

# **Durban's Informal Economy Policy**

**EThekweni Unicity  
Municipality**

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## ACRONYMS

ACHIB	African Chamber of Hawkers and Informal Business
BPCC	Best Practice City Commission
CBD	Central Business District
CCMA	Commission for Conciliation, Mediation and Arbitration
CMDA	Cato Manor Development Association
DMA	Durban Metropolitan Area
DTI	Department of Trade and Industry
EDD	Economic Development Department, Durban Metro
ILO	International Labour Organisation
ITMB	Informal Trade Management Board
ITSBO branch	Informal Trade and Small Business Opportunities
LTDP	Long Term Development Plan, Durban Metro
NGO	Non governmental organisation
N&SCLCs	North and South Central Local Councils
SAPS	South African Police Services
SEWU	Self Employed Womens Union
SMME	Small Medium and Micro Enterprise
TBDC	Thekwini Business Development Centre



## **1 INTRODUCTION**

The informal economy makes an important contribution to the economic and social life of Durban. In the past, there were strict rules controlling street trading and the establishment of built markets. Home based work was largely not in the domain of local government. The rapid deregulation at the beginning of the 1990s, as well as the transition in local government, led to a changed policy environment. Durban has committed itself to promoting economic development, but has had no comprehensive, written policy to guide the management and support of workers in the informal economy.

A policy has the following purposes:

- 1.1 It makes local government's approach and principles clear.
- 1.2 It forms the basis for appropriate and workable legislation.
- 1.3 It provides the basis for common action by different government departments.
- 1.4 It provides the basis for making decisions about allocating resources for management and support.
- 1.5 It provides the basis for making agreements with other stakeholders about what the roles of local government and other groups should be.
- 1.6 It provides the basis for monitoring and evaluating what has been achieved.

## **2 THE POLICY PROCESS**

- 2.1 The policy process was undertaken for the North and South Central Local Councils (N&SCLCs), two of Durban's six local councils. It has however kept in mind that by the end of 2000, all local councils and Durban Metro will be merged into one unicity.
- 2.2 The policy process was consultative. Interviews and workshops were held with a variety of stakeholders, including informal and formal business organisations, councillors, officials, civic organisations and development forums, as well as members of the public. (See Annexure 1: The Consultation Process, for details.)
- 2.3 Section 3 of this report gives the broad vision or approach adopted by the Technical Task Team. Section 4 gives a brief outline of the informal economy in Durban.

Sections 5 through 13 then outline the major components of the policy. In each section, the policy position is put forward, and levers for change are identified. The Current Situation briefly summarises where we are now, and levers for change are identified. Ways forward itemises new operational frameworks. In most cases these are summarised, and supplemented in more detail in the Annexures.

Sections 14 and 15 respectively deal with Pilot projects, and Transitional Arrangements, and the Conclusion is given in Section 17.

### **3 THE APPROACH TO THE INFORMAL ECONOMY**

The South African Constitution mandates local governments to promote economic development. This N&SCLC policy for the informal economy is grounded in the overall strategic policy set by Durban's local government for economic development. Among related initiatives are the Central Business District (CBD) Revitalisation Strategy, the Best Practice City Commission, the Safer Cities Project, the Long Term Development Framework, as well as strategic work on *inter alia* Small, Medium and Micro Enterprises (SMMEs), area-based management, and transport planning.

This policy shares the vision of those initiatives, of a Durban which is safe and secure for its citizens; where people live in a healthy environment; where the urban environment is well-managed. Durban's future economic and social health depend on its being investor friendly, with incentives for new and existing business to put down roots and grow. Good planning and management must include long term thinking about spatial development and transport planning.

The health of the entire economy is important. The economy does not divide neatly into 'formal sector' and 'informal sector'. Rather, the different sectors, such as manufacturing, tourism, services, and construction, are on a continuum which has a more formal end and a more informal end. The great challenge to local government, in its support for economic development, is to enable the creation of as many opportunities for work as possible, at different points long the continuum, while ensuring health and safety, orderly planning and management.

All work, whether in the more formal or more informal ends of the continuum, is to be valued, and especially when unemployment is so high,<sup>1</sup> and when there is a high link between unemployment and crime. The HIV/ AIDS epidemic is likely to increase the numbers of people relying on the informal economy for work.

This policy takes as its point of departure that local government has a difficult role in supporting economic development, while at the same time pursuing pro-poor policies. The policy must be based on the following realities.

- 3.1 A long term policy goal for some is to support the move of informal economy workers into the formal economy. However, it appears that the formal economy is informalising rapidly; the informal economy offers diverse opportunities for absorbing those who have lost their jobs, and for new entrants into the economy. The informal economy is here to stay, not only in Durban, but internationally.
- 3.2 The formal and informal parts of the economy are mutually interdependent. The good health of one depends on the good health of the other. It is difficult

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<sup>1</sup> The greatest growth in unemployment, between 1996 and 1998, is found in the African population (6.8% increase), compared to 4% for Indian people, 3.9% for coloured people, and only 0.7% for whites.



to promote growth of smaller enterprises, if the overall rate of economic growth is slow.

- 3.3 Management of the informal economy in the past has concentrated on people trading in public places, such as street vendors, and in municipal markets. With the growing importance of home based and outdoors informal work, and changes (again internationally) in the uses of public and private space, local government has to revise its role and responsibilities.
- 3.4 To date, much of the support for the informal economy in South Africa, through national SMME policy, has been focused on medium size enterprises and has not been very successful. Not enough support has been given to the poorer segment - the very small operators in the SMME sector, sometimes called survivalists. At national level, the Department of Trade and Industry (DTI) acknowledges its lack of success overall in supporting SMMEs, and especially poorer ones. Private training and support providers in the city and region are nearly uniformly missing the poorer operators and survivalists.
- 3.5 There will always be a tension, for local government, in reconciling its own formality, and rule-bound procedures, with the fluidity and change of the informal economy.
- 3.6 Local government has to balance the need for job creation, in both formal and informal parts of the economy, with the need for orderly management of the city and of residential areas.

#### **4 THE *STATUS QUO* – THE INFORMAL ECONOMY IN DURBAN**

##### **4.1 Economic contribution**

The important economic contribution made by informal workers to the economy of Durban and of the region has not been well understood. Local government in Durban, at Metro and N&SCLC levels, has taken the need for research seriously, and a clearer picture is emerging.

- 4.1.1 The informal economy makes an important contribution to *job creation*. In 1996, there were about 20000 street traders in the DMA area. About 60% of these were women. Thousands more people work from their houses. Common activities are child minding, cooking, manufacturing, and repair work. The majority are likely to be women.

An unknown number of people are mobile outside workers, such as garbage pickers, and cardboard recyclers. Many informal workers are casual labourers, such as those waiting at curbsides to get daily employment in the construction industry.

Many of the workers, such as street traders, themselves generate work along a chain of supply and distribution - the *muthi* trade has been estimated to generate about 14000 jobs in Durban.

- 4.1.2 *A great deal of money flows through the informal economy, and between the formal and informal ends of the economy. In 1998, black householders in the DMA spent more than R500 million in informal sector outlets (street vendors, shebeens, spazas, tuckshops, private persons). Of this about R340 million was spent on food.*

In 1998 more than R170 million was spent on raw and prescribed products in the Russell Street *muthi* market.

In peak season, some 28 tonnes of cooked mielies are sold every working day, to commuters arriving in the central city. This amounts to a daily turnover of around R200 000, and in a five day week, a turnover of around R1 million. (It also, of course, means a substantial amount of mielie leaves and cobs to dispose of.)

The money generated by activities defined as illegal<sup>2</sup> is likely to be very high - and difficult to estimate. Durban is the economic hub of South Africa's dagga distribution, with well known internal and export distribution networks. There are increasing numbers of commercial sex workers, rich and poor.

- 4.1.3 The informal economy contains great *diversity* (see Fact Sheet 1: Diversity in the Informal Economy). The most visible workers in the central city – the street traders – are far outnumbered by the many home based and outside workers.
- 4.1.4 Shopping in informal outlets is extremely *convenient* for thousands of commuters and residents. Whether buying mielies and fruit in town, or buying paraffin and candles from spaza shops in residential areas, the informal operators offer a pro-poor, convenient service to many of citizens.

Home based work is convenient for many women and men, and has increased rapidly in recent years. While most of this work remains invisible, and often generates small incomes, many women find it convenient to be able to combine work and child-caring, and caring for the home.

- 4.1.5 Informal outlets trade in many goods which are important in *the cultural and religious life* of citizens of, and visitors to, Durban. About 80% of the African population uses traditional medicine, the basis of the *muthi* trade; sea water is an important ingredient for various cultural and religious practices, including weddings; apparel and decorations for temples and mosques are sold in informal and formal outlets.

The provision of cultural artifacts is important for local people, as well for the tourist market.

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<sup>2</sup> The economic importance of the illegal activities is recognised. However, the policy for the informal economy, which is essentially concerned with management and support, and a developmental role for local government, does not concern itself further with illegal activities as a policy issue.

## **4.2 Durban's commitment to the informal economy: institutional and management status**

- 4.2.1 Research shows that Durban is ahead of other large South African cities in terms of integrating informal economy concerns into appropriate institutions of local government. At Metro level, the informal economy is in the Economic Development Department, for the purposes of policy development and strategic planning. At N&SCLC level, street trading is in the Development Facilitation Department, and Informal Trade and Small Business Opportunities (ITSBO) has a planning and policy division.
- 4.2.2 Durban created the DITSBO (now ITSBO) in 1991 to support the development of small enterprises. The Informal Trade division manages built markets, has established numbers of satellite markets, has area managers and site supervisors who do area-based work, and provides training and support to small business operators; the Small Business Opportunities division does policy and strategic development.
- 4.2.3 City Health has for five years had an active health education programme to upgrade the skills and working environment of street traders. Through a system of incentives traders are encouraged to attend, be accredited and be registered. It has also actively negotiated around specific issues such as relocation of *muthi* markets, and the sale of potentially hazardous plastic drums.
- 4.2.4 Durban has supported innovative pilot programmes in urban renewal, and in area based management. In this respect, it has used municipally owned land creatively as an asset for innovation. The Warwick Junction Urban Renewal Project, and the Cato Manor Development Association's work, in particular, stand at the international cutting edge of negotiated, inclusive management practices.

## **4.3 Resource allocation**

In addition to the costs associated with the personnel allocated to institutional support described in 4.2, other budget support has been given.

- 4.3.1 The N&SCLCs have allocated significant resources - about R45 million over the last three years - to developing satellite markets and providing infrastructure such as shelter and water in the central city.

In 1997/98, R26.6 million was spent on informal economy capital projects. Four fifths of this was spent in the CBD. In 2000/2001, both North Central and South Central committed to a substantial increase in allocations to economic development.

