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RECONCEPTUALIZING  
INFORMAL ECONOMIC  
GOVERNANCE:  
IMPLICATIONS FROM  
CAPE TOWN,  
SOUTH AFRICA

GRAEME YOUNG<sup>1</sup>

SERIES EDITOR: JONATHAN CRUSH<sup>2</sup>

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<sup>1</sup> 2018-2019 QES-AS post-doctoral fellow at the Balsillie School of International Affairs, Waterloo, Canada, and the African Centre for Cities, Cape Town, South Africa, [graeme.young.z@glasgow.ac.uk](mailto:graeme.young.z@glasgow.ac.uk)

<sup>2</sup> Balsillie School of International Affairs, [jcrush@balsillieschool.ca](mailto:jcrush@balsillieschool.ca)

## Abstract

As awareness of the centrality of informality in urban development processes in the Global South is slowly incorporated into the international development agenda, a full understanding of the myriad ways in which informal economic activity is governed has become increasingly urgent. This discussion paper seeks to address this need through an analysis of informal economic governance in Cape Town, South Africa. It first outlines a general theoretical framework for understanding the governance of informal economies that focuses on the logics that inform governance, the systems in which governance take place, the modes in which governance operates, and the forms that governance takes. It then turns its attention to the governance of informal economic activity in South Africa, using this framework to evaluate international, national, provincial, and local governance and highlighting the shortcomings surrounding policy development, incoherence, and poor implementation that characterize each. Using survey data collected by the Hungry Cities Partnership (HCP) in Cape Town, it examines the motivations of and challenges faced by those who engage in informal food sector economic activity to offer insights into a more effective approach to informal economic governance that prioritizes anti-poverty measures and the creation of formal employment opportunities. Policy recommendations and potentially valuable avenues for further research are then outlined.

## Keywords

informal economic governance, food systems

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## Introduction

Informal economic activity, by definition, takes place at least in part outside of the official legal and regulatory structures of the state. This does not mean, however, that it is ungoverned. The state is in fact ubiquitous in the informal economy, both in shaping its emergence and evolution and in regularly seeking to formalize, regulate, develop, control, and/or repress it (Young 2019). Certain aspects of this relationship have received significant attention, including the governance of street vending (Roever and Skinner 2016), the rights of those who engage in informal economic activity (Brown 2015, 2017, Menses-Reyes and Caballero-Juárez 2014), the legal and regulatory structures that may promote informality (de Soto 1989, Perry et al 2007), and the importance of formalization (AU Commission 2015, ILO 2015, UN 2017). While each of these topics is crucial for understanding the central features of informal economic governance, none on its own captures the full complexity of the governance of informality or the diversity of actors, institutions, relationships, and motivations that governance involves. A deeper conceptualization and more comprehensive account of informal economic governance is therefore necessary.

This discussion paper addresses this need through a case study analysis of the governance of informal economic activity in Cape Town, South Africa. Proposing a theoretical framework for understanding the key features of informal economic governance, it argues that the governance of the informal economy is (a) characterized by a combination of the underdevelopment, incoherence, and/or poor implementation of relevant policies and legislation; and (b) fails to adequately address the primary motivations of and challenges faced by those who operate in the informal economy. A new approach to informal economic governance is therefore needed, and will require a detailed and consistent conceptualization of the nature and value of informality; a realignment of institutions and processes to improve co-ordinated policy development and implementation; and a deeper consideration of how to both effectively target and positively

impact informality across all levels of government and government departments. If these are to be successful, they must reflect the needs and desires of those who engage in informal economic activity and be conducted in a way that prioritizes political and economic inclusion.

The remainder of this paper is divided into four sections. The first presents a theoretical framework for understanding the governance of informal economic activity, focusing on the logics that inform governance, the systems through which governance takes place, the modes in which it occurs, and the forms that it ultimately takes. The second section applies this framework to an analysis of informal economic governance in Cape Town, exploring how informality is governed at the international, national, provincial, and local levels in the city. Examining each in detail, it illustrates how problems surrounding the development, coherence, and implementation of policies and legislation governing informality has led to poor governance outcomes. Turning its attention to how the governance of informality could be improved, the third section uses the extensive survey data collected by the Hungry Cities Partnership (HCP) to demonstrate that governance approaches must focus on addressing the conditions of poverty and unemployment that drive informal economic activity in the city and limit its ability to contribute to inclusive development. The paper concludes by outlining a set of policy recommendations and proposing potentially valuable avenues for future research.

## Theorizing Informal Economic Governance

Informal economic governance can be broken down into four core components: (a) the logics that shape governance; (b) the systems through which governance operates; (c) the modes in which governance occurs; and (d) the resulting forms that governance takes. Each of these components is incorporated into the framework proposed in this section.

## Logics of Governance

The governance of informal economic activity is directed by three competing logics: development, political, and compliance:

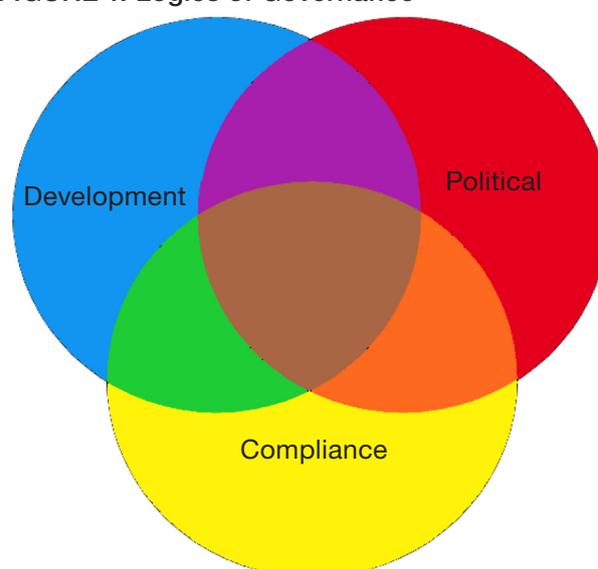
- Development logics focuses on the role of the informal economy in development processes. Informal economic activity can be understood to facilitate inclusive development by providing livelihood opportunities and access to essential goods and services, particularly for the urban poor. Governance should therefore protect or promote informality through the creation of an adequate enabling environment that will maximize its growth potential and provide protections to those who engage in it. Conversely, informality can be seen as an obstacle to development. This view takes two sharply contrasting forms. The first is that informality is detrimental to economic growth because it serves as a source of unfair competition for formal businesses and reduces state revenues by limiting tax collection and compliance. The second is that informality is undesirable because it represents a form of exploitation that perpetuates poverty and entrenches inequality. Both arguments can encourage efforts to promote formalization by bringing the informal economy within the official legal and regulatory apparatus of the state. The first can also be used to justify repression. Views of the role of informality in development have evolved significantly (Cross 2000, Potts 2008), while policy approaches largely follow from entrenched, if often implicit, ideological positions (Young and Crush 2019: 10-15).
- Political logics focus on the informal economy as a source of potential political advantage. The informal economy can be a valuable source of electoral support, particularly in cities where those who engage in informality constitute a large share of potential voters (Agarwala 2013, Holland 2016, 2017). Politicians may also, however, take advantage of opposition to informal economic activity, notably from formal businesses and middle-class residents, or pursue political support through development plans

and/or “rule of law” initiatives that negatively affect informality (Donovan 2008).

- Compliance logics focus on the failure of informal economic activity to adhere to relevant legal and regulatory requirements. This commonly entails the criminalization of informality or formalization efforts that aim to improve legal and regulatory compliance (Rogerson 2016, Young 2018).

These three logics frequently overlap as more than one can inform governance (Figure 1):

**FIGURE 1: Logics of Governance**



## Systems of Governance

Three systems of governance of informal economic activity can be identified: (a) political governance undertaken by politicians and transmitted through political institutions, including legislatures and other elected offices; (b) technocratic governance undertaken by bureaucrats and transmitted through government departments and other state bodies; and (c) legal governance undertaken by police officers, attorneys, and judges and transmitted through police departments, public and private legal offices, and courts. The actors, institutions, and incentives that define each system of governance are outlined in Table 1.

