Challenges Faced by Local Municipalities in Controlling the Informal Traders: The Case of Polokwane Local Municipality

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Abstract: The purpose of this paper is to unpack the challenges faced by local municipalities in controlling the forever increasing number of informal street traders and their unfriendly environmental practices. It is, however, cannot be argued that rapid growth of rural-urban migration and urbanisation phenomena together with a slow expansion of employment in the formal sector has forced the largest share of the workforce into the informal economy. Thus, placing much of the developmental burden on the government, local government in particular. Yet, it is also observed that, local municipalities throughout the country are going through a process of important, and often difficult change, and street trading accelerates as the local municipalities are also facing daily developmental problems. This paper also intends to find out any informal street traders measures that could be used by the municipalities in managing the sector as well as managing the uncontrollable influx of people who resorts to informal street trading in cities and towns. The study was conducted at the Polokwane Municipality. The study followed a qualitative approach, whereby personal interviews was conducted with the Polokwane Municipality’s Local Economic Development office/unit to gather a sum of challenges experienced within the city posed by the informal street traders. The data in this paper is analysed and interpreted in a narrative form. Although, the findings and results are not limited to those collected from the municipality, the use of literature was employed to gather more information. Inter alia, the respondents indicated that there is a lack of enforcement of street trading by laws. The recommendations, amongst others, are that there should be law enforcement by the municipality, adherence to municipal by-laws by both the municipal officials and informal street traders, establishment of management structure, integrated management and planning, limiting overtrading and preference on trading levies.

Keywords: Informal trading, Municipality, Polokwane, Development, Management

1. Introduction

According to International Labour Organisation (ILO), (2002); Lyons and Snoxell (2005) rapid growth in rural-urban migration together with a slow expansion of employment in the formal sector has forced the largest share of the workforce into the informal economy. Cognisant to the problem of informality, since the 1960s, policy makers and development agents have recognized the persistence of unemployment as a major challenge of development in the cities of Less Developed Countries (LDCs) (Tanga, 2009). In response to this, the informal economy became the chief source of livelihood for the majority of the urban poor in LDCs (ILO, 2002). As a country undergoing transformation, South Africa could not be exempted from those other poor countries struggling to kick-start the formal economy. It is however argued that, many developing countries are currently experiencing rapid rates of urbanization (Alaci, 2010). In 2010, more than 70 percent of urban residents in the world were found in developing countries (UN-Habitat, 2012). It is also estimated that, between 2010 and 2015, 200,000 people were added to the world’s urban population each day and about 90% of this daily increase was projected to take place in developing countries (UN-Habitat, 2012). The process of rapid population growth in the cities of developing countries is, however, mainly due to the high rate of rural-urban migration leading to a significant increase in the urban labour force.

According to Fundie, Chisoro and Karodia (2015) the informal sector in South Africa can play a pivotal role in alleviating the high levels of unemployment and poverty due to the potential increase in employment creation and the challenge of the government to pick and achieve its main objectives on the developmental agenda or policy such as the National Development Plan. The South African government has been encouraging people for over past years to start up their own businesses to create job opportunities and to accelerate economic growth (ibid). The numbers of informal street traders in South Africa have grown significantly. Tshuma and Jari (2013), Schmognerova (2004) and Selepe (2017) state that
job creation and poverty alleviation are the positive impacts of informal trading in South Africa. Informal traders have attracted increasing attention in recent years in light of concrete evidence of the importance of new business creation for economic growth and development (ACS, Arenius, Hay & Minniti, 2005).

There is a challenge of an increasing number of informal street traders within areas that are managed by local municipalities in most cities and towns in South Africa. Given the challenges that local government is experiencing in South Africa as eminent through the on-going service delivery protests (Municipal IQ, 2017), it remains unquestionable that there are number of individuals that see opportunity of survival in the informal sector. It is however necessary and equally important to note that in South Africa, Section 152 of the Constitution, 1996 sets out the objects of the local government which inter alia, includes; ensuring the provision of services to the communities in a sustainable manner; promoting social and economic development as well as ensuring safe and healthy environment, whereas section 153 of the same constitution states inter alia that; the municipality must structure and manage its administration and budgeting and planning process to give priority to the basic needs of the community. In the same vein, the latter could imply that those informal street traders that are operating outside the proper administrative regulations of the municipality may eventually trigger administrative and managerial challenges to a given municipality. Similarly, Local municipalities are expected to ensure that street trading does not operate outside of the law. Informal trading by-laws have been adopted by local municipalities based on the Business Act, 1991 to regulate informal trading. Most by-laws related to informal trading are proportional to the following regulations being effected by municipalities: Traders must not get in the way of traffic or pedestrians; Traders must not get in the way of delivery vehicles; Traders must not use gas, electricity or other equipment in a way that is dangerous for the public; Traders must not get in the way of fire hydrants and road signs; and Traders must keep their sites clean.

