

**An Analysis of Municipal Approaches to Incorporating the  
Informal Economy into the Urban Fabric:**

**A Comparative Study of Msunduzi Local Municipality  
(Pietermaritzburg) and Hibiscus Coast Municipality (Port  
Shepstone)**

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## DECLARATION

Submitted in fulfilment / partial fulfilment of the requirements for the degree of Masters  
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Durban, South Africa.

I declare that this dissertation is my own unaided work. All citations, references and borrowed ideas have been duly acknowledged. I confirm that an external editor was/was not used and that my Supervisor was informed of the identity and details of my editor. It is being submitted for the degree of Masters in Development Studies in the Faculty of Humanities, Development and Social Science, University of KwaZulu-Natal, Durban, South Africa. None of the present work has been submitted previously for any degree or examination in any other University.

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Student signature

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Date

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Editor name and surname (*if applicable*)

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## **Abstract**

This study is necessitated by the emergence of the notions of a developmental approach towards the informal economy within urban governance. Using the case-study methodology to draw a comparative analysis between Msunduzi Local Municipality and Hibiscus Coast Municipality, the study highlights various key challenges facing the development of the informal economy in South Africa. The study reveals that there has been a slight shift towards a developmental approach, for instance, where some level of infrastructure investment and skills support has become a part of the intervention strategies for the informal economy. However, it is argued that local government lacks adequate institutional arrangements, and is characterized by an underdeveloped policy and legislative environment with regards to the development of the informal economy.

These issues at the local government level are exacerbated by a lack of direction at the national level in terms of structuring the outcomes of policy, legislation and the institutional environments in addressing the dual objectives of poverty alleviation and economic development through the informal economy.

At the local level, these factors have subsequently led to unstructured, uneven and uncoordinated interventions, which have collectively hampered the development of the informal economy. This has also been aggravated by the wider struggles of stakeholders such as urban elites, political interests and informal traders' agencies at the local level, competing to influence urban development and policy for their preferential gains. Furthermore, the state continues to determinedly institutionalise global economic competitiveness between its cities and towns in the pursuit of reaching 'world class' standards. This leaves local governments ill-equipped to deal with the socio-economic issues and challenges of developing the growing informal economy as an unfunded mandate. Moreover, the political ambivalence at all levels of government is fundamentally limiting the creative assimilation of alternative urban configurations that meet and synthesize the diverse needs of both formal and informal economy actors in reimagining a hybrid economy.

Finally, the study raises key recommendations around the need for a deeper democratization process which attempts to overcome the barriers to more deliberative policy making and implementation. This also includes the need for aligned national, provincial and local government policy and legislative frameworks for the development of the informal economy. These should outline clear implementation plans and mechanisms, and the coordination and integration of interventions between various stakeholders as a multi-disciplinary approach.

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## **Acronyms and Abbreviations**

ACHIB	African Cooperative for Hawkers and Informal Businesses
ANC	African National Congress
ASGISA	Accelerated and Shared Growth Initiative for South Africa
CBD	Central Business District
DBSA	Development Bank of Southern Africa
GDP	Gross Domestic Product
HCM	Hibiscus Coast Municipality
IDP	Integrated Development Planning
ILO	International Labour Organisation
KZN DEDT	KwaZulu-Natal Department of Economic Development and Tourism
LED	Local Economic Development
MIG	Municipal Infrastructure Grant
MLM	Msunduzi Local Municipality
SAPS	South African Police Service
SEDA	Small Enterprise Development Agency
SMME	Small, Medium and Micro-Enterprises

## **Chapter 1: INTRODUCTION**

### **1.1. The Development Conundrum: Rapid Urbanisation and Informality**

Developing country experiences of the last decades of the twentieth century have highlighted a major conundrum: rapid urbanisation combined with a growing share of informal employment (UN Habitat, 2004; Braun et al., 2011). The urban influx has consequently led to a growing pressure on public spaces — more often those associated with thresholds of people at major transport hubs and parks occupying sidewalks and streets — that have become new places of work for informal workers (Chen et al., 2001). This has presented major challenges for both the working poor and regulators of urban spaces. With the exponential growth of the informal economy, there has also been an increase in discourses about its nature and role in the economy, including government's supportive role. From a development perspective, the informal economy is a source of livelihood for poor workers who support large numbers of dependents, especially the disproportionate number of women found to predominate in this sector (Skinner, 2008). Skinner (2008) adds that, from a planning perspective, this sector provides the urban poor with '...goods and services in appropriate quantities and forms, and at times of day and in parts of the city that contribute to the functioning of cities' (page 27-28). From an economic perspective, although individual incomes are often low, these activities cumulatively contribute to local economies (gross geographic product). Lastly, from a political perspective, the inclusion of the development needs of the marginalised poor, or "previously excluded" in the case of South Africa under its apartheid regime, should be held as a political imperative for the democratic state (Skinner, 1999). This is particularly prescient in the context of global economic turmoil and rising unemployment.

It is therefore the main objective of this research to provide an analysis of how urban challenges have informed local governments' reactions, and subsequently shaped their approaches to incorporating the informal economy into the urban fabric. In order to provide a comprehensive analysis, this research takes a political economy approach and takes into account the policy and legislation environment; the institutional arrangements and other key role players; the operational and social responses, and processes governing the informal economy. The period of this study is from the democratic transitional period to the current point, because the apartheid government largely repressed informal economic activities in urban spaces (Skinner, 2008; Dobson & Skinner, 2009). Furthermore, it was only with the democratic transition that new policies and legislation started to emerge, enabling the previously marginalised to access economic opportunities. Although the value of the socio-economic development of the informal economy has been recognised as a national challenge, the study explores and compares the approaches and responses of two local municipalities in relation to the meso-level dynamics and transformations. The Msunduzi Municipality, governing a secondary city, and Hibiscus Coast Municipality, a medium to large scale town, provided an opportunity to conduct a comparative study of two municipal approaches to incorporating the informal economy into the urban fabric. The motivating reason behind the selection of the case-studies is because within the urban continuum of various sizes and complexities of urban governance, there has been disproportionate research focus on metropolitan cities at the expense of secondary cities and towns. Furthermore, both case-studies provide interesting informal economy

environments where public space contestation, socio-economic and political challenges related to the development of the informal economy interplay.

The presence of informal workers in public spaces is an emotive issue due to debates around their legitimacy and the universal challenge of managing the urban spaces from which they work (Dewar, 2005). Many urban regulators consider informal activities illegal, extra-legal or unregistered because they are untaxed and often conducted in places where they are not authorized (Skinner, 1999). Moreover, in many instances, the urban influx has led to heavily congested streets and thoroughfares that are sites of competition between different modes of transportation, pedestrians and street traders (Chen et al., 2001; Dewar, 2005). Conversely, the latter authors add that informal economy actors remain largely excluded from mainstream processes such as government planning, allocation of budgets for infrastructure, economic development and social support. Moreover, the contested spaces they occupy are often not designed to meet their needs. On the ground, research has revealed that state responses to informal traders form a continuum ranging from: violent sustained evictions; sporadic event-driven evictions, and lower level ongoing harassment of traders by enforcement officials to minimal examples of inclusive approaches (Skinner, 2008). Becker (2004) adds that there is seemingly no consensus amongst donors on how to approach the informal economy, in terms of what the main problems are and how these could be resolved; and best practice precedents are said to be lacking. Therefore, cities and towns worldwide are said to be challenged by the issue of developing a consistent policy approach to the informal economy.

In South Africa, the end of Apartheid saw urban spaces, which provided ideal settings due to the abundant street and pavement spaces, being claimed as spaces for informal work (Skinner, 1999; Urban-Econ, 2008; Dobson & Skinner, 2009). Thus, the major challenge facing its cities and towns is said to be the influx of poor and unemployed people seeking work opportunities, and the consequent pressure on existing infrastructure, facilities and resources (Nel, 1997; Pillay, 2008). Skinner (1999) adds that that, since the transition to democracy, the conditions for street traders have drastically improved for some, however with uneven gains across cities. This is postulated to be informed by an on-going process of transformation in South African cities and towns in the attempt to address the inherited inequalities of the apartheid legacy. Hence, there has been recognition of an informal economy that is growing in size and importance in South Africa, with a new developmental perspective compared to the past (Chen et al., 2001; Urban-Econ Report, 2008). Chen et al. (2001) elaborate that the new South African Constitution (1996) mandated local governments to take on three new tasks that impacted the informal economy. Firstly, it had to promote local economic development (LED) and engage in pro-poor urban policies that enable work opportunities. Secondly, the new city managers had to engage in a process of re-regulating the informal economy. Lastly, local governments had to emphasize participation and consultation, being deemed an important site in which citizens, officials and politicians could practice democratic governance. Furthermore, it is suggested that local government restructuring and policies following the 1998 White Paper principally served to re-shape the post-apartheid urban landscape by redefining local government's role beyond service delivery to economic development and participative governance (Luus & Krugell, 2005; Skinner, 1999; Pillay et al., 2006).

However, many informal economy actors still fall outside the regulatory environments in which formal businesses and their workers operate, hence reducing the support and protection received from the government (Urban-Econ Report, 2008). In addition, it is reported that the nature of the informal economy has made it difficult for government to manage and particularly support its development. There have been some emerging policy and legislation developments which mention certain developmental aspects, albeit limited. This is due to a number of reasons; 1) the lack of operationalising strategies and mechanisms for the developmental role of government, including an appropriate institutional environment; 2) implementation problems on the ground, where there remains a disproportionate focus on administrative aspects related to the regulation of the informal economy; 3) a lack of an integrated approach, and 4) a lack of conceptual understanding of the informal economy. Moreover, there has been an absence of provincial and national level policies pertaining directly to the development of the informal economy, leaving local governments at the coal face of managing it. From a political-economic perspective, a pervasive element which might affect the responses in the local sphere is the contestation of public space use by competing interests. For instance, in the influence of entrenched power dynamics where specific interest-groups, particularly urban elites from public networks, negotiate with the state in acquiring preferential access to resources, maintaining the status quo and/or avoiding control and regulation. This involves a resistance to urban change that threatens the pursuit of the urban modernist vision through the incorporation of the informal economy into the urban fabric. Moreover, governance agencies cannot be assumed to be continually consensus-driven and cohesive because, in reality, they are multi-level and fragmented with the type and level of involvement changeable over time.

## **1.2. Motivation**

A range of research, internationally and nationally, has shown the continued growth of the informal economy in tandem with rapid urbanisation (UN Habitat, 2004; Braun et al., 2011). This study aims to assess how local governments have been dealing with the challenges of incorporating the informal economy into urban development processes. In so doing, it is hoped that the study will reveal some trends in the dynamics around informality, urban policies and management. This was motivated by Hart's (2004) emphasis in the gap in research in urban planning, with the need to understand how formal bureaucracies, including informal trader organisations, sustain practices in urban spaces (cited in Skinner, 2008). Similarly, Skinner (2008) adds that there is a need for empirical literature that captures the possibilities of innovative approaches in policy, planning, urban design and management which maximise the gains from informal activities. The objective of this research is therefore to provide an analysis of municipal approaches to incorporating the informal economy by conducting a comparative study of Msunduzi Local Municipality (Pietermaritzburg) and Hibiscus Coast Municipality (Port Shepstone). The aim of this study is to address the above-mentioned research gaps by determining the nature of the respective municipal approaches to incorporating the informal economy into urban development processes, necessitated by the emergence in the notions of the local government's developmental role for the informal economy, and to reveal any innovative elements. This study primarily focuses on the views and opinions of municipal actors in order to ascertain the policy and the institutional environments and responses that govern the informal economy. However, this opens up the need for deeper research on the challenges of informal economy actors working in public spaces in the future.

While the informal economy can refer to a complex range of activities due to its heterogeneity, this study focuses on actors working in public spaces, categorised as street traders or vendors, or informal traders, enterprises or workers. These terms may be used interchangeably in this study to refer to this particular sector of the informal economy. The focus on street trading is motivated by the fact that it constitutes a major sector of the informal economy in South Africa. For instance, more than half of all informal economy employment is disproportionately concentrated in the retail and wholesale sectors (Devey et al., 2006; May, 1998). Here, May (1998) notes that approximately 36% of all the self-employed are either street sellers or shopkeepers. The February 2001 Labour Force Survey estimated that 1, 196 814 people are employed in retail trade and, of these, 515, 134 were street traders (Devey et al., 2003). Furthermore, working as a Researcher for the Non-Profit Organisation Asiye eTafuleni, which collaborates with informal workers for infrastructural strategies that enhance their urban presence, it is of professional interest to acquire a comprehensive understanding of the institutional environment governing the working lives of informal workers, and the related urban development and management challenges.

This study will compare the approaches of a city versus a town in order to explore municipal approaches to informality; policy; institutional and social arrangements and responses, with the purpose of understanding how these manifest in these different contexts. The study thus aims to compare Pietermaritzburg with Port Shepstone, classified as a secondary city and town respectively. This is motivated by research that describes the in-migration of people into smaller urban centres of secondary cities and towns due to the loss or absence of jobs in large urban centres (Pillay 2008). This includes the availability of services within the smaller urban centres that has reduced the reliance of households on large urban centres as sources of income. More importantly, there is said to be very little research on towns in South Africa, where urban policy and planning has adopted a large city or metropolitan focus. This is despite research that shows that smaller urban centres form key roles in poverty alleviation (Nel, 1997; Niekerk & Marais, 2008). Nel (1997) substantiates this by saying that half of the national population are rural dwellers who depend on their closest town for services, retailing requirements and sales. Similarly, Natrass (1987) adds that, although informal sector studies have flourished since the 1980s, most have focussed on the impact of the former white and large urban centres of the metropolises, with little focus on the African homelands where the majority of the poor are located. Moreover, emerging evidence is showing that towns are more at a developmental phase than cities, and consequently more receptive to alternative and inclusive urban configurations (Dobson, 2009). This study aims to test this theory by comparing the approaches of the selected secondary city and town.

However, this study acknowledges the challenges of comparative urban studies, and does not hold this as the explicit aim of the research. This is because even proponents of contemporary comparative urban studies, such as Robinson (2010), caution against the dangers of embedding diverse urban experiences within new forms of universalism, exclusions and limitations emanating from western-generated urban theory. Furthermore, Robinson (2010) adds that exemplary comparative research should build analyses based on long-term, nuanced, complex and contextual accounts of urban processes. This entails applying historically grounded methodologies that consider a range of issues such as economic development, social dynamics and governance structures. Robinson (2010) further emphasises the need for robust causal models which may help

with understanding the complexity of urban experiences, particularly relating to features such as informality, which are often transient and dynamic. Although this study attempts to accommodate a nuanced comparative analysis through its periodization and the range of institutional and social systems and dynamics considered in the two contexts, this is primarily as a means for reflecting on municipal approaches to incorporating the informal economy and the broader implications on meso-level dynamics and transformations. Therefore, this opens up the need for deeper comparative research of different contexts in relation to the incorporation of the informal economy into urban processes.

### **1.3. Research Questions**

The main research questions centred on ascertaining, what are the municipal approaches to incorporating the informal economy into urban development processes? Specifically: 1) What kind of institutional arrangements are dealing with the informal economy, and whether there were other key role players?; 2) What is the policy and legislation environment?; 3) What are the institutional processes and resources used to implement interventions?, and finally 4) What are the actual practices by the institution(s) responsible for dealing with the informal economy? The last referred the strategies and outcomes of interventions implemented, with a view to understanding the rationale, influencing factors and impacts thereof. Some sub-questions included finding out what the real changes within the urban spaces of the city and town have been in relation to the informal economy, and their influencing factors. This was an attempt to uncover whether there were any changes in approaches by local government over time, and compare these to trends nationally and internationally. Also, personal insights were acquired by querying if there is any wider relevance of the specific local government's institutional experience, for the future development of the informal economy.

### **1.4. Overview of Structure**

The structure of the dissertation is as follows; the second chapter will review literature on the global and local experiences regarding the developmental challenge of informality. This provides an understanding of how informality, institutional arrangements and responses, and policy environment manifest themselves in various contexts. The third chapter will present the methodology used with regards to the nature of the sample selected, which were primarily municipal actors and, to a lesser degree, informal and formal business representatives. This section will elaborate the motivations for selecting particular methodologies and define the boundaries around the case-study selection; data collection tools; sets of data collected; the process of data analysis and finally the research limitations. The fourth chapter combines the research findings and provides a detailed analysis including: primary data from respondents and informants; secondary data from government policy and legislative documents, and the author's observations. The final chapter summarizes the findings and concludes the entire study, offering recommendations for areas of further research.

## **Chapter 2: LITERATURE REVIEW**

In the past two decades, international literature on the informal economy has received growing attention as urban planners and policy makers have been grappling with this phenomenon associated with rapid urbanisation. Critical debates around the reaction to the informal economy as a permanent feature of the urban fabric have dominated the literature over the past few years, with little emphasis on inclusive developmental models. However, more recently the debates have become nuanced regarding the formulation of conceptual frameworks for a better understanding of the informal economy, policy and developmental considerations. While these debates have informed policy development and subsequent interventions for the informal economy, there remain contested aspects that the literature continues to grapple with. The debates raised by the literature offer lessons and experiences for an understanding of the various approaches to the informal economy, both internationally and nationally.

### **2.1. Conceptual Framework: The Political Economy Approach**

In Kasarda and Crenshaw's (1991) view of urbanisation in the 'third world', there are research gaps in the influence of governments on urbanisation and urban economies, which include the influence of political and legal systems including policies and expenditures. They also stress for the need for more detailed case-studies of the urban informal sector in terms of its contribution to urban economies, migration, morphology of cities and communities. Therefore the political economy perspective is deemed an appropriate framework because of the study's focus on the policy and institutional environments and practices governing informal workers. To elaborate, the approach seeks to understand the relationships between economic, political and social policies, institutions and processes (Moncrieffe & Luttrell, 2005; Kleniewski, 1997). This includes the use of power, domination and resources, and how all these aspects affect cities' physical forms, cultural norms and social relations. This is premised on the notion that cities, or urban governance, are products of the political, economic, and social arrangements of their times, and can take different forms depending on the institutions prevalent at the time (Kleniewski, 1997).

With regards to urban change, the role of government is identified as an important institution, influencing urban patterns through laws, programs and spending priorities, impacting where businesses are located, where people live and many other urban phenomena (Kleniewski, 1997; Minnery, 2007; Watson, 2009). However, it is argued that social agencies and public networks, from both formal and informal channels, are equally influential in the process of urban change. The political economy framework is useful because it emphasises the changing nature of urban patterns and the diverse ways in which different groups of people have adapted to the political and economic context in which they are situated and how they have shaped them (Kleniewski, 1997). More importantly, Kleniewski (1997) adds that it allows for analysis of urban change and how conflict between and among social groups plays a role in that change. Therefore, the approach looks for ways in which urban patterns reflect the power of some groups, or are the product of groups' struggles to gain and keep resources. Furthermore, this approach is also useful because it directs attention to the underlying and longer-term factors that affect the political and institutional

environment, as well as factors that more directly affect the incentives and capacity for change. For the above reasons the political economy framework, specifically relating to informality and urban change, is deemed applicable for the analysis of this study, which will be elaborated in detail below.

### **2.1.1. The Political Economy of Informality**

This section will consider the political-economic structures and dynamics affecting work, and more specifically informal work. It is noted that, with the rapid increase of informality, in terms of income generation and forms of settlements, it has now become the norm in many urban centres around the world (Watson, 2009). There are a number of important forces that have led to the expansion of the informal economy worldwide (ILO, 2002 cited in Urban-Econ, 2008). A major factor is the impact of different patterns of economic growth and employment as certain countries have experienced little or no growth while others have concentrated on capital-intensive and consequently jobless growth. As a result of the skewed capitalist system of developing countries in particular, many people have experienced gross inequalities in access to economic opportunities and services, forcing them to find or create their own work in the informal economy. Although not all work in the informal economy yields low incomes, increasing poverty has led many people to undertake unattractive work in the informal economy. Moreover, economic reforms and crises faced by many countries have led to growing poverty, unemployment and underemployment, and consequently the expansion of the informal economy. Furthermore, rapid urbanisation through rural-urban and cross-border migration is linked to the growing share of informal employment in response to urban poverty. Consequently, public spaces, and more often those associated with thresholds of people at major transport hubs and parks occupying sidewalks, streets and private residential spaces, have become new places of work for informal workers (Chen et al., 2001; UN Habitat, 2004; Braun et al., 2011). This has raised labour market issues and debates due to the new realities of where and how people work informally, and the challenges of how these are governed.

The presence of informal workers in public spaces is said to be an emotive issue due to the debates around their legitimacy and the universal challenge of managing the urban spaces from which they work (Dewar, 2005). Many urban regulators consider informal activities illegal, extra-legal or unregistered because they are untaxed and often conducted in places where they are not authorized (Skinner, 1999). Dewar (2005) elaborates the ways in which informal trading has been considered problematic in relation to public goods: 1) public health (the sale of unhygienic foodstuffs); 2) public safety (fire and traffic hazards); 3) conflict (pedestrian and traffic circulation); 4) unreasonable nuisance (noise, smell, litter); 5) negative impacts of the public spatial environment (unsightly structures); 6) unfair competition (blocking entrances to formal trading areas), and 7) the lack of balance between formal and informal operators that leads to declining confidence in specific areas. Conversely, it is argued that informal workers remain largely excluded from mainstream processes such as government planning; allocation of budgets for infrastructure; economic development and social support (Chen et al., 2001; Dewar, 2005). Compounding these urban management issues are the constraints on local government capacity in providing urban infrastructure and urban residents being unable to pay for these services (Watson, 2009). On this, Watson adds that there has been a contradictory pressure on local governments to promote urban economic competitiveness while simultaneously mitigating the fall-out of the globalised capitalist

economy, which has left growing social exclusion, poverty and other social ills as an unfunded mandate.

Moreover, the urban challenges listed above are compounded by the fact that the urban spaces that informal traders occupy have not been designed to accommodate their needs. Similarly, Watson (2009) emphasises that there is a growing gap between the norms that inform planning and the harsh realities of everyday life in cities of the global South. Watson (2009: 2260) describes this gap as a clash of rationalities, where the global North or developed countries operate on a ‘...techno-managerial and marketised system of government administration, service provision and planning...’ and where developing countries are experiencing issues of rapid urbanisation, spatial fragmentation, increasing poverty and inequality, and informality. It is elaborated that the global South has either inherited planning systems from the previous colonial governments or adopted from the Northern contexts in order to suit local political and ideological ends such as the aspirations of urban modernism and the practices of master planning and zoning (Watson, 2009). These offer protection of the entrenched and exclusive land rights of the urban elites, and can therefore be used in opportunistic ways by those with political and economic power. However, Watson (2009) argues that the inappropriate laws, regulations and systems of urban planning are leading to further social and spatial exclusion. Additionally, the inherited systems and approaches to planning are said to have remained unchanged in spite of the context in which they operate having changed significantly.

### **2.1.2. The Political Economy of Urban Change**

This section will consider the societal processes informing what local governments do to respond to the developmental challenges posed by their citizenry and, more specifically, those from the informal economy. Sandercock (2003) notes that contemporary cities have increasingly become the sites of struggles over economic spaces and belonging (cited in Friedmann, 1988). Moreover, since the 1980s there has been an emergence of new voices and demands for rights to: the city; voice; participation, and coexistence in the physical spaces of the city. These struggles have challenged current ways of thinking of city-building professionals, city dwellers, ideas of urban governance and urban politics. Many city governments are said to have become increasingly involved in either addressing these new realities or repressing them, and sometimes even both.

It is widely stated there has been a shift from government to governance, particularly in urban planning and urban policy discourses encapsulated by the urban regime and growth coalition theories (Minnery, 2007; Macleod & Goodwin, 1999; Brenner, 2004). This implies that policy-making and implementation in the realm of urban development is no longer the exclusive domain of the state, but has extended to include the roles of the private sector and civil society. Put another way, in the context of shrinking formal economies, competition between people has intensified and consequently led to the presence of many networks that claim, protect or negotiate spaces of opportunities that have been created (Watson, 2009). Watson (2009) cites Simone (2000) in stating that economic and political processes have consequently been opened where interest-groups from public networks negotiate, particularly with the state, in acquiring preferential access to resources and/or avoiding control and regulation. This is often explained as a collaborative process of influencing and negotiating with organised and active interest groups from both formal and informal channels,

beyond the state, to achieve mutual goals. Pieterse (2008) adds that inclusive and deliberative urban policies and processes are critical reference points for the development of the informal economy. However, he argues that bureaucratic systems are largely not embracing of this mode and remain rigid, limited and contradictory, with entrenched power dynamics; leaving the voices of informal workers largely fragmented and dispersed. References to the 'informal' economy and the 'second' economy', as in the recent past in South Africa, are said to reflect this power dimension. Therefore, the institutions and policies around this network of actors, including bureaucracy and formal and informal business organisations, are intrinsically a political sphere that sees contestation of various vested interests.

