Formalising the Informal: A Multi-Stakeholder Approach to Sustainable Urban Development in South Africa

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1 ABSTRACT

The 21st century is the era of continuous rapid and high levels of urbanisation, particularly in cities of the developing world. Projections show that by 2050, over half of the global population will reside in urban areas. It is estimated by the United Nations (UN) that 71.3% of South Africa's population will live in urban areas by 2030, increasing to nearly 80% by 2050. This study explores the diverse challenges hindering sustainable urban development in South Africa. The paper identifies key barriers through a systematic literature methodology, including the ripple effects of apartheid, the sheer prevalence of urban informal settlements, unemployment, and limited citizen engagement. However, it does not stop at identifying the problems. It also proposes an innovative approach: "Formalising the Informal" through a multi-stakeholder lens. It argues that achieving this goal requires addressing the informal sector's complexities, often viewed as a problem rather than a potential asset. The approach stresses collaboration between government, communities, and the private sector to integrate the informal sector into the urban fabric, supporting secondary cities and further tackling societal concerns such as unemployment and inadequate housing, adversely affect urban sustainable development. The study argues that recognising informal actors' ingenuity and economic contributions can pave the way for more sustainable and inclusive cities in South Africa.

Keywords: urban development, informality, formalising, multi-stakeholder, secondary cities

2 INTRODUCTION

The rapid and high levels of urbanization in the 21st century presents significant challenges and opportunities for sustainable urban development, particularly in South Africa. The United Nations projects that by 2050, over half of the global population will reside in urban areas, with an estimated 71.3% of South Africa's population living in urban centres by 2030 and nearly 80% by 2050 (United Nations, 2018). As urban populations swell, so too do the complexities associated with managing these growing cities, particularly in South Africa's unique socio-political history. South Africa's urban landscape is deeply shaped by the legacy of apartheid, which has left a lasting impact on city planning, housing, and economic opportunities. One of the most visible manifestations of this legacy is the prevalence of informal settlements, which have become a prominent feature in the country's urban areas. These settlements are often characterized by inadequate infrastructure, a lack of basic services, and precarious living conditions, highlight the persistent inequalities within South African society (Harrison, Todes & Watson, 2008).

Despite these challenges, informal settlements are not merely a symbol of urban failure; but represent a complex and dynamic aspect of urban life. The informal sector, which includes these settlements, is often viewed as a problem to be eradicated rather than a potential asset that could contribute to urban sustainability. This study challenges this conventional perspective by proposing a multi-stakeholder approach to "Formalising the Informal." Smit, (2018), argues that sustainable urban development in South Africa can be better achieved by integrating the informal sector into the formal urban fabric, rather than sidelining it. The multi-stakeholder approach involves collaboration between government entities, local communities, and the private sector. This collaborative effort is essential for addressing the diverse challenges faced by secondary cities, which are often overshadowed by larger metropolitan areas yet are crucial to the broader urbanization process. UN-Habitat (2019), formalising the informal sector, there is the potential to tackle critical societal concerns such as unemployment and inadequate housing, which are key barriers to sustainable urban development.

Moreover, this approach recognises the ingenuity and economic contributions of informal actors. These individuals and communities, who operate outside the formal economy, play a vital role in the functioning of cities. Their inclusion in urban planning and policy-making processes can pave the way for more inclusive and resilient urban environments. As South Africa continues to urbanize, embracing the informal sector through a multi-stakeholder framework may be key to achieving long-term sustainability and equity in urban

development. This paper contributes to the ongoing discourse on sustainable urban development by highlighting the importance of a more inclusive approach. Formalizing the informal, South Africa can move towards a future where its cities are not only more sustainable but also more just and inclusive for all its inhabitants.

3 LITERATURE REVIEW

Sustainable urban development is broadly understood as the process of encouraging urban growth while balancing economic, social, and environmental considerations (James, 2024). The United Nations Sustainable Development Goal 11 (SDG 11) stresses making cities and human settlements inclusive, safe, resilient, and sustainable. This entails providing access to adequate housing, improving infrastructure, ensuring participatory urban governance, and stirring economic opportunities while mitigating environmental degradation (United Nations, 2018). However, globally, achieving this vision faces challenges such as urban sprawl, resource depletion, socio-economic inequalities, and inadequate planning frameworks (Kanchana, 2022).

