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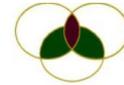
**SALGA**  
South African Local Government Association

## **DRAFT LEARNING NOTES**

### **INFORMAL ECONOMY SUMMIT**

**13<sup>th</sup> and 14<sup>th</sup> June 2016**

**CAPE TOWN INTERNATIONAL CONVENTION CENTRE**



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## Abbreviations

<b>ABM</b> Area Based Management	<b>KZN</b> KwaZulu Natal
<b>AeT</b> Asiy eTafuleni	<b>MAYCO</b> Mayoral Committee
<b>BRT</b> Bus Rapid Transport	<b>MILE</b> Municipal Institute of Learning
<b>CBD</b> Central Business District	<b>PDI</b> Previously Disadvantaged Individuals
<b>COJ</b> City of Johannesburg	<b>PMO</b> Project Management Office
<b>CIPC</b> Companies and Information Property Commission	<b>PR</b> Public Relations
<b>CPUT</b> Cape Peninsula University of Technology	<b>SALGA</b> South African Local Government Association
<b>CoCT</b> City of Cape Town	<b>SARS</b> South African Receiver of Revenue
<b>COGTA</b> Cooperative Governance and Traditional Affairs	<b>SEDA</b> Small Enterprise Development Association
<b>EXCO</b> Executive Committee	<b>SME</b> Small Medium Enterprises
<b>FASA</b> Franchise Association of South Africa	<b>SMME</b> Small Micro Medium Enterprises
<b>GDP</b> Gross Domestic Product	<b>TIA</b> Technology Innovation Association
<b>GSB</b> Gordon School of Business	<b>UCT</b> University of Cape Town
<b>IDP</b> Integrated Development Planning	<b>WITS</b> University of Witwatersrand
<b>ILO</b> International Labour Organisation	
<b>ITMB</b> Informal Traders Management Board	

## 1. Background

The City of Cape Town Mayor, Ms Patricia De Lille, initiated the inaugural Informal Economy Summit in 2013 to respond to the challenges faced by informal traders. In addition to other support measures - roundtable and business information sessions - provided by the City of Cape Town to informal traders, the Summit has been an annual event designed to improve City support to the informal economy. In 2014, the City of Cape Town held the second Summit, which was notably reframed as the Micro-Enterprise Summit. The renaming of the Summit marked the City's adoption of a developmental approach towards the informal economy. This also marked a shift from treating the informal sector as separate to other forms of micro-businesses. By clustering informal businesses, most notably traders, with other small businesses, the importance of their issues and needs are given an equal platform to engage the City like other businesses. This also created opportunities to establish common needs, as well as opportunities for collaboration, within the microenterprise sector where previously disadvantaged groups may not have come into direct contact in a forum designed to encourage working together.

## 2. Introduction and Importance of the Informal Economy

The informal economy (also referred to as the informal sector) is a crucial and often overlooked part of not only within Cape Town's economy but also with the rest of the Western Cape and South Africa in general. The use of the term 'informal' often conjures up images of survivalist street traders operating on the side of the road. However, the notion of 'informality' refers more to the conditions of work than to any specific type of economic activity, and should not be taken to imply discreteness from the rest of the economy.

The informal economy is often marginalised, or sometimes even considered as a 'sector' on its own. In reality, however, the informal sector exists both together and co-dependently with the formal economy (Devey *et al.* 2006). It also plays a significant role in employment provision, particularly acting as a buffer between unemployment and formal employment. Data from the Statistics South Africa Labour Force Survey indicate that employment in the Western Cape informal economy grew from 177 000 jobs in 2010 to 264 000 in 2015. This indicates a staggering 67 percent growth in employment rates. Although individual incomes are often described as low, the sector cumulatively makes an important contribution to the Gross Domestic Product (GDP). Estimates of the contribution of the informal economy range from 8-12% of South Africa's GDP (Makho Communications, 2009).

Thus the informal economy is said to be growing both in size and importance. The sector also creates livelihood opportunities and contributes towards alleviating poverty. For instance, the socio-economic impact of the informal sector in Cape Town is even larger than what its contribution to employment would imply, as the income received from informal work accrues disproportionately to households that are close to the poverty line.

## 3. Informal Economy Summit, 2016

The 2016 Informal Economy Summit was held on the 13<sup>th</sup> and 14<sup>th</sup> of June 2016, at the Cape Town International Convention Centre and also at SALGA House respectively. It targeted informal trader representatives and municipal officials. The Summit theme was as follows:

### Theme



## **Leadership as a tool to strengthen support and development of the Informal Economy and to encourage collaboration amongst key stakeholders**

The purpose of the Summit was to:

- i. Facilitate dialogue and strengthen linkages between the informal economy, local government, the private sector and research institutes of higher learning;
- ii. Showcase innovative infrastructure products;
- iii. Deliberate on key issues emanating from City of Cape Town Roundtable and Business Information Sessions; and
- iv. Share innovative approaches and key lessons learnt.

The Summit was divided into two separate but interrelated sessions. The first day focussed on informal traders and was spent exploring the role of good leadership (both municipal officials and informal traders) with regards to supporting the informal economy and also consider how improvement in the competitiveness of the informal economy through the role of leadership.

The second day primarily targeted municipal officials and kicked off with municipal officials reflecting on day 1 through engaging on what municipalities can learn from the informal sector regarding leadership. Municipal officials then engage on how municipalities can learn from each other through exploring best practices and consider what municipalities should do to support the development of the informal economy.

### **4. Strategic Objectives**

The strategic objectives of the informal economy summit were as follows

- i. Identify, renew insights and approaches to stakeholder engagement;
- ii. Identify the gaps and opportunities for support and development for the informal economy; and
- iii. Empower the sector and officials through highlighting the importance of leadership, relevant skills, competencies & behaviours.

### **5. Expected Outcomes**

The expected outcomes were as follows:

- i. Increased positive, effective working relationships, with understanding and trust between stakeholders.
- ii. Collaboration, peer to peer learning between municipalities or regions on common challenges, research themes and best practice.
- iii. Opportunity to review tools and innovative approaches to developing key competencies of municipal officials and sector stakeholders.
- iv. Commitment to ensure that lessons and understanding gained feed into how policy and by-laws are drafted as well as ensuring implementation and monitoring thereof.
- v. Adopt developmental approaches in managing, support & development of the sector (empowering vs enforcement).
- vi. Interactive, empowering engagements a norm rather compliance, law enforcement or top down approaches when working with this sector.
- vii. Explore, having a platform for key learnings to be captured, shared and any tools, resources freely available to all officials.

## PROGRAMME

DAY 1: Monday, 13 JUNE 2016	
PLENARY SESSION 1	
Time	Item
09:30 - 09:40	<input type="checkbox"/> Opening and Programme Overview : Charles Parkerson (MC) - SALGA <input type="checkbox"/> Official Welcome: Mr Thembinkosi Siganda - Director: Economic Development
09:40 - 09:55	<input type="checkbox"/> Opening Address: Cllr Gareth Bloor - MAYCO Member: Tourism Events & Economic Development
09:55 - 10:30	<input type="checkbox"/> Personal and Sector Leadership: Claire Benit-Gbaffou - Associate Professor: WITS
10:30 - 11:05	<input type="checkbox"/> Business Jungle: Core Business & Leadership Lessons from African Nature: André Diederichs – Business Jungle: NEDBANK
11:05 - 11:25	<b>Networking Tea and Coffee Break</b>
PLENARY SESSION 2	
11:25 - 12:25	Panel Q&A 1. Associate Professor Claire Benit-Gbaffou - WITS 2. Dr Pat Horn - Streetnet 3. Dr Timothy London - UCT GSB 4. André Diederichs- Business Jungle: NEDBANK
12:25 - 13:25	<b>Networking Lunch</b>
BREAKAWAY SESSION	
13:25 – 15:00	<b>TOPIC 1: Innovative Trading Structures and Stakeholder Engagement</b> 1. Asiye Etafuleni (City Mart - Richard Dobson)  <b>TOPIC 2: Technology to Enhance Business - Using Smart Technology to Manage Your Business</b> 1. NEDBANK 2. Department: Science and Technology (CPUT) <ul style="list-style-type: none"> <li><input type="checkbox"/> Clothing &amp; Textiles,</li> <li><input type="checkbox"/> Agri - Food Processing,</li> </ul> 3. SARS (Incentives and online platform)  <b>TOPIC 3: Business Opportunities and Funding Models</b> 1. FASA (Franchises) 2. Y2K (Bridging) 3. Thundafund (Crowdfunding) 4. SEDA (Cooperatives)
15:00 - 15:20	<b>Networking Tea and Coffee Break</b>
FINAL PLENARY SESSION	
15:20 - 16:15	Plenary feedback & Summary of the Day's Proceedings: Charles Parkerson AND MILE

**Opening and Programme Overview: Charles Parkerson – SALGA**



Speakers, delegates and participants were welcomed to the fourth Informal Economy Summit. This event was a culmination of annual events that commenced in 2012 and a series of roundtable discussions with various stakeholders in the informal economy. The outcome of the roundtable discussions formed the theme of the 2016 Summit: **LEADERSHIP as a tool to strengthen support and development of the Informal Economy and to encourage COLLABORATION amongst key stakeholders.** The programme of the day was outlined alongside the roles and responsibilities for facilitation and documentation. In essence, the summit was a platform of engagement with ‘traders’ and ‘municipal’ leadership.

