into (both businesses). The salon has been broken into approximately 2-3 times a year. The phone shop has been broken into about 5 times in 2006.<sup>65</sup>

Both shops have burglar bars and latch locks for padlocks. The hair salon owner said she had given up on replacing the padlocks, because "they always break in". "When they break in, I just look at what they took and buy it again. I am just risking now. I had a plan (fitting locks in the doors) but it didn't work so I'll see. I don't have any plans."

When asked whether she had filed cases of theft and arson at the local police station after these incidents, the businesswoman said that she had told the street committee. In fact, she had received the call that her business was burning from a member of the street committee. "They (the street committee) are always watching,"<sup>66</sup> she added. The hair salon owner's cases had never been resolved, but she still believed that the street committee was more effective at dealing with crime in her community than the police would be.

The effectiveness of the street committee in keeping the community safe is difficult to establish, but they may have been effective enough to make me feel somewhat comfortable while working in that community. I felt most unsafe while in Joe Slovo. I believe that to a large extent this was because of the stories that I heard from my research assistant and her insistence that I keep the car doors locked and windows

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<sup>65</sup> Interview with hair salon owner, 27 July 2010, Victoria Mxenge.

<sup>66</sup> Interview with hair salon owner, 21 November 2010, Victoria Mxenge.

closed while driving through the township. I have reflected on some of these experiences in chapter three.

#### 4.6. Hazard management and sources of assistance

The risks identified by the respondents in Table 3 were analysed in relation to the preventative strategies used to respond to them. Respondents were asked what sources of help they use and five categories emerged from the data: family, friends, community organization (namely, burial and savings associations), government, and NGOs. Table 4 summarises the results.

**Table 4: Business owners' sources of assistance**

	<b>Joe Slovo</b>	<b>Victoria Mxenge</b>
Family	64	53
Friends	31	25
Burial Society	0	0
Savings Association	0	0
Government	0	10
NGO	3	4
Other	2	0
Self - No external assistance	29	36
<b>Who ought to help?</b>		
Government	6	10
Private sector	0	8
Self	4	6
Anyone	6	0
Bank	6	0

Community	4	0
Don't Know	3	4

Family members were the biggest source of assistance to the business owners. In Joe Slovo, 64 business owners sought assistance from their family<sup>67</sup> (mostly in the form of loans) and 53 in Victoria Mxenge. Even though friends were cited as a source of assistance, these were at significantly lower rates than those of families, with 31 and 25 business owners in Joe Slovo and Philippi, respectively. Many of the business owners that had borrowed money to respond to hazard in their business were women.

Business owners whose family members lived in close proximity to them tended to receive in-kind support. Female business owners in particular had family members looking after the shop while they attended to other tasks, such as buying stock. Age was a significant variable in the assistance-seeking behaviours of the business owners. I found that amongst young business owners, parents played an especially helpful role. For a hair salon and fresh produce business owner in Joe Slovo, it was a loan of R200.00 from his father that saved his fresh produce business from closure. He mentioned also that to start the fresh produce business, a friend in the community had given him a loan of R300.00.

In Victoria Mxenge, a shoe repair business owner said that his mother had been very helpful in his business. The young businessman had previously operated the same business in Delft, but when his mother (also a small business owner) advised him of a shipping container closer to their home, he moved his business, using the shipping container free of charge, because it was under his mother's care. He mentioned also that his mother also gave him loans from time to time to support his business.<sup>68</sup>

The case of a former fresh chicken business owner pointed more towards generational continuity in some of the small businesses. The young chicken seller had taken over

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<sup>67</sup> My understanding and use of the extended family here is borrowed from Khuval and Bruton (2009) according to whom the extended family in Africa denotes a broader group of people than its use in the traditional family business literature.

<sup>68</sup> Interview with barber shop owner, 09 June 2010, Victoria Mxenge.

the business from her ailing mother who had built the business using a loan from her former employer. Asked whether she receives any help from family, she said that her mother had a terminal illness and could not help her. Her siblings were still too young and her extended family members lived very far (in a place called Worcester outside Cape Town) and she could not travel that far to seek assistance.<sup>69</sup>

Older business owners tended to rely more on both their family members as well as neighbours for assistance. For instance, an arts and crafts business owner<sup>70</sup> in Joe Slovo said that when she needed assistance in the business, it was always her sister, who also lived in the neighbourhood that gave her a loan. Even though her husband had a regular income job, she said that he never contributed to the business in any way. Also, because of her role in the local community task force, she attended meetings at the community hall and when these duties fell within work hours, it was her two neighbours, also in the arts and crafts business, that kept an eye on the business and made sales to the tourists that came past while on township tours through Langa.

A common way that family members support business owners is through working at their businesses. There is a growing body of literature on the role of family in small African business (Khavul et al. 2009; Meagher 2005; Chen 1994). Informal businesses in Africa tend to be reliant on family and community labour. Even though this labour is a vital resource, it can also be a hindrance to the business. Despite the varying strength of ties in African businesses, “...the expectations and obligations to extended families run deep” (Khavul et al. 2009:1223). This is because for a long time, families were the sole source of support and an important base for kinship ties. According to the Khavul et al. (2009), the responsibility to care for and provide for the extended family seems to fall disproportionately on members who take on a greater initiative for economic growth.

Despite the clear link between flooding and business vulnerability, none of the business owners linked the assistance that they received from their family members

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<sup>69</sup> Former business owner, 19 July 2010, Victoria Mxenge

<sup>70</sup> Interview with crafts business owner, 12 October 2010, Joe Slovo.

and friends to a flood event or to damage associated with a flood event. This was very surprising, especially because there are no state- and market-led responses to flooding in both research sites. There was, however, a very strong reliance on the friends and family, though this assistance was not being used as a flood-risk response. Instead, business owners used the assistance from friends and family to respond to other areas of vulnerability in the business – some of which were associated with flooding, such as borrowing money in the winter months when sales were low. There was no direct response to a flood event or flood-related damage using the help of friends and family.

Financial mutuals: Informal savings and burial societies have a long history in African communities. In South Africa, as in many countries in developing economies financial mutuals are still very popular. Anthropological studies in different parts of the world find high user rates amongst different user groups, and particularly the poor in different parts of the world. Examples include ROSCAs in parts of Africa, Asia, the Middle East and Early Europe (see Bouman 1977); amongst women (Ardener and Burman 1995); and among immigrant groups in developed countries (see Srinivasan 1995).

Financial mutuals are an instance of civic association. Business owners were asked about their civil society membership as a measure of social participation in non-market spaces, that is, outside of state and market provision. The responses to this question, summarised in Table 5, revealed further risk mitigation mechanisms of business owners confronted with adversity – beyond just friends and family.

**Table 5 Membership in financial mutuals**

<b>Financial mutuals</b>	<b>Member characteristics</b>	<b>Victoria Mxenge</b>	<b>Joe Slovo</b>
Burial	Female	24	30
	Male	18	0
Savings	Female	26	7
	Male	0	1

The most common mutuals in the research sites were savings and burial societies. Some business owners also had formal insurance policies. Savings societies differed in their mission, though many of them were rotational societies in which members contributed a set amount of money every month and gave that to one member in turns. What was common in both research sites was that female business owners joined savings societies in higher numbers than male business owners. Many savings societies shared cash at predetermined times or at the end of the year and members could use the moneys any way they wished.

Of the 16 savings societies (11 in Victoria Mxenge and five in Joe Slovo) sampled in the study, three were set up with the aim of alleviating the flood and fire hazards in vulnerable communities.<sup>71</sup> Similar to the other savings societies sampled in the research sites, member households contributed a set amount of money every month and once they had accumulated the agreed amount, building materials were purchased and construction ensued.

The case of these three savings societies was also interesting because of the role that a partner NGOs played in brokering engagement with the City. Further, the savings societies were providing “a means of reconstructing the social relations that exist

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<sup>71</sup> These communities are part of a broader network of communities working with a local NGO and the City of Cape Town on flood and fire management in the City’s informal settlement areas. The three were not in the two research sites but they were sampled because of their role in flood and fire management.

within a community as they bring people together to collectively manage their finance” (Baumann et al. 2002:13).

Given the nature of hazards to business as cited by business owners in the research sites – that is, environmental and financial hazards, the high rates of membership in savings societies in the research sites were not surprising. This is because savings societies make it possible for business owners to borrow money in times of financial strain and or pay for repairs to damage incurred as a result of environmental hazards.

Burial societies are another collective group, in which money is saved to ensure a proper funeral (Thomson and Posel 2002). Like savings societies, these financial mutuals are developed largely among people that know one another – typically neighbours, friends or family members (Bahre 2007). At their inception, migrant workers created burial societies in urban communities to ensure a proper burial in the members’ homeland (Thompson and Posel 2002; Verhoef 2002; Kritzinger 1996), ensuring that their users’ funerals followed shared cultural norms of the group. Today, burial societies are still very common in African urban communities.

Given this very particular motivation of burial societies, their high membership rates in the research sites – even higher than savings societies - presented an interesting puzzle. An even greater surprise was that business owners said that they did not receive help to respond to flooding from the burial societies of which that they were members of. This is a significant and critical finding in the research, because burial societies are a functional equivalent of formal life insurance. The significance of these high membership rates in burial societies to flood management are discussed in chapter 8.

#### **4.7. Formal insurance**

According to Lloyd’s (2009), South Africa has one of the highest insurance penetration rates in the world. Yet, low-income groups still find it difficult to access formal insurance. Further, climate-induced losses have grown faster than insurance penetration in developing countries (Mills 2004 in Santam 2013), putting low income communities living in informal, climate-sensitive areas at greatest risk.

Nine business owners had formal insurance cover – eight of these were for life cover and one was bursary insurance. Again the data presented a surprise - none of the business owners had insurance aimed at responding to the main threats to the named business hazards, namely environmental and financial hazards.

The data suggested that death was a prominent event in the lives of the business owners and garnered greater financial commitment than key threats to their livelihood, their businesses. I probe this further in chapter 6.

#### **4.8. Conclusion**

This chapter has presented contextual data of the research sites, particularly the small-scale, informal business owners in them. I have noted similarities and differences in the research sites. These characteristics of the research sites are used in subsequent chapters to analyse the findings in line with the research questions outlined in chapter two.

The following chapter picks up on the theme of leadership, as I explore the government-led hazard responses available to business owners in their research sites, the extent of their use, and their limitations.

### **BUSINESS OWNERS' ACCESS TO GOVERNMENT-LED SERVICES: ENGAGING THE NODAL ASSEMBLAGE**

#### **5.1. Introduction**

This chapter introduces the actors in flood governance in the City of Cape Town (CoCT) as well as how informal business owners access and experience flooding services from this multi-actor governance platform. In so doing, the discussion will explain the reasons why these government-led flood management interventions have fallen short of meeting some of their intended targets in informal settlement areas and in turn, why they have not been popular response strategies amongst the business owners in this study.

Here, I explore a key part of the research puzzle as it seeks to address the following sub-research question: *What flood management resources are available from the state and its collaborative partners in responding to flooding in areas of limited statehood.* What I mean here is that although the city provides services to many parts of the city, informal settlement areas are often beyond the reach of the state, making them areas of limited statehood.

This chapter lays the foundation for subsequent chapters in which I discuss the areas of alternative service provision through and, outside of the government and the market. In accomplishing this, the chapter focuses on understanding the extent of the governance available from the government.

Based on interviews, government reports and secondary data on government responses, the discussion acknowledges first that the government does in fact provide some services to informal settlement areas at high risk of flooding. Second, an understanding of the drivers of communities' decision to use or not to use the available services is important because it points to the appropriateness and responsiveness of the available services to their needs. Lastly, the analysis also makes a useful contribution to our understanding of collaborative governance approaches in areas of limited statehood, how they attempt to address the governance deficit

associated with limited state and market goods and service provisioning and the challenges associated with this type of governance arrangement.

Given the comparative nature of the study, there was a strong focus on community leadership between the research sites, because, ward councillors are supposed to be the gateway to government goods and services, while informal leadership structures are viewed as having less access to government and therefore make less flood governance contributions.

The discussion in this chapter is laid out in two main sections. The first section outlines the nodal framework within which flooding is governed in the CoCT. Here I outline the services provided by the CoCT to respond to flooding in low income, informal settlement areas, particularly the nine informal settlements that the city has identified as high risk areas – two of which are my research sites.

The second section of this chapter focuses on communities' knowledge and use of government-led services available in the city. Here, the data on community members' knowledge and experience of government-led flood relief is analysed. The discussion reflects on three overlapping variables: community member's awareness of the flood response efforts of the City, their access to the available services, and their views on the effectiveness and appropriateness of the available responses. The aim of the discussions in this chapter is to highlight the services that the City provides in high-risk flood communities, how it does so and the limitations of its efforts.

## **5.2. The Governance Context: Multiple actors in flood governance in the City of Cape Town**

This section introduces the main actors working for the City of Cape Town. They are: the Flooding and Storms Emergency Planning Task Team (hereafter referred to as the Flood Task Team or the Task Team), non-governmental organizations (NGOs) that partner with the CoCT on their flood management strategy, and local politicians (ward councillors) in the research sites.

Small-scale informal business owners were also interviewed on their experiences and exposure to flood risk in informal settlements, their experiences engaging with their local leaders and community leaders, and their view of the CoCT in responding to the

flooding, and the challenges associated with access to the flood management responses available from the government.

The question that this chapter addresses is: *How do small scale, informal business owners in the informal settlement areas access government services to respond to flooding?*

To make sense of the data in addressing the question, I draw on a nodal governance conceptual framework. Through the framework I identify the different actors (nodes) in flood governance in the City of Cape Town's informal settlements and the challenges that they face in their response(s) to flooding.

In this section, I outline the City's governance actors in flood management and their respective roles in the Flood Task Team, based on data collected in interviews with representatives of the key Task Team members. This is coupled with reviews on legislation guidelines and City flooding reports. The analysis gives insight into the governance of flooding in the City of Cape Town and the services available to the flood-prone communities in the informal settlement areas. I will discuss the challenges that the actors face in their service provision within the flood Task Team as the discussion progresses.

### **5.2.1. The Flood Task Team**

The main actor in the governance of flooding in the CoCT is the Task Team.

In Cape Town, the DRMC oversees the Municipal Disaster Risk Management Plan through an interdepartmental platform called the Flood and Storms Task Team that "coordinates the Flood Task Team before and during the winter flooding season" (DRMC 2009:13).

The aim of the Flood Task Team is to reduce flood risk associated with annual winter storms. The Task Team "provides a structure for 22 departments in COCT aimed at integrating preparedness and response activities based on the Winter Preparedness Strategy and Flood and Storms Plan" (DRMC 2009 in Waddell and Ziervogel 2014:10). The represented departments include: The Department of Environmental Health; Human Settlements Directorate; Roads and Storm Water Department; Solid

Waste Management; and Water and Sanitation. Also represented in the Flood Task Team are a ward councillor and NGOs (Waddell and Ziervogel 2014).

The South African Disaster Management Act 57 of 2002 guides the activities of the Disaster Risk Management Centre (DRMC). The local government plays a key role in implementing the Act in each metropolitan and district municipality. “As part of the winter 2012 planning, the task team identified 9 high-risk informal settlements for prioritization” (Kopele 2012:3). The objectives of the Winter 2012 Preparedness Strategy<sup>72</sup> include:

- To reduce or mitigate the risk that the severe winter storms and their effects may have on the community within the municipal areas of the City of Cape Town; and
- To raise awareness of the risk of flooding and how the community can assist the Disciplines<sup>73</sup> involved in mitigation, preparedness and response efforts and the need to communicate on an ongoing basis (DRM Flooding and Storms Plan Rev. 3 in Kopele 2012:8).

These DRMC targets are short-term, reactive interventions that include site visits and ongoing inspections over the winter period. Medium-term key focus areas, in full or in part, include infrastructure improvement and settlement relocation. Also, the DRMC distributes blankets and foodstuffs after flood events and this is done in partnership with numerous NGOs, including the Red Cross and the Mustadafin Foundation (discussed below).

A key determinant to the Flooding Task Team’s provision of services is the legality of the informal settlement, as well as whether it has been ear-marked as a high-risk flood area. Informal settlements located on private land receive limited City-led services. Mitlin (2014) explains that often the local government’s unwillingness to provide

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<sup>72</sup> The plan guides how government departments involved with flood risk management in the City will co-operate with each other to respond to flood damage during the wet winter season (CoCT 2012).

<sup>73</sup> This was a frequently occurring word in the CoCT public documents used to refer to the different departments involved in the Flood Task Team.

services in informal settlement areas is linked to concerns that this will legitimize land occupation.

The CoCT is bound by national human rights laws to provide services to all South Africans. Key services, such as sanitation and water, are often offered on City-owned land, such as sidewalks and along roads. However, in the event of an emergency such as a flood, the City has to provide relief services to affected communities, irrespective of whether they are located on City- or privately owned land.

For example, when the community of Sweet Home informal settlement in Philippi initially settled on private land, the City of Cape Town did not provide services within the settlement, but rather at its periphery. A local community group leader explained:

When the land is private, the City sometimes put toilets on City land i.e. sidewalks...before that when land is owned by the City they put services: waste collection, water, toilets. By law they cannot put in the services when land is private. They do not know the owner of the site.<sup>74</sup>

In some instances, the City also buys the settled land, if possible. A Task Team member from the Department of Informal Settlements explained how this had happened in the Sweet Home informal settlement. She said:

[The City] bought that owner out... who is somewhere abroad. And they sold their land to the City knowing that their land is now occupied by informal settlers. And it's actually a waste for them to hold on to it. So they sold their land to the City. Which means the City can now do things for those people on a more permanent basis.<sup>75</sup>

### **5.2.2. NGOs – The Mustadafin Foundation**

When a flood affects a community, the CoCT reaches out to its partner agencies to disburse flood relief packages. One of the City's main relief partners is the

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<sup>74</sup>Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

<sup>75</sup>Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

Mustadafin Foundation, “a non-profit organization providing education, poverty eradication, health, disaster relief and community development” (Mustadafin Foundation 2014). The Foundation works with the City to raise awareness on flood prevention and on promoting healthy lifestyles in flood-prone communities. After a flooding event, the Foundation is called in through the DRMC to provide food and hygiene care packs to affected communities. An official at the Mustadafin Foundation explained their role in flood relief as follows:

Okay, after a flood incident for example, we’ll provide hot meals and breakfast, we’ll provide breakfast for whoever is affected. We will provide them with blankets and we will provide them with a cooked supper...a cooked meal...so its two meals a day and then the sanitary packs which they are provided with - either female or male. So in the sanitary packs is the requirement required for women or the sanitary packs that is required for men. There are additional sanitary packs required for women, which would just be the sanitary pad that would be included in that. Because it included the soap and the toothbrush. So you are secured in the sense of a blanket individually, food whether it is cooked food or packed food and your sanitary pack. And babies are most secured for the baby formula and that sort of thing. So the whole family gets catered for so it’s your nappies, your formulas and your Nestum<sup>76</sup> or the Purity<sup>77</sup> that the baby would require with Vaseline<sup>78</sup> and those things. The additional things that the organization as Mustadafin would do is the clothing, crockery, the cutlery which comes in would be going to the community or to rebuild their homes.<sup>79</sup>

The Foundation official explained that the food, blankets and care kits are disbursed through a distribution point set up by the DRMC with the help of the ward councillor.

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<sup>76</sup>Nestum is a baby food brand commonly used to refer to baby food including porridges and preserves.

<sup>77</sup> A brand of baby food.

<sup>78</sup> A cosmetics brand.

<sup>79</sup>Mustadafin Foundation official, Athlone, February 5, 2014.

### 5.2.3. Local politicians: The ward councillor

One of the key determinants of access to government-led services is the local ward councillor and his/her activity in the vulnerable communities and in the council. The role of the councillor is a useful variable to analyse because it is directly related to resource and infrastructure access from the government.

A ward councillor in Grassy Park<sup>80</sup> indicated that municipal ward councils are represented by ward councillors who are members of the City Council. At the City Council, ward councillors can request infrastructure support and resources that can be used towards protecting the informal settlement communities in their jurisdiction against flooding and other hazards.

Ward councillors are key actors in the flood management landscape of CoCT. The role of the councillor in the community is very important, because, through them, community concerns are brought to the attention of the mayor and relevant government departments. Also, resources are often sought from the sub-council and awarded to the community through the councillor. This is especially important in the context of flooding, and city-level “planning, budgeting and infrastructure replacement schedules” (Moser et al. 2010: 22027) in the informal settlement areas that fall within the jurisdiction of the respective ward councillors.

A ward councillor in Grassy Park summed up his tasks as follows:

...He (the ward councillor) has a very easy job...*he has to see* that there is enough; that the people have access to clean water and access to electricity. He must see that the streets is... not pot-holed... but quality streets. And then the fourth thing is... the sewerage... so water and sanitation is important. He must see, that they've (*the community*) got access to toilets and all of that (emphasis added).<sup>81</sup>

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<sup>80</sup> Grassy Park is not one of the research sties but the ward councillor for the area was interviewed in the study because he is represented in the Flood Task Team.

<sup>81</sup> Ward Councillor Grassy Park, 07 June 2013. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

When there are informal settlement areas within a ward, such as is the case in the jurisdiction of the ward councillor of Grassy Park<sup>82</sup>, they often have to deal with flood management as one of the service needs of informal settlement dwellers. The ward councillors of these areas therefore have to contact the relevant government departments for flood relief assistance if residents in their constituency are affected.

Another important role that the ward councillor plays is to direct the resources allocated to their wards. Ward councillors are members of the City Council: “The city’s council is its highest decision making body and is responsible for the passing of legislation (by-laws), approval of the council budget, the imposition of rates, taxes and levies and the approval and amendment of the 5 Year Plan” (City of Cape Town 2014). It is at these council meetings that councillors can request funds for use towards infrastructure clean up and development in their constituencies. In the Council meeting the ward councillor presents to the Council what challenges are of greatest importance and urgency in their constituencies and the funding that they require.

