Informality and migrant entrepreneurs in Cape Town’s inner city

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Abstract. Informality is a defining characteristic of cities in the global South and most especially across the region of sub-Saharan Africa. Policy responses by governments towards the informal economy impact the livelihoods of informal entrepreneurs. In South Africa the informal economy is a critical source of livelihoods in urban areas. Many participants in the informal economy of South Africa’s major urban centres are international migrants, mostly drawn to the country from other parts of sub-Saharan Africa. The objective in this paper is to examine the challenges faced by international migrant entrepreneurs in relation to policy development for the informal economy of the City of Cape Town. The analysis uses qualitative interviews with key stakeholders, documentary sources and secondary surveys. It is revealed that in Cape Town despite a pro-development rhetoric in the inner city there is evidence of a subtle but systematic exclusion of street traders, including of migrant entrepreneurs. Little evidence exists of a coherent analysis by city policy makers to understand and foreground the contributions made by migrant entrepreneurs for the urban economy.

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1. Introduction

In the 21st century Pasquetti and Picker (2017) observe that a growing number of people live ‘informal’ lives. Although the definition of term ‘informality’ is contested it is generally applied to describe “a range of behaviours and practices that are not regulated or controlled by the state or formal institutions, including those related to income generation, service provision and settlements” (Chen et al., 2016: 336). Arguably, informality is a defining characteristic of Southern cities and the phenomenon is not going away, rather is growing in significance (Ghani, Kanbur, 2013). Across the global South recent estimates suggest that the informal economy has expanded in size from 37 percent of GDP in the 1990s to approximately 50 percent by 2010 (Charmes, 2012; Darbi et al., 2016). Notwithstanding predictions to the contrary, this observed advance towards informalization is the fact that recent urbanization across the global South has been neither driven nor accompanied by industrialization (Ghani, Kanbur, 2013). Consequently, “the majority of urban workers in low-income countries earn their livelihoods in the informal economy” (Chen et al., 2016: 332). Loayza (2016) avers that in a typical developing world economy the informal economy employs as much as 70 percent of the labour force. Substantial expansion has been recorded in the informal economic landscape of urban Africa (Rogerson, 1997; International Labour Office, 2009; Dibben et al., 2015; Kamete, 2017) with one scholar stating that informality “looms large” (Grant, 2015: 135). Currently, the mass of poor city dwellers in Africa are working outside the formal economy, residing in informal shelter, and usually eking out daily struggles for a livelihood by evolving their own ‘governance rules’ and seeking to operate outside of the gaze of urban authorities (Parnell, Pieterse, 2014; Günter, Massey, 2017).

Among others Crush (2016) points out that, for the first time in human history, there are currently more people living in urban than in rural areas. The appropriate management of informality by governments is critical for addressing the urban Sustainable Development Goal in the post-2015 United Nations Development Agenda (Chen et al., 2016; Roever, Skinner, 2016; Recio et al., 2017). The latter constitutes “an important acknowledgement of the reality of global urbanization and the many social, economic, infrastructural and political challenges posed by the human transition to a predominantly urban world” (Crush, 2016: 1). As observed by Chen et al. (2016: 331) a core ‘challenge for the New Urban Agenda is therefore to secure policy commitments that would enable greater economic inclusion’. For the International Labour Office (2009: 1) this opens up important debates around possible strategies towards formalization “which are gaining new momentum at all levels and in all regions of the world”. Usually the management responses to informality fall within the domain of local rather than national government (Potts, 2008). Local state responses towards ‘managing’ the informal economy can be viewed along a continuum from violent repression and sustained evictions on the one hand to an inclusive approach supportive of the informal economy as part of urban development on the other hand (David et al., 2013; Dibben et al., 2015; Xue, Huang, 2015; Rogerson, 2016a, 2016b; Recio et al., 2017).

Arguably, the local state operates by defining the rules of what is considered formal versus informal and articulating the regulatory framework for the use of public space in cities (Kamete, 2013a, 2013b; Chen et al., 2016). In its ‘handling’ of informality Kamete (2013a, 2013b) argues that the local state in Southern Africa is driven by the goal of the making of urban ‘modernity’ and of moulding so-called ‘decent’ or ‘normal’ cities. Accordingly, local states apply a multiplicity of ‘normalizing technologies’ in order to seemingly ‘correct’ the workings of urban informal economies. Across urban Africa the dominant tendency is for the local state to “resort to ad-hoc interventions of a ‘sanitising’ character with devastating consequences for the urban poor” (Kamete, Lindell, 2010: 890). It is evidenced that the central planning discourse is towards the ‘pathologization’ of the informal economy which triggers an array of ‘sanitising’ policy measures usually accompanied by hostile interventions that seek to destroy informality or undermine informal livelihoods (Rogerson, 2008; Kamete, 2013a, 2013b; Steck et al., 2013; Cities Alliance, 2014; Crush et al., 2015a; Rogerson, 2016a, 2016b). Local states enact planning mechanisms and interventions that are geared to sweep away informality and exclude or margin-
alize urban informality in its various forms (Chen et al., 2016; Rogerson, 2016a, 2016b). In particular, the application of exclusionary planning practices is targeted often at the activities of street traders which represent the major component of urban informal economies in Africa (Roever, Skinner, 2016; Rogerson, 2016b, 2016c) and conventionally understood as mainly operating outside of state regulatory frameworks (Xue, Huang, 2015; Roever, 2016).

