Chapter 8

Municipal Partnerships for Prosperity: Empowering the Working Poor in Local Economic Development

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This chapter addresses the crucial relationship between local government and the urban informal economy, both to support local economic development and in the fight against poverty. The chapter focuses on street vending as one of the most visible and contested domains of the informal economy, which the author has studied over many years (see, for example, Brown 2006; 2010; Brown et al. 2010).

Widespread informality has now become a structural characteristic of low-income urban economies and contributes significantly to gross domestic product (GDP; see International Labour Organization [ILO] 2007: 8). In many cities of the developing world, the informal economy provides 60–70 per cent of urban jobs and up to 90 per cent of new jobs (ILO 2011). Informal work provides a crucial source of urban livelihoods, particularly for young people entering the job market and new migrants to cities. Although individual incomes are often low, cumulatively these activities make important contributions to urban economies.

The term '*informal economy*' embraces a wide range of occupations: the street traders and porters of Asia, Africa and Latin America; service workers such as transport operators, domestics or waste pickers; construction workers employed on day rates; or home-based workers undertaking manufacturing piecework. An *enterprise-based* description includes legal activities taking place either fully or partly outside formal regulatory frameworks (Chen et al. 2002), such as enterprises that are not registered or do not maintain formal accounts (ILO 2011). This includes, for example, selling vegetables or T-shirts without a trading permit or site license. The term excludes criminal activities, such as drug peddling or prostitution. Many informal enterprises are small, with fewer than 10 workers, although not all micro-enterprises are informal. The *worker-based* definition of the International Labour Organization (ILO) includes non-wage, own-account workers, the self-employed in micro-enterprises and disguised wage workers such as home-based and sweatshop workers, working in either the formal or the informal sector, who generally lack social or legal protection (ILO 2002: 3; 2011; Carr and Chen 2001).

Local governments are at the forefront of managing informal economies, and in most jurisdictions have significant legal and management responsibilities that impinge on the urban working poor. Typically these include market management, highway maintenance and safety, public health, public order and policing, town planning regulations and local economic development. However, local governments are often heavily constrained in the creative management of local economies because of fragmented departmental responsibilities, weak management capacity, outdated or conflicting legislation or erratic financing. Policy is often poorly co-ordinated, with several local authority departments having competing responsibilities, and as a result many of the working poor face erratic enforcement, fines, bribes or evictions which increase their vulnerability.

Within globalised economies, city governments have only limited scope to influence local economic development, because external factors influence where investments are made. However, what matters for urban poverty reduction is the extent to which economic growth is labour-intensive and benefits local micro- and medium-sized enterprises (Devas 2004). City governments have a critical role in ensuring access to basic infrastructure and a secure place of operation if the economic potential of micro-enterprises is to be realised (ibid), but there are major challenges for those faced with large informal economies and competing claims over city space. The vested interests of powerful property owners and developers, and aspirations to create a modern city image, give little priority to the enterprise of the poor, whose potential to contribute to a vibrant local economy is sometimes forgotten. It is easy to destroy jobs, but much more difficult to create them.

The lack of reliable data on the scale of the informal economy – its employment potential and economic contribution – means that policy and practice is often ad hoc, with a limited information base on which to address needs and priorities. The complexity of the informal economy is rarely understood – both the value chains within which workers operate and their extended network of dependents. The claim that those involved in the informal economy are not taxed is often untrue – many pay daily fees and tolls to municipal collectors for the space they use. Unfortunately there are few examples of good management practices on which to draw as precedent, and where these exist they are easily reversed with a change in political power.

This chapter first establishes a theoretical basis for examining relationships between local government and informal economy workers, discussing urban regime theory and debates on modernity and post-modernity as a conceptual framework. It then explores approaches to managing the informal economy and street vending in the Commonwealth countries of Tanzania, South Africa and India, asking why gains which initially seemed favourable to informal economy workers were so difficult to sustain.