In the same vein, Minnery (2007) challenges orthodox notions of governance, which assume that the relationships between state, private and civil society sectors are collaborative and consensual, as expressed through ideas of 'partnerships' and 'networks'. He argues that there is an existence of asymmetrical power or influence and, secondly, that there is also the possibility of conflict and antagonism between the actors within the process of urban governance. For instance, in the way different arrangements and trajectories of governance are specific to different periods and locations (Minnery, 2007). Moreover, different forms of governance can co-exist and overlap in one location, for instance, within different policy and implementation sectors. Therefore, governance agencies cannot be assumed to be continually consensus-driven and cohesive either; instead they are multi-level and fragmented, and the type and level of involvement can change over time. Similarly, Watson (2009) argues that assumptions of a cohesive and law-abiding civil society which receives the enforcement of regulatory planning and support for modernist urban visions needs to be questioned. Watson (2009: 2264) describes the relationship between the state and citizens as '...dependent on complex processes of alliance-making and deal-breaking, and particularly resistant to reconfiguring through policy and planning instruments, and external interventions.' Additionally, when state interventions interface with the highly differentiated urban citizenry, then their responses to interventions are always varied, as they can utilise, reject or hybridise them to suit local contexts in a number of ways. Lastly, the interface between the urban actors is described as a zone of encounter and contestation between conflicting rationalities and is ultimately an exercise of power. However, for the informal and the poor, it is primarily said to be a zone of resistance, evasion or appropriation.

Additionally, in the light of increasing informality as the norm in many urban contexts, Knudsen (2007) argues that the notion of citizenship needs to be reconceptualised. She argues that the urban is no longer neutral territory, but a political space in which the meaning of citizenship and power relations are contested and upheld by the active participation of informal social agents. This negotiation is described as the struggle over the right of appropriation and participation, as a right to the city. Knudsen (2007) states that by claiming the rights to lived spaces or spaces of opportunity as a spatial strategy, actors can potentially enable a change in the power relations and even the policies and regulations of urban governance. However, it is clarified that this definition is not premised on one of equality, since certain rights cannot be equally exercised due to structural factors and unequal power dynamics.

Finally, Macleod and Goodwin (1999) argue that although the growth regime and coalition theories provide valuable insights into the political economy of urban governance, they have theoretical shortfalls. Firstly, where the theories neglect the state's influence in shaping the urban and regional fabric and secondly, in their failure to adequately analyse the issue of scale by assuming their own spatial context. It is argued that there needs to be a shift towards a multi-scaled and relational analysis and consideration of political economic activity as a series of context-specific and politically constructed processes operating in and through the national and regional states (Macleod & Goodwin, 1999; Brenner, 2004). Furthermore, Brenner (2004) emphasises the consequences of the change in urban governance and planning from the 1980s, from a managerial to an entrepreneurial approach. He elaborates that the state has attempted to institutionalise competitive relations between its cities as a means to position local and regional economies within the global economy, as a form of 'entrepreneurial politics of interspatial competition' (Brenner, 2004:73). Therefore nation states, through the sub-national administrative units, remain in control of the political economic and physical spaces. Brenner (2004) adds that this has provoked new forms of socio-spatial inequality and political conflict such that the process of state spatial transformation has become intensely contested. It is added that there are inherited patterns of urban governance as well as circumstances where state institutions and policies favour certain spaces, locations and scales and neglect, marginalise or exclude others within a national territory (Brenner, 2004 cites Jones, 1999). Therefore governance is also defined as a product of historical conditioning from previous state projects and strategies, alongside contemporary struggles for transformation (Ward, 2002; Macleod & Goodwin, 1999).

## **2.2. The Global Challenge**

### **2.2.1. Informality**

There are many ways of defining and analysing the informal economy that vary across different contexts, with considerable debates about what constitutes 'informal' (Dewar, 2005). However, it can broadly refer to the non-formal portion of the market economy that is not recognized, regulated or protected by existing legal or regulatory frameworks, and encompasses self-, wage- and non-remunerative- employment in an income-producing enterprise (Becker, 2004). Becker (2004) adds that the International Conference of Labour Statisticians developed a definition based on locations within which informal workers operate. Some of the categories include home-based workers; street traders or vendors; itinerant, seasonal or temporary job workers, and those in between the streets and homes, for example waste collectors. In its analysis of the informal economy, this thesis has focused on people selling goods or services from public spaces such as city streets and sidewalks; which is broadly categorised as street traders or vendors, or informal; traders, enterprises, activities or work (WIEGO, 2011).

Dewar (2005) notes the notorious difficulty of measuring the informal economy, although there is a general consensus that the scale is substantial. Many believed that the informal economy in developing countries would disappear with sufficient levels of economic growth and modern industrial development (Becker, 2004). However, there has been increasing recognition that informality is not a temporary phenomenon because it is continuously expanding across developing

countries, and even within developed countries. In terms of size, international statistics suggest that informal employment comprises one-half to three-quarters of non-agricultural employment in developing countries (Devey et al. 2006 cite ILO, 2002). Another source disaggregates this regionally, where the non-agricultural employment share of the informal workforce is 78% in Africa, 57% in Latin America and the Caribbean, and 45–85% in Asia (Becker, 2004). Becker adds that, in all developing countries, self-employment comprises a greater share of informal work than wage employment. Another figure notes that, in Africa, the informal sector is estimated to comprise 60% of all urban jobs and over 90% of all new urban jobs (Charmes, 2000). This suggests that informal employment is becoming the norm in many parts of the world and that it is unlikely that the trend will be reversed (Devenish & Skinner, 2006; Devey et al., 2006).

More specifically, there has reportedly been an increase in street trading in towns and cities worldwide. This sector constitutes 30-50% of total urban informal employment, particularly in sub-Saharan Africa; although the numbers are difficult to estimate due to high mobility and marked seasonal variation in work (Chen et al., 2001; Becker, 2004). Becker (2004) adds that a study of nine African and Asian countries indicate that street vending accounted for 73-99% of total employment in trade, and for 50-90% of total Gross Domestic Product (GDP) from trade. In terms of common characteristics, there are generally more women than men in the informal sector, and more women in the informal sector than in the formal sector (Skinner, 1999 cites Moser, 1993 & Rogerson, 1996; Becker, 2004). This is due to intense competition and division of labour, which forces women into less lucrative economic activities at the lower end of the sector. Additionally, they generate lower volumes of trade and are hence more likely to operate in insecure or illegal spaces. Street vending is one of the largest categories of informal work employing women especially in Africa, Southeast Asia, and Latin America (Becker, 2004).

### **2.2.2. Range of Urban Policies and Strategies**

Cities and towns worldwide are said to be challenged by the issue of developing a consistent policy approach to the informal economy. In light of the urban management challenges associated with the informal economy, Chen et al. (2001) note the value of four specific areas of policy with regards to their impact on the informal economy: macroeconomic, urban regulation and development, labour and social protection policies. However, most governments are said to be either dismissive or deficient regarding these. At the broadest level of urban regulation and policies is the zoning policy for the determination of different areas of a city for different purposes. Here, local governments are challenged not only with insufficient space but also high competition for the same desirable central locations. The second set of policies includes health standards. Chen et al. (2001) add that the institutional problems facing local governments include health departments structured in a way that has not kept up with changing patterns of land use and work. It is elaborated that the traditionally separate institutional domains of ‘public health’, ‘environmental health’ and ‘occupational health’, and the organisational culture of a bureaucracy, do not easily lend themselves to setting up the channels for negotiation and mediation necessary to find the appropriate sets of solutions to specific challenges. A third set of policies relate to regulating and registering business through site licenses,

which are often not cognizant of the time costs related to acquiring these and the accessibility of the documentation in the first language of most traders.

A fourth set of policies relates to the provision of infrastructural facilities, such as urban planning and design responses tailored to meet the needs of a specific sector, including the provision of basic amenities such as electric lighting, water, toilets and garbage removal. Skinner (1999) adds that there exists a definitive challenge in shifting perceptions towards creative alternatives in urban configurations to introduce new possibilities in the minds of spatial planners and urban managers. Holness et al. (1999) suggest that this is because the dominant 'Northern' models of urban development continue to marginalize large segments of the working poor. They propose a synthesis of development approaches from the global North and South to accommodate the diverse needs and realities of South Africa. Similarly, Watson (2009) emphasises an increasing gap or inadequacy between current approaches to urban planning theory and practice and the conditions and circumstances of the global South. Watson (2009) echoes the calls for alternative planning approaches that are '...pro-poor and inclusive, and that place(s) the creation of livelihoods at the centre of planning efforts' in order to address the issues of the global South (cited in Tibaijuka, 2006). It is added that it is important to find ways '... in which planning can work with informality, supporting survival efforts of the urban poor rather than hindering them through regulation or displacing them with modernist mega-projects, is essential if it is to play a role at all in these new urban conditions' (Watson, 2009: 2260). Moreover, emerging practices show that proactive engagement with informal activities, including creative and aesthetic assimilation, can improve the urban quality and experience for all citizens (Dobson & Skinner, 2007).

A fifth set of policies relates to the establishment and governance of municipal markets. These require consideration with regards to which groups are targeted over others, location of such markets in relation to commuter nodes or residential areas of the informal workers, and to the design thereof to allow trade in goods which have high potential on the demand and the supply side.

Sixth, there are other groups of itinerant informal workers who fall under urban regulations, for instance waste pickers, who will be affected by local policies regarding recycling, sanitation and environmental health. Lastly, local government is coming to play an increasingly influential role in either putting constraints on or opening up opportunities for all categories of informal workers. Consider, for example, the impact of national policies regarding the provision of child care, pro-poor education and health services. These policy areas and issues are explored through the research process.

There is reportedly little consensus in the field of entrepreneurship on the interventions appropriate and necessary for informal sector support, and most organisations are inaccessible and inadequate in their support services (Mayrhofer & Hendriks, 2003). It is elaborated that demand-driven interventions in which street traders are consulted in determining their specific support requirements is the alternative to the norm of standardised supply-driven assistance programmes. Moreover, Mayrhofer and Hendriks (2003) add that emerging studies suggest that training alone is insufficient. Instead, entrepreneurship education and training may be more effective (cited in Mayrhofer, 1999; Marcucci, 2001). Issues around provision of financial assistance relate to the

avoidance of this form of support because of the risk of being unable to pay back on time, including the lack of collateral and knowledge about procedures and/or sources of finance. Hence informal economy actors reportedly largely rely on informal financing sources such as rotating credit schemes and money lenders to acquire credit.

Becker (2004: 4) adds that, during the 89th session of the International Labour Conference in 2001, a central statement made was that: 'The fundamental challenge posed by the informal economy is how to integrate it into the formal economy (...) Policies must encourage movement away from the informal economy...' However, she argues that, regardless of the prevailing overall conditions for entrepreneurs, there will always be marginal or survivalist groups who cannot afford to comply with existing regulations and participate in any formal context. This occurs where their incomes are too low and irregular; where certain laws and regulations are irrelevant to their needs and conditions; or because government is virtually non-existent in their lives and lacks the means to enforce the regulations which it has enacted. Furthermore, the checks and balances in the governments of developing countries are reportedly weak and the possibility of using regulation to harass entrepreneurs and extract bribes is high. Therefore, some benefits of being informal include avoiding costly and burdensome government regulations, and high and complex taxes. In addition, Becker emphasizes the lack of recognition of the existence of varying degrees of informality and formality, and the gradual transition from an informal to a formal status; as exemplified by Table 1 on page 14. For instance, it has been observed that many informal enterprises choose to expand horizontally and diversify their lines of businesses instead of expanding vertically and formalising themselves. Becker (2004) therefore proposes that it is important to initiate the relevant processes that could assist enterprises to reach a more formal existence.

Other authors argue for developing the informal sector without necessarily formalizing it or integrating it fully into the urban economy (Holness et al., 1999 cite Khosa & Naidoo, 1998). Natrass (1987) argues that notions of informal traders formalizing and becoming lucrative enterprises is the exception, as only a small section of them can transition successfully to the formal sector. Therefore, Natrass (1987) stresses that the failure to universally succeed is not simply a structural factor but also an individual one, for instance, where skills are often lacking and where the limited middle and upper class markets are already too catered for to allow new entrants. The suggested alternative is to let the informal sector proliferate without restrictions and let the informal workers make a living the best way they can.

	INFORMAL SECTOR			FORMAL
	Subsistence enterprises	Unofficial enterprises	Unofficial enterprises	Official enterprises
<b>Degree of Informality</b>	100%	High. Proportion of sales undeclared and workers not registered	Some proportion of sales undeclared and workers unregistered. May use outside the official purview (e.g. internet to deliver	
<b>Type of Activity</b>	Single street traders, cottage/micro enterprises,	Small manufacturers, service providers, distributors,	Small and medium manufacturers, service providers, software firms	
<b>Technology</b>	Labour intensive	Mostly labour intensive	Knowledge and capital intensive	
<b>Owner Profile</b>	Poor, low education, low level of skills	Poor and non-poor, well educated, high level of skills	Non-poor, highly educated, sophisticated level of skills	
<b>Markets</b>	Low barrier to entry, highly competitive, high	Low barriers of entry, highly competitive, some product	Significant barriers to entry, established market/product niche	
<b>Finance Needs</b>	Working capital	Working capital, some investment capital, supplier	Investment capital and working capital, letters of credit, supplier credit	
<b>Other Needs</b>	Personal insurance, social protection	Personal and perhaps business insurance	Personal and business insurance, business development services	
	Least dynamic - completely informal		Highly dynamic - partially formal	

Table 1: Varying degrees of informality and the transition process to formality (Source: Becker, 2004)

### 2.2.3. International Policies and Case-studies

Given the various principles and dynamics that need to be considered for the policy and legislation environment, this section will explore various international approaches to the informal economy in both policy and practice. The 1995 International Declaration on Street Vending was the first to give legal recognition to street traders, including measures to protect their rights to secure livelihoods and access to spaces (Skinner, 1999). Moreover, the International Labour Organisation (ILO) has been inclusive of the informal economy as part of the work force, encompassed in the Decent Work Agenda and the ILO Declaration on Fundamental Principles and Rights at Work (Urban-Econ Report, 2008). The ILO advocates the extension of membership by organisations of employers and workers to include informal workers, and assists them to organize or remove the obstacles to organising. Furthermore, specific contexts in different countries are cited for their more inclusive approaches (Becker, 2004). However, it is postulated that while some examples of policies and legislation for the informal economy are particularly progressive on paper, on the ground, local governments remain restrictive and/or limited by implementation problems (Skinner, 1999).

In most instances, countries lack national-level policies and regulations concerning the informal economy, leaving local governments at the coal face of managing and facilitating the urbanisation process and its development challenges. An example of this is the case of Malaysia, in which Kuala Lumpur passed the Hawker and Stall Licensing By-Laws in 1989 under authorisation of a Local Government Act (Becker, 2004). Similarly, most Latin American countries do not have national frameworks for street vending, and regulation is left to municipalities. Although the national government of Brazil announced plans to enact a national law on Street Trading, it only passed two general decrees and never delivered on the promised legislation, which would have established national ‘norms and sanctions for noncompliance’. In 1986, the Kenyan Government

began to incorporate the 'Jua Kali' (the colloquial term for informal street traders) into national economic policy, identifying the informal economy as having the greatest potential for job creation in Kenya (Becker, 2004). Different strategies were identified, including direct assistance, strategic advice and information to enhance their businesses and the possibility of subcontracting the Jua Kali for various government assignments. However, it was suggested that the implementation of the policies has been hindered because there has been no coordinating body in government responsible for it, it has not been integrated with the overall technology and industrial policy, and the Jua Kali had not been properly consulted in making recommendations for their sector. However, a system of registration was introduced by the Nairobi City Council, and has led to a decrease in numbers of harassment cases faced by the street hawkers because they can prove they have paid their fees.

India is currently the only country in the world to have a national policy on informal work. As of 1999, the National Commission on Labour has been implementing and enforcing a national labour legislation for the 'unorganised' sector (Skinner, 2009; Braun et al., 2011). This has primarily been aimed at formalising and legalising street vendors through a licensing system, alongside a system of local management that provides opportunities for street vendors to redress violations of their rights. The policy notes a strategy of organising public spaces through zoning, categorised as 'restriction-free vending', 'restricted vending', and 'no vending' (Braun et al., 2011). The zones are intended to be created through Town Vending Committees (TVCs) that are established at the city/town level, and which may delegate authority by collaborating with Ward Vending Committees (WVCs). Here, the National Association of Street Vendors of India (NASVI) has reportedly been critical in highlighting the lack of implementation of the National Policy — in particular the inability of vendors to obtain the identity cards and licenses promised. In addition to the practical concerns about implementation, observers have reportedly raised conceptual concerns about the framework behind the policy. For example, the 2004 Draft Policy limited restrictions on vending to 'reasonable restrictions', however the new National Policy allows for rigid regulation of space into the three zoning categories mentioned above, laying the basis for more state control. In addition to the Policy, the Ministry of Housing and Urban Poverty Alleviation reportedly prepared the Model Street Vendors Bill for the protection of the livelihoods and regulation of street vendors in 2009, but this has not yet been adopted.

The Philippines is cited for its lack of enforceable national legislation regulating the practice of street vending, considered limited because it does not provide a detailed regulatory framework and is mainly aspirational (Braun et al., 2011). Although it is progressive for noting the protection of vendors from unjust treatment and the supportive role of government agencies, the guidelines are not binding as it states: '...each city and municipality shall establish a system for registration and issuance of permit to vendors to protect their rights and the interest of consumers and the general public' (Braun et al., 2011: 20).

To summarise, the international cases reveal that most countries lack national level policies and regulations, leaving local government to deal with the developmental challenge of the informal economy. Furthermore, where there are inclusive approaches in policy and legislation, these remain aspirational, non-binding, conceptually problematic and with lacking the recommendations of informal workers themselves. Furthermore, there are cases of implementation problems due to the

lack of institutional ownership to deliver the developmental mandate. All this undoubtedly compounds the conditions under which local governments remain restrictive by being disproportionately focused on regulatory aspect, at the expense of embracing developmental potential.

### **2.3. The South African Dynamics**

#### **2.3.1. The Size of the Informal Economy**

Using data from the 1997-2003 period, Devey et al.'s (2006) findings reveal a sustained growth in unemployment and limited growth of employment in the formal economy. Concurrently, however, employment in the informal economy increased from 965 000 in 1997 to 1.9 million in 2003. Devenish and Skinner (2006) add that the September 2003 figures show that 25.1% of the population were working in the informal economy (citing Stats SA, 2004). More recent statistics from the Labour Force Survey (2008) estimate that unemployment is sitting at between 26-42%, while the size of the informal sector is around 17-22.5%. Although, the latter statistics are treated with caution because of fluctuations in the numbers of informal workers and the difficulty of monitoring across rural areas where much informal activity occurs, it is widely accepted that informal employment has grown in South Africa since the political transition (Makho Communications, 2009). Additionally, it has been an alternative to scarce employment in the formal labour market, and with South Africa's large unemployment estimates it is expected that the scale of the informal economy is in fact sizeable. Furthermore, estimates of the contribution of the informal economy range from 8-12% of the GDP (Makho Communications, 2009). Thus the informal economy is said to be growing both in size and importance.

The informal economy in South Africa is heterogenic, however informal economy employment is disproportionately concentrated in the retail and wholesale sectors (Devey et al., 2006; May, 1998). The February 2001 Labour Force Survey estimated that 1, 196 814 people are employed in retail trade (not in stores) and, of these, 515, 134 were street traders (Devey et al., 2003). Furthermore, May (1998) notes that approximately 36% of all the self-employed are either street sellers or shopkeepers. In South Africa, as internationally, there is a strong correlation between poverty and informal work, qualified by findings which state that 51% of those in informal enterprises earn R500 or less and 92% earn less than R2 501 (Devenish & Skinner, 2006; Devey et al., 2006 cite Meth, 2002). Income levels are lower, on average, than in the formal sector. However, 30% earn more than R1 000 per month, putting them ahead of 35% of the formal sector (Devey et al., 2003). Studies have shown that the informal sector is not exclusively characterized by economic survival, with cases of informal enterprises that have shown the significant potential for growth and development (Holness et al., 1999). There is also said to be a race dimension to the informal economy; informal workers are predominantly African, at 86% of the total number (Devenish & Skinner, 2006; Devey et al., 2006; McGrath, 2005). The gender dimension is dissimilar to international trends because there are marginally more men than women in South Africa's informal economy (Devenish & Skinner 2006 cite Lund et al., 2000).

### **2.3.2. Informality in South African Cities and Towns**

The spatial template of the apartheid period was marked by regional inequalities in access to land and resources, and subsequent underdevelopment (Nel & Rogerson, 2009; Luus & Krugell, 2005). From the early 1980s, the cost of unequal development was compounded by several factors; for example, the global debt crisis and the imposition of sanctions against the apartheid regime (Luus & Krugell, 2005). Rapid migration from the late 1970s and 1980s into metropolitan areas had contributed to the collapse of the apartheid influx control laws (Todes, 2001). From the 1990s, in an effort to reintegrate into the global economy, the economy was restructured, and experienced the sustained decline of the mining and agricultural sectors (Western Cape Provincial Department of Social Development, 2000). This reportedly resulted in some modest growth in the national economy but concurrently declining employment opportunities, a condition characterized as jobless growth. Consequently, rural areas, including former 'homeland' and resettlement areas established under the apartheid regime, have continued to be concentration points of poverty and unemployment, with poor infrastructure and social services from local governments that face capacity and resource constraints (May, 1998; Nel, 1997). The in-migration of people into large urban centres has subsequently led to a trend where people with some assets and security in a place retain it, while relying on migrant or commuter workers' remittances and multiple livelihood strategies; including self-reliance strategies in the informal economy (Todes, 2001; Nel, 1997).

Until the early 1990s, the South African government is said to have harshly over-regulated and restricted entrepreneurial activities by Africans through the imposition of repressive restrictions enforced through fines, raids, confiscation of goods and mass evictions of traders (Chen et al., 2001; Dobson & Skinner, 2009). Historically, local authorities have kept street traders away from city centres and tourist areas, regarded as a nuisance instead of an asset. The 1980s saw progress by local authorities, who were gradually yielding to the pressure from anti-apartheid organisations from within and outside the country that contributed to the gradual collapse of the influx control laws. The end of Apartheid saw urban spaces, which, with abundant street and pavement spaces, provided ideal settings for large populations seeking work, including for informal economy activities, being freed up (Skinner, 1999; Urban-Econ Report, 2008; Dobson & Skinner, 2009). The deregulation of the economy and the democratic political transition saw the rapid expansion of the informal economy, especially within the central business districts (CBDs) of many urban areas — previously the exclusive domain of white enterprises (Holness et al., 1999). This, however, added to the already growing numbers of people trading in public places and the small business sector in cities and towns (Todes, 2001; Luus & Krugell, 2005). Moreover, in parallel with the unmanaged influx of people, the predominantly white businesses dispersed from the CBDs during this time as the trend of 'capital flight', leading to neglected and crumbling urban environments exacerbated by the lack of facilities (Dobson & Skinner, 2009). Hence, all levels of government have been daunted by the task of managing this new flourish of informal activities in public spaces.

Hence, the major challenge facing cities and towns is said to be the influx of poor and unemployed people, and the consequent pressure on existing infrastructure, facilities and resources (Nel, 1997; Pillay, 2008). In addition, the increased demands for urban services reportedly cannot be met because the population growth has not been matched by corresponding economic growth,

especially in smaller municipalities that have limited economic bases, poor revenue collection and local management capacity constraints. Another analysis of the spatial changes within the major cities of post-apartheid South Africa has revealed new developments taking place largely in the periphery (Pillay, 2008; Sebake & Pillay, 2006). These 'decentralized nodes' are attributed to the continued growth and emergence of informal settlements within long-distance commuting range of urban centres, and provision of subsidized low-income housing since 1994 in parallel with the contemporary processes of urban sprawl (Todes 2001 cites Mabin, 1997; Pillay, 2008; Sebake and Pillay, 2006). Furthermore, population displacement has been occurring along the edges of secondary cities and towns, with a rapid growth in rural areas. This phenomenon, known as 'rural densification', is taking place on a larger scale than urban concentration, particularly from declining commercial farming areas (Pillay 2008 cites Bekker & Cross 1999; Luus & Krugell, 2005; Todes, 2001). This relates to Watson's (2009) descriptions of international trends in many parts of the world, where spatial forms in poor cities are driven by low-income households attempting to secure land that is affordable and well-located. This is described as a new urban form or 'ruralopolitan', as the rural countryside is beginning to urbanise. Concurrently, large cities have been spreading out and incorporating nearby towns, leading to belts of sprawling settlements on the urban peripheries, which are largely unserviced and unregulated but experiencing the most urban growth.

