



**MANAGEMENT OF INFORMAL TRADERS IN THE PUBLIC
SPACES: A CASE STUDY OF MEGENAGNA SQUARE, ADDIS
ABABA, ETHIOPIA**

BY

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DECLARATION

This research project is my original work and has not been presented for a degree in any other university.

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DEDICATION

This study is first and foremost dedicated to my wife and mother of my children Selamawit Shenkute for her love, understanding and continued support. I equally dedicate the work to my birthplace Addis Ababa City and wish the city sustainable and prosperous development.

ACKNOWLEDGMENT

First and foremost, I am grateful to the Almighty God for helping me accomplish the study. I equally express my appreciation to my supervisors Dr. Maurice.O. Oyugi and Dr. Margret. N. Macharia Kedogo for guidance, support and words of encouragements throughout the study. I am thankful to my wife for her support, understanding and words of encouragement. I also thank all my extended families for their encouragement and support.

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ABSTRACT

The purpose of this study was to analyze the informal economic activities that are taking place around Megenagna Square of Addis Ababa city, Ethiopia. The goal of the study was to investigate the spatial challenges linked to locations of informal economic activities and propose strategies to solve these problems. Primarily, the study identifies the types of trading activities around Megenagna Square and determines their significance to the urban economy. Subsequently, the study sought to explain the reasons why the Square has continued to attract more informal traders. The exploratory research design was used for the study with data collected through survey and field observation. Given that a large number of informal workers are located on Megenagna Square, the study identified the sample frame that focused on the case area. The informal traders included in the study were identified through a stratified random sampling method, while simple random sampling method was used for their clients and residents. Purposive sampling method was used for the key informants. The study established that the majority of the informal workers around Megenagna area are males between the ages of 10 to 30, of whom most are vegetables, fruits, electronics, clothes, services (shoe shining, food and drinks) vendors. The major determinant factors for the location of the informal operators are access to the major street, availability of infrastructures such as electricity and water, proximity to market, social status and prestige, lack of alternative planned zone for the sector and possible tax evasion among others. The study also found out that most of the informal workers on the site are not licensed to operate, which is the primary cause of conflict between the operators and the local authorities. Due to this, most of the operators face harassment by law enforcement officers. The study culminates in the recommendation of strategies geared towards addressing the underlying challenges faced by the informal sector traders. Primarily, the study recommends a plan for the site allocation to the traders, widening of roads and pedestrian paths, improving waste management mechanisms on the site and policies to resolve the problems. The recommendations are imperative in guaranteeing increased revenue for the city authority and the national government.

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LIST OF ABBREVIATIONS

AU	African Union
ASCA	Accumulating Savings and Credit Association
EPDRF	Ethiopian People's Revolutionary Democratic Front
FICCI	Federation of Indian chamber of commerce and Industry
FDRE	Federal Democratic Republic of Ethiopia
GDP	Growth Domestic Product
GNI	Growth National Income
GVA	Gross Value Added
IE	Informal Economy
ILS	International Labour Standard
ILO	International Labour Organization
ICLS	International Conference of Labour statistics
ILC	International Labour Conference
IMP	Impact Management Project
ISA	Informal Sector Activity
ROSCA	Rotating Savings and Credit Association
SACCO	Savings and Credit Cooperatives
SEWA	Self-employed woman's Association
SME	Small and Medium Enterprises
SPSS	Statistical Package for the Social Sciences
UN	United Nation
WB	World Bank
WIEGO	Women in Informal Employment: Globalizing and Organizing

CHAPTER ONE: INTRODUCTION

1.1. Background of the study

Informal economy contributes significantly to the urban economy of the developing nations. In most African countries, the informal economy contributes in several ways. Notably, among these are the sector's contributions to the Gross National Income (GNI) through job creation, income generation for most citizens and the provision of vital services to poor segments of society (African Union, 2008). To tackle the ravages that occur due to informal trading, the government must innovate new strategies geared at creating conducive environments upon which the sector could thrive.

The informal economy comprises unincorporated enterprises not constituted as legal entities independently operating on their own (ICLS, 1993). In most literature regarding informality, the sector is commonly known as the black market, informal economy or grey economy. The growth and proliferation of informal traders in cities is attributed to rapid urbanization. The informal sector is usually associated with poor, unemployed and excluded workers from the formal economy, yet it is undeniable that it has a significant role in the development of the overall national economy (Nguyen *et al.*, 2013). Therefore, examining their locational and management problems is imperative in evolving sustainable strategies for supporting them in urban economies. The unplanned proliferation of informal economic activities in the urban public space and walkways hampers urban circulation by blocking the pedestrian walkways, especially in Addis Ababa city, around the main squares such as Megenagna, Mexico, Arat Kilo and Piassa among others. These are the public places that are grappling with circulation issues. Furthermore, the confusion created by such scenarios provides a niche for fraudsters and other illegal activities.

Since informal trading activities have both advantages and disadvantages to the urban economies, the sector needs to be regularized for the maximum benefit of the economy. It is apparent in Addis Ababa

that the informal sector has become the main economic focus since the Ethiopian People's Revolutionary Democratic Front (EPDRF) government captured power in 1991 and has remained so for more than two decades. The existing policy on the sector exacerbated the proliferation of the traders into urban open spaces due to its emphasis on the regularization of informal workers into the formal economy. In Ethiopia, unemployment and inadequate provision of equipment for farming are important factors contributing to rural-urban migration and the proliferation of informal sector activities in urban centres.

The choice of Megenagna Square of Addis Ababa for this study stems from its name which in the Amharic language means "*meeting place*". Just as the name implies, this area is a convergence place for a diverse group of activities. The place is also a terminus for the city taxis, public buses and urban trains connecting to various neighbourhoods. The primacy of the terminus as a convergence area has necessitated some buildings to convert into formal shops, cafeterias and restaurants, such that the agglomeration of these activities has heightened the area's prominence. The informal traders located in Megenagna also target the same customers, which creates conflicts. Therefore, this study sought to analyze the situation which exists in Megenagna square and propose recommendations for sustainable regularization of informal traders in Megenagna square of Addis Ababa city.

1.2. Problem Statement

The primary responsibility of a government is to create an enabling, suitable and livable urban environment for its residents. This responsibility entails formulating policies and strategies for urban developments. However, in developing countries, implementing policies and strategies faces challenges due to the failure to properly diagnose the urban problem. Addis Ababa city has witnessed substantial challenges in relation to urban development and economic empowerment. This has led to the proliferation of informal traders in the urban centres. Currently, the regularization and

mainstreaming of informal traders into the urban economy without creating environmental and circulation problems is a challenge that the city managers are facing. The nature of informal trading activities in the public spaces and areas of human concentrations, such as the transportation hub provides a conducive niche for the proliferation of the sector. However, for this to be undertaken there need to be a consideration for safety as well as for the ease of pedestrian access as the activities should not disrupt pedestrian movement but should conserve the environment and enhance the opportunities for the urban authorities to collect more revenue.

Megenagna Square has experienced dilapidation occasioned by the proliferation of informal sector traders on the pedestrian walkways. The traders have blocked the pedestrian walkways and have left behind solid waste after their operations as well as causing vandalism of the existing infrastructures. Within the current urban management paradigms and good practices, it is arguable that informal traders can be incorporated into the urban economy by allowing them to operate in public spaces like Megenagna because squares could be one of the best places if the sector is mainstreamed into the economy. However, this should not be done to the detriment of both the formal traders and pedestrians. Therefore, this study sought to address the spatial problems caused by the location of informal trading activities around Megenagna Square. Acknowledging the significant role the informal sector plays in the urban economy, the study has proposed a model that incorporates the sector into the mainstream urban economy.

1.3. Objectives of the Study

1.3.1. General Objective

The study's main objective is to establish a Management framework for the Management of informal sector traders into the urban economic fabric of Addis Ababa city, Ethiopia.

1.3.2. Specific Objectives

Accordingly, the study sought to achieve the following specific objectives: -

- i. To establish the role of informal trading activities in the urban economy of Addis Ababa city and factors determining their choice of location.
- ii. To determine the implications of the conflicts arising as a result of the informal trading activities in the case study area.
- iii. To develop a framework for resolving the challenges posed by informal trading activities in Mejenagna square.

1.4. Research Questions

This study sought to respond to the following questions: -

- i. What factors have contributed towards the proliferation of informal economic activities in Mejenagna Addis Ababa?
- ii. Is there significant role the informal economy is playing in the urban economy and in urban poverty alleviation?
- iii. Why is Mejenagna square an attraction point for informal traders and what are the reasons for the proliferation of the sector in this area?

1.5. Research Assumptions

- i. The proliferation of informal sector activities in Addis Ababa is occasioned by the rural-urban migration of unskilled labour as the sector provides anchorage to their livelihood in the city.

- ii. The urbanization of poverty prevalent in developing countries exacerbates informal sector activities in Addis Ababa. The regularization of the sector is therefore interlinked to urban poverty eradication.
- iii. The existence of different activities around Megenagna is the primary factor pulling the informal traders to the area.
- iv. Regularizing is an efficient strategy for minimizing the problems arising from informal trading activities around Megenagna square.

1.6. Significance of the Study

The challenges facing the informal sector trading activities in Megenagna are enormous. However, according to International Labour Standards (ILS) governing convention “The Employment Policy Recommendation, 1984(No. 169)”, informal economy plays a vital role in job creation. Therefore, measures should be taken to increase access to resources, markets, credit, infrastructure, and other facilities that ensure the gradual integration of the sector into the national economy. In most developing countries devoid of employment benefits or insurance, the informal economy plays a significant role in availing basic needs and poverty eradication by being a source of income for the workers. In the Ethiopian context, the informal economy is the most significant source of employment besides agriculture.

Considering the contributions of informal sector activities to the economy, it is clear that the sector is potentially a significant source of revenue to the government. The recommendations of this study are imperative in enhancing the urban revenue base and protecting the urban environment from derelictions caused by the sector. Additionally, the study makes recommendations mitigating the sector's problematic activities, mainly blockage of the pedestrian walkways and other illegal activities associated with the sector. Furthermore, this study contributes significantly to the existing knowledge

about informal trading activities in Addis Ababa and which may be relevant to cities in other developing countries.

1.7. Scope and Limitation of the study

1.7.1. Scope of the Study

The study was conducted in Megenagna square of Addis Ababa city, Ethiopia. The public space is delineated by two roundabouts inclusive of the pedestrian walkways starting from the big roundabout to the West (Haya Hulet), South (Emperial), North West (Signal), East (Gured Shola) and on the North direction the walkway that connects the two roundabouts as illustrated by Figure 2.1. The square is characterized by an agglomeration of public buses, taxis and urban train transportation services. In addition, Megenagna has a transportation terminal which is called “Megenagna Weste” incorporating public and private transportation services.

The main focus of the study was to analyse the informal economic activities in Megenagna public space. Therefore, the target of the study was the informal traders located on the pedestrian walkways and any other public space within the Megenagna Square such as taxi and bus terminals. The traders comprise street vendors, service providers like shoe shiners, hawkers, booksellers as well as vegetable and fruit vendors. The primary variables of the study included factors determining the spatial organisation of the traders, what attracts them to the site, their earnings, their space requirements and management considerations that have collectively contributed to the current situation in the square. The study was conducted from January to August of the year 2021. Samples were taken from the samples of informal workers operating at Megenagna area to identify the demographic characteristics of the respondents, type of trading activity, site factor among others. The final recommendation is on the strategies for addressing the challenges raised by the sector in the urban economy.

1.7.2. Limitation of the Study

The following were the limitations of the study: -

- i. Too much time was spent on translating the collected data from the informal workers native language (Amharic) to English language.
- ii. Inadequate co-operation from the informal workers in filling the questionnaire because of the mobility nature of their job, and suspicion that the interviewer is a government agent.
- iii. Unwillingness of the government law enforcement officers to respond to the interviews.

1.8. Organization of the Report

This report is organized into six chapters of which chapter one introduced the study by presenting the background of the study, problem statement, the objective of the study, research questions and assumptions as well as the significance, scope and limitations of the study. Chapter two focuses on the study area by detailing out the geographical location, the historical development, infrastructure base, physiographical and demographical attributes as well as the policy parameters influencing the informal economy in Megenagna square.

Chapter three presents literature review where theories and schools of thought on the development and mainstreaming of informal economy into urban economy are conversed. The chapter also discusses Kenyan and Indian experience in the development of the sector. The chapter culminate into the conceptual framework on the development of the informal economy in Addis Ababa city, Ethiopia. Chapter four of the study discusses the Research Methods describing the the methods and tools used for data collection, analysis and presentation of the study findings. While chapter five presents study findings and discusses the various strategies that can be adopted for mainstreaming the informal economy into urban economy, chapter six is the study summary, conclusion and recommendations. References and appendixes are included at the end of the report.

1.9. Terms used in the Study

Informal Sector: Enterprises engaged in the production of goods and services with the primary objective of generating employment and incomes for the persons concerned. These units typically operate at a low level of organization, with little or no division of labour and capital as factors of production and on a small scale outside legal and regulatory framework (ILO, 2013).

Urban economy: is one of the fields of economics which deals with the importance of integrated land use, urban infrastructure and network of transportation system, urban problems, housing programs and local government's role to the economic development.

Urbanization: refers to the shifting of population from rural to urban areas or the gradual increment in the proportion of people living in urban areas, the process whereby a society changes from a rural to an urban system of life (Sanyaolu and Okosun, 2018).

Regularization: Regularization is a methodological and systematic ordering of phenomenon for efficient operation (Oyugi, 2001). According to Vocabulary.com 2021, regularization is the act of bringing to uniformity; making regular

Unemployment: A condition where an individual at a working age is not able to get a job but would like to be in full-time employment (Pettinger , 2019).

Migration: The movement of people from one geographical location to another. It can be from a rural area to urban area (rural-urban migration) or from urban to rural area (urban-rural migration).

Pedestrian walkways: A public path that is only designed for pedestrians.

CHAPTER TWO: THE STUDY AREA

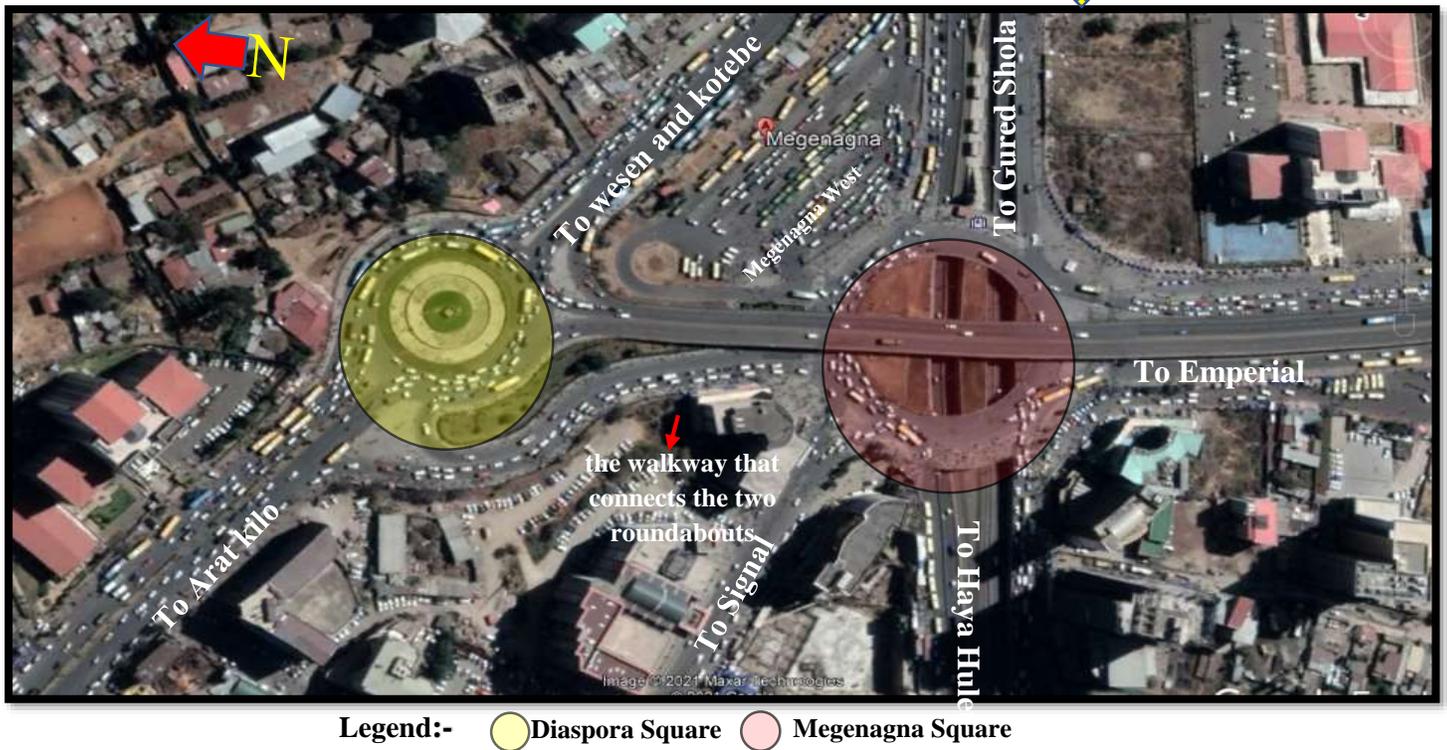
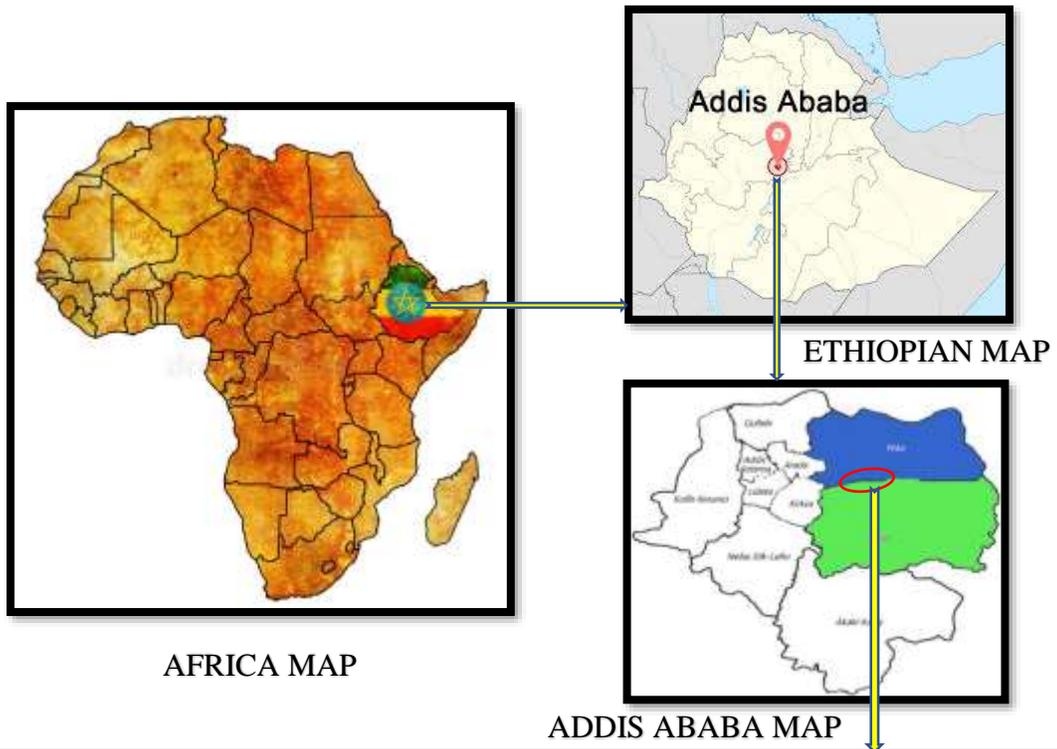
2.1. Introduction

This chapter provides background information on the study area detailing the location, explaining the dominant activities in the area, the physiographical parameters and infrastructure of the area as well as the demographic factors. This chapter also gives the historical background of Addis Ababa and how the economic development of the city has evolved through time demonstrate the economic and political primacy of Addis Ababa to the country's economy. Addis Ababa is both the capital of Ethiopia and the diplomatic seat of many regional and international organizations. These have collectively acted to enhance the city's economic and physical growth relative to other cities in the country. Indeed, the city has continued to attract immigrants from neighbouring cities and rural areas.

2.2. Location of the Study Area

Addis Ababa, the largest city in Ethiopia, comprises 11 sub-cities with small administrative units called "weredas". Through this administration system, the city is one of the rapidly developing cities in Africa. The rapid economic development and population growth of the city has both positive and negative attributes. Besides the positive aspects, one of the city's major negative attributes is the heightened rural-urban migration. This has consequently led to an increase in unemployment forcing immigrants into the informal sector economy. Towards this end, the proliferation of the informal economic activities in Megenagna square reflects the increasing number of informal trading activities in Addis Ababa. Megenagna is located in the center of the city where different routes leading to various parts of the city coverage. The major streets connecting to Megenagna are the roads from CMC, Emperial, Haya Hulet, Signal and the street connecting the two roundabouts notably: Diaspora and Megenagna roundabout. There is also a street from Diaspora roundabout to Arat Kilo, Wesen, Kotebe and a highway from Emperial.

Figure 2.1: Location of Square in Regional Context



Source: (Adapted from Google Earth, 2021)

2.3. Historical Background and Socio Economic Development of Addis Ababa City

Addis Ababa city evolved from a small settlement during Emperor Menelik's regime. Emperor Menelik and Empress Taitu founded the city of Addis Ababa in 1887 because they were attracted to the place's climate, fertile land and strategic location. Various literature proves that the city was established without formal planning. In the formative years, most of the settlements were around the king's palace, market areas and churches. In 1909 modern government management techniques were introduced by the municipal administration alongside some infrastructure development such as railway transport and vehicular routes. After this era, tangible urban development in Addis Ababa was experienced when Italy occupied Ethiopia in 1935 for five years. According to some literature, Italy envisioned making Addis Ababa the capital of its East African Italian territories. As part of this master plan, there was the construction of new buildings and the creation of new public spaces. In 1974 a socialist government, "Derg", took power declaring the "land to the tiller". The regime also tried to design a master plan for Addis Ababa. In 1978, Ethiopian Planners and Architects led by Hungarian Planners prepared a master plan for the city (Wubneh, 2013). The plan included developing inner-city areas, particularly Meskel square and integrating Addis Ababa with the surrounding towns. However, the significant gap in the plan was its failure to address issues of housing, sanitation and infrastructure (UN-Habitat, 2017). After the Ethiopian People's Revolutionary Democratic Front (EPDRF) came to power in 1990, the regime undertook redevelopment of inner-city areas and construction of condominium housing. Since then, significant investments have been made in the water supply, sanitation, waste management system, drainage and road construction. These investments have been aimed at improving people's living standards (Yitbarek, 2008).

The development process of Addis Ababa during the past two decades has played a prominent role in increasing informal trading activities. Therefore, the city's historical development has implication on the existing informal trading activities, which has increased through time. The informal trading

activity in Megeenagna is the result of the city's progressive development in different regimes. Subsequently, the main reason for the proliferation of informal trading activities in the city's public spaces is its continuous growth, starting from its foundation up to recent times. The expansion of Addis Ababa is also the main factor for the increase of informal trading activity.

Most developing countries have been experiencing urban development challenges occasioned by unemployment and population increase. In the developing world, the population in rural areas is not proportional to the region's limited economic capacity, consequently leading to a high rate of migration to the urban areas. Since Addis Ababa records a high economic growth rate, it also experiences higher urbanization rates than other urban centres in Ethiopia. Due to rapid urbanization, the city has faced various challenges in providing adequate essential services and infrastructures for the last decade.

