CONSUMING URBAN POVERTY INFORMATION BRIEF

Informal food trading – Essential linkages with the urban economy

Information Brief #2 | June 2021

Consuming Urban Poverty

This brief is part of a four-part series containing information to assist informal traders and their allies in advocating for policies that support urban food and nutrition security. It draws on research done on urban food systems in cities across the global South, highlighting the critical role that the informal economy plays.

What the findings tell us

Research in multiple cities across the global South shows informal traders are an essential part of the economic and livelihood engine of these cities. This importance is amplified when viewed through an urban food security lens. Governance actors need to see the informal economy as being part of a mutually-beneficial economic continuum.

- Cities and urban governance actors have a key role to play in the food system. Inaction does not have benign outcomes, and actions that privilege one food system actor over another can have negative outcomes across the food system and the economy. It is essential that cities find proactive and generative ways to work with the informal sector, particularly informal food system actors.

- Many food traders proactively seek to contribute to the urban economy, including through paying a variety of registration fees and taxes. Cities need to find ways to avoid overly complex bureaucratic processes and ensure ease of registration. This will improve revenue collection and enhance trader viability and stability.

- Given the scale of informality and poverty in many neighbourhoods, traders become an essential service. Supporting traders and ensuring adequate infrastructure provision to them can often enhance neighbourhood viability, while at the same time ensuring greater measures of service delivery.

- Traders often measure viability and success in terms of their contribution to the family, household and community, rather than simply through mainstream economic measures. Broadening the way viability and success are measured is key to understanding the value of informal traders.

- Government approaches that support, rather than punish, traders are required as part of a wider, proactive economic development approach.

- Trader relocations imperil livelihoods of traders and the family members or workers they employ and disrupt community access to food, with significant knock-on effects across the city economy and the food system. These impacts are long lasting and undermine urban resilience.

- Gender disparities are evident in informal trading. Women are far more likely to work in the most precarious types of trading, including those must subject to policing, and to do this work for much longer periods. This highlights the need for a gendered approach to

Evidence in this brief

This evidence focuses on recent work carried out as part of the Consuming Urban Poverty project (CUP) in three cities:

- Kisumu, Kenya
- Kitwe, Zambia
- Epworth, Zimbabwe

https://consumingurbanpoverty.wordpress.com

The brief also draws on urban food research conducted by the African Food Security Urban Network in other African cities:

- Cape Town, South Africa
- Windhoek, Namibia
- Maputo, Mozambique
- Lusaka, Zambia
- Maseru, Lesotho
- Mbabane, Swaziland
- Johannesburg, South Africa
- Msunduzi, South Africa
- Blantyre, Malawi
- Gaborone, Botswana
- Harare, Zimbabwe

http://www.afsun.org

Perspectives are also informed by recent work in diverse cities across the global South through the Hungry Cities Partnership:

- Kingston, Jamaica
- Mexico City, Mexico
- Cape Town, South Africa
- Windhoek, Namibia
- Nairobi, Kenya
- Maputo, Mozambique
- Bangalore, India
- Nanjing, China

https://hungrycities.net/the-partnership

The evidence: Differing contributions, linkages and vulnerabilities

Informal food vending, and informal vending in general, is ubiquitous across most Southern cities. This is, in part, a consequence of jobless growth and rapid urbanization taking place across the South, but particularly in Africa. Informal trading is part of the vibrancy, the energy and the economy of most Southern cities.