This in-migration into secondary cities and towns (large and small) is also speculated to be due to the loss or absence of jobs in metropolitan and large urban centres, and the availability of services within these areas. This has reduced the reliance of households on these areas as sources of income (Pillay 2008). These services include access to social grants, subsidized housing and municipal and social services, compounding the fundamental challenges faced by the smaller municipalities (Todes, 2001 cites Bank, 1997 & Cross et al. 1999). There is little research on towns in South Africa, where urban policy and planning has adopted a large city or metropolitan focus when in fact smaller urban centres form key roles in poverty alleviation (Nel, 1997; Niekerk & Marais, 2008). Nel (1997) elaborates that this is because there are over 600 small towns, and half of the national population are rural dwellers who depend on their closest town for services, retailing requirements and sales. Similarly, Natrass (1987) adds that although informal sector studies have flourished since the 1980s, most have focussed on the impact of the former white and large urban centres of the metropolises, with little focus on the African homelands where the majority of the poor are located. South African small towns follow international precedents ranging from wealthier, holiday coastal towns to declining railway, mining, commercial, subsistence farming, rural service centres or Homeland towns (Gibb & Nel, 2007; Nel & Rogerson, 2007).

An emerging trend is that the informal economy has flourished around transport nodes on the periphery of the city centre where the excluded majority historically accessed the urban centres and, with the new dispensation, around High Streets of the CBD (Dobson, 2009). Furthermore, there is a tension where urban spaces are said to have become Africanised and localised within the paradoxical process of increased globalisation, with subsequent competition between cities on a transnational scale (Skinner, 1999). Moreover, aside from the global pressure, there are regional pressures due to the increased number of migrants, immigrants and refugees that have come to South African cities from surrounding African regions. This is because South Africa offers economic opportunities and political asylum for foreign nationals. Thus, competition from foreign traders has also been a source

of tensions for local traders in the cities (Skinner, 1999 cites Peberdy & Crush, 1998; Makho Communications, 2009).

In addition, there has been a historically strong partnership between local government and formal businesses, who have harbored a negative attitude towards informal workers as purveyors of 'crime and grime', and as the cause of the hollowing out of the central city (Chen et al., 2001). At the heart of the contestation has been a battle over the idea of a city in 'the new South Africa' as European, orderly, formal and bourgeois, against one that is more African, vibrant and bustling with trade. Similarly, Holness et al. (1999) add that planners educated in Western conceptions are unwilling to accept the role of street traders, perceived as unsightly and inappropriate in an orderly urban environment, and a health and safety hazard. These attributes, along with apartheid policies, have resulted in widespread repression in the CBDs of South African cities. It is argued that the segregated urban spaces and services are continuing with the apartheid momentum of inequity; and are unable to meet the needs of a hybrid economy (Dobson, 2009).

### **2.3.3. The Broader Policy Environment of the Post-Apartheid Urban Landscape**

This section will outline some of the major policies, social processes and real changes of the post-apartheid urban landscape. It highlights the shift of local governments from a managerial to an entrepreneurial approach while concurrently tasked with focussing on issues beyond traditional local government work according to a highly redistributive path. The new South African Constitution (1996) mandated local governments to take on three new tasks that impacted the informal economy (Chen et al., 2001; Urban-Econ Report, 2008). Firstly it had to promote local economic development and engage in pro-poor urban policies that enabled work opportunities. Secondly, the new city managers had to engage in a process of re-regulating the informal economy. Finally, local governments had to emphasize participation and consultation over new policy directions because the local government level was deemed an important site at which citizens, officials and politicians would practice democratic governance. However, van Donk and Pieterse (2006) outline a set of three phases that have affected changes in urban policies, providing a framework for understanding how local government has evolved. The first phase commenced with the struggle of the 1980s and ended with the 1995/96 municipal elections. This phase was characterized by energetic engagement between various stakeholders with a view to developing integrated local government. This is reported to have laid the foundations for the post-apartheid policies that followed. The second phase began with the 1996 Constitution and ended with the 2000 municipal elections. The last phase included municipal restructuring in 2000 and the subsequent municipal elections.

During the transitional phases between 1990 and 2000, there was generally little spending on maintenance or capital injection from government and private investors for urban development. This consequently led to a crumbling of the urban fabric (Ryneveld, 2006; Luus & Krugell, 2005). Concurrently, the mushrooming of suburbs and escalation of public space trading continued with little effort from city governments, who had effectively experienced a collapse of control due to the rapid urban growth (Mabin, 2006). Mabin (2006) suggests that this was a consequence of a number of elements. Firstly, the lack of capacity of local governments and the sheer challenge of restructuring according to a highly redistributive path, which overestimated their capacity for service

delivery to the scale calculated and which underestimated the political problems of doing so. This was exacerbated by the fiscal discipline introduced from 1997, which brought shocks into local government financial systems, however gradually put in line by the medium-term expenditure frameworks and other instruments of fiscal discipline (Ryneveld, 2006; Mabin, 2006). Furthermore, many of the newly elected councils of 1995/6 had reportedly not continued the multi-stakeholder engagement seen prior to the transition, holding the view that the city government is the key actor of development. This had the effect of excluding key players crucial for investment, regulation, use of infrastructure and capacity building of the transitional local government. Nevertheless, between 1998 and 2004, the White Paper on local government led to the passing of key legislation that better detailed how municipalities should function in terms of administration and finance management (Ryneveld, 2006). Moreover, it is said to have been instrumental in forcing city governments to realize their roles beyond service delivery to economic development and participative governance (Skinner, 1999).

The last (2000 and post-) phase saw urban policies being revised with the emergence of integrated development planning (IDP), local economic development (LED) plans, free basic services and municipal services partnerships (van Donk & Pieterse, 2006). There was thus more commitment to provide funding for maintenance and capital injection for urban development, although primarily driven to address service delivery backlogs. For instance, such state funding sources as the Municipal Infrastructure Grant (MIG) and later the Neighbourhood Partnership Development Grant (NPDG) have enabled some major investments in economic development related projects (Robbins, 2010). The shift towards privatization of traditional municipal services through partnerships reflected the understanding of the lack of local government capacity to undertake urban transformation single-handedly. This also encompassed intergovernmental relations with notions of 'joint management' between city governments and provincial institutions. Partnerships between cities and private businesses towards investments for urban development reportedly emerged between 2000 and 2004, when the economy started showing signs of recovery (Robbins, 2010). However, Mabin (2006) postulates that it has not been clear whether the partnership approach has contributed to economic growth and development. This skepticism is informed by the disappointing results and by perceptions that city governments have remained about control rather than regeneration (Mabin, 2006 cites Lipietz, 2004). Moreover, it is suggested that, although local government restructuring and the subsequent policies following the 1998 White Paper principally served to re-shape the post-apartheid urban landscape, the fruits of these remain to be seen on the ground (Luus & Krugell, 2005; Skinner, 1999; Pillay et al., 2006).

#### **2.3.4. The Legislative Environment of the Informal Economy**

This section will outline various pieces of policy and legislation around the informal economy. It is apparent that the legislative environment is less policy oriented. The first piece of legislation that impacted the informal economy was the Business Act, passed by national government in 1991 and amended in 1993. It is noted that South Africa provides an instructive example of a comprehensive national approach to street trading because of the Business Act (Braun et al., 2011). This has recognized street vendors as proprietors of legitimate businesses, and details the process by which local administrators may issue licenses to street traders with greater freedom to regulate, rather than

inhibit, them through the adoption of bylaws and local regulations (Skinner, 2009; Braun et al., 2011). The Act also endows provincial administrators with the authority to appoint a licensing authority, and the responsibility of reasonable expenses incurred through inspections and removals. Additionally, it provides local authorities the ability to restrict the areas within which traders may operate, though it details a public and consultative process which authorities must follow in order to do so. It is added that the Act served to deregulate and proliferate the informal economy, resulting in local conflicts due to congestion and competition with the formal sector (Holness et al., 1999). The latter authors note that, although a number of local municipalities have adopted bylaws based on the Business Act, local governments are frequently accused of failing to adopt regulations consistent with the character of the Act. Implementation problems have further limited the effectiveness of the Act's ability to protect the rights of street vendors. Moreover, the Act is criticized for encompassing limited categories of informal work; those engaged in food trade, entertainment and health facilities; as a means to maintain health and safety standards (Urban-Econ Report, 2008). Therefore the schedule of definitions excludes a substantial portion of the informal economy and, instead of creating supportive mechanisms for the informal economy, it is mainly geared towards revenue collection, policing and restrictive administration.

Furthermore, there has also been emphasis on formalising or graduating the informal economy by increasing the mobility between the formal and informal economies through measures such as skills development and finance. This was encapsulated in the Accelerated and Shared Growth Initiative for South Africa (ASGISA), with its goal of halving unemployment (to 15%) and poverty (to less than one sixth of households) by 2014 (Urban-Econ Report, 2008). It is also evident where government officials cite:

‘...The challenge of our day and time is to formalise informal trade by helping these enterprises to graduate and to climb the value chain ladder’ (Mr Phadagi, MEC of Public Works, 2009: 2).

‘...as business people, you know that there are multiple forward and backward links between the formal and informal economic activities (...) we should consciously work to formalise the linkages that already exist and use them as a basis to incorporate the informal sector into the entire formal economy, to raise the standard of living of those currently caught within the informal sector (Former President Thabo Mbeki, 2006: 1)

Other strategy documents that reference the informal economy include the national strategy for the development of small, medium and micro-enterprises (SMMEs), which seeks to regulate and stimulate small business activities in South Africa, particularly in vulnerable groups and disadvantaged communities (Urban-Econ Report, 2008). However, SMMEs are primarily manufacturing-type enterprises, comprising only 0,77% of the self-employed, and resulting in SMME-based policy interventions reaching only a relatively small segment of the informally employed. Further, these are not considered the most vulnerable segments in the informal sector (May, 1998; Devey et al., 2003). Under the IDP legislation, specific reference is made to street trading as policy discourses note the necessity for integrated planning between LED and urban planning that targets the poor, through such mechanisms as less rigid zoning, more flexible planning and the promotion of mixed land use (Nel, 2001). Nel (2001) adds that LED features prominently in

government development strategies, with indirect reference to the informal economy. For example, the Urban Development Strategy emphasises the promotion of small businesses through the provision of infrastructure, efficient regulation and mobilization of investment. Similarly, the Rural Development Framework identifies such LED strategies as small business promotion, economic diversification, training, service provision and the development of periodic markets. Equally, the Urban Development Framework outlines strategies such as the planning of public spaces for the development of urban periodic markets, inner city redevelopment, township upgrading and the restructuring and development of effective urban transportation (May, 1998). However, these strategy documents lack conceptual references to understanding the particular dynamics of the informal economy, or its heterogeneity. Therefore, the recommendations remain vague and non-binding.

### **2.3.5. The Institutional Ramifications**

For the most part, local governments nation-wide were slow to respond institutionally to some of the developmental intents espoused in much of the legislation outlined above, especially to the informal economy. Although some local municipalities have been found to have legislation for the informal economy, they have had implementation challenges due to the lack of prioritization, focus and personnel (Makho Communications, 2009). Studies have revealed institutional gaps in the absence of policies at the local level, due to the lack of national and provincial frameworks or guidelines (Skinner, 1999). However, it is noted that none of the three spheres of government have been giving the informal economy sufficient recognition as an important economic player (Makho Communications, 2009). Makho Communications (2009) add that, as a consequence of absent or outdated legislation on the informal economy, responses have been ad-hoc through unstructured, uncoordinated and uneven interventions. The legislative frameworks are said to be geared towards policing, regulation and taxation, with a limited scope for an enabling environment for the informal economy. Similarly, Skinner (1999) adds that there is a disjuncture between the political imperative of inclusion and the system of privatising street trading where bylaws are geared towards revenue collection. Moreover, the current forms of licensing, permits, applications for trading site allocation, and monitoring lack transparency and are complicated, resulting in corruption, discrimination or favouritism, which allows unregistered traders to compete unfairly. Therefore, without explicit awareness of policies and systems, there is a clear danger of further marginalisation of the poorest, and women in particular.

In terms of institutional arrangements, the informal trading sector intersects with the territories and line-functions of numerous municipal departments such as traffic, law enforcement, health, planning and economic development, and the institutional responses of different local governments have varied according to different motives (Dewar, 2005). Street trading management has reportedly been either assigned to low-level staff with few resources or, at worst, institutionally misplaced in the police or traffic departments. At best, it is relegated to LED departments (Dobson & Skinner, 2009; Skinner, 1999). In the case of eThekweni Municipality, however, the Business Support Unit within the Sustainable Development and City Enterprise Cluster was established for the management and development of informal trade (Makho Communications, 2009). EThekweni's LED unit had declined to take on tasks regarding the informal economy because it lacked resources

of staff and funds to take on the additional responsibility (Robbins, 2010). In fact, studies have shown very few established examples of LED, as only the four major metropolitan centres and a handful of smaller places are well-staffed and have funded LED units (Nel, 2001). Additionally, little concrete progress has been made because promising initiatives have petered out or been downgraded in terms of their scale and focus. Major obstacles are said to be internal constraints, such as the lack of resources and skilled staff that are economically minded, and the weak fiscal position of many smaller centres, including the absence of state development assistance for LED initiatives. This is partly because LED is a relatively new local government responsibility and is often regarded as secondary to traditional activities in most areas. Consequently, smaller local governments do not have money to invest in the process. Furthermore, Nel (2001) adds that the legal enactments are not fully in place and nor are precise guidelines on how to fund and operationalise the LED policies, especially in integrating the poverty alleviation focus within LED programmes. It was only in 2000 that the government started to release initial guidelines about possible institutional arrangements and strategies for local governments to begin investigating, despite laws and policies referring to it for seven years prior to this.

### **2.3.5. Existing Municipal Approaches to the Informal Economy**

In the course of this literature study, it was found that there is little in the way of documented local government approaches to the informal economy except what is presented here. Locally, the eThekweni Municipality has received domestic and international acclaim for its active support of the informal economy through addressing the urban management and design challenges in the area around the primary transport node that is Warwick Junction, as part of the inner-city renewal programme from 1995 (Becker, 2004; Dobson & Skinner, 2009). This reportedly began at the post-apartheid period of enthusiasm for change and cooperation, but largely materialised because the municipality is well-resourced and owns plenty of the land in the inner-city area, unlike many other developing countries. It stands as the most significant local government example of infrastructure provision for informal workers in terms of scale, level of capital investment and length of time over which this was sustained. The interventions were aimed at enhancing the livelihoods of street traders, and stakeholder participation resulted in infrastructure that was more appropriately designed for specific trader needs rather than following the trend of provision of infrastructure that is inappropriate and often unused. The success factor of the project is noted as council's willingness to suspend conventional management practices in favour of a participative inter-departmental approach, combining various skills to find solutions to urban management, architectural and design challenges. On-going management of the area is a second success factor. It has also shown that there can be co-operative relationships between formal and informal businesses. A mutual relationship was built around the needs of informal vendors for overnight storage, and the needs of formal businesses to be protected against crime, resulting in the formation of the association 'Traders Against Crime' to keep crime away from the central city area.

There was also a policy development process which commenced in 1999 to guide the city in its support for and regulation of its informal economy. Becker (2004) notes that some aspects of the policy's implementation include the simplification of registration costs with incentives for registration; representation of informal trader organisations on planning and policy committees;

provision of secretarial and legal support using existing municipal assets; and cooperative effort of city officials and traders in improving the image of the informal economy. Thus the municipality provides such services as basic shelter and other essential amenities; for example: toilets, lighting and storage facilities. The Durban City Council passed bylaws allowing street traders to operate in most of the inner city, unlike most other South African cities, which have declared some of the most viable trading areas as prohibited trade zones. Unfortunately, in preparation for the 2010 FIFA World Cup, resources and energies were diverted from this momentum and saw attempts at the introduction of new developments to the area in the form of shopping malls that threatened to remove a historic trading site in the inner-city (Dobson & Skinner, 2009).

Other municipal approaches include the City of Johannesburg's plan to establish markets as a means of regulating illegal activities, for better urban management and enabling improved conditions through secure tenure and infrastructure for informal traders (Makho Communications, 2009). Two council departments, corporate and developmental planning, have reportedly been charged with the responsibility of identifying appropriate sites for informal trading, incorporated in the 2030 spatial planning strategy of developing nodes. The markets have received mixed reactions, from acceptance to condemnation due to claims of excessive rates and loss of clientele in these new sites. Johannesburg has also adopted a new long-term strategy of regulation, away from law enforcement to a supportive environment. Traders are graded based on the scale of their business and provided with skills training to enable them to graduate on the supply chain ladder.

The city of Cape Town has an Informal Sector Plan in which the importance of the recognition and regulation of the informal sector is highlighted (Makho Communications, 2009 cites City of Cape Town, 2003). With regards to urban management, the plan stipulates the allocation of one trading bay per trader and the provision of sector specific support and business services. Furthermore, the conduct of traders is strictly monitored, with punitive measures to manage unruly behaviour and maintain the city's image for its residents and visitors. Each trader is reportedly assessed every three years to monitor the trader's position along the 'development continuum'. The City of Tshwane's LED Department works with the metro police and the City Improvement Districts (CIDs) to register informal traders and enforce street trading by-laws (Masonganye, 2010). However, Masonganye (2010) adds that the way the two institutional bodies issue and regulate street trading licenses reportedly creates confusion among the street traders. Furthermore Masonganye adds that street traders complain that the process to apply for their licenses is lengthy and costly, especially when they have to make follow-up visits to municipal officials who fail to inspect their stalls, as the inspection reports do not reach the LED Department in time. Street traders have complained about being allocated to areas where there are no customers, and subsequently move away from such areas (Masonganye, 2010). Masonganye (2010) lastly added that during the 2010 Soccer World Cup event, informal traders were unable to trade in their designated areas because of their close proximity to the stadiums for security purposes.

In Kwa-Sani Local Municipality of Underberg, informal trade management falls under the LED unit. However, the manager has multiple other management tasks (Dobson, 2009). As a small tourist town, the aesthetics of the town centre were identified as a growth impediment in the tourism sector. This is because the unmanaged informal economy is perceived to have a negative impact on

the urban landscape. Traders' shelters and facilities have been accommodated in the town centre, but are underutilized. In the former Transkei, urban authorities in Umtata consider street traders an unhygienic and crime-inducing nuisance, forming the ideological rationale for large scale police harassment of hawkers including confiscation of goods, fining and imprisonment in the CBD (Nattrass, 1987). There is pressure from large formal businesses citing unfair competition, although there are good relations between small businesses and traders as the latter act as agents. The council policy has largely been to eliminate and more recently restrict hawking.

## **2.4. Conclusion**

The literature indicates that informal economy is a feature of the urban development phenomenon of the 21<sup>st</sup> century. Factors such as high rates of urbanisation, population growth, migration and immigration, underdevelopment and inequitable economic growth contribute immensely to the growth of informal economy. The literature further suggests that policy-makers and urban planners alike have struggled to identify appropriate intervention approaches to informal economy. Although there has been some degree of policy and legislative attention given to informal economy, there are still challenges that remain critical to the development and support of this sector. Furthermore, international examples do suggest that although many of the challenges facing informal economy are universal there have been alternative approaches to addressing these.

## **Chapter 3: RESEARCH METHODOLOGY**

The next section will elaborate the motivations for selecting particular methodologies, such as the case study and comparative urban study approaches, including the sources of data and data collection tools used. This is followed by an elaboration of the motivations and boundaries around the case study selection of the secondary city and town. The third section elaborates the process of data analysis and the final section discusses the potential research limitations inherent in the chosen methodologies and the researcher's biases.

### **3.1. Research Methodologies**

This research used qualitative data collection and case study methodologies. The aim of the data collection was to engage key stakeholders, with a focus on municipal actors and limited informal and formal sector interviews, involved in the process of managing and developing the informal economy within their regions. Thus the research, being exploratory in nature, more appropriately fitted with a qualitative approach, as it is open and flexible, using inductive reasoning rather than attempting to transform aspects of the social world into variables and hypotheses (Neuman, 2000). The case study approach was considered appropriate because such studies are beneficial for exploratory, descriptive, and explanatory purposes that help generate theory and initiate change (Burton, 2000).

Further, the comparative urbanism methodology was used because it is deemed a useful research strategy aimed at relating '...contextually specific institutional dynamics and outcomes to broader, meso-level transformations' (Ward, 2009: 472 cites Brenner, 2004). Kasarda and Crenshaw (1991) emphasise the need for more detailed case-studies of the urban informal sector, particularly as comparative urban studies across cities and nations. This includes the informal economy contribution to urban and national economies, migration, morphology of cities and communities. Kasarda and Crenshaw (1991: 492) add that '...individual case studies and regional comparisons suggest new variables and theories that can be tested at the cross-national level'. Mossberger (2009, cited in Ward, 2009: 477) suggests that 'comparison can also strengthen theory, using a larger canvas to portray, isolate and explain the causes and consequences of similarities and differences between cities'. Subsequently, these determinants of urbanisation can be tested for their universal applicability and better inform social science and policy formation. However, this study more specifically draws on the relational comparative approach, which recognises both the territorial and relational geographies and histories behind cities (Ward, 2009). Ward explains that this approach theorises the city as a contingent process of social relations, interactions and power dynamics formed out of connections and entanglements with the dynamics in other places, including wider regional, national and the transnational arenas. Moreover, this approach does not focus on comparing like for like, but rather similar sets of modes, patterns and processes of governance. Another reason, this particular methodology is appropriate is because it is consistent with the conceptual framework used for this study, that is, the political-economy perspective, which focuses on the economic, political and social institutions and processes that influence informality and urban change.

The two sources of data used for the research were primary and secondary data, including the data collection tools of interviews and field observations. The primary data sources included key

stakeholders such as policy officials and implementing agents and, to a lesser degree, informal trader leaders and formal businesses representatives. The participants interviewed were selected by means of both purposive sampling and snowballing. A total of twenty-three semi-structured interviews were conducted, and a concerted effort was made to identify key participants performing similar functions in both contexts for reasonable comparative purposes, as depicted below.

<b>Functions of Key Participants</b>	<b>Msunduzi Municipality [Pietermaritzburg]</b>	<b>Hibiscus Local Municipality [Port Shepstone]</b>
<i>Informal Trade Management &amp; Economic Development</i>	Senior Official, Entrepreneurial Development & BEE, LED Unit (18/02/2010)	i. Manager, LED Unit (31/03/2010) ii. Ex LED Officer iii. New LED Officer (31/03/2010)
<i>Informal Trade Management</i>	Programme Officer in Informal Trading, LED Unit (18/02/2010)	Administrator, LED Unit (31/03/2010)
<i>Economic Development</i>	Manager of Investments Promotion, LED Unit (03/03/2010)	
<i>Infrastructure provision</i>	Chief Technician, Roads & Transportation Unit (25/03/2010)	Ex-Director, Town Engineers (01/04/2010)
<i>Political</i>	Councillor & Chairperson, Informal Trade Task Team (03/03/2010)	Councillor, Ex-co member & Ex-chairperson, LED Committee (07/04/2010)
<i>Policing and Traffic Control</i>	Superintendent, Public Safety, Traffic & Security (03/03/2010)	Superintendent, Protection Service (01/04/2010)
<i>Licensing of Informal Businesses</i>	Licensing Manager, Licensing Unit (25/02/2010)	i. PA to Director Health & Community Development Unit (01/04/2010) ii. Administrator, LED Unit (31/03/2010)
<i>District Economic Development</i>	Manager of Economic Development, Umgungundlovu District Municipality (25/02/2010)	Manager of Economic Development, Ugu District Municipality (01/04/2010)
<i>Provincial Economic Development</i>	Manager of Business Governance, KZN Department of Economic Development & Tourism (04/03/2010)	
<i>Trader Organisation Representatives</i>	i. Ex-co Member of the Debby Market Hawkers' Association (25/03/2010) ii. ACHIB Traders' Leader (26/03/2010)	Isolempilo Traders Cooperative Chairperson (31/03/2010)
	Municipal- appointed Manager of the Debby Market (26/03/2010)	
<i>Formal Business Representative</i>	Director of Pietermaritzburg Chamber of Business (04/03/2010)	Ward Committee Member of the Inner-city area (23/04/2010)

**Table 2: Comparative matrix of key role players working with the informal economy in Msunduzi & Hibiscus**

Thus, the principal method used for collecting data was semi-structured interviews. The advantage of this method is that, firstly, it can generate substantial in-depth qualitative information, usually from a small number of respondents (Hart, 2005). Secondly, it allows participants to expand beyond the framework of the interview and stimulate debate by allowing for a flow of ideas. The semi-structured interviews included some likert-based questions specifically for municipal officials

in order to acquire a nuanced understanding of specific research questions around the actual practices and influencing factors of institutional responses to the informal economy (refer to Appendix 4, page 78). This was also intended to serve as a cross-check against the qualitative information given.

