Research Support to the Limpopo Centre for LED

Making Markets Work for the Poor – Understanding the Informal Economy in Limpopo

Second Draft Report

4 August 2008

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Research Support to the Limpopo Centre for LED

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Abbreviations and Acronyms

BBBEE  Broad Based Black Economic Empowerment
BMR   Business Monitor Review
CBD   Central Business District
GDP   Gross Domestic Product
DLGH  Department of Local Government and Housing
HDI   Historically Disadvantaged Individuals
GEAR  Growth, Employment and Redistribution
IE    Informal Economy Study (Skinner, 2006)
ILO   International Labour Organisation
LDA   Limpopo Department of Agriculture
LED   Local Economic Development
LIBSA Limpopo Business Support Agency
LIMDEV Limpopo Development
NPI   National Productivity Institute
PER&O Provincial Economic Review and Outlook (2007)
PGDS  Provincial Growth and Development Strategy
PPP   Public-Private Partnership
R&D   Research & Development
RED Door Real Enterprise Development Initiative
SEF   Small Enterprise Foundation
SMME  Small Medium and Micro Enterprises
STATS SA Statistics South Africa
TUT   Tshwane University of Technology
The DTI The Department of Trade and Industry
ToRs  Terms of Reference
WIEGO Women in Informal Employment – Globalising and Organising

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### Definitions

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tbody>
<tr>
<td>Container</td>
<td>An enclosed, rectangular shaped, metal structure for storing cargo. These structures have been adapted for use in the informal sector as business premises for a range of micro-enterprises, notably phone booths.</td>
</tr>
<tr>
<td>Cosmetics</td>
<td>The term is used by street traders to refer to make-up (eye liner, lip stick etc.) and jewellery accessories (ear rings, fashion jewellery).</td>
</tr>
<tr>
<td>Cull / Off-lays / Spent hen</td>
<td>An egg laying chicken from a battery that is no longer economically productive as a laying hen, which is then sold off at a generally discounted rate to the general public, commonly for eating purposes.</td>
</tr>
<tr>
<td>Informal economy</td>
<td>This study endorses the view that there is no clear line distinguishing the formal from the informal economy as all enterprises (including informal enterprises) are linked into a single economy.</td>
</tr>
<tr>
<td>Informal enterprise</td>
<td>This study will use the term informal enterprise to refer to what StatsSA defines as the informal sector, consisting of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are generally run from homes, street pavements and other informal arrangements.</td>
</tr>
<tr>
<td>Informal sector</td>
<td>The term is used to refer to marginalised, informal enterprises, operating within the informal economy.</td>
</tr>
<tr>
<td>Informal settlement</td>
<td>An unplanned settlement on land not surveyed or proclaimed as residential where residents have established shack dwellings.</td>
</tr>
<tr>
<td>Kiosk</td>
<td>In the context of street trading, ‘a kiosk’ refers to a small structure, often open on one or more sides, used as a booth for selling and storing goods.</td>
</tr>
<tr>
<td>Micro-enterprise</td>
<td>In terms of the Small Business Act (1996 and 2004 Amendment), a micro-enterprise in the wholesale trade sector and catering &amp; accommodation sector has fewer than 5 full time employees, a turnover below R0.2 million and total gross assets valued at less than R0.1 million. The majority of enterprises surveyed in this study fall into the category of micro-enterprises.</td>
</tr>
<tr>
<td>Peri-urban</td>
<td>A location adjoining an urban area; between the suburbs and the countryside.</td>
</tr>
<tr>
<td>Poultry</td>
<td>In this study, poultry refers to chicken and chicken products.</td>
</tr>
<tr>
<td>Rural</td>
<td>The countryside, especially traditional homeland areas.</td>
</tr>
<tr>
<td>Second economy</td>
<td>The notion of a second economy was advanced by President Mbeki (November 2003) to highlight the economic disadvantages and structural impediments towards business development that confront black South Africans in the homelands, informal settlements and townships. According to the ANC the second economy comprises a ‘mainly informal, marginalized, unskilled economy, populated by the unemployed and those unemployable in the formal sector’ (ANC Today, 2004).</td>
</tr>
<tr>
<td>Shack</td>
<td>A small, crudely built cabin; colloquially known as a ‘tin-shanty’.</td>
</tr>
<tr>
<td>Small business</td>
<td>In terms of the Small Business Amendment Act, 2004 a ‘small enterprise’ means a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises, managed by one owner or more [which is] predominantly carried on in any [scheduled] sector and [which can be] classified as a micro, a very small, a small or a medium enterprise by satisfying the criteria [of the Schedule]. In the wholesale trade sector, a very small business is one with less than 20 full-time employees, a turnover below R6 million and total gross assets of less than R0.6 million.</td>
</tr>
<tr>
<td>Spaza shop</td>
<td>A general retailer of household goods within a township context.</td>
</tr>
<tr>
<td>Stand</td>
<td>In the context of street trading, ‘a stand’ refers to temporary booth / stall / counter for the display of goods for sale.</td>
</tr>
<tr>
<td>Stokvel</td>
<td>An informal financial savings group for the mutual benefit and support of its members.</td>
</tr>
<tr>
<td>Survivalist</td>
<td>In this study, a survivalist business refers to a micro-enterprise, run by a sole proprietor, which provides a minimum livelihood for the entrepreneur, but generates insufficient income to allow for investment into the business.</td>
</tr>
<tr>
<td>Urban</td>
<td>Of, relating to, or located in a city.</td>
</tr>
<tr>
<td>Township</td>
<td>A term for urban areas that were set aside during the period of Apartheid for non-white population groups. In the Western Cape, the term is synonymous with black South African planned settlements and includes recently established low cost housing settlements.</td>
</tr>
</tbody>
</table>
Executive Summary

The concept, scale and workings of the informal sector are little known, yet the topic is strongly debated within South Africa. Within Limpopo, the informal sector makes up a significant component of the economy and makes a particularly important contribution to the livelihoods of the poor. Although many people work within informal enterprises and derive their living as self-employed, micro-entrepreneurs from street trading, services and other informal activities, the sector has been sidelined at the policy level. The overriding objective of this study was to understand the dynamics of the informal economy and recommend appropriate policy interventions.

The main tasks of the consultancy, as outlined by the Limpopo LED were:

- Review and collect existing studies undertaken on the informal sector.
- Identify two pilot sites to undertake primary research both in a rural and urban setting.
- Undertake primary research in the informal economy to assess the different economic activities, the linkages, gaps.
- Assess markets for factors of production (labour, land, capital and services), demographic movements and the barriers or non barriers to access.
- Develop different policy options and interventions which can support markets work more efficiently in the informal economy.

The Consultant researched the informal economy in three geographic settings between May and June 2008, encompassing micro-entrepreneurship in the urban, peri-urban and rural contexts of Limpopo. The research focused on three areas of entrepreneurship, namely:

- Street trading (246 interviews held primarily in urban Polokwane, Thohoyandou, peri-urban Mokopane, Lebowakgomo and rural Malamulele).
- Micro-entrepreneurs engaged in the production and trading of poultry (gaining feedback from 72 micro-entrepreneurs engaged in poultry business).
- Hawker trading within a rural, road-side, farm-gate market (47 interviews at the Tshakhuma fruit market, and four forum group discussions with a further 21 individuals).

These three aspects of the Limpopo informal economy were chosen to capture the business dynamics of micro-entrepreneurs trading within or serving marginalized communities. Scholars have argued that research into the informal economy should consider value chain dynamics in order to understand the complex linkages between the formal and informal economies. Focusing on the poultry sector enabled the Consultant to examine these linkages (from the point of formal businesses that produce day old chicks and livestock feed along the value chain to traders selling barbequed chicken meat on the roadside) and gain a better understanding of the role of micro-entrepreneurs in the value chain.

The research findings were discussed at a workshop held with the client and various government and private stakeholders on 29 July 2008. The workshop resulted in the delineation of appropriate policy and training recommendations.

Findings

Businesses operating in the informal economy display a high level of sustainability. Surveyed individuals have generally been in business for an average of 6.6 years among street traders and 16.8 years among rural fruit traders. When one considers the longevity of these enterprises and proxy indicators of enterprise sophistication, such as access to
financial services and membership of savings groups, it is possible to conclude that informal enterprises offer considerable opportunities for entrepreneurship stable self-employment, and sustainable livelihoods.

The study found that the informal economy creates sustainable opportunities for self-employment, but little additional job creation. Informal enterprises create opportunities downstream for entrepreneurship, because micro-entrepreneurs reciprocate rather than dominate access to new opportunities. This ensures that opportunities to conduct business remain 'open' for all those able to participate, whilst groups and organisational pressures disallow individuals from dominating markets. The consequence is that successful micro-entrepreneurs are discouraged from investing heavily within their business, for example by improving their stall, but externalise investment into other micro-enterprises or activities.

From this research, it is evident that the informal economy is not disconnected from the first or formal economy, but functions according to different entrepreneurial rules. While micro-entrepreneurs trade informally, this in itself should not imply that the traders cannot run profitable & sustainable enterprises or have a desire to formalise their business. In addition, it can not be assumed that self-employed persons are temporary participants within the informal economy and will leave if they have the opportunity to be formally employed - in many cases the reverse is the case.

The research clearly demonstrates that informal traders do not (only) serve the marginalised poor, but sell their goods and provide services to formally employed workers and the middle income classes. We deduce that the informal economy in Limpopo provides an important means for the transfer of wealth from the rich to the poor.

The state of knowledge revealed that 273,000 persons were actively working within the informal sector in Limpopo. Approximately 46% of these workers are engaged in trade. Based on calculations from the September 2007 National Labour Force Survey (conducted by Stats SA), the study estimates that approximately 100,000 business owners support a minimum of 400,000 family members in addition to themselves – thus a total of 500,000 livelihoods are supported through informal trading in Limpopo Province. A total of 40% of the surveyed traders' households receive some form of government grant and 20% of surveyed households have other means of income (employment). The study therefore deduced that approximately 200,000 livelihoods are supported on income derived solely from informal trading.

Whilst the study did not directly assess income, the researchers found many examples of entrepreneurs in informal markets with estimated revenues (based on their reported stock movements) in excess of R100,000 per annum; typically about 50% of this sum would be profit. The study found that the majority of informal street traders earn considerably in excess of the minimum wage rate for unskilled workers in the formal sector.

Informal economy actors are engaged in entrepreneurship on terms that differ quantitatively and qualitatively from the formal sector. The main findings, in this respect are:

1. **Micro-enterprise sustainability:**

Micro-entrepreneurs that succeed in entering a market can sustain their engagement for many years. Some sustain their livelihoods from the business; others can be regarded as survivalists. Sustainability does not equate to profit. The study found evidence to suggest that some self-employed operators subsidised their engagement in the informal economy from external resources, such as state grants (pensions and child support). Street trading, in particular, requires little investment and traders can access products through formal sector
supply chains and wholesale outlets, then sell items in small quantities or focus on niche market segments.

2. **Covert competitiveness & reciprocal gestures:**

Micro-entrepreneurs do not aggressively compete against each other. Where competitiveness occurs, it takes place through covert means, rather than overt strategies such as price cutting (or discounting), advertising, or monopolising access to supply chains. This prevents any individual from seeking to monopolise a market. Within these markets, where many traders sell the same range of items at the same price (commonly described in literature as a situation of overtrading), competitiveness is covertly undertaken - typically ascribed to ‘luck’. But whilst ‘luck’ includes an element of randomness, competitors seek to enhance their ‘luck’ through non-aggressive means such as acquiring more favourable positions within the market, capitalising on supplier discounts, building good relationships with customers, and marketing their produce / goods according to accepted rules and etiquette.

3. **Social capital, knowledge sharing and organisation:**

Micro-entrepreneurs in the informal economy are either unwilling or unable to access finance from commercial institutions. The research found that even among those deemed creditworthy, using proxy indicators, few had ever borrowed money. Instead, entrepreneurs enter into business or grow their enterprise with seed capital saved from previous employment, income from social grants, or informal loans secured within the family structure. Social capital is crucially important to their success, but the relative importance of individual factors such as education and prior employment, seem to vary between localities (urban vs. rural) and do not appear to correlate to business success or profitability. Still it must be noted that 72% of the street traders surveyed had attended high school, a finding that rebuffs the claim that informal micro-entrepreneurs are poorly educated. Successful entrepreneurs nevertheless seek to accumulate social capital in terms of investing in funeral policies, joining burial societies, opening a bank account and participating in saving groups (stokvels).

The study learnt that knowledge about business is derived primarily through an informal exchange of information among entrepreneurs and through drawing upon the collective knowledge embodied within specific marketplaces themselves. This collective knowledge is evident, for example, in the spatial business layout / orientation of markets. It may also be expressed through the rules applied by organised groups such as trader committees that unofficially manage markets for the ‘common good’.

4. **Enterprise sophistication:**

The profitability of a micro-enterprise is correlated to the sophistication of the business and their entrepreneurial strategy. Although this topic requires further investigation, the study found that ownership of a cell phone and access to a bank account, two indicators of sophistication, seemed to be correlated to enterprise success. However, within the informal economy, the most important indicators of business sophistication relate to the extent to which the business has established linkages with service enterprises (notably transport operators) and formal supply chains. Businesses sharing a link to the formal sector are able to depend upon their inherent reliability and dependability to enhance their business. In all cases, entities that were able to link into formal sector value chains had measurably improved and visible success.

**Recommendations**
The study concludes with a series of recommendations:

Institutional support to micro-enterprises – Provincial strategies

I Establish an appropriate policy approach - The policy emphasis, we recommend, should shift to facilitating enterprise sustainability and creating new opportunities for emerging entrepreneurs. Policy should not endeavor to create new business, but rather focus on those whom have already proven themselves in the business arena.

II Foster an enabling business environment - Informal enterprises are an asset to the greater economy, even if they do not contribute directly to the national or provincial fiscus. Their role in supporting livelihoods and local economic development is significant and these enterprises should not be seen as survivalist or transitory.

III Re-focus business support services - Government support toward micro-enterprises should not target unemployed persons or recently established survivalist businesses. The process of establishing a micro-enterprise provides an effective filtering mechanism, separating the entrepreneur from the survivalist.

IV Integrating micro-enterprise development within cluster strategies and the Provincial Growth and Development Strategy

Institutional support to micro-enterprises – local strategies

1. Formal recognition of traders by official structures – The recognition of informal trader as entrepreneurs will pave the way for their inclusion in broader municipal policy planning.
2. Broadening opportunities for informal traders - Organising and understanding the dynamics of street trading locations is key to creating improved economic activities for informal traders.
3. Sustainable provision of services to informal enterprises - Services such as water provision, toilets and goods storage are common requirements for street traders and could help to create a more enabling environment for street trading.

Training Interventions

The Consultancy highlights four significant areas of LED training that would contribute to government and community understanding of the dynamics of the informal sector.

1. Improving perceptions towards informal enterprises - Informal trading is generally seen as a ‘fringe’ activity taking place on the margins of formal businesses and the formal economy. Improving local government perceptions towards informal traders would result in a new appreciation of their significance in the local economy.
2. Understanding the spatial dynamics of informal trading - This would allow urban planners and municipal officers to better strategise an enlarged role for informal traders within the high street context that is both sustainable and adheres to municipal regulations.
3. Understanding the role of infrastructure - There is opportunity to improve site conditions for informal traders and collect revenue via essential services delivered to the informal trading sector.
4. Understanding the rules of the informal sector - Much of the success of the informal sector is attributable to self made micro-entrepreneurs who operate according to a set of unwritten, but well established rules that mediate the way traders compete for business. It is important that these rules be understood so as to ensure more effective management of the sector.
1 Introduction

1.1 Problem Statement

The concept, scale and workings of the informal sector are little known, yet the topic is strongly debated within South Africa. Within Limpopo, the informal sector makes up a significant component of economy and makes a particularly important contribution to the livelihoods of the poor. Although many people work within informal enterprises and derive their living as self-employed micro-entrepreneurs from street trading, services and other informal activities, the sector has been sidelined at the policy level. The Provincial Growth and Development Strategy (PGDS), for example, argues that the gap between the formal and second (informal economy) can best be reduced through strengthening growth in the formal sector and this creating opportunities for those currently marginalised:

“The PGDS is based on taking advantage of the province’s competitive factor conditions in Mining, Agriculture and Tourism to turn the economy of the province around. The industrial value chain becomes a catalyst towards building local economies in those competitive sectors. This approach forms the basis of ensuring that the resources of the province are focused towards the greatest impact as well as the basis for meaningful local economic development and economic growth - towards bridging the divide between the first and second economy.” (PGDS, 2004:3).

The PGDS says nothing about how this divide can be bridged. For Limpopo policy makers, the challenge is to develop policy that can adequately achieve the goal of reducing poverty through fostering broad based economic growth. This requires an improved understanding of how the informal economy works, so as to ensure that growth in the formal economy translates into benefits at the margins. This research report seeks to contribute towards an improved understanding of the informal economy and, through the Limpopo LED Centre, create a platform to enable government to strengthen its policy orientation toward informal, micro-enterprises.

The terminology used in this report is explained in the definitions.

1.2 Terms of Reference

The overriding objective of this study is to understand the dynamics of the informal economy and recommend appropriate policy interventions. The main tasks of the consultancy, as outlined by the Limpopo Local Economic Development Programme (LED) were:

- Review and collect existing studies undertaken on the informal sector
- Identify two pilot sites to undertake primary research both in a rural and urban setting, e.g. in Seshego, Thohoyandou or in communities where Limpopo LED have projects.
- Undertake primary research in the informal economy to assess the different economic activities, the linkages, gaps.
- Assess markets for factors of production (labour, land, capital and services), demographic movements and the barriers or non barriers to access;
- Develop different policy options and interventions which can support the markets to work more efficiently in the informal economy.

A full set of ToRs can be found in Annex 1.
1.3 Research Process

The research took place over the period May – June 2008. Field work was conducted in eight locations, situated across Limpopo. These included urban sites (Polokwane City, Thohoyandou, and Extension 44), peri-urban sites (Mokopane and Lebowakgomo) and rural sites (Malamulele and Tshakhuma villages). The research process involved five stages, correlating to the required outputs:

**Step 1:** Develop literature review of key academic and public documents pertaining to the informal sector, and understanding key policy and legislative influence on the South African informal sector

**Step 2:** Undertake research into areas of entrepreneurship in urban, peri-urban and rural locations of Limpopo

**Step 3:** Compile a report outlining discussion and findings

**Step 4:** Workshop policy recommendations with the Limpopo LED, DLGH and relevant government stakeholders

**Step 5:** Conduct training to the Limpopo LED and relevant stakeholders on the results, significance, and policy implications of findings from the informal economy study.

This report details the outcome of steps 1 to 3. Step 4 took place in Polokwane on 29 July 2008, and involved engagement with identified governmental and private stakeholders to review the research outcome. Their feedback, via a participatory process, enabled the researchers to address research gaps, refine analysis and develop the recommendations to operationalise the study in the LED planning process. Step 5 was conducted in Magoebaskloof on 7 August 2008 with the Client, government representatives and a group of LED officers from throughout Limpopo Province.

1.4 Research Approach and Methodology

The objectives of the research were to understand the dynamics of the informal sector, via undertaking a qualitative analysis of informal businesses. The study sought to understand the factors that enable informal micro-enterprises to become profitable and competitive in addition to those that inhibit their growth and development. The Client advised the Consultant to conduct the research in three demographic contexts (urban, peri-urban and rural) and focus on micro-entrepreneurship in three sectors, namely:

- Informal street trading
- Micro-entrepreneurs engaged in the production, trading of poultry and allied food
- Informal traders operating within rural, road-side, markets.

These sectors were chosen because informal trading is widespread in marginalized communities, whilst the unemployed commonly look to trading as a means to overcome impoverishment. Scholars have argued that research into the informal economy should consider value chain dynamics in order to understand the complex linkages between formal and informal economies. The poultry industry was again selected due to the seemingly widespread engagement of informal micro-entrepreneurs in raising broilers, trading chickens and selling cooked meat. By focusing on the poultry sector, the Consultant was able to examine these linkages, beginning with the formal businesses that produce day old...
chicks and livestock feed along the value chain to traders selling barbequed chicken meat on the roadside.

The field research was undertaken in four stages. First, the team undertook a rapid appraisal investigation, involving site visits, observation and open-ended discussions with enterprises in the identified locations. Second, the team carried out a qualitative survey in various high street locations, utilising a survey instrument, observation and open-ended discussions. The survey sample was selected non-randomly, but included all traders within a prescribed transect. Third, detailed, qualitative, interviews were undertaken with identified micro-poultry entrepreneurs and traders. Fourth, the researchers conducted a workshop event and series of focus groups discussions to engage, collectively, with the poultry and fruit trading entrepreneurs. The specific details of the research approach and methodology are outlined in each of the three sub-sections that respectively detail the findings.

The research captured the input of 237 informal street traders, operating in six areas (Polokwane, Extension 44, Lebowakgomo, Thohoyandou, Mokopane and Malamulele). The researchers interviewed 50 micro-poultry entrepreneurs and engaged with a further 22 poultry producers at a workshop event (conducted in Thohoyandou on 2nd June 2008). Using the survey instrument, the researchers interviewed 47 fruit traders at Tshakhuma village fruit markets while a further 21 fruit sellers were interviewed, using a focus group discussion methodology, at road side markets.

The data obtained through the research process has been entered into a data base tool, presented in Annex 2.

Limitations

The Terms of Reference require the study to focus on the economic activities, linkages and gaps in the informal economy. The research therefore focused on street traders, micro-poultry producers, and rural fruit traders. These enterprises represent a narrow segment of the informal sector. While there is a strong rationale for selecting these sub-sectors, the study cannot purport to provide a comprehensive insight into all informal business services. The study does not seek to examine, for example, service oriented enterprises (such as hair-care, transport and entertainment).

The Consultant notes that it was not required to investigate the political dynamics of the informal sector. The study has therefore not examined the differences in the regulatory frameworks between municipal, provincial and national tiers and the different policy agendas within ministerial departments. Furthermore, the study does not address issues of racism and xenophobia. The research focuses exclusively on black South Africans, the majority population group in Limpopo.

The research focus falls on understanding informal enterprise growth and business development. This emphasis required the Consultant to understand the business process, rather than entrepreneurial well-being. The study did not, therefore, seek to examine the financial status of the surveyed businesses nor personal income of the various micro-entrepreneurs. In engaging with the respondents, the researchers avoided asking direct questions about income. Instead the researchers employed proxy indicators to assess the business sustainability, enterprise sophistication and key indicators of social capital accumulation.

The ToRs did not require the consultant to examine or assess provincial or municipal services in support of small, medium and micro enterprises (SMMEs).
1.5 Report Structure

The report is structured into three parts. Part A examines the current state of knowledge within published (secondary) sources. Part B presents the detailed research findings of the investigation of street traders, micro-entrepreneurship within the poultry value chain and analysis of informal rural fruit traders at Tshakhuma and other road side markets. Part C presents the main study conclusions.
Part A

2 The State of Knowledge on the Informal Economy

2.1 Definitions and Debates

Definitions

The term informal economy is commonly used to describe that sector of the economy where the working poor earn a living. In this sense, the informal economy reflects the workforce that remains outside of full-time, secure, stable and protected jobs, usually without social protection.

The informal economy (or sector) has been broadly defined as ‘unregulated economic enterprises or activities’ (Hart 1973), characteristically unregistered (or unincorporated) and below a certain size. From an enterprise perspective, we support the distinction between: a) micro-enterprises, being businesses that are owned by individuals who hire one or more employees on a continual basis; and b) self-employed enterprises, being businesses owned by individuals who often rely on contributing family workers and employees on an occasional basis, but do not rely on permanent workers (International Conference of Labour Statisticians (ICLS) 1993). The notion of ‘self-employment’ has recently been advanced by Du Toit & Neves (2007) to emphasise the social networks that underpin informal economic activity, rooted in reciprocal relationships and gestures. It is also important to recognise, as pointed out in the study by Charman et al (2007), many entrepreneurs in the informal sector are profit driven and willing to take business risks. The informal status of their businesses should not, however, be taken automatically, to imply that the business is survivalist as informal entrepreneurs often make discretionary decisions to keep their business small.

