

## **MANAGING INFORMALITY:** Local government practices and approaches towards the informal economy – Learning examples from five African countries



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## | ABSTRACT |

We live in an era of transition. Increasingly the old and negative perception and hostility vis-à-vis the informal economy that characterised the preceding decades is withering away and new approaches at better managing the informal economy are being invented. This report presents six case studies from across different African countries – including Kenya, Mali, Rwanda, South Africa and Tanzania – featuring local governments' utilisation of varied approaches to better manage the informal economy or sector thereof in their localities. The cases cover a wide range of topics and innovative approaches.

We hope that this publication will serve as an inspiration for local decision makers and practitioners wishing to develop a more supportive environment for the informal economy in their locality.

Over the last decade, both national and local governments have realised that the informal economy has become a crucial factor in economic development, particularly in developing and emerging countries, and that it offers significant job and income generation opportunities. Therefore, policy frameworks and strategies aimed at the informal economy must be developed, without hampering the potential of the sector for economic growth. However, the main challenge is to develop innovative, inclusive and supportive policies that recognise the value of the informal economy and the people working in this field.

This report presents six learning examples from Kenya, Mali, Rwanda, South Africa and Tanzania on how local governments are engaging with the informal economy in different ways, using different approaches and methods. Although not every initiative is a success story right from the beginning, the presented case studies clearly illustrate that municipalities and city councils across the continent have started to recognise the importance of the informal economy and that its negation is often impeding economic growth and sustainable livelihoods. Both successful and less successful initiatives provide valuable lessons for local governments across the continent dealing with the informal economy.

### ***The case of Muthurwa Market in Nairobi, Kenya***

This case examines the Muthurwa market in Nairobi, a USD 9 million project anticipated to be the largest market in East and Central Africa at the time of its construction. It assesses the potentials and challenges of the common approach of constructing markets as a solution for the hawkers 'problem'. The case study concludes that although building markets for street vendors is a good approach, it is not an end in itself. Muthurwa shows that government planners and implementers need to ensure the participation of all stakeholders throughout the process of construction as well as management of a market.

### ***Delegating the management of markets to informal traders - The case of Bamako, Mali***

The implementation of the delegated management of markets approach in the *Commune I* of Bamako in Mali led to increased tax collection and established a dynamic and fruitful partnership between informal traders and the municipality. It has also helped improve the working environment of traders significantly (hygiene, sanitation, access to water etc.) in the markets where the approach was implemented. This experience shows that it is possible to develop win-win partnerships between local authorities and the informal economy. In the case of countries such as Mali, where the whole economy is virtually informal, these types of partnerships can be catalysts for real development of the national economy because they directly contribute to the improvement of the informal economy productivity through a greater consideration of the challenges facing the sector.

### ***Transforming informal street vendors into formal local business investors - The case of the Gasabo District, Rwanda***

The innovative means by which the Gasabo District mobilised not only the vendors, but the financial institutions and the Government of Rwanda itself to play their respective roles in establishing the DuhahiraneGisozi Cooperative is laudable and a fine example of good, participatory local governance. What is also interesting to note, is that most of the components of the initiative were already in place; it was the means to negotiate and link that was missing. And that became the district's primary role: to negotiate something of an obstacle course to reach the ultimately successful result. Regardless of whether the DuhahiraneGisozi Cooperative can be replicated en masse, it has mobilised many different people at multiple levels; youths, women, sole informal traders, communities, sectors, districts and the central government.

### ***Developing guidelines to adopt a more developmental approach towards the informal economy – South African Local Government Association (SALGA), South Africa***

One of the main factors that hinder a more developmental approach towards the informal economy in South Africa is the very poor state of communication among the various stakeholders. One of the reasons why SALGA's approach to developing its guidelines was such a success was that a wide range of stakeholders had the opportunity to discuss critical issues in a mediated environment. The outcome of this process is a document which is practical, demand-driven and thoroughly takes into account the different needs of stakeholders. It is crucial to this process that local government associations such as SALGA lobby for the participation of senior national officials, mandated to make decisions, at provincial meetings with local government to discuss concrete ways in which national government will support local government.

### ***Taking an innovative and multifaceted approach towards the informal economy – The case of eThekweni Metropolitan Municipality, South Africa***

eThekweni Municipality has made some pioneering efforts in becoming the first municipality in South Africa to have an Informal Economy Policy and to be able to successfully implement various elements of the policy. Over and above this, the Municipal Informal Economy Policy has helped influence other policies in various municipalities in South Africa and KwaZulu-Natal Province. The successful implementation of the policy and the subsequent birth of the eThekweni Municipality Informal Economy Forum (EMIEF) gave rise to the South African National Informal Economy Forum (SANIEF). The case of eThekweni is a strong indication that local municipalities can have an influence on National policies and that municipalities should make a concerted effort to work together, share their best practices and learn from each other in order to improve local economic development as well as build an economically solid South African Nation.

### ***Transformation by conservation – A case study of Arusha City, Tanzania***

In Arusha local government officials no longer perform arbitrary evictions of informal businesses, instead the city council assists the informal economy actors and is trying to strengthen its relations with informal business operators by providing them with loans and helping them to find alternative business premises. The City Council in Arusha considers the informal economy as integral to sustainable development of the city, translated as *'raising people's standards of living, including those in the informal economy, on an environmentally sound basis'*. The case also demonstrates that improving the city environment is possible without necessarily disrupting livelihoods in the informal economy, opting instead, to improve its performance by leveraging it with local formal enterprises.

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## | ABBREVIATIONS |

ACC	Arusha City Council (Tanzania)
AICC	Arusha International Conference Center (Tanzania)
ANPE	Agence Nationale pour L'emploi (Mali)
APCCMM	Association Professionnelle des Chambres des Métiers du Mali
CBD	Central Business District
DNCT	National Directorate of Local Governments (Mali)
DTI	Department of Trade and Industry (South Africa)
EAC	East African Community
EDPRS	Economic Development & Poverty Reduction Strategy (Rwanda)
EM	eThekweni Metropolitan Municipality (South Africa)
EMIEF	eThekweni Municipality Informal Economy Forum (South Africa)
FCFA	Franc Communauté Financière Africaine
GDP	Gross Domestic Product
GNP	Gross National Product
GVA	Gross Value Add
HE	Household Enterprises
ICLS	International Conference of Labour Statisticians
ICTR	International Criminal Tribunal for Rwanda
IDP	Integrated Development Plan
ILO	International Labour Organisation
KEPSA	Kenya Private Sector Alliance
LASDAP	Local Authority Service Delivery Action Plan (Kenya)
LED	Local Economic Development
LEDNA	Local Economic Development Network of Africa
MINECOFIN	Ministry of Finance and Economic Planning (Rwanda)
MINICOM	Ministry of Trade and Industry Rwanda
MSE	Micro and Small Enterprises
NCBDA	Nairobi Central Business District Association (Kenya)
NISCOF	Nairobi Informal Sector Confederation (Kenya)
PDESC	Programme of Economic, Social and Cultural Development (Mali)
PSF	Private Sector Foundation (Rwanda)
RALGA	Rwandese Association of Local Government Authorities
RDB	Rwanda Development Board
RFR	Rwandan Francs
SALGA	South African Local Government Association
SANIEF	South African National Informal Economy Forum (South Africa)
SEDA	Small Enterprise Development Agency (South Africa)
SME	Small and Medium Enterprises
SNV	Netherlands Development Organisation
TZS	Tanzanian Shilling
USD	United States Dollar
UWAMAA	UmojawaWanamazingiraAsili Arusha (Tanzania)
VUP	Vision 2020 <i>Umungenge</i> flagship programme (Rwanda)
WAEMU	West African Economic and Monetary Union
ZAR	South African Rand

## | INTRODUCTION |

The last ten years have seen a big shift in conceptualising the informal economy<sup>1</sup> from a “*traditional economy that will wither away and die with modern, industrial growth*” to an integrated part of the economy, which is “*expanding with modern, industrial growth*”<sup>2</sup> and here to stay. Table 1 contrasts the *old* and *new* view of the informal economy.

**Table 1:** Key difference between earlier and current thinking<sup>3</sup>

The Old View	The New View
The Informal Economy is...	
...the traditional economy that will wither away and die with modern, industrial growth.	...‘here to stay’ and expanding with modern, industrial growth.
...only marginally productive.	...a major provider of employment, goods and services for lower-income groups. It contributes a significant share of GDP.
...exists separately from the formal economy.	...linked to the formal economy – it produces for, trades with, distributes for and provides services to the formal economy.
...represents a reserve pool of surplus labour.	...much of the recent rise in informal employment is due to the decline in formal employment or to the in-formalisation of previously formal employment relationships.
...is comprised mostly of street traders and very small-scale producers.	...is made up of a wide range of informal occupations – both ‘resilient old forms’ such as casual day labour in construction and agriculture as well as ‘emerging new ones’ such as temporary and part-time jobs plus homework for high-tech industries.

1 A very good overview is provided by Chen, M. (2012): The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No.1. [www.wiego.org](http://www.wiego.org).

2 SALGA (2012): Making the Informal Economy Visible: Guidelines for Municipalities in respect of Adopting a More Developmental Approach towards the Informal Economy. [www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012](http://www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012).

3 Ibid.

The Old View	The New View
<b>The Informal Economy is...</b>	
<p>...most of those in the sector are entrepreneurs who run illegal and unregistered enterprises in order to avoid regulation and taxation.</p>	<p>...is made up of non-standard wage workers as well as entrepreneurs and self-employed persons producing legal goods and services, albeit through irregular or unregulated means. Most entrepreneurs and the self-employed are amenable to, and would welcome, efforts to reduce barriers to registration and related transaction costs and to increase benefits from regulation; and most non-standard wage workers would welcome more stable jobs and workers' rights.</p>
<p>...is comprised mostly of survival activities and thus is not a subject for economic policy.</p>	<p>... include not only survival activities but also stable enterprises and dynamic growing businesses, and informal employment includes not only self-employment but also wage employment. All forms of informal employment are affected by most (if not all) economic policies.</p>

In the developing world, the informal economy plays a significant role in employment provision and generation and serves as an important buffer zone between employment and unemployment. Moreover the informal economy has particular relevance for the creation of livelihood opportunities and alleviating poverty as part of individual survival strategies of the poor. Local economic development practitioners in and outside local government therefore collectively need to embrace and acknowledge the informal economy in the development of local economies and poverty alleviation.



*Vibrant market in Nairobi, Kenya*

While there are positive examples of a few local governments taking a more developmental and inclusive approach towards the informal economy, the majority, however, have not yet embraced the potential offered by the informal economy in terms of job creation and the creation of sustainable livelihoods: *“National governments and municipal authorities in many countries generally treat the urban informal economy as undesirable and often target punitive or restrictive policies specifically at informal enterprises”*<sup>4</sup>.

Local governments, which show an interest in embracing and promoting their informal economy, often find themselves overwhelmed by the challenge of how and where to best include it into local government policy and planning processes. Key challenges local governments experience with regards to the informal economy are:

1. **Acknowledging the importance and presence** of the informal economy (as a key stakeholder or sector in development and local economies) and facilitating changes in attitude towards the informal sector;
2. **Dealing with the complexity and diversity** within the informal economy or having the right skills, capacity and structures within the local government sector to engage with the informal economy;
3. **Bridging the relationship and communication gap** between local government and the informal economy;
4. **Including informal sector issues into local government policies**, regulations and planning processes;
5. **Developing local economic development (LED) friendly policies and by-law guidelines** for the informal economy;
6. **Actively engaging** the informal economy in LED; and
7. **Involving national departments** in supporting the efforts of local government to develop and implement a more developmental approach towards the informal economy.
8. **Including informal sector issues into local government policies**, regulations and planning processes;
9. **Developing local economic development (LED) friendly policies and by-law guidelines** for the informal economy;
10. **Actively engaging** the informal economy in LED; and
11. **Involving national departments** in supporting the efforts of local government to develop and implement a more developmental approach towards the informal economy.

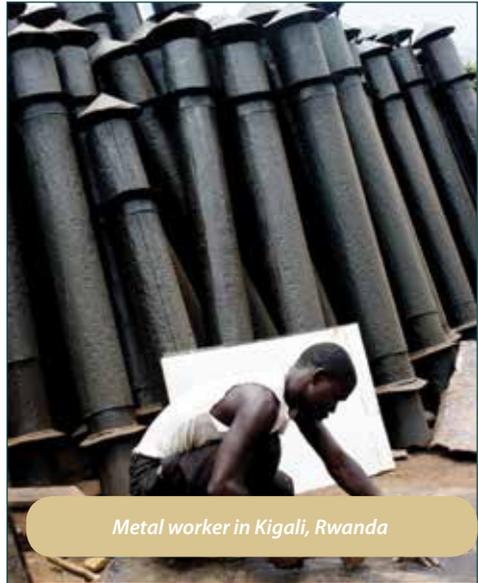
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<sup>4</sup> UN Habitat (2006): Innovative policies for the Urban Informal Economy. [www.vanuatu2010.un.org.fj/resources/uploads/attachments/documents/2337\\_alt\[1\].pdf](http://www.vanuatu2010.un.org.fj/resources/uploads/attachments/documents/2337_alt[1].pdf).

**The initiative between the SA LED Network/SALGA and LEDNA on this project aims to:**

- **Define** the informal economy;
- **Clarify** the role and relationships between the informal economy and municipalities;
- **Provide lessons** from current local government practices and approaches towards the informal economy across Africa; and
- **Share experiences** and identify a set of criteria for good practices of local governments in different African contexts.

The project presents six case studies from across different African countries, illustrating the determinants of success and potential pitfalls of local government practices and approaches in a practical manner.



*Metal worker in Kigali, Rwanda*

## **1. WHAT IS THE INFORMAL ECONOMY?**

The term “informal sector” was first coined by Keith Hart in his study of the economic activities of the urban poor in Accra, Ghana, in 1973. Hart used the term to refer to the low income activities of the urban poor who could not find wage employment. The term was subsequently adopted and popularised by the ILO in form of “informal economy”<sup>5</sup>. While there are disagreements on the definition of the informal economy, most definitions nevertheless emphasise the following characteristics:

- Small scale, low level of organisation and low productivity;
- Happens outside of state licensing and regulation framework; and
- (some authors include) “*Legal and economically sound*” activities ( differentiating the informal economy from hidden or underground economy).

<sup>5</sup> Oben-Odoom, F.(2011) The informal sector in Ghana under siege, Journal of Developing Societies 27, 3&4 p. 360 ; Skinner, C.(2008): Street trading in Africa, School of Development studies Working Paper No. 51. P. 2.



Arts and crafts on offer, South Africa

These characteristics are reflected in the classical 1993 ILO definition of the informal economy: *“The informal sector is broadly characterised as consisting of units engaged in the production of goods or services with the primary objective of generating employment and incomes to the persons concerned. These units typically operate at a low level of organisation, with little or no division between labour and capital as factors of production and on a small scale. Labour relations – where they exist – are based mostly on casual employment, kinship or personal and social relations rather than contractual arrangements with formal guarantees.”*<sup>6</sup>

In 2003 the International Conference of Labour Statisticians (ICLS) released a definition of the informal economy based on the wish to capture the informal economy’s size and significance in a holistic way. Whereas previous definitions only embraced informal employment of informal businesses (‘informal sector employment’), this expanded definition also captures the large number of employees working within formal enterprises on an informal basis. The definition focuses on *“the nature of employment in addition to the characteristics of enterprises and includes all types of informal employment both inside and outside informal enterprises. [...] [It] extends the focus from enterprises that are not legally regulated to include employment relationships that are not legally regulated or socially protected”*<sup>7</sup>. Employment in the informal economy can thus be defined as *“the sum of employment in the informal sector and informal employment found outside the informal sector”*<sup>8</sup>.

6 International Labour Organization (ILO) Resolutions Concerning Statistics of Employment in the Informal Sector Adopted by the 15th International Conference of Labour Statisticians, January 1993, para. 5

7 Chen, M. (2012): The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No.1. [www.wiego.org](http://www.wiego.org).

8 -ILO (2012): Statistical Update on Employment in the Informal Economy. [www.ilo.org](http://www.ilo.org).

**Table 2:** Expanded Statistical Definition<sup>9</sup>

<i>Informal self-employment including:</i>
<ul style="list-style-type: none"><li>• employers in informal enterprises</li><li>• own account workers in informal enterprises</li><li>• contributing family workers (in informal and formal enterprises)</li><li>• members of informal producers' cooperatives (where these exist)</li></ul>
<i>Informal wage employment:</i> Employees hired without social protection contributions by formal or informal enterprises or as paid domestic workers by households. Certain types of wage work are more likely than others to be informal. These include:
<ul style="list-style-type: none"><li>• employees of informal enterprises</li><li>• casual or day labourers</li><li>• temporary or part-time workers</li><li>• paid domestic workers</li><li>• contract workers</li><li>• unregistered or undeclared workers</li><li>• industrial outworkers (also called homeworkers)</li></ul>

## 2. THE ILO DECENT WORK AGENDA

This expanded definition corresponds directly to the International Labour Organisation's (ILO) Decent Work Agenda which is based on the recognition that *"all those who work have rights at work, irrespective of where they work"* and which has the *"goal to promote decent work along the entire continuum from the informal to the formal end of the economy, and in development-oriented, poverty reduction-focused and gender-equitable ways"*<sup>10</sup>.

### **Decent work deficits are severe in informal activities, where workers typically<sup>11</sup>:**

- Have ambiguous or disguised employment status;
- Have high illiteracy levels, low skill levels and inadequate training opportunities;
- Have more uncertain, less regular and lower incomes;
- Are exposed to inadequate and unsafe working conditions, including longer working hours;
- Are often excluded from or not reachable by social security schemes or safety and health, maternity and other labour protection legislation; and
- Lack collective bargaining and representation rights.

9 ICLS 2003, taken from Chen, M. (2012): The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No.1, p. 7. [www.wiego.org](http://www.wiego.org).

10 ILO (2002): Decent work and the Informal Economy. [www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf](http://www.ilo.org/public/english/standards/relm/ilc/ilc90/pdf/rep-vi.pdf).

11 ILO (2012): Addressing Informality for Rural Development. In: Rural Policy Briefs. [www.ilo.org/wcmsp5/groups/public/---ed\\_emp/documents/publication/wcms\\_182737.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_182737.pdf).

In terms of motivation, the ILO describes the informal economy as falling into two rough categories (**Chart 1**): coping strategies (survival activities) and unofficial earning strategies (illegality in business), the latter including both unregistered and criminal activity. While there are many examples of overlap between the two categories, much of the informal economy remains completely legal and accepted by governments.

**Chart 1:** Coping strategies (survival activities) vs. unofficial earning strategies (illegality in business)<sup>12</sup>



The composition and causes of informality are very complex and there have been many attempts to model them. In 2007, the Latin America Division of the World Bank brought forward a model comprising of three pairs of economic agents and two causal theories of informality<sup>13</sup>:

**Table 3:** Economic agents and causal theories of informality

"Three Pairs" of Economic Agents
<p><i>Labour:</i></p> <ul style="list-style-type: none"> <li>• with insufficient human capital to get formal job</li> <li>• who quit formal job in order to: be their own boss, make more money, avoid taxes, and/or enjoy flexibility</li> </ul>
<p><i>Micro-firms:</i></p> <ul style="list-style-type: none"> <li>• with no intention or potential for growth, hence no intention of engaging with state</li> <li>• who are stymied by high barriers to entry</li> </ul>
<p><i>Firms</i></p> <ul style="list-style-type: none"> <li>• who are avoiding taxation and other regulations</li> <li>• who are partially registering their workers and sales</li> </ul>

<sup>12</sup> Chambwera, C. et al (2011): The Informal Economy: A primer for development professionals on the importance of the informal economy in developing countries. London.

<sup>13</sup> Chen, M. (2012): The Informal Economy: Definitions, Theories and Policies. WIEGO Working Paper No.1. [www.wiego.org](http://www.wiego.org).

### Causal Theory #1: Different Forms of Exit

#### *Opportunistic evasion:*

- tax-evasion
- illegal activities
- avoidance of labour codes:
  - unprotected workforce
  - subcontracted production

#### *Defensive evasion in response to...*

- burdensome state
- captured state
- weak state

#### *Passive evasion and state irrelevance*

- pre-modern or bazaar economy
- informal or non-state institutions

### Causal Theory #2: Different Forms of Exclusion

Labour market segmentation—prevents workers from getting formal jobs

Burdensome entry regulations—prevents enterprises from formalising

Hiring practices of firms—in response to excessive tax and regulatory burdens

Chen (2012) highlights the complexity of the informal economy and argues that there are many factors not captured by both causal theories, such as larger structural imbalances as well as informal regulations but also social norms and traditions. Although most causal theories are valid they can only address “*certain segments of informal employment; and no single causal theory can explain each segment of informal employment [...] In sum, a mix of factors drives the different segments of informal employment.*”

## 3 THE INFORMAL ECONOMY IN AFRICA

Since the adoption of the expanded definition on informal employment in 2003, the ILO supports countries to introduce the new statistical measures in their national survey questionnaires. The *Statistical Update on Employment in the Informal Economy* released in June 2012 analyses data on informal employment in 47 countries, of which 11 were located in Africa. The ILO figures clearly indicate that the informal economy is a significant employment provider. It takes up a significant share of non-agricultural employment which varied from 32.7% in South Africa to 76.2% in Tanzania (see table 4).