The secondary data was sourced from government policy documents, published and unpublished articles, books, reports, journals and newspaper articles. These were structured under themes presented in the literature review. The field observations served to supplement the interview data from the participants because these were able to capture certain forms of data as additional information or verification. The observations included additional notes and photographic evidence of the urban spatial, management and social dynamics.

### **3.2. Case Study Selection**

The case studies have been selected based on purposive reasons and recommendations by people who have worked in this research area. The two case study areas of the city and town were subsequently identified because of their suggested history of intervention efforts in the development of the informal economy, which are considered relatively progressive. Pietermaritzburg (Msunduzi Local Municipality) serves as a case study of a secondary city that is a non-metropolitan member of the South African Cities Network. The city centre has been observed to have dense informal activities in its CBD and arterial streets, with attempts at urban planning and infrastructure provision. Port Shepstone serves as a case study of a town because its inner-city precincts have also been observed to have a presence of dense informal activities with a history of intervention efforts. Originally, Underburg was selected for the town case study, which was subsequently changed. This is because the preliminary investigation revealed that scale of the informal economy and institutional environment is too small, and subsequently provided insufficient grounds for comparative purposes with the city of Pietermaritzburg.

Ward (2009) emphasises that traditional urban comparative methods have been preoccupied with national level units from both analytical and geographical perspectives. Instead, he urges a move towards the emergence of theories that focus on national systems of local governance which serve to bridge the gap between national and local politics. Similarly, Kasarda and Crenshaw (1991) stress the need to move away from using the nation-states as the unit of analysis, towards individual cities and their sub-regions as an alternative, namely secondary and tertiary cities. This includes city-specific information on the structure of the local economies, labour force, and municipal structures, amongst other elements, with the aim of producing better theories of urban development and research results that are relevant to policy and real-world problems.

### **3.4. Process of Data Analysis**

The case studies were purposely selected to achieve a comparative analysis around informality, institutional arrangement, policy environment and institutional responses with the intention of understanding how these manifest in a city and a town. Interviews with respondents and key informants were a cornerstone of the primary data collected from the two case studies. The field work was conducted over three months for a number of reasons. Firstly, both case-study locations

are at a considerable distance from the author's station in Durban. Secondly, due to the snowballing method, the interviews with the primary role players subsequently referred to critical individuals worthy of being interviewed for the study, which required additional trips to the two contexts. Attached to the latter point was the challenge of getting participant commitment for an interview session, as some of the individuals said they were busy with official matters and business, in the case of informal and formal sector representatives. Furthermore, the observations led to finding additional information not covered in the interviews, which required follow-up queries with the primary role-players. The follow-up queries were conducted both on a face-to-face basis and telephonically.

The primary data of the interviews was supplemented by secondary data from various sources to give the study a context and framework. As informed by the methodology, data collection was driven by the objectives of the study as set out in chapter one. The nature of data collected was intended to substantiate the key claims made by the author. Thus the data was categorised into various themes, which were identified during the literature review and fieldwork, and were constantly revisited and amended.

### **3.5. Research Limitations**

One of the strongest criticisms raised against the case study methodology is that it provides no basis for scientific generalization, particularly if it is based on information orientated strategy as opposed to a random strategy (Flyvbjerg, 2006). However, Burton (2000) argues that case studies are about making analytical generalisations and not about making statistical inferences. Although this may be a limitation, the objective of this research was not intended to produce data that can be scientifically generalised to all contexts. Similarly, the challenges of the comparative research methodology are raised in its tendency to lump together the 'unrelated and inessential', raising the debate of the universal versus the system-specific (Robinson, 2002 cited in Ward, 2009). In another way, it is seen as making generalisations about urban life using a small and narrow sample, ethnocentric assumptions and prefabricated theoretical and methodological tools. For instance, in the inherited assumption of causality, what constitutes a unit of analysis, and the notions of universalism embedded in western-generated urban theory, which does not account for the cosmopolitan realities of cities. Ward (2009) stresses that there is a need to ensure that the diversity of social phenomena can be captured and additionally, where the context specificity of theories and the degree to which they can be universalised can be questioned.

Furthermore, Robinson (2010) suggests that exemplary comparative research should build analyses based on long-term, nuanced, complex and contextual accounts of urban processes. This entails applying historically grounded methodologies that consider a range of issues such as economic development, social dynamics and governance structures. The emphasis is on the need for robust causal models in understanding the complexity of urban experiences, particularly relating to features such as informality, which are often transient and dynamic. However, this study acknowledges the challenges of comparative urban studies, and does not hold this as the explicit aim of the research. Although this study attempts to accommodate a nuanced analysis through the relational comparative approach, its periodization, and the range of institutional and social systems

and dynamics considered in the two contexts, it is primarily as a means for reflecting on municipal approaches to incorporating the informal economy and the broader implications on meso-level dynamics and transformations. Therefore, this opens up the need for deeper comparative research of different contexts in relation to the incorporation of the informal economy into urban processes.

Thirdly, the researcher's training in Architecture and Interior Design potentially cast some bias towards urban and architectural design elements of the research. However, attempts were made to mitigate this by establishing key research questions relevant to uncovering all the dynamics of municipal approaches, grounded in the political economy framework. Fourthly, the study focused on the factors influencing municipal actors pertaining to the informal economy, with limited informal and formal sector interviews. This was to ascertain a solid understanding of the institutional and policy environment guiding the practices of the primary implementers within local government, and to verify this information through the limited interviews with both informal and formal sector representatives. These latter participants were carefully selected through snowballing, having been referred to as influential and active individuals who have had frequent interactions with the local government relating to the management and/or development of the informal economy. Albeit, there are possible problems with snowballing associated with the influence of gatekeepers that may lead to limiting the research findings. In order to mitigate this problem, the fewer non-municipal actors interviewed, such as informal trader representatives, were asked to identify stakeholders from local government that they had experience interacting with frequently. Hence this opens up the need for future deeper research on the challenges of informal economy actors working in public spaces. Fifth, although limited informal sector participants were interviewed, initially a language barrier was anticipated as a limitation with trader organisation leaders. However, all the isiZulu speaking participants were able to communicate well in English.

Sixth, because of the potentially sensitive nature of asking government officials difficult questions about the institutional structures for which they work, the interview process commenced with easy questions in order to build the confidence of both parties, leaving difficult and contentious questions to the end of the interview. Moreover, the likert-based questions served as a tool of acquiring critical information about the actual practices of the respective municipal units. Lastly, while the likert-based questions provided useful data, the challenge was that not all participants were able to make time to answer the questions. Moreover some of the participants who did answer them did not necessarily answer them realistically based on the actual practices of their respective unit's role in the local municipality, but rather as aspirational or ideal practices for their specific unit.

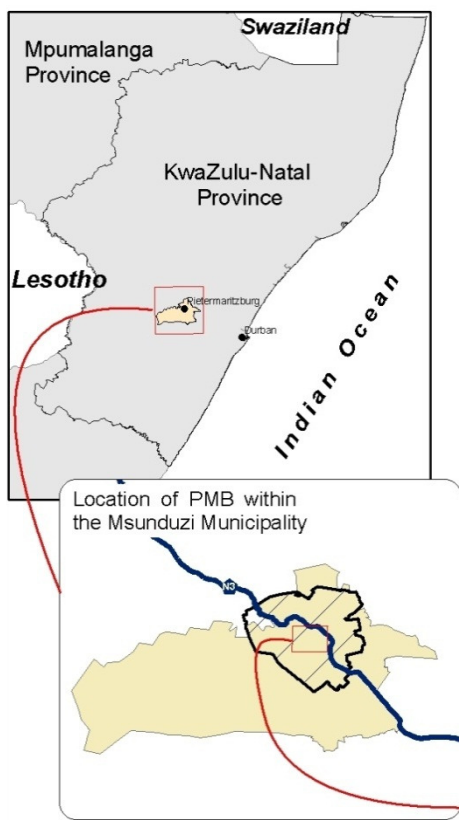
In conclusion, the methodology exercise is an attempt to define boundaries around the case study selection, data collection tools, sets of data that was collected and the process of analyzing that data. The case studies were purposely selected to uncover the dynamics of informality, institutional arrangement, policy environment and institutional responses in relation to how these manifest themselves in different contexts. Finally, all efforts were made to mitigate the identified limitations in the research, along with recommendations that would contribute to deepening this research topic beyond the scope of this study.

## Chapter 4: COMBINED FINDINGS AND ANALYSIS

This section will begin with the overview and background of the case-studies in the first section, followed by sections that review the municipal responses to the informal economy in terms of; the institutional arrangements, the legislation and policy environment, the actual institutional and operational responses, and finally the institutional challenges. The aim is to present, and then compare and contrast, the findings from the two contexts with each other and to the meso-level dynamics and transformations around the informal economy, both nationally and internationally, as raised in the literature review.

### 4.1. Overview and Background of the Case Studies

#### 4.1.1. Msunduzi Municipality



**Figure 1: Map showing location of Pietermaritzburg**  
(Source: Wilson, 2009)

Msunduzi Local Municipality is located in the Province of KwaZulu-Natal (KZN) within the Umgungundlovu District Municipality and is home to Pietermaritzburg, the administrative capital of KZN. It has a population of well over half a million people with a reported growth rate of 2.5% per annum (Msunduzi Municipality, 2008/9; Wilson, 2009). It has the second largest urban centre in the province and is the dominant economy within the district, accounting for over half the district's population and employment, and more than 70% of its turnover and earnings (Msunduzi Municipality, 2008; Urban-Econ Report, 2008; Mkhambathini LED Strategy, 2007).

On a regional scale, Msunduzi lies approximately 80 kilometres north-west of Durban (Msunduzi Municipality, 2006/10). It is situated along the N3 highway which is the major transportation route between Durban, home to one of the major Ports on the continent; and Johannesburg, the economic centre of South Africa. Its proximity to port, rail and road infrastructure has it strategically placed from a

commercial point of view for economic growth (Msunduzi Municipality, 2008/9; Wilson, 2009).

From Durban, it is also the gateway into important tourism and farming areas within the Province. There however remains development disparities in Msunduzi which run along strongly racial lines (Wilson, 2009; Urban-Econ Report, 2008; SA cities network). This is evident between the city and its suburbs, the underdevelopment still felt in traditionally 'black' townships, former tribal areas and informal settlements, and between the largely urban local municipality of Msunduzi and the largely rural district municipalities of Umgungundlovu – which carries some service delivery functions in Msunduzi.

Wilson (2009) notes that in congruence with other contexts, the scarcity of jobs has pushed large numbers of people into the ‘informal economy’ in order to survive. As mentioned above, Msunduzi provides just over 59% of total employment in the district and the surrounding rural local municipalities experience high levels of unemployment (Urban-Econ Report, 2008 cites Urban-Econ, 2007). Poverty had increased significantly between 1996 and 2004 in all the local municipalities in the district except in Msunduzi, where there was a decrease of 7% in the number of people living in poverty (Ugu District Municipality, 2007; SDF Review, 2009). However, there had been an increase in unemployment in all local municipalities in the district including Msunduzi between 1996 and 2004, implying a disturbing trend of jobless economic growth. According to the 2001 census, the unemployment rate sat at 30.6% and at 48% in 2004 (Msunduzi Municipality, 2008). These factors have led to strong push-pull factors drawing people to Msunduzi’s informal economy resulting in an ever growing population that has intensified its already present socio-economic problems (Wilson, 2009).

#### 4.1.2. Hibiscus Coast Municipality



**Figure 2: Map showing Hibiscus Local Municipality**

Port Shepstone functions uniquely as an industrial town commanding an urban network of smaller towns dotting the coastline which serve as seasonal recreational hubs, featuring a wide range of tourist-oriented businesses (Guyot, 2001; Hibiscus Coast Municipality, 2008/9). Hibiscus’ six traditional settlements constitute the dominating rural component which is largely under the ownership of tribal authorities. The majority of the total

population is African at 84%, who are unevenly spread among the municipal wards, however largely residing in peri-urban and informal urban areas, and the rural areas of the traditional settlements (Hibiscus Coast Municipality, 2005/6; Guyot, 2001). Therefore, much like Pietermaritzburg, the legacy of apartheid is evident in the spatial allocation of land which continues to run along race lines evident in the uneven developments between the town centre and suburbs, the developed coastal strip and the underdevelopment of the rural hinterland and informal areas that experience high levels of poverty and lack access to land, economic opportunities and social services (Ugu District Municipality, 2007).

In 2005, more than 60% of all economic activity in Ugu took place in the Hibiscus Coast Municipality (Hibiscus Coast Municipality, 2008/9). The broad unemployment rate in Ugu district was above 52% in 2001 and 42% in Hibiscus. Therefore there has been a 'pull effect' of people from within the district and the Eastern Cape seeking work into Hibiscus, particularly where it experiences seasonal population increases due to tourism with implications for service provision and infrastructure (Hibiscus Coast Municipality, 2007/11). Guyot (2001) adds that for rural inhabitants, Port Shepstone as an industrial town is the area of potential jobs because the remaining coastal tourism-based towns are controlled largely by the white population in established businesses. The steady in-migration of people into the urban centres of Hibiscus however began from the early 1990s as a result of people fleeing from political violence between members of the ANC and Inkatha Freedom Party (IFP) camps in the rural hinterland areas (Guyot, 2001; Robbins, 2010).

#### **4.1.3. Comparative Analysis**

The population growth rate of Msunduzi at 2.5% per annum is closely matched by Hibiscus at 2.4%, both of which are above the national average at between 1-1.1% and the KZN average of 2% per annum (Msunduzi Municipality, 2008/9; Hibiscus Coast Municipality, 2008/9). This coupled with the findings of the scarcity of jobs from the surrounding underdeveloped areas and the presence of informal areas in both contexts, is indicative of the in-migration of people into the respective municipalities in search of work opportunities. This is primarily because both contexts are the economic and employment hubs of their respective districts.

The findings demonstrate that the influx of people working informally in public spaces within a short space of time prompted Msunduzi to engage the informal economy as part of its management duties (Chairperson, Informal Trade Task Team: 03/03/2010; Senior LED Official: 12/02/2010). There was a further expansion due to the deregulation of trading opportunities that came with the democratic transition, the growing numbers of foreigners and the trend of the informalisation of the formal sector. Similarly in Port Shepstone, a respondent described that '...around 1994, there were not many hawkers, they never stood on anybody's toes especially the formal traders. They were on the ground, on the pavement; they didn't have any footprint here...' (CBD Formal Business Representative: 23/04/2010). Like Msunduzi, there was a drastic increase of informal trading and especially with the democratic transition, particularly during holiday seasons and due to the growing trend of the informalisation of formal businesses and foreign informal traders (Hibiscus LED Manager: 31/03/2010). This expansion of the informal economy in both cases is congruent with the literature by Todes (2001) and Nel (1997) which highlights the in-migration of people into secondary

cities and towns from surrounding underdeveloped areas and the reliance on migrant or commuter workers remittances including self-reliance strategies in the informal economy. However unlike Msunduzi, political conflicts also contributed to many rural people fleeing into the closest urban centres of the Hibiscus region.

Moreover, with unemployment rates as high as 30.6%-48% in MLM, and 42-56% in HCM, the influx of the poor and unemployed from the surrounding areas has intensified existing socio-economic problems subsequently exerting more pressure on infrastructure, facilities and resources as suggested by Nel (1997) and Pillay (2008). However the little reliable data on the informal economy in Msunduzi shows that it is small in comparison to other city centres as noted by Wilson (2009). Due to the data being sparse, it is difficult to verify and speculate causal explanations for this. A reason may be that Msunduzi is a large source of formal employment particularly in general government services, being the administrative and political capital of KZN, followed by jobs in finance and business services which employ high-skilled professionals (Coetzee, 2009). Similarly, Hibiscus is a source of more than half the formal employment opportunities in the district, particularly for government services, being the administrative centre of the district; followed by commercial sector jobs due to the established tourism industry (Ugu District Municipality, 2002). However, the absence of data on the informal economy in Hibiscus makes it even more difficult to estimate its relative size. However, at the district level, the informal sector reportedly constitutes 30% of all jobs in the tourism and retail sectors, and jobs in the agricultural sector are skewed more towards informal than the formal (Ugu District Municipality, 2007).

## **4.2. Institutional Arrangements**

This section discusses the institutional arrangements adopted by the two case-studies in response to the informal economy. The periodization of this study is from the democratic transitional period to the current point, because as elaborated in the literature review, the apartheid government largely repressed informal economic activities in urban spaces. It was with the democratic transition, that legislation and policy was developed which enabled the previously marginalised to access economic opportunities and where the informal economy flourished.

### **4.2.1. Msunduzi Local Municipality**

From 1994, the Licensing Unit in Msunduzi Municipality was assigned to oversee the management and development of informal trading and these functions were unofficially handed over to the Economic Development and Growth unit or what is also called the LED unit in 2005, and officially so since 2009. Other municipal units involved include; Traffic and Security to assist with law enforcement and provision of vehicles for fieldwork, Infrastructure Services and Facilities unit with the demarcation of sites, public safety aspects as the removal of harmful trading containers and facilitation of infrastructure projects; and the Finance unit in collecting specific revenues from licenses and monthly rentals (Programme Officer, Informal Trade: 18/02/2010). External to the Msunduzi Local Municipality, the Umgungundlovu District Municipality's Economic Development and Tourism unit and Provincial Department of Economic Development and Tourism (KZN DEDT) have assisted the LED unit. Within the KZN DEDT unit, critical partnerships mentioned include the

Traditional and Local Government Affairs for funding, the Department of Health in advising about health and safety standards; and the Department of Transport due to the relationship between public transport facilities and informal activities (Manager, Business Governance, KZN DEDT: 04/04/2010).

An institutional structure widely referred to is the Informal Trade Task Team (ITTT) formed in 2000, which is a sub-committee group that reports to the Economic Development and the Executive Committees of the municipality. The structure consists of a chairperson, usually a ward councillor and the remaining representatives are from different municipal units as; Licensing, Economic Development, Traffic and Security, Health, Engineering, Environment and Planning; and includes some ward councilors. External to the local municipal officials mentioned here, there have been representatives from the South African Police Services, Pietermaritzburg Chamber of Businesses and the Umgungundlovu District's Economic Development unit (Programme Officer, Informal Trade: 18/02/2010; Chairperson, ITTT: 03/03/2010). Some other trader associations that have been involved with the municipality in other forms are; the Debby Market Hawkers Association, African Cooperative of Hawkers and Informal Businesses and trader representatives representing different trading areas within the CBD (Programme Officer, Informal Trade: 18/02/2010). Other less active traders' agencies named were Informal Traders Support and Siyagunda Association of Haircutters.

#### **4.2.1. Hibiscus Coast Municipality**

Before the amalgamation into Hibiscus structures in 2000, the Port Shepstone Local Council's first intervention measures were carried out by the then Town Engineers unit and the Health and Community Services (HSC) unit from the early 1990s (PA to Director, HSC: 01/04/2010). After the amalgamation, the Business Support Centre, financed by Khula and SEDA, provided some services to informal economy actors (Former LED Officer: 01/04/2010). However shortly after, the informal economy component was officially passed over to the LED unit. Other units that have been involved include, 1) Police and Security under Protection Services, 2) Planning and Building Control, and 3) Housing and Infrastructure. External to Hibiscus, there has been involvement from the Ugu District Municipality's Infrastructure and Economic Development unit, where the function of the informal economy more directly falls under its enterprise development sector (Former LED Officer: 01/04/2010). This latter unit is responsible for economic development initiatives including promotion of SMMEs and sustainable livelihoods (Ugu District Municipality, 2008/9). Non-municipal structures that have been involved include the Isolempilo Traders' Cooperative and trader representatives from different trading areas around Hibiscus. Furthermore, the Margate Business Association was named as the only official association, although there have been representatives of formal businesses from the CBD which do not fall under a formal association.

#### **4.2.3. Comparative Analysis: Institutional Challenges within LED Units**

In terms of council departments dealing with the informal economy, both municipalities possess similar line-functions, except where Msunduzi is advanced for having a Licensing Unit dealing with

the licensing of specific informal businesses; whereas Hibiscus' LED unit deals with this function on top of its other duties (refer to Appendix 1 on Page 76 for a summary table comparing the various line-functions of the key role payers). The fact that the informal economy function is located within the economic development units within the council, district and provincial structures of both municipalities and intersects with the mentioned line-functions; makes it congruent with the literature from Dewar (2005) and Dobson and Skinner (2009). The authors note that the informal economy function is often located in structures such as traffic, law enforcement, health, planning and economic development units. However, the results of this study show that there are two additional line-functions that currently exist; the licensing unit in Msunduzi and infrastructure related units in both contexts. The infrastructure aspect is indicative of its recognition by local government as a support strategy for the informal economy, and licensing can be understood as acceptance that sector regulation is critical in supporting and developing the informal economy.

With regards to political structures as platforms for supporting the informal economy, Msunduzi is more advanced than Hibiscus. This is because the Informal Trade Task Team (ITTT) provides a specific platform which reports to both the Economic Development and the Executive Committees, whereas Hibiscus only has an LED committee which reports to its Executive Committee. The ITTT comprises of up to five ward councillors, some of which actively support the interests of informal traders. In Port Shepstone however, the Chairperson of Isolempilo Traders' Cooperative suggested that although the Ward Councillor of the CBD precinct is aware of the traders' grievances with the municipality, she does not represent their interests. This was confirmed by the Ward Councillor herself, because the traders are expected to voice any concerns directly with the LED unit and therefore there is no other platform.

Furthermore, the findings from both municipalities demonstrate that provincial administrators are deemed to have the authority to guide the management processes of the informal economy at the local government level. This is congruent with the literature review that mentions the role of provincial authorities in broad legislative terms. However, the findings also reveal the equal involvement of district structures in both municipalities. That being said, local municipalities are able to exercise a great degree of autonomy, and there is a danger that they can disguise inaction and attribute it to a lack of support from the other tiers of government. With regards to organisations of formal and informal businesses, there are more informal trader organisations in Msunduzi than formal ones, and more than in Hibiscus, thus dismissing the popular assumption that informal economy actors are passive and often waiting for government support. Both contexts have proactively organised specific trading areas which were not organised or structured in any way, and this resonates to the literature that highlights the importance of assisting informal traders to organize and especially to gain cooperation for better urban management that is mutually beneficial (Urban-Econ Report, 2008 cite ILO). The older trader organisations such as the Debby Markets Hawkers Association in Msunduzi and Isolempilo Traders' Cooperative in Port Shepstone, both formed from the 1990s, have remained active compared with the subsequently newer groups that are inactive and face organisational challenges (Programme Officer, Informal Trade: 18/02/2010; Chairperson, ACHIB: 26/03/2010; Chairperson, Isolempilo Traders' Cooperative: 31/03/2010).

With regards to the institutional location of the informal economy functions within the LED unit, the findings from both municipalities further reveal the institutional challenges in the lack of clarity and capacity of the respective LED units in the development and support of the informal economy. In Msunduzi, the informal trade aspects are managed by two officials in the Economic Development unit, and the small amounts budgeted each year are reportedly inadequate and consequently leading to a narrow focus on street trading in the CBD at the expense of other informal sectors in other critical areas marked as ‘hotspots’ depicted in Figure 3 below (Chairperson, Informal Trade Task Team: 03/03/2010; Official, LED: 18/02/2010). This includes the lack of infrastructure provision, as it was said ‘...we were not proactive enough to build (...) infrastructure for the traders. We were just demarcating on the streets’ (Programme Officer, Informal Trade: 18/02/2010). Another respondent from Msunduzi explained:

‘...We are in a reactive position, what we can really manage is that if a complaint comes in, then we team up with Security and go and stop the specific problem you know, and the balance is to deal with whatever applications we get; we only try to focus on the city centre. Because that is what we can do, if we take more on, then we won’t be able to manage (...) there is no progressive stuff going on. And that’s part of the...the biggest challenge is the lack of staff...’ (LED Official: 18/02/2010).



**Figure 3: Inner-city Retief and Pietermaritz streets considered informal trading ‘hotspots’ for being over capacitated with informal trading activities leading to congestion, littering and for the lack of infrastructure provision for traders**

Another respondent elaborated that the informal economy falls in the lower end of priorities in the economic development budget with matters like investment promotion, tourism and agricultural development dominating, and the informal economy is given recognition under training support for SMMEs for a small amount (Manager, Business Governance, KZN Economic Development unit). Although in Msunduzi informal trade management appears to be budgeted for every year as reflected in the 2007/8 and 2009/10 financial years unlike in Hibiscus, which is inconsistent. However, the first few months of 2010 saw drastic restructuring of senior management of the Msunduzi municipality because of financial upheavals from alleged cash flow problems due to maladministration and political squabbles that saw the resignation of the mayor, city manager and several Executive Committee members (Regchand, 2010; Mbonambi & Mboto, 2010; Mboto, 2010). This questions the future of funding for informal trade functions into the subsequent financial years

as a government official commented that, ‘...the financial situation had deteriorated to the extent that service provision was on the verge of collapse’ (Mbonambi & Mboto, 2010: 4).