2. Management of Street Trading in South Africa

Lund, Nicholson and Skinner (2000) maintain that in South Africa, area managers are charged respectively with the need to secure space for traders. They are responsible for the development and promotion of street traders as entrepreneurs of the present and future. The management of the informal economy while considering the needs and demands of pedestrians and motorists for urban spaces should also fall within the sphere of their function. In the Polokwane Municipality, street trading function is placed under the Local Economic Development Section. It is the same unit that is responsible for designing the street trading by-laws and the general management of street trading (Majadibodu, 2016). Most of the municipalities in Limpopo are managing street trading in these particular LED offices. Tidimalo Chuene, Polokwane Spokesperson has this to say of the hawkers who invaded the Good Hope Primary School’s pavements:

"The municipality is committed to ensuring that trading within its boundaries is regulated. Any person who wants to trade in the streets within the municipality area must apply and be granted a permit to trade. Failure to comply with the municipality’s street trading by-laws will result in a R500.00 fine" (Malatji, 2014).

The Polokwane Municipality has developed a policy for the management of street trading within Polokwane Municipality as a way of appreciating the existence of the sector as well as managing the sector in the municipality (Polokwane Local Municipality, Undated: 1). Street trading in this municipality is approved, regulated and monitored. The policy acknowledges street trading as a positive development that contributes to the creation of jobs and alleviates poverty. Products and services prohibited as in the Polokwane Street trading By-Laws (Polokwane Local Municipality, Undated: 5) include the sale of flammable liquids; drugs; intoxicating substances; firework; braiding and cutting of hair; the sale of raw meat and perishable foodstuff; repair of motor vehicles and car washing on street parking bays but allowed on demarcated areas. The following are restricted trading areas in the Central Business District (CBD): Landros Mare’ Street, Thabo Mbeki Street, corner Rissik and Paul Kruger Streets and Paul Kruger & Excelsior Streets. Street trading in the City of Polokwane is concentrated along the streets but mostly in the taxi ranks where a large number of commuters and pedestrians are attracted to. The success of street traders depends on the knowledge they have on the management of small businesses and the understanding of the concept development and its interrelationship with other variables.
3. Legislative Framework Governing the Informal Sector in South Africa

In South Africa, street trading is fundamentally governed and regulated by municipal by-laws as well as policies at the local government level (Selepe, 2017). The Businesses Act, 72 of 1991, together with the Businesses Amendment Act, 186 of 1993, gives municipalities the mandate to draw up and implement such by-laws. Municipal by-laws must finally be in line with the Constitution of the Republic of South Africa, 1996 and legislation which gives effect to Constitution e.g. The Local Government: Municipal Systems Act 32 of 2000. In contrast, Legodi and Kanjere (2015) argue and state that there is no direct legislation that governs informal business sector in South Africa, however it is generally accepted that the legal framework governing the Small, Medium and Micro Sized Enterprises (SMMEs) sector, also governs the informal sector, amongst others, these includes; Businesses Act 1991 (71 of 1991); National Environment Management Act, 107 of 1998; Regulation 918 and Street trading strategy.

4. The Challenges Facing the Informal Sector in South Africa

According to Saunders and Loots (2006) one of the key challenges faced by the informal economy in South Africa is vulnerability to microeconomic and macroeconomic trends. For an example, the sales of vegetables and fruit in major retailers negatively affect the market share of street traders. Another challenge facing the informal sector is the relative lack of government support for the informal economy. Uys and Blaauw (2007) states that the informal or second economy is familiar with all levels of government as representing a real and significant component of the South African economy, but despite this, at the national government level, there are no coherent policies specifically tailored to support the informal economy. However, Nenzhele (2013) and Selepe (2017) whispers that there are challenges and obstacles that are faced by informal traders. Some of the obstacles are also experienced by the formal enterprises. However, informal enterprises (traders) are much more vulnerable in relation to some problems (Becker, 2004). Tambunan, (2009) and Nezhelele, (2013) identified three common groups of constraints faced by informal traders which are infrastructural, institutional and economical:

4.1 Infrastructural Challenges

Infrastructural challenges are associated with poor infrastructural services such as transport, storage facilities, water, electricity, lack of working premises, poorly developed physical markets, toilets and storage facilities.