The agglomeration of different economic activities in and around the city is the main reason for continuous economic growth. The economic base of Addis Ababa corroborates that taxes and levies constitute the largest share (Wessling, 2008). Although Addis Ababa emerged as an economic, commercial, transportation, industrial, financial and administrative hub, most of the population lives under the poverty line with difficulties fulfilling their basic needs.

According to the study conducted by the association of Ethiopia Microfinance Institutions in 2002, from the total active labour population, 51% of the population is employed in the informal sector. However, the city is an industrial hub that contributes significantly to the country's GDP (World Bank, 2018). The World Bank's report further stated that Addis Ababa accounts for almost a third of manufacturing components of the Gross Domestic Product in Ethiopia, thus wholly dominating the production subsectors such as textiles and leather, wood and paper, metals and machinery. After the declaration of the new constitution, Addis Ababa became a self-administrative city under the Federal

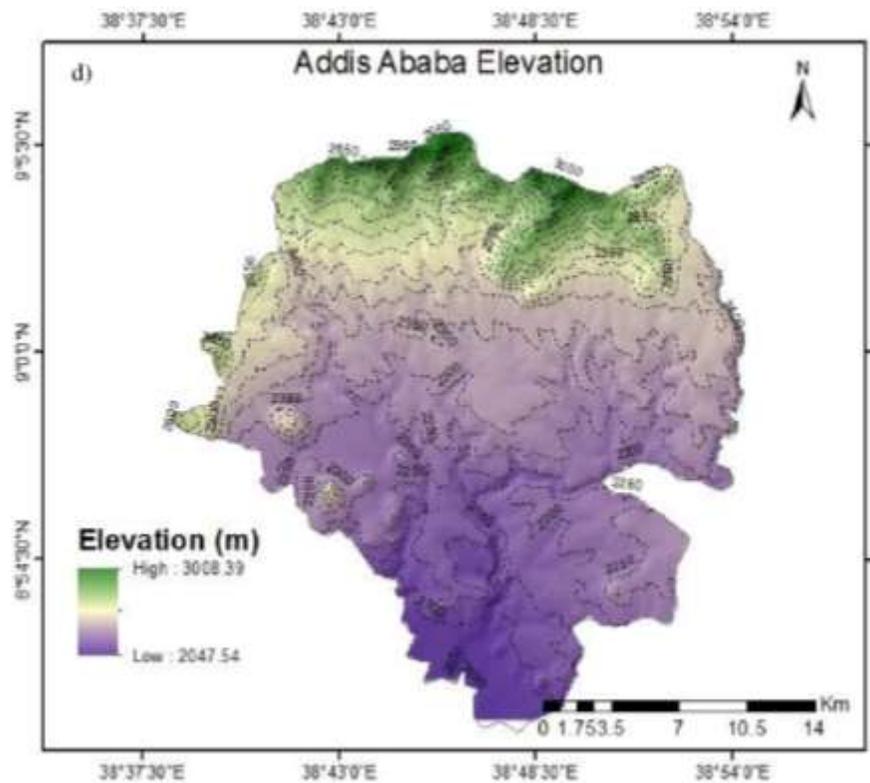
Government and this enabled the city to accelerate service delivery, local empowerment, community participation and job creation. (UN-Habitat-2017).

2.4. Physiographical factors

2.4.1. Topography

Addis Ababa lies on longitude 38° 44' 24'' East and latitude 9° 1' 48'' North. Additionally, the city lies at the foot of Mount Entoto with an elevation of 2,355 meters above sea level. Addis Ababa city covers an area of 540 km² (UNEP, 2018). As shown in Figure 2.2, the elevation of Addis Ababa decreases from a higher level of 3008.9 to the lower level of 2047.54m above the sea level. Megenagna square is located in the middle of the higher and lower levels of the city.

Figure 2.2: Topographic map of Addis Ababa city



Source: (Kifle *et al.*, 2018)

2.4.2. Geology and Soil

According to a study conducted by Teferra and Yohannes (1986), the soil type of Amce area where Megenagna sited is Black Grey, although Addis Ababa is situated on the south-facing slope of the Ethiopian Rift Valley which has volcanic features. Volcanic mountains surround the city include Entoto, Wechecha, Furi and Yerer. The city's geological structure comprises rocks ranging from lower Miocene to other varieties (Tesfaye and Asmelash, 2016). The case area's rock is characterized by fractured, jointed, light grey, grey coloured and fine-grained type.

2.4.3. Climate

Since the location of Addis Ababa is near the equator, the city experiences constant temperature most of the time. Furthermore, the highest rainfall is registered during summertime, locally known as Kiremt: this is from June to September (Anteneh, 2015). The climate is mainly as Subtropical Highland (Meaza, 2016).

2.4.4. Hydrology and Drainage

The drainage system in the case area is not well developed and because of this the surface runoff is trapped in the roundabout causing flooding. This has been occasioned by the low priority given to stormwater and solid waste management by the informal traders and pedestrians who dump litter in the existing drainage. According to Seema *et al.* (2019), only 10 percent of the residents of Addis Ababa are connected to the sewerage network and an estimated 10 percent continue to practice open defecation.

2.4.5. Water and Sewerage

The development of water infrastructure in Addis Ababa is not satisfactory. According to the World Bank Group report of 2015, it is estimated that only 44 percent of the city dwellers has access to clean water and 30 percent has access to sewerage or vacuum truck service. Therefore, when we look at the

availability of water and sanitation in the case area, it is evident that there are inadequate services to the informal traders in the Megenagna space. However, the city's administration has provided solutions by providing inadequate toilets and water services in the area. It is essential that adequate sanitation and water infrastructure must be provided to solve the challenges faced by the service providers and other users.

2.4.6. Waste Management System

The existing and most usual waste management system in Addis Ababa is by placing containers at the common areas near local roads. Kebele workers collect these containers and then dumped at the final dumpsite (Meaza, 2016). However, in the study area the waste management system cannot be considered sufficient to manage the waste disposal from the informal workers.

2.5. Physical Infrastructure

2.5.1. Transportation Infrastructure

Addis Ababa has an excellent transport network compared to other cities in Ethiopia. The government invested a considerable amount of capital in road construction and other transportation systems for the city's residents. In the case study area, there are various types of transport services such as private minibus taxis and the government provided Anbessa Bus service which is relatively less costly than the others. In addition, the light railway transport service is also available in the area. Despite these initiatives, the area still experiences traffic snarl occasioned by a large volume of vehicles passing the area and the informal trading activities, making it the busiest public area in the city.

2.5.2. Electricity Service

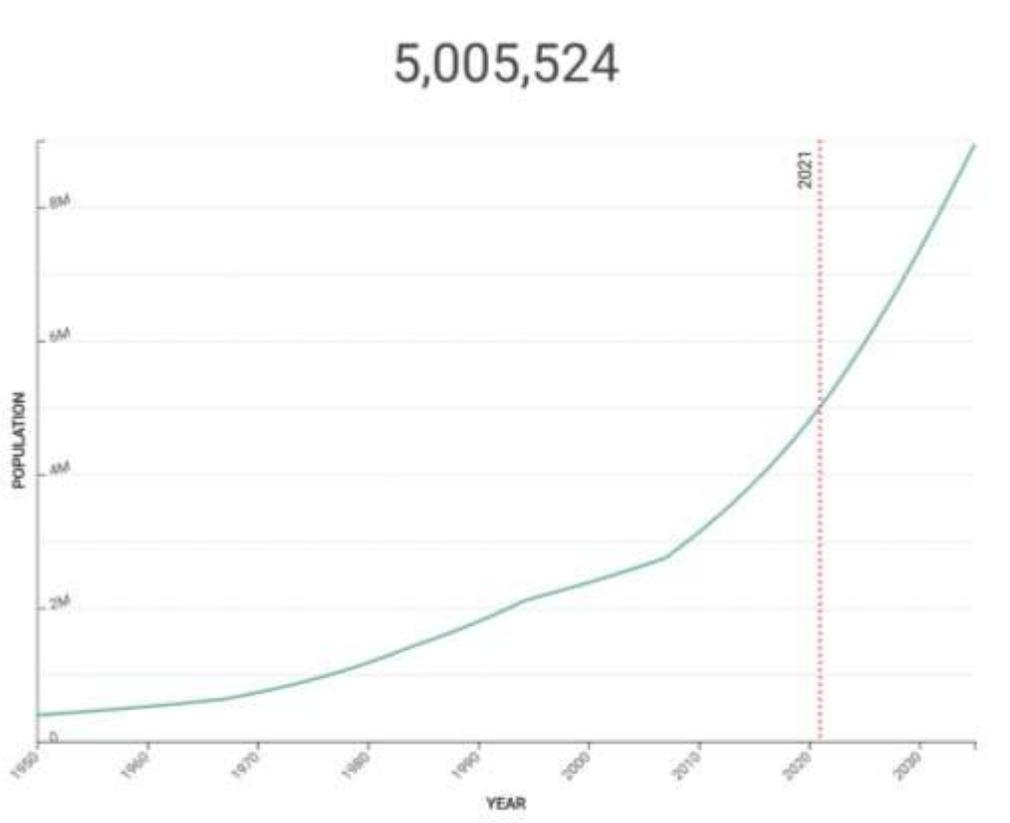
Access to electricity in Addis Ababa is considered better than in other Ethiopian cities. However, frequent outages and interruptions are very common due to the usage of medium voltage conductors.

Megenagna is one of the city’s business centres with sufficient electricity access but experiencing similar outages.

2.6. Population

Rapid urbanization has tremendous effect on every urban area's economic and physical growth, especially in the developing world. Ethiopia’s population is estimated at 95 million making the country the second in Africa in terms of population (ILO, 2017). According to the UN-Habitat (2017), the population of Addis Ababa is estimated about 3.238 million people, which covers 17% share of the overall Ethiopian population. The city experienced an annual growth rate of 3.8% and it approximately will reach 4.7 million inhabitants by 2030 (UN-Habitat, 2017). This is far above the employment creation rate thus, the excess population are forced to start a living in the informal sector.

Figure 2.3: Addis Ababa population growth

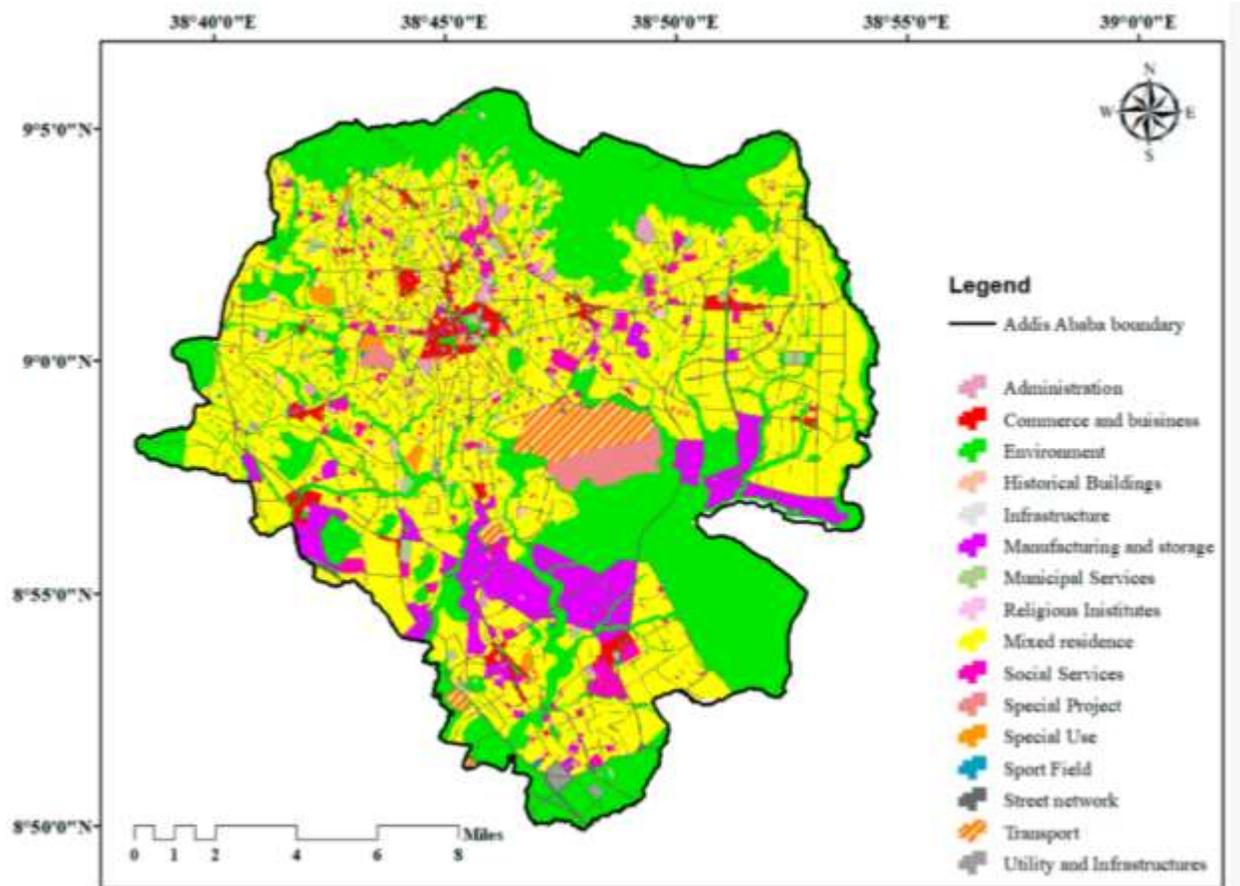


Source: (worldpopulationreview.com, 2021)

2.7. Land Uses

The research area is situated around the two roundabouts, which are located at a closer distance. The roundabouts are defined by different elements, notably commercial and office buildings as well as bus and taxi terminals. The big roundabout which is commonly called Megenagna square is defined by buildings, bus and taxi terminals, shops and other businesses making the area vibrant. In comparison, the small roundabout (Diaspora Square) is defined by streets, bus terminal and small informal trading activities. Prominent buildings in Megenagna include Betelehem plaza, Mulgeta zeleke, Metebaber, Commercial Bank of Ethiopia Tower and Maraton motors. Generally, Megenagna is a mixed commercial zone that includes private and governmental offices; for instance, the administrative offices of the two sub-cities (Bole and Yeka) are located in Megenagna area. These two sub-cities have a mandate of managing Megenagna area.

Figure 2.4: Land Use Map of Addis Ababa



Source: (Woldesemayat and Genovese, 2021)

2.8. Characteristics of Megenagna Square

Megenagna is one of the most crowded public areas in Addis Ababa. It is a significant intersection point for transportation services such as public buses and taxis. The public space is characterized by a long queue of people seeking transportation services and the informal traders who are vending their merchandizes to the public transport seekers.

Figure 2.5: Image showing the Informal Trading Activity on the pedestrian walkway



Source: (Researcher, 2021)

2.9. Existing Government Provisions for the Informal Economy

The problems that have resulted from the informal traders need proper management techniques yet the Addis Ababa city administration provides inadequate solutions to the problems. There are designated offices that are responsible for dealing with the informal sector's issues inside the sub-cities. For instance, in Megenagna it was observed that different shades have chaotically been allocated spaces. As earlier mentioned the area is administered by two sub-cities of Bole and Yeka. However, both the sub-cities permitted few traders to occupy spaces at the corners of pedestrian walkways in Megenagna. In addition, they allowed the traders to use shades to cover their wares leading to visual and environmental degradation.

Figure 2.6: Image showing the Existing Government Provision



Figure 2.7: Image shows the existing government provision on the street which connects the road coming from 4 kilo to the signal road



Figure 2.8: Image Showing the Existing Government provision next to Bole sub-city



Source: (Researcher, 2021)

Figure 2.9: Images showing the road from Diaspora roundabout to Megenagna roundabout



Source: (Researcher, 2021)

CHAPTER THREE: LITERATURE REVIEW

3.1. Overview

This chapter synthesizes the existing literature which supported and shaped the research. In terms of fundamental approaches and relevant trends. The chapter also provide an understanding of the current knowledge on informal trading activities. A literature review being a survey of scholarly sources on a specific topic, this chapter allows identification of essential theories on informal trading activities (Shona, 2019).

3.2. Definition of the Informal Economy

The term "informal sector or economy" has assumed other names like the second economy, the black market, the unofficial economy, the parallel economy or the shadow economy (Mubaiwa, 2014). The concept of informality is associated with the local and the small scale of operation, ultimately keeping with the general understanding that informality can merely be put down to an entrepreneurial spirit or individual survival (Cantens, 2012). Informal trading activities in developing countries increase because of urbanization, migration, globalization and unemployment. Defining the informal sector and differentiating it from the formal economy has been an ongoing contest since the authore first introduced this concept in his work on Kenya and Ghana four decades ago (Hart, 1973).

Informal economies can be characterized in various ways and have different definitions depending on a researcher, but it is widely defined as unregulated economic enterprises (Hart, 1973). The concept of informal employment is further defined as all remunerative work (both self-employment and wage employment) that is not legally known, regulated or protected by existing legal or regulatory frameworks, as well as non-wage work undertaken in an income-producing enterprise (ILO, 2021).

According to Ethiopia Etsubdink definition, the Informal sector is a sector that encompasses all jobs which are not recognized as regular income sources whose taxes are not paid. That means the informal

sector activities are not legalized or in another way, they do not obey any regulation or rules written by the government. Charles (2010) defines the informal sector to include all those activities whose operators do not pay taxes to the state because the state does not recognize them. The informal sector is characterized by many small-scale production and service activities that are individually or family-owned and use labour-intensive and simple technology (Etsubdink, 2014).

In the study of informality in Addis Ababa, Fransen et al., (2008) also found that informal entrepreneurs often underemployed persons living below the poverty line and scuttling to survive in a saturated market and further that informal sector workers do not have the necessary awareness, technical means and resources to implement health and safety measures (Muchiri and Seblework, 2012). The informal economy plays a vital role in employment creation and poverty alleviation by providing earnings to those who don't have skills and semi-skilled workers who otherwise would be unemployed (Isabella, 2001). The informal economy consists of the informal grey economy and the informal black economy. The informal grey economy consists of productive and legal activities concealed from public discussions to authorities to ignore paying taxes and social security contributions or comply with regulations. Revenues from the informal grey economy are legal and regular income that should be taxed. In comparison, the black economy consists of revenues from crime-related production that includes manufacturing goods and services forbidden by law (Skenderi, 2017).

Both formal and informal economic activities constitute an economy of a country. Many scholars like Hart (1973) and Portes (1996) define the formal economy as that economic zone that is legally sanctioned, regulated through state intervention and marked by regular work. In another way, the informal economy is defined as irregular work outside legal sanction and without state regulation of any nature (Yusuff, 2011). Informal economies are defined according to their working conditions and the level of earnings. This includes those who scavenge on streets for rags and paper, those who produce garments on a subcontract from homes, sell goods on the streets and work as temporary data processors.

Even though countries define them differently, they all have one thing in common: lack of social and legal protection (Chen, 2012).

According to the ILO report of 2018, two billion people or 61 percent of the world's population, live under the informal economy. The organization defined the informal sector on the 15th International Conference of Labour Statisticians in 1993 as a group of output units comprised of unincorporated enterprises owned by households, incorporating informal own-account enterprises and enterprises of informal employers (typically small and non-registered enterprises). This definition limited informality to enterprises. Moreover, the 17th International Conference of Labour Statisticians in 2013 defined informal employment as all remunerative work (both self-employment and wage employment) that is not registered, regulated or protected by existing legal or regulatory frameworks, as well as work without wage undertaken in an income-producing enterprise. From these two definitions, the concept of informal economy encompasses all economic activities by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangements (ILO, 2018). Therefore, the informal sector includes day labourers, domestic workers, industrial workers, unregistered workers and part-time or temporary workers without job contracts, benefits or social protection (Benjamin *et al.*, 2014).

3.3. Linkages between Informal and Formal Economy

There are various schools of thought on the concept of informal economy and its links with the formal economy. While the *Dualist school of thought* argues that informal units and activities have few (if any) linkages to the formal economy but operates as a distinct separate sector of the economy and those informal workers comprise the less-advantaged sector of a dualistic labour market (Chen, 2007). The *Structuralist school of thought* views the informal economy as subordinated economic units (micro-enterprises) and workers that serve to reduce input and labour costs and thereby increasing the competitiveness of large capitalist firms. As claimed by this school of thought, the informal and formal economies are intrinsically

linked. To increase their competitiveness, firms that are in the formal economy will reduce various costs like labour by encouraging labour productivity. Proponents of this school of thought argues that both informal enterprises and informal wage workers are subordinated to the interests of capitalist development, providing cheap goods and services (Chen, 2012). *The legalist school of thought* understands the informal economy as a reasonable response the workers give to regulations and bureaucracy (Lupi, 2018).

3.4. Theories of the Informal Economic Structures

According to Williams and Kedir (2018), there are four theoretical perspectives that corroborates that the level of informality is determined by either economic under-development and poor quality governance (modernization theory), too much state interference (neo-liberal theory), too little state intervention (political economy theory) or imbalance between the laws and rules of formal institutions and the beliefs, values and norms of informal institutions (institutional theory). According to Gengzhi *et al.*, (2020), there are three mainstream theories that are identified in the literature notably; modernization, neo-Marxism (structuralism) and neoliberalism.

3.4.1. Modernisation Theory

To understand the issue of informality within its retrospective context among the various economic theories of stagnation, growth and welfare, one has to return to the beginnings of development and the so-called modernization theory (Christine, 2015). The informal economy is thus left as a residue from an earlier mode of production and consumption and its continuing presence is a sign of ‘underdevelopment’, ‘traditionalism’ and ‘backwardness’, while the formal economy is viewed as representing ‘progress’, ‘development’, ‘modernity’ and ‘advancement’. Proponents of this theory considers the informal economy as a traditional sector that persists due to exclusion from modern society and represents traditionalism or under-development or backwardness whilst the emerging modern formal economy represents progress or advancement or development (Colin and Kosta, 2019). Therefore, presence of informal entrepreneurs such as street vendors is a sign of

underdevelopment of the economy and lack of modernization of the government system (Williams and Kedir, 2018).

3.4.2. Neo-Marxism (structuralism) Theory

The neo-Marxist view of the informal economy is a byproduct of contemporary capitalist restructuring rather than the inability of the informal economy to create sufficient job opportunities. In this perspective, globalization is a primary factor for the expansion of the informal economy because of it results into sub-contracting activities, deregulation and liberalization of the economy (Gengzhi *et al.*, 2020). Unlike the proponents of modernization theory, the neo-Marxists view the informal economy as linked to modern economy.

3.4.3. Neo-Liberal Theory

The neo-liberal theory believes that high interference of the state in the free market leads entrepreneurs to make a rational decision to exit from the formal sector due to the various costs they incur and bureaucratic burdens imposed on them. According to neo-liberalists, the non-registration of a business results from over-regulation, high taxes and too much state interference (Williams and Kedir, 2018).