- 4.3.2 Infrastructure policies such as the rates lifeline tariff (those whose houses are valued at less than R20000 pay no rates; those valued at between R20000 and R50000 pay R20 per month) are of direct help to poorer, home based workers.

- 4.3.3 The Durban Metro, and the N&SCLCs, earmarked specific funds for the development of the beachfront (which includes the craft workers) and the *muthi* market.
- 4.3.4 The Central Transitional Council (fore-runner to Metro) and the N&SCLCs were among the stakeholders in the formation of the Thekwini Business Development Centre (TBDC), a Section 21 (not for profit) company. Metro and the N&SCLCs (through ITSBO) provide an annual grant to the TBDC, as do other funders. TBDC has specialised in assisting small operators (mainly in the construction industry) to increase the scale of their services, and it has assisted in craft development.

#### **4.4 Critical problems and challenges**

Real progress has been made with managing informal trade in some parts of the central city, and there has been political support for this. Large parts are now in fact regulated. However, a number of critical problems and challenges remain.

- 4.4.1 Despite improvements, there are still strong negative perceptions of informal traders. Many people associate street traders with the high crime rate, and with littering in parts of the central city.
- 4.4.2 Efforts to support the informal economy are to a large extent fragmented and unco-ordinated.
- 4.4.3 The procedures surrounding licensing and permits for street vendors are complex, cumbersome, and costly. These pose high costs in time, to traders, and do not act as incentives to formalise.
- 4.4.4 With regard to the development of some of the satellite markets, the lack of planning about location, security issues, infrastructure, and also the lack of a consistent site allocation policy, means that valuable assets, built by the N&SCLCs, are being wasted, or are not being used to their best potential. Also, there was limited consultation and participation in developing some of the satellite markets.
- 4.4.5 There are tensions around the status of foreigners seeking to work in Durban.
- 4.4.6 Relations between formal and informal businesspeople, and between their associations, are often strained and hostile.
- 4.4.7 Various councillors and officials have dedicated time to discussions and negotiations with organisations of street traders. In some places, good and respectful relationships have developed. However, negotiations have seldom been guided by a clear policy or terms of reference. They were not sustained, and were seldom properly recorded. As a result, relationships between local government and organisations of informal workers have often been frustrated, rather than developed.

- 4.4.8 Further, there is a great deal of in-fighting in organisations of informal workers, and sometimes between competing organisations within the same built market.
- 4.4.9 The political transition in South Africa has led to the need for capacity building and human resource development for all parties – officials, councillors, formal businesses, and workers in the informal economy.

## **5 PROMOTION OF DIVERSE ECONOMIC OPPORTUNITIES**

The *first point of departure* in the policy for the informal economy is that local government should promote the creation of job opportunities. The local government should encourage and promote a diverse mix of markets and trading opportunities, where sites come to be valued as economic assets.

A diverse mix of built markets and street trading sites is part of the overall strategy of creating different opportunities and small steps along the ladder between the very informal and the very formal parts of the economy. More built markets should be encouraged, and especially in the formerly under-developed residential areas, where the planning for markets should relate to the supply coming from home based work.

Key levers for change, management and support will be planning, the allocations policy, the registration process, and the rentals policy.

### **5.1 Planning**

New markets and trading opportunities must be properly planned, bearing in mind the economic needs of traders, the need for more vibrant land use, and the need for orderly town, spatial and transport planning, as well as health and safety.

#### Current Situation:

- In some parts of the central city there are few sites available. New spatial opportunities exist largely in the former township areas.
- Markets have been established without adequate reference to environmental impact, provision of infrastructure, town planning, or transport planning.
- Some of the new satellite markets are empty because of the lack of planning and policy.

#### Ways Forward:

- 5.1.1 A moratorium should be placed on developing new plans for new built markets until the existing ones are properly managed, and are supplied with adequate human and operational resources.
- 5.1.2 The exception to this should be the properly planned and designed pilots, one in the central city and two in former township areas, recommended in 14.2.

- 5.1.3 New market developments, and new allocations in existing markets, must be linked to emerging patterns of work in the areas they serve.
- 5.1.4 Planning, including planning of pavement use, should be done bearing in mind the framework principles for the allocations policy in 5.2.

## **5.2 Allocations policy**

Allocations policy is central to the entire policy for the informal economy – it is the lever through which local government can steer management and support of the informal economy. The aim of the allocations policy is to support growth, and provide opportunities for new entrants, in an economically sustainable and socially useful way. It can be a powerful tool for job creation, and for the inclusion of formerly marginalised people. It can feed directly into the tourism industry, through achieving the appropriate tenant mix at tourist-related areas.

### Current Situation:

- There has been no consistent or transparent site allocation policy, and this especially applies to allocations in new markets.
- In some of the existing built markets, such as the Early Morning Market, there are severe racial imbalances in the occupancy, with African traders being under-represented.
- There is rising dissatisfaction, amongst traders, area managers and supervisors, and others, around the increase in numbers of mobile traders who do not have permits. They are able to take advantage of their mobility and sell goods in direct competition with both formal and informal traders.
- There has been a rapid increase in the number of people trading at traffic intersections, mostly without permission to operate, and with no clear policy as to who has the authority to give permission to operate. The growing numbers present a growing safety hazard.
- New legislation regarding immigration, refugees and asylum-seekers is difficult to interpret regarding the work-seeking status of different categories of foreigners, and hence their status with respect to allocations of sites and facilities.

### Ways Forward:

The framework principles appear in Annexure 2. In summary:

- 5.2.1 Criteria for allocations will be negotiated locally with stakeholders, in terms of the framework principles.
- 5.2.2 The allocation of sites will then be done by officials.
- 5.2.3 Criteria will include addressing racial imbalances, changing local demographic patterns (of race, gender and age), the socio-economic profile of the area, and a balance of existing traders and new entrants, and local industry and market opportunities.

- 5.2.4 The allocations policy could be used as a tool to develop partnerships between established traders and new entrants.
- 5.2.5 Targeting vulnerable groups will only be successful if the design of markets includes them – it will not succeed if attempted by an allocations policy alone.
- 5.2.6 A moratorium should be placed on granting permission for traders to operate at traffic intersections, with the possible exception of newspaper vendors, because of the long historical precedent. A survey should be commissioned in order to inform policy about the extent to which this activity should be restricted.
- 5.2.7 Local government must work within the national legislative framework regarding the rights of foreigners to trade. Where visitors have the right to work, it would be unconstitutional to deny them the right to a place in which to work.
- 5.2.8 Numbers of mobile traders should be restricted, and they should be regulated in the same way as traders with fixed sites. A special survey should be done of their numbers, mobility patterns, and economic needs.
- 5.2.9 An investigation should be made of the possibility of establishing an adjudication and appeals process, drawing on structures and practices of an institution such as the Commission for Conciliation, Mediation and Arbitration (CCMA) – see 12.7.

### **5.3 Registration**

The policy goal is that all people working in public places will register as small businesses. This is a decisive move away from the existing situation where one procedure gives access to a site in a public space, and another gives permission to operate in a particular sector.

Registration (as well as sustained payment of rentals) is the action which gives permission to operate, and which provides access to services and support.

#### Current Situation:

- The current situation of licensing and permits lacks transparency, is complicated, takes a lot of the time of both small business people and officials. It is out of step with the proposed move towards ‘one-stop centres’ being considered by local government.
- This makes the system as it operates open to individual interpretation, and even abuse, by all stakeholders – formal and informal businesses, councillors and officials.
- People wishing to trade in foodstuffs have to apply to the Licensing Department for a license to trade, in addition to applying to ITSBO for a site permit. In terms of the new Health Act, City Health is now required to issue a certificate of acceptability to a person trading in foodstuffs, so a triplicate system operates.

- Many are concerned with the practice of ‘fronting’ whereby sites intended to support people with very small businesses and which are effectively subsidised by local government, are in fact controlled by wealthier established business people. In areas where permits are required, it has been shown possible to limit this practice by issuing only one permit per trader.

#### Ways Forward:

The operational framework is presented in Annexure 3. In summary:

- 5.3.1 The registration process involves the granting of the right to work. This right goes along with responsibilities.
- 5.3.2 Existing registration procedures will be simplified and move towards the one-stop centre concept being promoted by local government. This will reduce the high cost, to poorer traders, associated with becoming legal.
- 5.3.3 The registration process will be simplified as far as possible. It will have to accommodate the particular requirements for City Health to issue clearances for people trading in food, as well as for certain other trades such as hair-dressers, cardboard collectors, panel beaters, etc.
- 5.3.4 The data on registration will be embedded in the inter-departmental information system recommended in 7.4.

#### **5.4 Rentals<sup>3</sup> policy**

Local government is moving towards dealing with informal traders as small business people. In the same way that built property has a value placed on it, depending on where it is located, so it is important to place value on different informal trading sites, such as pavements.

The lever through which value will be placed on sites is a system of differentiated rentals.

#### Current Situation:

- The vast majority of street traders agree with the principle of payment. However, many have not paid for months, or years.
- Differentiated rentals already exist for different types of sites in public places and in markets. (See Fact Sheet 2: Rentals for Trading in Public Spaces in Areas covered by Durban’s North and South Central Local Councils, 2000.)
- For street vendors, rental is currently R35 a month for a fixed site, with services attached, and R10 for an unserviced site. The R35 is a blanket amount which

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<sup>3</sup> The term ‘rental’ usually refers to payment for a *place*; this policy advocates a move towards payment for the *right to operate*, whether at a fixed site, or as an itinerant/ mobile worker. It may be prudent to move away from ‘rental’, or ‘permit’, or ‘license’ – all of which cause some confusion in the existing situation - to a changed term such as ‘registration fee’, or ‘operator fee’.



covers a variable extent of service provision. Informal business people and officials judge this to be unfair.

- Present paypoints are at Martin West Building, in Shell House (Sundries), in the Early Morning Market, and at post offices. People with bank accounts can pay at any branch of one of the large supermarkets.
- Those without bank accounts or nearby post offices suffer the inconvenience, and loss of income, which are caused by the long queues of people waiting to pay for other municipal services, at municipal paypoints.
- Under present budgetary and financial policy, it is not possible to earmark money paid in rentals for the further development of trading facilities.
- Durban experiences the same economic pattern as found in many major cities, where two ‘markets’ operate side by side: the formal procedures of setting and paying rentals, driven by government; and the informal process by which prices of sites are fixed, and sites exchange hands, based on what businesses feel they are worth.
- Home based workers already pay ‘rental’, through their rates, and through payment for services such as water and lighting.