**Official Welcome: Mr Thembinkosi Siganda - Director: Economic Development (CoCT)**

In attendance, were various resourceful people from different sectors, government departments, agencies, leaders and entrepreneurs from the informal sector attended the summit. Despite existing challenges, SA is inherently a creative nation that prides itself in unity in diversity. Leveraging strength, networking and collaboration has led to critical decisions taken for improving the informal economy. SA has survived the down grading and therefore we need to create an environment that is positive for economic development moving forward. At least 5% of the people in Cape Town are being lifted out of poverty through the informal sector. There are also a number of value propositions and growth coalitions that are in the pipeline. Cape Town is also repealing and overhauling a number of policies that have an impact on the economy. Policy engagement with various stakeholders will be undertaken in the process of reviewing and developing new and progressive policies. Whilst there are challenges in the informal sector, there are a number of opportunities as well. Technology, eSkilling, infrastructure solutions, innovations, and home based businesses are some of the opportunities that need to be supported and explored. The sector needs to be organised in order to leverage on those opportunities. Formal and informal traders need to coexist and provide solutions collectively. So far, great strides have been made in various areas and the Summit will plant a seed for a successful future.

**Opening Address: Cllr Gareth Bloor - MAYCO Member: Tourism Events & Economic Development**

The informal sector is the fifth biggest sector in terms of job creation in South Africa. The previous summits have led to the development of progressive policies and plans being implemented and rolled out. More opportunities have been created and at least 170 000 people have been taken out of poverty as a result. The role of informal trading is critical as it rivals the construction and manufacturing sectors. What is critical is that we need decisive leadership that will ensure that policies are being implemented. Policies need to be translated and made practical so that it is accessible to all individuals. Monitoring and evaluation should also be an on-going practice and must focus on the leadership decisions taken in this trajectory.

**Luvuyo Rani – Entrepreneur, My entrepreneurial journey and the funding options used, Silulo Ulutho Technologies**



As mentioned earlier, the informal economy has a direct impact on the overall economy of SA. Informal traders must leverage in what they have and be innovative and think beyond their immediate circumstances. Entrepreneurs need to be hungry, have the drive, determination and passion for business. There is nothing that is impossible and there is a sea of opportunities that exist in SA. They need to take advantage of the lessons learned in the journey of advancing business. In that journey, it is important to read and adapt to the environment, model good behaviour and partner with big corporates and successful business. Trading is also not only about business but also about giving back and advancing social development.

### **Personal and Sector Leadership: Claire Benit-Gbaffou - Associate Professor: WITS**

SA needs to craft support institutions to consolidate leadership in the informal trading sector. The issue is that there are challenges in establishing and maintain constructive and developmental engagement between street trader leadership and city officials, to sustainably and inclusively manage street trading in metropolitan areas. The challenges are as a result of:

- i. Dominant municipal approaches, inherited from colonial past of restricting street trading in urban central spaces
- ii. Street trading a complex urban issue to manage; and
- iii. Street trader organisations are fragmented/divided and not always showing strategic capacity in municipal platform for engagement.

Basically, the dominant approach seeks to relocate traders into markets and peripheral areas where the provision of authorised street trading sites is not in sync with existing demand. In this case, management rests on permanent, intensive policing and enforcement. The fundamental reason for the restrictive approach is to limit constructive and developmental engagement. We need to shift and adopt a more developmental and inclusive agenda and move away from the unevenness across cities. The management of street trading is multi departmental and across agencies; fluid and there is limited documented “best practices” to learn from. There are also challenges with regards to mobilisation and representativeness in the informal sector. The existing platforms and institutions of engagement are not conducive to traders mobilisation and strategic capacity.

It is extremely important to understand leadership in local urban contexts. In defining leadership, individuals need a vision and commitment to make difference and drive change. Leadership need strategies and tactics to drive that vision forward with a set of skills, tools and instruments. A leader must be visible and be a public figure that is accessible to constituencies and be vocal in public platforms. The leader must have a followership and constituencies to defend, to mobilise, and to be accountable.

With the issue of representativeness, ideally leaders should have a clear mandate for a specific time, stand for elections, and have registered membership and so on. In practice, it is not the case as for most community based organisations. The question is what can be done about it? Cities must strive to increase representativeness and start supporting accountability; be alert about who is represented and who is not; and not to discard one leader because he does not “fit” all criteria of representativeness.



Fragmented leadership in street trader organisation is more acute than in other sectors of society. There are structural factors that characterise fragmented leadership. Fragmented leadership in street trader organisation is the result of institutional dividing practices. Looking at a politics of invisibility rather than overt mobilisation, informal groups tend to use a politics of invisibility or quiet approach than openly organising themselves and confronting municipalities. The majority of street traders do not sustainably belong to organisations and only get involved in moments of crisis. However, there are organisation leaders that are steady and committed to long term action. South Africa has good examples of street trader sustained mobilisation and unity in large federations. Street trader organisations are social movements because they share a marginal position in society whether survivalist or micro entrepreneurial. They also share a precarious position in urban spaces such as police harassment and a degree of victimisation by restrictive municipal policies. However, amongst themselves, traders are also entrepreneurs in competition for business in space. Hence, there are divisions amongst organisations and competition amongst traders.

There are some practical challenges for organising street trader mobilisation and management. Public meetings are a challenge to organise and representation is fluid and scattered. There is also a politics of divide and rule whereby it is not clear who is a legitimate partner for city authorities – organisations or locally elected leadership. The challenge with engaging in participatory forums is balancing representativeness, inclusivity and efficiency.

There are inspiring examples and lessons to learn from the Johannesburg Taxi Industry/Sector and the City of Johannesburg in the development of the BRT. A space for two spaces was created, namely, taxi forum and BRT forum. EThekweni Municipality also created two spaces for negotiation with informal traders, namely, an implementation working group and Area Based Management (ABM). Informal Trader institutions must consolidate leadership in the sector if they want to achieve more strategic and developmental engagement. In summary, there is a need for a strategic multi stakeholder forum for the management of street trading; an independent street trader organisations forum; and area based/precinct level management committees.

### **Business Jungle: Core Business & Leadership Lessons from African Nature: André Diederichs – Business Jungle: NEDBANK**

As a basic principle, you need to understand business in order to be a leader in business. There is no place for complacency in business because if you fail to plan then you plan to fail. Almost 80% of businesses in SA started as family businesses but only 30% succeed past the 1<sup>st</sup> and 2<sup>nd</sup> generation. The idea of a family business is not a new phenomenon. However, there tends to be an inter-generational frame of mind and client needs are also changing in terms of value. The scope of value has changed to intellectual capital and knowledge because we live in a surplus economy. In business, there is a need to be unique and defend your territory and remove yourself from a surplus economy. Entrepreneurs need to enforce their territory and have a “butterfly effect”; emotional fitness, build and foster relationships, have business leadership values, service to client, vision, attitude, and never give up. The essence of relationships and empowerment is an emotional aspect.

*“We are not what we think we are but that what we think we are” A Diederichs*

*“We are what we think – ignore or hide or blame shifting” A Diederichs*

*“Don’t let the problem intimidate you...intimidate the problem” A Diederichs*

## Panel Inputs and Discussions

**Dr Timothy London - UCT GSB**, addressed key issues in informal as well as business in general. Leadership in the informal sector is important for government in terms of trust and structure. The most important aspect of trust is working together and putting a united force. There is a need to demystify leadership and understand that it is not a matter of positions. The most important aspect in leadership is people. SA has a history of people not liking each other yet in order to build the country we need people working with people. Change is a step by step process and we need to build trust along the way. Currently relationships are fractured and everyone needs step up and be a leader.