Despite their important role in their communities, ward councillors were also criticized (the business owners in the research) in a few instances for using their leadership role to pursue their own agendas, which gets in the way of their job of ensuring the community’s safe practice against flooding. For example, there were claims that some councillors were using their leadership positions to advance their political interests and garner more support for their respective political parties. One Task Team member described it as follows:

And in our settlements, if they ANC supporters, they’re going to want to sabotage the DA... I don’t know if it’s propaganda or the truth... where they say that the ANC will make life for the DA so difficult here. And we see it boiling out in our settlements. Where everything that the City plans to do that

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<sup>82</sup> Victoria Mxenge does not fall under Grassy Park. The ward councilor of Grassy Park was interviewed because he is represented in the Flood Task Team and can give insight of activities therein from the perspective of a community representative.

is good for the communities... they will just want to sabotage, or want to... because the ANC wants Western Cape so badly... so they get into the minds of the poor.<sup>83</sup>

The Task Team member said that one of the ways that the political parties tried to sabotage each other was by turning a blind eye to big business dumping in their communities and blaming it on the other party representatives or giving relief services only to people that are members of their political party.

The National and City governance structures do not recognize informal, community-led leadership. Because its members are not elected in local elections, their leadership cannot directly seek government resources for the benefit of the community. While this paints a bleak picture for the JS Task Team and the community of Joe Slovo, the community members seemed confident in the ability of the Task Team (hereafter referred to as the JS task team) to resolve conflict and represent them in engagement with the City.

In many other communities similar to Joe Slovo, the informal community leadership works very closely with the ward councillor, though this is often an informal arrangement and is not recognized by the City. Orangio (2012) found this to be the case in Graveyard Pond in Philippi township, where a community activist and leader and the ward councillor worked together. I did not find evidence of this in Joe Slovo; instead I found a different type of partnership – with an NGO.

Even though informal leadership structures are not directly represented in the Council they can form partnerships with other influential non-government actors.<sup>84</sup> This was the case in the community of Joe Slovo. When I first visited Joe Slovo in March 2009, it was after a fire had burnt down about 512 shacks, leaving 1,500 residents without homes (Centre of Criminology 2009). The JS task team, together with Ikhayalami

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<sup>83</sup> Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

<sup>84</sup> In principle, community leaders can participate in the ward committee, which is supposed to inform the ward councillor, however this seldom works in practice.

embarked on a community re-blocking exercise. This drew the attention of the City's Informal Settlements Department who then came on board, supplying a fire kit to help the affected residents to rebuild their homes. There was no involvement of the ward councillor in these activities. This demonstrated the resourcefulness of the task team to seek out partnerships in the private or civil society sector, thus leveraging the bargaining power of one node (the state) through partnerships with a non-state node, in this case the NGO, iKhayalami.

In another instance in Joe Slovo, I realized how the local leadership influenced the behaviour of business owners in the area to the disadvantage of the municipal-led laws. In this instance, a business owner had been advised by the City's Department of Roads and Storm Water to tear down the bridge (makeshift bridge he had built with some wooden planks) that he had built linking the informal settlement to the nearby community of Mitchell's Plain, where residents had access to a big supermarket and a clinic. The bridge was deemed insecure, particularly in the winter months when there were heavy rains – there was concern that it could obstruct the flow of floodwater or people could fall into it. Unwilling to tear down the bridge and lose his source of income, he approached the JS task team to intervene. He explained his decision not to follow the orders of the City:

I have not followed municipal instructions because I was told by the local leadership [JS task team member's name] not to follow those orders. He [JS task team member] said that it helps the people of Joe Slovo and so they should leave it. He also said that it is for the community and that if they [municipal officials] come back I must call him.<sup>85</sup>

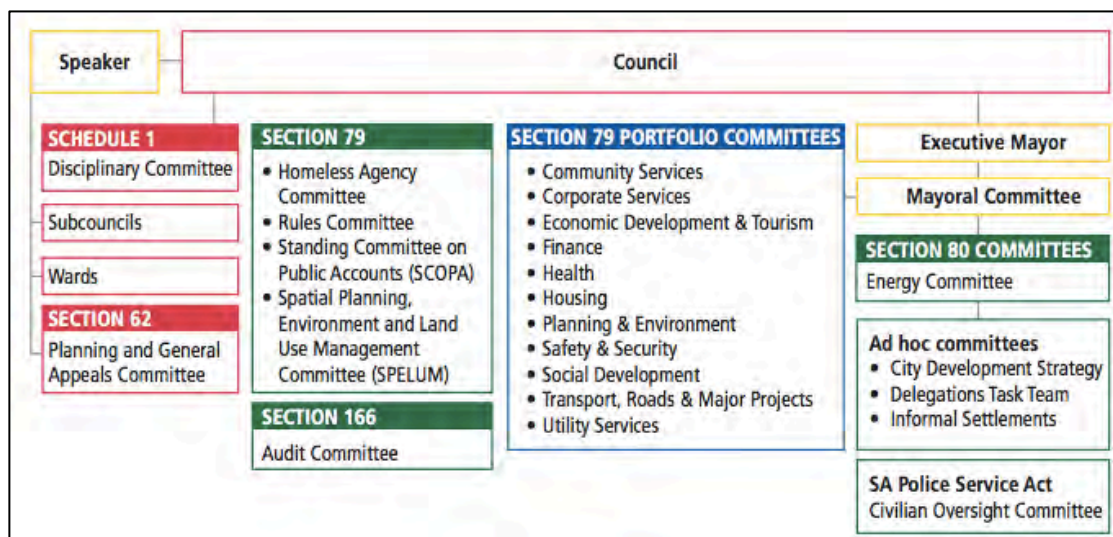
On a subsequent visit to Joe Slovo in February 2014, I noticed that the bridge had been torn down to make way for the formal housing development in the community. However, the bridge owner had recovered some of the structure and people were still using the bridge to get to the neighbouring community. The bridge owner said that the bridge indeed had been damaged by high-water flow in the channel over which it was

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<sup>85</sup> Interview with bridge business owner, 4 November 2010, Joe Slovo.

built, but that after the rains he had rebuilt it. However, the City had recently demolished it like it threatened to do back in 2010. A significant observation in my visit to Joe Slovo was that members of the JS task team had since been relocated to formal housing not far from the informal settlement and I suspected that, since they were no longer physically present in the settlement, their influence had decreased. When asked about this, the bridge owner agreed, saying: “They now live in the formal houses so they don’t care about us anymore”. Unfortunately I was unable to interview any of the JS task team members to find out whether this sentiment was true; that their leadership activity had waned since their relocation.

These two instances are among a handful that demonstrated the involvement and influence of the JS task team on the residents of Joe Slovo in decision-making around their businesses and decisions impacting their response to flooding. In the second example of the bridge owner, it was clear that the bridge was unsafe and was obstructing the flow of water in a storm water channel, the latter’s purpose being to channel water away from the shacks. This suggests that both the residents and the community leadership did not understand or see the value of the City’s adaptation (storm water infrastructure) actions. Another signal of these divergent views can be found in the resident’s disposal of waste, which often ended up in the same storm water channels that were meant to keep the water flowing away from the community.



**Figure 3: City of Cape Town local governance structure.**

Source: City of Cape Town 2011:10.

In Victoria Mxenge I expected to see greater flood management activity at the community-level. I also expected more leadership actions in the management of flooding. This was based on the assumption that greater access to flood management services and funds through the City would translate into better access to services to safeguard this community from flooding. With Victoria Mxenge directly represented in the City Council because it has a ward councillor, I hoped that this would be a useful point of comparison to analyse the impact of leadership on flood management strategies.

In Cape Town, the three most common sources of flooding are: water ponding, which is common in communal spaces and inside shacks built on low lying ground; rain water seepage, which is the result of water seeping through cracks in the roofs and walls of badly constructed shacks; and greywater overflow, which is caused by an overflow in the storm water drainage systems. The greywater then flows into nearby houses that are built below the prescribed building and road levels (Waddell and Ziervogel 2014).

Because of the nature of flooding in Philippi, and in the Phola Park area in particular, the City's focus on flood response here seemed to be directed more at insulating the shacks. This could be because the type of flooding that occurs in this community, particularly in Phola Park, is seepage from groundwater, and in Joe Slovo it is caused localised drainage flooding. Like Joe Slovo, the community of Phola Park within Victoria Mxenge is made up predominantly of shacks and the City has built storm water drains around the settlement. Moreover, in this area there was little waste in these water channels. The reason for this could be because there was a big dumping area within the settlement used by a lot of households to get rid their waste.

Some residents used simple water management technologies on their own to protect their homes from flooding. For example, a *shebeen* owner in Phola Park placed sand bags around the structure to protect it from water damage. Also, the small road in front of his shack was filled with large rocks to absorb the water and block the puddles of water that often settled in the potholes. This was a very common strategy throughout the settlement, with residents placing rocks in the road in order to block

the ground water. However, these mitigative actions were all done independently of the City and the local leadership.

In Victoria Mxenge residents did not complain about waste collection being a problem. Instead there was a recycling drive led by young boys in the community. The young boys were members of a youth empowerment group whose focus was on making young residents of the community more aware of their immediate environment and to take care of it. The members of Beyond Expectation Environmental Project (BEEP)<sup>86</sup> had a community garden project in a nearby school and they collected glass and plastic materials in the community and took them to a recycling depot.

The youth in BEEP worked with an elderly man in the community whose job was to clear the storm water drains in exchange for the recyclable material. The youth had approached the ward councillor for financial support when this project begun but had not received any. Unfortunately, I could not confirm this or find out why the councillor had not been supportive, because she was not available for interview.

### **5.3. City-led flooding interventions and the extent of their use in the research sites.**

Now that the flood governance actors in the City of Cape Town have been introduced, this section explores what they do, that is, the services available to business owners in flood affected informal settlement areas, before turning to business owners' experience of the available services.

City flood awareness initiatives that target flood-prone communities can be divided into two main categories. First, the City supports residents' physical and mental well-being after a disaster. There is information on where to seek medical assistance and food following a flood event. Secondly, the City supports structural initiatives to protect households from further damage in the flood event (Desportes 2014). These

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<sup>86</sup> BEEP is a youth-led organization that educates young people from previously disadvantaged backgrounds on environmental and social issues that affect their communities; see <http://beep.org.za/>.

include information on, and the provision of, sand bags and storm water pumps that discharge the water into a retention pond, where possible.

### **5.3.1. The flood awareness campaigns**

I sought to find out why business owners were not using the available flood response interventions – was it because of a lack of knowledge about the services available to them or was it by choice? Asked whether they are aware of the City’s flood risk response and how they can use these services, many business owners said that they did not know where or how to access assistance.

The business owners’ response came as a surprise because during my time in Joe Slovo and in Phola Park, I noticed a lot of information flyers posted on electricity poles, peoples’ shacks and the doors of public toilets with information on the causes of flooding and advising community members what they could do to curb the flooding problem in their community. These information stickers often had phone numbers to call in an emergency. Based on this observation, my impression was that the Flood Task Team was in fact very proactive in this particular flood management intervention, i.e. educational campaigns. Yet, despite this proactive campaigning, it seemed that the message was not reaching its intended audience.

There are several mediums through which the CoCT raises awareness about flooding in high-risk informal settlement areas. The focus of these communications is varied and led by different government departments. For example, hygiene is one of the focus areas of the Department of Environmental Health, as it tries to make communities more conscious of the importance of hygienic sanitation and facilities, their maintenance, unblocking drains and maintaining sanitary facilities (See Figure 4 further below).

Many of the Task Team department representatives and business owners in the research sites cite blocked drains as the main culprit for flooding. It was not surprising that a lot of the flood awareness and information flyers were focused on storm water cleaning and preventing people from using these for dumping. A representative of the Department of Informal Settlements also believed that this was the biggest contributor to flooding in the informal settlements, but showed little confidence in the way that residents of informal settlements were being educated about the importance of storm

water drain clearing. In her view, a longer-term educational approach with contributions from all the departments in the City working on flooding was needed.

But the thing is... it boils down to education, for me. Education where departments come together and run an intensive sort of ... umm... exercise where they go in and have workshops...If they have a Task Team that goes out to an informal settlement and they decide ok, listen we're going to teach these people how to live safer. So I would say the way forward, for me, is have an established Task Team in every region that is responsible. And they will have to have programs. And then you need to monitor what are these 8 people doing. And give them a sort of incentive, because this is now becoming a job for you, to educate your community. And then you know your target for the 12 month period has been reached effectively, because you've done this from the City, you've created an employment component...to take that community further.<sup>87</sup>


The informal settlements official also advocated for an inter-departmental approach to flooding in the informal settlement. She also voiced the view that the current approach to flooding in the City was being reactive. In her words: "But now we're being reactive. Not proactive. Reactive. Let's wait until 50 houses are flooded. And let's wait when there's a death ... to go in and see why, what happened..."<sup>88</sup> She admitted that this was not a cheaper approach for the City but rather associated it with City officials not doing their job adequately, particularly because they are not being monitored.

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<sup>87</sup> Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

<sup>88</sup> Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

**Plan ahead...**  
**Cape Town has a wet and cold winter season.**  
 Areas that are dry in summer can become flooded in winter.

Build on higher ground - building on floodplains and in stormwater dams is dangerous.

**Protect your health**  
 Floodwater is dirty and can make your family sick.




Tell children not to play in floodwater. Beware of sharp objects in the water.

Wash your hands with soap and clean water before working with food.

**If your home gets flooded ...**  
 You do not have to stay in a community hall to qualify for help. You can stay with friends and family. If you have nowhere to stay, you may be housed in a community hall.  
 If you do have to leave home, make sure your valuables are safe.




Warn other people not to build in areas that are prone to flooding.

Help friends and family - provide them with shelter if your site is not flooded.

**Protect your home**  
 Raise your floor above ground level.  
 Make furrows to channel water around your site, and keep stormwater drains clear.




**Calling for help**



**HELP 107**  
**OR**  
**021 480 7700**

Know and show the emergency number, and teach children how to dial 107 in emergencies.

When you phone, give the full address and a landmark (shop or school) close to the flood so the emergency services can find you quickly.

**EMERGENCY CONTACT NUMBERS**  
**107 OR 021 480 7700**  
 Landline Cellular phone

- Fire Department - 021 590 1900  
[www.capetown.gov.za/en/FireAndRescue](http://www.capetown.gov.za/en/FireAndRescue)
- To report flooding, blocked drains and service disruptions, dial 0860 103 054.
- Disaster Risk Management Centre - 080 112 HELP  
 or 880 911 HELP (HELP = 4357)  
[www.capetown.gov.za/disaster](http://www.capetown.gov.za/disaster)  
[www.capetown.gov.za/fire](http://www.capetown.gov.za/fire)



Figure 4 Flood Protection pamphlet

Source: DRMC 2014

It is the role of the DRMC to oversee these awareness campaigns, and which was explained by an official from the Department of Informal Settlements as follows:

The DRMC is there every day, they do education on behalf of the department of informal settlements. They also make people aware of the

emergency number to call when there is a fire or flood, that is, 107. People are also encouraged to report vandalized city property such as water taps and toilet doors, which often get stolen and sold. Often the vandalism is not done by the people that live there.<sup>89</sup>

The City's flood management partners, such as the Mustadfin Foundation, have also developed communication materials to raise flood risk awareness. According to Desportes (2014), these awareness-raising campaigns were ranked high in effectiveness among the government departments. A member of the Task Team explained that the information pamphlets were written in Afrikaans, English and Xhosa and in areas where one language was predominantly spoken, pamphlets in that language were distributed.

In her research in Sweet Home informal settlement, Waddell (forthcoming) found similar flood information pamphlets being distributed in preparation for the flooding season. "The problem was that they were written in Afrikaans and being distributed in a predominantly Xhosa speaking community."<sup>90</sup> Consequently, many community members went unaware of the precautions that they could take to respond to flooding.

### **5.3.2. The flood relief handouts**

Where reblocking of housing areas is in progress, the Task Team's response is usually confined to temporary relocation for the affected households. While temporarily relocated, families are provided with food and other necessities, including blankets and sanitary products.

In Joe Slovo, a local community leader said that he did not think that the DRMC and its partner agencies were useful after a flood. He explained his dissatisfaction based on his past experience:

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<sup>89</sup> Department of Informal Settlements, Cape Town, February 3, 2014.

<sup>90</sup> Interview with Researcher FLICCR project, University of Cape Town, 20 January 2014.

Disaster Management sometimes brings us warm soup and grey blankets. Can that help my situation? When my home is flooded and they call me to the community hall. How will that help me?<sup>91</sup>

A member of a Task Team echoed the community leader's concerns. Even though he felt the City was doing good work in providing safety and services to affected communities, he was concerned about whether the City's partners, particularly the Mustadafin Foundation, were keeping their end of their agreement with the City. He pulled out two photographs that he had taken after a fire in one community and after a flood event in another community.

In one photograph an elderly lady was sitting near her burned down shack and guarding a refrigerator that she had saved from the fire. The Task Team member explained the photograph saying: "In a situation like that, she [the old lady] can be sitting there for days with no place to bath and sometimes no sanitary materials." In the case of that particular lady, the official said that she had asked him for a comb. "She wanted to simply comb her hair ... These are things that are supposed to be provided by the partner institutions but sometimes they are not provided."<sup>92</sup>

A second photograph featured a young family with two toddlers and a baby. He pointed out that the food that was provided for families often does not accommodate the dietary needs of those affected. So even though *mxushu* is an attempt to meet food preferences of the affected,<sup>93</sup> it is often hard and difficult for the old and young to chew. "For a lactating mother like this one (he pointed to the woman in the photograph), the food does not provide adequate nutrition for her to produce enough milk for her baby. The *mxushu* is also not sufficient for the energy needs of the two school-going children that she has." He explained further that sometimes the baby is not catered for because no formula is provided. "All of these are considerations that

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<sup>91</sup> Local community leader, Abahlaliba se Mjondolo, Joe Slovo, 3 February 2014.

<sup>92</sup> Task Team member, Lotus River, 3 February 2014.

<sup>93</sup> The official was making reference to a dish called *mxushu*, a staple amongst the Xhosa. *Mxushu* is made from beans cooked with crushed corn.

ought to be taken seriously in order to make the services of the partner organizations more effective and targeted.”<sup>94</sup>

When asked about the food provided to affected communities and whether the considerations raised by the Task Team member were taken into account, the representative from Mustadafin Foundation indicated that these choices were made with communities’ cultural and religious preferences in mind. Further, they were driven by budgetary constraints and discussed with the City.

As she explained it:

...people would request food from here [Mustadafin foundation] because we have that particular aspect of food - eating habits and the diet and taking in consideration that samp and beans in another community will not be a specialty but in a different community... I mean like we were doing in Valhalla Park, we had to cook for extra pot - a 60 litre pot for the Rastafarians who don’t eat meat. So you must know the communities that you work in.

As I have already pointed out earlier in this chapter, the Mustadafin Foundation official said that special attention was also paid to the needs of babies and that they too were specially catered for. It was difficult to decipher who is to be believed in this instance but this account illustrates one of the challenges between the City’s flood response partners and the communities that they serve.

#### **5.3.4. The flood relief kit**

After a flood event every affected household is given a kit containing rebuilding materials to improve their shack structures - the kit contains nails, plastic sheets and wooden poles. According to Desportes (2014:67), “a TRS<sup>95</sup> official assessed the costs of CoCT hand-outs (approximately half a million ZAR for plastic sheets to reactively cover shack roofs only) as low in comparison to other running costs.” I sought confirmation of these figures from the head of the Task Team but he was not prepared

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<sup>94</sup> Task Team member, Lotus River, 3 February 2014.

<sup>95</sup> City of Cape Town Department of Transport, Roads and Storm Water.

to share exact figures. Despite this commitment by the City to the flood rebuilding kit, research participants and officials alike criticized its effectiveness.

An official from the Department of Informal Settlements questioned the flood kits' effectiveness on the following grounds:

... the current flood relief is comprised of nails and a piece of plastic that are certified as a building kit... Flooding is not about a roof in disrepair but 99 per cent of people take the plastic and cover the roof of their shacks with it. The amount of money that the city spends on this kit is in the millions. The correct amount can be sought from the head of DRMC.<sup>96</sup>

A crèche owner in Joe Slovo explained how she and many members of her community used the flood kit:

I have tried to use sand and stones to control the water. The rats also cause problems because they make holes in the shack and the water comes through there. But all of that did not help so when the DRMC gave us plastic for our roof, we put it on the floor to block the water.<sup>97</sup>

Another criticism was leveraged against sand bags, an official from the Department of Informal Settlements saying: "Sand bags are not effective. What will be more effective is educating people to elevate their structures but money is an issue for that to happen."<sup>98</sup> I asked a member of the Task Team how effective he thought the City's initiatives were. While he agreed that education and changing behaviours were important, he expressed his frustration at community members' slow behavioural change. He explained:

Remember education is part of being proactive but now these houses that is prone to flooding is built below the water line or the watermark. It's built next to a river or a canal, right. And however they are trying to speak to people saying, you must move to higher ground. You know these people

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<sup>96</sup> Department of Informal Settlements official, Cape Town, February 3, 2014.

<sup>97</sup> Crèche owner, Female, Joe Slovo, 3 February 2014.

<sup>98</sup> Department of Informal Settlements official, Cape Town, February 3, 2014.

is used to staying where they are and they just refused to move away from the wetlands like the N2 wetlands, they are staying there and every year it's the same thing. Floods and floods and floods. And the Disaster Risk Management have done everything that's in their power to persuade the people and inform them of how dangerous it is and also tell them next year you will again be flooded out but it don't seems that they want to listen because you know, people is people. They want to stay next to my friend or in the surroundings where I feel safe as a person and it's very difficult for them to move.<sup>99</sup>

A local community leader in Joe Slovo said that he thought that the City is unable to offer effective solutions to flooding, because the solutions that it had come up with were being made without community consultation:

You [the City] can't speak about me, let us [the community] speak about us...Sometimes you think that people need a house but because you are not planning with me you don't know the kind of house that I need. That's why we are happy to plan with a developer that is not in the City (referring to past partnerships with NGOs and individuals from the public).<sup>100</sup>

### **5.3.5. The community relocation interventions**

Relocation is a common flood management strategy in the City of Cape Town. In areas that the City deems high risk and where structural initiatives such as rebuilding and sand bags are not effective, residents' temporary and long-term relocation is a considered option. In theory relocation is done in an effort to protect communities from future flood exposure and harm, therefore it is a time-sensitive process that must be undertaken before the next period of flood exposure, usually the winter. In practice, most of the informal settlements that are heavily flooded are simply put on a relocation waiting list where they remain for several years. The reasons for this reality

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<sup>99</sup> Task Team member, Lotus River, 3 February 2014.