In making recommendations for strengthening local government's role in improved management of the urban informal economy, the chapter draws on the work of the global advocacy network – Women in Informal Employment: Globalizing and Organizing (WIEGO), a network of member-based organisations of poor workers (MBOs) supported by researchers, statisticians, practitioners and development agencies – which campaigns for improved visibility and recognition for the working poor, especially women (WIEGO 2012). WIEGO's MBO groups are active in Asia, Africa and Latin America, and together represent around 3 million workers.

8.1 Conceptualising governance contexts

Why is it that from Dar es Salaam to Durban to Delhi street vendors are under threat? Or, as Cross and Karides ask, what makes it acceptable to sell oranges from a shop but not from a stall in the street (2007)? The concept of 'governance', referring to the 'mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests' (United Nations Development Programme [UNDP] 1997, ch. 1), is used here to mean the collective institutions and mechanisms, both formal and informal, through which decisions over urban management and development take place. This section explores how urban regime theory[1] and debates on economic modernisation explain the persistent exclusion of the informal economy from urban policy agendas.

Urban regime theory, first introduced by Stone (1989) in his study of Atlanta, Georgia, has become the dominant paradigm for describing the relationship between governance and urban economies. Stone (2001) defined an urban regime as the 'set of arrangements through which a community is governed', including the key elements of a 'purpose' or slogan, and a governing 'coalition of interests', often between the local state and private actors, that goes beyond a single organisation with no overall chain of command and where power is seen as fragmented (Stone 2001; Elkin 1987: 18).

Stone (1989; 2005) suggests that governing arrangements stem from an alignment of strategic connections in which elections, although important, are not the defining factor. Such alignments have four key elements:

- an agenda or purpose addressing a distinct set of problems;
- a governing coalition formed around the agenda, often with both government and non-government members;
- resources for addressing the agenda; and
- a scheme of co-operation through which the governing coalition's members align their contributions.

Thus power is exercised by elites who have the resources to pursue agendas, and, while the composition of power may vary over different issues, elite power has an ongoing existence and commonality.

In addressing the persistence of social inequalities, Stone argues that lower-status groups are weakly positioned to contribute to governance (2005). Thus, developing agendas that effectively tackle social problems requires an understanding of two key questions: first, how can lower-status populations mobilise as active partners for change; and, second, under what conditions can local government and non-government actors partner to expand opportunities? Many measures by governments intended to reduce inequality are merely token efforts rather than a genuine long-term expansion of opportunity (Stone 2005).

Critics have highlighted the limitations of urban regime theory, first in analysing local governance where politicians, rather than the local administration, are dominant

(Dowding 2001; Dowding et al. 1999); and second because of its focus on the developed world. Some argue that the theory's original application in examining public–private sector relationships was useful, but its use to study societal settings and the make-up of governing coalitions is less appropriate (Mossberger and Stoker 2001; Stoker 1998). Of note in urban regime theory is the assumption that the market economy is the best economic system available, but that social equity is not a dominant objective (Davies 2002). Nevertheless, the notions of 'elite power' and 'coalitions of interests' in analysing local economies are useful in exploring why gains initially supportive for the urban poor are so hard to sustain.

Debates on modernity and post-modernity also suggest an agenda of exclusion of informal economy workers from development agendas. Modernisation theory is based on seventeenth-century ideals of the Enlightenment. From a Marxist perspective, the industrial revolution and modernised economic growth mobilised the masses. A competing version of modernisation was based on capitalism, although both ideologies were based on the idea of economic growth. More recently the term has become associated with the modernisation of industrial processes and the specialisation of production.

Within the modernisation project, the role of the state was to foster economic growth through large-scale industrial investment, with a view that small-scale enterprises are inherently inefficient and thus not part of the modern dream (Cross and Karides 2007). The powerful alliance of interests between the state, land-owning classes and capitalism drove the modernisation project forward. The petty economy was seen either as 'parallel' or as a 'transient' phenomenon that would disappear once industrial-led growth prevailed. Although there is now more emphasis on the potential of small businesses to contribute to local economic development, this does not usually stretch to encompass the 'street entrepreneurs' identified by Cross and Morales (2007).