#### Ways Forward:

The framework principles for the rentals policy are in Annexure 4. In summary:

- 5.4.1 The existing principle of differentiated rentals/ fees for different trading opportunities will be expanded to cover street vendors, itinerant vendors, and people trading in built markets.
- 5.4.2 Rentals will be linked to site size, desirability of location, and the level of services provided. Levels will be determined by considering the cost to local government of providing the facility, bearing in mind the need to subsidise new opportunities in some areas.
- 5.4.3 For street traders, a basic site rental should be set. Then, differentiated rentals for different levels of service provision should be introduced. Components of a basic package of services are basic shelter, solid waste removal, water, toilets, lighting, and storage facilities.
- 5.4.4 The formula by which levels are set needs to be fair, and transparent to officials, to all business people, and to the public.
- 5.4.5 Payment procedures will be simplified, and as far as possible decentralised, taking advantage also of new forms of electronic banking.
- 5.4.6 The possibility of including a levy into the rental, earmarked for a Support Fund for the development of additional support for trader associations, should be explored.

## 6 AREA-BASED MANAGEMENT COMBINED WITH SECTOR-BASED SUPPORT TO SMALL ENTERPRISES

The combination of area-based management, with sector-based support, has the potential of achieving efficient management, continuous local-area negotiation with stakeholders, the promotion of linkages between formal and informal businesses, increased self regulation through trader associations, and targeted support for enterprise development.

Evidence for the effectiveness of *area-based management* comes from initiatives in other sectors such as the Land Reform Project, the Community Economic Development Strategy, and Local Economic Development Zones. The management of the informal economy will be well served by moving in this direction. Useful lessons have been and are being learned from the Warwick Junction pilot, the Beachfront Committee, and the Cato Manor Development Association.

International economic development strategies have moved towards *sector-based support* for economic enterprises. Support for small enterprises will be best served by moving towards a sector-based approach as well (for fresh foods, for clothing traders, for service workers, for waste recyclers, for example). ITSBO has started moving in this direction in its involvement in the indigenous medicine project (in conjunction with the Institute for Natural Resources). This has already demonstrated that the sectoral (or value chain) approach to support offers possibilities for understanding the dynamics of each sector more accurately, and thus of building more precisely focused support. Support can then be offered in exchange for working according to codes of conduct, and self-regulation.

In addition to the area-based management, and sector-based support for enterprise development, broader assistance *with business development skills* is important for all enterprises.

Key levers for change are management zones within which decisions about regulation can take place, committed area management teams, a flexible space which can house management and meetings of stakeholder groups, and specialised support mechanisms.

### 6.1 Management zones

Demarcation of areas for certain uses is an indispensable part of the development of human settlements. The management zones being planned for the central city should be extended to cover the entire local government area of the N&SCLCs, so that new developments in outlying areas are properly planned and managed.

#### Current Situation:

- There are no areas in which trading is entirely legally prohibited. It is effectively prohibited in certain areas through no sites being allocated, or where the management of particular shopping areas prohibits informal trade.
- Informal business is restricted in certain parts of the central city and beachfront. There is no discernible logic to the boundaries of the restricted trading zones.

- The way the current demarcation has been implemented has led some formal businesses to complain of racism (because of the reduction in the numbers of traders in formerly white-owned areas).
- Unplanned dense concentrations of people, traffic and small businesses in former township areas, especially around transport nodes, is becoming an increasing problem.

#### Ways Forward:

- 6.1.1 Management zones should be increased to cover the planned precincts and the whole of the N&SCLCs, so that orderly planning and development can occur.
- 6.1.2 Trading in public places should be prohibited in carefully selected key spots (not areas), within management zones, which have high cultural or tourist significance (except in agreement with the caretakers of such places). These could include historic buildings such as the City Hall, and the International Convention Centre. This should be done according to carefully considered criteria, and only where there is clear evidence that the presence of street traders detracts from the cultural or tourist significance of such spots.
- 6.1.3 The move towards management zoning offers the possibility of introducing the idea of flexible restriction. Variations in restrictions can be introduced, appropriate to the area, through negotiations with stakeholders. The flexibility about the extent of restrictions within areas will be linked to differentiated rentals for sites/permits.
- 6.1.4 Principles governing restriction should include ensuring access, free flows of pedestrians, ensuring access to formal and informal business sites, ensuring smooth traffic flows, and ensuring the maintenance of environmental health standards. This should all be done bearing overall aesthetic considerations in mind.
- 6.1.5 Local government should consider a system of awards for traders, in different categories such as presentation of goods, contribution to environmental standards, general aesthetics, etc. This is in line with the idea for awards for high standards in the hospitality industry, and for formal businesses.

## **6.2 Area management team, and an area building**

In a variety of pilot projects, land owned by the municipality has been used in creative ways to experiment with area-based management. The pilots show the importance of continuous, on-the-ground management, and of providing safe, local places where a variety of stakeholders can meet. They also show the central importance, to area management and to strengthening negotiations, and building trader organisations, of a physical structure (see Annexure 5).

#### Current Situation:

The experience of pilots in area based management teach many useful lessons. Some important ones are:

- The importance of continuous on-the-ground management in building good relations, and in solving crises.
- The importance of addressing the tension that exists between the need for flexibility and a holistic approach, and the implementation of line functions.
- The scope that exists for seconding existing line function staff into area teams.
- The importance of developing a specific area identity, with which both staff teams and local business people can identify.
- The central importance of a building, for day-to-day management, and for other stakeholders to meet.
- On the debit side, the extent to which pilots are replicable, given different personnel and scarcer resources, has not been determined.

#### Ways Forward:

- 6.2.1 Work needs to be done to draw out further lessons from existing pilots for other areas, and especially for former township areas. This should include an assessment of the cost-effectiveness of the resources which are concentrated in pilots.
- 6.2.2 A systematic audit should be done of the human resource implications of moving towards area-based management, especially concentrating on the optimal use of existing staff in line function departments.
- 6.2.3 A systematic study should be done of the requirements for buildings which the new precincts in the central city will need, and the extent to which facilities could be shared.

### **6.3 Sector-based support**

The support function, in terms of focused efforts to help small operators take steps along the ladder towards growth and independence, should be provided through a sectoral approach, as is happening in industrial policy in support of large business. This is because each sector:

- has different **economic importance** to the city
- has different prospects for **growth** for individual operations, ranging from the limited prospects of the survivalists, to the better prospects of service providers such as hairdressers and ‘bush mechanics’
- has its own unique **linkages** between the formal and informal ends
- presents different problems of **control** (the seasonality of mielie-cooking; the hazardous chemicals in drum-selling; the noise caused by backyard panel beaters)
- offers different possibilities for **support**, based on all of the above.

The Current Situation, and Ways Forward, for forms of support to small enterprises is dealt with in Section 7.2.

## **7 INTEGRATED FUNCTIONS OF MANAGEMENT, SUPPORT FOR ENTERPRISE DEVELOPMENT, AND REGULATION/ ENFORCEMENT**

The move towards a more developmental approach to management of and support for the informal economy requires a reorientation of attitude, and of institutions. There has to be a management commitment to co-ordinated work. Then, the present separated functions of management and support, on the one hand, and regulation/ enforcement on the other, should be integrated under one roof.

The improved integration of the management, support and regulation/ enforcement functions within ITSBO will mean that registration and the support offered could be designed to be contingent on abiding by regulations, and on self-regulation.

Environment Health, because of the special status in local government of the Department of Health, will have to remain institutionally separate.

### **7.1 Management**

The existing move toward a developmental role for local government in assisting small enterprises will be enhanced by developing a strategic vision which takes into account the development of area-based management, the need for more co-ordination, and the need to manage better the impressive facilities which have already been built.

#### Current Situation:

- When DITSBO – now ITSBO - was established, there was a conscious separation of the enforcement function (which remained in the safety and security services) from the management and support function.
- Good examples of co-operation, despite the separation of functions, have been around the Tourism Protection Unit, on the Beachfront, and around twice monthly night cleaning in Warwick, where City Police and City Health work together. These are both focused, area-based exercises.
- SAPS and City Police themselves have different functions, but with both there have been major problems of co-ordination around informal trade issues, with ITSBO and with City Health.
- One problem has been the rapid shift-changes in the police, so that ITSBO and City Health are dealing with a constantly revolving staff; human resource and skills shortage have also been contributing factors.
- ITSBO itself has been through a trying time of restructuring, which has been undermining to the morale of staff.
- Many Site Supervisors express a wish to expand their skills to be able to offer more business support.
- Serious management problems have developed in many of the satellite markets. There is conflict between ITSBO and market committees, within and between market committees, and between committees and stall holders. These issues will be expanded on in a separate report drawing on the markets surveys.

## Ways Forward:

- 7.1.1 There needs to be a commitment to co-ordinated work, and to overcoming the fragmentation that has happened.
- 7.1.2 A new policy which emphasises support, and the development of human resources, and the integration of control and enforcement, will mean restructuring within ITSBO, and the possible creation of additional agencies.
- 7.1.3 Structured and regular links with Environmental Health should be instituted to improve co-ordination.
- 7.1.4 ITSBO staff should undergo specially tailored and appropriate programmes of learning, for example about conflict mediation, sectoral analysis of the formal and informal economy, and new management methods.
- 7.1.5 Over time site supervisors will be located within precincts. A change of name, to make their support and liaison role clearer, should be introduced (Community Liaison Officer has been suggested).
- 7.1.6 With regard to built markets: a moratorium should be placed on the further development of new satellite markets, until the management problems in existing ones have been addressed.
- 7.1.7 Additional satellite markets will have to be built in more outlying areas. New area managers will need to be appointed and trained.
- 7.1.8 A new category of economically trained sector specialists will need to be introduced, to service the precincts. More information will be given in Section 7.2.
- 7.1.9 All new facilities will need to be accompanied by a clear programme of human resource development/ capacity building for stall holders, committees, and officials.

## **7.2 Support for small enterprises**

[NOTE: Support for building the capacity of organisations of informal workers is closely linked to the development of their enterprises. This is dealt with separately in Section 9.]

All parties are learning rapidly about the significance of the informal economy in urban development, and are considering innovative ways of supporting it. Durban has much to learn from its own recent efforts at support, as well as from international experience, about which forms of training and support are effective, sustainable, and able to reach large numbers of people.

A number of creative different roles for local government in support are possible, many simply by using existing personnel and facilities in different ways.