4.2 Institutional Challenges

Institutional challenges include lack of access to formal training, lack of skills, particularly basic economic skills and managerial expertise; Lack of formal schooling, sometimes even resulting in illiteracy; limited access to land and property right; excessive government regulations; limited access to formal finance and banking institutions; and too restrictive or cumbersome taxation systems and labour law.

4.3 Economic Challenges

Economic challenges include, excessive registration and transaction costs of starting or operating business; low income or lack of regular income as household consumption competes for the use of business earnings; and limited access to technology.

4.4 Socio-Economic Challenges

Kamara (2012) further states that the majority of informal traders have very daunting working conditions. Inter alia, Kamara states that; most of the informal traders have wooden tables and plastic offcuts which serve as mats to expose their merchandise. They are generally exposed to the sun. This not so rosy situation strengthens the conviction of informal traders whose most vital worry is their "survival" and is at the same time a means of urging the state and local authorities to address their situation. Similarly, Ngcaweni (2000) adds that, earnings are only one aspect of employment. Job security is also of equal importance from the point of view of security of employment and security of earnings. There is more job security in the informal sector, than the formal one because one cannot be fired from self-employment. One might also expect informal earnings to be subject to more fluctuation than occur in the formal sector. Ngcaweni (2000) further explains that South Africa has experienced a mixture of foreign nationals e.g. Senegalese, Somalis, Nigerian, Zimbabweans and Ghanaian people who have joined the street trade.
in South Africa. Some of these immigrants have become active agents of forged or fake goods, and thereby offer unfair competition to the local street traders.

5. City of Polokwane Street Trading by-Law: Some Exegesis

According to Polokwane Local Municipality Street Trading By-law (n.d: 3) one of the objects of Municipalities set out in the Constitution Republic of South Africa, 1996 is to promote social and economic development, and also obliges a Municipality to participate in national and provincial development programs. Furthermore, the Local Government: Municipal Systems Act 32 of 2000, stipulates that a Municipality must develop a culture of Municipal governance that promotes and undertakes development within the municipality. The Municipality must for the purpose of this Act, develop local government legislation to create terms and conditions for local communities who participates in economic development and business as a whole. However, amongst other by-laws this paper discusses few of those provisions such as: Restricted & Prohibited Areas, in this case informal street traders in Polokwane are restricted of selling in some areas or streets in particular but this is case in in the town of Polokwane. According to the street trading by-law of City of Polokwane (n.d; 9) it states therein that:

"The Municipality may, by resolution and in terms of section A (2) of the Act, declare any place in its area of jurisdiction to be an area in which street trading is restricted or prohibited, and must, to enable compliance therewith, prescribe or make signs, markings or other devices indicating"

With regard to prohibited conduct, often street traders are associated with unfriendly public health and environmental practices. It is stated in the by-law on street trading of City of Polokwane that:

"No person shall, within the municipal area of the Polokwane Local Municipality, carry on the business of a street trader: a. at a place or in any area declared by the Municipality in terms of section 6A (2) (a) of the Act as a place or area in which street trading is prohibited.

In terms of prohibited products and services, the by-law of the City of Polokwane enshrines that:

"Selling and/or offering of the following products and/or services are not allowed. Sale or any trade of flammable liquids. Trade involving any illegal activities i.e. drugs. Repair of motor vehicles, including washing of motor vehicles. Liquor or any intoxicating substances. Harmful chemicals, poisons and defoliants; Raw meat, fish, livestock, Mopani worms and all perishable foodstuffs (including raw and boiled eggs) but excluding ice cream and frozen yoghurt; Fireworks; Clay and clay soils and Braiding of hair".

In most cases, within the city and jurisdiction of Polokwane municipality the practices of informal trading are usually contrary to the provision of the By-law of street trading, informal street traders are trading prohibited products and services, they are trading on the restricted and prohibited areas as well as practicing the prohibited conduct as a result the entire municipality faces challenges on how to control such natures.

6. Research Design and Methodology

The paper followed an explorative research design. The researcher attempted to explore the challenges that are faced by the local municipalities in controlling and/or managing the informal street traders with specific reference to Polokwane Local Municipality. The study mainly followed a qualitative approach. A qualitative methodology has been chosen to gather opinions, views and facts from selected municipal personnel with the use of semi-structured interviews. As explained by Babbie and Mouton (2007), a qualitative study attempts to study human action from the social perspective. The research question for this paper was qualitative in nature as it attempts to explore as opposed to measure. The study was conducted at Polokwane Local municipality. The target population of this study was the municipal officials particularly the office of the Local Economic Development (LED) which is now referred to as the office of Economic Development and Tourism. It is under the Directorate of Economic Development and Planning. The office was chosen because it is mandatory to the economic life of the municipality, this includes the life of informal street traders. The target population was the municipal officials, particularly the abovementioned department. The research employed non-probability and its subtype purposive or judgemental sampling. Purposive or judgemental sampling method was used because the respondents were known prior to data collection and were in a position to give additional
information than may be expected. The sample size of (06) six respondents was chosen to represent the department, however, on three (03) staff members managed to participate in the study. Data was collected through in-depth personal interviews with the delegated staff members’ department or SBU from the Polokwane Local Municipality and also includes data from literature or online documents. Data in this paper is analysed thematically and narratively.