Arguably, informality is a distinguishing characteristic of contemporary South African cities in terms of both livelihoods and shelter (Rogerson et al., 2014; Zack, 2015; Gunter, Massey, 2017). During the apartheid period the informal economy was severely repressed by both the national and local state apparatus (Rogerson, 1986, 1988, 2000). Since democratic transition in 1994, with chronic and escalating levels of unemployment in the country’s cities, the informal economy has assumed a critical and growing role as source of livelihoods as well as major sphere for entrepreneurship (Rogerson, 1996, 2000, 2016d; Skinner, 2014). It has been demonstrated that many participants in the informal economy of South Africa’s major urban centres are international migrants mostly drawn to the country from other parts of sub-Saharan Africa (Peberdy, Rogerson, 2000, 2003; Grant, Thompson, 2015; Thompson, 2016). Indeed, it is clear that “some of the most dedicated and resourceful entrepreneurs in the South African informal economy are migrants to the country” (Crush et al., 2015a: 17). A substantial share of the urban-based migrants in South Africa’s informal economy are forced migrants either asylum seekers or refugees from other countries in sub-Saharan Africa; South Africa is host to one of the world’s largest populations of asylum seekers (Northcote, 2015; Northcote, Dodson, 2015; Tawodzera et al., 2015). After democratic transition in 1994 South Africa became a major magnet for international migrants (particularly from other African countries) the majority of whom settled in the country’s three largest cities of Johannesburg, Durban and Cape Town. From several investigations it is apparent that these three cities continue to function as major foci for migrant entrepreneurship especially for informal retailing (Peberdy, Rogerson, 2000; Hunter, Skinner, 2003; Skinner, 2008; Charmian, Piper, 2012; Sidzatane, Maharaj, 2013; Grant, Thompson, 2015; Khosa, Kalitanyi, 2015; Thompson, Grant, 2015; Zack, 2015; Thompson, 2016).

It is observed that international migrants, in many respects, have recast the nature of informal and informal entrepreneurship in the country (Peberdy, Rogerson, 2000, 2003; Crush et al., 2015a, 2015b; Thompson, 2016). Crush et al. (2015b: 4) argue that whilst “the numbers of international migrants are frequently exaggerated, it is clear that they have played an increasingly important role in the informal economies of South African cities over the last two decades”. This said, it appears that many South African policy makers often under-estimate or even denigrate the role that international migrants play in the economic life of the country’s cities (Crush et al., 2015b). Indeed, as an outcome of the rise of xenophobic sentiments in South Africa, elements in the local state view the activities of international migrants as undesirable “simply because of their national origins” (Crush et al., 2015a: 17). It is against this backdrop of urban informality and the rise of international migrant entrepreneurship in the local urban economies of South Africa’s major cities that this paper investigates the policy approaches and interventions as applied in the inner city of Cape Town. The analysis adds to a rising international scholarship – and more specifically to African debates - about the management responses to informality.

The objective in this paper is to examine the challenges faced by international migrant entrepreneurs in relation to policy development and management of the informal economy in contemporary Cape Town. In terms of methods and sources the analysis draws from a set of 15 primary interviews which were conducted during May–June 2014 with key expert stakeholders around issues of informal trading and especially by migrant entrepreneurs. The qualitative interviews included members the economic development department of Western Cape province; representatives of several departments in the City of Cape Town, including city economic development, environmental health, planning and building management; representatives of law enforcement, NGOs engaged in supporting the city’s immigrant and refugee communities and, representatives of Burundi and Somali migrants and their associations in the city. The expert interviews concentrated on interrogating issues around migrant entrepreneurship in
the informal retail economy. The detailed findings from these interviews are supported by a review of planning documents and of extant secondary source material on Cape Town's informal economy. Existing literature addresses broad issues of regulation of inner-city street trading (Skinner, 2000; van Eeden, 2011; Donaldson et al., 2014; Skinner, 2014) and the challenges facing immigrant entrepreneurs and in particular concerning their involvement in informal retail activities (Kalitanyi, Visser, 2010; Tengeh, Lapah, 2013; Tengeh, 2013a, 2013b; Khosa, Kalitanyi, 2014; van Heerden, Donaldson, 2014; Gastrow, Amit, 2015).