### Current Situation:

- At a national level the DTI has acknowledged it has failed in offering successful training and support to SMMEs, and especially to the smaller business people. At a local government level, the transition from a control to a supportive and developmental function is difficult for many. The Thekwini Business Development Centre (TBDC), the Section 21 company set up for the support of SMMEs, does not target very small enterprises such as those operated by many street vendors, or by home based workers.
- ITSBO has been important as a vehicle for the allocation of resources and facilities. Many staff themselves would like to be able to play a more positive and proactive role in support of small business.
- There is a strong demand for both elementary and then more advanced courses in business and financial skills. There is also a need for basic literacy and numeracy skills as well as more general life skills. Small business people have identified English language training as important.
- The loudest call from traders is for credit and loans. Local government cannot legally provide this support directly, in the sense of itself being a micro-finance agency, but it has a role to play in supporting others to do this.
- The Clairwood Hive was set up to assist traders working in very poor conditions in the Clairwood area, to offer them an alternative site to produce and market clothing. Research shows that it is offering a valuable production and residential space for numbers of people in the clothing industry, but not in a cost-effective way. There was insufficient planning in establishing this facility.
- There is a general underestimation of how difficult it is to form successful production or purchasing co-operatives.

### Ways Forward:

- 7.2.1 *New sector specialists:* A new category of economically trained sector specialists should be introduced, to service the precincts. A start should be made with specialists in sectors where large numbers of traders operate (e.g. fresh and cooked foods on the streets, waste recycling) and in sectors where growth prospects are more positive (for example clothing, automotive repairs).

A specialist in each sector could serve all area offices, getting on-the-ground knowledge of local needs and services, and devising support mechanisms which are appropriate to these. These sector specialists could be employed inside local government, in ITSBO or elsewhere (for example, there is special expertise in job creation in waste management in Solid Waste); or they could be in NGOs; or they could be contracted in from the private sector. The important qualities sought would be a combination of sectoral knowledge, understanding of the economic strategies and constraints of poorer people, and good business experience.

- 7.2.2 *Core business skills team:* In addition to the sector specialists, there should be a core team who trains in general business skills, encouraging the development of small enterprises.

- 7.2.3 *Direct service provision:* The Clairwood Hive is an example of direct service provision by local government. Attention should be paid to recommendations

in the research report regarding introducing time limits for support, training expertise, and careful monitoring and evaluation systems.

- 7.2.4 *Referral:* Site supervisors and area managers should be developed to offer an effective referral service to existing support services, and, as important, to monitoring requests for support which are not offered by current providers.
- 7.2.5 *Legal advice:* Local government should provide basic legal advice to small businesses about small business development – on labour regulations, the CCMA, trade laws, tax laws, and registration, for example.
- 7.2.6 *Health education:* There should be continuing health education with regard to the handling of food for sale, and with regard to other trades which have an impact on health – e.g. drum sellers, hair dressers.
- 7.2.7 *Influencing and awareness-raising:* Local government also needs to influence existing service providers to develop more appropriate programmes. It has a role to play especially in promoting awareness of the need for programmes which:
- are part-time, and held at times of day that do not conflict with peak trading hours
  - are sector specific (beachfront traders need to know about foreign currencies, for example; while fruit and vegetable sellers are likely to gain from credit management skills)
  - focus on life skills training (e.g. negotiation and conflict resolution) as well as conventional business skills
  - are gender sensitive, taking men and women's different responsibilities for domestic maintenance and child care into account
  - understand the importance of post-training follow up and support.
- 7.2.8 *Subsidisation of selected training providers:* Local government could play a more proactive role in seeking out and supporting service providers who have an understanding of smaller business operations, and a willingness to develop programmes to support them. It could provide access to Council facilities for training courses.
- 7.2.9 *Participation in provincial structures for support to small enterprises:* The province's Economic Affairs Department has a Support Providers Forum, which regularly brings together a wide range of agencies who provide services for workers in the informal economy. A structural link needs to be found whereby the local level needs for support are fed through to this Forum. Furthermore, it could be suggested to the Province that, in drawing up the model bylaws for small towns which do not produce their own, these bylaws should emphasise development and support.
- 7.2.10 *Co-operating with formal business:* Local government could encourage the private business sector to sponsor training and support programmes. It could provide access to Council facilities for training courses. (See also Section 11.)



7.2.11 *Promotion of research*: One of the problems with servicing the poorer end of the SMME sector is a lack of knowledge about their diverse training needs. Local government should support research which identifies priority interventions, and which evaluates the impact of existing training, with a focus on identifying and disseminating good practices.

7.2.12 *Facilitating access to financial services*: Durban Metro has given serious attention to the problem, faced by many emerging entrepreneurs, of accessing finance. For example, once individuals have been awarded tenders through Affirmable Procurement Procedures, they have problems accessing bridging finance. Research has been commissioned to provide recommendations to improve access to finance for SMMEs, and to provide insights into the challenges faced by institutions in servicing this sector.

Further attention should be given to financial support for smaller enterprises, learning from experience gained by other financial institutions. This should include learning from innovative institutions internationally, such as the cultural artifacts banks in West Africa (where people use highly valued cultural items as collateral against small loans) and indigenous institutions such as rotating savings and credit associations ('stokvels'). Local government should also explore ways of encouraging an emphasis on savings.

### **7.3 Regulation and control**

The regulation of the informal economy should be linked to the management and support functions. For this, regulation functions within ITSBO will need to be expanded, but, more centrally, administrative systems will have to be improved. The Metropolitan Police will then be called as a last resort.

With regard to self-regulation, where services are provided, local government is responsible for setting the basic minimum standard (of cleanliness for example). After that, small business people should maintain that standard.

Levers for effective control are institutional restructuring within ITSBO, commitment from the newly named and structured Metropolitan Police, performance guarantees with Metropolitan Police, and bylaws.

#### Current Situation:

- There have been serious problems of communication between City Police and ITSBO.
- Administrative systems within ITSBO have been such that City Police are unsure whether and when to effect arrests.
- ITSBO perceives informal trading issues not to be matters of high priority for Police.
- City Police has had a dedicated team of six people to work on informal trade issues; these personnel have covered the whole areas of the N&SCLCs. With the establishment of the Metropolitan Police, this team will have to cover the whole metropolitan area.

- A new team of auxiliary constables has been allocated to the central city area; there is some dissatisfaction with their performance.
- A set of bylaws was passed in 1996, but are only applicable in the old city of Durban.
- Bylaws were formulated with the participation of some trader organisations. Some trader organisations feel they were not consulted in the process of drafting bylaws. ITMB was established at the request of councillors specifically to negotiate on bylaws. Negotiation processes with SEWU, ACHIB, and ITMB fell into the space created by transitional councils and the new local government elections.
- The present bylaws are in most respects adequate, though they are fragmented. However, bylaws for older markets such as the Early Morning Market are racist and outdated. Further, there are still areas to do with sub-letting, and the use of assistants, which will need to be attended to.
- Many bylaws are not being strictly applied. On-the-ground agreements with street committees, and the code of conduct for tenancy of sites, appear to be the basis for many of the agreements about regulation at present.
- The implementation of some bylaws is illogical and causes unnecessary hardship to small business people.
- The regulation of home based work presently falls under town planning and city engineers, and has not been in the domain of ITSBO or Development and Facilitation.

#### Ways Forward:

- 7.3.1 *Institutional restructuring:* The move to re-integrate the regulation and control functions into ITSBO carries institutional and human resource implications, which will need to be attended to by a review.
- 7.3.2 *Performance guarantees:* Once ITSBO's internal administrative and legal procedures about conditions for taking action against traders are clearer, performance guarantees can be made with the Metropolitan Police.
- 7.3.3 *Human resource training in the Metropolitan Police:* The new auxiliary constables who have been allocated to the control of informal trade should be exposed to training about the role of informal workers, and with clear guidelines about their tasks, and co-ordination with ITSBO site supervisors and area managers.
- 7.3.4 *Bylaws:* Creating an acceptable policy framework is the first step towards negotiated reform or harmonisation of bylaws in future. Bylaws should reflect the overall policy move away from sanction and control, towards support and the creation of new opportunities in a well-managed environment.

Annexure 6 gives the framework principles for bylaw amendment and reform. Guiding principles are:

- They should be applicable to the whole local government area, and not just the central city area.
- They should be translated into Zulu (as the present ones are).
- They should be written in gender-sensitive language.

- They should be widely disseminated, in an easy-to-read format.
- They should be presented in both popular radio and print media.

7.3.5 It will not be possible to overcome all the fragmentation in the bylaws, as they derive from different functions (health control, access to public space, permission to trade, etc.) All of the bylaws, however, and a blueprint for a code of conduct, should be consolidated into one document, which should be widely disseminated in both Zulu and English.

#### **7.4 Information system**

Any attempt to move towards a better managed, more developmental, and co-ordinated approach, with incentives for registration and self-regulation, will need to be based on an information system which integrates data held by relevant departments. Licensing, revenue collection, health, police and ITSBO should be able to work together better – management links have been missing. This can be assisted through an integrated information system.

This information system is a key lever for the better management of informal business, and to their development. It will require financial resources to build and design it, but is an indispensable investment.

##### Current Situation:

- There is a serious lack of effective information systems for management, in each department, and between departments.
- There is no easy way, or no way at all, in which a particular trader or stall holder can be linked with a geographical area, different parts of the permit and licensing system, a record of offences, or a record of attending courses in health education.
- The lack of an information system leads to administrative inefficiency within departments, and it makes co-ordinated work between departments difficult to achieve.

##### Ways Forward:

- 7.4.1 An information system to underpin this integration of functions and provide better service to informal workers must be introduced as a matter of urgency.
- 7.4.2 This inter-departmental information system will link where traders are, and the sectors they work in, with registration, rent-paying status, environmental health, and the enforcement function.
- 7.4.3 A small business person could qualify for a rent or rate reduction and/or access to subsidised training if registered, if rental was paid, and/or if she or he maintained suitable health standards at site (including dealing with waste), and/ or used the space efficiently and appropriately.

## 8 INTEGRATING ENVIRONMENTAL HEALTH

Good standards of environmental health are fundamental to the quality of life and well-being of citizens, and to healthy and sustainable economic development.

A clean and healthy environment, in which it is hygienic and pleasant to work and to live, is a basic need for all. Environmental health, occupational health and public health are all important in the development of the economy at local level.

Environmental health should be integrated into all aspects of planning, management, support and regulation.

### Current Situation:

- South Africa is moving to a system of District Health Systems, which will impact on the role and management of health in local government.
- City Health's Department of Environmental Health has done ground-breaking work in support of workers in the informal economy, both in its education programmes for traders, and in its contributions to area-based management.
- Informal trade falls under Environmental Health, and this has concentrated on health conditions for people working in public spaces. The rapid increase in home based work does not fall naturally into any existing section or department, in a way that allows for a proactive system of education and promotion such as has been developed for street traders. Occupational Health is fairly narrowly restricted to dealing with health standards in formal factories and offices.
- Most of the energy of Environmental Health has been concentrated in the central city areas. New challenges springing up in residential areas are related to panel-beating, spray-painting, and the transport connected with deliveries to home based clothing factories.
- Hazard control in health is affected by seasonal variations in the kinds of work done in the informal economy, especially with regard to food: boiling oil being poured down drains; fires being lit on pavements, etc.
- The HIV/ AIDS epidemic will cause sweeping changes not only to the nature of the formal and informal economies, but also to the ability of local government to respond to changing needs. This is not a narrow health issue, but will impact especially seriously on the health department.

