



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

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Inspiring service delivery

DRAFT
**Local Government Position on the
Informal Economy**

**Informal Economy Metro Engagement
25-26/02/2019
Cape Town**

Outline of presentation

- Purpose of the Position
- Process in developing Position
- Size and contribution of the informal economy
- An evolving legislative and policy framework
- Acknowledging the challenges
- The role of the informal sector in the economy: A local government imperative

Purpose of the position

- The changing context: Evolving debate, evolving legal and policy framework.
- Need to capture and reflect a consensus of organised local government.
- Need for a cohesive and coherent approach, based on guiding principles and objectives.

Position development process

1. Consultation process:
 - Provincial dialogues
2. Research project:
 - Data collection
 - Interview with stakeholders
3. Steering Committee

Size and contribution of the informal economy

- Informal sector plays a significant role in economic development, employment creation, reduction, particularly for the vulnerable.
- IE employs around 1/3 of SA workforce
- 3.1 million people are employed in the sector
- IS contributes 6% of GDP
- Informal work is prevalent across the country, particularly in urban informal settlements, rural and communal areas.

An evolving legislative and policy framework

- Legislative and policy environment has evolved – introduction of new policy and legislation, international covenants, implications of jurisprudence
- Constitution:
 - Mandate of LG
 - Rights of all people
 - Mandate of i.t.o IS to be implemented within the realm of the broad range of rights associated with the Constitution.
- Business Act and Amendment:
 - Recognised the significant role of IS
 - Supportive and protective approach to IS
 - LG role to regulate IS but not prevent it

An evolving legislative and policy framework cont..

- Integrated Urban Development Framework (IUDF):
 - Right to the city approach to deal with marginality
 - Social and economic inclusivity
- Promotion of Administrative Justice Act (PAJA):

Gives all people the right to administrative action by LG that is lawful, reasonable and procedurally fair as well as to the right to written reasons for administrative action
- National Development Plan (NDP) 2012

Ideal scenario projects 11 million jobs created by 2030, suggesting that 90% of these will be created by small and growing enterprises

An evolving legislative and policy framework cont..

- **National Informal Business Upliftment Strategy (NIBUS) and Strategic Implementation Roadmap**
 - First national policy on IS post apartheid
 - Turning point for informal sector
 - Identified the IS as critical in addressing developmental goals
 - Supports a developmental continuum for graduation of informal business into formal economy
 - Sought to create an enabling legal and regulatory environment:
 - Reducing stringent regulations, easier registration
 - Enterprise development: Provision of services (land/space, water, energy, ablution, security) that support upliftment of IS

An evolving legislative and policy framework cont..

International Conventions:

- **UN Agenda on Sustainable Development 2030:**
 - SDG 1 Reducing poverty (protecting the earnings in IS)
 - SDG 5 Gender equality (reducing disadvantages of women workers in IS)
 - SDG 8 Decent work (address challenges faced by informal workers)
 - SDG 11 Inclusive and sustainable cities (integrating IS into city plans and policies, extending access to public land and services)

An evolving legislative and policy framework cont..

- **UN-Habitat's New Urban Agenda (NUA)**
 - 'The right to the city' and 'cities for all' to address urban inequality and exclusion
 - Cities to recognize the contribution of the IS by:
 - Supporting informal enterprises
 - Increasing access to productive resources and service and legal and social protection (particularly women)
 - Regulating access to public spaces and streets
- **ILO Recommendation 204**
 - Transition from informal to formal
 - Guides the extension of protections to workers in IS

An evolving legislative and policy framework cont..

- Recent court cases involving the IS have contributed to an evolving approach for LG
- Implications for how LG develops and implements by-laws and policy.
- Examples:
 - Right to trade
 - Impoundment only in exceptional circumstances and sparingly
 - LG to comply with administrative law (acting lawfully, reasonably and with procedural fairness)
 - Relocations and evictions of informal traders must comply with legal provisions of Business Act
 - Meaningful engagement between LG and IS is required
 - By-laws must provide institutionalised dispute resolution mechanisms for appeals.