Developing countries often rely on centralised, top-down urban planning frameworks that exclude meaningful participation by local communities (Mokoele, 2023). This approach fails to address the needs of marginalised populations, particularly those in informal settlements, leading to urban environments that are inequitable and unsustainable (Watson, 2009). Without grassroots engagement, urban policies often exacerbate disparities rather than resolve them (Muggah and Wahba, 2020). Informal settlements often lack basic infrastructure and services, yet they house a significant proportion of the urban population (Huchzermeyer, 2011). Similarly, the informal economy provides critical employment opportunities where formal economies fall short, particularly in sectors such as construction, retail, and services (Chen, 2012). Despite their importance, informal settlements and economies are often sidelined in planning processes, further marginalising vulnerable communities. Another prominent feature of impediment to sustainable urban development in the developing world is corruption. Resources intended for infrastructure development and public services are often misallocated, and public-private partnerships may prioritize profit over equity and sustainability (Pattanayak and Verdugo-Yepes, 2020). Corruption undermines trust in governance structures and inhibits the implementation of inclusive urban development policies. Secondary cities, often eclipsed by larger metropolitan areas, play a fundamental role in regional development and can serve as laboratories for innovative urban policies for achieving urban sustainable development. They function as vital hubs that connect local production, movement, and exchange of goods, people, trade, information, and services between various urban systems, demonstrating industry agglomerations, localized supply chains, diverse economic bases, and a range of housing options (Roberts and Hohmann, 2014).

South Africa's urban development strategies have evolved over the years, shaped by the socio-political and economic challenges inherited from the apartheid era. Several policies and frameworks have been introduced to address the deep-seated inequalities in urban areas, improve living conditions, and promote sustainable urban development. Following the end of apartheid in 1994, the South African government introduced the Reconstruction and Development Programme (RDP) as a comprehensive policy framework aimed at addressing the historical inequalities of apartheid. The RDP focused on providing basic services, including housing, water, and sanitation, to previously marginalised communities (Marutlulle, 2021). This was part of the government's broader goal to promote socio-economic integration through infrastructure development. While the RDP made significant strides in improving living conditions for many South Africans, particularly in informal settlements, it also faced criticism. The approach was often seen as insufficient in addressing long-term sustainability and urban planning issues, with a focus on quantity over quality, which sometimes led to poorly planned settlements (Lefuwa, 2016). Additionally, the RDP's focus on the delivery of housing failed to fully integrate other aspects of urban sustainability, such as economic development and environmental resilience. In response to the persistent challenges of informal settlements, the South African government launched the Upgrading of Informal Settlements Programme (UISP) in 2004. This policy aimed to improve the living conditions of residents in informal settlements by providing secure tenure, basic infrastructure, and services. The UISP encouraged a more integrated and sustainable approach to upgrading informal settlements rather than merely demolishing or relocating residents (Maganadisa, Letsoko, and Pretorius, 2021). However, the program did not fully address the broader socio-economic factors affecting urban sustainability, such as unemployment and local economic development. While not specifically urban-

focused, the Integrated Sustainable Rural Development Programme (ISRDP), launched in 2001, aimed to integrate rural and urban development efforts to create more balanced regional development (Public Service Commission, 2010). The Urban Development Framework (UDF), introduced in 1997, sought to address the specific needs of South Africa's urban areas. The framework set out a vision for integrated, sustainable, and equitable urban development by focusing on promoting urban efficiency, social equity, and environmental sustainability (Department of Provincial and Local Government, 2009). The framework underlines the importance of a balance between housing and employment, urban regeneration, and sustainable environmental practices. While the UDF made strides toward these objectives, it struggled to shift the national urban development paradigm away from large-scale, top-down approaches, often failing to fully incorporate informal sector dynamics and local-level participation in urban development. In 2004, South Africa introduced Breaking New Ground (BNG), a landmark policy that sought to transform the country's approach to housing and urban development. The BNG policy emerged as a response to the limitations of previous housing policies, such as the RDP, by highlighting the need for sustainable human settlements rather than just housing provision (Baloyi, 2014). BNG introduced a more holistic approach by considering aspects such as job creation, poverty reduction, and environmental sustainability in housing development. It promoted mixed-use developments, better access to services, and the creation of communities that were more self-sustaining (Osman and Herthogs, n.d.). However, BNG also faced implementation challenges, including slow delivery of services, financial constraints, and the complexity of integrating informal settlements into the formal urban fabric. Despite the significant efforts made through these programs and frameworks, gaps remain in achieving truly sustainable urban development in South Africa.

