

# **Informal Micro-Enterprises and Solid Waste Collection: The Case Study of Addis Ababa**

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## **Abstract**

*Recently “embracing informality” is a notion advocated in urban centres of developing nations not only due to its unavoidable nature but also its contribution in providing service access to the marginalized, creating job opportunity to the urban poor and reducing cost to financially deprived municipalities. Involving informal sector as municipal service provider indeed requires the perception of stakeholders who are directly working with them. This research tried to have insight about the attitudes and perceptions that regulators, service users and providers have on the informality. Internal and external factors influencing service providers were also considered. The research used both Primary and secondary data sources. One hundred sixty micro-enterprise units were included in the survey. These account for about 35% of the total micro-enterprises available in the city. Stratified random sampling was employed based on the number and type of micro-enterprises available in each kebele (local government unit). Interview and focus group discussions were held with city officials at different levels and also community representatives. Secondary data sources used were research reports, government documents of relevant institutions as well as legal and policy documents.*

*The findings suggest that there is an over all tendency to encourage solid waste collecting micro-enterprises on the part of the government. Flexibility and responsiveness were also opportunities secured by the users (households); the institutionalization process was not confined to the promotion of efficiency of the service and enhancement of business orientation.*

**Key words:** *micro-enterprise, service delivery, solid waste collection, stakeholders’ perspectives*

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## Introduction

The term ‘informal sector’ is used to refer to the economic activities which have the following characteristics: non-permanence and casualness, outside the scope of existing company law or government regulations, and carried on small-scale by less capitalized establishments mostly relying on household labour (Salahuddin and Shamim 1992). Informal sector activities are not regulated or controlled by government agencies. They exist and operate because of market forces or other socio-economic factors (Ali 1999).

Van de Klundert and Lardinois (1995) also adopted the definition of the informal sector as follows: *The informal private sector is unregistered, unregulated or casual activities carried out by individuals and/or family or community enterprises that engage in value-adding activities on a small scale with minimum capital input, using local materials and labour intensive techniques.*

Various authors, despite reservation to accept the informal sector as a development goal believed that *there is a need for a paradigm shift in the way the informal sector service providers are viewed... these enterprises are valid parts of the urban services simply responding to and effectively meeting customers’ needs... there is a need for ‘champions of this message at all levels particularly at higher policy formulation levels (Rouse 2006).* The focus needs to shift to exploring and documenting the professional and technical identity of the informal sector, to the potential of contributing to sustainable, modern, locally appropriate waste management solutions (Scheinberg and Anschutz 2007). Recently in urban centres of the developing nations the size and role of the informal sector has become significant.

The Ministry of Finance and Economic Development (MoFED) in Ethiopia suggested that despite the controversies over its definitions, origin and continuity, there is, however, a widely held consensus that the informal sector has now become the central part of economic activities particularly in the developing world by generating job opportunities, providing goods and/or services to consumers at affordable prices and in needed proportion,

playing a crucial role as instrument of transition by effectively promoting the indigenous entrepreneurship skills and using indigenous resources (MoFED 2002).

Addis Ababa, the capital city of Ethiopia also moved into innovative urban management reforms (decentralization and privatization of service delivery) to deal with the problems of inadequate infrastructure, escalated demand in service and the rapid deterioration of the environment. The informal waste collection enterprises are gradually developing into more organized waste collection organizations in the form of micro-enterprises (*Figure 1*).

Thus, this research attempts to have insight about the understanding and the perceptions of stakeholders on involving informal micro-enterprise (MEs) as a formal partner in the solid waste collection. The study also assesses the opportunities and challenges of the service when institutionalization is undertaken.

### **Informality in Solid Waste Management**

Outside the formal public sector, there exists a vibrant ‘informal’ private sector in almost all cities in the developing world playing a significant role in solid waste management (SWM). Several factors drive the existence of the informal sector, such as physical characteristics of cities, socio-economic conditions, and policy related to urban environmental management (Medina 2000). There was an assumption that informal activities in waste management are often driven by poverty, and are initiated personally, spontaneously; and sometimes haphazardly in the struggle for survival (Baud and post 2002). Similarly, van de Klundert and Lardinios (1995) outlined that the informal activities in waste collecting and recycling are often driven by poverty.

Various authors, besides stating the suitability of the informal sector in the solid waste management, maintained that there is considerable evidence that informal-sector structures result in higher chance of sustainability (Rouse and Kenman 2005, Haans et.al.1998, Harper 2000). Moreover managing solid waste in partnership with the informal sector can save public money as it devolves responsibility for certain activities to informal partners (Rouse 2006).