Acknowledging the challenges

- **Despite the challenges, LG upholds the commitment to enhance the potential of informal work.**
- Some of the challenges for LG include:
 - Balancing regulation/management and developmental support
 - Balancing land uses
 - Limited infrastructure and services
 - Lack of space/land
 - Lack of a comprehensive/overarching municipal approach
 - Engagement and representation
 - Struggle to regulate (municipal capacity, outdated by-laws, ambiguous by-laws)
 - Understanding formalisation
 - Perceptions about foreign migrants

Acknowledging the challenges cont.

- IS faces barriers that threaten the sustainability of informal businesses.
- Some of the challenges for the IS include:
 - Inadequate business infrastructure and service provision
 - Limited access to financial services
 - Competition from formal enterprise
 - Distortions produced by urban land markets and the fragmentation of apartheid cities
 - Municipal regulatory issues
 - Lack of capacity to establish and participate in forums
 - Crime and security
 - Gaps in the content and delivery of training

The role of the informal sector in the economy: A Local Government imperative

A Local Government Response

LG recognises:

- The significant contribution of IS to job creation, poverty reduction and economic development
- That the IS is significant in size and impact and a necessary component of the economy
- The imperative to embrace and enhance the productivity of informal work
- That despite challenges LG is committed to addressing the needs of the IS
- That LG has an obligation to enable the 'right to the city'
- That LG has an obligation to engage meaningfully
- That LG is committed to upholding the spirit of the Constitution
- That municipalities can only operate within the limitations of their resources and therefore consideration is taken for the reasonability of response.

The role of the informal sector in the economy: A LG imperative cont...

LG concurs that municipalities must:

- Embrace and nurture the IS as a regular, productive segment of the local economy.
- Plan with the objective of achieving inclusive economic development
- Create the conditions that are conducive to the productivity of informal work so that the sector can grow the quality and quantity of jobs it generates

The role of the informal sector in the economy: A LG imperative cont...

Guiding principles for LG:

1. Societal values embedded in the Constitution

LG must operate within the guiding principles defined by the Constitution, international covenants, and jurisprudence. This denotes a constitutionally aligned and rights-based regulatory approach that uphold the rights of those who work in the informal sector.

2. Developmental outcomes for the IS

LG to adopt and approach to the IS that is focused on developmental outcomes. The goal is to see qualitative and quantitative growth of the informal sector and to create a more robust informal sector. LG must create opportunities for the IS and foster growth through an enabling environment.

The role of the informal sector in the economy: A LG imperative cont...

Practical strategies in responding to the IS:

- Linkages between formal and informal
- Economic inclusion of the informal sector
 - LG resources orientated towards addressing economic threats for IS
 - Structural barriers
- Access to social networks
- Spatial integration
 - Area-based responses
 - Township informal economies included in spatial plans and stimulation policies
 - Data sets to reflect township informal economies

The role of the informal sector in the economy: A LG imperative cont...

- Institutions of engagement
 - Institutionalised platforms for engagement
 - Including informal components of each economic sector in planning
 - Greater coherence – regular constructive engagement, not crisis management
- Greater coherence from local authorities
- Social inclusion (vulnerability)
- Regulation and legislation
 - Balance between regulation and developmental objectives

The role of the informal sector in the economy: A LG imperative cont...

- Access to skills, equipment, and technology
- Provision of services and infrastructure
- Rural and agrarian economy
 - Rural non-farm informal sector employment
 - Rural-urban linkages
 - Spatial and economic policies in rural areas

QUESTIONS

- What are the shortcomings, what is missing? what needs emphasis in the position paper?
- What would be the challenges in 'adopting' a position paper of this nature In your municipality?
- What are the next steps: what are the 3 priorities, in the spirit of the position paper, that you would need to implement in your municipality?
- What should we be focusing on as Local Government in the next 3-5 years to take the informal sector through local government forward?