**UNIVERSITY OF THE WITWATERSRAND: INTERNATIONAL RELATIONS DEPARTMENT**

# THE INFORMAL SECTOR AS A CATALYST FOR POVERTY REDUCTION

A RESEARCH REPORT SUBMITTED TO THE FACULTY OF HUMANITIES BY:

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## DECLARATION

I declare that this research work is my own unaided work. It is submitted for the Degree of MA in International Relations at the University of Witwatersrand, Johannesburg. It has not been submitted before for any other degree or examination in any other university

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Malebo Sephodi Gololo

# DEDICATION

In loving memory of my father, Charles Matsobane Gololo

18 September 1958 – 02 January 2018

When you passed on, I did not know I could go on. Here I am.

## ACKNOWLEDGEMENTS

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I am truly grateful for always indulging my thought process. The patience, reassurance, critical engagements and constructive feedback throughout the year. You have given me the confidence to tackle difficult subjects within the discipline

*The Walter and Albertina Sisulu Prize and Wits City Institute*

For the support that plays a huge role in carving my scholarship

*African Feminism*

For affirming my voice to matter

*My Family and Friends*

For the love that kept me on course

Ke a leboga

Ngiyabonga

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**ABBREVIATIONS**

- AA – Affirmative Action
- ACHIB – African Cooperative for Hawkers and Informal Businesses
- ANC – African National Congress
- BBBEE – Broad-Based Black Economic Empowerment
- CGE – Commission for Gender Equality
- DTI – Department of Trade and Industry
- EDPRS – Economic Development and Poverty Reduction Strategy
- GDP – Gross Domestic Product
- GpG – Gauteng Provincial Government
- HIPC – Highly Indebted Poor Countries
- HIV – Human Immunodeficiency Virus
- IDC – Industrial Development Corporation
- ILO – International Labour Organisation
- IMF – International Monetary Fund
- IO – International Organisation
- IPAP – Industrial Policy Action Plan
- IR – International Relations
- LED – Local Economic Development
- MDG – Millennium Development Goals
- MINECOFIN – Ministry of Finance and Economic Planning
- MNC – Multinational Corporation
- NDP – National Development Plan
- NGO – Non-Profit Government Organisation
- NGP – National Growth Plan
- NISR – National Institute of Statistics Rwanda
- PRSP – Poverty Reduction Strategy Papers
- QLFS – Quarterly Labour Force Survey
- RPF – Rwandan Patriotic Front
- SDG – Sustainable Development Goals
- SMMEs – Small Medium and Micro-sized Enterprises
- StatsSA – Statistics South Africa
- TIPS – Trade and Industrial Policy Strategies
- UBPL – Upper-Bound Poverty Line
- UN – United Nations
- UNDHR – Universal Declaration of Human Rights
- WEF – World Economic Forum

## ABSTRACT

Sub-Saharan Africa has some of the highest poverty rates regardless of the International and national structures' core roles in initiatives to reduce poverty in aiding human development. This research report looks at the relationship between the informal sector and poverty reduction and policy engagement hereto. I locate the informal sector in current debates in the ongoing deliberation of poverty reduction and make the link between the informal sector and poverty reduction. The informal economy in Sub-Saharan Africa continues to be a dominating economy and the largest in the world. Any decisions taken on policies for poverty reduction need to be looked at critically to see how they include or exclude the informal economy. With high unemployment rates, the informal sector by circumstance continues to be involved in being a source of income for many households in addressing poverty that exists. I examine whether (or not) policy decisions consider the informal economy in their strategy implementations and how this threatens or strengthens poverty reduction. I draw knowledge from qualitative engagement with policy documents, relevant literature and a comparative analysis with Rwanda to situate the South African informal economy within current international relations and development discourse.



Key words: Government, Informal Sector, Human Development, Poverty Reduction, Inclusive Policies, Gender, African Feminism, Neoliberalism.

**CHAPTER 1**

## 1.1 INTRODUCTION

*Eradicating extreme poverty continues to be one of the main challenges of our time, and is a major concern of the international community. Ending this scourge will require the combined efforts of all, governments, civil society organizations and the private sector, in the context of a stronger and more effective global partnership for development*
Ban Ki-Moon, Former United Nations (UN) Secretary-General

*I should go on to insist that every man and every woman should be a feminist especially if they believe that Africans should take charge of African land, African wealth, African lives and the burden of African development. It is not possible to advocate independence of African development without also believing that African women must have the best that the environment can offer. For some of us this is the crucial element of feminism* – Ama Ata Aidoo

Poverty is a persistent problem in many societies around the world with its meaning and degree varying through different geographical spaces (Spicker et al. 2007). In this research report, poverty is understood as the "inability of individuals to meet or achieve their basic material and physiological needs which can be measured either as lack of income, which limits access to food and education, health, housing water and sanitation services or by the failure to achieve desired outcomes, such as high-quality diet rich in micronutrients, health status, educational attainment and the quality of health, water and sanitation services received" (Hazell and Haddad 2001, 12).

The international community has engaged in many poverty eradication strategies which have brought about different initiatives such as United Nations Decades for the Eradication of Poverty, the Millennium Declaration and the Millennium Development Goals (MDGs) which led to Sustainable Development Goals (SDGs) (Cimadamore 2016). These strategies have translated into national development policy agendas that get implemented by respective countries to align with international poverty reduction strategies (Fehling et al. 2013).

Poverty affects developing countries the most, putting immense pressure on these countries to meet global and national development policy agendas that aim to reduce poverty. Over the past two decades, Africa as a continent has fallen behind in poverty reduction. Even though poverty levels dropped from 56 percent to 43 percent in sub-Saharan Africa between 1990 and 2012, developing economies in the region have not succeeded in creating enough economic and employment opportunities for their growing populations (World Bank 2016). Part of the reason according to Brown and McGranahan (2016) is that governments do not recognise all modes of economies such as the informal sector when addressing issues of poverty. Ruzek (2015) asserts that governments of different states should recognise the multiple modes of activity that contribute to the economy in their respective countries. According to the United Nations Declaration of Human Rights (UNDHR) (2015), employment is a human and economic right; therefore, it is important that at national level, states provide a framework where those who make up the informal sector are covered by legislature.

Bond (2003) writes that in many African states, poverty reduction strategies are often informed by neoliberal policies changing the way in which the government interacts with the informal sector. Amongst those countries that have developed neoliberal policies in Sub-Saharan Africa are Rwanda, Zambia and South Africa. (Bond 2003). However, it is not clear if these policies benefit the marginalised, which in the case of this research report, are the informal workers made up mostly of women. Harvey (1989) argues that these markets led policies favour capital at the expense of informal workers, resulting in the state colluding with capital disadvantaging the informal sector. Senker (2005) explores debates that assert that neoliberalism in developing countries continues to lead to unemployment.

This research report interrogates the importance of the informal sector as one of the tools that can address the issues of poverty reduction. I have selected to do a study on South Africa and to measure South Africa's policies and processes look at Rwanda's policy engagement with poverty reduction and its relation to the informal sector. This will assist in looking at the ways South Africa can learn from how other countries have dealt with the informal sector. South Africa and Rwanda represent two states with a liberal approach towards policy decisions that affects development (Loubser and Steenekamp 2015, Sebake 2017).

Despite the National Development Plan that is meant to improve the lives of poor South Africans, there is still a lack of consensus on the effects of the informal sector on poverty reduction. Research on the informal sector in South Africa is still focused on formalising the informal sector and looking at getting rid of it altogether (Blaauw 2011, 2017) without actually looking at the results hereof.

South Africa and Rwanda's development goals are in line with international goals that seek to reduce poverty and bring about growth and development. In discussing the national development policies, NDP for South Africa and EDPRS 2 for Rwanda, what stands out is the ambition to achieve economic development. This explains the economic neoliberal approaches the two states employ in their policy processes. Economic development often focuses on the material and monetary growth ignoring other factors such as education, health, shelter, food security and sustainability. Human development forms a fundamental factor in this research report as it considers development beyond the monetary factors. Even though Rwanda's economic performance has seen a steady increase of 8 percent per annum topping Africa's growth trajectories, it remains one of the poorest, highly indebted countries (IMF 2017).

South Africa and Rwanda's national development plans both look toward monetary factors to determine development. This report was interested in the inclusion/exclusion of the informal sector within the NDP and EDPRS 2. In analysing the development plans, the informal sector does not feature prominently in both the South African NDP and Rwanda's EDPRS 2 Vision 2020 and while Rwanda seeks to formalise the informal sector, the EDPRS 2 acknowledge the existence and contribution of informality on the economy. Rwanda has explored various innovative methods to engage the informal sector. It is therefore important to note that the strength of the EDPRS 2 is in its interaction with the population The EDPRS 2 states that the state consulted with different stakeholders and an important portion of that are the different communities across the country.

This report has applied an African Feminist perspective in analysing the NDP and EDPRS 2 strategies. The informal sector in both countries is dominated by women, with many women heading households and being sole breadwinners. The South African NDP policy process has been criticised for being gender blind. How the policies consider gender has a huge influence on strategy presentation and implementation. Although the South African NDP partially mentions women, its critics have taken the National Planning Commission to task for erasing women from the plight of development in South Africa. Unlike the South African NDP, the Rwandan EDPRS 2 was found by Oxfam to be the most engendered developmental policy with many strategies outlining gender aspects. The EDPRS 2 achieved this through various consultations with stakeholders that have issues of gender at their core. At the core of Feminist Theory is the autonomy of African women and the recognition of the lived experiences. The strategies considered patriarchal norms that exist in its society and addressed that citizens should begin changing their attitude around held beliefs such as gendered work. The strategies also considered the women run households and the prejudices women face due to their gender. Both countries however, have been criticised for employing great gender policies but that does not necessarily translate to a society that is gender conscious as women continue to be marginalised.

Rwanda and South Africa are considered gender equal countries with Rwanda being ranked first and South Africa third in Sub-Saharan Africa (World Economic Forum 2017). This means that the two countries have some of the best policies on gender equality and have women representation in parliament. However, even with this, the development policies in South Africa remains gender blind. An African Feminist critique would argue that representation of women in parliament does not necessarily translate in a society that is pro-women and often, the elite women in parliament are blind to the plight of women living in poverty. Hassim (2006) has argued that simply meeting quota is not enough as it is the patriarchal system that has assigned these quotes, and often, the women who get put up to meet these quotas, are gatekeepers of patriarchy and nothing changes. According to Moletsane et al. (2010), ignoring gender in informality opens up to lost opportunities to create a conducive environment for (human) development.

## 1.2 RESEARCH OBJECTIVES

This research project looks at the relationship between the informal sector in South Africa and poverty reduction. It uses Rwanda as a way to measure South Africa's policy outlook, approach and implementation. This study looks at Fourie's (2018) assertions and extended research that the informal economy can be the next solution to eradicating the ills of poverty in Sub-Saharan Africa. Fourie (2018) posits in his book *The South African Informal Sector: Creating Jobs, Reducing Poverty* that the 'forgotten' informal sector is a vehicle that provides jobs for about 2.5 million workers and business owners; and that one in six South Africans who work, work in the informal sector. Gumede (2016) writes in the Mail and Guardian that global economic systems are in a crisis and that policymakers should ask hard questions regarding what is going to lift their countries out of this crisis. South Africa in particular has high poverty and unemployment rates and uneven distribution of wealth (StatsSA 2017); with a highly underdeveloped informal sector compared to other developing countries (Mahajan 2014). According to Statistics South Africa (Stats SA), the "Poverty Trends in South Africa" report show that there has been a rise in poverty levels in 2015 with "more than half of South Africans being classified as poor in 2015" with poverty at 55.5 percent.

Mahajan (2014, 8) writes "South Africa's economic growth potential could be significantly enhanced if it can launch its own version of economic convergence, one that would enable rapid growth of the township economy." He further adds that this strategy should involve "building on the comparative advantage of the township economy: in particular, abundance of cheap unskilled labour; adjoining land space that is more affordable than in city centres: and a potential consumer market that is still untapped" (Mahajan 2014, 8).

Based on this, the aim of this research report is to do an in-depth analysis of the informal sector and investigate whether the government of South Africa considers this sector when formulating and implementing poverty alleviation policies that are aligned with global strategies. Drawing on extensive scholarly work, this research report looks at policies geared towards poverty reduction and the impact they have on the informal sector within the country. The research will engage with literature from scholars such as Williams (2017) who argues that the informal sector has major potential to expand opportunities for the unemployed in developing countries despite debates that argue that the informal sector is a hinderance to growth and Chen, Jabvhala and Lund (2001) who argues that neoliberal economic policies promoted by governments threaten the livelihood and ignore the voices of informal traders who are mostly women.

In order to assess South Africa against other developing countries, an analysis of Rwanda will be considered. Although this is comparative, it does not extensively engage on Rwanda as it does South Africa. This will be displayed in the research question that only includes South Africa. This research is interested in the overall factors around the Rwandan informal economy and poverty reduction policies in order to draw an analysis that will allow for policy and further research recommendation for South Africa.

## 1.3 RESEARCH QUESTION

The central research question reads as follows:

**In which way does the exclusion or inclusion of the informal sector in policy implementation impact South Africa's ability to deliver sustained poverty reduction that is vital for human development?**

### 1.3.1 Subsidiary Questions

1. Why is the informal sector so important in the development equation for developing world economies?
2. How do neoliberal economic policies advocated by certain international development bodies' impact negatively on the inclusion of the informal sector at the national level of economic planning and policy development and execution?
3. How should the informal sector be included in society and the economy?

## 1.4 RATIONALE

As a Black African Feminist woman who has as an interest in issues of gender and development within the structures of International Relations (IR) as a discipline, I have grown around women informal workers and wondered about the income contribution they make within families. I am therefore interested in how the sector can form an engine for poverty reduction that aids human development. Furthermore, my interest is piqued by the low informal sector rates while poverty and unemployment levels remain high in South Africa. Scholars such as Skinner (2005) and Mahajan (2014) posit that the informal sector can be an engine of economic growth and job creation, making it a huge factor in contributing to the economic and human development of a country. Becker (2004) argues that the informal sector has contributed significantly in economies and thus to be developed, appropriate strategies and policy frameworks must be formulated.

Studies such as the Urban Policies Research Report (2009) and the South African Industrial Development Corporation (IDC) Economic Trends Report (2017) show that within developing countries, the informal sector contributes between 20 – 70 percent of the Gross Domestic product (GDP). By 2013, the informal sector had accounted for about 46.8 percent of the urban jobs in Latin America, 10-65 percent in Asia-Pacific and in 2017 it was 40-60% in sub-Saharan Africa. Historically, the informal sector has been perceived as a hinderance to economic growth and unworthy of research attention as it would naturally disappear with modernisation (Gilbert 1998). But with the figures quoted above, scholars have realised that the informal sector forms a prominent feature in developing economies (Jutting and Laiglesia 2009). It is worth investigating the extent to which the informal sector can contribute to poverty reduction in a country such as South Africa where the Gini coefficient was 0.68 in 2016, making the country one of the most unequal societies in the world (Ormajee 2017).

State policies have a huge impact on this sector and can either be beneficial or detrimental. As key policy makers and decision takers, the state must understand the importance of the informal sector and how decisions on policies impact it. Becker (2004) believes that the informal sector is a great opportunity for creating employment and stresses the importance of developing supportive and innovative policies that acknowledges the informal sector and its contribution to the economy. It is important to recognise a sector that makes such great contributions in a country; it is not undesirable and plays a crucial role in human development and poverty reduction which leads to sustainable development (Chen 2004).

