



**Women in Informal Employment  
Globalizing and Organizing**

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# **Informal Economy Budget Analysis: eThekweni Metropolitan Municipality (Durban, South Africa)**

Glen Robbins and Tasmi Quazi



# WIEGO Working Papers

The global research-policy-action network Women in Informal Employment: Globalizing and Organizing (WIEGO) Working Papers feature research that makes either an empirical or theoretical contribution to existing knowledge about the informal economy especially the working poor, their living and work environments and/or their organizations. Particular attention is paid to policy-relevant research including research that examines policy paradigms and practice. All WIEGO Working Papers are peer reviewed by the WIEGO Research Team and/or external experts. The WIEGO Publication Series is coordinated by the WIEGO Research Team.

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**Cover photograph by:** Tasmi Quazi

**Photo Caption:** One of many women waste pickers specializing in the collection of cardboard operating from Durban's inner-city.

# Table of Contents

<b>List of Tables</b> .....	<b>2</b>
<b>List of Figures</b> .....	<b>2</b>
<b>List of Acronyms</b> .....	<b>3</b>
<b>Preface</b> .....	<b>4</b>
<b>1. Introduction</b> .....	<b>5</b>
<b>2. Methodology</b> .....	<b>6</b>
<b>3. Overview of the informal economy in Durban</b> .....	<b>7</b>
<b>4. Overview of budget context and process in the eThekweni Municipality</b> .....	<b>8</b>
4.1. The South African local government budget context.....	8
4.2. The eThekweni Municipality's budget process.....	9
4.3. The eThekweni Municipality's budget .....	10
<b>5. Budgeting for the informal economy in Durban</b> .....	<b>13</b>
5.1. Institutional arrangements and the informal economy in the eThekweni Municipality .....	13
5.2. City strategy, budgeting and the place of informal economic activity .....	18
5.3. Direct budget allocations for informal economy programmes.....	25
<b>6. Significant findings from the 2014 Durban IEBA</b> .....	<b>40</b>
6.1. The nature of recent and planned commitments to the informal economy in policy and budgetary terms .....	40
6.2. Reflections on the IEBA method and future research issues.....	42
<b>7. Conclusion</b> .....	<b>44</b>
<b>References</b> .....	<b>45</b>
<b>Appendices</b> .....	<b>46</b>
Appendix 1. eThekweni Municipality Budget resources.....	46

## List of Tables

Table 1:	eThekwini Municipality revenue in recent years.....	10
Table 2:	eThekwini Municipality expenditure in recent years.....	12
Table 3:	BSTMU's various Regional Offices servicing the main regions of eThekwini Municipality and the number of traders with permits per region .....	15
Table 4:	Retail markets and hives listed as units in BSTMU budget .....	16
Table 5:	Summary of selected other Municipal departments/units and their interaction with informal economy (IE) workers.....	17
Table 6:	“Strategic Projects for 2013 and beyond” .....	19
Table 7:	Economic Development and Planning function operating allocations .....	22
Table 8:	Economic Development and Planning function capital allocations .....	24
Table 9:	EDIPU expenditure (Rand) .....	26
Table 10:	List of Town Centre and Township Renewal Projects underway or planned within eThekwini Municipality as reported by EDIPU's Projects Official .....	27
Table 11:	Business Support, Tourism and Markets Unit revenue (excluding tourism) – recent years.....	29
Table 12:	Business Support sub-unit revenue .....	30
Table 13:	Retail markets sub-unit revenue .....	30
Table 14:	Business support sub-unit expenses.....	32
Table 15:	Retail markets sub-unit expenses .....	33
Table 16:	Metro Police indictors from the eThekwini Annual Report 2012/2013.....	37

## List of Figures

Figure 1:	eThekwini Municipality revenue sources as share of total revenue in recent years.....	11
Figure 2:	eThekwini Municipality expenditure categories as share of total expenditure in recent years.....	12
Figure 3:	eThekwini Municipal organogram showing key institutional units and the Deputy City Managers (DCMs) to whom they report between 2001/2 and 2013 .....	14
Figure 4:	Budget allocations to IDP Strategic Objectives - operating expenditure (R '000).....	21
Figure 5:	Budget allocations to IDP Strategic objectives - capital expenditure (R '000).....	22

## List of Acronyms

ABM	Area Based Management
AeT	Asiye eTafuleni
BBBEE	Broad-Based Black Economic Empowerment
BSMU	Business Support and Markets Unit
BSTMU	Business Support, Tourism and Markets Unit (also sometimes referred to as BSMT Unit)
CBD	Central Business District
CSI	Corporate Social Investment
DCM	Deputy City Manager
DSW	Durban Solid Waste
DTI	Department of Trade and Industry
EDIPU	Economic Development and Investment Promotions Unit (also known as EDU)
EMM	Early Morning Market
ETA	EThekweni Transport Authority
EU	European Union
FIFA	Fédération Internationale de Football Association
IDP	Integrated Development Plan
IE	Informal Economy
IEBA	Informal Economy Budget Analysis
IEMS	Informal Economy Monitoring Study
IPAP	Industrial Policy Action Plan (of the Department of Trade and Industry)
IRPTN	Integrated Rapid Public Transport Network
iTRUMP	inner Thekwini Renewal and Urban Management Programme
ITSBO	Informal Trade and Small Business Opportunities
KZN COGTA	KwaZulu-Natal Cooperative Governance and Traditional Affairs
LED	Local Economic Development
MTREF	Medium Term Revenue and Expenditure Framework
PRC	Parks, Recreation and Culture (Unit)
NPDG	Neighbourhood Partnership Development Grant
PSIR	Policy, Strategy, Information and Research
RSC	Regional Services Council
SARS	South African Revenue Services
SDBIP	Service Delivery and Budget Implementation Plan
SMME	Small, Medium and Micro Enterprises
WIEGO	Women in Informal Employment: Globalizing and Organizing

# Preface

WIEGO's Informal Economy Budget Analysis (IEBA) examines how government budgets address the needs and interests of different groups of informal workers. It also explores what opportunities exist for informal workers (or their representatives) to participate at different stages of the budget process.

Pioneered by the women's movement, interrogation of resource allocation within government budgets has proved to be a powerful policy analysis and advocacy tool. WIEGO has adapted these techniques for the informal economy.

IEBA was developed and tested in South Africa by Debbie Budlender, Francie Lund, Caroline Skinner, and Imraan Valodia as part of the Durban Informal Economy Policy Process. WIEGO then commissioned an analysis of government budgets from an informal economy perspective in several cities across Asia, Africa and Latin America.

For more information see: <http://WIEGO.org/WIEGO/informal-economy-budget-analysis>.

# 1. Introduction

The eThekweni Municipality has estimated that approximately one in four employed persons in the metropolitan region are working informally (UrbanEcon, 2012: 101). The Municipality, in its commissioned report of 2012, also notes that, due in part to the effects of the 2008 recession, the number of informally employed individuals grew from over 233,000 in 2006 to almost 263,000 in 2011 (UrbanEcon, 2012: 102). It is thus no surprise that the Municipality makes explicit reference to challenges related to employment and, more specifically, informal employment in its strategic documents, such as the Integrated Development Plan 2012/13 to 2016/17 (eThekweni Municipality, 2013a) and in its Economic Development and Job-Creation Strategy 2012-2017 (Economic Development Unit, eThekweni Municipality, 2012).

The identification of the informal economy and/or informal employment in the context of major unemployment and poverty challenges facing the city has been a feature of policymaking in the eThekweni Municipality for more than twenty years (Dobson and Skinner, 2009). The local government predecessor to the eThekweni Municipality, the Durban Metropolitan Council, was the first of South Africa's large cities to adopt a supportive framework for the development of those working informally in the City (Economic Development Unit, Durban Metropolitan Council, 2001).

eThekweni's Municipal budget, for the current 2014/15 budget year, amounts to R38.8 billion and funds a wide range of operating and capital programmes across the 2,297km<sup>2</sup> area of the metropolitan municipality with its population of some 3.4 million people<sup>1</sup> (eThekweni Municipality, 2013a: 20). This report, part of the WIEGO Informal Economy Budget Analysis series, examines the nature and associated trends of allocation and expenditure in the eThekweni Municipal Budget for activities that have a direct and indirect impact on those working informally. This report follows two prior research exercises which looked at informal economy budgeting in the eThekweni Municipality and its predecessor structure, the Durban Metropolitan Council.

The report begins with an outline of the methodology used in the research. This is followed by an overview of the informal economy in Durban, drawing in part from the recent WIEGO Informal Economy Monitoring Study (IEMS) in the city. This is followed by a discussion of some of the features of the budget process in Durban, including an overview of the city-wide eThekweni Municipality budget in recent years. The report then moves on to the core discussion of budgeting for the informal economy in the eThekweni Municipality. In order to set the context for this more detailed discussion, the report first offers comment on both the evolution of the city's strategies and institutional arrangements connected with these strategies. This is then followed with the bringing together of analysis of selected budget issues relevant to the informal economy both from an examination of budget documentation and generated from interviews with city officials. The report concludes with some of the key issues identified that could form part of future dialogue efforts around budgeting for the informal economy in Durban.

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<sup>1</sup> eThekweni Municipality is South Africa's third largest city by population after the largest, Johannesburg and the second largest, Cape Town.

## 2. Methodology

This exercise has been informed by the methodology developed through WIEGO's past Informal Economy Budget Analysis studies in Durban and other cities.<sup>2</sup> The research team compiled a primary and secondary list of officials working in the Municipality who were either knowledgeable about the eThekweni Municipality's budgeting processes and/or intimately involved in programmes impacting on the informal economy. A semi-structured questionnaire was used for the interviews.

The researchers interviewed municipal officials at a middle or upper-management level in the following municipal departments:

- City Treasury
- Business Support, Markets and Tourism Unit
- Economic Development Unit (x2)
- City Architecture
- eThekweni Metropolitan Transport Authority
- Area-Based Management

Over and above the interviews with respondents, both researchers had participated in the Municipality's 2014/2015 Budget Hearings (during April 2014). Extensive information was also obtained from various documents obtained from the [www.durban.gov.za](http://www.durban.gov.za) web site or provided by Municipal officials during interviews. Information was also obtained from public relations material issued by the Municipality in the local press and in support of its programmes. Both researchers have also participated in a variety of informal economy processes in the City over the years. They were thus able to draw on their interactions with organizations working with the informal economy as well as representatives of informal worker groups.

Where possible, attempts were made to reconcile different figures provided in the report. The main focus in respect of the budget figures provided in this report was on 2012/13 and 2013/14 budget figures and, where possible, actual expenditure records. In order to try and provide some sense of change over time, budgets for preceding years are also reflected in some instances. The planned budget figures used are those as proposed and adopted by the Municipality. For a range of reasons, these do not always coincide with approximate expenditure and revenue figures published in:

- Municipal Estimates Reports – which record the planned budget for the current year and forthcoming year as well as likely current year spend taking account of mid-year adjustments and actual spending trends;
- Annual Reports – which are required in policy as part of the municipal reporting framework to other spheres of government and the public; and/or
- Audited Financial Statements – a legal requirement of all municipalities and government departments/entities.

Reasons for a divergence between planned spend and revenue and approximate or final figures could include the cancellation or postponement of a project, problems with supply chain management (procurement), staff vacancies and other unforeseen factors. Further, the Municipality budgets on the basis of expectations with respect to its own revenue (taxes, administrative charges and utility income) and various types of grant income from other spheres of government. All of these are subject to some change within a budget year. For these reasons, some effort was made to try and understand larger changes or shifts in expenditure across a number of budget years.

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<sup>2</sup> See [http://WIEGO.org/sites/WIEGO.org/files/publications/files/Budlender\\_WIEGO\\_TB1.pdf](http://WIEGO.org/sites/WIEGO.org/files/publications/files/Budlender_WIEGO_TB1.pdf).



### 3. Overview of the informal economy in Durban

According to data from the Statistics South Africa's Quarterly Labour Force Survey and the most recent Survey of the Employed and Self Employed, 15.8 per cent of South Africa's employed population work in an informal enterprise (Statistics South Africa, 2013; Statistics South Africa, 2014: slide 11), and contribute between 5-6 per cent of the country's Gross Domestic Product (GDP). Even though these figures are thought to underestimate informal economic activity in the economy, they do provide a sense of its importance in the context of overall economic performance of the country and in terms of the significance of this activity to households. Further, in 2014, 18.2 per cent of people employed in KwaZulu-Natal worked in an informal enterprise (Statistics South Africa, 2014: slide 1).

A report commissioned by the eThekweni Municipality in 2012 reported that 24 per cent - or around 260,000 people - of the Metropolitan region's total number of employed people in 2011, were in informal employment (UrbanEcon, 2012: 101-102). It is likely that this estimate relates to the informal sector rather than informal employment more broadly defined. Evidence suggests that there has been an increase in informal employment in Durban, linked to the decline of key manufacturing industries such as the clothing and textile industry (Mkhize et al., 2013). In the IDP, the Municipality reports that around 993,000 of the 3.4 million population of the City were employed in 2012 (eThekweni Municipality, 2013a). Informally employed individuals made up just over a quarter of those employed (eThekweni Municipality, 2013a: 32)

eThekweni Municipal officials, as well as informal economy policy documents in the Municipal and Provincial spheres use terms such as "informal traders," "street traders" and "street vendors" loosely and interchangeably to describe various groups of informal workers. The institutional focus predominantly falls on public space traders and retail market traders who are controlled and managed by various municipal departments, particularly around major transport nodes, which attract informal traders who depend on the commuter footfall for their businesses.

Four large surveys have tried to determine the numbers and socio-economic dynamics of informal traders in Durban. In 2010, a census and survey of informal traders, commissioned by StreetNet International, estimated that there were close to 50,000 traders in Durban (Mkhize et al., 2013 cite Reform Development Consulting, 2010: 9). The great majority, at 94 per cent of Durban informal traders, are classified as African. This is over-representation when compared to their 74.1 per cent share of eThekweni's total population according to the 2011 Census.

In the 2012 Informal Economy Monitoring Study (IEMS) commissioned by WIEGO, informal traders reported the major challenges hindering their businesses. Access to basic and work-related infrastructure was identified as the major issue, cited by 14 of 15 focus groups. In addition, 56 per cent of the traders surveyed reported not having access to toilets while 21 per cent did not have running water. Three quarters of the informal traders interviewed reported having no shelter from the elements while working, while nearly half of the traders did not have access to storage. Further, those with access to storage reported that their goods are stolen or spoilt while in storage. The situation is reportedly worse in the city centre than in the outlying areas. The second most serious negative driving force cited by the focus groups was the police, as 53 per cent of traders identified confiscation of property as a significant problem. When goods are confiscated, traders reported that their goods are either damaged or they are never returned at all. Traders added that the fines charged are often onerous and vary from one officer to the next. All of these challenges are ones which the Municipality has some power to address.

## 4. Overview of budget context and process in the eThekweni Municipality

This section opens with information on the municipal/local government budgeting environment in South Africa and in Durban. This is followed with an overview of the eThekweni Municipality budget as a whole.

### 4.1. The South African local government budget context

The municipal budgeting process in the eThekweni Municipality is guided by the provisions in South Africa's 1996 Constitution and by subsequent legislation that gave effect to the provisions in the Constitution (Government of the Republic of South Africa, 1996). South Africa's Constitution sets out local government as a specific sphere of government with its own powers and functions, thus providing for decentralized political and administrative structures at the local government level that are somewhat autonomous from national and provincial structures of government. In line with post-apartheid local government reforms, the National Government issued a White Paper on Local Government in 1998 (Department of Provincial and Local Government, 1998) which set out the intended policy focus of local government, matters related to institutional structures and an approach to financing local government. The Municipal Structures Act (Act 117 of 1998) and Municipal Systems Act (Act 32 of 2000) provided the basis for local government restructuring to move beyond the remnants of apartheid local government. In these pieces of legislation, the Category A, or Metropolitan municipal councils (the category in which eThekweni falls), were set out as having wider powers and functions than those municipalities of categories B and C in districts and smaller towns.

The White Paper on Local Government, and the other pieces of legislation, frame the role of local government, as guided by the Constitution, as being: "(a) To provide democratic and accountable government for local communities; (b) to ensure the provision of services to communities in a sustainable manner; (c) to promote social and economic development; (d) to promote a safe and healthy environment; and (e) to encourage the involvement of communities and community organizations in the matters of local government" (Government of the Republic of South Africa, 1996: Section 152). Subsequent legislation, such as the Municipal Finance Management Act (Act 56 of 2003) and the Municipal Property Rates Act (Act 6 of 2004), provide a detailed framework for the management of municipal finances, including the budgeting processes, whereas with the Municipal Systems Act, considerable focus is given to ensuring public participation in budgeting processes and accountability in the monitoring of expenditure.

Municipalities in South Africa rely on a combination of own revenue and national government grants to fund their activities. Sources of own revenue are usually a mix between property taxes (generated on residential, commercial and industrial property) and user charges from utility service provision (for example electricity and water charges). Local government is also funded by national government through an unconditional grant of funds from national revenue called the Equitable Share. This grant is intended to cover the costs of service provision and free basic services to the poorest citizens in the Municipality, with the grant sum being calculated through a formula derived from a combination of population and poverty indicators.<sup>3</sup> Municipalities are also entitled to apply for various conditional grants administered by national and provincial government departments. These include grants allocated to qualifying municipalities for public housing, basic infrastructure, public transport services and infrastructure and urban renewal.

