INFORMAL TRADING IN THE CITY OF JOHANNESBURG: SUGGESTIONS TO CREATE AN ENABLING ENVIRONMENT

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ABSTRACT

The notion of Developmental Local Government led to a totally new approach to what was traditionally viewed as the essential role and function of local government. Historically, local government was seen as an instrument to ensure the delivery of basic services (e.g. water and sanitation) to communities in an orderly fashion and to implement regulations. However, in the new dispensation, local government is regarded as a primary facilitator to redress the lacking infrastructure and limited economic activity associated with most of the segregated urban areas within South Africa (Reconstruction and Development Programme, 1994: 129). Municipalities should, therefore, take responsibility for reconstruction and development activities. The Constitution of the Republic of South Africa, 1996 provides local government with a new mandate to govern, provide services and to promote development within their areas of jurisdiction. Currently a contentious issue is that of informal trading within urban areas in the Country. Municipalities should create an enabling environment within which these aspects can be addressed. This article reflects on the issue of informal trading and the creation of an enabling environment through means of establishing a transactional relationship between all stakeholders within the context of informal trading.
INTRODUCTION

South African cities grapple with the issue of informal trading and the question remains as to how a progressive approach to street trading could be attained. In light of the national government’s objectives of creating an enabling environment for SMMEs, this proves to be a difficult challenge. Municipalities have often taken the view that street trading contributes to the degeneration of the city, as is the case in Johannesburg. Some argue that this perspective is informed by economically (and therefore politically) powerful property and formal retail sector interests (Skinner in Rice, 2007:12). In this article the aspect of creating an enabling environment is investigated and possibilities as far as partnerships with all relevant stakeholders are pursued.

CREATING AN ENABLING ENVIRONMENT

The Constitution of the Republic of South Africa, 1996 stipulates in Section 153 that local government must structure and manage its administration, budgeting and planning processes to lend priority to community needs and to promote the social and economic development of such communities, thus creating an enabling environment for development. The concept of developmental local government is extensively elaborated upon in policy documents and legislation, which impress the obligation of municipalities to apply technologies to further their developmental objectives. An example of such a document is the White Paper on Local Government, 1998. The developmental role of municipalities can be summarised as having four inter-related characteristics, viz.:

- the maximisation of social development and economic growth;
- integration and co-ordination of a range of services and regulations, and the activities of other spheres of government and services providers;
- democratising development, empowerment and redistribution, particularly in respect of marginalised groups; and
- leading and learning in the building of social conditions favourable to development.

A developmental challenge facing municipalities in major cities in developmental states is how to address the influx of people from rural areas to the cities. In the following paragraphs, the challenge of urbanisation will be analysed from a global perspective.

GLOBAL URBANISATION CHALLENGE

In an international study entitled Urban Future 21, which was presented during a conference in 2000 in Berlin, Germany, it is indicated that the majority of the world’s six billion population currently reside in cities. It is furthermore estimated that by 2025, the world’s urban population will reach approximately five billion. This figure indicates that the world’s urban residents will then amount to 61% of the world’s population.

One significant aspect of the above-quoted statistics is that most of the growth in urbanisation will occur within the developing world. In its publication Towards
Environmentally Sustainable Development in Sub-Saharan Africa (1996: 15) the World Bank mentions that Sub-Saharan Africa is the most rapidly urbanising region in the world. Most of Africa’s urban population already lives in coastal cities. This trend is said to continue, including in the southern Africa-region. Within this context, African cities are under pressure to take cognisance of the challenges that they may be faced with in terms of dealing with poverty. Most importantly, the issue of governance of such an urban growth spiral is challenging. The City of Johannesburg resembles a typical mega-city in a developing country.