Similarly in Hibiscus, the lack of funding support for the informal economy was cited as the major problem (Former LED Officer: 01/04/2010; Ex-Chairperson, LED Committee: 07/04/2010). The LED Manager also postulated that there is no specific budget for the informal economy because it is not one of the priority sectors as tourism and agriculture; and the informal economy only receives some recognition as part of SMME and cooperative development. However, the coupling of the informal economy with SMMEs can be problematic as suggested by the literature because policy interventions in the SMME sector is directed at a small segment of the informally employed, which are reportedly not even appropriately targeted at the most vulnerable segments in the informal sector (May, 1998; Devey et al., 2003). A respondent added that Hibiscus is dependent on getting funds from the provincial government and ratepayers which is why funding is acquired for informal economy interventions inconsistently (Ex-Chairperson, LED Committee: 07/04/2010). However some suggested that in Hibiscus, the issue has not been funding constraints because it has a strong tax revenue base, but rather that the municipality does not budget for its LED plans (Former LED Officer). The former LED Officer (01/04/2010) elaborated that, ‘...you can’t have a fully-fledged unit; which is bigger than ours (Ugu District Municipality) but you don’t have resources! (...) They have two managers.’ Here, the former Town Engineers official mentioned that despite the number of studies done to have a pedestrianised market and revitalise the CBD area, the proposal has not materialised because of the small mindedness of municipal officials that fail to budget funds it. However, one respondent defended the lack of progress as a consequence of the vast number of people that need to be served where there is a tension faced as to whether the unit addresses unserved areas with new infrastructure or returning to served areas as the CBD for more development or maintenance (LED Officer: 31/03/2011). The lack of prioritization may be explained by Nel’s (2001) suggestion that because LED is a relatively new local government responsibility, it is often regarded as secondary to traditional activities and consequently less money is invested in the process.

Others asserted that the lack of progress in the development of the informal economy in Hibiscus is attributed to the lack of appropriately skilled staff within the LED unit (Former Town Engineers Official: 01/04/2010; CBD Formal Business Representative: 23/04/2010; Chairperson of Isolempilo Traders’ Cooperative: 31/03/2010; PA to Director, Health & Community Services: 01/04/2010; Former LED Officer: 01/04/2010). As one respondent elaborated: ‘...there are a few projects that we are doing with them which frustrate me (...) There are basically no people there that I would say are ideal for economic development’ (Former LED Officer & Manager, Ugu District Municipality’s Infrastructure & Economic Development unit: 01/04/2010). Another respondent elaborated that:

‘...a mistake made by local government, we know it’s true, again a lot of appointments are family and friends and it’s not because that person really wants to be LED Officer, he doesn’t have the drive, the passion and the desire to help people and do good...’ (Former Town Engineers Official: 01/04/2010).

Furthermore, the lack of clarity of the role of the LED unit for the development of the informal economy was widely raised. It was postulated by the Senior Economic Development Official from Msunduzi (03/03/2010) that,

‘...It’s a lack of a structure and it’s the absence of clarity as to who exactly should be dealing with this thing. People just fobbed this thing to economic development at the time, and yet didn’t populate the unit.’ Although he added: ‘... notwithstanding what anybody says to you, nobody has a handle on the informal economy in this country...nobody’s got it, I don’t care what policy they’ve got, the sheer enormity of the scale at which this thing happens (...) They’ve got departments that deal with it, well-staffed and so on- but you drive through Durban and you will see what I am talking about...you know they’ve got nice furniture (...) but on the street but they don’t have a handle on it. It is a difficult area to function in yet it is such an important part of the economy of the city.’

A respondent in Msunduzi added that there is a lack of clarity around the role of the Programme Officer for Informal Trade and where the LED unit rely on security officials that do not have an understanding of the developmental aspect of the informal economy (Licensing Manager). Although in Msunduzi, the restructuring of Licensing and LED for the development of an informal trade unit under Developmental Services was anticipated to lead to better synergies between the two units in dealing with the informal economy. However, the human resources from licensing planned to populate LED has not been resolved yet as it was said, ‘...the inability to establish a really viable, well-resourced informal trade unit has actually set us back’ (Senior Official, EDG: 18/02/2010).

Similarly, the LED Manager of Hibiscus (31/03/2010) mentioned, ‘...the problem with the LED is that it is still a trial and error (...) in the process we learn ...’ These findings from both municipalities reflect that although policy development and regulation for informal economy has taken place, there are critical implementation challenges due to, amongst other things, the lack of prioritization, focus and personnel shortages (Makho Communications, 2009). Moreover Nel (2001) notes the obstacles to the successful implementation of LED initiatives as the lack of resources and skilled staff that are economically minded, and the weak fiscal position of many smaller centres, which relates to the situation in Hibiscus. In summary, it is clear that both municipalities are progressive for attempting to institutionalise the informal economy function within their LED units as part of the economic development strategy instead of misappropriating it to a narrowly focused line-department like law enforcement or planning. However, these LED units are faced with a lack of conceptual and operational clarity, including capacity and resources of what economic development for the informal economy means and how to implement it. This is despite the support from the economic development institutions from both the provincial and respective district levels of both municipalities. This is symptomatic of the broader lack of conceptual and operational clarity of LED’s role in service delivery provision for the informal economy at the local, provincial and national levels.

### **4.3. Legislation and Policy Environment**

#### **4.3.1. Msunduzi Local Municipality**

Within the period of interest in this study, the first piece of legislation to impact the informal economy in Msunduzi was the national Business Act of 1991, although not directly intended for the informal economy (Senior LED Official: 18/02/2010; Programme Officer, Informal Trade: 18/02/2010; Licensing Manager: 25/02/2010). However, the ‘Street Trading Bylaws’ adopted in 1995 were formulated exclusively for the informal economy (Urban-Econ, 2008; YEDEP & NDC, 2005). The bylaws outline prohibitions and restrictions of trading, including trader’s duties and the protocols around the impoundment of goods by enforcement officials. However, they are criticised for being restrictive, not accounting for the changed socio-economic and political landscape since the democratic transition and for its confined focus on street trading at the expense of other sectors in the informal economy (YEDEP & NDC, 2005). From 2003, the provincial department of economic development and tourism unit (KZN DEDT) had developed a Green Paper policy framework for the informal economy of KZN which is waiting for approval in its final draft form since 2009 (Programme Officer, Informal Trade: 18/02/2010; Manager, Business Governance, KZN DEDT: 04/03/2010). This is intended as an integrated economic and regulatory framework that supports the sustainable economic growth of the informal economy, including amending certain laws that inhibit the government’s developmental role. Some of the recommendations emphasise the need for transparent and simpler regulation and enforcement measures, monitoring systems and safety considerations, and lastly development through appropriate skills training and provision of incentive schemes to catalyse the formalisation of informal businesses.

Furthermore, the 2006/11 IDP document notes that underpinning economic development strategies is the principle of the development, support and retention of all businesses, including formal and informal. In addition, strategies specifically for the informal economy include, 1) the development of an informal trading management plan, 2) establishing a forum for the participation of various stake-holders including the formal sector; and lastly developing a programme for the progression of informal traders into the formal sector. In 2005, an Informal Trade Development and Management Plan (ITDMP) was commissioned which outlines policy, institutional and situational analyses of the different trading sites across Msunduzi and provides useful recommendations. These include, 1) amending the street trading bylaws to suit the changing socio-economic and political landscape, 2) increasing the number of serviced trading sites available in economically viable areas including the provision of street facilities, and 3) the restructuring of Licensing unit for the establishment of a dedicated Informal Trade Division including a policy and strategy arm and a business support centre. The 2008 LED Strategy outlines the economic contribution of the informal sector, stating that 68% of businesses in the informal sector earn less than R1000 per month, each supporting approximately 5.68 individuals, and largely operated by family members.

Partly based on the recommendation of the ITDMP, Msunduzi has been amending its bylaws and drafted a ‘Street Trading and Allocation Policy’ which has been put on hold in anticipation of the provincial policy, as local municipalities have been instructed by the Province to use it to guide their own policies (LED Official: : 18/02/2010; Programme Officer, Informal Trade: 18/02/2010). In

2008, the Umgungundlovu District's Economic Development unit developed an Informal Economy Policy as a strategic framework, intended as a coherent and integrated strategy to guide local governments in the management and development of the informal economy to the benefit of the overall economy. The policy emphasizes that the informal economy is a permanent feature of the economy and has a developmental role to play. Some of the key features mentioned by the policy include; business promotion, extension and retention strategies through providing access to support services, and interestingly the provision of infrastructure including service delivery improvements. In addition, it notes that a conducive regulatory environment is needed through strategies as formulation of standard policies, regulations and bylaws, liaison and coordination between different local municipalities and enhancement of research on the informal economy. This is underpinned by the district's SMME plan which states that by 2015, informal economy traders in the district will be '...trained in business management, operating under good working environment and facilities, creating sustainable jobs and contributing to economic growth' (Urban-Econ Report, 2008).

#### **4.3.2. Hibiscus Coast Municipality**

Like Msunduzi, the national Business Act of 1991 was cited as an influential piece of legislation (PA to Director, Health & Community Services; LED Manager). Before the local government demarcation in 2000, former municipalities had their own sub-bylaws relating to regulation of 'Street Vendors, Pedlars or Hawkers' that stipulated the different areas that traders can operate from, and the types of goods and services permitted. These include the bylaws from the Transitional Local Councils of Margate (published in 1996), Port Shepstone (published in 1997), Hibberdene (published in 1997); and lastly Port Edward that was published in 2000 (HCM Street Trading Bylaws, 2008; PA to Director, Health & Community Services: 01/04/2010).

Hibiscus developed the 'Informal Trading Bylaws' to repeal the bylaws promulgated under the former municipalities into a single set of bylaws, instated in 2008. The document recognises the importance of informal trading and states that it is intended '...to provide for the development and management of informal sector trading (Second Economy) in the area of the municipality (...) in order to create an environment that is conducive to growth...' It outlines regulation and management processes including registration, trader responsibilities and prohibitions, enforcement, the terms around the formation of trader associations and the approach to assistance to traders. The document notes a progressive element where the municipality can adopt 'trading plans', particularly in areas where there is or likely to be significant informal trading, however only after a public participation process. Furthermore, it is considered progressive for its inclusion of informal activities beyond street trading, such as telephone operators (Former LED Officer: 01/04/2010).

Other documents that refer to the informal economy, mostly indirectly, are IDP documents. For instance, the IDP Review (2005/6; 2006/7) identified the need to conduct a CBD revitalization study for Port Shepstone. The IDP Review (2006/7) further identified the need to enhance the institutional capacity within the municipality to pursue LED projects as developing an Informal Economy Programme. The IDP Review (2008/9), IDP (2007/11) and Draft IDP Review (2010/11) note that a function of the LED unit is '...ensuring a thriving economy: both first and second economies with shared growth of 5% average per annum through the strategy of creation of an

enabling environment for investors, and SMME / co-operatives and second economy development'. Moreover, under the directive of LED, it is stated that strategies include targeted investment programmes, policy development, diversification of value added products, marketing and structures to support SMMEs and co-operatives. The documents identified challenges as '...the lack of access to information and support for SMMEs and the 'second economy' and the problematic gap between the first and second economy which needs to be bridged'. The possible solutions suggested by the latter documents include, the provision of skills training through SEDA and thereafter streamlining the Expanded Public Works Programme to enable sustainable jobs in the future. In addition, there is mention of service delivery as maintaining and expanding the existing infrastructure including essential amenities such as roads, electricity, storm water and sanitation. The latter documents also note urban renewal planning that has commenced in Port Shepstone's CBD, Margate and Shelly Beach.

At the district level, there are documents that indirectly allude to elements that support the informal economy. For instance, Ugu District Municipality's IDP (2002) refers to a '...focus on rural poverty as a core area of intervention through integrated infrastructure, tourism, agro-industry, human settlement, land reform and sustainable livelihoods'. However, under its Infrastructure and Economic Development unit's activities, a 'Cooperatives Development Programme' is mentioned as the biggest economic transformation and international benchmark programme that it has been doing since 2007 (Ugu 2008/9). This is focused on establishing sector-based secondary cooperatives, linking cooperatives with various markets, and ensuring that they have access to raw materials, skills development and finance. Another initiative noted is the SMME Development Programme which involves business development of emerging entrepreneurs through various key partnerships in SMME development and support.

#### **4.3.4. Comparative Analysis**

Firstly, it is clear that the legislation and policy environment in both contexts have various legal sections pertaining to the informal economy in the form of legislation and bylaws, but which are less policy oriented. For instance, the Businesses Act which stipulates the adoption of street trading bylaws and local regulations has influenced both contexts, see Appendix 2 on page 76-77 for a summary comparison of the legislation, by-laws and policies (Skinner, 2009; Braun et al., 2011). Although Msunduzi responded before the Transitional Local Councils that were amalgamated into Hibiscus Coast Municipality, all these bylaws developed from the mid-1990s in both municipalities are largely geared towards restrictive administration and control. This echoes Skinner's (1999) sentiments that while some examples of policy and legislation are progressive for acknowledging the informal economy, on the ground, local government remain geared towards being restrictive. However, the amalgamated Hibiscus embarked on restructuring its bylaws with more of a developmental approach and Msunduzi plans to do the same. In principle, both municipalities stand to be impacted by the provincial Informal Economy Policy framework that declares a developmental approach to the informal economy. Msunduzi is relatively advanced on two fronts for having two comprehensive documents, the Informal Trade Development and Management Plan and the Umgungundlovu District Informal Economy framework; both of which acknowledge the importance

of the informal economy and provide administrative and some developmental strategies. Although, Chen et al. (2001) list four critical areas of policy with regards to their developmental value for the informal economy: macroeconomic, urban regulations and development, labour and social protection policies. Therefore, in as far as Hibiscus' restructured bylaws, which is termed a policy, and the Provincial Informal Economy framework, these largely touch on urban regulations and development aspects, and are silent on the rest of the policy areas. This begs to question, whether they can be considered developmental when there are many aspects and dynamics that still need attention. Moreover, it was found that in Msunduzi, neither the Manager (Business Governance, KZN Department of Economic Development) that is managing the provincial informal economy process, nor the Programme Officer (Informal Trade) that is managing the amended informal trading bylaws was aware of the district's policy. This is indicative of the lack of coordination in policy development processes between the local, district and the provincial level. Furthermore, what was not mentioned by any respondents from both municipalities, is two provincial level pieces of legislation relevant to both municipalities, the Business Hours Act of 1984 and the KZN Growth and Development Strategy of 1996 as mentioned in the literature by Makho Communications (2009) and Urban-Econ (2008). The coexistence of these latter pieces of legislation with the emerging policies could potentially create jurisdictional confusion because of the areas of overlap at the municipal level, unless they are aligned.

With regards to other council documents that make reference to the informal economy, these are largely contained within the IDP documents of each municipality; the full summary is depicted in Appendix 3 on page 78. The emergence of these documents from 2000 onwards is congruent with van Donk and Pieterse's (2006) correlation with the last phase of local government restructuring which saw urban policies being revised with the emergence of IDP and LED plans. The study indicates that Msunduzi is comparatively advanced for its development of IDP strategies that provide operational guidelines for the management of the informal economy which it has either implemented or is in process of implementing such as the Informal Trade Development and Management Plan, including the informal trade forum in the form of the Informal Trade Task Team and the unit's operational budget specifically for Informal Trade. However, Hibiscus' IDP strategies largely remain unimplemented such as the skills training and urban renewal projects. Although on paper, each context is more or less advanced than the other, for instance, Hibiscus specifically identified service delivery mechanisms through maintenance and expansion of existing infrastructure. Msunduzi is ahead for its effort to gather concrete data on the character and contribution of the informal economy as encompassed in its 2008 LED document and for its district's SMME plan which specifically mentions strategies for the informal economy. In Hibiscus however, there is an inconsistent concept of the informal economy which is either coupled with SMMEs, cooperatives, loosely encompassed by notions of 'sustainable livelihoods' or is called the 'second economy'. This clearly demonstrates the lack of conceptual clarity of the informal economy.

The literature review elaborates that under the IDP legislation, reference is made to street trading; as policy discourses note the necessity for integrated planning between LED and urban planning that target the poor through mechanisms such as less rigid zoning, more flexible planning and the promotion of mixed land use (Nel, 2001). Although this is not clear in the documents from both municipalities, there are mentions of urban renewal, urban management and the adoption of

trading plans as strategies. Moreover, Nel (2001) notes the policy discourses under LED that allude to “small business support” through documents like the Urban Development Strategy and the Rural Development Framework, with strategies like service provision and the development of periodic markets. It is generally evident that most of these strategies are integrated in the IDP and LED plans in both municipalities. Furthermore, the IDPs from both contexts note programmes for the formalisation of the informal economy, which is congruent with policies as ASGISA and KZN Growth and Development Strategy as cited in the Urban-Econ Report (2008).

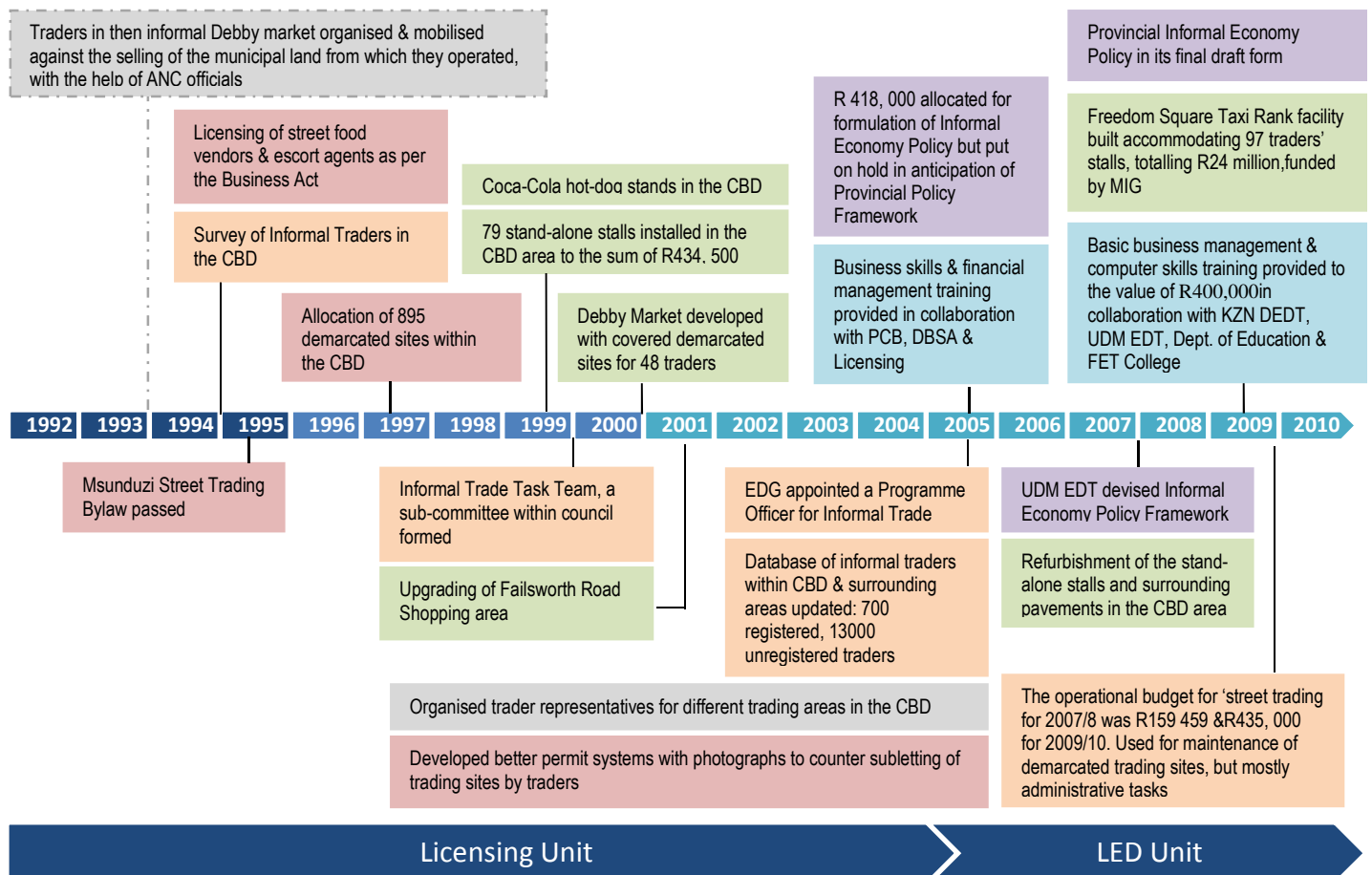
In summary, while some developmental strategies are emerging in the respective legislation, policy and other documents, these largely remain as underdeveloped legal sections that are less policy orientated in both contexts. In addition, there is insufficient information on operationalizing what is mentioned and a lack of conceptual clarity of the informal economy, for instance, in the schedule of definitions and dynamics of specific sectors. Furthermore, the presence of outdated policies and legislation, non-alignment and inconsistencies between various pieces of legislation and policy documents that raise only certain aspects of the development and/or the management needs of the informal economy; it is clear that there is no integrated approach or overarching vision. The fact that there are many developmental aspects and dynamics that are not mentioned, leaves holes in notions of the developmental approach that is in fact underdeveloped. Moreover, the two case studies also clearly demonstrate an imbalance between the administrative versus the developmental functions of the local government, as discussed by Skinner (2008), where the focus is still skewed towards policing, regulation and taxation with a limited scope for creating an enabling environment. This is said to be similar to legislation elsewhere in the country. With regards to the political economy of urban change, the role of the state is identified as an important institution influencing urban patterns through laws, programs and spending priorities (Kleniewski, 1997; Minnery, 2007; Watson, 2009). Therefore the underdeveloped legislation and policy environment and the related implementation challenges can be argued to be as a result of the failure of the state institutions to structure the policy outcomes.

#### **4.4. Institutional and Operational Responses**

Institutional responses to the informal economy have evolved over time and they have largely been influenced by various changes in the political and administrative environment. As outlined by van Donk and Pieterse (2006), institutional responses can be linked to three phases of local government shifts. The first phase begun around the 1980s struggle and ended with the 1995/96 municipal elections, the second phase began with the 1996 Constitution and ended with the 2000 municipal elections; and the last phase included the municipal restructuring from 2000 and the subsequent municipal elections that followed. The timeline figures 4 and 5 below summarise these changes and link them to real changes that occurred on the ground thereafter. Ultimately, the in-depth discussion that follows is a comprehensive analysis on what these changes meant for the growth and development of the informal economy in both contexts.

