



DRAKENSTEIN

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Paarl | Wellington | Gouda | Saron | Simondium

Informal Trading Enhancement Strategy

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1. INTRODUCTION

Informal trade has grown at an alarming rate in Drakenstein because of the unintended consequences of migration and jobless growth in the local economy. This has resulted in many unemployed people joining the informal sector. The majority of these people do not have skills that are needed in the formal employment sector, others are semi-literate and a small percentage has some level of formal qualification. Nevertheless, this sector is plagued by a number of challenges and is often seen as disorganized, lawless and visually not pleasing.

It is against this backdrop that Drakenstein municipality has developed an Informal Trading Enhancement Strategy that focuses on unlocking the untapped potential of the informal sector. The strategy seeks to harness ownership of the developmental agenda of the sector while aligning funding to the relevant Council policies and the Integrated Development Plan (IDP) priorities.

This strategy also aligns with the National Development Plan (NDP); builds on the solid foundations of the municipality's Integrated Economic Growth Strategy (IEGS); incorporates the Spatial Development Framework (SDF) themes; sets out key projects overarching the Integrated Development Plan (IDP); and introduces four pillars as catalysts for development of the informal sector.

Vision into action: policy context of the Informal Trading Enhancement Strategy

The Informal Trading Enhancement Strategy is set in the context of municipality's Vision 2032 to evolve into "a city of excellence". This means that the strategy will be implemented principally and fits into the Integrated Economic Growth Strategy economic vision: namely, "A globally competitive and innovative city that provides opportunities for all its residents"

In this context, planning tools that guide the Informal Trading Enhancement Strategy are highlighted below:

Table 1: (Planning Tools)

Serial No	Planning tool	Description
1.	Integrated Development Plan	The Integrated Development Plan (IDP) is the overall strategic development plan for the municipality, prepared in terms of the Municipal System Act, Act 32 of 2000 which guides decision-making, budgeting and development in the municipality. The IDP provides a framework for developing the informal sector.



2.	Spatial Development Framework	The Spatial Development Framework (SDF) presents the long term vision of the desired spatial form of the municipality. The SDF is thus a critical component to the informal sector to direct the public and private sector spending and investment by providing spatial proposals and strategies regarding the location and nature of development which will support the informal sector.
3.	Integrated Economic Growth Strategy	The Integrated Economic Growth Strategy (IEGS) is a strategic sector plan of the IDP outlining key focus areas to stimulate economic growth and development. The strategic objectives of the IEGS also relate to the growth of the informal sector and include the creation of an enabling environment for thriving entrepreneurs.

Source: Drakenstein Municipality

2. GLOBAL TRENDS IMPACTING ON THE INFORMAL ECONOMY

Informal economy trends in the global system are significant forces that influence how countries manage the informal sector. In order to have a responsive Informal Trading Enhancement Strategy, these trends need to be taken into account by the municipality. The major trends that have emerged and particularly those that are important for the strategy are highlighted below:

Table 2: Major Economic Trends

Serial No.	Factor	Trend
1.	Economy	<ul style="list-style-type: none"> • Ageing population; • Increased competition for energy, raw materials and other natural resources; • Financial deleveraging and state intervention; and • Increased role of regional arrangements.
2.	Technology	<ul style="list-style-type: none"> • Converging technologies; and • Disruption of business models in all services.
3.	Society	<ul style="list-style-type: none"> • Rising economic middle class; • Increased inequalities; • Rising discontent; • Empowered people; and • Migration patterns.
4.	External relations	<ul style="list-style-type: none"> • More multi-polar but less multilateral; • Return to power politics; and

		<ul style="list-style-type: none"> ● New conflicts.
5.	General	<ul style="list-style-type: none"> ○ Complex, fragile, unstable and insecure world; and ○ Age of insecurity.

Source: Team analysis

3. NATIONAL CONTEXT

South Africa's Constitution confirms that local government has an obligation to facilitate economic development at municipal level. This is clear from section 152(2) of the Constitution, which lists the promotion of social and economic development as a primary objective of local government. The Businesses Act No 71 of 1991 which must be interpreted "through the prism of the Bill of Rights", also gives local government broad powers to regulate informal trade. In most instances, informal trade in the country is governed by passing municipal by-laws and formulating informal trade policies or plans. In practice, it is the local government's duty to facilitate and promote (rather than restrict) informal trade.

According to Statistics South Africa (Stats SA)'s April – June 2017 Quarterly Labour Force Survey (QLFS), 2 689 000 South Africans worked in the informal economy. Of these people, approximately 1 101 000 or 41% are in informal trade. Informal trade therefore makes up a significant component of the economy. It is for this reason that the national government has acknowledged that it is important to ensure that the informal sector, and consequently informal trade, is given room to develop and flourish. The National Development Plan, for example, sees the informal sector creating between 1.2 and 2 million new jobs by 2030.

