



**UCLG**  
Committee

Social Inclusion  
Participatory Democracy  
and Human Rights

**Inclusive Cities  
Observatory**

# « EMPOWERING THE INFORMAL SECTOR: STREET VENDOR MANAGEMENT »

Surakarta, Indonesia

*Period of implementation: 2005 (launch) | Study case written in 2010*

**W**ith an empowerment program, Surakarta managed to solve the sensitive issue of illegal street vendors and all the effects it had for the public space, like waste, traffic and poor conditions. The relocation and re-arrangement of street vendors has been done with great consideration of the local culture and humane methods. The Mayor convinced street vendors that these efforts will improve their condition, not to eliminate business. The Solo administration provided four major lines of action for the street vendors namely: the building of better communication amongst stakeholders, the creation of dedicated space for the streets vendors by relocation, provision of umbrella-tents, traditional Javanese style carts or modified shelters; (The new place for relocation was chosen over several meetings held by the government, NGO and the street vendors' representatives), the provision of legal status to the street vendors' business and training for street vendors on how to manage and expand their business.



The **Inclusive Cities Observatory** was launched in 2008 by the UCLG Committee on Social Inclusion, Participatory Democracy and Human Rights with the aim of creating a space for analysis and reflection on local social inclusion policies. The initiative was developed with the scientific support of Professor Yves Cabannes (University College of London) and the Centre for Social Studies (CES) from the University of Coimbra. At present, the Observatory contains more than sixty study cases mostly developed between 2008 and 2010. Even though many of these cases refer to policies that have already come to an end, they still have much to offer: from capitalizing on the learning acquired by other local authorities to discovering suggestive and alternative means to address social inclusion challenges from a local perspective.

## Context

### *City context*

Surakarta city is a traditional urban centre in the Central Java with a population around 600.000, and it is also part of the Bengawan Solo River basin, the longest river in Java island.

Every political dispute at national level, its impact or wave also occurs in Surakarta. For example part of the city hall was burned during the 1998 chaos.

Trading and cultural based tourism has been its main advantage, it also representing the Java culture together with the neighboring province Yogyakarta.

There are two different kind of merchant in Surakarta; the big, rich, full of resources and formal players and the micro, on the street - park, informal traders. As most of cities in the developing country, street vendors sometimes drown the city and in the end become the black sheep of the city disaster.

### *Government and decentralization context*

Since 1999, Indonesia has experienced one of the most radical decentralization programs in the world, shifting major functional responsibilities, resources, and staff to local governments. The decentralization reform was established by the Regional Government Law 22 of 1999 which eliminated the hierarchical relationship between provincial and municipal governments. The reform was partly a response to the highly centralized state under Suharto, which was blamed for many of the ills of the country.

Since Suharto's resignation, a strengthening of democratic processes has included a regional autonomy program and the first direct presidential election in 2004. Nonetheless, the central government exercises substantial control over local government staff appointments and corruption is perceived as a major problem. The villages in rural areas remain the social structure that represents the legitimate basis for local people, based on customary institutions and rules that help to integrate them in the management of local government affairs.

**Institutional level of policy development** — Municipal

### *Social context*

Street vendors had been increasing since the Indonesian financial crisis of 1998. Many efforts were conducted in the past to relocate the street vendors. These efforts translated always in poor results, ending often with conflicts between the local government and the street vendors.

In 2006 there were 5,800 street vendors, most of them locally based since their provenances were the surrounding areas and provinces. The vendors occupied sidewalks and public spaces and could be seen on almost every street corner. The situations of the street vendors, as it was, posed a problem since their activities originated traffic disruption and were considered to be degrading the landscape within the city. In addition, the produced waste also represented a source of pollution.

## Policy development

Surakarta, also called Solo or Sala, is a city in Central Java Province in Indonesia of more than 600.000 people. The increasing number of street vendors, people struggling to make a daily

income in a weakened economy due to Indonesian financial crisis of 1998, brought a large number of complaints to the City Mayor's desk. These questioned the existence of apparently unregulated street vendors which tended to occupy the public space indiscriminately, thus difficulting traffic flows, degrading the scenic quality of the city and polluting the environment, questioning also what measures the city would/could take on the problem that the large number of street vendors and the nature of their activities represented.

Since past approaches taken on by the local government to deal with street vendors had almost always resulted in conflicts, the newly elected Mayor, Joko Widodo promoted a different way to tackle the problem by encouraging participation of the street vendors themselves.

The objectives of the program were to bring the public spaces back to their original functions allowing for its re-appropriation by the general public, all while creating a suitable environment for street vendors and their activities, which in turn would improve their livelihood as well.