South Africa's largest cities tend to generate most of their revenue from their own sources, followed by equitable share and conditional grants. At various points in time, additional national funding is made available through specific allocations – such as the funds to assist cities in hosting the 2010 FIFA World Cup and more recent allocations for public transport restructuring to help cities introduce bus rapid transport-type systems.<sup>4</sup>

<sup>3</sup> For further information on this see the website of the Financial and Fiscal Commission: [www.ffc.co.za](http://www.ffc.co.za).

<sup>4</sup> For further information on South African city municipal budgets in comparative perspective, see various reports from the South African Cities Network: <http://www.sacities.net/what-we-do/programmes-areas/well-governed/finance/state-of-cities-finance-reporting>.

Local governments in South Africa are expected to approve a 3-5 year Integrated Development Plan (IDP) that sets out how each local government will focus on various programmes that are deemed a priority. The IDPs are reviewed by the Provincial Department of Cooperative Governance and Traditional Affairs as well as the National Department of Cooperative Governance on an annual basis and revised by the Municipality if necessary. The IDPs are supposed to be developed on the basis of public participation involving all possible municipal stakeholders and are also issued for public comment as part of the annual review exercise. Municipalities are required to set performance indicators in these plans and put in place monitoring and reporting systems that track these indicators in terms of outputs (results of projects such as the number of low-income houses built) and outcomes (broader socio-economic indicators such as employment or those related to quality of life). Each IDP is required to be supported by a rolling three-year Medium Term Revenue and Expenditure Framework (MTREF) – in effect, a proposed budget for each of the three years of the IDP setting out proposed revenue sources, projected tariffs and proposed expenditure allocations. Each of these documents must be made available for public comment and then again when the documents are approved by a meeting of the full municipal council.

Alongside these framing policy documents (the IDP and MTREF), the municipality is also required to produce an annual budget (which must be specified within the framework of an MTREF). For instance, a budget is provided for the financial year 2013/14 within the context of an MTREF for 2013/14 – 2015/16. At the end of each financial year, after some months of consolidating figures, the municipality is obliged to produce an Annual Report based on audited financials and setting out what it achieved in relation to the programmes of the IDP and the planned expenditure. The annual Auditor General report is produced after analysis of financial year figures and can take almost a full year to be generated.

## 4.2. The eThekweni Municipality's budget process

In the eThekweni Municipality, the budget process is set out as follows in its Budget Policy document:<sup>5</sup>

- 31 August – The Mayor presents an IDP and budget process plan to the Executive Committee of the Council (10 months prior to the budget having to be adopted);
- September and October – Strategic internal workshops convened to explore budget implications of the IDP and MTREF;
- A draft MTERF is tabled with the Council on 31 March together with the draft resolutions and budget-related policies (policies on tariff setting, credit control, debt collection, indigents, investment and cash management, borrowings, etc.);
- April - The Municipality must undertake regional budget hearings to encourage public participation;
- The final budget must be tabled for approval on or before 31 May for implementation from 1 July (including various resolutions on matters such as tariffs).

It is intended and in fact specified in a range of policy documents and legislation that the Municipality undertakes consultation on the budget. This is reflected, to a degree, in the main process steps set out above. However, despite a concerted publicity campaign to educate citizens about some of the main features of the budget (including issuing of pamphlets, press articles and advertorials) and a handful of budget hearings, the extent of effective participation remains quite limited.<sup>6</sup> In the budget hearings for 2014/15 for instance, organized business was the only grouping selected for special “sector” engagement, thus excluding informal workers. In addition, these hearings were compressed meetings where large amounts of technical information, largely not directed to the particular needs of informal workers, were presented by senior Municipal officials but with limited time for public input. Despite this, diverse issues were raised after some of the meetings. However, there was no published record of the meetings and no indication as to whether there was follow up of the issues raised. There were some instances in the budget hearings where municipal officials referred to opportunities for public participation in ward council meetings and IDP processes.

<sup>5</sup> See [http://www.durban.gov.za/Resource\\_Centre/Policies/Documents/Budget\\_Policy.pdf](http://www.durban.gov.za/Resource_Centre/Policies/Documents/Budget_Policy.pdf) (accessed on 6 August 2014).

<sup>6</sup> A finding also supported by other studies such as Robbins *et al.*, 2015 (forthcoming); and Mergote (2012).

Although other municipal planning processes, such as those associated with the IDP, are intended to capture the views of citizens in their wards, the overwhelming focus of these engagements is on delivery of Municipal basic services and housing in poorer neighbourhoods and on maintenance and service quality issues in better-off neighbourhoods. This is despite the fact that the Municipality's own Quality of Life surveys, and even ward-level engagements for the IDP and the like, identify job creation as a major concern. Nevertheless, as discussed in later sections, individual units within the Municipality do engage over specific projects or processes with some informal economy actors.

### 4.3. The eThekweni Municipality's budget

Two key dimensions of the municipal budget need to be outlined in any discussion of local government finances. The first of these relates to revenue sources or income and the second to expenditure. As has already been noted, the eThekweni Municipality, like other large cities in South Africa, obtains the bulk of its income/revenue from its own sources (property rates and service charges to municipal households). The remainder comes from various government grants (both unconditional and conditional) and also from loans that the Municipality secures from a range of private and public institutions. Some of the grants are recognized in the consolidated budget figures under the line item "Transfers – recognized (capital)" and under revenue such as "Transfers – operational" (the so-called Equitable Share allocation). However, some of the grant funding remains with the Provincial Government that processes payments for things such as public housing projects. This latter funding cannot be seen in the Municipal budget documents.

**Table 1: eThekweni Municipality revenue in recent years**

MTREF 2013/14 to 2015/16 R '000	FINANCIAL YEARS				
	2009/10*	2010/11*	2011/12*	2012/13**	2013/14***
<b>Major budget categories</b>					
Revenue (excl. capital transfers)					
<i>Property rates</i>	4,236,363	4,152,655	4,465,624	4,967,942	5,136,991
<i>Service charges</i>	7,841,496	9,891,173	11,394,609	12,499,079	14,544,024
<i>Investment revenue</i>	201,693	129,284	129,165	442,084	374,237
<i>Transfers - operational</i>	1,483,128	1,631,911	1,858,821	2,026,005	2,425,637
<i>Other own revenue</i>	3,060,289	2,503,907	3,101,334	2,769,546	3,110,885
<i>TOTAL REVENUE (excl. capital transfers)</i>	16,822,969	18,308,930	20,949,553	22,704,656	25,591,774
<b>Transfers - recognised (capital)</b>	2,271,869	981,135	1,550,919	1,631,745	3,122,296
<b>TOTAL REVENUE</b>	<b>19,094,838</b>	<b>19,290,065</b>	<b>22,500,472</b>	<b>24,336,401</b>	<b>28,714,070</b>

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

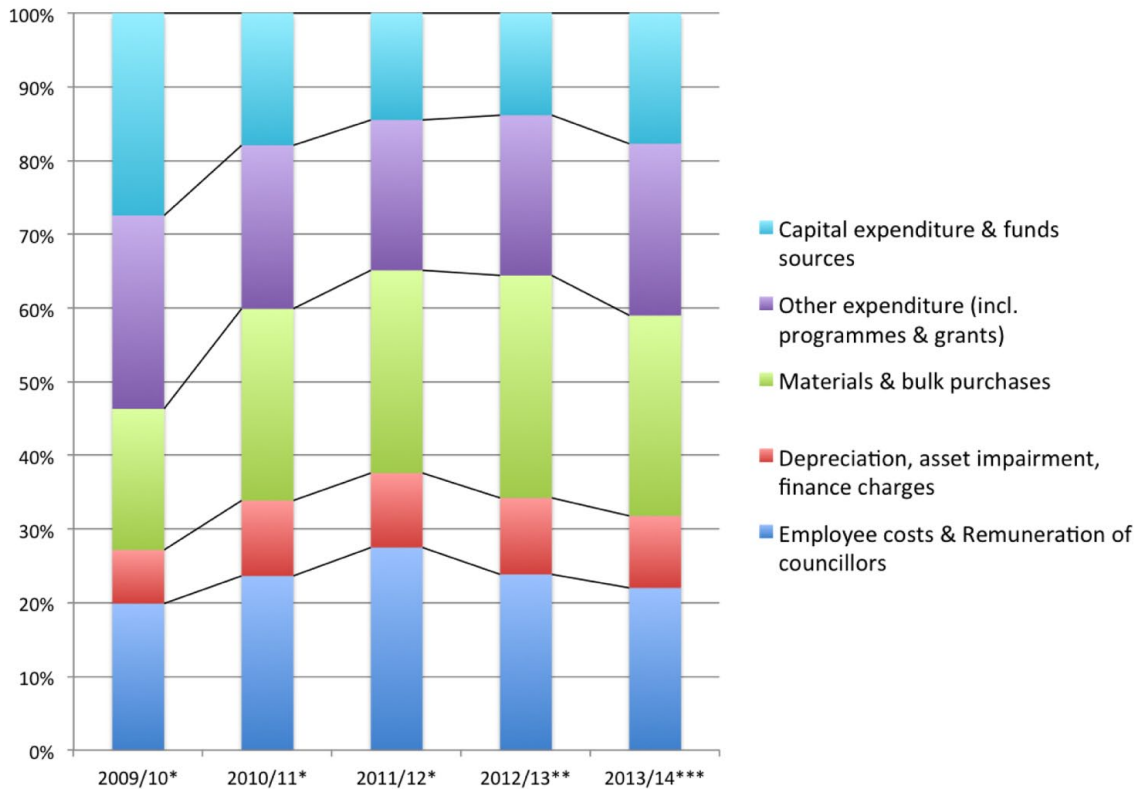
\*\* Actuals from eThekweni Municipality, 2014b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

As can be seen from Table 1, there has been consistent nominal growth, and, across the selected years, real revenue growth too (with nominal annual average growth at 11 per cent between 2009/10 and 2013/14 as against average inflation of 5-6 per cent for this period). Own revenue sources related to property rates and service charges have remained the most significant. This is important in that these own revenue sources for the Municipality enable a high degree of local autonomy with respect to spending choices. However, the bulk of capital transfers from other spheres of government are in the form of conditional grants (most of which are included in the table above).

In terms of broad revenue trends, Figure 1 shows a fair degree of consistency in revenue sources as a share of total revenue across recent years. The most irregular source of revenue is that related to capital grants (mostly conditional grants from national government). The unevenness seen in Figure 1 is influenced by a number of factors. Firstly, the period under selection included the latter years of national government funding for the 2010 FIFA World Cup (2009/10) and also the first years (2013/14) of major new flows of capital funding related to integrated rapid transport restructuring in the city. Licenses and permits for those in the informal sector and fines levied for by-law infringements are included as a tiny fraction of “Other own revenue”.

**Figure 1: eThekweni Municipality revenue sources as share of total revenue in recent years**



**Source notes:**

- \* Audited Financials from eThekweni Municipality, 2013b.
- \*\* Actuals from eThekweni Municipality, 2014b.
- \*\*\* Planned budget from eThekweni Municipality, 2013b.

Obviously annual increases in property tax rates and in service charges, as well as administrative charges (permits, fines etc.) also influence the growth of revenue. Much of the “Transfers – operational” category (shown in Table 1) is the national Equitable Share grant, which is aimed at supporting the provision of an element of free basic services for the urban poor. Nevertheless, there is growing pressure from the National Treasury on municipalities to ensure that revenue from service delivery provides for full recovery of costs as well as provisioning for future maintenance and capital replacement/expansion. This has seen consistent above inflation increases in both property rates (already the highest of all South Africa’s large cities) and in service charges.

With regard to expenditure (see Table 2 and Figure 2) there are two broad categories that make up the budget, namely operating spending (staffing costs and non-capital programmes including general maintenance) and capital spending where fixed and substantial moveable assets (that depreciate over a number of years) are acquired/developed by the Municipality.

Table 2: eThekweni Municipality expenditure in recent years

MTREF 2013/14 to 2015/16 R '000	FINANCIAL YEARS				
	2009/10*	2010/11*	2011/12*	2012/13**	2013/14***
<b>Major budget categories</b>					
Expenditure					
<i>Employee costs</i>	4,633,319	4,913,878	6,576,031	5,883,084	6,683,886
<i>Remuneration of councillors</i>	73,969	77,919	84,751	88,538	104,516
<i>Depreciation &amp; asset impairment</i>	1,236,808	1,466,639	1,586,813	1,666,244	1,842,017
<i>Finance charges</i>	484,290	692,817	860,878	931,766	1,168,516
<i>Materials &amp; bulk purchases</i>	4,531,944	5,495,517	6,666,970	7,557,474	8,387,215
<i>Transfers &amp; grants</i>	139,488	132,121	126,094	173,991	190,713
<i>Other expenditure</i>	6,067,090	4,547,972	4,812,845	5,271,754	6,989,174
<i>TOTAL EXPENDITURE</i>	17,166,908	17,326,863	20,714,382	21,572,851	25,366,037
Capital expenditure & funds sources	6,499,769	3,787,882	3,515,471	3,468,713	5,466,767
<b>TOTAL EXPENDITURE</b>	<b>23,666,677</b>	<b>21,114,745</b>	<b>24,229,853</b>	<b>25,041,564</b>	<b>30,832,804</b>

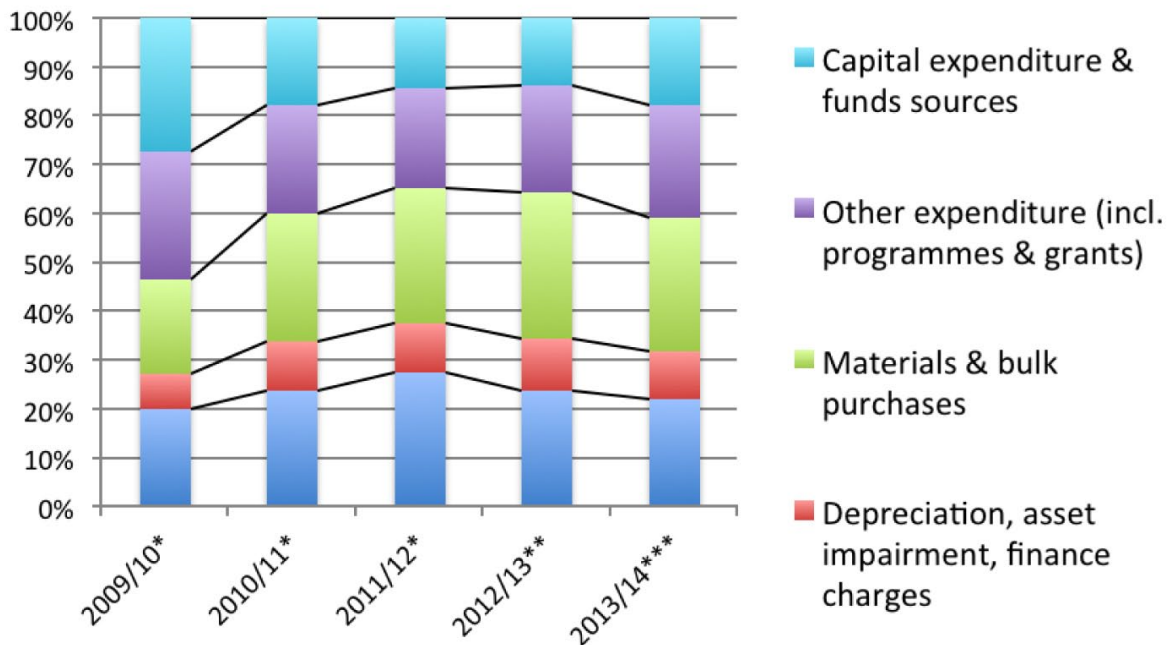
**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Actuals from eThekweni Municipality, 2014b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

Figure 2: eThekweni Municipality expenditure categories as share of total expenditure in recent years

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Actuals from eThekweni Municipality, 2014b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

## 5. Budgeting for the informal economy in Durban

The primary focus of this section is informal economy-related allocations in the eThekweni Municipality. However, in order for the reader to appreciate the roles of different parts of evolving Municipal institutions in relation to the informal economy, the section begins with a discussion on eThekweni Municipality institutional arrangements generally and as they have pertained to the informal economy more specifically in recent years. Over and above these institutional factors, it is also necessary to discuss the content of the Municipality's strategy documents in terms of their engagement with matters relevant to the informal economy. The approach is discussed in the context of the Municipality's broader strategic orientation. This section then moves on to look at the direct budgetary allocations to informal economy-related programmes in the Municipality's budget.

### 5.1 Institutional arrangements and the informal economy in the eThekweni Municipality<sup>7</sup>

The eThekweni Municipality, and its predecessor institutions, have for many decades identified a role for themselves with respect to informal economic activities. In fact, business licensing and permitting, business by-law development and enforcement as well as land-use controls go back to the origins of formal local government in Durban with some by-laws – such as those pertaining to use of pavements – having remained largely unchanged for many decades. Historically, these elements of the Municipal approach to informal economic activities tended to be heavily influenced by colonial and later apartheid policies. This resulted in the application of highly differentiated policies by race and across different spaces. However, for many years in the twentieth century, these activities were managed across a wide range of municipal departments as a relatively minor feature of their mandated functions.

