



# NEWCASTLE INFORMAL/STREET TRADE POLICY

## PRELIMINARY DRAFT

### Deliverable Three: Draft Informal/Street Trade Policy

June 2014

Submitted to the Municipal Manager

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# PART ONE: BACKGROUND

## 1.1. Introduction

The growth and thriving dynamics of the informal economy in Newcastle Municipality has dictated that a regulatory framework for the industry is required. The intention to regulate the informal economy in the municipality forms part of the municipality's commitment to address poverty and unemployment effectively and sustainably. As at June 2014, the informal economy in Newcastle Municipality is unregulated, a situation which creates adhoc and often tensed interactions between the municipality and the informal economy. The municipality recognizes that these sorts of frictions constrain the potential of the informal economy to operate optimally. In so doing, they undermine thorough going economic development in the municipality. On one hand, the municipality has made some efforts to construct market stalls for informal *street* traders. On the other hand, there are signages which seek to prevent these traders from trading in given areas. The purpose of this policy is to provide a more comprehensive, coordinated, effective and developmental framework for the most visible part of informal economy, namely, informal (specifically street) trade.

## 1.2. Context and Conceptual Framework

The informal economy has courted controversy not just in South Africa, but also around the globe, in terms of what exactly it is, the potential it has and the most appropriate interventions. Notwithstanding these contests, the informal economy forms part of Local Economic Development, which is a constitutional mandate as far as Local Government is concerned. Since the turn of the century, there has been a fairly robust discussion and research on informal economy in South Africa.

The conceptualization of the informal economy has taken various shifts, since it was invented by Keith Hart's Ghana study in 1972, and the International Labor organization research conducted in Kenya, published in 1973. Until the International Labor Conference (2002), informal economic activities were aggregated and clustered as the informal sector. Thus, publications on informal economic activities preceding the ILO's 2002 conference are presented as *informal sector* research. In some quarters, this otherwise misleading concept is used to represent all informal economic activities. The resolutions of the ILC (2002) endorsed the broad definition of the informal sector, to *the informal economy*. The new definition –informal economy- was defined as “all economic activities by workers and economic units that are – in law or in practice – not covered or insufficiently covered by formal arrangements” (ILO 2002). This definition accounts for the fact that various sectors make up the informal economy, in which case the informal sector reference suggests that economic activities fall under a single sector- a misleading position.

Around the same time when global discussions were re-conceptualising the informal economy, informal activities in South Africa, starting from [then] eThekweni unicity (2001), City of Johannesburg (2000) in Capetown (2004) and Tshwane (2004) were being recognized as:

- (i) Critical for poverty reduction and addressing unemployment,

(ii) The informal economy is here to stay and

(iii) That it was inextricably linked with the formal economy<sup>1</sup>.

With the above understanding, in 2011 a national policy guideline for informal economy in metropolitan and local municipalities was adopted by the cabinet. Newcastle municipality's efforts therefore underscore the foundational work on informal economy illustrated in the above account.

### **1.3. Newcastle Municipality's Informal trade Policy approach and Rationale.**

The Newcastle Municipality is cognisant of the dynamics and scope of the informal economy, as defined by the KZN provincial guideline for the informal economy. The provincial policy considers as informal economy all economic activities which operate outside the law. This refers to activities which do not comply even though they are legitimate and well-intended activities (thus it is a question of where rather than what to trade). This definition excludes what the policy refers to as 'underground economy', that is, activities which according to the law should not take place, regardless of the location.

While the municipality is well aware of the broad range of informal economic activities within its boundaries including Taxi operations, domestic workers, home based workers, commercial sex workers, as well as street traders; the municipality prefers to limit its regulatory scope to informal traders, otherwise referred to as street traders. This focus is consistent with the national policy on informal economy, which deliberately focus on street trade with regulatory interests. The policy adopts the same definition of informal trade, adopted by the national and provincial policies. The adopted definition is the following.

*"unregulated nature of activities such as subsistence agricultural workers, domestic workers, home-based workers and commercial sex workers" or "those businesses which are not registered by VAT and are also not subject to other formal regulation or taxation, especially in retail and hawking"* (StreetNet International 2003).

The most comprehensive definition is found in the informal trading policy of the city of Johannesburg, as follows:

*"...economic activity by individuals and/or groups involving the sale of legal goods and services, within public and private spaces, which spaces are generally unconventional for the exercise of such activity. It is generally unorganized and not always registered as a formal business activity. In its most basic, informal trading takes place on streets and pavements, on private property (used primarily as the entrepreneur's place of residence) and tends to require little more than the actual goods and services to set up". Informal Trade Policy for the City of Johannesburg (2007)*

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<sup>1</sup> Chen, 2007

<sup>2</sup> These additional principles are derived from the City of Johannesburg Informal Trade draft Policy (2006)

<sup>3</sup> The 'before 2003' reference refers to the period before the creation of the municipality's economic development unit.

On scope this report adopts the national scope of street trading, which includes the following:

(a) Traders who conduct their business (goods or services) in public open spaces such as along streets and pavements; as well as road or street intersections.

(b) Mobile trading

(c) Stationary or fixed containers

(d) Spaza shops

(e) Special purpose markets such as flea markets, converted or renovated buildings etc.

Based on Newcastle's 2014 census and survey on street trading, the specific types of trade occurring in Newcastle municipality are the following. The policy expressly targets these trade activities.

<b>GOODS</b>	<b>SERVICES</b>
Confectionaries (Sweets and Cakes)	Hair dressing/saloon
Fresh produce (fruits and vegetables)	Telephone
Cooked food ready to eat (e.g. Mealies, Pap, Braai meat etc.)	Car wash and mechanical work
Clothing	Shoe repairs
Leather goods (e.g. leather bags, belts, etc.)	Cigarettes
Toiletries and cosmetics	Car guards
Footwear	Saloon services
Traditional medicine	
Fresh produce	
Sunglasses, Jewellery and cell phone accessories	
Household products	
Processed food	
Cooked food ready to eat	
Leather goods	
Clothing and textile	
Livestock (Chicken, etc.)	
Hardware	
Music/DVDs	
Electronics	
Medicine (Pharmacy)	

Source: Newcastle Informal Trade Census (2014)

Secondarily, this policy constrains itself to street trading for a number of reasons as outlined below:

- Street traders are the most salient part of the informal economy in Newcastle Municipality.
- Majority of street traders in Newcastle Municipality occupy public space without following legal procedures, effectively constraining spatial development. Public space management initiatives are therefore necessary.
- Street traders are largely unrepresented in collective bargaining terms, and therefore issues which affect them often remain unknown to relevant stakeholders such as formal businesses and government
- Unlike other forms of informal economy, street trade is a highly competitive space, and thus facilitating order and coordinated competition would optimise the performance of the industry.
- Interventions such as training and capacity development of street traders are much easier in a regulated environment.
- Linked to the above, regulated street trade enables effective delivery of services in designated zones.

PRELIMINARY DRAFT

## PART TWO: OBJECTIVES AND POLICY PROCESS

### 2.1. Objectives and Activities

The objectives of this policy are the following:

- (i) To regulate informal trade in a productive way.
- (ii) Put forward the municipality's position on informal trade support
- (iii) Determine where informal trade businesses should be clustered, and by so doing guide the municipality's spatial planning
- (iv) Identify all relevant stakeholders and determine their role in supporting informal trade.
- (v) Provide the most effective way of optimising the potential of informal trade in Newcastle Municipality
- (vi) Ultimately establish relevant and effective By-laws which should guide the management of informal trade.

The above objectives will be achieved through responding to a set of critical questions which require specific activities, as shown below.