This research, firstly, is important as it seeks to identify the current gaps in research and provide recommendation for policy formation and future studies that tests the hypothesis that the informal sector can provide opportunity for poverty reduction and human development. Secondly, it seeks to make a great contribution within the study of IR. The IR literature I have engaged locates the discussion on informality within the subfield of international development specifically the area that addresses poverty reduction and economic growth. This is an area not just of theorising on how to best reduce poverty through allowing everyone to be economic productive; it is also about the practical nature on accomplishing this. It engages both the international and national levels of analysis as International Organisations (IO) can provide, inform, collect data and facilitate the exchange of ideas on effective and ineffective practices but it is ultimately the state and its society that must engage for policy fruition to take place. This report looks at engaging with proposed ideas on how best to accomplish this by critically analysing both IOs recommendations and initiative as well as ways in which other developing countries have dealt with informality in order to compare and offer examples for South Africa to adapt or avoid.

## 1.5 KEY CONCEPTS AND DEFINITIONS

### 1.5.1 Development

Escobar (1995) conceptualised development highlighting that its domination is in how the West views progress, creating a model that the developing would need to mirror. Matthew (2006) asserts that this model is characterised by a top-down strategy that hardly focuses on improving the quality of life but rather focuses on pushing a market-led agenda. Escobar (1995) views development as the way that states in the developed world perpetuate neocolonialism in the development of policy.

Weiss, Forsythe, Coate and Pease (2014) write that development "means different things to different people and is contested on many levels. Development may mean economic growth defined in macroeconomic terms as increases in gross domestic product (GDP), import-export figures, and levels of industrialization. Development may include a human element, such as the ability of humans to meet their basic needs through their own initiatives. Development may also mean sustainability, in that economic growth and the ability of humans to meet their basic needs should not deplete natural resources to the extent that those resource become unavailable for future generations" (257). While many debates encompass the economic statistics such as GDP, Voth (2004) argues that this conceptualization of development can be limiting in understanding the overall picture of development. It is for this reason that this research report looks at other factors in this discussion as per Voth's (2004) argument that

> "While economic progress is an essential component (of development), it is not the only component. Development is not purely an economic phenomenon. In an ultimate sense, it must encompass more than the material and financial side of people's lives. Development should, therefore, be perceived as a multidimensional process involving the reorganization and reorientation of entire economic and social systems. In addition to improvements in incomes and output, it typically involves radical changes in institutional, social and administrative structures as well as in popular attitudes and, in many cases, even customs and beliefs." (Voth 2004, 4-5).

In addition to Voth (2004), this report defines development as the process that improves the quality of all human lives, which involves increasing living standards, health care system, education, creating condition that is conducive and allows for a self-sustaining environment through establishing institutions that promote human dignity and respect and enlarging the range of their choices, which neoliberal economic policies do not consider. Hence this report holds the ideal of human development as a core component of any development initiative.

### 1.5.2 Informal Sector

This report shall follow the Statistics South Africa (StatSA)2003) definition of the informal sector as "unregistered business, run from homes, street pavements or other informal arrangements" .

In the report, I use the terms informal sector and informal economy interchangeably. However, the term informal economy encompasses the dynamism and complexity of this activity of diverse groups of workers and enterprises found in both rural and urban areas. There is a differentiation of "own account workers" and survival-type activities" such as street vendors, day workers, waste pickers, domestic workers employed by households. There is diversity within those who are within the informal sector and that their problems and needs are different. In this research report, the informal traders that are focused on are street vendors (Chen 2014).

### 1.5.3 Informal Traders

"Means any person that carries on a business as a street vendor, hawker and include an employee of such person and for the purpose of this by-law, includes any person who trades in a public place" (Overstrand Municipality, South Africa).

### 1.5.4 Poverty

According to Hazell and Haddad (2001, 12) poverty is the "inability of individuals to meet or achieve their basic material and physiological needs which can be measured either as lack of income, which limits access to food and education, health, housing water and sanitation services or by the failure to achieve desired outcomes, such as high-quality diet rich in micronutrients, health status, educational attainment and the quality of health, water and sanitation services received" .

### 1.5.5 Poverty Reduction/ Poverty Alleviation

According to South Africa's National Development Plan (NDP). Poverty Reduction or alleviation is a set of strategies employed that lifts communities out of poverty. This is through participation not only from the government but from different stakeholders such as NGOs and communities.

### 1.5.6 Neoliberal Economic Policies

According to the International Monetary Fund (IMF) a paper authored by Jonathan Ostry (2014), neoliberalism is a policy model that encourages the control of economic factors from the public sector to the private sector. The neoliberal economic perspective looks at promoting the development of a free-market economy which removes barriers to trade (with and between countries), encouraging the growth of private entities and reducing the state's role within the economy (Ostry 2014). The neoclassical economics justify this that the unhindered operation of markets is the only way to utilise economic resources (financial, labour), and that if a state intervenes in the economy, it will cause a change in market forces. Neoliberalism considers economic factors, and the free-market as the way to for economies to growth and people being lifted out of poverty; meaning wealth will trickle down to the poor as removing the barriers of trade, increase international demand for labour which then expands the demand of employment and earnings (Johnston 2005).

## 1.6 COMPARATIVE STUDY: SOUTH AFRICA AND RWANDA

South Africa in April 1994 signalled the end of a deeply evil and oppressive era under the policies of apartheid and underwent its first democratic elections wherein the dawn of liberation was awaited by the majority of the country. In the same month Rwanda's four-year civil war culminated into extreme violence that was tragic for the world at large; a genocide. South Africa was celebrating a victory while Rwanda was going through the worst time with infrastructure and all economic structures nullified. With the aftermath of the democratic rise and Rwandan genocide, the different countries have undertook redefining their political and economic landscape through the adoption of policies. Despite their differences there are great intersections between the two countries that will inform this research report. Both are new political dispensations governed by strong political parties with national liberation struggle histories. Both countries can be looked upon as countries that underwent drastic political transitions in the same year and month and it is worth looking at that process in the ways that they have approached development policies. Both countries saw these changes being initiated in 1990. South Africa's apartheid was dismantled in 1990 with multi-party negotiations taking place. This led to the democratic elections in 1994 and the formalisation of the constitution in 1996. Rwanda's transition began in July 1990.

These timelines make this research report's interest valid as it looks at the decades since 1994. This allows for a comparison between the social, political and economic climate under which gender politics have been established and developed. It also piques questions that look at issues related to political will and state commitment to addressing poverty reduction. Rwanda's economic infrastructure was destroyed via the genocide, it has been able to achieve a 'development miracle' (Wicks 2014) that has seen a benefit to many women. While South Africa in 1994 was seen as an economic Hegemony on the African continent. The nature of the two counties' transition has differences, but it is interesting to look at how a run down, poor country such as Rwanda has compared in addressing poverty reduction questions to the likes of South Africa. Rwanda is HIPC, with a predominant agrarian community while South Africa is the second largest economy in Africa and is a middle-income country and has large urban and peri-urban population with it being relatively developed (Diao 2017).

## 1.7 RESEARCH DESIGN AND METHODOLOGY

This section looks at the research methodology used in this research report and will provide a rationale for the choice of case study design and data analysis techniques. It looks at the challenges and limitations of the chosen study in the IR field and interrogates these challenges as to how they can become relevant to the discipline.

My research locates the relationship between the informal sector, gendered policies and poverty reduction within specific national legislative institutions. I use legislation passed on national development plans in South Africa and Rwanda's respective post-transition governments as a tool to analyse the relationship between various political actors, organisations, policy processes and legislative institutions that inform development outcomes in both states. Examining the role of the informal sector in poverty reduction enables us to identify ways and methods in which the different states have engaged with policy that determines the development discourse of the countries.

My study is grounded in an African feminist lens. For a study to be considered as feminist, it must interrogate theoretical frameworks and their framings of women's issues and agency as compared to men. This study on the onset does not look like it is gender related and perhaps opens a conversations in which topics get considered as gender. It is particular interested in gender as the statistics and demographics of those who are poor in South Africa are women, and this group is most likely to find alternate ways of bringing income to their households. African feminist theory becomes particularly important for this report as it looks at different development issues from the viewpoint of women's negotiation and assertion of agency in countries which are meant to be spearheading gender parity.

### 1.7.1 Research Design

Seeing different outcomes in countries that share similar characteristics play an important role in the choice of the country I have used to look at South Africa in this case study design. It also informs my research's aim to focus on the relationship between the development contexts of the gendered legislative institution in which policy decisions take place.

A research design is a plan that outlines the way the researcher carries out a report. The research design selected for this research report is a case study design. A case study method is a great approach in understanding complex social phenomena and it is most applicable to research within the social sciences (Yin 2012). The positive aspect to my research design is its case study design. Yin (2003, 8) asserts that "the case study's unique strength is its ability to deal with a full variety of evidence…beyond what might be available in a conventional historical study".

I have used the case study method in order to understand a current dynamic world in depth, especially since contextual conditions are involved that will assist in studying the informal sector and poverty reduction (Yin 2012). The focal case study for this research report is the South African informal sector and the role if any it plays in government poverty reduction strategies. Thus, extensive case analysis will be applied on South Africa as the aim of this research report is to establish the ways in which South Africa can adopt ways that other developing countries have established in dealing with their informal sector. To assist in determining the extent to which the South African government perceives its informal sector as means of combating poverty and is effectively engaging with it for this purpose, a comparative analysis will be conducted with Rwanda and only the overall picture of the latter country will be drawn in order to enable the analysis for policy and future research recommendation for South Africa.

The research design is relevant to the aim of this report as it assists the research to employ methodology that will analyse the ways in which the government engages the informal sector, particularly pertaining to policy strategies. This will look at the reasons why informal workers are more often not recognised nor protected; with no representation and no voice in society or within business of labour forums and at the mercy local government authorities.

### 1.7.2 Research Methodology

Even though a case study design can be analysed through quantitative and qualitative data, this research report utilises qualitative methods for data collection. Feminist research can use quantitative positivist research methodology but this approach would limit my research report. Quantitative data tends to lack engagement with context and normative concepts such as agency which my report looks at (Pugh 1990). Peshkin (1993) posits that qualitative methods can describe, explain and analyse data gathered.

This report entails a subjective and systematic approach to analyse the contribution of the informal sector to poverty reduction. The use of qualitative research methods is appropriate for this study as it allows detailed descriptions from data and links together different perspective and allows for further clarification if warranted. Since the research does not make use of statistical analysis, the qualitative analysis allows extensive accounts of secondary data. Due to the policy nature of this research, I have thus for my primary sources relied on archival research, peer reviewed academic journal articles, books, policy documents and newspaper articles. I have utilised official reports like StatsSA Quality Labour surveys and government responses, Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs), National Development Plans, newspaper articles on current debates on the poverty in South Africa, and conference paper presentations on the informal sector by various scholars.

### 1.7.3 Reflexivity

Reflexive research within an African Feminist theoretical framework, requires the researcher to be aware of their positionality and how this affects their own subjectivity during the research process (Harding 1992). I had to look at my own biases since I am studying black women. I had to be aware where my own lived experience influence how I analyse and interrogate the various texts applied in this research report.

### 1.7.4 Research Limitation

Due to budgetary, time, and circumstances beyond my control, it proved difficult to conduct field work. The collection of field data proved to be a challenge given the ethical clearance I needed to obtain. I do acknowledge that the report would have benefitted from capturing the voices of informal workers, particularly women through interviews.

Even though data collection in developing countries has become a limitation, qualitative analysis of the informal economy is plausible, so as it is possible to integrate informal economy in the equation of economic development. The data on the informal sector becomes complex as trying to map out the informal economy can be challenging given its structure, capacity, size and evolution (ILC 2002). There afferent definitions, and data is often collected ad-hoc, when needed and can be inconsistent, this is the reason for the focus on policy process analysis that will assist in identifying the gaps that will inform future research.

My research limitations were plenty but were primarily based on my research's focus on street vendors with the many assumptions I make throughout this entire report (Chen 2014). Many of the concepts utilised have been analysed and problematised in feminist discourse. My research's lens on women relies on a varied essentialism of gender.

Yin (2003) writes that the advantage of using multiple case studies is that you get a more robust interrogation than you would get with a single case study. In this report, the limitation to my comparative study is the resources and time needed to receive ethical clearance in order to conduct field work. This research needed me to go to two different sites, one in South Africa and the other in Rwanda. It would have not served this study well had I only conducted field work in the country I am based in, South Africa.

### 1.7.5 Significance

The gap identified in knowledge about informal sector is evident in the dearth of existing data on the informal sector connected with my topic. Most data that is available is conducted through a quantitative labour market surveys at a national level and capturing the voices of the informal traders, at local level, would assist in more in-depth analysis that would assist in measuring human development. This work thus is important for continuing research within IR and could be useful for policy and future research recommendation.

## 1.8 CHAPTERISATION

The research report proceeds as follows: Chapter Two provides the theoretical and analytical framework that has informed this research. Chapter Three focuses on the Literature review, as analysing literature will assist with the framework for policy analysis and how the study of IR has engaged with the informal sector. Chapter Four discusses the cases of South Africa extensively and Rwanda partially in order to draw conclusions while Chapter Six discusses findings and recommendations

# CHAPTER 2

## THEORETICAL FRAMEWORK

### 2.1 INTRODUCTION

In the discipline of international relations, critical theory allows scholars to challenge the mainstream understanding of the subject which allows alternative forms of analysis and understanding. According to Cox (1981, 129), conventional theories are occupied with keeping power where it currently lies reproducing the current social order which ensures that "existing relationships and institutions work smoothly". Cox (1981) posits that critical theory is necessary in challenging the current system of domination and forces a way of thinking of alternative methods of understanding the world. Critical theory is not only a way to approach subjects academically, but can be used as an "emancipatory project" that is committed to the structuring of a just world. It is used to critically look at why the world is not equal and just.

Mainstream IR theories' such as liberalism tend to only consider the formal economy and no other modes of economic activity. Classical realists for example, had little to say about matters of informality. Blencowe (2009), makes a case of liberalism and that, in most cases, economic liberalisation is for self-interest and not meant to benefit the poor population, but rather, can cause further unemployment in a country battling with issues of poverty. It is important that critique is offered to theories that do not allow for different perspectives and voices to be represented. Issues of inclusion should be central to any approach. It is therefore important that research and analysis is used for the purpose of showing how mainstream theory perpetuate inequalities or is at the core of providing structures that bring about equality. It is with a critical analysis that this report engages state policy engagement with the informal sector.

To explain how the informal sector can have an impact on poverty reduction also means that the causes and effects between the two variables must be investigated, as well as exploring many other related external factors that are also at play. Researchers who write about the informal sector look at three widely used approaches to analysing the sector (Chen 2012); the dualist, structuralist and legalist approaches. These approaches have been derived from the experiences of Western economic history. With the end of colonialism in most of Sub-Saharan Africa, there were high expectations of how independence would bring about high level economic growth and progressive social transformation (Sundaram et al. 2011). With Europe recovering from war and the assistance of the U.S Marshal plan, many economists believed that the same fate for the developing world. The beginnings of the 1960s were dubbed as the Development decade by the United Nations (UN) while the 1970s the Second Development Decade. Despite all the development decades, poverty remains high (Reuters 2014).