In terms of the Small Business Act (1996 & 2004 Amendment), a micro-enterprise in the wholesale trade sector and catering & accommodation sector has fewer than five full time employees, a turnover below R0.2 million and total gross assets valued at less than R0.1 million. The majority of enterprises surveyed in this study fall into the category of micro-enterprises.

The International Expert Group on Informal Sector Statistics and the global policy research network Women in Informal Employment: Globalizing and Organizing (WIEGO) have, since 1997, worked closely with the International Labour Office (ILO) to develop and promote an employment-based definition of the informal economy that seeks to capture all dimensions of informal employment. The informal economy thus includes all those spheres of employment that are not protected or regulated, both inside and outside informal enterprises. This expanded definition helps capture the real world dynamics in labour markets today, particularly the less visible segments of the labour force in which the working poor, especially women, are often engaged. While the informal economy thus encompasses both formal and informal sectors, this study focuses only on informal enterprises.

Informal enterprise refers to what StatsSA (2007) defines as the informal sector, consisting ‘of those businesses that are not registered in any way. They are generally small in nature, and are seldom run from business premises. Instead, they are generally run from homes, street pavements and other informal arrangements’.

Debates
The precise nature of the informal economy and character of those enterprises that operate within this economic sphere (i.e. informal enterprises) and workers who man these enterprises is the subject of intense debate. This debate grapples with the definition of the informal economy, questioning, *inter alia*:

- whether the informal economy constitutes a separate, or, in terms applied in South Africa, ‘a second economy’,
- whether the informal economy constitutes a bottom-up reaction / response to the exclusion and marginalization of the poor within the formal economy,
- whether the informal economy offers opportunities for entrepreneurship, stable self-employment, and sustainable livelihoods, and;
- whether the informal economy includes all unregistered enterprises, including service enterprises run by middle income business persons.

These debates have particular resonance in South Africa as a result of the current policy orientation towards bridging the gap between the first and second economies. This policy derives from the office of the President. President Mbeki in his address to the National Council of Provinces in November 2003 stated that ‘The second (or marginalized) economy is characterised by underdevelopment, contributes little to the GDP, contains a big percentage of our population, incorporates the poorest of rural and urban poor, is structurally disconnected from both the first and the global economy and is incapable of self generated growth and development’. In short the second economy includes the unemployed, under-employed and marginalised self-employed (See analysis by Valodia *et al*, 2005). This view, falling within the structuralist school (see below), has resulted in a strategic emphasis on addressing the marginalization of informal enterprises and seeking to foster their migration to the formal sector. The thinking underlying this policy is the belief (and mindset) that persistent poverty is a result of poor (mainly black) people being stuck in a ‘second’ economy that exists along side but, is disconnected from the first economy.

Since the 1970’s, academic debate regarding the causes and characteristics of the informal sector has aligned itself into four main schools of thought.

I. The **dualist school**, explores the idea that the informal sector is comprised of marginal activities distinct from and, not related to, the formal sector, that provide income for the poor and a safety net in times of crisis (ILO, 1972; Sethuraman, 1976; Tokman, 1978). According to these theorists, the persistence of informal activities is due largely to the fact that not enough job opportunities have been created to absorb surplus labour, due either to a slow rate of economic growth and/or a faster rate of population growth.

II. The **structuralist school**, holds the view that the informal sector should be seen as subordinated economic units (micro-firms) where workers serve to reduce input and labour costs and, so, increase the competitiveness of large capitalist firms. As defined by Caroline Moser and Alejandro Portes (among others) in the late 1970s and 1980s, the structuralist model sees different modes and forms of production not only as co-existing but also, as inextricably connected and interdependent (Moser, 1978; Castells & Portes, 1989). Within this group, the nature of capitalist development (rather than a lack of growth) accounts for the persistence and growth of informal production relationships.

III. The **legalist school**, subscribes to the notion that the informal sector is comprised of ‘pluck micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration (de Soto, 1989). Micro-entrepreneurs will,
according to Hernando de Soto and others, continue to produce informally so long as government procedures are cumbersome and costly. In this view, unreasonable government rules and regulations are stifling private enterprise. More recently, de Soto has championed property rights as a means of converting the informally-held property of informal entrepreneurs into real capital (de Soto, 2000).

IV. The ‘illegalist’ school, subscribes to the notion that informal entrepreneurs deliberately seek to avoid regulations and taxation and, in some cases, deal in illegal goods and services. This perspective is associated with the notion that the informal economy is an underground or ‘black’ economy. According to these theorists, informal entrepreneurs choose to operate illegally – or even criminally - in order to avoid taxation, commercial regulations, electricity and rental fees, and other costs of operating formally (Maloney, 2004).

South African studies on the informal economy have shown that each of these schools can enhance our understanding. Many poor households and individuals engage in survival activities that have few links to the formal economy and the formal regulatory environment (dualist school); whereas some micro-entrepreneurs choose to avoid taxes (illegalist school) and regulations (legalist school) as a business strategy; while other informal businesses and workers are subordinated to larger formal firms (structuralist school) and restricted to the margins of value chains. The hurdles of formalising business, tax implications and economic uncertainty have meant that businesses are increasingly shifting from the formal to the informal economy, some through choice. This is notable in terms of both employment, where business are increasingly relying on casual labour, and enterprise operation, where more service oriented businesses, for example, are operating from home bases. In policy terms, many informal traders are seen by local municipalities as illegal businesses, rather than extra-legal.

2.2 Size and Structure

The size and structure of the informal economy is poorly understood. This subject has recently begun to receive increased scholarly attention as a result of the political focus, under President Mbeki, on marginalized economic actors. Yet the contribution of informal enterprises to national productivity is still significantly undervalued. Several studies have sought to improve our knowledge through research that seeks to quantify and qualify its role and contribution.

Size

Prof André Ligthelm of the Bureau of Market Research (BMR) of the University of South Africa (Unisa) has pioneered research on this topic. The BMR estimates that in 2004 the contribution to the GDP of informal economy actors (including the informalised labour force) was 4.6% (about R46.7billion). Of this figure, roughly 50% was attributable to the economic activities of marginalised, poor actors, engaged as entrepreneurs, self-employed or workers. Informal activities within the formal sector, including the use of casual labour, accounted for a similar magnitude within the national economy. A number of studies suggest that the informal economy contributes somewhere between seven and 12 % of national GDP (Skinner, 2006).

The BMR research shows that the total number of actors (employees and entrepreneurs) in the informal economy has steadily risen between 1980 and 2004, from 7.7% to 20.6%. Over the same period (1980-2004) there has been an 18% decline in the labour absorption rate from among formal sector enterprises (45.7% to 27.7%), suggesting that the informal economy has had to absorb the growing surplus labour pool. The true size of the informal
economy, in terms of employment, is probably far greater than the figure of 2.3 million identified in the 2005 STATSA labour force survey. It is thought that women, both as self employed or wage earners, have a much higher rate of participation in the informal economy than men (Chen & Vanek (2002). In terms of enterprise numbers, the research estimates that there were about 749 500 informal businesses in South Africa in 2004/5. Given the high level of family involvement in informal enterprises, these figures suggest that as many as five million people derive some or all of their income from informal economic activities.

The BMR research found that informal enterprises employ, on average, 2.3 persons per business including the entrepreneur. Furthermore, the research learnt that individual informal enterprises had an annual turnover R68,930 in 2004.

**Structure**

National labour force statistics show that employment in the informal economy is dominated by trade. Figures show that just under half of all informal workers operate in this sector. Drawing upon this data (Valodia et al 2005) distribute the percentage of informal enterprise in the main industry classifications as follows: Agriculture, 14%; Construction, 13%; Transport, 6%; Trade, 46%; Manufacturing, 10%; Finance/business, 3%; Other services, 9%.

Informal employment is characterised by low incomes. The scholarship points out that within marginalised communities there is a correlation between working informally and being poor. Valodia et al (2005) report, referring to a study in KwaZulu Natal, that approximately 69% of informal sector workers earn less than R1000 per month. Studies by Charman et al (2007) and Du Toit & Neves (2007), in contrast, show that according to proxy indicators, such as ownership of a motor vehicle, cell phone, or hire-purchase consumables, many informal sector entrepreneurs / self-employed persons earn considerably above the minimum national hourly wage rate.

Scholars predict that informal trading will either grow, in relative and absolute terms, as demand in the economy increases, or contract, as formal retailers seek increasingly to penetrate markets within marginalized communities, such as townships (Valodia et al, 2005).

**2.3 The Informal Economy in Limpopo Province**

Our literature survey found few studies on the informal economy in Limpopo. This knowledge gap reflects the current policy emphasis at provincial and local level on the formal sector. The informal economy is poorly understood and policy currently focuses on enabling entrepreneurs to become formalised. Despite the paucity of research on the subject, there is a large body of secondary literature that contains anecdotal evidence on the scope and character of informal enterprises in Limpopo.

Limpopo is one of the fastest growing economies in South Africa. In terms of total income, the province ranks in sixth place. However, in per capita income terms, it remains the poorest (StatsSA, 2003). The overwhelming majority of the population, some 86%, lives in rural areas. The rural areas comprise former Bantustan territories and the commercial farming areas. Poverty is concentrated in the former Bantustans, where 72.5% of the population live in poverty. The most recent unemployment rate (2000) is 46.2%, a figure significantly higher than the national rate of 36.3%.
The informal workforce

The employment structure (using 2004) data is shown in Table 1 below. In comparison to the national workforce characteristics, Limpopo has a much larger proportion of its workforce engaged in the informal economy with every third adult worker working informally.

Table 1: Informal and Formal Labour Markets


In Table 2, we consider the extent of potential employment within the informal economy in South Africa. The data shows that over 50% the informal economy workforce are engaged in either trade or business services. Given the rural demography of Limpopo, it is possible that the agricultural labour force is a significantly larger percentage than suggested here.

Table 2: Possible Structure of the Informal Labour Market (Number of Enterprises)

| Source: Figures for RSA from Skinner and Valodia |

Given the size of the labour force it could be estimated, following the BMR methodology, that there are roughly 118,660 informal enterprises in Limpopo. Assuming that the turnover within these enterprises conforms to the national scenario, we can deduce that informal enterprises account for R8,175 billion expended on goods and services in Limpopo. The wealth generated provides an income stream for up to 1.2 million persons, either supplementing other streams or wholly sustaining livelihoods.

Key sectors of informal enterprise

South Africa's informal sector has been traditionally divided into four areas of activity, each explained below:

Trade
Contemporary literature highlights trade as the predominant economic activity within the informal economy. Skinner (2006) found that 47% of informal workers in the Western Cape were engaged in wholesale or retail trade activity. Similarly, Valodia (2007) highlights 46% of the South African informal economy was engaged with trade and primary retailing.

Agriculture
Agriculture is a significantly large component of the informal sector. Its contribution to the economy is primarily through two predominant activities;

1. According to Stats SA in 2002 there were 303,000 smallholder farmers in Limpopo Province. In rural areas, and to a lesser extent, urban regions, domestic agriculture is commonly practiced. This practice extends from the growing of fruit in back yards...
through to home based informal commercial enterprises rearing poultry. Such activities are key livelihood activities in the Province.

2. Within an informal employment context, there is an unwritten and common reliance by commercial and emerging farmers on staff employed informally on a cash basis. A high influx of foreign nationals from Mozambique and Zimbabwe prepared to work for minimal cash wages has stimulated this demand.

**Construction**

After trade, construction accounts for 17% of informal economic activity in the Western Cape (Skinner, 2006) and potentially 13% nationally. Informal employment in formal construction work is common, and there is a large industry of house building in rural areas and informal settlements that is not well regulated or understood.

**Services**

Services account for potentially 15% of the informal sector economy (Skinner & Valodia 2005). Services include highly visible car washing services, but also include home based activities such as child and elder minding, which are far more difficult to estimate or evaluate.

Most of the easily visible informal trading activities are to be seen in urban nodes, in public areas, yet the extent to which informal enterprises operate from homes is not clear. Opinion, observation and discussion suggest that the number of home based businesses in all sectors are at least equal or greater in number than the number of street traders.

**Informal entrepreneurs**

In 2008, the Turfloop Graduate School of Leadership (TGSL) undertook a study of Youth Entrepreneurship focussing on the Capricorn District of Limpopo Province. A total of 466 young entrepreneurs were surveyed (73.3% were from Capricorn, the remaining 26.7% came from the other districts; their inclusion was to ensure that the findings could be applied to the other provincial districts). 176 of the respondents surveyed were female. All entrepreneurs were aged between 18 and 35. 47% of those surveyed the majority ran businesses situated between 1 and 30km from the nearest town (29.6% operated less than one kilometre from the nearest town and 23.4% operated further than 30km from the nearest town). The main findings were:

- 95.7% of respondents indicated that they were not supported by start-up capital from the government.
- 81.2% of respondents knew nothing about the entrepreneurial training offered by the government or its parastatals.
- 64.8% of respondents were keeping some form of financial records.
- 63.9% of respondents indicated that since beginning their enterprise their profits had increased and 58.4% indicated that sales had increased. When asked what had motivated their decision to start a business (push and pull factors), 79.6% reported that unemployment had been a motivating fact, 81.9% claimed independence was a motivating factor; 83.9% said that they desired achievement and 20.3% claimed that being retrenched was an important factor in their decision.

The researchers conclude their study with 11 recommendations including government policies, projects and support for women entrepreneurs; introducing entrepreneurship training at schools; harmonisation with social welfare programmes; encouragement of non-traditional trade; a comprehensive package of capacity building activities; proper selection...
criteria for those in need of support; effective government communication of information; the measurement, not only in economic terms of individual esteem and contribution to community; efforts to recognise and advance the pull factors of achievement and independence; appropriate entrepreneurial skills development outside formal education which should aim to take note of the strengths of youth entrepreneurs to capitalise on opportunities, improve weak points and turn threats into advantages.

2.4 Informal Enterprise Characteristics

Informal enterprises are characteristically different from formal enterprises. These differences vary between sectors and location. However, informal enterprises generally share the following aspects, as detailed in the ILO’s Kenya Report (1972):

- Ease of entry.
- Reliance on indigenous (accessible) resources.
- Family ownership.
- Small scale of operation.
- Labour-intensive.
- Limited technology adoption.
- Use of skills acquired outside of the formal school system.
- Participation in unregulated and highly competitive markets.

As we have indicated above, the majority of persons engaged in the informal economy are poor, black persons, with women disproportional in the less remunerative and over-traded sectors. A common perception of the informal sector is that participants have been poorly educated, however a recent survey of informal enterprises in the Western Cape found that 4.8% had no education, 26.2% had primary education, and 62% had some, or had completed secondary school education.

Recent understanding of entrepreneurship in the informal economy has been significantly advanced by Skinner (2005), who focused on informal traders in the Durban metropolitan area, Charman et al (2007) and Du Toit & Neves (2007), who examined enterprise dynamics in the Western Cape and Eastern Cape, and (Krauss, 2003) who undertook a comparative analysis of micro-entrepreneurs in South Africa and Zimbabwe.

The literature makes it clear that, the ‘second economy’ is far from being structurally disconnected from the mainstream of the economy. Instead, multiple forward and backward linkages exist between formal and informal activities. Data from the StatsSA Labour Force Survey shows that there is a surprising level of churning within the labour market, with the status of more than half of informal sector workers having shifted from unemployment or economic inactivity to informal sector work at least once in the period 2002-2004 and similarly, more than 18% of formal sector employees moving to the informal sector, and vice versa (Skinner & Valodia 2006). Another study suggests that capital moves between the two sectors because households that have some form of regular income are also involved in self employment to enhance income streams and utilise surplus labour within the household.

Opportunities in the informal sector are numerous. Anecdotal evidence of mushrooming numbers of informal car washing enterprises along busy thoroughfares in Limpopo Province during the last 10 years shows significant expansion within the sector. Similarly informal trading is becoming increasingly prominent within urban areas, especially as previously restrictive trading laws become ignored or removed by municipalities. Key growth areas highlighted in the Western Cape by Charman et al (2007) include taverns, butchery
restaurants and car washing businesses – all of which are predominately informal, little regulated and cash based enterprises.

A detailed investigation of street traders in the Western Cape (Charman et al, 2007) found that the average enterprise had been in business for 7.9 years and that in certain products, fresh fruit, in particular, the enterprise had been managed, inter-generationally, by single families. The study highlights the importance of social capital, especially education and social networks, in the determination of enterprise success.

Skinner (2005) and Charman et al (2007) argue that informal enterprises are inextricably linked, through value chains, to formal enterprises. The extent of these linkages differs between different sectors and activities. There is need for much research on the extent of formal/informal linkages in trade and services, especially in businesses situated outside the urban economy in peri-urban and rural areas.

**Psychological traits of informal business owners**

As discussed by Krause (2003), similar to formal sector entrepreneurs, informal sector operators require numerous traits, or ‘orientations’ to be successful in business. These traits come about through educational, work and life experience, ability to think laterally and personal ambition, and are outlined in Figure 1.

**Figure 1: Entrepreneurial Orientation and Business Performance**

![Diagram of Entrepreneurial Orientation and Business Performance]

Whilst most of the above traits are universal for entrepreneurs, a key difference between the formal and informal sector (which is poorly understood) is that of understanding the competitive ‘aggressiveness’ of informal entrepreneurs. Anecdotal evidence from studies of Zimbabwean and South African informal traders suggests that:

“Many business owners view their competitors more as potential co-operators who provide a network that helps all of them to remain in business than as rivals.... In the informal sector, business owners are not protected by the law, cannot access financial support, cannot advertise freely, and are not able to develop stable relationships with suppliers or customers (Jansson & Sedaca, 2000, Mambula, 2002). Cooperative relationships with ones’ competitors might be necessary in the informal sector in order to stay in business. Thus, we think that competitive aggressiveness is not... an adequate orientation in the respective business environment”. (Krause 2003).

Similarly, Charman et al, (2007) amongst other studies notes that competition is high within the informal sector, but is more subversive than overtly aggressive. A key to analysing
informal sector business is to understand the unique local competitive factors. A formal sector viewpoint of competitive aggressiveness in previous studies has led to various conclusions regarding overtrading and economic viability of informal traders that therefore need to be reconsidered.

2.5 Constraints and Challenges

Although informal enterprises have lower operating costs, rates and taxes and other overheads associated with formal enterprises, the informal entrepreneur faces many challenges and obstacles. The impact of these factors is open to debate, given the current state of knowledge on the topic. We now consider the main findings from studies within South Africa on these constraints and challenges.

Chandra et al (2002) found that in a survey of 500 informal sector operators in Johannesburg, the main constraints, in order of importance, were: “(1) lack of credit, (2) low demand and variability of income streams, (3) high cost of infrastructure (public transport) and services (water, electricity, and telephone) and poor access to business support centres, (4) poor access to training, (5) lack of storage spaces/permanent stalls, (6) lack of transport facilities, and (7) inadequate business space.” Skinner (2005) identified a similar range of constraints in her survey of informal enterprises operating in the Durban metropolitan areas. Her research found that very few firms had ever obtained a loan or credit from a bank or any other institution, whilst few of these entrepreneurs had either been trained or had access to other forms of business support. For this review, comments on key prior research informal business challenges include:

Finance and business services - access to financial services – credit and savings

A number of studies argue that a lack of funds and/or access to credit is the most important constraint to business growth in the informal economy. This constraint includes poor credit knowledge management and access to saving facilities. Kirsten (2006), for example, points out that:

“the apartheid system severely distorted the South African financial system. A handful of large financial institutions, all linked closely to the dominant conglomerates; centralize most of the country’s financial assets. But they prove unable to serve most of the black community, especially women.”

Cichello (2005) identifies a lack of capital as the primary barrier to self employment in the coloured and black townships of Cape Town. The study also identifies a lack of skills, concerns over becoming marginalised from the formal job market and other “hidden” costs (such as crime) as constraining entrepreneurship. However, Charman et al (2007) found that among entrepreneurs of service oriented micro-enterprises, only half of those deemed as credit worthy would ever consider borrowing finance from either a commercial bank or private lender. These successful entrepreneurs see credit as a risk whose cost outweighs the potential return within business.
The Small Enterprise Foundation (SEF) provides micro-finance to self-employed persons and small businesses in Limpopo. SEF was established in 1992 with the aim to provide tiny loans to very poor, unemployed and underemployed people. Their approach combines credit provision savings mobilisation. SEF have followed an approach that substantially increases the rate of successful self-employment. The approach follows a solidarity group lending methodology along the lines pioneered by the Grameen Bank of Bangladesh. SEF’s poverty targeting tool, Participatory Wealth Ranking, was one of the first such tools officially recognised and promoted by the Microcredit Summit Campaign.

By the end of March 2007, SEF had served 41,295 self-employed clients with a principal outstanding of R41 million. Since inception, SEF has disbursed 364,827 loans for self-employment, to the value of R467 million. SEF encourages the poor to save with the Post Office or Nedbank and the total of SEF client savings currently stands at R6.4 million. SEF has achieved remarkable performance in terms of loan losses. From inception to date, total bad debts amount to less than 0.54% of the cumulative disbursements. The portfolio at risk over 30 days currently stands at 0.3%. Almost all (99%) of SEF’s clients are women engaging in activities such trading fruit and vegetables/new or used clothing, running small convenience shops/spazas), and dressmaking. On average, each business employs 1.4 individuals, including the owner, on a full-time or part-time basis.

### Access to training

Scholars argue that because most informal entrepreneurs are untrained, specific training in areas such as financial management, market analysis, buying, costing and customer care would assist them to grow their business. However, studies have found that some SMMEs and informal entrepreneurs see training as a hindrance rather than a benefit towards growing their business. For example, a recent study undertaken by the University of Limpopo (2008) into the creation of capacity in co-operatives shows that unless training is specific, tailored and available outside of business hours it remains unattractive, with the immediate need to generate income far exceeding training needs. Similarly Charman et al (2007) found that in the Western Cape, informal enterprises in the tourism sector had received large amounts of relevant training support yet complained of little direct business benefits.

### Access to infrastructure and basic services

Research shows that these constraints include housing, services (public utilities), transport, electricity and security. As many informal enterprises operate from residential premises, the availability of services (water, sanitation and electricity) is a key element in their operation.

### Crime

Criminal activity presents a significant constraint to doing business in South Africa, both in the formal and informal economy. The precise impact of crime on businesses within the informal economy has not been adequately researched. Chandra (2002), Skinner (2005) and Cichello (2005) all look into these issues, but found that crime was perceived as a relatively minor issue. Chandra (2002) found it had no significance on trade. Du Toit & Neves (2007) and Charman et al (2007) report on organised strategies undertaken by micro-entrepreneurs and street traders to ensure their safety. These studies report that traders rely, in the first instance, on each other to watch over their business, or where the risks are greater, link with organised business groups, such as taxi-drivers, to monitor and control markets. In most provinces, including Limpopo, the police provide no specific support service to informal traders, conversely in some cases, individual policemen harass these enterprises as a means of ‘rent seeking’.

### Regulations
The impact of regulatory restrictions and by-laws on the informal economy is noted in various studies. However, it is argued (see Skinner, 2005) that regulations (national, provincial and local) have a less significant impact on the informal economy than is commonly suggested. This argument is advanced on the basis that many informal enterprises simply ignore regulations. However the level of constraint or impediment varies from activity to activity - while regulations may not inhibit businesses from operating (shebeens are a case in point); they certainly increase the risks of doing business and restrict opportunities. These restrictions include prohibition on street trading, a law still prevalent (and enforced) in most municipalities in Limpopo. Whilst informal enterprises often ignore regulations, it should not be concluded that they desire no regulation. In situations where over-trading occurs, traders have been known to seek assistance from local authorities through regulation to ensure their business survival from the threat of new entrants (Valodia, 2006). It should be noted that formal business interests often perceive informal traders as threat and use their ‘organised’ advantage to lobby local government to move these traders to less attractive areas.

