



# WIEGO Women in Informal Employment Globalizing and Organizing

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## Budgeting and the Informal Economy in Durban, South Africa

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Summary of report written by Glen Robbins and Tasmi Quazi



# WIEGO Budget Briefs

Budgetary analysis has been used widely to understand how government budgets differentially address the needs and interests of women and men, girls and boys. The global research policy network Women in Informal Employment: Globalizing and Organizing (WIEGO) has initiated a series of informal economy budget analyses (IEBAs). These aim to understand how government budgets address the needs and interests of informal workers, and also investigate what opportunities exist for informal workers, or their representatives, to participate at different stages of the budget process. WIEGO Budget Briefs provide popular versions of the longer country and city reports for wider dissemination of the research findings. The more detailed reports appear in WIEGO's Working Paper series - see [www.wiego.org](http://www.wiego.org).

This brief is based on the longer WIEGO Working Paper titled, Informal Economy Budget Analysis: eThekweni Metropolitan Municipality (Durban, South Africa) by Glen Robbins and Tasmi Quazi.

## **About the Author:**

Debbie Budlender is an independent social policy researcher born and based in South Africa.

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**Cover photograph by:** Andile Ndlovu

**Photo caption:** A group of recyclers conducting a meeting by their workplace amidst the hustle and bustle of Durban's central business district.

## Introduction

Durban is South Africa's third largest city in terms of population size, with a population of 3.4 million people. Durban falls under the eThekweni municipality, one of eight metropolitan municipalities in the country. It is the only metropolitan municipality in the KwaZulu-Natal province.

In 2014/15, eThekweni's budget was R38.8 billion (approximately US\$3.5 billion). This brief looks at how the revenue, allocations, and expenditure in the eThekweni municipal budget affect informal workers in the city. The brief looks, in particular, at how the budget affects informal traders working in streets and other public places and in retail markets controlled by the municipality.

## The informal economy in Durban

In 2014, 18 per cent of people employed in KwaZulu-Natal worked in an informal enterprise. Even more than this number are informal workers if we include all the people who do informal work – such as casual work, work for labour brokers, and other unprotected work – in formal enterprises.

In 2010, research commissioned by StreetNet International estimated that there were nearly 50,000 traders in Durban. About 94 per cent of the traders were classified as African, although Africans account for less than 75 per cent of eThekweni's total population. Expressed differently, it is mainly poorer people who are informal traders as the poverty rate is higher for Africans than for other race groups.

In the Informal Economy Monitoring Study, commissioned by WIEGO in 2012, street traders in Durban said that their biggest challenge was access to basic and work-related infrastructure. More than half of the traders surveyed said they did not have access to toilets at work, 21 per cent did not have running water, 75 per cent did not have shelter from the weather while working, and nearly half did not have anywhere to store their goods. More than half said that police sometimes confiscated their goods. When this happened, the goods were sometimes damaged and sometimes not returned. Traders had to pay big fines (or bribes) to get their goods back.

## The budget process

Every municipality in South Africa must develop an Integrated Development Plan (IDP) covering three to five years. The IDPs are meant to be developed through public participation involving all possible stakeholders. The municipality must revise the IDP each year, and must issue the document for public comment during the annual review exercise.

Each IDP must be accompanied by a three-year Medium Term Revenue and Expenditure Framework (MTREF). Each year the municipality revises the MTREF and adds on a further year. The MTREF explains how the IDP will be funded by specifying the proposed revenue sources, rates and tariffs, and expenditure allocations. Like the IDP, the MTREF must be made available for public comment.

The municipality must also produce an annual budget for the first year of the MTREF. For example, an annual budget for 2013/14 must be produced for the MTREF for the period 2013/14-2015/16.



## Key dates in the budget process

- 31 August – The Mayor presents an IDP and budget process plan to the Executive Committee of the Council (10 months before the budget is adopted).
- September and October – Internal government workshops are held to discuss what the IDP and MTREF mean for the budget.
- 31 March – The draft MTREF is tabled in the municipal council together with the draft resolutions and budget-related policies, including tariffs.
- April – Regional budget hearings are held to allow for public participation.
- The final budget is tabled for approval on or before 31 May.
- Implementation of the budget starts on 1 July.

The municipality issues pamphlets, newspaper articles and advertorials to tell citizens about the budget. It also organizes budget hearings. However, in the budget hearings for 2014/15, organized business was the only group invited to a special “sector” hearing. Informal workers were not invited to the hearing.