<sup>100</sup> Local leader, Abahlaliba se Mjondolo, Joe Slovo, 3 February 2014.

are varied and include communities' protest against relocation and the municipal governments' difficulty in finding vacant land for relocation of affected communities.

In a flood event, the DRMC often set up temporary relocation centers, such as community halls, while the flood affected areas are cleared of debris, drained of flood water and rebuilt. Relocation is managed by the Department of Informal Settlements and the DRMC but has received significant resistance. A department official explained:

The biggest challenge in our work is the reluctance of people to relocate. The reasons for this hesitation include family ties, they are unfamiliar with the location where the land is available. For example, Delft was identified as a relocation site for Langa residents... it is twenty minutes away from Langa. People refused to go.

Another problem associated with relocation was the vexed question of who needs to be relocated and who can stay in the community. According to the official, the ward councillor compiles a list of affected homes and, based on their vulnerability, the DRMC and Department of Informal Settlements can relocate them to a temporary residence area (TRA) or permanently to another community. But this exercise is often crippled by community politics. He made the example of a community in Guguletu:

After relocating an affected community the people complained, saying that the wrong people had been relocated. The people also complained that people in the TRA's were getting better quality housing. How can you tell us we took the wrong people? You compiled the list yourselves!

The official was however quick to explain that he sympathized with community members' resistance to relocation: "Temporary can be a very long time. It's not about how long you are on the waiting list, it's about the surrounding area. We cannot move people from one vulnerable area to another."<sup>101</sup> He explained that land on which to relocate vulnerable communities was a problem, because the City itself did not own much land and had to buy private land. Buying private land is common in the City of

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<sup>101</sup>Department of Informal Housing official, Cape Town, 3 February 2014.

Cape Town, but it too is often a lengthy and costly process - making it an unsustainable practice.

Relocation was a real threat to many residents in Joe Slovo, but by the time I started research in the community, they had won a case against the City of Cape Town that had initially sought to relocate some residents of the informal settlement to Delft. In the end, many residents received formal housing in the N2 Housing Gateway project. However, when I went back to Joe Slovo in February 2014 it soon became evident that the threat of relocation had once again become real, this time posing an even greater threat to the community members whose leaders had 'left' and found housing in the formal houses and were no longer championing the cause of housing.

When I revisited a fruit and vegetable seller that I had initially met in June 2010 in Joe Slovo, he explained his fear of being relocated, saying:

Those JS task team people, they are now in their formal houses over there, they forgot about us. When we call them now they tell us they are busy putting people in the [formal] houses and can't listen to us. If the City comes here and ask me to leave, what can I say – I will go.

In another instance, an elderly *spaza* shop owner told a harrowing story about how she had been awarded a formal house in the N2 Housing Gateway project but was unable to move into the house because she had lost the official documents that indicated that she had indeed been awarded the house. She said: "My neighbours, they tried to talk to the government and tell them I have been living here for a long time and tell them that my shack burned, but they don't listen."<sup>102</sup> She feared that the next time the land in her section was cleared to make way for the formal housing, the Department of Housing would put her on yet another waiting list – where she would have to wait for many years – and in the interim relocate her to another community. She feared the loss of her *spaza* shop, which supported her and her three grandchildren.

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<sup>102</sup> Interview with *spaza* shop owner, Joe Slovo, 12 August 2014.

There were also many cases of business owners, particularly those affected by flooding that actually wanted to be relocated from the settlement. Many were long-term residents of Joe Slovo that were still awaiting formal houses. Two things immediately struck me about the ways in which these particular business owners expressed their willingness to be relocated. For one, they wanted to be relocated to ‘upgraded’ areas and second, many of them held the view that they deserved to be relocated because the government had not prepared the settlements for them to a habitable standard before they lived there.

In the midst of residents wanting to be granted formal houses and many not even wanting to entertain the idea of relocation, this subset of business owners that were open to relocation to ‘upgraded’ areas stood out. Also, the use of the language was quite unusual. Asked what they meant by an upgraded area, many business owners associated it with the following services: ‘flush toilets’, ‘running water’, ‘tarred roads’, ‘street lights’, ‘waste collection’. I then asked whether these services were to be provided in a formal housing area or the informal settlement and the responses became more interesting.

A *spaza* shop and food seller said: “We have been complaining to our municipality about this situation and they have been telling us that they haven’t found space that we can move into, so for now we are stuck here.”<sup>103</sup> Another business owner, a tavern owner said, “...the government must get us another place to stay where we won’t have flooding”. In both instances there was a willingness to move to another place and away from their current settlement. Asked whether they would want to be relocated to a particular place, the tavern owner replied: “...wherever there is no floodings.”<sup>104</sup>

The word ‘upgrading’ brought in-situ upgrading to my mind. In-situ upgrading is also used in high-risk flood communities in an effort to make the area safer from future flood (or fire) events. Though in-situ upgrading is less drastic than the relocation of whole communities, it is not without its problems. First, it requires a lot of pre-

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<sup>103</sup> *Spaza* shop owner, August 2014, Joe Slovo.

<sup>104</sup> Interview with *shebeen* business owner, 15 June 2010, Victoria Mxenge.

planning of space, it requires very careful consideration of the families that will be relocated and those that will be included in the upgrade (in line with the housing waiting list) and, on the part of the City departments, it requires the contributions of several departments for services, including environmental assessments, engineering services, storm water planning and electricity services. An official in the Department of Informal Settlements added that there is also a community engagement process that needs to take place and this too often takes time.

#### **5.4. Business owners' experience of flooding**

In the previous section I have shown who the governance actors are in the management of flooding in the CoCT, the services they offer, as well as business owners' experiences of engagement with them. In this section I turn squarely to the business owners' to gain a better sense of the incidence of flooding in the research sites and the business owners' response to it. The business owners in the research sites were asked about their and their family or friends' past exposure to flooding or other climate related hazard (see Table 6). This questioning revealed a relationship between the experience of flooding and community leadership, infrastructure availability and housing structures in their communities.

**Table 6: Past experience of flood events**

	<b>Joe Slovo</b>	<b>Victoria Mxenge</b>
<b>Experienced a flood</b>	13	4
<b>Neighbour/family experienced flood</b>	2	1
<b>No experience of flood</b>	10	18
<b>Experience other hazard (fire)</b>	1	4
<b>TOTAL</b>	26	27

Twenty five per cent of the respondents cited heavy rain leading to flooding as a significant threat to their businesses. There were also a surprisingly high number of business owners that had never been directly affected by flooding. The most significant observation, however, was that of 32 per cent of the business owners that had experienced flooding in the past, 25 per cent were residents of Joe Slovo informal settlement and 7 per cent lived in Victoria Mxenge.

#### **5.4.1. Flooding experience and storm water infrastructure**

Both business owners and officials alike cite storm water drainage blocking as the biggest contributor of flooding in the informal settlement areas. The sewerage and storm water pipes are the only way in which the water levels can be kept low and flash flooding minimized. However, they are often blocked by residents' waste and dumping in the community and when the rains arrive, the water floods the streets.

A member of the flood Task Team said that the biggest culprits of blocked drains were not only the community residents, but the City itself. He explained how the two contribute to the problem:

...You know people (*community members*)... when you go to them... we tell them, listen here, please clean before your gate or before your property. Then they do it. But they sweep all the things into the drain. Then I get a complaint... Where there's fishmongers<sup>105</sup> he cleans them and he throws the intestines and the guts into the drains. And that is... the reason why... umm... there's also flooding of the roads. Because people, they sweep the dirt into the drains."<sup>106</sup>

On the part of the City he explained that the drains have to be cleaned by the City, in fact it is the mandate of the Roads and Storm Water Department to do so in line with a quarterly plan. However, there is a lack of clarity on who is responsible for the storm water system cleaning, particularly when green water seeps into the drains.

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<sup>105</sup> The fishmongers business is common in many informal settlement communities, selling fresh fish from the back of their vehicles. They gut and clean the fish in the community.

<sup>106</sup> Flood Task Team member, 07 June 2013. Interview by Joy Waddell and Isabelle Desportes (FLICCR Project).

After speaking to several departments in the City, a researcher in the FliCCR project summed up the incoherence on tasks as follows:

I've spoken to some people about it. And the Storm Water Department says no, it's solid waste, so the Solid Waste Department needs to clean it. And because it's sewerage, the Sanitation Department needs to deal with it. And then the Sanitation say no, it's solid waste in a storm water system so it's the Solid Waste Department and Storm Water Department who need to be responsible. And Solid Waste say it's not their job.<sup>107</sup>

Another problem is the use of contractors. The responsible department does not clean the drains itself; it outsources the work to a contractor.

And you see that is also another problem with the outsourced contractor. Because there's no project manager who signs off the job. So his job is supposed to be, if they are there to clean the drains, they then must go and look at each and every drain to go and see, was the job well done, or satisfactorily done. Then he [*the project manager*] needs to sign it off. And then he [*the contractor*] needs to be paid. Now things has happened here on the opposite. They first pay the contractor... and give them the money, and say thank you for doing a good job. But then the job did not even start yet.<sup>108</sup>

There were other stories of contractors manipulating the City's management systems and getting away with getting paid without doing the job. An official in the Department of Informal Settlement was highly critical of the City's use of contractors; she said:

So for me, personally, and I've said it many platforms already... that contractors don't work for this environment ... But at the moment, contractors, they take the City's money. They there, and also never there. So if you've got to come and collect it three times a week, you only come once... because you know why? There's no monitoring. My thing is, what the City needs to do... if

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<sup>107</sup> FliCCR researcher, 20 January 2013. University of Cape Town.

<sup>108</sup> Task Team member, Lotus River, 3 February 2014.

they put in a contractor, they should have a department that monitors. And if the City sees, no wait, wait, wait. Here's an alarm... why are we paying out so much money for that particular area. They shouldn't be coming down to contractor.<sup>109</sup>

Business owners also cited storm water blockages as the source of flooding in their communities. What was interesting, however, was that none of the business owners cited residents as the culprits of the dumping, but they all felt that it was the responsibility of the City to see to it that the drains are unblocked, cleaned and repaired timeously. A food seller said that when they approached the Council to report the drains, the officials said to them "... it is your fault, you were not even supposed to be living in that space."<sup>110</sup>

Not all business owners had complaints against the City around blocked drains. A tailor acknowledged that flooding was a problem in her community and that the heavy winter rains made it worse, however her experience of flooding was different. As she explained: "Lucky for me, my husband was working for the City of Cape Town so whenever there is flooding, I just call their office and they always attend quickly whenever there is flooding or drain problems."<sup>111</sup>

The tailor's experience is of course an exception, but it suggested that human resources were not the cause of the problem of delayed drainage repairs and unattended repair complaints. The problem is rather that there isn't a systematic way of addressing the complaints as they are received, making it possible for City repair personnel to attend to queries based on who they know as opposed to who presented a query first. Also, it suggests that there is a regulatory deficit in the City.

#### **5.4.2. The experience of flooding and housing infrastructure link**

Many business owners in Joe Slovo complained of rainwater seepage – where heavy rain was seeping through the roofs of their shacks and leaving the floors wet. For

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<sup>109</sup> Department of Informal Settlements, Cape Town, 03 February 2014. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

<sup>110</sup> Food seller, 20 August 2014, Victoria Mxenge.

<sup>111</sup> Tailor, 22 August 2014, Joe Slovo.

example, a crèche owner complained about the recurring damage to her shack due to heavy rains, she said: “My house is a shack – a shack, you fix it today and when it rains, it leaks. When its windy the wind blows it and then when it rains again it leaks again.”<sup>112</sup>

A meat business owner in Joe Slovo also expressed frustration that when the heavy rainwater leaked through her shack roof, she had to elevate electrical appliances and plugs to avoid electric shock because the floors often remained wet for a period of time after the flooding. There was also water coming in through her door and into the shack. She explained how she diverted the water away from her shack:

When there are heavy rains it is hard to even walk out of the house. The water level is very high so the children have to wear their gumboots and some people put crates to raise their things from the flood so that they do not get damaged by the water.<sup>113</sup>

This type of flooding could be a symptom of greywater overflow.

The data suggests that there is higher experience of flooding in shack structures than there is in built houses, as a result more business owners in Joe Slovo had experienced a flood than those in Victoria Mxenge (see Table 6 above). Joe Slovo informal settlement is made up solely of shack structures, while in Victoria Mxenge, the homes were predominantly constructed using bricks and mortar, though Phola Park had informal houses. Also, in Joe Slovo there was no road or drainage infrastructure within the settlement. Rather, the only water drainage infrastructure was at the borders of the settlement – on one side lies the built area of Langa and on the other side the N2 highway, a tarred arterial road connecting the Cape Town International airport with the City. Along this road were large water drainage systems. The lack of drainage to channel the water away from the houses resulted in water ponding – with water settling, often for months, and flowing into the houses and business premises.

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<sup>112</sup>Crèche owner, 20 October 2010, Joe Slovo.

<sup>113</sup>Crèche owner, 03 February 2014, Joe Slovo.

To prevent the water ponding of grey water overflow in Joe Slovo, business owners often tried to dig their own trenches to divert the water away from their businesses, but this was a big source of conflict with some neighbours. A crèche owner said that because of the close proximity of the shacks and the threat of the roof collapse, they often had to tilt their roofs. He explained:

One of the biggest causes of conflict in the informal settlement is when a neighbour changes their roof because some people build their shacks with their roofs leaning into the neighbour's yard and causes the water to flow into the other one's yard. It's a big fight when people change their roofs in the informal settlement.<sup>114</sup>

By contrast, in Victoria Mxenge, the business owners that had experienced flooding in the past were either operating their businesses in a shelter (an open-sided shelter with a roof) or were operating from an exposed pavement. For them, it was the lack of a shelter that made them and their shop products vulnerable to water damage, though they were not necessarily flooded. Of the business owners affected by flooding in Victoria Mxenge, only one operated his business from a shack and similar to the business owners in Joe Slovo, he experienced rainwater seeping as a result of roof leakages and excessive water flow that seeped through the door of his shack.

#### **5.4.3. Business owners' awareness and experience of government-led flood response**

With the data pointing to different sources of flooding in the respective communities, I then wanted to investigate business owners' awareness of, and experience of the City department flood relief initiatives. This is because all three common sources of flooding in the research sites are symptomatic of a regulatory deficit, that is, people are highly exposed because their houses are built in low lying areas, and unsuitable for habitation. Furthermore, the housing structures that community members are building are badly constructed and they are not in accordance with building standards, such as building at or above the road-level (Waddell and Ziervogel 2014).

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<sup>114</sup> Interview with crèche owner, 03 February 2014, Joe Slovo.

The following themes emerged from the data:

- No experience of government-led assistance;
- No knowledge of where to seek government-led assistance; and
- No confidence in government-led hazard response and/or goods and service delivery in general;
- Perception that government-led responses are not well targeted.

The following Table 7 provides the results of the question posed in the data collection process:

**Table 7: Experience of government- and market-led services in the research sites**

Source of Assistance	Experience of service	Joe Slovo	Victoria Mxenge
<b>Govt. assistance</b>			
	I know where to go but nothing happening	16	14
	Received Govt. assistance <sup>115</sup>	5	6
	Don't know how to get it	18	12
	Never thought of it	8	10
	Don't need it	2	3
		59	45

Fifty of the 154 business owners had neither been affected by flooding nor knew people that had been affected. However, many of the research participants expressed

<sup>115</sup> Forms of assistance cited were child and old-age grants. A Somali national cited a visa application at the Department of Home Affairs.

disappointment in past experiences with government departments or had heard stories of unpleasant experiences and this tainted their confidence in the government's ability to provide flood response in their communities.

A young fast-food seller in Joe Slovo expressed her dissatisfaction with government departments:

The government doesn't care, I don't even bother to go to the government departments and ask for help because they don't listen and they don't do anything after you tell them the problem anyway. I have heard from other people that the government doesn't do anything about their problems.<sup>116</sup>

Asked exactly which department his friends had visited, he explained that it was the Department of Home Affairs, where they were trying to get legal residence status to live and work in South Africa. There was also a lot of anxiety by non-South African business owners about their legal status and entitlement to services as non-South Africans. A Zimbabwean national business owner in Philippi said: "I have never received help from the government because I don't have a South African identity document (ID)... nobody cares – it is the survival of the fittest."<sup>117</sup>

The view that the government does not care was often likened to experiences with a range of government departments (not just those involved in the management of flooding). For example, a money-lending business owner in Joe Slovo mentioned that because she did not trust the police, she had never turned to them when she had defaulters. Instead, she got her husband, a community-housing activist, involved. She said that people respect her husband because of his role in the community and because if he found out that they were giving her a hard time, he would never go to their homes again. Simply put, her husband would never assist those households and defend them with whatever problems they had with the ward councillor or the City authorities, as he often did with many other members of the community. This seemed

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<sup>116</sup> Interview with fast food business owner, Joe Slovo, 24 January 2014.

<sup>117</sup> Interview with hair and cosmetics business owner, Philippi, 22 January 2014.

a high price to pay for defaulting on a loan but it was effective, therefore suggesting that community members really valued the assistance of the local community leader.

Similarly, a young barber shop owner said that there was a lot of politically-based tension in Victoria Mxenge between ANC and COPE party members. Because of political favouritism, he was of the view that the youth entrepreneurs do not receive council funding or support like other youth in neighbouring communities and that he was afraid to approach the councillor about such funding. He explained: “I can’t go to the councillor, I am afraid of her.”<sup>118</sup>

A young crafts seller, also in Victoria Mxenge, said: “I don’t even know the councillor here...the reason why I am lazy to approach the councillor is that they don’t take us seriously. Everything is a long process.”<sup>119</sup>

There were a lot of misconceptions about the (national and) municipal-level government and their service delivery responsibilities amongst participants in both research sites. For example, the view that a person cannot receive services because of their nationality and citizenship status in South Africa is of course incorrect, yet it was a recurring response amongst non-South African participants. In a flood event especially, the ward councillor as well as the flood response team may not discriminate against members of the community on the basis of their citizenship or nationality. A ward councillor explained the expectation of the local councillor to his constituency as follows:

Wards are represented by ward councillors elected by registered voters in the community. The ward councillor must look after the interests of all the residents in the community regardless of the political party they support even if they did not vote or are not South African citizens.<sup>120</sup>

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<sup>118</sup> Interview with barbershop owner, Victoria Mxenge, 9 June 2010.

<sup>119</sup> Interview with crafts business owner, Victoria Mxenge, 6 July 2010.

<sup>120</sup> Interview with Task Team member, Lotus River, 3 February 2014.

Even amongst South African nationals in the research sites, there was a sentiment that some people do not receive services because of their political affiliation, with those belonging to the councillor's political party given preferential access to flood relief. Asked how this was possible, the Task Team member's response suggested that discrimination on the basis of political party affiliation did in fact happen.

The experience of many business owners in the research sites - many of who associated councillors with national politics - was of clientelism and the abuse of political office. Hilgers (2011:568) in Mitlin (2011) defines clientelism as "an exchange in which individuals maximize their interests, clientelism involves longevity, diffuseness, face-to-face contact, and inequality. That is, it is a lasting personal relationship between individuals of unequal sociopolitical status". In the research sites, municipal elect councillors were often said to use their power and access to employment, goods and services in exchange for votes.

What they [councillors] are advised to do, is basically, what they do is just to get the people safe in one point and when the disaster risk management come on the scene, first of all they always take a list of the people that is affected and to ask is there any other people affected. You see. The problem is when they start leaving people from that list because of their political party.<sup>121</sup>

Researchers in the FliCCR project at UCT had also come across similar complaints in their research in Sweet Home informal settlement in Philippi. For example, a FliCCR researchers' interview with a Lotus River ward councillor in other flood prone wards in the sub council pointed to political favouritism of the councillors in those wards. Consequently community members were very unhappy with the leadership. To demonstrate how the problem plays out, he made an example of a ward councillor in Philippi (one of my research sites).

[A]nd all the people want is, 'please organize for us the dirt bins and the cleaning of the dirt bins'.. that's all that they want. But he don't want to come to them and speak to them. And take them through the process. You see,

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<sup>121</sup> Interview with Task Team member, Lotus River, 03 February 2014.

people want to be taken through a process. But unfortunately he's got too many other things to do. And in that areas... what I've discovered was... the politicians [*say*]... 'ah, that's not my VD (voter district)... you don't vote so much for me... I got only 20 per cent of your vote, so you're not important. I'm more worried about 80 per cent of the vote' (emphasis added).<sup>122</sup>

The example of the ward councillors providing flood relief based on party affiliation might explain why many other research participants said that had been affected by flooding in the past had never received flooding assistance from the City. It also points to a lack of communication about municipal plans by the councillor to the affected communities.

A young fast-food business owner in Joe Slovo also expressed the feeling of exclusion from City plans and what happened after her business had been damaged in a flood event. According to her, officials from a government department (whose name she could no longer remember) had visited her community and asked affected residents what types of service delivery they would like to see improving and support of, in order to make their community more resilient to future flooding. She said that after that incident, she had never seen the officials again and there was no follow up on the community's recommendations.

A *spaza* shop owner in Joe Slovo proudly said that his home had been flooded in the past but that he had rebuilt it using money borrowed from his family. "I never received help from the government...but I am worried...I don't know how to protect my business if I get flooded again."<sup>123</sup> Asked why he had opted to rather borrow money than get government assistance to rebuild his home, he responded that he did not think the government would help and if so, he suspected that the help would be insufficient. All of this was based on presumption; he had never actually approached any of the relevant departments to find out what help he could receive.

Desportes (2013) found that some councillors themselves felt that their political party

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<sup>122</sup> Ward Councillor Grassy Park, 07 June 2013. Interviewed by Joy Waddell and Isabelle Desportes (FLICCR project UCT).