**TABLE 1: Systems of Governance**

|              | Political governance                   | Technocratic governance                       | Legal governance                              |
|--------------|--|---|---|
| Actors       | Politicians                            | Bureaucrats                                   | Police officers<br>Attorneys<br>Judges        |
| Institutions | Legislatures and other elected offices | Government departments and other state bodies | Police departments<br>Legal offices<br>Courts |
| Incentives   | Electoral<br>Ideological               | Career<br>Bureaucratic<br>Ideological         | Career<br>Law enforcement<br>Ideological      |

Each of these systems of governance is shaped by internal incentive structures. Politicians must seek to win elections both individually and on behalf of the political party they represent, and may also seek internal party advancement, particularly in circumstances where state structures are dominated by a single party (Cross 1998). They also have ideological commitments that they must balance with their electoral interests; a consideration that becomes complicated when the two are in conflict and they must prioritize one over the other. Bureaucrats, conversely, are not subject to the pressures of electoral politics, and therefore, in theory, have little reason to prioritize the political logics of informal economic governance. They can nevertheless be motivated by career advancement that is more likely tied to professional performance than electoral support, providing different but not necessarily less acute pressures than those faced by politicians. Bureaucratic functions, including fulfilling mandates, meeting defined performance targets, and proper financial management in line with auditing standards, create strong internal incentive structures. Bureaucrats also have ideological incentives, even if these are unacknowledged as, despite the apparently apolitical nature of their work, they possess, both individually and collectively, values, assumptions, and biases that inform their work.

Police officers, attorneys, and judges similarly have career and ideological incentives, but rather than bureaucratic functions, they are also impacted by the demands of law enforcement and their position in the legal system. Police officers and prosecuting attorneys, for example, face prioritization decisions in the context of (sometimes significant) resource

constraints and have an incentive to carry out enforcement based on the competing social costs of different violations (Becker 1968). Their interpretation of the comparative public costs of enforcement and non-enforcement, however, are subject to variation, introducing significant inconsistencies in legal governance that undermine idealized visions of the rule of law as neutral, equal, and universal.

These systems of governance also differ in the role they play in policy design and implementation. Political governance primarily involves the design of policies and legislation that govern informality, and this process is shaped by the balance between the electoral and ideological incentives that impact the actors and institutions involved. Technocratic governance also entails policy design where departments have the authority to identify priorities and construct plans for how policy objectives could be met. In addition, it involves the implementation of policy, meaning bureaucrats can influence not only the content of informal economic governance, but also, within limits, how, when, where, and to whom it is applied. Legal governance is largely removed from policy formation, although courts can possess the power to overturn laws passed by politicians that violate constitutional arrangements. Instead, legal governance primarily takes place through enforcement as police officers, lawyers, and judges influence how laws are applied in individual cases and, in doing so, establish legal precedent and *de facto* norms surrounding the prioritization, interpretation, and implementation of laws.

The clash between political governance and technocratic/legal systems has been highlighted as a

central feature of informal economic governance (Cross 1998, Holland 2016, 2017). Crucially, the systems and logics that dominate the governance of informal economic activity follow from the institutional environment in which governance takes place. The electoral incentives at the heart of political governance, for example, are created by institutional arrangements in which political power is gained through competitive democratic processes. If these arrangements are absent or change, the incentives underlying political governance may disappear, giving more weight to other logics and systems of governance (Young 2017). Conceptualizing informal economic governance therefore demands a deeper consideration of the form and function of governance arrangements, as it is only when these are appropriately aligned that a focused, coherent approach to informality can emerge.

## Modes of Governance

Political, technocratic, and legal governance are not limited to the institutional structures in which they take place. It is therefore necessary to distinguish between formal and informal governance:

- Formal governance encompasses all forms of governance undertaken within the boundaries of official state structures as defined by relevant constitutional documents and legislative frameworks, including policymaking and implementation, the design and proper enforcement of laws and regulations, and interactions between state and non-state actors through decision-making processes.
- Informal governance encompasses all forms of governance undertaken outside of the boundaries of official state structures, including political deal-making, systems of patronage and clientelism, and personal relationships.

## Forms of Governance

Informal economic governance takes many forms. These can be classified by whether or not they target

informality and the impact they have, allowing for distinctions to be made between direct, indirect, failed, absent, counterproductive, and accidental governance (Table 2). As the intentions and effects of policies can vary, these forms of governance should be understood not as firm and discreet categories, but on a matrix in which divisions are fluid and boundaries are not concrete (Figure 2).

The fact that governance achieves its desired effects, however, does not necessarily mean that it should be viewed as successful. Governments can, and often do, adopt policies or undertake other actions that, whether intentionally or not, have a detrimental effect on informal economic activity and those who engage in it. The repression of street vending is an obvious example. Evaluating success requires a consistent normative framework that, due to competing logics of governance, is often absent in efforts to govern informal economic activity.

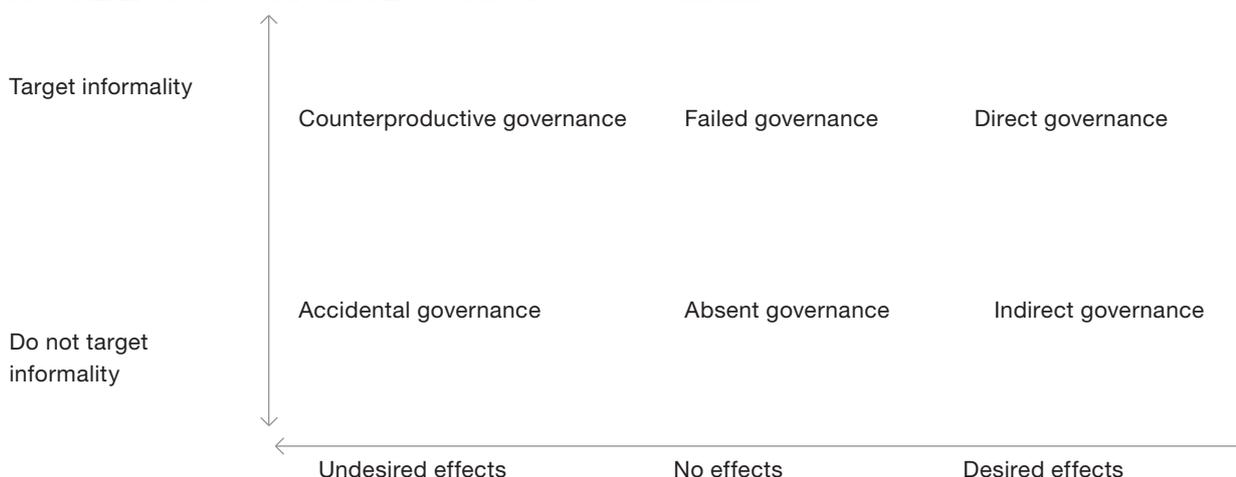
Complicating matters further, governing informal economic activity often involves unavoidable trade-offs, including, most notably:

- The existence of informality may undermine the rule of law and state legitimacy;
- Informal economic activity can provide competition for formal businesses (Cross 2000, Setšabi and Leduka 2008);
- The costs of formalization may negatively affect the viability of informal economic activities (Cross 2000, La Porta and Shleifer 2014);
- It may be difficult to enforce human rights protections in the informal economy (Miller 2007); and
- Taxing the informal economy to maximize revenue may conflict with the promotion of inclusive development (Joshi et al 2013).

In addition, policies can benefit certain groups or segments within the informal economy while harming others. Informal economies are not monolithic, but have their own complex internal dynamics and hierarchies in which employers,

**TABLE 2: Forms of Informal Economic Governance**

|        |                   | Target informality           |                       |
|--------|-------------------|------------------------------|-----------------------|
|        |                   | Yes                          | No                    |
| Impact | Desired effects   | Direct governance            | Indirect governance   |
|        | None              | Failed governance            | Absent governance     |
|        | Undesired effects | Counterproductive governance | Accidental governance |

**FIGURE 2: Forms of Informal Economic Governance Matrix**


regular informal wage workers, own-account operators, casual informal wage workers, industrial outworkers/homeworkers, and unpaid family workers are separated by poverty risk, average earnings, and gender composition (Chen 2012: 9). They also do not exist in isolation; rather, extensive linkages exist between formal and informal economic activity (Meagher 2013), creating relationships and network effects that governance interventions can reinforce or transform. It is therefore necessary to move beyond overly simplistic notions of the extent to which specific governance actions may impact the informal economy as a whole, and to instead consider the different and possibly contradictory ways in which these actions might affect specific forms of or groups engaging in informal economic activity.