**Industry or sector specific constraints**

Informal enterprises face sector-specific constraints. The challenges of running a business in the urban environment are also very different from the rural context. While the challenges of urban entrepreneurs, especially street traders, are becoming better understood (Skinner, 2005, Charman et al 2007, du Toit & Neves, 2007), less is known about the obstacles faced by more rural traders. There is also a significant knowledge gap about home based service enterprises, including those providing hair care, child care, nursing and education services.

**Access to business related infrastructure**

A major challenge for informal traders concerns the non-availability of affordable storage facilities and store / shop space. Charman et al (2007) found that the storage costs incurred by street traders in the Western Cape exceed the monthly costs of renting their stands from the local municipality. The authors note that few resources have been allocated to provide street trader infrastructure, including shelters, toilets, water, and storage facilities.

**Collective action**

International experience has shown that collective action by informal sector workers or entrepreneurs can improve their working conditions and the business environment. While collective action among traders is less evident in South Africa, co-operation and organisation is clearly important for specific groups, such as market traders, taxi operators and shebeen owners. Charman et al (2007) provide an example where shebeen owners co-operate through a stokvel arrangement to provide mutual assistance through hosting business events on a rotational basis, thus allowing each member to secure regular group patronage for his / her enterprise.

**2.6 Services and Support**

**National policy**

Since the early 1990s after the South African economy liberalised, informal enterprises received considerable policy attention. The scope of these policies is reviewed in Skinner (1999, 2000) and Dewar (2005). The informal economy has significant policy status for pro-poor intervention because of the recognized correlation between working in this sector and being poor (Lund & Skinner, 2004). The government also recognizes high proportion of women within the informal workforce (Lund 1998, Lalthapersad-Pillay, 2004) and the trend of informalizing the labour force, where permanent employees are commonly replaced with a
casual workforce. Despite the political mileage from focusing on the informal economy, the policy outcomes, critics argue, have been misdirected. In the words of Devey, Skinner & Valodia (2006):

“The most critical weakness of government policy... is one of perception of the informal economy rather than one just of policy design. The ‘second economy’ arguments ... are based on the premise that the mainstream of the economy is working rather well, and government action is now needed to enhance the linkages between the first and second economy, and where appropriate to provide relief, such as public works programmes, to those locked in the informal economy. This dualist conception of the economy is misguided not only because it hides some of the ‘losers’ of government’s policies but also because it continues to keep elements of our economy invisible and therefore outside of the mainstream of economic and social debate. Instead ... government needs to view the informal economy as an integrated and, unfortunately, a growing part of our economy. Rather than design policy for the ‘second economy’ government needs to ensure that its current policies cater for the realities of our economy and also ensure that support measures are appropriately designed to reach those operating at the lower rungs.”

National government policy focuses squarely on business development (in other words, formalising small and micro-enterprises). This mandate falls to the Department of Trade and Industry (DTI). The DTI, through its Enterprise and Industry Development Division, has recognised the importance of increasing the capacity within government to implement SMME support programmes. The Department seeks to establish a generic approach to serving SMME needs and challenges (such as access to finance), recognising the need for differentiation of small business categories into market segments.

Critics have argued that the DTI programmes have by-passed or failed to reach the majority of entrepreneurs engaged in informal retailing (Rogerson, 2004) and that the support it has provided has missed out ‘survivalist enterprises' engaged in informal retailing. Dewar (2005) argues that this policy blind spot has been partially addressed at the local level by municipal interventions. The result of this has been that, with the promotion of ‘developmental local government', the core policy dynamic for informal retailing has shifted from the level of national to local government.

Local government policy

At the level of local government, policy has focused on street trading with the aim to support these enterprises through providing services (such as shelter and utilities) and regulating their activities. Most recently, for example, the Tzaneen municipality has commissioned a study of hawkers and best practices in meeting their needs, considering the feasibility of establishing a hawkers’ centre (Vakidua, 2006). The municipality believes that a centre will lead to job creation. The justification is that the hawkers continue to operate individually in highly competitive and marginal business environments, in some instances enforced by hostile cartel-type arrangements. The municipality is concerned that they are operating in polarised and disorganised situations with no regulations and responsibilities. It is reported that hawkers frequently clash with formal businesses and farmers as they undercut prices due to their ‘unfair’ advantage of minimal overheads and non payment of taxes. This policy interventions hopes to strengthen linkages between formal and informal and foster the formalization of street trading.

Some of the larger towns in Limpopo (Polokwane, Tzaneen, Thohoyandou and Mokopane) have made provision within their CBD spatial planning to develop identified areas in which to increase access to basic services. These plans include cost recovery elements which mean
that only those who can afford the services will benefit. It is not known to what extent the placement of the infrastructure and basic services will enhance informal trading. There is concern, nevertheless, that these sites may relocate traders away from passing trade.

Projects and programmes

There are a number of provincial and local government programmes as well as NGO programmes that support SMMEs and informal enterprises.

The National Productivity Institute (NPI) has reviewed the impact of local government programmes on small, micro and informal businesses. In a 2006 study of Gauteng, KwaZulu-Natal and Limpopo, the researcher found that the Limpopo provincial and local governments had developed plans to:

- Establish management & information systems (R&D, database, website and network of service providers).
- Increase access to local and International markets through procurement monitoring programmes, marketing capacity building programmes and exhibitions.
- Increase access to financial resources through ‘appropriate’ funding programmes, integrated aftercare and strategic funding partnerships.

The impact of these interventions is unclear, though the main purpose appears to be to guide informal enterprises into the formal arena.

Within the province various institutions have been tasked with providing assistance to informal enterprises, notably LimDev and LIBSA. Additionally, there are programmes that attempt to meet the knowledge and skill needs of informal entrepreneurs. The Tshwane University of Technology (TUT) has established a New Venture Creation Unit which provides entrepreneurial training to young entrepreneurs through a programme funded by the Kellogg Foundation. LimDev has recently completed a Youth Entrepreneurship programme in conjunction with the Turfloop Graduate School of Leadership and African Pathways. The latter intervention has planed to codify best practices. There are also a number of NGOs who provide training to informal entrepreneurs, funded by LIBSA, LimDev or large companies; the effectiveness of these interventions has not been studied.

2.7 Knowledge Gaps

There are many varied and fundamental gaps in knowledge of the informal sector. Significantly, there is need for qualitative research on:

Value chains and formal/informal linkages – there is little knowledge of the role of the formal sector in terms of bolstering and supporting the informal sector. For example, an anecdotal perception of informal fresh produce traders is that they stock stolen items. Research has shown this is generally not the case, and these traders are in fact locked into formal sector value chains – both buying from and in many cases selling to the formal sector. Many businesses share common and regular links to the formal sector, albeit on a generally small scale. The trend internationally is towards applying a value chain approach to growing the informal economy. This implies that the informal economy has to be seen as part of the entire economy. This approach allows for key policy level and project interventions to be identified in order to expand the sector and grow the incomes of those working within it. (See also Steyn, 2006)

Home based enterprises - there are indications that service enterprises, particularly those offering child care, home-based care, catering and dressmaking/tailoring have been growing
rapidly in number and enterprise scope. As home based enterprises are, by their very nature, difficult to locate these have been generally ignored in business studies.

**Pull factors for operating informal businesses** - The extent to which non-poor people operate informal businesses needs to be investigated, and their reasoning for operating in the sector. As informal does not equal unsuccessful, the reasoning for successful enterprises to not formalise needs to be fully understood.

**Data gaps** – a lack of data and documented information on the informal economy in Limpopo needs to be addressed.

**Cross-border trade** - Because of the province’s proximity to a number of international borders, the extent of cross-border informal trade also needs to be studied and understood.

**Competitiveness** – understanding the context of competition from cultural and economic standpoints within the informal sector.
3 An assessment of Informal Street Trading

3.1 The Trading Environment

Informal trading markets predominate in and around transport nodes, central business districts and formal enterprises throughout urban, peri-urban and rural settlements of Limpopo Province.

The analysis of Limpopo street traders was conducted in three districts at six sites. In the urban context these sites were Polokwane & Thohoyandou, in the peri-urban context; Lebowakgomo & Mokopane, and in the rural context; the Consultant studied trading in Malamulele. A further qualitative visit and interviews took place in Extension 44 (an informal area surrounding Polokwane).

In general, these locations were chosen to capture the socio-demographic diversity of the Province, and the Provincial socio-economic profile, characterised by various settlement patterns with divergent degrees of service provision. This bias can be justified on the basis of the demographic profile of the Province, share of GDP generated, and typical business activity within these regions. Similarly, the study aimed to select enterprises that represented the racial profile of the Province, thus this sample is weighted in favour of black persons. This bias is attributable to several factors, including the selection of the research locations and sector focuses. The key features of the three research contexts are described below.

Urban

The urban informal trading markets of Polokwane and Thohoyandou are characterised by many traders fulfilling a large variety of goods and services niches. In both cases the informal sector has grown significantly around transportation nodes, in particular short-haul minibus taxi depots within the urban CBD. Both settlements are regional hubs of employment, government and economic activity, with Polokwane serving as the capital of Limpopo Province and Thohoyandou serving as the administrative centre for Vhembe Municipality (and formerly the capital of Venda – a former South African homeland territory).

Both areas have a mixture of local business activities - primarily retail, administrative, service and light industrial based businesses. Both urban areas attract a large number of commuters and pedestrians on a daily basis, many of whom commute by minibus taxi to the town/city centres. Similarly these areas also attract large numbers of shoppers entering the CBD to shop at retail enterprises and supermarkets. Peak traffic flows take place around opening and closing times of local businesses, midday and Saturday mornings.

The general socio-demographic mix is primarily made up of black South Africans in both locations, although this is almost exclusively the case in Thohoyandou.

A qualitative site visit took place at Extension 44 – an informal settlement fringing the outskirts of Polokwane. This informal market serves a comparatively recently developed slum occupied by recent urban immigrants, including a large component of Zimbabwean economic migrants and refugees.

Peri-urban

Mokopane and Lebowakgomo were the two peri-urban studies within this research. These locations are both within 50km of the major urban centre of Polokwane, and common origin...
points for commuters into the City. Similarly to the urban areas, these locations are characterised by having by many traders fulfilling a large variety of goods and services niches.

Within the peri-urban landscape, the informal traders have occupied trading space linked to transportation nodes, primarily minibus taxi ranks. In addition, due to the smaller size of commuting nodes, there are many traders occupying space surrounding commercial shopping centres and also operating in a high street context, this was particularly noticeable in Mokopane where the entire main road and formal shopping centres have been fringed with informal enterprises.

Both settlements are significant regional towns, characterised by rural outlook and high unemployment. Mokopane is a well developed regional centre, well serviced and considered a rural hub. Lebowakgomo (the former capital of the Lebowa Homeland), is somewhat less well serviced and developed, and when compared to Mokopane is a more sprawling settlement lacking a formal CBD.

Both areas have a mixture of local industry, although Mokopane carries a higher diversity of business activities. Business activities within both settlements are primarily retail, administrative, and service based activities. These areas attract large numbers of shoppers entering the CBD to shop at retail enterprises and supermarkets. Peak traffic flows take place around opening and closing times of local businesses, midday and Saturday mornings.

The socio-demographic mix is primarily made up of black South Africans in both locations, although this is almost exclusively the case in Lebowakgomo.

**Rural**

Malamulele was the only rural town studied within this research. It is located about 50 km east of Thohoyandou in predominately tribal lands and subsistence agricultural grazing areas.

Similar to all other trading locations, the informal traders have occupied trading space linked to transportation nodes, primarily the central minibus taxi rank. This market is busy due to the fact that minibus taxis are the predominant form of transport in the area and do not compete with any other local public transport. Traders spill out from the taxi rank through to surrounding formal retail shopping areas which are anchored by a supermarket.

Malamulele is characterised by rural outlook and high unemployment. Local industry is primarily subsistence agriculture, with some work retailing or providing services within the town. A satellite government office is also predominant and important source of local employment.

The socio-demographic mix is almost exclusively made up of black South Africans.

### 3.2 Informal Trader Research Approach

The consultant interviewed 246 informal traders in six sites. The breakdown of interviews conducted in each site is shown in Table 3.
Table 3: Number of Interviews Conducted in Each Research Site

<table>
<thead>
<tr>
<th>Name of site</th>
<th>Category</th>
<th>Number of interviews</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane Urban (CBD)</td>
<td></td>
<td>82</td>
</tr>
<tr>
<td>Section 44 (Polokwane Municipal Area) Urban (informal settlement)</td>
<td></td>
<td>11</td>
</tr>
<tr>
<td>Thohoyandou Urban (CBD)</td>
<td></td>
<td>39</td>
</tr>
<tr>
<td>Mokopane Peri-urban</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>Lebowakgomo Peri-Urban</td>
<td></td>
<td>42</td>
</tr>
<tr>
<td>Malamulele Rural</td>
<td></td>
<td>38</td>
</tr>
</tbody>
</table>

A concise questionnaire and qualitative data capturing instrument was utilised to record information (contained in Annex 3). The researchers spent approximately 20 minutes interviewing each of the 246 respondents. The survey instrument obtained data on the following topics:

- The age, gender and social profile of the informant
- The scope, scale and age of the business
- Enterprise characteristics, business dynamics and supply chains
- Pricing and marketing systems
- Indicators of enterprise profitability and proxies of creditworthiness
- Relevant municipal structures and policy

Interviews were conducted in the indigenous language dominant within the particular sites. The survey encompassed every enterprise within any given area to minimize bias and provide an accurate reflection of trading activity within the area. A complementary qualitative analysis was simultaneously undertaken, using observation, diagramming and unstructured interview discussion with traders. The qualitative analysis enabled the consultant to examine the market structure, identify unique local characteristics and develop comparisons with other informal markets.

Plate 1 gives the reader an impression of Limpopo informal street markets:

Plate 1: Informal Traders Operating from Thohoyandou Taxi Rank
3.3 Trader Characteristics

The survey focused on informal trading markets that are comparatively large, operating in high density zones of human activities such as public transportation nodes. These sites contain many businesses which operate regularly and appear, from anecdotal evidence, to be profitable and sustainable. The six markets provide employment and a source of livelihoods for the traders. The demographic profile of the traders’ surveyed in the study are shown in Table 4 (Note: not all numbers total 100% as in some cases data was not collected from all respondents on certain attributes).

<table>
<thead>
<tr>
<th>Location</th>
<th>Gender</th>
<th>Age of Entrepreneur / Employee</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>Polokwane</td>
<td>42</td>
<td>38</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>13</td>
<td>21</td>
</tr>
<tr>
<td>Mokopane</td>
<td>7</td>
<td>35</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>9</td>
<td>30</td>
</tr>
<tr>
<td>Malamulele</td>
<td>10</td>
<td>26</td>
</tr>
<tr>
<td>Extension 44</td>
<td>7</td>
<td>4</td>
</tr>
<tr>
<td><strong>Average (all)</strong></td>
<td><strong>36%</strong></td>
<td><strong>63%</strong></td>
</tr>
</tbody>
</table>

Note: youth = 16-21 years, Adult 21-60 years, Pensioner above 60

Two thirds (63%) of the sample were women; women were predominant in the trade of fresh produce and selling cooked food. All but 2% of the traders were of working age, with two thirds falling into the adult (i.e. 22-60 years) category. Almost 30% were young persons (i.e. 16-21 years).

The survey found that informal trading plays a key role in sustaining livelihoods. Of the 246 traders, 86% were responsible for feeding four or more occupants within their household, whilst within this cohort, almost half had to feed six or more family members from the proceeds of their business and other income streams. A total of 72% of the respondents reported that their households were sustained through both trading and non-trading income streams. These other streams included state pensions, child support and welfare grants and formal sector employment. A summary of data in Table 5 shows that 41% of traders within the sample relied exclusively on the income derived from informal trading for their financial survival.

<table>
<thead>
<tr>
<th>Location</th>
<th>Pensions / Grants</th>
<th>Employment</th>
<th>Trading Alone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>32</td>
<td>19</td>
<td>49</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>41</td>
<td>29</td>
<td>30</td>
</tr>
<tr>
<td>Mokopane</td>
<td>52</td>
<td>21</td>
<td>27</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>41</td>
<td>8</td>
<td>51</td>
</tr>
<tr>
<td>Malamulele</td>
<td>35</td>
<td>23</td>
<td>42</td>
</tr>
<tr>
<td>Extension 44</td>
<td>54</td>
<td>18</td>
<td>28</td>
</tr>
</tbody>
</table>

Note: some houses have two or more income streams

**Education**

The majority (75%) of the respondents reported having attended high school, many having attained matric certificates. Table 6 outlines the education levels of all traders. The education levels recorded among traders in Malamulele (only 51% have gone to high school, whilst 23% have had no schooling) are notably lower than those reported by urban respondents, highlighting the weakness in social capital within the rural context.
Table 6: Educational Levels of Interviewed Informal Traders, Limpopo Province

<table>
<thead>
<tr>
<th>Location</th>
<th>No school</th>
<th>Primary School</th>
<th>High school or above</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>2%</td>
<td>21%</td>
<td>65%</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>5%</td>
<td>18%</td>
<td>74%</td>
</tr>
<tr>
<td>Mokopane</td>
<td>6%</td>
<td>6%</td>
<td>88%</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>2%</td>
<td>9%</td>
<td>83%</td>
</tr>
<tr>
<td>Malamulele</td>
<td>23%</td>
<td>26%</td>
<td>51%</td>
</tr>
<tr>
<td>Extension 44</td>
<td>10%</td>
<td>0</td>
<td>90%</td>
</tr>
<tr>
<td><strong>Average (all)</strong></td>
<td><strong>7%</strong></td>
<td><strong>16%</strong></td>
<td><strong>72%</strong></td>
</tr>
</tbody>
</table>

The respondents in Extension 44 showed the highest levels of education. This finding is possibly due to the presence of many Zimbabweans within the sample, but none-the-less shows the comparatively high level of education among the black foreign persons that trade informally in South Africa.

3.4 Enterprise Characteristics

The survey found that informal traders had, on the whole, been long engaged in trading activities. The data shows that these traders had not taken to trading as a short-term solution to their unemployment or under-employment. On the contrary, the informal trading sector in Limpopo supports long term engagement, as shown in Table 7.

Table 7: Average Time Engaged in Informal Trading

<table>
<thead>
<tr>
<th>Location</th>
<th>Average years in business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>9.9</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>6.4</td>
</tr>
<tr>
<td>Mokopane</td>
<td>6.6</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>5.6</td>
</tr>
<tr>
<td>Malamulele</td>
<td>8.8</td>
</tr>
<tr>
<td>Extension 44</td>
<td>2.33</td>
</tr>
<tr>
<td><strong>Average (all)</strong></td>
<td><strong>6.59 years</strong></td>
</tr>
</tbody>
</table>

Whilst the ramshackle appearances of businesses operating in these markets gives the appearance of a survivalist activity, the survey found that the average trader has been operating for 6.5 years. This shows the continual entrepreneurial engagement by the owner and indicates a significant level of financial sustainability.

Eighty five percent of the 246 informal traders interviewed were owner-operators. This confirms that informal traders are largely self-employed. Where persons are employed to operate an informal trading business, they are mainly remunerated on a daily basis. Across the sample, these employees had worked on average for two years, a finding which highlights relative stability in the relationship of employment between entrepreneurs and employee. While most enterprises do not employ persons, many are nevertheless reliant on family support. Thirty five percent of the survey reported some level of family assistance in their business activities from assisting with sales to loaning financial capital.

The study deliberately did not question entrepreneurs on their business turnover or income level. These topics were considered confidential and ethically out-of-bounds. However, the survey recorded ‘entrepreneurial capital’ (i.e. the sophistication and business acumen of the entrepreneur) against several proxy indicators, including:

- Subscription to a funeral policy,
- Purchase household goods through hire-purchase agreements,
• Ownership of a bank account,
• Membership of a stokvel (saving group),
• Ownership of a cellphone and nature of contract - pay-as-you-go or billable contract.

The survey results are shown in Table 8.

**Table 8: Proxy Indicators of ‘Entrepreneurial Capital’ Traders**

<table>
<thead>
<tr>
<th>Location</th>
<th>Funeral/burial policy or society</th>
<th>Hire purchase of furniture</th>
<th>Bank account</th>
<th>Stokvel</th>
<th>Ownership of cellphone (PAYG/Contract)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>81%</td>
<td>39%</td>
<td>41%</td>
<td>N/A</td>
<td>83%</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>82%</td>
<td>33%</td>
<td>49%</td>
<td>33%</td>
<td>87%</td>
</tr>
<tr>
<td>Mokopane</td>
<td>91%</td>
<td>44%</td>
<td>44%</td>
<td>N/A</td>
<td>79%</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>88%</td>
<td>40%</td>
<td>40%</td>
<td>N/A</td>
<td>90%</td>
</tr>
<tr>
<td>Malamulele</td>
<td>67%</td>
<td>38%</td>
<td>33%</td>
<td>38%</td>
<td>74%</td>
</tr>
<tr>
<td>Extension 44</td>
<td>91%</td>
<td>64%</td>
<td>82%</td>
<td>45%</td>
<td>91%</td>
</tr>
<tr>
<td>Average (all)</td>
<td>82%</td>
<td>40%</td>
<td>43%</td>
<td>19%</td>
<td>83%</td>
</tr>
</tbody>
</table>

More than 80% of the respondents had some form of funeral insurance, either in the form of a formal policy or a funeral ‘club’ that requires a monthly subscription. This, alongside the use of stokvels (19%) highlights the ability of informal traders to prioritize their long term personal & family financial affairs, and importantly, their ability to set aside money on a monthly basis.

Of the 246 traders, only 43% of respondents held bank accounts (note that commonly respondents had either a bank account or a stokvel). This finding highlights the relatively poor level of integration of micro-entrepreneurs within the formal banking system. The proxy provides a dual indicator: first, it indicates the constraints informal traders face in opening accounts (in terms of the documentation required), second, it indicates the relative importance of insurance institutions over savings institutions to cash based enterprises.

The study found that 40% of the respondents had at some point obtained hire-purchase funding. This would enable the beneficiary, for example, to purchase furniture or clothing on credit. The proxy indicator thus provides a valuable indication of the creditworthiness of the trader. The significance of this finding must be seen in the light of the general unwillingness or inability of informal traders to borrow finance from banks or private lenders. The data shows that 87% of the respondents have never commercially borrowed money. Given the proxy indicator for hire purchases, this suggests that traders have a much higher capacity to borrow (i.e. creditworthiness) than current rate of engagement with loan finance. Despite this high level of potential creditworthiness there is a distinct lack of willingness to borrow commercial capital for informal trading businesses. Reasoning for this varied from a perception of not being able to borrow through to aversion to repayment terms. Similarly, in many cases there did not appear to be a vision as to what to borrow the money for.

More than 80% of the respondents use cellphones. This implies willingness to use technology and ability to off-set the costs against profits. Those traders that use cell phones appear to be better positioned with improved business sophistication within the informal economy.

### 3.5 The Business Approach

**Business cycle**
In all market sites, the average opening time (observed within most businesses) was six days per week (73%). A further 19% operated seven days per week. In Mokopane, only one business was open for Sundays, signifying a virtual halt to all business activity in the CBD on these days, as most customers reside outside the town in dormitory settlements and rural areas.

Rental

Informal traders occupy either municipal sites or unregulated space. The management of municipal sites is the responsibility of the relevant local municipality. As a result of the varying levels of capacity and service provision at municipal level, the rents charged to the traders vary from nought to R60 per authorized site (refer to Table 9).