In analysing the approaches, they are linked to IR theories such as Dependency, neo-Marxist and neoliberal perspectives which will be shown in the discussion below. In exploring the approaches, I will also use the African Feminist lens to provide an overarching critique of conventional ways of analysing and understanding the informal sector within international relations.

## 2.2 APPROACHES USED TO EXPLAIN THE INFORMAL SECTOR

### 2.2.1 Dualist

The dualist model, with features from the dependency approach (Yusuff 2011), argues that the informal sector is ‘marginal and peripheral and not linked to the formal sector or to modern capitalist development’ (Chen 2012). It posits that the informal sector acts as a safety net in times of crisis which creates space for the surplus labour that has been unable to be absorbed by the formal sector. Chen (2012) continues to write that many observers from developing countries have believed that the informal sector would disappear and once developing countries achieved “modern industrial development”. The dualist model argues that this sector is only a consequence of a crisis and once there is no need, it will disappear (Wilson 2011). Thus, the dualist approach charts a Western economic development model for the developing world where the elimination of the informal sector heralds the arrival of development. This model is also inherently neo-colonial as it advocates a path European colonial power took to development, ignoring other models or experiences. The dualist model does not look at the complexities and dynamics within the informal sector (Blaauw 2017). This can contribute to an oversight in policy planning and implementations. This oversight has led to the development of another approach namely the structuralist approach (Bromley 1990).

### 2.2.2 Structuralist

The structuralist model, which is rooted in neo-Marxist and dependency traditions (Meagher 2013), states that there is a close link between the formal and informal sector (Brown and McGranahan 2016). Theorists of the school assert that the informal sector is not a result of surplus labour or excess regulation rather that the it is a channel used by the formal sector to expand goods and services and the relationship tends to be exploitative (Skinner 2005; Valodia & Devey 2012). The central tenets of this school outline that the informal sector is another form of labour utilisation by capital. Maloney (2004) argues that informal labour relations did not come about by accident of the capitalist development, but that these relations are purposely 'informalised' by capital under the reasoning of peripheral capitalist accumulation. Meagher (2013) states that the informal-formal is linked through various structures such as "open markets', "subsectors" and "global value chains" (6). Scholars of this school of thought argue that in the formal production process, cheap labour is often used.

Structuralists have contributed two main thoughts to the discourse of the informal sector. According to Castells and Portes (1989), the function of the economy is to provide support for the capitalist structure which is backed up by globalisation in order to keep the competitiveness of the market while producers are making efforts to bring down the cost of production, particularly wages. He makes an example of Guatemala where US clothing companies provide local contractors with material to produce clothing but no social security, these contractors then find manual labour of women who produce the clothes for wages lower than the market price. These informal activities by private sectors are often concealed and not detailed in formal documentations. The second contribution asserted by Roberts' (1994) reasoning is that the informal sector is important for development. Roberts (1994) argues that the informal sector can create a bigger work force and provide opportunities for employment. Castells and Portes (1989) argue that the formal economy often makes use of labour in the informal sector as a way to cut costs.

The limitation of this theory is that while industrial subcontracting is a central feature of informal activity in Latin America and South-East Asia, and that can be seen on a broader spectrum in developing countries, the theory does not sufficiently speak to the nature of informal activity in African states. Noting that Africa is not homogenous and each country has its own economic system it is important to look at the structural and historical differences of the countries such in Latin America and Africa. South Africa, with the lowest recorded informal sector, has one of the highest inequality rates on the continent (Smith, Business Day 2017); this is indicative of a gap in which the country can explore in creating employment through the informal economy.

### 2.2.3 Legalist

The Legalist approach, also known as a neoliberalist view is based on Hernando De Soto's (1989) work on the informal sector. De Soto is an economist from Peru who challenged many paradigms through his work on the Latin American informal sector (Blaauw 2015). The legalists focus on the informal sector and the regulatory environment that the state provides which disregards the informal sector. They, however, acknowledge that what De Soto calls 'mercantilists' interests collude with the state to set the red tape bureaucratic 'rules of the game' (De Soto 1989). De Soto (1989) argues that the informal sector possesses the key to the hopes of the world's poor for vigorous, inclusive economic growth and this can be achieved through governments getting rid of stringent bureaucratic regulations and providing secure titles to property. He asserts that the informal sector is made up of 'plucky' micro-entrepreneurs who choose informality to avoid formal legislation. He believed for as long as the government continued with overregulation then micro entrepreneurs would continue choosing informality over formality.

Although it can be argued that De Soto leans towards a neo-liberal way of analysing poverty reduction, in inclusion in the capitalist system, the approach offers a framework that can explain the South African informal sector. De Soto (2000) explains the reason so many developing countries continue to be underdeveloped as well as why the broader society of the world has not been able to benefit from neo-liberal policies of development. He argues that the main reason for emerging economies to produce capital is because of the processes that often exclude other participants within the economy. De Soto (1989) conceptualises the informal sector as an untapped potential that is limited by bureaucracy. He argues that the state would need to be less stringent on its regulations in order to the sector to develop.

De Soto (1989) in his argument, looks at the legal barriers of the formal sector. He analyses the legal system by looking at the costs involved in both the formal and informal sector. De

Soto (1989) looks at the role of law in enabling an informal sector. That the law is ‘good’ when it promotes economic growth and ‘bad’ when it limits it. Thus, the costs to informality are as a result of ‘bad’ law. De Soto (1989) looks at ‘good’ laws versus ‘bad’ laws by providing a framework that explains his argument that the Peruvian informal economy forms a significant part of Peru’s economic life. He further expands the framework to explain how steps can be taken to develop the path that the ‘informals’ have created. De Soto (1989, 184) posits that regardless of the conventional outlook that economic success translates to development, the actual reason for development is “... an official set of legal and administrative institutions which encourages technical progress, specialization, exchanges, and investment”. De Soto (1989, 184) further argues that “it is because of bad laws, then, that both formals and informals are only incipient as long as the state fails to give them the incentives needed for progress, namely good laws” .

The underpinning argument is that government should introduce procedures that encourage informal enterprises to register and extend legal property rights for the assets held by informal operators in order to unleash their productive potential and convert their assets into real capital. It explores the negative ways in which the state has inhibited this potential through excessive regulation for the informal sector to compete and accumulate capital.

Although critiques of De Soto state that he was looking for a neoliberal way to bring about economic change within Peru and that this model worked well for Latin America and cannot necessarily be replicated anywhere, it is important to note that he advocated for a more, central, important, non-marginalised role for the informal sector with great income security and business stability which is what this report is interested in. This approach thus can offer explanation on the informal sector in South Africa. Much of the informal sector is as a result of poverty, inequality, unemployment and historical legacy, more than it is traders leaving the formal into the informal to evade taxes. What is important in the approach is the state’s bureaucratic processes which hinders informal traders from participating within the frameworks that the state set. Therefore, according to De Soto, informal traders would avoid and form of stringent legislation (formal or informal) in order to steer clear of high costs and heinous regulations. The legalist perspective allows this paper to look at the government as a national key player in forming and implementing policies that are important for the inclusion of the informal sector.

Chen (2007) states that these theories of informality can prove useful to a certain extent, it is worth observing that the "reality of informal employment is more complex than these perspectives would suggest" (7). With these observation, the research paper will use critical theory to analyse the selected case studies although some of the aspects mentioned above will be utilised to build on theory that best explains the case studies.

## 2.3 AFRICAN FEMINISM AS CRITICAL THEORY

### 2.3.1 Gender and the Informal Sector

Orr and van Meelis (2014, 31) write that "despite the enormous contribution women make to economies, communities and families throughout the world, they still experience the deepest levels of poverty, oppression and exploitation". Due to the nature of patriarchy that marginalises women in all fronts, the involvement of women in the informal sector speaks to the exclusion of women in the formal sector which speak to inequality that exists within society (Chen 2012). As the world evolves and globalisation brings about integration and competition, powering a "race to the bottom", multinational corporations may relocate a number of times searching for cheaper labour (Chen 2003). It is however, important to note that women are most disadvantaged compared to men within the informal sector, where their establishment would grow more slowly than their male counterparts. Women, inclusive of poor women workers and migrant workers from the developing world remain at the end of the value chain (Chant 2008, Orr and van Meelis 2014).

Chant (2008) writes that women are always found in the "invisible" parts of informal work such as domestic labour piece jobs, and assistance in small family enterprises which do not offer social security and protection, infrastructure, a safe environment and have low, irregular or no wage, and a limited ability to organise to ensure the enforcement of international labour standards and human rights. The environment in which poor women informal workers work in can also be hazardous to the health and safety through dangerous working conditions, gendered violence and increased risk to HIV/AIDS.

Chant (2008) posits that gendered income gaps in the informal sector often mirror those in the formal sector. With this context, the links between informality, gendered relations of power and poverty require a deeper analysis. This research report uses African Feminist theory to analyse poverty reduction policies and their impact on the informal sector, particularly women in South Africa. To achieve this, it is important to analyse another country such as Rwanda comparatively (even with limitations on the comparative study) in order to aid recommendation, research gaps and direction for future research. This assists future policy analysis in taking action and formulating inclusive policy that promotes equality.

### 2.3.2 African Feminism

Critical theory asks which other factors come into play when analysing phenomena (Hill 2003). Critiques of critical theory have highlighted its abstract nature and that it makes challenging to apply scientific analysis to the dynamic world as there may be no quantifying methods (Roach 2010). Regardless, the resistance to traditional theories has allowed for a more robust engagement with other theories such as post-colonialism, constructivism and as of interest to this report, feminism. As a student of international relations, I am interested in viewing the work I analyse in a way that represents the experiences of people on the African continent. Often, conventional theories are built on the premise of the Western experience and this can provide inadequate analysis of phenomena in developing countries.

In the last three decades, gender in international relations (IR) has been spear headed by many feminist scholars coming to the fore to challenging conventional theories and offering a different way of viewing the discipline (Tickner 1999). Feminist theory provides a perspective on seeing the unique experiences of women who are a group that is usually the marginalised. This offers a different form of perspective on state interaction with the needs of marginalised individuals. Feminist theory allows a perspective that comes from the experiences of women and this contributes to a new lens in how the world is analysed (Tickner 1992).

As much as feminist theory allows for women's voices to be captured, it is through the capturing and detailing of these voices that the many of the concepts present in various disciplines including IR should be challenged. Concepts that are fundamental to theory in IR such as sovereignty, power and security; feminist theories have a role to play in critiquing the concepts that make up IR and this plays a big role in exploring different dimensions of providing solutions with a different perspective (Tickner 1992). Tickner (1992) further argues that as the world changes and the state in some instances can be viewed as a threat more than a protector of its people, there is a need for new perspectives on how solutions are developed for all the complex problems around the world and feminist theory allows for that possibility. In the context of this research report, African Feminism will be drawn upon for analysis.

Goredema (2009) writes that "African Feminism is a feminist epistemology and a form of rhetoric that has provided arguments, which validate the experiences of women of Africa against a mainstream feminist discourse" (33). Goredema (2009) in supporting her argument quotes Gordon (1997) who argues that "Western Feminism has ultimately created an ahistorical, stagnant 'Third World Woman' that is constituted as a coherent group" (24). Women's voices have been minimal in development discourse but this has been changing as women continue to demand a place for their voices. Countries such as South Africa, Kenya and Rwanda continue to give women a constitutional right to self-determination with their plights secured on the 'women and development' agendas globally and nationally through support from institutions such as (IMF) and World Bank (Kinyanjui 2014).

The invisibility and marginalisation of women in economic informality speaks to the kinds of confines imposed on them by patriarchy and planning ideologies. In African Feminism, when women speak out against patriarchy, it is not just about challenging a society that is dominated by men, but acquiring space and opportunity to create conducive living standards for those who have been marginalised.

African Feminism as critical theory provides an analysis that is able to capture the voices of women from the grassroots and not necessarily apply a prescriptive analysis (Goredema 2009). In the case of the report, these are the women who work in the informal sector and are often seen as subjects to be saved. These women suffer marginalisation from various factors such as the home front and the state.

Women in the informal sector are viewed from a neoliberal lens that tends to discount women's autonomy in the struggle against patriarchy and economic deprivation (Tsikata 2009). In this framework, women are victims who are overwhelmed by the economic informality they are a part of (Kinyanjui 2014). Women informal workers fight against material deprivation in providing for the wellbeing of their households. In reclaiming themselves from patriarchal clutches, contributing to the economy becomes a liberation tool. Kinyanjui (2014) cites Mugo (2012) in addressing the kinds of struggles women face on the continent of Africa. Although not homogenous, there are similar threads that most of the women can relate to; such as having to survive each day negotiating their safety while trying to generate income to put their children through school and provide food for their families. Kinyanjui (2014) writes that in mainstream feminist discourse, it is usually the middle-class, elite woman that is represented often being very removed from women who work in the informal sector.

### 2.3.3 Theory building from critical theory

In recognising that African Feminism is not homogenous and different contexts apply to the ideology, what is important to this research report is how African Feminism analyses the process of poverty reduction strategies and implementation in explaining the lived experiences of informal workers in South Africa. Dube (2001) notes the intersectionality principle of African feminism explaining that women in developing countries face double or more oppression based on race, gender, class and ability. This research report looks at employing the African feminist framework in examining poverty reduction in South Africa and Rwanda. The perspective is particularly useful in critiquing gender blind poverty reduction policies which have been informed by economic liberalisation. The African Feminist theory challenges the government to consider the gender disparities that exist within the informal sector when fostering policies if the goal of poverty reduction is to be achieved effectively and equitably.

It looks at the ways in which the government, according to the legalist perspective, should recognise the informal sector as not a nuisance to the economy but an important factor to growth. The Legalist perspective assists in exploring De Soto's work on property rights for the poor and how that applies in South Africa. South Africa's poor population, mostly women, have no access to land, which means they are unable to generate wealth (Thipe 2013). De Soto argues that protecting property rights for the poor would be s source for prosperity (2000). Traditionally, women were denied rights property under the South Africa Customary Law of Succession as they were under the "guardianship" of men in the family. In 2010, the Reform of Customary Law of Succession and Regulation of Related Matters Act 11 of 2009 came into effect which meant that the South African Constitutional Court found that denying women infringes on their right to equality. Although some progress as far as the law has been made, women in South Africa still find themselves without property (Thipe 2013).

Beyond just looking at the material, economic development, this build on theory will look at elements that constitute human development such as education, health, shelter and sustainability. The African feminist approach acknowledges that women in the developing world have autonomy and are not subjects to be saved rather are women who set their own agendas through innovation and decisions in themselves out of poverty.

## 2.4 CONCLUSION

It is important when interrogating theory that context is placed at the heart of analysis. As an African Feminist scholar, it is important to critically consider the extent to which theories generated in the West can explain phenomena in the South and make note of their limitations if necessary. It may further be necessary to adapt or supplement a chosen framework in order for it to have a greater explanatory power within in the context in which it will be applied. The dualist approach views the informal sector as marginalised sector that will stop existing as soon as economic growth takes place. The structuralist school views the informal sector as a by-product of the continuing class struggle between labour and capital, in which capital has successfully avoided state regulations through taking advantage of this 'alternate' type of labour, the unprotected informal labour. The legalist approach looks at the struggle between the state and the informal sector and asks questions around state regulation towards this sector.