Nas and Jaffe (2003) understood informality in waste management as reality, despite having reservation to accept the informal sector as a development goal. Informal waste management systems should be considered not as problems but as having potential. These individuals, organizations and systems have proved to be capable of great ingenuity and flexibility in unpromising circumstances. In deed, this does not imply that informal waste management systems are a development goal as such, or that their continuation should be actively promoted. However accepting the reality of these systems and to view them as a basis for further development instead of an impediment to development is impracticable (ibid). Under the sway of existing perceptions about informal, as doing dirty, unhealthy work and being a criminal outcast, the larger society and local authorities generally aim for increased integration and formalization of them in the solid waste system (Nas and Jaffe 2003). Certainly the relationship between the informal system and the authorities varies markedly from country to country. Medina's categorization of the main responses<sup>2</sup> into four categories

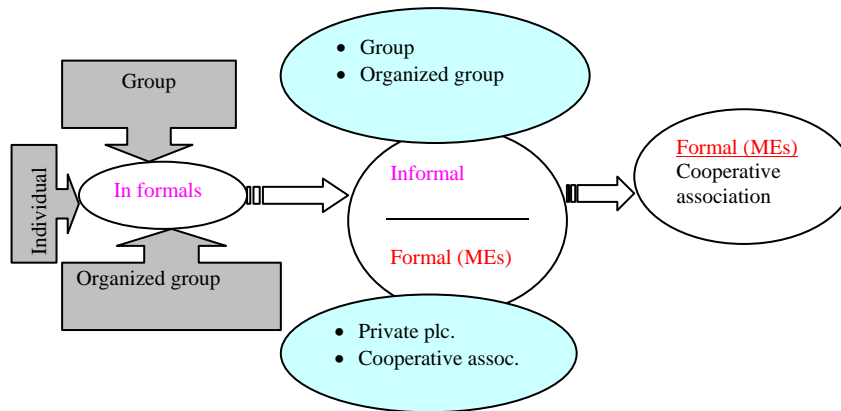
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<sup>2</sup> **Repression-** Many governments and social groups consider scavengers as source of shame for 'modern' cities. These hostile attitudes led to repressive policies, punishments, harassment, and attempts at eradication, even to the extent of organized murder. **Neglect-** In many cases authorities ignore scavengers. They do not take scavengers' contribution in waste management into account. This attitude is also reflected in waste management policies which only take care of waste disposal and ignore other aspects of sustainable waste management, such as waste reduction, separation and recycling. This lack of recognition, which is a form of neglect, can have quite negative consequences for the life of individuals in the informal sector. For example, in Addis Ababa, a 'successful' policy for replacing fuel wood with kerosene led to a widespread unemployment among traditional informal fuel suppliers, transporters and retailers (Rouse 2004). **Collusion-** A form of partnership between local authorities and the informal sector, but one which is a 'criminal partnership'. It is interesting that Medina classifies this as an attitude because it shows that participation or partnership is not necessarily positive. Political clientism, corruption and bribery can flourish between authorities and scavengers, such as is found in Mexico between the PRI (long-time ruling party), and the *caciques*, the local people in charge of scavengers' cooperatives. **Stimulation-** this ranges from tolerance to active integration. Most researchers and even planners agree up on the fact that the informal sector is a resource. Some countries like Indonesia, China (Shanghai), Egypt, and Brazil recognize the economic, social and environmental benefits of scavenging and recycling, and this has led governments to change their previously negative attitudes towards scavenging (Medina 1997).

are: 1) repression; 2) neglect; 3) collusion; and 4) Stimulation (Medina 1997).

**Informal solid waste collection system in Addis Ababa**

The informal solid waste collection in Addis Ababa is believed to have a long history. Some oral evidences suggest that it existed in a crude form prior to the municipal solid waste management history despite the fact that there are no written documents available so far that testify as to when and where it started. Until the year 2002, solid waste collection was considered as a sector open to all who have an interest to engage in it and was often operated both by organized and unorganized groups and itinerant individuals, whose main source of income was attached to other activities i.e. daily labourers, shoe shiners, street children and beggars (Zelalem 2006).



**Figure 1:** *Informal-formal Schemes in Primary solid waste collection service in Addis Ababa.*

Poverty and unemployment were the prominent driving factors for informal solid waste collection in Addis Ababa. Some advocated that the informal waste collection sector is recognized to fill the missing transport

link between households and the sparsely located municipal containers. Still others gave the credit for the assumption that informal waste collecting activity allows easy entry into the business. The working hour arrangement could also be cited as one of the pull factors to this informal business since the waste collectors have an opportunity to engage in other activities to generate additional income (ibid).

Despite the contribution made by the informal sector the collection service offered by the pre-existing informal enterprises was scattered and often haphazardly carried out by individuals and groups on their own initiatives. There was no concern and awareness from the side of the service users as to where and how the collected wastes were disposed off. This was a hindrance to the realization of a clean and ‘beautiful’ city. It was also difficult to supervise and provide the necessary assistances. Therefore, the city government intervened in the solid waste collection by institutionalizing the informal enterprises as part of the grand project of regulating solid waste management. Thus the situation called for an organized and regulated solid waste collection in which the MEs were taken as spearheading entities (Zelalem 2006).