<table>
<thead>
<tr>
<th>Location</th>
<th>Traders paying site rental</th>
<th>Average rent per month</th>
<th>Traders paying storage rental</th>
<th>Average rent per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>89%</td>
<td>35.35</td>
<td>51%</td>
<td>79.76</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>7%</td>
<td>0</td>
<td>56%</td>
<td>87.18</td>
</tr>
<tr>
<td>Mokopane</td>
<td>88%</td>
<td>13.26</td>
<td>50%</td>
<td>67.57</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>7%</td>
<td>10.26</td>
<td>38%</td>
<td>36.67</td>
</tr>
<tr>
<td>Malamulele</td>
<td>20%</td>
<td>19.74</td>
<td>56%</td>
<td>26.73</td>
</tr>
<tr>
<td>Extension 44</td>
<td>0%</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Average (all)</td>
<td>47%</td>
<td>R 13.23</td>
<td>45%</td>
<td>R 49.65</td>
</tr>
</tbody>
</table>

Forty seven percent of traders regularly paid rent for their sites. Almost all traders operating in Polokwane CBD and Mokopane paid a regular (monthly or six monthly) fee, regardless of the size or location of the stand. In Polokwane, stall holders paid R60, whereas in Mokopane they paid R11 per month. These municipalities appear to have relatively well structured and organised strategies of rental collection and site demarcation. In Thohoyandou, Lebowakgomo and Malamulele the municipalities appear to have poorly organised systems, as a result, traders reported that rental arrangements were haphazard with some traders paying a monthly fee and others not. In Thohoyandou, for example, traders indicated knowledge of the municipal trading regulations, but due to a lack of enforcement only three of the 39 traders in the survey paid any rent at all. Similarly in Lebowakgomo, no rent was paid by any informal traders except for those hiring services from a neighbouring garage (primarily paying for access to water and electricity). Those traders who did pay rent said that they paid on their own initiative because they liked their position within the market and should the municipality one day enforce their legislation, these traders did not want to lose their preferable position. As Extension 44 is an informal settlement, in other words unplanned, the survey found that trading is completely unregulated and no rent is paid.

Traders reported a common need to secure storage privately. In most sites just over 50% of the traders paid rent for storage facilities. Financially, this storage costs, on average R50 per month. Many traders secure storage space for free from suppliers, whilst those that have neither the means to pay for storage nor fear of theft, leave their goods overnight on the street covered with plastic. The highest storage rent paid was R1,500 per month (for a trader in Thohoyandou with a stock of 6,000 brooms). Storage is typically obtained from private businesses (with vacant spaces in non-trading hours) such as car garages, or from dedicated storage enterprises, a feature noticeable in Mokopane. It would appear that there are close linkages between suppliers / wholesalers and informal traders; the former supply the trader with goods and in return for their patronage, allow them to store their goods overnight within the formal enterprise premise.
Structures

The surveyed traders operate primarily from tables in well demarcated spaces, which in most cases are set up and packed up on a daily basis. Many temporary table and stand structures were found in urban areas, where municipal policing prohibits the construction of semi-permanent stands. Due to the lack of policing a number of traders in Lebowakgomo have built their own semi-permanent tables and stands which are left in place overnight. Within urban and peri-urban markets the research found that many stalls are set up underneath shopfront roof overhangs for protection from the rain and sun. Others simply rig up tarpaulin arrangements. In rural areas, such as Malamulele, trading structures can best be described as ‘rudimentary’, often comprising no more than a basic framework on which to display goods. While rural traders do not occupy demarcated spaces, such as the rectangular yellow-lined spaces in street pavement sites, there is clear evidence of spatial management and use-rights of specific spots.

None of the traders sought to differentiate their stalls through branding or advertising. Little differentiation is made between traders and stalls or their product as none had any form of branding or advertised special pricing. The study noticed that throughout the six markets, display space was used to varying degrees of efficiency and effect. Some stallholders carried a wide variety of stock (fruit, vegetables, sweets, chips and drinks), whilst others concentrated on fast selling items (such as tomatoes and onions) laid out on a table.

Product range and price

Food and value-added food products, such as meals, dominate the informal markets in the six sites. The great majority of traders sell food, either retailing fruit and vegetables (63%) or cooked meals (11%). These traders also sell snack food (such as confectionary items – sweets and chocolates - and chips) cigarettes and telephone services to compliment their core business. In most cases, especially among fruit and vegetable hawkers, little value adding takes place.

Apart from the traders not primarily involved in selling food or meals, traders can be categorised into those selling telephone services/cigarettes/sweets (12%), clothes (9%), cosmetics (6%) and hair dressing (3%) (note: some sell these services and food)

Little value adding was conducted by these traders, apart from repacking bulk items into smaller parcels. Traders repack bulk items to make them affordable, often choosing package sizes or options not ordinarily available in retail outlets, such as single cigarettes or sweets. Packaging enables the trader to target consumers, selling items of low value that can be purchased with loose change, whilst at the high end selling items that can be bought with one or two small value notes (R10+R20 = R30 highest average). This breakdown is shown in Table 10.

<table>
<thead>
<tr>
<th>Location</th>
<th>Median lowest price</th>
<th>Median price of best selling item</th>
<th>Highest average price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
<td>R 0.20</td>
<td>R 5.00 – 10.00</td>
<td>R 25 - 35</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>R 0.20</td>
<td>R 2.00 – 5.00</td>
<td>R 10 – 15</td>
</tr>
<tr>
<td>Mokopane</td>
<td>R 0.20</td>
<td>R 5.00 – 7.00</td>
<td>R 25 – 35</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>R 0.20</td>
<td>R 5.00 – 10.00</td>
<td>R 20 – 30</td>
</tr>
<tr>
<td>Malamulele</td>
<td>R 0.20</td>
<td>R 5.00</td>
<td>R 20 – 25</td>
</tr>
<tr>
<td>Extension 44</td>
<td>R 0.20</td>
<td>R 1.00 – 2.00</td>
<td>R 30 – 35</td>
</tr>
</tbody>
</table>

Table 10: Lowest, Best Selling and Highest Priced Items in Informal Trading Markets
The above table shows the high demand for goods within the R5 – 10 ranges. This pricing shows that street traders are generally single or small item cash-based businesses aimed directly at achieving high volumes of individual sales at relatively low per-unit profits.

3.6 Market Dynamics

Informal traders in all areas face potentially stiff competition, firstly from each other (leading to over-trading) and secondly from surrounding formal businesses (resulting in price cutting). Despite the high competition, traders engage various strategies to off-set competition, including:

- Informally agreeing on guidelines on pricing and the measurement of quantities of specific goods, so that all traders compete on level terms.
- An effort to differentiate from formal retailers by selling niche items (such as live chickens) or meeting cultural preferences (by, for example, the kind of food sold in street canteens).
- Upholding a collective identity among all traders on issues affecting business, such as response to municipal regulations, thus maintain the ethos that all traders are “in the same position”.
- Avoiding advertising or strategies that highlight differentiation between stallholders.

Pricing structures are uniform within markets, especially so in peri-urban and rural markets. In these locations traders sell similar quantities of items (such as 10 tomatoes, or a pocket of potatoes) at the same price. In Malamulele, for instance, a random sample of seven tomato sellers found that each trader sold 15 tomatoes per bag for R6.00. Similarly, a bag of seven bananas sold for R5.00, there being no obvious differentiation between traders in either quality or price. As direct competition is limited, traders seek to become more competitive through lowering their input costs. In the case of fruit traders, this means that whoever can purchase their stock for the lowest cost can make the largest margin. In the case of manufactured goods, competitive advantage lies in the ability of the entrepreneur to secure a favourable supply agreement with wholesalers, who may for example reward the trader with free storage space.

Price undercutting or discounting does not take place; the research found that discounting is only considered acceptable in limited circumstances, such as when fruit stock is over-ripe. Even under these circumstances, the trader cannot bulk discount, but may discreetly sell only small quantities at a discounted rate. Overt competition between traders is muted. Where competition does occur, it takes place through the accumulation of regular clients or through gaining a premium stall position (although these are generally fixed). Traders tend to ascribe their enterprise success to ‘good luck’, rather than effective, visible marketing which would require direct competition with other traders.

The study found only one case of active competition between stallholders, whereby in one section of Thohoyandou traders market, traders competed against one another to sell pre-paid mobile phone credit through calling ‘airtime’ to the passing pedestrians.

3.7 Value Chain Dynamics

Groupings and clusters

Analysis of specific markets enabled the study to identify the tendency for traders to operate in groupings or form clusters. In the largest informal trading zone (Polokwane CBD), a spatial business ordering of the market has occurred over time, stemming from the relatively
organic growth of synergies between traders and different business types. In essence, the market can be divided into three notable zones, as illustrated, conceptually, in Figure 2;

1. The inner central zone – traders in this zone have direct access to the taxi rank and the highest density of commuters, as pedestrians embark and disembark from the taxi rank. The zone is characterised by the clustering of many ‘convenience’ stalls selling small items such as fruit, vegetables, cigarettes and telephone calling services. Within the zone, and notably in the area directly bordering the taxi rank, several businesses sell prepared foods.

2. The outer central zone – the outer central zone differs from the inner by a decline in fruit and vegetable stalls and traders selling cigarettes and telephone call services, whereas there is a noticeable increase in service enterprises (such as hairdressing) and diverse traders, selling a much a wider array of products (including staple foods, cosmetics and music). In this zone one can observe businesses that utilise commodity branding (such as MTN or Cell C calling containers). There are few enterprises selling cooked meals in this zone.

3. The periphery – this zone of the market is occupied by groupings of enterprises that serve informal and transport businesses within the core zones. These include car washing, exhaust repair and street mechanical services. Similarly, the study came across a business that made tables for stall holders from old pallets.

This spatial profile is influenced by urban geography, municipal regulations (such as trading prohibition areas) and organically developed synergies. Municipal trading by-laws appear to have a strong influence on the spatial ordering of businesses. These laws often restrict trading and limit trader numbers, factors that influence the overall market structure. Where these by-laws are not applied (such as Thohoyandou and Lebowakgomo) the ordering of the market tends to happen more organically and reflects market forces (service demand). The clustering of related business types gives a sense of order to informal sector trading, linking comparable business activities together.

Figure 2: Conceptual Map of Informal Trading within Polokwane

The process of grouping occurs in each zone. In several markets the research noted that street restaurants, fruit stalls, and broiler sales had clustered within certain sectors of a market.
Preferential trading sites and use-rights

Areas of pedestrian movement and deviation attract the highest concentration of traders. Street corners, intersections, doorways and driveways into formal shopping malls host largest numbers of informal traders, whilst pavement locations mid-way between two points of deviation are less attractive. Informal traders have a strong understanding of pedestrian flow and the need to capture the attention of potential customers requires careful positioning. Traders understand their stand position holds considerable value. Municipal by-laws effectively limit their response to maximize the return from holding user rights to a particular stand or position. In municipalities were the law is not applied, as the study found in Thohoyandou, traders (in what appears to be a collective marketing ploy) commonly erect their stalls on the very edge of the pavement, forcing pedestrians to continuously deviate from their walking path into the street.

Where a trader has access to a highly prized site on a street corner or near a formal shopping entrance, they may seek to sub-let the stand or a portion of the stand to another individual. This practice was observed in Mokopane where the research came across a number of foreign businessmen (from Pakistan) who had sub-leased key sites to sell their wares (electronic goods). All traders accept that one may not occupy another persons’ trading space, thus micro-enterprises tend to occupy the same sites indefinitely. Traders informed the researchers that the broader community of traders within a market had a common understanding that traders held use-rights over stands which could not be used by new entrant and that the community would enforce these rights through collective action.

The importance of well positioned trading sites must not be underestimated. Preferred sites receive more business and attract clustering. In this way there occurs a process of competitiveness, without requiring traders to directly compete against one another.

Formal/informal linkages

There is a clear relationship between informal and formal sector success. Where formal sector businesses are established, informal businesses tend to follow, being set-up on access routes and along the fringes of retail malls and shopping centres.

In Lebowakgomo, the recent construction of a retail shopping centre over a pre-existing informal street market resulted, as an agreed settlement, the incorporation of a group of informal fresh produce and fruit traders into the new complex. These traders now operate from a purpose built structure within the fenced shopping centre development complex, spatially positioned between the supermarket and a large car parking area. Figure 3 shows a conceptual map of this development.
While still trading informally, the survey found that these traders had a marked level of improved wealth and business success than the ‘excluded’ compatriots who operated outside the complex. This is clearly reflected in the proxy indicator data, as shown in Table 11.

Table 11: Comparative Income Levels of the ‘Included’ Informal Traders

<table>
<thead>
<tr>
<th></th>
<th>Funeral policy/society</th>
<th>Goods on hire purchase</th>
<th>Ownership of a cellphone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Informal traders within shopping centre</td>
<td>100%</td>
<td>75%</td>
<td>100%</td>
</tr>
<tr>
<td>Informal traders outside shopping centre</td>
<td>87%</td>
<td>37%</td>
<td>89%</td>
</tr>
</tbody>
</table>

There are strong links and synergies between formal and informal trading. Formal businesses provides the source of goods, and in the case of many enterprises, acts an attraction to potential informal trader customers (See Insert 2).

Insert 2: Formal/informal linkages: Polokwane Totaliser

Linking to a reliable formal sector business is a key strategy for improving chances of business success in the informal sector. Such links are commonplace, often providing a complementary business or service to a formal enterprise. In Polokwane, a totaliser (horse race gambling) business was fringed on the surrounding pavement by a number of informal traders capitalising on the needs of formal business clientele. In this case, a group of four informal traders operated on the outskirts of the premise selling form guides, pens and pencils for punters and R1 size servings of peanuts. All of the traders had been in business for many years with one of the operators having conducted her business for more than 20 years on that site. She felt that her service was valuable to the punters and thus operated six days per week, following operating hours of the formal establishment.

Limpopo informal traders are well linked into formal sector value chains. The informal trade sector has become a key retail component and target for producers and wholesalers. It appears that the stronger the link to the formal sector (either as part of a supply chain, locational factors or via sales), the greater the reliability of the micro-entrepreneur.

But traders nevertheless face many challenges. One is the unfavourable attitude of formal enterprises towards informal enterprises, based on a misperception of their role in the value chain. Most informal traders do not receive ‘trade discounts’ or preferential treatment as repeat customers. This is exasperated by the informal traders’ preference to work
independently and avoid collaboration. Significant economic opportunity lies in the formal sector better understanding the informal sector's business and supply needs.

**Product integrity**

Within informal trader markets, product integrity is important, though the measurement of this differs significantly from formal businesses. Integrity is communicated through price mechanisms, visual perception and trader assurance. The fresh produce focus within informal markets reflects the demand for high quality goods on a daily basis. Within the informal sector, traders are able to talk to the customer and verify product source, and freshness. For many consumers, the integrity of produce sold on the street is thus greater than that sold in supermarkets, where the product integrity rests upon labels and packaging alone. Street traders therefore have a competitive advantage through their ability to assure customers of product integrity, drawing on cultural norms and standards.

In the case of live chickens, for example, the state of the bird is taken as a sign of superior quality and freshness, in contrast to the suspicion that consumers have towards refrigerated and dressed poultry sold in supermarkets. The study findings rebuff mainstream consumer opinion on ‘scruffy’ informal trading and their reputed inferior product quality.

### 3.8 Public Services and Regulation

The influence of local government on informal trading is highly variable. In Mokopane and Polokwane, informal traders are subject to rigorous municipal structures, both in terms of revenue collection and the policing of stallholders. In Thohoyandou and Lebowakgomo the municipality has not fully carried out its management mandate: stall rents are not collected and essential services are not provided. Throughout the research locations, there was a regular lack of trader access to storage, toilets, water and electricity.

As a result of the non-enforcement of trading by-laws, many informal traders have succeeded in occupying unscheduled sites along road-sides and street pavements. In Thohoyandou this has led to traders encroaching on public space along street verges and setting up in zones of high pedestrian traffic. Whilst these sites are undoubtedly beneficial to business, it has created subsequent street management challenges. Similarly, where the municipality has failed to carry out its duties, as in Lebowakgomo, a militant street trader committee has been able to dictate terms to all traders operating within the market. These street committees, whilst enforcing trader's sense of use-rights, have tended to conflate trader and consumer rights and have thus restrained progressive developments for traders to maintain individual benefits.

### 4 Poultry Micro-Enterprises

#### 4.1 Research Approach

Poultry value chain research took place from May to June 2008 in the following locations: Lebowakgomo, Thohoyandou, Malamulele, Seshgo and Tarentaal. Retail poultry sales were studied in the six informal trader markets (see Chapter 3). The research examined a total of 29 enterprises comprising 72 individuals were interviewed in all sites. The scope of the research is shown in Table 12.
Table 12: Number of Interviewees Across the Six Research Sites in Limpopo

<table>
<thead>
<tr>
<th>Name of site</th>
<th>Type of business</th>
<th>Category</th>
<th>Activity</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Thohoyandou</td>
<td>Broiler farmers</td>
<td>SMME</td>
<td>Forum conducted June 2008</td>
<td>22</td>
</tr>
<tr>
<td>Thohoyandou</td>
<td>Retail cooked chicken</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>2</td>
</tr>
<tr>
<td>Malamulele</td>
<td>Broiler farmers</td>
<td>Coop &amp; SMME</td>
<td>Site visit and interview</td>
<td>12</td>
</tr>
<tr>
<td>Malamulele</td>
<td>Egg producers</td>
<td>Cooperative</td>
<td>Site visit and interview</td>
<td>14</td>
</tr>
<tr>
<td>Malamulele</td>
<td>Live poultry retail sales</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>3</td>
</tr>
<tr>
<td>Malamulele</td>
<td>Retail cooked chicken</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>1</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>Live poultry retail sales</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>3</td>
</tr>
<tr>
<td>Lebowakgomo</td>
<td>Retail cooked chicken</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>7</td>
</tr>
<tr>
<td>Seshego</td>
<td>Broiler farmers</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>2</td>
</tr>
<tr>
<td>Seshego</td>
<td>Live poultry retail sales</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>1</td>
</tr>
<tr>
<td>Seshego</td>
<td>Egg retailers</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>1</td>
</tr>
<tr>
<td>Tarentaal</td>
<td>Commercial broiler producers</td>
<td>Grant-in-aid commercial</td>
<td>Site visit and interview</td>
<td>2</td>
</tr>
<tr>
<td>Polokwane</td>
<td>Retail cooked chicken</td>
<td>SMME</td>
<td>Site visit and interview</td>
<td>2</td>
</tr>
</tbody>
</table>

Total respondents 72

A concise questionnaire and qualitative data capturing instrument was utilised to record information. The researchers spent approximately 30 minutes interviewing each of the respondents. The survey instrument obtained data on the following topics:

- The age, gender and social profile of the informant,
- The scope, scale and age of the business,
- Enterprise characteristics, business dynamics and supply chain linkages,
- Pricing and marketing systems,
- Indicators of enterprise profitability and proxies of creditworthiness.
- Linkages and relationship to government structures,
- Municipal policy.

Interviews were conducted in both the indigenous language and English, as many of the entrepreneurs were comparatively well educated. The research process included a qualitative on-site assessment of 22 businesses, whereby the researchers used observation and open-ended discussions to understand the enterprise dynamics, entrepreneurial approach and linkages with markets and input suppliers.

In order to enhance the research process, the researchers organised a forum event for entrepreneurs engaged in poultry production. The forum was held at the LDA District Office in Thohoyandou on June 2nd 2008 over a four hour period, bringing together 22 micro-poultry producers. The research team facilitated group discussion among the participants on the following topics:

- Entrepreneurial goals and business objectives.
- The main business activities in small scale poultry production.
- Marketing strategies.
- Challenges faced by the enterprise.
- Key interventions that could assist business growth and expansion.

The poultry workshop was conducted using a participatory planning approach, based on the ZOPP methodology of GTZ (German Development Cooperation). The approach required all participants to contribute towards a collective output through dialogue (as everyone has something to contribute) and by documenting their views / opinions / concerns on cards, thus ensuring that the voice of the participants was recorded.

The study included an assessment of two broiler producers in Tarentaal. It was found that these producers were operating on a commercial scale, producing up to 40,000 birds in a production cycle and each had received a significant investment in infrastructure from the Government’s Comprehensive Agriculture Support Programme. Due to the scale of their operations and turnover above the definition of micro-entrepreneurs, the research team decided to exclude these producers from the analysis.

4.2 Poultry Micro-Enterprises

Poultry micro-enterprises fulfil an important demand for live chickens. These enterprises have capitalized on the non-availability of live birds within supermarkets and formal shops, who instead sell frozen and dressed chicken, thus allowing micro entrepreneurs to dominate this profitable and substantial niche market. Operating their businesses within informal communities and townships, these entrepreneurs and farmer groups were well positioned to take advantage of this opportunity, knowing their customer needs.

Our analysis found that micro-enterprises within the poultry value chain can be grouped into three categories; namely producers, traders and food service providers. These categories reflect observable differences in business objectives and market linkages, rather than enterprise characteristics. Some enterprises may be engaged in both production and also in trading. This categorization enables the research to highlight the multiple linkages within the value chain, primarily grouped into three categories;

**Producers** (surveyed 26 independent broiler businesses, three cooperatives – two broiler producers and one egg producer)

Small scale broiler production is a common micro-enterprise in Limpopo. Historic government subsidies and agricultural extension support, a 36 - 42 day growing and business cycle, and a strong local market for live chickens has stimulated the rise of many small scale poultry producers (primarily broiler farmers). These operators are linked to feed/input suppliers (almost exclusively located in the formal sector), transport services, markets and traders. All feed is sourced from formal suppliers (generally commercial farmer co-operatives), whilst day-old chicks are sourced from commercial hatcheries, a service supported by the LDA. Most of the essential inputs are produced in the formal sector.

Several of the study informants operated vertically integrated businesses, managing both production and retail sales. The retail side of the business reportedly gave better returns on investment. One particular entrepreneur raised his own chickens, but in winter when the profits decline as inputs rise, he buys-in birds from a farmer co-operative to fatten-up for an additional week before selling them at informal markets. This entrepreneur targets pension payout points in rural areas, selling the birds to pensioners on pay-day. In general, most micro-producers tended to operate farm gate markets, selling at wholesale prices to traders who would thereafter sell within informal markets.
The study found little engagement in egg production by informal businesses; none of the entrepreneurs that were interviewed produced eggs. This is because of the lack of competitive advantage in this sector, with egg production / distribution dominated by large commercial producers. The egg production coop that was visited was still relatively commercially untested and in the process of breaking into the wholesale and retail markets.

**Traders** (seven entrepreneurs – four “cull” traders and three selling broilers)

Poultry traders sell live chickens exclusively, targeting formal contracts (such as canteens) and informal markets. Selling live birds affords the trader a comparative advantage as customers typically perceive a living animal as ‘fresh’, whereas a dressed or frozen chicken is commonly perceived to be of doubtful quality. Traders also sell birds, in bulk, to street restaurants and very small scale traders. Street restaurants are an important and regular market, though these enterprises often source their poultry from supermarkets and formal wholesalers, depending on customer preferences and cost. The traders sell both broilers, which are sourced from micro-producers, and factory farm ‘culls’, or spent hens retired from commercial egg laying production. According to many traders, the selling of spent hens is considerably more lucrative than broiler sales, where and whenever these can be sourced at a fair price from commercial operations.

Access to resources, particularly capital (to purchase the birds), and a reliable vehicle were key factors in determining the success of the enterprise. One of the informants reported that should his vehicle break down whilst transporting a consignment of spent hens to the market, the birds may die and if this happened then he would go out of business.

**Food service providers** (13 enterprises)

Food service providers purchase live chickens from either the producers or wholesale suppliers. These enterprises range in size from the very small - such as the entrepreneur who braais chicken feet on a street pavement next to a bus stop; to established and highly profitable canteens situated at taxi ranks that include chicken dishes on their menu. These entrepreneurs, whether small or large, add the greatest proportion of the value that gets accumulated throughout the value chain. Food service providers utilise the entire chicken, including entrails and feet, through a variety of street meals, with names such as ‘cockroach’, ‘Brazilian feet’ and ‘chicken dust’. Plate 2 shows examples of enterprises within the informal poultry sector.
Plate 2: Examples of Poultry Value Chain Enterprises. Plate A (left) is a chicken trader retailing ‘spent hens’. Plate B (right) foreground is ‘chicken dust’ food service enterprise, background is live chicken trading (in cages)

The value chain within the informal poultry sector extends from the production of broilers to the selling of cooked meat on the street. Figure 4 shows the value chain within the micro-poultry sector.

