KEY POINTS

- Sub-Saharan Africa (SSA) is facing high rates of urbanization and increasing food insecurity. The informal food economy addresses food insecurity by providing access to affordable food and significant employment opportunities to the urban poor in SSA. The Committee on World Food Security should recognize the informal food economy as a critical governance issue.

- Different policy approaches need to be taken into account to address the diverse needs of the informal food economy, including the needs of “survivalist” traders, larger constrained enterprises and female vendors.

- Municipalities in SSA often have restricted budgets, which hinder their ability to appropriately govern and support the local informal food economy. Increases in municipal budgets to align with food security needs in urban Africa should be considered as decentralization continues across SSA.

THE ROLE OF THE INFORMAL ECONOMY IN ADDRESSING URBAN FOOD SECURITY IN SUB-SAHARAN AFRICA

ELIZABETH FRASER, MALAMBO MOONGA AND JOHANNA WILKES

INTRODUCTION

SSA is a region undergoing a significant urban transition. UN-Habitat (2014) estimates that by 2050, 58 percent of the African continent will be living in urban regions, representing an increase from 400 million individuals to over 1.26 billion. This will be accompanied by a burgeoning informal sector,1 which has grown rapidly since the 1960s across the continent, providing income, employment and livelihoods for millions of poor urban households.

Africa’s rapid urban transition is leading to rising undernourishment and food insecurity. The Food and Agricultural Organization (FAO) defines food insecurity as a situation where “people lack secure access to sufficient amounts of safe and nutritious food for normal growth and development and an active and healthy life” (FAO 2014). Food security has four dimensions: availability (domestic production), accessibility (household financial resources), utilization (access to proper micronutrients) and stability (ibid.). The reduction of any of these dimensions can affect livelihoods and public health.

It is estimated that 222.7 million people living in SSA, representing 24.8 percent of the population, are undernourished (FAO, International

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1 In this brief, the terms “informal sector” and “informal economy” are used interchangeably. The term “informal food economy” refers to any informal sector work that involves food, such as street vending, processing and retailing.
THE ROLE OF THE INFORMAL ECONOMY IN ADDRESSING URBAN FOOD SECURITY IN SUB-SAHARAN AFRICA

Fund for Agricultural Development and World Food Programme 2013). The informal food economy ensures food supply and access to much of the urban SSA in two primary ways: by providing employment opportunities for women and other marginalized groups, and by making food products available at affordable prices to urban dwellers who buy more food than they produce.

In 2010, the Committee on World Food Security created the High Level Panel of Experts on Food Security and Nutrition (HLPE) to provide evidence-based policy advice to the committee (FAO 2012). Currently, the HLPE is soliciting feedback on critical and emerging food security issues. This brief recommends that the informal food economy be advanced by the HLPE as a critical food security governance issue. Three case studies — Accra, Ghana; Nairobi, Kenya; and Lusaka, Zambia — are discussed to show that the informal food economy is integral to addressing urban food insecurity. These cities were chosen because they demonstrate a range of policy issues and opportunities, and provide regional representation across SSA. The brief then highlights governance opportunities to support the sector and offers four policy considerations: supporting targeted social protection programs that enhance livelihoods in the informal sector; supporting gender mainstreaming in initiatives to develop the informal sector; strengthening municipal level capacity to address the nexus between urban food insecurity and the informal economy in SSA; and the need for municipal policies to create an “enabling” environment for more established informal enterprises.

AFRICA’S URBAN TRANSITION AND THE INFORMAL FOOD ECONOMY

Approximately 400 million people in Africa live in urban regions (UN-Habitat 2014). This figure will rise significantly in the coming decades, presenting

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opportunities and challenges for food security and economic growth. Many urban dwellers in SSA currently live in precarious conditions, with 60 percent residing in slums (Fox 2012). Proper governance and increased economic opportunities are necessary to ensure the positive outcomes of rapid urbanization.

Africa’s urban transition is closely tied to the emergence of a large informal sector, defined by the International Labour Organization (ILO) as “all economic activities by workers and economic units that are — in law or in practice — not covered or insufficiently covered by formal arrangements” (Hussmans 2004, 2). The main characteristics of both the formal and informal sectors are summarized in Table 1.