The form of the budget meetings is not helpful for informal workers: senior municipal officials present lots of technical information, there is no formal record of the meeting, and officials do not report back afterwards on whether they have done anything about the issues raised.

The main focus in the municipality’s pamphlets, articles, advertorials, and meetings is on basic services (such as electricity, water, sanitation) and housing in poorer neighbourhoods and about maintenance and quality of services in better-off neighbourhoods. There is very little discussion of job creation and employment.

## The shape and size of the budget

Durban, like the other large cities, generates most of its revenue from property taxes (on residential, commercial, and industrial property) and from user charges for services (for example electricity and water charges). Municipalities also receive an unconditional grant from the revenue collected by the national government. This grant, called the “equitable share”, is divided among provinces using a formula that takes into account population size, poverty, and other factors. The municipality is meant to use the equitable share to cover the costs of providing free basic services to the poorest residents of the city.

Municipalities can also apply for conditional grants administered by national and provincial government departments. These include grants for public housing, basic infrastructure, public transport services and infrastructure, and urban renewal. In some years there is also special funding. For example, in the years before 2010 there was special funding for cities (including Durban) that hosted the FIFA World Cup. Currently, there are special allocations to help large cities introduce integrated bus rapid transport systems.

In 2013/14, revenue in eThekweni’s budget was R28,714 million. About half of the revenue – R14,544 million – came from service charges, and R5,137 million from property rates. Revenue grew 11 per cent on average per year between 2009/10 and 2013/14. This was higher than the average inflation rate of 5-6 per cent per year. Money paid by informal traders for licenses, permits, and fines for by-law infringements accounts for a tiny proportion of the municipality’s revenue.

On the expenditure side of the budget, there are two main categories of spending. Firstly, operating expenditure includes staffing costs and items such as general maintenance. Secondly, capital expenditure pays for fixed and substantial assets that last for multiple years. In 2013/14, total operating expenditure was R25.4 billion and capital expenditure was R5.5 billion.

## Institutional arrangements in the municipality

In the past, business licensing and permitting, business by-law development and enforcement as well as land-use controls in Durban (like in other parts of South Africa) reflected colonial and later apartheid policies. There were different policies for black and white people, and for different spaces. The municipality's activities relating to these issues were managed by many different departments as a small part of their functions.

### The historical background

During the 1980s, as the apartheid system started to collapse, the municipality established the Informal Trade and Small Business Opportunities Unit to deal with some of the issues affecting informal workers. At the same time, the Durban City Council improved the infrastructure and conditions for informal traders in the Warwick Avenue area of the central business district, where many traders sold goods and services to people using the public transport facilities and taxi ranks. These experiences were later used by the municipality when it developed the trader-friendly Durban Informal Economy Policy of 2001.

In 2001, eThekweni Metropolitan Municipality was created out of several smaller pre-existing municipalities, including the City of Durban. A new Business Support and Markets Unit (BSMU) was established and given responsibility for the informal economy and small business. In the Durban inner city, the Inner Thekwini Renewal and Urban Management Programme Unit was established and received funding from the European Union for an Area Based Management pilot project.

In the following years, the Municipality gave less priority to the informal economy and greater priority to formal businesses, from small to large. The BSMU also faced pressure to manage and control public traders more strictly. The BSMU meanwhile gained new responsibilities when it became the Business Support, Tourism and Markets Unit (BSTMU) in 2006.

### The Business Support, Tourism and Markets Unit

Today the BSTMU is responsible for informal economy policy, regulation, and support, including managing facilities.

In relation to informal trade, BSTMU focuses on support programmes and management of spaces where informal traders operate. Its responsibilities include implementation of the municipality's informal economy policy, proposing by-laws, facilitating public participation in urban development processes, dealing with permits, allocating and managing sites, ensuring compliance with environmental health and safety regulations, and budgeting for and managing infrastructural projects.

The BSTMU has six regional offices which, between them, are responsible for 14,000 traders with permits. Almost half the traders are in the central business district. The BSTMU also manages 22 covered retail markets, 18 business support markets, hives (clusters of covered containers) and stalls, and 15 other facilities for traders. As seen below, the traders are the BSTMU's main source of revenue.

### The Economic Development and Investment and Promotion Unit

The Economic Development and Investment Promotion Unit (EDIPU) is also important for informal workers. It is responsible for managing various urban renewal projects and for developing the city's overall economic development strategy.