**Figure 4: Value Adding within the Informal Poultry Sector Supply Chain**

4.3 Enterprise Characteristics

**Co-operatives vs. individuals**

The study identified two categories of poultry micro-producers:

1. **Cooperative groups**: these groups are typically formed through the support of the LDA to capitalize on the favourable grants and technical support given to cooperatives. These groups receive considerable government support, via the LDA, in terms of financing for facilities and sheds, support to access layers and inputs, extension and technical training. The LDA stipulates that cooperatives should comprise
approximately 15 persons, under competent group management. Due to their size structure, co-operatives need to secure larger markets and cannot simply rely on local sales.

2. **Individuals**: these entrepreneurs have engaged independently in poultry production, responding to market demand and the opportunities of supply chain linkages. Few individual producers have ever received government or other support. All the respondents were self-financed (apart from one individual who had taken over the business from his mother) and none had ever borrowed money from commercial lenders; start-up capital was provided by the individual or their family. These operators work at various scales, typically managing between 100 – 1000 chickens per 42 day cycle batch. In one case the respondent raised 9,000 birds per cycle.

Entry as producer requires considerable investments in infrastructure, feed supplies, birds and market linkages. Producers must manage the growth of the birds from day-old chicks to 42 days, whereupon the bird reaches the peak of its growth cycle. At this point, the bird must be sold as soon as possible otherwise they consume food at no marginal benefit to the grower and occupy shed space at the expense of new occupants.

One of the major distinguishing factors between individuals and the co-operatives seems to lie in the higher business acumen of the individuals, evident in their ability to remain profitable and build markets.

**Comparative advantages**

Successful poultry traders are reliant on transport. Traders that own a vehicle are able to target niche markets, such as the pension pay points cited above. Others must rely on purchasing transport services, which can become a major cost factor and erode the enterprise profitability.

Poultry marketing involves the sale of live birds. There are several reasons consumers demand live birds, including:

1. **Quality considerations**: one consumer reported, for example, that ‘one never knows how the bird came to die’. Respondents running restaurants highlight the importance of fresh chickens being served to customers and a customer preference for chicken that has not been frozen, but freshly prepared. Depending on the cooking technique, spent hens are commonly regarded as tastier than broiler chicken.
2. **Logistic considerations**: traders and consumers typically buy birds and then transport them over long distances. One wholesaler trader travels 300 km with a load of chickens to supply remote rural markets, while another respondent travels 500 km to Pretoria on a weekly basis to collect spent hens from a commercial battery.
3. **Spiritual considerations**: There is significant demand, throughout Limpopo, for live birds for ritual and spiritual ceremonies, such as funerals and worship events which require the sacrificial slaughter of an animal.

**4.4 The Business Development Process**

**Barriers and opportunities**

Poultry micro-enterprises in Limpopo are able rely on access to cost-effective inputs and formal sector supply chains. Private support has been enhanced through government programmes, which have provided groups (and a few individuals) with investment and extension services. Yet new entrepreneurs face sizable entry barriers, including:
- infrastructural requirements (commonly home built sheds)
- transport
- financial resources (to purchase stock)
- inputs
- technical training
- marketing linkages

The entry barriers are greatest for producers and traders. Many business start-ups operate from home based, rudimentary broiler houses, maintaining essential warmth by burning paraffin lamps and insulating the structure with old blankets. For those wishing to expand business, the barriers to growth are financial resources. For example, a commercial broiler production unit necessary to manage large numbers of birds (above 500) requires electric heating and the installation of equipment which costs upwards of R11,000. Day-old chicks cost approximately R4 each, and the three essential food types necessary for optimum growth (‘starter’, ‘grower’ and ‘finisher’) each cost R200 for a 40 kg bag. Access to, or ownership of a vehicle is essential.

Once new entrants are able to manage the business process, they can generate a profit on a relatively small number of birds over a relatively quick time frame. Traders can return their investment in just one week, whilst producers require 42 days to raise broilers to maturity, but can also finish off partially developed birds through one week intensive feeding. Once established, these enterprises are able to grow rapidly in scale without much difficulty, up to the level of local market absorption and cost/benefit ratio. It would appear that this level lies somewhere between 100-500 birds in any one cycle, a figure that seems to correlate with the majority of sustainable micro-producers of broilers.

Among both broiler producers and traders, a strong pattern of operations can be seen, regardless of the scale of the business activity. In Figure 5, this pattern can be examined in terms of the significant value chain components.
Entrepreneur characteristics

The longevity and sustainability of the poultry micro-enterprises studied is highlighted in Table 13.

<table>
<thead>
<tr>
<th>Business type</th>
<th>Number of operators</th>
<th>Average time in operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Broiler production</td>
<td>3 (+22)*</td>
<td>7.25 years</td>
</tr>
<tr>
<td>Live broiler sales</td>
<td>5</td>
<td>10.9 years</td>
</tr>
<tr>
<td>Off lay trading</td>
<td>2</td>
<td>8.2 years</td>
</tr>
<tr>
<td>Restaurants</td>
<td>7**</td>
<td>6.3 years</td>
</tr>
</tbody>
</table>

* operating times estimated minimums from discussion with 22 Thohoyandou poultry forum attendees
** excludes two new market entrants and one respondent who was not sure of operating time

Approximately 50% of the poultry producers at the Thohoyandou forum and one third of individual respondents were pensioners. Access to a pension provides these entrepreneurs with both an alternative income and enables them to have sufficient cashflow to purchase the required inputs over time. It appears as though broiler production has become an important supplementary income for pensioners. The respondents reported an average profit of R5 per bird. This means that they can supplement their income by R500 per month through managing a small scale enterprise of one hundred birds.

Where younger, more ambitious, entrepreneurs have entered into the sector, many have rapidly increased scale of operations and found significant market niches, such as mobile pension points or networks of very small traders. These entrepreneurs have utilised economies of scale, through investing in infrastructure, electrifying sheds and purchasing a vehicle to increase their business profitability.
Insert 3: Income earning potential for independent broiler/spent hen trading businesses

The broiler production and spent hen trading businesses yield potentially high returns over short time frames. A key factor in maintaining profitability is the management of input costs, especially for broiler producers. Profitability of spent hens are least effected by rising input costs as the trader purchases economically expended hens at reduced rates from commercial producers, who seek to dispose of these birds to make way for new layers. In the last 10-15 years there has been considerable growth in the wholesale and retailing of spent hens in informal markets. The profitability of these enterprises is assessed in Table 14. Income earning capacity for traders selling spent hens can be greatly enhanced by having secure wholesale/retail outlet, including supply contracts, and access to a vehicle. These businesses have relatively short operations cycles and cash-flow requirements.

The table below does not include operational costs (such as site rental, vehicle costs etc) and is calculated on feedback given by various informants.

<table>
<thead>
<tr>
<th>Location</th>
<th>Business</th>
<th>Product</th>
<th>Price</th>
<th>Quantity of sales over period</th>
<th>Revenue per year (Gross)</th>
<th>Estimated gross profit per year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Seshego</td>
<td>Chicken trading</td>
<td>Retail Off-lay sales with no vehicle**</td>
<td>R40 (between R18 and R22 profit)</td>
<td>300 per fortnight</td>
<td>R312,000</td>
<td>R117,000</td>
</tr>
<tr>
<td>Malemulele</td>
<td>Chicken trading</td>
<td>Wholesale off-lay sales with vehicle*</td>
<td>R20 (R10 profit)</td>
<td>500 per week</td>
<td>R520,000</td>
<td>R220,000</td>
</tr>
<tr>
<td>Malemulele</td>
<td>Chicken sales</td>
<td>Retail broilers*</td>
<td>R29.50 (R9.50 profit)</td>
<td>25 per day</td>
<td>R230,000</td>
<td>R74,100</td>
</tr>
<tr>
<td>Limpopo</td>
<td>Broiler production</td>
<td>Wholesale broilers**</td>
<td>R20 (R5 profit)</td>
<td>200 per week</td>
<td>R208,000</td>
<td>R52,000</td>
</tr>
</tbody>
</table>

* calculated from actual businesses; ** estimated from average business size.

1 purchases local spent hens; 2 purchases spent hens from Pretoria at cheaper prices.

Entrepreneurs in the food service end of the value chain face low entry barriers, but high competition. Competition (and profits) are greatest in the restaurant sector were enterprises must match their competitors through, for example, providing a sit-down waited service, an array of dishes and venue ambience. Successful entrepreneurs must establish a good relationship with producers and or traders to secure a reliable supply of birds at a competitive price. The success of the enterprises rests heavily, however, on the skills of the restaurateur and service provided.

Poultry micro-producers and traders seem to have little concern for animal rights legislation and municipal by-laws. While traders and food service entrepreneurs maintain the cleanliness of their facilities and premises, the broader trading environment is often polluted, though this seemingly has little impact on business.

Government support

Provincial Government, through the LDA, has actively encouraged broiler production as a small scale enterprise initiative. Support includes the provision of infrastructure (such as broiler sheds), providing a depot for day-old chicks for broiler producers and extension services. LDA support, however, is biased towards farmer groups and co-operatives, not individuals. Members of the co-operative complain, however, that the return to co-opted individuals is low as the profits have to be divided among a large number of beneficiaries. The LDA programme has had the unintended impact of distorting markets. Many co-
operatives are top-heavy, over-managing relatively small scale operations that do not derive much economic benefit to their members. Most co-operatives are similarly unable to increase their scale of operations due to the higher resource costs and technical skills required for large scale broiler production. The net result has been the artificial creation of a large number of small scale micro co-operatives that compete on the basis of significant state subsidization at the survivalist level, undermining the success of individuals.

4.5 Business Constraints

**Land use / access**

Many businesses, such as those in Seshego operate illegally in term of municipal regulations governing agricultural-based enterprises. Some of the respondents who ran back-yard enterprises reported that, having grown their business, the space limitations within their present site now impeded further investment. Access to land to relocate the business can be costly. Vhembe District Municipality, for example, charge R32,000 to issue land title deeds, a sum that is simply prohibitive for small operators. This fee is not applied to co-operatives who are thus afforded a further advantage over private entrepreneurs.

**Rising input costs**

All the producers highlight the rising cost of food inputs as a growing challenge to their businesses. Each has responded differently, through increasing prices or decreasing bird numbers and improving quality of production over quantity. Small scale producers are reportedly reluctant to increase their scale due to the size of financial outlay that would be required and increased risks (such as disease) associated with rearing more birds.

5 Rural, Informal, Fruit Markets

5.1 Research Approach

The Tshakhuma fruit market is a renowned, informal market, situated about 17km west of Thohoyandou along the road to Louis Trichardt. This market was identified in the consultancy planning phase, as a case where traders have linkages to both subsistence and commercial producers. In order to compare and contrast the Tshakhuma market with other informal roadside markets, it was decided to examine every market concentration (of which there were four) along the road between Tshakhuma village and Thohoyandou.

Field research was undertaken from May to June 2008. The researchers interviewed 48 traders operating within the Tshakhuma market. A further 21 traders were interviewed at four fringe road-side markets, utilising a focus group discussion approach. The research engaged with 69 traders, as shown in Table 15.

**Table 15: Number of Fruit Trader Interviewees - Tshakhuma and Satellite Markets**

<table>
<thead>
<tr>
<th>Name of site</th>
<th>Category of business</th>
<th>Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tshakhuma A (Louis Trichardt – Thohoyandou Road)</td>
<td>Fruit traders</td>
<td>27</td>
</tr>
<tr>
<td>Tshakhuma B (Thohoyandou- Louis Trichardt Road)</td>
<td>Fruit traders</td>
<td>21</td>
</tr>
<tr>
<td>Satellite market 1</td>
<td>Fruit traders</td>
<td>4</td>
</tr>
<tr>
<td>Satellite market 2</td>
<td>Fruit traders</td>
<td>7</td>
</tr>
<tr>
<td>Satellite market 3 (Cooperative project)</td>
<td>Fruit traders</td>
<td>5</td>
</tr>
<tr>
<td>Satellite market 4 (Fruit and vegetables)</td>
<td>Traders</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total respondents</strong></td>
<td></td>
<td><strong>69</strong></td>
</tr>
</tbody>
</table>
A concise questionnaire and qualitative data capturing instrument was utilised to record information. The researchers spent approximately 20 minutes interviewing each of the 48 stallholders at Tshakhuma. The survey instrument obtained data on the following topics:

- The age, gender and social profile of the informant
- Enterprise characteristics, business dynamics and supply chains
- Pricing and marketing systems
- Indicators of enterprise profitability and proxies of creditworthiness
- Relevant municipal structures and policy

Interviews were conducted in the indigenous language. As the market comprises 284 stakeholders, the survey engaged with a sample of traders, selected randomly among those trading on the days the research was conducted. A complementary qualitative analysis was simultaneously undertaken, using observation (recording the market dynamics), diagramming and unstructured interview discussion with traders and their leadership. The qualitative analysis enabled the consultant to examine the market structure, identify unique local characteristics and develop comparisons with other informal markets.

A series of fruit and vegetable discussion forums were held with four satellite roadside markets in the vicinity of Tshakhuma. The survey instrument was the basis for leading the forum discussions with each group. These were held to gain a stronger understanding of collective local issues and give feedback regarding dynamics that effect general rural produce businesses.

5.2 Market Description

Tshakhuma fruit market

Tshakhuma village is located at a four way intersection on the main road linking the town of Thohoyandou to Louis Trichardt. The market is situated at the intersection of this freeway and a secondary road that leads to Luvubu, a nearby commercial farming centre. Luvubu is recognised as one of the main centres of sub-tropical fruit production in Limpopo. Many of these farms are currently under land claims. The highway along which the market is positioned is the main access route for traffic travelling into and from the Vhembe area or passing towards the Punda Maria gate of the Kruger National Park. For travellers leaving this region, the Tshakhuma market is the last informal market along the remaining stretch of road, apart from a few farm gate stalls run by commercial farmers.

The fruit market has developed on either side of the main road at the intersection of the two routes, where traffic is compelled to stop. The layout of the market is shown in Diagram 1.
The market emerged approximately 40 years ago, originally situated on the village side of the road. Tshakhuma village itself comprises about 600 households. Over the years it has expanded and now flanks both sides of the road. As a result of the popularity of the market, the municipality constructed a lay-by on each side to enable the passing traffic to pull-off and engage the traders. The spatial ordering of the market stalls follows the contours of the road infrastructure with traders situating their stands on the edge of the pavement. Plate 3 shows the market lay-out, view from both easterly and westerly directions.

Plate 3: Tshakhuma Fruit Market, Showing both the Easterly View (A) (Louis-Trichardt-Thohoyandou direction) (left plate) and Westerly View (B) (Thohoyandou-Louis-Trichardt direction) (right plate)

The Tshakhuma market is a unique informal fruit selling location, different in scope and scale to other rural fruit markets in Limpopo.

Other roadside fruit markets

The study examined four other roadside markets. These markets are situated along the road between Tshakhuma and Thohoyandou. Most have arisen informally, driven by a number of individuals seeking to imitate Tshakhuma’s success, though one market was established as an extension of a co-operative project to provide market access for its members. This latter market has a formal structure and parking set off the road. In contrast, the other informal markets typically comprise no more than a dozen wooden structures and temporary stands,
set on the verge of the road, typically under the shade of a tree or opposite a junction. Their position seeks to maximize their exposure to passing traffic and where sited at junctions, target travellers that enter/leave the main road.

5.3 The Trading Environment

Traders in Tshakhuma sell a wide variety of fruit. Depending on seasonal availability and supply, the market contains bananas, avocados, mangos, litchis, oranges, nectarines, paw-paws and tree nuts, including macadamias and pecan nuts. The fruit is sold in varying quantities, both packaged and as loose items. The main customers are persons travelling along the Thohoyandou-Louis Trichardt route, comprising a mixture of bus travellers, mini-bus passengers, commercial traffic and private vehicles.

The trading environment at Tshakhuma market is unique, characterised by:

- **Size and scale:** the market comprises 280 individual traders, all women and all coming from the same village (and tribal authority),
- **No ‘foreign’ persons or outside villages are permitted to trade at Tshakhuma,**
- **Product range:** focusing almost exclusively on fruit. In comparison to other informal markets, Tshakhuma is unusual in that the traders sell only fruit, though some stall owners stock vegetables as well, although on a much smaller scale. None of the stalls sell items such as cigarettes, sweets, telephone calls, vegetables or other bric-a-brac items characteristic of rural markets.
- **Product availability:** due to the linkages with the commercial farms and cold chain facilities in Luvubu, the traders are able to stock core items such as bananas, avocados, and mangos longer after other markets have stopped stocking these items as the season changes.
- **Fruit is sold in set quantities for a set price.** Unlike many of the competing roadside markets, the Tshakhuma traders sell relatively small size packages, the most expensive item, such as a pocket of avocados, costing R20.
- **As with all informal markets in Limpopo, prices are not displayed and discounting disallowed, unless fruit is aging.**

The 280 traders occupy informally demarcated spaces within the market. Each trader has created their own sales structures, made from recycled pallets and bricks, thus creating shelf space on which to display their produce in layers, giving prominence to core items. At the close of business, traders store their goods on-site in a storage / market structure built by the Provincial Government in 1996.

The main customers fall into one of two categories, the first category are working class individuals travelling in bus or taxi on long distance journeys to their work place or returning home, the second category are the elite, travelling privately either long distances or commuting between Thohoyandou and other centres in Limpopo. Both categories seek to purchase fruit to consume along the journey and bulk packages as stock or gifts. It is important to note that the market does not cater for local villagers who would, in any case, purchase fruit from farm gate sources.

 Trader characteristics

Tshakhuma market

The study surveyed 47 traders. The majority operate throughout the week. The educational status and employment background of the traders is shown in Table 16. In comparison to
urban street traders, the Tshakhuma traders are, on the whole, poorly educated and have had little or no work experience. Their success as traders thus owes largely to the transfer of knowledge within the market environment. The market traders have, comparatively, been engaged in trading for far longer than most street traders in Limpopo. The survey came across one individual who had been trading at Tshakhuma since 1955, whilst the average time that traders had been in business was 20 years in Tshakhuma A and 14.2 years in Tshakhuma B.

**Table 16: Social Capital, Tshakhuma Traders**

<table>
<thead>
<tr>
<th>Education</th>
<th>Time Trading</th>
<th>Prior Work Experience</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>Primary</td>
<td>Secondary</td>
</tr>
<tr>
<td>Tshakhuma A</td>
<td>41%</td>
<td>30%</td>
</tr>
<tr>
<td>Tshakhuma B</td>
<td>30%</td>
<td>45%</td>
</tr>
<tr>
<td>Average</td>
<td>36%</td>
<td>36%</td>
</tr>
</tbody>
</table>

Whilst the research found that the traders were poorly endowed in social capital (education and prior work experience), they scored at the same level of urban traders in business sophistication, using the proxy indicators of cell phone ownerships and possession of a funeral policy. None of the survey traders had ever borrowed money from commercial lenders. Only 25% had bank accounts, a figure below that recorded among urban and peri-urban traders. The findings are summarised in Table 17.

**Table 17: Proxy Indicators of Business Sophistication**

The research data clearly indicates that the younger women, operating in Tshakhuma B, have greater business sophistication: almost twice the proportion have bank accounts and/or belong to savings groups.

**Road side markets**

The road side markets selling fresh produce have emerged along the road between Thohoyandou and Tshakhuma. The traders in these markets come from different villages and have no common tribal allegiance. Unlike Tshakhuma which is dominated by women, a number of men trade in these markets, usually selling tomatoes. Whilst the fruit traders sell a variety of fruit, the quality appears to differ from standards found in Tshakhuma. In contrast, the road side markets appear to secure a greater portion of their produce from smallholder farmers and sell larger quantities (bags) of fruit. These traders do not have infrastructure for storage or customer parking. As customers are comparatively few and far between, they aim for larger sales, forsaking the small sales as certain traffic (business and mini-buses) do not generally stop at these markets.

5.4 **Organisational Characteristics**

**Trader committee**
The Tshakhuma traders have established a traders committee which performs an organisational role and mediates in conflict. The committee is responsible for the administration of the market and acts as an intermediary body between the traders and 3rd parties, such as the municipality. The committee seemingly has a role in determining the price of fruit, though the precise process could not be determined. The committee is headed by an elderly man who had once been instrumental in establishing the market. He reported that the upgrading of the market was a reward to the community for its role in sheltering ANC combatants during the anti-apartheid struggle. Although the committee oversee the market operation, each of the women traders operates independently, although they commonly collaborate in buying fruit and stock from the commercial farmers and local suppliers.

**Spatial competitiveness**

Within the market there is a clear distinction between traders who sell on the Louis-Trichardt/Thohoyandou direction (Tshakhuma A) of traffic, as opposed to the Thohoyandou/Louis Trichardt (Tshakhuma B) direction. Tshakhuma A comprises mainly older women, as indicated in the educational profile (see Table 16 above), whilst Tshakhuma B comprises younger women. The younger women are more energetic sales-persons who are willing to approach the vehicle directly, touting their produce, whereas the older women appear more content to wait for customers to approach them.

Within the spatial geography of the market place, traders situated towards the centre point seem to gain more custom than those on the periphery as traffic tends to comes to a halt at roughly mid point. The market has organically evolved as a result of trader competitiveness, such that the more ambitious younger women have gradually come to occupy the prime sites at Tshakhuma B. Where an opportunity arises for a new trader to enter the market, they commence trading on the margins and overtime gradually shift from the periphery to the centre. The older traders, on the other hand, dominate the centre point on the quieter ‘A’ section of the market. As an organisational entity, the market thus adheres to an organisational process that recognises status, affording them privileged positions, and disaggregates the old from the more ambitious.

**Equality**

In the organisational management of the market, the traders insist on the equal allocation of resources to both sides. When the Johannesburg Fresh Produce Market (JFPM) donated six shade umbrellas to the market, for example, three were allocated to Tshakhuma A, and three to Tshakhuma B. Similarly, when a group of the traders were offered a field trip to the JFPM, equal representatives from either side of the market accorded places. The study found out (from discussion with a number of traders) that to avoid conflict between Tshakhuma A and B market segments, the traders insist on equal opportunities for both sides and deny any comparative advantage.

**5.5 Market Dynamics**

**Linkages**

Tshakhuma market is well established and thus receives regular patronage. The market has become an important stop-over for long haul traffic, especially business, mini-buses and private travels. The traders themselves have been long in business and over the years have cultivated relationships (and reputation) with specific clients. Many of the traders – in both Tshakhuma and street markets – have fostered long-term relationships with clients. The research learned that some of these clients would, when embarking on a trip, call the
particular traders with whom they have established the relationship on their cellphone to put in a special order which they would then collect en-route.

**Supply chain**

Fruit traders receive their fruit from both commercial and subsistence producers. The Tshakhuma traders are heavily reliant on supplies from the commercial farmers and cold storage companies situated at Luvubu. These linkages, notably access to cold storage, have enabled the traders to stock a wide variety of fruit during the off-season, thus setting the market apart from other informal fruit sellers. The traders procure from subsistence growers to enhance their range of produce to include items such as paw-paws, or in season, these producers become the major suppliers where their prices are more competitive. The roadside traders reported that they would simply contact individual growers via cell phone, if they urgently required to replenish their stock or to place an order. The traders are heavily reliant on transport services to ferry their supplies from the farm gate to the market and fetch specific stock (such as tomatoes) from outlying areas. At the market, the traders repack the fruit into various units using bags obtained from a farmer co-operative store. The supply chain process for the Tshakhuma market is illustrated in Figure 6.

![Figure 6: Tshakhuma Market Supply Chain Process](image)

The supply chain serving the road side fruit markets is less sophisticated. In these markets, the traders have much stronger linkages with smallholder growers. Unlike the Tshakhuma market which requires daily supply, these traders obtain their supplies from commercial sources less frequently, often only once per month, as they are reliant on mobilising a sufficiently large group (five persons or more) to share transport costs. The small numbers that trade in these markets prevents them from utilising the same economies of scale that enabled the Tshakhuma market to grow so successfully.