3.5. Legal and Institutional Framework for Informal Economy Development

3.5.1: Global Aspect

The foundation of the ILO is based on the recognition of social justice in securing peace and prosperity through internationally recognized human and labour rights. Indeed, the organization offers the most comprehensive international framework for unifying economic growth by securing social justice and promoting labour rights for all. The ILO promotes the fundamental rights at work considered to be non-negotiable (ILO, 2013). On the ILO's 90th session, the International Labour Conference adopted a resolution concerning decent work and an informal economy. The resolution

addressed the controversy which has been there in the area (Trebilcock, 2005). However, the 78th session of the International Labour Conference discussed the dilemma of whether the ILO and its constituents should promote the informal sector as a provider of employment and incomes so as to extend regulation and social protection on it, which possibly reduces the sector's capacity on job creation. Based on this, the ILO recognized that decent work deficits are more common in the informal economy than formal economy therefore, the decent work program of ILO became applicable in the informal economy (Flodman, 2004).

There are different arguments on the role of laws and regulations on the informal economy. For example, a report of World Development labour market of 1990 noted that laws, regulations and policies have adverse implications on minimum wage, provision of job security, social security, cost of labour in the formal sector and reduction of the demand for labour. On the other hand, laws, regulations and policies increases the supply of labour to the informal sector (ILO, 2013). This has been criticised due to its emphasis on the laws and regulations as the only driving factor for the increase of the informal sector. The tripartite consensus of the ILC Resolution of 2002 on Decent Work and the Informal Economy made the ILO's position clear on this debate that simplifying laws and procedures definitely enhances the opening of the formal sector. Towards this among the achievements in the world concerning the informal economy, the global network formed by the Self-Employed Women's Association (SEWA), International Alliance of Home-Based Workers (HomeNet) and Women in Informal Employment (WIEGO) with the ILO and other UN institutions has improved the statistics on informal sector which has a significant impact on increasing the visibility, understanding and the contribution of the informal economy (Chen, 2004).

3.5.2. Legal and Institutional Aspect of Informal Economy in Ethiopian

In most developing countries, the role of the informal economy is vital in maximizing employment opportunities. Governments are nowadays more aware of the importance of an informal economy to

the economy. Therefore, governments which have an awareness of the advantages of the informal economies are supportive of the sector through the enactment of innovative policies and strategies supportive of the sector's productivity.

According to Article 41 Sub-article 1 of the FDRE constitution, every citizen has the right to engage in economic activity and gain his living by work they freely choose. Moreover, Article 42 of the constitution supports workers' rights such as appropriately defined working hours, right to leave, healthy working environment and trade unions. Even though the constitution elaborates the economic rights of the citizens and the worker's rights in general terms, one can understand that the issue of the informal economy is not incorporated; instead, it emphasizes employment relationships other than the self-employed informal workers.

The Employment Policy and Strategy of Ethiopia acknowledge the informal sector role in providing employment opportunities for the bulk labour force in Ethiopia. This supports the need for integrating the sector into the mainstream formal sector through building or enhancing their capacities and strengthening their linkages with the latter through the value chain system. Productivity and competitiveness of the sector can be achieved through the enactment of a proactive policy environment together with the improvement of access to basic resources such as land, finance, market and infrastructure. In order to make the informal sector compete with the formal sector and imports, the sector needs to be endowed with technological innovation and modernization. Only knowledge-based technology, organization and information technology can improve the quality and competitiveness of products and services produced by the informal sector (National Employment Policy and Strategy of Ethiopia, 2009). According to the National Employment Policy and Strategy of Ethiopia (2009), specific strategies enacted to promote the informal sector are: -

- i. Development of clear guidelines for the operation of the informal sector: This implies that the informal sector should be supported with clear direction regarding government actions and regulations in order to address unpredictable business environment to ensure freedom of operation, with the desired outcome being enhanced employment and income generation opportunities.
- ii. Skill development: the government need to provide training and other services to informal sector workers to improve their marketing skills. The training should focus on primary and functional production skills, marketing-related with computer skills, internet skills and e-commerce lessons.
- iii. Access to working premises: noting that informal sector operators have no chance of accessing land through auctions which are irregular and very expensive. Therefore, policy measures should be taken to improve the accessibility of land at affordable prices.
- iv. Access to finance: given the informal sector's role in job creation for most of the poor, priority should be given to development micro-finance institutions to improve access to finance and loans.
- v. Establishment of associations: organizing informal sector operators through various associations which is imperative in the identification, targeting and provision of support to informal sector workers.

The Ethiopian National Employment Policy and Strategy of 2016 defined informal economy as every economic activity by workers and business units that are not legitimate or inadequately covered by formal arrangements. Furthermore, it does not cover illicit activities, in particular, the provision of services or production, trade, possession or use of goods prohibited by law, including the illegal

product and trafficking of drugs, the illegal production and trafficking in firearms, trafficking in persons, and money laundering, among others. The Ethiopian Employment policy prioritises creating an enabling environment that facilitates the transition from the informal to the formal economy to create and promote decent and sustainable employment opportunities (National Employment Policy and Strategy, 2016). The policy acknowledges that the informal sector provides the majority of employment opportunities to the labour force; however, the workers often do not have established and well-identified workplaces, occupational safety for most of them are poor. Moreover, the workers in this sector work for long hours but are less paid, lack access to training, information, credit, market and technology, employment rules and regulations and are not officially registered and recognized thus lacking the necessary legal protection. If they transform into formal sector and are provided with the necessary support, the sector can be a source for decent jobs which is imperative for poverty reduction.

Unlike the 2009 National Employment Policy and Strategy, the 2016 policy document gives much emphasis on transforming the informal sector into the formal economy. To achieve this goal, the following strategies are envisaged: -

- i. Making an assessment on the status of the informal economy with the aim of incorporating the sector into the formal economy.
- ii. Establishing a system that helps in the regularization of the informal sector and thereby creating and promoting decent and sustainable employment opportunities to the people engaged in the sector.
- iii. Ensuring the development of indexes for the transformation stages of the informal economy to the formal economy.

- iv. Ensuring the fundamental principles and rights of informal workers are protected in the work places through social protection.
- v. Providing the necessary supports to the informal economy workers to enhance their productivity and competitiveness.
- vi. Providing the necessary support to the informal sector workers to create an association to protect their rights and interests.

The policy and strategy document identified the stakeholders and their responsibility on the implementation of the strategies towards creating and promoting decent employment opportunities by avoiding duplication of efforts, effective utilization of resources and improving employment policy and its impact. Ministry of Labour and Social Affairs is the responsible organ mandated to implement the employment policy and strategy as well as assessing the effectiveness of measures taken to improve its implementation.

3.6. Impacts of Informal Economy on Economic Development

The informal sector plays a crucial role in a country's development. However, the sector's contribution to national development has drawn less attention as the majority of the postulations focus on the survivalist aspects of the informal economy (Elgin and Oyvat, 2013). It is clear that the informal economy contributes directly and indirectly to economic growth and provides livelihoods to billions of people in developing countries. For example, traditional agriculture which remains an essential source of economic growth for many developing countries is often carried out informally. The other manifestation is the output of informal enterprises often linked to the formal sector, which represents a significant share of the value-addition to national trade in developing countries

(OECD/ILO, 2019). Therefore, informal sector is recognised as an essential employment-generating sector and an essential source of production and income (Gundogan and Kemal, 2009).

In most developing countries, informal sector is a predominant feature of their economy, which emerged from the people's effort to earn income and create employment opportunities. The sector utilizes locally available resources for purposes of economic survival. The sector minimizes income inequality by providing goods and services which can be easily accessible and affordable. Most of the products are appropriately located and reasonably priced, minimizing buyers' costs (Roselyn, 2005). For many years, governments and economists assumed that poor, traditional economies would be transformed into modern economies by applying the right economic policies and resources. By this process, the traditional or informal sector was expected to disappear as the modern or formal sector grew and absorbed more labour. However, contrary to the assumptions, the sector has continued to take a substantial share of many countries' economies because many countries have not developed a considerable economic base that can provide adequate employment opportunities for their rapidly growing population. Due to this, the informal sector remains a significant source of employment in many countries (ILO, 2013).

The informal sector in developing countries has been steadily growing in recent times due to the sectors capacity to absorb a vast pool of the jobless community that decided to create their source of income to survive. It is observed that the limited capacity of the formal economy to absorb surplus labour, contrary to the increasing number of job seekers, has increased the significance of the informal economy. In most developing countries with increasing population and urbanization, the informal economy tends to be the primary sector to creating employment opportunities and poverty reduction, especially in urban areas (Joseph, 2013).

3.7. Determinants for the Increment of the Informal Economy

The reasons cited for the increase of informal economy are the limited capacity of the formal economy to create job opportunities and absorb surplus labour. The second reason is the existence of high cost and government regulation on start-ups, gaining business licenses and land and corruption which has forced people into the informal economy. The third reason is the implementation of Structural adjustment programs in the 1980s and 1990s which diminished the public sector jobs and the closure of uncompetitive businesses, forcing a majority to shift to informal sector. The fourth reason is globalisation's impact, which privileges companies to move across the world, causing labour disadvantage. This has been complicated by rural-urban migration leading to increased urbanisation levels thus unemployment forcing majority to informal sector (Flodman, 2004). Further, the determinants of informal economy development are identified as increased unemployment, the reduction of the number of working hours, high government regulations (high entry costs, strict labour regulations, high taxes, complicated procedures, high economic inequality, lack of access to resources such as land, loan and declining economic growth).

Unemployment or lack of adequate job opportunities is a critical causal factor for the increasing of the informal economy. In countries with no unemployment insurance or other kinds of social benefits, the only alternative to being unemployed is to engage in informal sector employment (Bernard, 2014). More importantly, the excess labour resulting from the imbalance between the employment opportunities created and the labour supply, mainly from the rapid rate of rural-urban migration is an essential contributor to the proliferation of informal employment.

Taxation and government regulations determine the expansion of the informal sector in a significant way. The increase of the informal sector in most African countries is highly related to an escape from government regulations and a deliberate intention to avoid tax burdens (Igudia *et al.*, 2016). This is compounded by the political and socio-economic factors operational in most of the developing

countries. The proliferation of the informal economy is basically caused by the inappropriate, ineffective, lousy implementation of macroeconomic and social policies, lack of suitable legal and institutional frameworks for proper implementation of economic policies and lack of trust in institutions and administrative procedures as well as inefficient government's policies for job creation in the formal economy (ILO, 2016).

3.8. Ethiopia's Response to the Proliferation of Informal Economy in Addis Ababa

According to the CSA Survey (2015), the total number of persons engaged in the informal sector are 148,803 of which 85,189 are males and 63,614 are females. Like other developing countries, registration of informal economy businesses in Ethiopia is low and due to this, most of them remain outside the regulatory framework of government policies notably; labour laws and taxation. The weakness of institutional and regulatory frameworks encourages the expansion of the informal economy.

Since the informal sector is serving as a source of essential supplemental income for the low wage earners, in this regard, the government of Ethiopia has started viewing informal sector activities as important providers of urban employment. As such, the government has formulated policies, programmes and plans encouraging the growth of the sector. For example, the consecutive national development plans, the Sustainable Development and Poverty Reduction Programme 2002-2003/04, the Growth and Transformation Plan I and II, have emphasized the importance of capacity building in labour force in achieving planned growth. In line with this, the government has also attempted to promote access to credit and other support services (Getahun, 2018). This government's outlook is fundamental in promoting the sector because the country has a large proportion of unskilled labour supply due to high rural-urban migration rates and the low capacity of the formal sector to absorb the excess labour. However, Ethiopia has several microfinance institutions providing loans for the development of Small and Micro-Enterprises (SMEs).

3.9. Factors Determining the Choice of Location by ISAs

According to Dongala (1993), informal trade among African countries takes place outside official channels and has been equated to illegal activities. The informal sector operators choose the location for trading based on sub-optimal behaviour or other personal factors. These factors vary from the postulations of an optimal theorist who contends that business enterprises are located where they will command maximum profit. Other theoreticians have suggested sub-optimal reasons with a mix of personal factors (Ubongu *et al.*, 2011).

The availability of informal sector workers in a particular area can be justified for different reasons. Among these reasons, the availability of space in an area, availability of market for their business, proximity to where they reside, familiarity to the place and high traffic of both vehicular and human are the major determinants to their location. Due to these factors, the proliferation of informal sector traders in Megenagna Square is explained by the square being an open area with a conglomeration of both vehicular and human traffic. However, since the area is not designated for the informal traders, there are always conflicts between the informal traders and the city authority manifesting through forced evictions.

3.10. Selected Case Studies of Informal Economy

3.10.1. Kenya

The East Africa Institute of the Aga Khan University survey report (2019) defined the informal sector as all moneymaking work (both self-employment and wage employment) that is not certified, regulated or protected by existing legal or regulatory frameworks, as well as non-remunerative work undertaken in an income-producing enterprise. Individuals who participate in informal economic activity does not have job security because there is no signed contract, employee benefits, social protection or representation. In Kenya, the informal sector makes up the majority of all enterprises.

According to the Kenya National Bureau of Statistics estimation as of 2018, the informal sector represented 83.6 percent of total employment and 33.8 percent of GDP in 2015 (World Bank, 2016). The sector is growing fast and is significantly contributing to job creation as well as being an alternative source of income generation for citizens (Ndumbuth, 2006).

In Kenya, the informal economy emerged initially as small enterprise activities in response to the problems of survival associated with rapid urbanization and urban poverty. However, it is no longer a set of survival activities performed by people on the margins of society. Through time, the sector emerged as indigenous small enterprise activities leading to its successful growth and development. It has been recognized as an essential part of economic development. Self-employed and urban-based workers primarily operate in the informal economy. Most of the informal economy participants migrated from rural areas to work in marginal production, service giving activities and the importation of consumer goods in the urban areas of Kenya. The ILO Kenya mission of fieldwork and its official report recognized that the sector has expanded to include profitable, efficient enterprises and marginal activities. The mission notes that the evolution of the informal economy resulted from the Kenyan economy's failure to make sustained economic progress in benefiting the urban population through employment creation and reducing poverty. For some time, the assumption was that the informal economy was a one-time phenomenon that would gradually disappear as modernization took place and the formal economy thrived and absorbed more labour. However, such an assumption was inconsistent with the emerging trends in Kenya (Ronald, 2013).

The informal sector in Kenya consists of urban artisans, manufacturing, building and construction, distributive trades, transport and communication as well as community and personal services industries. Currently, the sector's activities include tailoring, carpentry, blacksmithing, retail shops, groceries and kiosks (Kago, 2014).

The informal sector plays a significant role in Kenya's economy by creating employment. For example, in 2009, 390,608 new jobs were created by the sector, which means 86.6 percent of the total job opportunities created in the year. It also provides a source of income for many citizens who are engaged in the sector. The sector has a considerable contribution to the country's GDP. Based on this, the country recognized the informal sector as one of the pillars of economic growth and these manifested through various policy measures implemented by the government (Muthyoi, 2010). It is clear that the sector plays a crucial role by accelerating economic growth and by increasing the GDP output and poverty reduction through employment creation and becoming a source of income (Kago, 2014). While the liberalization and privatization processes took place in Kenya, the public (formal) sector has failed to absorb excess labour force as compared to the informal sector.

The informal sector in most African countries is an essential economic characteristic, accounting for a remarkable share of national products and the well-being of many families. Most governments in African countries cannot create adequate job opportunities in the formal sector. The extent and characteristics of informal employment and its contribution to national welfare and poverty reduction should be identified to develop strategies that recognise the informal sector and promote it towards productivity. Towards this end, improving the skills of people employed in the informal sector is vital. Structurally, informal sector activities in Africa hold a significant share of their markets in mining, manufacturing, commerce and finance, among others. There are cases in various countries like Kenya, Nigeria and Senegal on the streets and in home-based business enterprises such as food vending and small goods, tailoring services, furniture manufacturing and repair of automobiles, as well as traditional health care services (Adams *et al.*, 2013).

The other benefit of the informal economy in Kenya is that it constitutes an essential component in the micro-finance market. It is a dominant source of credit, particularly in the rural part of Kenya where the institutional lenders are not efficient. The numerous types of moneylenders and credit

suppliers in the informal economy include friends, relatives, landlords, commission agents, storekeepers, agricultural produce dealers, traders, employers of agricultural labour and semi-informal financial services such as Savings and Credit Cooperatives (SACCOs), Rotating Savings and Credit Associations (ROSCAs) and Accumulating Savings and Credit Associations (ASCAs). These informal loan providers mobilise savings and offer credit (Ronald, 2013).

According to CUTS International study of 2007, the sectorial analysis of Kenya shows the worsening of the economy's social fabric, which shows the country's overall status is still below the assertion of the 1995 Copenhagen Declaration on social development. The main causal factors for poverty in Kenya is the income and employment level. In developing countries like Kenya, the level of the unemployment rate is escalating over time. In another way, there have been job opportunities created by the informal sectors, which has a tremendous role in minimizing the country's unemployment scale. Due to the absence of clear policies, the informal sector is not incorporated adequately in the land use framework of the country. In most cases, informal traders lack adequate infrastructure facilities and are often not allocated spaces large enough to accommodate the high demand of the operators. The rising unemployment in the formal sector forces the residents of urban areas like Nairobi to invade the open spaces with road reserves being the most preferred. Little attempt has been made to explore the possibility of accommodating them in the national development agenda. Because of an inhibitive regulatory climate, this has not been made possible (Komollo, 2010). For example, Vision 2030 economic blueprint for making Kenya a middle-income country is weak in terms of addressing the issue of the informal economy for it fails to identify the actors in the sector. According to the Vision, it is the state and the formal private sector, and definitely not the Jua kali sector, which will bring Vision 2030 to reality (Njeri, 2010).

The informal traders in Kenya face several limitations such as lack of guarantee on space ownership and lack of access to loans, infrastructure, skilled labour and markets. This has been occasioned by

the sector suffered from a lack of coherent policy guidelines, inadequate physical infrastructure and unfavourable regulatory framework. All these obstruct the potential contributions of the informal sector activities (Atieno, 2006). The bureaucratic processes of starting a business are lengthy and adversely impact the operations of MSEs and informal businesses. Enforcing policies and Acts of Parliament relevant to the informal economy is challenging and the county governments are still to begin addressing the issue. The significant role of the government in the labour market, at the minimum is to make sure the right to collective action and enforcing minimum standards yet most of the workers in the informal sector are own-account workers without employees under them who require an enabling environment and protection (Mitullah, 2006).

The Kenyan policy paper on Development of Micro and Small Enterprises for Wealth and Employment Creation for Poverty Reduction (2005) has identified the major gaps of the informal sector economy as policy environment, inhibitive legal and regulatory framework, limited access to markets, financial services, information, infrastructure, linkages with larger enterprises, inadequate access to skills and technology, business skills, gender inequality, unfavourable taxation regime, entry barriers and health and safety. According to Mitullah (2006), the significant gaps of this policy paper are that labour laws and occupational health and safety matters are not included. Further, Kenya has many welfare associations, with few umbrella associations which are imperative in advancing the rights and welfare of informal sector operators (Njeri, 2010). For example, the informal economy in Nairobi the capital city is very diverse and heterogeneous yet it lacks an umbrella association to advance the rights of operators. One of the prominent types of informal economic activity in Nairobi is known as Jua kali meaning "hot sun" (UN-HABITAT, 2006). The government of Kenya, especially the Nairobi City County Government has undertaken different mechanisms to manage informal economic activities but still prohibits the location of informal activities in urban spaces. Towards this end, the city authority has established structures to provide places for jua kali businesses to bring

essential goods within the easy reach of consumers and provide facilities where the operators can gainfully operate. The markets are set up to alleviate problems associated with informal workers by providing stalls for various businesses. The markets are rental stalls, self-constructed, tenant purchase, hawkers' and wholesale markets (Njeri, 2010). However, the markets are located within road reserves, occupying unused spaces of the Road Reserve and characterized by disorganized, low infrastructure facilities and poorly constructed (Komollo, 2010). However, the government has shown its recognition to the sector by publishing a policy document on "Small Enterprises and Jua Kali Development in Kenya" which served as a basis for its development. The document helped to identify and analyze the problems related to the sector.

The other mechanism that the government has tried to address the problems of informality is building a market at Muthurwa Estate which lies within 2 kilometres from Nairobi's CBD. This was seen as an effort at transforming the city's small scale business as well as minimizing traffic congestion. The market was constructed to cater for 8,000 street vendors solving the conflict between the operators and City Council officials (David *et al.*, 2012).

The response of the Kenyan government towards the informal economic activities by constructing a market that is designated to the operators is a fundamental lesson that other countries can borrow from. The other important lesson that other developing countries can adopt is that incorporating the informal economy into the mainstream economic activity is beneficial in generating income for the government. For example, the Jua kali sheds of Nairobi generate reliable tax revenue for city authority through strict adherence to fiscal rules.

3.10.2. Informal Economy in India

For the past decade, India has recorded one of the fastest economic growth in the world but besides that, the income distribution of the people is not proportional and it continues to expand. The informal

sector or unorganized sector in India consists of enterprises that are own account enterprises and operated by own-account workers or unorganized enterprises employing workers. According to the Federation of Indian Chamber of Commerce and Industry (2017), the informal economy contributed over 54 percent to India's Gross Value Added (GVA) in the year of 2008/09 estimation. India's informal sector incorporates agriculture, forestry, fishing, construction, retail trade, restaurants, local transport and real estate.

The major reasons informal enterprises in India avoid registration processes and stay in the informal economy are to avoid high costs, time and effort to comply with formal institutional frameworks through the government of India has been taking several measures to minimize the time and costs related to setting up and operating small businesses. For example, SME's to get registered they are required to fill different forms, but the government replaced this with a simple form which includes various benefits attached to small enterprises such as credit guarantee scheme, lending and capital subsidy and the like (FICCI, 2017).