It was only with the break-down of apartheid urban controls in the 1980s that issues of trading in public space forced the then Municipality structures to bring informal trade matters together with markets administration and small business development into what became known as the Informal Trade and Small Business Opportunities (ITSBO) Unit under its own manager. At the same time, the Durban City Council started to consolidate urban design and development programmes in the Warwick Avenue area of the CBD of Durban, where a large concentration of public space traders and market traders clustered around the public transport facilities and taxi ranks. During this period, the local government in Durban pioneered an approach of working with traders to enhance their trading circumstances through combinations of infrastructure investment and urban management (Dobson & Skinner, 2009).

#### 5.1.1 The evolution of economic development and business support structures

During the late 1990s, with the creation of the Durban Metropolitan Council, ITSBO remained under the Durban Central Council while the Metropolitan Council's Economic Unit (later changed to Department), began to focus on city-wide policy issues with respect to the informal economy. Other municipal sub-structures during this transitional phase, such as the Inner West Council, had a handful of staff to oversee informal trade enforcement and a few markets and trader facilities. The Durban Metro Council, through the Economic Development Unit, also began allocating funds to capital investment projects for informal trade and small business development projects in areas outside the Durban CBD.

The combined experiences of the Warwick Avenue projects, ITSBO's management of traders and market operators and economic development staff of the Metropolitan and various local Councils were subsequently drawn upon in the development of the Durban Informal Economy Policy (Economic Development Unit, 2001). This set out the imperative for greater institutional coherence in support of the many facets of informal economic activity across the length and breadth of the city (alongside a wide range of other policy recommendations).

<sup>7</sup> The material in this section is drawn from a combination of interview notes gathered during this IEBA, from various documentary sources such as Dobson & Skinner (2009) and from the researchers' own recollections of their participation in the processes described.

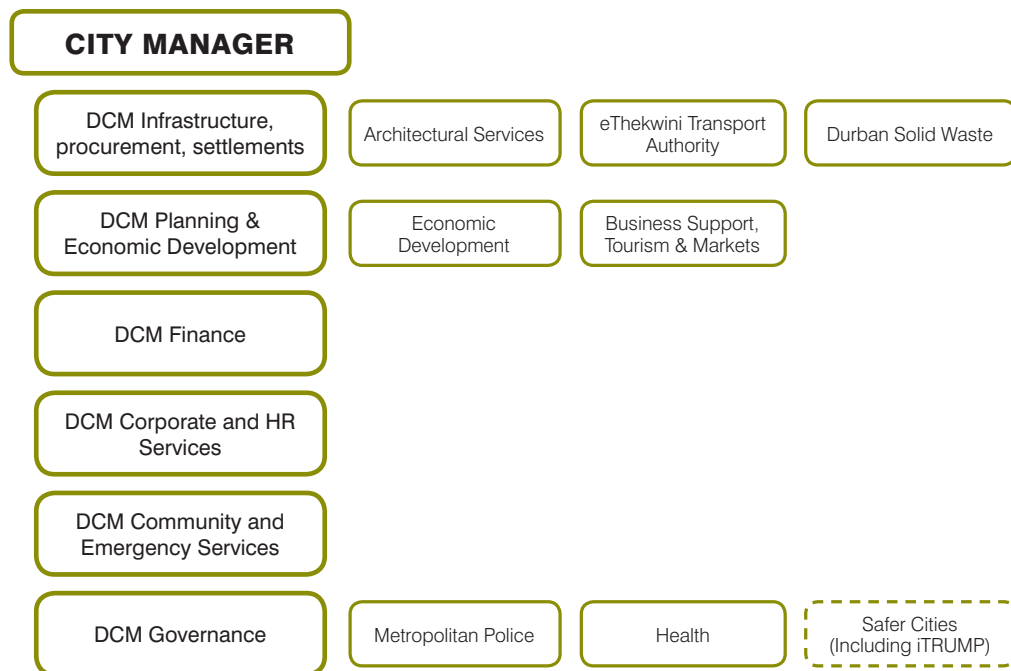
In 2001, with the creation of the eThekweni Municipality as a single metropolitan local government, the mandate for dealing with informal economy and small business matters, including the management of facilities such as markets, was handed over to the newly created Business Support and Markets Unit (BSMU). In parallel to this, the Municipality also began to experiment with forms of Area Based Management (ABM). In the Durban inner city, the Inner Thekwini Renewal and Urban Management Programme (iTRUMP) Unit was formed with a mandate to run programmes and planning in areas with the highest concentration of informal traders such as the Warwick Triangle. During this time, the iTRUMP ABM pilot, together with other relevant departments, implemented and facilitated a number of projects resourced by European Union (EU) funding<sup>8</sup>.

During the early to mid-2000s, the Economic Development Unit began to consolidate a role focused on economic information and strategy, and support for formal business in priority sectors. At the same time, the BSMU faced ongoing pressures from public and private sector actors for a more robust approach to management of public space trading in a context where political leaders were losing interest in investing in facilities for informal trade. Concurrently, a burgeoning small business community clamoured for Municipal support and access to Municipal procurement. Into this mix, the Municipality then added the Tourism marketing and development function to BSMU, so it became the Business Support, Tourism and Markets Unit (BSTMU) in 2006.

### 5.1.2. Contemporary institutional arrangements: economic development and business support

The processes described above culminated in the present-day arrangements where the BSTMU is seen as being primarily responsible for informal economy policy, regulation and support (including managing facilities). The Economic Development and Investment Promotion Unit (EDIPU) carries the responsibility for managing – often together with other Municipal departments – a variety of urban renewal projects and for developing an overall city-wide economic development strategy. Figure 3 highlights the institutional location of the BSTMU and EDIPU as well as other relevant units discussed later.

**Figure 3: eThekweni Municipal organogram showing key institutional units and the Deputy City Managers (DCMs) to whom they report between 2001/2 and 2013**



Note: Safer Cities is in fact a programme under the office of the DCM Community & emergency services (Source: Researchers representation from interviews with Municipal Officials)

<sup>8</sup> This funding from the EU during the 2002/03-2007/08 period was in the form of budget support and thus gave the Municipality considerable discretion, within a financing agreement, as to how to allocate the resources across agreed programmes.



### 5.1.2.1. Business Support, Tourism and Markets Unit (BSTMU)

BSTMU's mandate is to provide integrated non-financial support to businesses, including the formal and informal, SMMEs and cooperatives (BSTMU Official). In relation to informal trade, BSMTU is focused on support programmes and management of spaces where informal traders operate. BSTMU is divided into four branches:

- 1) Bulk markets - where local farmers are provided a platform to sell their produce and the public, including informal traders that sell fresh produce, are able to buy in bulk;
- 2) Tourism - responsible for marketing city-wide tourism projects and including some of the informal markets and facilities;
- 3) SMMEs – which is geared towards enabling the growth and development of SMMEs and cooperatives through capacity development or skills programmes; and lastly,
- 4) Informal economy and retail markets branch - focusing on the implementation of the informal economy policy, proposing bylaws, facilitating public processes within urban development processes, dealing with permits, allocating sites, on-site management, ensuring compliance with environmental health and safety regulations, and prioritizing and overseeing the budget for infrastructural projects for the informal economy.

The geographic reach for intervening in informal economy nodes has expanded, since 2001, from the CBD to include five other regions, as represented in Table 3 below which lists the different regions and the number of informal traders with permits per region. Table 4 shows the list of the markets and hives supported by BSTMU throughout the City. Internally, the Unit comprises thirty-one staff members and each of the six regional offices is staffed by one manager, three liaison officers and one officer in charge of processing of permits.

**Table 3: BSTMU's various Regional Offices servicing the main regions of eThekweni Municipality and the number of traders with permits per region**

<b>BSTMU's Priority Regions</b>	<b>Number of permitted informal traders</b>
CBD	6903
Coastal	1308
Inner & Outer West	1912
North	1029
South	1802
Upper North	1046
<b>Total</b>	<b>14 000</b>

(Source: BSTMU Official)

**Table 4: Retail markets and hives listed as units in BSTMU budget**

<b>Retail Markets (covered markets)</b>	<b>Business Support markets, hives, stalls</b>	<b>Other trader facilities planned for some possible funding (2014-17)</b>
<ul style="list-style-type: none"> <li>• Central Market</li> <li>• Early Morning Market</li> <li>• Cato Manor Market</li> <li>• English Market</li> <li>• Herb Sellers' Market</li> <li>• Umlazi Market</li> <li>• Fragrance Street - Chatsworth</li> <li>• Ezimbuzini – Umlazi</li> <li>• Bangladesh Market</li> <li>• Tongaat Day Market</li> <li>• Tongaat Early Morning Market</li> <li>• Verulam Day Market</li> <li>• Verulam Market</li> <li>• Brookdale Market</li> <li>• Phoenix Plaza Market</li> <li>• Hammarsdale Market</li> <li>• Farmers Retail Market*</li> <li>• Loco Plaza Market - CBD (Workshop)*</li> <li>• Wyebank Market*</li> <li>• Hammarsdale Market*</li> <li>• Church Walk Market*</li> <li>• Mansell Road Market*</li> </ul>	<ul style="list-style-type: none"> <li>• Early Morning Market**</li> <li>• INK Construction Incubator</li> <li>• Clairwood Hive</li> <li>• Cato Manor Entrepreneurial Support Centre</li> <li>• Bacus Road</li> <li>• Wiggins SME Units</li> <li>• Newlands East Plaza</li> <li>• Ezimbuzini Hive</li> <li>• Isipingo Market</li> <li>• Umlazi SME Units</li> <li>• Besters SME Units</li> <li>• Mahawini Small Business Units (Hives)</li> <li>• KwaMashu Peoples Market</li> <li>• Bombay Walk</li> <li>• Besters Peoples Market</li> <li>• Cato Manor Markets</li> <li>• Newland East</li> <li>• Markets informal</li> </ul>	<ul style="list-style-type: none"> <li>• KwaMakhutha Business Hive</li> <li>• Ezimbuzini Mechanics Structure</li> <li>• Provision of Street Traders Shelters</li> <li>• Tongaat Storages and Ablution Facilities</li> <li>• Verulam Storage and Ablution Facilities</li> <li>• Isipingo Traders Shelters</li> <li>• Ezimbuzini Herb Market</li> <li>• Old Rest River upgrade</li> <li>• Mangosuthu Traders Kiosks</li> <li>• 16 Inwabi Road Business Hive &amp; offices</li> <li>• Desai informal traders kiosk</li> <li>• Toti traders shelters</li> <li>• CBD Bovine Head Market</li> <li>• Umlazi V Node</li> <li>• KwaMnyandu Traditional Food Market</li> </ul>

\* Listed in other sources such as [http://www.durban.gov.za/City\\_Services/BST\\_MU/Documents/eThekwinRetail\\_and\\_FleaMarkets\\_updated.pdf](http://www.durban.gov.za/City_Services/BST_MU/Documents/eThekwinRetail_and_FleaMarkets_updated.pdf)

\*\* Listed but no costs associated with it in Business Support Budget.

(Source: eThekwin Municipality, 2014b and web sites noted above)

### 5.1.2.2. Economic Development and Investment Promotions Unit (EDIPU or EDU)

Within EDIPU, there are four different branches, namely, Policy, Strategy, Information and Research (PSIR); Sector programmes; Projects; and lastly, Investment Promotion. EDIPU's PSIR branch is responsible for developing the policies and strategies for economic development in the City (PSIR Official). The Unit has a detailed strategy document which is used to guide its activities.<sup>9</sup> EDIPU's PSIR Official reported that prior to November 2013; BSTMU developed strategies and policies in relation to the informal economy, including setting up policy dialogues. However, she added that in the future, the Municipality's intention is that informal economy policy development will be done by the PSIR branch in conjunction with BSTMU. The reason for the proposed shift is that BSTMU's policy focus has mostly been on developing urban management and business support frameworks, and it is believed that EDIPU will promote the broader economic development thinking required to frame the informal economy.

The role of EDIPU's Projects branch is to develop planning strategies and implement urban development projects and capital infrastructure in key nodes with the aim of leveraging new investment and ensuring retention of businesses (EDIPU's Projects Official). Currently, this branch is focused on delivering urban renewal projects, which are being rolled out in town centres and townships (e.g. Tongaat, Isipingo, CBD, Pi-

<sup>9</sup> See [http://www.durban.gov.za/Resource\\_Centre/edge/Pages/default.aspx](http://www.durban.gov.za/Resource_Centre/edge/Pages/default.aspx) for document links.

netown, Kwamashu, uMlazi, etc.), industrial nodes (e.g. Hammarsdale) and tourism nodes (e.g. Inanda and Hazelmere Dam, Inanda Heritage and 1000 hills routes). Within these areas there are a number of existing informal workers who will be directly and indirectly impacted by the strategies. In addition, new opportunities are reportedly being designed within tourism nodes to accommodate informal traders.

### 5.1.3. Other Municipal departments

The following Municipal units or departments are reported, from interviews with Municipal staff, as having regulatory and programme influence over informal economy actors. The summary table (Table 5) provides some indication of their interaction with informal economy workers. The units tend not to have dedicated budgets or teams working on informal economy matters but instead deal with informal economy actors or issues from time to time.

**Table 5: Summary of selected other Municipal departments/units and their interaction with informal economy (IE) workers**

<b>Structure</b>	<b>Regulatory role</b>	<b>Explicit IE support programmes</b>	<b>Service provision for IE operators/workers</b>
<b>Legal Unit</b>	Yes – develops by-laws and assists with legal enforcement.	None.	Internal to Municipal departments for legal advice.
<b>Metro Police</b>	Yes – enforcement of by-laws.	None.	Public safety.
<b>Durban Solid Waste</b>	Setting of Municipal policy with respect to solid waste management issues.	Experimental projects with informal recyclers.	Cleaning and collecting of solid waste in major public space trading areas. Contracted to collect waste from markets (paid by BSTMU). Management of facilities for recycling buy-back schemes.
<b>Planning</b>	Yes – land use controls.	Land uses that allow public space trading are promoted in some cases.	No. But does work with Economic Development in planning urban renewal projects.
<b>Parks and Recreation</b>	Policy development for parks and recreation areas such as beachfront.	Allows flea markets and trading spaces/activities in designated areas.	Maintaining park and recreation areas.
<b>eThekwini Transport Authority</b>	Policy development and planning for public transportation.	None.	
<b>City Health</b>	Policy and regulation of public health issues.	Yes. Has worked with food traders to assist them to meet required standards.	Vector control and regulation of public health issues in public and trading spaces.
<b>eThekwini Electricity</b>	Policy on service and pricing of electricity and connections.	None.	Some markets and public space trading areas
<b>eThekwini Water and Sanitation</b>	Policy on service and pricing of water and sanitation services.	None.	
<b>City Architecture</b>	None.	Responds to needs of Municipal departments in terms of designs etc.	Has provided design input for informal economy facilities/structures and urban design input to planning and renewal projects.

(Source: Researcher notes)

## 5.2. City strategy, budgeting and the place of informal economic activity

Municipal strategy documents make explicit mention of the imperative for the Municipality to work with people making a living from informal economic activities. The Municipal Integrated Development Plan (IDP) reports on the significance of informal employment in the local economy in a context of sustained high levels of unemployment and low employment growth (eThekweni Municipality, 2013a: 21, 25, 31).<sup>10</sup> Furthermore, programmes related to the informal economy are highlighted in the IDP's Plan 2: Developing a Prosperous, Diverse Economy and Employment Creation. This plan, one of eight listed in the IDP, has 11 programmes of which Programme 2.8. SMME Development, Programme 2.9. Managing the Informal Economy and Programme 2.11. Support and grow the fresh produce industry all make direct reference to work with the informal economy (eThekweni Municipality, 2013a: 125-133). The explicit mention of these informal economy-related programmes in the IDP sets out a basis for the funding of these programmes.

The bulk of Plan 2 has as its focus the securing of formal investment and development of strategic economic sectors and important economic locations across the city. However, it does retain a need for an inclusive approach in a context of poverty and inequality. Accordingly, the IDP document states:

*“This plan must create jobs, reduce poverty and ensure an equitable distribution of wealth for all citizens in the eThekweni region. Ultimately, the eThekweni region should be the leading metropolis in achieving a sustainable and accelerated economic growth path that will deliver catalytic growth initiatives and quality job creation efforts that assists business and the three spheres of government positively in addressing poverty, income inequality and unemployment over the next ten years.”*  
(eThekweni Municipality, 2013a: 125)

The range of intended focus areas and impact targets are reflected in the following extract from the overview section of the IDP. Here it is outlined that,

*“there are numerous local challenges which if addressed and implemented may ensure a steady growth path towards the magic 5-7% with many additional benefits such as increased employment, investment and a more inclusive economy where all citizens of eThekweni enjoy equal access to the opportunities to come. The City intends to undertake initiatives in the various priority sectors that directly create jobs or support those that do.”* (eThekweni Municipality, 2013a: 35-36)

In the IDP, there are a number of policies listed in respect of Plan 2. The following make specific reference to the informal economy:

- Markets Policy for eThekweni Municipality
- Allocations Policy Governing Trading Opportunities and Permits to Informal Traders on Council Owned Properties
- Durban's Informal Economy Policy
- Business Support and Markets Unit Improvement of SMME access to Finance Strategy
- A Strategy for the Improved Management and Development of Container and Itinerant Traders within the eThekweni Municipal Area
- A Consistent Rental Policy for Informal Trading in eThekweni Unicity

Although some of these policies might appear, on a more detailed reading, to have potential contradictions, they all create some prospect for the allocation of resources. However, the policies range from a developmental approach that supports the prospects of those working informally through to a more traditional “management” and “enforcement” agenda where suggested negative externalities of some informal activities are said to require Municipal interventions.