**Table 4:** Employment in the informal economy in non-agricultural activities by component, both sexes, latest year available

Country	Persons in informal employment		Persons employed in the informal sector		Persons in informal employment outside the informal sector	
	Thousands	% of non-agricultural employment	Thousands	% of non-agricultural employment	Thousands	% of non-agricultural employment
Ivory Coast (2008)	n.a.	n.a.	2434	69.7	n.a.	n.a.
Egypt (2009)	8247	51.2	n.a.	n.a.	n.a.	n.a.
Ethiopia (2004)	n.a.	n.a.	1089	41.4	n.a.	n.a.
Lesotho (2008)	160	34.9	225	49.1	99	21.6
Madagascar (2005)	1271	73.6	893	51.8	378	21.9
Namibia (2008)	121	43.9	n.a.	n.a.	n.a.	n.a.
South Africa (2010)	4089	32.7	2225	17.8	1864	14.9
Tanzania (2005/6)	3467	76.2	2353	51.7	1137	25
Uganda (2010)	2720	69.4	2344	59.8	537	13.7
Zambia (2008)	920	69.5	854	64.6	155	11.7
Zimbabwe (2004)	909	51.6	698	39.6	n.a.	n.a.

#### 4. LOCAL GOVERNMENT AND THE INFORMAL ECONOMY

Local government in Africa has tended and still tends to deal with informal economy participants largely on the basis of by-law formulation, particularly in respect of street traders. This approach is based on an inherently restrictive view of the ‘problem’ of the informal economy.

Pejorative perceptions of the informal economy – both within municipalities and some formal businesses – have contributed to the marginalisation of the informal economy within official economic development policy. This marginalisation is clearly illustrated in the almost complete absence of reference to the informal economy in official planning and economic strategy documents. The informal economy is most often considered by municipal planners as a spatial problem (i.e. where to locate informal trading zones) rather than as an integral part of the local economy, and a key factor preventing even higher levels of unemployment.

From a government perspective, there have been various factors that have made it difficult to put together appropriate policies towards the informal economy; some of these are:

- **Instability and vulnerability** of informal worker’s representation and associations;
- **Proliferation of organisations representing** informal workers in each city or town, where organisations are fighting for recognition, support and power;
- (related to above) **multiple structures within municipalities**, (which usually do not plan and operate jointly) are mandated to facilitate, manage, implement and monitor informal activities;
- **Complex co-ordination processes** within municipalities, each using its own strategies; and
- **Low literacy levels:** as such, informal workers are unable to exercise their constitutional rights and duties; a feature which continuously frustrates municipal officials.

A good deal of the debate over government policies for the informal economy is the question of whether and how to formalise the informal economy, i.e. the idea that all informal business activities can and should become ‘proper’ small businesses. Although there are obviously some candidates for this path within the informal economy, this approach fails to fully recognise either the very diverse nature of the informal economy, or the fact that many survivalist endeavours will never be more than that, but should nonetheless be respected for the role that they play in reducing the vulnerability of the poor<sup>14</sup>.

In a publication by UN-Habitat dedicated to innovative policies for the urban informal economy, it is pointed out that the “*policy analysis should move beyond the conventional debate [of formalisation] and focus on appropriate regulation, that is, the simplification and streamlining of national regulations and municipal by-laws that are required to (a) promote the development and gradual regularisation of the urban informal economy, (b) improve its operational efficiency and (c) strengthen its income-enhancing effects on the urban poor*”. In addition, a second set of

14 SALGA (2012): Making the Informal Economy Visible: Guidelines for Municipalities in respect of Adopting a More Developmental Approach towards the Informal Economy. [www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012](http://www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012).

related innovative policies a la de Soto should be based on the formalisation of property rights with the objective of releasing the *“entrepreneurial and property potential”* of the poor<sup>15</sup>.

Considering the informal economy’s significance in terms of jobs and contribution to the national GDP it makes more than sense for local governments to take a pro-active and

supportive role in order to fully maximise its potentials. In this regard, it is therefore imperative for local governments to move towards combining law enforcement, infrastructural and spatial policies with a business approach as a means of creating an enabling environment for informal workers.

Drawing on experience from Durban, South Africa, Lund et al (2006) argue that there is *“ample opportunity for simple and affordable interventions that make for securer working environments for those in the informal economy”*.

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15 UN Habitat (2006): Innovative policies for the Urban Informal Economy. [www.vanuatu2010.un.org.fj/resources/uploads/attachments/documents/2337\\_alt\[1\].pdf](http://www.vanuatu2010.un.org.fj/resources/uploads/attachments/documents/2337_alt[1].pdf).

## | CASE STUDIES |

The six case studies in this report present various examples from across different African countries, including Kenya, Mali, Rwanda, South Africa and Tanzania. They provide valuable lessons on how local government perceives and deals with the informal economy.

**The Kenyan case** examines the Muthurwa market in Nairobi, a USD 9 million project anticipated to be the largest market in East and Central Africa at the time of its construction. The case assesses the potentials and challenges of what appears to be a quick-fix approach of constructing markets as a solution for the hawkers 'problem'.

**The Mali case.** In West Africa where a long established tradition of markets exists, the Mali case presents the experiment of one of the municipalities of Bamako in delegating the management of markets to the informal traders themselves. The positive outcomes of this approach include increased tax collection and better maintenance and upgrading of market infrastructure spearheaded by the informal traders themselves.

**The Rwandan case** zooms into a telling example of what appears as the Rwandese preferred approach of dealing with informality; namely transforming informal traders into cooperatives. The case features Gasabo, one of the three of Kigali City's administrative districts, and presents how the Gasabo local government succeeded in organising a large group of informal traders into a cooperative able to raise several million dollars from establishment financial institutions for investment in a 500 shop commercial complex.

**Two cases are presented from South Africa.** The first case documents and reflects back on SALGA's journey in developing model guidelines for assisting local governments in developing municipal by-laws that are more accommodative to the informal economy.

The second case focuses on eThekweni (the broader Durban metropolitan area) which has been at the vanguard of establishing a friendly policy environment for the informal economy and whose pro-informal economy interventions have been emulated by other local governments in the country and serves as catalyst for a broader national reflection on local government and informality in South Africa.

**The Tanzanian case** focuses on Arusha, a semi-arid municipality that has been able to constructively harness the potentials of informal economy activities to support its conservation and reforestation effort, creating thousand of new and secured jobs in the process.

## 5 THE CASE OF MUTHURWA MARKET, NAIROBI

*Author: Fiona Mati, entrepreneurship development specialist and consultant based in Kenya*

### Introduction

In late 2006 Nairobi was facing a major problem of urban unemployment. The number of street vendors was increasing rapidly. With no alternative space, street vendors traded on the pavements and erected make-shift structures within the Central Business District (CBD) leading to congestion, general discontent of shop owners and violent confrontations with local authorities. Tensions between the traders and City Council officials resulted in three months of mass protests that almost paralysed the city. The situation led the government to allocate USD 9 million for the construction of a modern market to cater for about 8,000 vendors who at the time were seen to be holding the city ransom. The market on Muthurwa Estate lies within 2 kilometers from Nairobi's CBD, and was seen as a solution to transform the city's small scale business as well as ease traffic congestion.

### 5.1 The Informal Economy in Kenya

In Kenya's capital and major towns, the urban poor mainly survive by working in the informal economy. Poverty and a lack of gainful employment in the rural areas have been a major driver of large numbers of people migrating to the urban areas in search of a livelihood. These people generally possess low skills and lack an adequate level of education required for jobs in the formal sector. Moreover, jobs in this sector are shrinking and are unable to absorb the 80,000 annual numbers of graduates leaving education institutions with the requisite skills. Thus for these people work in the informal sector remains the only means for their survival. Informal trading or hawking is one of the means of earning a livelihood, as it requires minor financial input and the skills involved are low.



*Market in Nairobi, Kenya*

According to the 2010 Kenya Economic Survey data, it is estimated that the country's informal economy employs 8.3 million people, comprising of approximately 79% of the country's workforce. However, there are no figures for actual numbers of enterprises. This is due to the fact that by its very nature as informal, such economic activity mostly goes unrecorded. There are also measurement challenges such as seasonal fluctuations where some vendors only sell at certain times of the year and recording the itinerant segment of traders is logistically complicated. In addition, a wide range of informal activities fall outside of the purview of the country's national accounts<sup>16</sup>.

Characteristically, informal enterprises have low start-up costs and entry requirements, operating typically on a small-scale with only a few workers. The array of goods and services provided range from selling food, second-hand clothing, handicrafts, medicines, construction materials and the repair of goods<sup>17</sup>. The typical form of exchange is cash, though the MPESA mobile payment system has also become an accepted method of payment.

The significance of hawking becomes larger if we consider the impact they have on the wider economy by providing markets for local producers. A lot of the goods sold by hawkers, such as fresh vegetables emanate from the agricultural sector which employs the largest number of workers in Kenya. Subsistence farmers are hardly in a position to market their products on their own. In this way hawkers bridge the marketing gap by providing a valuable service that helps sustain employment in the agricultural sector.

Since independence the informal economy has been rapidly growing; with the workforce employed within the informal economy recorded at an annual growth rate of 2.8%.

In post-independence Kenya, the size and composition of the informal economy was closely linked to a formal education system that promoted industrialisation over agricultural pursuits, and resulted in rapid urbanisation in the belief that cities offered a superior income to that of rural areas.

However, the most significant growth spurt in the informal economy came about as a result of the Structural Adjustment Programme and market liberalisation policies of the 1980s and 1990s that led to a dramatic shrink of the formal economy. This led to many people who were once engaged in better paid jobs in the formal sector having to face large-scale unemployment due to the closure of local industries. This mass downsizing forced many people to venture into the informal sector. Thus from the typically lower educated cadre of informal operators, the informal economy transformed in terms of size, demographic profile and dynamic to now include retrenched white collar workers with higher educational qualifications as well as a growing number of tertiary level graduates unable to be absorbed by the formal job market .

The size and composition of the informal economy indicates that, over the years, it has transformed to become the backbone of the country's economy.

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<sup>16</sup> Chambwera, M., MacGregor, J. and Baker, A. (2011): The informal economy: A primer for development professionals on the importance of the informal economy in developing countries. <http://pubs.iied.org/pdfs/15515IIED.pdf>.

<sup>17</sup> Skinner, C. (2008): Street Trade in Africa: A Review. Wiego Working Paper No 5. [www.wiego.org/sites/wiego.org/files/publications/files/Skinner\\_WIEGO\\_WP5.pdf](http://www.wiego.org/sites/wiego.org/files/publications/files/Skinner_WIEGO_WP5.pdf).

## 5.2 National Government and the Informal Economy

Kenya's long term development policy, *Vision 2030* aspires to transform Kenya into a middle income country by the year 2030. The development of micro and small enterprises (MSEs) has been identified as one of the strategies for employment generation and poverty reduction to meet the Vision 2030's ambitious goals.

Despite recognition at the policy level of the value of micro enterprises, the sector faces constraints that limit its economic contribution. Traditional perceptions of the informal economy with many linking it to the black market have been manifested by the government. More often than not hawking is considered an illegal activity and hawkers are treated as criminals by the police. This is a vestige of colonial thought where through land alienation, many Africans migrated to Nairobi and other urban centres in search of jobs. Those who failed to secure formal wage labour turned to hawking, prostitution and other marginal activities in order to survive, further perpetuating negative stereotypes of the sector. Thus the informal economy was often regarded as a social problem whose only solution was mainstreaming it into the formal economic system. Even today, Kenya's new Constitution promulgated in 2011, does not explicitly recognise economic and social rights which are fundamental for those operating in the informal sector.

The thaw in the relationship between the government and the informal economy as evidenced by Sessional Paper No 2 of 2005, titled "*Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction*", came about from the realisation that the sector should be promoted as a way to mitigate the spiralling unemployment rate, as this would reduce reliance on the government. This change has also been manifested over the last ten years with notable legislation initiatives such as the proposed Micro, Small and Medium Enterprises Bill (2011) which, if passed by parliament, will create a governing council to oversee the regulation of all informal enterprises. The "Micro and Small Enterprises Authority" will include umbrella organisations of traders who will have four seats reserved. Of even more value to informal traders is the mandate of the proposed Authority to facilitate the relevant Government Ministries and other agencies in providing suitable infrastructure, including worksites.

Thus the informal economy continues to grow in importance at the national level and is being proactively considered in national policies such as the Kenya Revenue Authority's turnover tax that brings the informal sector into the tax bracket. However, the development of a more positive and constructive approach towards the informal economy is often challenged by an incoherent institutional set-up and a non-alignment of policies regarding the informal economy, which is coordinated by five government ministries, namely; finance, trade, industrialisation, local government and labour, as well as semi-autonomous government agencies such as the National Environmental Management Agency<sup>18</sup>. This often puts the

<sup>18</sup> As per Legal Notice No. 61 of the National Environmental Management Agency's Environmental Management And Coordination (Noise And Excessive Vibration Pollution) (Control) Regulations, 2009: No person shall- tout, advertise, promote or sell any goods; or engage in any commercial activity, in such manner as to emit noise by shouting within the Central Business District of any town, a residential area, a silent zone, or any other area declared as a silent zone by the Authority. Any person who contravenes this Regulation commits an offence.

sector operators in a confusing position and without access to policy updates, often on a collision course with enforcement authorities because they lack information.

### 5.3 The Informal Economy in Nairobi

About 2.2 million people are engaged in the informal economy in Nairobi<sup>19</sup> accounting for 70% of the city's employment. According to a joint Socio-Economic Survey on Street Vendors in Nairobi's CBD carried out by USAID and the Nairobi Central Business District Association (NCBDA), most of the informal traders are young adults aged between 25 and 34 years. Almost 70% of them are male. Almost all of them (98.2%) have some level of formal education with more than half (51.7%) having secondary level of education. Slightly above 5% have post-secondary education.

Similar to the national outlook, Nairobi's informal sector usually operates on small-scale, locally and at a subsistence level with few employees. However, there are differences compared with other localities. Being the capital city, the size of the informal economy is the biggest countrywide and it does distinguish itself from elsewhere in the country with business activities also including professional services by people with a higher level of education.

The informal economy is closely intertwined with Nairobi's history. Founded in 1899 as a settlement stop on the Kenya-Uganda railway, a number of Indian migrant "Dukawallahs" (derived from the Hindi words *duka* for small shop and *wallah* for trader) who first came to Kenya to build the railway started selling refreshments to the Europeans and in the process their African employees imitated. Since then informal trade has continued unabated<sup>20</sup>.

Similar to the national scenario, migration, the structural adjustment and market liberalisation policies of the 1980s and 1990s played a significant role in the growth of the informal economy in Nairobi<sup>21</sup>.

### 5.4 Local Government and the Informal Economy

Nairobi's governance system is comprised of an elected city council which operates as per the Local Government Act under the regulatory authority of the Ministry for Local Government<sup>22</sup>. The city has been overwhelmed by rapid population growth coupled with repercussions ranging from traffic congestion, pollution, poor waste management, and chronic water shortages. Like any other local authority in Kenya, Nairobi City Council finds itself seriously challenged with respect to resource requirements adversely affecting the city's economic development.

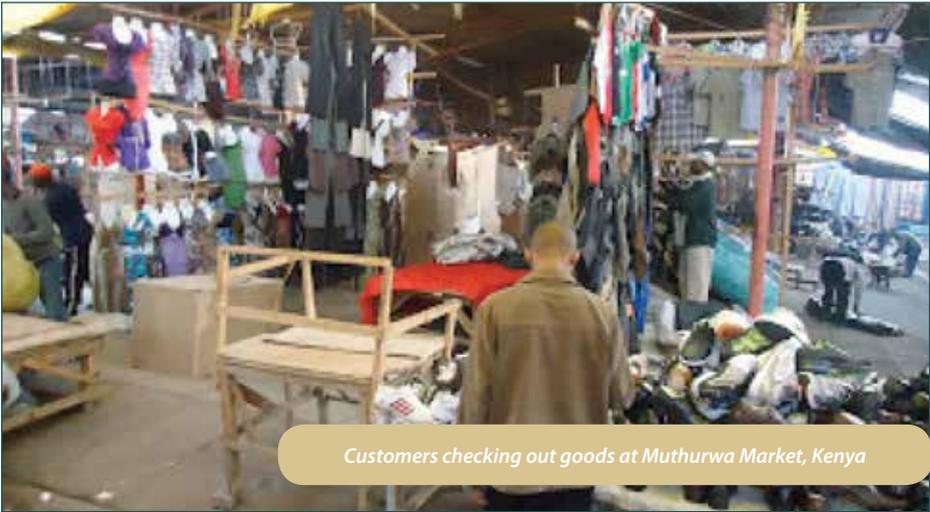
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19 Government of Kenya (2010).

20 Kiruthu, F. M. (2011): The history of the informal enterprises in Kenya: A case study of the Jua Kali sub-sector of Nairobi, 1899-1998. [www.ir-library.ku.ac.ke/ir/bitstream/handle/123456789/1937/Kiruthu%2c%20Felix%20Macharia.pdf?sequence=1](http://www.ir-library.ku.ac.ke/ir/bitstream/handle/123456789/1937/Kiruthu%2c%20Felix%20Macharia.pdf?sequence=1).

21 Bocquier, P. (2005): Informal Sector Versus Informal Contracts In Nairobi, Kenya. IRD-Paris. [www.djal.prd.fr](http://www.djal.prd.fr).

22 The Local Government Act sets out how the central government collaborates with local authorities in addressing informal economy issues such as putting up formal market infrastructure.



*Customers checking out goods at Muthurwa Market, Kenya*

The City Council has as one of its core values stakeholder involvement. The Council has embraced a public-private partnership approach to overcome some of the challenges the city faces in light of rapid urbanisation most visible in the beautification and street lighting initiatives that assist the Council in enhancing safety and security.

The tension between the desired modernisation of the city and the ongoing “un-modern” activity of street hawking tends to determine the local authority’s attitude towards the informal sector. The informal economy is more often than not conceptualised by the Nairobi City Council planners merely as a spatial problem of where to locate trading zones rather than as a phenomenon with a multitude of socio-economic dimensions and implications.

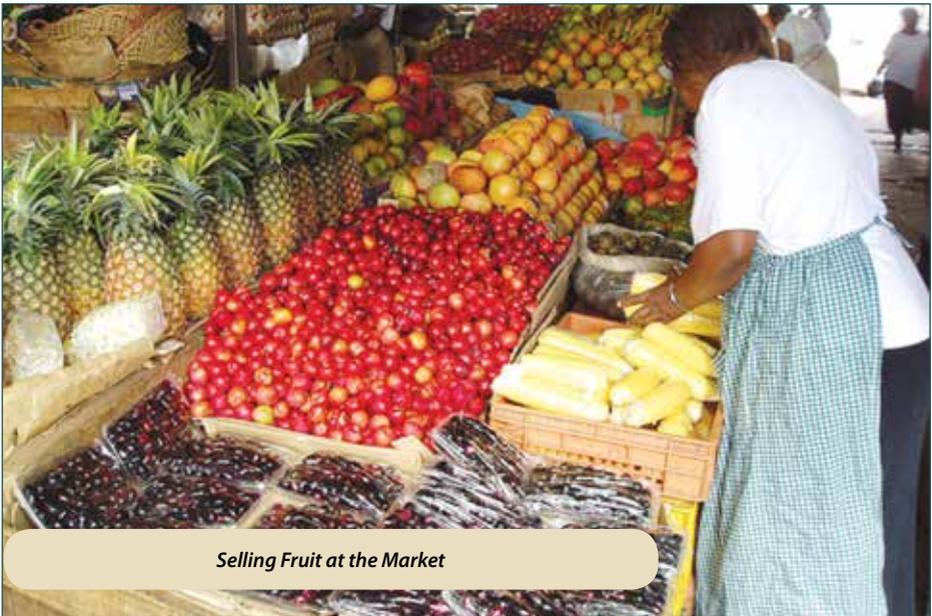
Even though street trading is legal according to the city’s by-laws, the colonial era General Nuisance by-law has often been used to supersede this provision, allowing city officials to arrest any individual they deem to be creating a “general nuisance” in public spaces. Harassments have consisted of arrests as well as destruction and confiscation of property.

Though the Local Authority Service Delivery Action Plan (LASDAP) is the main vehicle for public participation in urban planning<sup>23</sup>, the continued perception of informal economic activities as temporary in nature has meant that informal sector representatives have still been excluded from crucial policy-making. As a result, informal trading activities have not been incorporated adequately in the city’s land use framework and trading spaces for informal vendors, if provided, commonly lack adequate infrastructure facilities.