According to the Urban Future 21 study, essentially three types of cities exist: First, is the type that experiences informal hyper-growth. Many such cities exist in Africa, and they are characterised by high population growth (natural accrual and inward migration) and an economy that is reliant on informal sectored trade activities. Housing shortages and widespread poverty and slums areas are prevalent in such cities. The second type of city is the mature city, which struggles with the problems of ageing. Such cities are found for instance in Europe. These types of cities reflect signs of an ageing population in decline, the associated maintenance aspects associated with an aged infrastructure and also, slow economic growth. The third type of city is typical of a South African metropolis such as Johannesburg: It flaunts a state-of-the-art urban infrastructure; yet directly adjacent thereto its underdevelopment, poverty and associated socio-economic disenfranchisement. This dualism (or pluralism) in respect of different levels of economic development could also be found in other African cities beyond South Africa’s boundaries, for example Maputo, Nairobi and Harare. The influx of people to the rural areas results in an increase in informal trading as a means to make a living.

INFORMAL TRADING POLICY OF THE CITY OF JOHANNESBURG

The City of Johannesburg has developed a draft policy entitled Informal Trading Policy for the City of Johannesburg, which sets out the policy, statement and principles as well as particular policy objectives and building blocks. An important section deals with stakeholders’ roles and responsibilities and implementation of the policy. Within the context of the above it should be stated that the policy document acknowledges that informal trading is a positive development as it contributes to the creation of jobs and alleviation of poverty, and has the potential to expand further the City’s economic base.

The exact number of informal traders across the length and breadth of the City is hard to come by. Whether the correct figure is closer to 36 000 or 85 000 is a fact that must still be validated. Approximately 5 000 of these informal traders are registered with the Metropolitan Trading Company (MTC).

A 2003 survey found that at least 51% of informal traders in the City are women. The range of informal trading engaged in includes survivalist activities, while there are some who conduct trade through micro and small-scale enterprises such as general dealers. Some informal trading takes place as a result of participants not having employment, while others do so for entrepreneurial reasons.
After an analysis of the policy of the City of Johannesburg is done, particular implementation suggestions are made on the basis of international best practices, with specific reference to a transactional relationship that needs to be entered into to cement the relationship between all the stakeholders involved in the informal trading sector.

**TRANSACTIONAL RELATIONSHIP**

Current government policy emphasises the need for government and communities to engage in processes of public participation and consultation so as to ensure that community needs are adequately addressed. The aforementioned should also apply when a policy on informal trading is drafted for the City of Johannesburg. It may therefore be stated that a transactional relationship should be created between people and their environment (including government and of course governance by such a government), within the context of development. In order to establish a transactional relationship between people and their environment, four conditions are suggested: community involvement and partnership, sustainable community development, economic opportunities for business and a strategic vision for urban re-development (Hugo et al., 1997: 6).

Firstly, in all cases a high level of community partnership and involvement are detected. Current government policies and legislation emphasise the need for community involvement and partnership. Communities should be involved in processes of planning to ensure the success of urban re-development projects since it may create an avenue for all the stakeholders to articulate their needs and aspirations, as well as conditions associated with the proposed projects.

Secondly, local government is viewed as a vehicle to facilitate sustainable community development. Policies and legislation pertaining to municipality suggest the necessity to ensure that all community development is sustainable. As far as re-developing urban areas are concerned, the associated objective of sustainable community development is paramount.

Thirdly, economic opportunity should exist to facilitate partnership agreements between business and the rest of the stakeholders in redevelopment processes in urban areas. Some form of public–private-partnership (PPP) agreement may be appropriate in this regard.

Fourthly, a strategic vision for urban re-development should exist. This means that municipalities should follow a holistic and integrated approach to planning and implement programmes designed to address urban development. Officials should direct their municipalities’ resources towards attaining the strategic goals set during the integrated development planning process. Since government policies dictate development in municipalities on an environmentally accountable manner, the principles of integrated environmental management should be considered during the integrated development planning, implementation and evaluation.

The above-mentioned characteristics could also be regarded as key guiding principles as far as strategic decision-making is concerned. The following statistics, which relate
to South Africa in general, illustrate the point that municipalities should consider urban socio-economic development strategies that facilitate the development of SMMEs within their boundaries:

- 70% of enterprises fall within the commerce and trade sector, with street vendors forming more than half of such ventures.
- Most ventures have originated in response to unemployment (economic survival).
- Light manufacturing enterprises have above average incomes, employment and growth (with a net monthly income of above R2000).
- Women operate approximately 62% of micro-enterprises (although these businesses fall within the lowest ranked categories as far as profitability and employment growth is concerned).
- These enterprises operate within a highly competitive environment.
- Capital and support is limited.
- The majority of these ventures are home-based.