<sup>10</sup>“In 2011, formal employment comprised 76% of total employment, whilst informal employment made up 24% of total employment. The informal sector employed 262,758 people in 2011, up from 233,104 people in 2006. Approximately half of these labourers worked in the trade sector (131,737)” (eThekweni Municipality, 2013: 33).

Plan 2 supported projects feature significantly in the IDP's listing of eThekweni Municipality Strategic projects. In the table below (Table 6) at least 15 of the 25 projects have close links with the work of the units associated with Municipal economic development programmes. Although not all of these involve direct municipal capital spending, they display a strong tendency to attract significant capital spending – including that of other spheres of government such as in the urban renewal projects in historically disadvantaged townships.

**Table 6: “Strategic Projects for 2013 and beyond”**

<b>Project Name</b>	<b>Constructional Employment per annum</b>	<b>Operational Employment per annum</b>	<b>Project cost to completion (Rand Billion)</b>
Bartlett's Industrial Development	3.4164 5	5.010 3.78	3.78
Bridge City New Town Centre	696	1,855	0.77
Camperdown-Port Freight Route Improvements	5,793	538	10.00
Cato Ridge Industrial Development	10,621	15,575	11,75
Durban Inner City and Point Revitalisation	3,403	45,361	7.77
Greater Pinetown Nodal Improvements	2,223	3,260	2.46
Hammarsdale Industrial Development	6,056	8,881	6.70
Isipingo Town Centre Improvements	95	633	0.11
Kwa Mashu Town Centre Improvements	384	1,024	0.43
Mpumalanga Town Centre Improvements	1,056	2,817	1.17
Phoenix and INK Nodal Improvements	3,620	5,308	4.01
Port Improvements	71,292	27,268	325.00
Back of Port Improvements	10,572	15,855	26.32
Shongweni Industrial Development	912	1,337	1.01
Sibaya Recreational Node Development	622	8,289	0.69
Tongaat / Dube New Town Development	6,922	10,150	7.66
Umgeni Springfield Improvements	1,409	18,783	1.56
Umlazi Nodes Improvements	4,477	1,194	4.95
Verulam / Cornubia New Town Development	7,073	18,858	17.83
Illovo Farm (Proposed ASAP)	1808	2651	2.00
City-Wide Fibre Optics Backbone	491	240	0.56
City-Wide Informal Settlement Upgrades	6,438	29,920	57.97
City-Wide Public Transport Improvements	140	400	10.00
City-Wide Regeneration projects	11,796	4,718	13.05
City-Wide Social facilities Provision	4,477	1,194	4.83
<b>TOTAL</b>	<b>165,792</b>	<b>231,119</b>	<b>522.37</b>

(Source: eThekweni Municipality, 2013a: 13)

Plan 4: Promoting a Socially Equitable Environment makes reference to ensuring appropriateness of, and compliance with, by-laws related to many different issues, including some related to the informal economy. None of the other six plans makes specific reference to the informal economy, although the indirect connections are often obvious. For instance, Plan 3, related to the creation of quality living environments, makes reference to extensive programmes aimed at upgrading informal settlements and delivering new public subsidy housing programmes. These clearly impact on the households and their various informal economy activities inside or outside the home.

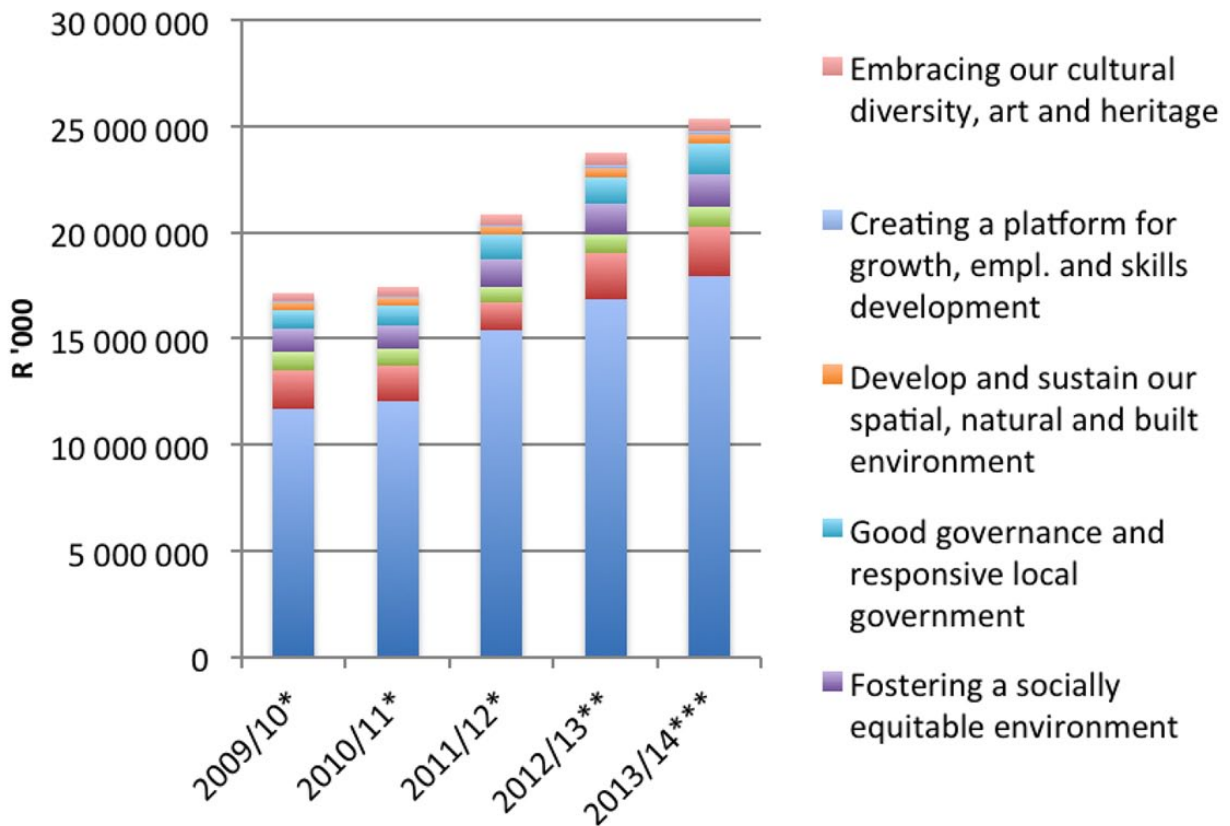
In order to explore the nature of budget allocations to programmes that are most relevant to the informal economy, it is useful to understand expenditure beyond the broad capital and operating allocations directed to various Municipal initiatives. The nature of reporting and budget disclosure by the Municipality allows for this to be approached in two ways. Firstly, it is possible to see what allocations have been made to various city-wide programmes. Secondly, it is possible to look at the allocations made to municipal departments/units that are responsible for some of these programmes.

Figure 4 provides the Municipality's estimated allocation of operating spend across the IDP plans. While these allocations are more indicative than precise, they do give some sense of how resources are stacked behind various municipal strategies. The IDP project related to "Creating quality living environments" dominates with its focus on delivery of infrastructure and services to citizens defined primarily in terms of their forming part of households. The next largest category is that related to administration (including both "Fostering a socially equitable environment" and "Good governance and responsive local government"). The allocation most directly associated with informal economy programmes is that connected with "Developing a prosperous, diverse economy and employment" (Plan 2 in the IDP).<sup>11</sup> This strategic objective is allocated between 4 and 5 per cent of total operating spend across the years being observed. The trend has, in relative terms, been to move from 5 per cent towards 4 per cent.

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<sup>11</sup> It should be noted that the strategic objective associated with "Creating a platform for growth, employment and skills development" is mainly related to internal municipal human resources development activities.

Figure 4: Budget allocations to IDP Strategic Objectives - operating expenditure (R '000)

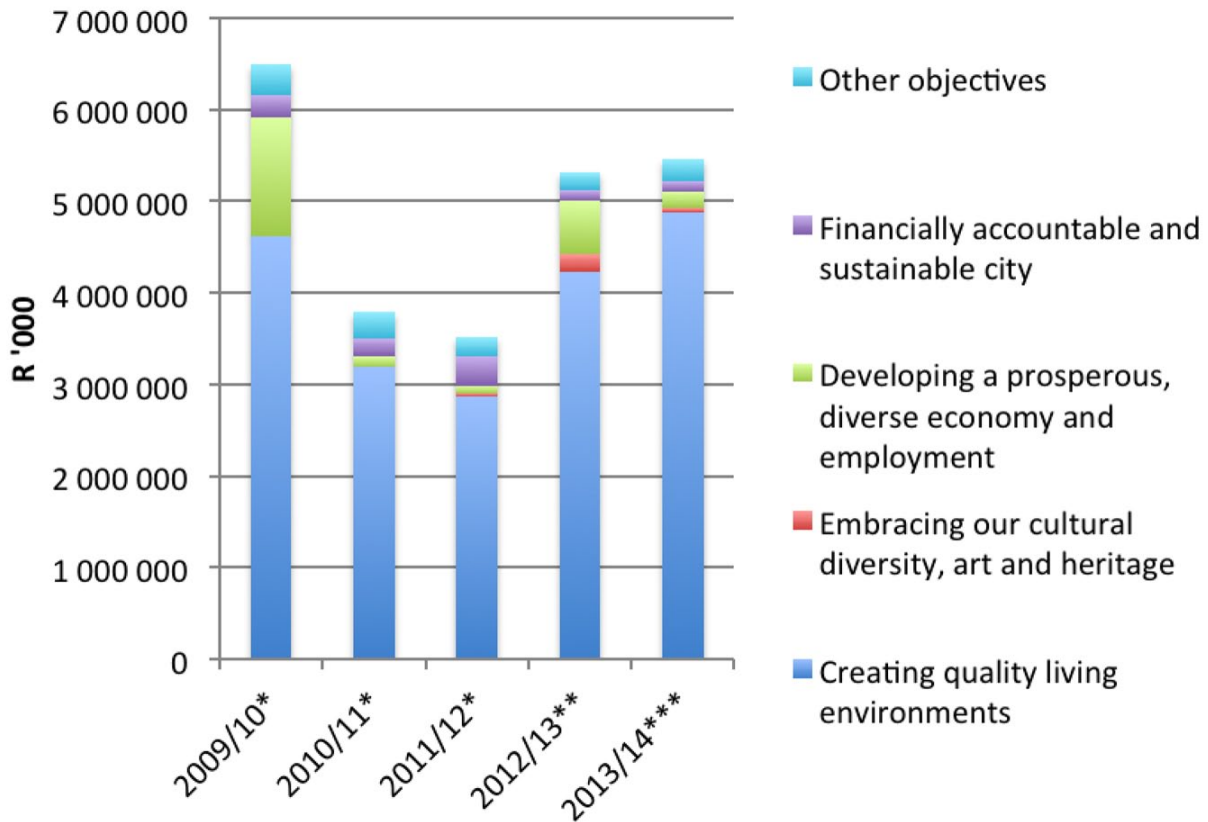


**Source notes:**

- \* Audited Financials from eThekweni Municipality, 2013b.
- \*\* Planned budget from eThekweni Municipality, 2013b.
- \*\*\* Planned budget from eThekweni Municipality, 2013b.

In terms of capital budgeting, the allocation across IDP plans is far more concentrated as most of the categories have small capital allocations (see Figure 5). It is no surprise, considering the operating resources aligned behind “Creating quality living environments” that this plan captures, on average, 81 per cent of the capital spending across the five selected years. “Developing a prosperous, diverse economy and employment” is, on average, the second most important category for capital allocations with an average allocation of 8 per cent. However, this is overstated to some degree because of the high FIFA 2010 World Cup allocation in 2009/10 and the grants from the National Treasury’s Neighbourhood Partnership Development Grant (NPDG) for renewal of township town centres in subsequent years.

Figure 5: Budget allocations to IDP Strategic objectives - capital expenditure (R '000)

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Planned budget from eThekweni Municipality, 2013b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

Beyond these allocations for IDP strategic objectives, we can look at the allocations to municipal departments or units with a specific responsibility for informal economy activities. The two units that stand out – and ones that are primarily responsible for the “Developing a prosperous, diverse economy and employment” plan – are the EDU and the BSTMU. Both fall under the Economic Development and Planning institutional cluster (sometimes referred to as Sustainable Development and City Enterprises) and report to a Deputy Municipal Manager.

Table 7 reveals that Economic Development and Planning is not one of the dominant institutional clusters. Although the strategy responsibilities of the function are significant (including things like town planning, building control and environmental management over and above business support and economic development), these are deemed not to need extensive staffing structures and therefore do not secure consistently high programme allocations relative to other administration clusters. Calculations based on Table 7 reveal that the average operating budget share allocation to Economic Development and Planning, across the financial years between 2009/10 and 2013/14, was 3.5 per cent and remained relatively stable. Within this, EDU/EDIPU has averaged 0.3 per cent of the total Municipal operating budget and BSTMU’s share has averaged 0.4 per cent (with Support programmes and Tourism averaging 0.3 per



cent and retail markets 0.1 per cent). Both EDU/EDIPU and BSTMU have shown some limited upward growth with EDIPU's share rising more significantly (but from a very low base) from 0.2 per cent in 2009/10 to 0.4 per cent in 2013/14 while BSTMU remains at around 0.4 per cent (with a small increase influenced mainly by allocations to tourism spending). The following table provides information on the actual and planned operating budget allocations for the period.

**Table 7: Economic Development and Planning function operating allocations**

<b>Operating spend - Economic development and planning (R '000)</b>					
<b>Budget Vote</b>	<b>2009/10*</b>	<b>2010/11*</b>	<b>2011/12*</b>	<b>2012/13**</b>	<b>2013/14***</b>
Deputy City Manager	2,237	2,391	637	3,183	9,610
Economic Development and Facilitation	34,165	51,410	53,525	85,938	107,013
City Enterprises	95,409	87,349	87,792	134,922	148,641
Business Support	41,099	46,107	52,352	59,028	67,301
Retail Markets	18,614	21,265	27,153	26,473	27,896
Development Planning and Management	146,025	164,212	178,766	200,516	219,107
Area Based Management	38,038	10,098	7,960	14,390	14,745
Strategic Projects	253,015	274,826	274,155	282,812	275,982
<b>TOTAL Eco. Dev. &amp; Planning</b>	<b>628,602</b>	<b>657,658</b>	<b>682,340</b>	<b>807,262</b>	<b>870,295</b>
<b>TOTAL Municipal operating</b>	<b>17,166,908</b>	<b>17,326,863</b>	<b>20,714,382</b>	<b>23,751,276</b>	<b>25,366,037</b>

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Planned budget from eThekweni Municipality, 2013b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

The high strategic rating of the Economic Development and Planning function is reflected, to some degree, in the capital spending allocations (Table 8). However, relative to the major infrastructure, services and housing delivery functions of the spend, the allocations are quite small. The average annual allocation of capital as a share of the total municipal capital spend was 7.6 per cent for the years 2009/10 to 2013/14, with a peak of 20.6 per cent in 2009/10 related to projects around the FIFA 2010 World Cup (mostly by the then Strategic Projects Unit which reported directly to the Municipal Manager for all World Cup projects). The EDIPU averaged 2.7 per cent of total municipal capital spend during this period with the figure being as high as 4 per cent in 2009/10 and falling to 1.9 per cent in 2013/14. The bulk of this capital spending was related to National Treasury grants and Municipal allocations for urban renewal projects as mentioned previously. In fact, this department has received almost R1 billion in capital, largely from National Treasury grant programmes, for town centre renewal projects and the bulk of these have had some impact on public space (and in a few cases retail market) trading facilities. The BSTMU has averaged 0.1 per cent of the total Municipal capital spend during this period with a high of 0.3 per cent in 2009/10 and a low of zero in 2011/12. The higher figure in 2009/10 was in part related to the need to repair some facilities for the FIFA 2010 World Cup. Table 8 provides a record of completed (2009/10 to 2011/12), allocated (2012/13) and planned (2013/14) capital spends by different units falling under the Economic Development and Planning administrative cluster.

With specific reference to the BSTMU capital budget for 2012/13, and the three years before that, infra-structural projects included central beachfront upgrading of trader stalls which came about as a result of urban renewal initiatives for the 2010 FIFA World Cup (BSTMU Official). In terms of the development of new markets or trader facilities, the BSTMU is almost entirely dependent on EDIPU's current and planned township and town centre renewal programmes. All these have included informal trader infrastructure funded through various national and provincial departments. The BSTMU Official claimed that the urban development projects (managed by the EDIPU) has helped make inroads in providing quality infrastructure for informal traders because the capital projects are well resourced, to the value of R10 million and R30 million, amounts which are near impossible to motivate for with the City's own budget.