The site of Monumen 45 Banjarsari (also referred to as Monjari), a historical park was chosen as the first site for the Street Vendor Management Program. as it was occupied by the largest number of identified street vendors, namely in the numbers of 989. Through more than 50 meetings held between the Mayor and street vendor representatives - 9 paguyuban or traditional associations - an agreement was signed which aimed at relocating these first 989 street vendors to a new marketplace in Kithilan, Semanggi. . A traditional procession of street vendors (referred to as kirab) realized on the 23<sup>rd</sup> July 2006 symbolized the move to the new marketplace, showing also that the local government was standing by its citizens.

In order to attain this objective, several policies were adopted for street vendor management: building better communication, creating space (physical and legal recognition), education and training for street vendors. The strategies included not only relocation but also the provision of shelter (kiosks, tents, etc.) and new vendor carts.

The involvement of the local government, the partner NGO (SOMPIS - Solidaritas Masyarakat Pinggiran Surakarta – Solidarity of Marginal Societies in Surakarta) and the street vendors' representatives was of crucial importance to approach street vendors and reaching an agreement. This required a high level of coordination in order to build up the trust of the street vendors towards the proposed Programme. The process was led by the Mayor, who opened the official residence as a meeting place for discussions amongst all the stakeholders.

### *Policy objectives*

In order to bring the public spaces back to their original functions while creating a suitable environment for the vendors and improving their livelihood, the four main lines of action adopted in the program that were identified and prioritized during general consultation/discussion meetings with the Mayor and all the partners, are as follow:

1. Build better communication amongst stakeholders;
2. Creating dedicated space for the streets vendors by relocation, provision of umbrella-tents, traditional Javanese style carts or modified shelters; (The new place for relocation was chosen over several meetings held by the government, NGO and the street vendors' representatives)
3. Providing legal status to the street vendors' business;
4. Providing training for street vendors on how to manage and expand their business

### *Chronological development and implementation*

The greatest difficulty of the initiative was to build up the trust of the street vendors. The implementation of the programme had to be done stepwise. The processes were carried out in the following stages:

- Stage 1 Preparation. It consisted of data collection of street vendors' profiles (citizenship, style of trades, type and size of stalls) by researchers from a local university (Universitas Sebelas Maret of Surakarta), official meetings with the local parliament to draw out the suitable budget and political support, and formulation of the objectives and strategies.
- Stage 2 focused on building better communication by inviting NGOs to assist in the program as community facilitators, inviting informal leaders/representatives of street vendors to the Mayor's official residence for dialogues. After more than 50 meetings, the street vendors agreed to be relocated and an agreement was signed. The Surakarta Municipality agreed to provide appropriate relocation sites, providing free infrastructure (e.g. kiosks) and free trading license.
- Stage 3 consisted of designing and constructing the new marketplace by the Universitas Sebelas Maret of Surakarta. The market place area covered 11,950 m<sup>2</sup> and could hold 1,018 kiosks, with total cost IDR 9 billion (approx. USD 1 Million). Simultaneously, training was provided to street vendors, discussions were held on their placement at the new market and the respective supporting infrastructure as well as promotion actions to attract buyers.
- Stage 4 holding the traditional relocation procession (referred to as kirab) of 989 street vendors, with 989 traditional rice offerings and followed with horse carts of city government leaders. The procession symbolized a peaceful movement to a new place, and that the government was standing by its citizens. At the new market place the local government provided incentives: free kiosks, working capital, free trading licenses and grace period of trade tax for first six months. They also organized weekend festival market at Semanggi.
- Stage 5 - to assure sustainability, the street vendors association merged into the Masyarakat Mandiri Cooperative, training and capacity building was provided for business and market management. The city information offices provided publications on the program.

Firstly, the will of the newly elected Mayor, Joko Widodo, to promote and encourage participation of the street vendors in designing the Programme, was of paramount importance. Further support derived from the local leading university and related government administrator, as well as by the involvement of partner NGO's (mainly SOMPIS - Solidaritas Masyarakat Pinggiran Surakarta - Solidarity of Marginal Societies in Surakarta) and the street vendor representatives, namely their traditional associations (paguyuban).

### *Stakeholders, beneficiaries and participatory methodologies*

#### **Beneficiaries**

The Beneficiaries include the inhabitants of Surakarta city (the originators of the early complaints) and its visitors, since the city has benefited not only from higher revenue, but also more beautiful and liveable public spaces, but foremost the street vendors who now enjoy better conditions to carry out their activities.

The street vendors (now referred to as traders) have improved their business. The local government provided free trade permits, free use of kiosks, tax exemption for first 6 months, support for promoting new market place, office space for traders' cooperative, soft loans and training for the traders in business development.

### **Participation processes implemented**

Good communication requires participatory involvement– the Mayor frequently visited and invited street vendors for lunches/dinners to his official residence to create a friendly atmosphere to build trust and partnership. He listened to their concerns and was open for a discussion. This consultative and participatory approach created a more sustainable development for the social, political and economical aspects of the Programme. The local parliament also involved to give suggestion on the social investment strategy and two-way consultative approach to minimize the possibility of social conflict.