The EDIPU has four branches – (a) Policy, Strategy, Information and Research (PSIR); (b) Sector Programmes; (c) Projects; and (d) Investment Promotion. Up until November 2013, BSTMU developed strategies and policies for the informal economy. However, EDIPU PSIR now has this responsibility.

Meanwhile, EDIPU's Projects branch is responsible for planning and implementing urban development projects and capital infrastructure in key locations to promote economic growth. In 2014 the branch had urban renewal projects in various town centres and townships, industrial nodes and tourism nodes. There are already informal workers in most of these locations. The new projects and infrastructure will, if well-designed, provide opportunities for these and possibly other traders.

## Other municipal units and departments

Other municipal units and departments have responsibilities that affect informal workers but do not have separate teams or officials working only on the informal economy. Units and departments with responsibilities relevant for informal workers include the Legal Unit; Metro Police; Durban Solid Waste; Planning, Parks and Recreation; eThekweni Transport Authority; City Health; eThekweni Electricity; eThekweni Water and Sanitation; and City Architecture.

## The City's strategy and the informal economy

eThekweni's IDP has eight plans. Plan 2: Developing a Prosperous, Diverse Economy and Employment Creation includes three programmes that are directly relevant for informal workers:

- Programme 2.8. Small, medium and micro-enterprise (SMME) Development
- Programme 2.9. Managing the Informal Economy
- Programme 2.11. Support and grow the fresh produce industry

Plan 2 was allocated 4-5 per cent of total municipal operating expenditure over the period 2009/10-2013/14, and about 8 per cent of capital expenditure. This plan's share of capital expenditure is the second highest. The highest share goes to the plan for "Creating quality living environments", which gets more than 80 per cent of capital expenditure.

Plan 4: Promoting a Socially Equitable Environment is the only other plan, besides Plan 2, that refers explicitly to the informal economy.

The IDP's list of 25 strategic projects includes 15 that have close links with units responsible for economic development programmes. If projects are listed in the IDP, they have a good chance of being allocated capital expenditure.

## Budgets of municipal units relevant for informal workers

The EDIPU and BSTMU are part of the Economic Development and Planning institutional cluster, which is sometimes called Sustainable Development and City Enterprises. Economic Development and Planning was allocated 3.5 per cent of total operating expenditure over the period 2009/10-2013/14. EDIPU received about 0.3 per cent and BSTMU about 0.4 per cent of total operating expenditure. EDIPU's share more or less doubled between 2009/10 and 2013/14, but is still relatively small.

Economic Development and Planning's share of the capital budget averaged 7.6 per cent over the period 2009/10-2013/14. Its share was as high as 21 per cent in 2009/10 because of projects related to South Africa's hosting of the FIFA 2010 World Cup. The EDIPU's share of the capital budget was 4 per cent in 2009/10 but only 2 per cent in 2013/14. Most of this money is from grants from the National Treasury for urban renewal projects. The BSTMU's share of the capital budget was highest, at 0.3 per cent, in 2009/10 but was 0 per cent in 2011/12. Part of the 2009/10 money was used for upgrading facilities at the central beachfront for the 2010 FIFA World Cup.

## The EDIPU budget

The main reason for annual changes in EDIPU's budget is changes in the type and size of grants from the National Treasury. However, EDIPU's budget has also grown because it has been given new responsibilities, such as the Durban Film Office, Durban Investment Promotion Agency and Best Practices City Commission.

EDIPU's main projects are funded through the Neighbourhood Partnership Development Grant from National Treasury, with the municipality allocating some additional funds. The projects funded are in priority "nodes" or "corridors" in areas where black people were forced to live during the apartheid years. There are also projects for upgrading town centre areas to attract private sector investment.

The criteria used by the municipality to select nodes include:

- The size of the townships and town centres;
- Intersection with the planned public transport system;
- Areas accessible to large numbers of people;
- Areas that private investors are interested in;
- Building on previous investment;
- Community demands.

It is difficult to say exactly how much of the R30 million allocated for big urban development projects in the 2014/15 budget will be spent on informal trade infrastructure because the informal trade infrastructure is part of bigger projects that include other elements. The table below shows the budgets of elements that are identifiable as directly relevant for the informal economy. The smallest allocation is R800,000 for a feasibility study for street trader facilities in Isipingo. The largest allocation is R72 million for a transport interchange which will include facilities for informal traders.