**Table 8: Economic Development and Planning function capital allocations**

**Capital spend - Economic development and planning (R '000)**

<b>Budget Vote</b>	<b>2009/10*</b>	<b>2010/11*</b>	<b>2011/12*</b>	<b>2012/13**</b>	<b>2013/14***</b>
Deputy City Manager	0	0	0	0	0
Economic Development and Facilitation	260,390	113,064	56,541	145,685	105,188
City Enterprises	1,831	72	0	0	0
Business Support	16,734	1,899	0	5,413	1,152
Retail Markets	528	723	0	1,000	1,170
Development Planning and Management	12,875	12,058	0	2,700	49,587
Area Based Management	43,174	7,708	0	0	0
Strategic Projects	1,004,259	91,430	68,003	36,300	70,000
<b>TOTAL Eco. Dev. &amp; Planning</b>	<b>1,339,791</b>	<b>226,954</b>	<b>124,544</b>	<b>191,098</b>	<b>227,097</b>
<b>TOTAL Municipal capital</b>	<b>6,499,769</b>	<b>3,787,882</b>	<b>3,515,471</b>	<b>5,308,715</b>	<b>5,466,787</b>

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Planned budget from eThekweni Municipality, 2013b.

\*\*\* Planned budget from eThekweni Municipality, 2013b.

Some responsibilities for the informal economy are also vested in some other parts of the Municipal bureaucracy. However, where this is the case, the responsibilities are rarely visible in a specific line item of expenditure and allocations are therefore difficult to discern from budget documents. For instance, public health spending might include some resources allocated to work with informal food sellers listed under an item such as "food safety", which could include education for the general public and interactions with formal food retail establishments. Relevant Municipal departments and units which might include informal economy-related spending include: City Health; Durban Solid Waste; Durban Metro Police; Parks & Recreation; Roads; and eThekweni Transport Authority. Some of the spending associated with these entities is discussed later in this document.

## 5.3. Direct budget allocations for informal economy programmes

This section provides a discussion at a more detailed level of the budgeting and expenditure within the two units highlighted above, namely BSTMU and EDU/EDIPU. The discussion uses figures from what the Municipality refers to as its “Estimates Report” (officially titled, “Estimates for the year ended 30 June 2015”) which reflect immediate past year expenditure (not audited), present year approved planned budgets (the “estimate”), approximate present year spend, and projected future budget (revenue and expenditure) at a project line item level. The term “estimate” in tables refers specifically to the “planned budget” as adopted by the Municipality, although the “Estimates report” has some additional budgetary information beyond the adopted budget as already noted. Where the annual budget document (as opposed to the “Estimates report”) has been used for a figure this is generally credited as being from the “planned budget” as it is this usage that is common among Municipal officials, but once the budget is adopted as a “planned budget” figure, it is in fact the same as an “estimate” figure. The “Estimates Report” was provided by Municipal Treasury officials responsible for finance management of the two units. Other budget documentation was obtained from the Municipal website. The discussion of these figures must, as with the preceding section (section 5.2.) be considered in the light of comments made by programme officials from the relevant units as discussed in section 5.3.3.

### 5.3.1. Economic Development Investment and Promotion Unit (EDIPU or EDU)

The EDIPU does not see itself as necessarily being directly involved in delivering programmes for those in the informal economy. This is clearly the mandated function of the BSMTU. However, the EDIPU does help set the strategic focus for the Municipality with respect to economic development and as such impacts on how the Municipality approaches funding of informal economy programmes. Furthermore, and perhaps more crucial than the previous point, the EDIPU hosts a team of professional project managers who conceptualise, motivate for and project manage delivery of a range of projects deemed strategic to the Municipality’s economic development programme.

Table 9 outlines the main expenditure items of the EDIPU for 2013/14 and 2014/15 (planned). It includes the capital grant amounts for urban renewal projects from the National Treasury.<sup>12</sup> The expenditure on capital grants is reflected under “Admin” even though the expenditure is managed by EDIPU’s Projects branch. The Projects branch commissions other Municipal departments to do various elements of the planned work. The biggest factor varying the EDIPU budget from year to year has been changes in grant sums sourced externally, largely from the National Treasury. However, the EDIPU’s budget has also grown as Municipal funds for programme activities, such as the Durban Film Office, Durban Investment Promotion Agency and Best Practices City Commission, have been allocated to it.

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<sup>12</sup>In the Municipal accounts these external capital grants are subtracted again to give a figure of Municipal spend excluding external capital grants. This is done for accounting purposes.

**Table 9: EDIPU expenditure (Rand)**

<b>EDIPU expenditure</b>			
<b>Main category</b>	<b>Sub-category</b>	<b>2013/14 estimate</b>	<b>2014/15 estimate</b>
Salaries & allowances		27,324,980	30,276,210
General expenses (excluding salaries)	Admin	31,205,940	40,453,842
	Economic Development Programmes	29,469,000	35,852,432
	Private Sector Investment & Retention	2,601,000	2,449,000
	Economic Development Projects	2,429,000	2,970,500
	Durban Investment Promotion Agency	7,134,300	4,009,400
	Durban Film Office	6,422,000	6,800,750
	Best Practice City Commission	1,552,000	2,634,500
Repairs & Maintenance		271,000	200,000
<b>TOTAL expenses excl. grant adjustments</b>		<b>108,409,220</b>	<b>125,646,634</b>

(Source: eThekweni Municipality, 2014b)

EDIPU's main projects have been those related to the Neighbourhood Partnership Development Grant (NPDG) – which is a conditional grant funded by the National Treasury with some Municipal co-funding (EDIPU Project Official). These projects generally involve the selection of priority nodes and/or corridors in historically disadvantaged townships and some established town centre areas for physical upgrading in order to leverage additional private sector investment and public sector social facilities. These project funds are, however, also combined with funds from other sources. For instance, the KwaZulu-Natal Co-operative Governance and Traditional Affairs (COGTA) grant aimed at supporting Local Economic Development (LED) projects within defined economic corridor growth areas was secured for the Hammarsdale town centre renewal programme, because it falls within the Durban and Johannesburg corridor. Funding for specific LED projects was secured from the National Tourism Department (R5 million) and the National Department of Arts and Culture (R30 million) (EDIPU's Projects Official).

According to the Projects Official, these major urban development projects were integrated within the 2013-2016 MTREF, where R30 million was secured for the current financial year (2014/15), and R60 million was secured for the next financial year. The Projects Official stated that it is difficult to determine exactly how much is spent on informal trade infrastructure directly. This could be because the relevant contract is subsumed in contracts for other projects (for example, paving and stalls together). Further, not all of the renewal projects make provision for informal activity due to specific location conditions that the Municipal officials might deem to be inappropriate for informal activities. This could include upmarket development nodes such as the Umhlanga Town Centre. Generally, the infrastructure programmes that provide for some informal trade facilities comprise a combination of street or pavement interventions with provision of trader facilities that are typically square brick and plaster buildings with roller-shutter doors. The budgets for these projects range from R800,000 to R18 million. Specific examples of town centre and township renewal projects relevant for informal traders reported by the Projects Official are presented in Table 10 below.

**Table 10: List of Town Centre and Township Renewal Projects underway or planned within eThekweni Municipality as reported by EDIPU's Projects Official**

<b>Urban Development Project</b>	<b>Infrastructure Projects for Informal Traders</b>	<b>Budget</b>
<i>Hammarsdale Township Renewal Programme (R42 million budget)</i>	Taxi rank upgrade including trader tables. (underway)	R24 million
	Retrofit trader containers under a roof. (planned)	R17 million
	Fixed trading cubicles with cold-room storage and training facilities. (planned)	R12 million
	An external craft market linked to the upgrading of the Gandhi Museum within Hammarsdale. (planned)	R8 million
	Mpumalanga Boxer Store node, mainly for public space upgrades such as paving and trading facilities. (planned)	R18 million
	Agrihub is planned with COGTA funding.	R8 million
<i>Isipingo Town Centre Renewal Programme</i>	Feasibility study and design development for street traders facilities. (planned)	R 800 000
<i>uMlazi Township Renewal programme</i>	Planning and implementation of informal traders facilities in Ezimbumbizini. (planned)	R18 million
<i>Greater Warwick Avenue</i>	Research into informal trading activities in the Greater Warwick Avenue area with the aim of preparing a strategy and implementation plan. (underway)	R1 million
<i>KwaMashu Township Renewal Programme</i>	The Crossroad Project is the design of an intermodal transport interchange which is also intended to accommodate some infrastructure for informal traders. (planned)	R72 million
	KwaMashu Station Traders Market budgeted over two financial years. (planned)	R16 million

(Source: Interview with EDIPU Official)

Within EDIPU's Project branch, the capital programmes prioritized are said to arise from strategic documents like the IDP and the Economic Development strategy (Projects Official). Further, the Projects Official reported that the selection of specific nodes was motivated by various other reasons, such as:

- being the largest townships or town centres in the City;
- nodes where the IRPTN public transport development intersects;
- areas which will create the biggest initial impact (in terms of being accessible to the largest number of people);
- areas that private investors have shown interest in;
- to build on prior investment in certain areas like the Inanda, Ntuzuma and KwaMashu (INK) or ones that received 2010 FIFA World Cup infrastructure; and,
- where the City has been politically required to intervene because of community demands such as in Isipingo.

The Projects Unit official added that within specific node programmes, an urban "regeneration strategy" encompassing what Municipal officials refer to as "all the important development sectors", meaning that it will aim to address all relevant social, economic and environmental issues – produced for the Council by appointed professional consultants under the guidance of Municipal officials. This "strategy" would contain what Municipal officials refer to as the "economic sector plan" for the projects, an LED strategy setting out local needs and resources, and a precinct plan identifying specific projects. The construction process involves initially developing public space infrastructure (which is the current phase on most of the urban development projects). This, according to the interviewees, has a major impact on informal workers operating from public spaces and around public transport nodes (EDIPU officials; ETA Official; City Architects Official). Some of the LED strategies have an informal economy component and, once interest is secured from local stakeholders and senior management, the Unit conducts a feasibility study and a business plan which motivates for capital budget towards implementation.

EDIPU's Policy, Strategy, Information and Research (PSIR) branch has used the Unit's Waste Recovery Sector budget, part of a larger industry sector support programme,<sup>13</sup> to commission research on Durban's recycling sector, with specific focus on the informal recycling sector across eThekweni (PSIR Official). This was budgeted within the 2013/14 financial year to the value of R750,000 and the research is currently underway. The intention of the PSIR branch is to use the research to influence the activities of other parts of the Municipal bureaucracy, such as solid waste collection, as well as to demonstrate to the private sector what can be achieved with additional contributions of funding.

### 5.3.2. Business Support, Tourism and Markets Unit (BSTMU)

The bulk of direct programme work with the informal economy is managed or influenced, in one or other way, by the BSTMU. The Unit is also responsible for a variety of policy frameworks that govern public space trading, markets for informal traders and SMME development policies that have an impact on those in the informal economy. Unlike the EDU, BSTMU is responsible for the direct management of a wide range of facilities and trading activities that take place in these facilities. As reflected in the IDP,

*"There is fully-serviced infrastructure for informal traders provided to date valued at approximately R250m for services such as structures, ablution facilities, storages, access to water and services, etc. eThekweni was the first City to adopt the Informal Economy Policy and established 16 retail markets, 15 containers Parks, 10 flea-markets throughout the region. The Unit registered 45,572 vendors in the informal economy sector on the computerized Revenue Management System (RMS) generating roughly R36,6m [an error in the IDP document]<sup>14</sup> in monthly revenue. There were capacity building programs for informal workers, e.g. Financial literacy with close on 5000 Traders benefiting, Business Management skills training for 2000, 1000 vendors attended Food Safety Training and 3000 Traders received Loans through Standard Bank Thuthuka Fund, trained 1000 machinist.*

*The informal trade team facilitated the establishment of the Informal Economy Stakeholder Forum, which is a leadership structure allowing stakeholders to engage in dialogue on strategic issues affecting the informal economy comprising formal business representatives, trader organizations and committees, various municipality departments, enforcement agencies, councilors and provincial departments of economic development officials for the advancement of the informal sector." (eThekweni Municipality, 2013a, 35-36)*

A more detailed look at the BSTMU budgets in recent years provides for some interesting insights. The series of tables that follow this discussion provide some indication of both revenue and expenditure aspects of BSTMU and its various sub-units. In terms of revenue, the Unit generates income for the Municipality's Rates & General income account from rental of stalls at retail markets, flea markets, business "hive" premises and business development incubators. BSTMU also licenses public space traders through a permit system that generates income.<sup>15</sup> The Unit staff estimates a total of 31,000 traders at flea markets and retail markets and a further 14,000 street traders with permits. Although earning revenue in a large bureaucracy such as the Municipality enables departments to make a case for supportive funding arrangements in the total Municipal budget, the Municipality accepts that it needs to offer a degree of subsidy to the target

<sup>13</sup>Sector support includes support for sectors such as automotive, clothing and textiles, furniture, chemicals, maritime and the Durban Film Office.

<sup>14</sup>This is an error as total annual revenue/income from BSTMU operations was over R17 million in 2011/12 and projected at just over R19 million in 2012/13 (eThekweni Municipality, 2013b). This would amount to somewhere around R1.4 million in revenue every month.

<sup>15</sup>Municipal documents, other reports and officials use the terms "license", "permit" and "rental" somewhat interchangeably. Licenses are issued by various entities in the Municipality but most often to formal businesses in respect of prepared food, retail, air pollution emissions and the like. In the Municipal Informal Trade by-laws the term used is "permits". Permits are issued on a discretionary basis, under specified conditions, and with the payment of a fee and/or rental sum. Apart from the special case of itinerant traders, all trading permits are associated with a specific site (eThekweni Municipality, 2014c: 12-13).

community served by the activities of BSTMU. In this sense, the Municipality does not foresee a full cost recovery model – especially for all categories of markets – although, as is discussed later, there is concern over the rental arrears and below-inflation stall rental increases in a context of rising costs.

**Table 11: Business Support, Tourism and Markets Unit revenue (excluding tourism) – recent years**

<b>Revenue in BSTM R '000</b>						
<b>BSTM</b>	<b>2009/10*</b>	<b>2010/11*</b>	<b>2011/12*</b>	<b>2012/13**</b>	<b>2013/14***</b>	<b>2014/15***</b>
Business Support	6,930	8,455	8,526	9,283	9,356	10,002
Retail Markets	9,344	9,282	9,072	9,789	10,218	11,020
<b>TOTAL BSTM (excl. tourism)</b>	<b>16,274</b>	<b>17,737</b>	<b>17,598</b>	<b>19,072</b>	<b>19,574</b>	<b>21,022</b>

**Source notes:**

\* Audited Financials from eThekweni Municipality, 2013b.

\*\* Planned budget (estimates) from eThekweni Municipality, 2013b.

\*\*\* Estimates from eThekweni Municipality, 2014b.

Table 11 provides a summary of revenue attributed to the BSTMU and two of its sub-units (excluding tourism). Although the trend is one of increasing allocations in operating spend (Table 7), with an annual average growth rate calculated to be 13 per cent in Business Support and 11 per cent in Retail Markets, between 2009/10 and 2013/14, revenue growth has not kept pace with this. The average annual growth rate of revenue for Business Support was 6 per cent across this period and 2 per cent for Retail markets. With inflation in the 5-6 per cent range during this period, revenue growth has been in line or below the official inflation rate with officials arguing that it has not kept pace with the cost burden that markets and other facilities impose on their budgets. However, the revenue received tended to fall short of what was planned. The higher planned figures reflect an intention to bring more informal workers, or at least public space and market traders, into a system where they have a permit to trade and rent facilities.

Tables 12 and 13 (below) provide a more detailed breakdown of revenue to the two BSTMU sub-units under consideration. In the Business Support sub-unit (Table 12), the main revenue source is income from street trading and stall/hive rental estimated at 69.9 per cent of total revenue for this sub-unit in 2013/14. According to the BSTMU official, approximately R6 million (R6.5 million in the 2013/14 official estimates) per year is generated from rentals by 14,000 street traders and informal economy enterprises with permits to trade from hives, demarcated sites, stalls and mobile traders; and an additional estimated R6 million (actually just under R10m in 2013/14 estimates) is generated by 31,000 traders operating from retail and flea markets. The BSTMU Official added that this revenue goes into the “Rates and General” income of the Municipality and is then ploughed back towards more development. Retail markets are managed by the City’s revenue management system where traders have account numbers and are billed on a monthly basis (at the end of each month). The informal traders, on the other hand, are required to make upfront payments 3, 6, 9 or 12 months in advance. Informal traders thus need to have funds available in advance of selling their goods while those in retail markets are billed at the end of each month for the rental and other costs associated with that month. This issue has been an ongoing source of tension with traders as the advance payments are seen as burdensome.<sup>16</sup> Revenue from fines incurred by informal traders and issued by enforcement officials for by-law infringements also goes into the “Rates and General” income of the Municipality (BSTMU Official).