Looking at the perspective of policy, it is important to agree on a theoretical framework that will examine this research's work on informal economy, whether made up by individuals or families or communities. It is also important to consider the dynamism of informal activities, negligent or weak state apparatus, and growing global market stress that is a reality. This is where African Feminist theory as critical theory is utilised. This research report therefore uses the legalist approach to interrogate the state, but on acknowledging the theoretical limitation, it explores the African Feminist perspective in building theory and explaining women who make up most of the informal economy and what this means for IR; if the dynamism of women adds any value to the research analysis.

# CHAPTER 3

## LITERATURE REVIEW

### 3.1 INTRODUCTION

In this chapter, I seek to highlight existing literature in which I draw my work from. This chapter is not exhaustive of all the literature I engaged with and thus will continue providing more specific reviews throughout the other chapters but for the sake of context, in this chapter, I will review the literature that looks at the work that has been done on poverty reduction and the informal sector by many scholars.

### 3.2 INFORMALITY

The subject of informality has garnered extensive debates and many scholars have not reached an agreement on the definition or understanding of “informal sector” and how it should be measured (Blaauw 2017). There is no single, widely-accepted operationalisation or measure of the informal sector which makes it a challenge for many researchers who are interested in the subject. However, with the global economic crisis, the sector piqued the interest of many researches to try and explain its proliferation in the developing world. Out of this, extensive literature. This became an opportunity for the body of knowledge to be enriched while debates continue (Hart 1973; Portes 1994, Chen 2005, 2007, 2014; Centeno & Portes 2003; Mupedziswa 2002; Meagher 2013; Ogando 2017). With this literature, scholars, policy makers, institutions and organisations can no longer ignore it as it plays a significant role in society; whether it is through its contribution or the opportunities that it presents.

The term “informal sector” was first used by John Keith Hart (1971), on a study in Ghana. He used this term to describe the labour market that fell outside any form of organisation (Bromley 1990). The International Labour Organisation (ILO) changed the term even though it was widely used (Bromley 1990). The World Bank (2014) defines the informal sector as “activities and income that are partially or fully outside government regulation, taxation, and observation.” Although many debates have shown that there are varied definitions of what the informal sector entails, the ILO used the following characteristics to identify it: easy access for new enterprises, owned by families, non-conventional indigenous resources used, minute scale operations, non-regulated markets, skill of workers are acquired informally (Bromley 1990). One of many disadvantaged to the informal sector is that informal traders to not receive any protection from the law making them vulnerable to exploitation and further marginalisation (Brown and McGranahan 2016).

The World Development Report (2013) widened the definition of 'jobs' to include the informal economy as this economy constitutes half of workers in the developing world. It acknowledges that the informal sector plays a major role in people's livelihoods and recommends that governments recognise the sector as a significant player in creating employment in their countries. For this research report, I will use the World Bank's definition of the informal sector as the one subscribed to by this report.

The debates around the size and impact of the informal sector to poverty reduction in developing countries are varied and inconclusive, with scholars such as Kilby (1969) who view the informal sector negatively and characterises it by poverty and low productivity, labelling it as a "quasi-sponge for urban unemployment" (310). Ninsin (1991, 97) described it as the "the ghetto of the economy". According to Hart (1973, 88) the informal sector "activities contain their own internal dynamics which, if utilised will lead to higher productivity and overall growth". However, scholars such as Chen (2004, 2005, 2007, 2010, 2014) through empirical research, have written that the informal sector in sub-Saharan Africa is "important for economic growth". Chen (2012) discusses the substantial contribution of the informal sector to GDP in developing countries. Chen (2012) makes a huge contribution to the feminist discourse of the informal sector, noting that there are more women in the informal sector than there are men, challenging modes of knowledge that would usually remain gender biased and blind in their analysis. She writes that any reports on the informal sector should consider how gender plays a role in inequality before trying to come to any solutions (Chen 2012).

One of the leading debates that exist is the relationship between the formal and informal economy as it creates a dualist division when describing an economy (Bromley 1990). According to deliberations held at the International Labour Conference (ILC) (2014) on efforts to formalise the informal sector, is that the sector is dependent on the formal economy and that efforts must be taken to formalise the sector. Deliberations that came up involved observations that as soon as informal traders grow and their businesses expands beyond the services that they offer, it becomes hard for them to see an upward trajectory. They start competing with corporate businesses that are often run through mass production who sell their products often cheaper than the informal trader. This observation supports Nattrass (1990, 36) when she wrote that "once businesses perceive informal businesses to be, either a threat or an opportunity, it is highly likely that it will use its economic muscle to its own advantage, through either eliminating the competition in the first instance, or through takeover of the informal business in the second ".

A counter debate to the dualism of both the sectors is that the informal sector can make a significant contribution to the livelihood of the poor and assist in efforts to eradicate poverty. This notion is supported by empirical research done (Bromley 1990). I explore the literature that captured historical efforts. Firstly, the ILO Kenya mission in the 1970s undertook a study in Kenya. The report read that "the bulk of employment in the informal sector, far from being only marginally productive, is economically efficient and profit-making, though small in scale and limited by simple technologies, little capital and lack of links with the other ('formal') sector" (ILO 1972). The informal sector in Kenya became positive for the economy as it provided employment despite no support and limiting obstacles faced (ILO 1972). The ILO mission to Kenya, concluded that the informal sector in Kenya was not only good for employment but for overall economic growth.

Secondly, the Latin American agency of the Institute, the Regional Program of Employment for Latin America and Caribbean (PREALC) conducted studies that highlighted at growth in the Peruvian informal sector between 1981 and 1985. In 1985, Peru was leading other Latin American countries with 49.2 percent in employment the informal sector. There was also a major shift in the labour force from the formal to the informal sector. Hernando De Soto (1989), author of *The Other Path* and an economist from Peru was vocal about the sector in the country challenging the government's response to the informal sector. His work on 'informality' spread widely that he was regarded as a specialist on the 'informal sector'.

As a comparison to the historical figures in Peru, in 2016, informal employment comprised 51 percent in Latin America. According to an economic report released by Centro Nacional de Planeamiento estratégico (National Centre for Strategic Planning) (CEPLAN) in 2016 regarding Peru's informal sector, the sector will continue being a significant part of the economy until approximately 2050 (CEPLAN 2016). According to the report, Peru's percentage of informal workers sat at 74 percent in 2016, being the highest rates in Latin America. Women are the most employed by the informal sector with the rate sitting at 76 percent. The report writes that the reasons behind the informal sector in Peru are due to labour and business regulation, government transparency, education, infrastructure pending and social programmes. The World Bank (2017) recently named Peru's labour regulation as the world's most restrictive. The report writes that should government loosen the regulation, there would be a reduction in informality. Even though studies continue to reveal the impact of the informal sector on the economy of Peru, the Government continues to underestimate its impact and existence.

In the context of South Africa, even though important research has been carried out in the informal sector, there have been knowledge gaps that have come about. There are not enough data sets available to indicate the size of the sector and its challenges. Most literature focus on development as only achieved through economic growth and no other factors that align with the Human Development Index. Field work would assist in capturing the voices of the informal workers and their day to day lives. Understanding the local context may assists in influencing economic and development policies aimed at poverty reduction in benefitting poor communities.

## 3.3 LITERATURE ON INFORMALITY IN SOUTH AFRICA

In Sub-Saharan Africa, the informal sector accounts for 53 percent of non-agricultural employment, with an increase of two thirds over the past decade. Street vending is what dominates the informal economy. Informal forms of labour have characterised the South African labour market historically (Valodia and Devey 2012). In the last two decades the informal sector has received much attention from scholars by the likes of Krige (1988), Chen (2012) Skinner (2005), Altman (2008), Tshofuti (2016) and Fourie (2014).

Within the South African literature, a thread that moves throughout the different scholarly work is that the informal sector in South Africa behaves as an alternative to formal employment. This is not exclusive to South Africa's historical context. Blaauw (2017) writes that those who cannot secure formal employment are pushed by circumstance to resort to informal means of getting income. Even though there are similar threads, there is no agreed definition on what constitutes the informal sector. Devey, Skinner and Valodia (2005) posit that the structuring of the formal economy in South Africa has a major influence in the way in which the informal sector is set up.

Schlemmer and Levitz (1998) argue that the informal sector in South Africa is miscalculated and various factors could lead to many informal traders not coming forward in giving their data for statistical purposes. Saunders and Loots (2015) makes a case for the unreliability of quantifying the informal sector due to some challenges. Due to these complexities, StatsSA (2017) continues to explore ways of capturing more accurate data of informal activities.

According to Valodia and Devey (2013), even though there are many activities that define the informal sector in South Africa, it is dominated by retail trade. Mahajan (2014) views South Africa's informal sector as an essential driving force in the development of the economy; that in addition to providing income for the poor, the business model is one that is flexible and adapts quickly to the ever-changing market.

Fourie (2014) writes that the government of South Africa must begin to change its mind around the informal sector in South Africa. According to Fourie (2014) efforts must be made that will allow those who cannot participate within the formal sector to participate within the informal sector successfully. Bauman (2005) argues that the South African government does not fully recognise the informal sector and sees it as a burden. Turok (2015) posits that social grants are not enough and the government needs to pay attention to the informal sector because an outbreak of social problems. Chen (2014) writes that the South Africa government do not include the informal sector in their urban and economic plans, which threatens safety. Ruzek (2014) asserts that regulations such as taxes prevents the informal sector from thriving. Chen (2014) cites Batt in that "the challenge is to convince the policy makers to promote and encourage hybrid economies in which micro businesses can co-exist alongside small, medium and large businesses: in which the street vendors can co-exist alongside the kiosks, retail shops, and large malls just as the policy makers encourage bio diversity, they should encourage economic diversity" (415).

### 3.3.1 Street Vending in South Africa

According to Gamieldien and Niekerk (2017), the history of street vending shows how this practice became central to the many lives of South Africans who live in poverty. In 1991, the Business Act of 1991 was enacted which opened opportunities for street vendors to trade freely without being regulated and this led to an influx of street vendors in South African cities (WIEGO 2014). During the 1997 economic crisis, many people were retrenched as industries down sized and closed down. Even through this, those in the informal sectors such as street vendors continued to contribute to the economy (Gamielden and Niekerk 2017).

According to Gamielden and Niekerk (2017) street vendors, mostly share similar social dynamics and class backgrounds which may not necessarily be similar with other countries. The limited opportunities found in the formal sector of South Africa, alongside the high unemployment rates, often force individuals to turn to street vending in order to make a living. Street vending is one of the biggest sectors in the informal sector of South Africa with most street vendors made up of Black women, often trading in a variety of goods such as sweets, cigarettes, clothing, fruit and vegetables (often not grown by them). This is due to the amount of people that engage with these locations. Although regulations restrict street vendors, when opportunity presents itself, they occupy spaces that surround shopping malls in residential areas (McGaffin 2010).

## 3.4 THE FEMINISATION OF POVERTY REDUCTION

### 3.4.1 Poverty

In South Africa, poverty is understood from a material asset based approach that is linked to people's agency and abilities (South Africa Treasury 207, 2013).

### 3.4.2 Income Poverty

Neves and Du Toit (2012) write that money is a means that gives people the ability to survive through basic needs such as food and shelter and that those who cannot have their needs met often suffer income poverty severely. There are two poverty lines used to measure income poverty; the headcount ratio and the poverty gap ratio. A poverty line is a measure of income below which poverty exists (US$2 a day). Households below this are exposed to income poverty. Saunders (2004b) argues that a headcount poverty ratio is a quantity of people who earn below the poverty line. The total poverty gap estimates the income required to raise all incomes of the poor to the poverty line, which then reduces the poverty rate to zero (Saunders 2004b).

### 3.4.3 Non-income Poverty

Klasen, Harttgen and Grosse (2005) link non-income poverty with access of water, electricity, and sanitation. Du Toit (2009, 27) further elaborates that it "happens when people may have a little bit of money but they do not have access to good schooling or safe water. People living with non-income poverty are likely to have stunted growth and to die young. It is also unlikely that they partake in making the decisions that affect their lives. Secondly, poverty is often approached as the lack of resources with which to obtain a socially acceptable quality of life" . If there is a substantial amount of people living with this, then it is important that if they cannot find employment then government to encourage this group to find some form of informal employment or if more opportunities were presented then it would help a great deal in human development as a whole.

### 3.4.4 Poverty and Gender

Researchers such as Moletsane et al. (2010) have written about poverty, encompassing different dimensions. They argue that poverty is usually feminised and that policies to eradicate poverty become gender blind Feminists such as Chant (2006) and Moletsane et al. (2010) have in their work criticised the definition of poverty as being gender blind. These critiques highlight patriarchy and how it allows different experiences and existence for men and women. For example, as per absolute poverty – poverty is measured through people living in households where the per capita income is less than a predetermined threshold. These do not consider the gender differences within households, as resources get distributed unequally. Since 1995, United Nations (2005) have looked at the feminisation of poverty and the ways in which development policies are formed. Chant (2008) looks at the ways in which poverty is feminised and how even though anti-poverty initiatives exist, women are not relieved from poverty.

Research that addresses gender in poverty gets side-lined when initiatives that address poverty are implemented despite the fact that women have been involved in anti-poverty work throughout history. Skalli (2001) analyses women and poverty in Morocco and how women continue to suffer under poverty regardless of antipoverty measures put into place. In South Africa, Chen (2012) has looked at a large base of voices that speaks to policy, practice and resource flows. Exploring Feminist literature on poverty is important for this report as it highlights different gendered factors that lead to poverty. These factors are important as the state can utilise them in anti-poverty strategies. Ogando (2017) posits that considering gender assists in the policy design process as measures can derive the worst-case scenarios since women are marginalised.

### 3.4.5 Poverty Reduction

A UN (1990) report on poverty reduction highlighted the list of barriers that limit the eradication of poverty in developing countries. Since its release many scholars have debated and argued the document, poverty reduction, the measurements/indicators of poverty reduction and steps needed for sustainability. Within each of these categories specific attention has been highlighted on the impact of policy implementation (Cimadamore 2016). Though much work has been done within what is needed for economic development, not much has been done on work that is external of the widely accepted economic mode. Most economies are analysed through the lens of globalisation and capitalism, which may prove a challenge for poverty reduction within citizens on the ground.

Economists such as Collier and Dollar (2004) argue that policy processes in Africa can have a direct impact on poverty levels regardless of any projects that promote development. Stiglitz (2006) posits that there is a need for a policy reform in developing countries in order for growth to be substantial. This notion is supported by Easterly and Levine (1997) Many Scholars who look at the issue of poverty alleviation (World Development Reports 2003, ILO 2005, Sachs 2005) support the different forms of development that use bottom up approaches to alleviating poverty.

Chang (2002) makes a case against Neoliberalism as it reduces the role of the state making it very difficult for state intervention. Chang (2002) discusses the neoliberal paradigm that limits the role of the state; this is supported by Stiglitz (2006) who challenges 'free market' economists who believe that a growth in the economy translates to poverty reduction and supports debt cancellations, the work of NGOs, labour unions and national and international controls on multinational corporations (MNC) in areas such as taxes, trade practices and protection of locally based firms and industries.

According to the World Bank (2016), the MDGs reached their target of cutting the 1990 poverty rate in half by 2015 in 2010. Despite the target reached, the world still has high numbers of people living in extreme poverty and with global growth forecasts, the target to end extreme poverty by 2030 might not be reached. Sub-Saharan Africa accounts for half of the extremely poor living in rural areas. This makes it difficult for strategies to reach those in rural areas and often experience lack of education, healthcare, safe water and electricity. The World Bank (2016) continues to highlight the urgency of poverty reduction strategies that will make progress toward reaching the 2030 target. On considering poverty in Africa, StatsSA report that the total working-age population grew approximately by 8.5 million per year between 1980 and 2010. Looking at this, if countries within the sub-Saharan African region are to participate in poverty reduction policies, then a clearer conceptualising of the informal sector and its impact on the economy is needed.