The relationship with the informal economy is tinged with mutual suspicion and grievances. One of the Council’s criticisms against workers in the informal economy is that they are not contributing directly towards any services. On the side of the informal sector, according to a survey launched in October 2010 by a coalition including Oxfam and the Kenya Private

<sup>23</sup> Nairobi City Council website: [www.naibocity.go.ke/](http://www.naibocity.go.ke/).

Sector Alliance (KEPSA), nearly one in five traders reported that they had experienced some form of harassment or violence from city council officials. A third said they experienced the harassment when seeking licences and reported being charged up to double the official price. Thus their argument is that even though they willingly pay for licences, the council should remember that it has a duty to provide basic services in return. Traders are generally not consulted on the fee structure, which is regulated by the Nairobi City Council under the Local Government Act. This has an impact on the number of licences issued whereby many traders operate illegally and the Council does not raise enough revenue. For instance, in a 2005 study, it was found that only 7000 licences were issued, out of the estimated 500 000 street traders operating in the city<sup>24</sup>.



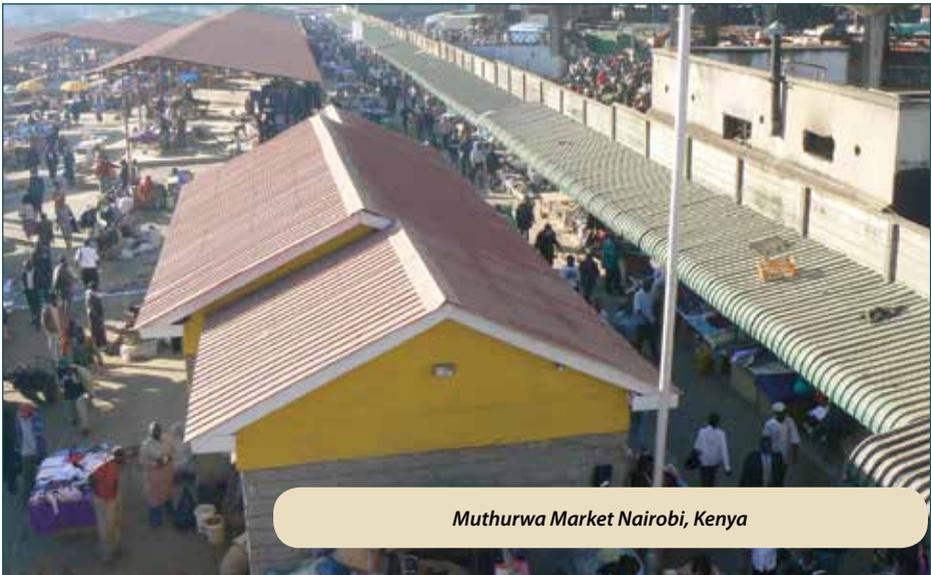
In the last ten years however, political reforms have impacted on the leadership style at the Nairobi City Council, which is slowly but gradually taking up a more development oriented approach towards the informal economy. Similar to the national level, the acknowledgement of the informal economy's importance in terms of employment and poverty alleviation lies at the heart of this change. The rise in the number of highly educated people venturing into the informal sector and being aware of their rights to demand accountability from the council has positively impacted on this development.

<sup>24</sup> This is a key challenge of any strategy that is about building a market to resettle informal traders. See: Lyons, M. and Snoxell, S. (2005): Sustainable Urban Livelihoods and Marketplace Social Capital: Crisis and Strategy in Petty Trade. [www.wiego.org/publications/sustainable-urban-livelihoods-and-marketplace-social-capital-crisis-and-strategy-petty-](http://www.wiego.org/publications/sustainable-urban-livelihoods-and-marketplace-social-capital-crisis-and-strategy-petty-)

Today there is growing space for dialogue discernible which has brought the stakeholders to the negotiation table<sup>25</sup> and which has been mediated primarily by four organisations, namely; the Nairobi Central Business District Association (NCBDA), Nairobi Informal Sector Confederation (NISCOF), Kenya Private Sector Alliance (KEPSA) and the National Taxpayers' Association. While it is still early to determine the long-term effectiveness of this dialogue, its emergence signals a positive change in the direction of the discourse regarding the informal economy.

## 5.5 The Muthurwa Market Project

In late 2006, Nairobi was facing a major problem of urban unemployment; street vendors and hawkers were increasing by the minute, thousands of street vendors were selling their goods on roadsides or in make-shift structures, constantly engaging the local authorities in violent confrontations<sup>26</sup>. These tensions resulted in running battles that lasted for three months and almost paralysed the city. The protests have been widely described from the point of view of the traders:



*Muthurwa Market Nairobi, Kenya*

*“...Maina and thousands of Nairobi’s informal traders came together in solidarity and camped in protest in a city park – for three months. When the city still refused to hear them, they bound their hands and legs together with rope in a long, winding chain and laid down across a main artery of Nairobi’s Central Business District.*

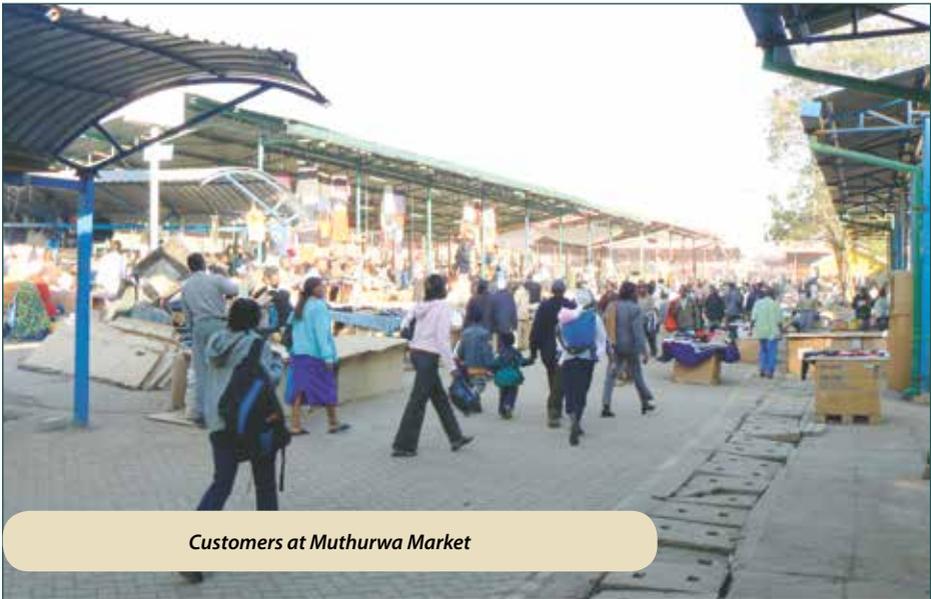
25 Kamunyori, S. W. (2007): A Growing Space for Dialogue: the Case of Street Vending in Nairobi’s Central Business District. [www2.ids.ac.uk/gdr/cfs/pdfs/Kamunyori\\_final\\_thesis.pdf](http://www2.ids.ac.uk/gdr/cfs/pdfs/Kamunyori_final_thesis.pdf).

26 Ameyia, G. N. (2007): Presentation at Youth Micro Finance Forum Held at University of Nairobi, 12-10-2007. [www.nayd.org/PDF/The%20informal%20sector%20in%20Kenya.pdf](http://www.nayd.org/PDF/The%20informal%20sector%20in%20Kenya.pdf).

*It was a spectacle that the government could no longer ignore: thousands of peaceful traders bound as one living, breathing, vulnerable mass of humanity – an unmistakable symbol of the failure of the law to recognise their plight..."*

This led the Kenyan government to allocate USD 9 million for the construction of a modern market to cater for about 8 000 vendors who were seen as holding the city ransom.

The market which lies on a 72 acre estate within 2 kilometers from Nairobi's CBD<sup>27</sup> was seen as an innovative way to transform the city's small-scale business as well as to ease traffic congestion in the city centre<sup>28</sup>. At the time the initiative was also applauded by the formal private sector long fed up with competing with hawkers who blocked the pavement outside their shops with their wares, keeping away prospective customers<sup>29</sup>.



**Customers at Muthurwa Market**

The Local Government Minister at the time, Hon. Musikari Kombo, commissioned the construction in 2006 saying that the market would be truly a "hawkers bazaar" devoid of cartels, middlemen or brokers. The project was launched by The President in December 2006 further showing compelling political will for the initiative. The plan included a 24-hour market with basic facilities like water, restrooms, lighting, a hospital, a police station, multi-storied stalls, a banking hall and an administration office. In order to ensure a significant number of customers, a bus terminus was to be located within the market.

27 Kamothe, P. (2012): Reclaiming Muthurwa Dallas Social Hall. Issue 566. [www.pambazuka.org/en/category/advocacy/79207/print](http://www.pambazuka.org/en/category/advocacy/79207/print).

28 Africa Feature: Success story of informal market Muthurwa in Nairobi. In: Global Times, July 2009. [www.globaltimes.cn/world/africa/2009-07/448325.html](http://www.globaltimes.cn/world/africa/2009-07/448325.html).

29 Gulyani, S. (2006): Inside Informality: poverty, jobs, housing and services in Nairobi's slums. Columbia University. [www.siteresources.worldbank.org/INTKENYA/Resources/Inside\\_Informality.pdf](http://www.siteresources.worldbank.org/INTKENYA/Resources/Inside_Informality.pdf).

The involvement in the planning and construction was spearheaded by the Council's Town Clerk, planning committee working with the Ministry for Local government, Ministry of Public Works, Ministry of Transport and the project contractors. The land on which the market was to be situated was purchased from the Kenya Railways Corporation in order to secure it. To the dismay of many, the whole planning process for the market was top-down and did not make any effort to include the informal sector associations.

Subsequent to the market's opening in March 2008, the hawkers were ordered to relocate to Muthurwa market. However, this was not smooth sailing. Not only did hawkers resist the move, but those that agreed to the move engaged in battles with police over levies and space at the market. The running battles continued until the Council consented to halving the levies as demanded by over 8 000 hawkers.

Following a directive from the Ministry of Transport, thousands of public service vehicles were relocated to the new market's commuter terminus<sup>30</sup> – a move which was expected to bring customers to the hawkers.

The Council took responsibility for the management of the market including pitch allocation and daily business fee collection which was delegated to a Market Authority under the auspices for the City Council of Nairobi.

## **5.6 Lessons learnt**

The construction of a market by the Nairobi City Council is a common response to dealing with the large numbers of hawkers in a city's CBD. In all of Nairobi's 53 markets, the provision of a restricted space for hawkers has been the major factor in their creation. However, Muthurwa differs from other market development projects in terms of the scale of the project. At the time of the development of Muthurwa market, it was anticipated to be the largest in East and Central Africa. Launched as a result of hawker unrest, Muthurwa market was the recipient of political largess and goodwill both from the central government as well as from the Nairobi City Council. Atypical to similar projects, it was launched and opened within ten months with a historically huge budget, a move some claim was to woo and win the large number of votes wielded by those in the informal economy during the upcoming general elections.

Nevertheless even though it was built for 8 000 hawkers, the Muthurwa market currently hosts 15 000 traders. Hawkers operating in the CBD streets remain an issue as most relocated hawkers found that Muthurwa market has lower pedestrian traffic and customers with lower purchasing power than in the CBD.

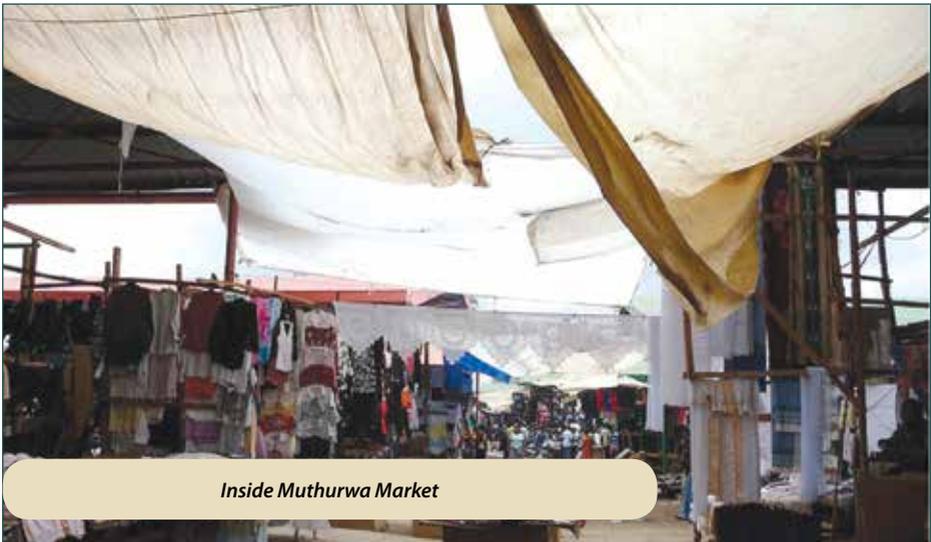
There are however several lessons to be learned regarding market building as a strategy to solve the problem of hawkers:

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<sup>30</sup> This was done through Legal Notice No.37 of 20th-March 2008, City Council of Nairobi(Omni Bus Stations) Amendment by-laws 2008.

## ***Inclusion of informal sector***

The limited informal sector's voice at the planning stage is sadly glaring. Branded as a monument of poor workmanship key stakeholder organisations such as The Architectural Association of Kenya have been reported as saying the market was poorly designed and many aspects overlooked (such as lock-up stalls for security and adequate parking space) as a result of the lack of adequate consultation with stakeholders. Odhiambo T Oketch of The Clean Kenya Campaign which has recently been lobbying for market reforms with the Nairobi Market Traders Society has likened the Muthurwa market's infrastructure to a "Massive Rip-off" saying: *"In modern times, I really wonder how somebody could plan for Muthurwa Market, implement his thought process and then sit back satisfied that he has done some good work"*. The lack of consultation has also led to a missed opportunity: the creation of ownership of the traders with regards to the market (see the example of the Krokoni Market, built by traders in Arusha, p. 65 of this publication). Despite being built in 2008, the market already shows signs of grave disrepair.



## ***Provision of basic infrastructure***

Muthurwa market is in a dilapidated and unhygienic condition as a direct result of the lack of management and support infrastructure. The market requires a basic infrastructure upgrade where water supply, electricity and refuse bins are provided. The environmental impact of the market is dire with burst sewers and waste strewn throughout the market. Despite serving thousands of people, the market has become synonymous with stench and filth. However, in a recent gesture of goodwill the Nairobi City Council's Deputy Town Clerk, Simon Ole Morintat has given an assurance that he will personally lead a clean-up across all the 53 markets of Nairobi. Muthurwa market has also been blamed for bringing insecurity to the area. Due to no security lighting at night, businesses have to close as early as 6.30pm.

## Customers

One of the positive outcomes to the Muthurwa project was that the local authorities noticed the importance of bridging the gap between customers and hawkers by locating the bus terminus within the market<sup>31</sup>. This enabled the Council to deal with traffic congestion within the CBD as well as to ensure a significant customer flow into the market.

## Equity

Equity was also enforced with all traders allocated equal space to sell their wares on a first come first served basis. The City's spatial plans of placing food vendors, clothes dealers and other traders in allocated stalls using the sheet metal roofs to color-coordinate them was beneficial, though the traders had other ideas and swapped stalls. Nevertheless, today the market is organised – though in the traders 'order'. However, there remains contention regarding the stall allocation system with claims that it does not benefit Nairobi's street traders<sup>32</sup>. There is also the spectre of vested interests and cronyism which has emerged through the grabbing of stalls for speculation where people purporting to be hawkers have occupied as many as eight stalls which they then sub-let. A way of dealing with this could be by enforcing licensing strictly, ensuring that traders are allotted one stall only.

## 5.7 Summary

This case study concludes that although building markets for street vendors is a good approach it is not an end in itself. The Muthurwa market case shows that government planners and implementers need to ensure the participation of all stakeholders throughout the process of construction as well as management of a market. The poor design of the market, its infrastructure and the quality of its buildings may, at least partly, be assigned to absence of participation. The lack of maintenance shows how little ownership traders have with regards to the facilities they use on a daily basis. A definite positive component of this project is the placing of the bus terminal within the market, thereby addressing the low number of customers as well as the connectivity of the market. The introduction of an equitable trading system where stall allocations were made on a first come first served basis is also worth mentioning in this respect.

Over and above this, the case study shows that there needs to be a change of engagement with the informal economy which aims at:

- Integrating informal economy operators meaningfully in urban market development planning by treating them as an integral and legitimate part of the urban distribution system. Such efforts would in turn promote self-compliance among street traders and would minimise the incidences of nuisance, obstruction and environmental degradation resulting from a sense of ownership. This has already proved successful with the Nairobi City Council partnering with the private sector in beautification programmes.

31 Omungo, R. (2008): KENYA: Relocation of Traders in Nairobi Still Beset With Problems. [www.ipsnews.net/2008/04/kenya-relocation-of-traders-in-nairobi-still-beset-with-problems/](http://www.ipsnews.net/2008/04/kenya-relocation-of-traders-in-nairobi-still-beset-with-problems/).

32 Kenya National Assembly Official Record (Hansard), October 14<sup>th</sup> 2008.

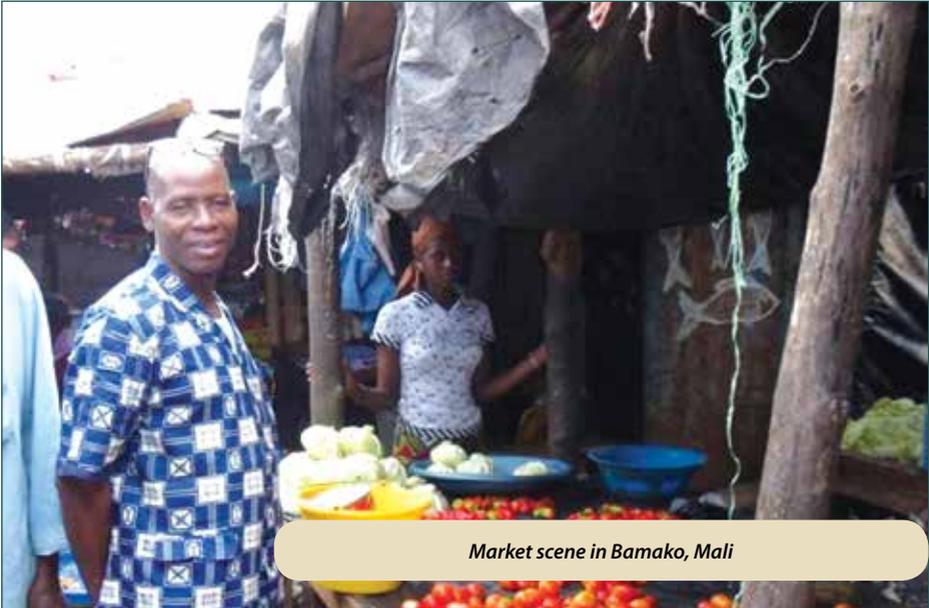
- Giving hawkers a legal standing by reviewing contradictory laws between legal 'licensed' activities and 'illegal' obstruction or nuisance causing activities that results in harassment and even eviction of licensed traders.
- Considering land use which has a ceiling and implementing a registration system with the participation of street trader associations to be used to regulate the number of traders within markets.
- Realising that licensing of traders should no longer be regarded merely as a "street cleaning" measure, but should be seen as a mutual economic opportunity that is important for the vibrancy of the local economy.

## 6 DELEGATING THE MANAGEMENT OF MARKETS TO INFORMAL TRADERS: THE CASE OF BAMAKO (MALI)

*Author: Sadio Sissoko, Local development consultant and facilitator in the implementation of the delegated management of market approach in Mali*

### Introduction

The importance of the informal economy was recognized in Mali since the 1970s. With the introduction of the public service entrance exam in 1983 and the structural adjustment programme that followed, the informal economy became a breeding ground for jobs and an important mechanism for reducing unemployment. In the wake of the devaluation of the Malian currency FCFA<sup>33</sup> in 1994 and the resulting deterioration of consumers' purchasing power, the activities of the informal sector also received a considerable boost especially in urban areas. These activities constitute strategies for survival but also contribute to the country's economic development. Alongside the rise of the informal economy, the process of decentralisation began with the advent of full democracy and political pluralism in March 1991. This has resulted in the establishment of local governments. In this context, the management of the informal economy essentially became the responsibility of the newly-established local governments.



*Market scene in Bamako, Mali*

In order to develop, local government have to mobilise local resources. But in a country like Mali, where most of the economy is informal, local resource mobilisation strategies necessarily

33 Franc Communauté Financière Africaine

have to focus on this sector which proves rather hard to tax due to the fact that it is less visible and less controllable by virtue of its informal nature. Against this background, one of the local governments of Bamako District (*Commune I*) introduced a system of delegated management of markets as a strategy to increase the tax collection of markets while improving the working environment of economic actors (mostly from the informal economy) operating in these markets.