Critical Questions	Activities
What is the current situation?	Conduct a situational analysis
What is the municipality's long-term vision?	Develop a vision for the informal economy
What are the existing challenges?	Identify the challenges that need to be overcome in order to achieve that vision
What is being done to address these challenges?	Develop a set of 5-year goals that will address those challenges, in part or in whole
What should the public expect in five years?	Develop a set of strategic objectives to achieve these goals.
How will the informal economy plans be implemented?	Develop a set of action plans to achieve these strategic objectives
How will the progress be measured?	Develop a set of progress indicators, in line with current Monitoring and Evaluation Guidelines applicable to the municipality

Source: Adapted from SALGA (2012)

### 2.2. Policy Process

This report evolves from a rigorous process involving a census, survey and stakeholder consultations. This process sought to establish credible, meaningful and relevant foundation for specific policy framework for the Newcastle Municipality. It was important therefore to understand the specific dynamics, issues and challenges facing informal traders who operate in the municipality. This was done to avoid assumptions and generalizations of informal trade activities. The process is elaborated below.



### 2.2.1. Informal Trade Census

The first step towards this report was a census of informal traders in the municipality. The express purpose of the Census was to establish the population of informal traders in Newcastle. The research team therefore counted as many informal traders as they could find. Ten Enumeration areas were identified, based on the visibility of informal traders. Broadly, the areas covered were the Central Business District; Lennoxton area and the surrounds; Pioneer Park and surrounds; the Newcastle Mall and the surrounding trade activities, Albert Wessel's Corridor; Osizweni and Madadeni. The land marks of each of the ten Enumeration Areas are as follows:

**Table 1: Enumeration Areas**

Enumeration Area	Street or Land Mark
EA 1	<b>General Zone: Newcastle Central Business District</b>
	Allen, Scott, Montague, Terminus
EA 2	<b>General Zone: Newcastle Central Business District</b>
	Allen , Scott, Hardwick, Church
EA 3	<b>General Zone: Newcastle Central Business District</b>
	Allen , Scott, Hospital, Montague
EA 4	<b>General Zone: Newcastle Central Business District</b>
	Allen , Scott, York, Hardwick
EA 5	<b>General Zone: Lennoxton area and Surrounds</b>
	5.1 Scott and St Dominic's Street T-Junction robots
	5.2 Boundary Street – across Capricorn bar/hotel
	5.3. St Dominic's and Tagore Street – across Lincoln heights secondary school
	5.4. Paradise sports field and S.E Vawda Primary School
	5.5 Kirkland Street – at the shelters
	5.6 Loxton and Drapper Street – across Lennoxton Primary School
EA 6	<b>General Zone: Western Suburbs and Surrounds</b>
	6.1 Allen Street – across DBM Attorneys and McDonalds
	6.2 Victoria and Allen Street across Amajuba Mall; Across Majuba Lodge; Across KFC/Toyota dealership
	6.3 Allen and Drakensberg Street Intersection. Fw Beyers Ave at Amajuba FET Entrance
	6.4 John Parks and Drakensburg Road – across Pick and pay
EA 7	<b>General Zone: The New Mall and Surrounds</b>
	7.1 Ladysmith Drive – across Black Rock casino and Newcastle Mall. Across BMW dealership
	7.2 Albert Wessels Drive and Faraday Street robot intersection (Vlam entrance to town from industrial area)
EA 8	<b>General Zone: Albert Wessels Corridor</b>
	8.1 Albert Wessels Drive – across Zama garage

	8.2 Diesel Road and Albert Wessels Drive T-Junction robots – across Newcastle Scrap Metals Gutenberg Street – across Transnet Bus Depot
	8.3 Stephenson Street – Across Tommys scrap yard / china city
	8.4 Albert Wessels – JD Group / abattoir
<b>EA 9</b>	<b>General Zone: Madadeni</b>
	9.1 robot intersection after rapping off new bridge
	9.2 Section 1 clinic
	9.3 Madadeni Section 2 St – Amajuba Municipality Main road
	9.4 Across Magistrate court; across police station; across home affairs – across Amajuba FET college section 2 campus
	9.5 Ithala Shopping Centre; Across Madadeni Library
	9.6 Across Amajuba FET collage section 5 campus
	9.7 Mad5 Street – across SAB wholesaler and at Sec4/5 T-junction stop street
	9.8 Madadeni Hospital and Zenzele Shopping Complex
	9.9 Section 6 Industrial Area main road
	9.10 Osizweni and Nine Mile road robot intersection
<b>EA 10</b>	<b>General Zone: Osizweni</b>
	10.1 Across Teku Plaza
	10.2 Ebhareni
	10.3 Osizweni PnP
	10.4 Osizweni PnP
	10.5 Top rank

### 2.2.2. The Informal Trade Survey

The informal traders' census was followed by a longer and more intense survey, which focused on demographics as well as informal traders' perceptions and experiences. The process of administering the survey took six steps as illustrated below.

**Step 1: Sampling.** Out of the census, we designed a sample size of the main survey, targeting a minimum of 300 informal traders. This would be reasonably representative of the perspectives and experiences of informal traders in the municipality. This sample size was done proportional to the entire size of informal trade, such that as concluded from the census, Newcastle CBD carried majority of the sample, and that all sectors were well represented.

**Step 2: Development of the Survey Instrument.** A draft survey instrument was then developed and effectively discussed with the municipal project team (LED Office). This was to ensure that all the objectives of the survey were well covered. The final version of the questionnaire was then approved by the municipality.

**Step 3: Training of Interviewers.** Our next step after sampling was recruitment and training of field workers, for a full day. The training familiarized the field workers with the objectives of the study, as well as the flow of questions.

**Step 4: Pilot of the survey Instrument.** We then conducted a pilot study prior to the survey for the purpose of testing the questionnaire and survey method ahead of time, to ensure the feasibility of the questionnaire, as well as to clarify the questions (or limit ambiguities and possible biases in response). The pilot was conducted only in Newcastle CBD.

**Step 5: Post Pilot Debrief.** Following the pilot was a debrief meeting with the data collection team, so that lessons from the survey were drawn and implemented.

**Step 6: Data Collection.** The survey was then commissioned, and conducted through face to face interviews.

This policy is therefore not based on assumptions, but on contextual information obtained through stakeholder consultations, Census and a Survey. To ensure that the Newcastle Informal Trade Policy aligns with existing policy on National and provincial level, the following section attends to the current regulatory framework. This report constructs upon the main themes which derive from the National and provincial policies.

### 2.2.3. Stakeholder Consultations

This draft report is due to be shared and interrogated by relevant stakeholders in three workshops as follows.

**Table 2: Consultative Workshops**

Consultative Workshops	Stakeholders	Objective
Consultative Workshop One	<ul style="list-style-type: none"> <li>Informal trade associations</li> <li>Newcastle informal economy chamber</li> </ul>	Allow stakeholders to provide input and comments on the preliminary draft policy
Consultative Workshop Two	<ul style="list-style-type: none"> <li>Informal businesses in Newcastle CBD and the Industrial area</li> </ul>	Allow stakeholders to provide input and comments on the preliminary draft policy
Consultative Workshop Three	<ul style="list-style-type: none"> <li>The Newcastle Chamber of Commerce</li> </ul>	Allow stakeholders to provide input and comments on the preliminary draft policy

The likely key participants within this consultative process are:

- Informal trade associations
- Informal economy chamber representatives
- The Newcastle Chamber of Commerce
- Informal traders

## PART THREE: LEGISLATIVE AND POLICY FRAMEWORK

While there are numerous legislations which guide the informal economy as a whole, this section will consider the most relevant ones as far as the Newcastle informal trade is concerned. Other legislations will be referred to in the by-laws phase of this study.

### 3.1. Generic Informal Street Trading Policy Framework

The Generic Informal Street Trading Framework points out various challenges which face the informal economy on a general level. To avoid repetition, this report will rather present Newcastle municipality's specific challenges, on the basis of the informal trade 2014 survey. The national policy framework puts forward the following considerations as a guide to formulation of Municipal informal economy policies. These are relevant for Newcastle Municipality's informal economy policy.