**Table 1:** *Types and characteristics of the informal solid waste collectors in Addis Ababa*

No	Type	Attributes
1	<b>Informal Individuals</b>	<ul style="list-style-type: none"> <li>• Collect waste temporarily to complement their livelihood to meet their immediate needs;</li> <li>• Less likely to be business type and are situational;</li> <li>• In most cases their service is preferred by households as they accept payments as per convenience of the households (kind/money);</li> <li>• Easier for households to use them for waste removal from their premises;</li> <li>• People usually involved in this activity are predominantly migrants;</li> <li>• Dominantly males take up this job.</li> </ul>
2	<b>Informal Groups</b>	<ul style="list-style-type: none"> <li>• Are governed by common interest and background, intimacy among them is based on other interests than solid waste collection;</li> </ul>

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	<ul style="list-style-type: none"> <li>• Consists of more than two persons who collect waste temporarily to meet their immediate needs;</li> <li>• Use their own individual equipments (sack, hook) and work on daily basis;</li> <li>• Are less business oriented;</li> <li>• Seen suspiciously by the households' due to their being street people.</li> </ul>
3	<p><b>Informal Organized Groups</b></p> <ul style="list-style-type: none"> <li>• Consists of more than two persons, use the job both for business and livelihood;</li> <li>• Intimacy among members influenced more by business relations than other considerations;</li> <li>• Use common equipments for their work and are client oriented;</li> <li>• Payment is on monthly basis;</li> <li>• A sort of leadership exists.</li> </ul>

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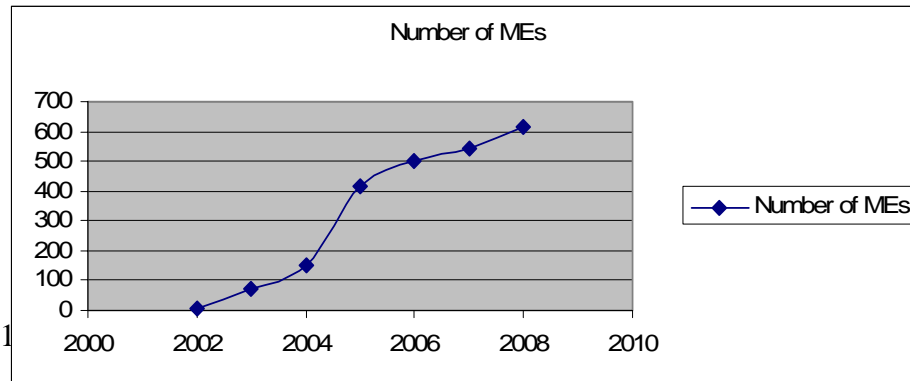
### **The Evolution of Solid Waste Collection Micro-enterprises in Addis Ababa**

There were different modalities that informal waste collectors used to come to formal MEs in the primary solid waste collection service in Addis Ababa: 1) gradual; 2) spontaneous; and 3) interventional. The first category consists of all types of informal bodies, (individuals, groups, and organized groups) who were given opportunities to re-organize themselves as formal MEs without having any rules and regulations from the government side. This was the initial category with less assistance and suffered for a long time to get recognition of a business enterprise status. These enterprises were initially organized with an underlying purpose of enhancing income and employment opportunities for individual waste collectors. In most cases their activity is territory/household specific and the payment was not necessarily in cash. The types of workers who were usually involved in this category were predominantly males and migrants from rural areas and non-residents of the city.

This spontaneously created category, even if it has got shorter period and maximum support from the government and NGOs during its initiation, was small in number and the progress it made to improve was significant. Workers involved in this category were those who were born and grew in the city area,

are also known and have close intimacy with the community. For instance currently there are six small enterprises (among them Dynamic Solid Waste Enterprise is one) in Addis Ababa which are now functioning in the solid waste collection and disposal sector. The enterprises initially were at micro level and were created spontaneously as private collectors. They converted to SEs and now they have their own vehicles to transport the waste to the city's dumping site. Presently these SEs serve institutions, private companies, embassies and hotels. The third and presently most dominant categories were organized as cooperatives through government intervention, in which the government took the initiative to organize some of the existing (informal groups and informal organized groups) enterprises and new ones.

Further there were assumptions on the importance of the informal sector in the formalization process of solid waste collectors in Addis Ababa. The informal solid waste collectors were the initial trigger of most of the solid waste collection MEs in Addis Ababa. It gradually developed into a more organized waste collection in the form of micro-enterprise that employed and has been employing human porters and home-made carts for transporting waste from households to the municipal containers (Zelalem 2006). Similarly, Baudouin explicitly stated that informal waste collectors were the potential source for the evolved formal solid waste collecting micro-enterprises in Addis Ababa. However, at the beginning (during transition) it was difficult to draw a clear distinction between the formal and the informal sectors. It was a fuzzy separation, with no clear-cut boundary between the formal and the informal. The separation between the two sectors is challenged by the possible evolution of the informal sector into the sphere of the formal (figure 1), because when the informal is organized, either as cooperative or in the form of private commercial companies, it becomes formal (Baudouin et al 2009).