### Table 1: Characteristics of the Formal and Informal Sectors

<table>
<thead>
<tr>
<th>Formal Sector</th>
<th>Informal Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>difficult entry into sector (i.e., must find and qualify for a formal job)</td>
<td>easy entry into sector</td>
</tr>
<tr>
<td>reliance on overseas resources and investment</td>
<td>reliance on indigenous or traditional resources</td>
</tr>
<tr>
<td>large-scale enterprises with corporate ownership</td>
<td>small-scale enterprises with (typically) family ownership</td>
</tr>
<tr>
<td>wage earning</td>
<td>self-employment</td>
</tr>
<tr>
<td>formally acquired skills necessary</td>
<td>based on skill set acquired outside of formal education</td>
</tr>
<tr>
<td>capital intensive / imported technology</td>
<td>unregistered businesses with little regulatory support</td>
</tr>
<tr>
<td>registered businesses operating in protected markets</td>
<td>low productivity</td>
</tr>
<tr>
<td>high productivity</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors.

The informal sector expanded rapidly in post-independence SSA alongside the increased urbanization of the 1960s and 1970s. This rapid urbanization created a surplus labour market — often of unskilled labourers — in many SSA cities. Without access to formal-sector jobs, migrants looked for alternative ways to earn income, leading to the emergence and growth of the informal sector. Policy makers did not view this favourably at the time. A mission visit to Kenya by the ILO in 1972 repositioned the informal sector as a poverty alleviation tool, and a more conducive regulatory environment began to emerge in some regions (Potts 2008). This enabling policy environment, however, has not become the norm. In reality, policy makers do not officially recognize the informal sector of many SSA cities today.

Africa’s current urban transition poses additional challenges for the governance of the informal sector. Democratic reforms across the continent have prioritized decentralization and aimed to “improve the performance of local government authorities, including by enhancing the capacities of these institutions to extract local revenues, deliver development services, and respond to local preferences” (Bratton 2011, 516). In many countries, however, municipal budgets are still determined by national leaders (Kessides 2006). As a result, many municipal budgets remain at less than one percent of overall GDP, despite rising urban populations (ibid.). This has a negative impact on the ability of municipalities to address emerging governance challenges such as increased urban food insecurity.

Food security in the urban SSA intersects with the informal economy in several ways. First, high rates of urban poverty in SSA mean that many of the urban poor rely on the informal food economy for household nutritional needs. In southern Africa, it is estimated that 70 percent of urban food consumption is sourced from informal-sector outlets (Crush, Frayne and McLachlan 2011). Beyond this, the informal food economy provides much needed employment opportunities to marginalized groups, such as women.
Despite these governance challenges, the informal sector is a significant economic driver in SSA. The African Union (2008) suggests that 60 percent of urban employment and over 90 percent of new jobs in SSA are based in the informal economy. For example, the informal sector is the largest source of employment in Tanzania, outside of smallholder agriculture (Haan 2002). In the southern African region, 72 percent of non-agrarian employment is provided by the informal economy (Charmes 2012).

CASE STUDIES

ACCRA, GHANA

Accra is an internationally, regionally and nationally integrated city with high volumes of trade and migration. Approximately 70 percent of the workforce in Accra is employed in the informal sector, attributed to the lack of formal employment, financial credit, training and education (Pescina 2010). The neglect of these factors highlights the structural barriers for the sector.

Accra’s informal sector is characterized by its diversity. In recent decades, it has expanded from more “traditional” sector activities, such as handmade items and food trade, to a wide array of products and services, including auto repair and processed foodstuffs (Trager 1987). Two types of activity exist within the informal sector. The majority of informal sector workers are petty traders and sellers who participate in the informal market in order to survive — termed “survivalists” (Grimm, Knorringa and Lay 2012). A second, smaller portion of the informal economy consists of larger, unregistered “constrained enterprises.” Both face challenges of insurance, infrastructure and access to credit (ibid.). Survivalists, however, also confront significant personal barriers to growth, such as basic literacy and formal education, suggesting the need for multiple policy approaches that appropriately address the needs and concerns of each type of activity.