- (i) Municipalities should derive the informal trade vision and strategy from their Growth and Development Strategy or Local Economic Strategy
- (ii) The policy should outline the contribution and significance of the informal economy inclusive of linkages with the formal economy
- (iii) An informal economy policy should seek to achieve enabling environment for informal economic actors
- (iv) Informal economy policies should adopt an integrated approach, with all players mapped out as well as
- (v) Establish a monitoring and evaluation system

The National informal economy Policy further prescribes at least four principles, within which informal economy should be operationalized. These are not, however, exhaustive. They are the following;

- Economic Principle –This focuses on the growth and financial sustainability of informal businesses
- Social principle-This principle concerns balancing of economic development through redistributive mechanisms, especially in poor communities, or generally previously disadvantaged areas
- Spatial Principle – This would attend to the question of trading space and related infrastructure
- Legal principles –Which aims to ensure that the informal economy is regulated, and ensure that representation mechanisms are established.

Although the national policy framework alludes to additional principles such as human development; transport; infrastructure and basic services; safety; as well as environmental sustainability<sup>2</sup>, of these additional principles, the most relevant for Newcastle Municipality is environmental sustainability. This principle deals with issues which relate to environmental conservation.

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<sup>2</sup> These additional principles are derived from the City of Johannesburg Informal Trade draft Policy (2006)

The above principles construct upon stakeholder management, communications, and, financial and human resources.

### **3.2. South African Local Government Association Informal Economy Guidelines.**

Dated 2012, The South African Local Government Association's informal economy guidelines for municipalities points out the importance of contextualising informal economy policy, if its implementation is to be effective. Moving away from traditional views which predicted the demise of informal economy, SALGA's guidelines Report:

- (a) Recognizes the critical role played by informal economy in regards to addressing unemployment, reducing vulnerability and enabling of livelihoods. Thus, two of the aims of the famous 2010 informal economy summit (where the generic [National] informal economy policy was presented) was to "...raise the profile of informal trade management as a key municipal service delivery function" and "make all senior municipal officials aware of the importance of effective informal trade management and thereby make it a key municipal service delivery function" (SALGA, 2012).
- (b) Argues for the need to ensuring an integrated approach to the regulation of the informal economy on one hand, on the other, to achieve livelihood support as part of the government's developmental approach.
- (c) Contends that the informal economy is strongly linked to the formal economy, in the sense that the formal economy is largely supported (or supplied) by the informal economy. There is also evidence that informal economy traders tend to attract customers who benefit formal businesses, and vice versa.
- (d) Cautions against what it refers to as a 'restrictive view' which considers the informal economy as a problem rather than a critical component of the formal economy.
- (e) Concludes that the informal economy is largely marginalised by formal businesses as well as local government, as evident in anecdotal references in critical policy documents such as IDPs and LED strategies.
- (f) Recommends that informal economy policies should not adopt a wholesale formalization approach, they should rather consider the realities of businesses which either do not have the potential to formalize, or those which by choice prefer to remain informal.

### **3.3. The KZN (Provincial) Informal Economy Policy**

Under the custodian of the Department of Economic Development and Tourism, the KZN informal economy policy was approved in 2009. The provincial policy emphasizes an integrated rather than a 'silo' approach. Integration here suggests that all government role players' work together in promoting the informal economy. Thus the provincial informal economy policy views "informal economy actors not just as people congesting public spaces, but people who are generating economic growth" (Department of Economic Development and Tourism 2009). The provincial policy adopts a developmental approach, along similar lines with the Generic informal

economy framework as well as the SALGA report. The KZN informal Economy policy notes three principles, namely; economic, social and spatial. By so doing, the provincial policy leaves out the legal principle noted in the National Policy. Some other important issues outlined by the KZN informal economy policy are as follows:

- Informal economic zones should be linked with growth regions
- The government should provide facilities, capacity building, and business support services to informal traders
- Government land, buildings and other properties should be optimised for community development activities such as informal trade.
- Informal economy should be promoted in highly visible and accessible locations
- Provision of basic services should be done with informal economic potential areas in perspective
- Informal economic activities should be promoted along heavy human traffic areas

### **3.4. The Newcastle Local Economic Development Strategy**

Newcastle's LED strategy (2011) underscores the importance of regulating informal trade as part of development of small enterprises. The LED strategy devotes an entire cluster on informal economy, pointing out of the following.

- The Amajuba District reflects the highest percentage (35.6%) of informal economy in the province, and 90% of the (Amajuba) District's informal economy is based in Newcastle Municipality.
- The dwindling growth of the manufacturing industry in Newcastle municipality requires strengthening of the informal economy, for the purpose of absorbing surplus labor.
- The municipality should focus on skills development for informal traders. These would include accounting, management, ICT skills, among others.
- The municipality should network informal traders with stakeholders such as the Small Enterprise Development Agency as well as the relevant Sector Education and Training Authority (SETA's).
- Efforts to engage informal traders as critical stakeholders in the municipality's Local Economic Development programme should be prioritized.

## **PART FOUR: STATUS QUO OF INFORMAL TRADE IN NEWCASTLE MUNICIPALITY**

### **4.1. Issues emerging from the Informal Trade Census and Survey**

1. According to the census, there are 766 informal traders in Newcastle municipality as at March 2014. Of the 766 informal traders in Newcastle Municipality, 62% (476) are based in Newcastle CBD and its surrounds, followed by Osizweni 19% (or 142 traders) then Madadeni (18% or 139 traders) and Industrial area, which hosts paltry 1% of all informal traders in Newcastle Municipality. In Newcastle Central Business District, informal traders are concentrated around Kirkland Street, the surrounds of the Pick and Pay centre located at the corner of Scott street and Montague Street, the parking area behind the First National Bank, the pavement along Scott street, the Newcastle Mall surrounds as well as the pick and pay centre in Pioneer park.
2. Most informal traders in Newcastle municipality possess secondary education (66%). This suggests that training interventions can be effective considering that literacy levels in this subsector are not necessarily low. A quarter (25%) either possesses primary education, or they have no schooling at all, while, surprisingly, 9% hold tertiary education.
3. Informal traders in Newcastle municipality are split halfway between male and female. This is contrary to the widely held notion that informal traders are essentially women.
4. Majority of informal traders in the municipality are under 45 years old (66%) with three in every ten being over 45 years old. If the constitutional definition of youth is considered, the number of youth informal traders in the municipality is 41%, a considerably high number.
5. In terms of population groups, Black South Africans form the majority of informal traders in Newcastle (83%), followed by foreign nationals (14%). Female informal traders dominate the Black South Africans category (57% of the entire population group) while male traders form the majority in the foreign nationals category (80% of all foreign national traders). All the other population groups (whites, Indians and coloureds form less than 2% of all informal traders in the municipality.
6. Concerning the types of goods and services which informal traders engage themselves in, confectionaries, fresh produce and cooked food are the most popular goods in the subsector, at 28%, 27% and 21% respectively. While confectionaries can easily be transported and stored, fresh produce dealers face a storage challenge, which the forthcoming policy needs to address. The question of health certificates also become critically important in view of the percentage of those who retail cooked food. Hair dressing and/or saloon is the most popular service, followed by carwash and related mechanical work. Shoe repairs also take a sizeable share of 10%.

7. According to the census, over two thirds of informal traders use open spaces for their trade, compared to 30% who trade from covered spaces. The covered spaces here include municipal shelters, privately constructed shelters, rented covered spaces as well as Taxi rank areas. The open space traders essentially hawk or display their goods and services in particular places, and store them away at the end of a trading day.

8. Majority of street traders who trade goods, use tables (36%), while a quarter of street traders (25%) display their goods directly on the ground. Typically, those who display directly on the ground use of road reserves, pavements as well as parking lots for display. Cardboard boxes and plastic crates are also popular display places. Municipal shelters rank sixth among the top display places, confirming that there are not sufficient shelters for traders. Other display places include shacks, trailers, containers, kiosks, trolleys, as well as suitcases.

9. An overwhelming majority of traders have always traded in Newcastle municipality, and therefore in all probabilities they are here to stay. Only 8% (about 62 businesses) traded outside Newcastle and relocated to the municipality at some point in the past. This suggests that the growth of informal traders emerges from indigenous entrepreneurs as well as business in migration.