### A Governance Framework

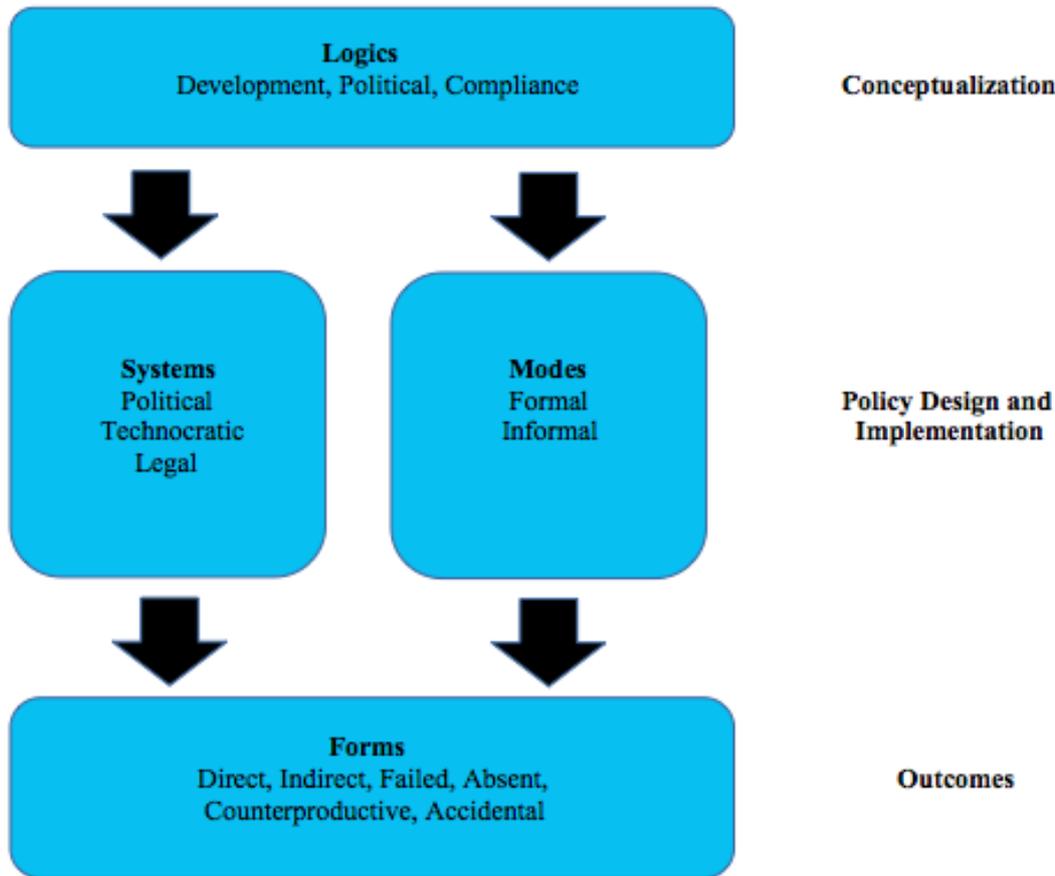
The logics, systems, modes, and forms of informal economic governance are all interrelated. The logics of governance inform how informality is conceptualized, the systems and modes of governance define

policy formation and implementation, and the forms of governance capture the outcomes of the ways in which informality is governed (Figure 3).

Each category within this framework suggests a point for intervention to improve informal economic governance:

- The logics of governance can be improved through the development of a consistent understanding of the nature of informality, its causes and consequences, and its economic, political, and social significance;
- Systems of governance can be made more effective through the adoption of a coherent and transferable approach to informality, the coordination of institutional functions, and the alignment of incentive structures;
- Modes of governance can be addressed by identifying the benefits and drawbacks of specific manifestations of formal and informal governance and undertaking efforts to harmonize them; and

FIGURE 3: A Governance Framework



- Forms of governance can be improved by both targeting informality and pursuing desired effects, thereby shifting forms of failed, absent, counterproductive, and accidental governance to direct and indirect governance.

A comprehensive approach to informal economic governance needs to incorporate all of these tasks.

## Informal Economic Governance in Cape Town

With this framework for understanding the governance of informal economic activity, it is possible to begin to analyze informal economic governance in cities such as Cape Town. Doing so requires a consideration of how governance occurs at four levels: international, national, provincial, and local.

## International Development Policy Agenda

### Sustainable Development Goals

The Sustainable Development Goals (SDGs), outlined in the 2030 Agenda for Sustainable Development adopted by the UN General Assembly in September 2015 (UN 2015), have obvious implications for understanding informal economic activity. While informality is not explicitly addressed within the SDG framework, 11 of the 17 SDGs have important implications for the governance of informality:

- SDG 1 No Poverty: insofar as informal economies can serve as an important livelihood source for the urban poor or, alternatively, perpetuate marginalization and conditions of poverty.
- SDG 2 Zero Hunger: informal economies can serve as an important source of food,

particularly for the urban poor, and therefore promote urban food security (Battersby 2011, Battersby and Crush 2014, Crush 2016).

- SDG 3 Good Health and Well-Being: informality, by serving as an important source of income and food, can promote the health and well-being of traders and customers or alternatively pose hazards due to the risks that accompany informal work and issues of food safety.
- SDG 5 Gender Equality: informal economies can either empower women by promoting autonomy and facilitating poverty reduction or integrate women into the lower levels of a highly stratified economic system (Meagher 2010).
- SDG 7 Affordable and Clean Energy: energy access influences the activities and livelihoods of those who operate in the informal economy.
- SDG 8 Decent Work and Economic Growth: informality either provides or reflects a lack of employment opportunities, decent work standards can be implemented in the informal economy, and informal economic activity can contribute to inclusive and sustainable economic growth.
- SDG 10 Reduced Inequalities: informality can either lower levels of inequality through the promotion of inclusive development (Bhattacharya 2011) or exacerbate inequality by facilitating systems of exploitation.
- SDG 11 Sustainable Cities and Communities: informality is a central feature of urban life and can either facilitate or impede inclusive urban development.
- SDG 12 Responsible Production and Consumption: informal economies play a central role in broader production and consumption processes.
- SDG 13 Climate Action: informal economies can be integrated into climate change planning (Brown and McGranahan 2016).
- SDG 16 Peace, Justice and Strong Institutions: informality can support peacebuilding efforts through development or undermine peace by exacerbating inequality; and the design and enforcement of laws governing informality reflect popular understandings of justice and either strengthen or weaken institutions (de Soto 1989, Tripp 1997).

Understanding precisely how the SDGs can and should shape the governance of informality is therefore highly dependent on competing views of informal economic activity. The failure of the SDGs to engage with fundamental questions about whether, and under what circumstances, informal economies can contribute to inclusive development means that no firm policy agenda is in place for the incorporation of informality into the implementation of the goals. This lack of engagement with informality, and the lack of clarity that follows from it, is a significant failing of the 2030 Agenda for Sustainable Development, but provides national and sub-national governments with a significant amount of policy flexibility.

### International Law

International law also has implications for informal economic governance, but these too are not explicitly defined. The International Covenant on Economic, Social and Cultural Rights (ICESCR), signed by South Africa in October 1994 and ratified in January 2015 (UN nd), is particularly relevant. Article 6 recognises the right to work, including “the right of everyone to the opportunity to gain his [sic] living by work which he [sic] freely chooses or accepts”. It makes no distinction between formal and informal work; indeed, the adoption of the ICESCR in 1966 by the UN General Assembly predates the conceptual ‘discovery’ of informal economies in the early 1970s (Hart 1973, ILO 1972). The implications of Article 6 for informal economic activity remain unexplored in both the research literature and domestic and international law. Nevertheless, Article 6.2 requires states to take certain steps, including “technical and vocational guidance and training programmes, policies

and techniques to achieve steady economic, social and cultural development and full and productive employment under conditions safeguarding fundamental political and economic freedoms to the individual.” More generally, Article 2.1 requires all parties to:

*Take steps, individually and through international assistance and co-operation, especially economic and technical, to the maximum of its available resources, with a view to achieving progressively the full realization of the rights recognized in the present Covenant by all appropriate means, including particularly the adoption of legislative measures (UN nd).*

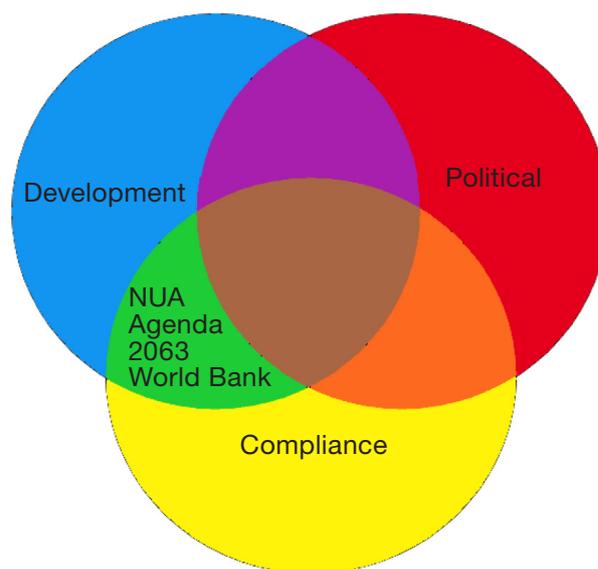
South Africa’s obligations to uphold international law are reaffirmed by its own constitutional system, with Chapter 14, Section 233 of the Constitution stating that:

*When interpreting any legislation, every court must prefer any reasonable interpretation of the legislation that is consistent with international law over any alternative interpretation that is inconsistent with international law (RSA nd).*

### Assessing International Governance

The international policy environment that governs informal economic activity is, perhaps unsurprisingly, primarily driven by development logics. The pairing of incentives with compliance measures in the NUA, the emphasis that Agenda 2063 places on improving revenue collection, and the World Bank’s focus on regulatory reform all suggest an additional adherence to compliance logics (only policies that explicitly address informal economic activity are included here) (Figure 4).