**Dr Pat Horn – Streetnet:** Collective leadership is the challenge and we need to level the playing fields for all stakeholders. Street traders have multiple tasks that they need to perform and therefore negotiations need to be outcomes based. On the issue of trust, mutual trust is important for negotiations. The “Street Trader” concept needs to be unpacked. The lack of unity is also a major challenge but municipalities must not interfere in the business of informal trader organisations because they are often democratically elected on a regular basis.. City officials have not recognised democratically elected organisations of traders. They divide and rule and are not embracing street traders holistically. Even within municipalities, there are functional silos and are not working in unity for the benefit of the informal economy. We need a one stop shop for the informal economy in government in order to ensure ease of business. Getting collective leadership is possible, but it also makes a difference when there are woman in leadership positions. The unity amongst traders is not about personalities but a common and purposeful goal. Cities must be open and engage with street traders as equal partners in the process. There is a need for coherence and a place to manage the power relations. Leadership from the different sectors is different and requires different solutions.

*“Every engagement must be structured so that there is a value based outcome...it allows us to focus our energies and get to the next level” T Siganda*

**Ms Sylvia Mabusela (Small Business Development: CT):** The role of government is to offer developmental support and coordination both vertically and horizontally. All stakeholders need to work together to build the economy. The profits and dividends hold equal value whether you are in the formal or informal economy. The informal economy plays a crucial role and contributes significantly to the overall economy of South Africa. Government must create an enabling environment for the informal sector to thrive.

*“Partnerships start small, grow and make progress by demonstrating value on an on-going basis” Associate Professor Claire Benit-Gbaffou*



**André Diederichs- Business Jungle: NEDBANK:** Relationships between business and local government is vital because business occurs at a local level. The principle of resonance between all stakeholders is very vital if we want to make progress. Situational leadership needs to apply to different circumstances because leadership differs from organisation to organisation. Municipalities and informal traders must work together and put a united front for the sake of economic development in the country. However, it should also be remembered that the city has an obligation to balance the needs of both the formal and informal traders as well as the community in general. It therefore means, there is a need for all stakeholders in the development process. The symbiosis between all stakeholders is critical and hence both municipal officials and traders need to be empowered and developed to have business acumen. They need to understand contracts management, measurement, and strategy as well as service standards. Given the economic situation in SA, the formal is heading south based on recent ratings, and this clearly suggests that both the informal and formal sectors need to work synergistically.

## Topic 1: Innovative Trading Structures and Stakeholder Management

### Citymart

#### Richard Dobson

The objective of City Mart is to transform the way cities solve problems, connecting them with new ideas through open challenges to entrepreneurs and citizens. If cities have 100 challenges, they need 10 times more solutions to those problems. The methodology used has helped more than 50 cities around the world from to find proven solutions. Citymart partners with cities to rethink their spending habits so they focus on what problems they need to solve instead of what things they want to buy. Cities will spend money in better ways, create new opportunities for local businesses, and find the best solutions to local problems; ultimately, citymart helps cities improve the quality of life for all citizens. Cities become able to solve problems faster and effectively.

As citizens we want cities to provide provide swift, effective and affordable solutions to problems. Most city officials want these same advantages. But officials often operate in an environment that can discourage innovation and new ideas. As a result, it is difficult for them to avoid the same tired solutions offered from the same handful of vendors. Collectively, that means we have over 4,5 trillion dollars in annual spending that we know could be used more effectively on better solutions. If we put even a fraction of that spending to use in creating cities that are more responsive, more efficient, and more nimble at solving problems for their citizens, then we will make an enormous impact in people's lives. This is why we founded Citymart. Our idea is simple – what if in public procurement, cities published their problems through open challenges instead of specifying the solutions? By using a proven combination of capacity building, research and outreach, we help cities use their existing resources better and by making government more transparent, we improve city life for everyone. Citymart has successfully shown the power method by completing more than 100 open challenges, or technically speaking 'problem-based procurements', with over 50 global cities and outstanding results going beyond our initial expectations.

❖ **Some outcome after 100 Citymart challenges:**



- **10X more solutions presented by providers** by opening up to new approaches and structured market engagement. Sourced from cities reporting how many previously unknown solutions they discovered in the Citymart challenge process. Example: In 2010, Copenhagen (a city globally leading on bicycle innovation) knew of 4 of the 37 solutions submitted to the Citymart Future Bike challenge. This means that the city knew one tenth of available solutions to their challenge.
- **80% cost saving** by increased competition, finding new approaches or avoiding re-invention Citymart calculates this average based on the results of 100 challenges run to date and results reported by cities. It is a composite, based on statistical occurrence, of three primary factors that affect cost; cost savings here include direct additional revenue. Firstly, Citymart effectively eliminates the cost of re-invention, which typically is a saving of over 95%. Secondly, results have shown that finding new approaches can deliver transformative savings of over 98%. Thirdly, according to the Citymart impact model developed by McKinsey & Co, increasing competition by having more vendors brings down cost by an estimated 10%.
- **98% contracts won by SMEs, start-ups and social entrepreneurs** by better risk management, understandable and simpler processes. Out of the 100 challenges run by Citymart with 57 cities between 2011 and 2015, 98 were won by SMEs, 2 by corporations. Partners cities adopt problem based procurement and other methods to promote and accelerate the sharing of proven urban and social solutions to transform their communities.

Citymart uses a proven combination of training, research and outreach, to design challenges that transform the way cities solve problems. This changes the method cities use for buying goods and services, using the existing structure but bringing new players into the process and opening up new possibilities for innovative solutions. The services offered by Citymart are as follows:

- **CREATE YOUR PROBLEM-SOLVING METHOD:** Citymart designs the method and capabilities your city needs to leverage your existing resources and processes effectively toward solving problems quickly and effectively.
- **DELIVER YOUR OPEN CHALLENGES:** Citymart packages the problem, terms of procurement, qualification and evaluation criteria into a user-friendly, easy-to-understand open challenge (problem-based procurement).
- **COLLECT PROBLEMS & IDEAS:** Citymart offers tools, methods and facilitated processes to identify problems, needs and opportunities across departments and prioritize these for action.
- **ENGAGE ENTREPRENEURS & CITIZENS:** Citymart ensures that cities receive the most complete market response to their open challenge, carrying out market research, outreach, and technical assistance.
- **DEVELOP PROBLEM STATEMENTS:** Citymart turns initial ideas into well-defined and under-written problem statements using our methodology refined in over 100 projects with cities
- **SUPPORT THE SELECTION PROCESS:** Citymart supports the selection process through a variety of tools and actions designed to maximize fairness, integrity and effectiveness.



Citymart Challenges help cities access the contributions of citizens and entrepreneurs to find proven, innovative solutions to solve their problems. They ask three simple questions: “What is your idea for solving the problem, how ready is your solution, and how can we measure its success?” Citymart Challenges are fair and transparent, and proposals will be evaluated by city officials and field experts, offering you valuable feedback.

Another supporting organisation, #Citiesshare, is supported by a range of organisations providing expertise, financing, technology or other support to create open, agile and empathic cities. Through #citiesshare, Citymart facilitates exchange of experiences, knowledge and access to valuable resources for cities that want to excel as problem solvers. Expertise and invaluable support is provided by various organisations. Inspiring solutions, Citymart sources the most inspiring solutions for urban and social challenges in global cities, providing a unique knowledge resource. CityMart’s catalog of validated social and urban solutions for cities is open and free to use for all.

### **Asiye eTafuleni – City Mart** **Richard Dobson**

AeT is a non-profit organisation that collaborates with informal workers and allied professionals to develop inclusive urban spaces that support sustainable livelihoods for informal workers. It was established as a result of the widening gap between the city government’s agenda and the realities faced by inner city informal workers. AeT believes that informal workers should be engaged with through consultative processes. Supporting informal economic spaces should be integrated into city’s planning and budgeting priorities with the aim of creating urban environments that are both supportive of informal workers livelihoods and create vibrant and culturally important urban spaces for the entire city. It was also critical to overturn the disastrous racial, economic and spatial divisions created within the city during the apartheid era. Cities must develop integrated programmes for the inclusion of informal workers into urban settlements. AeT has worked to develop strong relationships with local and international stakeholders, create new opportunities for research, design, advocacy and education around informal work and urban environments. Cities should be challenged to develop a creative and integrated approach to the informal economy, one that benefits informal workers, local communities as well as the broader global community.