10. A total of 165 businesses (21%) have operated in Newcastle municipality for over ten years, 18 of them having been in the municipality for more than three decades. Over half all informal traders have existed for over five years in the municipality while the other half has operated between one and five years in Newcastle. The under five year old businesses suggest the growth of informal traders.

11. A small percentage of businesses (8%) are found in more than one trade location on a day, while 92% trade from the same location through the day. The mobile businesses probably follow greater customer potential zones or events, anticipating to maximise their trade. The mobile traders follow market days in or outside Newcastle, event locations as well as pension pay points in and out of Newcastle. It is important to consider that, if shelters are constructed at least for the 92%, they would potentially support a large sample of informal traders.

12. On continual use of a trading location, majority of informal traders have made informal agreements with other traders (formal and informal traders) to avail a trading location. A quarter of traders claim to have municipal permit, and therefore their trading location is guaranteed. For 12%, the process of using a given location is competitive, considering that the use of trading location is dependent on who arrives earlier than the others. A small percentage (7%) own their informal shelters.

13. An overwhelming 87% of all informal trade businesses in Newcastle municipality are run by owners and not employees. Considering gender split on ownership, a total of 321 male traders own their businesses, against 342 female traders. Businesses belonging to foreign nationals are more likely to operate under sole proprietorship than South Africans owned businesses.



14. Informal trade businesses in Newcastle municipality contribute approximately R 1, 897,321 every month to the municipal economy, or R 22.7 million annually. This translates to 1% of the municipal budget, or 9% of the municipal capital budget (2014/15 financial year). This is an important contribution, especially taking note of the fact that this is only one category of the informal economy in the municipality. In terms of the monthly turnover per business, close to two thirds (63%) make between R 301 and R2000. 54 of the 766 traders claimed to make over R5 000 monthly turnover. These trends find fault with the notion that informal traders are simply hustlers, nuisance and almost exclusively subsistent.

15. Data reveals that approximately a third of the traders plan to transmit their businesses to their children, suggesting transgenerational continuity. Three quarters on the other hand do not plan to bequeath their businesses to future generations. Considering that many businesses have operated for more than two decades, the transgenerational possibilities do exist (although traders might not have clear plans for such an extended time)

16. Access to toilet facilities is fairly high, at 77%, unlike access to waste collection (58%) and access to running water (45%). These services are important especially for food based traders. They also play a critical role in creating attractive environment for customers

17. 28% (84 traders) claimed that they are dissatisfied with the size of their trading site, while another 32% (96 traders) are only partly satisfied. 42% are fully satisfied with the size of their trading location. Satisfaction levels with size of trading location are roughly similar to satisfaction levels on the hygiene of trading locations. Thus, those dissatisfied with hygiene account for 26% of all traders, and, 3 in every ten are satisfied only in part.

18. About two thirds (60%) claimed that they took their current trading location without permission. 22% use trade shelters allocated by the government, while 8% were either renting from other informal businesses, or formal businesses.

19. In terms of access to customers, it appears that majority of informal traders (88%) would not want to be relocated from their current site, considering the access to their customers.

20. An overwhelming 87% do not pay for their current trading location. And, for the 13% who currently pay to use their trading location, half of them consider their payments as too high, while 47% think that they pay just about right. When asked on whether they supported the principle of payment, 51% answered on the positive. And out of these, three quarters prefer to pay up to R100 per month, while another 14% would pay between R100 and R200.

21. On awareness of the process of licensing informal traders as well as the municipal policy on trading site allocation, unfortunately, majority of traders are not aware of both (70% and 75% respectively). Those who claimed awareness amounted to approximately a third (30%). This is a major factor to consider, when enforcing informal trade regulations.

22. Only 20% claimed to be in a possession of a trading permit, against an overwhelming 80% who claimed not to have a trading permit. The lack of a trading permit corroborates with the 77% who are not aware of the laws which regulate informal traders, possession of a trading permit being one of the regulations. The lack of awareness is a main friction point, considering that traders perceive the municipality as harassing them, rather than accounting for the objectives of the municipal regulations.

23. Asked about awareness of other trading permits required by the municipality, similar lack of awareness was registered, with 43% claiming that they did not know, while 52% were persuaded that they did not require any other trading permit. Minority 4% responded that, above a trading permit, they were required to possess a health certificate. These were most likely traders who sold consumables.

24. Regardless of whether traders are aware of municipal regulations or not, an overwhelming 66% consider the municipality enforcement approach as unreasonable, and only 35% approve of it.

25. Nine in every ten interviewed businesses does not have any membership with informal trade organization. Part of the reason might be that informal traders are always under pressure to maximise their time, and thus they do not have much time to adhere to the formalities of organizational membership.

26. Considering the direction which informal traders would like to take in the future, two in every ten would rather remain small and informal, while 42% have plans to develop their enterprises into large formal businesses. Another 22% do not have plans to grown into a large formal business yet, but they hope to plan in the future. A hand full (11%) plan to expand their businesses, yet remain informal.

27. Lack of trading facilities is the most pressing need for half of the interviewed respondents, who consequently require the municipality to construct shelters for them. One in every ten would like to see the municipality improve basic services, including security, water and sanitation. Access to credit is also a pressing need, with expectations placed on the municipality to provide facilitative support.

## **4.2. Challenges facing Informal Trade in Newcastle Municipality**

- (i) The number of Informal traders in Newcastle Municipality is increasing, and therefore support of the subsector should be considered as a priority issue.
- (ii) The economic contribution of informal traders to the municipal economy (and employment) is significant. This calls for a paradigm shift on the way in which informal traders in Newcastle municipality are viewed.
- (iii) There is a fundamental disconnect between municipal objectives in regulating informal trade on one hand, on the other, the perceptions of these objectives by informal traders. This gap needs to be bridged for a sustainable and effective regulatory exercise.
- (iv) Informal traders are largely unaware of existing regulations, including the procedures of acquiring trading permits. On this, the method of communication and awareness enhancement (by the municipality) will need to be reviewed.

- (v) (v). With only 22% of informal traders allocated sites by government and an overwhelming 66% who obtained their trading sites without permission, much needs to be done, and in a speedy pace, to clear the site backlog. Among other factors, construction of government shelters should consider 'customer points'.
- (vi) Basic services targeting informal trade sites needs to be considered, as a priority issue.
- (vii) The challenges and dynamics of informal traders –especially street traders- is profoundly different from formal small businesses. A targeted approach would be more effective than bundling informal traders with small formal businesses.
- (viii) A storage facility for informal traders is required, considering that over three quarters (83%) either take home their goods every day, or rent a storage place for their goods, on a daily basis. This is a Local Economic Development opportunity for Newcastle Municipality.
- (ix) Finally, contrary to popular thought and lay person assumptions, data suggests that majority of informal traders are willing to pay for a decent trading site. This should be factored in forging out interventions.

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## PART FIVE: POLICY RECOMMENDATIONS

### 5.1. Vision and Mission of informal Trade policy

As already presented in the previous sections, the understanding of informal trade in South Africa (at least within government) has shifted from survivalist to developmental. Thus, the national, provincial and local references suggest the need to create conducive conditions for the informal economy to thrive. This view settles on the conclusion that the informal economy plays an important role in addressing poverty and unemployment. The informal trade census and survey have also revealed the significant contribution of informal trade to the municipal economy, in regards to employment, GDP contribution as well as poverty alleviation. With the above in view, Newcastle's

**Vision for informal trade** is to enable the sector to thrive through mainstreaming of informal trade in municipal planning and development policies as well as regulate informal trade with the aim of supporting stakeholder partnerships for meaningful skills and market development.

**The Mission** is to provide conducive environment for optimal performance of the informal trade, within an integrated management approach. This approach should aim to produce effective and developmental partnerships between the government, informal traders as well as the relevant local, national and international role players.