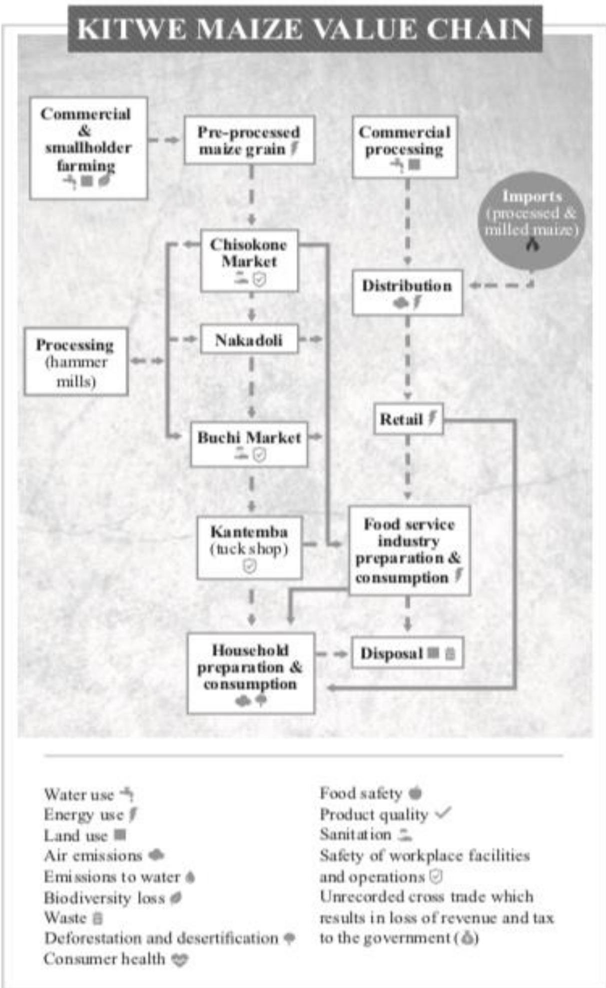
Food traders across almost all trader typologies studied (see explanation under Evidence in this Brief) had direct links to the formal food systems and the wider formal retail, wholesale, logistics and even import and export systems. The evidence shows informal food traders formed part of the food and retail continuum, which itself is part of a wider economic activity continuum.

Different food types have their own value chains. Figure 1 depicts the maize value chain for the traders from the town of Kitwe in Zambia. Here the diverse sources and linkages, and associated networks, all serve to facilitate access to this key staple. Informal traders and suppliers who are part of the value chain in Figure 1 engage both formal and informal suppliers, processors, wholesalers and government-authorized trading spaces in strategic ways that suit their own needs. This approach is not limited to the maize value chain but was seen in fish (in Zambia and Kenya), in processed foods (in Zimbabwe), in fruits and vegetables (in all cities) and in many other food chains. The informal economy plays a different role, has different power, and responds differently to these different value chains. The perception that the informal economy operates only within the informal economy is flawed, and misses the important linkages and contributions of informal trade.

Gender differences are clearly evident in trader typologies. Figure 2 demonstrates this gendered differentiation and is informed by the reported sex of the store owner aligned to the type of store. In the Kisumu example, men generally dominated in stores such as milling and butchery. These often require greater investment, such as grinding mills and some measure of refrigeration. Mini markets, small permanent shops, home-based operators and mobile vendors were generally balanced equally between male and female traders. Market stall operators were predominantly women, as were street vendors and those who ran independent kiosks (structures made from temporary cladding, corrugated iron, etc.).

These gender profiles reveal vulnerabilities. In research across the global South, street traders and the temporary kiosk-type operators are most precarious. It is these traders who are subject to some of the most intense action by authorities, such as policing, which have a direct negative impact on livelihoods. Given the gendered profile of these typologies, these impacts are felt most by women.