<sup>123</sup> Interview with *spaza* shop owner, Joe Slovo, 24 January 2014.

affiliation affected their budget allocations. Similarly, the community's views of the councillors and the City's efforts were not very high either. This was in large part the result of a lack of communication of city-level plans to communities by the councillors and the perceptions of the councillors on the ways that things should be done and what was a priority. Consequently, community members were often excluded from consultations and where it was not transparent what resources were available to the community and how they could take advantage of them, some councillors neglected their duties, while others used their position to gain a greater political influence and following.

Many business owners in the study said they felt that politically based favouritism also played out in other service delivery areas and not just in relation to access to flood relief. For example, a young barbershop owner in Victoria Mxenge related it to access to jobs for young people in his community. Others expressed frustration at the lack of support for business development.

## **5.5. Discussion**

The aim of this chapter has been to reflect on the City of Cape Town's efforts to manage flooding in the City's informal settlement areas and how business owners, as agents responding to flooding, react to the available assistance.

The City has made a clear plan to deal with flooding in its informal settlement areas under the Disaster Management Plan, through the following actions:

1. Creating flood awareness;
2. Delivering disaster aid through its partners;
3. Improved waste collection; and
4. Improved infrastructure – particularly cleaning storm water drains.

Graham (2006) attributes the challenges that CoCT faces around flooding to what he calls contradictions in the local government's informal settlement upgrading programme. The first contradiction is associated with political will and continuity in the City. The Democratic Alliance (DA), the main opposition party to the national

ruling party, the ANC, leads the City of Cape Town. The DA forms the majority of the Council, meaning that the bulk of councillors in the City are DA members. As mentioned above, party affiliation was identified as a key barrier to access to city-led flood initiatives. Here, political affiliation is the principal reason why flood response in the City is weakened. Acemoglu and Robinson (2012) cite the concentration of power in the hands of a group of people and their extractive behaviours as the key source of weakness of governance, particularly in ALS, where this is quite common.

The second contradiction is around the City's engagement with communities. The City's response to problems in informal settlement areas tends to be short-term and top-down, because of the view that these settlements will eventually be eradicated or absorbed into the formal leadership structures. An illustration of this is the exclusion of informal leadership from City local government structures and community members' view that there is no meaningful engagement between them and the City. These contradictions point to an urban resilience challenge. As Alberti et al. 2003, point out, resilience in the urban environment is the degree to which cities are able to reorganise around structures and processes that meet both ecosystem and human functions. In the City's case, it seems that both needs are not adequately met.

Informality extends beyond just the structure of the settlement. It also affects the community's ability to self-govern. In the research sites, the community was clearly fragmented in its response to flooding, with community members often acting alone. In other words, the social capital required for the community to respond more effectively to the flooding problem was lacking.

This resonates with Rothstein and Stolle's (2011) theorization on generalized trust; society's trust in the government is not solely informed by their experience of the government but rather influenced by the experience of those around them - friends, family, fellow society members. This so-called mirroring against fellow citizens was prevalent amongst both South African and non-South African nationals in the study.

While amongst South African nationals, the lack of trust was especially targeted at political parties and their representative community leaders, amongst non-South Africans it was more channelled at government departments and their willingness/ability to provide key services. This challenges Western conceptions of

the role of the state as the provider and disrupts the process of rule-making and following in the informal settlements. Here, the representatives of the state, who are normatively understood to be formal, are seen as acting informally (Chabal 2002).

In both instances, citizens felt isolated from the government, which led to their lack of confidence in its ability to play a governance function. Nunn (2010) finds a similar pattern amongst governments in the Pacific Islands that use available funds for the development of sustainable solutions to climate change to support impractical needs. Nunn concludes that this is because decision-makers remain ignorant of the nature of climate change, its potential future impacts and the range of possibly suitable adaptation options available to them.

Thirdly, there is contradiction between City officials and politicians' view of appropriate interventions, with politicians often enacting plans without consulting officials on the viability of projects. Officials in turn often resist the implementation of national-level plans that they do not view as viable. The result of these contradictions is that plans either take longer than they were intended to or they are abandoned before they are completed. Effective collaboration needs to be representative of the community and the formal leadership alike (Joubert 2013). Nodal governance is built on this very premise. However, the findings in the research sites suggest that in ALS, the application of this concept is still foreign (Lindell 2008).

Another significant challenge that hampers the work of the Task Team lies with the community members' and Task Team's understanding of the flooding, and the appropriate response in the informal settlements. On the one hand, there seems to be no community level regulation of how residents dispose of wastewater and solid waste. It is a sign of a more prevalent governance problem that is common to areas of limited statehood, being a lack of basic services, including waste management.

The behaviours of the residents could also be the result of a lack of understanding and awareness of the causal relationship between poor waste management and flooding in the community, and therefore they have no incentive to seek preventative waste management strategies. On the other hand, agents of the state themselves are unable to regulate the activities of their non-governmental actors in flood governance.

## 5.6. Conclusion

The focus of this chapter has been to discuss how poor, small-scale business owners in informal settlement areas relate to the flood governance context in the CoCT to access goods and services to manage flooding. Flood governance in the City takes on a collaborative arrangement, with engagement across various nodes. These nodes and the services they offer are introduced in the first part of the chapter. In the second part of the chapter I discuss the business owners' knowledge and perception of the available service.

The study finds that while the CoCT has made significant efforts in the governance of flooding within the City's informal settlement areas, these efforts fall short in key areas. First, I acknowledge the importance of ward councillors as a key gateway to communities' access to flood management resources from the City Council. However, I am cautious not to overstate the role of ward councillors. After all, the study shows that municipality–community interaction is highly dependent on ward councillors, creating an over-reliance on them to broker the relationship between the two. However, many councillors have used this position to advance political agendas. Consequently, many business owners' experience of ward councillors has been one of a highly politicized leadership environment in which favouritism along political affiliation is common at not only the community level but also at the local government level.

It is unclear why the CoCT itself has not found ways of directly engaging with the communities within which they work. This begs the question why ward councillors remain the gateway to the community when they are clearly unable to fulfil this role.

By contrast, the informal leaders have played a greater role than the ward councillor in helping their community to access flood management goods and services. This is an important finding in the research, because the informal community leadership is not a recognised actor in the City's flood governance framework. And yet, using their own non-state collaborative networks, local community leaders have been able to provide services that the ward councillor have either not been able to provide or have neglected for whole communities.

Second, even though the CoCT has taken a proactive approach to flood management in its informal settlement areas, its interventions still fall short of creating resilience and rather seem to be more of temporary coping mechanisms. Business owners and officials alike have lodged this criticism against the CoCT, with some going as far as calling the current interventions ineffective and wrongly targeted.

Lastly, this analysis exposes the different and often conflicting views and agendas of those involved in the governance of flooding in the City. In order for collaborative governance to be effective, the agendas and view(s) around the problem have to be shared by the governance actors. But as the analysis has shown, this has not been the case amongst the nodes in the research sites. Consequently, preventative information cannot be shared with the affected communities to ensure a more streamlined approach and response to the flooding in the informal settlement areas of the City.

The significance of these findings to the broad research question is that the City of Cape Town does in fact provide certain goods and services for flood management on one hand, but undermines them on another because of weak nodal co-ordination and leadership. This governance deficit is symptomatic of areas of limited statehood and this chapter has shown how this plays out in the context of informal settlement areas.

### **RESPONSE TO HAZARD AND VULNERABILITY: THE REGULATORY ROLE OF FORMAL INSURANCE**

*“By definition, risk must be tackled not only by addressing the hazards and vulnerabilities, but also by increasing capacities to respond and recover. Such a comprehensive approach is crucial if sustainable risk reduction is to be achieved.*

*This demonstrates the potential role of risk financing mechanisms”*

(Wamsler and Lawson 2010:201).

#### **6.1. Introduction**

The focus of this chapter is on short-term insurance as a ‘security system’ for the poor, living in risky environments and vulnerable to flood hazards. In this chapter I explore business owners’ use of formal insurance, particularly in response to the main threats to their businesses outlined in Chapter 4, namely: environmental and economic stressors.

This chapter tackles another part of the research puzzle, that is, the governance role of the market. The sub-research question that I address in this chapter is *with limited state-led flood response mechanisms, what insurance services are available to the poor in an area of limited statehood?* I particularly explore the regulatory role of insurance in managing floods. Here, I use the case of formal insurance to explore the implications of this characteristic in governance on engagement with the market for flood insurance by the poor business owners.

The sub-research question is informed by the literature on governance (without government)<sup>124</sup> and the market’s role in the provision of goods and services, such as insurance (Borzel 2010). This is in line with the theoretical perspectives on the role of

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<sup>124</sup> “The direct transfer of state authority to private bodies, in a process one could describe as ,governance without government” (Raeymaekers 2010, 547 in Kode 201314).

the state as outlined in chapter 2, most notably nodal governance theory (cf. Johnston and Shearing; Shearing and Wood 2003) and the shadow of hierarchy in areas of limited statehood (Borzel 2010; Risse and Lehmkuhl 2006).

The chapter is presented in two broad sections. Section one reflects on the insurance landscape in South Africa and analyses low-income people's access to insurance within this regulatory landscape. The literature and empirical studies on the South African market suggests that the market is limited in its provision to the poor and that there is space to better penetrate this consumer base (Bahre 2011; Schoombee 2004).

In section two of the chapter I investigate the insurance industry's attempts to insure low-income earners in South Africa and the associated challenges. I discuss poor business owners' response to commercial insurance and the reasons for the consumption patterns amongst these business owners. The analysis draws on the interviews with insurance company representatives, business owners in the research sites and grey literature to address this sub-research question.

## **6.2. Insurance membership amongst business owners in the research sites**

Business owners sampled in the study were asked whether they had any insurance policies with formal insurance companies, see Table 8. Those with insurance policies were probed on the type of policy and the expected benefit. Those without insurance were probed on the reasons why they did not have it and if at all they were interested in buying a policy.

The aim of this questioning was to test business owners' engagement with the market to respond to hazards affecting their businesses. Only the data dealing with the hazards that business owners cited as most threatening to their businesses was analysed. The data revealed that business owners cited environmental and economic stressors as the most threatening to their businesses (see chapter 4).

### **Table 8 Insurance cover amongst small business owners**

Type of insurance cover	Insurance company	Joe Slovo	Victoria Mxenge
Education	Old Mutual	1	0
Car	Unity	1	0
Property	Sanlam	0	1
Funeral	Old Mutual	2	1
	Clientele	1	
	First National Bank (FNB)	0	1
	Nedbank	0	1
	Santam	0	1

Ten business owners had formal insurance policies in the research sites, most of which were for funeral cover<sup>125</sup>. Three of the business owners were outliers and warranted closer investigation because of the types of insurance that they held, that is, education, car and property insurance. A closer look at these business owners revealed that two were male and both males had bank accounts. While the female did not have her own bank account, she paid her insurance premiums through her son's bank account. The male business owners both had received help from individuals/organizations in the formal sector to access insurance.

For example, the businessman with car insurance said: "To get the car insurance I went to a website with a former colleague and phoned the insurance company."<sup>126</sup> He explained that, despite living in a township, the insurance company agreed to cover him but charged higher premiums because he had not had a license for very long.

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<sup>125</sup> Funeral cover gives a payout when the policyholder or beneficiary dies towards the cost of burial. This is different from business cover, which provides a payout against damage to the business infrastructure or operations.

<sup>126</sup> Interview with tailoring business owners, Joe Slovo, 3 February 2014.

Also, his car is not parked in a garage<sup>127</sup>. This was interesting because his residence in an informal settlement area was not an inhibitor in gaining insurance, but rather affected his premiums.

The coffee shop owner with property insurance through Sanlam, too, had received help from a business development company. He explained that a customer had introduced him to an NGO that supported small businesses and through the NGO his business was later registered, and he opened a bank account and bought insurance cover. However, the coffee shop owner complained that the property insurance was too expensive and that he and his business partners were considering cancelling it.

This sub-sample of business owners with formal insurance is too small to make generalizations, but it is interesting that both were able to purchase asset insurance despite being residents of informal settlements.

In light of the hazards cited as most threatening to businesses, the data was surprising. Not only were there just a handful of business owners with insurance cover, the cover was in areas unrelated to their businesses. A look at this data alongside the insurance literature and market trends in developing economies reveal common recurring themes. The literature on commercial insurers and their service to the poor is vast. Amongst the challenges that are highlighted are distribution costs, product design, insurers' perception of the poor and the poor's perception of the insurance (Mutal et al. 2010; Clark and Dercon 2009; Churchill 2007).

I now discuss the challenges to insurance access and use amongst the poor business owners.

### **6.3. Demand side: Barriers to risk finance use and exploitation in poor informal communities**

The data has shown that 10 of the 154 business owners sampled in the study had formal insurance while the other 144 did not have cover for various reasons. I wanted

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<sup>127</sup> Insurance companies in South Africa view townships and the informal settlement areas within them as high-risk areas. Similarly, vehicles that are not parked in gated premises are thought to be at high risk. Consequently, the premiums in both instances tend to be high.

to know how the all business owners, sampled in the study, had experienced the formal insurance market and the reasons for the low formal insurance membership rates. The data can be thematically summed up in two main categories: affordability and understandability.

### **6.3.1. Affordability: Formal insurance is too expensive**

One hundred and forty-four business owners (75 in Joe Slovo and 69 in Victoria Mxenge) in the research sites did not have any formal insurance products (including funeral cover). Of these, six said they were not aware of formal insurance or had never thought of buying cover. For example, a business owner in Joe Slovo briefly explained: “I [also] do not know about insurance—I have never thought of getting it.”<sup>128</sup> This leaves 138 business owners that were aware of the formal insurance products in the formal market, but chose not to purchase them.

Eighty-three business owners cited the cost of insurance premiums as an inhibitor. Within this cohort, one of the main concerns was whether they would be able to make timely premium payments for insurance cover and thus the risk of default was a major inhibitor to taking up membership. For example, a chicken seller in Joe Slovo said this about getting insurance cover: “I could approach the bank but my husband would not like it because he will not be able to make the payments. I can go to the bank myself but I do not have a pay slip<sup>129</sup> because I do not have a job.”<sup>130</sup> Despite owning a business, she made reference to herself as being ‘unemployed’. This was not uncommon amongst the business owners.

When participants were questioned further on the actual costs of insurance premiums, many did not know how much insurance products in the formal sector actually cost. For example, a *spaza* shop owner in Joe Slovo had this to say about the cost of formal insurance products:

I don’t have insurance cover because [until recently] I was living in the Eastern Cape and there you don’t need it. I arrived in Cape Town in 2010 to

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<sup>128</sup> Interview with hair salon owner, 24 January 2014, Joe Slovo.

<sup>129</sup> A pay slip is usually one of the official documents required for the purchase of insurance cover.

<sup>130</sup> Interview with chicken business owner, 20 October 2010, Joe Slovo.

join my husband. I have not been to the bank to find out about insurance cover...I don't know the price but it is a lot of money.<sup>131</sup>

Two other business owners stated the following on the subject:

I don't have formal insurance, it's a waste of money and when something happens to the family members that are insured it is going to be a long process before you get the money. For example, you have to sign papers.<sup>132</sup>

"I don't want that insurance cover, it just eats the money."<sup>133</sup>

Business owners demonstrated little knowledge of the cost of formal insurance premiums, yet many held the view that formal insurance was wasteful and that they would not get their money's worth. As such, business owners' perception of affordability is an important determinant variable in the purchase of insurance products<sup>134</sup>. This was echoed by an insurer who said, "[a]ffordability is a major variable in terms of buying products. Some of the products would make more sense for certain income brackets, obviously the value of the cover will be determined, amongst other variables, by the premium one affords to pay."<sup>135</sup>

Interestingly, the time demands on policyholders are what differentiate formal and informal insurance. Unlike civic organizations, formal insurance membership demands less time commitment because the insurer does not require constant physical contact with the policyholder. Informal insurance institutions, however, often hold fortnightly or monthly meetings (as in the case of burial societies, for example) and make other demands on members' time, such as funeral and prayer attendance.

It struck me that many business owners viewed the value of 'time spent' on 'others', as in the case of burial societies, as something worthwhile – an investment, while time

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<sup>131</sup> Interview with *spaza* shop owner, Joe Slovo, 24 January 2014.

<sup>132</sup> Interview with baby products business owner, Victoria Mxenge, 27 January 2014.

<sup>133</sup> Interview with *spaza* shop owner, Joe Slovo, 24 January 2014.

<sup>134</sup> There are other important determinant variables to the purchase of insurance but here I report on those emanating from the data.

<sup>135</sup> Interview with Old Mutual Business Development executive, January 17, 2014, Johannesburg.

spent on the ‘faceless’ formal insurance is viewed as wasteful. I reflect on this further in the chapter 7.

### **6.3.2. Understandability: Formal insurance rules and regulations are too complicated**

An understanding of the requirements of formal insurance membership was also an inhibitor of insurance uptake amongst the business owners. A respondent from Old Mutual insurance explained this, based on the company’s years of experience and repeated attempts to expand their business into the lower-income sector.

The trend is caused by low education levels amongst the residents of informal settlements. The poor normally go for simplified investments that can be explained easily. They also go for conservative products that have explicit guarantees. Most of LSM 1-5 households are happy with small returns, but they do not want to take a risk of any capital losses.<sup>136</sup>

The insurance products that Old Mutual offers to low-income households are funeral insurance and education policies – it does not provide asset insurance or asset damage insurance against natural events.

The data also suggests that business owners have little experience with formal insurance institutions and products. For example, many business owners were concerned about ‘time’, often giving reasons such as: ‘I don’t have time for that’<sup>137</sup> (formal insurance). A businesswoman in Victoria Mxenge gave this as a response to further questioning on the conditions of formal insurance membership of formal insurance: “I do not know how much insurance cover costs but I will not have the money every month, also I have no time to attend the meetings.”<sup>138</sup>

Communication seemed another possible barrier to purchasing formal insurance and an understanding of how it works. For example Liberty Life offers its policy documents in eight of the 11 official South African languages. However, they are

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<sup>136</sup> Interview with Old Mutual Business Development executive, January 17, 2014, Johannesburg.

<sup>137</sup> In South African linguistic culture, ‘I don’t have time’ is also an excuse for a deeper reason than an indicator of temporality.

<sup>138</sup> Interview with fast food business owner, 23 January 2014, Victoria Mxenge.

written only in English and Afrikaans, and even “Afrikaans is difficult to write for contracts because of the technical terms involved.”<sup>139</sup>

Once the member has undertaken the policy there are further communication barriers. The financial advisor at Liberty Life explained: “Policy statements are sent out every month via email and post to box... Without a postal address there cannot be a policy.” He added that this was an improvement from previous membership requirements that required members to present utility bills as proof of address. Although that had changed, members still needed a post box, which is something that many residents in informal settlement areas do not have access to.

In Joe Slovo, a Somali business owner cited language as a barrier to insurance access. He said: “Somali guys don’t know good English so they don’t get any insurance.”<sup>140</sup> Further probing revealed that another reason that Somali business owners did not seek formal insurance was because they too do not have much of a culture of insurance use. When asked whether a similar small-scale business would be insured in his home country, he said it would not because it would be too costly. He added: “people just don’t do that in my *home country*” [emphasis added].<sup>141</sup>

In Philippi, a business owner selling bags said that he had life cover insurance from ABSA. He heard about ABSA through an ABSA consultant when the bank did a promotion outside the bank. He was especially interested in the bank’s policy that ABSA bank account holders could qualify for a loan. However, when I asked him about the details of the insurance and the terms of loan, the business owner said he did not know and had not yet taken a loan with the bank.<sup>142</sup>

Similarly, a business owner in Joe Slovo had insurance cover through First National Bank (FNB).<sup>143</sup> He quickly acknowledged that he did not know the benefits of the type of policy that he owned despite it having been explained to him when he opened

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<sup>139</sup> Ibid.

<sup>140</sup> Interview with *spaza* shop owner, 24 Jan 2014, Joe Slovo.

<sup>141</sup> Ibid.

<sup>142</sup> Interview with bag and belt business owner, 23 Jan 2014, Philippi.

<sup>143</sup> Interview with *spaza* shop owner, 23 January 2014, Philippi.

the account. He said that he was given documents outlining the terms of the policy, but had not made time to read the documents.

A local community leader in Joe Slovo enumerated the reasons that many of the members of his community (and many informal settlement areas) did not buy formal insurance products in the following way:

A lot of people in the community do not buy insurance because:

- They are not working;
- Few people understand anything about insurance;
- I'm not sure whether insurance will cover you if you are living in a shack; and
- Some people think their belongings are not very valuable.<sup>144</sup>

In sum, the data suggests that there is a link between the demand for insurance from uninsured business owners in the research sites and affordability and understandability of the insurance market and policies. Even the handful of business owners that buy insurance in the formal market do not understand the terms of the insurance policies that they have contracted. In the following section I outline the reasons that insurance companies find it difficult to provide insurance to the urban poor.

#### **6.4. Supply-side: Insurance and barriers to effective insurance provision**

Insurance company officials cited numerous challenges in the provision of insurance to low-income earners. Some are similar to those identified in the literature. In the following section I present these challenges as cited by insurers and how business owners respond to them.

My own observations in the research sites confirmed those of the insurers, that is that business owners had insurable assets. Business owners owned flat-screen televisions, large electric appliances, such as stoves and microwaves in their homes and some

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<sup>144</sup> Interview with local community leader, Abahlali baseMjondolo, 3 February 2014, Joe Slovo.

business owners owned cars. In some instances these assets were used in the business. For example, many food sellers prepared the food in their homes on electric stoves – making those stoves a business asset. Whether for business or domestic use, many business owners had insurable assets.

“So, if the majority of South Africans have insurable assets, why isn’t the market giving greater cover to this consumer base?”, I asked. The review of insurance regulations outlined in this chapter shows that the formal insurance market should in fact provide asset insurance to low-income earners. To better appreciate the access standards and their future impact, I asked insurers about the reasons associated with limitations in the insurance industry’s supply of insurance to low-income earners.

Three main reasons for this further pointed to the insurance market’s limited knowledge of low-income consumers. But they also highlighted the market’s unwillingness to work with low-income groups.

#### **6.4.1. Lack of adequate legislation**

The lack of adequate legislation to sanction inaction amongst insurers to provide insurance to low-income clients was cited as a challenge associated with insuring low-income earners. The paradox in this was that the government did not enforce existing risk-reduction regulations; consequently many potential clients in the low-income sector were deemed high risk. Without legislation and services such as housing in low risk areas, the poor continued to settle in risky locations where they either do not qualify for property insurance or it is unaffordable (Wasler and Lawson 2010).