**Figure 2:** *Trends of MEs involvement of in the city's solid waste collection service*

Moreover, the secondary information sources ascertained that the organized solid waste collection MEs in Addis Ababa are recent phenomena. MEs were first piloted in 2002 by reorganizing the former-existing informal waste collectors through the initiative made by individuals, CBOs, NGOs and governmental organizations, which gradually came to be part of the formal private municipal actors. In deed there were different types of formal MEs that were initially involved in rendering the primary solid waste collection service based on ownership and legitimacy like: cooperatives, private commercials, groups, and individuals. Subsequently the city government gave impetus to this work, through various measures like, building a partnership among all the relevant actors (formal and informal), campaign under the 'clean and green Addis' motto. The solid waste collection also received a strong support from the city government by withdrawing itself from the primary collection service in particular. As a result house-to house and block collections by the municipal truck fleets were almost relinquished to MEs and containers were placed instead at locations considered more convenient for the MEs.

**Attitudes and Practices of Stakeholders on Informal MEs*****Introduction***

This section tries to explore the possibilities and challenges undertaken in the formalization of informal solid waste collection MEs from stakeholders' perspectives. Certainly MEs experience challenges from three sources (Haan et al. 1998): *service user, service provider, and service regulator*.

***User's Perspective***

Focus group discussions with the household groups brought out that those informal micro-enterprises in Addis Ababa got recognition first from the

community even though at later stage the role of the community diminished as the system was taken-up by other actors. The residents played a great role in involving organized MEs in the sanitation work of their neighbourhoods.

The discussion suggested that flexibility and responsiveness was the great advantage the users (households) received in this system. MEs help poor households by removing the waste free of charge or by arranging credit for them. Sometimes they accept joint payment for the low income households. They even accept money from two households at the rate of a single household. Discussions in this respect are made in a participatory manner: for instance, they fix service charge based on consensus, which provides room for low income households to negotiate the payment according to their capacity. The service charges may be revised upward with the consent of the community alone. Further the reactions from community leaders, suggested that MEs were providing more effective and responsive service than ever performed before (by the public sector). In addition to the regular schedule they give their address to the clients to be called at any time in need. The residents also expressed their compassion to MEs that they launched a sanitation campaign to clean common places and surroundings in the neighbourhood once or twice every month in collaboration with their community. They respond to any query of their clients as quickly as possible. The community also feels more confident with them as it was able to monitor the performance.

The responses of the owners of private MEs revealed that, service users appreciated and enjoyed it. Baudouin et al. (2009) argued that in 2003–2005, the recognition of the role that MEs solid waste collectors could play in Addis Ababa was in itself progressive. It was also obvious to visitors and inhabitants that, at least in the central part of the city, the system of waste collection had definitely improved. However, households' involvement was limited. Until 2008, only 21.50% of the households in the city benefited from waste collection micro-enterprises, as there was no regulation that enforces households to participate in the system. Poor participation of households was reported because of the absence of penal provisions to the households not participating. Waste was dumped at central container points by households themselves. According to Refuse Collection and Disposal By-laws of Addis Ababa, 2001 Section 4 (1 and 2) and Section 5, require all households to participate in the solid waste collection service. It has been noted during the field study that this by-law has not been adhered to. In

some cases MEs associate the erratic household participation to the willingness to pay. The level of service demand or willingness to pay is low or at least difficult to ascertain, yet the negative externalities of not providing them effectively are horrendous, (Addo-Yobo and Ali 2003, Cotton et al. 2002) and ‘free rider’ problems abound with (World Bank 2004). MEs claimed that residents failed to realize that they have to pay for solid waste collection service which is related to civic sense of the population and its level of social, cultural and economic development.

Interview with city officials and secondary sources confirmed that despite improvement in the collection service, MEs were unable to provide the kind and level of service that was needed by the city government. They are concentrated on better-off client and in more accessible areas. (Figure 3), illustrates the distribution of private and cooperative MEs solid waste collectors in Addis Ababa engaged in *primary solid* waste collection in different sub-cities. Private MEs are concentrated in Bole and Yeka sub-cities only.

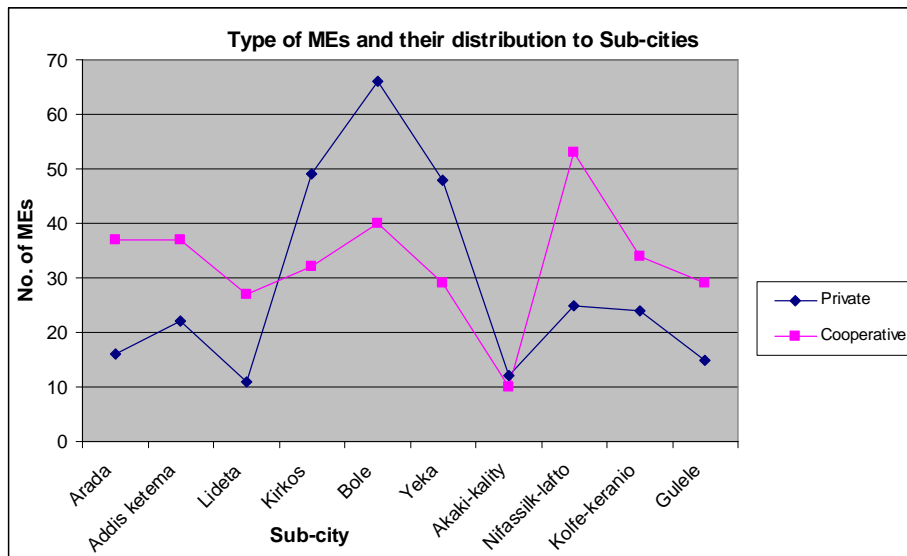


Figure 3: Addis Ababa SBPD Agency (2008).