**FIGURE 4: The Logics of International Governance**



Three problems define the international governance of informal economic activity. First, informality is largely ignored in the international development policy agenda. This is perhaps most notable with the SDGs, a conspicuous oversight in a program that dominates global development discourse. Informality remains highly relevant for the SDGs and the SDGs have significant implications for informality. Opportunities exist to adequately integrate informality into the implementation of the SDGs, but these would need to be taken up by international organizations and national, regional, and local governments as a central feature of SDG implementation. Second, international law that may have important implications for informal economic activity is not enforced. Article 6 of the ICESCR could significantly empower those who operate in the informal economy and obligate governments to take proactive measures to provide formal employment opportunities to those who desire them. A lack of enforcement, however, means that it fails on both counts.

Finally, where informality is included in the international development policy agenda, a lack of consensus exists on how it should be addressed. As a result, policy prescriptions have little content. For example, the ILO’s efforts to promote “decent work” in the informal economy by empowering

and providing protections for workers departs significantly from the World Bank’s focus on economic liberalization and regulatory reform. The NUA and Agenda 2063 both promote formalization, but the latter focuses on social protections and taxation while the former offers few specifics. As a result, although formalization has come to dominate the international policy agenda, there is little definition of what this means in practice or how it should be realized. Combined, these three problems largely result in failed and/or absent governance (Figure 5). All must be addressed if effective forms of direct and indirect governance are to be achieved.

## National Governance of Informal Economies in South Africa

### Constitutional Infrastructure

The South African Constitution details various rights that are relevant for informal economic activity (RSA nd). Chapter Two, Section 22

establishes that “[e]very citizen has the right to choose their trade, occupation or profession freely”, but includes the crucial caveat that “[t]he practice of a trade, occupation or profession may be regulated by law.” Section 23 establishes “the right to fair labour practices”, including the rights to organize and to engage in collective action. The Constitution also outlines the competencies of all levels of government in Schedule 4 and Schedule 5. Table 3 lists those that are relevant for informal economic governance.

Local powers fall under either national/provincial legislative competence (Schedule 4, Part B), or provincial legislative competence (Schedule 5, Part B). Chapter 7, Section 155(7) states that the national government and/or provincial governments “have the legislative and executive authority to see to the effective performance by municipalities of their functions ... by regulating the exercise by municipalities of their executive authority”, providing them with the authority to establish frameworks in which municipal government powers can be exercised, but not to exercise those powers or set policy (de Visser 2019: 7).

FIGURE 5: Forms of International Governance



**TABLE 3: Constitutional Powers Relevant for Informal Economic Governance**

| Government level    | Competencies   |
|---------------------|--|
| National            | (All residual functions)   |
| National/Provincial | Agriculture; Consumer protection; Housing; Industrial promotion; Police; Public transport; Regional planning and development; Tourism; Trade; Urban and rural development; Vehicle licensing; and Welfare services   |
| Provincial          | Abattoirs; Liquor Licences; Provincial Planning; and Provincial Roads and Traffic  |
| Local               | <p>Under National/Provincial Legislative Competence:<br/>           Building regulations; Electricity and gas reticulation; Municipal planning; Municipal health services; Municipal public transport; Trading regulations; and Water and sanitation services (potable water supply systems and domestic waste-water and sewage disposal systems)</p> <p>Under Provincial Legislative Competence:<br/>           Beaches and amusement facilities; Cleansing; Control of public nuisances; Control of undertakings that sell liquor to the public; Licensing and control of undertakings that sell food to the public; Local amenities; Markets; Municipal abattoirs; Municipal parks and recreation; Noise pollution; Public places; Refuse removal, refuse dumps and solid waste removal; Street trading; and Traffic and parking recreation</p> |

## Policy Environment

The fact that residual powers not elsewhere detailed are invested in the national government gives it broad authority in informal economic governance. Still, informality is poorly integrated into national policy (Skinner 2019, Valodia 2013). The National Development Plan (NDP) asserts that:

*Continued economic dynamism will depend largely on policy, steering economies away from low-productivity activities, such as subsistence agriculture and informal trading, to sectors that lift the country up the sophistication ladder [entailing] wider and deeper investment in education and skills training, and enabling employment in high-value jobs (NPC 2012: 82).*

Conversely, it also claims that the growth of formal and informal job opportunities will allow proposed public work programs to be scaled down (NPC 2012: 28). Although it highlights that informality is often poorly understood and inadequately supported (NPC 2012: 266-267, 275), it offers few concrete proposals to address either problem. Instead, its primary focus is on expanding social protection and security programs to cover those who engage in informal economic activity (NPC 2012: 367-376) and, more broadly, increasing employment, suggesting that the economy will add

over 10 million jobs between 2010 and 2030, and that the informal sector and domestic work will account for between 1.17 million and 2.09 million of these (NPC 2012: 121).

The most significant effort by the national government to incorporate informal economic activity into broader development processes is the National Informal Business Upliftment Strategy (NIBUS), announced by the Department of Trade and Industry in 2014 (DSBD 2014). Focusing on women, youth, and people with disabilities in townships and rural areas and targeting retail, manufacturing, services, agriculture, and construction and maintenance, the NIBUS aims to provide support for “entrepreneurs in the informal economy” undertaking “vibrant economic business activities that need support to graduate from survival to sustainability and performance.” The NIBUS identifies five ‘strategic pillars’ for intervention: (a) creating an enabling legal and regulatory environment, which focuses on easing regulatory requirements to promote formalization; (b) upliftment through enterprise development; (c) the facilitation of intergovernmental relations; (d) partnership and stakeholder management, primarily with business associations, civil society, donors, and service providers; and (e) empowerment through information management (DBSD 2014, Skinner 2019).

The NIBUS also includes the Informal and Micro Enterprise Support Programme, which is intended to provide support for skills development; marketing and branding; product improvements; technology support; stock, materials, and supplies; tools, machinery, and equipment; basic compliance; organization development; governance; management training; operational systems and policy development; information technology; project support; and basic office infrastructure and technology. Finally, it launched the Informal Traders Upliftment Project (ITUP), a pilot program “to identify, train, coach, mentor and provide infrastructure support to 1000 informal traders[,] including capacity building for Informal Trader Organisations” across the country over an 18 month period. The project is only open to South African citizens.

A similar desire to support informality is outlined in the “Integrated Urban Development Framework” (IUDF), which claims that “the informal sector is a training ground for nurturing future enterprises” and that “[p]olicies should accommodate informal economic activities, supported by a planning system that does not see the sector as a problem or ‘formalisation’ as the only solution” (MCGIT 2016: 84-85). It also calls for those engaged in informal economic activity to be involved in broader “sector forums” that allow local governments to engage with economic stakeholders (MCGIT 2016: 87) and outlines key dimensions of an improved approach to informal economic governance:

*Given South Africa’s mass unemployment, government needs to support all kinds of entrepreneurial activity, both directly and by not imposing undue restrictions on their operations.... Municipalities must manage the informal economy more coherently, mainstream it in economic strategies, and help to enhance the sector’s economic potential.*

*Various (mostly municipal) functions that would be affected range from planning (zoning and bylaws), supporting infrastructure provision... through to taxation, licensing and regulation. Informal trade and informality should also be considered in spatial planning policies. Furthermore, municipal land-use*

*policies should consider informal economic activities and find ways to accommodate sustainable livelihoods (MCGIT 2016: 89).*

## Legislation

The potential for informal economic activity to contribute to inclusive development and serve as a source of entrepreneurship also informs the Broad-Based Black Economic Empowerment Act of 2013 (B-BBEE 2013). As one of eight ways to facilitate BBBEE, the Act identifies “promoting access to finance for black start-ups, small, medium and micro enterprises, co-operatives and black entrepreneurs, including those in the informal business sector” (Section 2(g)). Such a strong developmental focus is largely absent elsewhere in national law. Indeed, key pieces of national legislation largely ignore informality.

The Businesses Act 71 of 1991, for example, makes no explicit mention of informality, suggesting that the licencing and regulatory requirements that it outlines apply to both formal and informal businesses (RSA 1991). It does, however, contain several provisions addressing street vendors, peddlars, and hawkers, an important subset of the country’s informal economy but by no means representative of informality in general. Section 6A (1) (a) (i) of the Act gives local authorities the power to make by-laws covering “the supervision and control” of the activities of each of these groups, while Section 6A more broadly outlines powers for their spatial regulation. By-laws passed by local authorities can empower officers to confiscate goods, receptacles, vehicles, and other moveable structures, and their violation can be punished by fines or imprisonment (Section 6A (1) (d)).