### Ways Forward:

- 8.1 It is imperative that environmental health considerations are built into all aspects of changing policy and management regarding the informal economy, and especially the siting and development of built markets and sites for street trading.
- 8.2 The inter-departmental information base recommended in 7.4 should be designed to be able to integrate the information bases in City Health, especially regarding environmental health hazards.
- 8.3 More understanding is needed of the way that the provision of services themselves change the way that economic activities take place. For example,

the provision of electricity for heating and lighting will change the supply of food that is prepared.

- 8.4 An official from Environmental Health should be integrated into area-based management teams.
- 8.3 Both City Health and ITSBO, in conjunction with town planning, need to be continually learning about the impact of new labour patterns (such as home based work, waste recycling, back yard panel beaters) on environmental health. New local government responsibilities in the regulation of new types of hazards need to be investigated. It will also be necessary to re-define the scope of occupational health. All of this understanding will have to be brought to bear on the new district health systems.
- 8.4 The impact of HIV/ AIDS on workers in the informal economy, and patterns of supply and demand within the informal economy, should be established through a special study.

## **9 ASSISTANCE IN BUILDING THE CAPACITY OF ORGANISATIONS OF INFORMAL WORKERS**

The success of area based management and of support for economic development will hinge on the orderly growth of organisations of workers in the informal economy. The interests of informal operators will be best served when they can bargain from a position of strength and confidence. The interests of local government will be best served when there are strong and stable partners to negotiate with. The organisational capacity of many organisations and associations thus needs to be built.

Local government should play a proactive and innovative role in strengthening informal worker organisations which are properly constituted, representative, and transparent. This will enable the move to more self-regulation amongst informal workers.

### Current Situation:

- Most organisations of informal workers with which local government has interacted have been (understandably) those of street vendors. The notable exception in home based work has been City Health's interaction with child care/educare workers.
- The ITMB was set up as an umbrella body by local government to represent street traders' interests. ITMB itself is properly constituted, but its own identity depends on the constituted identity of its affiliates; few of its affiliates are formally constituted; its annual election procedure is not based on membership lists.
- There are independent organisations of street vendors who are not members of ITMB.
- Many traders are unwilling to join organisations or associations, after experiences of broken promises from unscrupulous operators, and also because of political party divisions in and between organisations.
- N&SCLCs, through ITSBO, have spent a lot of time on negotiating and consulting with ITMB and other associations like SEWU. This is sporadic, mostly

unrecorded, and has not been done in terms of an overall policy from local government.

- Street trader organisations such as SEWU who have interacted with local government have been frustrated by councils' underestimation of the importance of sustaining negotiations relationships.
- Good progress has been made in some areas, and through some forums, in including representatives of trader organisations.
- In the event of disputes, very small and small business people find it difficult and expensive to pursue justice through the courts, and there is no other appeal mechanism.

#### Ways Forward:

9.1 Support for capacity building of organisations, and for the development of enterprises, will be part of the system of incentives to register, and to keep up to date with rental payments.

9.2 Local government can assist with the formation of organisations. It should design a systematic programme for assisting small business organisations to become democratically constituted. The core elements of this are that organisations have a constitution, have democratically elected leadership, and have membership lists which are open to scrutiny.

Local government should establish and publicise this service, which would include legal advice in drawing up a constitution, and clear guidelines as to the steps to be taken to qualify for further support services.

9.3 New area-based teams, and new sector specialists, will have a special responsibility to identify organisations and associations of different kinds of workers – local development forums and associations of formal businesses could help with this task.

9.4 Local government can assist with the ongoing maintenance of organisations of informal workers. Many organisations are small, and have little or no office equipment. Local government can assist with supplying practical administrative resources such as providing secretariats at meetings, taking minutes of meetings, translating documents between languages, etc.

9.5 Local government can assist with the ongoing development of organisations of informal workers. It could make a decisive contribution by subsidising the establishment of an organisation especially dedicated to organisation development for small business associations; or by subsidising a training organisation to pilot such focused support. This focused support will serve to promote stable and lasting organisations.

9.6 An incentive for organisations to constitute themselves as representatives could be the establishment of a negotiating forum where all organisations would have the opportunity to gain recognition as bona fide representatives subject to agreed criteria. Obvious ones could be documentary proof of membership in good standing, updated annually; a binding constitution;

written credentials of who represents the organisation, and how it should be contacted. The creation of such a forum would obviously not rule out the possibility of bilateral meetings between the council and organisations.

## **10 PROMOTION OF SAFETY AND SECURITY THROUGH LOCAL ACTION**

Durban's healthy economic and social future rests on the development of a safe and secure environment. High crime rates are linked to the high unemployment rate. Thousands of people find work in the informal economy. It is imperative, and key to Durban's success as a city in the future, that Durban become a safer city. Apart from the formal policing work done through the City (now Metropolitan) Police and the South African Police Services, Durban has excellent examples of local co-operation in visible policing which should be built on.

### Current Situation:

- Research shows that crime rates are a strong factor discouraging visitors to Durban. Small business people themselves are deeply concerned about how crime rates affect their own businesses.
- The general public, and formal business, associate crime rates with the presence of informal trade. There is clear evidence, though, that formal businesses derive measures of safety and security from their proximity to street traders.
- Traders despair when they apprehend criminals, hand them over to the police, and the criminals are then released.
- Home based workers, and street vendors, are differently affected by crime. The visibility of the street vendor makes her vulnerable, but also more able to organise with others nearby; the greater invisibility of the home based worker makes her not so likely to be attacked by a passer-by, but more isolated if she is attacked in her own home.
- Area-based management and surveillance in Warwick Junction, and in the Tourism Protection Unit on the beachfront, demonstrate how traders and officials can successfully fight against crime.
- Community policing forums have been set up in some areas, where different interest groups meet and decide on local co-ordinated actions to fight crime.
- Traders Against Crime has worked with formal business in fighting crime on the streets. It has been encouraging the move away from the sometimes harsh vigilante methods, towards co-operating with police in effecting non-violent arrests.

### Ways Forward:

- 10.1 Concrete suggestions from the small business people in the policy consultation process were electing street traders to patrol where criminals are operating, and informal traders and the police doing joint patrols.
- 10.2 The work done by Traders Against Crime in encouraging more disciplined and non-violent self-regulation should be supported and publicised.

- 10.3 An aggressive media campaign should be undertaken, led by traders and their organisations, aimed at shifting public perceptions about people who work in public places. The example of Cebezela, a multi-partner public-private initiative for day-time cleaning of the streets, should be publicised. Another good example is the successful interdepartmental clean up programmes in the Warwick Area. These involve both City Police and Environmental Health, and the area managers, in agreement with the traders themselves. Consideration could be given to awards for street traders who have risked their lives in fighting crime, and in having criminals arrested.
- 10.4 Local government could consider supporting an initiative in which small enterprises actively support improving the environment and aesthetics of the city.
- 10.5 The executive management of the local government should bring to the attention of the public safety and security services how failure to respond to co-operation from traders undermines the overall Metro strategy to reduce crime in order to attract investment, and undermines the move toward co-operation and self-regulation.

## **11 SECURING THE PARTICIPATION OF FORMAL BUSINESS**

Durban's healthy economic and social future depends on it attracting investment, and being a place where formal businesses feel valued, and are encouraged to stay, and to grow. The health of the formal part of the economy, in turn, is dependent on the promotion of opportunities for economic activity for smaller operators, and on the promotion of linkages between the formal and informal parts of the economy, as well as on links between the central city and the outlying residential areas.

Formal and informal businesses need to move towards a relationship of constructive competition, as well as co-operation. Small business operators have to learn to respect the importance of formal business in Durban, and their own dependence on them. Formal businesses, on the other hand, have a role in acknowledging the benefits they do derive from the presence of informal operators (especially as regards safety and security).

Key levers for change are changes in perceptions, and the construction of partnerships between small and big business. Local government has an assistive role to play in increasing the choices for enterprise development for persons operating on informal sites.

### Current Situation:

- Relationships between formal and informal operators are often characterised by hostility. At the heart of this is competition for business. South African history has ensured that this competition reflects racial divisions as well.
- Local government is concerned about the dishonesty and exploitation involved when wealthier business people use poorer traders as 'fronts'.
- Formal business associations feel that offers to local government to help train informal traders in business practices have not had a positive response.



- There has been good representation of both formal and informal associations on forums such as the Beachfront Committee, and some community policing forums.
- In clothing, accessories, and textiles, the formal sector is playing an integral role in the provision of storage facilities to informal traders using formal traders' property.
- The formal sector clothing manufacturers are important suppliers of supplying goods to street traders.
- Formal sector garment import firms are supplying goods to street traders.
- Some formal traders rely directly and almost exclusively on informal traders for their livelihoods.
- There has been good co-operation in Business against Crime, and Traders against Crime.

### Ways Forward:

- 11.1 Organisations of formal and informal business should be included in all the stakeholder structures of area-based management. It is through continuous discussion and negotiation about local, close-to-home issues, that people get to know each other and can work towards solutions.
- 11.2 Local government should pursue the policy of 'one trader one permit' as one way to control the practice whereby formal business gets access to subsidised public space.
- 11.3 Informal traders sited outside formal businesses must honour the condition in the bylaws of not trading in the same goods as the formal business.
- 11.4 A special investigation should be undertaken of the possibilities for mentorships and partnerships to be set up between formal and informal business people. Pilots could be run through projects which already operate successfully. Partnerships should be encouraged through the introduction of the allocations policy in new built markets.
- 11.5 Formal business could assist local government with establishing business fairs for very small businesses.
- 11.6 Local government should publicise the research findings which show the inter-dependence of formal and informal business.

## **12 INTEGRATED AND INCLUSIVE INSTITUTIONAL STRUCTURES**

Dynamic linkages between formal and informal ends of the economy need to be promoted. The role of local government is, wherever possible, to break down the hard and fast divide between formal and informal, in terms of having inclusive rather than exclusive platforms for meeting.

A lever for this change is to deal with formal and informal economy interests in the same institutional structures and processes. This should be done with due regard for

administrative efficiency, and for ensuring that the voices of the less articulate smaller operators are not marginalised even further on inclusive structures.

This implies that major initiatives and agencies, such as the Durban Investment Promotion Agency, should be encouraged to integrate strategies for informal economy development into their thinking.