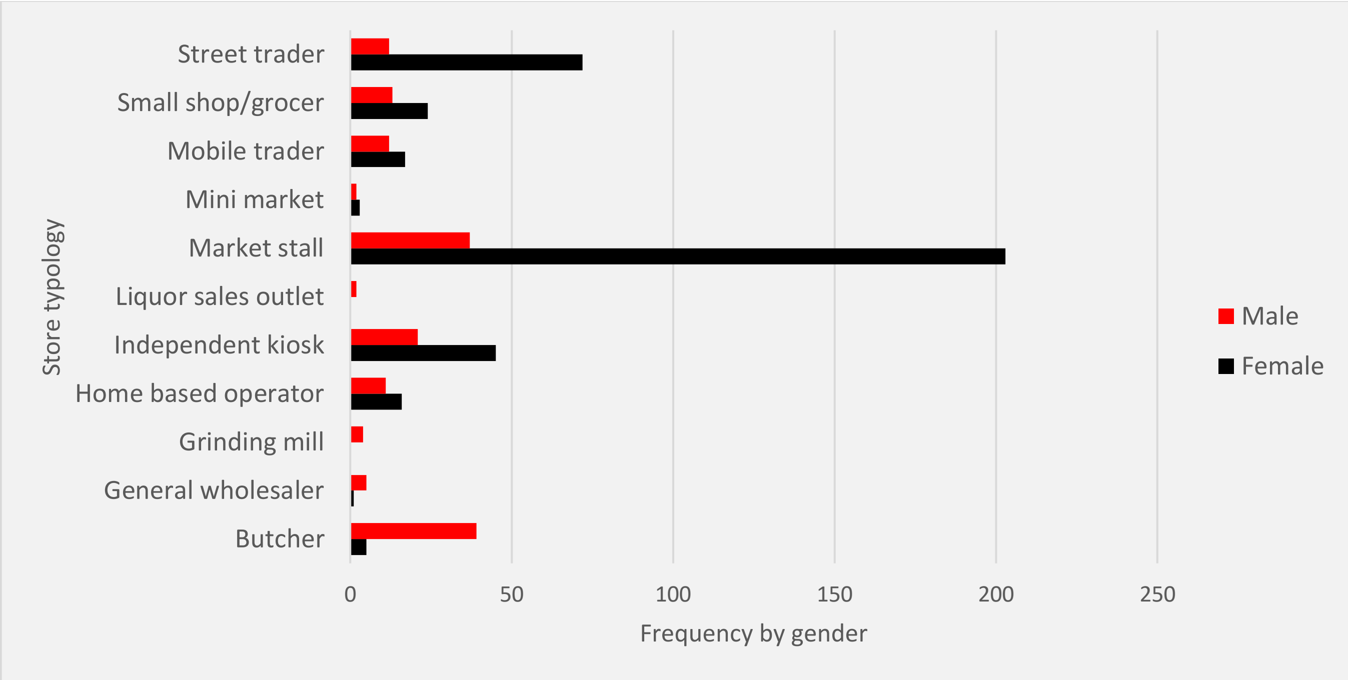
Figure 1: Stylized Maize Value Chain of Traders in Kitwe, Zambia.



Source: Sibanda and von Blottnitz, 2018: 176

Market traders often have a measure of security, with a fixed store in a designated market. Recently, however, led by foreign donors and multilateral agencies, the trend across cities of the global South is to move such markets into more formal structures, such as trader malls (Young, 2019). These are often located on the periphery of the cities, far removed from both the foot traffic of the existing markets and the supply networks that service those same markets (see Battersby and Muwowo, 2018). For these traders facing relocation, livelihoods are under constant threat and efforts to gain legitimacy are most challenging.

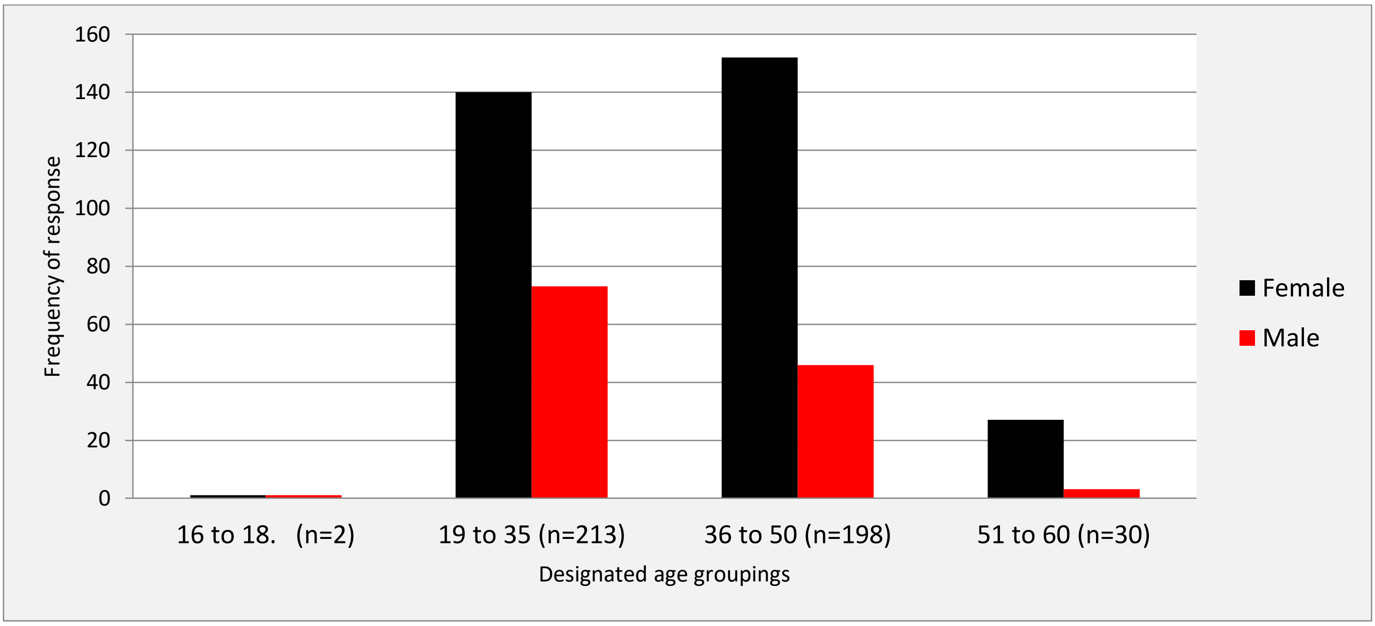
Figure 2: Gendered nature of traders by store typology in Kisumu, Kenya (n=551)