## 3.5 CONCLUSION

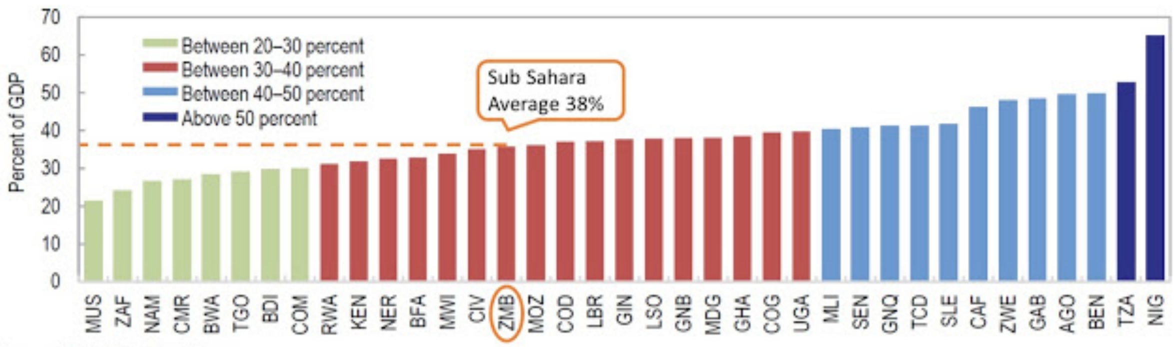
The literature explored in this chapter assists in understanding the work that has been developed historically and contemporarily particularly in framing the gender aspect of informality. It adds to the international development discourse that exists within the study of IR. Even with the formal statistics on the informal sector in sub-Saharan Africa, Blaauw (2017) posits that there is still much to be researched and new knowledge is ongoing that should be able to assist with the development of policy recommendations. This research report aims to add to the body of knowledge of ongoing analysis on existing data and policy that addresses poverty reduction. This report seeks to understand the local context may assists in influencing economic and development policies aimed at poverty reduction in benefitting poor communities.

**CHAPTER 4**

## The Relationship between Informal Sector and Poverty Reduction: South Africa and Rwanda

### INTRODUCTION

According to the IMF (2017) the informal sector continues to be a major contributor to developing economies of the world. Sub-Saharan Africa's informal sector contributed 38 percent of GDP between 2010-14, 40 percent in Latin America and the Caribbean and South Asia coming to 34 percent while Europe at 23 percent. The ranges move from low of 20 to 25 percent of GDP in Mauritius, South Africa and Namibia and 30 – 40 percent in Rwanda, Kenya and Zimbabwe to a high of 50 to 65 percent in Benin, Tanzania and Nigeria.



Source: IMF staff calculations.
Note: Excludes Cabo Verde, Eritrea, Ethiopia, The Gambia, São Tomé and Príncipe, Seychelles, and South Sudan due to lack of an informality

The informal sector is not unique to South Africa but is a common feature in most developing countries in Latin America, Africa and Asia. The developed economy is not totally free from the sector but is not as prevalent as within developing economies (Gerxhani 2004). In 1996, Zambia reported that the informal began to rapidly grow overtaking the formal sector to a point where the formal sector sold their goods to busy informal traders. (Mupedziswa and Gumbo 2002). Mupedziswa and Gumbo (2002) continue to assert that by 1991, Malawi's informal sector flourished after the announcement of a multi-party system brining much hope to the population. Devey, Skinner and Valodia (2005) posit that the formal economy has a big influence on the informal sector. It often diminishes opportunities for informal traders as most of their trading is determined by the behaviour of private companies, this will be discussed later in this chapter when I write about the influence of Multi-National Companies (MNC) on the informal sector.

This chapter aims to show the relationship between government and the informal sector during poverty reduction policy processes in South Africa and Rwanda. It will also look at the ways gender is engaged within policy formation. Rwanda will be used as a comparative analysis to South Africa which will aid the final discussion and recommendation. Although an extensive policy analysis will take place on South Africa's informal economy, this research report will look at a minimal case of Rwanda's anti-poverty policies that are focused on the informal sector. This is to assess whether South Africa can adopt policies applied in Rwanda in order to aid poverty reduction through the informal sector.

## SECTION ONE

## SOUTH AFRICA

### 4.1 OVERVIEW OF INFORMALITY IN SOUTH AFRICA

In South Africa, the informal economy is a basis for income generation for the unskilled, unemployed and those who live in poverty (Tshofuti 2015). According to StatsSA (2017) more than half of South Africans lived in poverty in 2015 attributed to unemployment level and low and weak economic growth, high consumer process and policy uncertainty. This sector has substantially grown since the mid-1990s. Between 1997 and 2005, about 1.1 million jobs were created in the informal sector. Altman (2008) posits that growth dynamics within the informal sector are often not understood and proper steps of support do not get taken as a result.

The Quarterly Labour Force Survey (QLFS) results for the second quarter of 2015 reveal that 25 per cent of the labour force in South Africa is unemployed (StatsSA 2015). In comparison to other countries on the continent these figures are low (Blaauw 2017). The low figures may be due to the fact that the informal sector is under-researched and there is not much data collected (especially local data) on it and hence the size can be underestimated (Ligthelm 2004).

In viewing the informal sector in South Africa through the African feminist lens, it is important to note that a large constituent of the informal sector in South Africa is made up of women. Women at any given time have always had higher unemployment rates than men since apartheid, more than twenty years later and this still remains the case (Blaauw 2017). The unemployment rate for women moved from 23 percent in 1995 to 28 percent in 2014 while for men from 14 percent in 1995 to 24 percent in 2014 (Orr and Meelis 2014). Orr and Meelis (204) quote Maketla (2004) in noting that "racial differences were larger than gender inequalities within racial groups" which asserts that taking race into account aids in understanding the "position of women in the economy". These racial differences are fundamental aspect of class differences due to the relationship that class has with race historically. Even though South Africa boasts progressive gender parity policies there are still far higher numbers of Black women in the informal sector and living in poverty (Orr and Meelis 2014).

While privatisation, economic inequality and poverty reflect racial inequalities in South Africa, they are deeply entrenched within them gender inequalities. There is a gender dimension to poverty in South Africa that speaks to the status of women in the country. Moletsane (2010) and Chant (2008) argue that "the 'feminisation' of poverty is significant because poverty is experienced differently by women than by men. The problem is therefore not only statistical but rather that poverty tends to be more severe, and poses a greater challenge for women". I would argue that women in Africa experience poverty differently than women in the developed countries. Therefore, African Feminism becomes important for the analysis of the gender dynamic within the informal sector. It is important to interrogate particularly for the study of international relations and how it engages with the question of women.

Although unemployment is the driving force towards informality, many households have had to supplement income from formal employment with informal income (Becker 2004). This is important information, as it shows that there are many people who are employed in the formal sector but affected by poverty in spite of this. In counting those who are affected by poverty, it is important to ask whether those in the formal sector are included and what kind of measures are in place to account for this? According to StatsSA (2017) "the figures are calculated using the upper-bound poverty line (UBPL) of R992 per person per month in 2015. This translates into over 30.4 million South Africans living in poverty in 2015" out of an estimated population of 55.4 million (1). I am aware that some activities within the informal sector can be argued to be illegal, but much of the informal sector is made up of activities that involve citizens who are surviving the high rates of poverty in the country (Tshofuti 2016). With the possibilities that the informal sector presents, it could be used to harness income that is required for human development.

The informal sector is an important element in growing economic participation. However, Blaauw (2017) argues that minimum attention is given to the South African informal sector's role in developing growth and creating employment. Valodia and Devey (2010) cite the former South African President Thabo Mbeki in an address to the National Council of Provinces he made in 2003 that: "the second economy (or marginalised economy) is characterised by underdevelopment, contributes little to GDP, contains a big percentage of our population, incorporates the poorest of our rural and urban poor, is structurally disconnected from both the first and he global economy and is incapable of self-generated growth and development" (Valodia and Devey 2010, 134).

The 3rd quarter 2016 Quarterly Labour Force Survey (2016) statistics reports that there are 2 641 000 South Africans who work in the informal sector. In June 2017, the Daily Maverick ran an article titled *SA unemployment rate rises to a 14-year high*, detailing result from the Quarterly Labour Force Survey (QLFS) detailing results of the unemployed in South Africa; this report, over and above the expanded unemployment rate, included those who wanted to work but did not look for work. In the first quarter of 2017, there was 9.3 million who were not looking for work but wanted to be employed. The article further writes that "of the 433 000 of people who joined the ranks of the unemployed in the first quarter of 2017, approximately 58% were young people between the ages of 15 and 34 years…This number is even higher when the number of discouraged work seekers is taken into account "(6). They note that jobs in the informal sector went down by 14 000 to 2.7 million (Daily Maverick 2017).

## 4.2 POVERTY REDUCTION POLICIES

### 4.2.1 South Africa's Policy Structure

After the dawn of democracy, post-apartheid South Africa had to enact many changes within its economic, social and political spheres. A new government was voted in and tasked to reform and create institutions that would effectively manage the public sector alongside the private sector. According to Skinner (2005), policies of the apartheid era were central in how the informal sector was formed and distorted. There were restrictions that limited Black South Africans to participate within the formal sector. This meant that there was a limitation on the kind of goods that could be traded. After the kinds of policies the apartheid regime enacted, policies in post-1994 South Africa prioritised poverty reduction and education reform strategies; that sought to address the social and structural inequalities that were the direct result of the past. The Constitution of the Republic of South Africa became central to the reforms that the post-apartheid government would enact in the country.

The Constitution (justice.gov 2017) acts as the supreme law of the land. It outlines responsibilities of the National Cabinet and contains the Bill of Rights which protects specific rights towards bettering the human development of the marginalised. Beyond this, it protects the rights of all South Africans which assert human dignity, equality and freedom. The Constitution as it states that "government must take reasonable legislative and other measures, within its available resources, to achieve the progressive realisation of each of these rights" (justice.gov 2017). The Democracy of South Africa has anchored poverty alleviation as a core focus of its development policy and thus it makes poverty alleviation a constitutional matter.

With the growing informal sector in South Africa, the government could not ignore it any further and the engagement with the sector became visible at national, provincial and municipal government levels. According to the Gauteng Province Budget Report of 2014/5, the Gauteng Premier of 2014, David Makhura, during his State of the Provincial Address, highlighted that "the Gauteng provincial Government (GPG) is determined to revitalise and mainstream the township economy by supporting the development of township enterprises, cooperatives and small, medium and micro enterprise sector (SMMEs) that produce goods and services that meet the needs of township residents" (gauteng.gov 2014).

Government plays a major role in how the informal sector is shaped within its environment and any policy decisions taken will likely to impact informal traders (Rogan and Skinner 2017). The following section will discuss policies formulated at national level and analyse how the guiding framework for other tiers of government was implemented at provincial and local level. The discussion will focus mostly at experiences that occurred on local level.

### 4.2.2 National and Provincial Government

This level is responsible for making laws and policies aimed towards the alleviation of poverty. To meet its obligations, the national government makes use of different institutions and departments. These national departments' have a direct impact on local government level and service delivery. It is not only limited to these institutions and departments but makes use of public entities and non-governmental organisations (NGOs) (justice.gov).

The provincial government can implement provincial laws which are not contrary to the national law. In implementation of services and poverty alleviation policies, the provincial government and set laws and budget at a provincial level. These are to comply with national policy. The provincial has a great influence in how things are run in local government thus provincial government along with local leaders are charged with making sure government functions (justice.gov).

Skinner (2005, 2016) constantly makes an argument that the South African state fails to recognise the informal sector in its policy planning. The following discussion will help in explaining how then, national policies that are meant to be subscribed by other levels of government engage with the informal sector.

## 4.3 NATIONAL POLICIES

### 4.3.1 Second Economy Strategy Project

In August 2003, President of South Africa then, Thabo Mbeki, addressed the National Council of provinces and stated, "the second economy (or marginalised economy) is characterised by underdevelopment, contributes little to GDP, contains a big percentage of our population, incorporated the poorest of our rural and urban poor, is structurally disconnected from both the first and global economy and is incapable of self-generated growth and development" (mail and guardian 2003, 4). In 2007, Accelerated Shared Growth Initiative of South Africa (ASgiSA) saw a need to focus on 'the second economy' and come up with different strategies that will ensure that the margins of the economy share the economic growth of South Africa. This is how the Second Economy Strategy Project came about. It reported to the AsgiSA High

Level Task Team in the Presidency and was located external of government within Trade and Industrial Policy Strategies (TIPS).

A review of the progress of the government programmes targeting the second economy came to completion in 2008. This then led to the project commissioning research which engaged policy makers and practitioners internal and external of government. In January 2009, cabinet approved a strategic framework and strategies which arose from the project process (Tregenna and Tsela 2008). Some of the research findings were that South Africa needed 'economic policies' that would target employment creation at an extensive level showing that the economy has struggled to absorb labour categories (Tregenna and Tsela 2008). If the marginalised were to participate successfully within the economy, then aggressive industrial policies and supportive environments would need to be established by the state (Tregenna and Tsela 2008).

The strategy mentions marginalised people who according to TIPS (2009, 1) are individuals who are able to earn a living despite being unemployed and those who are unable to exit poverty. These constitute "discouraged work seekers, the working poor, many in the informal sector". The strategy estimates that these constitute 11.6 million, "almost all of whom are black; with women and youth most affected…" ; the strategy highlights that is it's the youth, women and rural dwellers that are most affected by unemployment while attributing this reality to education and lack of access to employment networks

Philip (2009) critiques the strategy and argues that without state support, informal traders cannot operate optimally. She calls for the state to assist in practical solutions that will assist the informal traders even when the market fails to do so, as this builds economic agency for the them (Philip 2009). This particularly speaks to women who are in the informal sector. Although the strategy mentions women, it does not highlight the structural factors that have caused women to be the highest population who are unemployed and thus Philip's (2009) argument that strategies that deliberately improve the lives of the marginalised and afford them their agency holds in the ways the following policies should address how they aim to reduce poverty practically and what that looks like for traders in the informal sector, particularly the most vulnerable.

### 4.3.2 National Growth Plan

Since the Second Economy Strategy project was an initiative of the Mbeki's tenure, it did not garner much interest beyond 2009 after Mbeki was recalled as South Africa's president in 2008. The South African Government, under President Jacob Zuma, in 2010, introduced different policy strategies that have become the core of the industrial policies of the country. The initial plan of the time was the 2010/11 – 202/13 Industrial Policy Plan (IPAP2) which was launched in February 2010 by the Department of Trade and Industry (DTI) which was a modification of the previous IPAP strategy in 2007. The second version focused on strategic efforts to 'diversify, intensify and enhance the domestic and international competitiveness of the country's industrial sector' (Zarenda 2013).

The National Growth Plan (NGP) a document released later in December 2010, by the then Economic Development Minister, Ebrahim Patel, and prioritised job creation as an urgent strategy in the country with the aims of reducing unemployment by 10 percent in 2020. The NGP prioritised infrastructure development, mining, manufacturing, agriculture, the 'green' economy and tourism (Zarenda 2013). According to Valodia (2013, 105) "the informal sector does not feature much in the employment plans of the NGP". Due to the unemployment challenges faced by South Africa, Zarenda (2013) argues that the NPC could apply itself more systematically to the informal sector.