Urban planning was among a number of instruments developed to enable modernisation, with a belief that towns could be designed and planned by an interventionist state. In the late nineteenth century, 'modern' urban planning emerged to support the privatisation of urban land, and as a response to the unsanitary conditions of early industrial cities (UN Human Settlement Programme [UN-HABITAT] 2009: 10). Planning was seen as a technical and design-led process often implemented through the legal instrument of the zoning plan, particularly in the United States and many other planning regimes, which served the coalition of power between city governments and elite economic and land-owning interests to the exclusion of the mixed-use activities of poor neighbourhoods.

Post-modernity, argue Cross and Morales, represents an economic change resulting in increasingly flexible systems of exchange and fragmented power relations, a movement in which individuals attempt to regain control over their lives, reflected in the renewed growth of small businesses since the 1980s (Cross and Morales 2007; Inglehart and Welzel 2005). Far from being 'backward, inefficient and detrimental to national development' as often perceived, Cross and Morales see informal economy workers as 'adopting reasoned reactions to local manifestations of today's economic, cultural and social world', partly a response to over-regulation which forces entrepreneurs to circumvent the rules (Cross and Morales 2007: 7–10).

The key issue here is how local governments manage large numbers of independent operators, and how informal economy actors create coalitions of interest as a basis for negotiation. It is difficult for poorly resourced local governments to process large numbers of small transactions – for example, collecting fees from street vendors – and for the disparate enterprises in the informal economy to combine interests: their bargaining power is often weak, and in general they lose out from major urban development and the privatisation of public services. For example, street vendors are often dispossessed in historic area improvements (Crossa 2009; Middleton 2003; Walton 1998; Bromley and Mackie 2009), or by the introduction of new urban freeways and rapid transit routes.

Furthermore, as is apparent from the case studies, participatory planning does not always achieve lasting change, as powerful coalitions act to block the voices of the poor. In Dar es Salaam, Durban and Delhi, participatory processes that gained fleeting influence for grassroots organisations have established only fragile leverage in the alliance of interests between state, land-owning classes and capitalist entrepreneurs. Local governments continue to miss out on the potential for economic growth, while the modernisation agenda does not allow space for micro-enterprises or recognise their actions as a post-modern and 'reasoned' reaction to economic trends.

8.2 Approaches to the informal economy and street vending

The examples in this chapter examine initiatives in three different Commonwealth countries to legitimise and manage the informal economy and street vending. Each case demonstrates willingness by local government to innovate through enabling national or city-level policies, but all have suffered setbacks in implementation when broader interests came into play. The case studies also illustrate the crucial problems of a vision that excludes the informal economy, and the lack of evidence to demonstrate its innovation and reach. In Dar es Salaam an innovative pilot and national formalisation project faltered; in Durban environmental improvement projects have taken precedence over street vending; and in India a top-down national policy is proving controversial in its implementation.

8.2.1 Petty trade in Dar es Salaam

In Tanzania, national and local policy towards street vending has fluctuated with economic and political change. The 1967 Arusha Declaration heralded a process of 'socialism and self-reliance' that led to the nationalisation of major industries and the introduction of a one-party state. Local government was abolished in 1972. However, following a decline in local services, elected local government was re-established in 1984, as was a national multiparty system in 1992. In most urban areas, local government is a single-tier system (municipal, city or town level) supported by administrative committees at ward and street (*mtaa)* level (Prime Minister's Office [PMO] 2008).