Source: Opiyo et al., 2018

Equally, a gendered dynamic is evident in the length of time spent food vending. Figure 3 details the gender and age of the trader. Of particular importance is the difference between women and men among traders over the age of 35. This suggests that fewer livelihood options exist for women than for men, and possibly reflects the pressures on women to earn income while also taking responsibility for child care and other domestic duties.

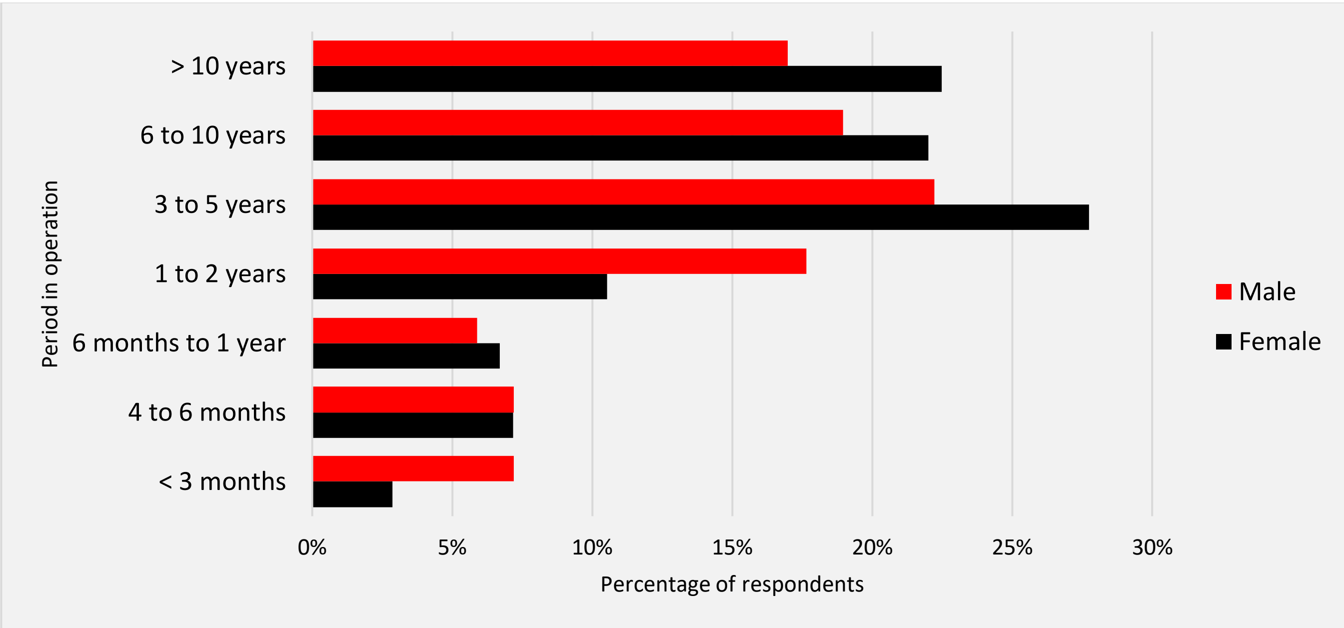
Figure 3: Age of trader by gender in Kisumu, Kenya (n=551)