In response to the challenges posed by informal settlements, the informal sector, and poor engagements, there has been growing interest in multi-stakeholder approaches to urban development. These approaches state the importance of collaboration between government, communities, and the private sector in addressing urban challenges and achieving urban sustainable development. Watson (2009) argues that inclusive urban governance is essential for creating sustainable and equitable cities, particularly in areas with high levels of informality. Multi-stakeholder approaches have been implemented in various forms across the Global South, with varying degrees of success. In South Africa, as already argued earlier, initiatives such as the (UISP) have sought to formalise informal settlements through partnerships between government and communities (Socio-Economic Rights Institute of South Africa [SERI], 2018). However, these initiatives have often been hampered by bureaucratic inefficiencies, lack of resources, and insufficient community engagement.

4 METHODS AND MATERIALS

This section outlines the methodological approach adopted to guide the research process, ensuring a systematic and coherent investigation of the study objectives. The study employed a systematic literature review (SLR) methodology to explore the challenges and opportunities related to sustainable urban development in South Africa. The primary objective is to understand the role of informal settlements and the informal sector in the urbanisation process and to propose a multi-stakeholder approach for integrating these elements into formal urban development strategies.

The SLR methodology is chosen for its robustness in synthesising existing knowledge and identifying gaps in the literature. A comprehensive search of electronic databases, including Scopus, Web of Science, and Google Scholar, was conducted. Keywords that include "sustainable urban development," "informal settlements," "multi-stakeholder approach," "South Africa," and "urban governance" were used to identify relevant literature. The search initially identified 778 documents, which were screened through a two-step process involving title and abstract review followed by full-text assessment. This rigorous selection process, guided by inclusion and exclusion criteria, narrowed the pool to 33 high-quality and relevant studies. The search was limited to peer-reviewed journal articles, conference papers, and relevant policy documents published between 2000 and 2023. To ensure the relevance and quality of the data, specific inclusion and exclusion criteria were applied. Articles were included if they focused on urban development in South Africa, addressed the role of informal settlements or the informal sector, or discussed multi-stakeholder approaches to governance. Articles that did not meet these criteria, were not peer-reviewed, or were focused on regions outside South Africa were excluded.
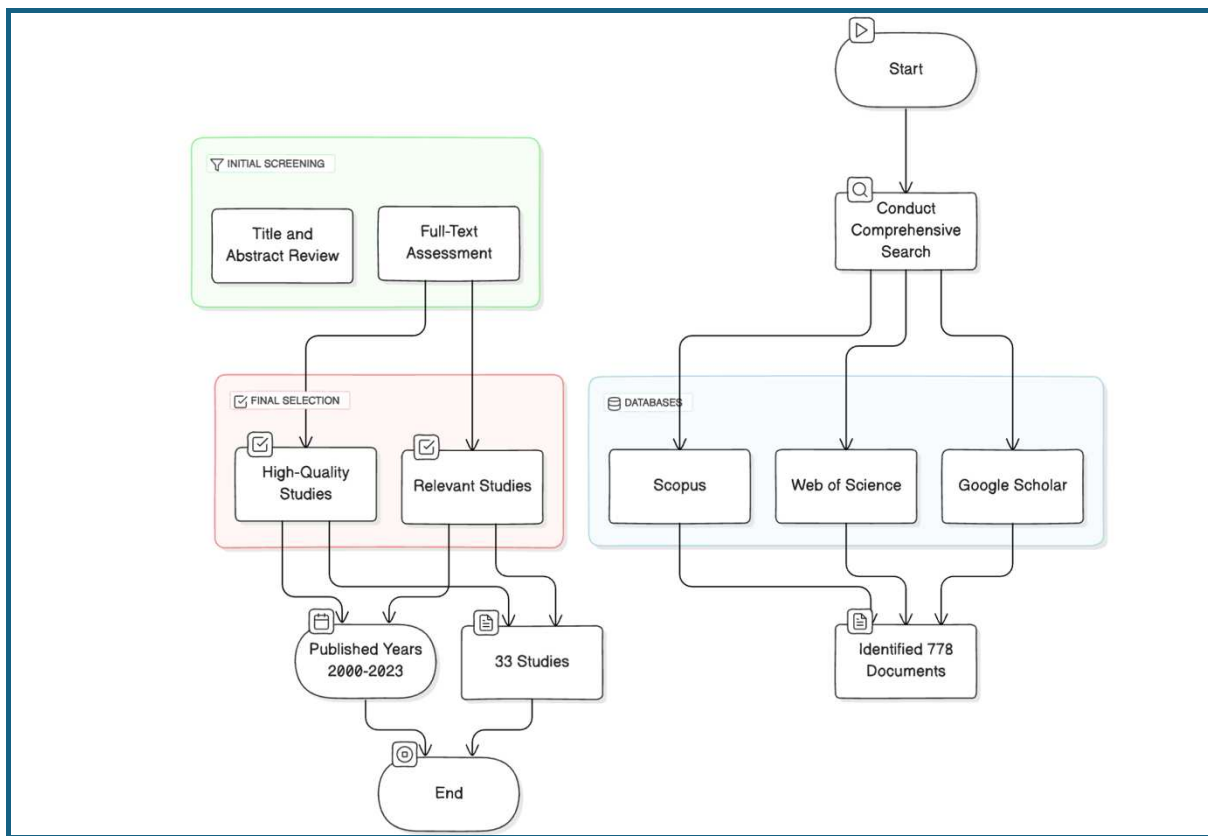
Figure 1: Research Process