The results are organised and presented in terms of two further sections of discussion. These relate to documenting the overall profile of the informal economy and the policy environment in the City of Cape Town. Following this, in the subsequent section an analysis is undertaken of issues around migrant entrepreneurship in the informal economy with a specific geographical focus on Cape Town inner city. As the complex questions relating to migrant entrepreneurship in the peripheral spaces of Cape Town's township areas require separate examination (see eg. Charman, Piper, 2012; Charman et al., 2012; Sustainable Livelihoods Foundation, 2016) these are not considered in this discussion. It should be noted that whilst the views of the expert interview respondents are given in the text the actual names of interviewees must remain anonymous for ethical considerations.

2. The informal economy and the Cape Town policy environment

Informality is a significant dimension of economic life in the city of Cape Town. In one estimate offered by Oldfield (2014: S20) the informal economy contributes approximately 18-20 percent of GDP to Cape Town. Structurally, the components of this informal economy include a notable informal retail economy which is manifest as street trading in the inner city and as home-based enterprises (notably ‘spaza’ retailing) in the city’s peripheral township (Black residential) areas (see Rogerson, 1991; Charman, Piper, 2012; Sustainable Livelihoods Foundation, 2016). The Cape Town street market economy includes also a distinctive element of traders who are engaged with the city’s burgeoning tourism economy through the vending of arts and crafts (van Eeden, 2011; Rogerson, Rogerson, 2017). Beyond retail, however, there is evidence of an informal economy of services which includes hairdressing and shebeens (selling of alcohol); of manufacturing (especially informal clothing), construction, recycling and repairs (garage mechanics in townships, cell phone repairs); and, a highly distinctive economy in which an estimated 15 000 practitioners collectively are involved in gathering wild-harvest resources to support the traditional medicine economy in township areas (Petersen, 2014; Petersen et al., 2014; Sustainable Livelihoods Foundation, 2016).

The interviews conducted with key policy stakeholders disclosed that the existing knowledge base on the informal economy of Cape Town was limited. The Department of Economic Development planning has the responsibility for policy development towards the informal economy in the city. In an interview with them it was conceded that “we realize how little we actually know about the informal economy” (Interview, Manager: Economic Information and Research, City of Cape Town, 28 May, 2014). What is evident, however, in the limited material is a positive discourse about ‘developing’ the informal retail economy and of its legitimate role in the economy of Cape Town. This pro-development approach is expressed most forcefully in the city’s most recent policy documents. For example in the 2013 Informal Trading Policy it is stated as follows:

The City acknowledges the legitimacy and role of the informal economy in terms of its employment and economic growth prospects. Urbanising cities and towns globally are experiencing growth in the number of entrants to the informal sector. The informal economy also has low barriers to entry and serves as a social safety net: it also often sustains the livelihoods of foreign nationals who seek refuge from war torn countries. The informal economy is thus important socially and economically. The response to the sector will determine how well it thrives. (City of Cape Town, 2013: 10)
Although officials from the Economic Development Department re-iterated that the new policy adopts "a more developmental approach" the caveat was added that "I'm not quite sure what does that mean" (Interview, Manager: Economic Information and Research, City of Cape Town, 28 May, 2014). Another observation was made that the city's economic policy towards the informal economy would be determined ultimately at city scale rather than through policy processes led by national government departments. This finding parallels the situation in Johannesburg, South Africa's largest city, where policymaking towards the informal economy does not necessarily follow national government policy directions (Rogerson, 2016c).

It is argued by Donaldson et al. (2014) that informal trading in the Cape Town CBD is different from the condition and complexion of street trading occurring in other South African cities. Skinner (2000) points out there are more structured markets in the city than elsewhere. In addition, in Cape Town "street trading is a more lucrative activity" (Donaldson et al., 2014: 288) as compared to the predominantly survivalist forms of street trading in for example Johannesburg (Rogerson, 2016c). In a comparative context Skinner (2014) also draws attention to other distinctive dimensions of the street trading economy of Cape Town. First, following the 1993 amendment of the Business Act, which ushered in the re-regulation of street trading by South Africa's major municipalities, Cape Town declared a significantly larger area of defended space in the form of restricted or prohibited trade areas than any other large city in South Africa. Second, as compared to other South African cities, Cape Town has fewer public space traders generally and a reduced number of inner-city traders than is the situation in Johannesburg where some estimates go up to 50 000 in terms of the city's population of informal traders (Zack, 2015; Rogerson, 2016c). Three, once again in comparison with Johannesburg, the city of Cape Town has committed much less funding for infrastructure in support of informal retailing. Four, it is argued that unlike Johannesburg where key high level decisions need to be made about planning and the economic contribution of street traders to local economic development, this is not so in the case in Cape Town (Skinner, 2014). Here there is a much clearer acknowledgement of street trading's contribution to the urban economic landscape. This can be illustrated with attitudes as expressed by law enforcement officials who stated:

We know in Cape Town. We see informal trading as important because its growth for the economy. It's a place where people can make money and be their own boss and also be part of the economy. (Interview, Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014)

In a trajectory not dissimilar to that of other South African cities, however, Donaldson et al. (2014: 288) highlight the fluid nature of policies in Cape Town around street trading over the past two decades. It is observed "street trading went from regulated to unregulated in the early 1990s and, later that same decade was regulated again" (Donaldson et al., 2014: 288-89). The most recent policy statement is the 2013 Informal Trading Policy (City of Cape Town, 2013). This policy document espouses a pro-development approach towards the role of informal trading in the city. Its vision is to forge: “A thriving informal trading sector that is valued and integrated into the economic, urban landscape and social activities within the City of Cape Town” (City of Cape Town, 2013: 8). The mission is described as follows: “Through a developmental approach, the City seeks to facilitate the access to job and entrepreneurial opportunities within the informal trading sector” (City of Cape Town, 2013: 8).

At the heart of its strategic approach the policy seeks to nurture a thriving informal trading economy by focusing on planning and development, policy issues and institutional arrangements. Above all, it urges that in order to realise its objectives all Directorates within the city must “adopt a developmental approach to matters relating to informal trading” (City of Cape Town, 2013: 9). It is notable that there is an emphasis upon formalisation of trading with entrepreneurs to be encouraged “to formalise incrementally” (City of Cape Town, 2013: 10). Nevertheless, it is admitted that currently “the policy environment, especially a strategic coherent strategy for the sector is lacking” (City of Cape Town, 2013: 10). This said, certain directions are hinted at in terms of expanding infrastructural support, the extension of capacity building and business support services to cater for different types.
and levels of traders, and a somewhat vague commitment to the fact that the “appropriate level of regulation will be adopted to promote the sector; appropriateness will be determined by area and industry factors and agreed upon in engagement forums” (City of Cape Town, 2013: 11). Interviews with environmental health officials of the City of Cape Town reveal a particular concern for regulating informal trading in perishable foodstuffs. Law enforcement officials stated their position re- informal trading in public spaces:

If you are trading on the sidewalk and there’s no by-laws you are infringing upon. You are not covering the pavement, people are not being blocked, you not blocking any traffic, the area is not legislated and you are not selling illegal goods, we will allow you to trade. (Interview, Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014)

However, concerning illegal goods, law enforcement officials expressed particular concern about the sale of counterfeit products “because you can’t trade in anything illegal” (Interview with Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014). Specifically, it was stated that in Cape Town “one of our big problems is the counterfeit DVD trade, where we are after movies and blue movies and those type of stuff [sic]. It’s a big problem for us” (Interview, Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014). In the interviews with representatives of migrant organisations it was pointed out that charges of trading in counterfeit goods often provided a pretext for foreign trader harassment in parts of the inner city.

In terms of the 2009 Informal Trading by-law one critical aspect of regulation in Cape Town is a permit system which helps “keep track of traders and organize them in a way that is conducive to efficient space management” (Donaldson et al., 2014: 289). The permit system for trading bays is available to South African citizens and importantly also to refugees or those applicants with a work permit. Accordingly, therefore, the permit system treats equally South Africans and migrants. One law enforcement official stressed:

There’s no difference between the two. The requirement is a South African citizen must have an ID book, a migrant trader if it is a foreign national, he should have a refugee certificate or an asylum seeker certificate. So if they’ve got that they can get trading space. If there’s trading space available in the area where they want to trade. (Interview, Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014)

The caveat about availability of trading space is, however, of critical importance as a constraint on traders – both South Africans and migrants - in that waiting lists for permits can be up to two and a half years for certain parts of the city. As was stressed by a representative of the Refugee Rights Unit at University of Cape Town, “the actual accessing of informal trading permits is one of the problems that people have”, in particular because of high level of demand for informal trader permits in certain ‘hotspot’ areas” (Interview with Member, Refugee Rights Unit, Cape Town, 26 May, 2014). So even though the by-laws and the regulations provide for informal traders to apply for trading bay permits, “the reality is that in places like Cape Town, Sea Point, Greenpoint, Bellville, there’s such a saturation already of the market that it’s very difficult to get informal trader permits in those areas” (Interview, Member, Refugee Rights Unit, Cape Town, 26 May, 2014). Once granted, permits are available on an annual basis and afford traders access to a trading bay, the right to sell designated goods and provide for a number of rules in terms of assistants. At one level the permit system facilitates the organization of public spaces especially where there are street trading markets, such as Greenmarket Square in the inner city. Nevertheless, the system’s key disadvantage is that it is constraining. As argued in one analysis: “It limits who can trade; traders that do not get a permit find this unfair. Traders that have one find that the process to add or change the type of goods they sell is too onerous” (Donaldson et al., 2014: 292).