By-laws dating from the 1960s and 1970s made petty trading illegal, but the 1980s economic crisis forced some accommodation, facilitated by three key factors (Brown et al. 2010). First, the 1983 *Human Resources Deployment Act* required every able-bodied person to work, and established the *nguvu kazi* hawker license (Tripp 1997). Second, the Sustainable Dar es Salaam Project (SDP), a strategic planning project initiated by UNDP and UN-HABITAT with Dar es Salaam City Council, heralded a participatory approach to city planning. The SDP's 1992 city consultation defined 'petty trading' as one of nine critical urban issues, leading to physical and management innovations for street vending and a strengthening of traders' associations (Nnkya 2004; Msoka 2007). Third, the near bankruptcy and suspension of Dar es Salaam City Council in 1996 was followed in 2000 by the division of the city into three new district municipalities, Ilala, Temeke and Kinondoni, which took over land-use planning and market management, leaving the city council with reduced influence (Brown 2006: 71).

In recent years Tanzania has seen strong economic performance, recording 52 per cent cumulative growth of GDP between 2001 and 2007. Although the proportion of people living in 'basic needs' poverty declined from 38 per cent in 1991/92 to 33 per cent in 2006/07, persistent poverty among specific groups drives further urbanisation and informalisation (United Republic of Tanzania [URT] 2002; Tideman 2009). The 2001 Labour Force Survey estimated that 34 per cent of male and 30 per cent of female household heads worked in the informal economy (Lerise and Kyessi 2002).

From the late 1990s, several important reports on the informal economy pursued an agenda of formalisation. The ILO's Roadmap Study (ILO et al. 1999) highlighted the costs and complexity of business registration, and sought to simplify registration and absorb informal enterprises into the mainstream. In 2005 the well-known Peruvian economist and strong proponent of land titling Hernando de Soto visited Tanzania. His consultancy ILD undertook a major study of small-scale enterprise, finding that that 98 per cent of all businesses in Tanzania operated 'extra-legally' and providing recommendations that encouraged legalisation (ILD 2005a, 2005b). Meanwhile, attitudes towards street vending hardened; it was seen by municipal officials both as a public health risk and as undermining trade in designated markets (Mfaume and Leonard 2004). In 2003 the *nguvu kazi* was cancelled, effectively making street vending illegal, and from 2006 widespread evictions were ordered. In Temeke Municipality alone there were 40,000 prosecutions of street vendors (out of an estimated population of 250,000 vendors) in the six months from February 2007 (Lyons with Msoka 2007).

Several major new projects are now shaping the face of Dar es Salaam. Construction contracts are being established for the Dar Rapid Transit system (DART), a 21-kilometre bus-based system running along major arterial roads, with costs for Phase 1 estimated at US$92 million (ITDP 2008). The routing through busy markets has displaced street vendors. In a commercial initiative designed to solve the problem of street vending, Dar es Salaam City Council constructed a new 12-storey market building for street vendors, but this is not located near a main pedestrian route and vendors are reluctant to move in; it remained largely empty several months after completion (*Tanzania Daily News* 2011).

The new district municipalities in Dar es Salaam lack capacity, and, despite the gains of the 1990s and the revenue raised in market fees, street vending is seen by municipal government as a management problem rather than a potential growth sector. A recent study suggests that poverty eradication policies in Tanzania have not paid enough attention to the growth of poor and very poor people's incomes, and that the poor operate in labour, service and commodity markets which are over-subscribed and lack institutional support (Shepherd 2010).

8.2.2 South Africa and Durban's informal economy policy

In South Africa a similar story of ambivalent policy on informal business is evident, as illustrated through the struggles of Durban. From the late 1980s growing political awareness in South Africa culminated in the *1991 Business Act*, which removed the barriers to informal activities and prohibited use of the 'move-on' regulations. This resulted in a dramatic increase of street vending in all major cities (Lund and Skinner 2004; Skinner 2008). Local authorities reacted by calling for more powers of control, and in 1993 an amendment to the Act permitted by-laws that designated 'restricted' and 'prohibited' trading zones, which enhanced local authorities' ability to regulate street vending and restrict the areas in which traders operate (Yale Law School 2011).