**Trader competitiveness**

The traders committee at Tshakhuma sets fixed prices for specific quantities of fruit. The fruit is either sold in netted packages or as loose items. Similar price fixing occurs at all visited informal fruit and vegetable markets. Rather than being overtly competitive, Tshakhuma fruit traders ascribe their success to 'luck'. As traders are disallowed to compete on price,
competition is restricted to various efforts to enhance their ‘luck’. These can include, for example, displaying ones produce in an eye-catching manner, or through directly approaching customers in vehicles. The traders adhere to informal, though unspoken, rules when touting. The research team observed that the first trader to approach a vehicle reserves the ‘right’ to present a particular kind of fruit, say avocados; other traders must then select another fruit, and so on, thus preventing direct competition, but enhancing ‘luck’. Another example of how traders seek to ensure their ‘luck’ is the practice of giving away a small ‘prize’ with each purchase, thus effectively providing a discount. This practice helps the trader to build favourable relationships with specific clients.

**Insert 4: Display techniques**

Within Tshakhuma market there are many subtle techniques of competing behaviour. Primary amongst these are product display tactics – whereby produce of highest demand is placed specifically to catch the customers eye. This is best demonstrated in Plate 4, which shows a typical stall setup at Tshakhuma, with seasonal best sellers and most profitable (bananas and loose avocados) occupying highest (at prominent eye level) shelves, medium sellers - bulk avocados, naartjies, guavas and tomatoes in the middle shelves, and slow items – bulk nuts, sweet potatoes and subsistence grown papaws at ground level.

**Plate 4: Market Display Techniques - Tshakhuma**

Additionally, fruit is commonly displayed to best exhibit factors such as appearance and ripeness, with much time spent by operators moving individual items about to best show-off attributes of the produce (ie; ‘ready-to-eat’ vs ‘can be stored for later ripening’)

**Allied service enterprises**

Informal fruit trading sustains a number of service micro-enterprises that support the business. These include:

- Transport operators. These are individuals that run pick-ups ('bakkies'), providing transport to commercial farms to collect supplies. At Tshakhuma, transporters charged R5 per plastic crate for the relatively short-haul journey from the market to the cold storage depots in Luvubu. Street traders informed the research team that transporters
charged them approximately R600 to collect a load of avocados from Tzaneen, a commercial farming centre located 200 km away.

- Food service providers. These enterprises have established canteens to provide breakfast and lunch for the traders.

The market also supports a large number of traders situated on its fringe, selling sweets and cigarettes, providing hair care services and telephone access. Whilst employment within the market is limited to piece work in portering or cleaning, the economic benefits created by each enterprise go beyond the trader alone, into downstream and upstream supporting businesses.

**Insert 5: Trader income**

In Table 18 we consider the income potential of fruit and vegetable traders in the street markets. Trader income obviously varies between seasons. The traders report that their core sales derive from 3 fruits: avocados, bananas and mangos. When these fruits are in season, turnover is reportedly high, though profits are relatively low due to the supply situation and competition from road side markets. The data in Table 18 does not reflect the shift in price seasonality, but seeks to show the potential returns to the trader over a six month period should she/he have access to stock. The analysis also excludes the costs of doing business (such as transport). The figures are derived from the survey responses.

<table>
<thead>
<tr>
<th>Location</th>
<th>Product</th>
<th>Price</th>
<th>Quantity of sales over period</th>
<th>Turnover: 6 months</th>
<th>Estimated profit per month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Road Site Market</td>
<td>Tomatoes</td>
<td>R5 per bag</td>
<td>80 crates per week</td>
<td>R125,000</td>
<td>R4160</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tshakhuma Market</td>
<td>Bananas</td>
<td>R10 per dish</td>
<td>6 crates per week</td>
<td>R15,600</td>
<td>R1000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Avocados</td>
<td>R25 per bag</td>
<td>20 crates per week</td>
<td>R13,000</td>
<td>R1000</td>
</tr>
</tbody>
</table>

Note: Figures assume that operating costs equate to 50% of turnover.

Assuming that the traders stock between 6-10 produce types, we estimate that the Tshakhuma traders earn...

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**Roadside markets**

The roadside fruit markets face many challenges, including:

- A low density of traders, thus weak economy of scale in procurement
- Unfavourable locations, not able to effectively target slow moving traffic at a point of deviation
- No access to storage, thus limiting the stock that can be kept overnight.

Despite these challenges, the traders we surveyed have remained in business, with some having traded for more than a decade. The traders have sought to distinguish themselves from the Tshakhuma market through stocking vegetables, particularly tomatoes, and selling fruit in large packages. The research found that the price of fruit in these markets did not differ from the prices in Tshakhuma. Here again the traders to not utilize price mechanisms to secure competitive advantage.
The entry barriers in these markets are much lower than those at Tshakhuma; seemingly anyone can trade, so long as you can secure stock. These markets are also less systematically organised. But trader etiquette, nevertheless, still applies and the rules of doing business reflect those at Tshakhuma.

5.6 Public Services and Regulation

The Vhembe municipality has sought to support fruit trade with infrastructure, both at Tshakhuma market and in one other location. At Tshakhuma, storage infrastructure was developed in 1996; at the same time, the municipality sought to demarcate trading sites (stands) along the forecourt of the structure, with each trader allotted one site. The traders ignored these sites and continued to operate from the stands erected close to the traffic on the payment and street verges. The traders pay R9 per month to the municipality for services, including street sweeping, water provision and toilet facilities. During our site inspection we found that the water supply to the toilets had been disconnected, whilst none of the taps were operational.

Further along the road, the municipality has built a similar structure for roadside traders, adjacent to an irrigation project. Whilst this structure is used by the traders, it has not succeeded in attracting the same level of custom. The structure was supplied with lighting, but because the traders could not (or would not) pay the electricity bill, the supply has been disconnected, leaving arrears of R10,000.

From our interviews with traders the study learnt that there is strong resistance on the part of the traders towards municipal intervention within markets or levies. The traders would seemingly forego services, rather than pay market related levies.

6 Conclusions and Recommendations

6.1 Overall Conclusions

The study concludes that the informal economic activity in Limpopo forms an inextricable component of value chains, linked to the formal economy. The study does not support the notion that informal actors, such as the micro-entrepreneurs and self-employed persons recorded in this report, are locked into a distinct or separate second economy. It is evident that the informal economy is not disconnected from the first or formal economy, but functions according to different entrepreneurial rules. While micro-entrepreneurs trade informally, this in itself should not imply that the traders cannot run profitable & sustainable enterprises or have a desire to formalise their business. In addition, it can not be assumed that self-employed persons are temporary participants within the informal economy and will leave if they have the opportunity to be formally employed - in many cases the reverse is the case.

The majority of the 293 informal traders we surveyed in this study are running sustainable, albeit micro-enterprises. Most of these individuals have been in business for longer than five years; an average of 6.6 years among street traders and 16.8 years among rural fruit traders. It is apparent that informal traders are firmly locked into formal supply chains. All studied sectors – poultry, fruit hawking and retail informal trading – are reliant on stock and support emanating from the formal sector. Similarly, the formal sector derives benefit from the informal sector which provides access to new markets.

When one considers the longevity of these enterprises and proxy indicators of enterprise sophistication, such as access to financial services and membership of saving groups, it is possible to conclude that informal enterprises offer considerable opportunities for entrepreneurship, stable self-employment and sustainable livelihoods.
Whilst the study did not directly assess income, the researchers found many examples of entrepreneurs in informal markets with estimated revenues (based on their reported stock movements) of in excess of R100,000 per annum; typically a minimum of 50% of this sum would be profit. A large number of full-time informal traders (approximately 30% of the survey sample) have access to government pensions or grant as top-up funds during slower sales periods. However, the majority are solely reliant on their business venture and operate with significant financial astuteness. Informal trading businesses thus provide the main income stream to secure the livelihoods of conservatively 500,000 persons in Limpopo*, including persons working in subsistence agriculture. The study found that the majority of informal street traders earn considerably in excess of the minimum wage rate for unskilled workers in the formal sector.

A total of 40% of surveyed traders’ households receive some form of government grant and 20% of surveyed households have other means of income (employment). The study therefore deduced that approximately 40,000 informal trading enterprises (supporting 200,000 people) rely on income derived solely from informal trading.

The study concludes, furthermore, echoing findings within the secondary literature, that the informal economy does not generate significant employment opportunities. However, the study found that the informal economy creates sustainable opportunities for self-employment. The research concurs with recent findings, notably research in the Western Cape (Charman et al, 2007), that informal enterprises create opportunities downstream for entrepreneurship, because micro-entrepreneurs reciprocate rather than dominate access to new opportunities. This ensures that opportunities to conduct business remain ‘open’ for all those able to participate, whilst individuals are ‘disallowed’ from dominating markets or value chain opportunities. The consequence is that successful micro-entrepreneurs cannot (and do not) invest within their business, for example by improving their stall, but externalise investment into other micro-enterprises or activities.

The research clearly demonstrates that informal traders, though themselves relatively poor, do not (only) serve the marginalised poor, but sell their goods and provide services to formally employed workers and the middle income classes. In the case of the Tshakhuma fruit market, rural villagers, many who themselves could be categorised as poor, sell fruit to affluent elites that commute in executive vehicles between their traditional homes and the city. We can deduce, therefore, that the informal economy in provides an important means for the transfer of wealth (money) from the rich to the poor. For those engaged in these businesses, the informal economy can be seen as an incubator of entrepreneurship which...
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Understanding the Informal Economy in Limpopo
Second Draft Report – August 2008

provides a means for on-the-job skills acquisition and the sharing of knowledge about doing business.

6.2 Entrepreneurship within the Informal Economy

The study found that informal economy actors are engaged in entrepreneurship on terms that differ quantitatively and qualitatively from formal business practice. The main findings, in this respect are:

1. **Micro-enterprise sustainability:**

Micro-entrepreneurs that succeed in entering a market, can sustain their engagement for many years. Some sustain their livelihoods from the business; others can be regarded as survivalists. Sustainability does not equate to profit. The study found evidence to suggest that some self-employed operators subsidised their engagement in the informal economy from external resources, such as state grants (pensions and child support). The rationale for their sustained engagement in these markets, however, is not clearly understood. It is important to note that for a minority, state grants provide seed funding for running the enterprise. The research found that traders, both the successful and survivalists, seek to defend their ‘entry’ into the market, as this in itself has value (in terms of user ‘rights’), while the opportunity costs are relatively low. Street trading, in particular, requires little investment and traders can easily access products through formal sector supply chains and wholesale outlets, and then sell items in small quantities or focus on niche market segments.

2. **Covert competitiveness & reciprocal gestures:**

Micro-entrepreneurs do not aggressively compete against each other. Where competitiveness occurs, it takes place through covert means, rather than overt strategies such as price cutting (or discounting), advertising, or monopolising access to supply chains. Entrepreneurship in the informal sector is characterised by reciprocal gestures, such as sharing transport costs to undertake bulk purchases or watching over another persons’ stall whilst they are temporarily away. The importance of showing reciprocity to other persons that confront a similar situation to one that they themselves endure requires entrepreneurs to afford similar opportunities to new entrants. It also prevents any individual from seeking to monopolise a market. This often leads to a situation described as ‘over-trading’. Within these markets, where many traders sell the same range of items at the same price, competitiveness is a covert strategy - typically ascribed to ‘luck’. But whilst ‘luck’ includes an element of randomness, competitors seek to enhance their ‘luck’ through non-aggressive means such as acquiring more favourable positions within the market, capitalising on supplier discounts, building good relationships with customers, and marketing their produce / goods according to accepted rules and etiquette. Some micro-entrepreneurs may even resort to more sinister means, involving witchcraft, to enhance their ‘luck’.

3. **Social capital, knowledge sharing and organisation:**

Micro-entrepreneurs in the informal economy are either unwilling or unable to access finance from commercial institutions. The research found that even among those deemed creditworthy (using proxy indicators) few had ever borrowed money. Instead, entrepreneurs enter into business or grow their enterprise with seed capital saved from previous employment, income from social grants, or informal loans secured within the family structure. Social capital is crucially important to their success, but the relative importance of individual factors such as education and prior employment, seem to vary between localities (urban vs. rural) and do not appear to correlate to business success or profitability. Still it must be noted that 72% of the street traders surveyed had attended high school, a finding that rebuffs the claim that informal micro-entrepreneurs are poorly educated. Successful entrepreneurs
nevertheless seek to accumulate social capital in terms of investing in funeral policies, joining burial societies, opening a bank account and participating in saving groups (stokvels). Membership of a stockvel, for example, requires peer review approval and indicates an enhanced capacity to pursue a sustained saving strategy.

The study learnt that knowledge about business is derived primarily through an informal exchange of information among entrepreneurs and through drawing upon the collective knowledge embodied within specific marketplaces themselves. This collective knowledge is evident, for example, in the spatial business layout / orientation of markets. It may also be expressed through the rules applied by organised groups such as trader’s committees that unofficially manage markets for the ‘common good’.

4. Enterprise sophistication

The profitability of a micro-enterprise is correlated to the sophistication of the business and their entrepreneurial strategy. Although this topic requires further investigation, the study found that ownership of a cell phone and access to a bank account, two indicators of sophistication, seemed to be correlated to enterprise success. However, within the informal economy, the most important indicators of business sophistication relate to the extent to which the business has established linkages with service enterprises (notably transport operators) and formal supply chains. Where these linkages are well established, as we found in the case of traders in Tshakhuma market, entrepreneurial success was widespread across the market even though approximately 70% did not have bank accounts. For street traders, linkages that enhance their business sophistication include storage agreements with suppliers and lines of credit. Businesses linked to the formal sector are able to depend upon these reliable supply chains to enhance their business; these micro-enterprises display a measurably improved level of success.

In terms of the three research topics, the main findings are:

6.3 Street Traders

Scope and scale

Seventy percent of street trading involves the sale of food, predominantly fresh produce, but also processed / prepared food. Street traders generally sell in small quantities. Value is added through breaking bulk supplies into smaller, more affordable, packages. Prices range from R0.20 for single items such as a sweet, to R30 for large bags of fruit or sacks of potatoes. Supplies are obtained from formal outlets (including high street wholesalers) and farm gate markets.

Spatial business orientation

Street markets are spatially organised, not randomly formed, and assume a pattern that reflects the strength of various influences, such as municipal regulations, the physical infrastructure and the surrounding business environment. The organisation of markets is also influenced by collective interests, in the guise of trader committees, and organic business processes, such as grouping or clustering. Our research on urban markets identified three distinct zones, characterised by varying levels of pedestrian intensity, wherein businesses collectively target different consumer needs. Food services, for example, are situated within the inner zone in close proximity to the taxi rank, thus enabling commuters to purchase and consume food whilst they wait for transport. Throughout street markets, different site localities present varying business prospects; stands located at points of disjuncture, such as a street corner, street crossing or shop entrance, offer significantly
greater business prospects. Traders therefore aim to secure control over these sites, whilst those who control these sites recognise their value and in some cases have sub-leased their stands.

**Entry barriers**

There are relatively few barriers to street trading. Access to a trading site is necessary, though site rentals are negligible, even in municipal rented sites. Municipalities have demarcated trading areas, mostly situated near taxi ranks or pedestrian thoroughfares. Street trading outside these localities is prohibited, though the enforcement of the law seems to vary widely from town to town, with the most stringent enforcement occurring in Polokwane and Mokopane. Additionally and sometimes exclusively, street markets fall under the informal governance of vested interest groups, usually established traders, who not only control entry but may advance particular agendas, such as not to use municipal infrastructure or to enforce rates boycotts.

Limited or unreliable access to reliable supply chains – and favourable terms – seems to have inhibited the range of products sold in Limpopo street markets. Apart from the great majority of food traders, approximately 20% of street traders sell cigarettes, sweets and or provide access to low cost telephone serves.

### 6.4 Poultry Micro-Entrepreneurs

**Formal sector linkages**

Poultry micro-entrepreneurs operate in every town and peri-urban centre throughout Limpopo Province. The study surveyed 72 poultry micro-producers, traders and food service businesses, some operating independently, others members of co-operative enterprises. On average, these micro-entrepreneurs had been in business for 6.5 years, a figure that underlines the sustainability of businesses in this sector (and reinforces its attractiveness as a start-up venture). For independent operators, the key to their sustainability are the linkages with formal sector businesses that supply the micro-enterprises with inputs. These businesses are not direct competitors, as they operate in different market segments: the formal sector supplies processed and dressed poultry and eggs to supermarkets, whilst the informal sector focuses on the sale of live birds (including spent hens) or supplies formally produced eggs to township customers. In the case of enterprises that sell spent hens, the poultry micro-entrepreneur in effect subsidise formal sector egg producers, which may otherwise have to carry the cost of disposing surplus off-layers.

**Subsidized competitors**

Independent micro-poultry producers face direct competition from government subsidised farmer co-operatives. These co-ops are given infrastructure (and the land on which the infrastructure is built) and assistance to acquire inputs. These entities also receive the lion’s share of agricultural extension service support. Apart from purchasing co-op surplus day-old chicks via the LDA, most independent producers reported never having received any form of official support. These independent producers are in direct competition with co-operatives, which despite operating inefficiently, can oversupply sensitive local markets. Co-ops are generally unable to react or accumulate sufficient resources to compete in the open wholesale/retail market for live broilers, and survive largely through continued government support.

Among independent producers, a significant number of entrepreneurs in the survey were either pensioners or received financial support from pensions through family members.
Producing poultry enables these individuals to invest in a relatively low risk business that delivers a swift return (+/- 42 days), though the gains are proportional to the economy of scale. While the pensioner entrepreneur typically maintains 100 birds within a 42 cycle, this level of production cannot return sufficient profit for investment to enhance the business. In order to raise the level of production to at least 500 birds within a cycle, a benchmark among informal producers, poultry micro-producers require finance, which most cannot access. Enterprise growth within this sector is thus restricted, characterised by many small scale operators on the one hand and inefficient co-operatives on the other.

**Niche markets**

Informal poultry traders focus exclusively on the niche market of live birds, as a result of customer quality demands (dressed and frozen chickens being considered of inferior quality), preferences for tougher ‘meat’ associated with spent hens, and lack of electricity/refrigeration in rural areas which forces people to buy and store meat in the form of a live bird. These traders have succeeded through establishing links with formal sector egg producers who require an outlet for unproductive layers, and targeting opportunistic markets such as rural mobile pension payout points. The entry barriers for traders are relatively high, especially as these entrepreneurs require transport, overnight storage, feed and operating capital. Birds that cannot be sold must be kept fed and thus the trader must be able to dispose of his / her stock swiftly, or else the birds will literally eat into his/her profits.

The study undertook a value chain analysis of the sector. The analysis found that the greatest amount of value adding and highest relative accumulation of profit occurs within food service enterprises. These entrepreneurs source poultry from both formal businesses (supermarket and wholesalers) and micro-producers, depending on customer preferences, enterprise orientation and price factors. The businesses in this sector vary in size from very small, such as the entrepreneur who braais (barbeques) chicken feet on street pavements and sells to school children, to established canteens at taxi ranks that serve set menu lunch meals, following traditional recipes. Both enterprises provide niche products, not available in high street food outlets. Those entrepreneurs able to source hens from outside the region where the birds are more cheaply obtainable, can earn higher profits, though this requires significant capital investment in the form of a vehicle and the ability to transport bulk numbers of birds at one time.

### 6.5 Rural Fruit Traders

**Price control**

Rural fruit traders control the price of fruit per stipulated unit to eliminate open and aggressive competitiveness. Competition among traders is thus covert, requiring that they privately or secretly enhance their ‘luck’. In large markets, such as Tshakhuma, this strategy gives rise to an organisational hierarchy that controls individual behaviour, spatial layout of the market and determines the rules of engagement for trading.

**Formal sector linkages**

Rural fruit traders are heavily reliant on produce from commercial agriculture. Where linkages are strong, as occurs in the case of Tshakhuma market between the traders and commercial farms based in Luvubu, the traders are able to stock fruits out of season (acquiring cold storage stock), thus giving the market a competitive advantage over other informal markets. Rural fruit traders also require linkages to smallholder farmers who supply
local varieties of fruit and vegetables. These growers also provide an alternative source of commercial fruits when their orchards come into season.

**Location & organisation**

The Tshakhuma market is uniquely successful as an informal fruit market because of its physical location, situated in close proximity to commercial suppliers at a junction on the main route between two major towns. While well positioned, the market owes much of its success to organisational forces that control trading, both formally through a traders committee and informally through the collective adherence to rules of engagement and trader etiquette. The entry barriers are high as only Tshakhuma villagers can trade at the market, whilst new entrants are offered stands on the margins, leaving the core zone to dominant groups.

**Services**

Rural informal markets are poorly serviced. Most traders operate without authority, situating their business along the road side at points considered to offer the traders some comparative advantage. Where the local municipality has built structures, including Tshakhuma, these have been poorly maintained so that core services (such as water, abolitions and electricity) are no longer operational. At Tshakhuma the structure provides storage, but is otherwise not utilised for trading purposes, the traders preferring to erect temporary stands along the pavement and onto the street verge.
Part C

7 Identification of Policy and Institutional Interventions

The research has revealed a number of findings that are of relevance to provincial and local government, and in particular for LED training. These findings, articulated in a policy discussion workshop held with the client and various government and private stakeholders on 29 July 2008 (See Annex 5 for attendance list) are divided into two components – Policy and Training.

7.1 Policy Recommendations

7.1.1 Institutional Support to Micro-Enterprises – Provincial Strategies

These recommendations apply to the various sectoral government departments and Provincial bodies involved in LED.

Establish an appropriate policy approach

Informal micro-enterprises that are sustainable and provide a livelihood for the entrepreneur should be seen as a crucial vehicle for broadening economic opportunities. The size and economic scope of the informal sector in Limpopo is poorly understood. Yet this study has shown that micro-entrepreneurs are well linked into formal sector value chains and have built sustainable enterprises which support the livelihoods of hundreds of thousands of households.

Informal enterprises should not be enticed (‘pushed’) to emulate the formal sector; their viability and sustainability lies in maintaining a balance between income, investment and risk mitigation. The informal enterprises studied are sustainable entities that operate according to non-formal business rules. The demands of formalization can present far greater risks than the entrepreneur can afford, whilst the gains do not outweigh the benefits of trading informally.

The policy emphasis, we recommend, should shift to facilitating enterprise sustainability and creating new opportunities for emerging entrepreneurs. Policy should not endeavor to create new businesses, but rather focus on those whom have already proven themselves in the business arena. By creating an appropriate environment for micro-enterprises, allied with strategic interventions to support emerging businesses, new entrepreneurs will emerge and seed new, organically grown, businesses.

Foster an enabling business environment

Informal enterprises are an asset to the greater economy, even if they do not contribute directly towards the provincial or national fiscus. Their role in supporting livelihoods and local economic development is significant and these enterprises should not be seen as survivalist or transitory. Regional government initiatives can contribute towards establishing an enabling environment for micro-enterprise growth through the following activities:

- Simplifying the regulations that govern informal trading
- Making the regulations that govern informal trading more readily available, and presented in a format that is easily understood
- Business support strategies that are currently restricted to cooperative entities (such as the LDA policy for poultry enterprises) should be broadened to encompass individual entrepreneurs

An enabling environment must allow informal micro-enterprises to advance within business development models that are appropriate to the situation in which they operate.

**Re-focus business support services**

Government support toward micro-enterprises should not target unemployed persons or recently established survivalist businesses. The process of establishing a micro-enterprise provides an effective filtering mechanism which gradually separates the entrepreneur from the survivalist.

Similarly, the current policy support towards cooperatives over and above individuals has, in some ways, undermined the success of individual micro-entrepreneurs. A rethink of business subsidies towards cooperatives should take place to ensure that this support does not undermine the competitiveness of micro-entrepreneurs.

**Integrating micro-enterprise development within cluster strategies and the Provincial Growth and Development Strategy**

Provincial government, via the PGDS, should recognize the potential of micro-enterprises to distribute goods/services, develop markets, create new products and build skills. An increased focus on informal enterprises within the current cluster strategy is needed. Support for informal businesses should, as far as is practically possible, be channelled through sector initiatives, strengthening the linkages between formal and informal enterprises. This could include investigation of the options to incentivise formal businesses, through BBBEE and industry-own initiatives, to incorporate informal businesses within their value chains.