In May 2010, President Jacob Zuma appointed the National Planning Commission (NPC) under the leadership of the Minister in the Presidency for National Planning, Trevor Manuel to put together a vision and national development plan to be considered by Cabinet and the country (Valodia 2013). The NPC of South Africa has highlighted that the two most pressing issues in South Africa are unemployment and poor quality of education (Gamielden and Niekers 2017). The National Development Plan (NDP) builds on the NGC and IPAP2. Below I will briefly outline the NDP.

### 4.3.4 National Development Plan (NDP)

In aligning with the Millennium Development Goals (MDGs) and later the Sustainable Development Goals (SDGs), South Africa adopted the National Development Plan (NDP) in

September 2012 (South African Government 2013). With the formation of the National Development Plan (NDP), the state aims to show commitment in poverty reduction leading to sustainable human development and to eliminate inequality and poverty by 2030. According to the NDP (2012), this can be met through gearing energies of the communities, inclusive economic growth and partnership within society and citizens who are aligned with the government strategies and are actively involved in their development where it's not solely the duty of the state.

The NDP looks at creating 11 million jobs by 2030, 90% of those created in SMMEs and between 1 171 000 and 2 090 000 created in the informal sector (NDP 2012). Although this is great on paper, there is no detailed outline on how the existing informal sector will receive support and how current challenges will be tackled in order to achieve 2 million jobs in the informal sector.

The NDP has faced much contention (Daily Maverick 2013), but this has not stopped the South African government from its implementation, as the first phase took place in 2013 which was then followed by the 2014-2019 planning cycle, which is set to assist with the goals of the plan. The South African government took this plan seriously as evident in the 2013 Minister of Finance Budget Speech where the plan was referred to as a 'new strategic framework at the core of South Africa's future 'leap forward' (South Africa Treasury 2013). Valodia (2013) argues that the NDP does not see the informal sector changing structurally and that it will continue following its trajectory. He writes that the NDP should engage with the structural changes related to the informal sector for the NDP to become relevant to the informal sector.

The NDP recognises that women make up a large percentage of the poor and proposes to advance women's equality (National Planning Commission 2012), however it has been highly criticised for being gender blind and not practical. It has received critique from the fourth Agenda Feminist Dialogue (2013) that gathered on 12 April 2013 in Durban, South Africa. The meeting above all else was to deliberate on new laws and policies and the impact they would have on women. Another topic at the discussion was to create awareness amongst urban planners to create safer city and community spaces for women due to the high levels of gendered violence and sexual harassment of women informal traders.

Agenda (2013) cites Professor Amanda Gouws, former Commissioner for Gender Equality (CGE) in South Africa, in her critique of the NDP for being gender blind in neglecting the practical needs of women which should impact the overall well-being of women including resource distribution and economic growth. Another critique is that page 43 of the NDP does not consider women as diverse but rather homogenises the experiences of all women. Gouws is cited in saying that the government “has missed a perfect opportunity to make a firm commitment to gender equality, which is a great disappointment given the 54 % of the South African population comprises women who are far more vulnerable to poverty, social exclusion and inequality” (10). The critique continues that the NDP is a neoliberal document which only worries about material, economic growth and does not consider the plight of women.

The NDP entered its fifth year in 2017 and continues to be hailed by the government of South Africa as the former Deputy Minister Buti Manamela praised it at its fifth anniversary celebration (Daily Maverick 2017).

Ponte and Enriquez (2016) argument that statistics often show women’s addition into economic life increases gender-based discrimination ad segregation in labour markets is supported by the neoliberal stance that the NDP takes that when women’s labour participation is increased, gender inequality and poverty is alleviated. The NDP therefore believes that economic growth translates into decent job creation and sustainable wellbeing, it misses the ways in which it can incorporate the informal sector in its policy decisions in order to see growth (Ponte and Enriquez 2016).

### 4.3.5 National Informal Business Upliftment Strategy (NIBUS)

The National Informal Business Upliftment Strategy (NIBUS) of 2014 is South Africa’s first national government policy statement on the informal sector post-apartheid. This is developed by the DTI and different stakeholders to be implemented by the new small business ministry. According to the DTI’s project manager of NIBUS, Stephen Umlaw, the strategy is not so much about formalisation but rather the implementation of interventions that look at infrastructure and skills development (DTI 2014). NIBUS is a strategy that is based on three pillars: skills development amongst South Africans, exploring partnerships between locals and foreign traders, and reviewing South Africa’s policies and regulations. Fredicks (2014) writes that ‘more than two million South African informal businesses” are expected to benefit from the initiative. This strategy recommends that government and local stake holders enable local traders to compete equally through skills development, bulk and collective buying, infrastructure support, technology and many more (DTI 2014). Umlaw stressed that businesses will not be required to register for tax and business licences and they understand that not all businesses generate profit. As the businesses grow, then they could consider registering and complying with state regulation (DTI 2014).

Rogan and Skinner (2017) offer critique of this policy as, although set out for the informal sector, it focuses explicitly on 'entrepreneurial activities in the formal economy', stressing the importance of 'graduating' to the formal economy. This approach disadvantages those who are not doing as well as others. Those who do not graduate will not receive the economic standing that those who have graduated will receive. They continue to offer critique that thus initiative looks at formalising the informal sector rather than allowing the sector to operate in its own right (Rogan and Skinner 2017).

## 4.4 LOCAL GOVERNMENT

The Constitution sets the local government at the forefront of national intervention to fix historical socioeconomic wrongs of apartheid. This is the government that is closest to the people and their poverty experiences. Its fundamental role is to fight poverty and under development. Local government must ensure that service deliver and poverty eradication for local communities. It has agency in its authority and municipalities receive their fiscal allocations from treasury. Local government should set service delivery, programme planning and implementation. As aligned by national government. "Indigent Policy" is a government policy that is targeting poverty at household and citizen level locally, those who have no access to pay for basic services (justice.gov).

### 4.4.1 Policy Implementation at Local Level

Local Economic Development (LED) in South Africa is mandated by the constitution for local governments to align with national development strategies. According to Lawson (2012), South Africa has lacked in LED processes as there have been no tangible outcomes realised. Moyo (2007) assigns the failure to a lack of understanding of the concept at local level to implement national policies. That many municipalities focus their time in growing local markets and neglect the informal sector.

The informal sector in South Africa is largely made up of street vendors who provide goods which vary from basic needs to luxury items. Although many street vendors are thrusted into the informal sector due to desperation, according to Gamielden and Niekerk's (2017) study, many realise the role it plays in their provision such as food, shelter and education. The informal vendors in Johannesburg provide a variety of food commodities such as drinks, fruits, vegetables and meat. The sector is also made up of cross boarder traders who mostly women and provide goods such as clothing, artwork and crafts. Street vendors generate R23 billion on an annual basis. Street vendors have a visible presence in South African cities, especially taxi ranks, railways stations and sports stadiums (Gamieldien and Niekerk 2017).

The local government can create by-laws that regulate street vendors (Local Government Municipal Act 2000). The act states that the municipality can create areas where street vendors can trade, and they should apply for lease agreements, without stating how long these would be granted. The authorities can prohibit any place and remove any street vendor if applicable.

The African Cooperative for Hawkers and Informal Business (ACHIB) state that many street vendors have been removed from their places of businesses by the Metropolitan Authority. They may not trade until they have received their permits and there is no indication how long the permits may take. The list of prohibitions and restrictions are not clear and long and make it difficult for traders to comply with (Meyer 2015).

With regards to NIBUS, there has been much criticism to the strategy but according to the Minister of Small Business development, Lindiwe Zulu, the initiative is the best thing to happen to South African informal workers (The Cape Times 10 February 2016). The Cape Times (10 February 2016) reported that a total of R50 million was allocated to informal traders who graduated in wholesale and retail for infrastructure development training sponsored by the government with the minister travelling across the country as many informal workers were presented with certificates graduating from the skills programme that comes with the national strategy.

## 4.4.2 LOCAL ECONOMIC DEVELOPMENT IN JOHANNEBURG

The Daily Maverick (2017) quotes the general secretary of the South African Informal Traders Forum (SAITF) saying that street vendors "are getting used to the arrogance of political office bearers and their breath-taking ignorance of the laws that govern their actions". In Johannesburg, police officials harass street vendors infringing on their rights on a daily basis often soliciting bribes from the vendors. If the traders do not comply, stock gets confiscated and not returned.

An example is where local authorities were involved in the high-profile case "operation clean sweep". Crush (2017, 43) argues that in Johannesburg "there are contradictions between policy statements affirming the positive contribution of the informal economy and the actual implementation of policy". He cites the Johannesburg street trading policy that states, "informal trading is a positive development in the micro business sector as it contributes to the creation of jobs and alleviation of poverty and has the potential to expand further the City's economic lease" (Crush 2017, 44). In contrast to Johannesburg policy on street vendors, in October/November 2013, the Johannesburg City Council removed and displaced up to 6000 of inner city street vendors most of them who were women and migrants.

After the removals, a group of traders took the City to court where the law played a major role in defending the rights of the informal traders. The Daily Maverick (4 April 2017) reports that Operation clean sweep left their 30 000 dependants without income for three months. In April 2014, Constitutional Court Case favoured informal traders. Acting Chief Justice Moseneke said to the city "This was an act of humiliation and degradation" ad "this attitude of the City may well be border on the cynical" (Crush 2017). Street vendors returned to the streets and their futures still remained vulnerable. National policies are put into place for the support of their rights but at local level there is no correlation.

Nicolson and Lekgowa (2013) of Daily Maverick report that women faced severe violence at the hands of the officials during operation clean sweep. It details accounts of street vendors who witnessed Johannesburg Metro Police Department (JMPD) officials assault female traders by kicking them with booted feet while others were being hit, slapped and sworn at. This aligns with Gouws' argument at Agenda's (2013) Fourth Feminist Dialogue that women are most vulnerable when trading as they experience gendered violence and sexual harassment often from colleagues and police officials. If the police who are meant to keep citizens safe are violating the constitutional rights of women to exist and conduct business freely, it makes it difficult for the city to align with national policy that acknowledges (although with limitations as discussed), that women need to participate within the economy equally.

The Star (2013) reported the incident highlighting that there was no objection from urban planners and the public giving no action of solidarity from different parts of civil society organisations. Skinner and Haysom (2016) write that the city's attitude towards the informal traders makes it difficult for the city in their planning to include their sector in policy. This makes it difficult for local structures to align with national poverty eradication strategies when dealing with the informal sector. The city needs to work with the informal sector in order to bring about progress but as long as the attitudes remain negative, then there is no synergy between what the constitution of South Africa hopes to achieve and what is happening on the ground. Ferguson (1990) offers a critique on development methods that do not include locals in their methods to bring about growth. That as long as these methods are top down, they will be underpinned by red tape that opens up to corruption that favours only a select elite of the population.

## 4.5 CHALLENGES AT LOCAL LEVEL

### 4.5.1 International Migration

Rogan and Skinner (2017) have offered critique on national policies that are geared towards the informal sector. In South Africa, informal working citizens compete with foreign nationals who are mostly men; many women then work for them and mean less income. They argue that the "anti-foreign sentiment, which was also reflected in the draft Business Licensing Bill, reinforces a general punitive approach to the informal sector that focuses on regulation and control" (Rogan and Skinner 2017).

There are many instances where state officials and documents made references to these anti-foreign sentiments, Skinner and Haysom (2016) cite the City Press (10 October 2013) writing about the 2013 Deputy Trade and Industry Minister Elizabeth Thabethe when she said "the scourge of South Africans in townships selling and renting their businesses to foreigners unfortunately does not assist us as government in our efforts to support and grow these informal businesses… You still find many spaza shops with African names, but when you go in to buy you find your Mohammeds and most of them are not even registered".

Crush (2017) argues that these anti-foreign sentiments echoed by local authorities have an impact in xenophobic sentiments between informal traders. In 2015, there were xenophobic attacks that targeted immigrants working informally. The November 2015 report of the parliamentary committee which investigated these attacks recommended that the township informal sector be highly regulated. The report states that municipal governments must find ways to improve systems for issuing and monitoring business permits, mentioning a leniency in issuing more licenses than necessary to businesses which operate from houses (Rogan and Skinner 2017).

### 4.5.2 Economic Liberalisation

In this section I discuss the challenges that neoliberalism poses to the informal sector. I draw from the NDP's idea of poverty eradication, in that to achieve development, then only the economic factors would need to be considers (National Planning Commission). The NDP is a neoliberal economic framework that views development through a lens that economic growth is the only factor that determines poverty eradication. This perception only leads to worse off situation for society particularly women. Economic liberalisation has been argued to be one of the major causes of poverty given that it does not produce adequate levels of work, deliver essential quality social services or decrease inequality. Neoliberal development plans in South Africa in the guise of creating employment have further disadvantaged the informal sector (Rogan and Skinner 2017).

### 4.5.3 Multinational Corporations (MNC): The proliferation of shopping centres in townships

Debates around the role of multinational corporations in developing countries have been ongoing. According to Fifka and Frangen- Zeitinger (2014) MNC's are critiqued for causing economic, social and political ills in the developing host countries. MNCs are one of the ways in which foreign investment takes place and this has caused debates as many scholars (Fifka and Frangen- Zeitinger 2015) believe that they disadvantage developing countries while some scholars believe there are advantages to hosting MNCs. Examples of MNCs are brands such as Nike, Coca Cola, Walmart and MacDonalds. Often these MNCs are part of major retail developments that take place within their host countries. It's also important to note that some anchor shops are South African such as Pick n Pay and Checkers which are MNC's in the rest of Africa.

In post-apartheid South Africa, Market development has brought about change in the way retail has been structured geographically with townships and informal settlements experiencing a proliferation of shopping centres and this is "often at the expense of the local informal sector, with the presence of the banking sector for transactions purposes rather than for expanding access to funding for the local businesses" (Mahajan 2014, 2). Mahajan (2014) argues that the banking sectors within these shopping centres are usually set up to benefit the formal sector and not the informal sector as the latter cannot access funding or credit to assist them in the growth and running of their business. South African townships accounted for 60 percent of the unemployed.

According to the South African Cities Network (2010) by 2009, over 160 retail centres had been developed in second economy areas. This growth has continued over the years. Most of the leading tenants within these shopping centres are grocery chains which offer stock that is similar or the same to those offered by informal traders. Ligthelm (2008) argues that democracy has given rise to a middle class in townships that has increased in consumer spending. He argues that formal retail establishments have thus created a market in small towns, townships and rural areas by taking advantage of this class reform within areas that previously had no economic muscle (Lingthelm 2008).

In South Africa, before 1994 the retail landscape in township areas was dominated by mainly informal traders who offered basic services to a low-income consumer (Oosthuizen et al. 2016, McGaffin 2010). Due to the increase of the middle-class in these townships, holding some buying power, there has since been an influx of shopping centres within the townships (McGaffin 2010). A similar pattern is seen in Zambia with malls fighting for territory with informal traders (Miller, Nel and Hampwaye 2008).