Representatives of the insurance companies sampled in the research reacted with mixed sentiment to this regulation deficit and the government’s attempts to rectify it through the access standards on access to short-term insurance. Some insurers welcomed the new regulations and said that they were a good opportunity for the insurance industry to partner with government to create access in what they thought was an underserved area. One insurer explained it by saying:

[So] it makes sense from a business point of view and more importantly, from a government point of view because government’s responsibility is to ensure

that all its citizens are protected. Those previously excluded from the insurance net, which is the low-income sector, when a catastrophe hits, they suffer ten times more than that one with affluence...The government has to enforce access and the insurance industry has to shift from the high income, affluent market to the low income market.<sup>145</sup>

The views of this insurer are clearly driven by a social justice rationale for collaboration.

A funeral insurer from Old Mutual was also happy about the legislation. He said: “The uninsured market requires a very specific focus with a very focused product because they are doing insurance already ... we don’t want to change them, let’s just make it legal.”<sup>146</sup> The recognition that the poor often have other means of insurance was very common among insurers and is also common in the literature (Awortwi 2014; Rahmato et al 2008; Cerritelli et al. 2008).

The views of other insurers were financially motivated. For example, an insurer at ABSA said: ‘We our role first and foremost – to collaborate with government around service delivery – People’s service delivery. Because everything hinges – the profitability of any organization – hinges on how effective local governments are.’<sup>147</sup>

Other insurers were less optimistic about the regulatory changes and thought that regulation of insurance was best left to the market. An insurer at Sanlam expressed this view saying: “To Gazette is great but without someone to facilitate it, it’s useless...we need an independent body ... The only reason that we are going into low-income is because we are forced to.”<sup>148</sup> The insurer further said that he did not have much confidence in the regulatory ability of the government. He felt that this should be a role played by an independent authority.

An insurer at Santam explained some insurers’ displeasure with the new regulation:

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<sup>145</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

<sup>146</sup> Interview with Mass and Foundation Markets officer, Old Mutual, 08 August 2014, Cape Town.

<sup>147</sup> Interview with Actuarial Analyst, ABSA, 6 February 2014, Johannesburg.

<sup>148</sup> Interview with manager of Market Insurance, Sanlam, 10 August 2014, Cape Town.

...many of the insurance companies have been caught off guard because they almost feel they have been forced by government to bring these products to bear... to create access. Some of them don't have the understanding. They have got pre-conceived ideas and use old models. So there is a lot of reluctance. But, those who see this as an opportunity begin to see this entry level market as an opportunity for the distribution of insurance products.<sup>149</sup>

Another insurer at Santam highlighted another view on the legislative deficit. He pointed to the regulatory deficit within municipalities, which he viewed as burdensome to the insurance industry. In his view, municipalities had a greater role to play in upholding building laws. This, he said, was the problem, and if this was solved, the insurance sector would automatically begin to offer insurance to low-income earners because they would no longer view them as high-risk customers. He explained:

We should have this interaction with these guys up front and they should say – sorry, stuff the insurance policy – you are not allowed to build there. But what happens, they build within these flood-lines, like at the Vaal or somewhere in Gauteng. Every year these guys have losses. They actually are in contravention with the local authorities or whatever they are and we're paying because our policy does not exclude losses due to the fact that people are in contravention of local authority regulations.<sup>150</sup>

The view of this insurer was refreshing and came as a surprise because all other insurers did not seem to problematize the fact that municipalities were struggling to enforce regulations on legal settlements around the city, which contributed to the growth of informal settlement areas. It seems insurance companies are prepared (or forced to insure low income earners under the recent regulations) to continue to pay policy holders but would not address the source of the problem, that is unenforced regulation that allow policy holders to continue to live in vulnerable areas. This is

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<sup>149</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

<sup>150</sup> Interview with Reinsurance manager, Santam, 11 May 2011, Cape Town. Interview by Tom Herbstein and Clifford Shearing.

especially common in areas of limited statehood where the state is unwilling or unable to enforce rules.

#### **6.4.2. Organisational philosophies and working approaches: financial sustainability and consumer knowledge**

Many insurers pointed out that, for a long time, the insurance market in South Africa was dominated by and targeted at providing services for the country's white minority. Consequently, the insurers knew very little about Black, low-income consumers and this was a critical challenge in their business. According to some insurers some insurance companies still present this bias in their product offerings and how they interact with low income earners. For example, an insurer at Sanlam said that they insure predominantly white Afrikaans, older males and that of late, there are a few young Black consumers buying policies. He added: "It's a fallacy to think that people *in the townships* don't have assets and they are not prepared to pay for them" (emphasis added).<sup>151</sup>

An insurer at Santam attributed the current racial and economic patterns within the insurance industry to the history of short-term insurance in South Africa. He said:

One must appreciate the history of short-term insurance. If you recall, short-term insurance especially was provided for ships in the ocean. It was to insure expensive cargo and I think that concept carried through to insurance in the modern age. Insurance was always the preserve of people with money and valuable assets. Never has it been seen as an area or an opportunity for the low- and entry-level market because the assumption was that they don't have valuable assets so they don't need to be insured. They can find their own ways.<sup>152</sup>

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<sup>151</sup> Interview with manager of Market Insurance, Sanlam, 10 August 2014, Cape Town.

<sup>152</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

An insurer from ABSA expressed similar views, saying: “We never ventured into the informal market because we thought there is no money there...why should we go there?”<sup>153</sup>

A life insurer at Old Mutual also openly acknowledged the insurer’s limitations in understanding the requirements for providing life and funeral cover to the low income market as follows: “When we started we wanted to put certain controls in place and it did not work...it became too much like the Old Mutual... We still don’t completely understand the market”. He further compared Old Mutual’s funeral cover to burial societies, citing that burial societies continue to have better success penetrating the low-income market because, “We [Old Mutual] cannot provide the personal touch.”<sup>154</sup>

Another reason for Old Mutual’s success in what it calls the ‘Mass and Foundation markets’<sup>155</sup> is how it distributes its products. One of its funeral cover products, the Direct Individual funeral cover is distributed through a ubiquitous low-priced supermarket, Shoprite. To purchase insurance, customers can load funds onto a prepaid card, starting from R49.00, with additional top up of up to R1,000.00. The insurance company has been in a distribution partnership with Shoprite for five years. Shoprite is relevant here because of its wide penetration throughout South Africa.

Metropolitan and Sanlam have since partnered with Shoprite, also to distribute their funeral insurance products. A similar arrangement exists between PEP stores (a similarly profiled chain store to Shoprite, but which sells clothing and school uniforms) and Hollard insurance.

There is some variation in the funeral insurance market. Old Mutual in particular was lauded as an early adapter. A former life and health insurer explained this saying:

Part of the reason that companies haven’t got into that micro insurance, it’s just cultural. You know, they were all set up as white organisations, middle class organisations – and really understand how to do things in low income

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<sup>153</sup> Interview with Actuarial Analyst, ABSA, 6 February 2014, Johannesburg.

<sup>154</sup> Interview with Mass and Foundation markets officer, Old Mutual, 08 August 2014, Cape Town.

<sup>155</sup> Launched in 2007, Old Mutual’s Retail Mass Market division foundation market strategy focuses on the low-income market segment in South Africa (Old Mutual 2012).

markets, nobody else knew how to do it. And Old Mutual has been very good at this. The only way that Old Mutual managed to do it – there was a guy called [*name*] and he kind of got in his head around this cultural point and he allowed this unit to be set up completely away from all the other Old Mutual units – so it's got its own culture.<sup>156</sup>

Old Mutual also offers group funeral cover and the distribution vehicles for these are funeral parlours and burial societies.

It is important to segment the market, as burial societies in South Africa are of two categories, smaller burial societies that are managed by the community, and larger groups that are managed by funeral parlours, each of which have different characteristics and needs for funeral products (Old Mutual 2012:6).

The insurer at Old Mutual explained these models further saying:

Group funeral cover mimics community funeral cover...when we asked which one they would drop, individual funeral cover would be chopped first, then funeral parlours but community burial societies are the ultimate form of protection. So we [Old Mutual] decided to really focus on making group funeral cover more affordable because of what the people told us they wanted.<sup>157</sup>

Notwithstanding this progress, the insurer noted that they are still limited in the way they insure low-income consumers. As he explained:

Language influences where you insure, we didn't understand that before. At the moment documents are predominantly in English. We don't have the numbers yet to justify changing to other languages. But as we take on more Blacks we need to adjust more into the non-Afrikaans languages.<sup>158</sup>

He added that the insurance company is trying to build a better relationship with its Black clients by locating call centres in provinces such as Gauteng, where there is a

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<sup>156</sup> Interview with Insurer, Sun Life UK, 19 June 2012. Interview by Tom Herbstein.

<sup>157</sup> Interview with Mass and Foundation Markets officer, Old Mutual, 08 August 2014, Cape Town.

<sup>158</sup> Ibid.

high concentration of Black clients. Also, the insurance company was hiring more Black brokers and appealed to their clients to talk directly to the brokers. But again, this strategy was reaching more of the middle-income urban population, while the economically active rural population was still underserved.

These are all commendable steps in attempts to attract more Black clients. However, an insurer at Santam pointed out that even these efforts were still fraught with problems. He explained:

Our [the insurance industry] model is limited because for example when you want to insure your car, you have to talk to your broker but in that market, a broker cannot spend time with someone that is going to spend R20.00 on a premium. It's not valuable to him. So, how do you ensure that you still provide a very good service and your model is such that it doesn't ... it's an obstacle. So some people will want to do business by phone or a much more cheaper solution.<sup>159</sup>

In other words, even though Old Mutual is progressive, it still faced a financial sustainability challenge.

First, an insurer from Sanlam said:

The insurance industry in South Africa is inherently built on the premise that you are a criminal that will steal from us and submit false claims. Not that you are an honest person that will take care of your possessions. It is even worse if you are poor, with no possessions.<sup>160</sup>

He explained that this is because the short-term insurance industry in South Africa pools members' individual risks, but does not insure the group.

The insurer also pointed out that the reality on the ground is very different. He said:

[T]he assumption is that the Black market has not moved. But those things have changed because if I drive into a township – how many nice cars are

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<sup>159</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

<sup>160</sup> Interview with manager of Market Insurance, Sanlam, 10 August 2014, Cape Town.

driven in the township, ipads, cell phones, those people run businesses. And yet, we still have this preconceived idea that it is high-risk business. What more, we need to understand the black market because we grew up there and we know.<sup>161</sup>

Secondly, insurers cited profitability in the middle- and high-income markets as a reason why the industry was slow to see insuring the low-income earners as an opportunity. According to an insurer at Sanlam,

Only 7% of the South African population had enough short term insurance and the industry was making a profit on those households. You only needed the household to earn more than R25,000 per month for it to be profitable. That leaves a lot of people without access...Corporate South Africa has not been built on social development and social justice until recently. Lately a large part of the black population over 25 years old are earning over R25,000.00..

An insurer at Santam added:

For far too long, the insurance market has done very well – very profitable and so on. However, because of climate change which affects everybody, insurance has got to start thinking completely differently with regard to what it insures – who they insure. Because if you consider that the ones that are currently insured, the rich ones with high value assets – when they lose them in a catastrophic event, it costs us a lot.<sup>162</sup>

The insurer cited the example of a fire in Cape St. Francis, an affluent holiday resort, where he said most of the properties are valued at between R5 – 10 million and above. One particular fire event cost the insurer R600 million in pay outs for the approximately 200 homes there that they had insured. The insurer gave this example in an attempt to demonstrate that low-income households could be insured in greater numbers at lower losses.

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<sup>161</sup> *ibid.*

<sup>162</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

Thirdly, there are other forces in the landscape that shape insurance; the biggest driver is the growth of the black middle-class that demands insurance.

If you look at the middle income market, it's growing up faster or it has exceeded the white, middle-income group. More and more of the low income or entry-level market have assets that need to be insured but all of those assets are in the townships because that's where the Black people live. Our models are still based on the idea that townships are high-risk areas ... none of our insurers have been out there to see how black people's lifestyles have changed.<sup>163</sup>

#### **6.4.3. Flood risk properties 'uninsurable'**

Some business owners cited the assets of low-income consumers as a stumbling block to insurance cover. In a nutshell they thought that their assets and properties were of low value and therefore uninsurable. Interestingly, the view of insurers was quite different and varied. Some insurers' view was that the risk of the urban poor was not too different from that of its middle-income clients. An insurer at Santam explained this, saying:

A large part of the Garden route is insured by us and they are vulnerable to flash floods. We don't just insure, we look for example at how close is it to the river bank...the biggest difference between George and your Khayelitshas is the housing structure – but they are all vulnerable to flash floods!<sup>164</sup>

In other words, it is insurance's general perception of these two groups that makes the difference in how the industry treats them.

According to this insurer, insurance companies are more prepared to provide insurance cover to houses in George<sup>165</sup> than those on the Cape Flats. He attributed this to insurance companies' view of residents of low-income areas. He said:

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<sup>163</sup> Ibid.

<sup>164</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

<sup>165</sup> This case study can be found in Santam (2013) *Insurance in a changing landscape*.

Our underwriting morals and our actuaries still have a historical legacy issue and so they don't understand the market.... The assumption for example that they have no garages – there ARE garages! People do have burglar bars because this is the assumption that black market necessarily means entry level market – and it does not. Companies need to realize that there are more premiums to be made from the low entry market. They have got assets and we need to get that.<sup>166</sup>

Another insurer used the following example to show how problematic the insurance industry's view of residents low-income areas was:

The last earthquake that was in Orkney, what happened? For the first time I think that was the first time that there was a massive wake-up call because the people in Orkney were saying: we need insurance. Because whether the house is an RDP house or not, once the house has been given over by government it's my house. If there's 1,000-1,500 houses damaged. Whose responsibility is that now? The government is saying, 'I've done what I promised to do, which is provide the house for free. Here's your house.' The person is not insured. What happens now, what is his recourse? It's an indictment to insurance companies because the mind-set should have been there already. We can ... our products are accessible, we have mechanisms and structures where we collect premiums which are different from the conventional way.<sup>167</sup>

## **6.5. Rethinking insurance**

Despite the challenges associated with providing insurance to low-income consumers there seemed to be a broad shift in thinking among the insurance company representatives. Some insurance companies were moving away from a view of themselves as business players and rather saw themselves as players in a larger system with influences in many sectors beyond just the business of insurance.

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<sup>166</sup> *ibid.*

<sup>167</sup> Interview with manager of Market Insurance, Sanlam, 10 August 2014, Cape Town.

This was especially visible at Santam. The insurer from Santam explained changes within the industry as follows:

So there is a massive opportunity – I think something that is busy happening now is a mind shift change. We are not where we should be. Business shouldn't be regulating in the first place – we should have seen, as insurance companies, the opportunity. It was our own sort of mental models about this environment that prevented us from capitalizing on this market.<sup>168</sup>

Another innovative shift was seen in Sanlam's funeral cover. To overcome a common problem, that is premium collections and member administration, the insurer partnered with informal associations. As the insurer explained:

There are systems and processes in a township where people come together on a Saturday to pay their premiums for burial societies and *stokvels*. And yet we are still locked in and insist that you've got to have an electronic payment system or you can't pay.<sup>169</sup>

He added:

We are beginning now – very slowly and not at a pace that we would have liked – to bring our products to this new market...for example, ZCC – our products are now being sold to large entities like the ZCC, the Shembe church. It's not formal but it's organized...religion adds structure to it.<sup>170</sup>

## 6.6. Discussion

In many areas of limited statehood, the state is not the primary provider of social protections. In fact, “the ILO and others estimate that up to 90% of the population in sub-Saharan African low-income economies are not covered by the state social protection” (Awortwi 2014:2). In this chapter I have focused on the governance role of the insurance in flood management within the research sites. I have heeded Beckert's (2005) cautionary call to take the attributes of insurance companies and the

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<sup>168</sup> Interview with Head of Stakeholder Relations and CSI at Santam, 25 August 2014, Cape Town.

<sup>169</sup> Interview with manager of Market Insurance, Sanlam, 10 August 2014, Cape Town.

<sup>170</sup> Ibid.

rules that govern their activities into account in order to make better sense of why they are structured the way they are.

The research findings show that the low rates of participation in market-based insurance are based on a combination of affordability, imperfect understanding of insurance and the choice not to participate even where information is available. First, the cost of insurance in low-income communities within developing countries tends to be higher due to high start-up costs, transaction costs, and underdeveloped infrastructure. Further poor communities often lack literacy and experience with insurance (Warner et al. 2013).

Secondly, there are problems associated with asymmetric information - that is, moral hazard<sup>171</sup> and adverse selection<sup>172</sup> - do not seem likely amongst the business owners in the study sites because insurers already have full information about the risk levels in informal settlement areas because their location is what makes them vulnerable to flooding. The choice not to purchase insurance policies is therefore more likely driven by historical exclusion, particularly in South Africa. These are important findings because they corroborate common constraints within the insurance market and commonly cited in the literature (Cutter et al. 2012).

Three particular themes can be pulled from the data. They are: embeddedness, collaboration and the duality of rationalities.

### **Embeddedness**

The analysis reveals how the insurance market is structured by a “complex alchemy of politics, culture, and ideology” (Krippner 2001:782 in Beckert 2007:9).

This can also be attributed to the institutional context within which businesses operate

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<sup>171</sup> A psychological effect coupled with the purchase of insurance, where individual behaviour becomes more risky after receiving risk cover (The Geneva Reports, 2009: 17).

<sup>172</sup> Adverse selection may occur if the customers are better informed about their individual risk profile than the insurance company. Thus, potential customers with a higher-than-average risk profile are more likely to buy insurance coverage while low-risk profile customers might not take up insurance as a means to manage their low risk (Warner et al. 2013:43)

and their interaction with these systems of governance. There are two contrasting views on this matter. On the one hand, the modernization view of the economy “sees the economy as an increasingly separate, differentiated sphere of modern society, with economic transactions defined no longer by social or kinship obligations of those transacting but by rational calculations of individual gain” (Granovetter 1985:482).

On the other hand, Granovetter (1985) argues that the level of social embeddedness of economic behaviour is lower in non-market societies and is claimed to have changed less with modernization than they believe, however the level remains substantial. According to Granovetter’s analysis, “actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy. Their attempts at purposive action are instead embedded in concrete, ongoing systems of social relations” (Granovetter, 1985:487) and religious principles are one indicator of their social embeddedness.

The findings suggest that the business owners in the research sites maintain a culture of exclusion. In his study on financial exclusion in different households across the sample countries (including South Africa), Claessens (2006) reaches similar conclusions on the reasons that the poor are often excluded from formal financial services. The author categorizes exclusion as either ‘voluntary’ or ‘involuntary’ (See Table 9). According to Claessens’ (2006) analysis, the bulk of participants in this study are voluntarily excluded from insurance services in the formal sector, particularly because of their lack of awareness of insurance products and their pricing.

<b>Voluntary Exclusion</b>	<b>Involuntary Exclusion</b>
No Need	Rejected: High Risk/bad credit=No access
No awareness	Excluded due to price, product, income or respondent features=No access
Assumed inability to use due to	

price/income	
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**Table 9 Access to financial services.**

Adapted from Claessens (2006:211)

The behaviour of the business owners also highlights the limitation of rational choice. Rational choice rationalism leaves out normative and discursive social processes that inform decision-making. In this case the culture of consumers, income levels and historical legacy are important drivers in insurance regulation. Sociological rationalism on the other hand makes sense of these social processes and their impact on decision-making. This too is an important finding, because it has implications for the governance of flooding through insurance in areas of limited statehood (Meagher 2007).

### **Collaborating for the common good**

The state-led efforts to promote greater access to insurance through the Guidance Note points to co-operation between state, government and business under a shadow of hierarchy (cf. Scharpf 1997 in Borzel and Risse 2010). The increased networking between state, economy and society is what Castells' (2000) refers to in networked governance. The collaboration is also a classical example of how a social goal, that is the common good, can be legitimately imposed by the state through an economic actor (Funk 2009).

The intention of the South African government's collaboration with the insurance industry is to make insurance more accessible<sup>173</sup> to low-income consumers, most of whom are poor and previously excluded from financial markets. The benefit to the market in this arrangement is that they can tap into a new market, which has previously been under-serviced. This translates to greater profits and market influence. On the part of government, this relationship is beneficial because the most vulnerable

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<sup>173</sup> The regulation of insurance is characterized by multiple goals: solvency, fairness, access, stability, protectionism and social objectives (Miles and Bhambiri 1983).

of their population can receive insurance, which is a key service that the government cannot provide.

Notwithstanding the South African government's attempts to promote greater insurance access and use amongst the low-income population, the legislation has not been fully enacted. This could be because the collaboration did not come about out of a complete willingness by the insurance industry. In fact, the state threatened to sanction the insurance industry to provide insurance under a shadow of hierarchy. This is neither undesirable nor uncommon, but, to be successful it calls for strong state regulation.

The success of the government's regulation here is questionable. Already, many culprits of vulnerability remain legal and pose growing risks (Braithwaite 2010:9). A case in point is the uncontrolled growth of informal settlement areas. This points to the regulatory weakness of municipal and national government. The problem here, then, is that a whole host of legislation is not enforced well enough to stop the poor from continuing to take up residence in flood-prone areas, therefore putting them in greater need of some form of safety-net.

The insurance literature often places a large amount of focus on the behaviours of the insured and what are considered appropriate societal responses to hazards. What the findings are illuminating is that a focus on government regulations and its ability to enforce this range of legislation is as important – if not more important than the behaviours of individual policyholders.

This collaborative arrangement speaks to the regulation literature, particularly ordoliberal views of regulation. “The substance of regulation, not their quantity” (Siems and Schnyder 2013:2). At the heart of ordoliberalism is the need for adequate state intervention in favour of functioning markets. In other words, it is not enough that the South African government is encouraging the insurance sector to provide insurance services to its vulnerable population. These provisions need to be done within a regulatory climate that addresses the *cause* of vulnerability and not simply attempts to address the *results* of vulnerability.