Looking across the actual workings of current policies towards informal street trading in Cape Town as a whole a critical stance is taken by Crush et al. (2015b). They maintain that in the inner city there is evidence of a subtle but systematic exclusion of street traders. Evidence for this is given by
the “ongoing harassment of traders throughout the city” and especially the allocation of only 410 street trading bays across the entire inner city (Crush et al., 2015b: 44). Representatives of Cape Town’s Somali community confirmed this assessment. It was pointed out that migrant traders “are always inspected and maybe searched by law enforcement” (Interview, Representative, Somali Association of South Africa, Cape Town, 29 May, 2014). Moreover, it was highlighted that “there’s not enough space for many people who could trade” and that the demarcated areas are “very few” (Interview, Representative, Somali Association of South Africa, Cape Town, 29 May, 2014). Arguably, this restriction exhibits parallels with the situation in Johannesburg and of Matjomané’s (2013: 41) notion of “the creation of scarcity” which is interpreted as a mechanism applied by city authorities to control the amount of informal trading activity. Other recent observers of the policy stance of Cape Town City Council towards informal trading also strike a critical tone. Miraftab (2007) points out that in terms of ‘governing spatiality’, whereas the Cape Town city authorities do recognise the importance of street trading and of the multiple problems faced by its entrepreneurs, the restrictions on the numbers of trading bays, particularly in the inner city, typifies ‘neo-liberal’ interventions to restrain street trading in order to ensure ‘civil order’. In addition, Donaldson et al. (2014: 289) consider that as a consequence “the City Government has attempted to strike a balance between regulation and the interests of the traders, but questions remain as to whether or not such a balance has been achieved”. Furthermore, their analysis draws our attention to the “ambiguous” nature of the enforcement of street trader regulations by law enforcement officials. They consider the workings of the permit system give rise to a so-termed ‘black market economy’ in relation to the ability of traders to transfer and sell permits, an activity which is deemed illegal but still common practice (Donaldson et al., 2014: 292-293). The analysis of Crush et al. (2015b: 44) concludes whilst the policy environment varies across different parts of the city as well as between different elements of informal economic activities, for Cape Town as a whole “the modernizing vision of the ‘world-class city’ with its associated antipathy towards informality and the pathologizing of informal space and activity seems to predominate”.

3. The challenges of migrant entrepreneurship in Cape Town

The specific issues around migrant entrepreneurs in Cape Town’s informal trading economy have received attention in several published investigations. In this section the major findings are threaded from these existing studies with the results obtained from the key stakeholder interviews. At the outset, the Department of Economic Development made clear that the city has no explicit policy in relation to migrant traders. Moreover, it was conceded “we probably will never have a policy on them because politically it is a very contentious issue” (Interview, Manager: Economic Information and Research, City of Cape Town, 28 May, 2014). The positive role of migrants for the local economy was acknowledged for bringing “a level of entrepreneurship and vibrancy” and of circulating money through the local economy and that not all profits go back to the home country in terms of remittances (Interview, Manager: Economic Information and Research, City of Cape Town, 28 May, 2014). In terms of the city’s existing regulations it was re-iterated once more that “anyone can get a permit” (Interview, Manager: Economic Information and Research, City of Cape Town, 28 May, 2014).

Surveys undertaken of African migrant entrepreneurs in Cape Town disclose an extraordinary mix of nationals with at least 20 countries represented by Lapah and Tengeh (2013: 189) and others added to this list in further research by Tengeh (2013a, 2013b). The representation in the foreign trading economy includes individuals from Angola, Benin, Burundi, Cameroon, Congo Brazzaville, Côte d’Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Kenya, Malawi, Mali, Morocco, Mozambique, Nigeria, Senegal, Somalia, Sudan, Tanzania, Togo, Uganda and Zimbabwe (Tawodzera et al., 2013b). The representation in the foreign trading economy includes individuals from Angola, Benin, Burundi, Cameroon, Congo Brazzaville, Côte d’Ivoire, Democratic Republic of Congo, Egypt, Ethiopia, Ghana, Kenya, Malawi, Mali, Morocco, Mozambique, Nigeria, Senegal, Somalia, Sudan, Tanzania, Togo, Uganda and Zimbabwe (Tawodzera et al., 2013b). Another investigation grouped traders into four categories – SADC, West Africa, East Africa and ‘other’. It was revealed that SADC and West Africa each account for 34 percent of foreign traders and East Africa a further 27 percent. On an individual country basis, however, the largest numbers appear to originate from either Zimbabwe or Somalia (Gastrow, Amit, 2015; Tawodzera et al., 2015). It is evident that economic imperatives facing forced
migrants are the driver for setting up business with almost 70 percent of traders claiming "to have started trading because they could not find employment and needed to employ themselves" (van Heerden, Donaldson, 2014: 281). Although African migrant entrepreneurs in Cape Town engage in a wide array of entrepreneurial activities, the largest share – estimated at almost two-thirds – are involved in various forms of informal trading.