The figures below are therefore summaries of the institutional and operational responses by the two municipalities that are referred to in the in-depth discussion to be elaborated below. The three phases of local government restructuring are differentiated in three shades of blue within the

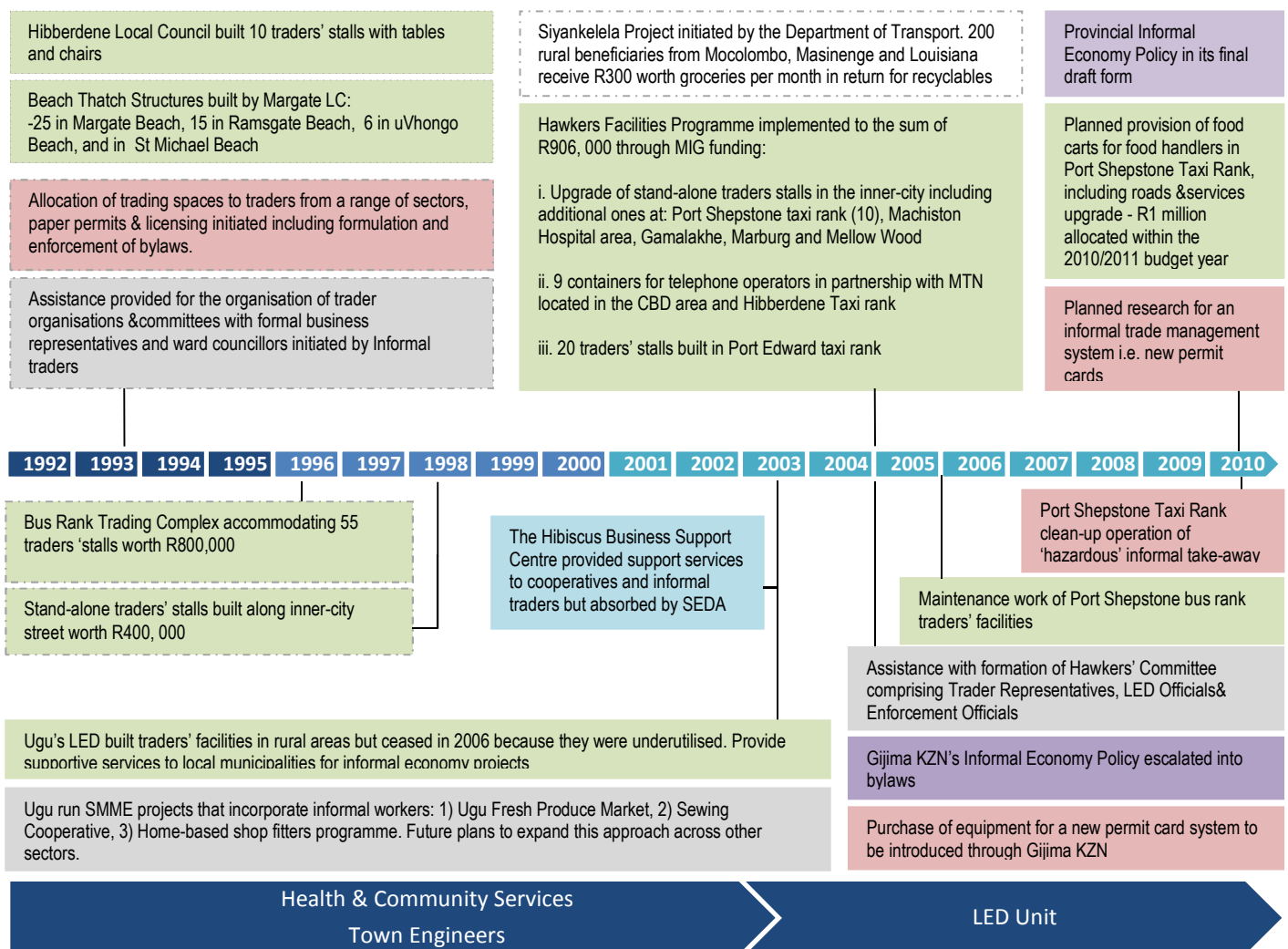
timeline period which correlates with another bar showing which relevant institutional bodies were primarily responsible for working with the informal economy within the periodisation. The actual responses are represented by specific colours to determine the nature of the responses at each phase of local government restructuring by the relevant institutional bodies and to determine potential causalities or explanations, both by drawing on the interview findings, the literature and the author's analysis.



**Figure 4: Timeline of interventions in Msunduzi Local Municipality based on the three phases of local government restructuring**

#### COLOUR KEY

- |                                                                                                                                                                                                   |                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <span style="display: inline-block; width: 15px; height: 15px; background-color: #90EE90; border: 1px solid black; margin-right: 5px;"></span> Infrastructure provision                           | <span style="display: inline-block; width: 15px; height: 15px; background-color: #9370DB; border: 1px solid black; margin-right: 5px;"></span> Policy development     |
| <span style="display: inline-block; width: 15px; height: 15px; background-color: #CD5C5C; border: 1px solid black; margin-right: 5px;"></span> Regulatory measures                                | <span style="display: inline-block; width: 15px; height: 15px; background-color: #4682B4; border: 1px solid black; margin-right: 5px;"></span> Skills training        |
| <span style="display: inline-block; width: 15px; height: 15px; background-color: #FFDAB9; border: 1px solid black; margin-right: 5px;"></span> Institutional capacity building including research | <span style="display: inline-block; width: 15px; height: 15px; background-color: #D3D3D3; border: 1px solid black; margin-right: 5px;"></span> Organisational support |



**Figure 5: Timeline of interventions in Hibiscus Coast Municipality based on the three phases of local government restructuring**

#### COLOUR KEY

<span style="display: inline-block; width: 15px; height: 15px; background-color: #92d050; border: 1px solid black;"></span> Infrastructure provision	<span style="display: inline-block; width: 15px; height: 15px; background-color: #9966cc; border: 1px solid black;"></span> Policy development
<span style="display: inline-block; width: 15px; height: 15px; background-color: #e67e22; border: 1px solid black;"></span> Regulative measures	<span style="display: inline-block; width: 15px; height: 15px; background-color: #3498db; border: 1px solid black;"></span> Skills training
<span style="display: inline-block; width: 15px; height: 15px; background-color: #f1c40f; border: 1px solid black;"></span> Institutional capacity building including research	<span style="display: inline-block; width: 15px; height: 15px; background-color: #bdc3c7; border: 1px solid black;"></span> Organisational support

#### 4.4.1. The First Phase: 1980s to mid-1990s

The study confirms that in both Msunduzi Local Municipality (MLM) and Hibiscus Coast Municipality (HCM), up until the early 1990s, the relations between the informal traders and urban authorities were reportedly antagonistic; where the latter were associated with enforcement and the former as public nuisance (MLM Programme Officer, Informal Trade: 18/02/2010; Traffic & Security Official, MLM: 03/03/2010; HCM Superintendent, Police & Security: 01/04/2010; Former

Town Engineers Official, HCM: 01/04/2010). However, the democratic transition reportedly brought a greater 'sensitization' amongst government officials about the previously disenfranchised people that had flocked into the city's public spaces for economic opportunities (Licensing Manager, MLM: 25/02/2010; LED Manager, HCM: 31/03/2010). This had required a change of the 'apartheid' mind-sets in terms of bylaws and policies towards an inclusive approach (Chairperson, Informal Trade Task Team: 03/03/2010). In Msunduzi, the Licensing Manager described the process of the street trading bylaw formulation as being informed by the eagerness of the municipality at large to better the lives of street traders as he said '...there was involvement of all the role players; councilors, the ratepayers, the informal traders associations, and it was a joint effort (...) Also architecture, traffic and enforcement...all the relevant departments and there was political buy in.' Here the Traffic and Security Official (MLM) added that, 'As much as the bylaws, it says you need to enforce, but we are on services delivery because at the end of the day, we are assisting those people.' This can be seen in Figure 4 on page 45 represented in red in the period of 1992-1995.

In Hibiscus however, towards the 1990s, traders expressed the desire to be recognised for earning a living and for an end to constant police harassment in the form of removals and the destruction and confiscation of goods (Former Town Engineers Official: 01/04/2010). The latter situation aggravated protests which led then Port Shepstone Local Council to restructure their approach to informal trading. As one respondent mentioned: '...they started now listening to hawkers and their complaints, and then a (*selection*) criteria was formed for the hawkers (...) we have started controlling it better where you can't have a fire and cook meat next to a vehicle (...) we are starting to educate the hawkers as well...' (Superintendent, Police & Security: 01/04/2010). The Local Councils of Margate and Hibberdene also provided some infrastructure for informal traders during this period, as represented in Figure 5 on page 46 in green. These are clearly ad-hoc events that led to important changes for the beginning of a developmental approach to the informal economy. However, the fact that they were uneven and unstructured led to other potential challenges.

Furthermore, based on the timeline Figures 4 and 5 of both Msunduzi and Hibiscus respectively during the first phase, it is evident that the earliest interventions were initiated by informal traders in the early 1990s that optimized on the political climate of the imminent democratic transition (represented in grey). In Msunduzi, the 'hawkers' from the then informal Debby Market successfully mobilised against the selling of the municipal land from which they operated, however with the help of ANC officials that represented their interests in council and also assisted with their organisational capacity building. The subsequent development of the market occurred as a result of the Ward Councillor together with the Traders Association that successfully lobbied the council. In Hibiscus, a traditional medicine doctor demanded development assistance from the Port Shepstone Local Council of the late apartheid government. Thereafter, regular meetings and workshops were held with informal traders which assisted in the organisation of trader groups. Consequently, this won the cooperation of the traders for the allocation of trading sites in the inner-city, the construction of the trading complex completed in 1996 and the subsequent traders' stalls completed in 1998. The Chairperson (Isolempilo Traders Cooperative: 31/03/2010) elaborated '...they welcomed me in a very very respectful way until they advised me to form an association so that the people would be known. I formed this committee and they directed me, and that happened up until this structure came

up.’ He added that the bus rank trading complex was mostly built according to the traders’ preferences. These transformations from the early to mid-1990s resonates with the literature which states that the first phase of local government restructuring is characterised for its energetic engagement between various stakeholders, with an enthusiasm for change and cooperation as a result of the imminent democratic transition (van Donk & Pieterse, 2006). However comparatively, a greater range and depth of interventions around infrastructure provision, organising and regulation were implemented in the Hibiscus region than in Msunduzi during this phase - which can be seen by comparing Figures 4 and 5 on page 45 and 46 respectively.

This phase marked a period of significant political change and institutional formation as local government was forced to become an implementing agent of the national government development policies. The change of mind-sets meant that local government had to view street traders support, in this limited case, as a component of the service delivery drive of government policy. The involvement of all the relevant parties also marked a beginning of the acknowledgement that the democratic system was critical to an inclusive decision making process. For instance, Msunduzi’s street trading bylaws formulation demonstrated that this process was indeed an important one, although with expected shortcomings because of the mere lack of experience at the time. It also marked a period where the previously marginalised began to collectively fight for their rights to participation in urban development and economic growth. Although this phase was not supported by any changes in policy and legislation, it influenced significant changes for the informal economy and the agency of traders struggled for space in centres of economic potential thus, in the process, making significant inroads in the broader political economy of urban change. This resonates with Watson’s (2009) description of the political economy of urban change, as a zone of encounter and contestation; however for informal groups, where it is also a zone of resistance. In addition, it relates to Knudsen’s (2007) emphasis of the active participation of informal agencies that claim the rights to spaces of opportunity as a spatial strategy, and which can ultimately enable a change in the power relations, policies and regulations of urban governance. It is described as a negotiation for the struggle over the right of appropriation and participation, and as a right to the city. This aptly describes the changes in urban governance spurred on by the struggles of the agency of traders during the first phase of local government restructuring.

#### **4.4.2. The Second Phase: 1996-2000**

The findings indicate that in Port Shepstone, from 1998 up until 2003, there were no developmental interventions by the municipality for informal traders beyond regulation and enforcement as can be seen in Figure 5. Whereas in Msunduzi, this period experienced a range of institutional responses from; demarcation of trading sites, development of a multi-stakeholder forum specifically for informal trading and infrastructural provision (as shown in Figure 4). The literature suggests that there was generally little spending on maintenance or capital injection from government for urban development during this period which consequently led to a crumbling of the urban fabric (Ryneveld, 2006; Luus & Krugell, 2005; Robbins, 2010). This latter description resonates with the situation in Hibiscus, and although Msunduzi’s urban fabric also experienced decay due the urban influx of informal trading activities; contrary to the literature, there was some capital injection for urban development for informal traders. Moreover in Msunduzi, although the formation of the

Informal Trade Task Team (ITTT) is deemed progressive, the meetings were reportedly bogged down with solving management problems, with the consequence that little was done on policy or skills training (Senior LED Official: 18/02/2010).

Therefore in both contexts, there has been a growing concern about the urban management challenges associated with the influx of unregulated informal trading, such as increased traffic congestion, degrading urban infrastructure, health and safety hazards and as a source of unfair competition for formal businesses (MLM Programme Officer, Informal Trade: 18/02/2010; MLM Chairperson, ITTT: 03/03/2010; Licensing Manager, MLM: 25/02/2010; Senior LED Official, MLM: 18/02/2010; HCM LED Administrator: 31/03/2010; HCM Ex-Chairperson, LED Committee: 07/04/2010; LED Manager, HCM: 31/03/2010). Also in Msunduzi, a challenge related was the management of issued sites due to the high percentage of defaulters of rental payments and lease agreements, with incidents of trading sites being subversively acquired by professionals that are illegally sub-let, sold off and even invaded (Programme Officer, IT: 18/02/2010; YEDEP & NDC, 2005). Hence, it was widely asserted that more resources are required to 'manage and control' street trading in Msunduzi. In Hibiscus, the urban management challenges are expected to worsen due to the lack of adequate space to accommodate the high demand for trading sites, with a waiting list up to five-hundred prospective traders (LED Administrator: 31/03/2010; Ex-Chairperson, LED Committee: 07/04/2010; PA to Director, Health & Community Services: 01/04/2010). Consequently this has been leading to conflicts over access to spaces, particularly by foreign traders, and cases where people are either illegally selling or subletting their issued sites at exorbitant rates and/or where a single permit is shared by family members as a form of inheritance (Former LED Officer: 01/04/2010; LED Administrator: 31/03/2010). The challenge of collecting fees from permits was also raised, and where traders mobilise in protest when the fees are raised for apparently valid reasons (LED Manager: 31/03/2010).

The findings also demonstrate that there has been an increase in the number of informal traders due to the prevalence of foreigners and general trend of the informalisation of the formal sector (Chairperson of ITTT: 03/03/2010; Senior EDG Official: 18/02/2010; HCM LED Manager: 31/03/2010). The LED Manager commented that the presence of foreigners in Hibiscus is bringing management challenges because they operate like cartels, primarily selling counterfeit goods and only paying rentals to their landlords and not the business licenses. This may be because many of these foreigners are asylum seekers and do not have relevant authorization in their identification documents to be registered. The findings relate to literature that explains the regional pressures which have brought an increased number of migrants, immigrants, refugees and political asylum seekers that to South Africa from the surrounding African regions due to its greater economic opportunities (Skinner, 1999 cites Peberdy & Crush, 1998). Furthermore in Hibiscus, there is notable conflict between the taxi industry and informal traders regarding the access to, and control of, space (LED Manager: 31/03/2010; Superintendent, PS: 01/04/2010; Chairperson, ITC: 31/03/2010). The incidents of taxi rivalry are frequently captured by the local newspapers (Seweparsad-Mahadev, 2010).

In summary, the above findings resonate with the universal experience of the challenge of rapid urbanization and informality, and the consequent urban management challenges for the

regulators of urban spaces and informal workers (Braun et al., 2011; Skinner, 1999; Dewar, 2005). Furthermore, this phase marked a period of legislation and institutional development for the informal economy as the findings revealed that both contexts had legislation on the informal economy developed during the 1996-2000 period. However, the main objective of this process was largely enforcement, regulatory and compliance driven with limited scope for an enabling environment, as discussed by Skinner (1999), where the developmental role of local government on the ground remains geared towards being restrictive. Mabin's (2006) reflection of the South African experience is exemplified by these findings that the escalation of public space trading continued with little effort from city governments that had effectively experienced a collapse of control due to the rapid urban influx. Mabin (2006) notes that this was a consequence of the lack of capacity of local governments and the sheer challenge of restructuring according to a highly redistributive path, which overestimated their capacity to do so at the scale calculated. This was reportedly exacerbated by the fiscal discipline introduced from 1997. However, it could be argued that these constraints are influenced not just by the lack of local government capacity and resources, but also by a national signal failure with regards to structuring the outcomes of the policy and institutional environments, combined with local power struggles of urban elites to maintain the status quo of the pursuit of the urban modernist vision of city making. This involves a resistance to urban change that threatens this vision through the incorporation of the informal economy into the urban fabric. These dynamics will be elaborated further under Section 4.5.

#### **4.4.3. The Last Phase: 2000 and Onwards**

From mid-2001 to 2005, there was very little that was done by Msunduzi except skills training for informal traders conducted in 2005, as can be seen in Figure 4 (Senior Official, LED: 18/02/2010). Moreover, a respondent said that the "golden period" of the Informal Trade Task Team had tailed off after 2000 (Director, Pietermaritzburg Chamber of Commerce: 04/03/2010). The Economic Development unit was unofficially given the informal trade functions from 2005 and up until 2006, it seems to have largely focused on building its own institutional capacity by instating a Programme Officer for Informal Trade, organising some informal trader groups including the implementation of regulatory and enforcement tasks. Although some funds were allocated to infrastructure maintenance and there was a flagship project implemented in Msunduzi accommodating traders stalls, these are believed to be narrowly focused in the CBD, insufficient in meeting the demand for infrastructure and maintenance, and ad hoc (Senior Official, LED: 18/02/2010).

However Hibiscus' LED unit officially took on the 'second economy' functions as part of its duties earlier in 2003, as can be seen in Figure 5. Thereafter, between 2003 and 2005, it underwent a spurt of activity as infrastructure provision and maintenance made possible through MIG funding (represented in green in Diagram 2). From 2005, there were no urban development projects in Hibiscus, and the activities entailed regulatory and enforcement tasks. In Hibiscus, 2009/10 was the year for which capital funds has been acquired with plans for an infrastructure project in the form of the provision of food carts and upgrading of the Port Shepstone CBD taxi rank (as seen in Diagram 2 in green). Since 2008, there has been an emergence of policy development in both contexts (represented in purple in Diagram 1 and 2). However, the degree to which these policy documents have been influential is questionable considering there the lack of awareness by the provincial

official about Umgungundlovu District's informal economy policy and the provincial policy still being in its draft form.

The literature attributes the last phase with the emergence of IDP and LED plans (van Donk & Pieterse, 2006). Nel (2001) added that in 2000, government started to release initial guidelines about possible institutional arrangements and strategies for local governments to begin investigating LEDs. These latter aspects are resonated by the establishment of the LED units in both contexts during this period, along with the IDP and LED documents that began mentioning the some developmental strategies for informal economy. It is mentioned that there was more commitment to provide funding for maintenance and capital injection for urban infrastructure development through state funding sources such as the MIG (Robbins, 2010; Nel, 2001). This is congruent with the MIG funded infrastructural projects such as Msunduzi's Freedom Square Facility, and Hibiscus' Hawkers' Facilities Programme and the planned food cart project (as can be seen in Figures 4 and 5 on pages 45 and 46 respectively marked in green). The literature also notes a new emphasis of building partnerships between local municipalities and other structures, including provincial institutions. These were aimed at establishing investments for urban development which emerged between 2000 and 2004, when the economy started showing signs of recovery (Robbins, 2010). This partnership approach to the informal economy is evident between the KZN provincial economic development department and the municipalities of both contexts, because the MIG funding from the National Treasury for infrastructure and the policy development had been acquired through the province.

Although the KZN informal economy policy process commenced from 2002 as the first provincial framework of its kind in the country, this was a drawn out process which was revived in 2010 with the White Paper being in its draft form. Two respondents felt that this was solely a response to the emotive conflict around the proposed demolition of the Early Morning Market in Durban as part of an urban revitalisation strategy steered by eThekweni Municipality for the 2010 World Cup (Former LED Officer & Manager, Ugu District Municipality: 01/04/2010; Manager of Business Governance, KZN DEDT: 04/03/2010). This was however strongly opposed by the informal trading community, including the professional community of academics and built-environment professionals at large. The traders pressed charges against eThekweni Municipality for failing to comply with due processes and this ultimately required the province to provide a non-partial investigation. One of the findings of the report from the province was that policy framework at the provincial level must be accelerated to guide local municipalities in mitigating confrontations of this nature. This indicates the reactive nature of the policy intervention, much like the other intervention responses for the informal economy. This highlights the dimensions of the political economy of urban change and particularly the value of the conflictual model of governance as discussed by Minnery (2007) and Watson (2009). On this, Watson emphasises that governance agencies cannot be assumed to be continually consensus-driven and cohesive either, instead they are multi-level, fragmented and the type and level of involvement can change over time. Furthermore, adding that the assumptions of cohesive and law-abiding civil society which receives the enforcement of regulatory planning and the support for the urbanist modernism visions needs to be questioned. This is evident in the findings where the provincial level of governance interrupted the Durban's local government pursuing an intervention driven by an urban modernist vision, as a result of the resistance from civil society organisations and traders agencies.

#### **4.5. Institutional Challenges in Interventions**

The challenges noted below are not time-bound but are rather emerging trends emanating from the changes that have occurred during the three phases detailed above. Hence, they form part of a continuum in the unresolved institutional challenges and policy pertaining to the development of the informal economy. The following chapter discusses the issue of the political ambivalence at the local and national levels of governance which is symptomatic of the contestation in shaping the vision and making of urban development. This will be followed by the lack of appropriate consultation and structured communication between the local government and trader agencies in particular, the conceptual limitations and operational barriers arising from notions of the formalisation of the informal economy, and lastly the lack of institutional record and assessment of intervention measures.

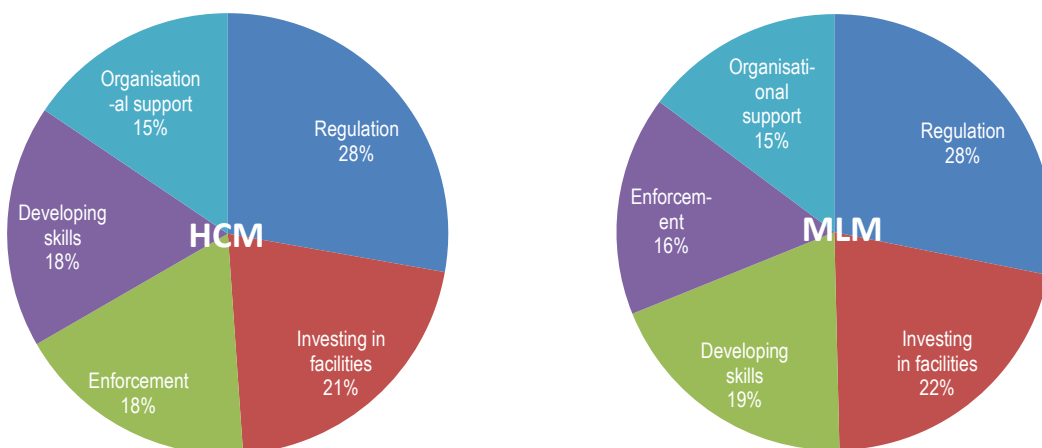
##### **4.5.1. Mixed Political Responses Resulting from Stakeholder Influence**

The lack of proactive and consistent interventions in Hibiscus up until 2003, and then again from 2005 onwards; and similarly Msunduzi's inaction from mid-2001 to 2005 - is suggestive of the political uncertainty from the local governments. This could be attributed to the challenges related to LED initiatives in general, in the lack of clarity as to how to address the dual objectives of economic growth and poverty alleviation. However, a developmental approach in support of the informal economy is critical in lieu of the trends in the growing rates of urbanisation in tandem with informality, which are being further aggravated by economic recession worldwide, the trends of jobless growth and high levels of poverty and inequality in the South African context. However, the political ambivalence is as a result of the wider struggles of influencing stakeholders that contribute to the mixed responses and inaction by the respective local governments. Several examples from the two case-studies will show that this political ambivalence is symptomatic of the conflicts over the use and development of public spaces based on competing vested interests and exercise of power by urban elites encompassing formal businesses, bureaucrats and politicians at different levels. In fact, it was mentioned that a unique challenge in Hibiscus is around the impact of counterproductive politics as a cause of the lack of effective interventions (Superintendent; CBD Formal business representative: 01/04/2010; Former Town Engineers Official: 01/04/2010). For instance, the standalone traders' stalls installed in the Port Shepstone CBD were meant to be extended along more of the inner city streets, which never happened because of pressure from the business community who were against the additional facilities (Former Town Engineers Official). It was further explained that business in Port Shepstone is controlled by the Muslim and Indian community who influence politicians, as the Former Town Engineers Official (01/04/2010) elaborated, '...Politicians obviously do what voters want them to do, if the shop owners don't want something, they just won't do it (...) And we always have that – who do you please? – Those people or the people coming from the rural areas? The politicians, they are always in between...' Also adding that there has not been a political will to address the challenges around the informal economy, saying '...if it's a threat to their (*politicians*) existence, then they will do something but if it's not, they will just not pay attention to it' (Former Town Engineers Official: 01/04/2010).

Two other respondents exemplified their perceptions of the lack of regulation and control of the informal economy by the new local government as a matter of maintaining political support, by citing the clean-up operation of hazardous structures housing informal take-away businesses at the Port Shepstone taxi rank in 2010. Afterwards, the mayor pledged R100 for each trader affected as a result of the operation. The LED Manager (31/03/2010) mentioned that the removals and the compensation for the damages that followed after some of the informal traders protested at the Mayor's office happened only a few months ahead of the elections. The CBD formal business representative (23/03/2010) elaborated: '...you see the municipality is worried about the votes. If they were aggressive about the implementing of the law and order, then they lose out on votes and that is actually what happened...' Similarly, the superintendent (01/04/2010) said, '...there's a lot of political agendas behind all this, it costs votes (...) I think that's why the mayor gave them all a R100 to go and buy a tent which was a good gesture from that point, but it was also a political tool basically...' The Chairperson (Isolempilo Traders Cooperative: 31/03/2010) added to this the issue of internal politics that use informal traders as tools for their own interests as he said: '...there is no communication among themselves, from (*within*) one political party (...) When he comes to me, this one will come with a different story from another. They are playing their politics right in the political party but they are using us as tools.'