After the African National Congress (ANC) government was elected in 1994 there was considerable emphasis on rethinking the role and constitution of local government, and in Durban from 1996 various transitional arrangements were put in place. At first this was a series of local councils and a metropolitan council, leading to the interim UniCity in 1999 and finally to the establishment of the unitary eThekwini Municipality in 2000. The emerging municipality put considerable emphasis on economic development, preparing a set of policy papers including the 1996 *Green Paper on Economic Development* (Robbins 2005). The Economic Development Department was created in 1998, and between 1999 and 2004 an 'economic development flagship fund' and 'regeneration fund', with a peak operating budget of more than 350 million rand (R) in 2002/03, supported capital investment in more than 30 projects, about half of which were pro-poor in intent (Robbins 2005).

The emphasis of this programme was influenced by early work at Warwick Junction, a major city centre market near the bus and railway terminals, which attracts perhaps 300,000 commuters a day. In the late 1980s trading at Warwick Junction had grown rapidly, and by the mid-1990s a special team was set up to address the chaos in the area. Officials rapidly concluded that the use of public space for trading was essential to the future of the precinct, and embarked on an urban renewal programme based on extensive consultation between city officials and traders (Robbins 2005).

The innovative programme at Warwick Junction included the provision of shelters, a series of pedestrian walkways over dual carriageways, closure of a street to increase trading space, a market for traditional medicine sellers and improvements to the fresh produce market. By the mid-2000s Warwick Junction accommodated around 4,000 traders, generating an estimated annual turnover of R1 billion (Devey et al. 2006; Lund and Skinner 2004; Skinner 2008).

The success of initiatives at Warwick Junction encouraged the newly formed Economic Development Unit to allocate significant research funds to a pioneering study into informal traders in the city, which in 1997 identified 19,301 street vendors, of whom about 10,000 were in the city centre and the majority (59 per cent) were women (Skinner 2008).

The city council also developed the 2001 Durban Informal Economy Policy through a participatory process, which recognised that the informal economy was critical to economic development and should be recognised in the city's economic strategy. The policy committed the city to providing support for very small enterprises, recognising the importance of worker organisations and exploring improved management practices (Lund and Skinner 2004). For street traders the policy sought easier registration, site allocation and area-based management based on experience at Warwick Junction.

Unfortunately the policy was not translated into effective implementation, while at Warwick Junction lack of ongoing management and internal restructuring within the municipality resulted in erratic enforcement and poor communication between the municipality and traders (Robbins 2005). In November 2004 a Public Realm Management Project was allocated major funding, and 50 additional police officers were appointed to improve the image of the city. By 2005 armed constables were deployed to stop 'illegal, unlicensed street trading', evicting all traders without permits – although only 872 permits had been issued for the estimated 19,000 traders (Horn 2005).

Activists see the 2004 announcement that South Africa was to host the 2010 soccer World Cup as a turning point, although the press cited conflict with city centre businesses as the reason for the crackdown. In response, street vendor organisations launched a 'World Class Cities for All' campaign, and mounted a successful legal challenge to redevelopment plans that would have replaced part of the Warwick Junction trading space with a mall (StreetNet 2006).

8.2.3 India's national street vendor policy

In India, management of street vending is a state function. The federal government has been proactive in establishing a new policy context in response to lobbying by street vendors, but its implementation is erratic. In October 2010 the Indian Supreme Court affirmed that hawking is a fundamental right under the Indian Constitution, requiring the enactment of new legislation on street vending to respect that right (Yale Law School 2011). The judgement came after more than a decade of action by street vendors, providing new legitimacy in the relationship between street vendors and the state.