#### Current Situation:

- Durban is well ahead of other South African cities in having a number of platforms where formal and informal business interests can be represented.
- Associations of business people are separated into formal and informal, and are generally divided on racial lines.
- There is an ongoing difficulty where organisations claim to represent many people, but cannot present membership lists.
- Formal business obviously has a longer history of interacting with the city's decision-makers, both on formal platforms, and through social networks.
- In joint platforms, informal trader organisations can feel silenced.

#### Ways Forward:

- 12.1 As far as possible, formal and informal policy interests should be dealt with in the same platforms.
- 12.2 In being inclusive towards informal workers, care must be taken that their voices are really heard, and are not crowded out by the more dominant voices of big business.
- 12.3 Channels should be created for representation through organisations and associations. Individuals of course also have the right to communicate freely with local government.
- 12.4 At local government-wide level, the location of the informal economy in the unicity level will need to be logically compatible with where it is placed at sub-structure level. Decisions can then be made about whether it would be optimal for informal economy interests to be attended to by a committee such as the Development and Planning Committee at N&SCLC level, as at present, or whether a dedicated standing committee, such as in Pietermaritzburg, would be more appropriate.
- 12.5 At ward level, forums should be established for dialogue between councillors and business organisations.
- 12.6 At area or precinct level, street committees/ business organisations should be included in both policy and operational issues.
- 12.7 Appeals mechanisms for settling disputes about business operations are needed. At ward level, easily accessible appeal committees should be established, comprising representatives of informal business associations, formal business, councillors, officials, and community leaders. At metropolitan level, an independent intermediary organisation modelled on the

lines of the Commission for Conciliation, Mediation and Arbitration (CCMA) should be established, to deal with disputes which cannot be resolved through the appeals committees.

### **13 MONITORING AND EVALUATION MECHANISMS**

There should be a monitoring and evaluation system, as a tool for improved management. This should be designed to promote accountable local government and business development, and designed to inform about the impact of different policy decisions on economic development and good governance.

Policy decisions have to be followed by changes in the capacity of management to make changes, and changes in budgetary allocations. The monitoring and evaluation mechanisms will include assessment of both of these components.

#### Current Situation:

- There has been little monitoring or evaluation of the impact of the substantial amounts of money allocated to the development of the informal economy.
- The N&SCLC budgets contain a great amount of transparent information. Financial support for the informal economy is however found in different departments and divisions, and difficult to calculate.
- Little attention has been paid to measuring the influence and impact of the substantial resource allocation that has gone on; or the role that new built markets have played in economic development; or on consumer perceptions of the facilities that do exist.
- The gap in monitoring and evaluation applies to facilities which have existed for some time; to new facilities; and to the pilot projects.

#### Ways Forward:

- 13.1 There is research capacity within local government, in local universities, in the private sector, and in international agencies, which could easily be harnessed for the purposes of immediate monitoring and evaluation, followed by instituting systematic procedures for these functions, as a normal part of good management.
- 13.2 Additional indicators should be developed to assess the impact of reallocation of resources. Especially, impact should be assessed sectorally, and according to race, gender, and geographical area.
- 13.3 Given the fluid changes in the informal economy, and the way that the introduction of new services itself triggers changed economic activity, there must be a tight feedback loop between data collection, management response, and policy review. There will also need to be a tightly constructed and managed feedback loop between the monitoring and evaluation system, and the inter-departmental information system, for the purposes of providing incentives for registration and support. This should be used consistently as a mechanism for reviewing the impact of allocations policy, new management procedures, etc.

- 13.4 Councillors have a special responsibility to inform their constituents of the purpose and importance of budget allocations, and of civic participation in decision-making about this.
- 13.5 Local government should continue to build on the good work started on transparent budgetary processes.
- 13.6 There should be greater attempts to inform the public about the scope that exists for civic participation in the budget.
- 13.7 The introduction and maintenance of this management tool has human resource implications. There is a need for further specialised staff, with both technical and research skills.

## **14 PILOT PROJECTS**

Local government in Durban has committed itself to support for pilot projects as a way of introducing transformative processes, without placing too much at risk, all at one time. Pilots allow for innovation, while designing for iterative learning.

Much has already been learned from pilots in support of the informal economy. The following three additional ones present exciting and feasible windows of opportunity to test the implementation of many aspects of the new policy.

Three pilots are identified here as valuable potential ways forward. Ideas for additional pilots are given in Annexure 7. All of the pilots would probably attract financial support from international, national or local agencies, whether aid agencies, or the corporate sector.

### **14.1 The Alice Street Pilot Programme for integrated management and support**

The White Paper on local government (1998) provides the framework for 'developmental local government'. Local government must creatively find ways of supporting economic actors, especially very poor people. This includes creating opportunities for public/ private partnerships, and the utilisation of land and buildings. The site known as the (old) Materials Management Depot in Alice Street, opposite the TBDC, presents such an opportunity.

It is vitally important that the development programme proposed in this policy has a comprehensive data base. This can only be successfully created if it is compiled on a voluntary basis, where the participants can be offered direct benefits through registration or association, much like club membership. The first phase of the pilot would be to provide these benefits – storage, crèche facilities, meeting and training venues, co-op outlets, headquarters for trader organisations, etc. The existing

buildings on the site are either already providing these benefits, or can be easily and economically adapted. Certain external sponsors have already expressed interest.

Once participants are participating in this First Pilot Phase, their interaction with the facilities can be programmed towards writing the brief for the Second Pilot Phase. This could eventually, with the TBDC, be developed into the Metro Venue for the SMME Economic Development Programme. The location is ideal for a metro-wide initiative – for public transport, and for easy access of NGO and external support services.

The existing building stock can be creatively recycled to provide a venue for all of the following:

- Training and meeting venues, from committee rooms to halls
- Administrative offices for local government and NGOs
- Child care facilities
- Micro finance advice and loan agencies
- Overnight accommodation for residential training courses
- All NGO training and support activities
- Co-op outlets and bulk storage
- Overnight storage
- Skills training in ‘working markets’
- Urban agriculture training centre
- Building industry skills training centre

The developed facility would contribute to the repositioning of the informal economy within the minds of the formal economy, general public and those engaged in small businesses. It would also fulfil local government’s obligations to the White Paper.

## **14.2 The KwaMashu Pilot Programme for integrated management and support**

KwaMashu has been chosen as the site for a multi-million rand development outside of the central city. This should be used as the site for a pilot programme in building new developments which integrate, from the outset, the formal and informal segments of the economy.

It would be a site on which to:

- Test out the feasibility of this policy in a non-central city area;
- Test out what new role the health department will need to adjust to with the new emphasis on home based work and other work in residential areas (also, note that at present, health services in KwaMashu are still rendered by the Provincial Health Department);
- Explore new ways of developing networks and associations between local government, formal and informal businesses, and civic associations and development forums.

### **14.3 Umlazi Pilot Project for focused support to stall holders in a new market**

A new market has been built in Umlazi, close to the new TBDC satellite office, and close to an existing shopping centre. This would be a test site on which to pilot in the following areas:

- How to provide focused enterprise support to stall holders in a market;
- How to build links between home-based production, and market opportunities, in a non-central city area;
- What the steps in the ladder are between support for very small enterprises, as in the market, and the level of support offered by TBDC (which does not target very small enterprises).

## **15 TRANSITIONAL ARRANGEMENTS: PRIORITISING AND SEQUENCING**

Reforms should be made incrementally, and through the use of pilot projects. A team will need to be put in place to carry the work of the Technical Task Team forward.

15.1 *Information system:* The new information system must be attended to as a matter of urgency, for effective management, and independently of whether the policy is adopted. Immediate attention should be given to drawing up specifications, so that resources can be allocated. This process should involve members from different departments, and preferably people familiar with the policy process and purpose.

15.2 *Implementation Working Group:* An Implementation Working Group (IWG) should be established to continue the work started by the TTT.

The IWG should constitute sub-committees or cluster teams, such as the following:

- Information systems
- Restructuring of and capacity building within ITSBO as the implementing agency
- Operations – to include attention to processes for setting rentals, leasing and tenancies, allocations policy
- Management of built markets - A plan should be made to address problems on a systematic, market-by-market basis, and the plan implemented as a matter of urgency
- Support to organisations of workers in the informal economy
- Support to enterprises within the informal economy.

15.3 *Inter-departmental human resource audit:* Bearing in mind the need to give greater emphasis to the development of the informal economy in non-central city areas, the growth in home based work, the importance of environmental health, the move to area-based management, and the move to sectoral support, a full investigation of human resource requirements needs to be undertaken.

- 15.4 *Institutional arrangements:* Channels need to be established through which issues affecting the informal economy, discussed in different structures in local government, are channelled to one appropriate standing committee (at present, the Development and Planning Committee).

Consideration needs to be given to the most appropriate location in the unicity for issues pertaining to the informal economy. In principle, policy issues regarding the informal economy should be dealt with on the same platforms as policy issues regarding the formal economy and economic development as a whole.

There is a serious need for greater communication between ITSBO, City Health, the Metropolitan Police, and Development and Planning.

As far as possible, elected representatives of properly constituted associations of informal economy workers should participate in structures dealing with economic development, and issues relating to the informal economy.

## 16 CONCLUSION

For the last few years, local government in Durban has been slowly but systematically moving towards the regulation of workers in the informal economy. More recently it has combined this with actively trying to integrate informal economy concerns into overall economic development.

This forms a positive basis on which to build. There will no quick or easy solutions. Continual crisis management, or *ad hoc* management, is an expensive way to solve problems, and works in the short term only. It is not sustainable. A major lesson from some of the pilots already established is the visible and measurable benefits that come from inputs of human resources and facilities. An investment made now, for example in the important inter-departmental information system, will only have a payoff more than one year down the line – but it will have a payoff.

Durban has committed itself to a consultative process which will be integrated into the longer term development strategy. The Technical Task Team undertook its own research, and commissioned additional research (see Annexure 10). In the policy development process it has identified a number of serious research gaps (see Annexure 8). It is hoped that results from this research will be able to feed into the ongoing and iterative process that is happening. A better understanding of the economic contribution of the informal economy, as well as the contradictions and tensions that it generates, is fundamental to the development of appropriate policy.

## **Annexure 1:**

### **The Consultation Process**

The Technical Task Team designed a consultation process to interact with as many stakeholders as possible in the time available. The aims of this process were to inform stakeholders about the policy process; deepen the information held by local government about developments within Durban, and hear the views of stakeholders about key issues. An Issues Document (in English and Zulu) was developed as a tool to stimulate and focus discussions.