Sustainable urban socio-economic development requires all South African municipalities to introduce a business-like approach towards development by setting in place integrated development plans. This implies that local government should follow a strategic approach to the planning and implementation of development projects (Integrated Development Planning, 2000: 4). The end objective should be to achieve sustainable social and economic development of communities, and the associated access to affordable essential services and supportive infrastructure. In addition, the requirement exists that such socio-economic development should occur within an ecologically responsible manner.

Within this context, the integrated development plans are seen as principal instruments in achieving sustainability in socio-economic development in municipalities. The notion of sustainability implies that economic, social, ecological and institutional factors should be considered in an integrated way (Strengthening Environmental Sustainability in the Integrated Development Planning Process, 2003: 64). Therefore, it should be noted that full integration should occur between social, economical and environmental objectives of sustainability (and in some cases a responsible trade-off between some objectives) before sustainable development could be achieved (Sustainable Development Strategies: A Resource Book, 2002: 13). Where mention is made of institutional factors, issues relating to the governance and administration of projects in an organisational context may be considered.

Economic sustainability implies economic growth that is viable and fair. An important criterion is that such growth should not exceed the natural and social systems’ capacity to carry or support it. Social sustainability emphasises the need for community participation and upholding social justice. It supports application of technologies and innovations conditional to maintaining ecological integrity. Ecological sustainability upholds the ecological integrity of the natural environment by conserving biodiversity, to allow nature to regenerate resources and by minimising the use of non-renewable resources (Strengthening Environmental Sustainability in the Integrated Development Planning Process, 2003: 64). The World Bank mentions that one of the major challenges for sub-
Saharan cities in the future would be to make urbanisation sustainable by building on the positive aspects of socio-economic growth whilst breaking the catabolic spiral associated with living conditions in slum areas (Towards Environmentally Sustainable Development in Sub-Saharan Africa, 1996: 43).

**Partnering for an enabling environment**

Different types of partnerships have historically been seen as useful and appropriate vehicles to improve development and service delivery in developed and underdeveloped countries alike. If the concept partnership is analysed, it could be described as a power that is distributed between the public and some (Davids, Theron & Maphunye, 2005: 118) sphere of authority e.g. local, provincial or national. This process occurs through negotiations that result in a mutually agreeable settlement. According to Burke (2000: 241) partnership brings parties (for instance the client and a contractor) together to share risks and benefits associated with projects. The essence of the preceding discussion and analysis are that stakeholders reach agreements on particular responsibilities whilst risk distribution aspects associated with projects are clarified.

Lessons learned from recent development projects, such as the heralded Cato Manor case in KwaZulu Natal, seem to indicate that partnerships are essentially dependant on the following prepositions:

- **No simple partnership recipe exists.** Each project and location has its own particular set of circumstances and imperatives, which may influence the essence of the partnership.
- **Inclusiveness of all stakeholders is an important point of departure.** For the purposes of legitimacy and transparency, inclusiveness in terms of stakeholder participation should be maintained.
- **Partnerships are founded and bound by a common vision.** A strong vision may form the cement that binds stakeholders under difficult circumstances.
- **Human factors (personalities, skills and background) as well as appropriate organisational structures are important success factors for partnerships.**
- **Land control issues and significant planning practice influence partnership success.** Land is an emotive issue and needs to be treated with circumspect. It therefore follows that planning practice (including spatial planning) should be effective and proper.
- **Not all partners are equal.** The partners, who from a risk point of view sacrifice or benefit more, tend to claim greater partnership status. Such aspects need to be resolved among the partners to prevent any negative impact that conflict may have on a project.