7. Results and Discussions

Data was collected through interviews; the interview took place amongst the three (03) departmental personnel. The main research question of this paper was to investigate solely the challenges that local municipalities are often confronted with, as far as controlling informal street trading is concerned. The objective was to answer the research question which needs to understand the challenges faced by local municipalities, using City of Polokwane as a Case Study. This section presents and interprets the findings from the respondents in the Department/Unit of Local Economic Development (Polokwane Local Municipality). The findings are presented thematically and interpreted simultaneously. In the interview the question was on challenges faced by Polokwane local municipalities.

7.1 Lack of Law Enforcement and Trading Balance

According to the respondent the challenge was the enforcement of law, particularly the by-law on informal street trading.

“There is lack of law enforcement by the municipal officials, informal traders are there to exist and often engage in the wrong environmental practices”. The respondent further indicated that “There is inability to strike a balance between the formal and informal traders”. In the case of the latter statement, the respondent concisely gave an example of the Mankweng (Turf loop) KFC that there was an informal street trader who was selling on that spot before the KFC building could be established and said that he will not leave the spot because he’s been selling there before the existence of KFC.

7.2 Lack of Co-Existence Amongst Traders

On behalf of the department, the respondent mentioned that there is a need for co-existence between the formal and informal traders. In context, the respondent stated that: “Informal street traders do not want to co-exist among themselves”. This could imply that if there are chances and international or migrant traders, it is possibly apparent that issues such as xenophobia and xenophobic attacks may occur in the jurisdiction of the municipality, and the municipality may have to account for that through relevant department and these becomes a major challenge.

7.3 Poor Integration of Plans and Misuse of Infrastructure

In this area, the respondent gave a multiple number of issues or challenges to be precise. The respondent indicated that:

“There’s lack of integration of plans amongst municipal units to control the influx of informal street traders”.

On implication, it has emanated during the fieldwork that offices such as: Health Department, Waste Department, Traffic Department, Legal Services and Community Safety Department, are also involved and cooperative towards the management of informal street traders. Each of this department is responsible for the activities that are being performed by the informal street traders. For instance, it is the work of the traffic officers to see to it that street traders are hampering the way of vehicles on the road and they should take action. The respondent indicated that municipality is faced with the forever outburst of drainage system within the town and even in the outskirts of the city. Informal traders are imposing more of financial strain on the municipality, because it could be deduced that infrastructural maintenance in the town would necessitate excessive expenditure. To support this, the respondent stated that:

“There is consistent blockage of drainage system in the town and informal traders are misusing the infrastructure given by the municipality”.

7.4 Reluctance to Pay Trading Levies and Trading on Prohibited Areas

It is well known that informal traders should pay the trading levy to the municipality of that location, these levies are paid either, daily, weekly, monthly or annually. The respondent indicated that: “Informal traders do not want to pay trading
levies”. The Polokwane municipality street trading by-law outlines and explicitly clarify that there are prohibited and restricted areas that informal street trades are not supposed to trading on or at. The municipality is then challenged by this nature of practice. The respondent further indicated that:

“Informal traders are trading on the undesignated areas such as; parking lots, and before formal and registered businesses.”

Nenzhelele (2013) and Selepe (2017) contend that municipalities also face challenges when they deal with informal traders. Inter alia, this challenges includes: instability and vulnerability of informal traders’ representation and associations, Multiple structures within municipalities, (which do not plan and operate jointly) are mandated to facilitate, manage, implement and monitor informal trading; No common denominator, between hawkers on their constitutional rights to trade and the municipal by-laws prohibiting them from trading on specific sites; Increasing number of street traders which results in overcrowding; and Low literacy levels are also a challenge to the local government because informal traders are unable to exercise their constitutional rights and duties and this continuously frustrates municipal officials.