It is important to establish benchmarks for these policy levers, through further conceptualization to ensure the harmonisation with institutional capacity, human resources and budget allocations.

**7.1.2 Institutional Support to Micro-Enterprises – Local Strategies**

At the local (Municipality) level, there are a number of interventions that should take place:

**Formal recognition of traders by official structures**

Municipalities should recognise that informal trading and businesses are key activities that support local economies. Adjunct to this understanding is formal recognition of the informal sector as a well established, micro-entrepreneurial sphere that creates sustainable livelihoods. This understanding will provide a solid foundation for incorporating informal trading within municipal LED policy planning.

**Broadening opportunities for informal traders**

The research shows that where formal sector developments, such as shopping malls, provides opportunities for informal traders, both can benefit. Whilst further research into formal business impacts is required, it appears as though informal traders benefit from being in close proximity with formal enterprise. Local municipalities should endeavour to
incorporate facilities for informal traders in new infrastructural developments to enable the creation of synergies between the formal and informal traders.

Street rentals for street trading could be adjusted so that premium trading sites (such as shopping centre doorways and street corners) are levied higher rentals, whilst lower demand sites are offered at more affordable rates to new market entrants.

**Sustainable provision of services to informal enterprises**

The study found that service provision to the informal sector is generally erratic. Services such as water provision, toilets and goods storage are common requirements for street traders and would enhance the business environment. Similarly, there is scope for municipalities to improve informal trader site management by using improved recording and technological processes to ensure that traders who pay site rentals can benefit from subsequent access to improved facilities.

### 7.2 Training Interventions

The Consultancy highlights four significant areas of training that would contribute to LED:

**Improving perceptions towards informal enterprises**

Informal traders and enterprises are, on the whole, sustainable and long-established entities. The entrepreneurs who own and manage these enterprises have significant business acumen and apply considerable effort and thinking in the way they conduct their businesses. Informal enterprises generally support the entrepreneur and their extended family, in addition to other businesses within the value chain. Often local governmental perceptions do not recognise these attributes. Informal trading is generally seen as a ‘fringe’ activity taking place on the margins of formal businesses, offering little benefit to the economy. Improving local government perceptions towards informal traders would assist to improve recognition of their role and their economic significance.

Training should focus on;

- Understanding the activities of informal traders in the local context
- Understanding the economic impact of informal trading on the local and regional (Limpopo) economy
- Examining municipal informal trading legislative and administrative rules
- Understanding locational aspects that encourage or discourage informal trading activity
- Areas of support that could encourage sustainable development of informal enterprises – both local and regional

**Understanding the spatial dynamics of informal trading**

Despite common appearances, informal traders within high street business areas are generally long established entities that show a high degree of order and organisation. Understanding this organisational structure would allow urban planners and municipal officers to better strategise a role for informal traders within the high street context that is both sustainable and adheres to regulations. Training should include:

- Recognising and understanding the area specific activities of informal traders in the local context – inner, outer and periphery areas of the high street trading locations
• Understanding the spatial and related trading links (actual and potential) between formal and informal business
• Devising strategies to spatially incorporate informal trading in an economically sustainable way
• Devising and implementing an informal trader plan for municipalities.

**Understanding the role of infrastructure**

LED training can enable local government to better understand the role of infrastructure in supporting informal traders. Throughout the study it was found that more than 50% of informal traders currently do not pay site rentals; those who pay, pay minimal fees, far below the amount expended on storing their goods. Traders largely support the need for improved infrastructure – especially access to toilets, water, rubbish removal, storage etc. There is opportunity to improve site conditions for informal traders and collect revenue via essential services delivered to the informal trading sector. Training should include;

• Understanding the dynamics of informal trading sites
• Understanding the significance or otherwise of specialised infrastructure
• Developing infrastructural concepts (including the use of technology) for informal traders
• Building strategies to record and service the informal sector
• Creating income generating infrastructural services.

**Understanding the rules of the informal sector**

The informal sector is economically viable and dynamic, however it does not conform to what are generally considered conventional business ‘rules’. Much of the success of the informal sector is attributable to self made micro-entrepreneurs who operate according to a set of unwritten, but well established processes that allow for informal traders to effectively run their businesses profitably. It is important that these rules are appreciated to better inform initiatives to support and manage the informal business environment.
8 References


DEPARTMENT OF TRADE AND INDUSTRY, Annual Review of Small Business In South Africa – 2004, A Qualitative Review, Enterprise Development Unit, DTI


LIMDEV (pending) Youth entrepreneurship in Limpopo Province, South Africa


VAKUDIA (2006) Tzaneen Informal Hawkers Funding proposal, written for Limpopo LED


Annex 1: Terms of Reference

Making Markets Work for the Poor – Understanding the informal economy

Markets integrate different actors in the economy via transactions for goods and services to create value and consumer benefits. Where there is market failure governments often intervene to address these failures to mitigate against negative effects (e.g. pollution) and increase positive impact (e.g. health).

In the context of SA and Limpopo this debate is set up as a tension between the first and second economy. In the first economy, the hypothesis is that markets function while in the second the market is less present, economic actors are marginalised and this is a major cause of poverty. However, little is known or understood about the dynamics of the second or informal economy. Does the market work in the informal economy? If not, why not? Or is there economic vibrancy in this informal sector which is not being captured by conventional means? What are the policy implications for government intervention? In particular what can government do to support the markets to work more efficiently in the informal sector?

Objective: to understand dynamics of the informal second economy and recommend policy interventions.

Activities:

- Review and collect existing studies undertaken on the informal economy
- Identify two pilot sites to undertake primary research both in a rural and urban setting, e.g. in Sheshego, Thoyando or in communities where Limpopo LED have projects.
- Undertake primary research in the informal economy to assess the different economic activities, the linkages, gaps.
- Assess markets for factors of production (labour, land, capital and services), demographic movements and the barriers or non barriers to access;
- Develop different policy options and interventions which can support the markets working more efficiently in the informal economy.

Method:

Given the limited statistical availability emphasis will be on undertaking primary research through interviews and sampling in both urban and rural settings

Output:

- Review and collection of existing studies;
- Research undertaken and published;
- Seminar organised with key stakeholders;
- Training material developed;
- Skills transferred to LED Centre staff.
### Informal Street Trading Summary

<table>
<thead>
<tr>
<th>Location</th>
<th>Business description</th>
<th>Gender of operator</th>
<th>Age of operator</th>
<th>Stand type</th>
<th>Business owner</th>
<th>Business employee</th>
<th>Open days per week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Polokwane</td>
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<td>M</td>
<td>18</td>
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<td>1</td>
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<td>blanket</td>
<td>2</td>
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<td>7</td>
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<td>informal traders</td>
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<td>table</td>
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<td>0</td>
<td>3</td>
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<tr>
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<td>informal traders</td>
<td>adult</td>
<td>25</td>
<td>stand</td>
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<td>kiosk/ shelter</td>
<td>1</td>
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#### Summary

<table>
<thead>
<tr>
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<th>Age of operator</th>
<th>Stand type</th>
<th>Business owner</th>
<th>Business employee</th>
<th>Open days per week</th>
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<tbody>
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<td>18</td>
<td>kiosk/ shelter</td>
<td>4</td>
<td>2</td>
<td>1</td>
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<tr>
<td>Mokopane</td>
<td>informal traders</td>
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<td>15</td>
<td>blanket</td>
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<tr>
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<td>informal traders</td>
<td>youth</td>
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<tr>
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<td>informal traders</td>
<td>adult</td>
<td>25</td>
<td>stand</td>
<td>2</td>
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<td>4</td>
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<td>informal traders</td>
<td>pensioner</td>
<td>40</td>
<td>kiosk/ shelter</td>
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<tr>
<td>Ext 44</td>
<td>informal traders</td>
<td>M</td>
<td>20</td>
<td>kiosk/ shelter</td>
<td>1</td>
<td>0</td>
<td>7</td>
</tr>
</tbody>
</table>

#### Location Details

- **Polokwane**: inform traders, gender distribution: M: F: M: 18 years old: kiosk/ shelter, 4 businesses, 2 open days.
- **Mokopane**: M: 15 years old: blanket, 2 businesses, 0 open days.
- **Lebowakgoma**: youth: 20 years old: table, 1 business, 0 open days.
- **Thohoyandou**: adult: 25 years old: stand, 2 businesses, 0 open days.
- **Malamulele**: pensioner: 40 years old: kiosk/ shelter, 0 businesses, 0 open days.
- **Ext 44**: M: 20 years old: kiosk/ shelter, 1 business, 0 open days.

- **Total**: 246 businesses, 154 M, 92 F, 6 youth, 159 adult, 159 pensioner.

#### Additional Details

- **home storage**: total use paid customers: 11.
- **total using paid**: 0.
- **total using free**: 0.

#### Annex 2 - Research Database

Agrisystems Consortium
## Research Support to the Limpopo LED – Making Markets Work for the Poor – Understanding the Informal Economy in Limpopo
### Second Draft Report – August 2008

<table>
<thead>
<tr>
<th>Location</th>
<th>Population</th>
<th>Income</th>
<th>Storage</th>
<th>General</th>
<th>Stall Type</th>
<th>General</th>
<th>General</th>
<th>Transit</th>
<th>Sales per Week</th>
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<tr>
<td>Polokwane</td>
<td>9.9</td>
<td>R 35.35</td>
<td>at shop or storeroom, on the stall</td>
<td>72</td>
<td>26</td>
<td>R 79.76</td>
<td>41</td>
<td>R 11.12</td>
<td>R 7.79</td>
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<td>6.6</td>
<td>R 13.26</td>
<td>at shop or storeroom, on the stall</td>
<td>30</td>
<td>5</td>
<td>R 67.57</td>
<td>17</td>
<td>R 7.91</td>
<td>R 3.62</td>
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<td>Letshwotlota</td>
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<td>R 10.26</td>
<td>at shop or on the stall</td>
<td>3</td>
<td>14</td>
<td>R 36.67</td>
<td>16</td>
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<td>6.4</td>
<td>R 0.77</td>
<td>on the stall, in a shop</td>
<td>3</td>
<td>17</td>
<td>R 87.18</td>
<td>14</td>
<td>R 8.35</td>
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<td>10</td>
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<td>R 0.00</td>
<td>0</td>
<td>R 13.86</td>
<td>R 0.87</td>
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</table>

### Note

- Populations are in thousands.
- Income values are in rand.
- Stall types include raw food and cigarettes, sweets, leather jackets, and car wash and engine.
- General notes include foot traffic, taxi clientele, shoppers, and general customers.
Research Support to the Limpopo LED – Making Markets Work for the Poor –
Understanding the Informal Economy in Limpopo
Second Draft Report – August 2008

<table>
<thead>
<tr>
<th>Location</th>
<th>Highest Education</th>
<th>Prior work experience</th>
<th>Do you have a bank account</th>
<th>Stokvel or similar</th>
<th>Have you ever borrowed money</th>
<th>People in household</th>
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<td>High school</td>
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<tr>
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<td>10</td>
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<tr>
<td>Lebowakgoma</td>
<td>10</td>
<td>10</td>
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<td>No</td>
<td>1</td>
</tr>
<tr>
<td>Makhosane</td>
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<td>10</td>
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<tr>
<td>Matatiele</td>
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<tr>
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<td>10</td>
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<td>No</td>
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<td>1</td>
</tr>
</tbody>
</table>

- **Polokwane**: 2 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.
- **Mokopane**: 2 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.
- **Lebowakgoma**: 10 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.
- **Makhosane**: 10 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.
- **Matatiele**: 10 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.
- **Ext 44**: 10 traders do lend money to each other – esp. for stocks. 10 traders sold similar products & services independently.

Agrisystems Consortium

Annex 2 - 3
## Tshakhuma Fruit Trader Summary

<table>
<thead>
<tr>
<th>Number</th>
<th>Location</th>
<th>Business description</th>
<th>Gender of operator</th>
<th>Age of operator</th>
<th>Stand type</th>
<th>Business owner</th>
<th>Business employee</th>
<th>Open days per week</th>
<th>Years in operation</th>
<th>Rental amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Tshakhuma A</td>
<td>fruit shop</td>
<td>F</td>
<td>25</td>
<td>2</td>
<td>27</td>
<td>none</td>
<td>0</td>
<td>1</td>
<td>R 8.75</td>
</tr>
<tr>
<td>20</td>
<td>Tshakhuma B</td>
<td>fruit shop</td>
<td>M</td>
<td>20</td>
<td>18</td>
<td>20</td>
<td>for selling and packing</td>
<td>0</td>
<td>1</td>
<td>R 8.75</td>
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</table>

### Landlord

<table>
<thead>
<tr>
<th>Municipality</th>
<th>Goods Storage</th>
<th>Most Sold Item</th>
<th>Cheapest Item</th>
<th>Most Expensive Item</th>
<th>Municipality Services</th>
<th>Source of Stock</th>
<th>How Often Restocked</th>
<th>Customers</th>
<th>Highest Education</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>home</td>
<td>mango</td>
<td>orange</td>
<td>cleaning</td>
<td>commercial farms</td>
<td>perishable food</td>
<td>1-3 times per week</td>
<td>bus, taxi and public passengers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>home</td>
<td>mango</td>
<td>orange</td>
<td>cleaning</td>
<td>commercial farms</td>
<td>perishable food</td>
<td>1-3 times per week</td>
<td>bus, taxi and public passengers</td>
<td></td>
</tr>
<tr>
<td></td>
<td>home</td>
<td>mango</td>
<td>orange</td>
<td>cleaning</td>
<td>commercial farms</td>
<td>perishable food</td>
<td>1-3 times per week</td>
<td>bus, taxi and public passengers</td>
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### Prior Work Experience

<table>
<thead>
<tr>
<th>People in Household</th>
<th>Other Household Income Sources</th>
<th>Income proxies/Cellphone Products &amp; Services</th>
<th>How this business does business</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
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</table>

### Other Information

- **Agrisystems Consortium**
- **Annex 2 - 4**
# Poultry Value Chain Summary

<table>
<thead>
<tr>
<th>Business number</th>
<th>Location</th>
<th>Business description</th>
<th>Gender</th>
<th>Age of operator</th>
<th>Business owner</th>
<th>Business employee</th>
<th>Years in operation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Seshego</td>
<td>Chicken sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>2</td>
<td>Lebowakgomo</td>
<td>sells chicken</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7.6</td>
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<tr>
<td>3</td>
<td>Lebowakgomo</td>
<td>chicken retailer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>29</td>
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<tr>
<td>4</td>
<td>Lebowakgomo</td>
<td>chicken retailer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
</tr>
<tr>
<td>5</td>
<td>Malamulele</td>
<td>Chicken sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
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<tr>
<td>6</td>
<td>Malamulele</td>
<td>Chicken sales</td>
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<td></td>
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<tr>
<td>7</td>
<td>seshego</td>
<td>egg sales</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
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<td>8</td>
<td>Malemulele</td>
<td>Chicken trading</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>7</td>
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<tr>
<td>9</td>
<td>Thohoyandou</td>
<td>Cooked food</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>5</td>
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<tr>
<td>10</td>
<td>Thohoyandou</td>
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<td>11</td>
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<td>Cooked food</td>
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<td>12</td>
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<td>13</td>
<td>Lebowakgomo</td>
<td>cooked food</td>
<td></td>
<td></td>
<td></td>
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<td>0.7</td>
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<td>14</td>
<td>Lebowakgomo</td>
<td>braai chicken</td>
<td></td>
<td></td>
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<td>15</td>
<td>Lebowakgomo</td>
<td>braai chicken</td>
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<td>16</td>
<td>Lebowakgomo</td>
<td>braai chicken</td>
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<td>17</td>
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<td>braai chicken</td>
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<td></td>
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<td>18</td>
<td>Lebowakgomo</td>
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<td>Polokwane</td>
<td>takeaway food</td>
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<td></td>
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<td></td>
<td>14</td>
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<td>21</td>
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<td>takeaway food</td>
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<td></td>
<td></td>
<td></td>
<td>2.5</td>
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<td>22</td>
<td>Thohoyandou</td>
<td>independent chicken farmers</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>23</td>
<td>Seshgo</td>
<td>independent chicken farmer</td>
<td></td>
<td></td>
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<td>24</td>
<td>Seshgo</td>
<td>independent chicken farmer</td>
<td></td>
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<tr>
<td>26</td>
<td>Malamulele</td>
<td>sasisekani chicken coop</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>27</td>
<td>Malamulele</td>
<td>hi tyile chicken coop</td>
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<td></td>
<td></td>
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<tr>
<td>28</td>
<td>Malamulele</td>
<td>sasisekani Ginya</td>
<td></td>
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<td></td>
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<td></td>
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<tr>
<td>29</td>
<td>taranele</td>
<td>dan rose commercial broiler production</td>
<td></td>
<td></td>
<td></td>
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72 individuals
<table>
<thead>
<tr>
<th>Most-sold item</th>
<th>municipality services</th>
<th>source of stock</th>
<th>How often restocked</th>
<th>Customers</th>
<th>Highest Education</th>
<th>Prior work experience</th>
<th>Do you have a bank account</th>
<th>Stokvel or similar</th>
<th>Have you ever borrowed money</th>
</tr>
</thead>
<tbody>
<tr>
<td>live chickens</td>
<td>40 selling structure</td>
<td>Lunds R22 up to 34, and Marble Hall R22</td>
<td>1x week</td>
<td>locals, for cooking and also rituals</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>30</td>
<td>Rabatokhu</td>
<td>twice a week</td>
<td>local people</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>live chickens</td>
<td>35</td>
<td>Various shops in Lebowakgomo</td>
<td>every week</td>
<td>pensioners and neighbours</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>live chickens</td>
<td>35</td>
<td>Private farmers</td>
<td>1x week</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>30</td>
<td>chickens delivered from Mpumalanga by local business</td>
<td>daily</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>eggs</td>
<td>30</td>
<td>Commercial egg farms</td>
<td>twice a week</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<td>20</td>
<td>Deliverer of chickens</td>
<td>1x week</td>
<td>live chicken sellers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>20</td>
<td>Refuse</td>
<td>every day</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>30</td>
<td>Local broiler farmers</td>
<td>sometimes everyday</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>30</td>
<td>Supermarket</td>
<td>everyday</td>
<td>tax drivers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>life chickens</td>
<td>30</td>
<td>eggs</td>
<td>every day</td>
<td>general public</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>20</td>
<td>Score (chicken) and also delivered by cars</td>
<td>everyday</td>
<td>people passing by</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>20</td>
<td>Supermarket (chickens), butcher (meat), maize shop</td>
<td>every day</td>
<td>taxi customers / shoppers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>live chickens</td>
<td>20</td>
<td>Polokwane</td>
<td>1x week</td>
<td>school children and pass buyers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>eggs</td>
<td>20</td>
<td>Mikes chickens</td>
<td>5mths</td>
<td>local passengers</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>20</td>
<td>LDA</td>
<td>per week/fortnight/month</td>
<td>live trade to public/restaurants</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>20</td>
<td>LDA</td>
<td>any month</td>
<td>live trade to public/restaurants</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>20</td>
<td>Moletje disabled project for 5 week old chickens</td>
<td>every 5-6 weeks</td>
<td>pension payout queues</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>20</td>
<td>LDA</td>
<td>5 mths</td>
<td>local trade to shacks, individuals and bakkies</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>live chickens</td>
<td>20</td>
<td>LDA</td>
<td>42 days</td>
<td>live trade to public/restaurants</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>eggs</td>
<td>20</td>
<td>LDA</td>
<td>37 days</td>
<td>abattoir</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
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<tr>
<td>live chickens</td>
<td>20</td>
<td>LDA</td>
<td>37 days</td>
<td>abattoir</td>
<td>1</td>
<td>1</td>
<td>1</td>
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</tbody>
</table>

Agrisystems Consortium

Annex 2 - 6
<table>
<thead>
<tr>
<th>Income proxies</th>
<th>Cellphone</th>
<th>How this business does business</th>
</tr>
</thead>
<tbody>
<tr>
<td>funeral policy</td>
<td>funeral policy</td>
<td>independently sells goods/vegetables in small quantities</td>
</tr>
<tr>
<td>burial society</td>
<td>burial society</td>
<td>independently sells goods/vegetables at a rental of a room</td>
</tr>
<tr>
<td>hire purchase</td>
<td>hire purchase</td>
<td>independently provides a specific service</td>
</tr>
<tr>
<td>cash</td>
<td>cash</td>
<td>sells goods or food they produced themselves</td>
</tr>
<tr>
<td>payg</td>
<td>payg</td>
<td>sells goods other than food including locally made items</td>
</tr>
</tbody>
</table>

**Notes**

1. Moved to this site for good visibility. Started business small scale with 5 chickens, sold his trousers to begin. With each sale he increased the size of stock. Now sells 100 to 150 per week, organises a bakkie (R150) to fetch chickens from layer production. Pays rent and storage to the municipality. Feeds the cockroaches 'chop' which is mealie husks and keeps them alive, but that's all. Sells for R40 (making about R7,000 per month in the clear), will also kill them and clean them for an extra R10, enjoys the killing.

1. Same as below. Cockroaches are sold for stewing, broilers for braaing. The broilers have perceived high quality meat. Perceived freshness which cannot be found at the supermarket.

1. School kid used to sell on weekends. Seems to be a common activity. The owners sell during the week. Each chicken sold live, placed into a plastic bag with corner torn off for the head. Stops them flapping about and crappping in the car etc.

1. Sells eggs from commercial layers. Also sells cracks - which are broken eggs. These are about half the price of unbroken eggs. Can buy one at a time or buy the 2.5 dozen tray.

1. Fetches and delivers "our" chickens once per week from Nutall in Wisconsin. Sells live on food on stand in Mafikizile. Seems quite stressed out. Needs a good vehicle as covers many miles every week, as if the vehicle breaks down "you are f%$ken bankrupt!".

1. Chickens basted in some special sauce by company in Mpumalanga. Guy has a business partner in SANParks who delivers the chickens for him every few months (most probably on return visits home in the park vehicle).

1. Lunch cooking for taxi clientele and commuters.

1. Not supported by govt in any way. Patience says these should get support, not the groups. None have borrowed money. Most are optimistic for the future.

1. Sells chickens 50 per time in the pension queues. Sells day old chicks R3.60 each per 100. In winter buys 5 week olds at R26, then sells them for 40 a week later. Also fetches cockroaches for Stanley (above) at R150 per load. Sets targets for income and does not eat his own chickens. Currently has 60 broilers almost ready to sell.

1. Price of stock feeds gone up considerably. Has petrol generator. Did some course on broilers, has a bakkie can take 36 crates with 10 broilers per crate. Sells 1500 - 1800 broilers per week - wholesale to retailers. Does deliveries - has 2 bakkies and sells in large quantities. Aiming for 5% mortality. Key optimism for rural market. Also rents 8.5 ha with 6 sheds to increase production. Wants funding to expand as being small is not good for survival.

1. Struggling. Has 42 broilers remaining - exact amount needed to fund next seasons hatchlings. Also growing vegetables. Complained about the high cost of farm labour - wants to hire immigrants. Astute and clever, highly aware of cost implications. Needs title to property to better raise finance. Clearly limited by lack of capital inputs. Saving costs by going slow over winter.

1. Co-operative run by young people. Production is happening, although chickens only in place for 2 months. Building created by municipality and LDA. Layers cost R35 (bought point-of-lay) and sold at R35 on the live chicken market. Less seriously affected by cost increases than breeder producers. No income drawn by membership as yet. Not particularly astute or business
Co-operative run by old people. Patience says they are unsuccessful and disorganised. Being fleeced by LDA officials who claim a proportion of the birds for themselves. Large vegetable plantings to use manure and supplement income.

Top end sponsorship with national influence for the politically connected. Not likely to succeed as too top heavy. Short cuts being taken at potentially great risk. An example of what not to do to create successful black farmers.
### Annex 3: Questionnaire

#### Informal Traders' Questionnaire

1. **Business number:**  
2. **Location:**  
3. **Two to three words describing your business (e.g., fruit shop, car mechanic):**
   - [ ] table  
   - [ ] blanket  
   - [ ] stand  
   - [ ] kiosk  

#### Relevant Details

4. **Are you the owner of this business?**  
   - [ ] Yes  
   - [ ] No  
   - If no, go to next question

4a. **Do you have employees?**  
   - [ ] Yes  
   - [ ] No  
   - If yes, how many?