Accra’s informal food economy is also characterized by gender differentiation. Street traders and vendors specializing in food are overwhelmingly illiterate or semi-literate women (Osei-Boateng and Amaratwum 2011). Women are also more likely to work on a cash basis as survivalists in the informal food sector, which makes them more vulnerable to economic shocks. Without social protection, female informal employment is an inadequate guarantor of household food security due to food price volatility or economic shocks.

Food purchases consume the majority of the average household’s expenditures (Levin et al. 1999). Female-headed households spend more on necessities (such as food) and demonstrate higher “caloric adequacy” than male-headed households, despite having restricted resources and greater barriers to formal-sector work than men. As a result, women are increasingly reliant on informal employment and thus susceptible to lower incomes and increased household food insecurity.

NAIROBI, KENYA

Kenya was one of the first countries in SSA to formally recognize and support the informal sector. In the 1980s and 1990s, under President Daniel Arap Moi, the sector made its way into numerous budget speeches, bylaws and statutes (Hope 2012). Many of these discussions and pieces of legislation called for the creation of an “enabling environment” in which the sector could thrive. Between 1980 and 2000, the share of total employment of the informal economy rose from 18 percent to nearly 70 percent (Atieno 2006).

One of the most prominent subsectors within Nairobi’s informal economy is street trading and vending in food,
which are predominantly female-led. The goods traded by these vendors include vegetables (31.2 percent), cooked foods and snacks (19 percent), and cereals and grains (5.5 percent) (UN-Habitat 2006). The informal sector also provides essential economic opportunities to women who would otherwise experience significant barriers to employment.

The complex bureaucracy involved with licensing in Nairobi still creates barriers for informal enterprises. These include duplicate licensing at the national and local levels, high rates of corruption within the licensing system and long wait times for obtaining licenses (ibid.). In 1998, a system for streamlining licensing was established, including the issuance of a single harmonized business permit, though little evidence exists of its effectiveness (ibid.).

Land and zoning policies also greatly impact informal-sector enterprises that cannot flourish without secure workspaces (Haan 2002). In 1997, Kenya’s Ministry of Lands set out to harmonize the myriad of land-based legislation with the intent of setting aside specific lands for the informal sector (UN-Habitat 2006, 109). The outcomes of this process, however, have not yet been examined.

Finally, access to credit is a significant concern of informal-sector workers. Several local innovations have emerged to address this issue. Rotating Savings and Credit Associations are “merry-go-round” finance schemes, where a community of individuals makes monthly contributions to a common pool, the contents of which are made available to a different member each month (Hope 2012). This has become a major source of financing for micro and small enterprises in the country (ibid.). While cooperative, community-based credit solutions have been successful, they rarely provide sufficient credit to significantly expand business operations, provide income security or formalize businesses. Indeed, UN-Habitat (2006, 111) reports that “most street vendors in Nairobi claim that they would graduate faster to formal trade if they were…provided with better access to credit.”

While supportive measures have been undertaken by the Kenyan government to recognize and support the informal sector, it is unclear how effectively they have been implemented. The Nairobi case demonstrates the potential for increased municipal governance to create an enabling environment for the informal sector to flourish, but needs to be coupled with appropriate monitoring and follow-through.

**LUSAKA, ZAMBIA**

Lusaka, the capital city of Zambia, is rapidly urbanizing with 63 percent of the country’s population residing in urban areas in 2013 (World Bank 2014). In urban Zambia, where residents purchase more food than they grow, the informal sector is an important determinant of urban household food security through the provision of vital food access to urban residents. Informal traders account for 42 percent of Lusaka’s retail food across the meat, dairy, cereals and vegetables markets (ibid.). Small grocers and informal food vendors also meet the demand by repackaging staple foods and operating from convenient points of sale.

Livelihoods are a significant determinant of access to food. In Zambia, micro, small and medium enterprises (MSMEs) are an important source of livelihoods. MSMEs are classified as businesses that employ less than 50 employees, including the owner, and employees are either unpaid, paid in cash or paid in-kind (Clarke et al. 2010). These enterprises employ 88 percent of Zambia’s working population, compared to the seven percent and five percent employed in the public and formal private sectors.
sectors, respectively (ibid.). The majority of MSMEs are small in terms of sales, and therefore classify as survivalist enterprises (ibid.).