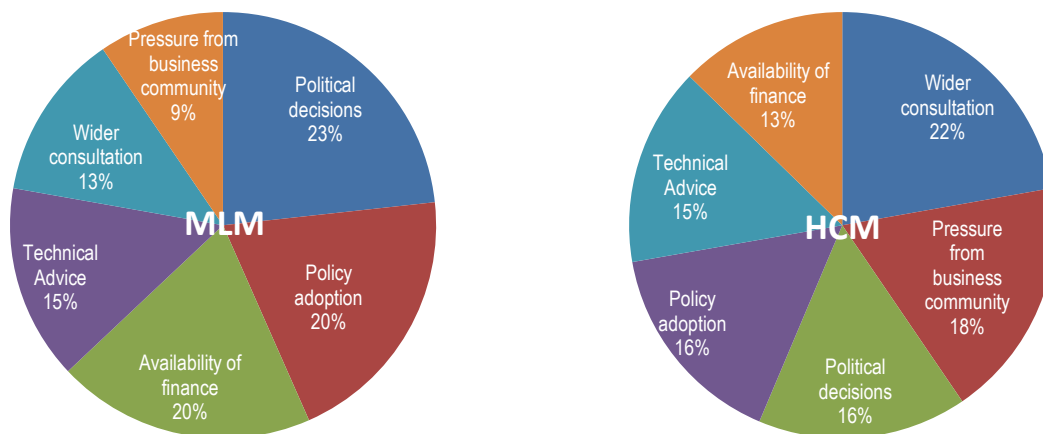
Similarly in Msunduzi, the Senior EDG Official (03/03/2010) added by saying: '...the biggest challenge (...) is to keep formal businesses happy in the sense that we are protecting their interest, at the same time, we are allowing this informal kind of economy to grow, and create the kind of jobs and entrepreneurs that we think should happen.' The Licensing Manager commented on the highly politicized and complex task of working in the informal economy because there are always complaints at all levels, including the lack of political support for the day to day activities. He added that if one enforces bylaws and impounds traders' goods for valid reasons, this fuels confrontation from traders that will march to the City Hall or to the Minister of Economic Development, and which will be followed by a reprimand of the urban authorities by the high level officials. However, this is contradicted by reactions where highest level officials send orders to "clean up" and essentially remove the informal trading activities when international delegations visit the city. As the Senior EDG Official (03/03/2010) elaborated that many officials have a tendency to apply a Eurocentric view of the city's urban spaces as structured and orderly as he says, '...It's not that we must not aspire to those kinds of conditions but we have got to face a reality, which is that we are African...' The mixed political responses are also evident in the debate around the 1995 street trading bylaws in Msunduzi. The bylaws are criticized for conflating the supposition of the lack of space, because they prohibit the demarcation of sites near government buildings in the CBD which occupy prime trading areas (Licensing Manager: 25/02/2010). This is in light of the fact that several government departments have been relocated to Pietermaritzburg's CBD which also sees a prevalence of informal trading activities. Therefore the bylaws are criticized for being restrictive and blind to the changing socio-economic and political landscape since the democratic transition. A comment from a respondent highlights the contradictory sentiments from officials as he says: '...in 'Maritzburg you find them everywhere! I think that is the negative part of it because at the end of the day if everyone looks at the investment part of it, from a tourism perspective; having someone with a table trading in front of the Parliament building, it doesn't attract investors' (Manager, Business Governance of KZN DEDT: 04/03/2010).

Furthermore, the mixed political responses are apparent in the disjuncture between some of the developmental speak that appears in the legislative and policy documents and the responses on the ground which primarily remain regulatory driven. This is further verified by the respondents responses when asked to rate a list of five organizational responses to the informal economy in relation to their specific units intervention, in order of most important to least important. These are collated in Figure 6 below. Based on the mode of the findings, it was discernible that the primary focus in both Msunduzi and Hibiscus is on the regulation of informal trading, if one is to combine enforcement as well.



**Figure 6: Comparison of the institutional tools in response to the informal economy in MLM and HCM**

Moreover, respondents were asked to rate a list of six influencing factors on their unit's responses to the informal economy in order of most important to least important, as captured by Figures 7 below. The findings suggest the strong influence that political decisions have on interventions in both Msunduzi and Hibiscus, in the former, it is the primary influencing factor and in the latter, both pressure from the business community at 18% and political decisions at 16% play strong influencing roles. However, it is apparent from both Figures 6 and 7 that there are emerging developmental aspects in both contexts to varying degrees, which suggests the potential for a greater shift from enforcement and regulatory driven responses in the future.



**Figure 7: Influencing factors on the institutional responses to the Informal Economy in Msunduzi and Hibiscus**

These findings reveal that the political-economy of the contestation of spaces resonate with Chen et al. (2001) and Masonganye (2010) that mention the historically strong partnership between local government and formal business, and the unchanged negative attitude towards informal workers as purveyors of ‘crime and grime’ and poverty, and as the cause of the hollowing out of the central city. Guyot (2001) adds that in Port Shepstone there is an on-going political debate as to whether resources should be focused on improving the quality of life for the previously disadvantaged communities through service delivery; or to change the negative industrial small town image by developing the tourism potential in making the region a ‘real first world secondary town’. The latter authors unanimously postulate that the heart of the contestation is said to be a battle over the appropriate image of a city in ‘the new South Africa’ as Eurocentric, that is orderly, formal and bourgeois, against one that is more African, vibrant and bustling with trade. However, it is also argued that the apartheid momentum of segregated urban design and planning is still being perpetuated, with a deficit in the knowledge and practice of alternative urban configurations needed to accommodate a hybrid economy and the diverse realities of South Africans (Dobson, 2009). This again highlights the dimensions of the political economy of informality and urban change as discussed in the literature review. For instance, in the wider struggles and influence of specific interest-groups from public networks negotiate with the state, in acquiring preferential access to resources and/or avoid control and regulation as discussed by Watson (2009) and Pieterse (2008). Moreover, these findings of the mixed political responses affirms Watson’s (2009) argument that governance agencies cannot be assumed to be continually consensus-driven and cohesive because in reality, they are multi-level, fragmented and the type and level of involvement can change over time. Therefore, the findings from both municipalities reveal the influence of both formal and informal agencies, and political ambivalence from government officials at all levels, which have contributed to the mixed developmental and policy responses towards the informal economy.

#### **4.5.2. Lack of Consultation and Communication**

Some respondents from both contexts raised process issues such as the lack of appropriate consultation and structured communication that have contributed to the lack of effective

interventions. For instance, the institutional responses to the informal economy in Msunduzi have been described as ad hoc, largely because the relevant departments work in silos (Chief Technician, Roads & Transportation: 25/03/2010; Director, PMB Chamber of Commerce: 04/03/2010; YEDEP & NDC, 2005). The YEDEP and NDC (2005) noted that there is non-alignment and poor communication between the licensing and traffic and security department – the latter deem their exclusive responsibility as enforcing the bylaws; and where politicians do not give support to the urban authorities. The report suggests that although the communication between trader representatives and officials is good and the trader representatives are vocal, they lack competency. In addition, there is a lack of communication between formal and informal businesses which in fact should be facilitated by the municipality.

A practical case in point is the Debby Market, as it was reported that prior to the infrastructure development, a proposed plan was submitted to the city by an architect on behalf of the traders depicting their preferences, however it was not accommodated. On querying a senior official from Msunduzi's economic development unit about this, the response was that it is ultimately the council's decision what they do within their funding constraints. The current design has led many of the traders to apply their own forms of shade netting to lessen the effect of the sun and rain which negatively impact the urban aesthetics of the precinct, however otherwise which would deteriorate their products. Similarly, with regards to the new Freedom Square traders' facilities, the Chairperson (ACHIB: 26/03/2010) and Chief Technician (Roads & Transportation: 25/03/2010) commented that there are issues with the lack of visibility of the trading activities which is not only a challenge for marketing the traders' businesses but also because it is removed from the foot traffic as shown in Figure 8 below. Originally, the plan showed the placement of stalls along one side opening into a forecourt facing the taxi rank, however, the demand for trading spaces from the people displaced from the former Market Square led to the entire space being enclosed. The Chairperson (ACHIB: 26/03/2010) mentioned that although they were shown plans which looked impressive on paper, there was not a real understanding of its implications until it materialized. It was added by him and an official from Msunduzi's economic development unit that the stalls are in fact too small for traders with insufficient space for storage of goods, commenting that the individuals are trading outside the demarcated areas which defeat the purpose.



**Figure 8: Exterior and interior shots of the Freedom Square Taxi facility incorporating informal traders facilities, however which are removed from foot traffic and separated by a wall, further reducing their visibility from passing commuters.**

Similarly, in Hibiscus, the Chairperson (Isolempilo Traders Cooperative – ITC: 31/03/2010) mentioned that although the consultants that designed the green trader stalls in the CBD consulted the traders prior to the implementation, and the traders had told them their preferences for a roof hanging that shelters both the traders and their goods from the elements, he said that ‘...it was not designed as they showed us in meetings.’ This is because the preferred roof structures were going to block views of the formal shops, to which he said: ‘They totally forgot about us, they thought about the shop owners...’ In his opinion these inadequate structures should not have been replicated in other areas of the Hibiscus region such as Margate and Gamalakhe. Moreover other design issues with infrastructure provision were pointed out, with the example of the Port Edwards traders’ facilities which remains unused (LED Manager: 31/03/2010; LED Administrator: 31/03/2010; Chairperson, ITC: 31/03/2010). The LED administrator reported that this is one of the most impressive and costly structures built for informal traders, yet they do not use them because of design issues. On a personal visit to the site, it was evident that the layout of the stalls was not fully considered because it is offset from the foot traffic and isolated from the taxi rank. This latter case affirms the discourse of the political economy of urban change as Watson (2009) described it as a zone of contestation and clash of rationalities, for example, when state interventions interface with the highly differentiated urban citizenry, then their responses to interventions are always varied as they can utilise, reject or hybridise them to suit local contexts in a number of ways. Similarly in Hibberdene Taxi Rank facility, the roofing structure was observed to be falling apart, to which the LED Manager reported was as a consequence of using cheap roofing material. The Chairperson (ITC: 31/03/2010) mentioned that traders from both Port Edward and Hibberdene traders’ facilities have complained about the inadequate roof cover leaving them exposed to the elements as seen in Figure 9 and 10 below.



**Figure 9: PE traders' facilities that is set perpendicularly to the foot traffic and isolated from the taxi rank on the far end, with inadequate roof cover and high tables which leaves the trader exposed to the elements**



**Figure 10: Hibberdene traders' facilities with cheap roofing material that is falling apart and failing to provide the traders protection from the elements**

Moreover, it was raised that interventions for the informal economy are narrowly conceived and not tailor-made for different areas (Former LED Officer, Hibiscus: 01/04/2010). This was exemplified by the narrow focus on the street trading sector of the informal economy, and where training provision for informal traders is being misappropriated under the SMME banner. The training was deemed too advanced for informal traders and therefore inappropriate, particularly for elderly informal traders who are illiterate. However, in Msunduzi the Economic Development official (Umgungundlovu District Municipality: 25/02/2010) reflected that through the prior experience of having provided training, it was realised that many informal traders are illiterate and this was addressed by selecting service providers that accommodate basic literacy in their training manuals and programmes. It was also mentioned that there is a building adjacent to the Port Shepstone taxi rank that the informal traders have been requesting to house the many food handlers in the precinct (Chairperson, Isolempilo Traders Cooperative: 31/03/2010). However, this was not granted as he elaborated: ‘...we volunteered that we are going to clean it up ourselves, paint it up ourselves (...) the structure was given to another white man to renovate it you see, so that they can start now renting to that man. The food carts have been planned as an alternative, although the latter respondent mentioned the traders have yet to be consulted in the design of these proposed structures.

The findings show a lack of thorough consultation or regard for the needs of the informal economy, which has led to standardised responses that are ineffective and/or underutilised. This surfaces the points from Skinner (1999) and Holness et al. (1999) about a definitive challenge in shifting perceptions towards creative alternatives in urban configurations to introduce new possibilities in the minds of spatial planners and urban managers. This is said to be because Northern models of urban development continue to marginalize large segments of lower income populations and exclude their diverse needs (Holness et al., 1999). This is contrary to the emerging practices that show that proactive engagement with informal activities and creative assimilation that lead to appropriate interventions and an improved urban quality (Dobson & Skinner, 2007). Furthermore, although not covered in the scope of the literature review, these findings affirm some of the discourses on participatory development. For instance, Cornwall (2008) warns that the

language of ‘participation’ has become a buzz-word which can be reframed to meet any demands of it, as long as it is involving people. She adds that there is vagueness in the notions of participation and other barriers to delivering it democratising and transformational intents. Therefore, it is emphasised there are various types, meanings and approaches to participation, from worse to good forms of it, depending on the actor initiating it and their intentions (Chambers, 2005; Cornwall, 2008). Furthermore, Cornwall (2008: 270) elaborated the examples of worse forms, some of which is affirmed by the practices of the local government from both municipalities, where consultation is used as a means of legitimising already taken decisions, ‘...providing a thin veneer of participation to lend the process a moral authority. Its outcomes are open to being selectively read and used by those with the power to decide. Rarely are there any guarantees that what is said will be responded to or taken into account...’ This is encompassed in the political-economy of urban governance, in the ways that the decision-makers influence social relations to retain control over urban development outcomes.



**Figure 11: One of a number of food handlers at the Port Shepstone taxi rank housed in a gazebo. The proposed food carts have concerned the Chairperson of ITC because he doesn't think they can accommodate the actual size of the businesses**

With regards to the nature of consultation, respondents were asked to describe the character of the institutional responses to the informal economy as captured in Chart 3 in page 58 below. In Msunduzi, the majority at 58% (all municipal officials) felt that the municipality was consultative with all the relevant stakeholders in the implementation of interventions, 25% felt that the municipality's responses varied from one intervention to the next, and 17% felt that the responses were imposed. Similarly in Hibiscus, as answered by eight respondents, 50% (all municipal officials) felt that the municipality was consultative, and the remaining 50% (including municipal officials and other relevant stakeholders) felt that the municipality's responses varied from one intervention to the next, and hence no one felt that the responses were imposed. Therefore, although the local government level has been emphasized as the site of democratic governance through participation and consultation, as noted by Chen et al. (2001), the findings from the qualitative information and the Figures below show that this is not always the case in practice.

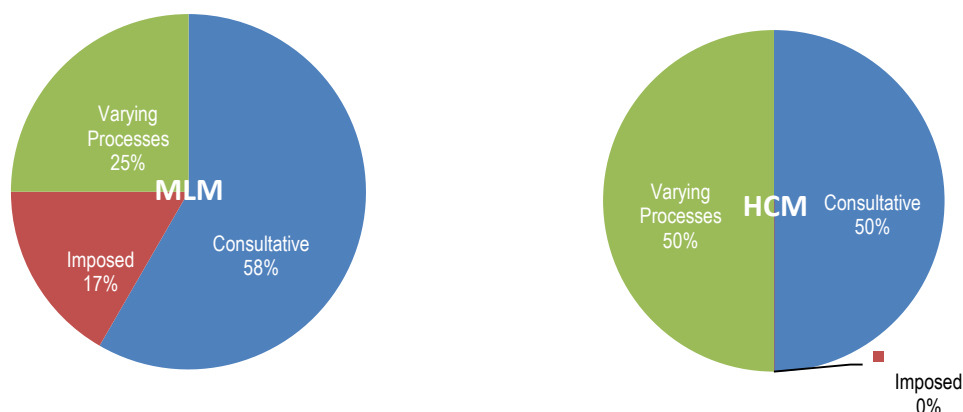


Figure 12: Comparison of the character of the institutional responses to the informal economy in Msunduzi and Hibiscus

#### 4.5.3. Formalisation of the Informal Economy

In Hibiscus in particular, an issue raised by some respondents was the lack of thorough understanding of the informal economy. For instance, there is wide reference to the idea of the formalization and/or graduation of the informal to the formal economy, however with the lack of support services to enable it; and consequently only a minority are able to actualize this (Former Town Engineers Official: 01/04/2010; Former LED Officer, Hibiscus: 01/04/2010). The former Town Engineers official mentioned that the standalone stalls in Port Shepstone were designed for entrants, with an expectation that they would move to a bigger stall and ultimately into their own shop. However, the LED Manager (31/03/2010) countered this by saying that, ‘The infrastructure we have (*for the informal economy*) is not enough for advocating economic growth in the area...’ The former LED officer (01/04/2010) argued there are people that have been trading in the same space and condition for close to thirty years that cannot graduate, as he said, ‘...once you say that you are moving them from that set of interventions, once you say you want to formalise them, they (*informal traders*) will run away (...) So even the sake of bridging the gap between the second and the first economy (...) I am seeing the second economy remain like that and we will drive our economy and people will grow gradually within that sector. There will be maybe, less than 10% that will grow...’ This is congruent with Becker (2004) and Nattrass’ (1987) arguments that there will always be marginal or survivalist groups who cannot afford to comply with existing regulations and participate in any formal context and where only a small section of them can make the transition of formalizing successfully.

The former Town Engineer official (01/04/2010) added that officials assume that all project beneficiaries are entrepreneurs that will make a business venture success as soon as they are equipped with some infrastructure or training, emphasising the lack of after-care or follow-up support services by LED. As he said: ‘...you cannot make somebody to be entrepreneurial – it’s either you want to be or you either don’t want to be (...) we expect these poor people to do it in one year or five years, but they don’t have the knowledge, they don’t have the background (...) you can’t just say ‘there’s your business’ and walk away because that’s where the difficult part starts...’ The Chairperson of ITC (31/03/2010) similarly mentioned that there is a lack of support from

municipality and businesses to help traders expand and graduate, especially because the shops are too expensive for traders to rent. He referred to incidents where some informal traders have been denied renting shops because they are considered too small-scale by the predominantly Indian and Muslim sellers of property. Adding that it may also be a matter of discrimination where foreigners are given preference over locals. As he said: ‘...they want to give the shops to the Chinese, because the Chinese can pay whatever they say! More than us because we don’t have money. They don’t just say ‘go away’; they just raise up rent so that we fail to continue to keep the shop open...’ This therefore highlights some of the shortfalls in the conceptual references and development strategies for the informal economy, that are widely cited in legislation and policy documents, and in the political speak of politicians and officials.

#### **4.5.4. The Lack of Institutional Assessment and Record of Intervention Measures**

Although a timeline could be extracted in both contexts in terms of some interventions, insufficient information was given about the impact of these interventions primarily because of the lack of continuity. Here, the officials often cited that another municipal unit or individual was primarily involved as an explanation for the lack of knowledge about the specificities and/or impacts of a project or programme. Neither context reported that they have done any assessments on any of their programmes or projects previously implemented. For instance, the former Hibiscus LED Manager vaguely mentioned interventions done by the Ugu district which were not successful, however with no information about the dynamics that led to this. Similarly, an official from Msunduzi’s LED unit mentioned the extensive plans including consultations with traders that were held to develop a goat market facility off the Edendale highway identified as a lucrative activity for the informal businesses. However, this did not materialize due to various municipal issues, and although this good idea was seeded, it still remains unfulfilled. Furthermore, there was no mention of the provision of trader facilities within the R350 million proposed Edendale Mall by any officials as written about in a newspaper article in 19 May 2010 (Regchand, 2010). The article notes that the developer reported that a formal taxi interchange is planned along with a ‘formalized hawkers’ market’ that is planned to be developed by the Department of Transport. The lack of having mentioned this could be because the latter department is seen as steering it, reinforcing the silo and ad hoc approach to developments for the informal economy.



**Figure 13: Trading complex provided by the late apartheid government of PMB that is in need of better regulation and maintenance**



**Figure 14: Shelters for informal trading provided by Department of Public Works in the inner-city of PMB that is underutilised**

Moreover, a personal venture into the inner-city of Msunduzi led to the discovery of infrastructure interventions for the informal economy which were not mentioned by any of the respondents until a later follow up. These included sheltering facilities by a former hostel, as an initiative by the Department of Public Works, and a trading complex implemented by the late apartheid government that is maintained by the Finance Department. The trading complex was observed to be in need of maintenance with obvious signs of neglect. It was also discovered through an informal face to face interview with a trader here that many of the tenants are renting the stalls from the original owners at exorbitant prices. These latter interventions implemented or operated by other departments is indicative of the non-alignment of line functions, leading to more uncoordinated and uneven interventions. An institutional record of the past interventions would enable the implementing agents to learn from the past and design more appropriate interventions or approaches instead of repeating the mistakes of the past. However, there is a history of intervention measures that remains unaccounted for.

Some of the institutional challenges raised in Section 4.5 points towards the need for a deeper democratization process which attempts to overcome the barriers to more deliberative policy making and implementation as emphasised by Pieterse (2008). This can make a difference but as the experiences raised in the literature review of the shortfalls of the governance systems for the informal economy in Durban and India despite having progressive policies, and the experiences discussed under the case-studies; shows deeper issues around the wider struggles of influencing stakeholders such as bureaucrats, political interests at different levels, elites and including a growing influence of informal trader agencies which have contributed to inconsistent developmental and policy responses. Such concerns have been echoed by Kleniewski (1997), Minnery (2007) and Watson (2009) in their elucidations of the political-economy of urban change. Although not covered in the scope of the literature review, it also echoes with Mitlin (2011) and Baud and Nainan (2008). Through specific case studies Mitlin shows how local organisations and movements have moved between autonomy and dependency with political elites or bureaucrats which have sought to counter-influence or ‘capture’ their support. This has the effect of being exclusionary by limiting potential

alliances with other grassroots organisations, movements and groups. Baud and Nainan elaborate the cases of new forms of cooperation between local government and citizens which have opened up new spaces of negotiation, however where these are limited by the influence of political elites or where influential public networks and movements influence government agencies to acquire preferential resources that is exclusionary of vulnerable groups. The comparative analysis will be summarised in the next section with a conclusion of the study incorporating recommendations.

## **Chapter 5: SUMMARY OF FINDINGS AND CONCLUSION**

The purpose of this chapter is to summarize findings using the main themes of the study with the aim of drawing conclusions arrived at through the intensive analysis process. To achieve this, it draws from work done in previous chapters by drawing on the findings from the two case studies. Although the comparative study of the two contexts was not the explicit aim of the research, it did largely reveal a number of similarities with slight variances in the trends of informality, the institutional arrangements, the policy and legal environment and the operational responses. This has served to shed light on the meso-level dynamics such as conceptual reflections and broader implications on urban environments, policy and informality which will be elaborated below. Ultimately, key recommendations are proposed and although they are not exhaustive, they are informed and wide-ranging.

### **5.1. Informality**

According to the study, 1980s onwards experienced a period of increased urbanization informed by imminent changes in the political climate. The influx to urban areas, particularly by the African population looking for work opportunities exponentially increased, leading to various urban management challenges for local government. These challenges included congestions, unregulated trading around transport nodes, mushrooming of informal settlements; and conflicts between formal and informal businesses. The democratic transition in the early 1990s further enabled the proliferation of informality in urban centers leaving local governments unable to deal with the challenge. However, prior and immediately after the democratic transition, local government had a very narrow mandate and a limited scope for dealing with rapidly growing urban centers which occurred in a short space of time. Although the democratic climate necessitated a receptive response to informality; the reactions in the cases discussed has largely been reactive, ad-hoc and generally regulatory in nature. This has demonstrated local government's lack of capacity to deal with urbanization and ultimately the informal economy. It is suggested from the evidence, that it is not merely an objective gap in skills, but rather that it is the result of a process in which responses constructed have oscillated around contradictory tensions between different interests (Mitlin, 2011; Brenner, 2004; Watson, 2009).

### **5.2. Institutional Arrangements**

Institutional arrangements are a key instrument in the development of any sector in government, and in order to develop the informal economy, appropriate institutional arrangements should ideally be in place. The institutional location of the informal economy would have ideally dealt with broader issues including the conceptual understanding of the informal economy, legislative and policy environment and innovative interventions. The institutional arrangements for the informal economy has clearly been a critical area of concern, but have arguably led to many challenges facing the informal economy today as demonstrated by this study. For instance, the study finds that during the late 1980s and the early 1990s, the informal economy was institutionally misplaced within regulatory and control-driven institutions that are without capacity to introduce holistic, innovative and consistent developmental responses for the development of the informal economy. Moreover, the

institutional arrangements reflect the influence of competing interests for public attention and consequently, it is of no surprise that marginal actors such as informal traders do not get enough hearing.