### **Topic 3: Technology to Enhance Business - Using Smart Technology to Manage Your Business**

#### **Department of Science and Technology (CPUT)**

##### **AgroProcessing: Agrifood Technology Station**

The station is a platform that provides an affordable range of inter-disciplinary technological services to the Agrifood sector, focusing on existing smaller and medium enterprises, with a view to improving competitiveness, innovation and R&D capacity in a sustainable manner. It is funded by the Technology Innovation Agency (TIA) and is based in the Food Science & Technology faculty of the Cape Peninsula University of Technology (CPUT). The main focus of the station is to provide innovation support, technology transfer and commercialization. Some of the projects include: Catfish Processing; Beverages using Indigenous Plants; Kelp & Alginate Processing; Insect Protein – larvae; Chicken Feet; Shelf-Life Studies; as well as a Chocolate & Confectionery Center of Excellence.

The station networks extensively to ensure it produces outputs against its mandate. It strives to showcase innovation in its operations through the scheduled use of its facilities. Other services include: product and process development; shelf life evaluation; sensory evaluation; microbiology analysis; chemical analysis; physical testing; niche analysis; as well as advisory and data mining. The mode of operation is simple: meet and discuss for research and development; set up the scope; quote and invoice; assign job numbers and commence; complete in minimum time; report and ensure customer satisfaction. The station maintains database of clients with the majority having a long term relationship. They include SMEs, new startups mainly in manufacturing; as well as small projects and routine services.

##### **Technology Station: Clothing and Textile** **Shamil Isaacs**

The station offers technology support to the clothing and textile sector to improve innovation and competitiveness. It also supports the development of the CPUT's teaching, research and community engagement programme. The aim of the station is to provide the following:

- technology support to the clothing, textile and related industries in SA
- support for innovation to improve international competitiveness of the local industry
- support SMEs by actively engaging with CPUT thereby becoming a catalyst for innovation and research
- technological empowerment to SMEs, especially PDIs and females

The station offers and/or provides a range of services to the clothing, textiles and related sectors such as: manufacturing advice services; technology centre; product testing and analysis; human capital development; product development; smart organisation; and research.

#### **SARS**

##### **T Twaku**

The SARS tax workshop provides information on the provisions of legislation and the meaning or application of any provisions. There are tax incentives for small business corporations and this includes cooperatives, close corporations and private companies. They are not applicable to sole proprietors, partnerships and trusts. Furthermore, shareholding must be held by natural persons/ individuals for the entire year. The gross income must not be more than R20 million per annum. Individuals are required to deregister from participating in other cooperatives, CCs or companies before benefitting from a SBC although certain limited shareholding is permissible. The requirements of a SBC are such that shareholders must have no interest in another company. However, this excludes dormant, shelf or non-trading companies where the total value of assets do not exceed R5000.00. It also excludes listed companies and companies exempt from the payment of income tax. Furthermore, a total of not more than 20% of total receipts and accruals must be from investment income and a personal income as defined in the Income Tax Act. Investment income includes dividends (both local and foreign), royalties, rental from immovable property, annuities or income of a similar nature and interest income.

A SBC may not be a “personal service provider” subject to the definition of the Fourth Schedule to the Income Tax. The advantage of SBS is that it benefits from reduced tax rates. There is no need to apply for SBC status, it must just be indicated annually on the annual tax return and that all the requirements are met.

#### **Topic 4: Business Opportunities and Funding Models**

##### **Thundafund (Crowdfunding)**

The definition of crowd funding is simply raising small amounts of money from a large group of people. Crowd funding is the practice of funding a project or cause by raising money from a large number of people, typically through the internet. It is a form of fundraising through the internet. Thundafund is South Africa’s leading online Crowd funding Platform and marketplace for creatives and innovators. Through Thundafund, entrepreneurs with their respective projects & ideas can raise funds. At the same time, to build a supportive crowd through the process of crowd funding. Thundafund works on two models: (i) rewards based system -

System – in return for a donation from crowd of a project, the business typically gives some type of reward for funds given; and (ii) all or nothing model – if you do not reach your milestone Thundafund returns the money crowd funded to the backers who pledged it. The entrepreneur needs to stipulate a minimum amount they need to get the project going.

##### **Y2K Bridging Finance**

###### **Jennifer Classen**

The principles that govern Y2K Finance are agile and transparent processes; speed of response; proper due diligence; client dignity; and cost effective rates. The company follows an operations methodology that defines eligibility criteria and application process. SMMEs need to submit all business compliance documents. Feedback is given and if successful, the owners of the SMME need to complete and sign the documents. Funds are disbursed after signing of the required documentation.

## FASA (Franchise Association of South Africa)

### Vera Valais

FASA is a trade organisation and/or industry representative body for franchisors, franchisees, individuals, corporates as well as companies that supply products or provide services the franchise industry. It is the only official representative body for the franchise industry in SA recognised by government. The role of FASA is to promote ethical franchising; ensure its members comply with international standards and practices; give accreditation and official recognition to companies that comply with membership criteria; ombudsman services (in future); promotes interests of its members; spearheads meetings; and provides industry information through its annual survey programme. FASA hosts a number of activities such as exhibitions; awards; seminars, workshops, network events, meetings and promotions. It is also responsible for publications such as franchise and suppliers manuals. Joining FASA ensures credibility; boosting industrial representation; networking and marketing opportunities; dispute resolution services; access to funding; education; and a legal framework.

The definition of franchising includes five key elements which are:

- Operating under a common trademark
- Contractual relationship
- Maintaining a continuing interest franchisor
- Trademark owned/controlled by franchisor
- Franchisee makes a substantial capital investment from own resources

<b>RESPONSIBILITIES</b>	
<b>FRANCHISOR</b>	<b>FRANCHISEE</b>
<ul style="list-style-type: none"> <li>○ Originates business concept</li> <li>○ Established &amp; tested business system</li> <li>○ Sells 'clones' to grow &amp; build brand</li> <li>○ Know-how, training &amp; support</li> <li>○ Network must grow rapidly &amp; cost effectively</li> <li>○ Pooled operational efficiencies</li> </ul>	<ul style="list-style-type: none"> <li>○ Buys ready-made business package</li> <li>○ Buys right to operate under an established brand name.</li> <li>○ Invests to replicate a proven concept</li> <li>○ Follows franchisors standards, methods, procedures etc.</li> <li>○ Pays a fee for the use of trademark &amp; systems of franchisor</li> <li>○ Gets skills transfer, training &amp; support</li> </ul>

The FASA organisational structure consists of EXCO and Council each with its Chairpersons. Nominations are open to all members and elected at strategic sessions of the terms of office. The internal structure also consists of employees and consultants. A number of functions are outsourced to consultants like PR, Design, Advertising and Accounting. The membership, stakeholder relations, audit and risk, as well as the awards and sponsorships committees have been established to assist in achieving FASAs objectives.

## SEDA

### Lerato Sereetsi



A cooperative is a business where a group of people get together voluntarily to address their common needs. It is a jointly owned and democratically controlled enterprise organised and operated under cooperative principles. Before registering a cooperative, a formation meeting needs to be held with all persons that are interested in establishing the cooperative. These are some of the items to be discussed in such a meeting:-

- The essence of coming together to form a cooperative
- The management of the cooperative (i.e. roles and responsibilities)
- The objectives (exactly what the cooperative will do)
- The equipment, premises and other materials needed by the enterprise (set up requirements)
- How the cooperative will be financed and how the funds will be obtained
- The name of the cooperative – propose and choose alternative names)
- The essence of coming together to form a co-operative;
- The management of the co-operative (roles and responsibilities);
- The Objectives (exactly what the co-operative will do);
- The equipment, premises and other materials needed by the enterprise (Set-up requirements);
- How will the co-operative be financed? How will the funds be obtained?; and
- Choose a name for the co-operative (propose and choose alternative names).

According to the Companies and intellectual property Commission (CIPC) register, 19 550 new co-operatives were registered from 2005 to 2009 in various sectors, representing a growth rate of 86 %. The vast majority of these new co-operatives were black women-owned co-operatives.