3.11. Challenges of Informal Economy

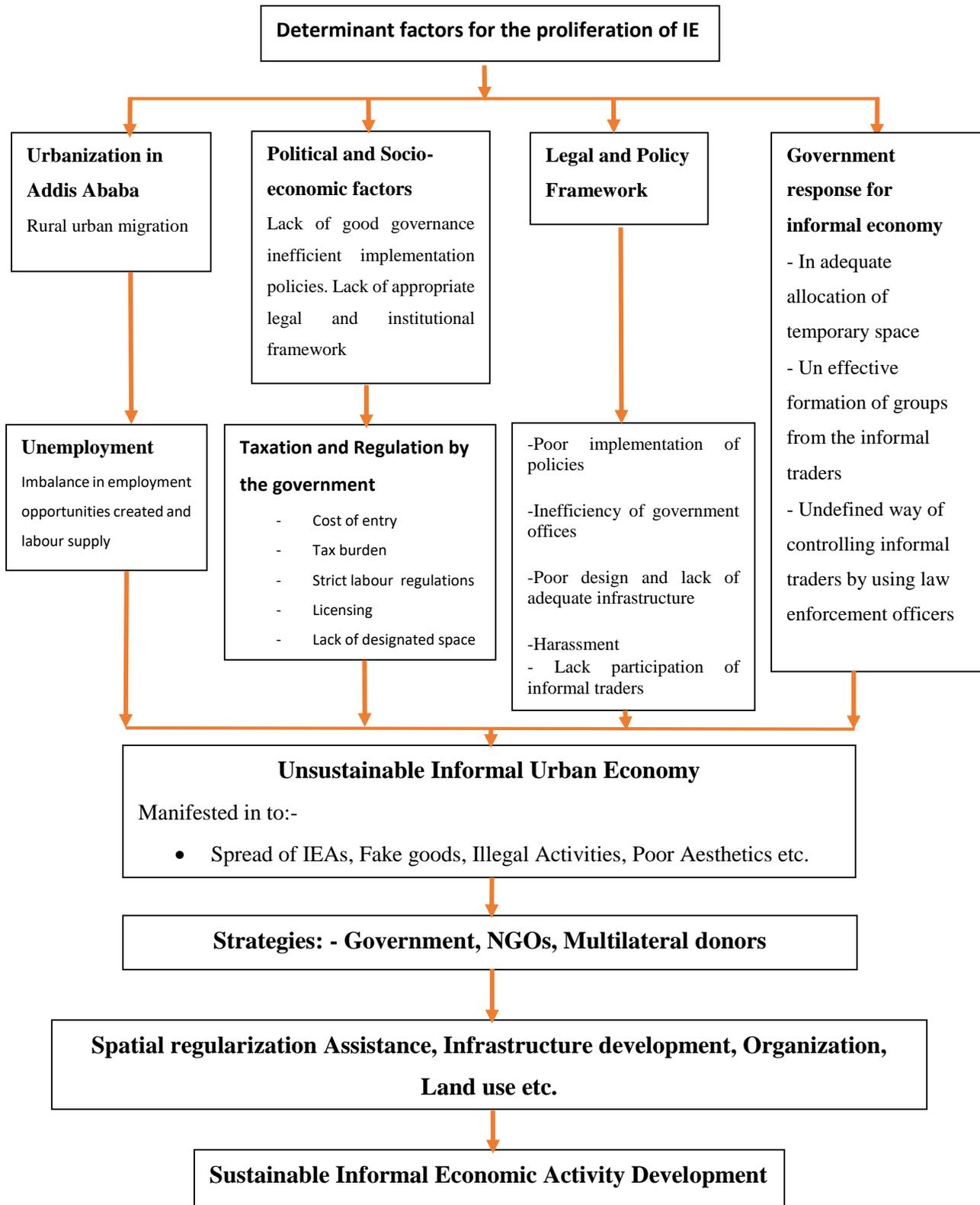
The informal economy is being advantageous by avoiding tax responsibilities and regulations. However, this causes distorted competition in the market disadvantaging the formal businesses from gaining equal market (Farrell, 2004). In the short term, the informal economy benefits the economy by creating employment opportunities, but it negatively affects formal business development by creating unfair competition. Operators in the formal economy pass through different government responsibilities such as paying taxes and fees to get a license, facing office bureaucracy to get permits and challenges from corrupt government officials. On the other hand, the informal businesses do not expect to comply with those regulations and as a result, they sell their goods and services at affordable prices for the society than formal businesses (Rozo and Winkler, 2019). The unfair business

competition between informal trade operators and formal operators negatively affects formal businesses' innovation and adoption of new technologies because the innovations can be easily stolen. The informal economy, for some people, is used as a safe heaven to skip legal responsibilities. Individuals engaged in informal businesses choose to remain outside of the formal economy to avoid taxes, social responsibilities, comply with standards and license requirements (Deléchat *et al.*, 2020). Workers in the informal economy have no job security and protection by any labour regulations. Due to this, they work long hours; they do not have insurance and pension rights as well as vulnerability to various health problems and harassment from law enforcement officers and others. Their earning is very low to make savings and due to this they are forced to stay in the sector.

3.12. Conceptual Framework

The conceptual framework covers the factors contributing to the expansion of the informal economic activities in the Megegnagna area notably; rapid urbanization that Addis Ababa is experiencing and following high rural-urban migration rates and low capacity of the formal economy to absorb the labour. Other factors are strict regulations and tax responsibilities discouraging the formal economy and encouraging informal economy alongside the political and socio-economic factors. The study's conceptual framework is derived from a theoretical framework informed by various theories and schools of thought explaining the formal and informal economy linkages and the evolution of the informal economy. The study further demonstrates the role played by policy measures and other strategies in mainstreaming the informal economy in the urban economic fabrics using Kenya and India as examples. In general, the conceptual framework outlines the determinant factors for the proliferation of informal economy and the existing responses to address the problem.

Figure 3.1: Conceptual Framework



Source: (Researcher, 2021)

CHAPTER FOUR: METHODS AND MATERIALS

4.1. Introduction

This chapter explains the approaches that were undertaken to accomplish the study. It details out the data sources, the target population, the sampling procedure, data analysis and information presentation. This chapter also discusses how essential data collection tools were used in the study.

4.2. Research Design

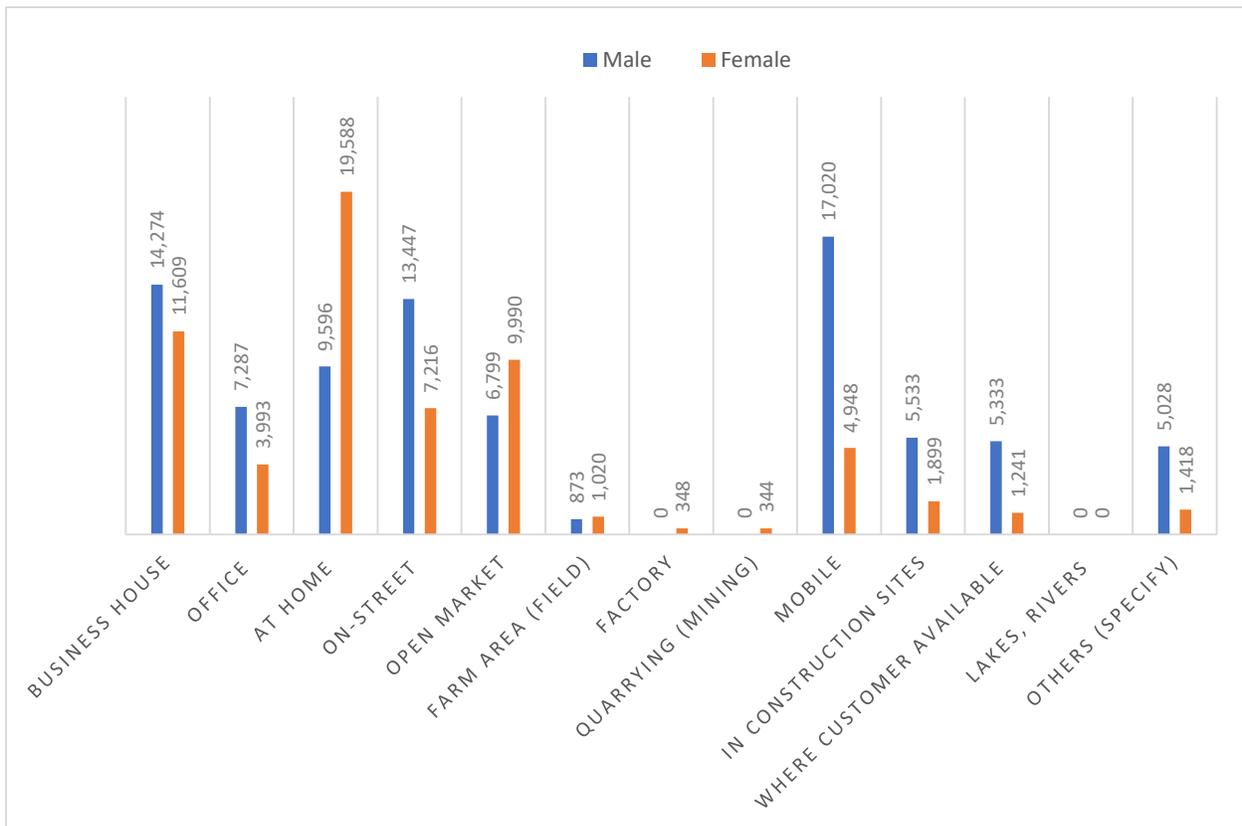
According to Inaam (2016), a research design is the plan, structure and strategy of undertaking scientific investigations. The research design used in this study incorporated case studies and theories aimed at assisting the development of effective urban management strategies. Analysis of the case study helped identify the existing problems and recommendations geared towards developing strategies based on the collected data. The research is exploratory and it utilized qualitative data collected through observation, face-to-face interviews and other auxiliary data obtained using different technologies. The research methods used in this study was field survey which employed interviews and observations that assisted in understanding the problems created by the informal sector activities around Megenegna Square.

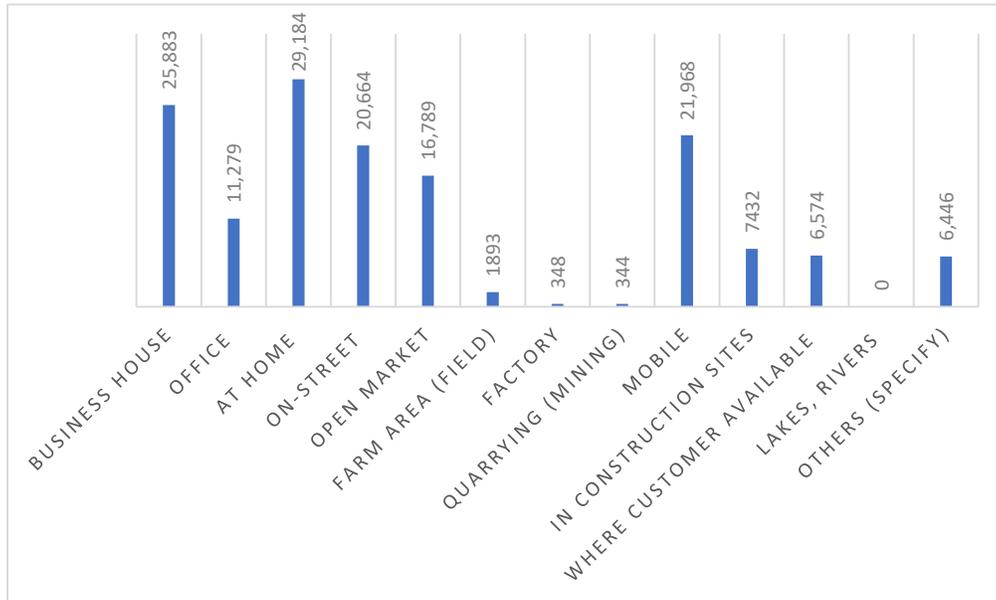
4.3. Population and Target Population

According to Hanlon and Larget (2011), a study population is a target group with common characteristics that are directly related to the research problem. Proper specification of research population is critical because it guides in appraising the credibility of the sample, sampling techniques and the research outcomes (Asiamah *et al.*, 2017). In this case, the informal sector traders in the Megenagna Square constituted the study population. According to the UN-Habitat (2008), estimation the population of Addis Ababa is 4 million. In lieu of lack of any other data, this is taken as the

baseline population of Addis Ababa. According to the Federal Democratic Republic of Ethiopia (FDRE) Central Statistical Agency report, which was conducted in 2015, the number of persons engaged in informal works in Addis Ababa is 148,803, of which 85,189 are males and 63,614 are females.

Figure: 4.1: Number of Male and Female Informal Sector Workers in Addis Ababa, Year 2015





Source: (Central Statistical Agency (CSA), 2015)

Despite the diversity of informal traders in the city, the study selected informal traders in the open areas and the street vendors. Due to the unavailability of data about the number of informal workers in the case study area, the study identified the significant sites in Addis Ababa that are central to informal trading activities and divided this number equally. Therefore, the study identified 24 areas in Addis Ababa and divided the current estimate of 108,157.5 by the number of identified locations, which resulted in 4506. As a result, the study assumes that the total population of the case area is 4506.

4.4. Sampling Design and Sample Size

Megenagna is a vibrant public space located in the middle of Bole and Yeka sub-cities. The area is primarily business-oriented, with few residential properties. The study combined three sampling techniques for the key informants, target population and clients. It applied a stratified random sampling method for the informal traders based on their merchandise such as fruit and vegetable vendors, booksellers, mask and sanitizer vendors, service providers, clothes and shoe sellers among others. A simple random sampling technique was implemented for clients in and around the public

space and the city residents who access Megenagna on their day to day activities. The purposive sampling technique was applied for key informants such as individuals working in the two sub-cities in the administrative and environmental offices. Since there is no accurate population of the informal workers on Megenagna area, the study employed stratified random sampling to group them based on their merchandise.

According to Chioma (2019), an optimal sample is vital for minimizing the research costs and sampling error. In this regard too small or too large samples have their own limitations. Yamane (1973) suggests the below-stated formula for determining appropriate sample size when the numerical strength of the population is known.

$$n = N / [1 + N (e)^2]$$

Where; n = the sample size

N = The finite population

e = the level of significance or limit of tolerable error (a tolerable limit of error or the level of significance at 0.05)

1 = Unit or a constant

According to this study N = 4506, e = 0.05,

$$n = 4506 / [1+4506(0.05)^2]$$

$$= 4506 / [1+11.26]$$

$$= 4506/12.26$$

$$= 367$$

The sample size for the population was 367. This was farther distributed among the informal sector traders as shown in Table 4.1:

Table 4.1: Sample Size taken for the study

Sample group	Sample size
Informal traders	
Street Vendors (fruit and vegetable sellers, booksellers, CD sellers, clothes and shoes and sellers of other goods)	308
Service providers (Shoe shiners, food sellers, hot drinks sellers)	59
Key informants	
Yeka sub-city administrators and allied professionals	3
Bole sub-city administrators and allied professionals	3
Traffic polices	1
Area police	1
Others	
Pedestrians and users of transportation services	70
Formal traders	10
Total	457

Source: (Researcher, 2021)

4.5. Methods of Data collection

In this study, sets of open and close-ended questionnaires were used to collect data from the informal traders and their clients. The questionnaires incorporated valuable questions addressing the research goal. Subsequently, those who could not answer independently were assisted by research assistants while those who could answer on their own were left to fill in the questionnaires on their own. The Secondary data were collected from published and unpublished books, journals, websites, newspapers, government records and articles.

4.6. Methods of Data Analysis

According to Langkos (2014) data analysis helps simplify the collected data in order to produce a particular result that can be measured quantitatively. Moreover, the analysis gives the researcher the ability to structure the qualitative data collected in accordance with the research objective. In this study, the data collected was analyzed using both qualitative methods. The outputs of qualitative analyses are frequencies and percentages presented by tables, graphs and charts. The qualitative method is used to analyze data collected through interviews, open-ended questioners and field observation. Data analysis tools used in the study are SPSS, rational reasoning, AutoCAD and Excel.

4.6.1. Analysis of the Role of Informal Traders in the Urban Economy

The study assumed that the informal economy in the case study area creates employment opportunities enabling the traders to fulfil their basic needs. The data collected from the informal workers, clients and local authorities through questionnaires and interviews were analyzed to show how the sector benefits the workers and the low-income society. The data collected from the traders provided information regarding their income and why they chose the sector (why they are not employed in the formal sector). The study used local authorities of the area to corroborate the sector's impact on the economy. The collected data in this regard were analyzed and summarized by using

SPSS and rational judgment for the open-ended questionnaires and interviews. Secondary sources such as government records were also analyzed and synthesized by Excel software.

4.6.2. Analysis of the Factors Determining the Choice of Location of Informal Traders

The study examined the factors that push the informal workers to congregate at the case study area. In this view, data were collected from the informal workers through interviews and questionnaires were the primary source of data which assisted in understanding the locational factors that force them to choose the area. Equally, the study used field observation to understand the site's significance to the informal traders and its unique characteristics. The data collected from the informal workers helped the study to analyse and explain why the informal traders are invading public spaces, pedestrian walkways, squares and places with high traffic congestion. The study developed questionnaires for informal traders to examine reasons for the choice of locations. The data were analysed using SPSS and rational reasoning. This holistically helped the study to identify the informal traders' pull factors.

4.6.3. Analysis of Conflicts in the Case Study Area Arising

The data needed to identify the conflicts resulting from the informal trading activities were collected directly from the informal traders, formal traders, police, clients, residents and local authorities through interviews, questionnaires and field observations. Furthermore, data derived from previously conducted researches and government records were used. In this view, the study collected data from clients and residents about the existing challenges created by the informal traders using questionnaires, interviews and field observations. The data were analysed using SPSS, Excel and personal judgment. Secondary data were collected from government records, published materials and case studies were analysed and blended with the primary data to address the research question. The

tools used to analyse the data helped the research transform the data and produce graphical presentations.

4.7. Presentation of Study Findings

Various techniques are used to present the obtained information or findings. The study's findings are presented through written formats, graphs, charts, tables, and pictures based on the data analysis.

4.8. Validity and Reliability of the Study

Validity is concerned with the meaningfulness of research components. It is the extent to which requirements of scientific research methods are followed during the process of generating research findings (Haradham, 2017; Drost, 2011). This was achieved through the appropriate choice of informants and sample size. Reliability of a study measures consistency, precision, repeatability and trustworthiness of research (Haradhan, 2017). This was achieved through pre-testing the questionnaires which were found to be well designed to capture the intended information.

Table 4.2: Research Design Matrix

Objective	Target population	Collection method	Tools	Analysis	Information
i. To establish the role of informal trading activities in the urban economy	Informal traders, local authorities (Yeka and Bole sub cities), Addis Ababa city Administration and clients	stratified random sampling purposive sampling	Questionnaires, interviews, government records, published and unpublished documents,	Measure of central tendencies (mean, mode, median), rational reasoning, AutoCAD, Excel	Income of the informal traders, Size of dependents under the informal worker, Employment opportunity created, benefits of informal trade to the economy
ii. To examine the factors that determine their choice of location.	Informal traders, local authorities (Yeka and Bole sub cities),	stratified random sampling purposive sampling	Questionnaires, interviews, government records, published and unpublished documents, field observation, photography	Measure of central tendencies, rational reasoning, AutoCAD, Excel	The pull factors for the informal traders to operate at Megegnagna Square?
iii. To identify conflicts arising as a result of the informal trading activities in the case study area.	Informal traders, local authorities (Yeka and Bole sub cities), Area police, Traffic police, Addis Ababa city Administration and clients	stratified random sampling purposive sampling	Questionnaires, interviews, revision of government records, published and unpublished documents, field observation, photography	Measure of central tendencies, rational reasoning, AutoCAD, Excel	Challenges faced by the informal traders, types of illegal activities created by the existence of informal traders, impact of informal traders on vehicular and pedestrian activities at Megegnagna, negative impact of informal economy on government revenue
iv. To recommend strategies for resolving the challenges posed by informal trading activities in Megegnagna square.	Informal traders, local authorities (Yeka and Bole sub cities), Area police, Traffic police, Addis Ababa city Administration	stratified random sampling purposive sampling	Questionnaires, interviews, government records, published and unpublished documents, field observation, photography	Measure of central tendencies, rational reasoning, AutoCAD, Excel	Measures should be taken to address the challenges? What spatial solutions does the informal traders need? What kind of legal framework should be given to the sector?

Source: (Researcher, 2021)

CHAPTER FIVE: FINDINGS AND DISCUSSIONS

5.1. Introduction

This chapter discusses the findings of the study in regard to the set objectives. The data was collected from various stakeholders that are directly or indirectly related to the case area notably; the informal traders, clients, residents and the key informants.

5.2. Number of Respondents

The number of respondents are people who are asked to answer the questions prepared by the researcher. In this study, the respondents are all related to the informal trading activity in Megenagna area. The sample size for the population of informal traders in Megenagna is 367. On the other hand, 70 samples were selected from the clients and residents of the area. According to the findings, the response rate of the individuals from the two stakeholders is 100 percent. However, the response from key informants is 80 percent.

Table 5.1 Number of Participant

Stakeholders	Number	Percentage
Informal traders	367	100%
Clients and Residents	70	100%
Key informants	8	80%

Source: (Researcher, 2021)

5.3. Attributes of the Informal Traders

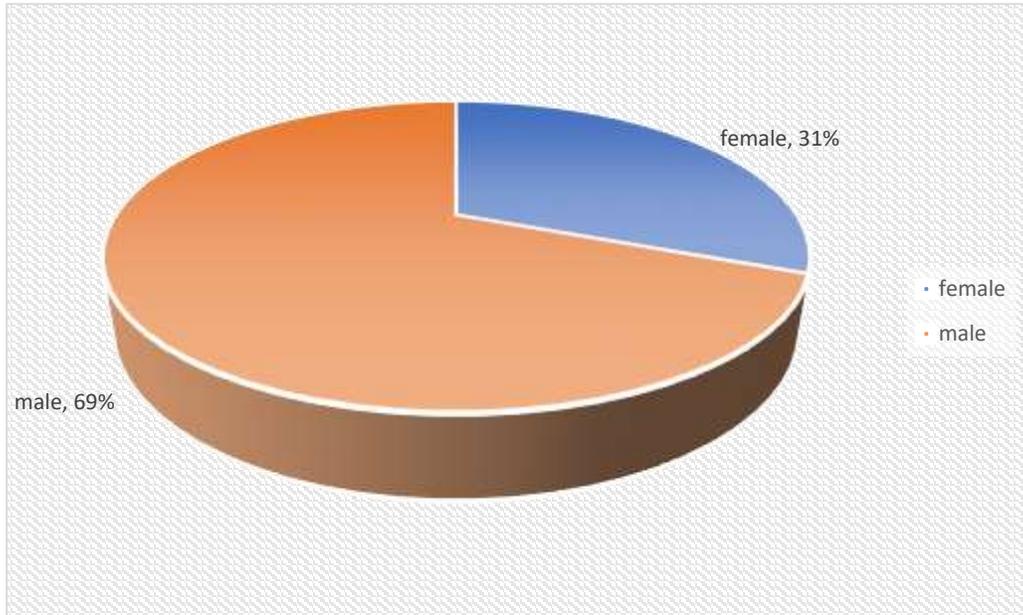
5.3.1. Demographic Characteristics of the Respondents

This section of the study looks at statistical distributions of the respondents' demographic attributes in the case area.

5.3.1.1. Gender of Respondents

Figure 5.1 shows that 69 percent of the informal sector workers are male while 31 percent of the respondents are female. This implies that a large number of men are engaged in the sector than women in Megegnagna site.

Figure 5.1: Gender Distribution finding



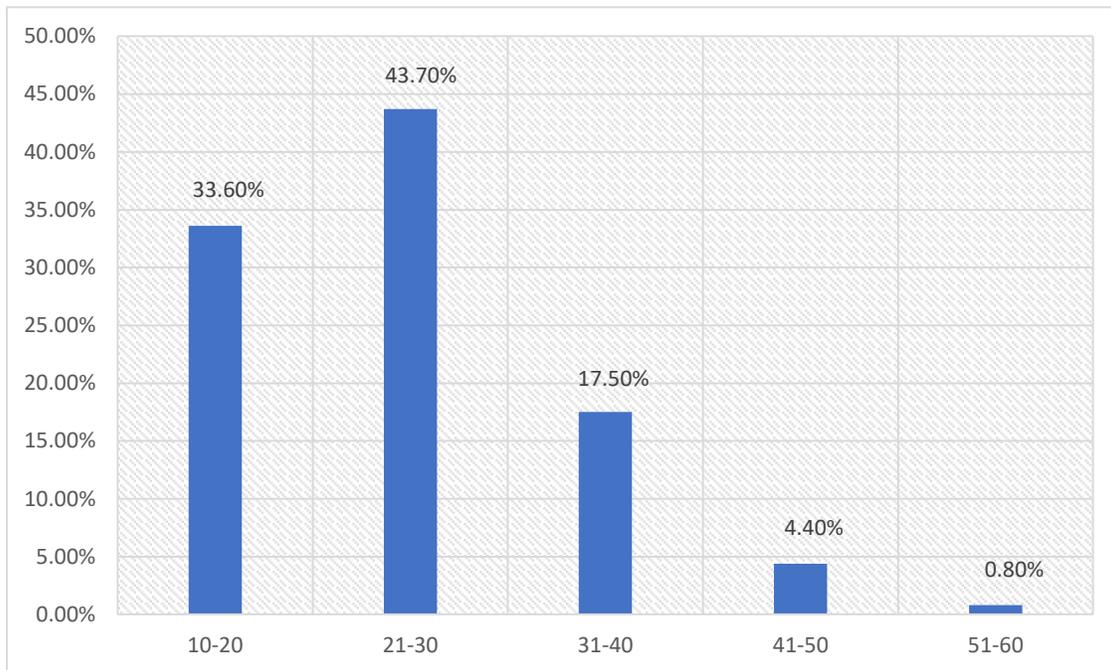
Source: (Researcher, 2021)

5.3.1.2. Age of the Respondents

The finding shows that about 43.7 percent of respondents are in age brackets of 21-30, 33.6 percent of respondents are in age brackets of 10-20 and 17.5 percent are from 31-40 years. According to Figure 5.2, approximately 4.4 percent of respondents are from ages 41 to 50 while 0.8 percent of respondents are in age brackets of 51- 60. In general, the finding shows that most of the informal

traders at Megenagna site are between the ages of 21 and 30. The mean for the entire group is 24.8 \approx 25 years of age.