## Other National Government Powers

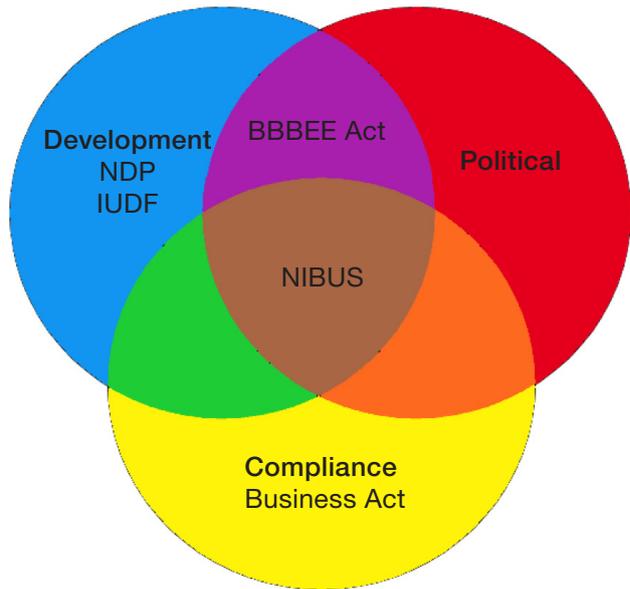
Other national government actions can have a profound effect on informal economic activity. Trade policy impacts the availability and price of

the goods that traders sell and of alternatives that customers might otherwise purchase in the formal economy. More fundamentally, it can also impact formal employment levels (Bacchetta et al 2009), as can foreign direct investment (FDI) regimes (Lee and Vivarelli 2006), by either expanding markets for domestic goods and services or harming local firms through higher levels of competition. More generally, fiscal and monetary policy shapes the macroeconomic conditions (including levels of employment, inflation and aggregate demand), in which informality takes place. There are important debates about the extent to which if the informal economy contracts or expands in response to formal economic downturns (Arvin-Rad et al 2010, Fiess et al 2010, Loayza and Rigolini 2011). But there is little doubt that it is fundamentally affected by formal economic fluctuations, and that the governance of the formal economy has profound implications for informal economic activity.

### Assessing National Governance

In contrast to international governance, the national governance of informality is driven less exclusively by developmental logics. This is likely because the systems of governance that exist at the national level are more complex and varied than those that exist internationally. Most notably, while political considerations and compliance mechanisms are largely absent internationally, they are not only present, but often dominant, at the national level. This is particularly relevant for the BBBEE Act, a key component of the country’s post-apartheid transition, and the NIBUS. The Informal Traders Upliftment Project includes a citizenship requirement that suggests political motivations and reflects the broader environment of hostility and xenophobia in which migrant and refugee traders operate (Crush et al 2015). Figure 6 illustrates the national logics that shape the governance of informality in Cape Town.

FIGURE 6: National Logics of Governance



National governance of informal economic activity is defined by two problems. The first is a lack of integration between relevant policy and legislation. The NDP focuses on reducing informality, promoting employment, and providing protections for those who engage in the informal economy. The NIBUS and the BBBEE Act seek to support entrepreneurialism, with the former encouraging formalization through regulatory reform. The IUDF encourages the integration of informality into planning systems that are based on accommodation and do not necessarily prioritize formalization. And the Business Act ostensibly provides limited space for such accommodation to take place. It is difficult to reconcile these approaches, suggesting that a more comprehensive policy and legal framework needs to be put in place.

The second problem is a lack of implementation of relevant policies. This is particularly true for the NIBUS, which calls for ambitious efforts to reform the country’s legal and regulatory environment, support enterprise development, and improve intergovernmental relations, partnership and stakeholder management, and information management. These remain unrealized, meaning

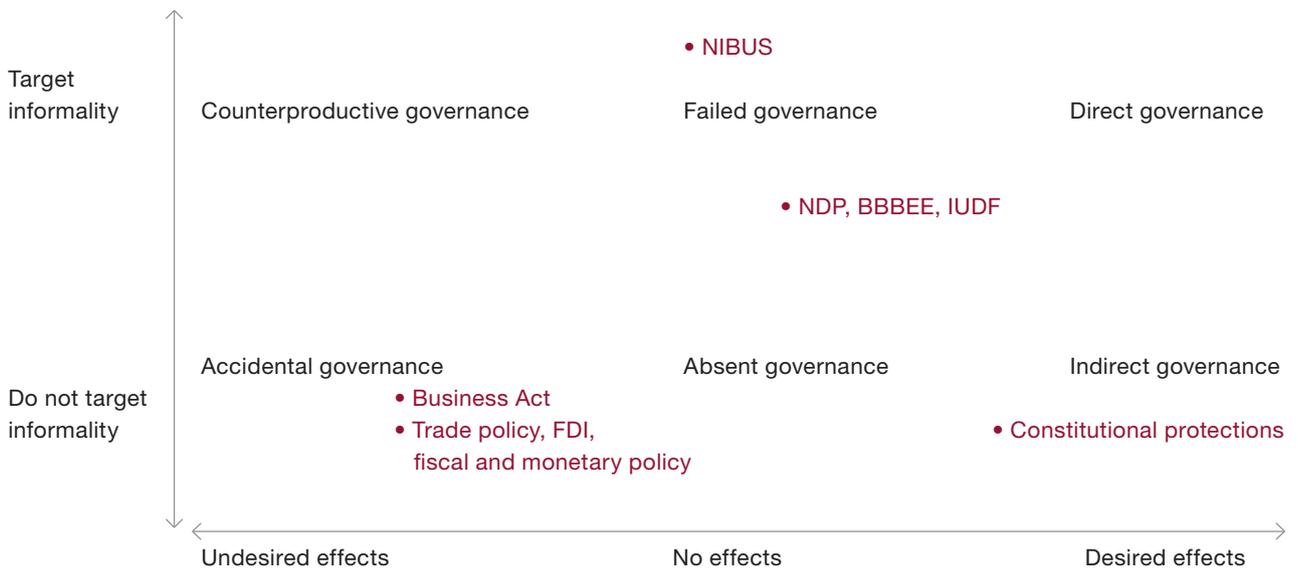
that the NIBUS has largely been ineffective and the problems that it was designed to address remain. Even if it were to be implemented, the fact that it is based on strong assumptions about the entrepreneurial nature of informality, advocates promoting formalization by easing regulations, and, with the ITUP, includes strict citizenship requirements means that important questions about its potential benefits exist. Indirect governance is primarily provided by the Constitution, which offers important protections for those who engage in informal economic activity. The national government does not adequately incorporate considerations of the potential impact on informality into its macroeconomic policy, however. As Figure 7 shows, national efforts to govern informality currently involve limited direct governance.

## Governance of Informal Economies in Western Cape

### Departmental Structure

Provincial governments in South Africa have broad powers for the direct and indirect governance of informality. For example, six of the 13 departments of the Western Cape Government (WCG) have functions with clear implications for informal economic activity (Table 4). Efforts to integrate informality into departmental operations in the Western Cape are ongoing. The Department of Economic Development and Tourism (DEDAT) is showing particular interest in focusing on township economies in its upcoming five-year plan. How this will translate into policy is uncertain, and fundamental questions about how DEDAT will define developmental objectives, identify barriers to inclusive development, seek to stimulate economic activity, and, indeed, understand the role of informality in township economies, remain unanswered.

FIGURE 7: Forms of National Governance



**TABLE 4: Provincial Government Departments Involved in Informal Economic Governance**

| Department                                     | Function   | Implications for informal economy   |
|--|--|---|
| Department of Agriculture                      | Provides services to support the agricultural sector   | Impacts affordability and availability of food that informal traders sell   |
| Department of Economic Development and Tourism | Promotes inclusive, sustainable development characterized by growth, employment, and equal opportunities | Influences how and where informality is incorporated into development processes   |
| Department of Health                           | Oversees public health service   | Determines ability of informal traders to access quality healthcare   |
| Department of Human Settlements                | Develops sustainable human settlements   | Impacts where and under what conditions informal traders can access housing and spatial development trends more generally |
| Department of Social Development               | Provides services for poor and marginalized groups   | Allows informal traders experiencing poverty or other forms of marginalization to access support systems                  |
| Provincial Treasury                            | Oversees financial management  | Contributes to budgetary decisions that can affect programs, services, and assets that informal traders rely on           |