### 5.1. Guiding Principles

It is important that the current policy builds on key principles, which would enable developmental regulation as stated in the above vision and mission. Following the (National) generic informal trade policy, SALGA's guideline to informal economy regulation for metropolitan and Local Municipalities; the Provincial informal economy policy as well as Newcastle's Local Economic Development strategy, these, combined with the findings of the census and survey determine that the current policy should construct upon six principles namely, economic, social, spatial, human development, environmental and institutional development. These principles are discussed below.

#### 5.1.1. Principle One: Economic Principle

Informal traders are important players in the entire economy. They are not, as often perceived, trouble makers and nuisance. Under this principle, the informal trade should be viewed as an economic opportunity in both macro and micro levels. The survey concluded that informal trade contributes 22.7 Million to the municipal

economy every year. This is roughly 1.2% of the total municipal budget or 9.3% of the municipal capital budget (2014/15 financial year). This contribution only accounts for the informal trade subsector of the informal economy. Still on an economic foundation, informal traders are strongly linked to the formal economy, as evident in the survey. The survey revealed that informal traders interact with formal businesses in a number of ways including rental leases and supply of goods and services to formal businesses. The survey also demonstrated that roughly a quarter (22%) of all informal traders in Newcastle started their trade out of an entrepreneurial motivation, and not out of desperation or lack of formal jobs. This entrepreneurship motivation has persuaded 27% of current informal traders to bequeath their informal businesses to their children. In other words; these traders understand and value the economic benefits and potential of their businesses. A total of 54 informal businesses claimed to yield a monthly turnover of R5000 and above.

The foregoing point to the economic potential of the informal trade, and thus the management and regulations proposed in this report assumes economic logic.

### **5.1.2. Principle Two: Social Principle**

Supporting informal trade goes beyond economic development to include a social reconstruction agenda. There are high levels of economic and spatial inequality in Newcastle municipality. As a whole, the informal economy occurs outside social safety nets, and therefore, the vulnerability of informal economic actors is high. Informal trade in Newcastle is a social question in that informal traders do not operate in a vacuum, they are members of social groups, except that their interests tend to be overwhelmed by more powerful interest groups in the society. This trend is sustained by the fact that economic pressure tends to dis-incentivise informal traders from participating in collective bargaining groups, and are therefore under-represented in always competing societal interests. This policy will need to consider regulation from a social development view point. That is to say, informal trade management needs to engage social questions including but not limited to addressing inequality and empowering those who were previously disadvantaged.

### **5.1.3. Principle Three: Spatial Development**

In the main, informal trade support and regulation focuses on soft issues such as law enforcement, skills, development, etc. However, a developmental approach should consider hard infrastructure initiatives such as construction of trade shelters, storage facilities, etc. For Newcastle municipality, construction of sanitation facilities, provision of water and storage facilities will be useful, considering the generally unhygienic environment which informal traders operate in. The question of 'regulated clustering' of informal traders should also be accounted for, and thus the necessary infrastructure and support should be done in high human traffic areas.

### **5.1.4. Principle Four: Human Development**

One of the most critical interventions in empowering informal traders is provision of human development services such as trainings. Skills development is an effective way of facilitating formalization of informal businesses which are prepared to formalize. Accordingly, those unwilling to formalize are equipped to operate more efficiently and

optimally. Human development initiatives among informal traders should also include awareness of access to credit facilities as well as legal and developmental implications of informal trade. This policy will thus account for human development initiatives such as business management training, acquisition of ICT skills, etc, as part of a developmental paradigm.

#### **5.1.5. Principle Five: Environmental Sustainability**

Conservation of the environment is central to any development initiative. Informal traders interact with the environment in various ways such as deforestation (for wood or charcoal dealers), disposal of waste in an unsustainable way, conducting environmentally hazardous businesses such as cooking on pavements, lack of clean storage facilities which can easily contaminate especially consumables, etc. These practices should be regulated, even as the traders who engage in them are empowered to operate in an environmentally sustainable manner. The policy will adopt an environmental considerations in its recommendations.

#### **5.1.6. Principle Six: Institutional Development**



On institutional principle, it will be critical for the municipality to upgrade the levels of constructive engagement with informal traders. Regular interactions between the municipality and informal traders will minimize misunderstandings, suspicions and tensions. Under this principle, the current informal trade associations need to be coordinated more meaningfully, and, deliberate efforts to understand and implement the concerns of informal traders-although realistically these should be equally balanced with the interests of the municipality. The municipality should also facilitate interactions between informal traders and other stakeholders such as formal businesses.

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## **PART SIX: STAKEHOLDER RELATIONS**

### **6.1. Stakeholders during Registration of Informal Traders**

The status quo in regards to stakeholder roles is currently disjointed and poorly functional. Registration of informal traders is currently done by the department of economic development, specifically the informal trade desk. This is a separate function from SMME office, which deals with small formal businesses. Registration here means enlisting informal traders in a database, as a first step towards permitting. The following process is followed for registration to take place.

- (a) The municipality identifies (and plans) to avail shelters or trade accommodation facilities to informal traders.
- (b) The municipality then notifies the current (five) informal trade associations who in turn communicate to their members
- (c) Interested informal traders approach the municipality (informal trade desk)
- (d) The municipality issues out application forms on a first come first served basis
- (e) The municipality reviews applications together with the informal trade associations, if the associations or the informal trade office points out issues (such as law breaking, or lack of rental payment for previously approved shelters) with particular traders, the respective applications are declined.
- (f) Successful applicants then sign an annual lease agreement with the municipality's informal trade office
- (g) Signing of the lease agreement is accompanied by an annual (but renewable) trading permit.

The last time registration of informal traders took place in Newcastle municipality was in 2005, when the municipality issued out a total of 30 shelters at the northern intersection of Allen and Scott street (referred to as the Edgar's shelters). So far, renewal of trade permits is done 'on call' –that is to say, traders who are interested in renewing their permits make an appointment with the municipality. Since 2005, the municipality has not undertaken any pro-active exercise to conduct a comprehensive review of permits. What this means is that, inspection of shelters is done in an adhoc manner.

### **6.2. Stakeholders During Permit Renewal**

Part of the permit renewal challenge lies on the multiple stakeholders who are involved in management of various aspects of informal trade. For example, allocation of space for setting up a container (for the purposes of trade) is done by the town planning department. The rental fees for all informal traders' shelters is paid to the town treasure. Technically, law enforcement office is responsible to ensure that informal traders do not locate their goods or services along pavements or any other unlicensed public space. This enforcement function is sometimes carried out by the LED office. On their part, the civic services department is responsible for putting out capital project tenders which includes construction, repairs or renovations of shelters. Importantly, the task of civil services only deals with bulk projects. Thus, there is no mechanism in place to ensure renovation of a small

number of trade facilities. Informal traders are often not aware which department to approach, for which particular issue.

### **6.3. Stakeholder Forums**

On stakeholder forums, there are currently five informal trade associations, which date back to over a decade ago. These associations were formed by informal traders, with the intention of protecting the interests of their members. The formation of the Economic Development department in 2003 introduced a more effective coordination opportunity. There are no regular meetings between the department and the informal traders; rather, meetings take place on demand (only when there are issues for discussion). The fragmentation of roles within the municipality has led to a level of fatigue on the part of informal traders associations, who interpret the municipal bureaucratic procedures as a lack of interest on their concerns.

Additionally, following a directive from the national ministry of economic development, the Newcastle informal economy chamber was formed in 2011, wherewith informal trade associations elected six members – Chairperson, deputy chairperson, secretary, deputy secretary, treasurer and deputy treasurer. These officials would complete a term of 3 years. Similar chambers were established in Dannhauser and Emadlangeni at the same time. Subsequently (also in 2011), a District chamber (in Amajuba) constituting of two members from each of the local municipality chamber was established. The local and District chambers are intended at ensuring that issues faced by informal traders and informal trade associations are communicated first to the local municipality, and if issues are not resolved, to the provincial or even national government. For Newcastle, the informal economy chamber is not operational, with the officials unaware of their duties. A misunderstanding exists between the informal trade associations (who assume that the chamber took over their role) and the informal chamber officials (who find it difficult to distinguish their role from that of the associations).