The insurance industry itself does not seem to address this issue, even though it places a burden on their business. If the law is not upheld and the real culprits of urban

vulnerability, such as land and asset ownership (Huchzermeyer 2008) is not addressed, the insurance industry is likely to remain burdened by high-risk insureds.

It seems that the incentive-based motivation to realize greater profits and expand into a previously under-served population does not automatically translate into solving a collective action problem. The same holds true for insurance companies that are motivated to play the governance game by their normative environment (logic of appropriateness). Providing insurance to low-income earners may be the ‘right thing to do’ but insurance too needs to address this gap in the regulatory environment, otherwise it might make their business too vulnerable to losses.

### **‘Othering and mirroring’: A duality of rationalities**

The insurance industry and the business owners (as representatives of low-income earners) hold similar ideas of one another, which have a direct impact on the supply and demand of insurance.

On one hand the insurance industry is beginning to see an opportunity in insuring low-income earners and the previously uninsured. But they are limited in the extent to which they are able to provide insurance cover because they do not understand this consumer base. In fact, their view of the low-income earners is still that they are high-risk consumers with no insurable assets. These views stem from South Africa’s historical legacy of Africans’ exclusion from financial markets (Bahre 2011; 2007).

The analysis has shown that these views of low-income earners are changing. In fact, many insurers acknowledged this as a limitation in their ability to capture the low-income market.

A similar pattern is seen amongst the business owners and the views that they have of the insurance industry. Again, there is little knowledge about the insurance industry and how it works. This can be attributed to exclusion and the choice not to participate in the formal financial markets. The business owners’ views about the insurance industry is striking but unsurprising in light of their limited exposure and participation in the formal market.

In sum, the insurance industry and small-scale informal business owners alike are held back from greater interaction by the perceptions that they hold of each other. Therefore, contrary to popular theoretical views on the formal sector (and state's) willingness to provide key services to the poor (Borzal 2010; Moser and Satterthwaite 2008), the insurance industry's limited insurance provision to low-income earners should not be interpreted solely as an unwillingness of the market to work with low income earners. This view overlooks the poor's choice to participate in the formal economy and it assumes that the formal sector has perfect knowledge about this consumer base, which the study has shown it does not.

## **6.7. Conclusion**

I conclude by reflecting back on the research question, which is exploring the regulatory role of formal insurance in response to flooding in informal settlement areas. The findings suggest that the formal insurance market does in fact play a regulatory function by providing insurance services to poor households, a role that the government struggles to provide in other formats.

However, ultimately, insurance companies are in the business of making profits. This is certainly clear in the mix of insurance products available to low-income households. The insurance products available to poor households tend to be conservative - that is, with definitive returns and low risk. This is perhaps the best explanation for the lack of flood insurance to low-income consumers. Also, flood damage is coupled with asset insurance and the nature of tenancy in informal settlement areas precludes personal land and house ownership. Further, property and fire insurance are both highly affected by moral hazard problems.

I have demonstrated through the analysis that it is generally not possible for low-income households living in informal settlement areas to access flood insurance in the formal market.

### **FLOOD GOVERNANCE BEYOND THE STATE: ARE BURIAL SOCIETIES A PROVIDER OF FLOOD PROTECTION?**

*“The burial society doesn’t help people that are affected by flooding. They are there to help you when you die and not when you are alive”*

#### **7.1. Introduction**

The value placed on rules and rule adherence in burial societies was one of the striking themes that I initially found in the data. How people living, operating businesses and taking up membership in associations in such a volatile environment maintained such strict rules and regulations and held such high expectations of the behaviours of others around them was a huge curiosity for me. As I will show in this chapter, these strict regulatory codes not only ensured the smooth running of the burial societies under study but they also ensured behaviours of mutual assistance amongst their members without state sanction.

The preceding chapter has shown that in the two high-risk research sites, the small-scale business owners have limited engagement with the state and the market for flood protections. The data has also pointed to high rates of civil society association, particularly in burial societies. Given the nature and main function of burial societies, the research considers it a functional equivalent for market-based insurance and explores the transferability of this type of insurance for access to other goods and services.

This chapter addresses the following research question: ***In an area of limited statehood, without state and market-led flood insurance, is the social capital built in burial societies transferable to flood protection/insurance? That is, do poor business owners engage burial societies for flood protection services?***

This chapter therefore considers the role of social capital in the provision of governance in the research sites. The analysis takes direction from the work of Granovetter (1973) and Paxton (2002), which draw a positive link between social capital and institutions. To this end, I analyse two main characteristics of burial

societies revealed in the data. First is the way that burial societies manage uncertainty by adopting a set of norms and values, and how those norms and values legitimise and grow social capital. Secondly, I explore the use of the built social capital outside of the burial society. The analysis will also draw on the data to shed some light on the ‘dark side’<sup>174</sup> of social capital (van Deth and Sonja 2010; Woolcock 2001).

## **7.2. Business owners’ participation in Burial societies**

This section will highlight the reasons behind the high rates of burial society membership amongst business owners in the research sites despite a growing market of death insurance for lower income earners in the formal South African market.

The data presented in this chapter was collected using semi-structured interviews, particularly in response to business owners’ community involvement and the networks of help available to them. What is striking about the data is the high rate of burial society membership among married, female business owners. The characteristics of business owners that are not members of burial societies were also very interesting. There were also business owners that wished to become burial society members but were unable to, mostly because they could not afford it. Furthermore, some business owners were not allowed to become members of burial societies. I discuss these in the chapter and their implications for the business owners’ response to flooding.

The main peculiarity in the data was the high incidence of burial society membership amongst the business owners. Burial societies are strongly focused on responding to the eventuality of death, while formal insurance or savings for example can be focused around a variety of risks and hazards. In high-risk flooding areas like the two research sites, I anticipated much higher insurance or savings membership with an

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<sup>174</sup> Informal risk pooling networks often come at a price. The most common of which is involuntary exclusion from such networks that can condemn the poor into perpetual poverty and dependency (Falco and Bulte 2011).

aim of saving towards the recovery of flood-related losses, but as Table 10 shows, savings society membership was very low.<sup>175</sup>

The discussion in this chapter points to three critical characteristics of burial societies that contribute to the management of flood hazards in a way that might have otherwise been difficult to achieve outside of this institutional structure. These are cultural, religious and identity characteristics of the burial society members. I explain how these are exploited by the burial societies and their value to the members of the societies, particularly how they help users to respond to flood impacts.

**Table 10 Burial society membership in the research sites<sup>176</sup>**

<b>Community network</b>	<b>Characteristics</b>	<b>Victoria Mxenge</b>	<b>Joe Slovo</b>
Burial	Female	38	52
	Male	15	11
Savings <sup>177</sup>	Female	26	7
	Male	4	3

In both research sites, the most common burial society in which the business owners held membership was called Ncedo<sup>178</sup> Burial society. Ncedo was established in 1999 and has branches in Victoria Mxenge and Du Noon informal settlements in Cape Town. Many of the other burial societies mentioned in the study did not have a membership base as wide as that of Ncedo. Also, the ownership of the burial societies differed, with 86 per cent of the burial societies owned privately, while the other 14 per cent was equally divided between family- owned and church-based burial societies. The ownership of the burial societies did not seem to affect their operations,

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<sup>175</sup> I also found that savings societies were more focused on short-term needs, such as paying fees for children at the beginning of the year or buying shop stock.

<sup>176</sup> Data presented was based on the 32 business owners samples in the research sites. Values do not add up to the number of respondents because of multiple value options in the questionnaire.

<sup>177</sup> Data on savings societies shown here for the purpose of comparison.

<sup>178</sup> 'Ncedo' in the Xhosa language means 'help'.

though the church-based burial society contributions were significantly lower than the private and the family-owned burial societies, yet the benefits were of a higher value. The benefits of the burial societies are presented against the contributions in Table 10 (further below).

### **7.3. Highly organized: Features of the governance of burial societies**

#### **7.3.1. Burial society rules and the constitution**

The activities of all the burial societies sampled in the study were guided by a set of rules. The rules were laid out in constitution-like documents. Also common in all the burial societies was that new members were told what the rules were, yet the actual document was not given to the newcomers. In Ncedo burial society in Philippi, members could get a copy of the society's constitution but they had to cover the cost of photocopying the document.

Some rules were common across the burial societies: the timely payment of burial society contributions; the attendance of meetings and punctuality; and eligibility for society membership.

A crafts seller in Joe Slovo listed the main rules in her burial society as follows:

There are many rules in the society. So you have to learn them when you join. Some of the rules you learn from the other members. They tell us to arrive on time at the meetings. Penalty for being late is R5.00. You have to tell to a committee member if you will not attending the meeting. But you have to have a good reason because people like to be lazy. You mustn't come to the meeting drunk because the meetings discuss serious issues. In my society if you are not married, they give you cover for your children and your mother. That's it.<sup>179</sup>

Other society rules were very similar to the rules of formal insurance and clearly put in place to avoid asymmetric information problems, that is, adverse selection and

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<sup>179</sup> Interview with crafts seller, Joe Slovo, 12 October 2010.

moral hazard.<sup>180</sup> For example, a crèche owner said that in her church-based burial society: “There is [also] a three month waiting period during which a member cannot claim.” When asked to explain why this rule was in place and its usefulness, she replied: “it’s the rule”.<sup>181</sup>

Another example is the rules on payments and the termination of membership that a burial society committee member described. She said: “If someone's payments lapse they lose their membership. One can only re-join twice. The third time, they are no longer allowed to join”.<sup>182</sup>

### 7.3.2. Uniform

A common feature of the burial societies presented in the study is that they all required their members to wear a uniform. The clothing items selected to make up the uniform were also very similar; often the men wore dark pants and collared shirts while the women wore dresses and in many cases the women had to cover their heads. “The ladies have to wear a beret to cover their hair out of respect”.<sup>183</sup> The uniform was worn to society meetings and when attending fellow members’ funerals. When members did not wear their uniform to these events, they were fined. In many of the burial societies the fine was R5. The members bought the society uniforms at their own cost.

When asked why they wore uniforms, members and burial societies gave the following responses:

“The organization is similar to a church, that’s why we [*the women*] don’t wear pants. All the people there are serious and decent”<sup>184</sup> (emphasis added).

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<sup>180</sup> “‘Adverse selection’ may occur when the customers are better informed about their individual risk profile than the insurance company. Thus, potential customers with a higher-than-average risk profile are more likely to buy insurance coverage while low-risk profile customers might not take up insurance as a means to manage their comparatively lower risk. The term ‘moral hazard’ describes undesired ‘maladaptive’ behaviors on the side of the insured, i.e., reduced efforts in risk prevention because of insurance coverage” (Warner et al. 2013:21).

<sup>181</sup> Interview with crèche owner, Joe Slovo, 16 November 2010.

<sup>182</sup> Interview with burial society committee member, Philippi, 18 June, 2010.

<sup>183</sup> Interview with crafts business owner, 12 October 2010, Joe Slovo.

<sup>184</sup> Interview with burial society committee member, 18 June 2010, Victoria Mxenge.

“The uniform is worn because we respect what we are doing. The uniform is a show of respect to the deceased. The colours are used to distinguish the different burial societies because there are a lot of them around. There are other burial societies that meet in the same place where their society meets. A uniform is also a show of pride. I like the uniform.”<sup>185</sup>

“The uniform is worn to show a love for the society. Even when a member dies we wear the uniform as a sign to the family that they love what they are doing.”<sup>186</sup>

### **7.3.3. Society names**

The names of the burial societies often held a significant meaning to the function of the burial society or the society was named after a place or a family name. Burial society names were often encouraging or offered a positive meaning. For example, ‘Ncedo’ translated into English means help; ‘Sosebenza’<sup>187</sup> in Langa means to work; while others like ‘Themba leSizwe’<sup>188</sup> mean the hope of the nation. A church-based burial society in Langa was called ‘Khanya’<sup>189</sup>, meaning [the] light. Others like the Mawhashu and Qaka Burial Society were family names and in many cases the families had their roots in the Eastern Cape. For example, Nombanjana (which means small ribs) is the name of the place from where the burial society originates in the Eastern Cape. As one respondent pointed out about his burial society: “The society is for the people from that particular place but are living in Cape Town.”<sup>190</sup>

Burial society members and committee members sometimes did not know the origin of the society names or the reasons behind the naming.

## **7.4. What money can buy? The benefits of Burial Society membership**

Business owners often used the benefits of their burial societies as a measure of their value. In many instances, familial association was cited as the basis on which

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<sup>185</sup> Interview with crafts business owner, 12 October 2010, Joe Slovo.

<sup>186</sup> Interview with cooked food business owner, 20 October 2010, Joe Slovo.

<sup>187</sup> Ibid.

<sup>188</sup> Interview with sewing business owners, 15 June 2010, Victoria Mxenge.

<sup>189</sup> Interview with crèche owner, Joe Slovo, 16 November 2010

<sup>190</sup> Interview with crafts business owner, 12 October 2010, Joe Slovo.

dependents could gain benefits from the business owner’s membership in the burial society. Dependents were mostly the children of the business owner, though in some burial societies eligibility was quite broad and members could cover up to 13 dependents from the nuclear and extended family across a broad age range.<sup>191</sup> For example, a 28-year old, unmarried barbershop owner in Joe Slovo said that he did not have burial society membership of his own but that he was covered as a dependent in his father’s burial society. He did not know up to what age he would be covered, but he was aware that there was an age cut off for dependents in that burial society.<sup>192</sup>

The benefits of burial society cover were numerous and varied, but contributions were a prerequisite for membership across all burial societies. A comparison of burial society contributions and the number of dependents covered did not reveal a standard figure. Burial society contributions ranged from a monthly contribution of as low as R40 for up to seven people to one whose cover was R200 per month for four family members. Surprisingly, in one burial society different members were paying different monthly contributions with the promise of different benefits.

As shown in Table 11, the payout benefits of the different burial societies also differed.

**Table 11: An overview of the benefits of Burial Society membership**

Society Name	Monthly contribution (in South African Rand)	Benefits					Lump sum cash payment	Total value of benefits (in South African Rand)
		Food/ grocery	Coffin	Transport	Cash	Undertaker		
Themba le	120			X	X		X	27,000

<sup>191</sup> Interview with burial society committee member, 18 June 2010, Victoria Mxenge.

<sup>192</sup> Interview with barbershop business owner, 3 November 2010, Joe Slovo.

Sizwe								
ZCC	40	X	X	X	X	X		20,000 <sup>193</sup>
Ncedo	200		X	X	X			15,000
Masakhane	100			X	X			14,630
Ncedo	100			X	X			14,000
Ncedo	120						X	14,000
Ncedo	100	X	X	X		X		12,000
Umgcakathelo	30	X	X	X		X		10,000
Sosebenza	30	X		X				8,500
Gaqa	100	X			X			8,500
Victoria Mxenge	50	X	X					5,000
Nomabanjana	30	X		X		X		7-8000
Zigudu	110	X	X	X	X	X		5,000
Mziomhle	50	X		X			X	21,000
Masibambane	10	X					X	8,000
Ncedani	100	X					X	20,000
Amampondo	100							16,000
Ulwalwa	150			X				19,000
Nonceba	100	X	X			X		10,000
Sinethemba	120		X	X	X			15,000

The benefit structure of the different burial societies was based on numerous considerations.

<sup>193</sup> R20,000.00 was the minimum payout amount but respondent was not sure of the higher limit.

The traditional home of the main member and their dependents were an important consideration, because the deceased needed to be transported there for burial. As a committee member in Victoria Mxenge explained it:

A lot of people are from the Transkei<sup>194</sup> and travelling there is expensive - that is why we decided on R100. The organization covers the member for R9,000 and a full taxi (15 members) to the Transkei and the dependents get R5,000.<sup>195</sup>

A day-care business owner in Joe Slovo also mentioned the transportation of the deceased as one of the burial society benefits. She said:

The society takes the deceased to the Eastern Cape. They also provide groceries to be used at the burial. They buy a cow for the family and give you approximately 6 to 7 20- litre containers of scones. They also buy drinks.<sup>196</sup>

The business owner added that the cost of transporting the family and burial society members was valued at R7,500.00 in her burial society.<sup>197</sup> This was because the burial society insisted that 10 burial society members attend the funerals of fellow members held in the Eastern Cape Province. Members had to volunteer to attend these funerals while committee members had to attend. The burial society covered the transport costs of the attending burial society members and provided money for meals.

This was significantly higher than in other burial societies. For example, a burial society committee member in Victoria Mxenge said that the total value of cover in her burial society was R10,000.00, of which R6,500.00 went towards food, transport and the coffin, while the other R3,500.00 went towards a cash payment to the dependents of the member.<sup>198</sup>

Also very common in many burial societies was the payout of burial societies in the form of services as opposed to cash payment. A crafts seller in Langa listed the value of the services in her burial societies as follows:

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<sup>194</sup> The former name of the Eastern Cape Province.

<sup>195</sup> Interview with burial society committee member, 18 June 2010 Victoria Mxenge,.

<sup>196</sup> Interview with crèche owner, 16 November 2010, Joe Slovo.

<sup>197</sup> Interview with savings society committee member, 21 June 2010, Victoria Mxenge.

<sup>198</sup> Interview with burial society committee member, 18 June 2010, Victoria Mxenge.

The society does not make cash payments but the value of their services is between R7000-8000. The money is used for the undertaker services, to take the body to the Eastern Cape and to transport the family members.<sup>199</sup>

In another instance of a family-owned burial society, a food seller in Joe Slovo told us of her recent experience when her father died and the value of the services that she received from her burial society.

My father recently passed away and he had his own burial society *membership*. His society will give R3,000, a coffin, a tent and a machine that lowers the coffin in the ground. It also includes having the body in the mortuary. The R3,000 will be used towards buying groceries for the burial ceremony. There will be a cow slaughtered for the funeral. Costs R4,000 and it will come out of their [*burial society*] pockets<sup>200</sup> [emphasis added].

In other burial societies, cash payments were made to beneficiaries for specific purchases. A crèche owner in Joe Slovo said she had received money to buy a casket when one of her parents died.<sup>201</sup> Another business owner said that in his burial society a cash payment of R5,000.00 was made to the dependents to cover the deceased's outstanding debts.<sup>202</sup> In both instances the money was earmarked for specific use and paid in cash. However, the burial societies were not insistent on proof that the moneys had been used accordingly.

Assurance of monetary and other forms of help was another selling point for burial societies. For example, one of the reasons for a preference for burial society membership as opposed to formal insurance amongst the business owners was that there is transparency about the finances of the business, because financial reports were read out to the society members at the meetings. "We pay at Nedbank and take the deposit slips to the meeting on Saturday, unless there is a funeral. The treasurer collects the deposit slips and the society treasurer tells us how much we have in the

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<sup>199</sup> Interview with crafts business owner, 12 October 2010, Joe Slovo.

<sup>200</sup> Interview with frozen chicken business owner, 20 October 2010, Joe Slovo.

<sup>201</sup> Interview with crèche owner, 16 November 2010, Joe Slovo.

<sup>202</sup> Interview with *shebeen* owner, 15 June 2010, Victoria Mxenge.

society account.”<sup>203</sup> Transparency around society finances gives members the assurance that the society has sufficient funds for them to receive help when they need it in return for their participation in the group and helping others when they needed it.

### **7.5. “It’s not about money”: Norms and values as drivers of in-kind support**

People join burial societies for one obvious reason: to receive financial assistance with burying their loved ones. As one business owner in Victoria Mxenge simply put it: “The burial society will help me to bury my family.”<sup>204</sup> Business owners did however make a clear distinction between monetary assistance, which they referred to as ‘help’ from the burial society and closely identified with their monthly contributions. This monetary benefit was important, as I have shown in the previous section, but the value of the burial society membership extended beyond just the monetary assistance.

The findings of this study suggest that there is an alternative value attached to money amongst burial society members. First, many respondents made reference to the benefits of burial societies relative to ‘policies’<sup>205</sup> in the formal sector. The distinction between ‘policies’ and burial societies benefits was based on the physical presence and interaction with fellow burial society members, which was not available in formal insurance.

A burial society committee member explained it in the following way: “For me, it’s because if I die, I want somebody to sing for me, the policy<sup>206</sup> cannot sing for me.”

A young man in Joe Slovo said that he had joined a burial society because “everyone is dying...I decided to join [them]. These days it doesn’t matter if you’re young or old,

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<sup>203</sup> Interview with African crafts business, 12 October 2010, Joe Slovo.

<sup>204</sup> Ibid.

<sup>205</sup> Insurance policies bought from formal insurance companies. The term was especially used to refer to life policies.

<sup>206</sup> The business owner uses ‘the policy’ to make reference to a formal insurance policy, thus making the distinction between the benefits of formal and informal insurance.

we all die.’<sup>207</sup> Their popularity also points to the need to belong to and participate in the wider community of others with similar challenges, an idea that I have tried to explain above using the concept of *Ubuntu*.

A community leader and businessman in Joe Slovo tried to explain the value placed on friendships as well some burial societies’ burial focused assistance by saying:

The burial society doesn’t help people that are affected by flooding. They are there to help you when you are dead and not when you are alive...It depends on what you choose to give to help you when you are alive. To get help you need to have connections, get friends...Not just when it is fun. They will be friends when there is darkness.<sup>208</sup>

He further explained that people in townships have limited choices for sources of help:

Choices in the township are: friends, others choose to make something that will help when you have a problem, for example some people will have another shack in a different area not the one they live in. But you see, it’s not allowed to have two shacks in one community so what will you choose?

The benefit of funeral cover sought in the formal sector tends to be more secure because it is priced using universally verified actuarial data that protects members from over paying. These modes of calculation are not used in burial societies – if anything, burial society members often pay more than they will receive in payouts during the course of their membership. Notwithstanding this, burial society membership is preferred amongst users because it gives them access to a greater number of services that are not available from the formal sector ‘policies’. An insurer from Old Mutual called this the ‘personal touch’ and he too acknowledged that the formal insurance model did not lend itself to personalized service and that this was one of its weaknesses.

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<sup>207</sup> Interview with *shebeen* owner, 15 June 2010, Victoria Mxenge.

<sup>208</sup> Interview with local community leader, *Abahlali ba se Mjondolo*, 3 February 2014, Joe Slovo.