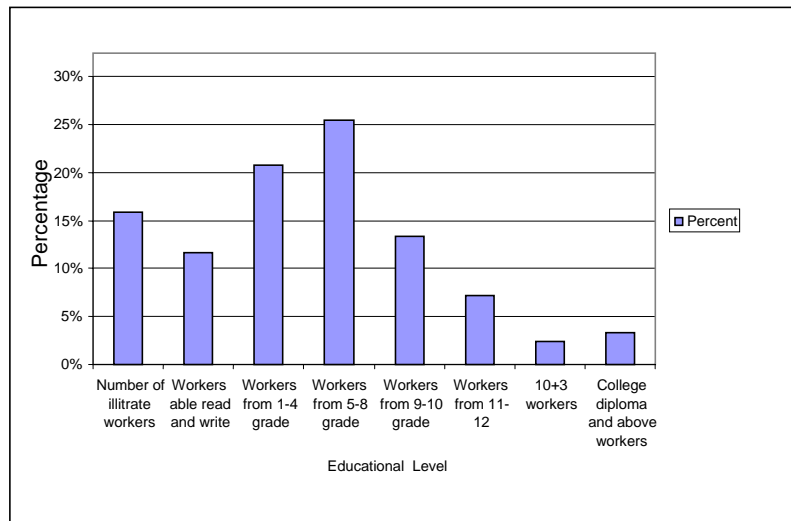
Bole and Yeka are sub-cities comprising better-off and more affluent inhabitants. This shows that the ability to pay by the households determines engagement of private micro-enterprises. On the other hand the cooperative MEs were working in poor and infrastructurally less developed areas that are abandoned by the private MEs. The reason mentioned during the interview with local officials was that the potential high income areas were already taken by the private MEs. Local officials also suggested that there was a clandestine preference on the part of the well-off households for the private MEs, as they are considered experienced and more efficient.

*Provider's perspective*

The service providers' perspective has been explored from two dimensions: external and internal factors which challenge the MEs' activities in the process of formalization. External factors are the relationships between the different groups of MEs. Among the internal factors; type and turnover of personnel and workers attitudes on the business are taken into account.

In depth interview with leaders and head owners of MEs revealed that the relation that existed among the pre-existing MEs (before 2004, when informal scheme was dominant) took the form of conflicts, competition, and collaboration with no clear domination of one. Gradually in the period 2005-2008 (when private ME scheme was dominant) conflicts and hostilities developed as private micro-enterprises inherently triggered various competitive environments such as price reduction, improvement of work quality and workers' discipline. Eventually this situation aggravated selective service rendering.

The survey identified that there were different types of workers in the micro-enterprises involved: the owners, permanent wage earners, temporary wage earners, members of cooperatives and sub-employees by MEs. The survey result identified that most members of the MEs have no marketable skill (*figure 4*). More than 75% of the waste collecting workers employed under MEs were with an education of grade 8 or less and 50% had an education of up to grade 4 or less. Only 6% of the workers achieved professional training (10+3 and above).

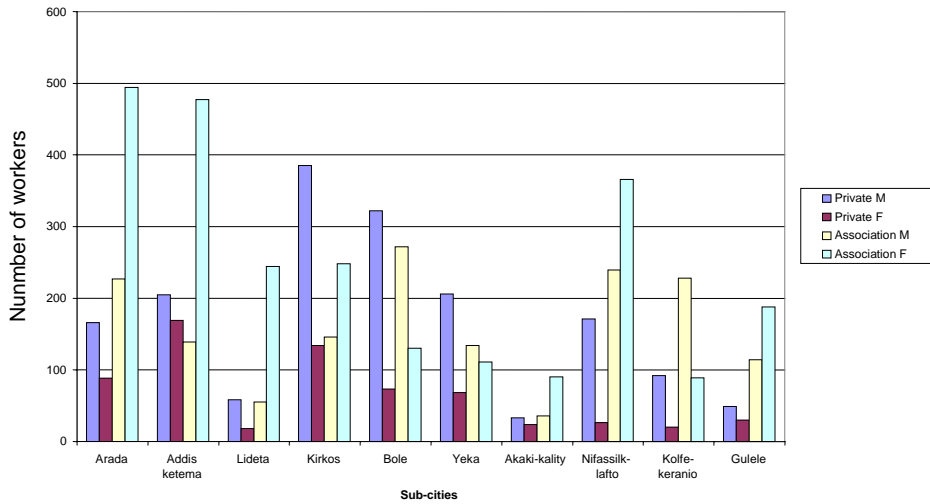
*Educational status of SWC MEs workers in Addis Ababa***Figure 4:** *Own survey (2011)*

Focus group discussion with workers of MEs revealed that there were two major sources of workers who usually join this job. The first group involves mostly new comers to the city while some have their own farm in the rural areas and therefore are distinguished as unstable casual workers. They work for short duration because they leave when they get other opportunities. The other group involves street people who are extremely addicted to various habits and highly dependent on their employers. They are mostly male and need very close follow up (*Figure 5*). Private MEs do their best by improving their personnel management in handling workers carefully to avoid labour problems and enhance their workers' commitment. Since they know their behaviours well they provide some money on daily basis for their immediate necessities, otherwise they sell their uniforms, working facilities, and even equipment of the enterprise, it was reported.