Direct approaches were made to Interested and Affected Parties (IAPs) such as informal and formal business associations, councillors, officials, trade unions, civic groups, development forums. The TTT developed a list of likely IAPs, and employed consultants who developed these lists further. IAPs were offered a choice of interactions: from workshops, to group meetings, individual interviews, and phone interviews. As a result of the direct approaches, six major workshops were held, involving over 200 people.

This was supplemented by advertisements in printed papers - Daily News, the Mercury, Sunday Tribune and Ilanga. Those responding to newspaper advertisements were encouraged to submit written comment. Workshops were held where organisational size warranted it. Respondents to the advertisement were individual informal traders; civic organisations, political parties, private consultants, private sector organisations, public tertiary institutions, local government officials, provincial government officials. A number of those who originally responded to the advertisement, and received copies of the Issues Document, did not then submit comments. Every such case was followed up a phone call, and a faxed reminder letter, warning of the closing date for submissions.

The Informal Trade Management Board incorporated into its Annual General Meeting a day long meeting for consultation on the Issues Document. Over 600 informal traders participated in group discussions on the Issues Document.

Special attempts were made to interact with trade unions, but these were not successful.

The Draft Policy (in English and Zulu) was then written, and made available for a further round of comments during August and September 2000.

Copies of correspondence, comments, and reports of the workshops, are available.

## **Annexure 2:**



## **Allocations Policy (Section 5.2)**

Allocations policy is central to the entire policy for the informal economy – it is the lever through which local government can steer management and support of the informal economy. The aim of the allocations policy is to support growth, and provide opportunities for new entrants, in an economically sustainable and socially useful way.

In the central city areas, the leverage is less, and more medium term, as there are few empty sites, existing sites are over-subscribed, and there is already an amount of capture of more than one site by single individuals. In the areas of greatest need, however, the allocations policy can work as a powerful tool both for job creation and for the inclusion of formerly marginalised people. Further, it is also a lever through which direct links can be promoted between trading in markets and on streets, and emerging patterns of home based work.

This policy suggests only the framework principles for allocations; detailed allocations policies should be devised, through negotiation, at local level, in accordance with local conditions.

### **Framework principles:**

1. Criteria for allocating sites will be negotiated with local stakeholders, including civic groups, trader organisations, and councillors. Negotiations about criteria should specifically not be done only with existing traders and their organisations – it is in their self-interest not to introduce new changes.
2. The allocations process itself will be done by officials.
3. The allocations policy should be based on an understanding of the changing demographic and socio-economic structure of the local area. This should include an analysis of race, gender and age patterns and local industry and market opportunities. The allocations policy should strive for a balance between allowing entry to some existing business people, and providing opportunities for new entrants.
4. Allocations policies within existing built markets should be geared towards addressing the present racial imbalances. This can be integrated into the tendering process for sites in existing markets.
5. The allocation policy could be used as a way of encouraging partnerships between existing operators and new entrants. Experienced persons who apply for sites in built markets could be encouraged to provide learning opportunities for inexperienced people.
6. Targeting vulnerable groups, such as poorer people, women, young people, and people with disabilities, will not be achieved by an allocations policy alone. It will only be achieved if the structures and siting of the markets

themselves are designed with these groups' special needs in mind, and providing a diversity of facilities. Thus a sensible allocations policy has to be underpinned by appropriate planning.

- 7 A moratorium should be placed on granting permission for traders to operate at traffic intersections. A survey should be commissioned in order to inform policy about the extent to which this activity should be restricted. This should be mindful of the fact that newspaper vendors have for many years been allowed to sell at intersections.
- 8 Local government must work with the national legislative framework regarding the rights of foreigners to trade. Where visitors have the right to work, it would be unconstitutional to deny them the right to a place in which to work.
- 9 With respect to mobile traders a survey needs to be conducted to establish how many people are involved, what sectors they work in, their special circumstances, and projections for growth in numbers. It is clear that that, as a minimum approach, their numbers must be limited (possibly in proportion to the number of stationary traders in an area); they should be area/ precinct bound; and they should be represented within the same organisation structures as street vendors, in the interests of regulation.
- 10 An adjudication and appeals process will be established though local appeals committees.

### **Annexure 3:**

#### **Registration Procedures**

The policy goal is that all people working in public places will register as small businesses. Registration (as well as sustained payment of rentals) is the action which gives permission to operate, and provides access to services and support. Registration will be integrated into the proposed inter-departmental information system.

1. The registration process involves the granting of the right to work. This right goes along with responsibilities that will be laid out in a code of conduct. This code of conduct should be negotiated with traders as an awareness raising exercise. Traders' responsibilities with respect to keeping sites clean, health and safety requirements etc. will be laid out.
2. Existing registration procedures will be simplified and move towards the one-stop centre concept being promoted by local government. This will reduce the high cost, to poorer traders, associated with becoming legal.
3. City health requirements will be included in the registration process. City Health is required to issue a certificate of acceptability to a person trading in foodstuffs. The process of issuing this certificate should as far as possible be integrated into the registration process. Health requirements for other informal economy workers such as hairdressers, cardboard collectors and panel beaters should be included in a similar way.
4. The data on registration will be embedded in the inter-departmental information system.
5. Registration cards will be renewed annually. They should be bar-coded. Through the bar-code, officials will access information about the nature of the activity, how the business has changed over time, whether or not the operator has rental arrears, has attended health education classes etc. This information will be the basis for the formulation of appropriate support programmes. They could be colour-coded according to area, year of registration, and/ or sector.
6. To give opportunities for very small operators and new entrants and to address the issue of fronting, there should be a 'one trader, one site' policy. The code of conduct should include a clause disallowing 'fronting', and describing the penalties attached.
7. The simplest version of the new registration system should be introduced incrementally for existing traders. At the same time the potential of the system to provide more comprehensive data, linking registration to support services, should be fully piloted in one area.

## Annexure 4:

### Rentals Policy (Section 5.4)

Local government is moving towards dealing with informal traders as small business people. In the same way that built property has a value placed on it, depending on where it is located, so it is important to place value on different informal trading sites, such as pavements. The policy principle is that the site is a valuable asset.

The lever through which value will be placed on sites is a system of differentiated rentals.

In sites, whether streets or markets, there is a continuum from less serviced, and very informal, to better serviced, and more formal. The continuum includes:

- unserviced site on a street
- itinerant operators alight at different places, temporarily, either trading, or providing services to other informal operators (water and paraffin carriers, storage workers, etc.)
- fixed spot for a mobile hawker
- serviced site on a street
- built markets
- flea markets
- marquees
- hives and incubators

1. The existing principle of differentiated rentals for different trading opportunities will be expanded to cover street vendors and sites built in markets.
2. Differentiating payments according to economic sector is not feasible, as each sector contains people deriving very different incomes within the sector. Rather rentals will be differentiated in terms of the following:
  - size of the site i.e. a price will be charged per square meter
  - desirability of site location in terms of pedestrian flow, proximity to a transport node
  - number and standard of basic services provided specifically to the site - shelter, table, and storage
  - accessibility of other generally available infrastructure – water, lights, public toilets, garbage removal, effluent removal.
3. Rental levels will be determined by a considering the cost to local government of establishing and maintaining the facility. Rental levels however are likely to have to be subsidised particularly in the in areas of greatest need.
4. Street vendors will pay a basic site rental. Then, differentiated rentals for different levels of service provision should be introduced. Components of the basic package of services are basic shelter, solid waste removal, water, toilets,

lighting and storage facilities. Mobile traders should not pay less than others for permission to operate, as they have the comparative advantage of mobility.

5. The formula by which levels are set needs to be fair, and transparent to officials, to all business people and to the public.
6. Payment procedures will be simplified. Incentives will be put in place to encourage regular payments e.g. access to support services, such as business skills training. Access to the facility will be firmly based in regular rental payment.

## Annexure 5

### The Warwick Junction Project Centre

The Warwick Junction Urban Renewal Pilot Project, in the heart of the busiest transport and commuter node in Durban, was developed through an extensive process of consultation between local government, local formal and informal businesspeople, and other stakeholders. Innovations have been introduced in management structures, and in developing relationships with stakeholders. One of the aims of the pilot is to increase trading and employment opportunities in the local area.

A key lesson for the future development of area-based management is the central importance of a physical structure in the area, and these lessons are applicable elsewhere. The Centre serves as

- An expression of commitment, by local government, to the renewal of an area
- A management centre
- A meeting place – for traders on their own, and in negotiations with management
- A general community facility
- A time and cost saver - through its convenient location, it saves officials and business people time and money

**Numbers of people using the Project Centre  
for organised meetings or workshops, March and April 2000**

	<b>Council Officials</b>	<b>Community</b>	<b>Row Total</b>
<b>March</b>	<b>73</b>	<b>579</b>	<b>652</b>
<b>April</b>	<b>87</b>	<b>770</b>	<b>857</b>
<b>Column Total</b>	<b>160</b>	<b>1349</b>	<b>1509</b>

The table shows that more than 1500 people used the building for meetings in March and April, 2000. Over ninety meetings were held in that period, with about half of them being joint meetings of local government and other stakeholders.

The Centre is clearly actively utilised, and demonstrates the need for a physical space for the negotiated development of a local area. Just as the local government was proactive in identifying the need for support for SMMEs, by establishing the TBDC, so, through the Warwick Junction Centre, the need for a building has been demonstrated.

At the simplest level, a structure could be a large space, rented from a private owner. At a more sophisticated level is a specially designed centre such as in Warwick – well developed as a council asset.

The lessons to be extracted from Warwick Centre about core design features are:

- The ability to separate completely access to the administrative and management space, from the general meeting space
- Having more than one space for meetings of different sizes
- Having ‘defensible space’ – the need for security is a priority for users.

## **Annexure 6:**

### **Bylaws (Sections 7.3.4 and 7.3.5) – framework principles**

1. Creating an acceptable policy framework is the first step towards negotiated reform or harmonisation of bylaws.
2. Bylaws should reflect the overall policy move away from sanction and control, towards support and the creation of new economic opportunities in a well-managed environment.
3. Drafts should build on negotiations held in the 1990s. Traders came to easy agreement on many of the proposed bylaws.
4. Special attention should be given to deficiencies in the bylaws with respect to built markets.
5. Detailed consideration needs to be given to the future role and responsibilities of local government with regard to regulating and supporting home based workers. ‘Informal trade’ has traditionally referred to only workers in public places. Collaborative work will be needed with those in town planning, in spatial development, and in both occupational and environmental health, with regard to local government’s role in regulating home-based and outside work.
6. Guiding principles in the future formulation for bylaws for all workers should be:
  - As far as possible, they should be applicable to the whole local government area, and not just the central city area.
  - They should be translated into Zulu (as the present ones are).
  - They should be written in gender-sensitive language.
  - They should be widely disseminated, in an easy-to-read format.
  - They should be presented in both popular radio and print media.
7. It will not be possible to overcome all of the fragmentation in the bylaws. All of them, however, and a blueprint for a code of conduct, should be consolidated into one document, which should be widely disseminated in both Zulu and English.