By the end of March 2015 there were a total of 107 266 registered co-operatives on the CIPC data base. From the total of 107 266 registered co-operatives; approximately 98% are primary co-operatives, with only 568 secondary co-operatives and 12 tertiary co-operatives

#### **There are challenges facing cooperatives:**

- Registering co-operatives to exploit the CIS and other grants available to co-operatives without a common purpose of members to organize themselves to further their economic, social, cultural or environmental interests;
- Lack of understanding and support from key role players to develop, support and regulate the cooperatives;
- Lack of planning, management and running of co-operatives on business principles that guarantee their survival on an independent and sustainable basis;
- Insufficient investments to contribute to their own equity, resources and time;
- Cooperatives are not governed by democratic and accountable principles in compliance with international conventions and the prescripts of the South African Cooperatives Amendment Act.; and
- Lack of co-operation amongst co-operatives and the communities they operate within.

However, there are enormous opportunities as possible solutions to having economically viable cooperatives are open and available. They include the following:

- Strengthening partnerships with the public and private sector to unlock opportunities;



- Co-operatives to explore and exploit value chain process within the sectors they operate within;
- Getting more and more training and skills to better run and manage their businesses;
- Entice and mobilize their immediate surrounding as potential markets;
- Liaise and use the academic institutions as resources in support and development; and
- Understanding the sector and markets you operating within and have clear business objectives.

### **Plenary Feedback and Summary of the Day's Proceedings: Charles Parkerson and MILE**

It's been a milestone to host a session in partnership with MILE and SALGA and the activities that ensued. The presentations were very interesting, informative and insightful. Most of the ideas will be taken forward with a view to advancing the informal economy. The stakeholders need to act collectively and decisively in dealing with challenges and bottlenecks in an attempt to unlock the bottlenecks that exist in the development of the informal economy.

## INFORMAL ECONOMY SUMMIT PROGRAMME: DAY 2

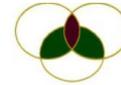
### LEADERSHIP DEVELOPMENT WITHIN THE INFORMAL ECONOMY

#### VENUE: SALGA HOUSE

#### **Welcome and Introduction: MR KHALIL MULLAGIE, Provincial Executive Officer: SALGA Western Cape**

The City of Cape Town has proposed that SALGA must convene a knowledge exchange and sharing platform for the Informal Economy. The platform will comprise metropolitan cities in SA. The idea of this platform is to allow for SA cities to share knowledge, experience, ideas and insights for dealing with issues pertaining to the informal economy in the respective cities. The objective is to share best practices and benchmark against each other with the few of developing this sector as an important player in the overall economy of the country. The platform is also intended for municipalities to learn from each other and establish what municipalities need to do to support the development of the informal economy. From previous knowledge and sharing sessions that leadership development within the sector, the main objectives are the following:

- Ignite regional cooperation and peer learning
- Collaboratively work on common issues between municipal officials, SALGA, informal economy representatives and Centres of Higher Education
- Knowledge sharing
- Build effective representation in the informal sector
- Build working relationships with increased understanding and trust between stakeholders
- Review effective tools, innovative approaches to develop key competencies in the sector and effective leadership competencies (knowledge, skills and behaviour): and
- Encourage commitment to ensure that any new understanding and lessons learnt feed into how policies and bylaws are drafted as well as ensure their implementation and monitoring.



## PROGRAMME

DAY 2: Tuesday, 14 JUNE 2016	
Time	Item
09:00 – 09:05	<b>Mr Khalil Mullagie, Provincial Executive Officer: SALGA Western Cape</b> Welcome and Introduction
09:05 – 09:30	<b>Mr Ashraf Adam, Executive Director: SALGA (Economic Development and Planning)</b> Setting the Scene
09:30 – 10:25	<b>Mr Sogen Moodley, Senior Manager: MILE (Municipal Institute of Learning)</b> Reflections from Day 1: Facilitated discussion session on emerging issues from Day 1
<b>Session 1</b>	<b>What can municipalities learn from each other?</b>
10:25 – 11:55	<b>Mr Thembinkosi Siganda, Director: Economic Development, City of Cape Town</b> Managing Informality in Urban Areas: Innovation, Challenges, Opportunities and Lessons Learned: Three Metros (City of Cape Town, City of Johannesburg and eThekweni Municipality)  <b>Mr Xolani Nxumalo, Deputy Director, Sustainable Employment Facilitation, City of Johannesburg</b> Gauteng Department of Economic Development and Department of Cooperative Governance and Traditional Affairs: Best Practice Case Study  <b>Mr Oswald Thulani Nzama, Deputy Head: SMME, eThekweni Municipality</b> Sharing experiences (innovative and multifaceted approaches) of working within the informal economy
<b>Session 2</b>	<b>What should municipalities do to support the development of the informal economy?</b>
11:55 – 12:25	<b>Ms Pat Horn, Senior researcher: African Centre for Cities, University Cape Town</b> Trends and realities of the informal economy: National and Developing Country Perspective
12:25 – 12:55	<b>Dr Geci Karuri Sebina, Executive Manager: Programmes, South African Cities Network</b> Discussion on the role of government in creating an enabling environment within the Informal Economy
12:55 – 13:10	<b>Mr Ashraf Adam, Executive Director: SALGA (Economic Development and Planning)</b> Way Forward
12:25 - 13:25	<b>Networking Lunch</b>

## **Session 1: What can local government learn from the sector regarding leadership?**

### **Setting the Scene MR ASHRAF ADAM, Executive Director: SALGA [Economic Development and Planning]**

SA is still characterised by spatial and economic inequalities as a result of apartheid. The notion of two economies (i.e. formal and informal) has proven not to be relevant in the current dispensation. The informal economy has proven to be a pivotal industry that is contributing significantly to the overall economy. The informal economy cannot be equated to poverty and it has proven not to be the case. Informal traders have taken advantage of many opportunities and therefore there is a fine line between entrepreneurship and informal trading. Government needs to deal with informality as part of formality because they form one economy. Informal traders should be allowed to participate in the economy as a whole and not be treated as a special case.

### **Reflections on Day 1: Facilitated Discussion Session on the emerging issues from Day 1, MUNICIPAL INSTITUTE OF LEARNING**

The City of Cape Town has been hosting the Summit over the last four years. The series of summits was initiated by a demonstration of informal traders in the city. The informal traders argued that the sector was contributing to the economy of the country but the city was not addressing their concerns and challenges. Through the office of the Mayor, the Economic Development Department responded to the traders by creating a space for dialogue and discussion and hence the forming of an annual summit for informal traders. The city is currently reviewing its policies and is developing strategies and plans to deal with operational issues with a view to promoting the ease of doing business for the informal economy. The idea is also break the functional silos that exist within the city in order to deal effectively and efficiently with informal traders. The review process has been a collective process and has been localised to ensure that all stakeholders are involved. The summit is a culmination of a number of activities and initiatives as well as research that has been undertaken in the city. The informal economy should be tackled in a holistic manner and the summit covers a range of issues. The summit stimulated the thinking of all participants to think “outside the box” and explore innovative ways of participating in the informal economy and beyond. The summit will help shape the informal sector and this can only be undertaken collectively by all parties involved directly and indirectly with the sector.

There is a very paternalistic and academic approach to informal trading. Our policies are not being implemented and we do not have databases of informal traders in our respective municipalities. Government is out of touch with the informal sector; we need to do a little bit more. There are also huge barriers to entry and hence qualified professionals end up being in the informal trade. Government is meant to enable but we end up disabling. We need to create an enable environment that allows the informal economy to prosper.

Informal trading is growing very fast outdated current bylaws and policies (and rezoning) and the informal trade is growing despite the red tape. Government needs to review its regulatory processes to cater for informal traders. We need to change the mindset of line departments who are still operating in functional silos vertically and horizontally. There is a need for strong alignment within government before we can support the informal economy.