The National Association of Street Vendors of India (NASVI) was formed in 1998 with the objective of achieving national recognition for India's estimated 10 million street vendors. NASVI is a coalition of more than 540 trade unions and community-based organisations of street vendors, representing more than 3.5 million vendors. Over the last decade NASVI has successfully lobbied for the introduction of a *National Policy for Urban Street Vendors* (NPUSV), published in 2004 and revised in

2009 (Ministry of Housing and Urban Poverty Alleviation [MHUPA] 2009), and it is now campaigning for the introduction of legislation protecting street vendors. The NPUSV draws on Articles 39a and 39b in the Indian Constitution, stating that:

- citizens, men and women equally, have the right to an adequate means of livelihood; and
- ownership and control of the material resources of the community are so distributed as to best serve the common good.

The aim of the policy is to recognise the contribution of street vendors to society, and to respect street vending as a major initiative for urban poverty alleviation (MHUPA 2009). Its objectives include:

- giving vendors legal status through amending relevant laws and regulations;
- providing legitimate hawking zones with nominal fee-based regulation;
- including spaces for street vending in urban development and zoning plans; and
- encouraging participatory conduct of urban vending activities.

The policy introduces an interesting concept of 'natural markets', where a significant flow of pedestrians or general traffic creates a commercial demand (e.g. at bus stations). The policy recognises that demand for street vendors' wares is often at highly specific locations, and argues that city authorities should provide for natural markets in layout plans and that hawking should be permitted elsewhere except in areas designated as 'no-vending zones'. Designation is established by a town vending committee, made up of representatives from municipal government, traffic and local police, and market and vendors' organisations (MHUPA 2009). Unfortunately the 'no-vending zones' can be quite extensive and have been used as a prohibitive tool, rather than as part of a wider enabling approach.

The 2009 draft of the National Policy was accompanied by model legislation, which has to be enacted by states. NASVI has been critical of the lack of progress, as the policy was implemented in only eight states by 2010. Meanwhile in New Delhi the 2010 Commonwealth Games was used to justify evictions, which are explicitly prohibited by the policy (Yale Law School 2011). About 50 street-vending sites were closed and around half of these have not been re-established.

The crucial importance of the National Policy is its recognition that vending is a legitimate urban activity to be supported in the process of urban development. However, the policy leaves much unresolved. The relationship between state, urban local bodies and town vending committees is unclear, and the balance of trader interests on the vending committees is not specified. The policy suggests a simple process of registration for a nominal fee without quota restrictions or prior residential requirements, which may be difficult to enforce. However, local designation may lead to large swathes of land where street trading, once tolerated, is now prohibited. The choice of department with enforcement powers is also crucial, as eviction is the threat that most traders fear. As Skinner has said, 'moving street trading responsibilities from the traffic department is essential if local authorities are to manage and develop the informal sector, rather than simply enforce by-laws' (1999: 27), yet effective enforcement is often carried out by traffic police under s.283 of the *Indian Penal Code 1860*.

8.3 Developing capabilities

It is evident from the case studies that local governments have a number of problems in managing informal economies. First is the difficulty of finding ways to generate revenue from the informal economy, as street vending and other informal work is usually managed by the lowest tier of local government, which may be the least well equipped to collect fees or set up accessible licensing processes. Many street vendors, for example, can only afford to pay daily fees, but collecting the fees and payment details is difficult when authorities themselves lack capacity (such as access to computers).

Second is the problem of conflicting responsibilities of different local government agencies. For example, municipal police may wish to keep streets open for traffic circulation but, as in Durban, economic development policy may favour use of the public realm by micro-enterprises.

Third is the lack of data on the informal economy, which is usually difficult to capture because of the large number of small operations involved. WIEGO has developed programmes on urban policies and statistics to improve understanding of the potential role that the informal economy can play in local economic development, and to strengthen the capacity of local government in effective and pro-poor urban management (WIEGO 2012). But measurement of the informal economy is inherently difficult, partly because of definitional problems and partly because of paucity of data. Residual methods are being developed to combine statistical data from economic surveys measuring formal employment, and household surveys or census data (labour force surveys or population censuses). Informal employment is calculated as the difference between total employment and formal employment (in non-agricultural sectors). Sometimes data can be disaggregated to show employees and the self-employed (Heniz and Vanek 2010; Wills 2009).