The financial assistance gained through the burial societies was always associated with the costs of food, the coffin and transporting the deceased to the burial place. The value of the in-kind support sought through fellow burial society members was not numerically valued, if at all mentioned. It seemed that burial society members took it as a given that fellow burial societies would provide in-kind support, therefore it was not valued in financial terms, though it was highly valued amongst members.

A burial society in Victoria Mxenge had very strict rules to ensure that its members support one another. The society's committee member recounted one of the rules outlined in the society's constitution:

When our members die here in Cape Town we attend the funeral. When we go to funerals there is a record book which needs to be signed for attendance. If a member doesn't attend meetings or prayers and they have a death in the family - they have to wait until there is a meeting and come and get their money there. This is problematic for them because they then have to borrow money in the time that they are waiting for money from the organization.<sup>209</sup>

She explained why the burial society offers the support that it does:

Most people in [Burial society] depend on [Burial society], they don't have money to pay other burial societies ... We are just helping because for R5.00 you cannot bury the person but it's better than nothing. It is not about money, that is why we pray and sing at our meetings.<sup>210</sup>

The value of in-kind support also points to the importance of the network of burial society members and the uniqueness of this resource, and it cannot be bought in the formal market. A burial society committee member in Victoria Mxenge tried to explain that the difference between formal market insurance was very different to what the burial society provides by saying: "We are not a policy."<sup>211</sup> She was particularly relating this statement to the burial society practice that I mention above of not attending the funerals of those members that do not show support to others.

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<sup>209</sup> Interview with burial society committee member, Victoria Mxenge, 18 June 2010.

<sup>210</sup> Interview with burial society committee member, 18 June 2010, Victoria Mxenge.

<sup>211</sup> Ibid.

### 7.5.1. “One hand washes the other”: The value of religious and cultural beliefs

“...for if God can turn it [*the rain*] on then perhaps God can also turn it off” (Mitchell 2003, emphasis added)

Religion significantly shapes worldviews and these in turn affect the way that people respond to climate-induced hazards (World Disasters Report 2014). I found religion to be an important driver of perception amongst the business owners in the research sites. Prayer is a key feature of Black Africans in the city, who often used it to communicate with the ancestors and ask for protection in their new and often, harsh city environment.<sup>212</sup> The data shows that prayerfulness and beliefs around prayer and protection are still very prevalent. Many business owners said that they prayed often for their businesses both in their respective churches and at burial society meetings.

These datum were not surprising to me but were most interesting because they forced me to reflect on my own normative judgements in the analysis of this data (Norgaard 1994). I therefore try and approach the arguments raised by the data with this in mind.

In Joe Slovo, a crèche owner said that she prayed together with other business owners with whom she was a member in church-based burial society. She added:

[After the prayers] we are then given water that has been prayed over by the congregation priests. The water is then taken home and sprinkled around the business premises. For example, at my other business selling ‘*amathombo*’, my food sells very quickly.<sup>213</sup>

Elsewhere in Joe Slovo a fruit and vegetable business owner said that he was not a member of a church or a burial society, but that he prayed on his own. He said:

I ask the ancestors for protection. For example, I walk home every night. I don’t know what can happen to me on the road...I pray for them to give me money.

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<sup>212</sup> Nunn (2013) found the belief systems of residents of low-lying areas, threatened by climate change in the Pacific were highly influenced by their cultural and religious belief systems.

<sup>213</sup> Interview with catering business owner, 16 November 2010, Joe Slovo.

To give me luck for whatever I ask for...I pray for work – I prayed for more work to come.<sup>214</sup>

Prayer not only serves to ease feelings of vulnerability to a hazard event, it is instrumental in the psychological adaptation of its users in dealing with the stress of a threat (World Disasters Report 2014). However, it can also be destructive because it neither removes the threat nor removes the vulnerable from the area of the threat. Mitchell (2003) confirms this in his study of flood response among the poor in Bangladesh, where he found that vulnerability often persisted because of the belief that flooding is an ‘act of Allah’ over which they have no control. The result of which was a cyclical loss of lives and valuables to the recurring floods.

I found very similar belief systems to be held by business owners in the study site, who, despite repeated experiences of flooding, had limited flood protection mechanisms. For example, a handful of business owners raised the level of their houses at the doorways or used sandbags while others seemed to do very little, if anything at all to protect their businesses from flood damage.

A recurring African proverb in the interviews was a translation of a Xhosa proverb: ‘*Isandla sihlamba esinye*’, which, translated into English means ‘one hand washes the other’. Ndlovu (1987:10) states that “most burial societies have a policy of one-hand-washes-the-other, that is, a member gets as much sympathy as she gives to the other members during their time of grief.” For instance, one of the rules of a burial society in Victoria Mxenge is that when a member of the burial society dies or loses a family member, fellow society members are expected to visit the grieving family’s home where they host a prayer meeting or a vigil. A committee member of this particular burial society said that this is important in Xhosa culture, because the deceased will in turn ask the ancestors to keep safe those left on earth. Although some burial societies assisted flood-affected members and neighbours, community members were less insistent on the principle of ‘one hand washes the other’ and assistance to flood affected community members was voluntary.

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<sup>214</sup> Interview with fruit and vegetable business owner, 11 October 2010, Joe Slovo.

The acts of help are enforced by strict society rules. In Victoria Mxenge, a burial society was particularly strict about the attendance of its members to prayer meetings. The members of the society had to sign a roster to indicate attendance of prayer meetings. Failure to attend meetings resulted in a fine or forfeiture of support upon the loss of a family member. Also, members were encouraged to attend the funerals of fellow society members. There are several incentives for following these rules. For example, the above-mentioned burial society in Victoria Mxenge assisted the family of the deceased with the cooking for the funeral. Again, these rules were only strictly enforced in matters relating to burial societies and less so to assist flood affected households.

The findings also suggest that the values of the cultural and religious elements of burial societies are important. Business owners' decision-making seemed to follow the logic that the network of burial society members provides a level of certainty that, in the event of a flood, albeit unpredictable, there will be assistance from the members of the network. Those who share a certain level of love for God root this expectation of assistance in the religious order of good neighbourliness and mutual assistance as a show of goodness. These values are very pronounced in numerous verses in the Bible, for example Romans 8:28 which reads: "And we know that in all things God works for the good of those who love him, who have been called according to his purpose."

This in-kind support was associated with the friendships and relations from whence it came. Many business owners expected fellow burial society members to assist them in times of need because doing so was seen as an obligation to fellow Africans, especially as "God fearing people". One business owner went on to explain why she personally felt that it was important to be a burial society member by stating: "Death is inevitable and it is something we all have no control over. Being of service to others however influences whether one receives God's favour or that of the ancestors after death."<sup>215</sup>

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<sup>215</sup> Interview with savings society committee member, Victoria Mxenge, 21 June 2010.

The issues of religious and cultural beliefs and their influence on decision-making are important because they are embedded in the social realities of their users and can point to the various reasons that people make sense of their realities the way that they do. One argument for these belief systems can be explained by what scholars such as Migdal (1988) and Meagher (2007) point to as choices made within the confines of only what is available. In other words, the choices that people make in order to survive need to be legitimised and one way of doing so is conforming to social norms.

### **7.6. For 'decent' people: The dark side of social capital**

In conversations with the business owners some reference was made to the behaviours of burial society members and the views of the burial society toward them. Parenthood out of wedlock was particularly discouraged. The first time that I heard of this was through my research assistant in Victoria Mxenge, (a 27-year-old unmarried male with one child) as he explained to me why he was unable to get membership of any burial society:

I would not be allowed to join a burial society even if I could afford it... it is because of the rules. For example, I fathered a child out of wedlock and there was no way that I would get married to her [mother of his child] because what I did is wrong.

The burial society in his community would not grant him membership even though one of the committee members is his close relative. He said that the only way that he could gain membership would be if he got married to his child's mother or got married to another woman.<sup>216</sup> When asked whether he had actually approached the burial society to enquire about membership he said that he had not yet asked, but that his cousin had told him that he would not be accepted. He did not know why the burial society did not accept unmarried parents. He added that being unmarried with a child was also a problem at his church, where he is a member of the youth fellowship.

Some business owners touched on the issue of why burial societies prefer their

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<sup>216</sup> Personal communication with research assistant, Victoria Mxenge, 9 June 2010.

members to be married, but many of the responses were vague. However, the explanation of a committee member of a burial society in Victoria Mxenge offered some clarity. According to her, it was a way of managing future conflict over the estate of the deceased. She explained:

If married, a partner gets a claim ONLY against a marriage certificate...we [the burial society committee] are strict because there is a lot of 'vat 'n sit'<sup>217</sup> here in Cape Town. We have had situations in which people do not sign on who their money should be given to when they die so their family members fight over the money.<sup>218</sup>

A business owner in Joe Slovo also explained that it was a way of ensuring that the family of the deceased receives the benefits of the burial society. In her burial society, benefits were extended to the mother of the member and his/her children, but not the partner. She explained that: "If the person is not married, there is cover for the children and the main member's mother because *they* are the family of that person" (emphasis added).

Bahre (2007) cautions that mutual obligations such as those enshrined by Ubuntu can lead to tensions within the society because of their exclusionary nature and the basis on which such exclusion is decided upon. For instance, the case of young unmarried people being excluded from burial societies can cause tension in a society already characterized by exclusion. The case of my research assistant demonstrates this. The 27-year-old father is excluded in both formal and informal social spheres: he cannot get a job in the formal sector because he did not complete school and does not have money to go to the City and search for employment. On the other hand he cannot gain membership in burial society because he has a child outside of wedlock and because he does not have a regular income, he cannot pay the society contributions.<sup>219</sup> Dercon et al. (2008) reach similar conclusions in their study of burial societies in rural Ethiopia.

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<sup>217</sup> "A relationship where two unmarried adults live together and conduct their relationship like a married couple" (Monareng 2013: 03).

<sup>218</sup> Interview with burial society committee member, Philippi, 18 June, 2010.

<sup>219</sup> Personal communication with research assistant, 9 June 2010, Victoria Mxenge.

## 7.7. Unregistered and unregulated: Flood governance beyond the state?

It came as no surprise that the burial societies placed such a high value on relations within the society, after all these close relationships play an important role in ensuring that there is reciprocity amongst burial society members, particularly in response to hazards outside of death. However, I was still very puzzled as to why the bulk of burial societies did not offer assistance to those of their members affected by climate-related hazards.

In some burial societies, in-kind support extended beyond times of death and society members gave one another support when they experienced climate-related hazards, like fires and flooding. Such instances of support were rare, but in both research sites I came across burial society members whose societies had assisted them or other members that were victims of climate-related hazards.

In Joe Slovo a young businesswoman said that the burial society that she is a member of gives different types of helps to its members, but only to its members. She explained: “The society only helps its members. For example, the other women they bought zinc, wood and all the building material and even built a house for another woman whose house had been burnt.”<sup>220</sup>

Another businesswoman explained the type of assistance that members of her burial society offered to fellow members affected by climate-related hazards. She explained: “They help burial society members and close family members when they have problems. For example, they buy clothes, food and some building materials for families whose homes burn down or are flooded.”<sup>221</sup>

In Philippi, another businesswoman told us of an instance in which her burial society had provided assistance to a fellow burial society member whose shack had been damaged in a flood. She said:

When you have problems they do help you...There was a member whose shack

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<sup>220</sup> Interview with fast food business owner, 24 January 2014, Joe Slovo.

<sup>221</sup> Interview with hair salon owner, 24 January 2014, Joe Slovo.

was cold in winter and the wind blew the zinc sheets on her shack off so the inside of her shack got wet and her bed was soaked. So everyone put R5.00 on the table, the committee went to PEP stores to buy some sheets, blankets and a carpet, and some food hampers. They do that strictly only if the person is a [burial society] member affected is close a family member. For example, the mother, father, sister and brother of the member.<sup>222</sup>

In other instances, assistance to burial society members is voluntary. A business owner in Victoria Mxenge explained:

The burial society does not help its members when they are affected by flooding because they agreed that the money is for the burial society only. If a member is affected by a flood or something, if you want to help him/her you can do that at your own expense, on your own as a person [individual].<sup>223</sup>

Even though only a handful of burial societies were willing to offer support to their members affected by flooding and fire, in many cases this assistance extended also to the members' extended family. There seems to be great importance attached to friendship and knowing people in the burial society. For example, in Joe Slovo a businessman who does not yet have burial society membership explained why he wanted to join the particular burial society in which his neighbour had membership. He said:

The neighbour that invited me to the burial society is very helpful for me. There are people in the burial society that advice with business. So I want to be a member of the burial society...the society solves the problem quickly and the bank is a process...it's easy, the people are here.<sup>224</sup>

As a result, many of the participants indicated that they had sought help from neighbours, friends, family, and fellow burial society members in the last flood incident. A young *shebeen*<sup>225</sup> owner in Philippi recounted a time when the shack<sup>226</sup>

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<sup>222</sup> Interview with *spaza* shop owner, 23 January 2014, Victoria Mxenge.

<sup>223</sup> Interview with *spaza* shop owner, 27 January 2014, Victoria Mxenge.

<sup>224</sup> Interview with electrical supplies business owner, 21 January 2014, Joe Slovo.

<sup>225</sup> Unlicensed businesses or private homes selling alcohol.

from which he works was damaged by water and he got a loan from his fellow burial society members: "...the money was repaid with no interest. The money was useful. With the money I bought stock for the business, bought groceries and paid the burial society contribution."<sup>227</sup>

Mutual assistance between community and family members was a common flood response. In response to how they had dealt with the impact of previous floods and current preparedness, business owners said they relied on family members, friends and colleagues. This was not the case amongst foreign nationals, many of whom said they did not have access to this type of support. A Zimbabwean craftsman in Philippi recounted his first flooding experience in Cape Town shortly after arriving in the city.

The water would destroy all my things. I didn't have a proper shed to protect the produce. I couldn't afford the shed because I was starting at the time, I didn't know anyone. It happened a lot of times, especially in the winter – like last winter; it was a long winter.<sup>228</sup>

In comparison to the local business owners, the respondent's experience suggests that a lack of access to a network of help can heighten one's exposure to flood impacts.

## **7.8. Discussion**

In this chapter I have tried to make sense of business owners' high membership rates in burial societies. On the one hand it seems obvious why so many business owners join burial societies, that is, for their financial support at the time of death, which is a certainty of life. Coupled with the high crime levels and limited healthcare in the research sites, preparation for death seems logical. On the other hand, and particularly in light of the threats that business owners cited as the greatest risks to their business, the high burial society membership rates were surprising.

Interpretations of the findings reveal three important meanings. First, death and the funeral market are a significant Southern African phenomenon. Consequently, burial

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<sup>226</sup> Commonly used to refer to the housing structures built with different types of materials in informal settlement areas. Some respondents in the research referred to these as a '*hokkie*'.

<sup>227</sup> Interview with *shebeen* owner, 15 June 2010, Philippi.

<sup>228</sup> Interview with beaded crafts business owner, 9 June 2010, Victoria Mxenge.

societies continue to grow in group size and economic value (Smith and DeVos 2012). They are the main source of death insurance for many South Africans. Also, burial society membership correlates to income and cultural values, therefore burial society members tend to be people who do not participate in the formal economy (Posel and Thompson and Posel 2002), and whose cultural values view funerals as an important cultural event.<sup>229</sup>

Although business owners were neither insuring nor saving against climate-induced hazards, they were making adjustments for the hazards. The biggest adjustment that respondents make is by joining burial societies with those in their immediate environment with an aim to provide benefits and an opportunity to do what Schneider (2010:2) refers to as “important reputational and relational work”. Burial society members define the character and reputation of their members within their communities.

The high incidence of hazards in the research sites is what led to the hypothesis that burial societies might provide flood protection to their members. As the analysis has shown, there was no evidence of this. While this finding is valuable in itself, of greater value might be the potential that burial societies have to provide flood protection to their members. The idea that burial societies or any other civic association could provide protection against (climate) hazards is not unheard of.

The literature on flooding and its management in poor Bangladesh points to communities’ strong desire to create self-reliant, community financed and managed funds for disaster relief and recovery rather than depend on relief from government or charity organization (Fox 2005; Hoque 1995). Another relevant example is that of women’s housing schemes in one of the research sites, Victoria Mxenge. Here, it was savings groups that formed the basis of the community participation in a housing scheme (Baumann et al. 2002). Here too, accountability was leveraged against shared norms and beliefs. The results were not only the built homes of the participants but “options and opportunities...to ensure long-term viability: a constant capacity to

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<sup>229</sup> Interview with researcher, CENFRI, 15 August 2014, Cape Town.

replicate and self-generate” (ibid: 37). This suggests that burial societies can be transferred to flood insurance<sup>230</sup>.

The ways in which the norms and beliefs of burial societies can effectively be transferred to the field of flood protection is beyond the scope of this study. While this is admittedly a limitation of the dissertation, pursuing this line of discussion would have called for more time, resources and even a different theoretical framing. For example, the study might have better taken a more positivist approach<sup>231</sup> to test theories of civic association transferability to climate hazards.

Secondly, burial societies are a functional equivalent of funeral insurance in the formal sector. They provide a service that is otherwise unavailable to actors outside the formal economy. This can be interpreted through the nodal governance literature and the limited statehood framework. In different areas (as opposed to whole territories), informal governance institutions often emerge to provide social and political order as well as collective goods where “formal state institutions have ceased to exist or to provide governance services” (Risse 2011:14). Rather than acting against state institutions or, in the complete absence of political order, “the various institutionalised modes of social coordination produce and implement collective binding rules, or provide collective goods” (Risse 2011:9).

The relationship between the state and the civic society pivots on the reality that the state can influence the nature of these social networks by either supporting or neglecting them (Evans 1996). With limited state legislation to regulate the informal sector, there is little risk of state co-option through legislation. And while the formal market finds its bearings in these environments, the informal sector will be left to provide a large portion of funeral insurance to the poor. In other words, the lack of a shadow of hierarchy and the weak market – both the result of limited statehood - may

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<sup>230</sup> There is a very limited focus of the possible contributions of civic association on community-wide environmental hazard but there is a growing focus on savings societies and their uses in poor communities (see for example Rutherford 2002; Ledgerwood 1999; and Johnson and Rogaly 1997).

<sup>231</sup> Gabay and Death (2014) characterize positivist approaches as those in which theories are tested against the data. This is in contrast with post-positivist approaches, which focus more on the theorizing process itself (see also Brigg and Bleiker 2010 and Escobar 1995).

actually strengthen burial societies. This finding therefore refutes Chazan's (1994) view that state decline hinders the growth of civil society. Here is an instance of a civil society institution whose growth is in large part the result of a weakness in state regulation. Further, it is not in contest or against state laws, but can rather be seen to fill a governance void that the state and the market are unable to meet.

Municipal and national level responses to climate impacts in South Africa have also had major shortcomings, particularly as a result of weak policy regulation and enforcement (Paradza et al. 2010; Mukheibir and Ziervogel 2007). The literature does not fully explain why the urban poor do not make more use of formal insurance (despite its availability to low income earners) but it does suggest that work and well-being in these environs is supported by the norm-based institutions embedded in the informal economy (Casson et al. 2010).

Thirdly, contrary to what is presented in some strands of the informality literature (Simone 2010), burial societies are an informal institution largely operating outside formal, state regulation, yet it is very well organized. Burial societies also have regulatory codes designed for loss prevention, but members often do not have any historical credit information. These institutions rely on the testimony of the community that members belong in order to ensure preventative behaviours such as sharing, support and mutual help (Kritzinger 1996; Thomson and Posel 2002; Verhoef 2001; Lukhele 1990). These traits play the important function of discouraging members from defaulting on payments and encourage assistance to others.

Lastly, the social capital built in burial societies offers security when members face difficult life events other than death. The in-kind support offered to victims of flooding is not usually sanctioned by the burial society. Instead, the norms and culture of the burial society create expectations amongst members to help one another in times of need.

This is a critical finding in the research, because it points to the role of burial societies in creating more resilient households and communities. It also contributes to our understanding of social capital and its uses. As Borzel (2010:5) explains:

...through establishing strong social norms and fostering mutual trust, social

capital can substitute for (the shadow of) hierarchy in solving collective action problems. Rather than incentives, it is a sense of moral obligation that generates civic engagement, which is not undermined by the anticipation of defection since free riding is not acceptable and entails social sanctions.

## **7.9. Conclusion**

In this chapter I wanted to understand whether the mutual assistance available to members during death and grief was extended to other periods of stress, particularly dealing with flooding.

Probing to understand this difference in support between death and environmental stress was not very revealing and left me with more questions than answers. The most common response from burial society members was that they had never questioned nor thought of building a support system for flooding. My research puzzle had yet another missing piece to it – if government and market-led support are not easily available and civic associations do not provide support to flood victims, why aren't they building civil associations around flood management? Also, why isn't support to flood affected members in burial societies made compulsory? Most importantly, do the findings mean then that entrepreneurs are doing 'nothing' to reduce the impacts on flooding on their businesses and their livelihoods?

The answers to these questions are not without gaps, but there are some clues to this puzzle. First, as I have shown in Chapter 5, business owners regard flooding as seasonal and outside of their control. Therefore, the low rates of assistance to flood victims could be because multiple members are affected at the same time, reducing the ability of the group to come to the aid of other flood affected community members.

This can be explained by the nature of flooding hazards and how it differs from death. While flooding is a threat to many households in informal settlement areas, there is still a chance that one will not be affected or that the impacts will be limited, therefore business owners do not take proactive measures to mitigate the risk of the possibility of a future flood.

Secondly, the high reliance on family amongst the business owners could also explain their limited interest in seeking assistance for flood relief from fellow burial society

member, the government or the formal sector. It could be because of this - as some of the data suggests - that the business owners that experienced flood damage had enough resources elicited from family members to rebuild their businesses independently and therefore did not need to seek external assistance.

The principal reasons for the existence of burial societies can be summed up as follows: first, burial societies provide a stable environment through which a key service, primarily death insurance, can be solicited. Second, the rules are socially acceptable as they reaffirm their members' cultural and spiritual needs. Third, burial societies provide a social network that is responsive to the immediate needs of the communities that they serve, including responding to the impacts of a changing global climate such as flooding. Sometimes individual members of the burial society voluntarily help one another, rather than the burial society as an organization.