In common with findings from Johannesburg (Peberdy, Rogerson, 2000, 2003) surveys show that a significant share of these foreign informal traders are well-educated; in one study 63 percent were in possession of tertiary level qualifications (van Heerden, Donaldson, 2014: 281). Many of these informal traders in inner-city Cape Town secured their permits to trade through the process of applying through the Council (Tengeh, Lapah, 2013). Others accessed trading bays through section 9 of the city’s by-law which permits traders to transfer permits. According to Donaldson et al. (2014) the ability to transfer and sell means prospective traders can secure permits without going through the formal application process or city waiting lists. In particular, it is suggested that “illegal migrants who do not have a work permit or refugee status benefit from this, in particular because they would not be able to get a permit otherwise” (Donaldson et al., 2014: 293).

Research findings on the business challenges facing migrant entrepreneurs reveal on the one hand several issues that would be typical of any emerging small business in South Africa, and on the other hand a cluster of particularly distinctive challenges that are specific to migrant entrepreneurs. In terms of business start-up certain problems experienced by migrants are little different to those of South African entrepreneurs. As shown by Tengeh and Lapah (2013) the majority secured start-up capital from personal savings or from friends or family. With access to bank credit constrained by inadequate documentation, business credit took the form of goods on terms or loans from informal finance institutions. With no access to any government financing support programmes and problems of immigrants in securing access to formal credit, additional funding sources for immigrant business expansion were tapped through borrowing from friends, fellow immigrants through ethnic networks and from self-help financial associations. Overall, the limitations on access to finance emerge as the prime obstacle to business start-up by African migrants in Cape Town (Tengeh, 2013a, 2013b).

Beyond finance, in the operational phase of business, 40 percent of surveyed migrant entrepreneurs highlight that “lack of information was still an impediment to the operation of their business long after start-up” (Tengeh, 2013a: 256). Other factors mentioned in business surveys with migrant entrepreneurs as challenges for the start-up and growth of their enterprises in Cape Town relate to insufficient demand, issues of market access, lack of information on business-related matters and inability to speak local languages (Tengeh, 2013a, 2013b). Apart from the language issue, most of these are business constraints that impact also upon informal businesses run by South Africans. Further, the absence of any government support for businesses run by migrant entrepreneurs was raised by some interviewees. However, given the meagre support that can be accessed by South African-owned businesses this issue cannot be considered currently as highly significant in relation to other challenges that immigrant entrepreneurs face. One specific issue that confronts migrants in securing business space relates to their difficulties in terms of documentation as many landlords refuse to accept refugee permits as a form of necessary identification (Tengeh, 2013a: 255). It appears also that many landlords ‘gouge’ migrant entrepreneurs who are searching for business space. One interviewee explained as follows:

As soon as the owner, the landlord sees this guy is a foreigner, he only puts the price high. (Interview, Assistant Chief, Law Enforcement Offices, Bellville, 27 May, 2014)

Therefore, given the constraints on accessing business space often desperate migrant entrepreneurs are compelled to accept inflated rentals.

Issues around documentation, access to banks and the ability to have a bank account are matters of central concern for migrant entrepreneurs. In surveys reported by Tengeh (2013a, 2013b) the lack of appropriate (South African) residency documentation was reported by 39.3 percent of enterprises as a major business start-up obstacle but by only 9.6 percent of enterprises as a problem in the operational
phase of a business post start-up. In part these differences may be accounted for by both the extended time period to secure appropriate documentation as well as potentially the closure of a proportion of migrant businesses which were unable to secure necessary documentation at the start-up phase of their businesses. For the overwhelming majority of migrant entrepreneurs this refers to documentation from Home Affairs about their refugee or asylum status in South Africa as opposed to use of a business permit. Indeed, as stressed by Tengeh (2013a: 252) the procedure for “obtaining a business permit prior to entry to South Africa is a cumbersome and complex one that is almost unattainable by African immigrants”.

Several interviewees reflected on migrant entrepreneurs’ lack of trust in the South African banking system and the fact that they often did not use the banking system as this made them vulnerable targets for criminal attacks. Among a certain portion of migrant entrepreneurs therefore there is a belief in not wanting to use the services of South African banks. But, in other (the majority) cases, as foreign nationals experience severe difficulties in opening up accounts they are compelled to keep their money outside of the banking system and thus are vulnerable to targeting by criminals. Asylum seekers are issued with only a “single piece of paper (section 22 permit) often with hand-written amendments and conditions” (Tengeh, 2013a: 252). This said, it remains that few government agents, including law enforcement, acknowledge even these documents as legitimate and not least in circumstances when such documents become worn out, ineligible or even lost because they are carried in a person’s pocket.