Mc|Gaffin (2010) writes how the proliferation of these retail shopping centres have been met with mixed reactions; with some feeling that local informal traders would suffer while others believe that the centres allow for consumers to have a wider variety of goods to choose from, at lower prices (McGaffin). The retail business is a very competitive sector and often this can present as competition for the informal sector. Mathenjwa (2007, 11) writes “the retail business environment is becoming increasingly hostile and unforgiving, with intense competition from domestic and foreign competitions”.This might present as unfair to the informal sector as there are different scales to consider when looking at the two sectors (Lingthelm 2008).

McGaffin (2010) looked at different shopping centres such as Liberty Promenade, Khayelitsha, Jabulani Mall, Soweto, Central City, Mabopane; community centres, Thula Plaza, Buckbuckridge, Soshanguve Plaza, Soshanguve, Nkowa Nkowa, Tzaneen and Umlazi Megacity, Umlazi In the Jabulani Mall results,  McGaffin (2010) notes that, although there are street vendors situated within 2km radius of the shopping centres, most of the consumers (60.5 percent) to the study’s survey conducted their shopping outside their local area which declined to 35.5 percent after the development of the centre. Overall, the centre’s development saw a decline in support for local street vendors with average percentage conducted at informal traders drop from 25 percent to 14 percent.

McGaffin further conducted surveys with local informal traders situated between 1km and 5km from the mall. Most of the informal traders were women who were primary breadwinners and households depended on their income for basic provision. The major source of income for these women informal traders include selling vegetables, fruits, groceries cigarettes and food. Amongst the informal traders, 82 percent traded close to the mall before its development while 87 percent of those between 2km and 5km radius operated before the mall opened. Informal traders believed that the mall did increase the level of competition while those 2km away experienced a decline in pedestrian volumes. 58 percent of those 2km from the mall indicated that they experienced a decline in business since the development of the mall.

The President of the African Council of Hawkers and Informal Businesses, Lawrence Mavundla criticised the government for allowing the influx of large retail shops into townships and rural areas. He mentioned that this makes it difficult to compete with as informal traders (Benit-Gbaffou 2014). Often these shops are multinational companies. Although there might be benefits such as lower prices for consumers, this comes at the cost of small businesses as they have no capacity to go against the prices and wide selection of goods offered by major retail stores. Madlala (2015) therefore recommends the private sector should partner with the informal sector in order to minimise the loss that informal traders experience. Madlala (2015) further posits that stringent regulations that are in favour of the informal sector, on MNC’s in retail malls should be applied in order to minimise the threat to livelihood that these MNCs present to informal traders.

**SECTION TWO**

**RWANDA**

## 4.6 OVERVIEW OF THE INFORMAL SECTOR IN RWANDA

The end of the genocide in 1994 saw Rwanda in a very challenging position economically and institutionally (Newbury and Baldwin 2000). By the year 2000, 40 percent of the population in Rwanda lived in extreme poverty (MINECOFIN 2010-2011). Rwanda's measure of poverty is not the conventional international standard of less than $1.25 a day. Rwanda uses a contextual absolute poverty line based on the caloric intake of food. An adult in Rwanda should consume 2500 calories per day. The costs of the caloric intake get converted to monetary terms and this becomes the Rwandan extreme poverty line. If an adult cannot afford the caloric intake, they are considered extremely poor. This amounted to Rwf83 000 per adult per year based on 2011 food prices (National Institute of Statistics of Rwanda).

According to National Institute of Statistics of Rwanda (NISR) (2017) poverty affects more women than it does men; with 47 percent women headed households are poor as compared to 44.9 percent of all households. The New Times (20 April 2017) reports that one of the major contributing factors to poverty levels is "lack of formal employment" (1). In the quest for combating inequality and reducing poverty, the government of Rwanda has committed to inclusive growth strategies. Vision 2020 Umerenge is an anti-poverty social protection programme that is aligned with the country's Economic Development and Poverty Reduction Strategy (EDPRS2) (2013 – 2018) which was aligned with MDGs and now with SDGs (MINECOFIN 2018).

With the aims to reduce unemployment, the United Nations Economic Commission for Africa (UNECA) reported that in 2012 the informal sector in Rwanda, outside agriculture, accounted for 73.4 percent of jobs with 80 percent of those occupied by women mostly made up of street vendors, domestic workers, workers in tea plantations and mines. This makes this sector an important contributor to GDP in the country. According to the EDPRS2 (2013), workers in the formal sector make up 4 percent of the population, who are most likely to live in urban areas and have education. With these figures, in combating high poverty and unemployment rates, the Rwandan government has prioritised inclusive policies and initiatives.

The strategic framework in the EDPRS 2 (2013) states that the primary focus for Rwanda is to find employment opportunities for the 77% population in the informal sector. This will be done through formalising jobs so the country can realise middle-income status by 2020. While trying to formalising the jobs, the government of Rwanda explains the importance of supporting the informal sector through various initiatives (EDPRS2 2013). It (government) recognises that the informal sector is a major contributor to the economy and employment and focuses its strategy on creating projects that will support those in the informal sector in order for them to generate more profit, increase in size, as they get ready to transition into the formal sector.

Rwanda's economic performance has since increased steadily top of Africa's growth trajectories. The rise has been steady, growing by approximately 8 percent annually between 2000 and 2013 showing one of the highest growth rates in East Africa.

## 4.7 POVERTY REDUCTION POLICIES

In the aftermath of genocide, in 1994, the RPF-led government confronted major socio-economic development and infrastructure challenges (Newbury and Baldwin 2000). The government had to find ways to take care of the needs of the vulnerable (women, children, disabled, orphans), gathering displaced population and facilitate a national reconciliation process. The new government, not having any administrative experience, received help from the international community to assist with the reconstruction and development process (Hayman 2009).

The national development Vision 2020 of 2000 was put into place to assist Rwanda to realise its economic growth plans (Makuza 2003). Hayman (2006) notes the that the strategy came under scrutiny due to the absence of poverty as it seemed that the government's main focus was on economic growth rather than specifically focusing on poverty reduction. The assumption was that economic growth would automatically lead to poverty reduction (Hayman

2006). Lambert (2014) asserts that Rwanda had adopted “market orientated” policies that promoted neoliberal ideals.

Rwanda’s Vision 2020 aligned with the country’s first adoption of the Poverty Reduction Strategy Paper (2002 -2006) (PRSP) initiated by the World Bank and IMF to assist Highly Indebted Poor Countries (HIPC) with developmental aid (Bartlett 2011). The PRSP (2002 - 2006) was Rwanda’s first initiative in eradicating poverty in Rwanda. Hayman (2006) notes that the PRSP strength lied in its bottom up approach as it was inclusive of the community in its formulation of poverty reduction goals (Hayman 2006).

The PRSP became important in Rwanda’s debt relief as donors welcomed this strategy and Rwanda committing “to improving administrative and political governance records” while donors provided transparent, flexible and long-term aid. Hayman (2006) notes that receiving aid can often mean that donors would interfere in the country’s policy process. The World Bank and IMF (2002) supported the PRSP declaring that it “reaffirmed the commitment of the Government to sustainable poverty reduction…provided a comprehensive poverty diagnosis and spelled out the government’s strategy and priority actions to reduce poverty in Rwanda” (1). Under the PRSP, poverty reduced from 58.9 percent to 56.7 percent, with extreme poverty falling from 40 percent to 35.8 percent between 2001 – 2005.

This was followed by the Economic Development and Poverty Reduction Strategy EDPRS 1 (2008-2012) with priority given to job creation and economic growth acceleration. The EDPRS 1 was hailed as the strategy that aligned Rwanda to achieve the MDGs. Under the EDPRS 1, poverty went down from 56.7 percent to 44.9 percent with more than 1 million Rwandan population lifted out of poverty in less than five years (Rwanda Standard Board 2012). The Gini coefficient, measuring income inequality, dropped from 0.51 in 2000 to 0.49 in 2011 (EDPRS 2014).

The EDPRS 2 (2013 – 2018) came after the EDPRS 1 and was formed with the aim to implement Vision 2020, ensuring that the country achieves middle-class status by 2020, reducing poverty to below 30 percent. The EDPRS 2 recognises the informal sector as an integral part of the economy but the main aim is to formalise the sector (Rwandan Standard Board 2013).

According to EDPRS 2 (2013), those who live in extreme poverty live in larger households with wages from farm work; while the poorest households have no land, low levels of literacy and no access to services. The strategy aims to change attitudes about working for women and attitudes about gendered jobs as the 2010 National Gender Policy aimed to reduce the number of women involved in care work through skills enhancement and access to credit.

It realises that the Rwandan economy will flourish when both women and men participate fully and all marginalised groups are addressed. Women represent 52 percent of the population and even with the progress, they do not participate fully in socio-economic and political spheres of life. The EDPRS 2 (2013) focuses on strategies that address the needs of all groups, mainstreaming gender and family in planning, budgeting and in all development programmes at national and local levels. It acknowledges that a holistic and multi-sectoral approach is necessary in addressing issues of gender within economic participation.

According to the EDPRS 2 (2013), Rwanda was able to engender its PRSP because it took deliberate steps through involving many stake holders such as community organisations that were involved in work that dealt with gender inequality in the country. There were workshops conducted that helped deal with perceptions/mainstreaming of gender in society. This intervention was to integrate gender into the PRSP to achieve poverty reduction. According to an Oxfam report on gender and the PRSPs, the Rwandan PRSP was the only across the board that considered gender and took deliberate steps to address the gender aspect that many policies seem to miss or ignore (Zuckerman 2002).

## 4.8 POLICY IMPLEMENTATION - KIGALI

Although the EDPRS 2 recognises the informal sector, Vision 2020 does not prioritise informality but focuses on formalising the informal sector. This section looks at the ways the local government implements national policy. David et al. (2012) compiled a report exploring the Gasabo District (one of the wealthiest in the country), occupying northern half of Kigali City province, including the residence of the president in Kacyiru and most of the ministries along with Nyarutarama which is the wealthiest suburb in Kigali (capital of Rwanda).

According to the government, the influx of street vendors in the Gasabo District deteriorated the urban environment encouraging crime and vandalism (David et al. 2012). The local government had to find ways to work with the informal traders for solutions. The Promotion of Cooperatives 2006 and Rwanda Cooperative Agency were formed “to develop the cooperative sector to serve its members equitably, efficiently and empower them economically” (Rwanda Cooperative Agency).

This led to a partnership and collaboration between the informal sector and the local government. The district lobbied vendors, financial institutions and the government of Rwanda to work together in establishing the Cooperatives in Gisozi. This process reflected that stakeholder participation and bottom up approached lead to inclusivity and sustainability at local governance. The local government lobbied many groups such as youth, women, communities, districts and central governments to participate in the initiative.

To achieve success, in 2009, the Gasabo district identified 1653 street vendors, 243 coming from Gisozi. A campaign to mobilise and convince the vendors to participate in the process was rolled out. The local government facilitated relationships between the street vendors and the banks in order to secure first stage credit. Women who were not able to pay the initial $56 required were aided with the Duterimbere (let us develop) micro-finance, a non-profit credit organisation which provides loans to women (David et al 2013). In April 2010, a new site in Musezero cell of Gisozi was allocated for street vendors to operate from while awaiting a more permanent structure. The local government assisted with the second stage credit of assisting vendors who couldn’t afford the full rate of $1000 they needed to pay for leasing (David et al 2013).

A cooperative of 312 approached the Rwandan Development Bank with their dream of building a commercial complex. They secured $2 387 460 to complete a commercial complex. This complex has 500 shops. The New Times (6 February 2015) reported that Gasabo cooperatives built a complex which encouraged the Mayor to find more ways to assist the cooperatives with future funding. According to the Rwandan Focus (2015), this initiative transformed many lives of those who were vendors as they could afford paying school fees for their children buy houses, feed their families and contribute to the economy of Rwanda. David et al. (2013) sees the local government as an example of a participatory local governance. The Cooperative initiative in the Gasabo district has been hailed as innovative and successful garnering respect from all other informal enterprises in Rwanda to look to it as a model of transformation and development (David et al 2012).However, the East African (21 February 2014) reported that these cooperatives that built this commercial complex struggled to stay in business as they were struggling to attract traders to lease space from them. According to The Guardian (2014), the city of Rwanda had displaced informal traders in order to keep the streets of Kigali clean and to attract more commercial complexes.

## 4.9 RETAIL DEVELOPMENT - KIGALI

In 2016, a world class shopping mall, Kigali Heights, was opened in Kigali (KT Press 2017). Ntagungira (KT Press 2017) argued that there had been malls in Kigali that replaced markets such as Kigali City Towers he also quotes Rubangura and Centenary House. He asked the question "are there any takers for all this space, or are these just shiny buildings that are mostly empty?" arguing that Rwandans still needed to get used to malls.

KT Press (2017), reported that malls were empty in Kigali and the city of Kigali had directed all businesses to lease their residential neighbourhoods to operate from the commercial zones. Those who owned commercial buildings complained that the buildings were half empty as no one was leasing space. KT Press (2017) writes that business owners operated from residential neighbourhoods as rent was too expensive in these shopping malls. Business owners complained that these commercial spaces did not quote in local currency and only accepted US Dollars. One of the malls that also suffered loss to the business was one of the cooperatives that came out of the Gasabo cooperatives. The East African (2014) reported that the Gasabo cooperatives were failing as they had not done enough market research before building a shopping centre. Critics argue that construction in the city has not been to the benefit of the populations but rather to attract tourists going back to the notion that Rwanda implements neoliberal policies at the expense of freedom. It is not clear the extent that these shopping centres have on the informal sector as there is insufficient research on them.

## 4.10 CONCLUSION

This chapter looked at an in-depth analysis of two case studies, South Africa and Rwanda in locating the informal sector in processes of poverty reduction. It began by assessing the literature and studies that exist for both countries. Blaauw (2017) writes that the informal sector is a complex industry to study as obtaining accurate data often proves to be a challenge. Due to the informal sector's nature, often not regulated and protected by the government, any data set that does a study can only work with what is presented. Often many in the informal sector do not come forth. This could explain the low percentage of the informal sector in South Africa. What has piqued my interest in locating this debate is that even though South Africa's percentage remains low, the gini coefficient is amongst the highest in the world, reflecting an unequal society with more than half of the population living in poverty? This prompts an analysis on any policy that the country has set out for poverty reduction. I looked at the national policies and their inclusion of the informal sector in both countries. This policy analysis assisted in finding the relationship between local government and the informal sector. The informal sector is often made up of poor population. Any poverty reduction strategies should look into establishing a link with this sector. The policy analysis looked at how the informal sector is conceptualised and the engendering of the policies. It also looked at the local government and its role in implementing national policies by detailing events that have taken place in Johannesburg, a South African city and Kigali, a Rwandan city. In the next chapter I present my finding, recommendation and closing remarks.

## CHAPTER 5

# THE INFORMAL ECONOMY AS A CATALYST FOR POVERTY REDUCTION: FINDINGS, RECOMMENDATIONS AND CONCLUSION

## 5.1 INTRODUCTION

In this chapter, I seek to present, juxtapose and analyse the findings from the case studies of South Africa and Rwanda. Thus far in my above discussions I have sought to examine if there is, in general, any correlation between the informal sector and poverty reduction that is essential for human development. I did this through an in-depth analysis of poverty reduction policies and their inclusion/exclusion of the informal sector and if this has any bearing on poverty reduction strategy outcomes. This was further examined in both case studies. Furthermore, I explored the leading approaches in explaining and understanding the informal sector; dualism, structuralism and legalism. Since I was analysing the state's role in policy formation and bringing about poverty reduction, I looked to the legalist approach as it is based on De Soto's model of informality; state regulation and bureaucracy limits the informal sector from contributing effectively to the economy. The legalist approach has its limitation as the critique on De Soto's work is that his goals were to formalise the informal sector through establishing property rights that would create capital. On realising these limitations that the legalist approach presented, I applied the African Feminist theory as critical theory to firstly, express the oversights and limitations of legalism, and secondly, to investigate the engendering of policy formation and the impact that this process has on the lives of women in the informal sector. Below I discuss my findings.