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## 6.4. Summary of Current Stakeholder Roles

The following table presents the current activities of the key stakeholders.

**Table 3: Current Stakeholder Roles**

<b>GENERAL STAKEHOLDERS</b>		
Stakeholder	Objective	Activities
Informal Traders	To provide employment opportunities in an environmentally and economically sustainable manner	Observe the municipal regulations
		Participate in awareness programmes as far as informal trade policy is concerned
		Observe the informal trade regulations
Informal Trade Associations (five)	Provide an opportunity for collective bargaining	Represent the interests of informal traders primarily to the local municipality
Newcastle Informal economy chamber	Provide an opportunity for collective bargaining	Represent the interests of informal traders to the various tiers of government
Financial Institutions (Commercial and micro-finance banks)	To provide access to credit	Package credit facilities for informal traders
Small Enterprise Development Authority	Supporting the start-up and expansion of informal traders	Facilitating business startups and registration
		Provision of management training
		Facilitate technology acquisition
		Facilitate market access

<b>MUNICIPALITY BASED STAKEHOLDERS</b>		
Stakeholder	Objective	Activities
The Newcastle Municipality (Overall)	To provide support the informal economy, specifically informal traders	Formulate a developmental informal trade policy
		Ensure enforcement of regulations
		Facilitate stakeholder interactions
Development and Planning	Provide overall guidance of informal trade regulation and development in the municipality	Establish informal trade and By-laws
		Implement the informal trade policy
		Facilitate stakeholder forums
		Register informal traders
		Issue trade licenses to informal businesses
		Construct trade shelters

			Facilitate access to storage facilities
	Town Planning	Provide land use mapping	Determine informal trade zones
	Housing and Human Settlements	Plan and reconstruct settlement areas, making provision for informal trade	Create settlement based corridors for informal trade
Technical services		Provide infrastructural support to informal traders	Provide services delivery to densified areas, with informal traders in perspective
Community Services		Provide event based support for informal traders	Facilitate informal trade permitting for events
Civic Services		Work with economic development to ensure construction and maintenance of trade facilities	Construction and maintenance of trade facilities
Law Enforcement		Ensure that regulations are adhered to.	Enforcement of trade regulations

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## PART SEVEN: CAPACITY BUILDING

The national informal street trading policy framework as well as the provincial informal economy policy framework underscores the importance of building the capacity of informal traders. The Newcastle census findings (2014) concluded that 66% of informal traders in the municipality have attained at least some secondary education. This, together with the fact that a number of informal traders consider themselves as entrepreneurs, point to the importance of equipping informal traders. Three recommendations are made to this effect.

### 7.1. Formation of Cooperatives

Formation of cooperatives by informal enterprises is an emerging practice. Global efforts (such as the International Labor Organization) as well as National attempts (the generic street trading policy framework) underline the importance of cooperatives within the informal trade industry.

In response to these efforts, as an alternative to the five associations in Newcastle municipality's informal trade industry, a cooperative model should be considered. The cooperatives could consist of ten to fifteen members.

The purpose of the cooperatives is as follows:

Characteristics of Cooperatives	Relevance to Informal Traders in Newcastle
<p><b>Cooperatives provide an opportunity for a unified front.</b></p>	<p>Informal traders in Newcastle work individually or in small groups and, quite often, compete with each other. By forming and using the services of a cooperative they will forge solidarity, have voice and can consolidate and are more likely to strengthen their businesses - for example through bulk purchases of the commodities they deal in, or in defending their rights. The cooperative model also helps achieve economies of scale.</p>
<p><b>Cooperatives provide an opportunity for legal status</b></p> <p>The registration of a cooperative renders it a corporate body with power to enter into contracts, own property or dispose of it, and operate as a legal entity.</p>	<p>As demonstrated by the informal trade census, majority of informal traders in Newcastle have no legal status. It is thus difficult for them, as enterprises to access loans from banks, enter into legal business contracts or own immovable assets as an enterprise. In short they have no legal recognition or protection.</p>
<p><b>A cooperative consists of voluntary and open membership.</b></p> <p>Anyone who can use a co-operative's services should be free to join.</p>	<p>As a small-scale entrepreneur it is not always easy to be accepted in a group of informal entrepreneurs. Groups are sometimes too protective or selfish to accept new members even where they could have helped strengthen the group enterprise. With an entrepreneurs cooperative anyone can join as long as s/he agrees to comply with the by-laws (constitution) of the cooperative</p>
<p><b>Cooperatives have a democratic member control:</b></p> <p>Cooperatives have elaborate procedures for decision</p>	<p>There is a possibility that organized informal traders have the potential break the cycle of undemocratic practices.</p>

<p>making in which decisions are made by members in a democratic manner. The members are the supreme authority in a cooperative.</p>	
<p><b>Cooperative have autonomy and independence</b></p> <p>Co-operatives are autonomous and independent institutions that should work without any interference from government, politicians, or other external parties. Because they value their autonomy and independence, they have strict rules about shareholding and profit. They do not want to be taken over by outside investors.</p>	<p>Informal traders in Newcastle are often susceptible to interference by the authorities (and even by formal businesses).</p>
<p><b>Education, Training and Information:</b></p> <p>In principle cooperative education and training starts during the formation stages of a cooperative. In this way cooperatives can be useful in developing skills and resources of people with little or no skills as well as those who are relatively disadvantaged. Members can learn how to pool their resources and how to help one another set up a commonly-owned business so that together they can meet needs, which they couldn't meet on their own because it would be too difficult or expensive.</p>	<p>Informal traders in Newcastle municipality need education and training in business knowledge and entrepreneurship in order to cope as modern business people and to survive in a globalized business environment. They also need regular business information – e.g. on markets, financial services, new products, processes and systems. The opportunities created through education and skill development is likely to create opportunities for traders. Equally important, it is an effective tool for those with the intention to transition from informal to formal economy</p>
<p><b>Cooperatives are enterprises with ethical values</b></p>	<p>This will be important to informal traders as it will provide them with business integrity and respect among their customers and the community generally. They are also likely to fare relatively better in times of economic crisis.</p>
<p><b>Cooperatives eliminate and minimize exploitation</b></p>	<p>The unity forged by forming and using the services of a cooperative will protect them against exploitation by suppliers, agents, principals or other business enterprises</p>
<p><b>Employment Creation</b></p> <p>Cooperatives can help generate employment or</p>	<p>Workers in the informal trade in Newcastle will have an opportunity to expand their existing businesses through cooperatives thus creating</p>

consolidate and sustain existing ones. Through schemes such as savings and credit cooperatives members can borrow money to start businesses thus creating self-employment for them.	employment for others.
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Source: Adapted from Birchall, (2003)

Depending on preferences of informal traders, two varieties of cooperatives could be established.

(a) Entrepreneur cooperatives which are formed by established businesses. These would be relevant for the Newcastle Municipality based informal traders, who have their respective businesses, and therefore form cooperatives to advance their business interests.

(b) Savings and Credit Cooperative Societies (Sacco's) which exists almost exclusively for financial support of the members. Contributions are made by the members into a collective account, and members can borrow from this account. Alternatively, members operate a merry go round system which accumulates finances to one member at a time.

These two will be discussed in various stakeholder workshops

The likely challenge for formation of cooperatives is that, as far as the informal trade industry is concerned, possibilities for non-constructive street level politics exist. This however is only likely to be a challenge during the formation period. To contain political overtures, the task of organizing informal traders into cooperatives should be done by the (proposed) informal trade association.

## 7.2. Training, Mentoring and Collective Bargaining

Following the formation of cooperatives, the municipality in partnership with Small Enterprise Agency (SEDA) should facilitate registration of the cooperatives and subsequent trainings. The registration and trainings will equip informal traders to expand their trade, and effectively provide opportunities for those with interest to formalize. The training and mentorship Programme should involve a wide range of stakeholders as outlined below. The municipality together with the (proposed) association should coordinate the stakeholders.