WIEGO's urban policies programme is undertaking informal economy budget analyses which, drawing on traditions of participatory budgeting, explore how different government budgets address the needs and interests of informal workers, and identify opportunities for informal workers to participate during budget preparation (Budlender 2009). Pilot studies have been undertaken in Belo Horizonte, Brazil; Ravi Town, Lahore, Pakistan; Quezon City, the Philippines; and Lima, Peru. Different methodologies are adopted for different contexts, and the analysis covers central, state and local programmes (Budlender 2009; Budlender et al. 2004).

The programme is also exploring how training curricula can equip the next generation of urban professionals to support the informal economy, and WIEGO has signed a Memorandum of Understanding with the Association of African Planning Schools to provide training support. However, the most crucial problem is the political will to explore the needs of informal economy workers, and recognise their economic potential.

8.4 Conclusion

The challenges for 'new century' local government are legion, and the case studies demonstrate the extraordinary difficulties of embedding pro-poor approaches to the informal economy in municipal policy development. Mayors and city directors often strive to improve the quality of life for their citizens, but the discourse of modernisation based on notions of order imported from the developed world ignores reality on the ground, and tentative gains are often reversed where more powerful coalitions of interest come into play.

Lack of effective fee collection means that the revenue potential of the informal economy is not fully exploited. Although local officials may see the informal economy as avoiding taxation, in practice street vendors and others pay significant amounts in local authority fees or bribes. Vendors often indicate a willingness to pay more for the security to trade and access to basic services. The challenge is to capture payments within the local government revenue stream – for example, through co-operative or private management of major trading sites or through the creation of an arms-length body with a specific mandate to promote the informal economy and generate revenue to cover its costs.

In Durban success was based on the existence of a fairly well-resourced unitary authority, a strong political emphasis on economic development and excellent pilot work undertaken in partnership with street vendors at the busiest vending location in the city. By contrast, in Dar es Salaam the creation of a two-tier system of local government meant that powers to manage the informal economy were mostly moved to the less well-resourced lower tiers, and the emphasis on business formalisation created a new coalition of interest between elite businesses and government that gave less priority to urban street vendors. In India street vending comes under a state/local government jurisdiction, so the well-researched federal policy is only advisory.

All three case studies illustrate fluctuating commitment towards the informal economy, which may be tolerated or even accommodated until it comes into collision with more powerful interests. As was especially the case in Durban and Dar es Salaam, tentative measures to accommodate street vending eventually reverted to a more conventional elite-focused role. This illustrates both the potential and the difficulties of embedding pro-poor approaches to development in municipal policy development, and the importance of understanding how elite power may undermine innovative local government initiatives.

Urban regime theory suggests that strong coalitions of socially excluded groups combined with a fundamental rethinking of the role of local government are essential to consolidate effective pro-poor change. A shift by local authorities from 'government' to 'governance' would require a corresponding attitudinal change in the exercise of their powers and responsibilities, so that local government's role goes beyond mere service delivery to holding powers in trust for communities and supporting them in pursuing their goals. This also means a shift from positioning local government as an outpost of central administrations, to one of community leadership in enhancing local well-being.

The crucial issue remains that the informal economy is too often perceived as backward, marginal and disconnected from economic innovation and global value chains. Yet in many instances the reverse is true. Many street vendors adopt flexible strategies to survive and adapt to changing trading patterns and demands, provide outlets for locally produced goods or are linked into global value chains (Lyons et al. 2008). Local government is potentially the single most important catalyst to support this community-level change, but unleashing its potential requires a rethinking of its role through practical demonstrations of the new agenda if the potential of the informal economy to contribute to local economic development is to be realised.

Notes

1 As a framework for analysing power relations between the state and other actors.

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