In order to attain the proposed objectives, traditional Javanese culture and local values were honored and incorporated throughout the program, such as informal approaches with community and local religious leaders, traditional discussion groups and organizations (Pagayuban) and grouping at the new relocation area, traditional Javanese procession (kirab) and rice offerings (tumpeng), the design of vendor carts, etc.

## *Institutionalizing and financing*

### **Financing**

The budget for this initiative was shared in two, the municipality annual budget and the street vendors' self-help budget.

The program brings the increase of the number of taxpayer and retribution income rate from the small business. The investment includes:

- Social and institutional preparation, physical and construction of relocation sites, stalls, carts and tents.
- Relocation costs and free license fee
- Research and training
- Working capital for street vendors.
- Promotion of the new marketplace

The initiative applies a social investment principle– the parliament, local government and community learnt on the logic of and the return of investment through higher tax/levy. This case has proved that the government intervention is not always about 'cost' but could also be about 'investment' that yields in return of higher tax income and increase urban economic activities.

The Demand now will look for supply–the former trading behavior of the street vendor was usually to approach consumers. After the relocation, the consumer will come to them in the new market place or cluster.

In terms of cost recovery, after three months, the numbers of vendors gained markets and increased profits. Some have earned profits of over 200% compared to what they could have made in previous locations. The initiative proves that street vendors do willingly pay tax and

are commonly obedient tax payers. This has allowed increasing the income of local government and developing the markets.

There are also to consider trickle down benefit effects. At the relocation site (Kithilan, Semanggi), new economic activities were generated, such as communities surrounding markets were busy in attending to their kiosks, as parking operators, market operation and management.

## Outcomes and reflections

### *Key results and achievements*

The most significant result of this initiative was trust and acceptance of citizens, in particular the informal sector. The government's inclusive approach has provided better access to all institutions and the opportunity to negotiate decisions concerning the livelihood of the informal sector. Street vendors now have a better place to work, not only at the Semanggi Market Place (e.g. where the automotive vendors have been able to increase their revenue by 200%- 400%), but also at the clusters provided along major streets and the Surakarta City Walk. The new vendor carts are more attractive and create a unique traditional atmosphere for citizens, tourists and other city visitors.

The city has been able to increase revenue from street vendors. In addition, they have been able to reclaim the Monjari urban park. New trees were planted, areas for children to play were built and the public could enjoy a greener and fresher environment.

In addition, the promoting of obedience to the Laws/Regulations has had visible effects. As of mid 2007, the Solo municipality has managed 51% of the city's street vendors, and the remaining for the next two years will be applied with the same approach. This initiative was guided by the regulation of the city, such as city mayor decrees to legitimate the investment and make the parliament approved the budget. This revealed that the formal recognition of street vendors issues had been addressed by the Surakarta municipality, both in the executive and legislative aspects.

### *Overall assessment and replicability or adaptation elsewhere*

#### **Main obstacles**

The most difficult of this initiative part was building the trust of the street vendors, and engaging them in all the processes in order to achieve the aims set by the Programme..

#### **Replicability or adaptation of policy elsewhere**

The consultative and participatory approaches were introduced by local NGOs to the local government based on their experience and knowledge of other best practices. The city mayor, with his strong leadership had responded to the issue and recognized the benefit of an inclusive approach.

The initiative of relocating street vendors demonstrates a good practice of strong leadership and stakeholder participation in developing the city. The concept of social investment supported by multi-stakeholders and local government regulation had put the initiative to be suitable for the local condition.

Furthermore, there are some local governments interested to learn the practice from Solo –the city of Tarakan, Bangkalan, Banjarmasin and provincial governments of Papua, South Kalimantan, and Riau. These local governments are facing similar problems of street vendors.

They have visited Solo to learn about the process and key factors leading to the success of street vendor management.

The City mayor has been invited by various institutions such as the State Ministry of Housing, Ministry of Public Works, Ministry of Home Affairs to share his vision and experience and speak about the street vendor management program.

The approaches are suitable to almost every city in Indonesia. The main challenges of the initiative are the city leadership, to be able to trust and invest in the informal sector economy, and the ability to work together amongst various stakeholders.

The initiative had attracted master and PhD students to conduct their research on the best practices for their thesis and dissertations. The research revealed the strength and benefits of the initiative and how it may be developed for similar projects in the future.

## Further information

This case was researched and written by Manuela Gervasi and under the supervision of Dr. Giovanni Allegretti at the Centre for Social Studies, University of Coimbra, Portugal, in 2010. We also thank Ramalis Sobandi, urban researcher for the Ministry of Public Works in Indonesia, for her assistance.

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Official website of the government of Surakarta

<http://www.surakarta.go.id/>