<sup>16</sup>See, for instance, the removal of “bead” sellers from the Victoria Market area for not having paid the R350 required in advance for a six-month permit: [http://www.iol.co.za/news/crime-courts/bead-traders-evicted-for-permit-violation-1.1546884#.VDJHnr5c\\_dk](http://www.iol.co.za/news/crime-courts/bead-traders-evicted-for-permit-violation-1.1546884#.VDJHnr5c_dk) accessed on 26 August 2014.

**Table 12: Business Support sub-unit revenue**

<b>Business Support unit revenue</b>			
<b>Code</b>	<b>Description</b>	<b>2013/14 estimate</b>	<b>2014/15 estimate</b>
50574	Rent Hives	545,800	557,000
50938	Street trading	930,000	1,155,000
50939	Street trading - in	840,000	1,050,000
50942	Street trading	315,000	357,000
50943	Street trading	225,000	425,000
50948	Street trading - co	580,000	617,000
50949	Street trading	3,100,000	3,300,000
	Other	2,821,000	2,541,900
<b>TOTAL</b>		<b>9,356,800</b>	<b>10,002,900</b>

**Note:** The Codes in the table refer to accounting cost centres in the Municipality. The codes and cost centre descriptions reflect differentiated revenue streams associated with different street trading categories (for example from a demarcated site, covered stall, storage facilities etc.).

(Source: eThekweni Municipality, 2014b)

The revenue outlined in Table 13 (below) reflects that of the Retail markets sub-unit. In this sub-unit, the bulk of the income comes from stall rental in various categories of markets – making up just over 80 per cent of revenue in the years under consideration. According to the Municipal finance officer interviewed, the rental structure has not kept pace with inflation. Furthermore, the level of rental arrears remains high with some estimates placing stall holders with substantial arrears at close to 50 per cent and much higher than this in some markets. The 2009/10 contestation over the possible demolition of the Early Morning Market to make way for a shopping mall and taxi rank facility (subsequently abandoned after much protest and interventions in the courts) also witnessed a decline in rental payments in this market and some others in the vicinity. A further interesting line item in the revenue is that of “Market dues” which is a charge to stall holders for any fresh produce brought into the markets that is not sourced from the Municipality’s bulk fresh produce market.

**Table 13: Retail markets sub-unit revenue**

<b>Retail markets unit revenue</b>			
<b>Code</b>	<b>Description</b>	<b>2013/14 estimate</b>	<b>2014/15 estimate</b>
49598	Flea Market	139,000	148,000
50255	Market dues	1,249,000	1,347,000
50590	Rent - stalls	8,542,100	9,059,000
	Other	287,900	466,300
<b>TOTAL</b>		<b>10,218,000</b>	<b>11,020,300</b>

Note: The Codes in the table refer to accounting cost centres in the Municipality.  
(Source: eThekweni Municipality, 2014b)



Discussions with Municipal Treasury staff revealed a series of challenges associated with the level of rentals and the level of arrears. Stall holders often claim that markets are poorly maintained and this translates into an unwillingness to agree to rental increases or even pay rent. Treasury staff noted that shortfalls in rental income also made it less likely that the Municipality would allocate resources to upgrading markets. However, as is revealed in the discussion on expenses which follows, operating expenses related to managing markets are substantial and rental income is supplemented with substantial Municipal contributions for items such as security, utility service charges and the like.

An important issue in revenue is obviously that of tariffs. The Municipality is required, as part of the annual budget process, to publish intended tariffs. These must be adopted with the budget at the end of May each year. The following list provides an indication of tariffs as they pertained to some of the informal economy markets and public space trading activities during the 2012/13 financial year. In some years, the tariffs remain unchanged. In the 2013/14 financial year, it was proposed that all tariffs be increased by 10 per cent.

Selected 2012/2013 tariffs pertaining to public space and market trading are as follows:

- Street traders without facilities, services and shelters (per month): R35.00
- Itinerant traders (per month): R60.00
- Street traders with facilities (per month): R60.00
- Hive site with elementary facilities (per month): R300.00
- Storage facilities (per month): Isipingo R800.00; Baccus Road R150.00; Central R100.00; Inner and Outer West R438.50
- Lost permit (per permit): R20.00
- Permit for assistant: R43.86
- Early Morning Market stands (per month): Ranging from 1.5 m<sup>2</sup> and under R77.00 to stand larger than 7m<sup>2</sup> R404.80 (rental excludes other surcharges for goods brought into the market)
- Brook street traders (per month): 45.00
- Ezumbuzini (per month): R54.00
- Herb Traders: R54.00

(eThekweni Municipality, 2013c: 29-33)

In terms of expenses for the two sub-units, the following discussion will provide some further insight into the nature of programmes funded. Table 14 provides some of the detail of expenditure associated with the Business Support sub-unit. Some of the line items refer directly to informal economy-related activities, although the sub-unit allocated the bulk of its resources to the development of micro and small businesses. Unit officials pointed out that informal micro enterprises could also be supported, and often were, under these programme allocations where, for instance, provisions were made for informal builders in the INK Construction Incubator. A specific line item for work around the informal economy amounts to just over 2 per cent of General expenses for the sub-unit and was targeted mostly to public space traders. Expenses, such as those related to electricity, water, security and cleaning, also pertain to some facilities where informal economy workers operate, such as business hives (clusters of converted containers). Some of the other line items (incubators and the operational projects) also assist enterprises in selected programmes to formalize.

Table 14: Business support sub-unit expenses

<b>Business Support unit expenditure</b>					
<b>Main category</b>	<b>Sub-category</b>	<b>2013/14 estimate</b>	<b>2013/14 items as % of TOTAL</b>	<b>2014/15 estimate</b>	<b>2014/15 items as % of TOTAL</b>
Salaries & allowances		24,639,210	33.92	26,364,568	33.51
General expenses	Women empowerment	1,146,600	1.58	1,203,900	1.53
	Contract cleaning	1,109,300	1.53	1,541,300	1.96
	Electricity	959,300	1.32	1,165,000	1.48
	Incubation programme	1,716,600	2.36	1,802,500	2.29
	INK construc. Incubator	1,600,000	2.20	1,600,000	2.03
	Informal economy	1,521,000	2.09	1,597,000	2.03
	Operational projects	10,964,600	15.09	13,012,800	16.54
	Refuse removal	877,700	1.21	949,600	1.21
	Security service	5,916,100	8.14	6,158,200	7.83
	SEDA eThekwini	3,835,800	5.28	4,329,600	5.50
	Water	2,131,600	2.93	2,736,100	3.48
	Other general	15,312,990	21.08	15,159,463	19.27
Repairs and Maintenance		1,351,500	1.86	1,512,300	1.92
Contributions		-434,620	-0.60	-455,294	-0.58
<b>TOTAL</b>		<b>72,647,680</b>	<b>100.00</b>	<b>78,677,037</b>	<b>100.00</b>

Note: The “Contributions” item refers to grant funding received for various initiatives which have to be removed from expenses for accounting purposes in order to ensure the balancing of revenue and expenditure.

(Source: eThekwini Municipality, 2014b)

The BSTMU Official pointed out that the operational budget relevant to the informal economy is used predominantly for maintenance of infrastructure within public spaces from which informal traders operate, and this may include ablution blocks. Other operational costs, listed by the BSTMU Official, include salaries, fleet management and rates paid for informal trader sites for service charges related to refuse removal, electricity and water by the relevant departments.

Furthermore, around R1.5 million a year has been budgeted in recent years for skills training programmes (BSTMU Official). These include hard skills training for seamstresses specializing in local attire, and for construction-type skills such as bricklaying, and so-called soft skills training such as leadership and negotiation skills training for trader committee members. The cooperative development programme run by the Unit aims to enable informal businesses to form cooperatives so that they can benefit from incentives such as bulk-buying and because cooperatives are eligible to apply to the City for community-based contracts. A range of cooperatives have been assisted, such as those doing verge maintenance. Furthermore, BSTMU has facilitated access for informal traders to financial support and financial literacy training through Standard Bank in conjunction with the MEC of Economic Development through the “Thuthuka” fund. The value of the fund was R9 million per year, but is not reflected in the Municipal budget.<sup>17</sup> The individual start-up loans are up to a maximum value of R15,000 per qualifying enterprise (BSTMU Official). However, according to the BSTMU official, poor repayment rates are likely to see the programme cancelled.

<sup>17</sup> The fund is operated by Standard Bank with input from Municipal and Provincial officials.

The expenditure of the Retail markets sub-unit (Table 15) is almost exclusively related to the operational costs of running the range of markets, where the bulk of the tenants are likely to be informal. It is this expenditure that is of concern to Municipal Treasury officials as rising costs, such as those for utilities, security and refuse removal, bear little relation to rental collected from the markets. From the budget documents, it can be seen that repairs and maintenance only amount to around 4 per cent of total retail markets expenditure. If the IDP-cited estimates of market facilities valued at R250 million is correct, then in terms of construction industry practice with buildings, it would not be unexpected to have to allocate at least 1 per cent of the value of buildings to upkeep – or around R2.5 million (and more in older buildings). The repairs and maintenance allocation appears to fall short of this target.

**Table 15: Retail markets sub-unit expenses**

<b>Retail markets unit expenditure</b>					
<b>Main category</b>	<b>Sub-category</b>	<b>2013/14 estimate</b>	<b>2013/14 items as % of TOTAL</b>	<b>2014/15 estimate</b>	<b>2014/15 items as % of TOTAL</b>
Salaries & allowances		7,327,210	23.40	7,984,544	23.40
General expenses	Contract cleaning	2,322,000	7.42	2,325,000	6.81
	Electricity	2,071,500	6.62	2,094,000	6.14
	Pest control	10,300	0.03	10,700	0.03
	Refuse removal	2,169,000	6.93	2,466,000	7.23
	Security service	5,316,000	16.98	5,881,000	17.24
	Water	2,292,000	7.32	2,664,000	7.81
	Other general	8,648,890	27.62	9,157,132	26.84
Repairs and Maintenance		1,261,100	4.03	1,603,850	4.70
Contributions		-109,430	-0.35	-67,304	-0.20
<b>TOTAL</b>		<b>31,308,570</b>	<b>100.00</b>	<b>34,118,922</b>	<b>100.00</b>

(Source: eThekweni Municipality, 2014b)

According to the BSTMU official, in order to determine the needs of informal businesses within each region, the respective Regional Manager conducts surveys and a needs analysis. The BSTMU Official elaborated that this information is generally drawn from the Unit's regular interaction with informal traders but that some of the needs are also identified through ward committees responsible for developing ward profiles of the economic development opportunities. Issues can also be identified through Local Economic Development (LED) forums, stakeholder consultations and Mayoral "Izimbizo". In the case of skills training programmes, a common need is identified and external service providers are commissioned to conduct the identified programmes. If there is a programme planned, each region supplies names of interested participants. Prioritizing programmes and budgets within skills training is reportedly not a challenge because a number of the programmes are sponsored by partners from private companies and financial institutions (BSTMU Official). The examples provided were Corobrick (a brick manufacturing company) which draws on its Corporate Social Investment (CSI) funds to sponsor construction training, which in turn helps companies achieve their Black Economic Empowerment (BEE) compliance requirements, and financial institutions sponsor financial literacy programmes – perhaps in the expectation that they will increase their clientele. These donations or external contributions – sometimes even donations in kind – are uneven from year to year and are not generally reflected in the Municipal budget as the funds are often expended directly by the donor partner. With regards to securing land and infrastructure for informal traders, the Regional Managers submit reports

to the Municipality's Executive Committee motivating why specific land should be earmarked for informal economy activities (BSTMU Official). This is done after consulting with relevant departments and checking the viability of the proposed infrastructure, land zoning implications and after stakeholder analysis. If approval is acquired from all the relevant stakeholders, advertisements are issued to make the local community aware of the opportunities and allocation of sites is done with Ward Councillors. Thereafter, BSTMU makes a requisition to City Architects to produce a design which must be approved by the relevant departments after consultations with the ward councillor and affected informal traders. Subsequently, funding is budgeted within the following financial year or incorporated into the Medium Term Revenue Expenditure Framework (MTREF). After funding is secured, the Municipality's stipulation is that the procurement process must ensure that at least 40 per cent of the workers employed are local and a paid community liaison officer is appointed by the ward councillor. The community liaison officer reportedly provides assistance to the contracting department in monitoring the construction process and facilitates engagement with traders if necessary.

The BSMTU official pointed out that the process of motivating for infrastructural development for informal traders is based on numerous rounds of consultation at the ward level and with the Municipality's Executive Committee. However, this consultation is not specifically focused on informal economy issues. Instead it most often takes the form of the irregular and highly generalized engagement of Council officials through the IDP process. The BSTMU Official added that even if certain items within the budgetary process are motivated to the Executive Committee or the Treasury, it does not mean these will be allocated because the requested plans must be weighed against other budget proposals for the entire municipality. The economic development investments that are usually given some priority are those that are likely to increase the rates base by enabling more taxable property development. This can leave informal economy work of the BSTMU somewhat betwixt and between, in that it fails to garner attention either as an economic development issue or as a social issue.

### **5.3.3 Other Municipal departments/units and budgeting for the informal economy**

As has already been noted, a variety of other Municipal departments and units have direct impacts on the informal economy. This section does not cover these in full, but rather highlights those that are most prominent. In most cases these departments or units do not budget specifically for informal economy interventions but their programme activities do intersect with either the activities of BSTMU and EDIPU or with the informal economy in other ways.

#### **5.3.3.1. City Architects Unit**

City Architects ensures design and infrastructural implementation for the client departments like iTRUMP ABM (prior to its present Safer Cities role), EDIPU, eThekweni Transport Authority (ETA) and BSU, the INK ABM, all of whom pay from their own budgets (City Architects Official). The Strategy branch within City Architects seeks to secure its own budgets either from the Municipality's capital investment or from external sources. From early 2013, according to the City Architects Official, the bulk of the Unit's funding originated from the public transport network investments within the ETA budget, and from urban renewal programmes, within the EDIPU budget. Within the Greater Warwick Triangle Precinct, the final stages of a socio-economic review, funded by ETA and EDIPU to the value of R8 million, is being completed by City Architects Strategy branch (City Architects Official; EDIPU's Projects Official; ETA Official). This includes a needs assessment for Warwick Avenue in order to quantify the nature of the challenges and determine appropriate infrastructure, operational and urban management needs (City Architects Official). It is estimated that around R1 million of this budget has been used to look at informal trade within the economic sector review. From there, it is expected that relevant Municipal units such as EDIPU, BSTMU and Planning will explore what can be done to provide informal trade with a "...legitimate presence and to determine the norms and requirements for sustainability of any projects proposed" (City Architects Official). The urban planning proposals will be encompassed within an informal trade strategy for the CBD. The strategy should be completed by early 2015 and subsequently implemented.

With the massive public transport investment in the IRPTN system, a number of development projects are being planned by the ETA and the Municipality's Planning Unit for Warwick Triangle (City Architects Official). The taxi ranks, bus stations and rail station in Warwick Junction provide the City with its major public transportation hub through which over half a million commuters move every day. However, the City Architects official expressed some concerns about the IRPTN planning and related projects, such as ongoing attempts to contract a shopping mall at the Berea Station. In this case, planning rights allocated to the private developer appeared not to take account of longer term investment plans for public transport and the specific location factors related to the intensity of public space trading and surrounding public markets. According to existing IRPTN plans, in 2018, minibus taxis will be removed from the area to designated ranking facilities, pavements will be cleared of informal traders and the streets will be pedestrianized with designated markets (City Architects Official). City Architects has reportedly received the Executive Committee's endorsement for consultation around these planned projects in Warwick Triangle, and the lead official for these projects made specific reference to the need to protect informal traders (City Architects Official). Another IRPTN related project named is the Crossroads intermodal transfer station where plans have been proposed to incorporate different categories of informal workers. The project has not yet been approved for funding but is at an advanced planning stage.

### 5.3.3.2. EThekwini Transport Authority

The mission of the eThekwini Transport Authority (ETA) is, "To provide and manage a world-class transport system with a public transport focus, providing high levels of mobility and accessibility for the movement of people and goods in a safe, sustainable and affordable manner."<sup>18</sup> The ETA's capital budget for the 2012/13 financial year is estimated to be R50 million which primarily goes towards the development and maintenance of the still largely informal taxi industry (ETA Official). However, the role of the ETA has been significantly expanded as the Municipality proceeds towards implementation of the planned R5 billion Integrated Rapid Public Transportation Network for the City. The unit's roles have significant impacts on informal economy workers in that they influence the accessibility, effectiveness and affordability of the public transportation. The impacts are important for informal traders in particular, as traders often cluster around taxi ranks and formal public transportation facilities (ETA Official). The operational budget for the 2012/13 financial year was R200 million with the bulk of this going towards subsidies for the contracted municipal bus service. Apart from the national government-provided public transportation subsidy, the ETA Official reported that there is some income derived from the public transport fares. However, these do not cover the operational costs of the fuel, staff and maintenance of the public transport vehicles. The City spends R80-R100 million per year to cover the operating deficit of the bus service. Any other investment that happens around the bus stops, rail stations or taxi ranks is generally funded by other relevant departments and whatever is within the station is maintained by ETA, including security.