It is interesting to note that, when the characteristics of a municipal community partnership, as presented by Cranko & Kahn (1999: 30) is interpreted, the emphasis is throughout placed on empowerment, protecting of community interests, mutual accountability and responsiveness to community needs. Cranko & Kahn’s cited characteristics resonate with
the (former) Department of Constitutional Development’s study on so-called winning communities in 1998. Holtzhausen quotes this study in Fox & Van Rooyen (2004: 123) and suggests that winning communities’ best practices include:

- **Building Bridges** – where communities extend their interests by connecting themselves with other entities that may assist them in the process of meeting their particular objectives.
- **Business plans** – to assist communities to articulate their needs to stakeholders vividly. Such plans serve to outline actions to be taken as regards for instance proposed projects immediately and detail issues that require medium and long-term attention. Business plans include for instance specific objectives, methods by which objectives should be met (strategies) and costs aspects associated with the particular project.
- **Partnerships** – where communities, after having built bridges, partner with other entities to achieve particular development or service delivery objectives. The following figure serves to indicate the characteristics of a municipal community partnership.

**Characteristics of Municipal-Community Partnerships**

- **Extending service delivery**
  - "Help deliver on backlogs/address unmet needs"

- **Strengthening the democratic social contract**
  - "Community empowerment"
  - "advocating and protecting public interests"
  - "mutual accountability"

- **Increasing effectiveness of local government**
  - "through community involvement: public contribution to delivery (social capital etc.) and greater responsiveness through citizen involvement"

*Source: (Adaptted from Cranko & Kahn, 1999: 30)*

- **Record of work** – where all activities that are undertaken are done according to a set framework (constitution), resolutions are duly minuted and reports are regularly provided to stakeholders.
- **Expertise** – the necessary expertise needed to ensure project success should be identified and sourced, in the event where communities do not have such skills readily available.
Training – capacity improvement should be recognised as an important factor to ensure sustainable socio-economic development.

Financial control – proper financial administrative and managerial practices should be maintained to ensure transparency and legitimacy. Statements should be regularly updated and procedures should be uncomplicated.

Leadership – socio-economic development projects should benefit from having good leaders to provide the necessary impetus and to serve community needs. Such project champions may improve the success prognosis of complex projects.

Overcoming inactivity – high unemployment and associated socio-economic symptoms tend to depress community spirit. Such feelings of hopelessness could be overcome through proper leadership and encouragement to become actively involved in organised community activities or development projects.

In order to achieve the above, government policy, which guides decision-making and facilitate the enabling environment, should be coherent and clear. Different government entities and different spheres of government do differ in terms of its support and indulgence of partnership agreements. The differing approaches reflect a broader debate in the development and service delivery environment as to the true role of government(s) and methodologies associated with partnership agreements. South Africa recognises that a number of approaches are required to address the differing needs and circumstances that may demand a special form of partnership.

The legislative part of the enabling environment should deal with the following aspects:

- It should cement the legal capacities of different spheres of government (whichever are relevant particular to the project) to create binding arrangements from the side of government.
- Current procurement arrangements tend to be focussed on conventional partnership arrangements and as soon as extraordinary demands are made through unconventional projects, it may be that no policy or legal direction is available.
- Contractual templates for extraordinary projects are mostly not readily available, which may hamper project planning and retard agreement processes. Therefore, skilled advisors should be used to assist in this regard.
- Current legislation does not provide detailed or clear guidelines for the mandatory consultative processes with stakeholders on various matters. An example in this regard is labour matters.

Environmental justice aspects are often manipulated and not attributed the necessary cognisance. Legislation does exist, but the concern is that in some cases not enough is done to ensure the environmental soundness of projects or compliance to environmental conservation requirements (National Treasury, Public Private Partnerships, 2001:6).

Another dimension of the enabling environment is one of institutional capacity and intergovernmental relations. Government should refrain from conducting partnership processes, which do not integrate the interests of all stakeholders, both internal and
external to the public organisation. Sector departments should not operate in a vacuum. This may result in a fragmented approach to partnership interests and render such endeavours unsuccessful. It is important to maintain open communication with support institutions such as Treasury, or the Municipal Infrastructure Investment Unit (National Treasury, Public Private Partnerships, 2001:9).