Survivalist enterprises are associated with poverty and individual- and household-level vulnerability due to low average wages and unstable incomes. The nature of Zambia’s informal economy reiterates the importance of a strong social protection system in relation to incomes and consumption. Social protection comprises “a menu of policy instruments that addresses poverty and vulnerability, through social assistance, social insurance and efforts at social inclusion” (HLPE 2012, 11). Both social insurance and social assistance in Zambia are not “adequate in terms of the numbers of the population covered, the scope of coverage and the adequacy of benefits/payments received” (ILO 2008, 5). Social insurance is only available through formally incorporated employers, and thus only reaches three percent of the labour force (ibid.). There are no schemes that cover informal employees in Zambia.

For those engaged in survivalist informal sector activities in Lusaka, frequent economic shocks pose the risks of poverty and hunger. For those already poor, informality exacerbates individual- and household-level income and consumption insecurities, as well as posing the risk of destitution, starvation and mortality. A key challenge is therefore to extend social protection to the informal economy. By targeting these different levels of vulnerability, social protection programs targeting informal workers address some of the root causes of transitory and chronic food insecurity (HLPE 2012). A first step in creating such programs could be a social protection analysis of Zambia’s labour market to reveal the layers of vulnerability prevalent among informal workers and the survivalist portions of the informal economy and their relationship to food insecurity.

POLICY CONSIDERATIONS AND RECOMMENDATIONS

Social protection for survivalists in the informal economy: Individuals engaged in survivalist roles within the informal economy are highly vulnerable to economic and food price shocks. They also typically fall outside of national social security schemes, which are often offered only to formal-sector workers. A targeted social protection scheme would help buffer these individuals against economic shocks, thus aiding in their food security, helping individuals increase their asset base, and increase their chances of poverty alleviation. Several proposals have been made recently by international agencies to mobilize funds to support social protection programs in the Global South (de Schutter and Sepúlveda 2012). These aim to assist national governments to cushion the financial risk associated with extensive social protection.

Gender considerations in informal-sector policies: The informal sector provides crucial employment for women across SSA. Structural barriers, such as literacy rates and asset (i.e., land) ownership, need to be addressed before SSA countries can foster success in their female-dominated informal food markets. Specific considerations should be made to ensure all informal-sector policies take the needs of women into account. This could include modifications to ensure land, credit and licenses are accessible to female entrepreneurs. In addition, security in informal market places and training for female businessowners could provide increased support to this population.

Greater support for municipal-level governance: Urban food insecurity, as it intersects with the informal sector, is best addressed at the municipal level by increasing municipal budgets. This could be achieved by accelerating fiscal decentralization within ongoing decentralization processes in many SSA nations, which place greater
responsibility and importance on municipal government. This would increase municipalities’ revenue base. This issue needs to be addressed for good governance of the informal sector to be viable.

New policies to create an enabling environment for the informal sector: Informal-sector enterprises face several constraints to growth, including access to and security of land, access to credit and complex licensing procedures. Government officials should consider policies that create an enabling environment for these enterprises, given their importance to their national economies. A greater enabling environment could also lead to the formalization of the constrained enterprises, which could increase government tax revenue. Immediate policies to consider are: streamlining licensing and registration systems between national and municipal jurisdictions, and addressing issues of corruption in this process; improving or creating credit programs for informal enterprises; and including informal-sector associations in urban planning decisions to ensure that land is dedicated for use by the sector.

CONCLUSION

Municipal governments are best positioned to address growing urban food insecurity in SSA; however, these governments face significant challenges that constrain the governance capacity of SSA’s growing urban spaces. With increasing rates of urbanization and rapid economic growth across the continent, the informal sector provides crucial opportunities for equitable economic growth for urban populations in SSA. This requires appropriate policies that foster urban food security, support livelihoods in the informal sector, consider the specific needs of women and strengthen the overall capacity of municipal governments. The heterogeneity of the informal economy indicates the need for targeted solutions at both the local and national levels, based on enterprise size and purpose. Proper governance and support is imperative moving forward.

WORKS CITED


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