Source: Opiyo et al., 2018

In the case of Kitwe, over two thirds of traders had been in operation for longer than three years and over 40 per cent for more than five years (Figure 4). In Epworth, perhaps as a result of the difficult economic conditions in Zimbabwe since the late 1990s, reported periods in operation were far higher. These offer clear indications as to the importance of this sector for the economy and as a contributor to livelihoods. It also demonstrates the permanent nature of these operations, countering the perceptions that such operations are transitory, temporary and abandoned as soon as new opportunities arise. The informal economy plays a critical role in livelihood generation and employment in all cities studied. Also, informal food trade serves as an important contributor to food and nutrition security, both in terms of income generated by traders, and through the services that they provide.

Figure 4: Traders' length of time in operation, Kitwe, Zambia (n=375)



Source: Tawodzera, G. & Chileshe, M. (2019)

Traders provide economic benefits in at least two other ways. First, traders reported actively paying a variety of taxes, as well as for licence fees and trader permits. Holding such permits was considered essential for legitimacy and voice in the contested spaces of the informal economy. Conversely, despite this desire, traders reported significant delays, bureaucracy and challenges in obtaining such registrations. Traders reported having to obtain multiple permits from different government departments and other licencing bodies. In Epworth, not only did traders need a city scale permit, which required many visits to government offices, they also had to pay for a medical clearance from a doctor. Additionally, many stores serving food required a health permit. For many traders, the cost, time and varied nature of this process made obtaining and retaining legal status a challenge.

The narrative that informal traders actively seek to avoid the payment of fees and taxes is sometimes used in policy discussions to defend poor services provided to such traders. In fact, traders reported paying a variety of taxes and fees. All paid some form of Value Added Tax (VAT) or General Sales Tax (GST), though few were able to reclaim the VAT or GST paid for goods purchased. Market operators reported paying market fees and related taxes to market (or even street level) revenue collectors. Many traders reported paying other forms of tax to ensure licences to operate. These were frequently paid to city level officials, but traders were quick to assert that these were not "official" taxes. These multiple registration and taxations all contribute to city revenues. Obtaining detailed information on the levels of official taxes and fees collected is a challenge. Given the additional costs of registration (such as doctor visitation costs), interview responses from traders suggested that official figures might only reflect about half of all fees paid. Figure 5 demonstrates the proportion of revenues collected at the city scale from traders in Kisumu.

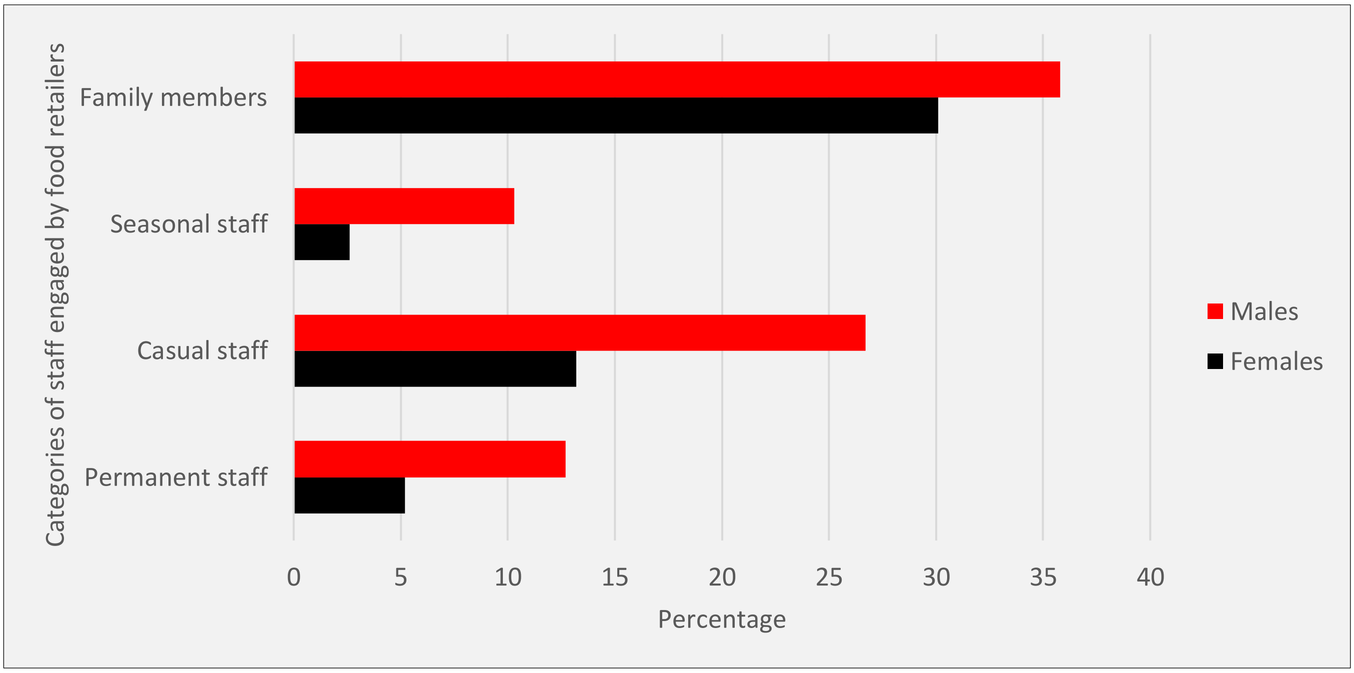
Figure 5: Kisumu city revenues collected in KES over the financial period 2014 to 2017

