

Informal Economy & Markets Learning Exchange

25 – 27 January 2017



INTRODUCTION

An Informal Economy and Markets Learning Exchange was hosted between eThekweni Municipality's Municipal Institute of Learning (MILE) and the Business Support and Markets Unit as well as the Benadir Regional Administration (Somalia) from the 25th to the 27th January 2017 in Durban. The exchange consisted of a number of presentations from eThekweni Municipality and Benadir Regional Administration (particularly in relation to informal markets within the City of Mogadishu), as well as group discussions and site visits (specifically, the following locations across the eThekweni Municipal Area: Mansell Road Market, Durban Fresh Produce Market, Clairwood Business Hive, Umlazi Emzimbuzini and Warwick Muthi Market).

The main objectives of the learning exchange were to share the history, knowledge, challenges and opportunities concerning the informal economy within the various Cities; to showcase successes of the Cities with particular respect to adapting this information to enable appropriate practice within varying contexts; and to identify opportunities for partnerships between the Cities. This document is aimed at recording the main highlights and lessons learnt.

OVERARCHING LESSON LEARNT

Informal markets within Mogadishu is the third largest source of revenue. Of significance is that the proportion of people within Mogadishu who are below the age of 35 is 70%. Therefore, a crucial consideration is how to develop urban spaces that invite the youth (as well as traditionally oppressed groups such as women) in an effort to promote social cohesion and involvement within the informal economy. This has been partly addressed by a UNHABITAT pilot project within Mogadishu which concerns the establishment of a construction training institution for a pilot group of 180 youth in order to develop opportunities to integrate these people into the informal market space. EThekweni Municipality (in partnership with UCLG) has previously hosted a learning exchange on public spaces and markets. This identified how markets can be used to build vibrant spaces which invite all types of demographics. A suggestion was that UCLG can use Mogadishu as a case study for the urbanisation of public spaces in order to foster social cohesion.

Mogadishu has some empowerment programmes in place to assist market traders. There is land donated by the municipality, with the assistance of UNHABITAT, which is used to empower creative women to display their products. Furthermore, there are attempts to implement an incubation centre for empowerment. The issue around sharing knowledge concerning incubation centres was flagged as critical as eThekweni can share many experiences through their long-standing and successful programmes.

The money generated from Mogadishu's informal markets is a little above \$600,000.00 but with a potential revenue of \$2.5m. This is a drop in the ocean compared to some cities, even eThekweni, and highlights the potential for massive development within the City should there existing an enabling environment for such expansion. Historically in Mogadishu, the change from a communist society to capitalist required a transformation based upon the new economic environment. The Islamic courts exacerbated the decline of the economy as well as the fact that there was no powerful municipality capable to collect taxation. When the situation recovered it remained difficult to convince people to pay their rates as the precedent had been set that it was free. There have been numerous marketing campaigns (on TV and radio) centred around awareness raising, explaining that the money collected will be invested in their sector in terms of (inter alia) sanitation, infrastructure

to ease traffic, safety. There has also been a greater focus on educating the younger generation who have grown up without a government.

A further lesson learnt is that a lack of by-laws and policies to regulate informal business is detrimental to the growth of the economy. Issues such as the eradication of illegal trading and enforcing the removal of those who are reluctant to pay is near impossible if there are no policies or legislation. There were by-laws in Mogadishu in the 1960s and 1970s however they were not enforced. It is these old, and somewhat outdated, by-laws that are currently being utilised. These clearly need to be reviewed and updated.

Mogadishu also has programmes in place to promote the linkages between the informal and formal sectors. A market traders' association represents both formal and informal traders. If the issues cannot be resolved at this level, it is elevated to the local authority, where there are also district courts and (District Commissioner's office). It was established that Mogadishu street markets are not well organised. Informal street traders pay on a daily basis to the Market Department within the municipality. It is collected in this manner as these informal traders cannot be tracked in terms of where they will be operating from each day. The preferable and more formal arrangement is to pay annually to the Taxation Department which also resides within the municipality. Both the Market and Taxation Departments fall under the financial auspices of the municipality.

Further, Mogadishu has formal vendors and street vendors, or informal vendors. The latter do not operate to a great extent and utilise structures such as wheelbarrows to move their goods around the city. Generally they sell their wares on the side of the road and are classified as illegal street traders. This creates a problem for the formal market, for example, an illegal street trader may set up a shoe stand adjacent to a shoe vendor in the formal market. Illegal street traders in Mogadishu are labelled itinerant traders and they are not allowed to sell within the city as they cause pedestrian traffic blockages which become a traffic/pedestrian safety concern. These types of traders seem to be creating problems for both eThekweni and Mogadishu. A suggestion was to consider the involvement of Non-Governmental Organisations (NGOs) to assist with this challenge.

In terms of communication with traders, eThekweni has regular meetings. This is a well-known strength in that eThekweni communicates with traders through formal structures and associations with leaders where meetings are annually prescheduled. There are partnerships with the private sector too. Aligned to this, stakeholder relations emerged as a key theme; it is crucial to engage traders in an inclusive manner thereby fostering trust and ensuring decisions are made which are mutually beneficial. The relationship between all spheres of government and traders needs to be strengthened. Involving high level political leadership assists in effective and efficient problem solving. Moreover, if effective stakeholder relations is to work, it is critical to minimise bureaucracy.

In terms of infrastructure and design eThekweni has external architecture service providers with knowledge of various innovative designs who at the same time work under instructions of a local authority, thereby ensuring appropriate and context specific design. Designing something that works is an important lesson. Architects / urban designers must provide solutions through an inclusive process. These consultants need to understand and immerse themselves within the unique local context. Local knowledge and localised solutions are required in order to adapt and customise solutions within unique contexts. It is important to have a range of solutions to draw from as opposed to a "one size fits all" approach.

What was of particular interest during the eThekweni site visits was the inclusion of informal traders in private mall development. This demonstrates a chain of complementary economic activities and

the integration of various trade opportunities. Furthermore, visibility, accessibility and location emerged as critical points. It is prudent not to waste resources by building white elephants such as those which are poorly designed and do not meet the needs of the local community. The eThekweni site visits also revealed the importance of by-laws that are appropriate and enabling, as well as access to basic and appropriate infrastructure to help incubate business to move from the informal to formal model. This actually moves beyond the basic concept of the right to human dignity.

There is research which documents “informality as the new formality” in developing cities (consider reports by Alison Brown, Michal Lyons and Ibrahima Dankoco, as well as Nezar AlSayyad). It is suggested that we should embrace this evolution and therefore be better equipped to plan for it and thus be proactive. In South Africa, the Constitution of the state applies to everyone; we cannot confiscate goods of traders without licences in a manner contrary to legislation and human rights. There have been a number of cases where the NGO will go as high as the High Court to contest these issues. Reparation has to be made for both loss as well as the money lost trading each day. EThekweni Municipality has a very progressive policy in respect of informal traders, however, there are unique challenges and problems. In summary, there is a tug between embracing informality in an African sense and allowing traders without licenses to sell, or formalising trade.

In summation, the following issues were identified for further collaboration:

- How to increase safety and security in public spaces;
- How to foster the incubation of informal trade;
- Applicable and context appropriate governance and by-laws;
- Learning about eThekweni’s Disaster Management Centre and how respond to emergencies; and
- The need for a Strategic Planning Master Class.

The **Learning about SDG8** video clip provides information about the Sustainable Development Goal applicable to the Informal Economy and Markets and functioned as an interesting summary of the long-term vision of an active and economically thriving (*please click on play button to be directed to YouTube*):