Figure 5.2: Age of Respondents

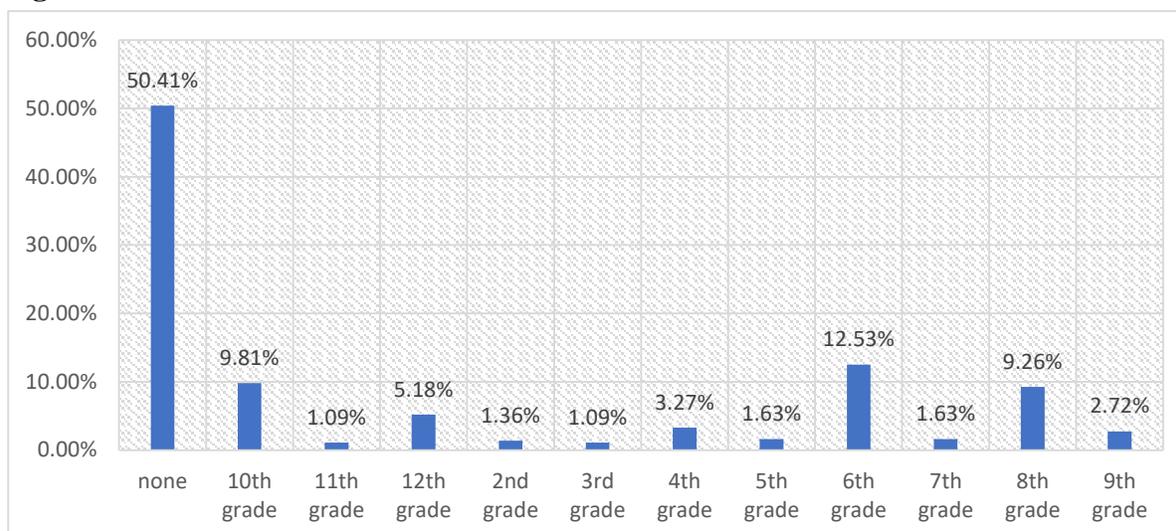


Source: (Researcher, 2021)

5.3.1.3. Level of education

With regard to the respondents' level of education, from those given their answer 9.8 percent were able to attend 10th grade, 1.09 percent attended 11th grade, 5.18 percent of them attended 12th grade. As illustrated by the Figure 5.3 approximately 12.53 percent were attended 6th grade while 9.26 percent of them attained 8th grade. From the whole informal workers close to the half answered this question and most of them were able to attend from 6th grade to 12th grade.

Figure 5.3: Level of education



Source: (Researcher, 2021)

5.3.1.4. Number of Dependents of the Informal Sector Workers

Respondents were asked to state the number of dependents that are supported by their income from the informal businesses. According to Table 5.2, most 92 percent of respondents have between 0 and 2 dependents. While 7.6 percent of respondents have between 3 to 5 dependents, 0.3 percent of respondents have between 6 to 8 numbers of dependents. This corroborates that most of the informal are young families.

Table 5.2: Number of Dependents

Dependents		Valid Percent
Valid	0-2	92.0
	3-5	7.7
	6-8	.3
Total		100.0

Source: (Researcher, 2021)

5.3.2. Type of Activity

As shown in Table 5.3, there are various informal trading activities currently operating in Megenagna. Cloth vending at 20.4 percent is the most dominant informal trade in the case study area. The type

of activities in the area has implications on space requirements, noting that the activities vary across the year depending on demand and availability of goods.

Table 5.3: Informal Trading Activities in Megenagna

Activity	Percent
Aloe Vera plant seller	1.63%
Anti-rat chemical	0.27%
Bags seller	1.09%
Biscuits and hot drinks seller	6.27%
Boiled potato seller	0.54%
Books seller	2.45%
Bottles of different sizes	0.27%
Candy seller	0.82%
Clothes peg seller	0.27%
Clothes seller	20.44%
Document and ATM holders	3.27%
Electronics sellers	0.27%
Face mask seller	3.27%
Fast food	0.27%
Fruits seller	7.08%
Insole seller	0.27%
Jewelry seller	2.45%
Key holder seller	0.27%
Kitchen accessories seller	3.27%
Lady's hair holder	0.27%
Lemon seller	0.54%
Lottery seller	3.54%
Maize seller	2.45%
Miscellaneous items	2.72%
Mobile cards and cigarette seller	0.27%
Packed water and juice seller	0.27%
Pen seller	0.27%
Perfume and deodorants seller	0.27%
Phone accessories seller	3.81%
Planting pot seller	0.82%
Plastic chairs	0.27%
Plastic products seller	0.27%
Shoe seller	3.00%
Shoe shiner	8.17%

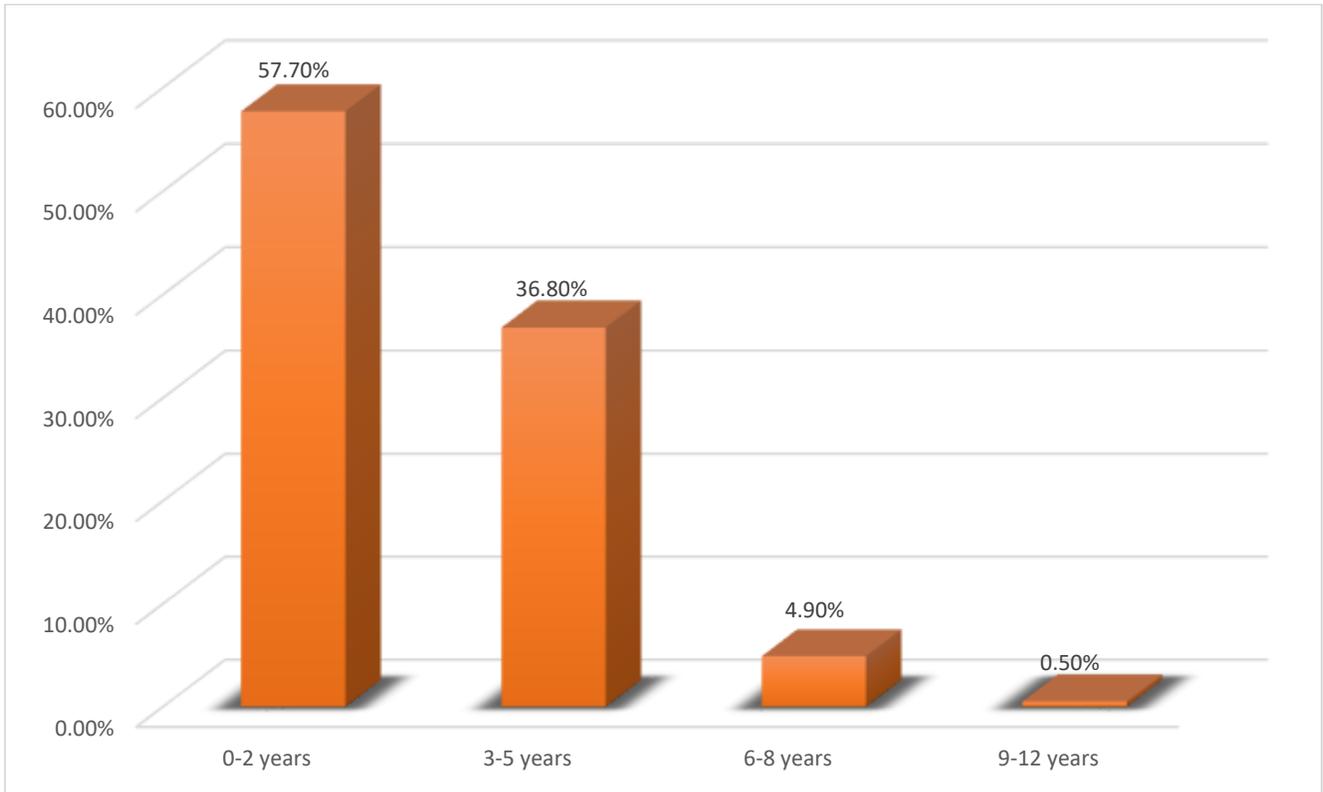
Spices box seller	0.82%
Spices seller	0.54%
Stove wine seller	0.27%
Sun glasses seller	0.54%
Thread seller	0.27%
Toiletries seller	1.91%
Towels seller	1.09%
Toys seller	0.54%
Traditional toothbrush seller	2.72%
Umbrella seller	1.91%
Vegetables seller	7.08%
Weighing machine service	0.82%
Total	100.00%

Source: (Researcher, 2021)

5.3.3. Length of Operation in the Site

On the length of stay on site, as detailed out in Figure 5.4 approximately 57.7 percent of the respondents have stayed on the site for between 0 to 2 years while 36.8 percent of the respondents have traded on the site for 3 to 5 years, 4.9 percent of the respondents have stayed between 6 to 8 years on the site while 0.5 percent of the respondents have operated on the site longer for between 6 and 8 years. Therefore the average years that the informal traders have operated on the site is 2.4 years, this implies the traders are not staying in one place for a long time so it is difficult for the government to give lone for the informal trading operators. In another way, the nature of the informal trader's will create difficulties in developing infrastructures for them to operate in a given area.

Figure 5.4: Length of Informal Trade Operation on Site



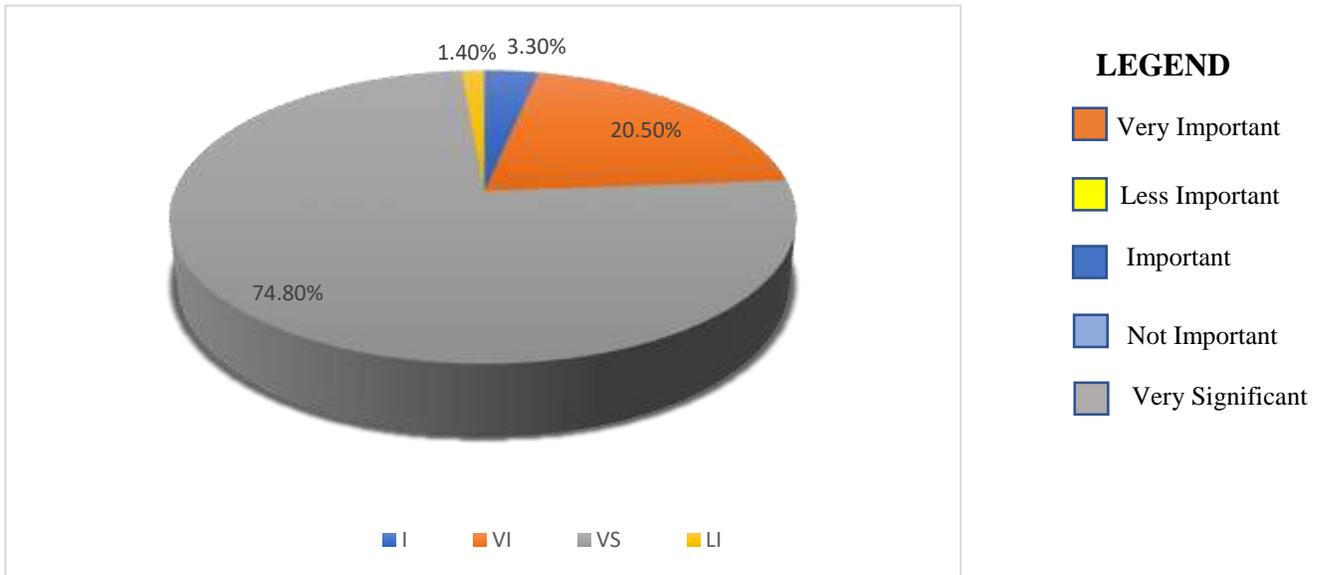
Source: (Researcher, 2021)

5.3.4: Site Factors

Access to Major Street

There are various factors that attract informal traders in Megenagna. As illustrated by Figure 5.5, approximately 74.8 percent agree that access to the major street is a very significant factor for their location as 20.5 percent affirm that the street is a very important factor for their location. It is only 1.4 percent who affirm that the street is not important for their site selection. In general, the finding shows that access to major streets in Megenagna is the main attraction for the informal traders to the square.

Figure 5.5: Access to Major Street

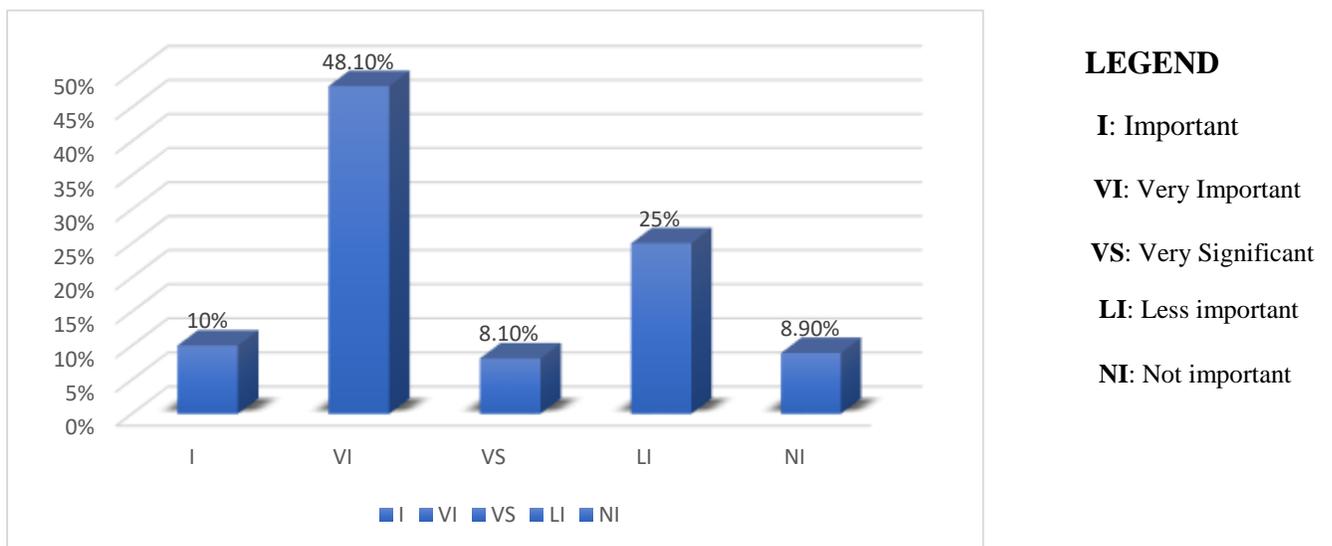


Source: (Researcher, 2021)

Availability of Electricity

Figure 5.6 shows that 48.1 percent responds that the availability of electricity in Megenagna is very important for their sit selection, while 25 percent of the workers affirm that electricity is less significant for their sit selection.

Figure 5.6: Availability of electricity in the site

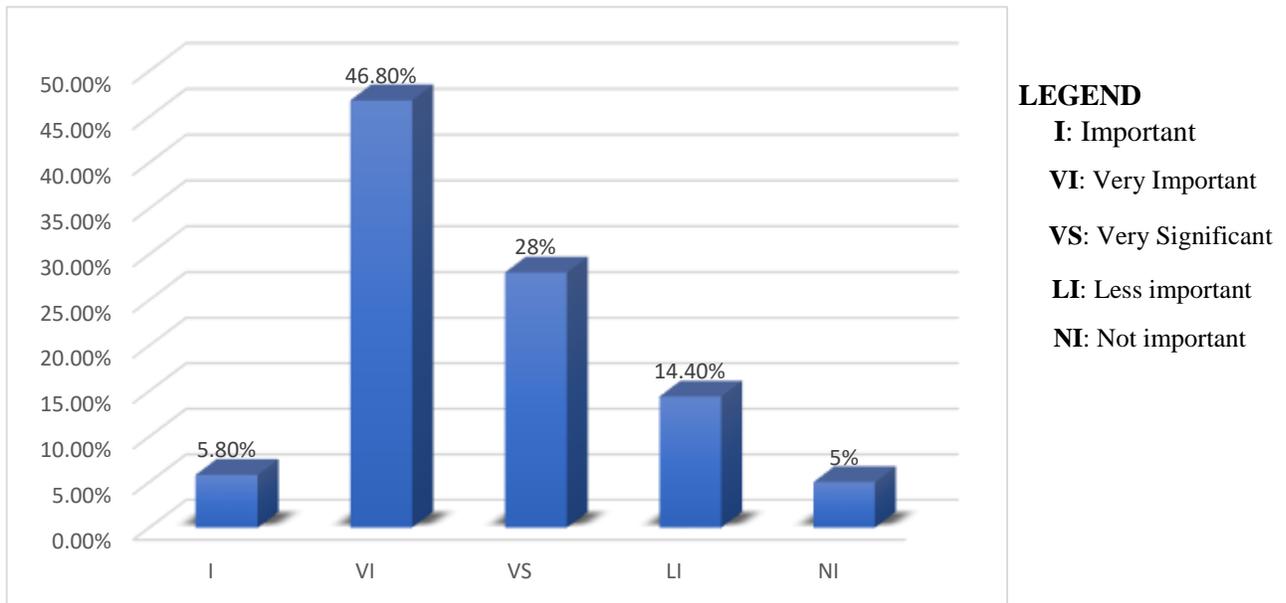


Source: (Researcher, 2021)

Accessibility to Source of Water

The respondents were asked if accessibility to a source of water is the factor they consider for their location. From Figure 5.7, approximately 46.8 percent affirms that availability of water is a very important factor for their location. While 28 percent of the respondents affirm that water is very significant, 14.4 percent affirm that availability of water is a less important factor for their location.

Figure 5.7: Accessibility to source of water

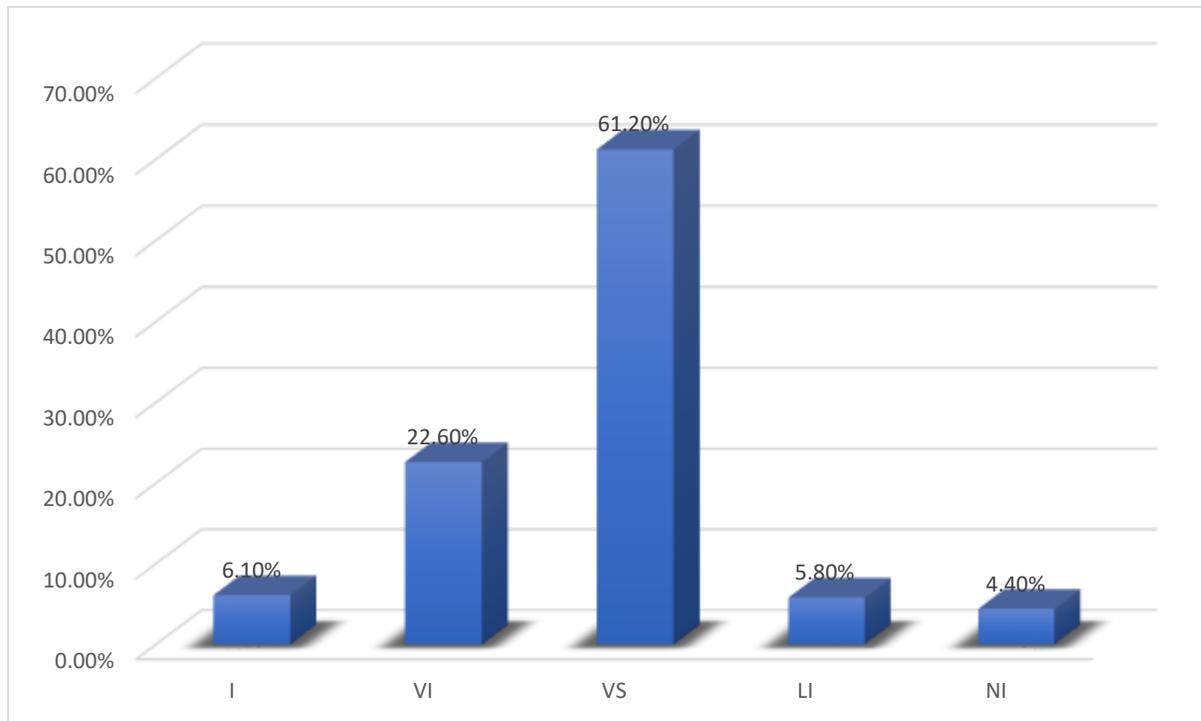


Source: (Researcher, 2021)

Proximity to Market

The respondents were asked to answer if proximity to market place is the factor that attracts them to operate in Megenagna. From Figure 5.8, about 61.2 percent affirms that proximity to the Market area is a very significant factor for them to consider the location to be their operating area. While 22.6 percent of the respondents consider it is very important. The other 6.1 percent consider proximity to the market as an important factor and 5.8 percent of the respondents consider it is a less important factor to start a business in Megenagna.

Figure 5.8: Proximity to Market Area



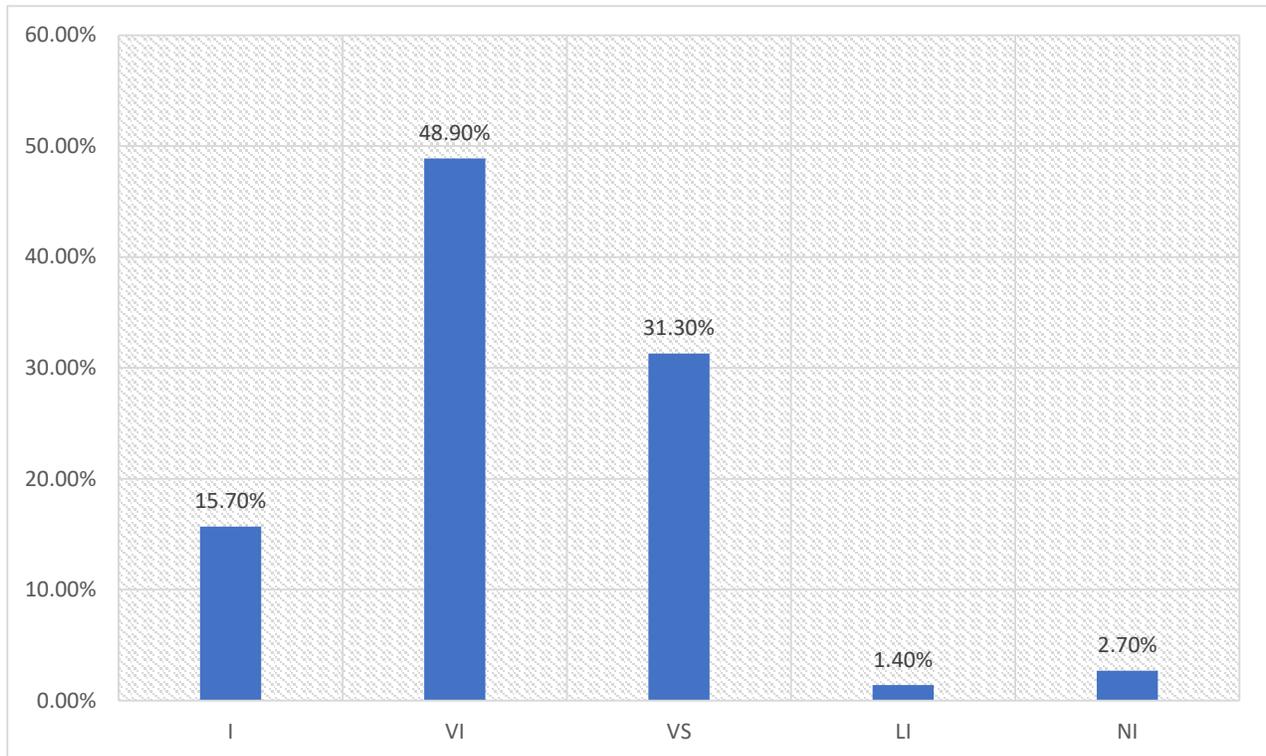
Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

Social Status/ Prestige

Socio-economic status plays a significant role in enterprise development. As such, 48.9 percent of the respondents notes that their involvement in informal work uplifts their socio-economic status. Other responses are detailed out in Figure 5.9. Approximately 31.3 percent of respondents consider their work very significant in uplifting their socio-economic status while only 2.7 percent consider their work as quite demanding of their socio-economic status. Since the majority are proud of the work they are engaged in, policies meant to motivate them should be explored.