If a public sector organisation is charged with the obligation to oversee partnership arrangements, it needs specific types of management and administrative capacity to fulfil this function. Such capacity may refer to financial, technical or managerial areas, which may not form part of the conventional operational functionality of a public sector organisation. Complex partnerships require improved skills from officials; two ways of dealing with this challenge is to concomitantly pursue skills development (capacity creation/improving) activities as well as reducing unnecessary complexity as far as partnership agreements are concerned (National Treasury, Public Private Partnerships, 2001:9).

To clarify this matter, the following figure presents a concise elucidation and explanation of the basic characteristics of what an enabling environment should entail. Essentially, six requirements exist:

- innovation should occur through learning;
- institutional capacity should be in place to ensure that proper support is presented to facilitate partnership success;
- ensure that community needs are met through such partnerships;
- fair competition should occur to access contracts and opportunities;
- contracting arrangements that govern partnerships should be formal, lucid and befitting the nature of the endeavour and
- access to finance forms and important component in partnerships since restrained access to reasonable credit facilities is prohibitive to HDI (C)s or SMMEs to bid for contracts or to perform optimally.

The preceding description of partnership issues is an attempt to contextually place socio-economic and service delivery projects within a particular mould. However, since such projects tend to be unique in many ways, they are often difficult to categorise exclusively.

**INFORMAL TRADING**

The increase in street trading activity in South African cities can be attributed to two functions. The *first* is the economic climate, with high unemployment and lack of formal sector job creation forcing thousands of people to seek a living in the informal economy (Rogerson, 2004:3). The *second* is the granting of economic rights to the previously excluded non-white majority as well as changes in legislation that came with the end of apartheid. During the apartheid era urban environments were divided along racial lines and economic activity for non-whites was largely restricted, especially in the central business districts (CBD). Previously, it was difficult to obtain a licence to
Despite the lack of reliable statistics on the informal economy, it is undoubtedly growing. With jobless growth a consistent feature of the economy for the last ten years, the growth of this sector is unlikely to subside. This is not a problem per se, as it is an important source of job creation and potential economic growth, since a significant percentage of micro enterprises start as informal businesses often comprising only the founder. However, if the potential economic benefits of the sector are to be maximised, policy interventions are required that take both the potential and problems into account.

The 1990s witnessed the exodus of large numbers of businesses from inner city areas around the country, largely attributed to soaring crime levels. Inner city economies suffered drastically and the business profile changed markedly. Many city centres now contain numerous empty buildings and underutilised space, signs of advancing urban decay. As a result urban regeneration has been identified as a priority at national and local government level, as it is considered essential for attracting the necessary investment to achieve economic growth and job creation.

It is in the context of urban regeneration that street trading has become a contentious issue. There is general consensus that street trading has both positive and negative aspects. On the positive side, it contributes to the economic viability and dynamism of the city, creates employment, alleviates the hardships of unemployment and poverty and
develops entrepreneurial skills (Informal Trading Development Programme, 2002:19). Unfortunately, the negative side is that street trading often results in the obstruction of pavements, large volumes of litter and often unsanitary waste products, traffic congestion, unfair competition for formal sector businesses, crime, an unhygienic environment and a general deterioration and dilapidation of the urban landscape (Informal Trading Development Programme, 2002:20).

Street trading has been more of a high profile issue in the City of Johannesburg than anywhere else in South Africa. The flight of businesses from the Johannesburg city centre has been much more widespread than anywhere else in the country. Street traders have often been singled out as a cause of such moves to newly developed areas of the city, especially in the north. This may not be entirely justified, since there are a number of contributing factors to office decentralisation, of which unregulated street trading is only one.

In order to attract investment back into the city centre, there is a need to address crime and pollution and create a more orderly environment. This necessarily implies the regulation of street trading as a result of the problems mentioned above. This is due to the fact that in the current economic climate, many people have no option but to seek a subsistence living by trading on the street. While municipalities need to implement policies aimed at increasing investment in the city centres, it is clear that there is significant political risk in being seen as exclusionary of those who did not have access to pursuing economic activity in city centres under the previous regime. Removing traders is especially problematic, given the association with government practices under apartheid (Skinner in Rice, 2007:15).