Nevertheless, based on the evidence of the study, the informal economy has progressively been accommodated within more appropriate institutions of local government. For instance, in both case studies the informal economy is located with LED units thus placing it at the centre of economic development. While having the informal economy under LED has given it an institutional grounding and a leadership body, LED units are either primarily focused on the development of the formal economy or under-resourced for the specific development needs of the informal economy as exemplified in both case studies. Furthermore, the literature notes that there are few successful examples of LED initiatives, with a lack of clarity as to how to address the dual objectives of economic growth and poverty alleviation. Therefore LED units themselves are still faced with challenges of their own, consequently compounding the challenge of finding a well capacitated institutional home for the informal economy. This is despite the support from the economic development institutions from both the provincial and respective district levels of both municipalities. This is symptomatic of the broader lack of conceptual and operational clarity of LED's role in service delivery provision for the informal economy at the local, provincial and national levels, and ultimately signals a failure from the national level to coordinate policies, strategies, operational plans and resources to guide local governments that are at the coal face of managing the informal economy.

Further contributing to the deficient institutional responses to the informal economy, is the persistent departmental silo approach hindering the development of integrated and coordinated approaches needed for the informal economy. After all, the character and nature of the informal economy places it as a cross-departmental responsibility. Emerging examples have shown that synergistic and multi-disciplinary approaches to the informal economy can enable innovative interventions necessary to meet the diverse needs of the informal economy. This is to counter the current norm of line functions that resort to standardized intervention responses which are limited in scope, ineffective or remain under- utilized as highlighted by the experiences of the two case-studies. At the local level, the institutional challenges are symptomatic of a political ambivalence towards transformative practices; however this is also as a result of the wider struggles of influencing stakeholders from within government (bureaucrats and politicians alike), formal and informal business agencies with competing interests in shaping urban development and policy for their own gains.

### **5.3. Policy and Legal Environment**

The policy and legal environment is a contributing factor to the development of a sustainable informal economy that meets its objectives of expanding economic opportunities for the marginalized and the alleviation of poverty. The two case-studies revealed that before the restructuring period while there was recognition of the street trading aspect of the informal economy, it was largely regulatory and restrictive in nature with some ad hoc interventions as a political imperative in response to the pressures of the imminent democratic transition and the struggles of

traders agencies that optimized on the political climate and demanded their rights to spaces of opportunity and services. However since local government restructuring in 2000, there has been some guidelines on developmental responses incorporated into LED and IDP strategies.

Therefore, the legislation and policy formulation that has taken place in the past ten years in both contexts shows progress, if one is to ignore some of its shortfalls such as the content being composed of underdeveloped legal sections that are less policy orientated. In addition, there is a lack of clear implementation plans and mechanisms. While this process is still in its infancy, the informal economy continues to function, or rather malfunction, under a weak policy environment which has contributed to many of its challenges. The study illustrates the lack of conceptual clarity on the informal economy with the disproportionate attention on the formalization of the informal economy, notions of the 'second' economy and coupling with SMMEs and cooperatives. Moreover, the two case studies also clearly demonstrate that the focus is still skewed towards policing, regulation and taxation with a limited scope for creating an enabling environment; which is similar to legislation elsewhere in the country. Furthermore, the presence of outdated policies and legislation, non-alignment and inconsistencies between various pieces of legislation and policy documents that raise only certain aspects of the development and/or the management needs of the informal economy; it is clear that there is no integrated approach or overarching vision.

Contributing to this is the lack of strategic policy direction from national government, although the provincial government has initiated a policy development process for informal economy which is in its draft form. With regards to the political economy of urban change, the role of the state is identified as an important institution influencing urban patterns through laws, programs and spending priorities. Therefore the source of the problem with the underdeveloped legislation and policy environment and the related implementation challenges could be argued to be the failure of the state institutions to structure the policy outcomes. This may well reflect a political ambivalence at all levels of governance including influencing stakeholders at the local level, in the resistance against transformative practices that will alter the entrenched patterns of the use, vision and development of public spaces.

#### **5.4. Operational Responses**

Although both the local municipalities have emerging policies on the informal economy, they have had implementation challenges such as the lack of prioritization and the subsequent lack of resources and personnel shortages, particularly of appropriately skilled staff. Although two different scales, it appears that Hibiscus and Msunduzi operate in the same way in terms of managing and developing its informal economy. While both case studies are progressive for infrastructure provision, the interventions are still largely ad hoc, reactive and unstructured. This is reflected in the standardised responses that are failing to meet the diverse needs of the informal economy and consequently remain un- or under- utilized by informal traders, and the lack of clarity about future investment decisions. Moreover, this includes ideas of urban planning driven by the apartheid momentum of development disparities exacerbated by the competition of cities and towns towards 'world class' standards. This fundamentally limits the creative assimilation of alternative urban configurations

that meet and synthesize the diverse needs of both the formal and informal in the possibilities of reimagining a hybrid economy.

However, the struggles of traders agencies in both case studies, during the first phase of local government restructuring, that were able to win their rights for access to areas of economic opportunities and services; and the contested relations that has followed thereafter affirms the discourse of the political economy of governance and urban change. Like the discourses, the process of governance is as a zone of contestation and clash of rationalities, where state interventions interface with the highly differentiated urban citizenry, and accordingly the responses to interventions are varied as informal traders either utilise, reject or hybridise them to suit their local contexts in a number of ways. Furthermore, the findings affirm that neither governance agencies nor social groups can be assumed to be continually consensus-driven and cohesive in the process of urban governance. In the case of government, it is multi-level, fragmented and the type and level of involvement can change over time.

Local government's unstructured, uneven and uncoordinated interventions have been further aggravated by mixed political responses at the local government level which range from reactive developmental interventions along with restrictive regulation as the primary focus. This is because the study has revealed that this is driven by the political tensions of balancing the needs of the formal businesses that are rate payers versus redressing the apartheid legacy by enabling trading opportunities to the majority which constitute the working poor. Emanating from this is the lack of institutional memory and a neglect of assessment of projects and programmes previously implemented, thus missing an opportunity to extract lessons and experiences that could inform future planning. Furthermore, the lack of legislative clarity hinders the possibility of developing a medium to long term vision for the informal economy and as a result responses are ad-hoc and mostly reactive. This can be attributed to the inherent lack of institutional capacity, but more so, a national signal failure to structure policy outcomes combined with local power struggles, such as formal business, bureaucrats and politicians that are resistant to see urban change to the benefit of the informal economy. This has highlighted the dimensions of the political economy of informality and urban change, in the influence of entrenched power dynamics where specific interest-groups from public networks, particularly urban elites, negotiate with the state, in acquiring preferential access to resources and/or avoid control and regulation.

## **5.5. Implications for Urban Environments, Policy and Informality**

### **5.5.1. Conceptual**

At a national level, Bouillon (2000) adds that with the capital flight of former white residents from the inner-city and CBDs that happened with the democratic transition, there has been an active transformation of spaces. These manifested as new localities with changes of functions, people and practices as appropriated by the previously excluded. Although historically there has been a growing presence of informal economic activities, these have been marginalised to edges of city and end up in an eternal cycle of deprivation because they cannot get a foothold into the urban fabric. It is argued by Bouillon that informal traders, associated with 'crime and grime' are in fact only tolerated on the

margins of the city around major public transport nodes deemed to be areas of little interest to tourists and high-revenue consumers. Therefore in the post-apartheid urban landscape, the segregated urban spaces and its services are continuing with the colonialist and apartheid momentum of inequity; and unable to meet the needs of a hybrid economy as emphasised by Dobson (2009). To mitigate this requires creatively integrating and stitching these blighted areas in which informal activities have flourished into the existing urban fabric that is a product of colonial and apartheid planning, or proactively creating new spaces of opportunity through an alternative approach to urban planning and development.

The case-studies have highlighted the need for a deeper democratization process which attempts to overcome the barriers to more deliberative governance in planning, policy making and implementation as emphasised by Pieterse (2008). That being said, the experiences raised in the literature review and under the case-studies have shown deeper issues around the wider struggles of interest groups and exercise of power by bureaucrats, political interests at different levels and influences of elites such as formal businesses which are also of significance. Therefore, the conceptual approaches proposed include an emphasis on strategies of engaging with state agencies and other stakeholders as an inherently complex process aimed at stimulating deeper structural changes of routine governance practices. Moreover, these approaches explicitly take into account the power dynamics and devise strategies to overcome them. Healey (1998) proposes collaborative planning as the alternative to the formal arrangements of planning within governance institutions and policy cultures. This is motivated as developing practices that break from centralised and sectoralised approaches. In addition, it is a move from formal practices such as zoning towards strategic collaborative planning that reflects a multiplicity of stakeholders concerned about the use and qualities of places and which enables more effective conflict management between them. This is described as an interactive, mediatory and a highly political endeavour in using symbolic language rather than technical data to capture the shared social meanings of spaces and consequently devise shared strategy development.

Alongside the need for a new approach to urban planning, other authors point to the need for marginalised groups to continue to struggle for their rights by engaging with state agencies. Mitlin (2011) emphasises the value of social organisations and movements that actively engage with state agencies at multiple political levels and thereby improve the nature of service provision, representation and influence trajectories of policy and programme changes. This complex engagement with the state is described as the process of establishing and extending rights and in dealing with the realities of contention, co-option, claim-making, co-production, negotiation, re-negotiation and where social pressure inevitably brings about change. Baud and Nainan (2008) highlight the new forms of cooperation between local governments and citizens facilitated through invited spaces which have enabled the voice of citizen concerns, increased negotiating power and an expansion of rights. The two examples highlighted include the neighbourhood level and another at the ward level which is more inclusive of the participation of vulnerable groups. Similarly, Gonzalez and Healey (2005) emphasise that innovative governance initiatives and struggles promoted by non-traditional actors can potentially provoke deeper structural changes of routine government practices and challenge existing political boundaries. This includes drawing on multi-scalar alliances and networks linking exogenous forces to local initiatives as a driving force for change. Furthermore,

this entails a focus on the capacity for experimentation, reflexive learning, and actions which help to uncover contradictions and introduce new ideas and practices.

### **5.5.2. Policy Recommendations**

Although the primary purpose of this research was not to determine policy needs, the following points are critical recommendations, but not exhaustive, in addressing the challenges of informal economy:

- Developing aligned national, provincial and local government policy and legal frameworks for the development of the informal economy, outlining clear implementation plans and mechanisms to address the lack of policy direction and clarity at higher tiers of government;
- Developing an inclusive, deliberative and responsive approach to incorporating the informal economy into the economic development and town planning processes through invited spaces of multi-stakeholder engagement, particularly informal traders agencies, at all levels of governance to ensure that there is mutual understanding and cooperation towards effective solutions that created enhanced urban spaces for all citizens;
- Developing medium to long term area-based planning linking the informal economy to the economic development objectives of local government i.e. through IDP, LED and town planning processes towards an integrated developmental approach that is need to support the informal economy;
- Development of a multi-disciplinary approach to the informal economy linked to capacitated institutional arrangements to stimulate governance innovation towards the development of more effective policy and practices.

### **5.6. Conclusion**

The study concludes that, although there has been considerable progress in recognizing that the informal economy as an urban feature in South Africa that requires adequate government intervention and support, there are still critical challenges, particularly within the institutional and policy environment which remains underdeveloped. These constraints are influenced not just by the lack of local government capacity and resources, but also by a national signal failure with regards to structuring the outcomes of the policy and institutional environments, combined with local power struggles between urban elites and informal agencies that are competing to shape urban development for their preferential benefit. This involves a resistance to urban change by urban elites, from the formal business sector and government, which threatens an urban modernist vision through the incorporation of the informal economy into the urban fabric. Furthermore, these findings resonate to national and international experiences in which nation states remain in control of the political economic and physical spaces of its cities and towns. Particularly through the way states have institutionalised urban competitiveness between them as a means to position cities and towns in the

global economy as 'world class' cities and towns. This suggests that this mode of entrepreneurial urban governance will only tackle the development of the informal economy because of the threat it poses to its global economic competitiveness. This is impractical because it diverts resources away from the development mandate, leaving local government ill-equipped to cope with the everyday issues and needs of the urban working poor.

Brenner (2004) ominously warns that this mode of market-orientated political regulation has provoked new forms of socio-spatial inequalities and political struggles and conflicts, as an intensely contested process of state spatial transformation. In South Africa, although a young democracy, there is growing discontent with the failure of the ruling political party to deliver on its developmental promises with high rates of poverty, inequality and unemployment. The future of the development of the informal economy is an uncertain one that will depend on the on-going struggles at the local, national and international levels.

In summary of the research process, an intensive literature review process has formed a foundation for this study and gave it a strategic direction with regards to policy, legislative and conceptual framework and the general body of work in the informal economy. This process further informed the key thought processes and debates of the study leading up to data collection, findings and analysis. Moreover, the methodology exercise was an attempt to define boundaries around the case study selection, data collection tools, sets of data that was collected and the process of analyzing that data. The case studies were purposely selected to uncover the dynamics of informality, institutional arrangement, policy environment and institutional responses in relation to how these manifest themselves in different contexts. Although the comparative study of the two contexts was not the explicit aim of the research, it did largely reveal a number of similarities with slight variances in the trends of informality, the institutional arrangements, the policy and legal environment and the operational responses. This has served to shed light on the meso-level dynamics such as conceptual reflections and broader implications on urban environments, policy and informality. However, this opens up the need for deeper research into comparative analyses. Key interviews with respondents and key informants were a cornerstone of primary data collected from the two case studies. The study primarily focused on the views and opinions of institutionalised municipal actors to ascertain the policy and the institutional environments and responses, but included a few representatives from trader organisations and formal businesses. This therefore opens up the need for deeper research on the challenges of informal economy actors working in public spaces in the future.

In conclusion, there is a critical need for the state to set a developmental intent in policy and practice for the informal economy, because their lack of clear direction has left local government at the coal-face of managing the urban development challenges with unfunded and unclear mandates. This will have to include the political willingness at the national level but also at the local level of governance, to relinquish some of the entrenched power dynamics which sees the perpetual efforts towards urban modernism in city making. This blind pursuit is fundamentally limiting the creative assimilation of alternative urban configurations which meet and synthesize the diverse needs of both formal and informal economy actors, in the possibilities of reimagining a hybrid economy. That being said, it is an imperative for informal economy agencies and actors to struggle for their rights, as neither the state nor local governance are likely to be constantly benevolent.

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## 7. APPENDIX

### Appendix 1: Summary table of institutional structures in MLM and HCM dealing with the informal economy

Institutional Structures	Msunduzi Local Municipality	Hibiscus Coast Municipality
Council Departments (in order of most to least involvement)	EDG/LED	LED
	Licensing	LED
	Risk Management (Traffic & Security)	Protection Services
	Finance	Treasury
	Infrastructure Services & Facilities	Department of Housing & Infrastructure
	Health	Health & Community Services
	Environment	Environment
	Planning	Planning & Building Control
Political (in order of influence)	Executive Committee EDG Committee Informal Trade Task Team	Executive Committee LED Committee
District	Umgungundlovu DM's IED unit	Ugu DM's EDT unit
Provincial	KZN DEDT	
Associations of formal businesses	PMB Chamber of Business	Margate Business Association
		CBD Formal Businesses Group
Organisations of informal traders (in order of oldest to newest)	Debby Market Hawkers' Association	Isolempilo Traders' Cooperative
	Trader Reps from different trading areas within the CBD	Trader Reps from different trading areas
	African Cooperative for Hawkers and Informal Businesses	
	Informal Traders' Support	
	Siyagunda Association for Haircutters	

### Appendix 2: Comparison of policies in MLM and HCM specific to the informal economy

Msunduzi Local Municipality	Hibiscus Coast Municipality
<i>National Business Act (1991/3)</i>	
<i>KZN Business Hours Act 11 (1984):</i> each business to hold a license prior to operation	
<i>KZN Growth &amp; Development Strategy (1996):</i> strategies to support the 'second economy' include provision of information via targeted communication campaigns & programmes promoting the progression of informal traders into the formal sector. However not implemented	
<i>Msunduzi Street Trading Bylaw (1995):</i> outlines prohibitions & restrictions in informal trading, including traders' duties & the protocols around the impoundment of goods	Former municipality bylaws relating to regulation of 'Street Vendors, Pedlars or Hawkers' before amalgamation into HCM, stipulated different areas that traders can operate from & the types of goods/services permitted therein: <i>1. Margate TLC's bylaws (1996, Amended</i>

	<p>1997)</p> <p>2. Port Shepstone TLC's Bylaws (1997)</p> <p>3. Hibberdene TLC's bylaws (1997)</p> <p>4. Umtamvuna /Port Edward TLC's bylaws (2000)</p>
<p><i>Draft Street Trading &amp; Allocation Policy (2008):</i> on hold in anticipation of the Provincial policy framework</p>	<p><i>Informal Trading Bylaws (2008):</i> intended '...to provide for the development and management of informal sector trading (Second Economy)'</p> <p>-Outlines regulation &amp; management processes including registration, trader responsibilities, prohibitions, enforcement, the terms around the formation of trader associations &amp; the approach to assistance to traders</p> <p>-Municipality can adopt 'trading plans' for informal trading areas, however only after a public participation process</p>
<p><i>Informal Trade Development Management Plan (2005)</i> with following recommendations:</p> <ul style="list-style-type: none"> <li>i. Amend 1995 street trading bylaws to suit the changing socio-economic &amp; political landscape</li> <li>ii. Increase number of serviced trading sites in economically viable areas, including appealing street furniture</li> <li>iii. Restructure Licensing Unit &amp; establish a dedicated Informal Trade Division with two sub-structures; 1) policy &amp; strategy, 2) business development &amp; support centre</li> </ul>	
<p><i>Umgungundlovu DM's Informal Economy Policy (2008):</i> intended as 'a coherent and integrated strategy to guide LOCAL GOVERNMENTS in the management &amp; development of the informal economy to the benefit of the overall economy'</p> <p>Strategies noted:</p> <ul style="list-style-type: none"> <li>i. Business promotion, extension &amp; retention strategies through support services as access to appropriate technology, training in entrepreneurship &amp; business management, provision of infrastructure &amp; service delivery improvements</li> <li>ii. Conducive regulatory environment through strategies as formulation of standard policies, regulations &amp; bylaws, liaison &amp; coordination between different local municipalities &amp; enhancement of research on the informal economy</li> </ul>	
<p><i>KZN Draft Informal Economy Policy (2009):</i> intended to provide an integrated economic &amp; regulatory framework that supports the sustainable economic growth of the informal economy, including amending certain laws that inhibit the government's developmental role</p>	

### Appendix 3: Comparison of policies in MLM and HCM that make reference to the informal economy

Msunduzi Local Municipality	Hibiscus Coast Municipality
<p><i>2006-11 IDP:</i> ‘underpinning economic development strategies is the principle of the development, support &amp; retention of all businesses, including formal &amp; informal.’ Strategies include:</p> <ul style="list-style-type: none"> <li>i. Informal Trade Development &amp; Management Plan to be developed with multi-stakeholder participation, a project worth R2 million</li> <li>ii. A forum for the participation of various stakeholders, including the formal sector</li> <li>iii. Programme for the progression of informal traders into the formal sector</li> <li>iv. Establishment of a dedicated sub-unit for the management &amp; regulation of street trading</li> </ul> <p>- Operational budget for street trading for the financial year 2006/7 is R159 459</p>	<p><i>IDP Review 2005/6:</i> ‘Conduct Port Shepstone CBD revitalization study’</p>
<p><i>2008 LED:</i> 68% of businesses in the informal sector earn less than R1000 per month with each business supporting approximately 5.68 individuals &amp; largely operated by family members</p>	<p><i>IDP Review 2006/7:</i> ‘Enhance institutional capacity within the municipality to pursue LED projects, i.e. Informal Economy Programme &amp; implement Port Shepstone CBD revitalization study</p>
	<p><i>IDP Review 2008/9; IDP 2007/11; Draft IDP Review 2010/11:</i> Under Economic Development: ‘More emphasis should be put in developing &amp; supporting existing SMME’s (&amp;) strategies to bridge the gap between the 1<sup>st</sup> &amp; 2nd economy...’ Strategies include:</p> <ul style="list-style-type: none"> <li>i. Skills training through SEDA &amp; streamlining the Expanded Public Works Programme to enable sustainable jobs</li> <li>ii. Service delivery as maintaining &amp; expanding the existing infrastructure including essential amenities as roads, electricity, storm water and sanitation.</li> </ul> <p>- Under LED: ‘provide structures to support SMMEs and co-operatives’</p> <p>- Urban renewal planning to be commenced in Port Shepstone’s CBD, Margate &amp; Shelly Beach.</p>
<p><i>Umgungundlovu District’s SMME Plan:</i> ‘...By 2015 informal traders ... will be trained in business management, operating under good working environment &amp; facilities, creating sustainable jobs &amp; contributing to economic growth’</p>	<p><i>Ugu District’s IDP (2002):</i> ‘...focus on rural poverty as a core area of intervention through integrated infrastructure, tourism, agro-industry, human settlement, land reform &amp; sustainable livelihoods’</p>

## Appendix 4: Interview Questionnaire

### Logistical Information

Date:

Place:

Time:

*(Prompt: After introductions of the research and reading out informed consent form)...I will begin the interview by trying to ascertain your bibliography, followed by questions related to your own perspectives on the informal economy. For the purposes on this research, while the informal economy can refer to a complex range of activities, I will be focusing on informal economy activities that occur in public spaces, like trading and other related services.*

*Thereafter I will ask you questions specifically around your professional perspectives on the informal economy, as a representative of the municipality (Or as a stakeholder that has engaged the municipality)*

### Section A - Bibliographic data

1. Please can you introduce yourself your name, age and educational background?
  - a. What has been your role in the local government/community, and how long have you been working in this position? What motivated you to work in this function/position?
  - b. Have you held any previous positions?
  - c. How long have you lived in this community?

### *Personal perspectives on the informal economy*

2. In your opinion, what place do you think informal economy activities have within urban spaces? Why?
  - a. Do you think there been any changes that have you noticed in this city/town in relation to the presence of informal economic activities within public spaces?
  - b. Why do you think these changes did/did not happen?
  - c. Have you received any training related to working with the informal economy? If so – what kind(s) of training?

### Section B - Professional perspective about governance framework

3. As a professional, how do you see the role of your unit (or organisation) in relation to the urban management and development of informal economic activities? (prompt: for at least 3 roles)
  - a. What policies or frameworks have been adapted to influence any intervention measures taken?
  - b. What processes are followed to ensure that intervention measures are followed?
  - c. What kinds of partnerships have been made i.e. within which departments or stakeholders, and why?
  - d. Do you have resources allocated for any intervention measures?

- e. Are you aware of other sources of acquiring municipal resources? (prompt: The Neighbourhood Partnership Development Grant, The Municipal Infrastructural Grant etc)

Section C - Professional perspective about actual practices, factors influencing intervention strategies & impact(s) thereof

4. Please can you describe the nature of the challenges facing your district/local municipality in relation to the informal economic activities within urban spaces?
  - a. How have these changed over time? (Please also provide any documentation).
5. What are some of the intervention measures taken and the impacts thereof?
  - a. What was the rationale from your municipality for the intervention measures taken (i.e. what were the motivations, what other alternatives were considered)?
  - b. *Please rate the importance of the following municipal "tools" in terms of your organisations' responses to the informal economy (with 5 being very important and 1 being unimportant):*
    - *Investing in facilities*
    - *Developing skills*
    - *Organisational support (for those working in informal economy)*
    - *Regulation*
    - *Enforcement*
  - c. *What were the factors that most influenced these choices (with 6 being very important and 1 being unimportant):*
    - *Availability of finance*
    - *Political decisions*
    - *Policy adoption*
    - *Pressure from business community*
    - *Technical Advice*
    - *Wider consultation*
  - d. *Which of these phrases best describes the character of the responses:*  
*They were...*
    - (a) *Planned and implemented together with informal economy stakeholders*
    - (b) *Imposed through decisions made in the municipality*
    - (c) *Processes which varied significantly from one intervention to the next*
    - (d) *Other (please phrase in your own words)*
6. In what areas has progress been made and where have there been challenges?
  - a. What have been the main drivers of this performance, good and bad – i.e. what have been the strengths and weaknesses? (prompt: issues such as capacity – but also dig for others such as lack of funds or mismanagement)
  - b. How do you measure the degree of success? What informs these measurement systems?

Section D – Personal & professional perspective about wider relevance of institutional experience for the future

7. Which of your experiences are relevant to confronting the general challenge of informal economic activities within urban spaces?
  - a. What are the key influences in terms of policy and processes?
8. What is your perspective on the future prospects of the development of informal economic activities in public spaces? What are the main threats and opportunities in the future? (prompt: in relation to existing or future policies and legislation, possible competing investments etc)
9. We have covered some interesting dynamics, is there anything we have not covered that you would like to add?