5 UNDERLYING OBSTACLES TO ACHIEVING SUSTAINABLE URBAN DEVELOPMENT IN SOUTH AFRICA

5.1 Unsupported Secondary Cities

Urbanisation, the shift of population from rural to urban areas, is a global trend with profound implications for sustainable development. As cities grow, they often face challenges such as increased resource consumption, pollution, and social inequality (Kanchana, 2022). However, South Africa's urbanisation process is complicated by its unique historical and socio-political landscape. South Africa's struggle to achieve urban sustainable development can be equally attributed to its limited support for secondary cities, which plays a crucial role in addressing urbanisation challenges. These challenges, including chronic poverty, unemployment, job creation, infrastructure provision, small business development, and education and skills development, are likely common to most, if not all (Pillay, n.d.). Supporting these cities with targeted investments, infrastructure, and governance reforms would help alleviate urbanisation challenges, reduce inequalities, and promote more balanced development.

5.2 The Legacy of Apartheid on Urban Development

The apartheid era has left an indelible mark on South Africa's urban landscape. Urban planning during this period was characterised by segregationist policies that marginalised non-white populations, pushing them into poorly serviced, overcrowded areas that have since evolved into informal settlements (Harrison, Todes & Watson, 2008). These settlements, often lacking basic infrastructure and services, are a stark reminder of the inequalities entrenched during apartheid. Despite the end of apartheid in 1994, the spatial and economic disparities it created continue to challenge urban development efforts. Several scholars have highlighted the ongoing impact of apartheid on urban development in South Africa. Turok and Borel-Saladin (2014) argue that the spatial legacy of apartheid still influences the distribution of economic opportunities, with informal settlements often located far from urban centres and employment opportunities. This spatial mismatch exacerbates issues of unemployment and poverty, making it difficult for residents of informal settlements to improve their socio-economic conditions.

5.3 Informal Settlements and Urban Sustainability

Informal settlements have become a prominent feature of South African cities, reflecting both the failures of formal urban planning and the resilience of marginalized communities. Huchzermeyer (2011), informal settlements are often viewed as temporary and problematic, rather than as a permanent and integral part of the urban fabric. This perspective has led to policies focused on eradicating or upgrading informal settlements without fully considering the needs and contributions of their residents. The informal sector, encompassing both informal settlements and economic activities, is a critical aspect of urban life in South Africa. Chen (2012) and Mitlin (2014) argue that the informal sector plays a vital role in the economy, providing employment and services where the formal economy falls short. Despite its importance, the informal sector is often stigmatised and excluded from formal urban planning processes, which limits its potential to contribute to sustainable urban development.

5.4 Lack of Public Engagement

Section 152(1) of the Constitution of the Republic of South Africa, 1996, highlights the critical role of public participation by requiring municipalities to promote the involvement of citizens and public organisations in local government affairs and to ensure the sustainable delivery of essential services to communities. Democracies cannot effectively or efficiently address public needs without active public participation. Despite South Africa having a public participation framework and democratic innovations to promote public engagement, challenges persist, including limited resources, low public interest, corruption, ineffective governance, and insufficient feedback from the government (Gumede, 2021). This leads to insufficient follow-up on issues raised by the public, with the absence of feedback mechanisms further undermining participation.

6 TOWARDS A FRAMEWORK FOR MULTI-STAKEHOLDER MODEL FOR SUSTAINABLE URBAN DEVELOPMENT

The discussion on urbanisation, informal settlements, and multi-stakeholder approaches to urban development in South Africa highlights the complexities and challenges of achieving sustainable urban growth. The legacy of apartheid, the prevalence of informal settlements, and the exclusion of the informal sector from formal planning processes all pose significant barriers to sustainability. However, through adopting a multi-stakeholder approach and recognising the potential of the informal sector, South Africa can work towards more inclusive and sustainable cities. The concept of "Formalising the Informal" offers a promising paradigm for addressing these challenges, suggesting that sustainable urban development is not only possible but also achievable through collaborative and inclusive efforts.