4b. **Does your family play a role in your business?**  
   - [ ] Yes  
   - [ ] No  
   - If yes, describe

5. **Are you an employee of this business?**  
   - [ ] Yes  
   - [ ] No  

5a. **How long have you worked here?**  
   - [ ] Number of years  
   - [ ] or months

5b. **Are you receiving daily wage or profit share?**  
   - [ ] Wage  
   - [ ] Profit share

#### Business Information

6. **How many days per week is this business operating?**  
   - [ ] 1  
   - [ ] 2  
   - [ ] 3  
   - [ ] 4  
   - [ ] 5  
   - [ ] 6  
   - [ ] 7

7. **How many years has this business been operating?**  
   - [ ] Number of years  
   - [ ] or months

8. **How much rent do you pay for this site?**  
   - [ ] Rent amount per month

9. **To whom do you pay this rental money?**  
   - [ ] Describe

10. **Where do you store your goods when you are not selling them at the market?**

11. **(If not at home) What does this cost you per month?**  
    - [ ] Cost

12. **What item do you sell the most of?**  
    - [ ] Describe  
    - [ ] Price

13. **What is your cheapest priced item here?**  
    - [ ] Describe  
    - [ ] Price

14. **What is your most expensive priced item here?**  
    - [ ] Describe  
    - [ ] Price

15. **What facilities and services are provided by the municipality (e.g., water, toilets, etc)?**  
    - [ ] Describe
### Value Chain

<table>
<thead>
<tr>
<th>Question</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Where did you get your products from?</td>
<td></td>
</tr>
<tr>
<td>How often do you restock your store?</td>
<td></td>
</tr>
<tr>
<td>Where are the main customers of your products?</td>
<td></td>
</tr>
</tbody>
</table>

### Record Information

<table>
<thead>
<tr>
<th>Question</th>
<th>Yes</th>
<th>No</th>
<th>Post Office Account or Savings Club/stocks?</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the highest level of schooling you have passed?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Before you did this business, what job have you had?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you have a bank account?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Have you borrowed money for your business?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Including yourself, how many people eat in your household?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What are the main sources of income within the household? (pension, grant, employment, business)</td>
<td></td>
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</tr>
<tr>
<td>Do you have a funeral policy?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you own a household item bought on hire purchase/installment?</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do you own a cell phone?</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Services and products

<table>
<thead>
<tr>
<th>Product</th>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Snacks (eg. chips)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cooked food</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jewellery</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vegetables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cigarettes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cell phone</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Telephone accessories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cosmetics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothing accessories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clothes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruits</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hardware</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hair care</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Additional Information

**Pick the option that best describes the way this business does business:**

1. Independently sells goods/vegetables in small quantities
2. Sells goods/services as formal for a formal business (eg. MTN, Coke)
3. Independently provides a specific service (eg. haircare, phone access)
4. Sells goods/food that they have produced themselves
5. Sells goods other than food including items that have been made locally

**Which items are local?**
Annex 4: Description of Trading Locations

Polokwane

Polokwane is the largest city and capital of Limpopo Province. It is strategically linked by the N1 highway, railway line and the airport to Tshwane and Gauteng Province. The City and its infrastructure (such as roads and buildings) is advanced and highly accessible. Polokwane is a significant administrative centre for much governmental and private sector activity. Business activities within the city comprise of financial institutions, boutique shops, clothing chains and food stores, self named and managed businesses, franchises, mining and street vendors. The labour force in Polokwane comprises public servants, temporary workers who service the construction industry, self employed individuals and those in the services sector.

The population in Polokwane is just over 550,000 people, living within more than 130,000 households (Statistics South Africa: Community Survey 2007). Polokwane is characterized by various racial denominations, namely; Asian, Coloured, White and Black South Africans. Black South Africans are a significant majority of the population. There are a growing number of economic and political migrants from Zimbabwe living within the city confines.

Seventy three percent of households in Polokwane are considered formal dwellings whilst 14% live in informal dwellings like shacks and 13% live in low cost housing provided by the municipality.

Geographical Location and Site Description

The central informal market area is located approximately two kilometres north of the central business district. The market caters for predominately minibus taxi commuters and travellers between Seshego, Lebowakgomo, Mokopane, Moletjie, Senwabarwana, Makhado, Giyani, Burgersfort, Groblersdaal, Tshwane and Gauteng.

An informal market has grown organically around this commuting hub, radiating away from the centre of the taxi interchange. This growth has sponsored significant numbers of traders whom have established businesses in close vicinity to commuter foot traffic. In response to this, the local Municipality have developed a limited amount of trading infrastructure. Where available, this infrastructure comprises brick and steel kiosks with roofing and also demarcated paving. The traders pay the municipality rent ranging from R11 to R30 per month. Traders without these structures tend to build their own, with a combination of disassembled pallet tables and umbrellas a common sight.

Polokwane traders have access to municipal infrastructure such toilets, garbage bins and cleaning of the market area. The traders however, lack storage facilities, which the municipality does not provide. The traders have made arrangements with nearby shops (which are mostly owned by Asians) to store their products after hours. These formal businesses are situated next to the markets, and some of the traders store their products in these stores on a minimum charge of about R30-R50 a month. Some of the traders leave their products on the stalls, and cover them with tents/tarpaulins, which are removed each day for trading. The market is characterized by many traders who offer a wide variety of products including:

- Fruit
- Vegetables
- Cosmetics and salons
- Bric a brac
- Cigarettes
- Food
- Jewellery
- Meals (predominately cooked chicken)

On average, traders have operated for 9.9 years, with many individuals trading for more than 20 years.

The market surrounds a significant formal business district. The businesses in this district comprise financial service providers (including banks – FNB, ABSA and Standard Bank), boutique shops, discounters, clothing chains, and food stores. The inner areas of the market are densely populated with fast food stores, some privately branded businesses and popular franchises such as KFC, Chicken Liken. The Limpopo Mall has major South African clothing retailers, furniture stores, supermarkets and other chain businesses.

Beyond the taxi rank, on the periphery of the informal market lies the industrial area which supports a cluster of businesses in the car repair sector (including panel beaters, mechanics and businesses selling spare parts.).

**Transport node characteristics**

The market and central business district is served by major roads, including N1 North and South, Nelson Mandela Drive, which links Seshego and Polokwane, and Grobler Street which links Polokwane and Mankweng and Church street which goes to Lebowakgomo and other areas, and Thabo Mbeki street which links the N1 South.

Trading takes place along the pavements and people walk along when they are on their way to catch taxis and buses to different destinations. The trading markets are normally busy throughout the day, because people commute at different times, although peaks occur at the beginning and end of days when working classes are commuting to and from work. Many numbers of taxis operate both short-distance routes (within the town) and direct connections to the City and other suburbs throughout the day and week.

**Adjacent residential and business characteristics**

There are no housing developments within the vicinity of the market itself. The businesses that surround the market are mostly owned by Asians, who manage the businesses that supply traders with stock. There is also a central fruit and vegetable market which supplies traders, which is located within walking distance from the traders.

**Socio-demographic patterns of people entering the node**

The majority of people entering the market area black. The transportation node serves as a point through which the population enters the town and proceeds towards their place of work. The bulk of commuters passing through the node are formally and informally employed and the unemployed.

The main clientele of traders are therefore working class and lower income wage earners. The market displays a strong cultural image, reflecting the various aspects of different people’s identity; for example, Tsonga, Venda and some times coloured people. There is also a sporadic number of Muslims from Somalia, and Zimbabweans. The number of foreigners trading is increasing.
Thohoyandou

History and geographical location of the area

Thohoyandou is an important socio-economic centre serving the Vhembe District of Limpopo province. The area is situated on the foothills of the Zoutpansberg Mountains, along the Punda Maria Road between Louis Trichardt and the Kruger National Park under Thulamela Municipality. Thohoyandou was the capital city of the former Bantustan of Venda until South Africa adopted a democratic government in 1994 and the region officially joined the then Northern Province. It is demographically dominated by black South Africans.

Transport node characteristics

Thohoyandou is the main transport node in the Vhembe district for long distance bus companies (like City to City and Translux), mini buses and taxis to Louis Trichardt, Polokwane, Pretoria and Johannesburg. Various local buses and taxis transport people to other local municipality town centres like Mutale, Malamulele, Makhado, Tshakhuma and Vuwani. The category of passengers utilizing these mode of transport are students, civil servants and customers both private and public sectors.

There are three main taxi ranks that are dispersed throughout Thohoyandou, all of which host informal traders. The Mvusuludzo rank (located on the southern part of the town) contains the highest density of street traders and was chosen as the survey site.

It has been noticed that from the early hours of the day between 6:00 – 19:00 pm late, taxis and mini-buses transport people in this taxi rank to and from their respective working places. Despite a huge number of employees using this taxi rank one could also assume that 65% of people doing shopping in Thohoyandou find their transport at Mvusuludzo taxi rank.

Public transport at Mvusuludzo taxi rank operates consistently everyday transporting employees during early and late hours. The majority of commuters during the day using Mvusuludzo taxi rank are for shopping.

Business and residential characteristics

The Thohoyandou commercial centre constitutes the chief retail shopping centre for Thulamela Municipality. Since the existence of the new political dispensation in 1994, Thohoyandou was stripped of its Bantustan administrative status which has reduced levels of employment in the area (with the movement of civil servants to Polokwane) and also created a legacy of underutilised government buildings and infrastructure. The area has however, remained a densely populated centre where retailing environments and other informal enterprises are common.

Street traders in Thohoyandou have taken advantage of the large volumes of pedestrians attracted by the shopping malls and transport hubs within town. Informal traders have surrounded the Mvusuludzo taxi rank, most of them occupying 1-2 square metres of space to exhibit their products. There are no clear demarcations for trading space although traders themselves have a clear notion of where their, and other businesses operate from.

Although most of the informal traders hold trading licenses, they seem not to comply in terms of monthly or annual levies payment to Thulamela Municipality - attributed by traders to maladministration by municipality officials. An attempt to embark on a Thohoyandou clean-up campaign by the Thulamela Municipality meant demolishing most non conforming
informal trader kiosks some years ago (the Mirror Newspaper, 23 August 1994), although since this time street trading rebounded and grown significantly. The North/South walking path of Thohoyandou town centre links the two taxi ranks from the old parliament buildings through the Venda Plaza Mall, Post office, and newly built Mvusuludzo Mall to Mvusuludzo taxi rank. This foot-path has heavy pedestrian traffic fringed by street traders with stands selling clothes, footwear, mopani worms, toys, traditional herbs, airtime, belts, hats, cell-phones, crafts, food and vegetables. This foot-path, linking public and private space to the Mvusuludzo taxi rank creates a critical street trading node.

The construction of access streets to new shops in the middle of the town has also increased the number of informal traders at the entry points of formal businesses. Formal supermarket customers, ATM users, taxi and mini-bus drivers and commuters are the main customers for the Mvusuludzo taxi rank informal traders.

Thohoyandou comprises a mix of modern houses owned by middle class working groups, more heavily condensed township areas with self built accommodation structures, and outlying rural communities. The town has numerous schools and a university. The result of these education facilities is that many students and educators rent houses in the town, contributing to the customer base for retail businesses.

The roads in Thohoyandou town are in good condition albeit potholed in areas. There is a minimal crime rate and high level of street ambience and amenity.

**Demographic profile**

The population of Thohoyandou is 450 000 which account for approximately 40% of the population of the Vhembe District and a significant 7.7% of the Limpopo Province (Fairhurst et al 1999:94). Although some traders reside within Thohoyandou township sections (A-G), most of them are coming from adjacent rural villages up to a distance of 70 km.

There is a large diversity of products sold at Mvusuludzo Taxi Rank which include telephone services, food, cigarettes, brooms, sweets, clothes, cooked chicken, car wash, cell phones vouchers, fruit and vegetables. Most of the street traders use blankets, tables, stands, kiosks and bakkies to display their products. The mark up price for different selling commodities is uniform among street traders which mean that there is communication among informal traders every time when price increase for products is necessary. Apart from food and traditional Mageu most of the street traders’ products are not self-made. It has been estimated that 20% of street traders are foreigners mainly from Zimbabwe and Mozambique.

**Peri-urban**

*Mokopane*

**Introduction**

Mokopane is a peri urban settlement located approximately 50km south of Polokwane on the N1 freeway towards Tshwane (Pretoria). The area has a high level of infrastructure (such as roads, water reticulation etc), but once outside of the town boundaries these standards tend to fall away. Mokopane falls under the Mogalakwena Municipality within the Waterbrg District of Limpopo Province.

The racial denomination is characterised mostly black South Africans, whites and asians. The population in Mokopane/Mogalakwena Municipality is 330 649, with 75 313 households (Statistics South Africa: Community Survey 2007).
The business activities within Mokopane comprise of financial institutions, clothing chains, franchises, food stores and self run enterprises.

The labour force in Mokopane is a mixed demographic in a variety of skills areas - public servants, retailers, franchise businesses, construction, agriculture, self employed and temporary labourers. Unemployment rates are high.

Most households in Mokopane are formal dwellings although there is a considerable number of shacks and low cost housing provided by the Municipality or the Provincial Local Government and Housing. Beyond the traders markets on the road to Mahwelereng lies the industrial area which supports a cluster of businesses, including formal factories, formal car repairs, building hardware and privately run and named businesses.

**Geographical Location and Site Description**

The market area is located within the business district in town, next to the main taxi rank. The market caters for people who travel between Polokwane, Mahwelereng, Steilooop, Sekgagapeng, Moshate, Lebowakgomo, Buckanburg, Lephalale, Tshwane and Gauteng.

The market is characterised by many traders who offer a wide variety of products such as:

- Fruit and vegetables
- Clothes
- Bric-a-brac and cosmetics
- Cigarettes
- Telephone access
- Cooked food
- Snack food and confectionary
- Car services (close to the taxi rank)

The traders have storage arrangements with shops and the local minibus taxi association to store their products and equipment after hours. Those without such an arrangement pack their kiosk and products to take home after trading each day.

Some of the traders on the pavement are employees of other shops who operate formal businesses whose strategy is to sell both formally and informally. Most of these businesses belong to Asians and specialise in selling imported goods such as belts, clothes and cosmetics. These formal businesses are situated next to the markets, and some of the traders store their products in these stores for a fee, or as a free service from the formal shopowner who supplies the trader with stock.

**Transport node characteristics**

Mokopane and the informal trader markets are served by roads that link Polokwane to Gauteng and Polokwane to Lebowakgomo and Lephallale (formerly Ellisras). There is also a railway that links Polokwane and Gauteng, mostly used for goods and passengers, although this is some distance from the trading businesses.

The market area is located on Nelson Mandela Street and fringes the Shoprite commercial shopping complex. This is effectively the CBD of Mokopane and has high levels of commuter traffic. The site is fringed by a taxi rank which services local commuter traffic and medium haul business to Polokwane and surrounding districts. The traders operate on an open area.
on the pavement, and some have created their own shelter for protection from weather extremes. The businesses in this district comprise financial service providers, clothing chains, and food stores.

Each trader operates from numbered, demarcated spaces painted onto the pavement by the municipality. The municipality enforces a permit system for traders, accessible by payment of rent (either each or every six months).

The trading markets are normally busy between 07h00 and 19h00, Monday to Saturday. Most formal businesses in Mokopane are closed on Sundays and the informal enterprises follow this trend.

Adjacent residential and business characteristics

There are no housing developments within the vicinity of the market itself which is fringed by businesses, formal car parking and taxi services. The nearest housing is to be found in local suburbs in town, occupied by formal sector employees. Most traders commute to the market from outlying districts on a daily basis.

Mokopane has a large wholesale fruit and vegetable market which supplies the traders, located approximately 3km away. The traders are also supplied with products from farmers, who deliver fruit and vegetables (commonly via an intermediary bakkie driver) to the traders.

Socio-demographic patterns of people entering the node

The majority of people entering the market area are black South Africans. The transportation node serves as a point through which the population enters the market and proceeds towards their place of work. The market is also located at the main taxi rank, where commuters depart. The bulk of commuters passing through the node are formally and informally employed and the unemployed.

The main clientele of traders are generally working class and lower income wage earners. The market displays a strong cultural image, reflecting the various aspects of different people’s identity; for example, Tsonga, Sepedi and sometimes Asians.

Lebowakgomo

Introduction

Lebowakgomo is a peri-urban settlement located approximately 40km south east of Polokwane. Historically, Lebowakgomo was the principal urban settlement and administrative capital of the Lebowa Government, a former homeland established under the pre-1994 South African government regime. The settlement is an administrative centre with various regional government offices and its own local government. Lebowagomo is a sprawling centre typified by decaying public infrastructure exasperated through lack of ongoing maintenance. The centre has numerous government and private sector developments of modern standard. At present, Lebowagomo houses the provincial legislature of the Limpopo Province. Lebowakgomo is located within Lepelle Nkumpi Municipality within the Capricorn District.

The racial denomination is characterised mostly by South African black people. The population Lepelle Nkumpi Municipality is 241,414, with 58,483 households (Statistics South Africa: Community Survey 2007).
Business activity within Lebowakgomo is typical of a peri-urban area in South Africa. There are a couple of shopping centres, each supporting major financial institutions, clothing chains, franchises, food stores, and self run enterprises.

The labour force in Lebowakgomo comprises mainly of public servants, self employed individuals and temporary labourers. Formal unemployment is high and endemic with many relying on employment opportunities outside of the area to sustain income.

The majority of households in Lebowakgomo are formal structures. The number of informal dwellings and low cost housing increases with distance away from Lebowakgomo centre.

**Geographical Location and Site Description**

The informal market area is located between two large townships (comprising low cost housing and shacks) identified as Zone A and Zone F. This market caters for people travelling between these zones, and also greater distances to surrounding Zebediela, Mphahlele and Jane Furse. There area is a central destination and origin for commuters and shoppers, as the shopping centre, hospital and police station are all adjacent or within a few kilometres of the taxi rank.

The informal traders of this study operate from an open, unpaved area surrounding a formal shopping complex. Traders are concentrated around the two major entrance points to the centre, a minibus taxi rank and road access point to the formal centre car park. The traders operating outside the complex operates in makeshift tents and self built kiosks made from disassembled pallets and corrugated iron. The local municipality have built trading structures within the informal market but these are presently unused and fenced off. A small group of traders have secured the right to trade within the formal shopping centre car park, utilising purpose-built structures.

The traders located outside the formal shopping centre have no access to municipal infrastructure like toilets, garbage bins and they clean the area themselves. Many traders have business arrangements with shops within the shopping complex to store their products after hours, gain access to water and toilet facilities. Some of the traders pack their kiosk and take their products home everyday after trading. The traders within the shopping complex, leave their products on the stalls, covering them with tents which they remove the next day when they start trading.

The market is characterised by many traders who offer a variety of goods and services including:

- Fruit
- Vegetables
- Tailoring services
- Cigarettes
- Telephone access
- Chicken braaing and hot foods
- Snack food

Informal traders within the shopping complex are restricted by the centre management to 20 individuals. Outside the boundaries of the centre the number of informal traders is very high, and subject to less restriction. This has created a densely packed sprawl of informal enterprises that fringe formal trading areas, fences and roads in the vicinity of the shopping
centre. The Lebowakgomo shopping complex contains a supermarket, pharmacy, furniture and various smaller retail stores.

Beyond the taxi rank on the road to Jane Furse lies the industrial area which supports a cluster of businesses in the car repair sector (including panel beaters, mechanics and businesses selling spare parts).

**Transport node characteristics**

The market is served by road that link Lebowakgomo to Jane Furse / Sekhukhune, Zebediela, Mokopane and Burgersfort and Polokwane. Commuters using the taxi rank and market are commonly in transit to these outlying settlements, heading to/from work in the area or shoppers destined for the formal shopping centre. The market and formal shopping centre are located on a key intersection within Lebowakgomo which links the centre with Polokwane, and is thus a point of destination/origin for many commuters on this busy route.

The trading markets are normally open between 09h00 and 18h00, Monday to Saturday, although peak periods occur weekday mornings, afternoons (primarily working commuters) and Saturday mornings (shoppers). Traders indicated that a large amount of trade took place on government pension and grant days as taxis are busier and more people enter the node.

**Adjacent residential and business characteristics**

There are housing developments within the vicinity of the market itself. The closest housing areas are Zone F, Zone F (Phase Two), Zone S, Zone A, Zone R. These areas comprise a mixture of informal shacks, RDP (low cost) housing as built by government since 1994 and formal houses. Other than residential, some light industrial businesses fringe the area – primarily car services/repair and building construction businesses. A new formal shopping centre is being constructed in the immediate vicinity of the taxi rank which will both compete with the current centre and act as a greater drawcard to the local area for shoppers.

The formal businesses that surround the market are mostly chain store franchise enterprises. A large fruit and vegetable market (which commonly supplies the traders) is located 5 – 8 km from the taxi rank.

**Socio-demographic patterns of people entering the node**

The vast majority of people entering the market area are black South Africans. The transportation node serves as a point through which people enter Lebowakgomo for their place of work. The main clientele of traders are commonly working class and lower income wage earners. Many people subsist from seasonal agricultural work in the vicinity, construction and casual labour. Some, primarily government and middle management employees commute to Polokwane from the taxi rank on a daily basis.

The bulk of commuters passing through the node are either heading to places of work or to shopping destinations. On weekends and pension days the proportion of shopping commuters is much greater.

**Rural**

**Malamulele**

**Introduction**
Malamulele constitutes a rural town under the Thulamela Municipality. It originally falls within the former Gazankulu Homeland between Thohoyandou on the North-Western side, Kruger National Park and Giyani.

**Transport node characteristics**

Malamulele Taxi rank is a densely populated informal business area between the Malamulele hospital, Malamulele shopping complex and other small businesses along the main street of the town. The town has only one taxi rank which connects commuters to various destinations like Thohoyandou, Giyani and other rural areas.

**Geographical Location and Site Description**

As a rural town relatively isolated from larger settlements, Malamulele attracts many informal traders whom sell a wide variety of items including fast food, chicken braaing, hair-care services, bread, live broiler chickens, telephone services, fruit and vegetables. Most of the traders use blankets and tables to display their products, however some move about on foot following customers.

Many bakkies and trucks can be seen supplying fruit and vegetables in bulk to other street traders and direct to the customers. Those bakkies observed were selling cabbages, potato, oranges.

The customers for street traders at Malamulele taxi rank constitute diverse origins and destinations, such as those going to the hospital, locals from the Malamulele Township, people coming from adjacent villages and taxi drivers. Malamulele is a key destination for surrounding rural people gathering food supplies and essential services. Few long distance taxis or buses were seen.

The road infrastructure at Malamulele is minimal, outside the main streets of town most roads are unsealed. Public parking at the shopping mall is very limited and there are some potholes. There are no municipally operated public toilets or garbage services, other than those servicing the formal business sector. Little infrastructure is in place for informal traders. Most trade on bare ground within the market context.

**Adjacent residential/business characteristics**

The main formal business at Malamulele is the shopping mall in which Shoprite, chain stores, formal banking services and other shops attract most clientele. The Malamulele hospital, Malamulele stadium, and government service centre including agriculture, education, police and other departments form the major services within town. A great proportion of employees working in these sectors get their transport at Malamulele taxi rank, adding significantly to the business viability of the node.

Housing within the town is formalised, with the outskirts commonly comprised of more basic, home built structures. The landscape rapidly becomes rural once past the outskirts of the town boundaries. Here, housing is more rudimentary and commonly part of traditional agricultural smallholdings.

**Demographic**

Malamulele town is predominately occupied by rural Tsonga speaking people. Both the working and unemployed utilise services of the informal traders. Additionally, there is a large
refugee camp one km from the taxi rank, occupied primarily by Mozambicans. Whilst none were seen trading, they are a likely source of customers at the Malamulele taxi rank.

A large number of elderly people were seen trading within the taxi rank.