Regulating informal trading

The initial response to the new wave of street trading activity by city councils around South Africa was purely regulatory. Municipal by-laws typically prevent trading activities that obstruct traffic or pedestrian movement, block formal retail shop frontage and result in unsafe stacking of goods that may pose potential harm to the public or traders. They further limit the attachment of equipment to buildings and oblige traders to keep their sites clean (Skinner in Rice, 2007:17).

The major cities have also used by-laws to declare particular areas restricted or prohibited trading zones. This is obviously problematic to traders wanting to be incorporated into the urban landscape, particularly in the case of prohibition of trading. Restricted trading zones aim to prevent over-trading, and as such improve the viability of trading in the designated area. It typically involves the demarcation of trading sites and for a fee to be levied on such sites. While this, therefore, implies a cost to trading, most traders in Skinner’s (2000) focus groups indicated that they were prepared to pay for the associated security of a fixed trading space. This was considered a prerequisite to investing more and expanding their businesses.

Skinner in Rice (2007:20) notes that this involves a trade-off. While restricting trading activity in an area undoubtedly improves the business prospects of the traders that are
permitted to trade there, the economic losses of the displaced traders may be outweighed by those gains. The most obvious mechanism to minimise the potential economic losses of such a move is the provision of alternative trading sites for displaced traders. There is also the risk that the process of allocating alternative sites can be manipulated, making measures to ensure its transparency imperative.

In order to prevent municipalities from acting unilaterally or exclusively in the interests of specific groups, the amendment to the National Small Business Act, 2003 (Act 26 of 2003) stipulates that municipalities have to demonstrate to provincial government that they have consulted before any areas are declared restricted or prohibited trading zones (Skinner in Rice, 2007:26). This involves publication of plans of their intentions, a public meeting to discuss the issue and a request for written objections. The council then has to submit a report detailing the process and its consideration of the objections to the provincial government, which then considers whether this has been done in a fair manner. Given the low levels of literacy among street traders, the requirement of written objections allows better-resourced and more articulate groups such as property owners to dominate. Low levels of organisation and a lack of cooperation among traders’ organisations also affect the street trading community respectively.

While by-laws are important and necessary tools for managing urban space, they are aimed at restricting rather than facilitating street trading. Financial constraints have been blamed for the initial absence of pro-active local interventions to develop the street trading sector. This was compounded by the political imperative to be seen to deliver infrastructure such as houses, roads and water to previously disadvantaged areas. With numerous competing demands for scarce resources, issues such as street trading sometimes took a back seat (Skinner, 2000: 52).

Skinner’s (2000: 52) description of the City of Johannesburg’s approach to informal trading as chaotic, reflects this. This has largely been ascribed to what has been described as a major financial crisis in the local sphere of government since 1996. The shortage of available funds meant that posts were left unfilled and policies could not be implemented properly. In 1999, the street trading department only had 29 of the 159 staff it was supposed to have at its disposal. The Southern Metropolitan Local Council (SMLC), where a large percentage of street traders were located, was serviced by only one manager and six project officers, making comprehensive regulation practically impossible (Skinner, 2000: 53).

It is necessary to bear in mind that municipal government and administration have experienced in Johannesburg a number of significant changes since the first democratic elections in 1994. Boundaries have been redrawn and roles created and changed on numerous occasions, something that has left city council at times in a rather disjointed and confused state. Nonetheless, Johannesburg was the only city in the country to have a formalised street trading policy in 1999. This made it the first city to move away from a purely regulatory role towards a more developmental one. The importance of this is that the political support of an official policy allows for consistency in the way these activities are approached.
CONCLUSION

Informal trading in the City of Johannesburg poses a particular challenge in terms of poverty eradication, and maintaining a proper system of urban order. Thus, the creation of a sustainable development and enabling environment is dependant on dealing with rapid urban expansion and the associated problems. This article highlighted the necessity for an enabling environment to be created through some form of partnership between stakeholders, a principle which should be significantly addressed in the City of Johannesburg’s policy on informal trading. The research conducted within this domain, thus far is incomplete. The preceding discussion merely served to highlight some options to achieve a greater form of enabling environment. Future developments by the City of Johannesburg’s policy processes should be indicative as to whether these challenges will be addressed effectively.

BIBLIOGRAPHY