4. PROVINCIAL CONTEXT

The Provincial Economic Review and Outlook (PERO) 2017 highlights that the Western Cape stands out amongst most developing regions with only 11.6 per cent of total employment in the informal sector. The informal sector workers in the Province also expressed a significantly higher degree of job satisfaction than in the rest of the country. While the informal sector has experienced rapid employment growth both in the Western Cape and nationally, it remains small and makes up 17.2 per cent of total employment in South Africa.

As of the first quarter of 2018, the informal sector in the Western Cape employed 303 000 individuals. This represents 10.1 per cent of employment in the informal sector nationally, and 12.0 per cent of total employment in the Province, indicating the size of the informal sector in the Western Cape.

From the Western Cape Provincial Government Survey on Informal trading conducted in 2005, there were 103 217 informal enterprises in the Province. This number declined by 23.3 per cent in 2009, when the survey indicated 79 213 informal enterprises. However, in the 2013

survey, the number of informal enterprises increased again by 19.7 per cent to 94 793 enterprises. This was a significant increase in informal enterprises, although the number was still less than what was recorded in 2005.

From the above mentioned statistics, it is clear that the informal sector has the potential to contribute to the Provincial Strategic Objective 1, which aims to create opportunities for economic growth and jobs.

5. DRAKENSTEIN CONTEXT

5.1 Socio-economic realities

Like the rest of the country, Drakenstein Municipality faces numerous socio-economic challenges. These challenges include, amongst others: unemployment, skill shortages, substance abuse and increasing rate of inequality.

It is in this context that the municipality has identified the informal sector as a catalyst to grow the economy and facilitate the developmental goals of government, namely, sustainable livelihoods (poverty), job creation (unemployment) and equality (inequality).

The strategy also aims to address these challenges which exist in socio-economic and environmental areas through providing a structured framework to facilitate targeted business support initiatives to the informal sector participants.

5.2 Economic Context

The draft Drakenstein integrated Economic Growth Strategy (2018) highlights that the informal economy is often associated with increasing poverty and weak employment conditions. As shown by the African Development Bank Group (2018), "the informal sector contributes around 55 per cent of Sub-Saharan Africa's GDP and 80 per cent of the labour force. Nine in 10 rural and urban workers have informal jobs in Africa and most employees are women and youth."

In Drakenstein, out of the 12 618 net additional jobs created between 2007 and 2016, 11 233 were in the informal sector. Increased government awareness as well as access to finance, information and support can develop this sector and help to migrate informal businesses to formal status. It is in light of this that the Informal Trading Enhancement Strategy and Informal Trading Management Policy serve to support the informal sector.

6. THE STRATEGIC FRAMEWORK

In order to facilitate change, a common vision of how Drakenstein Municipality would like to operationalize the approach to informal trading is necessary. This framework attempts to achieve the municipality’s vision 2032 by formulating strategic pillars which are centred on three key principles and in turn build on the foundation of the Integrated Economic Growth Strategy.

Informal Sector pillars supporting the vision:



Source: Team Analysis

These four strategic pillars will be achieved through an implementation plan. The strategic pillars are detailed below:

6.1 Enabling regulatory environment

The regulatory and legal environment plays an important role when it comes to the regulations and the management of informal traders. While important, it should not prevent people from starting informal businesses or frustrate them through unnecessary bureaucracy. The municipality will therefore facilitate an enabling informal trading environment through the following:

6.1.1 **Obtaining an informal trading permit**

The first instance where an informal trader gets in contact with the relevant local government section is when he/she wants to apply for an informal trading permit. In terms of this process the Municipality's By-law on Informal Trading of 2007 and the approved Informal Trading Management Policy of 2017 are applied.

6.1.2 **Issuing of a Certificate of Acceptability**

The issuing of a Certificate of Acceptability is the responsibility of Cape Winelands District Municipality as municipal health services are a district function. The municipality has no administrative role to play except in the case where the fire department is involved to ensure that the applicant complies with all safety aspects and regulations. The Certificate of Acceptability is mainly required for traders that are trading in food.

6.1.3 **Regulation of demarcated trading sites**

In terms of regulating the demarcation of trading spaces, Section 6 A of the Businesses Act of 1991 is applicable and the procedure in terms of the provisions of the Act is applicable.

6.2 **Enterprise development**

The municipality will support and uplift the informal trading sector by introducing the following upliftment programmes in collaboration with other government agencies:

6.2.1 **Informal and Enterprise Support Programme**

This programme will target informal businesses and prioritize women; youth and people with disabilities who own informal businesses based in townships, rural areas and depressed areas in Drakenstein. This will include skills development (technical, business and computer skills etc.), technology support (software procurement, installation, point of sale etc.) and Basic compliance (Business Registration at municipalities or CIPC, Tax, UIF, PAYE, Accreditation, licensing etc.)

6.2.2 **Municipal Infrastructure Support**

This intervention is aimed at providing small informal enterprises with the infrastructure needed to grow their businesses. The infrastructure provided usually



takes the form of a business hive with the municipality leasing premises to entrepreneurs on a lease basis for a specific period.