Component	Key Actions	Stakeholders Involved
Inclusive Governance	Establish community forums for participatory planning. Ensure transparency and accountability in decision-making.	Government, Local Communities. Civil Society Organizations
Economic Empowerment	Provide microfinance options for informal sector entrepreneurs. Create skill development programs tailored to the informal sector.	Private Sector, Financial Institutions. NGOs, Community Groups
Infrastructure Upgrades	Invest in basic services (water, electricity, sanitation) for informal settlements. Develop affordable housing close to economic hubs.	Government, Development Partners. Private Sector
Capacity Building	Train municipal officials in collaborative urban management practices. Educate residents about their rights and opportunities within formal systems.	Academia, Government Agencies. NGOs, Local Communities

Figure 2: Multi-Stakeholder Model for Sustainable Urban Development. Source: M. Mndzebele (2025)

In addressing the barriers to sustainable urban development, Figure 2, presents a framework that requires inclusive governance and urban planning that engages informal settlement residents, and civil society organisations and recognising their needs and contributions (Isandla Institute, 2014). This approach can

ensures the establishment of sustainable human settlements through development processes that promote human rights, uphold dignity, and ensure equity. Economic empowerment is a crucial component that supports secondary cities and enables balance development – key strategies providing microfinance options to informal entrepreneurs and creating skill development programs to enhance productivity and inclusion, and financial institutions, and NGOs play vital roles in implementation (International Labour Organization, n.d.). These initiatives stimulate economic growth, reduce inequality, and advance urban resilience. The disparities of apartheid are prominent in many South African cities and manifest in substandard informal settlements. There is a need for urban infrastructure upgrades, even though there are efforts done by the government, investments in infrastructure, housing, and economic opportunities in secondary cities are critical to address regional inequalities and reduce the strain on metropolitan areas. The lack of public engagement in urban spaces is an indication of the need for capacity building. Empowering municipal officials with collaborative urban management practices enhances their ability to address complex urban challenges. Training in participatory governance, conflict resolution, and integrated planning encourages inclusive and responsive urban management. This approach aligns with Sustainable Development Goal 16 by promoting institutional efficiency and equity in service delivery United Nations (2015). The proposed multi-stakeholder framework in Figure 2 encourages adaptive governance that leverages the strengths of all stakeholders, creating urban systems that are both equitable and sustainable. Formalising the informal sector and integrating marginalised communities into urban planning processes, South Africa can create cities that are more inclusive, resilient, and prepared to meet the demands of sustainable development.

7 CONCLUSION

This study highlights the critical importance of adopting a multi-stakeholder approach to formalising the informal sector as a pathway toward sustainable urban development in South Africa. The complexities of South Africa's urban landscape, deeply rooted in its socio-political history, have resulted in widespread informal settlements and a vibrant yet marginalised informal sector. These realities present significant challenges but also offer opportunities for inclusive urban growth. The systematic literature review has highlighted the persistent barriers to sustainable urban development, including the legacy of apartheid, unsupported secondary cities, inadequate public engagement, and the marginalisation of informal settlements and economies. However, the findings also reveal that informal settlements and the informal sector are not merely problems to be eradicated but potential assets that, if properly integrated, can contribute meaningfully to the urban economy and social fabric. The proposed multi-stakeholder approach advocates for the active participation of government entities, local communities, and the private sector in urban planning and policy-making processes. Such collaboration is essential to address the multifaceted challenges of urbanisation and to create cities that are inclusive, resilient, and sustainable. Recognising and formalising the contributions of informal actors can lead to innovative solutions that support economic development, reduce unemployment, and improve living conditions in informal settlements.

Moreover, the study stresses the importance of empowering secondary cities as vital hubs in the broader urban network. Through investing in infrastructure, governance, and local economies in these areas, South Africa can alleviate the pressures on major metropolitan centres and promote more balanced regional development. Achieving sustainable urban development in South Africa requires a paradigm shift that moves beyond top-down planning approaches. Embracing the complexities of informality through a multi-stakeholder framework can pave the way for more equitable and sustainable cities. This approach not only aligns with global sustainability goals but also addresses the unique socio-economic challenges facing South Africa, ultimately enhances urban environments that are inclusive, dynamic, and resilient.

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