Revenue streams	2014/15		2015/16		2016/17	
Land rates (property tax)	120 002 382	20.9%	129 635 191	21.4%	138 194 757	22.9%
Single business permits	84 382 849	14.7%	88 748 755	14.6%	81 022 720	13.4%
Rent (for government housing)	30 181 713	5.3%	35 604 969	5.9%	40 955 012	6.8%
Matatu Bus Park fees	78 489 050	13.7%	84 756 350	14.0%	76 284 500	12.6%
Market fees	63 856 275	11.1%	61 723 245	10.2%	52 459 370	8.7%
Building plan approval	19 077 867	3.3%	17 897 651	3.0%	42 630 357	7.1%
Signboard promotion	55 683 113	9.7%	56 610 761	9.3%	59 986 988	9.9%
Sundry revenue	42 837 886	7.5%	47 632 441	7.9%	12 376 746	2.1%
Public health	3 049 000	0.5%	2 427 644	0.4%	9 501 800	1.6%
Parking fees	75 839 331	13.2%	81 305 291	13.4%	89 815 950	14.9%
Total	573 399 466		606 342 298		603 228 200	

Source: Cirolia, 2018 in Opiyo, Ogindo, Otiende, and Fuseini, 2018: 21

Traders also generate additional livelihood opportunities. While some store types make use of family labour, others employ staff. This employment provides localized livelihoods but is linked to the viability of the store. While very few operators employ full-time "permanent" staff, many make use of part-time staff. This provides a sense of the precarious nature of these operations. It also highlights the knock-on implications when closures and clearances shut down these operations, interrupting the livelihood of not just the trader but any additional workers. Figure 6 reflects the different staffing profiles of the traders in Kisumu, Kenya. The use of additional staff may in part be linked to the operating hours of many of these stores. In Kisumu, for example, over 68 per cent of traders reported working in excess of eight hours a day. Many also reported starting work at around 6am to capture morning traffic and then working until late evening at around 8pm. Traders also listed Saturdays and Sundays as amongst their busiest days.

Figure 6: Retail outlet resourcing: Responses from Kisumu traders who employed additional staff by gender and type of resourcing (n=551)