The attitude of the workers was diverse regarding the arrangement of private and cooperative MEs. Those cooperatives were reluctant to the job as they got minimum wages. The pre-existing cooperative MEs, most of

whom employ women at advanced age, perform labour demanding jobs and also were deployed without adequate material support. Sometimes they were forced to use their back/head to transport waste from household to transfer stations. During the field study it has been observed that facilities were deteriorating with resultant worsening conditions. This happened due to poor savings which led to poor maintenance and replacement of equipment under cooperative arrangement. Similarly workers from private MEs claimed that, private MEs were not favoured by them as they exploited and swindle money that belonged rightly to the workers.

*Distribution of SWC workers in the city by type and sex*



**Figure 5:** Addis Ababa SBPD Agency (2008)

### ***Regulator's perspective***

Government at all levels need to be involved in creating the framework in which a multiplicity of partnerships can develop and be effective. In the Cairo Declaration of October 1996, it was stated that, the following constraints need to be addressed for MEs' contribution to be effective: 1) legitimization; 2) citizen responsibility; 3) public-cooperation; and 4) the enabling environment for scaling up operations. To understand the challenges in the formalization process of solid waste collection MEs in Addis Ababa, the interventions made by the public sector were considered from the point of view of: *Initiation, authorization, institutional legitimacy, and enabling role of public sector.*

#### ***Initiation***

The survey revealed that, from the operating solid waste collecting MEs, 38% said that they were initiated for the work by the local government. The local government took the initiative to re-organize some of the existing informal waste collecting enterprises to function as formal MEs. Interview with local officials also revealed that the group of collection agents (MEs) received support from the local government officials in their formation and registration process. For instance, the *kebele* officials randomly delivered a sort of letter asking the community to collaborate with those organized MEs who wish to engage in solid waste collection. Indeed, this was done spontaneously in the absence of any guideline and/or policy framework. (Table 2 summarizes the survey result of ME initiation.

According to interview with officials from SBPDA, the process of formalization of the informal solid waste collection enterprises was stimulated by the growing concern of the city administration that it would not be possible to efficiently handle solid waste management task by itself. Various internal and external factors like unemployment, increasing service demand, cost reduction strategy and donor perspectives, have compelled the city authorities to change their policies from neglect or repression to tolerance or active support. This in turn paved the way for the gradual withdrawal of the city government from the primary collection system.

Interview with MEs revealed that there was little direct interaction between the collection teams and the municipality in general. Each ME must do its own marketing and collect its own fees. Private firms

individually bear the cost of billing and collecting user charges, from service users. The informal solid waste collecting enterprises devise different strategies in their attempt to reach new clients. Incorporating new customers to the service was a formidable task that required a lot of efforts. As the informal waste collectors were pioneers in the activity, they have paid ultimate price ranging from changing their own attitude to altering the outlooks of the community. The role played by informal solid waste collectors in putting the sector to its present status was tremendous.

**Table 2: Who initiated MEs to solid waste collection task?**

		<b>Frequency</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Kebele	58	37.7	37.7
	Self	35	22.7	60.4
	Private	59	38.3	98.7
	Community	2	1.3	100.0
	Total	154	100.0	

*Own source (2011)*

### **Authorization**

At the beginning, authorization of informal enterprises in Addis Ababa has taken place through various agencies with different modalities. Secondary sources from city government offices confirmed that initially the authority to promote formalization of informal enterprise to formal micro-enterprise was given to Addis Ababa City Government Trade and Industry Bureau (AATIB) and Addis Ababa City Government Micro and Small Scale Enterprises Development Agency (AAMSSEDA). The SBPDA follows up the work technically. AAMSSEDA was having a strong say on the organization aspect of the SWC micro-enterprises.

Focus group discussions with various workers' groups revealed that MEs secure their licenses from different sources. Licensing procedures varied based on the type of micro-enterprise intended to be formed. Private commercial micro-enterprises got their license from the sub-city's Trade and Industry Bureau and they were expected to pay tax for the city government. On the other hand, cooperative micro-enterprises were receiving their license from the Micro-and Small Enterprise Development



office in the *kebele* with the approval of cooperative office, and were tax exempted.

In addition, there were enterprises which got their license from the health bureau. Some have got license from trade and industry and work permit from sub-cities and agreement from the *kebele*. In some cases the community authorizes MEs to work in their neighbourhood. As some members are migrants from rural areas and street people they do not have official residential places and lack identification cards which hinder them to continue the job with public offices. In such cases the community provides them support, negotiates with the *kebele* on behalf of the MEs to enable them to resume work in their locality.