Figure 5.9: Social Status and Prestige



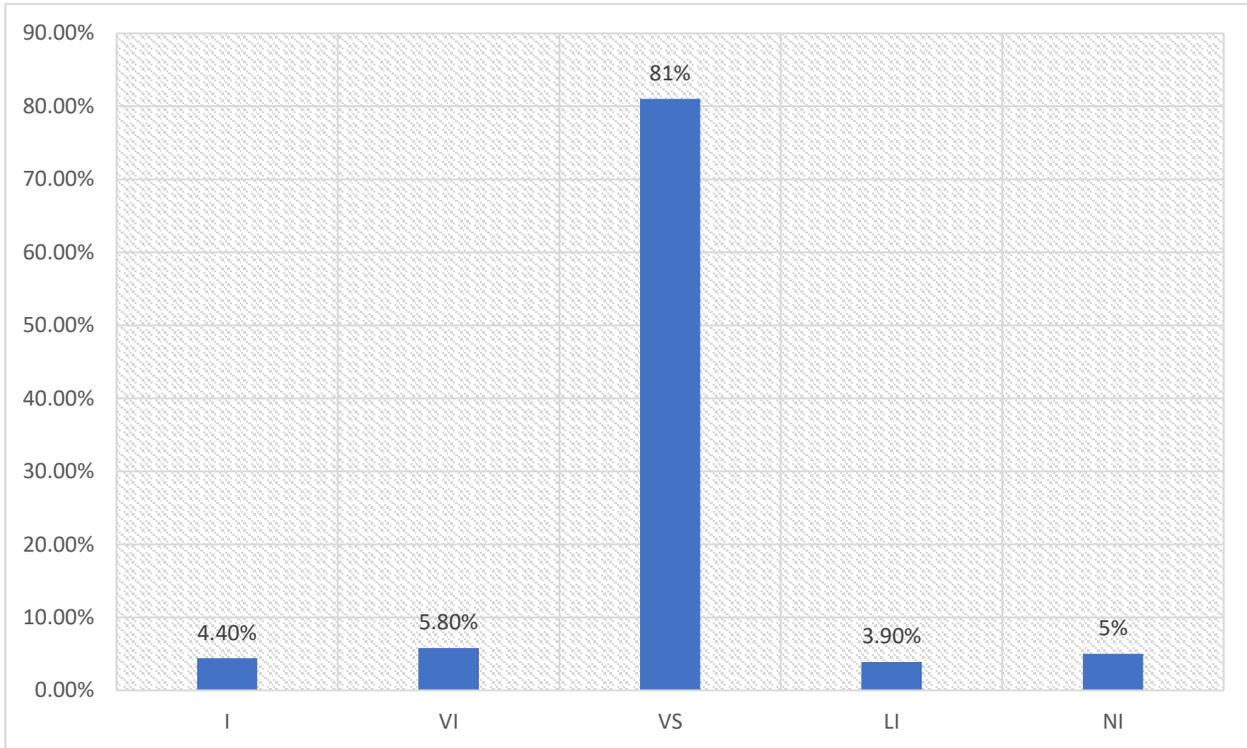
Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

Lack of Alternative Planned Zone for the Sector

Availability of planned zone for the informal sector is imperative in enabling the workers to avoid harassment. In this regard, 81 percent of respondents concur that the availability of such land is very important for their work. As illustrated by Figure 5.10, another 5.8 percent notes that planned zones are important while only 5 percent notes that such a zone is not important for their operations. Generally, lack of an alternative planned zone where the informal sector workers can freely operate without harassment is that has forced the workers into Megenagna Square. As such, the majority is very positive that should such a zone be established, they will be willing to relocate.

Figure 5.10: Lack of Alternative Planned Zone for the Sector



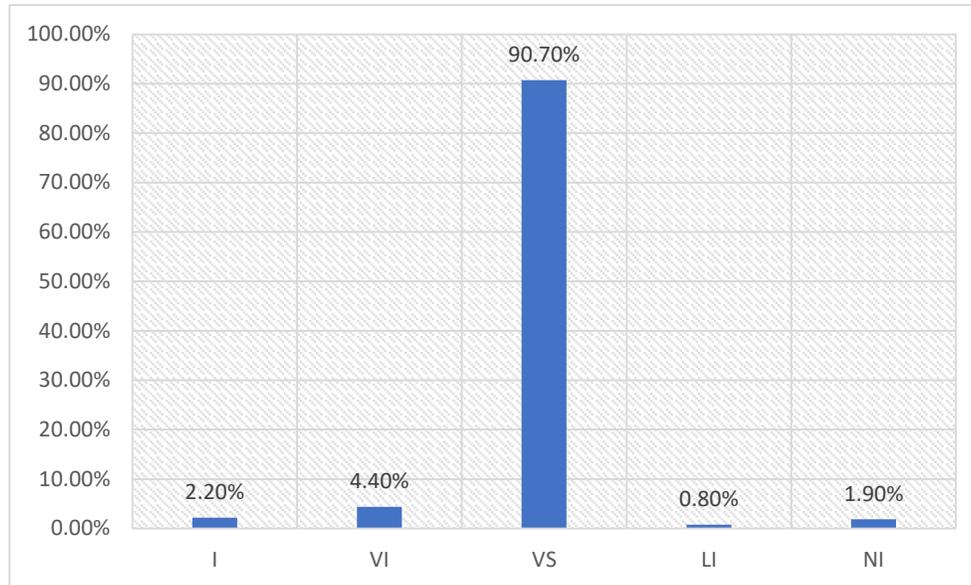
Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

Possible Evasion of Tax

Figure 5.11 shows that the majority of informal traders locate at Megenagna Square to evade tax. This is corroborated by 90.7 percent of them who attest to this. Moreover, 4.4 percent also consider tax evasion as essentially important while only 0.8 percent don't consider tax evasion as an imperative factor for their location in Megenagna Square. In general, the majority of the participants responded that tax evasion is a significant factor for locating their informal trading activity in Megenagna.

Figure 5.11: Possible Evasion of Tax



Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

Lack of Competition

Respondents were asked if lack of competitors in Megenagna is one factor for their location. While 30 percent affirm this as important, 29.5 percent attest to this being significant and 10.7 percent to this being very significant. Its only 14.9 percent consider lack of competition as imperative for their location. From Table 5.4, the majority of the respondents confirm that lack of competition is a significant consideration for their location in Megenagna Square.

Table 5.4: Lack of Competitor

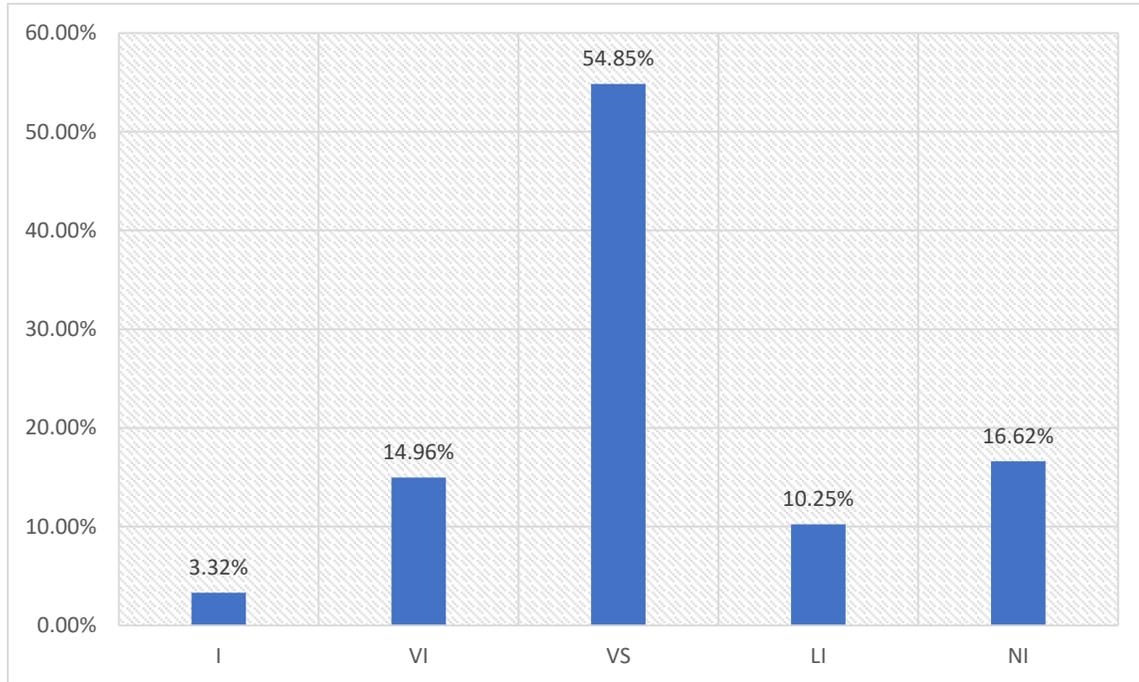
	Percentage
Important	30.0
Very Important	29.5
Very Significant	10.7
Less Important	14.9
Not Important	14.9
Total	100.0

Source: (Researcher, 2021)

Lack of Authority Incentives

For lack of authority as an incentive for location of informal sector activities in Megenagna Square, 54.85 percent of traders attested of it being significant, 14.96 percent as very important, 3.32 percent an important while only 26.87 percent as negatively noted that the factor is not important. As illustrated by Figure 5.12, majority of traders concur that the factor is imperative for their location.

Figure 5.12: Lack of Authority Incentives



Source: (Researcher, 2021)

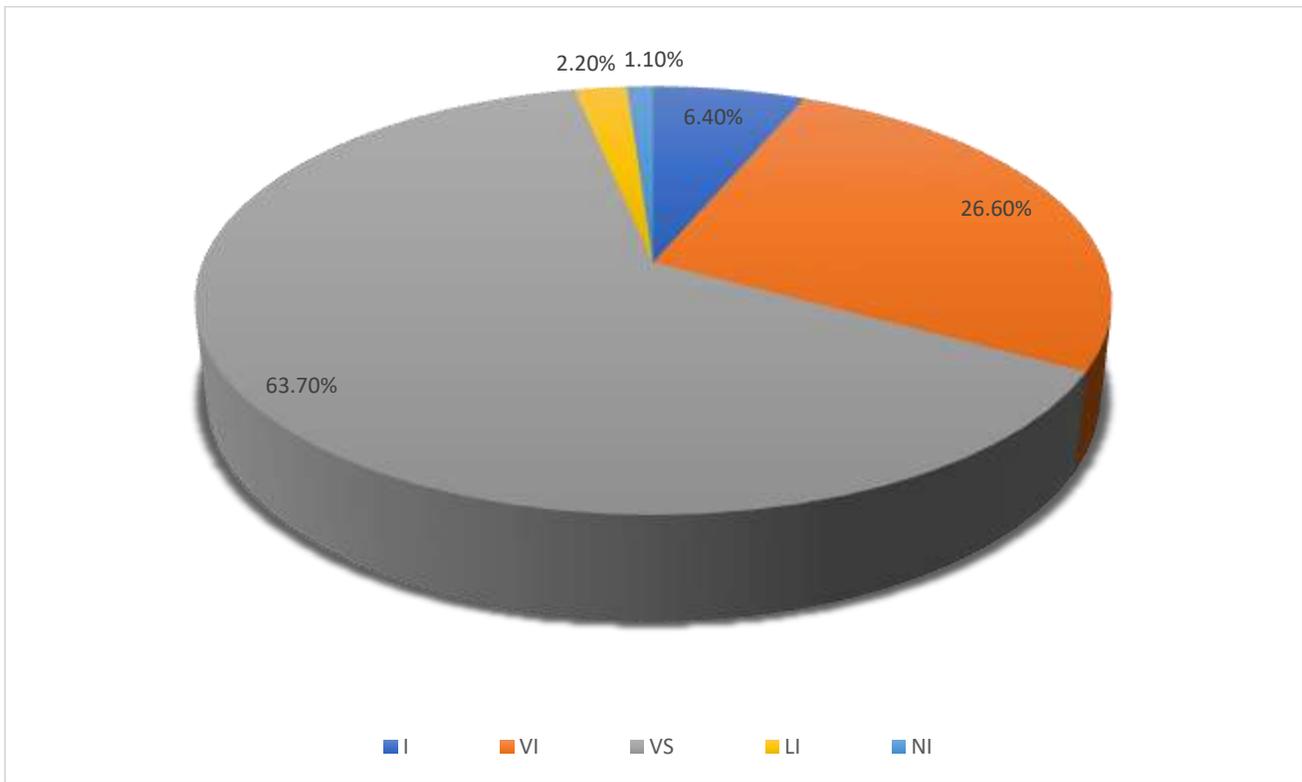
LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

General Environmental Feature

Megenagna has a different environmental feature from other parts of the city and consist of notably; wide pedestrian walkways, taxi, bus and railway terminals as well as structural features promoting in the area. According to the findings, the study established that environmental features are one factor that attracts informal traders. As illustrated by Figure 5.13, 63.7 percent of the participants affirmed that consideration of general environment features are a very significant factor for them to operate in Megenagna while 26.6 percent of the respondents consider it very important. Collectively 96.7

percent of the respondents consider general environmental features. In Megenagna as imperative for their location while only 3.3 percent of the respondents don't consider it imperative.

Figure 5.13: General Environmental Features



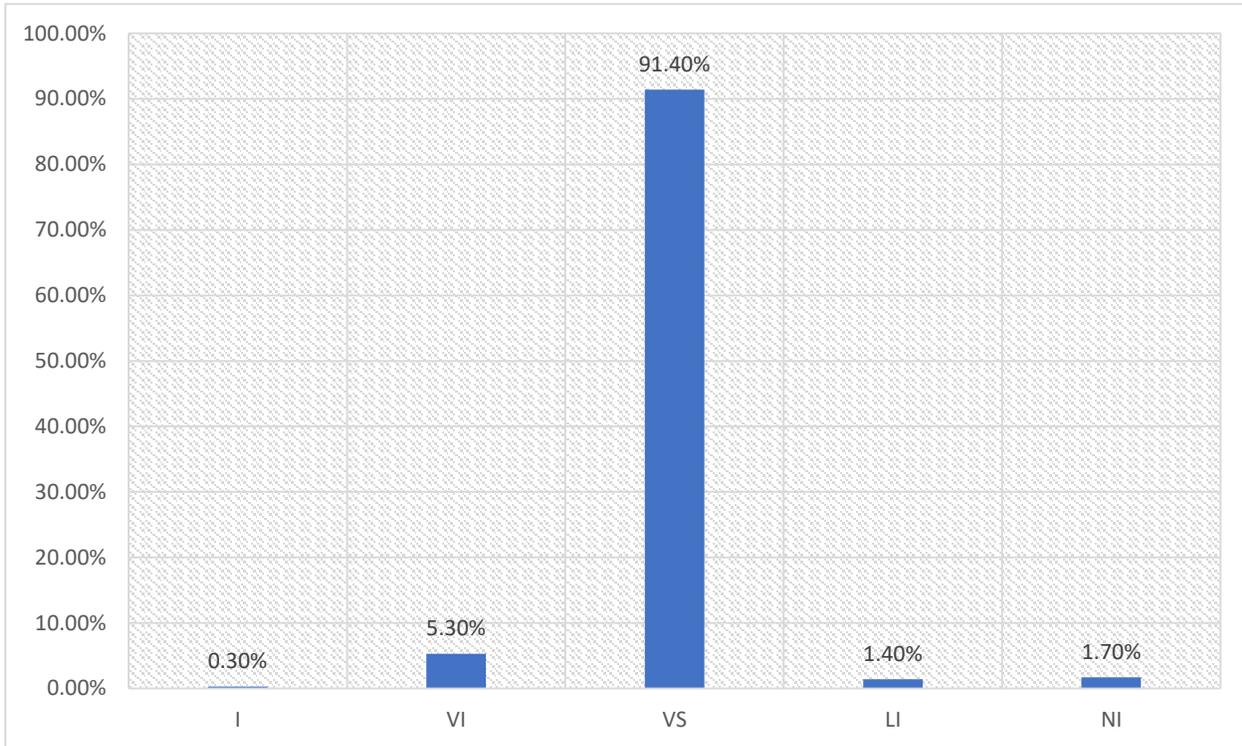
Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

Trading License

According to the study, 95.6 percent of the traders have no license to operate at Megenagna Square and 0.8 percent have a transitional license. Others being 3 percent (temporary badge), 0.3 percent (permanent license) and 0.3 percent operating with identification only. According to the respondents', informal traders prefer a place where they can operate without a license. As shown in Figure 5.14 about 91.4 percent of the respondents affirm this to be very significant as 5.3 percent confirm this as either important or very important. It is only 2.1 percent of the respondents consider the evasion of trade license as a not important factor for their location.

Figure 5.14: Trading license not required here



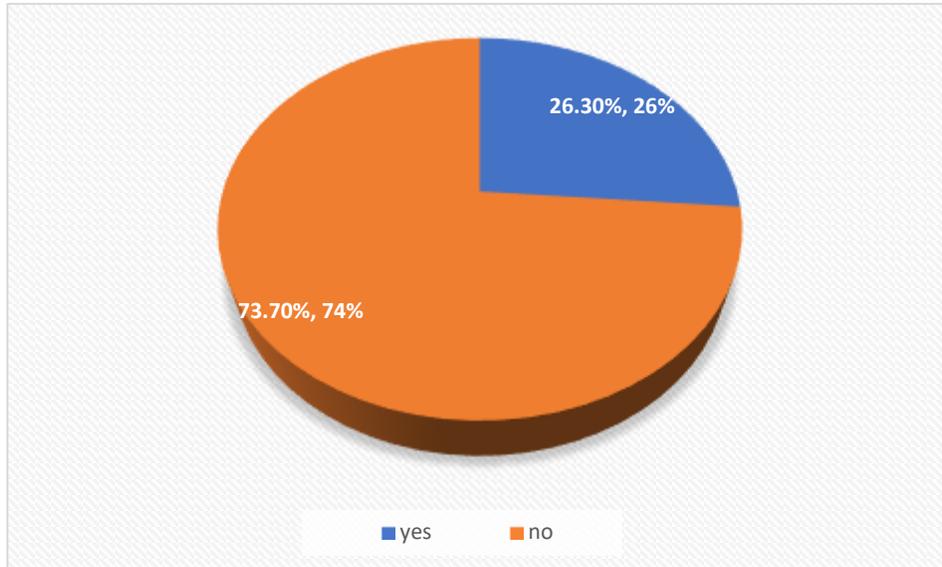
Source: (Researcher, 2021)

LEGEND:- I: Important VI: Very Important VS: Very Significant LI: Less important NI: Not important

5.3.5. Government Programs

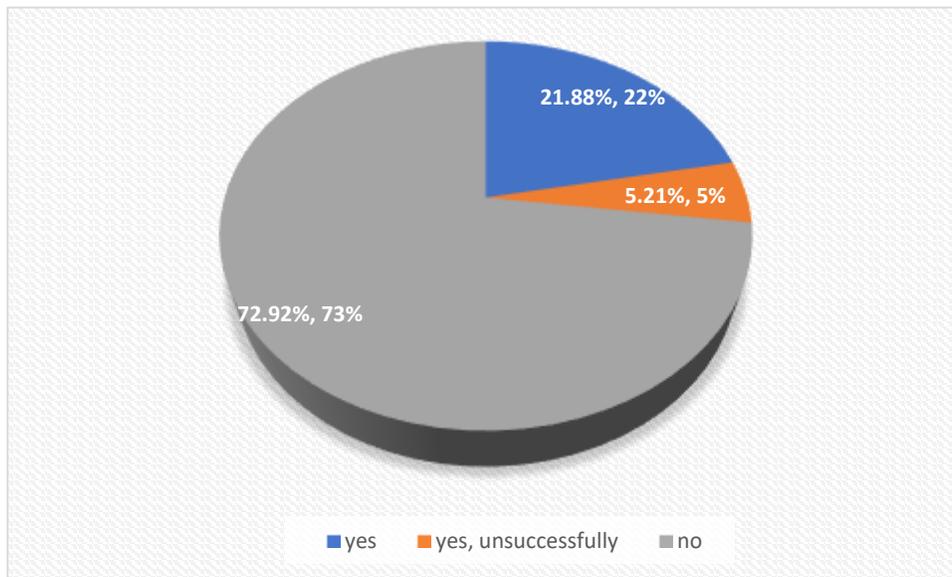
Awareness to government programs is important in seeking support by the informal traders. Towards this end, a majority of informal traders accounting for 73.7 percent are not aware of the government support for the informal traders as only a minority accounted for by only 26.3 percent are aware of the assistance programs extended by the government. Despite the awareness being 73.7 percent, only 72.92 percent of the same have not benefited while 21.88% percent of the same have benefited. For those who have benefited, 61.9 percent through space allocation by the government and have been granted identification legitimizing their operations. Nevertheless, legally they are not recognized and access to a loan facility for them is out of reach.

Figure 5.15: Knowledge on Government Programs



Source: (Researcher, 2021)

Figure 5.16: Informal traders who heard and benefited from the government programs



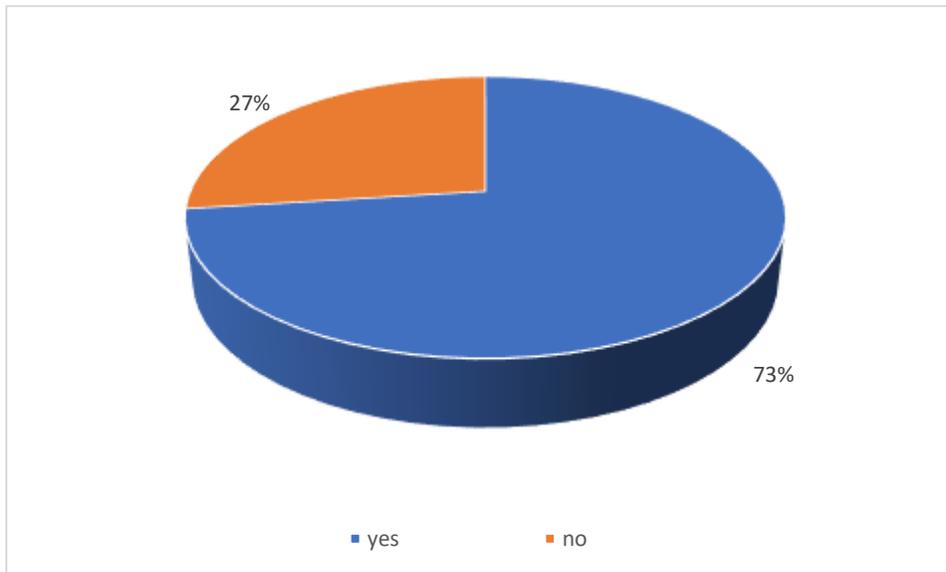
Source: (Researcher, 2021)

5.3.6. Harassment from Government Bodies

Lack of recognition of the informal traders by the government and other law enforcement agencies often lead to harassment of the traders. In this regard, 73 percent of the traders have been harassed in

one way or the other. As illustrated by Figure 5.17, only 27 percent of the traders have not experienced a form of harassment from the government and law enforcement agencies.