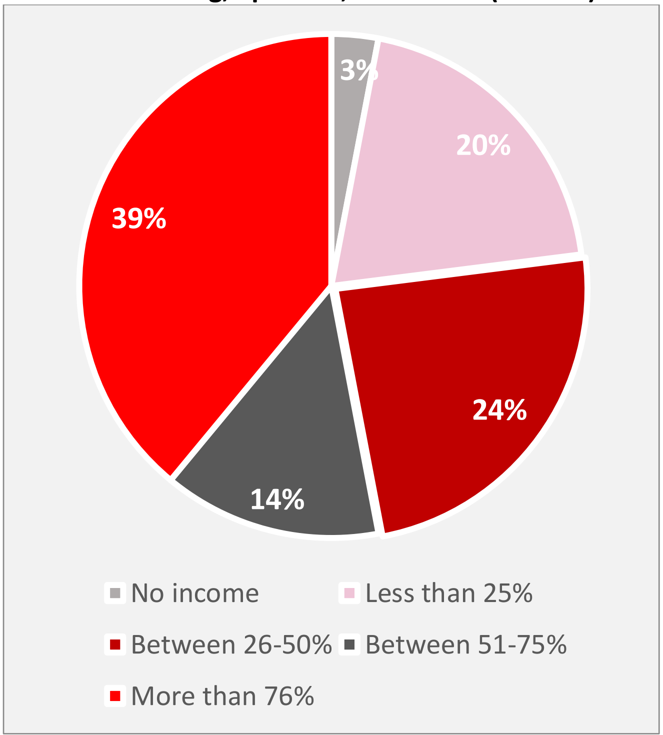
Source: Opiyo et al., 2018

The long hours of operation are indicative of the wider circumstances in many cities of the global South, where unplanned or poorly planned urbanization and limited work opportunities mean many residents have long commutes to and from work; this alters the types of foods purchased and meals planned. Traders respond to these needs in ways seldom observed in formal retail outlets.

Despite the usually low revenue it generates, trading contributes to household income in important ways. In Epworth, more than half the traders reported that their operation contributed to over 50 per cent of their household income (see Figure 7). Even when households have other forms of income, income from trading serves as a top up that enables greater dietary diversity, improved food security, greater access to education and other key social and development needs.

Obtaining quantitative responses from traders about earnings was a challenge. General responses to incomes and profitability were vague (perhaps deliberately). Qualitative engagements with traders generated a far richer narrative around viability and interpretations of economic success.

Figure 7: Percentage of household income derived from vending, Epworth, Zimbabwe (n=1595)



Source: Tawodzera et al., 2019

Respondents used length of time in business and the ability to support their families or send their children to school as measures of business success. Others offered more communal measures of success, citing services offered to communities. These subjective measures of success and viability are different to more traditional economic-based notions of profit and loss.

Many trader survey formats include questions about "the greatest threats or challenges to trader businesses". Competition from other traders is one of the most frequently recorded responses. This emerged in most of our surveys (See Young, 2019, Tawodzera and Crush, 2019, as examples). However, when traders were asked if they thought that more markets or new forms of retail (such as trader malls) would bring greater income generation opportunities, few believed they would. Most frequently, traders cited the scale of poverty within the communities in which they operated as the key constraint to this new potential.

For many traders, start-up capital had to come from their own reserves. However, their investment is continuously at risk due to competition with other traders and also a deeply challenging work environment. For most traders across all cities studied, some of the greatest operating costs reported, after the cost of their stock, included high costs related to inadequate urban infrastructure (see Information Brief #3 for more information). These costs are then passed on to customers. When customers are poor and poverty is pervasive in the neighbourhoods where these traders operate, this often results in trader prices being higher than elsewhere. This fuels a cycle of poverty that undermines the economic viability of communities.

For informal food traders, the challenges are often more extreme and the hurdles greater than for formal food retailers, who benefit from better levels of infrastructure, lower levels of policing, and for whom licensing and permitting is often expedited by city officials. Informal food traders provide an essential service to many communities, generate incomes and contribute to and support the urban economy. Given the ubiquity of informality, but also the links to all other economic systems at both city and national levels, alternative and proactive policy and governance responses are required.

Conclusion

Metrics of success and viability differ when compared to formal economic actors, but the informal economy is an economic driver. Households, local communities and government purses all depend on informal traders. From a food systems perspective, informal food traders, across all typologies, buffer communities against negative events and cycles of fragility.

Traders, particularly food traders, are not separate from the wider economic system; they are key actors in the urban and wider regional economic continuum, linking with, supporting and bolstering economic actors from formal international import/export operators to street traders. These operations are mutually supportive, and all enhance and build the urban economy. Recognizing the role of informal traders, in particular food traders, as a necessary part of stable and vibrant communities is a first step. Next is acceptance of this and the installation of governance approaches and processes that work with, rather than against, informal traders. Governance actors need to fully appreciate the centrality of this economy in the wider urban economy. Informal economy operators do not operate in isolation.