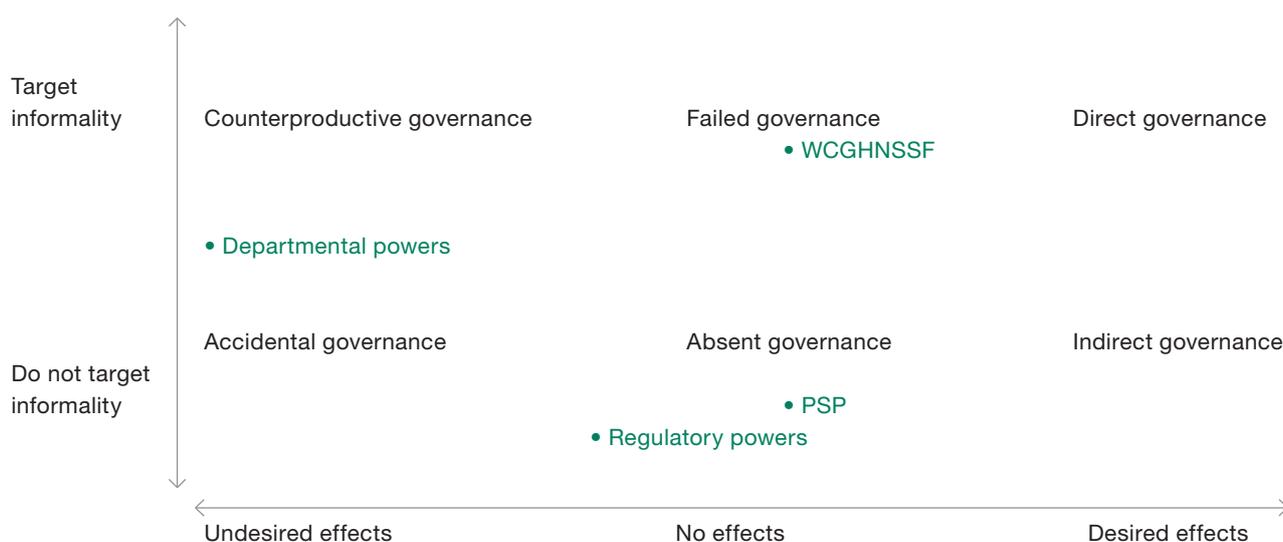
### Assessing Provincial Governance

Significant opportunities exist for the WCG to incorporate informality into its governance and development plans. Two are particularly important. First, in accordance with the governance competencies outlined in the Constitution, the WCG can regulate the exercise of municipal government powers that allow for the direct governance of informality. These include the licensing and control of undertakings that sell food to the public, markets, public places, street trading and, with the national government, trading regulations. It is not taking full advantage of this authority, however. Key documents are largely silent on informality; the *Provincial Strategic Plan: 2014-2019* (PSP), for example, fails to engage with informality or even address informal economies outside of its glossary of terms (WCG nd). More promisingly, the Western Cape Government Household and Nutrition Security Strategic Framework (WCGHNSSF) emphasizes the importance of the informal economy in the promotion of food security, and includes building an inclusive food economy as the fifth of six pillars of food security. The first program involves introducing “a model by-law for municipalities for informal food trading as well as guidelines for implementation”

(WCG 2016: 23, 42-45, WCG nd). This sectoral approach offers a promising opportunity for filling policy gaps.

Second, the WCG has the opportunity to engage in extensive forms of indirect governance of informality. These primarily relate to departmental activities that impact those in the informal economy without specifically targeting their economic activities. The Departments of Agriculture, Economic Development and Tourism, Health, Human Settlements, and Social Development, as well as the Provincial Treasury, all perform functions that have important implications informal economic activity and those who engage in it, and should ideally incorporate a sensitivity to informality into their planning and operations (Table 4).

The WCG also has significant scope to improve its direct and indirect governance of informal economic activity (Figure 8). In order to do so, it needs to adopt detailed plans for the incorporation of informality into policy design and ensure effective implementation. Current departmental efforts to draft five-year strategic plans offer an important opportunity to prioritize informality in policy formation.

**FIGURE 8: Forms of Provincial Governance**


## Governance of Informal Economies in Cape Town

### Development Plans and Policies

In accordance with the division of competencies outlined in the South African Constitution, much of the authority to undertake the direct governance of informal economic activity in Cape Town is assigned to the local government. The City of Cape Town (CoCT) has yet to adopt a coherent approach to the governance of informality or fully consider how to incorporate informality into urban management and development processes. The City’s Economic Performance Indicators for Cape Town (EPIC) report for the second quarter of 2015 includes a special focus on the informal sector (CoCT 2015) and claims that informality plays an important role in poverty reduction, and that the informal economy is more likely to absorb people who leave formal employment than those who are unemployed and that:

*The relatively weak transition of people from unemployment to informal-sector employment is likely due to certain intractable barriers to starting a business, such as entrepreneurial initiative, access to capital and having some degree of business acumen” (CoCT 2015: 51).*

It also asserts that the primary barriers to expansion of businesses in the informal economy are access to business locations and burdensome regulations (CoCT 2015: 52).

The 2013 Economic Growth Strategy (EGS) similarly focuses on informality as a source of entrepreneurship and identifies co-ordinating local development programs to enhance the informal sector as the first of five inclusion strategies (CoCT 2013a). It also claims that “past efforts to facilitate the development of informal enterprises were hampered by a lack of business intelligence and poor inter and intra-departmental coordination”, and proposes to improve co-ordination and targeted development efforts (CoCT 2013a: 28). The CoCT Five-Year Integrated Development Plan for 2017-2022 (FYIDP) further advocates a form of “support and development” that facilitates formalization and is “demand based, linked to the needs of the sector or individual enterprise, where feasible”, and “crafted according to needs specific to an area” (CoCT nd(a): 69).

The CoCT Municipal Spatial Development Framework (MSDF) further expands on the governance of informality by asserting that “[r]egulations on economic activity, including zoning rules, mitigate against the successful establishment and management of entrepreneurial activity,” and that

“[a]n area-based regulatory regime is needed that fosters faster growth and employment by creating a supportive environment for small business entry, survival and expansion” (CoCT 2018: 230). The MSDF offers 42 policy statements, one of which, Policy 31, is to “introduce land use policies and mechanisms that will support the development of small businesses (both informal and formal)”, and includes guidelines to “[e]ncourage and incentivise...the incremental and voluntary formalisation of existing informal businesses through appropriate application of land use management” (CoCT 2018: 133). It also encourages large commercial developments to “consider a mixed package of land use rights to leverage the provision of informal trading space and facilities in private developments” and “establish a functional and accessible, pedestrian-friendly interface between formal and informal activities” (CoCT 2018: 133).

Other policies that do not explicitly address informal economic activity nevertheless incorporate informality into their guidelines. Policy 4, for example, aims to “transform marginalised areas and informal settlements into economically and socially integrated neighbourhoods” and includes guidelines for planning for informal traders around areas of high pedestrian traffic, managing informal trade, and prioritizing health and safety interventions in areas where informal trade takes place. It also seeks to remove “unnecessary regulatory red-tape that stifles entrepreneurial efforts and SMME [small, medium, and micro-enterprise] development by proactively increasing the scope of land use rights along appropriate activity routes and streets or structuring routes by utilising overlay zones in appropriate areas” (CoCT 2018: 110). Similarly, Policy 37 on the inclusion of walking and cycling as essential components of land use planning, proposes aligning non-motorized transport routes with “informal trading areas focussing on fresh produce, other consumables and local crafts to support the livelihood of regulated informal business” (CoCT 2018: 138).

The CoCT seeks to engage in significant forms of direct governance of informal economic activity in accordance with the city’s 2013 Informal Trading

Policy (ITP) (CoCT 2013(b), which declares the city’s vision for “[a] thriving informal trading sector that is valued and integrated into the economic life, urban landscape and social activities within the City of Cape Town” (Section 4.1.1.1). Similarly, it claims to adopt “a developmental approach ... to facilitate the access to job and entrepreneurial opportunities within the informal trading sector”, and aims to build a “positive relationship” with formal businesses and consumers “by providing a stable regulatory and flexible management environment that is predictable, empowering and sustainable” (Section 4.1.2.1). This ‘developmental approach’ is broken down into three components (Section 5):

- Development and planning, which consists of recognizing the importance of the informal economy for employment and economic growth; encouraging targeted interventions; building partnerships; adopting a variable and flexible approach to interventions; promoting formalization, although, crucially, recognizing that full formalization will not be possible for some traders; employing spatial planning to identify appropriate trading sites; and providing necessary infrastructure.
- Policy issues, which include policy development for appropriate regulation to promote informal trading; policy review, incorporating an assessment of implementation every year, objectives every two years, and policy every five years; and policy alignment of all relevant policies across the city.
- Development organizations and forums, including establishing engagement forums for stakeholders at the city and district level; supporting representative organizations for traders and other stakeholders; and establishing, supporting, or expanding industry development organizations.

The ITP further outlines a set of principles to guide its approach to the governance of informal trading (Section 6) including (a) economic principles, including reinforcing business zones, providing business support, ensuring that city property is

used to maximize economic returns, and targeting high-demand areas; (b) spatial principles, including developing prioritized areas with large flows of pedestrian traffic, allocating space for informal trading, and providing appropriate infrastructure; and (c) engagement principles, including communicating with stakeholders and ensuring equity and inclusion.