**Existing and planned projects relevant for informal workers**

<b>Project</b>	<b>Elements relevant for informal traders</b>	<b>Budget</b>
Hammarisdale Township	Taxi rank upgrade including trader tables (underway)	R24 million
Renewal Programme	Trader containers under a roof (planned)	R17 million
	Fixed trading cubicles with cold-room storage and training facilities (planned)	R12 million
	External craft market linked to upgrading the Gandhi Museum in Hammarisdale (planned)	R8 million
	Mpumalanga Boxer Store node, with public space upgrades such as paving and trading facilities (planned)	R18 million
	Agrihub (planned)	R8 million
Isipingo Town Centre Renewal Programme	Feasibility study and design for street traders' facilities (planned)	R800,000
uMlazi Township Renewal programme	Planning and implementation of informal trader facilities in Ezumbuzini (planned)	R18 million
Greater Warwick Avenue	Research into informal trading activities in the Greater Warwick Avenue area with the aim of preparing a strategy and implementation plan (underway)	R1 million
KwaMashu Township Renewal Programme	The Crossroad Project is the design of an intermodal transport interchange which will include infrastructure for informal traders (planned)	R72 million
	KwaMashu Station Traders Market (planned)	R16 million

When construction projects are implemented, at least 40 per cent of the workers employed must be local. In addition, the ward councillor appoints and pays a community liaison officer to monitor the construction process and engage with traders.

## The BSTMU budget

BSTMU is responsible for managing trading facilities. It also provides skills training for informal workers, such as financial literacy, business management, and food safety. It has worked with Standard Bank's Thutuka Fund to provide loans for traders, although the poor repayment rates will probably mean that this will not continue. BSTMU is also responsible for organizing dialogue, which it does through the Informal Economy Stakeholder Forum. This forum brings together formal business representatives, trader organizations and committees, various municipality departments, enforcement agencies, councillors, and government officials.

The BSTMU generates some revenue for the municipality through rental of stalls at retail markets, flea markets, business "hive" premises, and business development incubators. BSTMU also licenses public space traders through a permit system that generates some income. Most trading permits are for a specific site. Approximately 31,000 traders operate in flea markets and retail markets while 14,000 have permits to trade in the streets and other public spaces.

Revenue from permits and rentals accounted for 70 per cent of total BSTMU revenue in 2013/14. About R6.5 million was collected in rentals from 14,000 workers with permits and about R10 million from monthly payments of 31,000 traders operating in retail and flea markets. Market dues – at R1.3 million –



are payments made by stall holders who sell fresh produce that does not come from the municipality's own bulk fresh produce market. Revenue from fines goes into the rates and general income of the municipality, and is not recorded as revenue for BSTMU.

The Municipality publishes the permit and rental tariffs each year, and they are adopted by the Council in May as part of the budget. In 2012/13, the tariffs were as follows:

- Street traders without facilities, services and shelters (per month): R35.00
- Itinerant traders (per month): R60.00
- Street traders with facilities (per month): R60.00
- Hive site with basic facilities (per month): R300.00
- Storage facilities (per month): R100.00 to R800.00, depending on the area
- Lost permit: R20.00
- Permit for assistant: R43.86
- Early Morning Market stands (per month): From R77.00 for 1.5 m<sup>2</sup> to R404.80 for stands larger than 7m<sup>2</sup>
- Brook street traders (per month): R45.00
- Ezumbuzini (per month): R54.00
- Herb traders (per month): R54.00

The rental and permit payments do not cover the full cost of the BSTMU's operation. Revenue from these sources has increased by less than inflation over the period 2009/10-2013/14. This can be used as an argument against improvements to facilities by people who do not want to support informal traders. However, stall holders often complain that the markets are not well maintained. This makes them unwilling to pay higher rent.

In terms of expenditure, most of BSTMU's line items relate to (formal) micro and small businesses. The line item for the informal economy accounts for only about 2 per cent of the BSTMU's general expenses and was targeted mostly to public space traders. The line items for electricity, water, security, and cleaning will partly be used in facilities where informal workers operate, such as in business hives. Most of the retail markets' expenditure covers the operational costs of the market, where most traders are informal. Repairs and maintenance account for about 4 per cent of the retail markets' expenditure.