## 6.1 The informal economy in Mali

The informal economy in Mali is very heterogeneous and includes individual entrepreneurs, micro-enterprises, domestic or unpaid workers, employees in the sector, small producers and cooperative members. A 2002 ILO report estimated that the share of informal employment across African countries varies from nearly 20% in Botswana to almost 94% in Mali. This study, which mainly focuses on identifying the urban informal economy, clearly presents Mali as the country in Sub-Saharan Africa where the informal economy is the largest in terms of employment percentage. Unfortunately there is no updated figure at national level on the importance of the informal economy in Mali, but its prominence as a source of employment is undeniable.

At the beginning of 2000, the labor force was estimated at 5.2 million people in Mali. The urban informal economy employed about 1.2 million people and agriculture almost 3.9 million people. According to the 2003 companies' census data, the formal sector in Mali employed only 21,485 people in 2002. In total the number of employees in the formal sector represents less than 2% of the labor force, administration and the public sector included. More recent surveys such as the 2007 Living Standards Survey<sup>34</sup> confirm this overwhelming predominance of the informal economy in Mali.

Concerning the status of people working in the informal economy, there is a majority of independents/own-account workers (57%) and family-members (25%), other statuses being by far a minority (employers, employees, managers, associates etc.). The level of education of "independents" and "family-members" is very low with more than 75% who are "uneducated", while it is higher among managers (92% have attained at least secondary level) or associates (50% have at least a basic level of education). The independent, the apprentice and the family-member begin to work at an early age (under 15) contrary to the employer. The duration of the activity is generally shorter for the apprentice and the family-member (less than a year) than for the employer, manager or associate. Finally, trade is the most practiced activity in the informal economy; it represents nearly 50% of informal activities.

## 6.2 Perception and attitude vis-à-vis the informal economy at the national level

After a period dominated by mistrust and repressive interventions, the State now recognises the need to support micro-enterprises, the majority of which operate in the informal economy. However, the design and implementation of a support mechanism requires the establishment of dialogue between the two parties. In recent years, the emergence of

<sup>34</sup> The Survey title in French is : *L'Enquête Permanente auprès des Ménages (EPAM 2007)* and is available here : [http://oef-mali.org/index2.php?option=com\\_docman&task=doc\\_view&gid=56&Itemid=32](http://oef-mali.org/index2.php?option=com_docman&task=doc_view&gid=56&Itemid=32)

professional organisations which brings actors of the informal economy together makes this exchange possible. For example, –the Malian federation of professional associations (Association Professionnelle des Chambres des Métiers du Mali - APCMM) now includes duly registered artisanal enterprises as members but also recognises the existence of many forms of apprenticeship in the informal economy. The proposal to reform the apprenticeship contract proposed by APCMM aims both to reform this training area by giving benefits to master craftsmen and allow their legal registration via an “employment identification card”.

In 2009 the Malian Government has adopted a national policy on professional training that takes into account the informal economy. In support to the Government’s actions, other programmes within the framework of international cooperation are making a substantial contribution to the improvement of professional training in the informal economy. These training interventions aim at better skilling micro-entrepreneurs and consolidating apprenticeship practices within the sector.

### **6.3 Nature of the informal economy in Bamako**

The informal economy is the leading source of employment in Bamako. In 2008, there were 233,957 informal enterprises in the District of Bamako with a total turnover estimated at FCFA 762 billion (about USD 1.7 billion) employing 319,986 people. These are the results of a survey on the informal economy in the urban area of Bamako carried out by the West African Economic and Monetary Union (WAEMU) through the regional statistical support programme. Enterprises in the informal economy, excluding the agricultural sector are typically oriented towards commercial activities (51.8%) and non-store trade is the most prevalent form. Other sectors of activities include small-scale industrial or craft production units, construction, services, etc. The sector is characterised by very precarious working conditions. More than half of the units do not have specific premises and nearly a third work at home. Only 11.4% work in suitable premises. The sector also faces problems related to the selling of products and access to credit.

Bamako is the nerve center of the country for job seekers. The town’s unemployment rate is above the national average (11% in Bamako against 8.8% nationally and 6.6% in rural areas). In Bamako, the informal economy takes the lion’s share of jobs with more than 87% (88.5% for women and 85.3% for men). The public sector, NGOs and international organisations, the private formal sector and domestic workers represent therefore only 13% with 14.7% of men and 11.5% women (2007 ANPE situational analysis report of the market).

**Table 5:** Employment breakdown in the informal sector by sector of activity, sex and area of residence

	Areas in %			All in %		
	Bamako	Other urban areas	Rural areas	Male	Female	Total
Agriculture, livestock and fishing	2.1	34.1	75.9	73.1	58.7	65.7
Industry	19.8	14.7	10.3	10.5	12.4	11.4
Services	77.2	50.9	13.9	16.4	28.7	22.8
Not known	0.9	0.3		0	0.2	0.1
TOTAL	100	100	100	100	100	100

*Source: RASAMT 2008 ANPE, Annual labour market situational analysis*

As demonstrated by these figures, Bamako's economy depends mainly on the informal sector. Therefore any economic development or mobilisations of own resources envisaged by one of the municipalities of Bamako must necessarily take into account the informal sector.

#### **6.4. Implementation of delegated management of markets in the Commune I of Bamako**

##### **6.4.1 Presentation of the delegated management approach**

*Commune I* is one of the six municipalities of the district of Bamako.<sup>35</sup> It has about 335,407 inhabitants of the 1.8 million of the entire district of Bamako. Since 2005, *Commune I* is implementing the delegated management of markets approach in five of its markets (BanconiFarada, BanconiFlabougou, Boukassoumbougou, Djelibougou and Doumanzana). The number of markets in the municipality with an average of one thousand (1 000) people per day is at least nine. The initiative therefore concerns more than half of the most important markets of the municipality. The delegated management approach was largely spurred and supported financially and technically by Netherlands Development Organisation (SNV).

<sup>35</sup> In Mali, there are three levels of local governments which are *Communes* (municipalities) which constitute the basic level, they are 703 in total; *Cercles* which are 45 in number; and 8 Regions. The District of Bamako has a special status. It is divided into six municipalities plus an overall District municipality. Each of the six municipalities is headed by an elected mayor.



*Selling tomatoes in Bamako, Mali*

The delegated management approach appeared as an alternative to the direct management of markets by the municipality itself. With the direct management approach, markets are typically managed directly by the Finance Committee and staff of the municipality, an on-site market administrator and fee collectors employed by the municipality. The results of this type of management have long been below expectations both in terms of resource mobilisation and maintenance of commercial facilities. Because of this experience, the delegated management approach emerged as an approach worth trying.

The delegated management approach transfers the authority of managing the market and collecting taxes to an independent entity. This delegation of authority to an independent legal person is done by signing a contract with a list of clear and precise obligations for each of the parties. The delegated management contract aims at the sustainable and optimal utilisation of market facilities through taxes levied and the maintenance of sites. In the case of the case of the Commune I, the key objectives of the implementation of this innovative approach were to:

- Build a true partnership between the stakeholders involved in the development of the municipality;
- Increase tax collections in markets; and
- Improve the working environment of actors operating in these markets- i.e. essentially informal traders.

The implementation of the delegated management approach comprised of five main steps:

## 1<sup>st</sup> step: Identification and mobilisation of actors

First, an inventory of direct and indirect actors was done. It was followed by an analysis of the different interests, which is a fundamental concept to consider when dealing with a multi-stakeholder process. The clarification of respective roles and responsibilities enabled to facilitate the negotiation process and to enhance the commitment of all actors. The diagramme of actors below enables us to distinguish two types of actors:

- Direct actors: the municipality through its Finance Committee and municipal officials who manage markets (the revenue administrator, the markets manager and collectors); and the associations or cooperatives of traders in the markets.
- Indirect but strategic actors: neighbourhood leaders; the participatory development committee; women's associations and non-governmental organisations (CAFO); the decentralised services of the state; the National Directorate of Local governments (DNCT), the national revenue collection services.

Civil society actors played an intermediary and arbitration role. Decentralised services of the state heavily focused on the technical content of documents by ensuring their conformity with laws and regulations during the various meetings and training sessions.

## 2<sup>nd</sup> step: Support of market users cooperatives

In the nine markets of the municipality, associations of traders exist whose goal is to defend the interests of their members. These associations are referred to as market committees (MC) or associations of markets traders. Most of these committees are informal gatherings without a written constitution and bylaws. At the outset of this project, it was therefore necessary to support and empower them to form cooperatives able to manage their markets.

Subsequently an umbrella organisation ("JIGISEME") for all market committees (MC) and traders' associations in the municipality was founded. JIGISEME was supported by SNV in terms of training and coaching. A guide focusing on how to support the establishment of market cooperatives was developed during this project<sup>36</sup>. Alongside the support to market cooperatives, SNV facilitated training sessions for officials and municipal staff. The training focused on the implications of this new type of market management.

## 3<sup>rd</sup> step: Taxpayers census

A taxpayers' census was conducted to determine the market potential, a key strategy for mobilizing market taxes. The census was conducted by elected officials in collaboration with the market cooperatives. The census of market taxpayers, predominantly sellers of fruits and vegetables, took into account many aspects such as peak hours of business. The census conducted in eleven markets of the municipality enabled the identification of a total of 7525 traders; the vast majority (94%) of which were only in the morning. The results of the

<sup>36</sup> *Collecte des taxes de marche en mode de gestion déléguée : Guide pratique pour l'accompagnement des coopératives* (Marketstax collection in delegated management: A practical guide on how to support cooperatives) available at : [http://www.snvworld.org/sites/www.snvworld.org/files/publications/guide\\_pratique\\_cooperatives.pdf](http://www.snvworld.org/sites/www.snvworld.org/files/publications/guide_pratique_cooperatives.pdf)

census have also helped to inform policy-makers and collectors of hours favourable for the collection of taxes and on the temporary nature of traders. The census data was entered into a database by the Municipality with the support of SNV. This data can also be used for common development needs, especially for the future development of markets.

#### **4<sup>th</sup> step: Delegated management contract**

The contract determines the objectives, outcomes, indicators and responsibility or mandate of each actor. The management of this phase requires special attention because it is characterised by conflicts of interest and often difficult negotiations between stakeholders. Due to this, the completion of the contract may take time, unless a consensus between all stakeholders is reached quickly. At this stage of the process, all parties involved have to engage with each other intensively.

The use of analytical tools such as taxpayers' census, the results of the administrative accounts of the mayor in the last three financial years enable actors to make proposals in terms of recoverable amount and shares accruing to each party. This stage is completed by the drawing up and signing of a delegation contract and further specifications thereto.

#### **5<sup>th</sup> step: Implementation of the contract, monitoring and evaluation**

Given the experimental nature of the approach, it was imperative for the municipality to implement a monitoring and learning system in conformity with the contract and a quality assessment of the type of management. Regular evaluation meetings were held and these were opportunities to review achievements and identify challenges, analyse variances and make proposals for the improvement of services.

Finally it should be noted that the implementation of this approach requires dedicated facilitators in the process. Facilitators need to be good listeners and good arbitrators with a great capacity in managing tensions. Sometimes actors lose sight of the collective interest to the benefit of the individual interest of each group. Those are the moments when it is crucial to have a neutral intermediary in the discussion to play the role of arbitrator which justifies the use of consultants. As part of this exercise, SNV financed and facilitated certain components (consultants and investigators, coffee breaks and lunch and pedagogical materials). SNV advisors played the role of facilitators and moderators at meetings and negotiations.

### **6.4.2 Overview of results**

As said above, the implementation of the delegated management approach in the Commune I of Bamako had three key goals, namely:

- Building a true partnership between the stakeholders involved in the development of the municipality;
- Increasing tax collections in markets; and
- Improving the working environment of actors operating in these markets- these are essentially informal traders.

With regards to these three objectives the following impact of the initiative can be observed:

Firstly, the approach has helped to establish a precedent of cooperation between local authorities and informal traders for the development of the locality. The organisation of traders in a formal structure, the cooperative, helped them to become a partner of the municipality and to be able to articulate and defend their interests more effectively. This collaboration now goes beyond the delegated management contract right to the participation of informal traders in the definition of the development plans for the locality, such as the Programme of Economic, Social and Cultural Development (PDESC) of the municipality. This is a clear indication that the municipality recognises the importance of informal actors in the local economy. As a result of this project, the municipality has realised that it is possible to have a win-win partnership with informal traders which should help to strengthen this type of collaboration in other sectors in the municipality.

Secondly, it is at the level of tax collection that the success of the approach was most obvious. The increase in revenue was substantial due to a more targeted collection approach and a greater voluntarism of traders due to their involvement in the process and the assurance that the amounts paid will contribute partially to developing and maintaining their markets. The municipality has improved by nearly 100% its collection of taxes in the markets placed under delegated management as demonstrated by the evaluation reports made since the implementation of the approach.

Finally, in terms of maintenance, the markets have largely benefited from the fact that a portion of the resources collected are directly assigned to maintenance as stipulated in the delegation contract. In direct management mode, the revenues collected were often completely allocated to other expenses particularly the operating costs of the municipality at the expense of maintenance and investment in the markets source of these resources. In addition, the enthusiasm generated by the approach has led to the direct involvement of traders in the maintenance, hygiene and sanitation operations of the markets. In some markets, investments for the expansion of commercial facilities were made by the market cooperative. Handing over the cleaning and garbage collection systems in the markets to local organisations and empowering traders in the management of market standpipes and latrines has been more successful than in the old management system. However, it should not exempt the municipality from its obligations of constant support and assistance as these activities remain a public service.

Beyond these positive aspects, it should be noted that there are a number of challenges related to the implementation of the approach such as a lack of appropriate communication systems within and outside the cooperatives, often relatively poor financial management and book keeping, still insufficient monitoring and control of activities by the municipality.

It would be important to pay particular attention to these challenges as well as to those that the particular context will surely generate when trying to replicate this initiative elsewhere. A proper organisation of the cooperatives of informal traders is vital for the effective fulfilment

of their part of the contract and they should effectively be the authentic representatives of their members. Local authorities must also resolutely inscribe their action in the perspective of a mutually beneficial collaboration between them and traders operating in the market.

## **6.5 Conclusion**

The implementation of the delegated management of markets approach in the *Commune I* of Bamako led to increased tax collection and established a dynamic and fruitful partnership between informal traders and the municipality. It has also helped improve the working environment of traders significantly (hygiene, sanitation, access to water etc.) in the markets where the approach was implemented. This experience shows that it is possible to develop win-win partnerships between local authorities and the informal sector. In the case of countries such as Mali, where the whole economy is virtually informal, these types of partnerships can be catalysts for a real development of the national economy because they directly contribute to the improvement of the informal economy productivity through a greater consideration of the challenges facing the sector.

## 7 TRANSFORMING INFORMAL STREET VENDORS INTO FORMAL LOCAL BUSINESS INVESTORS IN RWANDA

*Author: Fleur Hutchings, architect and freelance consultant based in Kigali, Rwanda*

### Introduction

Rwanda's informal economy is significant and plays an important role in the country's struggle to reduce poverty, but does not feature largely in the country's ambitious plans to transform into a knowledge-based, service-orientated economy by 2020. Supporting the creation of cooperatives is one of the preferred means by which Rwanda seeks to transfer informal enterprises into the formal sector. Whilst remaining outside formal policy parameters is normally a speciality of street traders in Kigali, a successful cooperative of 312 ex-street vendors from the Gasabo district is about to relocate into a new commercial complex. This complex is funded by credit they secured with help from the local district government. The Duhahirane (translated as *'let us unite for our mutual commercial benefit'*) Gisozi Cooperative has become a model on which other informal enterprises are basing their own transitions.

### 7.1 Policy Context

Rwanda was named top performer in the World Bank's Doing Business 2010 report and ranked 3<sup>rd</sup> easiest place to do business in Africa in 2012; an impressive achievement for a land-locked country with few natural resources. This economic buoyancy, despite difficult economic times, reflects on sound macroeconomic management practice and a strong commitment to transform from a low-income agriculture-based economy to a knowledge-based, service-orientated one, as outlined in the Government's ambitious development programme, the *Rwanda Vision 2020*.

Strong economic growth has however been accompanied by widening inequalities: poverty reduction has improved only minimally over the last 10 years and Rwanda remains one of the poorest and least urbanised countries in the world. Pressure on land, combined with high population growth will necessitate significant expansion of non-farm employment in the future<sup>37</sup>.

The informal economy of Rwanda does not feature substantially in the *Vision 2020*. There is one specific reference, assuring that the informal sector *"will also be developed in such areas as retail trade, repair workshops and garages, handicrafts and metalwork."* Outside of agriculture, trade (including cross-border trade) and services form the dominant domain of the informal sector in Rwanda that is estimated to contribute 44% of the GDP, according to the Economic Development & Poverty Reduction Strategy (EDPRS) 2008-2012.

The EDPRS is a crucial working document of the 2020 Vision, assigning highest priority to accelerating growth to create employment and generate exports. Although the informal sector is not exactly prioritised, the EDPRS does not disguise this significant constituent of the economy. Focus is placed on strategies with which to deal with it: such as the *Vision 2020 Umungenge* flagship programme (VUP) geared towards identifying those factors hampering the ongoing process of formalisation.

<sup>37</sup> World Bank 2010: Rwanda Country Study, Raising Productivity and Reducing the Risk of Household Enterprises.

The Rwanda Revenue Authority is also well aware of the “*huge, informal sector nagging the economy*”.<sup>38</sup> The lower threshold for paying tax is a turnover of Rfr 1.4 million (USD 2,237) per year, and although many informal businesses would not reach this figure, compliance is low. Major reforms and substantial tax incentives aimed at easing the business registration process have helped raise revenues by 20% this year, but it is assumed that very little of this increase is derived from the informal sector.<sup>39</sup>

In contrast to the informal sector, the private sector is considered absolutely pivotal in all national policies and strategies towards Rwanda achieving its ambitious growth forecasts. According to the Private Sector Foundation (PSF), however, 90% of all private sector enterprises are actually informal.

## 7.2 The Informal Economy in Rwanda

According to Rwanda’s Establishment Census of 2011, 90.8% of Rwanda’s workforce is employed in the private sector. Over 123,000 SMEs operate in the private sector, accounting for 98% of all businesses and 84% of private sector employment, according to the African Development Bank’s Strategy Paper for Rwanda 2012/2016. The paper underlines that the contribution of these SMEs to total tax revenues was estimated at less than 2% for 2009/10. According to MINICOM, less than 0.5% of all enterprises are classified as medium or large<sup>40</sup>; therefore, micro and small enterprises (MSEs) make up the substantial majority of all private sector business activity.

**Table 6:** Size of Rwandan Enterprises

Size of Firm	Estimated No. of Enterprises	Distribution
Micro	65 622	89.9%
Small	5 569	7.63%
Medium	161	0.22%
Large	109	0.15%
Not stated	1 533	2.1%
Total	72 994	100%

**Source:** PSF Nationwide Business Operator Census 2007

Within the micro group of enterprises, the majority of enterprises are household enterprises (HEs), which specialise in wholesale and retail trading. They do not require hired labour by definition, and account for 95% of informal enterprises. These HEs represent the vast majority

38 Ben Kagarama, General Commissioner of RRA as quoted in Rwanda New Times *Informal Sector still Huge Despite Ambitious Business Reforms*, April, 2012.

39 Rwanda is one of the most generous of the East African Community countries in providing tax incentives and exemptions, but they are primarily targeted at large national and international investors according to Action Aid International Rwanda, 2011.

40 EDPRS: *Walking the Talk: MINICOM promoting favourable trade and boosting development*, New Times Advertorial, 2012.

of micro-enterprises in Rwanda, which in turn denote 89.9% of all private enterprises (see table 6) and the bulk of the informal economy. According to the World Bank, HEs should be considered as a distinct and important sub-sector within the micro and small enterprise sector.

**Table 7:** Most informal enterprises in Rwanda are Household Enterprises (HEs)

Enterprise Definition	Enterprise type	Share of all businesses Reported by a household
HE	Owner with no help	80.4%
HE	Owner with family help	15.1%
Micro and small enterprises	Owner with employees of which:	4.5%
	Less than 5 employees	3.6%
	6-10 employees	0.4%
	More than 11 employees	0.5%

**Source:** Rwanda Economic Update, World Bank, November 2011 (originally from EICV 2006)



Amongst substantial compiled data, the World Bank's report on HEs notes that the majority of employees were aged between 26 and 40 years old and a high overall number of female operators. Whilst the number of male operators was high in transport, communication and other service jobs, both males and females operate in basic manufacturing fields such as making small craft objects, brewing, selling food and beverages and milling grain. Challenges facing the informal sector generally coincide with those confronting any business in Rwanda: limited transport, limited access to basic services (energy, water etc.), and insufficient capital, difficulties enforcing contracts, a weak educational system and a lack of skilled personnel. In

addition micro and small enterprises have restricted access to loans and difficulties absorbing the regulatory compliance costs.<sup>41</sup>

Large quantities of the red-tape previously hindering businesses have been substantially cut down, thanks to various initiatives over the last few years. Nevertheless, according to the PSF, firms in the informal sector rank the lack of information about where and how to register and the length of time required almost as high a barrier to doing business as the tax burden imposed by registration itself.