## **Annexure 7:**

### **Additional Pilot Projects (Section 14)**

#### **1 The creation of a Section 21 Company targeting very small enterprises**

This support agency should be centrally located, and close to informal economy workers. The pilot should be based in the central city, and an obvious possibility would be location inside the Alice Street pilot in 14.1. Once the model is refined, attention can be paid to servicing outlying areas, for example as in 14.2.

Development facilitation officers should staff the centre. They could:

- give business advice
- facilitate access to training providers and financial services
- facilitate access to other services like counselling for survivors of violence
- act as an interface between those operating in the informal economy and the large number of departments that impact on the informal economy within the Council
- visit clients where they conduct their businesses.

The support agency should secure funding, both internal to council and from formal business, to fund programmatic training interventions (as opposed to one off courses) for very small enterprises.

#### **2 A social protection fund for small business people**

Informal workers are not able to get access to social security benefits in the workplace in the way that workers in formal enterprises can. Informal work, by its nature, is often hazardous and insecure.

A number of international NGOs, and the ILO, have been involved in different ways of offering social protection to informal workers. Durban local government could pilot the development of a contributory social security / social insurance scheme for small business people.

A wealth of international experience shows that:

- Poor people are able to save and insure so long as it is in small amounts at convenient times and places.
- Flexibility can be built into the system without leading to administrative inefficiency.
- Successful schemes appear to depend on the solidarity and support of strong organisations.

There is no blueprint for the core contingencies that should be covered. They do not have to be as ambitious as conventional insurance. They should be tightly focused on ensuring the ability of the worker to protect assets and continue to work - not to fall into debt traps or further poverty, because of the theft of a sewing machine for example, or a temporary disability.

Some components of a core package might be:

- Insurance against loss of goods and/or income caused by severe weather conditions
- Savings for annual leave
- One-off payment against sick leave
- Insurance against lack of ability to pay rental for one quarterly period in a three year period

A number of international agencies and networks would be willing to support such a local government initiative, with expertise and partnership funding.

## **Annexure 8:**

### **Research Gaps**

The list which follows is not exhaustive, nor are the studies fleshed out in any depth. They are gaps which were identified directly in the policy development process.

- 1 Demographic, economic and social profiles for local areas:**  
The EDD/ ILO study on home-based workers (Cross et al, 2000) developed area profiles for sampled communities, designed to set the framework for identifying and then targeting small business opportunities in residential areas. These should be developed for all areas where markets and support services will be provided.
- 2 Customer use and perceptions of existing market facilities:**  
An investigation of customer use and perceptions of the built markets; an assessment of the contribution of these facilities to the Durban economy.
- 3 Storage:**  
The constraints that lack of storage places on growth of business for the street vendors in the CBD area, and the opportunities that exist for different use of existing empty or partly used spaces.
- 4 The effects of HIV/ AIDS on the informal economy:**  
Projections of the effects on movements of workers into the informal economy; the effects on small enterprises of the increased caring role played by women; the changing patterns of child care; the effect of HIV/ AIDS on sustainability of micro-finance.
- 5 Home based work:**  
Home based work is growing, and this is providing new challenges for local government. An in-depth investigation should be done, building on the EDD/ ILO study, which will examine the implications of this new work on local government – on land development objectives, land use planning, town planning, environmental and occupational health, transport planning, and economic development.  
  
Such a study should include a comparison of the cost to the councils, to home based workers and to street traders of the different services essential to business activities – water, shelter, storage, sanitation, and electricity, and safety and security.
- 6 Waste management industry:**  
This is an increasingly important sector for survivalists. A sectoral analysis is needed of opportunities for job creation for waste recyclers, and of the linkages between formal and informal businesses. This is especially urgent in light of the coming closure, to garbage pickers, of access to important dump-sites.

- 7 An investigation of mobile traders:**  
A sectoral analysis of how many, projections of growth in numbers; their special circumstances; relationships with other informal and formal operators.
- 8 Foreign workers and the informal economy:**  
An investigation of the situation of foreign workers in Durban, with an emphasis on skills levels, potential contribution to the local economy, and potential as job creators for others in the informal economy.
- 9 Traders at traffic intersections**  
The numbers of people trading at traffic intersections has increased. Historically only newspaper vendors have been allowed to trade in these places. The experience of other countries is that once this activity starts, it is difficult to control. A survey is needed of many people are involved, where and how, with what form of permission, what sectors they work in, and their special circumstances, with a view to formulating a clear policy about control of this activity.
- 10 The distribution of fresh produce to disadvantaged areas:**  
Traders in fresh produce, within the city but especially in the outlying areas, are in a very weak position in their relationship with suppliers. A feasibility study should be done of ways in which local government could support alternative supply chains, such as through buying co-operatives.

## **Annexure 10:**

### **Members of the Technical Task Team**

Fred Pietersen (Chairperson)	Economic Development Department (EDD), Durban Metropolitan Council
Mike Andrews	Development Facilitation, North and South Central Local Councils (N&SCLC)
Dean Botha	Informal Trade and Small Business Opportunities (N&SCLC)
Richard Dobson	Warwick Junction Renewal Project
Ahsha Dasrath	Development and Planning (N&SCLC)
Soraya Goga	Economic Development Department, Durban Metropolitan Council
Sik Govender	City Police
Dave Johnston	City Health
Francie Lund	University of Natal
Ajiv Maharaj	Development Facilitation (N&SCLC)
Johnson Naidoo	Internal Audit Department
Senelisiwe Ntsele	Informal Trade and Small Business Opportunities (N&SCLC)
Caroline Skinner	University of Natal
Morgan Subramany	City Police
Eric Watkinson	Economic Development Department, Durban Metropolitan Council

### **Additional participants**

Hlengiwe Mcuma	Finance Division
Phakama Mhlongo	University of Natal
Tracy Morris	Internal Audit Department
Louis Mtembu	Informal Trade and Small Business Opportunities
Phillip Sithole	Informal Trade and Small Business Opportunities
Alan Wheeler	Informal Trade and Small Business Opportunities

## Annexure 10

### Research and documentation for the Technical Task Team

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## Fact Sheet 1

### Diversity in the Informal Economy

**Many types of work are done by workers in the informal economy in Durban. Some of them are**

Garbage pickers	Taxi drivers
Cardboard collectors	Live chicken sellers
Child carers	'Bush mechanics'
Commercial sex workers	Newspaper vendors
Caterers for big events	Caterers for school tuck shops
Mielie cookers, as well as	Welders
- those who sell to mielie cookers,	
- and suppliers of wood and water to mielie cookers	
Pinafore makers	Pinafore sellers
Second-hand clothes dealers	Sellers of sea water
Hair dressers	Shoe makers
Candle makers	Block makers
Fruit sellers	Vegetable sellers
Spaza shop owners	Spaza shop workers
Mr. Phone dealers	Community phone managers
Drum sellers	Informal construction workers
Muthi traders	Bovine head cookers
Bead workers	Shoe polishers
Shebeen owners	Knob-kierie makers
Cosmetics sellers	Domestic workers

#### **They may work:**

- From home
- At a pension queue
- From home in a group
- On a fixed site on the street
- In a spaza shop
- In an office block
- In a flea market
- In a built market
- At garbage dump

## Fact Sheet 2

### Rentals for Trading in Public Spaces in the Areas covered by Durban's North and South Central Councils, 2000

Type of site or service	Rental per month (unless otherwise indicated)
Street trading site without shelter	R10
Street trading site with shelter	R35
Storage in the CBD	R50
Church Walk Market	Between R550 and R1 500
Other flea markets	R11 per day per table, and through individual negotiations
Early Morning Market	Seven rates according to the size of site, ranging between R57 and R300
Mansel Road Market - Car Boot Section - Pinafore Section - Housed Section	R168 R34 R200
Clairwood Hive	R110
Short-term tenancy agreement (amount decided through negotiation)	Range between R50 and R1000



## Fact Sheet 3

### Foreign Workers and Refugees

Not enough is known about the socio-economic profile of foreigners working, or trying to work, in the informal economy – in Durban, or in South Africa as a whole.

The Community Agency for Social Enquiry (CASE)<sup>4</sup> survey of street traders operating in Johannesburg in 1996 found that foreign traders had higher levels of education than South African traders. Among the foreigners, 16% had a matric or better, compared to 9% of South African traders. Only 4% of foreign traders had no formal education, in contrast to 11% of South African traders.

Research done by the Southern African Migration Project (SAMP)<sup>5</sup> in 1998 in Johannesburg and Cape Town found that among the 107 non-South African street traders interviewed in the curio sector:

- Over 90% had some secondary education. Nearly 40% had a formal qualification. Over two thirds had some form of further education or training, and 9% had some university experience.
- More than 20% employed South Africans in their business operations.
- More than 50% of traders spent 40% - 50% of their earnings in South Africa. 56% of non-South Africans and 78% of SADC respondents took goods out of South Africa to trade. The value of goods taken out of the country ranged from R500 to R10 000 per trip.
- 71% identified their home country as their permanent home, while only 4% recognised South Africa as their permanent home.

Further SAMP<sup>6</sup> research into SMME's owned by foreign Africans in Johannesburg, found that 70 entrepreneurs had created 227 job opportunities – an average of 3,33 new jobs per business. Between 47% and 50% of these new employees were South Africans

A small study conducted in late 1999<sup>7</sup> found that among 10 Durban based Zairian refugees there were - a veterinarian doctor, an assistant pharmacist, a high school science teacher, a primary school teacher, a gold prospector with a degree in commerce, a carpenter, a tailor, a body guard and a mechanic. Of these skilled refugees, three were presently engaged as security guards / night watches, two had their own barber shops, one was in an import/export business, one had recently completed his university education, and three were unemployed.

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<sup>4</sup> Jennings R. et al 1995. 'Our daily bread, earning a living on the streets of Johannesburg. Part ii The Survey.' Community Agency for Social Enquiry: Johannesburg.

<sup>5</sup> Perberdy S. and Crush J. 1998. "Trading Places: Cross-Border Traders and the South African Informal Sector." South African Migration Project: Cape Town.

<sup>6</sup> Rogerson C. 1997. "International Migration, Immigrant Entrepreneurs and South Africa's Small Enterprise Economy." South African Migration Project: Cape Town.

<sup>7</sup> Sabet-Sharghi, F. 2000. Lives and times of Zairian Immigrants in Durban. University of Natal, Masters Dissertation.

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<sup>8</sup> Research especially undertaken for the Technical Task Team is listed in Annexure 10.

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