It also provides details for key components of planning and managing informal trade (Section 9.2), such as (a) relevant policy tools, including planning, registration, allocations, and permit fee structures; (b) optimal urban locations, including a strategic planning exercise, the identification of high demand zones, the adoption of a trading plan, and the development of a spatial planning framework; (c) organizations and forums supporting development; (d) development support in both direct and indirect forms; (e) criteria for the allocation of trading bays; (f) law enforcement; (g) the management of trading areas, including formal market sites, individual fixed trading sites, events, and transport interchanges; (h) pricing and funding mechanisms; and (i) other funding opportunities.

## Legislation

The Informal Trading Policy (Section 1.2) is complemented by the Informal Trading Policy Implementation Plan and the *Informal Trading By-Law* (CoCT 2009). Section 1.4 of the By-Law acknowledges a need to adopt a “developmental approach” that aims to “to create an environment that is conducive to the growth of businesses in the informal trading sector.” Section 4 even declares declares a ‘freedom to engage in informal trading’ in which it “is permitted in any area within the jurisdiction of the City, subject to any trading plans adopted by the City, the provisions of this By-Law and any other applicable law.” The potential scope and implications of these plans and provisions are significant. The By-Law states that the local government must adopt appropriate trading plans, “particularly in

areas where there is a significant overlap between formal and informal trading” (Section 5.1). These plans must define the boundaries of a trading area and demarcate trading bays and markets (Section 5.2) and may outline the conditions under which trading can take place (Section 5.3). The city must “consult with interested and affected role players” prior to the adoption of any trading plans (Section 6). The By-Law requires all traders to hold permits (Section 8) and lists 20 prohibitions (Section 11) and 13 restrictions (Section 12) on informal trading. It also establishes waste removal, cleansing and hygiene standards (Section 13) and gives the city government authority to permit or prohibit trading for special events (Section 14).

The city has produced a document outlining a further 28 rules surrounding food storage and preparation and structural, infrastructure, regulatory, and licence requirements for informal food traders (CoCT nd(b)). The Informal Trading By-Law and Informal Trading Policy are enforced by the Informal Trading Unit in the Law Enforcement, Traffic and Coordination Department. This means that in contrast to the aspirational developmental objectives that are widely expressed in CoCT policy documents, legal governance is still the dominant form of governance of informal economic activity in Cape Town.

## Departmental Structure

The City of Cape Town consists of 39 departments, several of which have functions that impact informal economic activity (Table 5). The ITP proposes a set of responsibilities for CoCT departments to incorporate the governance of informality into their activities (Section 8.1). The governmental structure outlined by the ITP, however, is outdated, and the extent to which the policy alignment that the ITP calls for has been successfully implemented is doubtful given the competing logics and incentives that define the governance of informality in the city.

**TABLE 5: Local Government Departments Involved in Informal Economic Governance**

| Department   | Function  | Implications for informal economy   |
|--|---|---|
| Budget department                                    | Oversees financial management   | Contributes to budgetary decisions that can affect programs, services, and assets that informal traders rely on   |
| City health department                               | Environmental health: provides services including water monitoring, food control and compliance, waste management, health surveillance of premises, surveillance of communicable diseases, vector control, pollution control, disposal of the dead, and chemical safety | Enforces regulatory requirements informal traders must adhere to and provides healthcare services traders can access  |
|  | Personal Health: provides personal healthcare services  |   |
| Development management department                    | Land use management section: ensures land usage complies with permitted use and zoning rights   | Influences where informal trading can and does take place and the structures in which traders operate   |
|  | Building development management section: ensures buildings comply with legal regulations and standards  |   |
| Electricity generation and distribution department   | Oversees electricity distribution   | Impacts availability and cost of electricity for informal traders and their customers, which influences consumption patterns  |
| Enterprise and investment                            | Aims to create an enabling environment to attract investment  | Shapes the broader business environment in which informal vendors operate and their relationship with the formal economy  |
| Law enforcement, traffic and coordination department | Law enforcement: enforces local by-laws   | Ensures informal vendors adhere to all local efforts to regulate informality  |
|  | Informal trading unit: enforces informal trading by-law and informal trading policy   |   |
| Solid waste management department                    | Engages in waste collection and disposal, area cleaning, waste limitation, and managing pollution   | Cleans areas in which traders operate   |
|  | Cleansing branch: cleans streets and public areas   |   |
| Transport directorate                                | Oversees the city’s urban transportation system   | Impacts patterns of spatial inclusion and exclusion in the city; the ability of vendors to travel to acquire and sell their goods; the ability of customers to access informal vendors or alternative sources for goods |
| Urban integration department                         | Leads spatial planning, implementation, and management  | Influences the spatial inequalities in the city that informality reflects, responds to, and reinforces  |

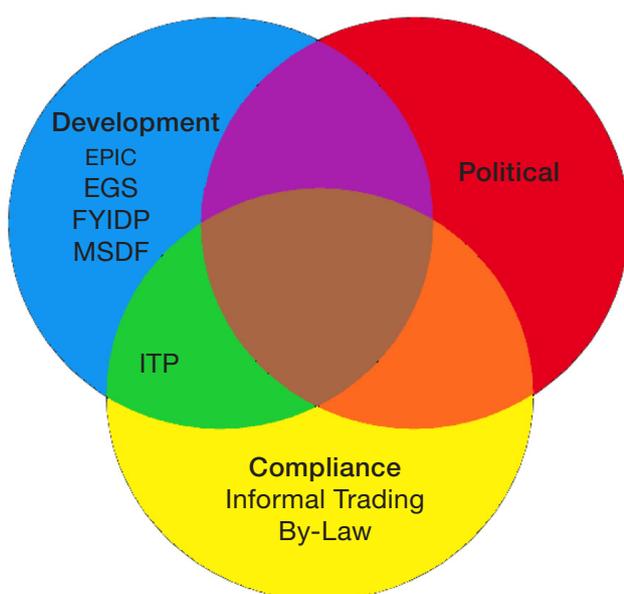
## Assessing Local Governance

The local governance of informal economic activity is driven by a combination of development and compliance logics (Figure 9). While development logics are prominent in the CoCT's efforts to govern informality, a notable lack of coherence exists between the developmental approaches embodied in specific policies and pieces of legislation. The 2015 second quarter EPIC report highlights problems surrounding business locations and regulations; the EGS advocates targeted interventions and policy coordination; the current FYIDP encourages formalization through demand-based initiatives; and the MSDF promotes reforming spatial regulations to encourage entrepreneurial activity. While these efforts do not clash as notably as relevant policies and legislation at the national level, they nevertheless demonstrate a lack of consensus on how informal economic activity can most effectively be governed. The ITP offers a more comprehensive approach to governing informality in the city, but how it precisely fits with other relevant policy documents and departmental operations is uncertain.

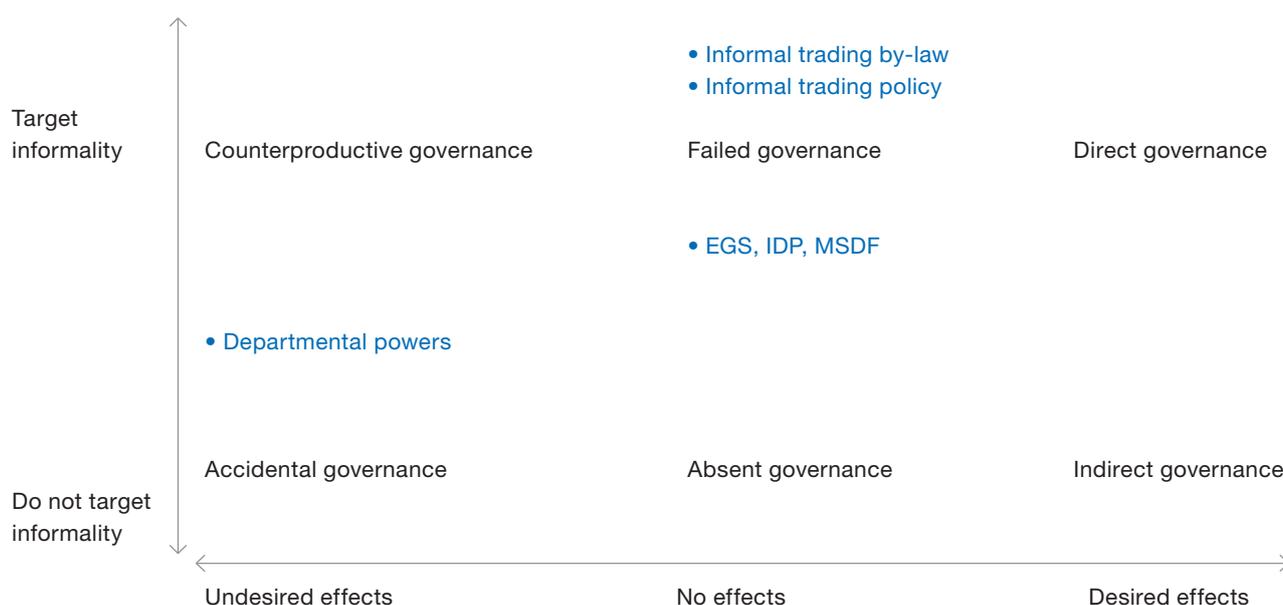
A second problem is the lack of implementation of developmental plans and an over-reliance on compliance initiatives. While the Informal Trading By-Law echoes the 'developmental approach' espoused by the ITP, it is highly regulatory, mandating permits, outlining extensive restrictions and prohibitions, and controlling when, where, and under what conditions informal trading can take place. An emphasis on regulatory enforcement over economic support initiatives suggests that, despite the city's commonly stated priorities, controlling informality is valued more than promoting development.