### Summary of challenges and goals

KEY CHALLENGES	PROPOSED GOALS
Poor attitude and lack of understanding, transparency and accountability	Need to build respect, agree on a common set of rules of the game and stick to them
City line departments are not taking responsibility for implementing policies and bylaws that are adapted to the sector, which are consistent and enforceable	To reframe policies and bylaws jointly that are acceptable to all stakeholders, on the basis of the full acceptance of the sector's permanence in the city
Ineffective communication	To establish real inclusive spaces of engagement for all stakeholders that ensures mutual accountability
Lack of infrastructure and space allocation and lack of spatial vision and planning	Need for the provision of sufficient trading spaces that responds to real demand; recognising the developmental pathway and providing adapted infrastructure
Lack of organisational capacity building, strategic leadership skills for both informal traders and officials	Developing processes and spaces for capacity building for the sector and within the city
Lack of cooperative governance	More effective, streamlined governance between three spheres
Lack of integrated and shared vision for the informal sector	Unified, integrated, shared vision that mainstreams the informal sector into the economy and urban environment
Lack of targeted, focused, goal driven representation	Ensure that there is inclusiveness in spaces of engagement and accountability and the multiplicity of voices, by creating a vibrant trader platform that recognises a multiplicity of all the users of public space

### Questions and discussion session

#### Are these challenges universal?

There is an absolute consensus that challenges to the informal economy are universal in all cities across the SA. Perhaps they differ in the scale and the growth pace that differs and varies from city to city, area to area, space to space, operational processes, organisational culture, attitudes, and so on.

#### How do we as Local Government practitioners understand these?

Technology solves a problem and disrupts, transforms is an important aspect in the global economy. Are informal traders ready to embrace the changes in the global economy? Although SA has a fairly developed infrastructure, the old economy is currently dying and the world is moving. Government does not have a vision for the informal economy and informal traders are ahead of the game. We need to work together to transform a particular project (e.g. BRT). There is no policy paper that guides the informal economy. However, national government have developed a national informal economy strategy and the business act. SALGA (2013) also developed guidelines for policy development for municipalities dealing with the informal economy.

There are many actors in the informal trading sector, but they are not planning and implementing together. Informal trade is a local, provincial and national issue; therefore all parties should work together for the advancement of the sector. There needs to be a national policy framework that will assist in addressing regional and local issues.

Capacity and skills in the informal trade itself is lacking. Foreign businesses have taken space that would ideally be for local informal traders. Discrimination is another issue, yet foreigners in the next few years will become citizens. They are already in socio economic system and therefore we cannot get rid of them. We need to allow grants to be flexible and allow cities to dictate and not treasury. Right to spaces and trade...cities have the power to deal with issues and it is not necessarily about poor intergovernmental relations.

### **What can municipalities learn from each other?**

#### **AIM**

- Analysing both the complex context of the informal economy in South Africa and the challenges municipalities often face when designing policies and by-laws with regard to the sector.
- Sharing lessons learnt derived from the activities and processes undertaken

### **Managing Informality in Urban areas: Innovation, Challenges, Opportunities and Lessons Learned: 3 Metros [City of Cape Town, City of Johannesburg and eThekweni], MR THEMBINKOSI SIGANDA, Director: Economic Development Department [City of Cape Town]**

Cape Town, according to the IDP, is an opportunity, safe, caring, inclusive and well run city. One of the objectives of the “Opportunity City” is to create an enabling environment to attract investment that generates economic growth and job creation through small business programmes. Informal trading in the city is classified according to districts; trading zones, permitted and non-permitted traders; markets; food service industry; and the allocation of operational staff. Trading zones are increasing as more trading plans are being approved. The city’s informal trading landscape comprises of both approved and free trading areas. The Department of Economic Development is responsible for policy and planning; regulation; as well as trader development and support. The approach and process adopted by the city commences with a trading plan followed by a management model and finalised through infrastructure solutions. It is a high level informal trading plan process that involves a number of stakeholders.

The City of Cape Town seeks to reform and explore informal experiences from a host of partners and stakeholders in the sector. This has led to an introduction of an online application and improvement payment process to assist informal traders with doing business with the City – ease of doing business with the City of Cape Town. The fundamental issues and agenda of the reform revolve around people; systems and processes; as well as customers. With regards to people, it was discovered that there is limited capacity therefore customer centricity was impacted; allegations of collusion; lack of training and development; and productivity issues due to resource constraints systems and processes were largely paper based, non-responsive and not customer centric. Customers were not put first and there were



high costs of doing business due to time taken to approve permits. The distribution of staff does not balance with the number of informal trading bays across the districts. SA has a rate of smartphone users and in that context provides an opportunity to advance mobile penetration, digital literacy, and devices related to smartphones. Hence the City of Cape Town has developed the e-Permitting System – a new informal trader permit application process. However, the system is linked to key changes relating to both new and existing traders with respect to advertised bays, ability to apply online; screening questions; weighting scoring for selection; advanced payments as well as non-payment issues. The online digital permitting system is also linked to the eTrading plan submission. Both systems have translated to a positive and significant financial impact. The City has committed itself fully to these changes but has not yet reached its full potential for user support, internalisation and action.

The elements of a successful informal trader system is the ability of to codesign solution with the sector; apply sound change management principles; develop an integrated IT system backbone; and develop proper records management to analyse foreign versus local trader; billed and unbilled and so on. The implementation focus must be on place making as well as fighting crime and grime.

**Gauteng Department of Economic Development and Department of Co-operative Governance and Traditional Affairs: Best Practice Case Study, MR XOLANI NXUMALO; Deputy Director: Sustainable Employment facilitation [City of Johannesburg]**

Johannesburg remains a focal point in the SA economy. The city's economy is equivalent to that of Kenya, larger than most neighbouring countries and perhaps equivalent to the 8<sup>th</sup> biggest "country" in Africa or 66<sup>th</sup> in the world. The city of Johannesburg accounts for 17% of SAs economic output. There is a higher probability of finding a job in Johannesburg than in any other metro, hence the inward migration into the City. The inner city is the major hub for informal trading activities in the city; however, they are distributed evenly across all regions. Informal trade employment accounts for more than a half of Johannesburg's informal employment. The city has embarked on long term planning for informal trading. It has embarked on the review of the informal trading policy and street trading bylaws. The long term plan will entail the designation and proclamation of trading areas; management and enforcement; as well as the development of the sector. The plan is just part of a holistic approach to the informal economy.

**The city's response to future informal trading conditions entails:**

- Improved management
- Better balance between the interest of stakeholders
- Increased stakeholder participation in management
- Partner with stakeholders in inclusive management model
- Improved law enforcement model
- New approach to law enforcement and monitoring mechanisms
- Management models
- Partnerships and sustainable model
- Self-management model

In managing the context, process and implementation there are certainly driving forces but there are restraining forces as well. The current state is unorganised trading and the impact on other stakeholder interests. Whilst the desired state is well designated and managed trading areas.

❖ **The vision for informal trading in the city**

- Well managed informal sector providing diverse retail offerings in the city
- Informal trading to be included in land use planning and economic development strategies
- Informal trading is limited to markets, linear markets and designated streets that are to be clearly demarcated and integrated with transportation and movement plans
- Needs of traders balanced versus needs of other stakeholders for space to walk safety etc.
- To ensure that the city is rid of crime and grime and to promote the informal economy ensuring the promotion and creation of jobs
- To facilitate development of informal trading and migration from informal to formal.

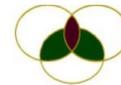
The City of Johannesburg understands informal trading to refer to a set of activities which are less regulated and protected by government than other trading activities. However, Informal traders have links to the more formal economy. Informal traders are diverse – both in the range of products that they sell, whether they are marginal or lucrative, efficient or inefficient and whether they trade on the streets or in different forms of markets and buildings. Informality has become an inevitable part of many modern cities especially in the developing world. Thus, the city needs to provide regulation, protection and support for both the informal sector as well as to balance their interests versus those of pedestrians on streets, property owners and residents.