The high importance attached to *Ubuntu* in African belief is still alive and visible in many urban dwellers' worldview today. This worldview is based on caring, sharing, and compassion bodes well for a civil society association culture and ensuring a better quality of communal life (Steynberg and Grundling 2013). However, *Ubuntu* also has a downside in that its hierarchical structure lends itself to top-down decision-making and leaves little room for disagreement and individuality within the group. In addition, the *Ubuntu* philosophy encourages an expectation of provision from others, which can be burdensome if there is little reciprocity. However, *Ubuntu* builds trust and co-operation in civil associations and this can be used as a vehicle to enhance livelihoods and create more resilient communities.

Within civil society associations, social capital is critical because it encourages shared values and commitment. In this chapter I have tried to demonstrate how burial societies use the principles of *Ubuntu*, religion and culture to encourage social capital amongst their members and yet these cannot offer an *effective* safety net in the face of flooding.

### CONCLUSION

#### 8.1. Introduction

Informal settlement areas are home to many of South Africa's informal businesses. Attempts to restrict migration into these environmentally vulnerable areas have been unsuccessful because of weak settlement regulations and monitoring of their expansion (Ziervogel and Smit, 2009; Wood 2004). Meanwhile, the incidences of flooding – often with devastating impacts for residents' livelihoods, health and well-being - continue unabated. The number of informal businesses too has grown in line with the increase in the numbers of people in these settlements.<sup>232</sup>

This research came about as a result of my personal curiosity as to why people continue to flock to informal settlement areas when the risk of flooding is so high in these sites. Further, I was curious about the mechanisms that communities in informal settlement areas used to protect themselves and their means of a livelihood from recurring flood risk. The first part of my questioning was quickly answered in the literature, namely that poor job seekers migrating to the city find affordable accommodation in informal settlements to be closer to work and services such as health facilities and school (Huchzermeyer 2010, Swilling 2010) despite hazards in these areas.

#### 8.2. Overview of thesis argument

To satisfy the second part of my curiosity, I embarked on a research study to explore a central research question, being *how poor business owners in informal areas respond to flood hazards*. In this study, the unit of analysis is business owners operating small-scale, unregistered enterprises in informal settlement areas. These

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<sup>232</sup> The natural annual national population growth rate in South Africa is 1.1 per cent with the average growth rate of cities being 3 per cent. This has resulted in a continuing proliferation of informal settlements in the country's cities and towns, as well as a 3.1 per cent increase in year-on-year change in employment in the informal sector (Statistics South Africa 2006).

types of informal enterprise are a common feature of the urban African economic landscape – providing key services, such as employment, shelter, transportation and various other social services (Stren and Halfani, 2001). Informal businesses are especially interesting because they operate outside the regulation of the state.

The governance literature shows that being outside the regulation of the state does not mean that they are completely unregulated and points to the variety of actors and institutions (the institutional field) in the informal economy through which rules are made beyond the state (Borzel 2010; Burris et al. 2007). I therefore used the governance literature as a theoretical lens to frame the argument that in areas of limited statehood (ALS), such as informal settlement areas, poor communities build social capital in non-state institutions, using these to respond to flooding.

It is important to answer this research question, particularly in ALS, because weak state and market-led governance characterizes such environments. It is important to get a better understanding of what the poor do in this regulatory gap (Churchill 2006), and how regulations are enforced outside of the state. This of course is not new. In fact, ALS has been used as a theoretical lens to explore numerous governance assemblages in the EU (Risse 2006). What is needed is more empirical cases in developing economies, which are characterized by a plurality of governance as opposed to the theoretically assumed idea of whole nation states as homogeneous units of governance.

The research question and argument are analysed in three analysis chapters. I present a summary of these chapters and their contributions to answering the overall research question. Key themes emerge from the analysis chapters

### **8.3. Summary of Empirical findings**

This thesis explored how small-scale business owners in informal settlement areas respond to climate-induced hazards, particularly flooding. The findings have shown that at first glance small business owners do not seem to take any mitigative actions against flooding despite its high occurrence in the informal settlement areas.

The empirical chapters present the ways in which the business owners engage the state, the formal sector as well as the informal sector (respectively) to respond to

flooding. In the following section, the main findings are synthesized to answer the broad research question.

**Chapter 5** set out to describe the hazard management options available through the state and its partners. In the City of Cape Town, the flood governance context is made up of different state departments, civil society partners and, in some cases, even informal leaders participate. This collaboration is collectively referred to as the 'Flooding Task Team'. In theory this "blurs the line between public and private, fostering networks between different parties that can work towards common goals" (Joubert 2013:24).

Community leadership takes on an important role in the success of the Flooding Task Team in different informal settlement areas, because they are the key link between the community, the Flooding Task Team and other external agencies. A comparison of leadership in the research sites revealed surprising results. The community of Victoria Mxenge is represented in the City Council and has access to City funding to respond to flooding in the different wards. An informal, community-led task team (the Joe Slovo task team, to differentiate it from the Flooding Task Team) on the other hand represents the community of Joe Slovo, which has no representation in the Council. This difference in community leadership showed how the different communities used collaborative partners to respond to flooding. This was especially interesting in the case of Joe Slovo with its informal leadership structures, because they formed collaborative partnership with NGO actors primarily because they could not access state resources.

The City's attempts to reduce flood risk in its informal settlement areas have not all been unsuccessful. For example, Ziervogel and Smit (2009) point to the success of infrastructure interventions in the form of drainage channels, but longer-term proposed solutions, such as the relocation of residents, have been met with great resistance, perhaps due to a fear of the social fragmentation that can result (see Olfield 2002). Even though these strategies are geared toward the protection of informal settlement dwellers, they fail to acknowledge and build on existing civic networks, such as burial societies, in crafting more effective approaches to climate change-induced hazards. There is an opportunity for the City to improve its flood response by

augmenting the activities of civic associations that already support the poor in their response to flooding.

Unfortunately, “the city of Cape Town’s flood risk management strategy has been weakened by the institutional and governance constraints that result in a focus on narrow technical solutions and on the provision of disaster relief” (Ziervogel and Smit 2009:2). One of the biggest complaints of the business owners was that the City’s response is mis-targeted. This points to a lack of consultation, another area of dissatisfaction amongst the business owners. The limited participation and consultation with the poor goes against the ethos of the collaborative approach upon which the Flooding Task Team is built.

**Chapter 6** explored the idea that in ALS, where state capacity to govern is limited, the market steps in to provide goods and services under a shadow of hierarchy (Risse and Börzel 2010). The chapter uses formal insurance as a lens to look at the formal market services available to the poor in areas of limited statehood. The insurance industry, itself a regulator of risk, is revealing of the weakness in state-led regulation in two ways.

First, the state has failed to sanction the industry to provide insurance to the poor and most vulnerable to flooding and its impacts. Even with the South African government’s recent efforts to sanction greater access to short-term insurance, there are still loop holes that suggest that this too will not bare the desired fruits. One reason for this is that the Insurance Access Guidance Note still does not address the key culprits of flood hazard in poor communities. In fact, it does not urge formal insurance to provide climate hazard insurance at all. Further, it does not address the infrastructural problem. As the findings in Chapter 5 show, flooding in the City of Cape Town is to a large extent the result of a lack of infrastructure – particularly drainage, which is clearly not the domain of the private sector.

Insurance companies have no incentive to provide insurance to the poor living in informal settlement areas at affordable premiums because they face high risks. The poor live in dangerous sites because the government will not provide the infrastructure to make their communities safer (Satterthwaite 2011). I conclude therefor that the state has an opportunity to make investment in poor communities

more attractive to formal insurance by addressing the key cause of flooding through the provision of appropriate goods and services.

**Chapter 7** points to the characteristics of burial societies, a type of civil society association, with an emphasis on their religio-cultural principles as key building blocks of social capital. The main thrust of the thesis argument is that members of burial societies draw on social capital to hold one another to account and as a determinant of trust. To do this, burial society members call upon for in-kind support when confronted with a climate-induced hazard, like flooding.

The chapter also discussed the seemingly irrational response of small business owners to flooding by enrolling in burial societies as opposed to seeking insurance cover from the formal market which is targeted at responding to climate events.<sup>233</sup>

These findings make two important contributions. First, they demonstrate the ways in which (informal) institutions govern themselves outside of the state regulation. This is a useful learning, particularly in ALS where weak state and market-led governance have resulted in many poor people seeking goods and services in the informal sector (Lindell 2008; Enjolras 2000).

Secondly, this chapter also adds to our knowledge on the governance function of civil society associations and how they both encourage grass-roots level participation (Mingui-Pippidi 2003) and promote social capital (Fukuyama 2001; Putman 1993). This advances the idea that civil society association, in this instance, burial societies, which are formed to respond to death, can in fact respond to other hazards, including flooding.

#### **8.4. Theoretical Implications**

The governance of risk in the City of Cape Town takes a holistic view of the causes and possible impacts of the hazard. Therefore, it has developed a collaborative governance approach to flooding in the City's informal settlement (Joubert 2013). In

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<sup>233</sup> Climate Wise recently reported that its group's two members had an 88 per cent compliance with the six principles of managing risks related to climate change, as formulated by Climate Wise (Veysey 2012).

theory this will result in a more effective response to the flooding problem and result in greater community resilience against flooding.

The theoretical contribution of the research has been to the governance literature, particularly nodal governance. Nodal governance suggests that governance is shared amongst state and non-state actors (Burriss, Drahos and Shearing 2005), although the role of the state is deemed important. The role of the state is considered especially beneficial because of its ability to enforce a shadow of hierarchy (Borzel 2010).

This is consistent with the findings of the research. The idea that the market takes on governance actions where the state is weak was not found to be the case in the instance of formal flood insurance amongst poor users in the research sites. This variation has been explained theoretically in that, often, where the state is weak, it is also too weak to sanction the market to take on governance actions (Borzel 2010). However, this is based on the presumption of a strong state. In the research sites, the mere fact that people continue to settle in and operate informal businesses on state and private-owned property points to the weakness in enforcement of residential regulations.

The capacities of the state in ALS are often too weak to oversee goods and service provision by the private sector. Also, ultimately the function of business is to make profits. Poor business owners have limited financial resources and little if any assets against which to take up insurance.

The research also makes a contribution to our understanding of rationalism and what informs human action. New institutionalism suggests that civil society action has moved away from being against the state (as was the case, for instance, during apartheid). This shift has rather focused more on the sustainability of social movements (Scott 2003; DiMaggio and Powell 1983). This reveals that human action is informed by a 'logic of appropriateness' (Schmidt 2010) and at the heart of it lie culture and social capital as drivers of social action (Kode 2013).

This challenges what we have believed for a long time - that human action is informed by rational choice. Indeed, the research shows that, in the face of flood hazard, it is not rational choice that informs business owners' decisions on how best to respond, but rather those social networks in which they are members. These

networks are in turn embedded in cultural and religious principles that inform members' ideas of what is an appropriate response. The observed pattern is that vulnerable communities in ALS respond to hazard communally rather than individually.

This has a related implication to our theoretical understanding of the poor's response to hazard; that is of our understanding of resilience – what it looks like and where it is found. The resilience of the research sites to flooding is questionable and far from perfect. However, the literature relating to resilience remains fairly broad, often describing the characteristics of resilient communities, leaving a gap in the literature on community-level adaptation and the numerous drivers of resilience to hazard at the informal level (Bahadur et al. 2010). The analysis has pointed to the potential opportunity for resilience that lies in informal associations.

Herein lies the answer to civil society associations' contribution to climate change governance, particularly as it affects their members in informal settlement areas where flooding is a common occurrence. The governance principles of mutual assistance are not only geared strongly towards protecting the association and its members, but they also facilitate climate governance because they build systems of accountability among their members and offer a mutually shared response to a common threat to their livelihoods.

Perhaps what is an even greater contribution to climate change governance is that civil society associations facilitate a shared understanding of the risk of flooding, as well as the response. Even though business owners' response to flood risk may seem passive and perhaps even fatalistic to the onlooker, when viewed in light of civil society as an agent of mutual association, its appeal to the poor becomes more evident. Liebow (1966) and Granovetter (1985) caution that what may look like irrational behaviour may be sensible, given the present situational constraints under which decisions are made. An appreciation for the logics of the poor can therefore inform their participation in local politics (Lindell 2010).

## **8.5. Concluding remarks**

The way in which the state and its governance role are understood warrants a contextual understanding. This research has shown that the theoretical framing of the state is limited in explaining governance in areas outside the OECD world (Borzel 2010). This research therefore heeded a call for empirical studies to extract the nuances of governance in ALS, where the state is too weak to provide key goods and services.

The findings have shown how with limited state and market-led goods and services, business owners turn to the informal sector for governance. Although the informal sector is outside the regulation of the state, it does mean that they are chaotic or weak. In fact, the research findings show that they are highly regulated. I have argued that the effectiveness of non-state institutions hinges on strong social capital that is a functional equivalent of state regulation. This however does not mean that the state no longer performs a regulatory role, but rather suggests that governance is in fact possible without government.

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	Divorced [ ] Separated [ ] Widowed [ ] Single [ ]
Nationality	South African [ ] non-African [ ] other (Specify) _____

**2. SECTION B Respondent Economic profile**

a. What type of business do you have? \_\_\_\_\_

b. How many people are employed in your business? \_\_\_\_\_

c. What type of structure does your business operate from?

Shack [ ] RDP house [ ] Formal house [ ] Hostel [ ] Pavement [ ] Other [ ] (e.g. shipping container)

d. Do you or anyone in your family receive a welfare grant? Yes [ ] No [ ]

e. If yes, what kind: Disability [ ] Pension [ ] Child [ ] Refugee [ ] Other [ ]

f. How much of your monthly income goes towards the following? (Give estimated percentage)

Insurance [ ] Savings [ ] Burial [ ] Other club/community groups [ ]

g. Do you have any of the following insurable assets in your business?

Car [ ] TV [ ] Fridge [ ] Furniture [ ] Computer [ ] Other? \_\_\_\_\_

h. If yes, are they insured? Yes [ ] No [ ]

i. If yes, with which insurance company? \_\_\_\_\_

**SECTION C Business profile**

a. What are the challenges associated with business operation in this community? (Please explain for each selected variable)

Economic [ ] Environmental [ ] Security [ ] Financial [ ] Legal [ ] Other [ ] (elaborate)

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b. How have you overcome the challenges in (a) in the past?

\_\_\_\_\_

**Section D: Respondents no longer in business**

a. What type of business did you own? Service [ ] Production [ ] Retail [ ]

b. Please state reason(s) why you stopped operating the business?

c. Do you have any plans to re-open the business? Yes [ ] No [ ]

d. If yes, what steps are you taking to do so? \_\_\_\_\_

e. If no, please provide reasons

\_\_\_\_\_

**SECTION E Sources of assistance**

a. Have you ever sought help from any of the following to overcome those challenges?

	YES	NO
Friends		
Family		
Savings society		
Burial society		
Street committee/community forum		
Local community leader		
Police		
Church		

No one		
Other (please specify)		

b. If yes, how did they help you? \_\_\_\_\_

c. If no, why did you not ask for help? \_\_\_\_\_

d. Do you know where to ask for government assistance when you need it?

Yes [ ] No [ ]

e. If yes, do you do so through any of the following?

	YES	NO
Friends		
Family		
Savings society		
Burial society		
Church		
Directly through relevant department		
Police		
Community leader		
Other (please specify)		



## Appendix 2

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### **Insurance company representatives – Discussion points**

Name of insurance company \_\_\_\_\_

Position/role in institution \_\_\_\_\_

1. What property and business insurance products does [insurance company] offer and are these products available to all consumers across income level?

2. What are the conditions of eligibility for property or business cover?

2a. If there are conditions for eligibility, what are they for a person living in an informal settlement? that is, a person without an official residential address?

2b. What laws/policies guide informal settlement dwellers' access to insurance services?

2c. Are the laws/policies cited in 2b regulated by the state? If yes, how and by which government department? If no, does this cause any challenges to [insurance company name] in providing insurance to low income area?

3. How and where does [insurance company] advertise its products to lower income consumers?

4. What has been the rate of insurance uptake amongst consumers in LSM 1-5- of [insurance company's] property and business insurance products in the last decade?

Which products seem to be most popular?

5. Any thoughts on the reasons behind the trend in 4?

## Appendix 3

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### Pilot Interviews: Discussion Points

#### Section C: Information on business/enterprise

Community involvement – are you involved in any of the following?

- Church  Local school  Community savings scheme  Burial society  Business forum   
Other \_\_\_\_\_

If yes, how are you involved in/with them?

- Do you currently own and operate a business in this community? Yes [ ] No [ ]
- If yes, how long have you been operating it? Weeks  Months  Years   
If no, have you done so in the past? Yes [ ] No [ ] If yes, go to section D.

- What type of business do you operate? \_\_\_\_\_
- What type of premises do you trade from?

Construction material: Brick [ ] Aluminum [ ] Wood [ ] Other [ ]

- Is the building suitable for all weather conditions? Yes [ ] No [ ] If NO please explain the problems.

#### Section D: Respondents no longer in business

- What type of business did you have?
- When did you stop operating the business in (20)
- Please state reason(s) why you stopped operating the business?
- Do you have plans to re-open the business? Yes [ ] No [ ]  
If yes, what steps are you taking to do so? Elaborate \_\_\_\_\_  
If no, please state reasons \_\_\_\_\_

#### Section E: Business environment

- In which particular area of business do you have the greatest difficulty?  
Financial  Environmental  Legal  Market-related  Other...Explain
- How often are you exposed to the problem (in 30)?  
Daily  Weekly  Monthly  Annually  Seasonally  Please explain.

#### Section F: Business help/support

- Do you need support or assistance in running your business?  
If yes, what type of assistance do you need? If no...go to Q.26.
- Where do you get such assistance?

Family  Friends  Community organizations  Govt.  NGOs  Other  Specify

- If no, why do you not need help?
- When was the last time you asked for help?
- Who helped you?
- How did he/she/they help you?
- Was their help useful?
- Apart from seeking help, what do you do to keep your business in operation?

## Appendix 4

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### Guide to introducing project to respondents

**RESEARCH TITLE: Resilience and Risk in the Informal Economy: A study in the regulation of risk.**

Good day. My name is Moliehi Shale. I am a student in the Centre of Criminology, University of Cape Town where I am studying towards a Doctoral Degree. I would like to invite you to take part in my research project, which is about understanding what people with small businesses in this community do when their businesses are at the risk of being destroyed by fire and flooding. My research will particularly look at the role of social support (e.g. friends, churches, schools etc.) as well as municipal laws that the business owners use to protect their businesses and/or to rebuild their businesses destroyed by either a fire or a flood.

I would like to interview you and other small business owners like yourself. I would appreciate it also if you could refer me to other small business owners that no longer have businesses because they have been destroyed in a fire or flood in this community.

I will be very grateful if you choose to take part in my research. Taking part in the study will mean that you grant me permission to ask you questions whose answers will either be noted or tape recorded. If you choose not to take part, there will be no negative consequences to you and you will not be asked to state reasons for this decision. If however you do choose to take part in the research, please note that this should be by your choice. If you wish to withdraw during the research/interview – please feel free to do so and there will be no negative consequence to you.

The information gathered in our interview and any other relevant reading material that you wish to give me relating to the study will be used for academic purposes only. If you would like the information to remain confidential, it will remain so. In the interviews, you will be asked to talk about what you do at times of fire or flooding to protect your business from harm. I would especially like to know what or which of the protection methods that you currently use/have used in the past have been most useful for protecting your business or put it at greater harm. To conclude the interview, I will ask that you please comment on how the municipal laws of the City of Cape Town have either helped you to protect your business or have made it more difficult to protect it from the impacts of flood and fire.

I wish to make you aware of the fact that it is not likely that this research will have any direct or immediate benefits for you or your organisation. Also, there will be no negative consequences to others because of your participation. I will do my best to protect your identity and keep all sensitive information in confidence. Therefore, I will not record your name in any reports or public correspondence nor will I share the audio recordings of the interviews. Also, I will assign a code to your name so that it is protected. All the written notes of interviews with you will be kept safely at the university and only myself and my academic supervisor will have access to them. Upon completion of my degree, these audio and written notes may be used for journal publications but will eventually be destroyed.

I plan to discuss the notes that I will take with you after the interview. This will ensure that I have the correct information as you have given it to me. It will also be a useful way to make sure that you are happy with me making use of the information that you have given to me – and if you do not want the information used, please feel free to say so. At the end of my research, I plan to share the findings of my study as a whole with you and all the other people that will have taken part in the research.

You may give me permission for me to interview you through either verbal or written agreement to take part in the project.

## CONSENT FORM

This serves as agreement to take part in the research project by Moliehi Shale titled: **Resilience and Risk in the Informal Economy: A study in the regulation of risk**. The research aims to investigate the risk management strategies of small businesses within poor communities. An understanding of the different types of risks and the coping mechanisms of the poor is critical in developing a better understanding of the ways in which poor communities do, and can, manage environmental risks and the regulatory environments suitable for such.

I hereby acknowledge that I have been informed of the purpose of the research and agree to the following issues:

- My participation in this research is voluntary;
- I may choose to withdraw from the study at any time, I may also choose NOT to respond to questions if I do not feel comfortable doing so;
- **I grant the researcher permission to record the interview;**
- My identity will be protected by the use of an identification code and my identity will not be revealed in the project report;
- All information that I supply in this study will be kept confidential;
- I know that I will not be paid for taking part in the research; and
- There are no risks of harm when participating.

I understand and agree to the above stated issues.

\_\_\_\_\_

Participant

\_\_\_\_\_

Researcher

Date: \_\_\_\_\_

Researcher contact details: Moliehi Shale / e-mail: [mt.shale@uct.ac.za](mailto:mt.shale@uct.ac.za) / Tel: 073 419 9961 If you have **concerns about the research, its risks and benefits or about your rights as a research participant in this study**, you may contact the Law Faculty Research Ethics Committee Administrator, Ms Sue Wright, at 021 650 3080 or at [Sue.Wright@uct.ac.za](mailto:Sue.Wright@uct.ac.za). **Alternatively, you may write to the Law Faculty Research Ethics Committee Administrator, Law Faculty, UCT, Private Bag, Rondebosch 7701.**