Figure 5.17: Informal Traders Harassed by Law Enforcement Officers

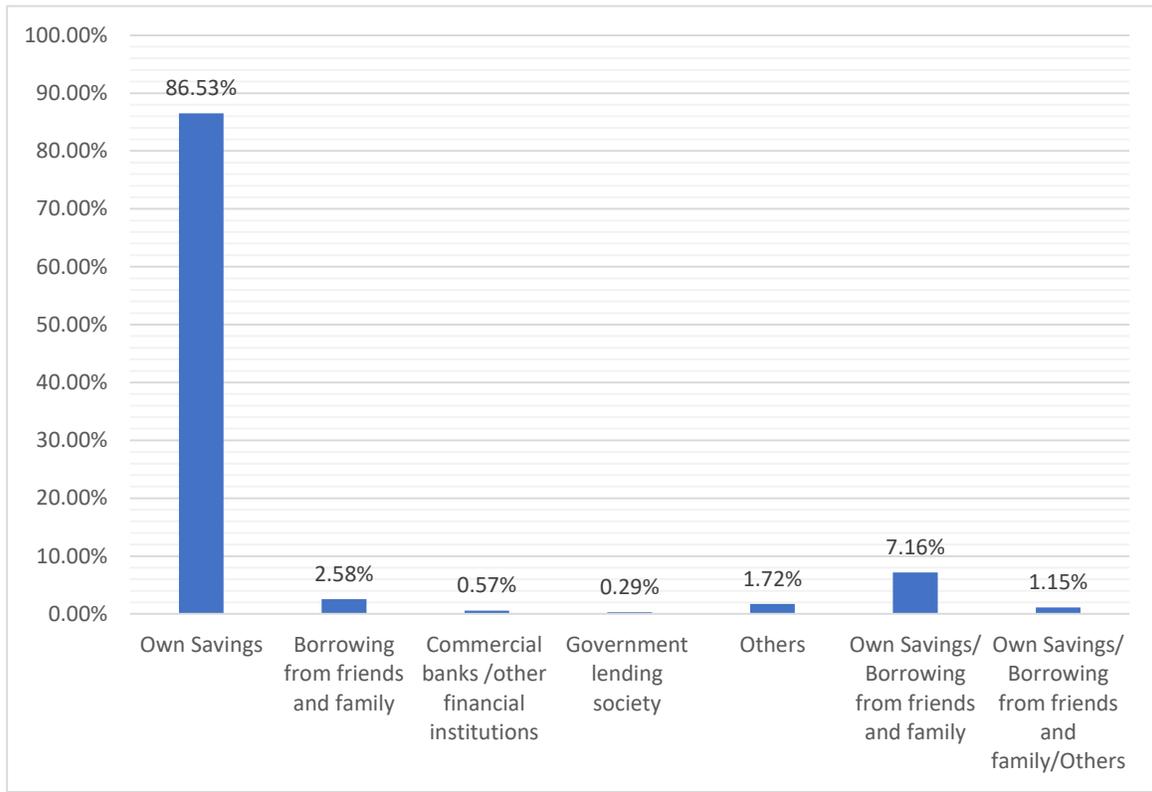


Source: (Researcher, 2021)

5.3.7. Source of Financial Investment

On sources of finance for investment by the informal traders, Figure 5.18 illustrates that own savings accounting for 86.53 percent is the most utilized source for business start-up. This is followed by own savings/borrowing from friends and family members. (10.89 percent) and other sources only account for 2.58 percent.

Figure 5.18: Source of financial investment



Source: (Researcher, 2021)

5.3.8. Major Obstacles to Business Expansion

The major obstacles to the expansion of the informal economy in Megenagna Square are harassment by law enforcement (34.2 percent), increasing cost of living (16.1 percent), COVID-19 (8.5 percent), lack of support from the government (7.2 percent), lack of business space (6.7 percent). Other responses are detailed out in table 5.5. However, 92 percent of the traders are comfortable with the site and have settled on the site, which is a contrast to 8 percent who are not settled are desirous of other sites within the city.

Table 5.5: Major obstacles to business expansion

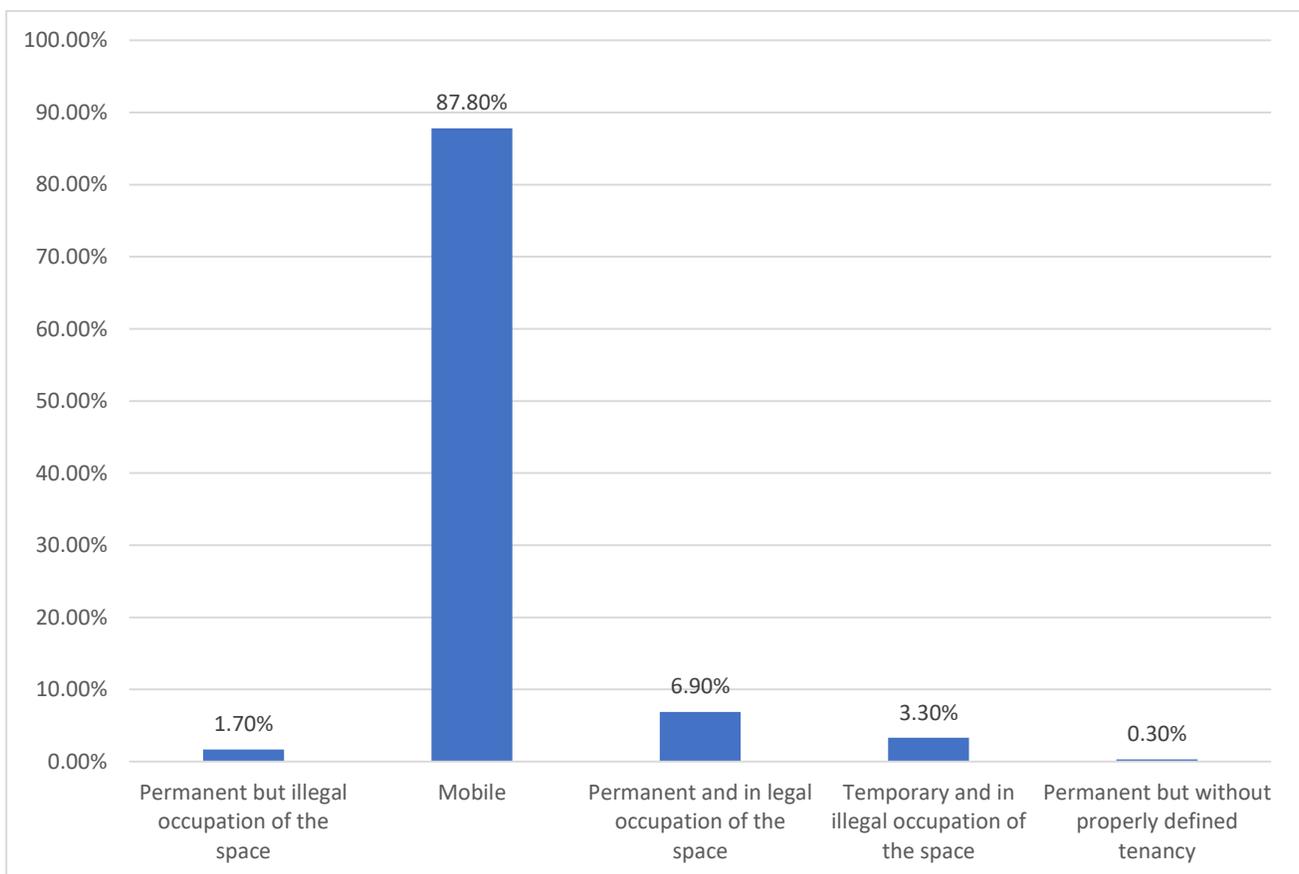
	Percent
Competition from increased informal workers	7.5
Cost of rental shop	0.2
Covid 19	8.5
Decrease in demand from buyers	1.1
Distance from my home	0.2
Government policies	1.6
I am in good working condition	0.2
Inadequate capital	0.2
Increased cost of living	16.1
Increased cost of raw materials and products	4.2
Lack of a license	1.0
Lack of adequate infrastructure in the area	6.4
Law enforcement officers	34.2
No government support	7.2
No place to operate	6.7
Poverty	0.3
Shortage of production from national lottery	0.2
Increasing of unemployment	4.2
Urbanization and lack of space for expansion	0.2
Total	100.0

Source: (Researcher, 2021)

5.3.9: Nature of Trade in the Location

As illustrated by Figure 5.19, the majority of the informal traders accounted for by 87.8 percent are mobile. This is imperative since they operate without licenses and any form of recognition, so they are exposed to harassment. The mobility of trade is also occasioned by the need to attract more clients as much as possible. As such only 6.9 percent of the traders are permanent and legal structures while 3.3 percent are in temporary and in illegal occupation of space. Other forms of occupations of space are permanent but legal occupation of space (1.7 percent) and permanent without properly defined tenancy (0.3 percent). The nature of space occupation majorly being mobile and illegal, hinders the extension of services to the informal traders and the development of infrastructure.

Figure 5.19: State of activity location



Source: (Researcher, 2021)

5.4: Finding from Clients and Residents

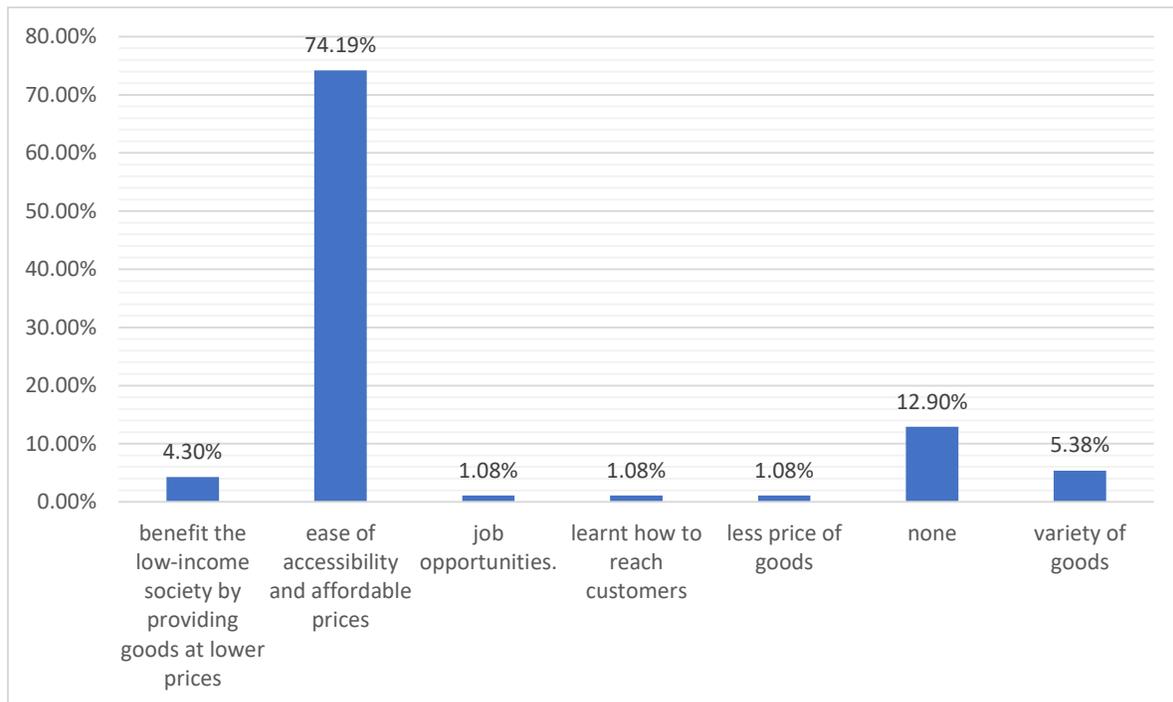
Clients and residents are essential parties playing a significant role in the expansion of informal trading activities in Megenagna. Therefore, 70 respondents were identified in the data collection process and they gave varying responses on the role and challenges of informal trade in Megenagna Square as below discussed.

5.4.1. Role of Informal Trade

The respondents were asked about the advantages they got from informal traders operating in Megenagna area. The findings show that 74.19 percent have a perception that the informal trade in the site has eased access to goods and services, making the prices of the same affordable. Other responses are that the traders provide a variety of goods (5.38 percent) and low prices (4.3 percent) among others.

On the contrary, approximately 12.9 percent feel that the operation of the traders on the site is worthless to their lives and that of the city as a whole.

Figure 5.20: Advantages of the Informal Traders on Megenagna Area



Source: (Researcher, 2021)

5.4.2. Problems

Table 5.6 illustrates that the most predominant problem caused by the informal traders on the site is traffic share which accounts for 42.73 percent. Others being pollution to the environment (1.82 percent), sale of low quality and fake goods (14.55 percent) and providing an environment for theft (11.82 percent) among others.

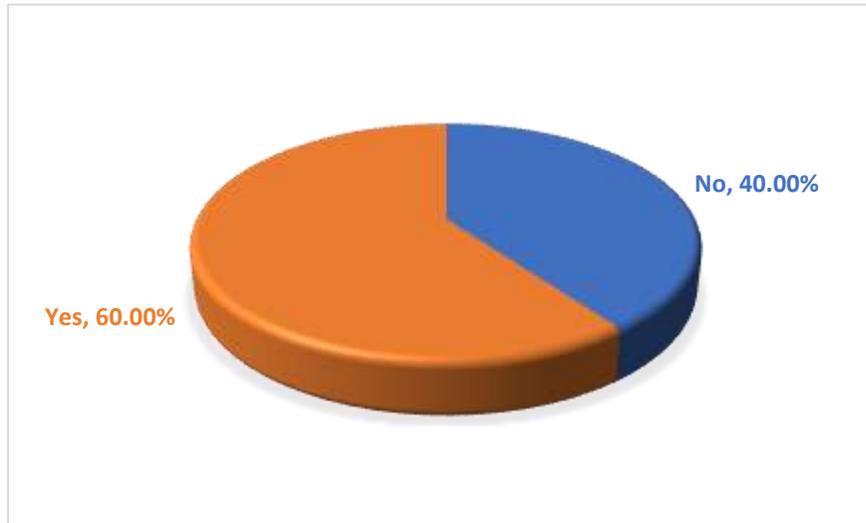
Table 5.6- Challenges Faced by Clients and Residents

Challenges	Percent
cause chaos in the area	8.18%
cause traffic accidents	4.55%
cause traffic on the roads and walkways	42.73%
create conducive environment for theft	11.82%
low quality and fake products	14.55%
no guarantee on the products	3.64%
no seller-buyer relationship because they don't have a permanent place	1.82%
None	10.00%
push old people	0.91%
waste pollutes environment	1.82%
Total	100.00%

Source: (Researcher, 2021)

Overall, 60 percent of the respondents acknowledged the usefulness of the informal traders in Megenagna Square while 40 percent are in dispute on the usefulness of the sector.

Figure 5.21: Usefulness of Informal Traders on This Site

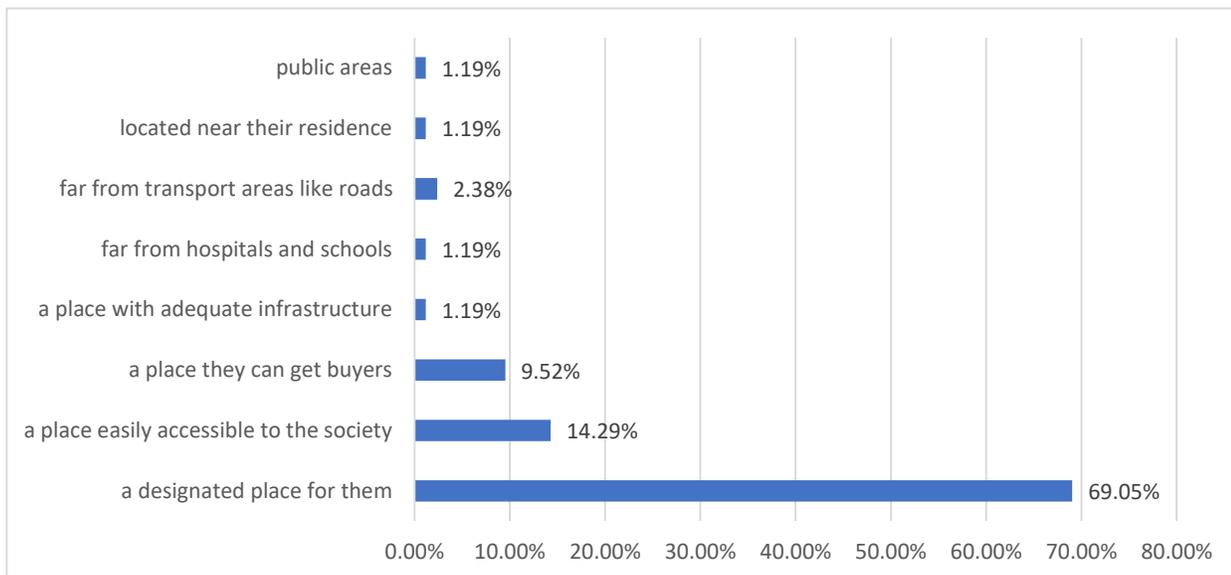


Source: (Author, 2021)

5.4.3. Preferred Location for Informal Traders

On the preferred location of informal traders, about 69.05 percent are in concurrence that the traders should have a designated area. While 14.29 percent quality this by stating that such places should be accessible, 9.2 percent state that the place should be where maximum clients exist; the responses are detailed out in Figure 5.22

Figure 5.22: Preferred location for informal traders



Source: (Researcher, 2021)

5.4.4. Assistance

The responses on preferred assistance that should be rendered to the traders are varied. Accordingly, 44.81 percent consider infrastructure on the site as the most important assistance that should be rendered by the government and the city authority. Other responses are as detailed out in Table 5.7. The above findings on infrastructure confirm that the primacy of infrastructure in enterprise development.

Table 5.7- Factors do you consider for their site location

Factors	Percent
A clean place	0.55%
A legal place to operate	8.20%
Accessibility to buyers	16.94%
Adequate infrastructure	44.81%
Far from public areas	1.64%
Legal license to operate	1.09%
Less tax obligation than formal workers	1.09%
Loans	1.09%
Pedestrian walkways and main roads	0.55%
Place that is convenient for both consumers and traders	0.55%
Proximity to their residences	1.09%
Security	13.66%
Support from the government	0.55%
Inclusion in the formal economy	0.55%
transport services	2.19%
waste management system	5.46%
Total	100.00%

Source: (Researcher, 2021)

5.5. Finding from the Key Informants

Key informants were used to corroborating issues raised by the informal sector traders. The key informants used in the study are those charged with the responsibility of managing the traders. According to officers in charge of environmental protection in Yeka and Bole sub-cities, the impact of informal sector traders is causing traffic congestion, generation of solid wastes and general environmental degradation. This he noted that the government is trying to address through enactment and implementation of various regulations geared enhancement of environmental protection a more likely to disadvantaged the informal economic operators in the city. Other problems facing the informal economy include inadequate policy measures for the promotion of the sector. However, there is concurrence that the informal economy plays a significant role in revenue generation for the government and the city authority. In return, the city authority extend senescences to the informal traders through issuing of temporary licenses, allocation of space and collection of wastes.

The key informants contend the proliferation of informal traders in the city this been caused by increased rural-urban migration and high rates of unemployment, thus there is a need for sustained efforts at addressing their space needs to incorporate the workers into the formal economy. This they undertake by issuing licenses. The police department is much more concerned about the traffic challenges occasioned by the informal trading activities in Megenagna square, which is a significant traffic hub in the city. The department contends the activities sprawl in vehicular and pedestrian walkways causing traffic conflicts as well as being a cause of accidents to the traders when they are being chased away from the streets. Furthermore, the law enforcement agencies believe that the informal trader's harbours criminals (thieves and pickpockets) thus their activities provided a conducive environment for other illegalities. As such, the informal trading activities are reviewed as illegal activities in the preview of the law enforcement agencies.

CHAPTER SIX: SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

6.1: Introduction

This chapter presents a summary of study findings, conclusions and recommendations, which is imperative in talking about the problems created by informal traders in the study area.

6.2: Summary of Findings

The main goal of this study was to identify the challenges created by informal trading activities in Megegnagna and to establish a policy framework for mainstreaming them into the urban economic fabric. For this study, a total of 367 questionnaires were disseminated to the informal traders located in Megegnagna area and another 70 questionnaires for clients and residents of the city who usually utilize Megegnagna in their day-to-day activities. Subsequently, data were also collected from the key informants. The questionnaires for the informal traders were fully translated into the native language for them to clearly understand the questions. In addition, the informal traders who needed assistance to fill the questionnaires were assisted by the Researcher assistants. The data were arranged by interviewing key informants such as the traffic department and law enforcement officers.

The finding demonstrates that there are problems occasioned by the operation of informal workers in Megegnagna square. Indeed, the impact of the informal economy on the environment sometimes puts the significance of the sector into question and necessities policy measures to address the sector has to be mainstreamed into the urban economic fabric of Addis Ababa city. The study corroborates that the assistance rendered to the informal sector is inadequate and only targets a small section of workers. This is because traders under government recognition are merchandising their goods in the open outside the designated zone to make off the competition from unauthorized traders. In general, the existence of informal traders on the pedestrian walkways and terminals indicates lack of government and allied development partners' assistance, which has hampered the sectors ability to positively contribute to the economic development of Addis Ababa.

The study also established the following on the character of the informal economic activities: -

Operational Area: - the existing activities of informal traders in Megenagna are mainly operating around the transport terminals. They also operate on the pedestrian walkways around the two roundabouts thus invading the main roads. The collected data shows that the evasion of the public spaces by the informal workers attributed to the areas proximity and access to the major streets. As occasioned by lack of designated zone for the informal traders in the area and need to evade payment of taxes and license, the traders spread into the circulation channels thus blocking the roads and pedestrian walkways- an avenue for traffic conflicts.

Structural Type: - Majority of the traders in Megenagna square are mobile with immobile traders operating in rented semi-permanent structure. The major mode of site acquisition being illegal site invasion, consequently affecting aesthetic appeal of the square as well as causing land use conflicts.

Type of ownership: - According to this study most of the informal business in Megenagna area are privately owned and they are not registered or doesn't have a license. Few of them have a transitional license. These factors contribute to poor quality service delivery.

The study established that the existence of informal economic activities in Megenagna square is caused as sustained by favourable locational factors notably agglomeration of traffic and client base. The study further underscores that the expansion of the sector is caused by rural-urban migration, rapid urbanization, unemployment in the formal sector and the need to avoid payment of taxes and other levies – the need not to undertake businesses within the stipulated regulatory framework.