The Government is well aware that growth of the non-farm labour market between 2000 and 2006 was driven by growth in the informal and semi-formal sectors of the economy. A coherent strategy, specifically targeting HEs – representing the largest component of both the informal and the private sector – is still lacking. On the other hand, as the World Bank report highlights, there exist many opportunities for unleashing the potential of HEs by means of strategies already fundamental to government policies (especially those focussed on decentralisation such as VUP<sup>42</sup>). In fact, according to the World Bank, VUP is already having a positive impact on HEs; with an increase of demand for goods and services where the programme is operating. However, the same study poses the question of whether all HEs are in fact capable of eventually developing into formal businesses. Nevertheless, if local governments are legitimately strengthened in the future, changes for HEs, and the informal sector in general, could truly be afoot.

### 7.3 Gasabo District and the Informal Economy

The Gasabo District has a population of 463 000 and is divided into 15 sectors occupying the northern half of the Kigali City province including the office of the president in Kacyiru and most of the ministries along with Nyarutarama, the wealthiest suburb of Kigali. Gasabo is one of the three of Kigali City's administrative districts and also one of the wealthiest districts in the country.

Districts are generally responsible for implementing national policies, including those concerning the informal economy. However, policy implementation varies from district to district, depending on the specific policy and circumstances of the district and its sectors, cells and villages. Whilst national policy dictates, for example, the active enforcement of a trade



*Market vendor of Duhahirane Gisozi Cooperative Initiative*

<sup>41</sup> Ministry of Trade and Industry: SME development Policy, June 2010.

<sup>42</sup> Vision 2020 Umungenge flagship programme (VUP).

law prohibiting street traders since 2008, districts must face the reality of how to best manage them. As the hub of the country, the capital city of Kigali is the hotspot for all vendors, of all types, formal and otherwise. Therefore, the three districts forming the administrative base for the Kigali City Province (Gasabo, Kicukiro and Nyarugenge districts) and the Kigali City Council are more acutely affected by this Government directive than other districts.

One approach of Rwandan local governments is supporting street vendors to form cooperatives: a process by which they can become productive employers and employees, helping both themselves and the economy in the process. Towards this goal, the policy for the Promotion of Cooperatives 2006 (with reference to law no. 31/1988) and the Rwanda Cooperative Agency have been established *“to develop the cooperative sector to serve its members equitably, efficiently and empower them economically.”*<sup>43</sup> Many successful cooperatives operate in Rwanda, including cooperatives of traditionally informal enterprises such as taxis and rubbish collectors. Street hawkers, however, have tended to resist such attempts. In this context, the DuhahiraneGisozi Cooperative of the Gasabo district offers an exemplary model of how just such a transformation can be achieved.

#### **7.4 The Gasabo District’s Duhahirane Gisozi Cooperative**

Towards sharing best practices and to encourage the 30 districts (Akarere) of Rwanda to develop innovative solutions, RALGA has been organising an ‘Innovation Competition’ each year since 2008. ‘Promotion of Local Economic Development’ was selected as the theme for 2011/2012 and judged according to the following criteria: quality of practice, innovativeness, socio-economic results and sustainability. The Duhahirane – translated as *‘let us unite for mutual commercial benefit’* – Cooperative of the Gisozi Sector in the Gasabo District came in second. Exemplifying innovation in terms of practice, the Gasabo District mobilised ex-street vendors to become shareholders of a 500 shop commercial complex within a minimal timeframe. This entry was selected by RALGA as the subject of this case study chiefly because of its great potential for replication both nationally and internationally.

##### **Rwandese Association of Local Government Authorities (RALGA)**

As a membership organisation, RALGA is mandated to represent the interests of local government in Rwanda and admirably strives for efficient, effective, transparent and accountable local governments. RALGA’s vision is *“to have local governments that respond to the demands of people, that are just, democratic and participatory, and which are citizen, investor and donor-friendly.”* Supporting local governments through capacity-building and sharing lessons learnt are key focus areas for RALGA. Their approach is to play an intermediary role; helping establish and build partnerships between members and experienced, willing partners at the national and international level.

<sup>43</sup> Rwanda Cooperative Agency: [www.rca.gov.rw](http://www.rca.gov.rw).

## Background

In late 2009, it was observed that ‘vendorism’ along certain roads in the Gisozi sector of the Gasabo District had become problematic. The increase in the number of vendors has prompted a general deterioration of the urban environment and was perceived as provoking vagrancy, begging and crime. Because of the additional contest from this surplus of informal street vendors, even formal business owners were being forced onto the streets. The Gasabo District decided this was the right moment to launch a cooperative.

## Objectives

In deciding to embark on the process of directing specific efforts towards mobilising the informal vendors to form an organised cooperative, the Gasabo District had multiple overlapping objectives in mind:

- empowering vendors to transform their lives by becoming responsible business people;
- to create a clean, safe, accessible modern space in which the traders can ably work;
- reducing the numbers of vendors on the streets to ease competition for formal businesses and to keep the Gisozi streets clean;
- to shift the informally vending traders into the formal sector, thereby aiding revenue collection;
- improving the urban environment and keeping the Gisozi streets clean; and
- to encourage other street vendors to join in the practice.

## Process/timeline

### *i) Identification*

In late 2009 a process of identification was launched through which 1 653 street vendors were located in the Gasabo District of which 243 were found to be based in the Gisozi sector.

### *ii) Awareness-building/mobilisation*

Convincing men and women of minimal means to invest into an unknown future, with no real point of reference, was not going to happen overnight. Encouragement, advice and incentives (exemption from paying trade licence fees for a year and the grant of a 1.6ha plot of land) offered by the district played crucial roles during proceedings. Gradually, after many small-scale meetings and discussions, 74 vendors were finally prepared to invest into the Cooperative.

### *iii) Securing 1<sup>st</sup> stage credit*

The district played an important role in advising the members on how to secure the necessary deposits for the first collective fund. Women with minimal means, unable to produce the initial 35,000 Rfr (USD 56) necessary were for example introduced to *Duterimbere* (translated as *‘let us develop’*) micro-finance: a non-profit credit organisation providing loans specifically to women.

#### *iv) Transfer to new site*

In April 2010, the 74 new cooperative members (granted provisional status by the district) moved to the newly allocated site (1.6ha offered by the district) in the Musezero Cell of Gisozi. With construction of the marketplace still some time away, members immediately began building makeshift timber stalls to get the ball rolling.



#### *v) Securing 2<sup>nd</sup> stage credit*

Costs were estimated at Rfr 156 million (USD 251,595), requiring a Rfr 625,000 (USD 1000) investment per vendor. The collective decision to go ahead with the works was based on a guarantee (negotiated by the district) that loans could be secured at the Banque Populaire, once a member had a minimum deposit of Rfr 200,000 (USD 323). For those unable to contribute the necessary deposit, there would be an opportunity to rent a space at a reduced rate. Ultimately the 2<sup>nd</sup> phase of construction cost Rfr 260,000,000 (USD 416,340) with the Kenya Commercial Bank granting the necessary loan.

#### *vi) Fast-track course towards 2<sup>nd</sup> stage construction*

On 8 July 2010 the Environmental Impact Assessment certificate was issued and just 5 days later the Rwanda Development Board (RDB) issued a construction permit, prior to the cooperative being granted legal status.<sup>44</sup> This abbreviated timeframe was enabled on the basis of a simple provisional recommendation put forward by the District's office to advance the project as fast as possible.

<sup>44</sup> Legal status was officially granted to the Duhahirane Gisozi Cooperative on the 31 January 2011.



*vii) General Assembly Meeting & Phase 3 planning*

On 3 December 2010 a meeting between the district, a cooperative promotion expert and 230 cooperative members took place (of which 69% were women and 71% below the age of 35 years). Objectives were discussed and broadened to include a phase 3 commercial complex in addition to the phase 2 market place.

*vii) Completion of Stage 2 construction*

The modern market, with capacity for 350 vendors, was completed on 10 December 2011.

*viii) Securing credit for stage 3*

The Cooperative, now 312 strong, approached the RDB with their dream of building a commercial complex. On the basis of the progress made thus far, combined with the access road awarded in the district's performance contract, they secured the necessary support to complete the commercial complex at a cost of Rfr 1,494,202,392 (USD 2,387,460).

*ix) Ongoing construction of phase 3*

Today, the commercial complex is close to completion. The centre will boast 500 shop spaces with a minimum of 312 to be located at the ground level; allowing one for each cooperative member. Shops will be allocated by lottery, ensuring fair treatment for each member. The top two tiers will be available for purchase or rent within and without the Cooperative.

## 7.5 Chief Outcomes

The positive outcomes and impacts of the DuhahiraneGisozi Cooperative are multiple and cross-cutting, having impacts well beyond the confines of the Cooperative. The table below summarises the impacts on the 312 members of the DuhahiraneGisozi Cooperative, the locality (Gisozi Sector) and the Gasabo District from the District’s perspective, as well as on the project from RALGA’s point of view.

**Table 8:** Impacts of the Gisozi Cooperative on the Members, Sector & District

Impacts	312 Cooperative Members	Gisozi Sector/ locality	Gasabo District
<b>Socio-economic</b>	Investors in a Rfr 1.4 billion (USD 2,387,460) commercial complex. Daily wages have risen on average from USD 1/day to USD 20/day and living standards have improved.	Services in the Gisozi sector have improved; especially in the financial sector. Coop members have gained respect in the community and sector.	The Gasabo District now receives revenue of about Rfr 963,000 (USD 140) per day.
<b>Business enabling environment</b>	Each member has at least one account with a financial institution.	The banking sector of Gisozi has become more open to offering loans to informal sector investors with similar ideas.	The way is cleared for districts to fast-track worthwhile construction projects. District incentives have been shown to really help.
		Two cooperatives, based on the Gisozi model have since been launched in the Gasabo District: 1. FODECO (2 <sup>nd</sup> hand clothes vendors) in Gipsoro sector 2. COPCOM (construction materials) in Gisozi sector	

Impacts	312 Cooperative Members	Gisozi Sector/ locality	Gasabo District
<b>Gender Equality</b>	Around 70% of members are women, who have gained confidence and status through their memberships.	Female street vendors have been inspired to access credit and open their own markets in other sectors of Kigali.	A Rfr 52 million (USD 83,532) project has been launched to train youths and female vendors in business and to construct small markets for them within the district.
<b>Youth employment</b>	Around 70% of members were under 35 and have become role models for other youths	Youths who opened a metal workshop in the coop's market space have obtained a contract with the Ministry of Infrastructure.	
<b>Private/Public Sector relations</b>	Coop members are now supported by the Rwanda Development Board. The Coop is now officially part of the private sector.	A Coop member has been elected as Vice President of the Gisozi sector council to represent all coops.	On the basis of the coop's success, the GoR approved construction of the access road via means of the district's performance contract.

## 7.6 Sustainability

For members of the Cooperative, the DuhahiraneGisozi initiative currently appears genuinely sustainable. The various outcomes and impacts listed above serve to support this statement, with particular emphasis placed on the fact that the Cooperative has the support of the Rwandan Development Bank behind them. Another sure sign of sustainability is that the Cooperative is continuing to expand. One of the metal workers – originating from the small cooperative of metalworkers based on the Gisozi site – is to become the 313<sup>th</sup> Cooperative member with his own personal shareholding.

However, in terms of replication, there are two factors which might impede the sustainability of the Gisozi style Cooperative concept:

The first is the extent to which districts will be able to offer such generous incentives. Gisozi was a one-off competition entry and whilst tax breaks may well be possible for the transition of future informal sector workers into cooperatives, land will not be so easy to grant. The district is well aware of this hurdle. Negotiations are currently underway between the district, potential cooperatives and land owners to help secure plots at reasonable prices, evoking the interests of the greater public to be served.

A second concern is that such fast-track, large-scale cooperative development (as exemplified by Gisozi) may not be financially sustainable. The financial support required for such an undertaking is substantial. The Director of Cooperatives for the Gasabo District mentioned that if a large number of such cooperatives were to attempt a similar upgrade concurrently, the funding would simply not be available at the present moment. While it seems the available financial institutions of the Gasabo District could manage to support the odd large cooperative, or several smaller cooperatives, another source of financing would be necessary if the Gisozi style of cooperative is to be replicated en masse.

## **7.7 Reflections & Lessons Learnt – An interview with RALGA**

### ***Why did RALGA choose this as the project for this case study?***

Even though the Gasabo District came 2<sup>nd</sup> in the ‘Innovation Competition’, we selected this project because it involved more stakeholders than the winning project and was considered better suited to national and international replication.

### ***Considering the four criteria of the competition on which the district projects were judged, where did the Gisozi Cooperative perform best and where was it weakest?***

Gasabo scored fairly well in all four categories (but it should be noted that many of these points were only evident having visited the site and spoken with the coop members):

- Quality of Practice – the District was very involved at all stages of the project; performing a key role as advisor, facilitator, negotiator and organiser. Many, many meetings were held particularly at the crucial early stages of awareness building. Incentives were also used well.
- Innovativeness – whilst the idea of the cooperative itself was not innovative, the District was *inventive in terms of practice and process especially in terms of gaining credit; by encouraging* members to help themselves and each other by acting as guarantors.
- Socio-economic results – Gasabo scored particularly well here, as there are coop members who have really improved their living standards. The improvements are most evident in the homes of these members and by such indicators as all their children now attending school.
- Sustainability – For now the project is proving sustainable and has triggered at least two other such cooperatives. However, while the members are very proud of their 2<sup>nd</sup> phase commercial complex (which fits well with the Government’s grand master plan for Kigali), the amount of credit required was great and may eventually prove to be unsustainable – but that is for the future to say.

### ***What impressed you most when you visited the project?***

The pride of the members involved: they, and we, have really learnt that it is possible for people of very lowly means to invest in themselves and fairly quickly see positive results.

***What, from your perspective, are the three most significant outcomes of this project?***

- Firstly, the innovative methods for gaining credit that the District managed to negotiate; especially encouraging the women to approach the Duterimbere micro finance association and convincing some of the men with assets to act as guarantors for those women.
- Secondly, the level of organisation achieved, as exemplified by the permanent onsite secretariat with accountant, assistant and an up to date filing system. Thirdly, perhaps, the inclusiveness and follow up successes: the fact that some space was allocated to a bunch of youths to allow them to set up a metal workshop. Those youths have now successfully managed to gain a works contract with the Ministry of Infrastructure.

**7.8 Conclusion**

The innovative means by which the Gasabo District mobilised not only the vendors, but the financial institutions and the Government of Rwanda itself to play their respective roles in the creation of the DuhahiraneGisozi Cooperative is laudable and a fine example of good, participatory, local governance. What is also interesting to note though, is that most of the components of the initiative were already in place; it was the means to negotiate and link them that was missing. And that became the district's primary role: to negotiate something of an obstacle course to reach the ultimately successful result. Regardless of whether the DuhahiraneGisozi Cooperative can be replicated en masse, it has mobilised many different people at multiple levels; youths, women, sole informal traders, communities, sectors, districts and the central government. It has become a reference point and the catalyst for similar initiatives which serve to improve local standards of living through improved local governance.

## 8 LOCAL AND NATIONAL RESPONSES TO THE INFORMAL ECONOMY– TWO CASE STUDIES FROM SOUTH AFRICA

*Authors: Susanne David, Oliver Ulrich and Nachi Majoe, SA LED Network*

### Introduction

The informal economy forms a key component of South Africa's strategies to address unemployment and poverty and to support the creation of sustainable livelihoods. However, municipalities face various challenges in developing and implementing policies that create an enabling environment for the sector. In fact, the majority of South African municipalities, for various reasons, fail in providing LED-friendly and more developmental and inclusive informal economy policies and by-laws.

In this context, the South African Local Government Association (SALGA) – in cooperation with various sector departments, municipalities and a wide range of stakeholders active in the field – developed municipal guidelines allowing for the adoption of a more developmental and inclusive approach towards the informal economy.<sup>45</sup> The guidelines were designed not only to support municipalities in formulating informal economy 'friendly' policies and by-laws, but also to achieve a balance between the need to regulate the sector and the need to support livelihoods and job creation reflecting the developmental agenda of the State. The guidelines are the direct outcome of a series of initiatives and activities undertaken by a handful of South African local governments. Among these eThekweni Municipality features among the most innovative.

The two case studies: 1. SALGA's 'Making the Informal Economy visible: Guidelines for Municipalities in respect of adopting a more developmental approach towards the Informal Economy' and 2. 'eThekweni Municipality: taking an innovative and multi-faceted approach towards the informal economy' aim at: a) analysing both the complex context of the informal economy in South Africa and the challenges municipalities often face when designing policies and by-laws with regard to the sector; and b) presenting some of the findings and lessons learnt derived from the activities and processes.

### 8.1 The Informal Economy in South Africa

According to the Quarterly Labour Force Survey, in the first quarter of 2012 there were 2.1 million people in South Africa active in the informal economy (excluding the agricultural sector), compared to 9.5 million in the non-agricultural formal sector. Of the 2.1 million, 1.2 million were men and just over 857,000 were women. A provincial breakdown shows that Limpopo province has the largest relative informal economy – around 34% of total economic activity takes place in this sector. Informal employment is also of considerable importance in Mpumalanga, the Eastern Cape, the Free State and KwaZulu-Natal, making up more than 20% of non-agricultural employment in each of these provinces. The relative share of the

<sup>45</sup> SALGA (2012): Making the Informal Economy Visible: Guidelines for Municipalities in respect of Adopting a More Developmental Approach towards the Informal Economy. [www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012](http://www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012).

informal economy by province indicates some correlation with the overall unemployment rate, supporting the idea that for many people the informal economy is the alternative to unemployment<sup>46</sup>. It is argued that without the informal economy, the unemployment rate would rise from currently 25% to around 47.5%.<sup>47</sup> This implies that its significance in pro-poor economic development policy is more important than even its relative size suggests. The informal economy is a key strategy for reducing the vulnerability of the poorest and as such the importance of the informal economy cannot be denied.



*Informal Traders in Butterworth, Eastern Cape*

There is a wide range of economic activities included in the informal economy such as street vendors, taxi drivers, rubbish collectors and home-based care workers, making it almost as diverse as the formal economy. Retail activity dominates South Africa's informal economy with trade of goods and services being the most important sub-sector. Just over 1 million people are engaged in this activity, and another 300 000 in community and social services. Together, these sub-sectors constitute around 60% of all employment in the informal economy. The dominance of trade is a characteristic which makes the South African informal economy different to other African countries. This is due to the fact that the structure of the economy is not typical for a developing country: the key difference is that South Africa has a sizeable manufacturing sector contributing 14% to the Gross Domestic Product (GDP), with the majority coming from formal businesses (ca. 97%) of medium and large size. As a result, the scope for small-scale manufacturing and agro-processing – formal and informal – targeting local consumers in poor communities is very limited. In addition, due to the absence of small-

46 Statistic South Africa (2012): Quarterly Labour Force Survey, 1st Quarter 2012. [www.statssa.gov.za/publications/P02111/P02111stQuarter2012.pdf](http://www.statssa.gov.za/publications/P02111/P02111stQuarter2012.pdf).

47 SALGA (2012): Making the Informal Economy Visible: Guidelines for Municipalities in respect of Adopting a More Developmental Approach towards the Informal Economy. [www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012](http://www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012).

scale informal manufacturing activity there is also an absence of informal business-service firms.<sup>48</sup>

By its very nature, informal economic activity goes unrecorded and is therefore difficult to measure, but some estimates value the informal economy at around 28% of South Africa's GDP. Therefore the size of the informal economy (i.e. including informal traders, waste collectors, home-based care workers, taxi drivers etc.) can be estimated at around R160 billion which would make its value 2.5 times as large as the contribution of the entire agricultural sector, or 70% of the contribution of the mining sector to GDP.

## 8.2 Policy Context

Historically, policy towards the informal economy has been based on regulation, rather than the adoption of a developmental approach. Up to 1990 the law had required that street vendors could only trade if they had obtained a license (as part of government's relaxation on the laws on street trading). In 1991, the new Business Act was passed recognising that street vendors would be treated like businesses. The need for obtaining a license for certain types of business therefore fell away. However, changes to the Business Act of 1993 empowered Local Government to regulate street trading while not necessarily preventing it. The mandate for municipalities was to make by-laws and regulations about where and how street trading would take place. This change has since created frustrations and tensions between municipalities and informal traders and their associations. Currently there are various arrangements with regards to street traders permits, these are however a responsibility of municipalities.



*Selling soaps on the streets*

<sup>48</sup> Philip, K. (2011): In the Shadow. Financial Mail, November 2011. Pg. 27 – 36.

In 1995, the White Paper on Small Business grouped the sector into *survivalist, micro, small and medium* enterprises and suggested that support strategies should be put in place. The White Paper was then enacted as the National Small Business Act (in 1996), now categorising enterprises into *micro, very small, small and medium*<sup>49</sup>. Most informal traders would fall under *micro*, classified as a business with up to five employees and a total annual turnover of less than ZAR 200 000.