**Table 4: Training, Mentoring and Collective Bargaining Stakeholders**

Organization	Objective	Contacts
<b>Small Enterprise Development Agency (Amajuba)</b>	The Small Enterprise Development Agency (Seda) is an agency of the South African Department of Trade and Industry (the dti). Seda was established in December 2004, through the National Small Business Amendment Act, Act 29 of 2004.	Amajuba Branch Manager: Mr Justice Shange <b>Physical Address:</b> 28 Scott Street, Newcastle <b>Postal Address:</b>

	<p>It is mandated to implement government's small business strategy; design and implement a standard and common national delivery network for small enterprise development; and integrate government-funded small enterprise support agencies across all tiers of government. SEDA's mission is to develop, support and promote small enterprises throughout the country, ensuring their growth and sustainability in co-ordination and partnership with various role players, including global partners, who make international best practices available to local entrepreneurs.</p>	<p>PO Box 1627, Newcastle, 2940</p> <p><b>Contact Details:</b>  Landline: (034) 312 9096  Fax Number: (034) 315 2768  Mobile Number:  E-Mail: <a href="mailto:jshange@seda.org.za">jshange@seda.org.za</a></p>
<p><b>Self Employed Womens Union (SEWU)</b></p>	<p>SEWU (Self Employed Women's Union) is a new trade union for self-employed women in South-Africa.</p> <p>SEWU's aim is to:</p> <ul style="list-style-type: none"> <li>• Build unity between women whose work is not recognized</li> <li>• Develop negotiating skills so that women can negotiate directly with the City Council, police, small contractors and middle-men, civic and political organizations, through their own representatives</li> <li>• Assist women with legal advice</li> <li>• Assist women in solving problems, such as lack of childcare, credit, maternity- sick- or disability benefits</li> <li>• Develop lobbying skills so that women can organize to get laws changed if they are not suitable to their needs</li> <li>• Develop leadership skills among women who work outside of formal sector</li> <li>• Provide access for women to other organizations which offer facilities such as skills training, credit and loan facilities, legal assistance, health advice and counselling.</li> </ul>	<p>Sangro Hse, 417 Smith St, Central Durban  Kwazulu Natal  Phone:031 304 6504  Fax:031 304 6503</p>
<p><b>Street net International</b></p>	<p>StreetNet is an international federation of 52 organisations of street vendors, informal market vendors and hawkers in 46 countries in Africa, the Americas, Asia and Eastern Europe, representing 588 709 paid-up members. Because of lack of appropriate policies and regulations at local, national and cross-border level, this sector of workers in the informal economy face problems of often being perceived as illegal - while they try to earn their living by means of</p>	<p><b>Coordinator:</b> Ms Pat Horn  1008 Salmon Grove Chambers  407 Anton Lembede Street  Durban 4001 South Africa  <b>Postal Address:</b>  P.O.Box 61139, Bishopsgate  Durban 4008, South Africa</p>

	completely lawful economic activities.	<b>Head Office</b> Tel: +27 31 307 4038 Fax: +27 31 306 7490 info@streetnet.org.za www.streetnet.org.za
<b>Informal Traders Management Board</b>	The Informal Trader's Management Board (ITMB) formed in Durban in 1995 (19) helps street traders in their efforts to address their concerns, such as access to credit, crime, and police harassment, assistance with bulk buying schemes, prices, corruption, and clean environment, among others.	
<b>South African National Traders Retail Alliance (SANTRA)</b>	The aim is to represent vendors in all spheres of government	Phone: 072 157 2481 Mobile: 083 991 3402 Email: santra.edmund@gmail.com 15 Mount Ridge 8 Minors Street, Yeoville Johannesburg 2198 South Africa
<b>South African Informal Traders forum</b>	SERI is a section 21 not-for-profit organisation providing professional, dedicated and expert socio-economic rights assistance to individuals, communities and social movements in the form of rigorous applied research, engagement with government, policy/legal advocacy and reform, civil society coordination/mobilisation and public interest litigation. The thematic areas are: housing and evictions; access to basic services (water, sanitation, electricity); and political space.	6th floor Aspern House 54 De Korte Street Braamfontein 2001 Johannesburg South Africa  Reception: +27 11 356 5860 Fax: +27 11 339 5950 Email: <a href="mailto:sanele@seri-sa.org">sanele@seri-sa.org</a>

## **PART EIGHT: INFORMAL TRADE POLICY STRATEGY AND OPERATIONAL PLAN**

### **8.1. Integrated Management and Planning of Informal Trade**

As pointed out in the stakeholder section, current stakeholder partnerships constrain effective management of the informal trade. This policy recommends a comprehensive review of the current informal trade management system. A number of proposals are outlined below.

#### **8.1.1. Comprehensive Review of Trade Permits**

In the immediate term, the informal trade office should undertake a wholesale review of all trade permits. This should update the expired lease agreements and permits to date. Renewal of permits and lease agreements not only provides accountability on the part of informal traders (in regards to proper use and maintenance of the trade facility), it also enables effective revenue collection (through rental fees).

#### **8.1.2. Revive Newcastle Informal Economy Chamber**

The municipality should coordinate revival of the Newcastle informal economy chamber. Documentation of the functions and duties of the chamber, informal associations and the municipality should be done, followed by quarterly workshops aimed at creating awareness of these roles among all stakeholders.

#### **8.1.3. Re-assess the effectiveness of the Informal Trade Associations**

The existence of five informal trade associations, all of which represent approximately 800 informal traders should be re-assessed. While merging these associations into one would in all likelihood be a challenge, the associations should be engaged with this proposal. Fragmentation of informal associations potentially creates duplication and overlapping of otherwise generally similar interests. Hypothetically thus, it would take five workshops (one with each association) to find a consensus of a single issue.

#### **8.1.4. Integrate Informal Trade Management Tasks**

The fragmented informal trade management tasks within the municipality should be reviewed. This report recommends that the informal trade office coordinate all activities (apart from evictions) which require direct interaction with informal traders. The coordination mechanism is outlined in section 8.1.5. below. In this way, informal traders are clear on which department they should bring issues to. This is not to suggest that the informal trade office carry out all tasks, the issue is that of coordination. Thus, allocation of designated land which falls under town planning domain would still be done by the town planning department, only that the informal trade office acts as the reference point for informal traders as well as all other relevant municipal departments.



### 8.1.5. Formation of Informal Trade inter-departmental committee

Considering that informal economy processes are handled by a range of municipal departments including economic development, town planning, community services as well as law enforcement, this report recommends formation of a committee, which should represent each of the above departments. The committee should be coordinated and chaired by the department of economic development, and should meet fortnightly. The purpose of this committee is to effectively address issues which relate to informal trade associations (or as already suggested the unitary association) as well as informal traders themselves. The proposal for an inter-departmental committee accounts for the fact that current informal economy coordination tasks are disintegrated, and transpire in various departments. Most importantly, this committee should be a *working group*, aimed at ensuring that registration and management of informal traders occurs efficiently.

### 8.2. Informal Trade Space Allocation

Under the current practice, built trading spaces are allocated by the informal trade office, while vacant land (for mobile facilities such as containers, caravans, etc) are identified and approved by the town planning department. These are both done on a demand basis. Currently, it is the prerogative of the municipality to construct shelters, at a point of choice (conditional to approval by the town planning department). And, as already pointed out, the latest construction of shelters was roughly a decade ago (in 2005). The shelter construction initiatives are as follows:

**Table 5: Current Informal Trade Government Shelters in Newcastle Municipality**

Location	Year Of Construction	No. Of Shelters	Status
Allen Street extension	1990s	24	Informal traders initially refused to occupy the shelters, citing lack of human traffic (or sufficient market). Instead, traders moved to a nearby private passage. Subsequently, other traders (who do not have permits) took over the municipal shelters. There are no ablution facilities of a close proximity.
SBDC Shelters	Before 2003 <sup>3</sup>	30	Some shelters are under use, while others are used as waiting stations by Taxi commuters (considering that these are located next to the Spa Taxi rank). Permits issued out have already expired and have not been renewed. There are no ablution facilities nearby.
Terminal Street (brick walls shelters)	Before 2003	16	Some are still in use, while others are used as storage facilities by informal traders. The permits for the use of these shelters have long expired. There are ablution facilities close by.
Madadeni CBD	2002	24	Generally in good condition, except that the expired lease

<sup>3</sup> The 'before 2003' reference refers to the period before the creation of the municipality's economic development unit.

			agreements have not been renewed. The municipality has constructed ablution facilities which are generally well maintained. There is a committee of six individuals, who represent the Madadeni CBD informal traders. This is different from the associations.
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In total, there are 94 licensed shelters 11 licensed shipping containers and 113 other licensed shelters across the municipality. Considering that there are 766 informal traders in the municipality, a total of 548 (or 71%) of informal traders either do not have decent trading shelters, or if they do, they do not have permits to trade in these facilities. There is therefore a major backlog as far as informal trade facilities are concerned. The municipality has however budgeted R 2,750,000 between 2012 and 2015 for construction of informal trader stands within the CBD (although the area is not yet identified. Implementing the institutional issues recommended in this strategy will pave way to identification of a suitable place.