Particular difficulties are experienced by migrant entrepreneurs in seeking to open personal bank accounts with the section 22 permit issued from Home Affairs as identification. The position is unpredictable between different banks with some banks usually willing to accept this documentation whereas others normally refusing. Even if the bank is willing to accept and open a (usually) personal (as opposed to business) account this is still conditional upon a process of further verification of the permit (introduced because of the problem of faked permits) for banks which is undertaken through Home Affairs. One interviewee elaborated as follows:

Sometimes the customer would go to Home Affairs. Sometimes the bank goes to Home Affairs to do the verification. So there’re different ways and people who do the verification. (Interview, Manager: Advocacy Officer, Scalbrini Centre, Cape Town, 11 June, 2014)

Overall, the process was described simply as “a mess” because if there was no response forthcoming to the request for verification the consequence was that “people were effectively frozen out of the system” (Interview, Manager: Advocacy Officer, Scalbrini Centre, Cape Town, 11 June, 2014).

At the core of the issue of documentation is the need to have proof of address and identification for certification at South African banks under the country’s Financial Intelligence Centre Act (FICA). As one interviewee explained:

The problem is that identification documents, particularly with asylum seekers get renewed fairly often, and you need each time to renew to submit your address documentation and your identity documentation. And so, if for instance your permit isn’t extended this week because the Department of Home Affairs can only get to it next week, or if you get evicted or you don’t have a place to stay, then yes that can result in all kind of consequences that result in you not being able to access a bank account. (Interview, Member, Refugee Rights Unit, Cape Town, 26 May, 2014)

The freezing of personal bank accounts once residence permits are expired was a critical issue highlighted in several interviews. Typically, it was explained “the majority of foreigners who are here, the permit expires tomorrow... the bank is going to freeze all your money you have. You can’t access it” (Interview, Member, Burundi diaspora of Cape Town, Cape Town, 24 June, 2014). Accordingly, for migrant entrepreneurs it is hard to open an account with a bank, hard to keep money in a bank and “even harder to get it out” (Interview, Member, Burundi diaspora of Cape Town, Cape Town, 24 June, 2014). Often bank personnel make cash withdrawals especially difficult in circumstances where a permit is close to expiry. It was recounted as follows:
So some of the banks they said ‘No, No, we are not allowed to give you twenty thousand [Rands]. You come tomorrow. I say I need my money to-day. I said “No”. Why? Because they saw your permit’. (Interview, Member, Burundi diaspora of Cape Town, Cape Town, 24 June, 2014)

A central problem surrounds the unpredictable position concerning the duration of the asylum seeker permit and the refugee permit. The interviews reveal that this can vary - “sometimes it's two weeks, sometimes it's a month, sometimes it's three months, sometimes it's six months” (Interview, Member, Refugee Rights Unit, Cape Town, 26 May, 2014). The expiry of this documentation and the difficulty in getting its renewal therefore becomes a “huge problem” for migrant entrepreneurs (Interview, Member, Refugee Rights Unit, Cape Town, 26 May, 2014). This situation is exacerbated by the fact that, despite improvements in recent years “the Department of Home Affairs is still one of the most corrupt departments in South Africa” (Tengeh, 2013b: 251). The expiry of asylum or refugee documentation permits can impact also upon trader's rights to operate with licences to trade in the inner city. In terms of existing regulations when residence permits expire so also do their trading permits. The interviewees provided evidence of the harassment of Burundi traders in inner-city Cape Town after the expiry of their residence documentation. The critical importance of securing access to such documentation for continuation of their informal businesses is indicated by the plea:

Look I don't care what the government does, as long as they give us the right paper and allow us really to do this small business we are happy. (Interview, Member, Burundi diaspora of Cape Town, Cape Town, 24 June, 2014)  

A similar sentiment was expressed by the Somali Association of South Africa. Without appropriate documentation:

So tell me what you can do? You can't do nothing. So that means your whole life is restricted. You don't have access to many things. And the main source of all these problems is only the documents. (Interview, Representative, Somali Association of South Africa, Cape Town, 29 May, 2014)

It is apparent that the existing restrictions on documentation actually block the potential growth of new businesses that might be launched by migrants, particularly in respect of export-import trades. In the case of Cape Town's entrepreneurial Somali community it was estimated that 99 percent of Somalis are doing local business instead of international business. Interviewees explained that most of the clothes sold by Somalis come from China with the Somalis as middlemen and purchasing from Chinese wholesalers. This lack of engagement with international trade was attributed to their inability to access documentation that would allow them to conduct international trading.