The IRPTN programme, which forms part of the 2012-2016 MTREF, provides for the creation of a number of taxi and intermodal transfer stations along high priority routes/corridors (ETA Official). The ETA Official stated that departments like EDIPU, City Architects and BSTMU are responsible for developing facilities for informal traders in and around the transfer and taxi stations. There are four corridor developments planned, with the first one between Bridge City (KwaMashu) and Pinetown underway. This is expected to be completed by 2016. The first phase of the project is worth R5 billion and resourced mainly through conditional grants from the National Treasury and National Department of Transport, with a required contribution from the City to the amount of R250 million (ETA Official). The other corridors are expected to cost similar amounts and be completed about two years apart until 2020. With regards to human resourcing, the unit has 150 staff members including municipal bus drivers. The design and construction of taxi ranks and the IRPTN systems is generally outsourced but the project management is done in-house.

The ETA official reported an initiative in Bridge City, where a mall has been built with the railways station included in the structure. A similar development has also recently opened at KwaMnyandu Station in Umlazi. The ETA Official noted that there are opportunities for businesses to thrive when associated with transport infrastructure.

<sup>18</sup> Accessed from [http://www.durban.gov.za/City\\_Services/ethekwini\\_transport\\_authority/Pages/Vision,-Mission,-and-Functions.aspx](http://www.durban.gov.za/City_Services/ethekwini_transport_authority/Pages/Vision,-Mission,-and-Functions.aspx) on 21 September 2014.

However, there is reluctance from smaller and informal businesses from the area to get involved because of the high rentals associated with the formal built environment. Nonetheless, some informal trade facilities have been developed adjacent to taxi facilities associated with the Bridge City development. Further, the ETA Official claimed that there have been ongoing discussions with various Municipal departments to determine a model which works for the public transport sector and the informal economy. However this has not progressed because the railway was only initiated in November 2013 and the other public transport elements are still being integrated.

### **5.3.3.3. Safer Cities and iTRUMP**

The Inner Thekwini Renewal and Urban Management Programme (iTRUMP) office was initially set up to extend the practices of inclusive urban development activities first tested in the Warwick Avenue area to the wider Durban CBD. Subsequently, it became one of the eThekwini Municipality Area Based Management (ABM) projects and most recently has been downgraded to a programme within the Municipality's Safer Cities project. The iTRUMP office has a basic operational budget that covers the day-to-day expenses, such as office overheads and remuneration of its four staff members. The latter include a land-use manager, a fieldworker and an administrator (iTRUMP Official). The iTRUMP Official claimed that the unit is severely under-resourced from a human resource perspective because the effective institutional arrangement of the original iTRUMP ABM - which was based on seconded staff drawn from relevant line departments such as architects, environmental health officers and area managers from BSTMU - has been taken away.

Feedback from officials suggest that the iTRUMP role is being largely curtailed to issues prioritized under the Safer Cities programme including mobilizing community actors for crime reduction and assisting with the coordination of various entities in crime reduction and urban safety initiatives. Although iTRUMP continues to try and assist trading groups in the CBD where it can, it has neither the mandate nor resources to be effective in these efforts. The iTRUMP official noted that despite the track record of inclusive development work around the informal economy, this approach was not always supported in broader Municipal forums.

### **5.3.3.4. Metro Police**

The Metro Police have the primary role of enforcing traffic regulations and by-laws in the metropolitan area. They do not have the same powers with regards to responding to criminal matters as the South African Police Service, but they provide a support role in responding to crime and in public safety matters. The Metro Police are also responsible for managing traffic and related compliance issues on a day-to-day basis, as well as responding to complaints and emergencies. The Metro Police have a staff complement made up mainly of administrative staff, traffic wardens and public safety patrol teams. The operating budget of the Metro Police was 3.4 per cent of the total Municipal operating expenditure in 2009/10 (R577 million) and slightly down at 3 per cent of the total Municipal operating expenditure in the planned 2013/14 budget (R764 million) (eThekwini Municipality, 2013b). Officials explained this slight downward trend as resulting from the considerable management upheavals the unit has faced that prevented many appointments and interrupted operational activities.

Although an interview could not be secured with the Metro Police, some insights could be garnered from other municipal officials and the experience of organizations working on issues of informality in Durban. Metro Police have, at times in the past, worked closely with Municipal departments or units working on informal economy issues. Probably the best example of this was the collaboration in the early days of iTRUMP around initiatives such as Traders Against Crime. This initiative sought to enable trader organizations and their representatives to help the Metro Police and South African Police Service make the Warwick Avenue area less prone to incidents of a criminal nature. The process was also used to educate traders about by-laws. Some work was also done, under the Informal Economy Policy project in the early 2000s, on possible amendments to by-laws which were particularly problematic to the trader community. However, from around the mid-2000s, the relationship between trader organizations and the Metro Police began to deteriorate as the number of "raids" on informal trade areas around the city began to increase and as Metro Police became very active in punitive action against traders for apparent by-law infringements. This included removal of what were deemed illegal trading structures and the confiscation of goods (only return-

able on the payment of an admission of guilt fine). From the perspective of organizations working with traders, it appeared that the confiscation of goods was often associated with attempts at securing bribes or theft by Metro Police officers. The parallel drive at the time, by BSTMU, to require traders to have up-to-date permits was also accompanied by regular questioning of traders and removal of traders who could not produce a permit. The harassment escalated as the 2010 FIFA World Cup drew near – often under the pretext of responding to concerns expressed by FIFA about counterfeit goods.

Metro Police generally have a permanent day-time presence around major public transportation nodes and other important city landmarks (such as the central beaches) and also have officers patrolling these areas. During major events in the City, additional efforts are made by the Metro Police to manage designated areas where controls on trading are deemed important, such as those associated with special urban management zones such as the Priority Zone<sup>19</sup> in the CBD. This is also true for international events, but with domestic events there appears to be a greater tolerance for informal food sellers and the like.

Table 16 provides the only public record in Municipal Annual reports of performance indicators/statistics for the Metro Police. Attempts to obtain a more detailed breakdown of categories of “by-law infringements attended” were not successful. It is also not clear how many of the infringements resulted in either an admission of guilt fine or a prosecution (successful or otherwise).

**Table 16: Metro Police indicators from the eThekweni Annual Report 2012/201320**

DETAILS		2009/10	2010/11		2011/12		2012/13	
		Actual Number	Target Number	Actual Number	Target Number	Actual Number	Target Number	Actual Number
1	Number of by-law infringements attended	250513	278348	161502	177652	272957	815007 traffic and by-laws as per SDBIP	841300 traffic and by-laws
2	Number of police officers in the field on an average day	520	1009	851	1009	792	922	799
3	Number of police officers on duty on an average day	620	1109	906	1109	941	1071	1009

(Source: eThekweni Municipality, 2014a: 134)

The Metro Police does not budget specifically for patrol and enforcement activities related to informal trade but such activities account for a significant part of their operations. However, regular policing patrols do identify issues proactively, while Metro Police also often respond to public complaints from formal business or from neighbours where un-licensed business activities take place in residential areas. Metro Police have reportedly had to dedicate a central storage area for confiscated goods and the administrative staff are involved in processing fines for traders based on one or other by-law infringement.

The role of the Metro Police remains a highly controversial one, especially in light of ongoing concerns about the appropriateness of many by-laws, some of which go back a century or more. There are also many inconsistencies in

<sup>19</sup> See <http://priorityzone.weebly.com/informal-trade.html>.

<sup>20</sup> Information could not be obtained in any public document of the breakdown of various types of by-law infringements recorded in the table. A Municipal official (not in Metro Police), indicated that the overwhelming bulk of these was traffic related but that issues to do with public space trading were likely to feature in the top five.

by-laws throughout the metropolitan area that need further attention (eThekweni Municipality, 2014b). This has resulted from the Municipality's failure, to date, to align all by-laws that pertained in the apartheid-era municipalities that were brought together in the Metropolitan Council. This creates operating environments for people working in the informal economy that vary from one part of the city to another and can lead to some abuse where either the informal workers or Metro Police are ill informed about regional variations.

### 5.3.3.5. Durban Solid Waste (also referred to as Cleaning and Solid Waste Unit)

Durban Solid Waste (DSW) has the responsibility for collection and disposal of solid waste across the metropolitan area. The Unit lists its services as reaching 3.1 million users in terms of:

- Collection and transportation of domestic, commercial and industrial waste.
- Provision and management of wheelie bins and skips.
- Managing of landfill sites.
- Street cleaning and litter removal services.
- Recycling and minimization of waste.
- Management of illegal dumping.
- Community waste management awareness and education programmes.
- Research and development of new waste management processes.
- Recovery from landfills of naturally produced methane gas as an energy source for generating electricity.<sup>21</sup>

The Unit had a budget which amounted to 3.9 per cent of the Municipal operating expenditure in 2009/10 (R662 million) and this was expected to shrink slightly to 3.8 per cent in 2013/14 (R972 million). This slight downward trend was due to the Unit having had started to make adjustments after, in a number of prior years, it had to absorb a large number of contract staff as full-time staff. Although staff did not make themselves available for a full interview, discussions revealed the following issues as being of relevance to the DSW's interaction with the informal economy:

- The Unit has to make specific provision for cleaning of public spaces that are used by traders and their customers. In the areas of the CBD that are most intensively used, cleaning crews operate twice a day to clean pavements and streets of refuse. Particular challenges arise around forms of waste that clog drains or cause pavement and road obstructions. Challenges are also faced around cleaning on pavements where traders' stalls and goods obstruct cleaning. DSW has previously undertaken public education and encouraged traders to keep their stall areas clean and to use the disposal facilities provided. The challenges of public space cleaning are growing as areas become more intensively used and public concern raises pressure about issues of cleanliness and litter.
- The Unit has been testing various forms of waste sorting facilities at its main landfill sites after the areas were accessed by informal waste pickers seeking material for their own consumption (for example materials to build shacks) or materials to sell for recycling purposes. The Unit has tried to establish cooperatives and also contracting small and larger businesses to organize this. As yet, a suitable model has not been finalized but the Municipality no longer allows unregulated access to landfill sites. Challenges include health and safety factors, the weaknesses in the formal recycling value chain in the city (which impact on demand), the presence of criminal syndicates (mainly after higher value metals) and low awareness among citizens and businesses in their attitude to waste and recycling.
- The Unit has been collaborating with non-governmental organizations (NGOs) and other local actors in a variety of projects aimed at supporting the livelihoods of people who make a living informally. The most significant project has been collaboration with the Wildlands Trust to support poor communities adjacent to the Buffelsdraai landfill site<sup>22</sup> in growing indigenous trees to earn an income. The income is generated by carbon offset funding by donor companies. The Unit has also previously initiated a number of buy-back centres – sometimes in conjunction with other partners – to provide places for informal collectors of

<sup>21</sup> Accessed from [http://www.durban.gov.za/City\\_Services/cleansing\\_solid\\_waste/Pages/default.aspx](http://www.durban.gov.za/City_Services/cleansing_solid_waste/Pages/default.aspx) on 19 September 2014.

<sup>22</sup> See [http://www.durban.gov.za/City\\_Services/development\\_planning\\_management/environmental\\_planning\\_climate\\_protection/Projects/Pages/Bufeldsdraai-Community-Reforestation-Project.aspx](http://www.durban.gov.za/City_Services/development_planning_management/environmental_planning_climate_protection/Projects/Pages/Bufeldsdraai-Community-Reforestation-Project.aspx) or <http://www.wildlands.co.za/activities/ethekweni-initiative-3/> for more information.



recyclables, such as paper, cardboard, bottles, cans and plastic, to sell their material. Some lessons have been learnt from observations made of projects run by other entities, including the demonstration project undertaken by Asiyeh Etafuleni (AeT) in conjunction with Imagine Durban (a project of the Municipality).<sup>23</sup> DSW believes Units such as BSTMU and those responsible for urban management need to consider various projects to deal with this issue as the likelihood of informal collectors remaining a feature of the city is high – even if DSW seeks to promote more formal recycling processes with businesses and residents.

DSW sees a role for itself in educating the population – including informal recyclers – about impacts of waste and recycling. However, its budget is already highly stretched in managing landfills, a large fleet and many cleaning staff across a geographically large space. To date, DSW has not been able to move beyond a few pilot schemes. However, it recognizes that informal recyclers contribute to reducing the pressure on expensive landfill sites and, as such, they do provide a service.

Other units in the city suggested that a variety of sources have funded shorter-term recycling initiatives and small demonstration projects. However, as funds run out, the projects are not generally sustained as units find it a challenge to institutionalize them. Furthermore, informality presents difficulties when there are issues of contracts and liability that the bureaucracy requires to be dealt with. Nevertheless, there is an appreciation of the potential of work with the informal recycling sector and some experience with the same.

#### 5.3.3.6. Parks, Recreation and Culture

The Parks, Recreation and Culture (PRC) Unit is involved in activities that intersect directly with some of those in the informal economy. The Unit is responsible for administering and maintaining a wide range of public parks, recreation facilities, beaches and community halls as well as cemeteries. The Sports and Recreation sub-unit of the PRC Unit had expenditure comprising 4.1 per cent of the total Municipal operating expenditure in 2009/10 (R696 million) and this had been projected to grow somewhat to 4.5 per cent in 2013/14 (R1, 131 billion). Officials noted this as a fairly significant increase related in part to a greater emphasis on tourism and the operating costs of running sports facilities – some of which were developed for the 2010 FIFA World Cup.

As with some of the other units, PRC does not have a specific team that deals with the informal economy. However, it is involved in regulation and enforcement issues in parks and in public recreation areas such as beaches. The Unit allows mobile or itinerant traders with permits to sell goods, in approved areas. However, the traders can be removed if they are perceived, by members of the public or PRC staff, as a “nuisance,” in terms of by-laws (Informal Trade, Public Health or Control of Public Behaviour), by pestering the public for sales or creating a mess or if they do not have a required permit.<sup>24</sup> Most parks are equipped with signage that specifies trading activities are to be limited to designated spaces or disallowed. However, in some instances, PRC collaborates with BSMTU which runs flea markets in some PRC-maintained areas. PRC has also worked with BSMTU on some projects such as those related to the beach sand sculptors on the main city beaches and rickshaw pullers. In the latter case, some training was provided to ensure the informal operators were conscious of tourist sensitivities and so would be deemed a “cultural asset” and not a regulatory problem if they operate according to agreed rules and guidelines with tourists.

<sup>23</sup> For further details see <http://aet.org.za/www12.flk1.host-h.net/projects/inner-city-cardboard-recycling-project/>.

<sup>24</sup> Some by-laws, going back to 1911, such as Public Health by-laws or the Control of Public Behaviour by-law (2000) (see [http://www.durban.gov.za/Resource\\_Centre/Bylaws/Forms/AllItems.aspx](http://www.durban.gov.za/Resource_Centre/Bylaws/Forms/AllItems.aspx)) allow considerable scope for officials to interpret what a “nuisance” might be. The latter defines nuisance as, “Any “Public Nuisance” within the meaning of Item 5 of Schedule 5B to the Constitution including, without derogating from the generality of the afore going, any Hazard or other condition, thing, act or omission which is offensive or injurious or which tends to prejudice the safety, good order, peace or health of the Burgesses of the City or of any part thereof or the rights or reasonable comfort, convenience, peace or quiet of any neighbourhood within the City and includes any act, exhibition or publication contrary to public decency or morals” (Durban Transitional Metro Council and Durban Central Councils, 2000: 8).

## 6. Significant findings from the 2014 Durban IEBA

In discussing findings that arise from the IEBA exercise in Durban, the following themes are explored below:

- The nature of recent and planned commitments to the informal economy in policy and budgetary terms; and
- Some limited reflections on the IEBA method and future research issues.

These findings draw on the analysis of budget figures, interviews with officials, participation in Municipal budget consultations as well as present and past interactions with organizations working with those in the informal economy and informal economy workers themselves.

### 6.1. The nature of recent and planned commitments to the informal economy in policy and budgetary terms

The first theme discussed relates to assessing the degree to which informal economy activities are visible in Municipal policies and processes. The second theme relates to the extent to which informal economy workers have been included in development activities. Thirdly, there is a discussion of the consistency or otherwise of the approach of the Municipality.

#### 6.1.1. Visibility of informal economy in policy, institutional arrangements and budgeting

Matters related to the informal economy have a relatively high degree of visibility in policy, in institutional arrangements and in expenditure planning and execution by the eThekweni Municipality. While the delivery of housing, infrastructure for basic services and important “flagship” projects might dominate the policy discourse in the city, it is not uncommon to find some reference to informal economy commitments in the Municipal strategic planning documents. Furthermore, the annual budgeting process in the City touches on matters such as tariffs, rentals and permit costs and includes capital spend and programme priorities with direct reference to the informal economy.

Municipal officials appear to be relatively well informed about the existence of informal activities and the scope for public sector action to support the sector. However, in some senses, the visibility of actual public space trading presents challenges as there is a desire from officials, political leaders and other interest groups, such as formal business, to have a greater degree of urban management, implying less visible and less intensive public space trading in exchange for more space for formal business operations.