In the literature used for this research report, the informal sector has been presented as an economy that continues to rapidly grow in Sub-Saharan Africa making this an important aspect to the international development discourse. The informal sector contributes significantly to GDP in sub-Saharan Africa and more people participate in this sector than the formal one. The informal sector within many developing countries is directly connected to the main aims of production, employment, development and poverty eradication. Many researchers have thus realised the importance of studying this sector and particularly in South Africa, there has been an increased interest. The question is if the interest is geared at recognising this sector as autonomous or if it is to eventually see it formalised.

## 5.2 CASE STUDY ANALYSIS: SOUTH AFRICA AND RWANDA

The year 1994 is significant for both South Africa and Rwanda as it marked the beginning of rebuilding and reconciliation (after conflict). South Africa had its first democratically elected party, African National Congress (ANC) come into power after 43 years of the apartheid regime while Rwanda saw the Rwandan Patriotic Front (RPF) bring the devastating genocide to an end, facilitating a transitional government. The research explored the different reconciliation processes both these countries undertook as well as considering the development processes of that these two countries have taken post-conflict.

Even though both countries are classified to be developing economies in Sub-Saharan Africa, they present different histories and unique approaches to governance. South Africa is a democratic state while Rwanda employs authoritarian ideals in its regime. Friedman (2012) argues that there is a correlation between development and a country's political dispensation or ideology with development more likely occurring in liberal democratic political system. This notion, he contends is supported by numerous other scholars. However he acknowledges that there is literature that contests this notion and makes a case for an authoritarian regime.

Critics of Rwandan leader Paul Kagame have claimed that the Rwandan regime, although it may be spurring economic growth, it does so by limiting the freedom of its populations. The definition of human development becomes important in analysing what it means for a country to achieve economic success. Take for example China, was hailed as the economic miracle. According to Subedi (2015) various debated have interrogated the rise of the economy in China and its impact on civil and human rights. China has embraced economic liberalisation at the expense of protecting and promoting human rights, through seeking "to support economic growth at the expense of civil and political right" (Subedi 2015).

If an economic miracle is all that matters in reviewing the success of a country then Rwanda is on the right direction with being called an economic miracle. This research report argues for human development to be a prioritised component of how development pans out in policy discussions. This makes for interesting research as Rwanda has been hailed as an economic miracle in Africa with steady economic growth while South Africa is one the most unequal societies in the world. South Africa being one of the most unequal societies in the world speaks to systematic inequalities which post-apartheid South Africa has failed to address due to its prioritising economic growth over human development. Can this be a way that indicates success, economic growth at all cost at the risk of human rights? This speaks at the South African government and the extent it is willing to go to prioritise policy whereas the Rwandans have been far more committed than South Africa.

Although both countries have adopted neoliberal policies in their development projects, the Rwandan economy remains largely agrarian while South Africa has the most industrialised economy in Africa. According to the World Bank (2018) Rwanda is classified as a Highly Indebted Poor Country (HIPC) dependent on foreign aid to assist in its development programmes while South Africa is the second largest economy in Africa and is usually looked upon by neighbouring countries to provide various forms of intervention (economic, mediation).

When considering the similarities and differences between the two case studies that has been presented, it is evident that the relationship between informality and poverty reduction which is the primary focus of this research is extremely complex. The recommendations must consider the differences that present itself before it can recommend one country's model to the other. Thus, the report focuses on government engagement with the informal sector in their poverty reduction strategies in fostering human development. Although this research report sought to recommend one country's approach to the other, after the analysis, the recommendations will be focused on policy processes and future research.

### 5.2.1 LOCAL GOVERNMENT AND INFORMALITY

The role of local government is to execute national policies within its communities since it is the part of government that has access to and is closest to its population. The informal sector is more visible at a local level, with the sector being a vital force for employment creation and opportunities for traders to escape poverty. Local municipalities therefore, must acknowledge the informal sector in its local development and poverty alleviation strategies by employing inclusive approaches and implementation strategies. However, not all local governments embrace the opportunity that the informal sector present, treating the sector as a nuisance and applying restrictive measures on all who participate in it (Skinner and Haysom 2016). In this regard this research report looked at the interactions of local governments in Kigali and Johannesburg with their informal sector.

The cities both have directives from national government in order to implement development strategies. Both local governments have declared to recognise the informal sector and are set out to provide inclusive interventions that would benefit all. However, in both cities, street vending is seen as a nuisance and there have been efforts to clear the streets off vendors. In many governments, the agenda is to formalise the informal economy, and this is where most priority tends to be focused (Gamieldien and Niekerk 2017). This report explored the reasons the governments in South Africa and Rwanda want to clear vendors off the streets. Crime and health have been some leading reasons in removing street vendors. The Johannesburg Municipality's responses to the informal sector has been perceived as expressing anti-foreign and anti-women sentiments amongst having negative attitudes towards the sector. Operation Clean Sweep in 2013 displaced many informal traders through raids and dismantling of their stalls by metro police. The South African High Court ruled against the city in favour of the informal vendors but even the ruling, different news publications reported that sentiments did not change.

Women in both Rwanda and South Africa make up the majority of street vendors; with children on their backs, fending for their families as they are in most cases, the only breadwinners in their families. In both countries, the women experience the most push backs by the municipalities; with many reporting harassment by the law enforcers. When street raids are authorised, they are often left fending for themselves having to flee with babies on their backs. Informal traders who are women feel they are treated as a weaker trader based on their gender and are often bullied and harassed.

In Kigali, the local government met with street vendors as a way of finding solution that would assist the vendors to continue in their income generating ventures. The local government facilitated stakeholders between the informal traders, governments and financial institutions and proposed cooperatives for the informal traders. The strategy worked as the government consulted with the traders and used the bottom up approach in its innovative process. The cooperatives were to operate from designated sites and with the successful programme in Gasabo district, many other informal enterprises looked to them as examples. However, there are conflicting reports on the impact of these cooperatives as critics of Kigali (The New Times, KT Press) argue that the authoritarian methods employed by the state sacrifice the freedom of the population for the sake of development.

In Johannesburg, there, lacks a synergy between national policy and provincial local government implementation. Government at national level continues to spend billions on many poverty alleviation programmes such as NIBUS but still no evidence on the impact of these programmes as the inequality gap continues to grow (Skinner 2017). Rogan and Skinner (2017) looked at the success of NIBUS and that the priority of the policy was to formalise rather than look at the informal economy as its own structure and work to accommodate the model. This policy thus excludes many who do not meet the requirements. The small businesses who are unable to participate in the NIBUS programme often get left out. Thus the NIBUS policy will still create a sector where the government does not look at, and choose a few informal traders who meet requirements and thus can graduate to operating formally.

In looking at Kigali, from the national policy to local implementation, it highlights the importance of bottom up methods that brings in the informal traders as key stakeholders in the decision-making process. Although the concept of bottom up is an important aspect of the policies, Friedman (2012) writes that citizens in Rwanda are not able to raise their dissatisfaction against the government. Although at face value, the Rwandan government might seem to be engaging meaningfully with the informal sector, the sentiments are that the government in search for economic growth, often believe that the economy should be formalised. Thus the informal sector becomes a challenge to realising these priorities. This restricts many of those in the informal economy to confront the government and raise their dissatisfaction as they will often get shut down.

This report has found that general sentiments towards the informal sector by many African governments are negative. What is worth taking away is that state interaction and inclusion on decisions that impact the informal sector is essential in the quest for poverty reduction. Many informal traders have voiced out concerns that decisions on their livelihoods get taken without their input. This is an important factor to consider when authorities draw up strategies to align with the poverty eradication agenda.

### 5.2.2 SUBQUESTIONS

**Why is the informal sector so important in the development equation for developing world economies?**

According to Rukundo (2015), a growth in size of the informal sector would destabilise economies and threaten the private sector of developing countries. StatsSA (2014) reported in 2014 that if the informal sector would be taken away in South Africa, unemployment would rise from 25 percent to 47.5 percent. As per figures in the research report, Sub-Saharan Africa has one of the highest figures of the informal sector in the world. Many households in South Africa and Rwanda depend on the informal sector, even those who are not counted in data sets. It is important that national development strategies acknowledge and include the sector in its policy planning process. This means that local municipalities should forge relationships with the sector and find innovative ways to support the sector as part of poverty reduction strategies. Whether the goal is to formalise the informal sector, the government must realise that in their quest for poverty reduction, the informal sector presents an opportunity for growth. South Africa remains an unequal society with half of the population poor, with an advanced economy model, it cannot ignore the contribution from the informal sector and thus should find innovative ways of supporting this sector and small businesses in realising poverty reduction for human development. The legalist case that strict regulations stifle the informal sector holds true for South Africa. The core criticism about NIBUS is that the policy is perpetuating the exclusion of small informal businesses that do not have the opportunity to graduate. These informal businesses cannot meet the registration and compliance process of South Africa, and this bureaucracy limits how data is collected for research purposes.

**How do neoliberal economic policies advocated by certain international development bodies' impact negatively on the inclusion of the informal sector at the national level of economic planning and policy development and execution?**

Both South Africa and Rwanda have employed economic neoliberal ideals in their policies. Rwanda's Vision 2020 aims to achieve middle income status by 2020. Rwanda is classified under the HIPC countries and thus is highly dependent on aid. The Rwandan economic model has come under scrutiny for being neoliberal on paper but not undertaking neoliberal economic policies or reforms. Rwanda is highly dependent on aid and historically, when donors are not happy with the country they may withhold aid making Rwanda economically vulnerable especially in light of the Trump Administrations' policy of disinvesting and cutting aid to Africa.

This research report explored how government's neoliberal economic policies that support MNCs operations in South Africa where intended to provide more employment had negative impacts for the informal sector and also did not create the formal sector jobs government anticipated. There are many shopping centre proliferation (wherein many MNCs operate from) in townships and rural areas. This is due to the changing earning levels of the inhabitants. A study looking at shopping centres in townships showed that many street vendors felt vulnerable to the influx of the centres close to where they operate as these centres threaten their operation. It further found that many vendors located in proximity to the shopping centres saw a reduction in their trade. This creates unfair competition as policies protect formal businesses more than they informal businesses.

Kigali built many multi-million complexes and in 2017, the city issued a directive that all businesses operating from their residential homes should vacate and allocate their businesses in commercial zones as the mall was empty with no clients to lease space. Most traders say that leasing space proves to be expensive and has an impact on their businesses. The shopping centre influx in Rwanda has received some criticism from many traders and intellectuals, saying that the development within the city is all for the sake of tourism and not enhancing the livelihood of the population.

**How should the informal sector be included in society and the economy?**

The local government's role is important in forging relationships with the informal sector. This includes consultative methods that factor the informal sector in decision making processes. The Rwandan government in the EDPRS 2 note that there was a process where the government consulted with the population in order to draw up strategies. South Africa should reassess its neglect of the informal sector and women from its NDP. In this dynamic world and economies open for rapid change, there is opportunity for government to play a major role in supporting the informal sector. This can be done when the government deliberately identifies prospects and threats with regards to changes in markets. With these opportunities, the government needs to be able to see how they can factor in the informal sector to participate. This means being aware of the structural inequality that exist, understanding the voices of the informal workers and including them in processes that are important for decision making.

Policies that outline Affirmative Action (AA) and Broad-Based Black Economic Empowerment (BBBEE) frameworks in South Africa should be extended to the informal sector and small businesses. But for this to happen, the local government must look at facilitating processes with financial institutions so that informal traders have access to credit, this will give them the opportunities to access BBBEE opportunities. The growing community of women who provide for households are significant contributor to the economy and social development. Moletsane et al. (2010) found that semi-literate women in developing countries start more businesses than men because of social inequalities faced when trying to access the workforce. There are many households which are headed by women and access to income, means that their households have an opportunity to have access to education, health and food. Although this is an ambitious statement, it presents an opportunity that exist for policy makers to explore.

### 5.2.3 RECOMMENDATION FOR FUTURE RESEARCH

The neoliberal dilemma to informality is how do countries formalise the formal sector? Perhaps it is the western way of thinking about formalisation and modernity that often restricts the development of the informal sector. That the informal sector has to directly mirror the operational model of private businesses as seen by the NIBUS strategy. The argument is that the state has not found a way to engage with the informal sector that is conducive for development. With the growing rates of informal businesses, states have to continue to find ways in which they can support the informal sector.

Perhaps it is best to look at ways that can still bring in the African experience and look towards another developing model. Kagame said “we want to learn from Singapore that has been very successful, that has turned a lot of challenges historically into a lot of opportunities” (Friedman 2012). Can the Asian Miracle offer an example for the developmental state of South Africa? In future research, it is worth analysing with regards to the informal economy and how to structure legislative processes that support the informal economy to operate and participate freely in the economy.

This report would have benefitted from a field study to enable an in-depth data analysis against the policy findings. A gap that exist in current research is the amount of data that gets collected and how it is collected. Field work that is not only interested in analysing the numbers but also the lived experiences according to the African Feminist perspective would allow research to align itself with aspects of human development. Therefore, qualitative research that employs quantitative data could be where my next research project looks to.

## 5.3 CLOSING REMARKS

Studying the informal sector can prove to be complex (and risky) due to its unregulated and hard to define nature. The sector encompasses a broad range of aspects than those highlighted in this report. This research report sought to locate the informal sector in IR debates on how Sub-Saharan Africa can achieve poverty reduction that is important for sustainable human development. States are main actors in the study of IR and it is the people that make up the state; extreme poverty has an impact in how states relate to its population and the global community. The informal sector thus presents an opportunity to explore different ways in which poverty reduction can be addressed. This is not to say that all those living in poverty are part of the informal sector but perhaps it is ambitious to say that the state has a role creating inclusive, contextual policies for the informal sector. In South Africa, informal traders might not participate in data collection due to the state's historical attitude towards the sector. Should there be more support systems, whether the state wants to formalise or not, these systems would facilitate a vibrant economy where those without employment generate their own income encouraging pro-local initiatives keeping markets small which can be flexible with economic changes.

Perhaps what became most prominent is how policy makers approach the subject of the informal economy when considering economic growth? Firstly, it is clear that gender blind policies can often present dire effects on households. Poverty impacts women and children the most and the majority of informal traders are made up of women. To not consider a feminist lens in policy decisions would suggest blanket approaches to poverty alleviation solutions. These might look good on paper but on implementation, if demographics are not captured correctly, might not bring desired results by the government.

Secondly, shutting down informal businesses that are mostly run by women would limit poverty reduction strategies. It is highly unlikely for policy makers to make decisions that would lead to a loss of 45 formal sector jobs, policies, thus need to be carefully reviewed to include the informal traders in any poverty reduction and human development strategies. The loss of informal trading jobs increases poverty just as much as the loss of formal sector jobs. Policy discussions thus need to acknowledge the growing informal sector and include it in their poverty reduction strategies. This work pushes low income earners further away from the poverty line and thus should not be understated. Government should find ways to offer support in the existing informal economy.

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