In addition, BSTMU budgets about R1.5 million each year for skills training programmes. The municipality pays private service providers to do the training. Some private companies provide additional funds for training as part of their corporate social investment.

## Budgets of other units and departments

In the other departments and units there are not separate allocations for the informal economy. Their budgets do, however, include items that are relevant for informal workers. For example:

- Infrastructure and facilities around bus stops, railway stations and taxi ranks is funded by other departments, but the eThekweni Transport Authority's budget pays for maintenance and security. Informal traders complain about the high rentals charged for space in the new transport hubs.
- The Metro Police's budget accounted for 3 per cent of total municipal operating expenditure in 2013/14. There is no separate budgeting for patrols and enforcement of by-laws relating to informal trade. However, over the past ten years the Metro Police have become stricter – and punitive – in enforcing by-laws. Their actions include stopping traders without permits from operating, removal of what they see as illegal trading structures and confiscation of goods. Traders must pay an admission of guilt fine to get their goods back. Trader organizations complain that confiscation of goods often goes together with bribes and theft. Some of the by-laws have not been changed since the apartheid years and are not favourable for informal workers.

- Durban Solid Waste's budget accounts for nearly 4 per cent of the total municipal budget in 2013/14. Expenditure includes staff and other costs of removing refuse from pavements and streets in areas where traders operate.
- The Sports and Recreation sub-unit of the Parks, Recreation and Culture Unit's budget was more than 4 per cent of the total municipal budget in 2013/14. The Unit allows traders with permits to operate in some of the areas it controls, and the BSTMU has projects in some of these areas. However, several by-laws allow traders to be removed if the public or officials see them as a "nuisance".
- When the City Architects Unit designs and oversees projects, the department for which it does the work pays for this from its own budget.

## Summary of findings

### The informal economy in policy, institutions and budgeting

Issues related to the informal economy are fairly visible in eThekweni municipality's policy, institutions, expenditure planning, and implementation. Municipal officials have fairly good knowledge about the issues and possibilities for supporting informal workers. However, the visibility of informal workers – and especially traders – has negative consequences when there are policymakers and other interest groups who want informal work to be controlled, less visible, and less supported.

Budget allocations targeted explicitly to BSTMU for informal economy activities have increased over the years, sometimes by more than inflation. Revenue from permits and rentals for informal trade has also grown over the years. However, revenue has always been less than expenditure, and has decreased relative to expenditure.

Since the late 1990s, the municipality has managed many capital programmes and projects that provide facilities for informal traders. Currently, EDIPU works together with other departments, such as City Architects Unit, to design and implement such projects, many of which are funded with the Neighbourhood Partnership Development Grant from the National Treasury. The municipality uses very little of the revenue it raises locally for capital investment.

### Participation of informal workers in municipal processes

Municipal officials and consultants are responsible for most of the work of developing plans and budgets. Informal traders and other informal workers participate very little in these processes. Informal workers may participate in general consultations, such as the IDP process, but there is no targeted engagement with informal traders at this stage. In contrast, the municipality consults separately with formal business.

In the past, the main way in which informal workers participated in developing strategies for particular projects was through informal trader steering committees. The municipality provided training for members of these committees to give them the skills and knowledge to participate meaningfully. This training no longer happens. Some of the traders that will be affected by a particular project may be consulted when detailed plans are developed. Municipal officials say that the fact that traders are not well organized makes it difficult to consult them.

## The municipality's approach to the informal economy

The municipality's 2001 Informal Economy Policy was favourable to traders and other informal workers. This policy is still in place. However, the municipality faces pressure from powerful political and economic interest groups that see informal traders as a problem that must be managed instead of as an activity that creates jobs and income and that should be supported through the municipality's budget. Political leaders often prefer big expensive projects that attract private investment, rather than spending money on the smaller facilities that informal traders need.

Major policies with large budgets, such as the plans for an integrated rapid public transport network and urban renewal projects, can bring benefits for informal workers if they are designed and implemented with these workers' needs in mind. The same plans can create serious problems for informal workers if these workers are not seen and heard.

Women in Informal Employment: Globalizing and Organizing is a global network focused on securing livelihoods for the working poor, especially women, in the informal economy. We believe all workers should have equal economic opportunities and rights. WIEGO creates change by building capacity among informal worker organizations, expanding the knowledge base about the informal economy and influencing local, national and international policies. Visit [www.wiego.org](http://www.wiego.org).



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