A more differentiated and appreciative perspective on the informal economy is provided in various national and provincial policies. The National Framework for LED for example acknowledges that the “*private sector, the cooperative sector consisting of formal and informal, social enterprises, as well as the income generating community projects and survival businesses in the informal sector, that operates in these municipal regions are the engines of economic growth.*”<sup>50</sup> Moreover, most of South African provinces have comprehensive and updated informal economy policies in place highlighting the relevance of the sector for the regional economy and arguing for a more supportive approach.

Nevertheless, in a nutshell it can be argued that the informal economy is not fully acknowledged in national policy. From a government perspective, there have been various factors that have made it difficult to put together appropriate policy guidelines such as tense and frustrating relationships with municipalities, the instability and vulnerability of informal traders’ representation and associations and the complex co-ordination processes within municipalities, each using its own strategies. It is imperative for government to move towards combining law enforcement, infrastructural and spatial policies with a business approach as a means of creating an enabling environment for informal traders.

### 8.3 Local Government and the Informal Economy

In the past, local government has tended to deal with the informal economy largely on the basis of by-law formulation, particularly in respect of street traders. This approach is based on an inherently restrictive view of the ‘problem’ of the informal economy.

These negative perceptions – both within municipalities and some formal businesses – have contributed to the marginalisation of this part of the economy within official economic development policy. This is clearly illustrated in the absence of reference to the informal economy in many official Integrated Development Planning (IDP) and Local Economic Development (LED) strategy documents. Also, the informal economy is often considered by municipal planners as a spatial problem (i.e. where to locate informal trading zones) rather than as an integral part of the local economy, and a key factor preventing even higher levels of unemployment. The reality is that the informal economy is an important part of almost

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49 National Small Business Act, No. 102 of 1996. [www.info.gov.za/view/DownloadFileAction?id=70848](http://www.info.gov.za/view/DownloadFileAction?id=70848). The National Small Business Act was amended in 2003 and 2004 respectively, however no substantial changes were made with regards to the categorisation and further definition of the South African informal economy.

50 National Framework for Local Economic Development (LED) in South Africa 2006 – 2011 (2006): Stimulating and Developing Sustainable Local Economies. Former Department of Provincial and Local Government (DPLG), now Department of Cooperative Governance and Traditional Affairs (CoGTA). [www.led.co.za/document/stimulating-and-developing-sustainable-local-economies-national-framework-local-economic-de](http://www.led.co.za/document/stimulating-and-developing-sustainable-local-economies-national-framework-local-economic-de).

every local economy in South Africa, and the requirement of integrated planning cannot be delivered if it is ignored.



*Arts and crafts vendors in Mtubatuba, KZN*

Another issue is that sometimes the policy stance is the ‘formalisation’ of the informal economy, meaning that all informal business activities can and should become ‘proper’ small businesses. Although there are obviously some candidates for this path within the informal economy, this approach fails to fully recognise either the very diverse nature of the sector, or the fact that many survivalist endeavours will never be more than that, but should nonetheless be respected for the role that they play in reducing the vulnerability of the poor.

The near absence of the informal economy on the national policy agenda has (serious) repercussions on the local level. Although municipalities have to deal with the realities of the informal economy on a daily basis, there is no real appetite towards dealing with it as part of the economy both nationally and locally.

## 8.4 SALGA's 'Making the Informal Economy visible: Guidelines for Municipalities in respect of adopting a more developmental approach towards the Informal Economy'

Authors: Susanne David and Douglas Cohen, SA LED Network/SALGA

### Introduction

Local governments in South Africa are gradually embracing a more developmental approach towards the informal economy, especially informal trading. This is mainly due to the growing acknowledgement of the informal economy's relative significance in terms of jobs and income both locally and national, as outlined above. Only a handful of local governments, however, have designed and implemented specific policies aimed at creating an enabling environment for the informal economy so far. Municipalities face a number of challenges in developing and implementing policies that create both an enabling environment for the informal economy and balances the needs of a diverse group of stakeholders.

In June 2012 the South African Local Government Association (SALGA) published the document: *'Making the Informal Economy visible: Guidelines for Municipalities in respect of adopting a more developmental approach towards the Informal Economy'* with the wish to encourage municipalities to embrace innovative thinking in this area, by viewing the informal economy as an important part of Government's strategies to address unemployment, to support livelihood creation and to reduce vulnerability.

The guidelines contextualise the relative importance of the informal economy and make the case for why it needs to be included in integrated municipal planning processes. It provides an overview of current policy and practice around the informal economy within local government. The main part of the document are the guidelines for municipalities to developing their own informal economy policy as well as key policy considerations for developing an integrated LED plan inclusive of the informal economy. Finally the document contains guidelines for the drafting of by-laws in respect of street trading and a set of draft by-laws as generic examples.



**SALGA** is an autonomous association of municipalities with its mandate derived from the South African Constitution of 1996. This mandate defines SALGA as the voice and sole representative of local government. SALGA interfaces with parliament, the National Council of Provinces (NCOP), cabinet as well as provincial legislatures. The association is a unitary body with a membership of 278 municipalities, with a national office in Pretoria and offices in all provinces.

#### 8.4.1 The formation of SANIEF with support from SEDA

The origin of SALGA's informal economy guidelines goes back to work by the South African National Informal Economy Forum (SANIEF) in tandem with the Small Enterprise Development Agency (SEDA).

The 2010 FIFA World Cup presented numerous opportunities and benefits to South Africa. However some municipal officials from the host cities were concerned that many local informal traders would be excluded from the venues by the secure sanitised spaces demanded by the organisers. Hence SANIEF, an initiative of municipal LED practitioners working on the informal economy and particularly street trading, was established in 2006, where various cities, i.e. Cape Town, Johannesburg and eThekweni were able to share their concerns and experiences to jointly develop a strategic approach to informal trading. In addition to sharing practical experiences regarding policy responses towards the informal economy, particularly street trading, one of the forum's prime objectives went way beyond the World Cup: to develop a national policy framework on street trading that would facilitate and encourage micro-trading. SEDA, an agency of the Department of Trade and Industry (DTI) was approached by SANIEF in 2009 and began to provide financial support to better facilitate the hosting of further metro and municipal informal trade management discussions. One of the key results of this partnership project was the production of the *'Generic Informal/Street Trading Policy Framework'* which amalgamated the vast experiences of the participating municipalities and metros such as operational policy documents with respect to the informal economy.

**SANIEF** is an initiative of municipal LED practitioners working on issues around the informal economy, particularly street trading. The overall objective of SANIEF is to establish, maintain and manage an informal trading network / forum of metros and municipalities which would, among other outcomes, develop a national policy framework on street trading.

**SEDA** is an agency of the DTI, mandated to implement government's small business strategy; design and implement a standard and common national delivery network for small enterprise development and integrate government-funded small enterprise support agencies across all tiers of government.

#### 8.4.2 The role of SALGA

The issue of Informal Trading Management was first raised at the SALGA National Elective Conference back in 2006. Dealing with informal traders had been an on-going challenge for municipalities which required a constant review of policy elements and SALGA's then recently formed Directorate of Economic Development and Planning highlighted these in a report made to the SALGA's National Executive Committee in 2009.

The challenge with the generic framework was not only reaching a wider audience but also testing their relevance with both non-metro and rural municipalities as well as other stakeholders including traders themselves. With the support from SEDA coming to an end, and by being limited as an unstructured and ad-hoc forum, it made sense that SANIEF worked more closely with SALGA in taking their lessons on municipal practices forward. SEDA and SANIEF handed over the legacy of their work on the informal economy to SALGA in 2009. With a membership of all 278 South African municipalities and its mandate to provide advice and

support in key areas of local government, SALGA seemed the right choice to continue the work on the framework.

At the beginning of 2010 SALGA circulated the '*Generic Informal/Street Trading Policy Framework*' to all South African provinces and municipalities for comments. Within the same year SALGA revised and complemented the document with model by-laws in response to numerous requests from local municipalities and renamed it to '*Making the Informal Economy visible: Guidelines for Municipalities in respect of adopting a more developmental approach towards the Informal Economy*'.

In November 2010 a National Summit '*Managing the Informal Economy: A key service delivery function for Local Government*' was organised jointly by SALGA and SANIEF. The event targeted all practitioners within local government involved with informal trading. The purpose of the event was to raise the profile of informal trade management as a key municipal service delivery function, to create awareness of the importance of effective informal trade management and to showcase good practices in this area. SALGA's version of the guidelines was presented as part of the summit. The key result of the summit was that all Municipalities committed to have informal trade policies and by-laws in place.



*Repairing bicycles in Theewaterskloof, Western Cape*

As part of the summit, it was agreed upon that SALGA was best placed to disseminate the information of the summit and to drive the informal economy agenda forwards. In particular, SALGA's role was to:

- to engage relevant authorities (district municipalities, provincial and national departments of Economic Development) in addressing support for the policy guidelines and model by-laws;
- to begin to engage informal traders and their associations on the guidelines and the process;
- to ensure that the guidelines were accessible (ease of use and if necessary multilingual) and user-friendly;
- to allow for some monitoring and evaluation process to see uptake and implementation of the guidelines;
- provide an information and knowledge sharing platform, the South African Local Economic Development Network (SA LED Network) hosted at SALGA, for all experiences made as part of the process; and
- to generally help building capacity of LED practitioners in municipalities with regards to the informal economy.

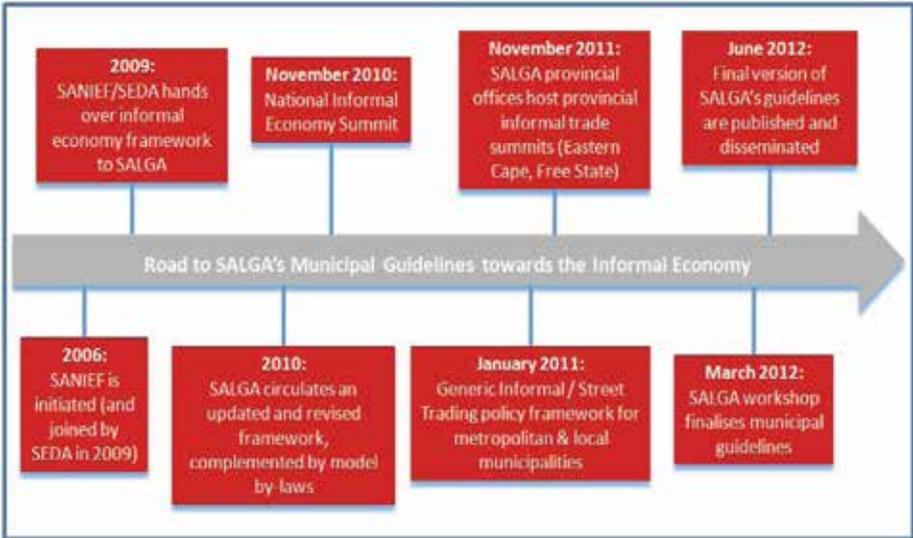
Between November 2011 and March 2012, SALGA updated and revised the guidelines and by-laws by an extensive consultation process to include non-governmental organisations representing the interests of the informal economy. Two of SALGA's provincial offices, Eastern Cape and Free State, hosted provincial informal economy summits as part of the process.

Key stakeholders were contacted directly by SALGA and consulted. These included StreetNet<sup>51</sup>, the International Labour Organisation (ILO), the Congress of South African Trade Unions (COSATU), the South African Cities Network, the Department of Cooperative Governance and Traditional Affairs (COGTA) and the DTI. In March 2012 a workshop, organised by SALGA with the objective of finalising the guidelines, included some 30 stakeholders from government and the informal economy. The final version of the document was disseminated in June 2012.

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<sup>51</sup> StreetNet International is an alliance of street traders. It was launched in Durban, South Africa, in November 2002. The aim of StreetNet is to promote the exchange of information and ideas on critical issues facing street vendors, market vendors and hawkers (i.e. mobile vendors) and on practical organizing and advocacy strategies.

**Chart 2:** Development of Municipal Guidelines for the informal economy



### 8.4.3 Lessons Learnt

To date significant progress has been made in supporting municipalities to move towards the adoption of a more developmental approach towards the informal economy. The publication of the municipal guidelines and draft by-laws is regarded as a key milestone, as is the engagement of a wide range of important stakeholders. A set of lessons learnt throughout the process are detailed in the table below.

**Table 9:** Key questions and lessons learnt

Key question	Lessons learnt
<p><b><i>From the SALGA perspective, what made the outcome a success?</i></b></p>	<ul style="list-style-type: none"> <li>• There was a strong need both from SALGA member municipalities and from the informal traders;</li> <li>• It was a bottom-up transparent, organic and consultative process;</li> <li>• The Association was able to play a leading role in facilitating, coordinating and assisting thereby adding value to its members;</li> <li>• It has put the informal economy and issues of informal trade management both on the local as well as the national agenda;</li> <li>• It has political support of Mayors and senior councilors from local municipalities through SALGA;</li> <li>• It's a visible outcome that municipalities acknowledge the informal economy and the need to have a LED friendly approach;</li> <li>• It sets a new but relevant baseline or benchmark for municipalities to focus towards the informal economy.</li> </ul>
<p><b><i>What would have improved the process?</i></b></p>	<ul style="list-style-type: none"> <li>• As much as it was consultative there is always a challenge in developing a <i>one-size-fits-all</i> guideline; having the guideline more tailored to specific types of municipalities would be a possible next step;</li> <li>• Greater and more senior national government participation would have made the guidelines less a "SALGA" product but rather a government policy;</li> <li>• An status-quo assessment of all 278 municipalities on whether they had or have informal trade capacities and policies in place, the nature of the support towards informal traders and / or the support required;</li> <li>• The development or establishment of a municipal technical support unit or capacity (possibly within SALGA) in parallel of the guidelines.</li> </ul>
<p><b><i>What needs to be in place for this initiative to be replicated elsewhere?</i></b></p>	<ul style="list-style-type: none"> <li>• Some level of understanding of the challenges from the:             <ul style="list-style-type: none"> <li>- municipal perspective</li> <li>- informal traders perspective</li> <li>- policy perspective</li> <li>- socio-economic perspective</li> </ul> </li> <li>• A demand / need to address the challenges from planning, enforcement, LED and the political dimension;</li> <li>• A focus on making things more practical (real) rather than theoretical;</li> <li>• A champion from within the association or a lead municipality which drives the process forward;</li> <li>• A consultative, bottom-up, open and well communicated process;</li> <li>• To fit within the current legislative framework;</li> <li>• The ability to identify, document and share success stories / good practices or approaches;</li> <li>• An understanding that like all development, this is a process and not a project.</li> </ul>

#### 8.4.4 SALGA and the Informal Economy: Next Steps

There is still a lot of work to be done. Together with its stakeholders, SALGA has sketched out to move the informal economy initiative forward. Below are the main programmes / interventions that SALGA are undertaking:

##### *Publishing and publicising the guidelines document*

SALGA has shared and distributed the guidelines document as widely as possible across all three spheres of government. The suggestion was made that provincial road shows should be organised in order to present the document to municipalities and to increase awareness of the initiative across other spheres of government. As part of this activity, SALGA Gauteng hosted an Informal Trade Workshop in September 2012 with all Gauteng municipalities.

##### *SALGA's approach in issuing the guidelines to assist municipalities*

SALGA supports municipalities to start to take a developmental approach towards the informal economy more seriously. One key element of the SALGA approach in the guidelines recommends that municipalities should approach the informal economy similar to the way they approach their IDPs, by essentially providing the answers to a number of important questions, for example:

- What is the current situation?
- What is our long-term vision?
- What are the challenges we face?
- What are we doing to address these challenges?
- What could citizens and other stakeholders expect from us over the next five years?
- How will we implement our plans?
- How will our progress be measured?



The **SA LED NETWORK** – since 2010 hosted as a dedicated project at SALGA – is an association of LED practitioners across South Africa, including local, provincial and national government officials as well as representatives from the private sector, academia and various other organisations.

Dedicated to the promotion of good practices and dialogue in LED, the network strives to improve the understanding of local economies by promoting discussion and exchange between LED professionals and to become a single body of knowledge and information around LED in the country.

**Visit: [www.led.co.za](http://www.led.co.za).**

As a result of its involvement SALGA is increasingly approached by municipalities to comment on their informal trading guidelines such as in the cases of the Overstrand Municipality (Western Cape) and the Lukhanji Municipality (Eastern Cape) informal economy policy.

#### *Facilitate on-going communication / interaction among key stakeholders*

One of the main factors that hinder the development of a more developmental approach towards the informal economy is the very poor state of communication among the various stakeholders. One of the reasons why the SALGA approach was such a success was that a wide range of stakeholders had the opportunity to discuss critical issues in a mediated environment. SALGA contributes to this on-going process by holding nation-wide workshops on the informal economy once a year and supporting municipalities to establish permanent stakeholder forums.

#### *Lobby for increased participation by relevant national departments*

Another key issue is that the relevant national departments who have mandates and resources for development of the informal economy (particularly the DTI) should be involved to a greater extent in supporting the efforts of local government to develop and implement a more developmental approach towards the informal economy. It is crucial to this process that SALGA lobbies for the participation of senior national officials, mandated to make decisions, at provincial meetings with local government to discuss concrete ways in which national government will support local government

#### *Lobby for the credible IDP process to include the integration of the informal economy*

One of the clearest illustrations of the marginalisation of the informal economy is its absence from many municipal IDP's, except for the area of law enforcement. One of the most effective ways to put pressure on local government to change this is to lobby CoGTA for the inclusion of a set of guidelines around the informal economy for inclusion in the IDP assessment process. This would include issues such as:

- The presence of an informal economy policy, adopted and approved by council;
- Inclusion of the informal economy in the LED plan;
- Inclusion of the informal economy in infrastructure plans; and
- Inclusion of the informal economy in the M&E process;

#### *Use of the SA LED Network as the electronic portal / resource repository*

The SA LED Network has a huge and free of charge knowledge repository with regards to LED related topics, one of which is the informal economy. A wide range of documents and key policies are available via its website ([www.led.co.za](http://www.led.co.za)).

## 8.5 Taking an Innovative and Multifaceted Approach towards the Informal Economy, eThekweni Municipality

*Author: Thulani Nzama, Deputy Head: SMME, eThekweni Municipality*

### Introduction

The eThekweni Municipality (EM) is the largest port and city on the east coast of Africa. It has a population of 3.76 million people with a growth rate of 1.3% (1996 – 2011), and is South Africa's second largest city. The Municipality is responsible for an area of over 2,297 square kilometres, including 98 kilometres of coastline. While the total of EM is only 1.4% of the total area of the province, it contains just over a third of the population of KwaZulu-Natal and 60% of its economic activity<sup>52</sup>. In 2011 EM had an unemployment rate of 20.4% and 31.3% of its population lived in poverty.

In the same year EM had a Gross Value Added (GVA)<sup>53</sup> of R182.2 billion<sup>54</sup>. With an average GVA growth rate of 3.5% (2004–2009), EM contributed a total of 9% to the national GVA in 2009 and ranked third after Johannesburg (14%) and Cape Town (11%)<sup>55</sup>.

eThekweni Municipality is an amalgamation of racial and cultural diversity, with its African, Asian and European influences creating a vibrant cosmopolitan society. The African community makes up the largest sector (71.1%) of the population followed by the Asian community (18.7%), White (7.9) and Coloureds (2.3%). The age profile reveals that although the working age group comprises 68.9% of the population, there is a relatively large youthful population, with 36.9% under the age of 19 years<sup>56</sup>.

### 8.5.1 The Informal Economy in eThekweni

eThekweni's informal economy is populated mostly by women engaged in survivalist, low-income trade. They are mostly clustered around the same geographic spots around the City and town centres (Tongaat, Pinetown & Isipingo). Informal sector business activity is dominated by Trade (48.5%) followed by Services (11.9%).

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52 Global Insight: Economic Development & Investment Promotion Unit, Procurement & Infrastructure: Development Engineering (Ref: Denny Thaver, thaverd@durban.gov.za).

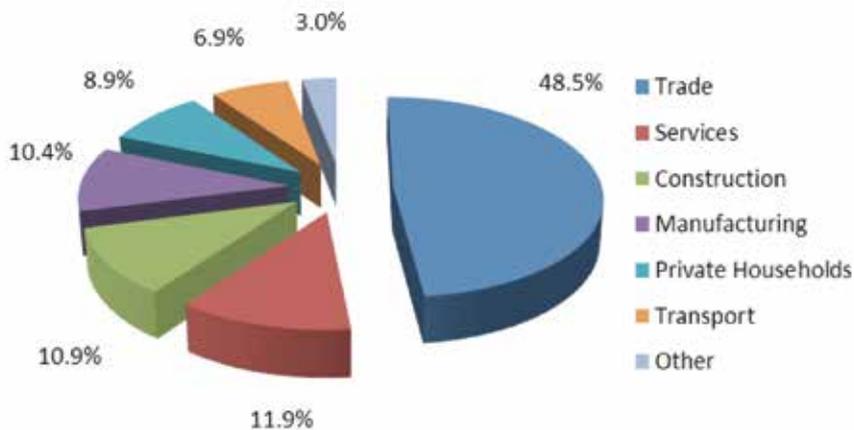
53 Gross value added (GVA) is a measure of net economic output of an area or region.