6.3. Recommendations

Based on the findings, the following are recommended: -

Blockage of Pedestrian walkways and Traffic Congestion

Spatial Allocation: The informal economy contributes significantly to the cities and the overall economy of the country in terms of job creation, income generation and supply of goods and services for the low-income society. However, their existence in Megenagna area causes a pedestrian and vehicular circulation problem. Therefore, to maintain their significance to the society and economy, the city administration should identify designated hours for them to operate in the area preferably on weekends when traffic flow is minimal. Concurrently, the site allocation to the informal traders should necessitate the closure of the road in the area on designated days or hours for the avoidance of traffic conflicts and accidents. To form a proper management system of informal trading activity in Megenagna this study suggests maximizing space for the pedestrians and informal traders by omitting diaspora roundabout. Subsequently, the formation of more public space by demolishing the roundabout can divert the congestion created by the informal traders around the main roundabout.

Environmental Pollution and Aesthetical Deterioration

The study established that environmental pollution and aesthetical degradation is some of the problems caused by informal economic activities in Megenagna area. The operators, especially the food and hot drinks service providers litter spaces towards this and the following measures should be implemented: -

- i. Proper solid and liquid waste management system in the area is important to maintain the environment clean and aesthetically pleasing for the users. Installation of garbage receptacles and opening drainages near to the proposed informal traders operating space is the main solution the city administration must consider.
- ii. Provision of adequate public toilets additional to the existing can improve the environmental quality of Megenagna. The government must also work on enhancing awareness creation on the protection of the environment by proper waste disposal through various mechanisms such

as posters, fliers, public discussions and informal communications with the informal traders. In another way, enactment of rules and regulations with a punishment for the improper disposal of wastes will contribute to minimizing the pollution.

- iii. Urban design and rejuvenation to provide space for the worker. Urban design should consider an allocation of spaces, widening of roads and pedestrian paths. On one side of the pedestrian, the study proposes an allocation to informal traders. This should be done by constructing a wide pedestrian bridge which will also enhance traffic flow.

Illegal Activities

The existence of informal economic activities on Megenegna creates a conducive environment for illegal activities. Some of the informal workers are involved in illicit drug sales. This has been criticized by the residents of the city as exposing them to insecurities when they are using the space. The informal traders are being accused of selling take and other low-quality goods. Indeed, the following recommendations should resolve the issues:-

- i. Provision of designated zone and development of permanent structures for the informal traders.
- ii. According to the finding, in Megenagna area various types of informal traders are operating therefore registering them according to the goods they sell and putting a mechanism of self-regulation through a carefully designated leadership structure to weed out errant behavior among traders will increase the sense of responsibility.
- iii. Security should be enhance to weed out those involved in the sale of illicit goods and substances.
- iv. Enhance awareness creation on the virtues of good service delivery to the society. This can be achieved through continuous trainings.

Weak Policy Framework

The 2016 National Employment Policy and Strategy emphasizes the formalization of informal traders through designated strategies to achieve this goal. However, the efforts made by the government to formalize the economy by providing places to operate lack design solutions in terms of incorporating the provision into the urban design without damaging features. Further, the provisions are not adequate for the informal traders; they lack the basic infrastructures. Regularizing the informal workers into the formal economy by itself has its limitation. The workers have chosen the sector due to the legal and economic advantages it offers notably, evasion of taxes and other levies. Therefore, incorporating these businesses into the formal economy and making them liable to the responsibilities will not be effective. In this regard, the following recommendations are undertaken to ensure that the sector continues to enjoy the comparative advantage: -

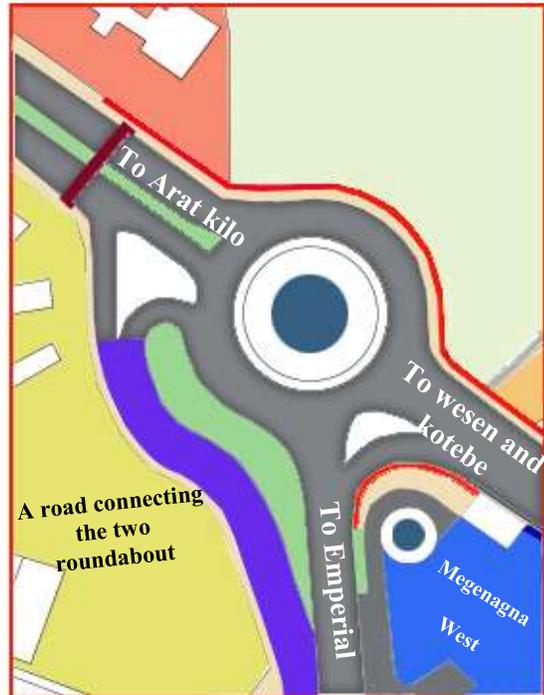
- i. Increase the informal sectors access to finance, credit, training and other capacity building opportunities.
- ii. Negotiation of levies payable by the informal sector workers.

Lack of Good Governance

The study identified the lack of good governance as one of the major gaps in the management of the informal economy as the decisions made in the city are inconsiderate to the plight of informal sector traders. This necessitates their involvement in decision-making. However, this can be legitimized and implemented by the following area undertaken: -

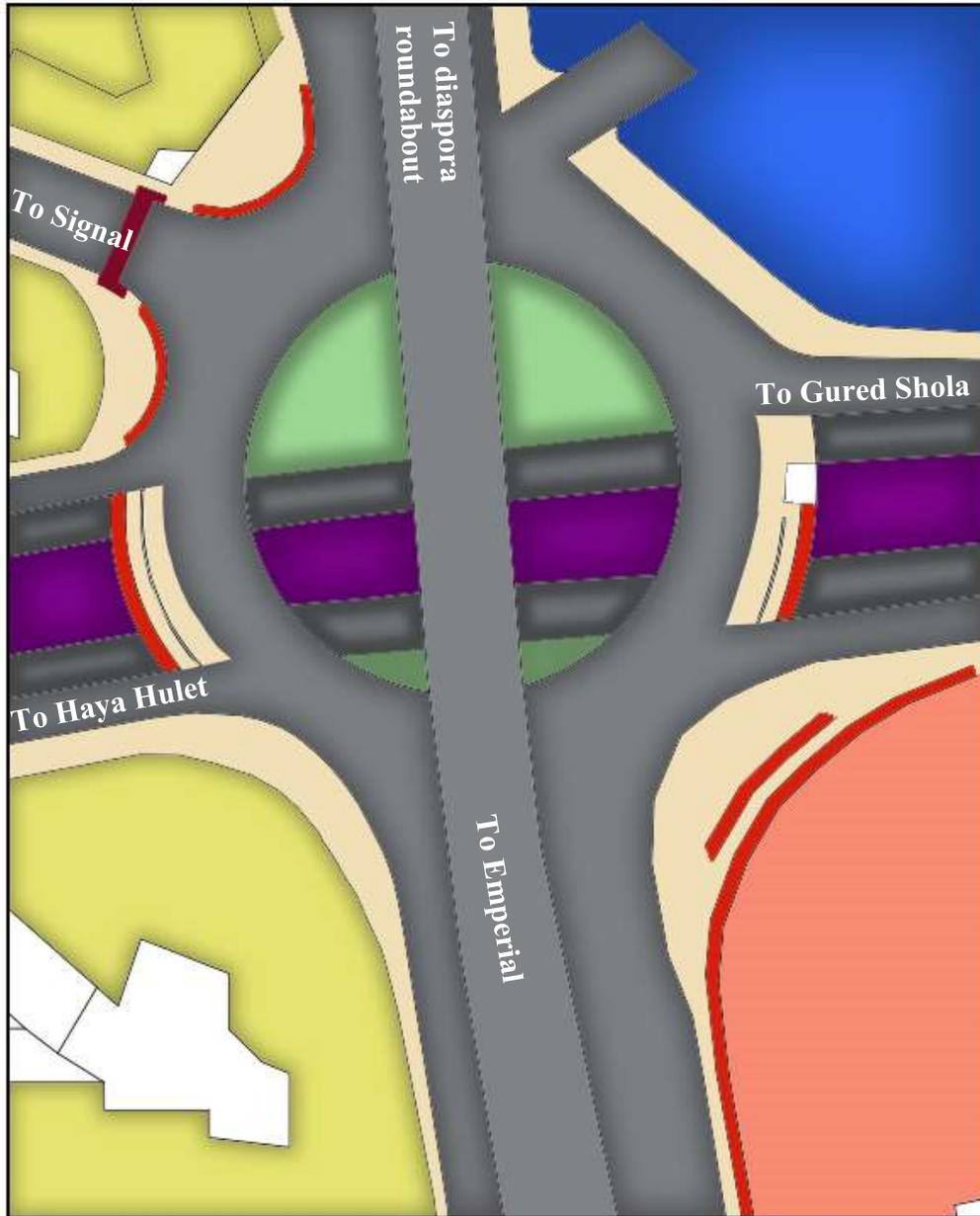
- i. Organization of the informal traders into associations for empowerment and consultations.
- ii. Enactment of proactive by-law to avoid harassments.
- iii. Strengthening the coordination between the Sub-city informal trade office and law enforcement office.

Figure 6.1: Proposed Plan for Megenagna 1



LEGEND

- | | | |
|-----------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Main Road | Green Space | Commercial Zone |
| Bus and Taxi Terminal | Railway line | Proposed space for Book and Magazine sellers |
| Proposed Space for Informal Trading Activity | Existing government provision | Proposed Space for the Shoe shiners |
| Pedestrian walkway | Proposed Space for Informal service providers | Proposed pedestrian bridge |
| Recommended street for informal trading activity on the weekend | Residential Zone | Yeka and Bole sub-city compound |

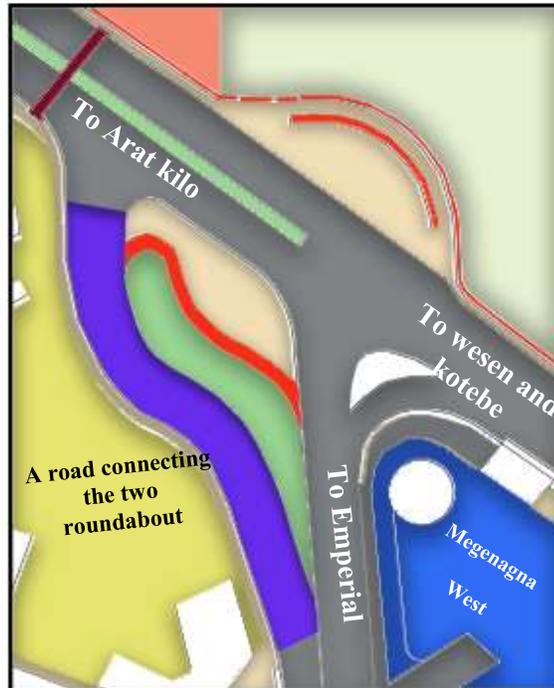


LEGEND

- Main Road
- Bus and Taxi Terminal
- Proposed Space for Informal Trading Activity
- Pedestrian walkway
- Recommended street for informal trading activity on the weekend

- Green Space
- Railway line
- Commercial Zone
- Proposed pedestrian bridge
- Yeka and Bole sub-city compound

Figure 6.2: Proposed Plan for Megenagna 2



LEGEND

- | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|
|  Main Road |  Green Space |  Commercial Zone |
|  Bus and Taxi Terminal |  Railway line |  Proposed space for Book and Magazine sellers |
|  Proposed Space for Informal Trading Activity |  Existing government provision |  Proposed Space for the Shoe shiners |
|  Pedestrian walkway |  Proposed Space for Informal service providers |  Proposed pedestrian bridge |
|  Recommended street for informal trading activity on the weekend |  Residential Zone |  Yeka and Bole sub-city compound |

6.4. Implementation Matrix

Problem	Strategy	Time Frame	Actors
Blockage of pedestrian walkways and traffic congestion	Spatial allocation, designated hours to operate, closure of roads in designated hours	3 –5 years	Addis Ababa city Administration, Yeka and Bole Sub-Cities, Addis Ababa Traffic Management office
Environmental pollution and aesthetical deterioration	Providing proper solid and liquid waste management, installation of garbage and opening drainages, provision of adequate public toilets and urban design solution by allocating spaces, widening roads, pedestrian paths	3-5 years	Addis Ababa City Administration, Addis Ababa Environmental Protection Office, Yeka and Bole Sub-cities, Ministry of Urban Development, Addis Ababa Road Authority
Illegal Activities	Provision of designated zones and development of permanent structure, registration of informal workers, enhancing security, awareness creation	3-5 years	Addis Ababa City Administration, Addis Ababa Police Commission, Yeka and Bole Sub-cities, NGO's
Weak Policy Framework	Increasing the informal sector worker's access to finance, credit, training and capacity building, negotiation of levies payable by the informal workers	3-5 years	Addis Ababa City Administration, NGOs, Credit associations, Addis Ababa Customs and Revenue Authority
Lack of Good governance	Organization of the informal workers into associations, enactment of proactive laws, strengthening the coordination between the sub-cities informal trade offices and law enforcement offices.	3-5 years	Addis Ababa City Administration, Yeka and Bole Sub-cities

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QUESTIONNAIRES
University of Nairobi
Department of Architecture and Building Science
 Questionnaire to the informal sector traders

Introduction

This study is about Informal Trading activities in the Public Spaces of Addis Ababa: A Case Study of Megenagna Square. The study’s primary goal is to identify the factors that have contributed to the increase in informal trading activities at Megenagna Square and propose strategies for mainstreaming them into the urban economy. Therefore, this questionnaire is useful for gathering information from the informal traders and will be strictly confidential and only used for academic purposes.

1. Questionnaire No.
2. Date of the interview
3. Sub-city.....
4. Road/street.....
5. Name of the enterprise
6. Name of the respondent
7. Home area
8. Level of education

Sectoral structure

1. Gender

Female Male (please tick as appropriate)

2. Age

1	10-20	
2	21-30	
3	31-40	
4	41-50	
5	51 - 60	
6	Above 61	

3. Number of dependents

1	0 – 2	
2	3 – 5	
3	6 – 8	
4	9 - 12	
5	Others (specify)	

4. Age distribution of the dependents

1	0-5	
2	6-10	
3	11-15	
4	16-20	
5	Above 20	

5. Type of the activity

6. What is the mode of ownership of the enterprise?

- Sole (private) Partnership Family
 Co-operation Others (specify)

(Please tick as appropriate)

7. What is the mode of ownership of the structure where the enterprise is located?

- Fully owned partially owned Rental
 Estoppel (Please tick as appropriate).

8. If rented or partially owned how much do you pay per month (birr).....

9. How long have you worked in the sector?

1	0-2 years	
2	3-5 years	
3	6-8 years	
4	9-10 ear	
5	10 and above	

10. How long have you been on this site?

1	0-2 years	
2	3-5 years	
3	6-8 years	
4	9-12 year	
5	12 and above	

11. Have you been to any trade or profession before being an informal trader?

- Yes No (please tick as appropriate)

12. If yes, where was your previous experience?

.....

.....

13. If yes, what is the reason for quitting the previous job?

.....

14. What is the number and categorization as per sex and ages of the employees of this enterprise (for service providers)

Category	Male	Age	Female	Age
Paid employment				
Working proprietor				
Unpaid family worker				
Apprehensible (learner)				
Casual labour				
Others (specify)				

SPATIAL (CAPITAL, PRODUCTION AND SUBCONTRACTING) LINKAGES

2. Production

2.1. Please list the products you engage in producing their quantity and cost per unit quantity

Product	quantity	Cost/quantity
Total		

2.2. Subcontracting arrangements

1. Do you produce or buy ready made products here or is it started and finished by someone, somewhere else?

All made here

started by someone else not working here

(Please tick as appropriate)

2. Where is the person/enterprise you sub-contract or sub-contracting you?

Person	Firm sub-contracted	Components
1		
2		
3		
4		
5		
6		
7		

2.3. Labour

1. Where do you get your labour from within Addis Ababa or other parts of Ethiopia?

1	
2	
3	
4	
5	

2. Do you experience labour recruitment problem?

Yes, always yes, sometimes no, never

(Please tick as appropriate)

3. If yes, what are the difficulties?

Difficulty

.....

.....

2.4. Equipment

1. Please list the types of machinery in your enterprise, their costs and how they are run

Type	How run	Cost	Source (region)
1			
2			
3			
4			

2.5. Raw materials

1. List the raw materials utilized in the production indicating the cost and source and the name of the firm in the municipality?

	Raw Material	Source	Cost	Its status (e.g. Parastatal of Private)
1				
2				
3				
4				
5				
6				
7				

2.6 Marketing

1. Please indicate where you sell your goods or services apart from Megenagna and the cost

	Product	Where do you sell	Cost
1			
2			
3			
4			
5			

3.0 SITE FACTORS

1. Why is the enterprise located at its present sites (Rank in order of importance?)

Factor	I	VI	VS	LI	NI
Adequate land for enterprise expansion					
Lower land prices and rates					
Access to major street					
Availability of electricity					
Accessibility of source of water					
Nearness to town center					
Nearness to residential unit					
Proprietor lives here					
Proximity to markets					
Industrial estate					
Social status/ prestige					
Personal contacts for business information					
Psychic preference					
Influence of local politics					
Lack of alternative planned zone for the sector					
Possible evasion of tax					
Availability of raw materials					
Prohibitive regulations and high standards					

Enterprise already at the site					
Availability of wholesale stores					
Lack of competitor					
Government policy					
Lack of authority incentives					
General environmental features					
Trading incense not required here					
Availability of machines for renting					
Site allowed by owner					
Nearness to home hence familiarity with the site					
Industrial zone for a particular product					

Policy Issues

4.1. The role of the government and non-governmental organizations (NGO's) in the informal sector development

1. Have you heard of any government programs assisting the informal traders?

Yes No (please tick as appropriate)

2. If yes, have you tried to benefit from any?

Yes, successfully yes, unsuccessfully no
(please tick as appropriate)

3. If yes what assistance did you get?

Assistance

.....

.....

.....

4. Do any institution assist you in marketing your goods and services?

Yes No (please tick as appropriate)

5. If yes how is the institutions assisted in marketing your goods and services?

	Name of institution	Assistance
1		
2		
3		
4		

6. Have you ever been harassed by any local authority representative or federal government?

Yes No (please tick as appropriate)

7. If yes, please describe the circumstances

.....

4.2. Factors influencing the business expansion

1. What was the initial source of finance for the initial investment?

Source	Amount	proportion
Own saving		
Borrowing from friends/relatives		
Commercial banks /other financial institutions		
Government lending society		
Others (specify)		
Total		

2. What kind of license does your business have and how much does it cost you to renew?

Type of license

Cost of renewal (birr/month)

3. Other than licenses, do you pay other taxes?

Yes no (please tick as appropriate)

4. If yes, specify

.....

5. How did you acquire this space?

Invasion from the government from the municipal council

Purchased Inherited from family other

6. Space occupied by the activity (m²)

7. Type of working space definition

8. Preferred working space requirements (m²)

9. For how long has the activity been located in the site

10. What is the state of the activity location?

- Permanent but illegal occupation of the space
- Mobile
- Permanent and in legal occupation of the space
- Temporary and in illegal occupation of the space
- Permanent but without properly defined tenancy

(Please tick as appropriate)

11. When did you establish this business and how many times has the activity changed site over the years?

.....

12. State the reasons for the change of the location

Reasons
.....
.....
.....

13. Is the activity now settled in the present location?

Yes no (please tick as appropriate)

14. If no, why is it not settled?

Reasons
.....
.....

15. Do you still prefer reaming your business in Megenagna?

Yes no (please tick as appropriate)

If No

16. Where else would you prefer locating your business within the city?

.....

17. Reasons for site preference?

.....
.....

18. In order of importance, please list the major obstacles to your business expansion

Obstacles	Rank	Causes
1.		
2.		
3.		
4.		
5.		

19. What are you doing currently to improve on them?

.....
.....
.....

20. General comments

.....
.....
.....

THANKS FOR YOUR PATIENCE AND TIME SPENT IN ANSWERING THESE QUESTIONS.

University of Nairobi
Department of Architecture and Building Science
Questionnaire for Clients and Residents

Introduction

This study is about Informal Trading activities in the Public Spaces of Addis Ababa: A Case Study of Megenagna Square. The study's primary goal is to identify the factors that have contributed to the increase in informal trading activities at Megenagna Square and propose strategies for mainstreaming them into the urban economy. Therefore, this questionnaire is useful for gathering information from the clients and residents and will be strictly confidential and only used for academic purposes.

1. Date
2. Name of respondent.....
3. Questionnaire number.....
4. Level of education.....

.....

1. What advantages did you get from the informal operators?

2. What challenges do you face due to the informal traders on this site?

3. Do you think the existence of informal traders is useful on this site?
Yes No
4. If No, what challenges do you experience with them operating on this site?
.....
5. If yes, state your reasons.
.....
6. What measures should be taken to tackle the problems that are related to the informal sector workers?
.....
7. Where should they be located?
.....
8. What factors do you consider for their site location?
Factors:

THANKS FOR YOUR PATIENCE AND TIME SPENT IN ANSWERING THESE QUESTIONS.

University of Nairobi
Department of Architecture and Building Science
 Questionnaire to the key informants

Introduction

This study is about Informal Trading activities in the Public Spaces of Addis Ababa: A Case Study of Megenagna Square. The study’s primary goal is to identify the factors that have contributed to the increase in informal trading activities at Megenagna Square and propose strategies for mainstreaming them into the urban economy. Therefore, this questionnaire is useful for gathering information from the key informants and will be strictly confidential and only used for academic purposes.

1. Name of the respondent
2. Designation
 Sub-city (Government office).....
 Department.....

3. What is the level of informal trading activities in the city?

	Type	Number	Area
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			

4. What is the institution doing to support and the informal traders?
 Assistance
5. Do you give licenses to informal traders?
 Yes No (please tick as appropriate)
6. If yes, under which licensing type(s)

7. If no, state the reasons
 Reasons
8. Is there potential for the growth of the informal traders in this city?
 Yes No (please tick as appropriate)
9. If No, then why?
 Reasons.....

10. How does the government benefit from the activities of the informal traders?
 Benefit

11. Has the government designated an area in the city for the informal sector traders?
 Yes No (please tick as appropriate)

12. If yes, can you enumerate the area?

	Area	Adequacy
1		
2		
3		
4		
5		
6		

13. It is noted that the informal sector traders do spread out of the designated (legal) areas. Then if this is the case. Why do you think it is so?
 Reasons.....

14. In your opinion what factors did the government consider or should consider in designating a zone for informal trading activities?
 Reasons.....

15. What are the major constraints the informal trade operators facing in the city?
 Problems.....

16. In your opinion, how best do you think those problems can be solved and by who?

	Solution (suggested)	By who?
1		
2		
3		
4		
5		
6		

17. What is the future policy of your office towards informal trading activities in the city?
 Policies.....

18. General comments.....

THANKS FOR YOUR VALUABLE TIME AND CO-OPERATION

For Environmental issues (sub-city or Addis Ababa environmental office)

19. What is the primary responsibility of your office regarding the informal traders?
.....
20. What are the main impacts of informal trading activities on the city environment?
.....
21. 21. What are the government plans to manage the environmental pollutants created by the informal traders?
.....
22. What are the major constraints faced by your office about solving environmental problems created by informal traders?
.....
23. General comments.....

THANKS FOR YOUR VALUABLE TIME AND CO-OPERATION