Even some MEs have written agreement with the *kebele*, given by the process owner of the waste management team. Some got temporary work permit from the local government; they did not have any thing written but only oral agreement with the *kebele*. Still others use training certificates that have been given by the government and NGOs as a license of work and consider themselves authorized to do the job. Until 2009, although they received different types of work permission licences from different sources, all private commercial MEs, Cooperative MEs and some informal groups were working together side by side in the city solid waste collection system.

#### ***Institutional legitimacy of MEs***

Interview with local government officials revealed that although the primary solid waste collection service was handed over to MEs, the institutional arrangement was public ownership and private operation. As the ownership of the service belonged to the public sector, it retains responsibility indirectly, meaning thereby the service can be provided through different combinations of the private providers like cooperative and private micro-enterprises. Given these arrangements the legitimacy of MEs is being challenged in many ways. Focus group discussions with head owners and ME workers revealed that initially the government tried to force the private commercial enterprises to be organized under the auspices of MSSEDA rather than assisting them as independent entities. This is against the will of most of the enterprises that prefer to operate as private or in the form of independent associations. Moreover the officially presupposed capital requirements are barrier for enterprises to be legitimate. As stated on the guideline for MEs engaged in solid waste collection and transportation, the

enterprises are expected to fulfil the necessary equipments and occupational safety rules (AACG 2004). For instance, registration for tax seems not a viable option for some informants as the sector appears to them as unstable. Thus, the cost of registration coupled with the perceived irregular and erratic nature of the business discouraged them to be legitimate. Studies have estimated that full compliance with all regulations could mean closure of business. For example in Latin America the cost of remaining legal varied between 17 and 70 per cent of annual profits of the unit. In Bujumbura (Burundi) it was estimated that the revenue of micro-enterprises would be reduced by 48 per cent if all regulations are strictly enforced (Nas and Jaffe 2004).

On the other hand, there is an overall tendency to encourage MEs on the government side through tax exemption incentive for new enterprises during formation as stated on regulation No. 13/2004: *'Those engaged in sanitary service shall be exempted, for a limited period of time from any profit tax and custom duties imposed by the city government, on input imported in accordance with the directive issued by the concerned bodies (AACG 2004:289)'*; there is a counter argument by private commercial solid waste collection MEs that, there is no equal treatment by the public sector for all MEs. The above argument is supported by regulation No 13/2004. It states that *"The government may facilitate conditions particularly for cooperatives, engaged in sanitary service, for obtaining long term loan that enables them to expand and strengthen the service"*(AACG 2004).

Further, MEs argued that their institutionalization was not confined to the promotion of the efficiency of solid waste collection and business growth rather its focus was merely to boost the employment statistics at the best. In this regard, the government had a city wide plan to deploy about ten-thousand unemployed people in the solid waste collection sector. Accordingly, each *kebele* had its own targeted quota and its officials were held accountable for the number of people they organized under MEs (Zelalem 2006).

### ***Enabling Role***

During the survey, MEs were asked about the level of agreement they have on the role of the "public sector" as enabler. The results (*Table 3*) showed that 30% of the surveyed enterprises agreed that the public sector could be taken as facilitator while 35% disagreed. The remaining 28% were neutral. MEs stated the reasons behind poor facilitation role of the public sector; they got no response for their queries, their appeals were not heard and no proper and fair response was given to them. Moreover rules and regulations

are less respected and the forthcoming situation is unpredictable. MEs and the public sector do not trust each other. This made the solid waste collection business unpredictable and eventually unattractive.

**Table 3:** *Agreement level of MEs “government as facilitator”*

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	Strongly disagree	15	9.4	9.6	9.6
	Disagree	40	25.0	25.5	35.0
	Neutral	44	27.5	28.0	63.1
	Agree	48	30.0	30.6	93.6
	Strongly agree	10	6.3	6.4	100.0
	Total	157	98.1	100.0	

*Own survey (2011)*

Further micro-enterprises were asked about their freedom in decision making. The survey results (*Table 4*) indicated that 22% of the surveyed enterprises believed that they had no freedom to decide their matters, 31% said that they have little freedom, while 29% responded that they had freedom of making decision over their affairs. MEs reported that lack of freedom in decision making indicated their lack of independence; they do not work as per their wishes and plans since the public sector issues directives; regulations are changed without the consent and will of the partners in question as decisions are made unilaterally.

**Table 4:** *Freedom of decision of MEs on their matters*

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	None	35	21.9	22.2	22.2
	Very little	48	30.0	30.4	52.5
	Some	46	28.8	29.1	81.6
	Very much	29	18.1	18.4	
	Total	158	98.8	100.0	100.0

*Own source (2011)*

This made MEs lose confidence and innovativeness and become more dependent on the public sector. It is expensive for the MEs to adapt to the new arrangements and results in the loss of credibility to rely on the work as a promising and income generating job. For example *Kokeb* enterprise in *Nifas-silk Lafto* sub-city started its business in 2001 as a private ME. In 2004 it was forced by local government officials to be changed to a cooperative. In 2005 it got freedom to work as private micro-enterprise and in 2009 for the second time was forced to be changed into a cooperative.