Part of the above challenge is based on the fact that the municipality has tended to adopt a reactive rather than a pro-active role to space allocation. The housing department plans to conduct an audit of public land in the municipality in the coming months. This is an opportunity for the department of economic development to ensure forward planning. All human traffic zones need to be mapped out and possibilities to construct shelters in these clusters should be explored. While there is a challenge of space especially in the Central Business District (CBD), the municipality needs to consider expanding pavements (especially on high traffic areas), with the purpose of constructing trade shelters. Other opportunities for construction of informal trade shelters include:

- Checkout Centre in Newcastle CBD
- The newly constructed Tekhu Plaza shopping Centre (in Blaauwbosch)
- The planned Ithala Centre Mall in Madadeni's currently Shoprite mall (Madadeni Section 2)
- The planned mall in Meadowlands (Madadeni section 4).

Discussion with the informal trader associations should be held in all plans aimed at considering location of shelters.

### **8.3. Registration and Permitting**

The requirements which should be made before an application is approved include a disclosure of whether the applicant owns or runs any formal business. These are filed in the informal trade office. However, the current application process does not allow the applicant an opportunity to make this declaration.

The permit issued out to informal traders after registration is a simple card, which requires the following details:

- Name
- Identity No.
- Locality
- Stall

- Signature and
- Date

The permit also requires a photo of the applicant.

Similarly, the application form requires the same details, with additional requirement of next of Kin and address.

The application form takes roughly 10 minutes to complete, after which the informal trade office consults the associations to establish the conduct of the respective trader as far as trade relations are concerned. This consultative process takes approximately a week (and in some cases more than a week). The informal trade office then prepares and issues out a permit depending on whether the associations have reverted with their comments, concerns, or approval. In total, therefore, application and approval of a trade permit takes about a week.

An identifiable omission is that, there is no indication in the application form, how many spaces an applicant can be permitted to occupy. There is also no recourse in the event that the informal trader is not satisfied with the municipal decision. These gaps should be closed.

The registration and permitting process should be simplified by allocating the applicant's verification role to the (proposed) coordinator of the Informal Trade inter-departmental committee (see section 8.1.5). In terms of disputes between the informal trader and the municipality, the inter-departmental committee made up of representatives from the economic development department, community services, law enforcement, town planning, informal trade chamber and the chairperson of the relevant informal trade association (or the proposed unitary association) should be constituted. The disputing informal trader should be present in this meeting. The representative from the department of economic development should coordinate this meeting.

On allocation of trading space and permit, this report proposes that space and trade permit:

- Be provided only to *Bona fide* informal traders
- Be conditioned to one person per site.
- Be issued with a permit number which should be displayed on the business site at all times. Law enforcement officials should refer to this permit number during patrols.

The above criteria should be included in the application form and the lease agreement.

Penalties for failure to renew trade permits should be instituted. These will be presented in the By-laws report.

## 8.4. Tariff Structure

The current tariff structure for informal traders is outdated, considering that it was established in 2003. And while the 2003 structure is still in use (albeit without much compliance), due to the permit renewal impasse, enforcement of the existing structure is almost impossible, considering that there are no consequences for non-payment, thus, in practice, rental fee payment is voluntary. Importantly, introduction of user fees is not primarily a

revenue collection exercise (considering that the fee is deliberately minimal to allow informal traders the opportunity to access), rather, it is an attempt to ensure means testing of applicants, and, provide a qualification criteria for public space users. This also provides a level of accountability, and therefore an incentive to ensure the trading place is well maintained. The fee structure does not have any sunset clause, a situation which has the potential to create tensions between informal traders and the municipality should the municipality decide to increase.

On this, the report recommends a new fee structure, effective January 2015 (to allow for sufficient communication), and thereafter two year fee review should take place. Thus the next fee review should occur in the middle of 2017, following which a six month window should be utilized to communicate the new fee structure which would become effective in January 2018. Importantly, the new fee structure derives from the findings of the survey, where half (51%) support the payment system, and of these, three quarters (75%) claimed that they were preferred to pay up to R100 a month, and another 14% are prepared to pay between R100 and R200 a month.

**Table 6: Current and Proposed Tariff Structure**

Trading Space	Breakdown	Current Cost (Dated 2003)	Proposed Cost (2015-2017)
Demarcated Open Area	Open Land	R 4.00	R 20.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Markings	R 1.00	R 5.00
	Admin work	R 6.00	R 10.00
	Total monthly rent	R 14.00	R 40.00
	Deposit	R 28.00	R 80.00
Portable Phones	Open Land	R 15.00	R 30.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Markings	R 1.00	R 5.00
	Admin work	R 6.00	R 10.00
	Total monthly rent	R 25.00	R 50.00
	Deposit	R 50.00	R 100.00
Trolley for Phones	Open Land	R 45.00	R 60.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Markings	R 1.00	R 5.00
	Admin work	R 6.00	R 10.00
	Total Monthly rent	R 55.00	R 80.00

	Deposit	R 110.00	R 160.00
Use of Bakkies /Trucks	Open Land	R 45.00	R 60.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Markings	R 1.00	R 5.00
	Admin work	R 6.00	R 10.00
	Total Monthly rent	R 55.00	R 80.00
	Deposit	R 110.00	R 160.00
Edgar's Shelters	Shelter	R 18.25	R 25.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 20.00
	Admin work	R 6.00	R 5.00
	Total Monthly rent	R 30.25	R 60.00
	Deposit	R 60.50	R 120.00
Brick Stalls	Shelters	R 18.00	R 25.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 20.00
	Admin work	R 6.00	R 5.00
	Total monthly rent	R 30.00	R 60.00
	Deposit	R 60.00	R 120.00
Shipping Containers (Council owned)	Asset	R 38.00	R 55.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 25.00
	Admin work	R 6.00	R 5.00
	Total monthly rent	R 50.00	R 90.00
	Deposit	R 100.00	R 180.00
Shipping Containers (Privately Owned)	Asset	R 41.00	R 50.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 0.00	R 20.00
	Admin work	R 6.00	R 5.00
	Total monthly rent	R 50.00	R 80.00

	Deposit	100.00	R 160.00
Lockable Stalls (Madadeni CBD)	Asset	R 8.00	R 10.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 15.00
	Admin work	R 3.00	R 5.00
	Total Monthly rent	R 20.00	R 35.00
	Deposit	R 30.00	R 70.00
Movable Concrete Stalls (Madadeni)	Asset	R 3.00	R 10.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 15.00
	Admin work	R 6.00	R 5.00
	Total Monthly rent	R 15.00	R 35.00
	Deposit	R 30.00	R 70.00
SBDC Shelters	Asset	R 13.00	R 25.00
	Refuse removal	R 3.00	R 5.00
	Availability of ablution facilities	R 0.00	R 0.00
	Maintenance	R 3.00	R 20.00
	Admin work	R 6.00	R 5.00
	Total Monthly rent	R 25.00	R 60.00
	Deposit	R 50.00	R 120.00

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