6.3 Intergovernmental relations

Many spheres of government have intervention programs for the informal traders. The Economic Growth and Tourism Division plays a facilitation role in these programs in order to bring those support programs to the informal traders.

6.4 Stakeholder Management

The informal sector is largely disorganized and no formal structures exist that speak as a unified voice for informal businesses. There is no specific platform where informal businesses are represented although there are various business forums. Both Paari and Wellington's informal traders attempted to organize into a formalized structure. This saw the establishment of the Paari Informal Traders Association and the Wellington Entrepreneurial Traders Association. The municipality engages and consults these bodies regularly on matters relating to policy development, law enforcement measures, trading spaces and organizational development.

7. IMPLEMENTATION PRINCIPLES

The following implementation principles provides an overarching guideline for the management of the informal sector.

7.1 Economic Principles

Economic growth in the informal sector will be facilitated through:

- Reinforcing business zones: Linking the development and growth of trading areas to commercial zones in order to create viable hubs of business activity that will mutually benefit formal/informal businesses;
- Business support: Providing a range of facilities, capacity building and business support services that cater for the different levels of traders, from the weekly Saturday trader and small survivalist trader to larger traders;
- Use of municipal property: Ensuring that the buildings and property owned by the municipality are used for the maximum social and economic development of the community within which they are located;
- High demand areas: Targeting highly accessible and visible locations for the promotion of tourist related trading in order to derive benefit for informal traders from the tourism sector potential.

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7.2 Spatial Principles

Informal trading contributes to the value of public spaces as amenities and places of dignity and has the potential to be a catalyst for generating positive public spaces through:

- **Prioritized areas:** Developing areas that will have most significant impact on the largest number of people, i.e. areas with large flows of pedestrian traffic;
- **Spatial allocation:** Allocating space for informal trading areas in accordance with broad spatial planning policies of Council and the Spatial Development Framework (SDF); and
- **Infrastructure provision:** Providing infrastructure for informal trading, which would vary depending on the type of activity in a particular area.

7.3 Engagement Principles

The following principles will govern the manner in which stakeholder engagement will take place and information will be managed:

- **Communication:** communicate widely, accessibly in different forms (print media, sector engagement sessions and consultation meetings) to inform stakeholders of new developments and policy changes.

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8. IMPLEMENTATION PLAN

The proposed implementation below outlines key activities for the 2018/2019 and 2019/2020 financial years respectively. Certain activities have already been included in the 2018/2019 financial as part of the municipality's attempt to mainstream informal economic activities into the broader economy

Four projects/ initiatives have been identified and are listed below:

Table 3: Implementation Plan

Pillar	Project/ Initiative	Key deliverable	Time-frame	Budget Implic
1. Enabling regulatory environment	Legalization of trading sites	8.1.1 Demarcate trading sites.	2018/19	
		8.1.2 Online informal trading permit system.	2019/2020	
		8.1.3 Allocation of trading sites.	On-going	
		8.1.4 Certificates of Food Acceptability where applicable.	On-going	
2. Enterprise development	Informal enterprise support programme	8.1.4 Skills development training programme	2018/19	Done
	Municipal Infrastructure Support	8.1.5 Upgrading of business hives/sites	2018/19	Done
3. Intergovernmental relations	Informal Traders Upliftment Project (ITUP)	8.1.6 Seed funding	On-going	
4. Stakeholder Management	Stakeholder Management	8.1.7 Organised informal Trading Organizations.	On-going	

The projects and initiatives identified above will be executed as part of the Economic Growth and Tourism division's Service Delivery and Budget Implementation Plan (SDBIP).



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9. RESULTS MEASUREMENT

The table below indicate key performance indicators to measure the successful execution of the Informal Trading Enhancement Strategy:

Table 4: Key Performance Indicators

Key Performance Area (KPA)	Key Focus Area (KFA)	Key Performance Indicators (KPI's)	
		No.	KPI
KPA 5: Planning and Economic Development KPA 5 Strategic objective: To facilitate sustainable economic empowerment for all communities within Drakenstein and enabling a viable and conducive economic environment through the development of related initiatives including job creation and skills development.	KFA 31: Economic development and poverty alleviation	1.	Number of demarcated trading sites.
		2.	Number of capacity building programmes implemented.
		3.	Number of informal trading meetings attended.
		4.	Number of small businesses.
		5.	Employment (number and rate)

10. CONCLUSION

The strategy's design parameters and the proposed interventions in this strategy are aimed at developing an informal trading sector that is vibrant, growing, and organized in order to sustain households and create the income so desperately needed in our communities. The Strategy furthermore gives effect to two of the four strategic pillars identified in the Integrated Economic Growth Strategy which focuses on creating an enabling regulatory environment and enterprise development. This strategy will be reviewed on an annual basis to ensure the municipality's readiness to manage the complexities of the informal sector in our area.

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