Focus group discussions with head owners of Private commercial entrepreneurs revealed that there is minimum collaboration between the public sector and the MEs. They had little ties with the city administration bureaus and reasonably fair relations with their respective local administration system, the *Kebeles*. They have a quasi-official linkage with the City Sanitation Beautification and Park Development Agency.

Poor coordination among the public sector offices was also the issue mentioned by MEs during the discussion. Decisions are less transparent even among public sector (both horizontally and vertically). They contradict each other most of the time. Interview with local officials revealed that lack of transparency among the public sector offices arises due to the fact that there are various interests within the public sector vertically and horizontally, implying different motives for government intervention. This consequently led to conflict of interests between them. Despite various strategies coming from the top, local governments are presumably unable to accomplish their tasks successfully. In the meantime as they are responsible for local issues, such as cleaning up their vicinity, they can hardly address the interests of city officials and the community as well.

Focus group discussion with community representatives revealed that there is no any adequate local government role in awareness creation and mobilizing resources that makes all the households to benefit from the service. At the same time if the primary collectors do not provide careful and timely service, the households have no provision to appeal to higher authorities for assistance.

**Table 5:** *Stakeholders approach under Cooperative and Private Schemes*

	<b>Private Scheme</b>	<b>Cooperative Scheme</b>
a) Service Regulator Perspective	<ul style="list-style-type: none"> <li>• The mistrustful attitude of municipal officials towards MEs;</li> <li>• Reluctance of public sectors in easing legal restrictions;</li> <li>• MEs consider them as uncertain</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of coordination among stakeholders;</li> <li>• There is high public sector intervention to them.</li> </ul>
b) Service Providers' Perspective	<ul style="list-style-type: none"> <li>• High turnover of employees as workers are sensitive and wages are unattractive and job has a low status.</li> <li>• The owners growth, not the workers; market oriented</li> </ul>	<ul style="list-style-type: none"> <li>• Members do not have the same motive;</li> <li>• Leaders lack skill, experiences and capacity to mobilize resources;</li> <li>• Women dominated;</li> <li>• Less governed by market rules</li> </ul>
c) Service Users' Perspective	<ul style="list-style-type: none"> <li>• High intimacy with the community</li> <li>• Selective on household types; marginalize the poor</li> </ul>	<ul style="list-style-type: none"> <li>• precarious relation between the MEs and the community;</li> <li>• Favoured by marginalized group only; well-off neighbourhoods are less interested on them;</li> <li>• The failure the residents to cooperate with MEs.</li> </ul>

## Discussion

Understanding the dynamics and practices of the informal sector and integrating them into the changing situation in cities and towns is of prime concern (Bartone 1995). Involving informal micro-enterprises as service providers must be tailored to specific local circumstances, acknowledging, especially, the differences in (local) state–society relations. Due consideration should be given to the interests and advantages of the partners in question whenever changes are introduced in the governance process. Successful collaboration across the community-public–private divide requires that norms of mutual trust exist (Evans 1996).

It is pertinent to say that the dynamics of solid waste collection reform in the city are predominantly dictated by, notably the relation that could

exist among the local administration, communities and the informal MEs. In this connection several bottlenecks, interesting opportunities and initiatives to improve the formalization process of informal solid waste collection have been identified. How the new opportunities created by the city reform were taken up by communities and the informal MEs and how the city authorities use the created opportunities in the framework of embracing informality was the prime concern. The discourse may also help to improve the understanding between different stakeholders.

Informal MEs in waste collection in Addis Ababa contribute tremendously by exploring opportunities that are appropriate to the milieu of the public sector and the community at large. They existed because of public demand for the service, poverty, high unemployment, and the keen interest of communities. None of these factors is likely to disappear in the foreseeable future and hence refuse collectors MEs are likely to continue.

However, there was no clear strategy set for these groups to introduce and exploit adaptive methods with competitive and cost-saving potential. The public sector though seems to be in a flexible position to take advantage that it has over-stressed the autonomy of informal MEs. Moreover, micro-enterprises felt irritation at the unpredictability of the city authority as a business partner due to frequent changes and unbalanced regulations while the latter accused the MEs as violators of health and environmental standards.

Certainly the informal sector is not perfect even when it works efficiently; it is often at the cost of health and the environment. The current market for primary solid waste collection is not developed enough to involve big companies. If these MEs are not considered as an integral part of the future strategy, there may be adverse social, environmental and economical impacts. Indeed a course of action to include the informal sector will require support to them directly, and the creation of buffer or intermediary institutions. More research may help to identify important factors, which may explain institutionalization of informal MEs in this field to a great extent.

## Conclusion

This study began with the premise of understanding the attitudes and practices of service users and regulators in the institutionalization process of informal micro-enterprises. In summary as the type of informalities and the stakeholders' perception vary, it is hard to develop a uniform prescription in the involvement process. Different socio-economic opportunities of users and regulators determine the type of informal MEs to be transformed and the type of MEs to be sustained in the system. Understanding and respecting the interest of the different segments of user groups and the different political and administrative opportunities and challenges under the regulators' perspectives also required focused attention. The entrance and exit strategy of informal enterprises is the area that needs further investigation.

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