❖ **What is promulgation of trading areas addressing?**

- Balancing the interest of all stakeholders
- Stakeholder submission
- Illegal traders have used the overcrowded conditions on inner city streets to evade the enforcement
- The public environment on many streets is deteriorating rapidly as it was not designated for the high densities of trading activities
- Pedestrians, residents, commuters, workers and businesses are unable to use pedestrian walkways and public amenities
- Support local economy – formalise street trading spaces, improve service access
- Improve liveability – play spaces, event spaces, public art
- Design for low/easy maintenance – robust detailing, durable materials
- Improve commuter experience – separate vehicles from pedestrians

During a consultation process, the stakeholders were asked about what could be done to improve the situation...and they responded as follows:

<b>INFORMAL TRADERS</b>	<b>RESIDENTS AND PROPERTY OWNERS</b>	<b>SECURITY CLUSTER</b>	<b>TRANSPORT PROVIDERS</b>
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More trading space in more viable areas	Reduce congestion, litter and criminal activity	Unambiguous licencing frameworks and permits	Trading serves staff and customers
Self-regulation and self-management	Clean and uncongested sidewalks	Traders to cooperate more with enforcement	Need more off street ranking city wide
Transparent allocation of spaces	Enforcement of bylaws	Less congestion will improve policing	
Enforcement of illegal trading	Address building visibility and access		
Rentals commensurate with services provided			

### The highlights of the trading approach and plan

<b>CONSULTATION</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Informal trading is an important economic activity</li> <li><input type="checkbox"/> Need for stakeholder led management model</li> <li><input type="checkbox"/> Address congestion and illegal and criminal activities</li> </ul>
<b>TECHNICAL WORK</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Street by street analysis of trading activities</li> <li><input type="checkbox"/> Traffic impact study</li> <li><input type="checkbox"/> Informal trading policy benchmark study</li> <li><input type="checkbox"/> Various proposals and research by traders</li> </ul>
<b>FINAL PROPOSALS</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> No prohibition of trading – increase inner city capacity of 5 years</li> <li><input type="checkbox"/> Drastically improve bylaw enforcement through increased capacity</li> <li><input type="checkbox"/> Consider balance of interests in the demarcation of trading spaces</li> <li><input type="checkbox"/> Precinct based partnerships for street trading management</li> </ul>

So, basically, all necessary investigations have been completed, including extensive consultations with all stakeholders. The proposed solution is to increase informal trading capacity in the inner city while working towards a well-managed and supported diverse trading sector which is effectively integrated into the developmental goals of the city. There is no need for the city to prohibit trading in areas already designated. Several trading areas in the plan are already demarcate trading areas and the plan seek to better regulate and improve better effective management including creating other areas. Current challenges can be addressed in a way that creates new jobs and economic opportunities.

The city engaged with affected stakeholders and throughout the process of engagement, the city faced challenges from legal representatives of the traders regarding the process being followed despite the fact that all stakeholders were extensively engaged on all aspects of the process. The next step would be to request council to declare a motion to restrict or prohibit trading. However, the extensive engagement and investigations have revealed that there is no need for the city to prohibit trading in areas already designated. This was based on legal opinion obtained, a risk assessment and research; feasibility studies; as well as stakeholder submissions.



### Identified problems and solutions

<p><b>Congested streets and the need to balance stakeholder conflicting interests</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Relocate affected trading activities</li> <li><input type="checkbox"/> Adhere to court order</li> <li><input type="checkbox"/> Consult with concerned traders/representatives</li> <li><input type="checkbox"/> Extend sidewalks</li> <li><input type="checkbox"/> Remove or reduce parking bays</li> <li><input type="checkbox"/> Designate new trading areas</li> <li><input type="checkbox"/> Limit trading to demarcated trading areas</li> <li><input type="checkbox"/> Observe size, location and viability of trading spaces</li> <li><input type="checkbox"/> Balance interests of all stakeholders</li> </ul>
<p><b>Illegal trading</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Deploy additional resources for enforcement of bylaws</li> <li><input type="checkbox"/> Implement adopted Informal Trading Management Plan</li> </ul>
	<ul style="list-style-type: none"> <li><input type="checkbox"/> Ensure multi-stakeholder approach</li> <li><input type="checkbox"/> Implement process according to applicable legislation and Constitutional Court order</li> <li><input type="checkbox"/> Accommodate new informal traders in new areas</li> <li><input type="checkbox"/> Maintain traders survey list as part of city records</li> </ul>
<p><b>High demand for trading spaces</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Demarcate additional new trading spaces in line with plan</li> <li><input type="checkbox"/> Accommodate all traders on COJ database</li> <li><input type="checkbox"/> Accommodate all traders on Constitutional court list</li> <li><input type="checkbox"/> Increase capacity by creating markets in buildings in close proximity to transport nodes</li> </ul>
<p><b>Management of informal trading</b></p>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Issue revised smart cards and allocation process</li> <li><input type="checkbox"/> Informal trading forum with terms of reference</li> <li><input type="checkbox"/> SLA with partnerships</li> <li><input type="checkbox"/> Adopt precinct approach</li> <li><input type="checkbox"/> Dedicate COJ PMO</li> <li><input type="checkbox"/> Finalise trading plan in collaboration with informal traders and property owners</li> </ul>

- In addressing congestion and balancing the interests of all stakeholders, the solution is based on extensive consultation with all stakeholders and a range of technical work. This entailed the consultation of a variety of stakeholders in informal trading; traffic assessments; new plans for outlying areas where trading is viable and manageable; measures identified to address congestion in exiting trading areas; and taking account of a host of other important factors.
- In addressing illegal trading, it will only be permitted in designated and demarcated areas for trading and illegal trading shall be subjected to the applicable and drastically improved bylaws. Traders found to trading in prohibited areas will be relocated to a designated area.
- In creating more trading space, the city will introduce markets in mixed use buildings and develop an iconic market in the heart of the CBD.
- In addressing management of Informal Trading in the Inner City, the proposed solution is based on extensive consultation with all stakeholders and a range of technical work.
- And finally, in addressing effective management informal trading, the city has adopted a process design model. The model involves the designation and



demarcation; management and bylaw enforcement; as well as allocation and licensing of traders. It is based on an input – transformation resources and trading process flow - and the production of key output model. The process flow cycle involves application, processing, allocation, lease agreement, and licence issuing. Smart cards are also being rolled out to existing markets and all demarcated trading stalls. The idea of the trading smart card or permitting issuing process is to improve turnaround time.

So basically, it is important to adopt an inclusive (developmental) rather than restrictive approach to street trading; get the right institutions; and get the process right. Communication with leadership of informal trading is a key especially for the dissemination of information. There has to be institutional arrangements for the informal traders (i.e. forum, associations, committees and others) as well as other key stakeholder. The city must enter into management agreements that include informal trading in the relevant “Precinct Affected Entities”. How the city focus on bylaw enforcement and better management fit together. The traders are covered by law and must be assisted into formal SME businesses. The city must make investments into the economy as well as coordinate city teams and stakeholders roles.

**Sharing experiences [innovative and multi-faceted approaches] of working within the informal economy; MR OSWALD THULANI NZWANE, Deputy Head: SMME [eThekweni Municipality]**

The eThekweni Municipality is the largest port and city on the east coast of Africa and second largest city in South Africa. It is an amalgamation of racial and cultural diversity. Unemployment rates are high as well as the number of people living in poverty. The age profile reveals that working age group of the population is largely youthful and is involved in the informal economy.

During the late 90s, the most established organisation representing street traders is the Informal Traders Management Board (ITMB). This was the umbrella body for the various street committees created by traders across the Durban area. The ITMB has worked closely with the municipality through the years. However, at present, the relationship appears to be strained. There are also a number of street trader organisations, based on voluntary association, that have developed to represent traders, or specific groups amongst traders, such as foreign nationals.

The greatest trader organisation concern is that the “second economy” operators are not well understood as a beneficiary target group, making it difficult for government to deliver services from which they can genuinely benefit and improve their living standards. Furthermore, the decentralised nature of “second economy” organisations makes effective consultation difficult to set up. There are different (and sometime conflicting) interests among different interest groups within the second economy (e.g. different gender needs) which can result in unintended consequences at the expense of certain groups. Local government IDPs have not yet proved to be an effective consultation mechanism for “second economy” operators to make a meaningful contribution in participatory local governance.

Since the adoption of the Informal Economy Policy by the eThekweni Municipality in February 2001, there has been no structure in place, constituting of all relevant stakeholders, to drive the policy implementation process forward. The informal economy policy points out



the need for the “establishment of a negotiating forum where all organisations would have the opportunity to gain recognition as bona fide representatives subject to set criteria”. A substantial percentage of the eThekweni population is engaged in informal economy activities. It is therefore important to form the eThekweni Informal Economy Forum in such a way that it is all inclusive and practically manageable. On the other hand, the KZN Provincial Informal Economy Policy recommends that municipalities must facilitate the establishment of informal actor’s chambers to enhance participation and involvement of people working in the informal economy.