8. Conclusion and Recommendations

From the above discussion, it is for some reason clear that municipalities are faced with a number of challenges which can range from those that are stated in the paper to even those that are not stated in this paper. Municipalities should not be always seen as stepping stone of every challenge that the society is confronted with. The public (informal street traders) should also protect the environment at which they are operating from. As stated on the response for the Respondent number (3) where it is stated that there's misuse of infrastructure, of which it could reflect truth. Today, in most cities and towns particularly on the streets there is spillage of unclean water, the drainage systems are blocked, also there is a development of smell that results from the unhygienic food stuff thrown away by the ordinary public and informal traders in particular and this pose a serious threat to public health and environmental safety.

Municipalities, time and again are faced with the challenges of budget and if the practices of misuse of infrastructure continues this may put a strain on the municipal budget, and this requires informal street traders to be careful when are using the municipal infrastructures. Municipalities are operating on the revenue that is collected from the civil society and informal traders are no exception. When the informal traders are reluctant to pay the trading levies this places the municipal revenue collection processes on strain, it also impacts the municipal finance. It should not be forgotten that this revenue will at a later stage service this informal traders. It is also important for the municipal offices to work together in ensuring the smooth running of the informal trading. Those who are enforcing law on informal traders should be hands on and protect the environment of the city and thereby enforcing informal trading by-laws on informal trading should determinately observe this mandate. This paper does not intend to isolate informal trading from its operation, but should be carried out in a manner that it does not compromise the environmental safety and public health. At the midst of that, municipalities should not always take accountability of the actions of the citizenry. Individuals, public and informal traders should release the municipality from the unnecessary administrative stress and challenges that the local government is faced with, as a result of malpractices by informal traders including uncooperative officers and offices. Emanating from the findings of the study, the following recommendations are made:

8.1 Management Structure

An administrative structure to manage informal trading is necessary. It is important to have representation of stakeholders on the management. The principle is area-based management. In terms of this principle, management zones are determined to promote orderly planning and development. Within management zones, trading in certain places can be prohibited, for example, around historic buildings. Within the area management zone, a local/area team is responsible for management. For example, an Informal Trading Task Team could be injected and must manage informal trading. The principle on which the management of trading areas is based is that ‘different situations require different models and different relationships, depending on the characteristics of the market or informal trading areas’. Management of the formal market sites is granted on a tender basis and outsourced by the municipality. Permits are granted for fixed trading sites, mobile trading and intersection trading, with a fixed number of traders per intersection.
8.2 Integrated Management and Planning

Informal trading is not merely the responsibility of one department of the municipality. Many departments are involved, for example Local Economic Development, Metro Police, Safety and Security, Environmental Health, Health, Legal Services, Land-use Planning and Sanitation. An interdepartmental technical task team should be involved in issues relating to informal trade. The establishment of an integrated service delivery consisting of three portfolios, namely utilities, services and cleansing; economic development and planning; and community services could be useful in this case. In addition to managing informal trade, a large number of external institutions may also be involved as service providers. These include the Department of Trade and Industry (DTI), welfare departments and NGOs. These institutions should also be involved in the Informal Sector Coordinating Committee to ensure a comprehensive support programme.

8.3 Limiting Overtrading

A problem that is endemic of informal trading is often the numbers of informal traders. Very few can be accommodated in markets and the informal sector cannot accommodate all the subsistence traders. In that case, in revamping the sector in the long-term, the subsistence traders will disappear from the sector and be absorbed into the burgeoning economy as employees in the formal sector. It is probably futile to hope that the informal sector (even in its current format) would be fully absorbed in future. Therefore, there must be a limit to the number of traders the streets can accommodate.

8.4 Spatial Planning

Selepe (2017) states that spatial planning is part of the integrated development of a municipality. An IDP contains a Spatial Development Framework (SDF). Both the IDP and the SDF must accommodate informal trading. The land-use management scheme within the SDF must indicate those areas demarcated for informal trading.

8.5 Preferences on Trading Fee/Levies

The issue of the payment of rental or levies must be carefully addressed. Once again the type of market/trader will determine the amount of the levy/rental. Preferences on trading fees could be made in the same way as a value is placed on built property depending on where it is located, a value is placed on a trading site, such as a pavement trading site. A system of differentiated rentals is applied, to cover street traders, travelling vendors and people trading in built markets. Rentals are based on location and level of services provided. For instance, Ligthelm & Van Wyk (2004) indicated that in Johannesburg, informal traders pay various levies at the Metro Mall open stalls with a roof covering the rentals vary from R75,00 to R210,00 per month; semi-closed stalls with steel gates from R350,00 to R650,00 per month; and shop/kitchen stalls from R 400,00 to R 800,00 per month, depending on services and facilities available. This money could be used for the maintenance and upkeep of the markets.

References