The city therefore engages in little direct or indirect governance of informal economic activity (Figure 10). While it has produced policy documents and legislation that target informality, the ways in which these have been designed and implemented mean that a combination of failed, counterproductive, and accidental governance dominate informal economic activity in the city.

FIGURE 9: Local Logics of Governance



**FIGURE 10: Forms of Local Governance**



## Informing Informal Economic Governance

Survey data collected by the HCP provides invaluable insights into Cape Town’s informal food economy, which can inform more effective forms of informal economic governance in the city more generally (Tawodzera and Crush, 2019). Two insights are worth highlighting. The first concerns the diversity of motivations food vendors have for engaging in informal economic activity (Table 6).

Such findings complicate the straightforward narratives of informal economic activity that inform the governance of informality. They also highlight that the most common reasons food vendors give for engaging in informal economic activity relate to the need for money just to survive and the desire to provide financial support for family, suggesting that poverty is a major driver of informality. While many food vendors expressed a desire to run their own business and believed they had the right personality to do so, a lack employment and inability to find a job was the fifth most important motivation overall. Informality, for these vendors, is more a necessity than a choice. Any approach to governing informal economic activity in the city that

does not seek to address the underlying problems of poverty and unemployment that drive informality will likely have limited developmental impact.

The second insight from the HCP survey data concerns the challenges that food vendors face as they engage in their activities (Table 7). Four concerns are particularly prominent: too few customers (mentioned by 75%), too many competitors (67%), high prices from suppliers (66%), and insufficient sales (59%). Taken together, these suggest an oversupply of labour in the city’s informal food sector despite the widespread prevalence of household food insecurity (Crush et al 2018). The coexistence of labour oversupply and high levels of household food insecurity suggests that while the informal economy can contribute to poverty reduction and facilitate food access, particularly for low-income households, there are important limits to its ability to do so without broader targeted governance interventions. Informal food sector economic governance must therefore go beyond creating an enabling environment by improving access to finance, business training, and infrastructure. These are a common focus in the literature on informality (Adams et al 2013, Gulyani and Talukdar 2010, Nguimkeu 2014, World Bank 2019). However, they would only address challenges identified as

significant by a minority of the food vendors. Instead, the focus should be on providing formal employment opportunities for those who desire them and addressing the conditions of poverty that encourage involvement in informal vending and limit household consumption capacity.

**TABLE 6: Food Vendor Motivations**

| Motivations   | Mean score |
|---|------------|
| <b>Economic survival/financial support of dependents</b>                                    |            |
| I needed money just to survive  | 4.07       |
| I wanted to give my family greater financial security                                       | 3.99       |
| I was unemployed and unable to find a job   | 3.16       |
| I wanted to make more money to send to my family in my home area                            | 3.02       |
| I had a job but it did not pay enough   | 2.51       |
| I had a job, but it did not suit my qualifications and experience                           | 1.82       |
| <b>Providing employment/product/service</b>   |            |
| I wanted to provide a service/product to consumers in my neighbourhood                      | 2.28       |
| I wanted to contribute to the development of this country                                   | 2.12       |
| I wanted to provide a service/product to consumers in other parts of the country            | 2.06       |
| I wanted to provide employment for people from my home area                                 | 1.90       |
| I wanted to provide employment to members of my family                                      | 2.20       |
| I wanted to provide employment for other people   | 1.95       |
| <b>Business experience/appeal</b>   |            |
| I wanted more control over my own time/wanted to be my own boss                             | 3.13       |
| I have always wanted to run my own business   | 3.22       |
| Support and help in starting my business was available from other people                    | 2.08       |
| I decided to go into business in partnership with others                                    | 1.87       |
| My family has always been involved in business  | 2.27       |
| <b>Entrepreneurial orientation</b>  |            |
| I have the right personality to run my own business   | 3.23       |
| I wanted to do something new and challenging  | 2.83       |
| I like to learn new skills  | 2.91       |
| I enjoy taking risks  | 2.73       |
| I like to challenge myself  | 2.85       |
| I wanted to increase my status in the community   | 2.19       |
| I wanted to compete with others and be the best   | 2.19       |
| Note: All responses are on a 5-point Likert scale from no importance to extremely important |            |
| Source: Tawodzera and Crush (2019: 10)  |            |

**TABLE 7: Challenges for Informal Food Vendors**

| Challenges                                   | Percentage of vendors |
|--|-----------------------|
| <b>Business competition</b>                  |                       |
| Too many competitors                         | 67.3                  |
| Too few customers                            | 75.1                  |
| Insufficient sales                           | 59.2                  |
| Verbal insults against your business         | 13.0                  |
| Conflict with local entrepreneurs            | 19.6                  |
| Competition from supermarkets/large stores   | 33.6                  |
| <b>Business costs</b>                        |                       |
| Suppliers charge too much                    | 65.6                  |
| Customers don't pay their debts              | 37.9                  |
| Lack of access to credit                     | 18.3                  |
| Lack of relevant training in business skills | 29.5                  |
| <b>Infrastructure issues</b>                 |                       |
| No refrigeration                             | 14.5                  |
| Storage problems                             | 22.3                  |
| <b>Victims of crime</b>                      |                       |
| Theft of goods/stock                         | 21.7                  |
| Theft of money/income                        | 13.3                  |
| Confiscation of goods by police              | 11.3                  |
| Harassment/demands for bribes by police      | 7.8                   |
| Physical attacks/assaults by police          | 5.4                   |
| Arrest/detention of yourself/employees       | 4.0                   |
| Physical attacks/assaults by citizens        | 7.0                   |
| Source: Tawodzera and Crush (2019: 38)       |                       |

## Conclusion and Policy Recommendations

- Much remains unknown about informal economic governance. As the topic begins to attract the belated attention of scholars and policy-makers, the current state of knowledge remains partial and incomplete. Opportunities to identify best practice guidelines and make concrete policy recommendations are limited by poor empirical data and a conspicuous absence of effective policy solutions. Despite these considerable limitations, however, it is possible to identify potentially valuable next steps and avenues for further research: Establish a consistent logic of informal economic governance. This should include a coherent view of the role of informal economic activity in the promotion of inclusive development and poverty reduction; Design coherent policy approach to informality across

departments and levels of government. This should prioritize the interests of those involved in informal economic activity and reflect their specific developmental and livelihood needs. HCP survey evidence on the motivations of and challenges faced by informal food vendors offers a valuable base of knowledge on which to build;

- Undertake a comprehensive survey of policies that impact informal economic activity across all departments at the national, provincial, and local levels of government to build on the findings of this report and construct a full account of the forms of governance they produce;
- Determine the areas of absent governance that could benefit from further state intervention. This may involve direct support for informality or more general anti-poverty measures, employment initiatives, and government engagement efforts;

- Realign incentives within different systems of governance to ensure that they complement overall governance objectives;
- Undertake a detailed review of informal modes of governance and assess their implications for the governance of informal economic activity more generally;
- Improve co-operation and communication across departments and levels of government to facilitate policy coherence and co-ordination;
- Analyze the spatial and demographic dimensions of informal economic governance to assess how specific policies and interventions impact different groups and communities. Particular attention should be given to groups that have been historically marginalized, including women, youth, migrants, and racial, ethnic, and religious minorities, and to township areas within the city;
- Develop a more comprehensive understanding of the various linkages that exist between formal and informal economic activity in the city by mapping out supply and value chains;
- Place active community engagement with informal traders at the heart of all informal economic governance efforts to improve the inclusiveness, legitimacy, popularity, and effectiveness of policies;
- Identify potential points of conflict and trade-offs that governance efforts will necessarily entail and draw up appropriate strategies for how these will be managed;
- Close the gap between policy design and implementation. Relevant policy and legal documents exist at various levels to inform informal economic governance, but implementation is often limited.

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