**❖ The objectives of the forum....**

- Serve as a structure that will allow stakeholders to engage in dialogue on strategic informal economy issues, for example, the informal economy policy and the implementation thereof.
- Serve as an information sharing and networking structure, ensuring that all stakeholders share a common understanding on informal economy issues
- Deliberate on developmental issues pertaining to informal traders and recommended appropriate mechanisms of addressing them
- Does not deal with the day to day operation issues relating to specific informal markets or street trading sites. It will not override the mandate of the existing market or street committees.
- Explore innovations around transforming the relationship between informal traders and city officials from a strained, regulatory and antagonistic to one of consultative cooperation.

The composition of the forum caters for all stakeholders including politicians, trader representatives, city officials (including metro police), the private sector (i.e. chamber of commerce), as well as the provincial departments (economic development and COGTA - legal advisory services and compliance units). The ILO has facilitated social dialogue consultative meetings with stakeholders and the informal economy traders across the entire eThekweni Municipal area including councillors and officials. The social dialogue is premised on the notion of freedom of association and that street committees must exist side by side with existing associations. A number of challenges were discovered during the social dialogue process, such as the following:

- A lack of knowledge and information
- The Secretariat role and/or function not satisfactory
- Parties were negotiating in bad faith
- There is limited trust between parties
- Poor report back mechanisms
- Representatives for forum elected under false pretences.

Through the ILO social dialogue process, there was a set of recommendations that were made and they include the following:

- Sensitisation workshop of representatives from all regions to discuss informal economy bylaws
- Re-election of representatives not under false pretences
- Capacitate Secretariat on principles of social dialogue, support and facilitation of social dialogue processes

- Build the capacity of informal traders association in the following areas – training in association building; leadership skills; advocacy; negotiations; communication and facilitation or skills on how to conduct meetings.

### **Reflections and Lessons Learned**

- Thorough consultation and involvement of all stakeholders to improve working conditions for the most vulnerable workers, with particular focus on the informal economy.
- A clear strategy for promotion and encouragement of economic opportunities based on the right mix of targeted policies, planning and regulation process.
- Enhance capacity of local government authorities to adopt local economic development strategies that promote the creation and retention of decent work
- Provision of conducive environment for more women and men, especially youth and persons with disabilities to have access to productive and decent employment through informal economy
- Constant meetings with trader leadership and association to ensure trustful relationship
- Seeking mandate from all stakeholders before implementation of regulations
- Facilitation role in formulation of structures, their constitution and code of conduct.
- Before compliance, ensure people understand the ABCs of legislation
- Register and create databases of all informal traders including permitted and non-permitted.
- Incorporate informal traders in the SCM processes
- Provide infrastructure to facilitate economic development
- Train informal traders on the power of bulk buying and warehousing
- Establish partnerships with banks and train informal traders
- Business bill in the province does not replace business act but instead regularises and include informal economy
- Role of national government is not very clear and sometime their role is questionable

### **What should municipalities do to support the development of the informal economy?**

#### **Trends and realities of the informal economy: National and Developing Country Perspective, MS PAT HORN, Senior Researcher: African Centre for Cities [University of Cape Town]**

International perspectives on urban informal trading suggest that the challenges are shared all over the world. Generally, the issues are the same but perhaps the intensity is not the same. Informal employment as a proportion of non-agricultural employment also varies with African countries yielding the highest percentages. The contribution of informal enterprises to national GDPs in 16 Sub-Saharan countries varied from 58% in Ghana to 24% in Zambia. On average, the informal sector contributed 41% to GDP (Women and Men in the Informal Economy, 2002). Research and statistical analysis suggests that informal work is the dominant mode of work in towns and cities in the developing world. Although individual incomes are often low, cumulatively these activities contribute significantly to the economy and poverty alleviation. While the informal sector may be relatively small, its impact on poverty reduction is large.



In India, over 100 million people – the majority of whom are women – work from their homes. Home based workers are key players in global and domestic production chains. In a recent survey among home based workers in seven Asian countries, interviewees identified the (i) quality and location of housing (ii) access to basic services (iii) cost and irregularity of supply of electricity and (iv) cost and access to transport as critical economic issues (HomeNet South and South East Asia, 2012).

Where governments and regulators have failed addressing social security, self-employment and urbanisation, organisations like the Mahila Housing trust in the State of Gujarat (India) have provided basic services, security of land tenure and access to housing finance for poor working and self-employed women. The approach can be considered as a good practice because it has enabled access to higher end markets, cooperative formation, negotiations with “employers”, and social protection measures for the self-employed.

Street and market vendors are distributors of affordable goods and services providing consumers with convenient retail options. Food vendors, especially those selling fresh produce, play an important role in food security. However, generally across the world, there is always a case of a large scale eviction of street traders somewhere every day. Often relocating street traders is very costly and seldom lasts because traders return despite facing on-going harassment. Where licences are issued, the number of vendors considerably exceeds the number of licences. In many countries, the legislative environment is generally very hostile towards informal traders.

Good practice with regards to national policies and legislation; public private community models regularising street vendors; innovative approaches to decongestion (such as rotating and night market and others); as well as design including street traders in urban plans need to be explored.

Waste management is a municipal priority and concern. Informal Waste Pickers supply most or all of the solid waste collection in many cities in the south at no cost to the city budget (UN Habitat, 2010). Recycling reduces greenhouse gas emissions 25 times more than incineration does. Privatisation leading to waste to energy schemes is the greatest threat to livelihoods. Laws in Peru, Argentina and Brazil support the formalisation of the occupation and encourage the cooperative model. Belo Horizonte (Brazil) and Pune (India) offer examples of successful integration of informal waste pickers into municipal waste management schemes. It is very important to integrate waste pickers into municipal solid waste management as a progressive approach.

Common to all cases of good practice is involvement of informal workers themselves – a matter of planning “with” not planning “for”. There are new planning practices and tools that must be adapted to understand and develop the informal economy. The value chain approach used in the formal economy is such an approach. Legislation is a key instrument of exclusion and therefore legal reform is a critical first step in inclusive planning. Innovative data gathering is also important because in order to plan appropriately, there is a need for more information at a city and district level.

Quote: “We need to promote and encourage hybrid economies in which micro-business can co-exist alongside small, medium, and large businesses: in which the street vendors can co-exist alongside the kiosks, retail shops, and large malls...just as the policy makers encourage



bio diversity, they should encourage economic diversity: (Ela Bhatt, Founder of Self Employed Women's Association and Founding Chair of WIEGO).

**Discussion on the Role of Government in creating an enabling environment within the Informal Economy, DR GECI KARURI-SEBINA, Executive Manager: Programmes - South African, Cities Network**

The State of Cities Report 2016 has a set of proposals that need to be considered by cities across SA. Firstly, townships must be better connected to and integrated with the main economic centres within the city, so that people can access jobs and economic opportunities beyond their local neighbourhoods. Secondly, both means (procurement, jobs) and ends (facilities and services) need substantial public investment in township development as enabling economy. Such public investment includes community health, education facilities, and public utilities and so on. Thirdly, cities must catalyse economic precinct development in townships. Lastly and most importantly, the informal economy forms an important part of city economies, particularly within CBDs, townships and low income neighbourhoods. Cities need to accept informality as a way of doing business in order to strengthen inclusivity. Bylaws must be redrafted to accommodate rather than criminalise informal activity. The informal trading permitting system must be reviewed. Cities must provide basic amenities and work infrastructure and in the process improve council and trader relations. Cities need to move away from temporary arrangements and advance to creating permanent solutions. This requires a move from managing a problem to providing solutions. There needs to be a paradigm shift and foresight in the way cities deal with informality. Government needs to have a clear vision with regards to it wants cities to look like and not adopt a bandage approach. However, the role of government in creating an enabling environment in the informal economy can be classified as both temporary (short term) and permanent (long term). Cities need to determine the milestones for each phase of development.

**Way Forward, MR ASHRAF ADAM, Executive Director: SALGA [Economic Development and Planning]**

It is undeniable fact that people from all over the world are coming to South Africa to learn about how we do things. Our experiences have been ground breaking. However, our challenges not unique and given the fact that we have a brutal history, we have done amazing work. We have done various things to deal with challenges and provided collective and constructive solutions over a period of time. We still have a lot of work to be done based on our experiences and we look forward and focus on things that need to change. Perhaps all stakeholders need to pause and change our thinking. The economy is changing and we are persistently doing the job of big business or SARS. Municipalities ought not to control and enforce but rather manage to maintain authority. The next phase of informal trade will be self-employed people that are driven by the knowledge economy.