If they have documents then they can go to anywhere that they want and bring in anything that's accepted in South Africa. So travelling is the main challenge. Because if you don't have a passport that can allow you to go to countries that will give you a visa or something, then you can't travel. (Interview, Representative, Somali Association of South Africa, Cape Town, 29 May, 2014)

Finally, it should be recorded that the issues of xenophobia and crime do not emerge as issues of major importance for African migrants operating informal businesses in the inner city of Cape Town. In the survey undertaken of migrant businesses by Khosa and Kalitanyo (2014: 212) it was recorded that “xenophobia is not a frequent challenge to African foreign entrepreneurs in Cape Town”. In addition, the Somali Association of South Africa representative stated:

When it comes to xenophobia the place that's mostly affected is the townships. We don't normally see any xenophobia happening in the CBD because there is tight security, everything is in a proper way, people are under control and nobody's anything he wants or she wants [sic]. (Interview, Representative, Somali Association of South Africa, Cape Town, 29 May, 2014)
This sentiment is confirmed in the earlier investigation of foreign street traders in inner city Cape Town undertaken by van Heerden and Donaldson (2014: 282). The study disclosed that most migrants did not fear xenophobic attacks within the confines of the city but did express fear of xenophobia in the townships where they live. The spatial component of xenophobia is reiterated in the observation that “Cape Town CBD is apparently a safe haven for foreigners as foreign traders do not fear xenophobic attacks and feel safe in the city” (van Heerden, Donaldson, 2014: 283).

4. Conclusions

In the aftermath of the 2008 global financial crisis many urban governments in the global South now acknowledge the need to rethink formal employment as a central component of economic recovery; instead there is a renewed focus and “recognition of informal livelihoods as a form of employment that is here to stay” (Roever, 2016: 27). Arguably, informality is a ubiquitous facet of urban life and livelihoods across urban Africa (Grant, 2015; Kamete, 2017). A large segment of the urban poor pursue urban livelihoods which are carved out of gaps in formal rules and of gaps in the use of urban space both of which are defined by local states (Chen et al., 2016). The inevitable recognition by policymakers that ‘informal is normal’ confirms the significance of the appropriate management of urban informality. Accordingly, the policy responses of local and national states to informality are of considerable significance in shaping and re-shaping the landscape of cities, and especially so in the setting of sub-Saharan Africa. Ideally, city policy makers should seek to balance the imperative to support livelihoods with the need to manage public space (Roever, Skinner, 2016). It is within this context that the paper uses qualitative responses from interviews with key expert stakeholders, documentary sources and secondary surveys to contribute to informality debates in the global South through interrogating the case of inner-city Cape Town.

At the metropolitan scale of analysis it must be understood that in South Africa there is not necessarily an alignment of local policy with national policies towards the informal economy (Rogerson, 2016c, 2016d). Like other major cities, Cape Town has followed its own pathway in terms of seeking to initiate an individual policy framework for informal economy development. The greatest focus for policy attention in Cape Town relates to the vexed issues of informal retailing. For South African local governments addressing informal livelihoods the central question is always whether informal retailing can be incorporated and planned for as part of economic development planning or rather is to be dealt with merely as a ‘problem’ of urban management (Rogerson, 2016c). In Cape Town the balance in decision-making appears to have tilted towards a pro-development approach, albeit there exist subtle restrictions on the numbers of permitted traders which represents ‘the creation of scarcity’, a powerful mechanism of control towards trading in the inner city (Crush et al., 2015a).

This said, little evidence exists of a coherent analysis to understand and foreground the particular contributions made by migrant entrepreneurs for the urban economy. None the less, in Cape Town the cohort of informal traders includes a substantial element of migrant entrepreneurs (Tengeh, 2013a; 2013b; Gastrow, Amit, 2015). The constraints facing migrant entrepreneurs in start-up and operational phases of their businesses are disclosed here from micro-level studies and primary stakeholder interviews in Cape Town. The struggles of migrant entrepreneurs around lack of finance, lack of demand, and inadequate infrastructure echo those of South African informal sector entrepreneurs. Nevertheless, it was disclosed migrant entrepreneurs face a number of other challenges which constrain the growth of their business enterprises. A complex of issues of residence documentation for asylum seekers and refugees head the list. On an everyday basis such challenges severely impact upon the operations of these entrepreneurs because they limit their access to banking facilities and the ability to secure business premises at market rates. In addition, they open up possibilities for harassment by legal enforcement personnel, and even can result - as in the case of Cape Town - in loss of legal trading rights. In moving towards an evidence–based policy for managing the informal economy in urban Africa further extended research is merited on issues around informality, informal entrepreneurs and the...
contribution of migrant entrepreneurship to the local economy of the continent's major cities (1).

Note

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