Allocations to explicit informal economy activities under the auspices of BSTMU, as the supposed lead unit dealing with informal economy matters in the City, have generally kept pace with inflation. This means that real budgets have not been cut at an aggregate level. Nevertheless, there are some changes worth noting across the past decade. The first is that revenue from permits/rentals has grown as more and more traders have been brought within the net of the permit system, although the total unit budget has grown at a faster rate than revenue associated with permits and rentals. This period has also seen the consolidation of market-type facilities (including hives) under BSTMU, resulting in some growth in allocations for the management of these facilities – and more especially in the operating costs where costs have grown, such as those related to security and utilities.

Important changes have also transpired in the activities of the EDIPU. This Unit has been managing capital programmes for urban renewal from the late 1990s, including major capital “flagship” projects such as the Point Waterfront, Riverhorse Valley Business Estate and Bridge City. Capital budgets were also often

allocated to rehabilitation of street trader and market trader facilities in town centres, such as Warwick Avenue, Tongaat and KwaMashu. These efforts were funded out of the now discontinued Business Levy/ Regional Services Council (RSC) Levy income of municipalities. The loss of this funding source resulted in the National Treasury introducing – in the mid-2000s – the Neighbourhood Partnership Development Grant (NPDG). In response, the then EDU, now EDIPU, built substantial project conceptualization and management skills in relation to these funds and has worked with service departments such as City Architects in realizing the goals of these projects.

It is also important to recognize that during the past decade, the Municipal capital budget in Durban was subject to substantial variations across the years. The most significant increase was related to National Treasury allocating co-funding for various FIFA 2010 World Cup Projects (from 2006/07 through to 2010/11). In peak years, this accounted for around 20 per cent of capital spending in the city for stadium developments and upgrades, transport infrastructure investment and associated urban renewal projects of the Municipality (such as the Durban beachfront rehabilitation). These periods of substantial additional injections of capital spending in the Municipality are likely to persist for a while as funding for public transport networks gets attention under the Integrated Rapid Public Transport Network programme. The ebbs and flows of irregular capital sums have generated significant pressure on delivery mechanisms in the Municipality, including the need for effective planning and delivery capacity with respect to informal economy activities. At times the big delivery thrusts associated with these funds have resulted in the displacement of informal activities (such as with the 2010 FIFA World Cup).

A key factor to highlight in these allocations – and the impacts that they have on informal economy workers – is that the bulk of the capital investment in facilities for those in the informal economy at present originates from external grants sources and not from the Municipality's own revenue streams. This might suggest that should these grant facilities not be available, provision for informal economy matters in capital budget allocations for urban renewal would diminish.

Beyond street traders, and those trading in markets, the visibility of other forms of informal economy work in Municipal policies and programmes is limited. Informal recycling/waste picking has begun to be noted in some Municipal processes, but home-based work and other informal economy activities are not reflected in any Municipal programmes. Nascent projects around informal automotive mechanics/panel beaters and informal construction activities have received some attention from BSMTU and other forms of informal work could be supported by Municipal Units for expansion in the future.

Overall, visibility of informal economy matters in policies and budgets, while not without its shortcomings, is relatively well established in Durban. However, this visibility is very much geared to street trading activities. Furthermore, when looked at in terms of the total municipal budget, as well as in the light of persistent high levels of unemployment and significant informal economy participation, questions could well be asked about the scale of these Municipal activities. Furthermore, in some cases resources and budgets are used to curtail, manage or regulate activities rather than promote and protect them.

### **6.1.2. Participation of informal economy workers in Municipal processes**

The bulk of Municipal endeavours with respect to the informal economy are developed by Municipal officials, or their appointed consultants, with only limited direct engagement with informal economy workers, their representatives or organizations working with them. While there are exceptions, the tendency is for units of the Municipality to draw a mandate from other Municipal consultations – such as those related to the IDP – in prioritizing interventions. Officials advised that departments are mandated to incorporate public participation in the planning and construction stages of the capital interventions (EDIPU's Projects Official; City Architects Official). This is done through informal trader steering committees at strategic levels and with affected individuals and groups of informal traders at the detailed planning level. The Projects Official added that they do not get substantial trader input at the higher levels of sector strategies and pre-

cinct plan development. This is attributed to the lack of ability of traders in engaging with two-dimensional spatial drawings and complex urban development processes. The Projects Official claimed that in the past, the informal trading steering committees established for particular projects would be trained prior to the planning phase to understand the tools but this training is not happening anymore.

While Municipal officials often establish project forums across the city, the tendency is for these to provide input on so-called “need” issues and project concepts; they are not seen as an ongoing mechanism to secure participation of informal economy workers. When questioned about this, Municipal staff argue that they do, in fact, undertake extensive consultation and are somewhat frustrated and perplexed by objections raised by informal economy workers about lack of consultation. The officials suggest that this probably has more to do with the disorganization of the sector than with Council’s approach. Despite this strident defense of the Municipality’s approach, organizations working with informal economy workers have consistently argued that the approach is far from participatory and tends towards very limited and top-down engagement. Other NGOs working on urban development matters have also echoed these sentiments (Mergote, 2012).

In the Municipal budget processes, the very thin engagement that occurs – largely through IDP-oriented ward forums or larger “budget hearings” in different regions of the city – tend not to be directed to the particular needs of those working informally. Dedicated engagements in the past few budget years with organized business – the only grouping selected for special “sector” engagement – did not include informal workers who constitute a significant part of the employed population in the city. Meanwhile, in the absence of adequate formal mechanisms, market traders and street traders have, from time to time, engaged in protest action and in legal action over issues that have concerned them.

### 6.1.3. Consistency of approaches

The Municipality has not rescinded the 2001 Informal Economy Policy (Economic Development Unit, Durban Metropolitan Council, 2001). This policy was widely viewed as being highly progressive in urban policy and informal economy audiences. However, subsequent policies and changing Municipal priorities have seen this framework being only selectively utilized as Municipal officials struggle with pressures from powerful political and economic interest groups. Officials note the growing perception among decision makers that formal SMMEs and organized cooperatives should be prioritized. The consequences have been an array of attempts to reorganize spaces or to create new spaces in the City with greater restrictions on the use of public space by informal economy workers. Such attempts include ongoing policing interventions in terms of by-laws, but also contemporary urban management interventions, such as those associated with urban improvement precincts/business improvement districts and explicit planning of spaces for formal private sector investment (such as in the urban renewal projects).

Interviews with Municipal officials reveal uncertainty as to exactly what the Municipality’s approach to the informal economy was. Municipal decision makers often suggested that: (a) space for informal economy work was likely to impose costs that would be difficult to recover (both in terms of capital spending and in terms of ongoing management); and (b) greater priority needed to be given to enable emerging black-owned formal businesses (of all sizes) to access opportunities such as those around public transportation nodes. Motivating for dedicated capital budgets for informal traders was identified as a major challenge and was associated with the lack of recognition of the value of the informal economy by municipal officials, political leadership and some members of the public (BSTMU Official; EDIPU’s Projects Official; City Architects Official; iTRUMP Official; EDIPU’s PSIR Official). The challenge existed despite the relatively high visibility of past efforts. The interviewees claimed that this is because informal traders are perceived to be an urban regulation and management problem and therefore seen as a waste of money where the return on the investment of rate-payers’ money cannot be easily seen. Therefore, officials said that the attitude of most other City officials and formal businesses in particular is that informal trade must be pushed out, and this is hampering budgets for informal trade development (City Architects; EDIPU’s PSIR Official). EDIPU’s Projects Official added that senior management and the political leadership often only get excited

when private investors are brought in to develop “flashy” projects like shopping centres, and very little is said by political leaders (regardless of party affiliation) in committee meetings about informal trade and how traders might be impacted by infrastructural development. The official qualified this by saying that impact on the informal economy is either not measured or scored low on performance targets that looked at new job creation or retention. The Projects Official added, “It is easier to motivate for funding to support shopping centres than the same amount of money for informal trade infrastructure...” Furthermore, from a grant funding point of view, the Projects Official claimed that even national and provincial spheres of government are skewed towards emphasizing the need to leverage private sector investment while informal economy activities are not considered to be significant contributors or generators of jobs.

Nonetheless, despite these opinions, which were somewhat sceptical of the role of the informal economy in the Municipality’s development programmes, it should be noted that these opinions were not necessarily shared by all, or even most of the officials interviewed. Most interviews were done with officials who were mandated to attend to informal economy matters and they tended to display views sympathetic to working with informal economy actors and they argued for the Municipality to provide a measure of institutional support for this function. This recognition has been influenced by both a familiarity with notable successes in some past policy innovations (such as those connected to Warwick Avenue), and also reflections about past conflicts, such as those related to the Warwick Mall dispute of 2009/10. This results in a degree of pragmatism among some of the officials interacting regularly with informal economy issues. However, it does not constitute a ringing endorsement of inclusive urban policy approaches that might have characterized the Municipality’s approach almost a decade ago. In budgetary and policy terms, these opposing factors have resulted in the following:

- Consistent, although quite limited, allocations to the BSTMU programme for the informal economy with a focus on operations of market facilities and various business development activities for informal economy enterprise operators;
- A significant focus on informal economy management, space planning and infrastructure investment in a wide range of urban renewal capital programmes (funded through National Treasury Grants – mainly managed through the EDIPU);
- A growing agenda of regulating (through devices such as permits) and some growing pressures for greater rental recovery from traders in markets and demarcated stalls in the context of concerns about rising costs associated with urban management, maintenance and urban service delivery;
- Signs of attention to informal economy matters in departments beyond those with a direct economic development mandate such as Durban Solid Waste with respect to informal recycling. The experience and interest in programmes around the informal economy from internal service units such as City Architects also reflects some measure of institutional signaling about the work associated with informal economy activities.

However, the bulk of capital project interventions that have generated new informal economy facilities in a number of different areas of the city have largely been funded from external grant sources. This would suggest that if the grant allocation policies changed, the degree of institutional attention to expanding the network of infrastructure and facilities for informal economy activity might be seriously curtailed.

In addition, the shortages in maintenance spend in existing markets, and for existing stall facilities and the like, demonstrate the challenges faced both by informal economy workers and responsible Municipal officials in raising the profile of these needs in a context where local institutions are significantly oriented towards new or “greenfield” projects. Staff working with informal economy issues, as well as some informal economy stakeholders in the City also note inconsistencies in attention from entities such as public health, safety and parks/recreation. This is aggravated to a considerable degree by the fact that, despite workshops or forums hosted by Municipal departments or their contracted development agents, meaningful participation in the bulk of planning and development activities that might serve the informal economy is minimal. While the views of market stall holders might be sought in terms of possible budget priorities for a single

facility or possible training programmes, there is not an attempt to engage them in dialogue on issues such as Municipal budgets in the way that might be done with formal business organizations.

In addition, the City Architects Official argued that within mega urban development and transport projects implemented by EDIPU and ETA, the informal economy is being looked at from the macro strategic level. These initiatives are not addressing the interventions at the micro level where informal traders are. He provided the example of the flyovers built in Warwick Junction around 2009 which led to overcrowding of the limited sidewalk spaces by both commuters and informal traders, and which has consequently become a policing problem.

Some officials commented that despite the urban management and regulation challenges that informal trade poses, the relevant departments and the City's leadership need to actively promote greater innovation in developing informal trade areas as attractive destinations and experiences (City Architects Official; EDIPU's Projects Official; iTRUMP Official). The Officials proposed that, where the streets and sidewalks within the CBD cannot accommodate additional informal traders, other creative urban models, like "African bazaars" and public markets, need to be explored. The iTRUMP Official added that new developments need to accommodate informal traders "not as a political gesture, but as a driver of economic development". The City Architects Official also stated that the mind-sets skewed towards formal retail modes need to be changed and more innovative thinking is needed because informal trading zones can represent a "deconstructed shopping mall." Furthermore, he added that marketing strategies need to be developed by those working to upgrade and manage urban precincts in order to attract a broader customer base and generate more revenue for both the City and informal traders, especially after they are provided with new infrastructure. He argued that the informal trading areas are not sufficiently marketed as attractive "destinations and experiences."

## 6.2. Reflections on the IEBA method and future research issues

Growing allocations of national revenue to local government have become a significant feature of many developing and middle income country environments as decentralization processes are promoted. These processes have taken place alongside the trends of growing levels of urbanization and the wider recognition of urban development agendas in national and provincial/state discourses. Led by countries such as Brazil, and followed more recently by countries such as South Africa and India, policymakers have expressed a growing ambition around urban development in driving national economic development objectives. India's Jawaharlal Nehru Urban Renewal Mission and South Africa's various urban grant programmes and its high degree of local budgetary autonomy have all contributed to this trend. This has positioned Municipal officials, and those in other urban development type agencies, as drivers of large-scale urban transformations. This trend, for a City such as Durban, has meant that the informal economy policy agenda has had to be about more than just market provision, street trading sites and various developmental agendas, including training and service provision. The large-scale urban renewal initiatives of various spheres of government are aimed at trying to re-craft the urban landscape in such a way that secures a significantly greater presence of formal business investment. The initiatives also aim to introduce large-scale schemes, such as transport restructuring projects, that have a range of direct and indirect impacts on the informal economy in the City. The danger is that informal economy activities can be sidelined in these development processes.

Analysis of this apparent shift is likely to require both following line item budgets for discrete activities and an understanding of how informal economy matters have been and will be treated in more ambitious, space extensive, urban renewal and city-wide infrastructure initiatives. More detailed case study assessment of the schemes, their origins, their processes, their intentions and their impacts is likely to support a better understanding of the extent to which informal economy issues have been adequately incorporated. This is particularly important as it appears, at least from the Durban analysis, that these projects tend to overshadow the more mundane, day-to-day endeavours of departments or units in the Municipality that are required, or choose, to engage with informal economy actors.

## 7. Conclusion

The introduction to this report noted that well over 250,000 individuals were recorded as being informally employed in eThekweni Municipality in 2011. It is widely understood that this figure substantially underestimates the number of people actually making a living informally in the City. In the IDP, about 430,000 people were reported as being unemployed (eThekweni Municipality, 2013a: 32). It is clear that Durban has a significant and sustained challenge related to employment and unemployment. It is therefore not a surprise that Municipal officials are both conscious of issues related to those working informally and also significantly challenged by it. However, in the past two decades of maturing democratic local government in the City, there have been mixed signals in Municipal budgetary responses to informal economy challenges. As was the case in the 1990s, matters of street trading continues to predominate the Municipal discourse on informal economy issues, and this discourse is increasingly characterized by an institutional ambivalence to public space trading and public investment in markets. Although substantial new facilities have been delivered and are planned, they are somewhat grudgingly developed in a context where signals from Municipal leaders see the main prize as being private formal investment led by an emerging class of black and particularly African business owners.

The research confirmed that issues of the informal economy are reflected in Municipal policy, institutional and budgetary commitments. Furthermore, the Municipality continues to provide, compared at least to its South African counterparts, an impressive array of facilities and programmes. However, the bulk of new commitments in facilities have been driven by external funding (although secured by a capable Municipal team) and other programme elements have seen only marginal growth in commitments, if any, across the period assessed. While the diversity and scale of activities remains notable among cities in the South African context, questions remain as to whether the totality of the Municipal response is adequate. Examples of the development of informal economy facilities within wider urban renewal programmes are a relatively new feature of the Durban development landscape and need further analysis to assess their contribution. Furthermore, major strategic commitments in the City to public transport restructuring investments raise more questions than answers in that they do not have adequately documented intentions around the informal economy specified in their plans.

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# Appendices

## Appendix 1. eThekweni Municipality Budget resources

eThekweni Municipality

<http://www.durban.gov.za>

eThekweni Municipality Budget Policy [http://www.durban.gov.za/Resource\\_Centre/Policies/Documents/Budget\\_Policy.pdf](http://www.durban.gov.za/Resource_Centre/Policies/Documents/Budget_Policy.pdf)

eThekweni Municipality Budgets, Tariffs

[http://www.durban.gov.za/Resource\\_Centre/reports/Budget/Pages/default.aspx](http://www.durban.gov.za/Resource_Centre/reports/Budget/Pages/default.aspx)

eThekweni Municipality Tariffs

[http://www.durban.gov.za/Resource\\_Centre/reports/Budget/Documents/Forms/AllItems.aspx](http://www.durban.gov.za/Resource_Centre/reports/Budget/Documents/Forms/AllItems.aspx)

eThekweni Municipality Annual Reports

[http://www.durban.gov.za/Resource\\_Centre/reports/Reports/Pages/default.aspx](http://www.durban.gov.za/Resource_Centre/reports/Reports/Pages/default.aspx)

eThekweni Municipality Integrated Development Plans

[http://www.durban.gov.za/Resource\\_Centre/IDP/Pages/default.aspx](http://www.durban.gov.za/Resource_Centre/IDP/Pages/default.aspx)

eThekweni Municipality Business Support, Markets and Tourism Unit

[http://www.durban.gov.za/City\\_Services/BST\\_MU/Pages/default.aspx](http://www.durban.gov.za/City_Services/BST_MU/Pages/default.aspx)

eThekweni Municipality Economic Development Unit

[http://www.durban.gov.za/City\\_Services/Economic\\_Development/Pages/default.aspx](http://www.durban.gov.za/City_Services/Economic_Development/Pages/default.aspx)

eThekweni Municipality Informal Trading and other by-laws

[http://www.durban.gov.za/Resource\\_Centre/Bylaws/Forms/AllItems.aspx](http://www.durban.gov.za/Resource_Centre/Bylaws/Forms/AllItems.aspx)

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