References

Battersby, J., & Muwowo, F. (2018). Planning and governance of food systems in Kitwe, Zambia: A case study of food retail space. In Battersby, J. and Watson, V. (eds.), *Urban food systems governance and poverty in African cities*, 128-140. Routledge. Online at https://www.taylorfrancis.com/books/oa-edit/10.4324/9781315191195/urban-food-systems-governance-poverty-african-cities-jane-battersby-vanessa-watson

Battersby, J. and Watson, V. (eds.) (2018). *Urban food systems governance and poverty in African cities*. Routledge. Online at https://www.taylorfrancis.com/books/oa-edit/10.4324/9781315191195/urban-food-systems-governance-poverty-african-cities-jane-battersby-vanessa-watson

Chen, M. (2012). The informal economy: Definitions, theories and policies. WIEGO Working Paper No.1. Online at https://www.wiego.org/sites/default/files/publications/files/Chen_WIEGO_WP1.pdf

Joubert, L., Battersby, J., & Watson, V. (2018). *Tomatoes and taxi ranks: Running our cities to fill the food gaps*. African Centre for Cities, University of Cape Town. Online at https://www.africancentreforcities.net/wp-content/uploads/2018/10/tomatoes-taxiranks_lowres.pdf

Opiyo, P., Ogindo, H., Otiende, F. & Fuseini, I. (2018). Characteristics of the urban food system in Kisumu, Kenya. Consuming Urban Poverty Project Working Paper No. 5. African Centre for Cities, University of Cape Town. Online at https://consumingurbanpoverty.files.wordpress.com/2019/01/cup-wp-5-kisumufoodsystem.pdf

Sibanda, L. & von Blottnitz, H. (2018). Food value chains in Kisumu, Kitwe, and Epworth: Environmental and social hotspots. In Battersby, J. and Watson, V. (eds). *Urban Food Systems Governance and Poverty in African Cities*. Routledge. Online at https://www.taylorfrancis.com/books/oa-edit/10.4324/9781315191195/urban-food-systems-governance-poverty-african-cities-jane-battersby-vanessa-watson

Skinner, C. & Haysom, G. (2016). The informal sector's role in food security: A missing link in policy debates? Working Paper 44. PLAAS, UWC and Centre of Excellence on Food Security. Online at https://foodsecurity.ac.za/wp-content/uploads/2018/07/PlaasWP44-SkinnerHaysom.12Sept.pdf

Tawodzera, G. & Chileshe, M. (2019). The characteristics of the food system in Kitwe, Zambia. Consuming Urban Poverty Project Working Paper No. 7, African Centre for Cities, University of Cape Town. Online at https://consumingurbanpoverty.files.wordpress.com/2019/02/cup-wp-7.-kitwefoodsystem.pdf

Tawodzera, G., Chigumira, E., Mbengo, I., Kusangaya, S., Manjengwa, O. and Chidembo, D. (2019), *Characteristics of the Urban Food System in Epworth, Zimbabwe,* Consuming Urban Poverty Project Working Paper No. 9, African Centre for Cities, University of Cape Town. Online at: https://consumingurbanpoverty.files.wordpress.com/2019/02/cup-wp-9-epworthfoodsystems.pdf

Tawodzera, G. & Crush, J. (2019). Inclusive growth and the informal food sector in Cape Town, South Africa. Hungry Cities Report No. 16, Hungry Cities Partnership, Balsillie School of International Affairs, Waterloo, Canada. Online at https://hungrycities.net/wp-content/uploads/2019/08/HCP16.pdf

Acknowledgements

Funders

The support of the Economic and Social Research Council (UK) and the UK Department for International Development is gratefully acknowledged. The project is funded under the ESRC-DFID Joint Fund for Poverty Alleviation Research (ES/L008610/1) and ESRC-DFID Joint Fund Follow on Funding Grant (ES/T015926/1.

Research team and contributors

This information brief was drafted by Gareth Haysom, and edited by Caroline Skinner and Leslie Vryenhoek. Information contained in this brief is thanks to the input of many research respondents from all the countries referenced on page 1. In each country, local research teams led the collection of data and conducted analysis of these data. The information and arguments made here are thanks to a hugely generative collaborative research process across cities and research institutions in the global South. All images, Samantha Reinders and African Centre for Cities.

Consuming Urban Poverty

AFRICAN CENTRE FOR CITIES
urbanism from an african perspective

University of Cape Town • iYunivesithi yaseKapa • Universiteit van Kaapstad

WIEGO
Women in Informal Employment Globalizing and Organizing