54 Constant 2005 Prices.

55 South African Cities Network (2011): Towards Resilient Cities – A reflection on the first decade of a democratic and transformed local government in South Africa 2001-2011. [www.sacities.net](http://www.sacities.net).

56 Statistics South Africa (2007): Community Survey. [www.statssa.gov.za](http://www.statssa.gov.za).

**Chart 3: Informal Sector Business Activity 2012<sup>57</sup>**



In 2012, there were about 22 572 (registered) jobs in informal traders and workers, who generate roughly ZAR 36.629,500 in monthly revenue. Those that are registered with the municipality collectively pay ZAR 1.759,120 in monthly rentals (Economic Assessment Report, 2012). The registered informal traders are mainly active in the following economic activities:

**Table 10: Informal Trade activities in eThekweni**

Street or curbsides traders	Car guides
Hairdressing and hair cut	Home renovators
Restaurants /Food outlets	Livestock traders
Traditional wear, décor & beadwork	Sewers
Payphones	Panel beaters
Shoes and shoe repairs	Mobile traders
Taxi drivers	Cardboard collectors
Markets (flea & craft & special markets)	Beach traders
Photographers	Car wash
Tuck-shop operators	

<sup>57</sup> EThekweni Municipality Business Support, Markets & Tourism Unit (2012): Economic Impact Assessment of Business Support Programmes on SMMEs and Traders in the Economy of the eThekweni Municipal Area, EThekweni Municipality

## 8.5.2 eThekwi's approach towards the Informal Economy

In the South African context eThekwi stands out as a municipality which has taken an innovative and multi-faceted approach towards the informal economy. Since 2000 the municipality has invested in infrastructure and services for traders worth ZAR 150 million. These included: water and electricity, ablution facilities, storages, shelters, kiosks, Business Unit/ Support Centres, container parks, markets, flea markets, refuse collection, cleaning and security services<sup>58</sup>. eThekwi's approach to the informal sector is considered innovative in particular with regards to the following:

- *Creating clear responsibilities*: Establishment of a department dedicated to street trader management and support and allocated resources to infrastructure development for traders in the beginning of the 1990s.
- *Aiming for a holistic approach towards the informal economy*: the adoption of a metropolitan-wide Informal Trade Policy at the end of the 1990s.
- *Improving communication and understanding*: Foundation of the eThekwi Municipality Informal Economy Forum (EMIEF) in 2005.
- *Facilitating national dialogue*: The hosting of a National Informal Economy Forum in 2006 and the formation of SANIEF.
- *Building capacity within the informal economy*: the Business Support, Tourism and Markets Unit of eThekwi Municipality offers demand-oriented capacity building services to informal economy workers

### *Creating clear responsibilities*

Efforts go back to the beginning of the 90's when the city of Durban/eThekwi established a department, the *Business Support, Tourism & Markets Unit*, dedicated to street trader management and support, and allocated resources to infrastructure development for traders. "One of the most successful projects the department took care of was the integration of street traders into city plans through an urban renewal project in the area surrounding the primary transport node in the city centre, Warwick Junction, an area accommodating between 6,000 and 8,000 traders, and the project provided attractive and appropriately designed trader infrastructure as well as services like child care facilities and affordable overnight accommodation"<sup>59</sup>.

58 eThekwi Municipality (date unknown): Informal Trading in EThekwi's CBD. [www.durban.gov.za](http://www.durban.gov.za).

59 Women in Informal Employment: Globalizing and Organizing (WIEGO). [www.wiego.org](http://www.wiego.org).



*Kiosks in eThekweni Municipality*

### *Aiming for an holistic approach towards the Informal Economy*

In the late 1990s the city acknowledged that, although progress had been made with street trading, there was no overall policy guiding the city's interventions with respect to the informal economy. A range of specific problems were identified: there was no city-wide vision of the place of the informal economy in the emerging overall economic strategy for the city; there was a mismatch between the generally progressive approach to informal workers on the one hand, and the organisational culture on the other; there were complex and uncoordinated

institutions; licensing procedures discouraged registration of informal workers; street traders, who were the most visible category of informal workers, had a high and negative public profile; there was no coherent policy about planning and building new markets; and finally, there were no institutionalised and continuous structures for negotiation with traders<sup>60</sup>.

In 1999 the councils of North and South Durban started to develop an Informal Economy Policy with the intention to mainstream and integrate the informal economy into the formal economy and make it an integral part of the LED strategy. After an 11 month policy formulation process in which there was substantial consultation with stakeholders both within and outside of the councils, the policy was approved and adopted. EM adopted it as metropolitan-wide policy in February 2001. The policy represented an important shift in thinking: the informal economy as a critical sector for economic development. The policy acknowledged the informal sector's critical role in creating and providing jobs and incomes for many of eThekweni's citizens. Rather than being seen as a component of a poverty alleviation or welfare project, activities of the informal sector were now seen as part of economic planning and development<sup>61</sup>.

<sup>60</sup> Women in Informal Employment: Globalizing and Organizing (WIEGO), [www.wiego.org](http://www.wiego.org)

<sup>61</sup> Ibid.



In 2003, the provincial government also developed and published a Green Paper on the Informal Economy. Based on its own experience, eThekweni participated in this process by:

- Sharing of information and challenges regarding the informal sector and the people employed within;
- Providing a detailed strategic plan in terms of the policy implementation processes
- Outlining the role played by local government and arrangements to deal with the informal sector;
- Emphasising the importance of allocating adequate resources to empower the entire sector
- Promoting economic opportunities that are guided by clear policies, proper planning and regulation processes;
- Encouraging monitoring and evaluation mechanisms of the policy and strategy implementation at local level; and
- Promoting pilot projects as way of introducing transformative processes.

#### *Improving communication and understanding*

The Informal Economy Policy also pointed out the need to establish a negotiating forum. In 2005, eThekweni Business Support, Tourism and Markets Unit facilitated the establishment of EMIEF which was mandated with implementing eThekweni's Informal Economy Policy in partnership with representatives from various sectors, including informal trader representatives.

EMIEF meets quarterly with the following objectives:

- To serve as a structure that will allow stakeholders to engage in dialogue on strategic informal economy issues, e.g. the Informal Economy Policy and the implementation thereof;

- To serve as an information sharing and networking structure, ensuring that all stakeholders share a common understanding on informal economy issues;
- To deliberate on developmental issues pertaining to informal traders and recommend appropriate mechanisms of addressing them; and
- To explore innovations around transforming the relationship between informal traders and City officials from a strained, regulatory and antagonistic to one of consultative cooperation were explored.

**Table 10:** Participants of EMIEF

Councillors
Senior management: Business Support, Tourism & Markets Unit
Chairperson of the Economic Development, Business Support, Tourism & Markets Committee
15 regional trader representatives from 6 eThekweni regions
Officials from each region
The private sector
Durban Chamber of Commerce & Industry
KZN Department of Economic Development
eThekweni Legal department
Metro Police

### *Facilitating national dialogue*

Approaches around relationship building and stakeholder relations have gone on to influence policy at a national level. In 2006, eThekweni Municipality hosted a National Informal Economy Forum in order to kick-off a national dialogue on the issues related to the informal economy. Counterparts from other Provinces, Municipalities as well as National departments took part and shared their best practices.

Based on the EMIEF model, which had been so effective in reconstructing the relationship between informal traders and the Municipality from antagonism, suspicion and tension to cooperation and joint consultation, SANIEF was established in 2006<sup>62</sup>.

### *Building capacity within the informal economy*

Today, a dedicated resource within the Business Support, Tourism & Markets Unit provides capacity building, aimed at promoting traders from survivalist to growth-oriented entrepreneurs and empowering them to make significant contributions to the economy and employment within the City. The following set of interventions is offered:

<sup>62</sup> The formation and role of SANIEF is discussed in detail in section XX of the previous case study.

- The **Food Handlers Program** educates informal caterers on basic hygiene and health issues pertaining to food management;
- **Financial Literacy Training** is offered in partnership with banking institutions (Old Mutual and ABSA) in order to educate traders on budgeting, banking and basic financial management principles. Financial literacy and access to banking is one of the challenges that hinder growth for SMMEs in general, and those in the informal sector in particular;
- **The Machinist Program**, sponsored by the UKZN's Institute of Black Researchers develops 120 seamstresses and garment makers annually. Through this program, informal traders acquire new skills or improve existing skills in order to diversify their offerings and sources of income;
- **Customer Care Training** kick-started in the build-up to the 2010 FIFA World Cup, and was geared to prepare traders to receive tourists, give directions to attractions and generally act as ambassadors to the City. The programme continues to be relevant, especially for tourist destinations in Durban, particularly along the beach front;
- **Equity Participation** was initiated to organise informal traders into an equity company that could acquire a stake in Shopping Mall developments. Funded by the National Empowerment Fund to the tune of ZAR 90 million, the company is in the process of gaining 15 % of the KwaMnyandu Shopping Centre;
- **Exhibition and Display Training** assists street traders with making the best use of limited space in order to attract customers. Too much exposure of too many goods creates unappealing clutter, and goods are spoiled due to exposure to the elements; and
- **Infrastructure**: the Unit manages the provision of stalls, toilets and storage to traders; and facilitates access to and maintenance thereof;



### 8.5.3 Conclusion

Despite targeted interventions, the informal sector still faces major challenges in the provision of sufficient shelter, ablution facilities and storage, and access to water and services. Over and above infrastructure, informal traders face serious economic challenges in the form of insufficient funds for further investments and growth, low levels of income and lack of

opportunities for bulk purchases. On the side of government, there is room for improvement of the balance between formal, informal businesses and rate payers.

eThekwini can look back at a comparatively long history in constructively engaging with the informal sector. The following table presents the key lessons learnt.

**Table 12:** Reflections and lessons learnt

<b>Lesson 1</b> Thorough consultation and involvement of all stakeholders is crucial.
<b>Lesson 2</b> A clear strategy for the promotion and encouragement of economic opportunities in the informal sector needs to be in place; such a strategy is based on the right mix of targeted policies, planning and regulation processes.
<b>Lesson 3</b> Constant meetings with the leadership of informal trade associations can ensure that a trustful relationship is developed and that these key stakeholders are on-board when important decisions are to be made.
<b>Lesson 4</b> Mandates need to be sought from the various stakeholders (in and outside of local government) before implementing any regulation. This ensures that all interventions or activities targeted at the informal sector are aligned and effective.
<b>Lesson 5</b> The formation of informal trade organisations and their leadership is a prerequisite for local government to work effectively with the informal sector. Local government can play a facilitating role in the formulation of such committees, their constitution & code of conduct.

eThekwini Municipality is proud of its pioneering efforts made in becoming the first Municipality in South Africa to have an Informal Economy Policy and to be able to successfully implement various elements of the Policy. Over and above this, the Municipal Informal Economy Policy has helped influence other policies in various Municipalities in South Africa and the Province of KwaZulu-Natal. The successful implementation of the policy and the subsequent birth of the eThekwini Municipality Informal Economy Forum gave rise to the South African National Informal Economy Forum.

This is a strong indication that local municipalities can have an influence on National policies and that Municipalities should make a concerted effort to work together, share their best practices and learn from each other in order to improve local economic development as well as build an economically solid South African Nation.

## 9 TRANSFORMATION BY CONSERVATION - A CASE STUDY OF ARUSHA CITY IN TANZANIA

*Authors: John M. Lubuva and Njwaba Mwaijibe, independent urban planner and consultant*

### Introduction

The Arusha City Council was until recently hostile to the informal economy. The perception of the Council has since changed and unlike other municipalities, local government officials in Arusha no longer perform arbitrary evictions of informal businesses. Over the last five years, the Council has assisted informal economy actors in setting up 130 tree nurseries, 50 car wash hubs, promoted waste recycling by the disabled and built a number of permanent premises for itinerant traders. These actions have contributed in providing employment to thousands of people, especially the youth. Interestingly, these initiatives originated from concerns over deteriorating environmental conditions, partly attributed to haphazard conduct of informal businesses. Thus the case demonstrates that local governments need not necessarily disrupt livelihoods when they enforce urban planning or environmental regulations. The initiative also shows that urban authorities can promote the informal economy even in a situation like Tanzania's in which there is no explicit policy or strategy on the sector.



*Products on offer at Krokon Market, Arusha*

### 9.1 The Informal Economy in Tanzania

Tanzania has a population of 46.2 million, 27% of which is urban. The country had a Gross National Annual Income (GNI) of USD 527 per capita and a Gross Domestic Product (GDP) of USD 22.92 billion, 39.5% contributed by the informal economy in 2010. Despite its significant contribution to the GDP the perception of the government to the informal economy is

ambivalent, even though it has improved over time. The government does not officially recognise the informal economy.

Tanzania's informal economy is similar to that of other African countries in its diversity and heterogeneous mixture of activities and businesses, scale, ownership and mode of operation, including circumvention of regulations and non-payment of taxes. In Tanzania, the highest proportion of the informal workforce is engaged in trade, restaurants or hotels. The informal economy is easy to enter since it requires little capital and simple technology. It operates on cash, rarely borrowing and it provides subsistence income or additional income to people across all levels of income and education. Most informal businesses occupy public spaces in contravention of town planning and health regulations, often exposing them to harassment by municipal authorities<sup>63</sup>.

In 1991, the number of informal enterprises was estimated at 1.7 million businesses. These businesses employed about 3 million persons, i.e. 20% of Tanzania's total labour force and nearly 60% of urban employment<sup>64</sup>. Its annual (1991) gross output was Tanzanian Shilling (TZS.) 489.9 billion (USD 2.1 billion)<sup>65</sup>, exceeding that of the entire parastatal sector which stood at TZS. 336.1 billion (USD 1.4 billion). Although its GDP contribution dropped from 62.5% in 1991 to 39.5% in 2010, the informal economy remained the second largest employing sector after agriculture in 2006<sup>66</sup>.

## 9.2 Changes in the Informal Economy over time

The informal economy in Tanzania has grown rapidly as a result of the slowdown in the formal economy and formal employment beginning from the 1980s, structural adjustment and trade liberalisation in the 1986-1991 period shrinking real wages, rapid urban growth and low capacity to enforce regulations. Following the collapse of the local manufacturing sector, the informal economy is increasingly focusing on trade of imported goods. Meanwhile, a new approach to strategic urban planning and introduction of multi-party politics in the 90s encouraged the informal economy to organise into associations<sup>67</sup>.

## 9.3 National Government and the Informal Economy

Previously, the attitude of government towards the informal economy in Tanzania was confrontational with frequent harassment, evictions, relocation and prosecutions, culminating in a 2007 nationwide evictions of informal traders from streets. The perception has since changed and President Benjamin Mkapa was quoted describing the informal sector as *"a key thread of the fabric of Tanzania's society and economy [...] a reality of life"*<sup>68</sup>. The sheer size and importance of the informal economy and the political connotation of large percentages of

63 Becker, K. F. (2004); see Lyons, M. and Msoka, C. (2008); Muller, M. (Date not provided).

64 Ngoi (1997);

65 In 1991 the TZS/USD exchange rate was 233.90 ([www.bot-tz.org/Adverts/PressRelease/2011-Nov-04-PressRelease.pdf](http://www.bot-tz.org/Adverts/PressRelease/2011-Nov-04-PressRelease.pdf)).

66 Becker, K. F. (2004); Tanzania Revenue Authority (2011); NBS (2007).

67 Ngoi, G. K. (1997); Kadonya, C. et al (2002); Lyons, M. and Msoka, C. (2008); Lyons and Brown (2009); WB (2009); ILS (1991); ILD (2005); DCC (1999).

68 Muller, M. (Date not available).

the population involved are the key determinants of the shift in attitude. To a limited extent, international and regional organisations also influenced the change by assisting government to design strategies to promote SMEs and the informal economy, provide vocational training and set up credit schemes targeting the informal economy.<sup>69</sup>

The government does not however, officially recognise the informal economy which remains excluded from the policy framework. Attempts to formalise (informal) businesses and simplify registration and licensing failed to support informal enterprises, which have no fixed and legal address, a requirement for registration and licensing. A 1983 Human Resources Deployment Act enabled local authorities to issue '*nguvukazi*' licenses for street traders was repealed by the Business Licensing Act, 2003 making street-trade illegal.<sup>70</sup>

#### **9.4 The Informal Economy in Arusha City**

Arusha is the third largest city of Tanzania and also the capital of the East African Community (EAC). It hosts the Arusha International Conference Center (AICC) and until recently, was the seat of the International Criminal Tribunal for Rwanda (ICTR). In many aspects, the key features and composition of the informal economy in Arusha city are similar to those in other cities. About 40% of the labour force in Arusha city was engaged in commercial and industrial activities in 2000, of these, 55% were in the informal economy<sup>71</sup>. Most informal businesses operate at low levels of visibility from officials and may easily move from one location to another, open or close at will to evade regulation. In general, there is no gender or educational bias in the city's informal economy as both women and men of all levels of education operate informal businesses. However, unlike other cities in Tanzania, the informal economy in Arusha is more diverse, complex and vibrant due to the international status of the city as a seat of the EAC, AICC and the ICCR; its role as a center for tourism and trading in Tanzania, a rare gemstone mined at Mererani, close to the city; and its proximity to the border with Kenya. In accordance with nation-wide trends, the informal economy has also grown rapidly in Arusha. This trend has been exacerbated by the relaxation of trade barriers for EAC member states, which eased cross-border trade and resulted in a rapid growth of informal trade in the city. Climate change effects of drought which devastated the pastoral economy of Arusha Region, the collapse of the coffee industry and the increasing scarcity of land in Arusha and neighbouring Kilimanjaro region has propelled high rates of migration to Arusha city and thus impacted on the informal sector's growth.

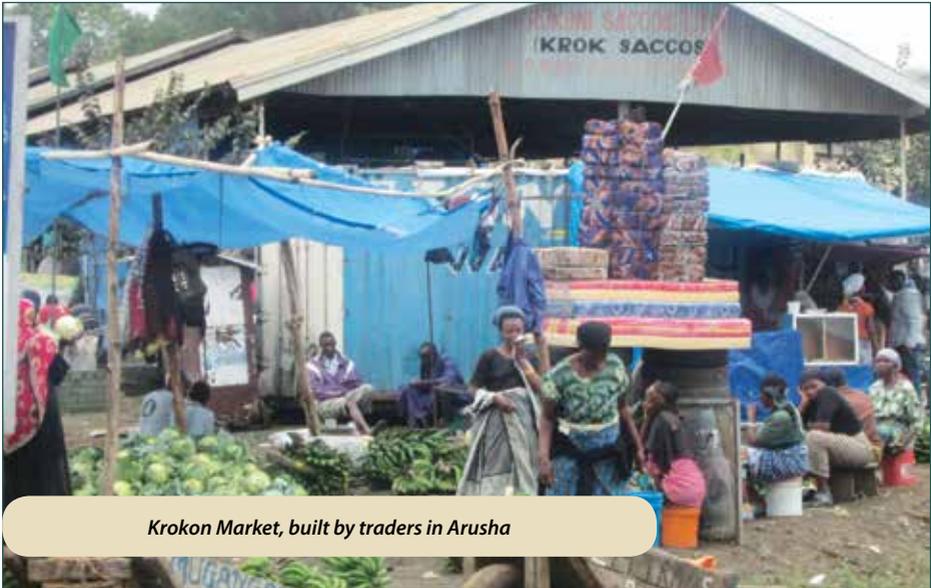
Over time, the informal economy in Arusha has become more responsive to municipal regulation, due to the trust on local government originating from its commitment to work with, and not against the informal economy and also due to an aggressive public education campaign of local government using posters, a community radio and a local newspaper. Also unique to Arusha is the high level of organisation of the informal economy around associations like UmojawaWanamazingiraAsili Arusha (UWAMAA) and SHANGA SHANGAA which, for example made it possible for itinerant second-hand clothes traders to pull resources

69 Lyons M. and Msoka C. (2008); Nelson, E. (2005); Mulinge, M. and Munyae, M. (Date not available).

70 Lyons, M. and Msoka, C. (2008); United Republic of Tanzania (2007); Nelson, E. (2005); Waite, M. (2007).

71 ILO (2002).

and build their own market on a municipal site just outside the city center, following eviction from Arusha town center in 2007. The traders were granted title to the land after the President intervened, following an appeal by the traders.



*Krokon Market, built by traders in Arusha*

A former leader of the nearly 800 traders explains that the idea of the traders to have their market was proposed by a local wholesaler of used clothes whom they had approached for assistance. They mobilised contributions of TZS. 210,000 (USD 164) each paid in three installments and provided voluntary labour during construction under the supervision of an engineer whom they paid on a daily basis. The local council provided the equipment for the upgrading of the land. A local Parliamentarian and a regional political party heavyweight had to intervene for them to be allocated a site for the market in the first place. The group has since 2010, constituted itself into a co-operative society. In addition to securing permanent business premises, the traders no longer pay a market fee of TZS. 200 (USD 14 Cents) per day to the council. Clean water is available in the market at a user fee of TZS. 100 (USD 7 Cents) per 20 liter container and toilet services are provided by a private operator at a fee.

## 9.5 Local Government and the Informal Economy in Arusha

As demonstrated by the 2007 evictions, Arusha City Council was until recently hostile to the informal economy. The perception of Arusha City Council has since changed and unlike other municipalities, local government officials in Arusha no longer perform arbitrary evictions of informal businesses, instead it assists the informal economy actors to find alternative business premises and allows them sufficient time to relocate. A Community Development Officer explained in a recent interview that the council strengthens its relations with informal business operators by providing loans particularly to poor youth and women groups. Beginning from 1998, the council has advanced about TZS 300 million (about USD 200,000) in loans to 259 beneficiaries at a low interest of 10% payable within a year<sup>72</sup>. One key driver of the change that is unique to Arusha is the visionary,



*Women trading at Krokon Market in Arusha*

comprehensive approach of Arusha City Council towards the informal economy which it considers integral to sustainable development of the city, translated as 'raising people's standards of living, including those in the informal economy, on an environmentally sound basis<sup>73</sup>; and its determination to improve the city environment without necessarily disrupting livelihoods in the informal economy, opting instead, to improve its performance by leveraging it with local formal enterprises through the following actions:

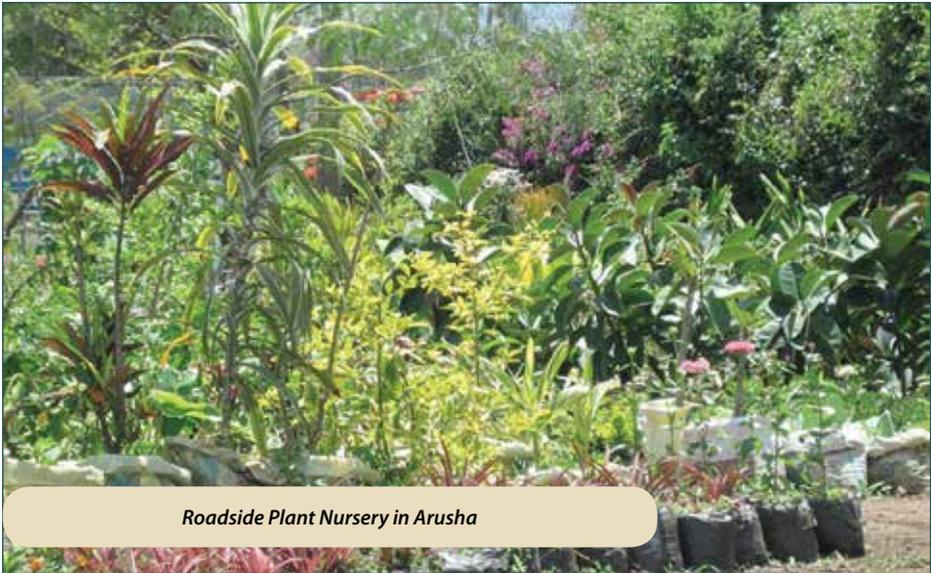
### ***Plant Nurseries***

Arusha City Council provides land mainly on road reserves free of charge for persons in the informal economy to develop flower and tree nurseries. There are 130 nurseries employing about 2 000 persons with a turnover for the nurseries estimated at TZS. 2.0 billion (USD 1.6 million) per annum in 2008. Employment is expected to grow by 10% each year. The city council benefits from savings on the costs of keeping the space clean and environmental policing.

<sup>72</sup> The lending interest rate by commercial banks in Tanzania ranges from 14 to 24 percent per year.

<sup>73</sup> ACC (1998).

The nurseries have stimulated growth in landscaping services and driven a successful regeneration of forests on river valleys and hills in the city, enabling the city to grow more than 1.5 million trees per year. As a result, Arusha city is self-sufficient in fuel wood and people from adjacent rural districts fetch fuel wood from the city. Those previously engaged in informal, unauthorised farming were encouraged and helped to shift to tending plant nurseries and those who grazed livestock were trained to adopt the more environmentally friendly zero grazing techniques. The council is now promoting tourism in the regenerated areas which will increase employment opportunities in the city.



*Roadside Plant Nursery in Arusha*

### **Car wash hubs**

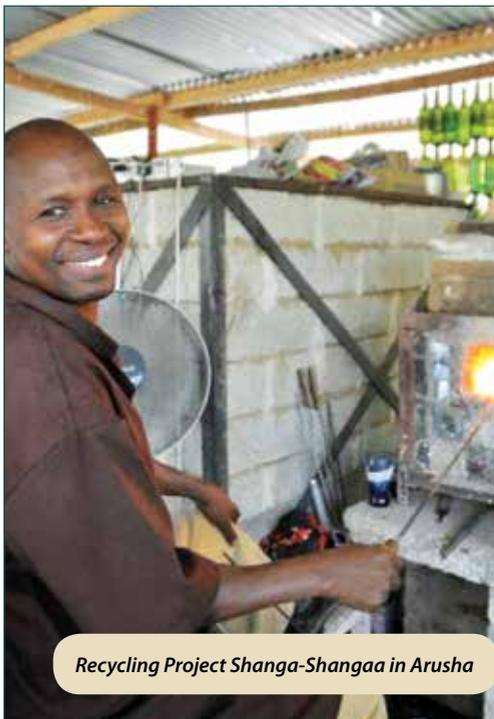
In an effort to curb indiscriminate washing of motor vehicles which polluted rivers and streams in the city, Arusha City Council mobilised private sector entrepreneurs to set up 50 properly equipped car wash hubs that integrate many other personal services and are employing about 2 000 young people. Strict enforcement of car washing by-laws generates about TZS. 30 million (about USD 20,000) in fines to the city council per year.

### **Recycling project**

Shanga-Shangaa is a unique arts & crafts workshop in Arusha that employs and empowers people with disabilities, many of them women in modeling and producing various items including jewelry by recycling plastic, metal, glass and rubber wastes supplied by informal refuse collectors who also export some of the waste. The project has diversified its activities to include a restaurant and is now a major tourist attraction and shopping center in Arusha.

## 9.6 Approach, Outcomes and Key Lessons

Local government considers stakeholder participation to be the most accurate measure of efficiency and effectiveness of environmental management<sup>74</sup>. It actively engaged the informal economy in the initiative and collaborated with the private sector in order to achieve its main objectives through the initiative. The most profound impact of the initiative is the enhancing of environmental quality and sustaining livelihoods of actors in the informal economy who express satisfaction with the greater security of employment and increased levels of incomes, which enable them to pay fees for their children and relatives, up to university level or acquire homes. The traders also feel a new sense of civic responsibility by collaborating with local government to enforce its environmental regulations. Reflecting the opinion of the public and informal sector actors in Arusha, a local newspaper recently



*Recycling Project Shanga-Shangaa in Arusha*

showered praise on the city council for: mobilising residents of Arusha to contribute funds and provide other support to plant thousands of trees each year and this in turn convinced a state agency to develop Suye Hill for recreational purposes; mobilising entrepreneurs to establish car wash hubs creating employment for youths; and organising youths to establish tree nurseries on road reserves in the City.<sup>75</sup>

In this initiative, the role of Arusha City Council was to formulate relevant by-laws and provide a budget, skilled staff, land and equipment. Actors in the informal economy not only contributed useful insights on their activities, but along with other stakeholders, resources as well. Civil Society Organisations participated in advocacy. A joint stakeholders committee was formed to coordinate activities; however, the initiative has not been integrated into the council's organisational structure or its operational systems. Key council planning tools such as the Arusha City Profile and Council Strategic Plan do not, for example make reference to the informal economy, casting doubts on the sustainability of the initiative. Opportunities to scale up the initiative beyond present achievements do not seem to have been explored in full for example, assessing the local resource base to establish its capacity to support local economic growth.

74 ACC (1998): Environmental Management Profile for Sustainable Development.

75 Article published in the Arusha Times, on 9<sup>th</sup> June 2012

Nevertheless, several lessons can be drawn from this initiative:

- Local governments need not necessarily disrupt livelihoods in the informal economy when they enforce urban planning or environmental regulations;
- Urban authorities can successfully promote activities in the informal economy even in a country like Tanzania that is yet to develop any explicit policy or strategy in that area;
- The informal economy if sufficiently motivated, can comply with rules and regulations of local government and contribute ideas, resources and solutions to the so called informal sector problems;
- There could be many benefits including financial to local government (eg. improve tax collection) which engage positively with the informal economy; and
- It is possible to leverage the informal economy with resources of the formal private sector.

## **Conclusion**

As stated in the introduction, the key objective of developing this report was not only to define the often multi-faceted and complex field of the informal economy, but also to clarify the role and relationships between the people working in the informal economy and municipalities. Moreover, as this compilation of different case studies shows, there are various examples across Africa that demonstrate the increased commitment to follow a more inclusive and developmental approach towards the informal economy and to act accordingly. As some of the cases also highlight not every intervention is successful and the informal economy by its nature poses some major challenges on local governments, e.g. in the planning and stakeholder consultation process, funding for targeted initiatives, alignment with other tiers of government and government institutions etc. However, all six practices provide some valuable lessons and experiences made by local government towards the informal economy across Africa.

## 10 CONCLUSION

As stated earlier, the key objective of developing this report was not only to define the often multi-faceted and complex field of the informal economy, but also to clarify the role and relationships between the people working in the informal economy and municipalities. Moreover, as this compilation of different case studies shows, there are various examples across Africa that demonstrate the increased commitment to follow a more inclusive and developmental approach towards the informal economy and to act accordingly. As some of the cases also highlight not every intervention is successful and the informal economy by its nature poses some major challenges on local governments, e.g. in the planning and stakeholder consultation process, funding for targeted initiatives, alignment with other tiers of government and government institutions etc. However, all six practices provide some valuable lessons and experiences made by local government towards the informal economy across Africa.

### Lessons learnt

#### The Kenyan case

- **Inclusion of informal sector:** The limited voice of informal traders at the planning stage is sadly glaring. Integrating informal economy operators meaningfully in urban market development planning by treating them as an integral and legitimate part of the urban distribution system is crucial in order to make this kind of initiatives work in the long-term. Such efforts would promote self-compliance among street traders and would minimise the incidences of nuisance, obstruction and environmental degradation resulting from a sense of ownership.
- **Licensing of traders:** Licensing of traders should no longer be regarded merely as a 'street cleaning' measure, but should be seen as a mutual economic opportunity that is important for the vibrancy of the local economy.
- **Provision of basic infrastructure:** Muthurwa market is in a dilapidated and unhygienic condition as a direct result of the lack of management and support infrastructure. The market requires a basic infrastructure upgrade where water supply, electricity and refuse bins are provided. The environmental impact of the market is dire with burst sewers and waste strewn throughout the market.
- **Customers:** One of the positive outcomes of the Muthurwa project was that the local authorities noticed the importance of bridging the gap between customers and hawkers by locating the bus terminus within the market. This enabled the Council to deal with traffic congestion within the CBD as well as to ensure a significant customer flow into the market.
- **Equity:** Equity was also enforced with all traders allocated equal space to sell their wares on a first come first served basis. The City's spatial plans of placing food vendors, clothes dealers and other traders in allocated stalls using the sheet metal

roofs to color-coordinate them was beneficial, though the traders had other ideas and swapped stalls. Nevertheless, today the market is organised – though in the traders ‘order’. However, there remains contention regarding the stall allocation system with claims that it does not benefit Nairobi’s street traders. There is also the spectre of vested interests and cronyism which has emerged through the grabbing of stalls for speculation where people purporting to be hawkers have occupied as many as eight stalls which they then sub-let. A way of dealing with this could be by enforcing licensing strictly, ensuring that traders are allotted one stall only.

## The case of Mali

- **Lesson 1:** The approach has helped to establish a precedent of cooperation between local authorities and informal traders for the development of the locality. The organisation of traders in a formal structure, the cooperative, helped them to become a partner of the municipality and to be able to articulate and defend their interests more effectively. This collaboration now goes beyond the delegated management contract right to the participation of informal traders in the definition of the development plans for the locality, such as the Programme of Economic, Social and Cultural Development (PDESC) of the municipality. This is a clear indication that the municipality recognises the importance of informal actors in the local economy. As a result of this project, the municipality has realised that it is possible to have a win-win partnership with informal traders which should help to strengthen this type of collaboration in other sectors in the municipality.
- **Lesson 2:** The increase in revenue was substantial due to a more targeted collection approach and a greater voluntarism of traders due to their involvement in the process and the assurance that the amounts paid will contribute partially to developing and maintaining their markets. The municipality has improved by nearly 100% its collection of taxes in the markets placed under delegated management as demonstrated by the evaluation reports made since the implementation of the approach.
- **Lesson 3:** In terms of maintenance, the markets have largely benefited from the fact that a portion of the resources collected are directly assigned to maintenance as stipulated in the delegation contract. In direct management mode, the revenues collected were often completely allocated to other expenses particularly the operating costs of the municipality at the expense of maintenance and investment in the markets source of these resources. In addition, the enthusiasm generated by the approach has led to the direct involvement of traders in the maintenance, hygiene and sanitation operations of the markets. In some markets, investments for the expansion of commercial facilities were made by the market cooperative. Handing over the cleaning and garbage collection systems in the markets to local organisations and empowering traders in the management of market standpipes and latrines has been more successful than in the old management system. However, this should not exempt the municipality from its obligations of constant support and assistance as these activities remain a public service.

## The Rwandan case

- **Quality of Practice:** the Gasabo District was very involved at all stages of the project; performing a key role as advisor, facilitator, negotiator and organiser. Many meetings were held particularly at the crucial early stages of awareness building. Incentives were also used well. It is also interesting to note that most of the components of the initiative were already in place; it was the means to negotiate and link that was missing. And that became the district's primary role: to negotiate something of an obstacle course to reach the ultimately successful result.
- **Innovativeness:** Whilst the idea of the cooperative itself was not innovative, the District was inventive in terms of practice and process especially with regards to gaining credit; by encouraging members to help themselves and each other by acting as guarantors. Also, the Gasabo District mobilised not only the vendors, but the financial institutions and the Government of Rwanda itself to play their respective roles in the creation of the DuhahiraneGisozi Cooperative.
- **Sustainability:** For now the project is proving sustainable and has triggered at least two other such cooperatives. However, while the members are very proud of their 2nd phase commercial complex (which fits well with the Government's grand master plan for Kigali), the amount of credit required was great and may eventually prove to be unsustainable – but that is for the future to say.
- **Replication:** Regardless of whether the DuhahiraneGisozi Cooperative can be replicated en masse, it has mobilised many different people at multiple levels; youths, women, sole informal traders, communities, sectors, districts and the central government. It has become a reference point and the catalyst for similar initiatives which serve to improve local standards of living through improved local governance.

## The case of SALGA

- **The role of SALGA:** One of the key success factors of this initiative was the fact that the guidelines were developed in a bottom-up transparent, organic and consultative process. In this context, SALGA was able to play a leading role in facilitating, coordinating and assisting its member municipalities and various informal economy organisations. SALGA was furthermore able to ensure political support from Mayors and senior councilors from local government as well as officials from provincial and national government.
- **Meeting the different needs of municipalities:** As much as it was consultative there is always a challenge in developing a *one-size-fits-all* guideline; having the guideline more tailored to specific types of municipalities would be a possible next step.
- **Assessing the sector:** A status-quo assessment of all 278 South African municipalities on whether they had or have informal trade capacities and policies in place, the nature

of the support towards informal traders and / or the support required was done as part of the process.

- **Improving municipal capacity:** There is a strong need to develop or establish a municipal technical support unit or capacity (possibly within SALGA) in parallel of the guidelines.

### The case of eThekweni

- **Lesson 1:** Thorough consultation and involvement of all stakeholders is crucial.
- **Lesson 2:** A clear strategy for the promotion and encouragement of economic opportunities in the informal sector needs to be in place; such a strategy is based on the right mix of targeted policies, planning and regulation processes.
- **Lesson 3:** Constant meetings with the leadership of informal trade associations can ensure that a trustful relationship is developed and that these key stakeholders are on-board when important decisions are to be made.
- **Lesson 4:** Mandates need to be sought from the various stakeholders (in and outside of local government) before implementing any regulation. This ensures that all interventions/activities targeted at the informal sector are aligned and effective.
- **Lesson 5:** The formation of informal trade organisations and their leadership is a prerequisite for local government to work effectively with the informal sector. Local government can play a facilitating role in the formulation of such committees, their constitution & code of conduct.

### The case of Tanzania

- **Urban planning and the disruption of livelihoods:** Local governments need not necessarily disrupt livelihoods in the informal economy when they enforce urban planning or environmental regulations.
- **Dealing with the informal economy in a practical and solutions-oriented manner:** Urban authorities can successfully promote activities in the informal economy even in a country like Tanzania that is yet to develop any explicit policy or strategy in that area. The informal economy if sufficiently motivated, can comply with rules and regulations of local government and contribute ideas, resources and solutions to the so called informal sector problems.
- **Increasing tax collection:** There could be many benefits including financial to local government (eg. improve tax collection) which engage positively with the informal economy.
- **Linking informal and formal businesses:** It is possible to leverage the informal economy with resources of the formal private sector.

## **What can local governments do with regards to the informal economy?**

However, the general question remains what local governments can do with regards to the informal economy. The following points – reflected in the six case studies and in the literature on informality – provide an overview of possible areas of interventions of local governments wanting to proactively engage with and promote the informal economy<sup>76</sup>.

### ***Understand the needs of the informal economy and acknowledge its different facets***

The reality is that the informal economy contains a ‘continuum’ of economic activities, and this complexity requires that policymakers take a differentiated view of the informal economy and develop strategies tailored to different local needs accordingly<sup>77</sup>.

### ***Work together with the informal economy***

Formal business interests are represented in municipal governance through associations such as chambers of commerce. Informal workers and their enterprises should be entitled to the same expectation of having forums for the expression of their interests. However, few cities provide opportunities for continual interaction over decisions about, for example, the sites of new markets, priorities for development, participation in trade fairs, or dispute mechanisms. Local government can play a central role in facilitating the organisation of representative bodies and include these in its participatory processes.

### ***Create a favourable policy environment***

Include the informal economy in local economic development strategies and integrated development planning documents through direct consultation with all stakeholders. A move towards developing comprehensive policies that recognise the contribution of the informal economy to economic activity and takes cognizance of the particular vulnerabilities of informal economy participants represents a significant step forward in achieving the goal of ‘developmental government’ at a local level<sup>78</sup>.

### ***Create a favourable regulatory environment***

Municipal regulations significantly shape the environment within which informal workers and enterprises operate. Street trading by-laws can be punitive, for example through confiscation of goods with no warning, or the imposition of fines for trading in specific areas. In this process, precarious livelihoods are instantly destroyed. Alternatively, local governments can put street trading by-laws into place which can create an enabling environment for traders, through a regulatory regime in which the roles and responsibilities of all parties are outlined.

76 Lund, F. and C. Skinner (2006): Local Government Innovations for the Informal Economy. In: @local.glob, Issue No 2. [www.led.co.za/document/local-government-innovations-informal-economy](http://www.led.co.za/document/local-government-innovations-informal-economy). The content is taken from this publication unless otherwise indicated.

77 Davies, R. and Thurlow, J. (2009): Formal-informal economy linkages and unemployment in South Africa. Human Science Research Council, Pretoria.

78 SALGA (2012): Making the Informal Economy Visible: Guidelines for Municipalities in respect of Adopting a More Developmental Approach towards the Informal Economy. [www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012](http://www.led.co.za/document/making-informal-economy-visible-municipal-guidelines-informal-economy-policy-june-2012).

### ***Flexible taxes and rates***

Street traders in many cities pay monthly fees for trading space, in the same way that formal businesses must pay rates or rentals. The tendency is that informal workers pay blanket levies which are too high for the very poor, and too low for the better off. A system of *differentiated rentals* can present a solution, so that formal and informal businesses alike are charged different rents and rates for different levels of service. Rentals can be linked to site size, desirability of location, and the level of services provided. For street traders, a basic site rental can be set, and then differentiated rentals for different levels of service provision. Components of a package of services are basic shelter, solid waste removal, water, toilets, lighting, and storage facilities.

### ***Access to infrastructure and basic services***

Local government services can be designed to address the infrastructural needs of both formal and informal enterprise, which are essentially similar. They both need secure space, with transparent contracts for access to it, and which comes with a known and reliably delivered set of services such as lighting, water, toilets, garbage removal, security and storage.

### ***Access to markets***

Local government can play a crucial role in helping informal enterprises to access markets, e.g. through building markets, training, organisation of enterprises operating in the same markets and by facilitating the foundation of cooperatives.

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## **Conclusion**

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