Sustainable Formalization of Street-Trade in sub-Saharan African Cities: A comparative analysis (DfID 8079)

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in collaboration with

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RESEARCH REPORT
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Foreword

Make this into an executive summary which is missing at the moment—need more results?

Executive Summary

Following structural readjustment, liberalization and globalization, often exacerbated by conflict or disease, the leading cities of the third world have experienced population growth and an increase in their informal sector. Most urban informal-sector growth has been in the expansion of street-trading, accelerating land-use change and creating numerous conflicts within the petty-trade sector, as well as between traders and other urbanites.

The continuing growth of informal vending and its attendant conflicts creates on-going pressure on urban managers to act. Yet, whatever policies are adopted, formalization has very unequal outcomes for traders and often fails in its urban management objectives.

The purpose of this research was to contribute to sustainable poverty alleviation for the growing number of the vulnerable urban poor in sub-Saharan African cities, who depend on street-trade for their livelihoods.

In discussion with DFID and the referees who reviewed the research proposal, a conceptual framework was developed, focusing the research and resulting in modifications to the aims objectives. This report briefly describes the approach ultimately taken and results achieved.

The principle hypotheses of the research were 1) Social capital, structural and cognitive, is an essential component of survival and success in petty trade, because it is an essential means of social, financial and spiritual support; 2) It is the destruction of trader networks which is partly responsible for the frequent failure of formalization policies; 3) Those traders who do survive such transitions, are reliant on the development and adaptation of new social networks.

The research also aimed to bridge the divide between francophone and Anglophone development studies. Literature was reviewed in both languages, research was carried out in Anglophone and francophone settings, and dissemination is taking place in both languages.

Accra and Dakar were chosen as case studies, with two markets identified in each for detailed research. In order to effect a comparative study, in addition to key-informant interviews in the municipalities and other organizations, traders were interviewed in both markets, in the formal, semi-formal and informal sectors, to identify personal and working-life histories, and relate them to long-term change in their social capital. In addition, Durban, Johannesburg and Cape Town in South Africa were adopted as examples of three archetypal urban management models with respect to formalization of street-trade.

There are four principle findings: 1) Trader livelihoods are increasingly mobile and diverse; 2) Finding work depends primarily on family networks, both initially and throughout the life course; 3) However, sustainability and upward mobility depend primarily on friendships formed in the market-place. 4) Formalization has a heavy impact on trader networks in the market-place.

Conclusions and recommendation are discussed in terms of participatory urban management policies and social capital theory.

The project ran for nineteen months from 1.5.02. Dissemination is ongoing.

Our thanks go to the anonymous referees and to the members of our steering committee for their constructive and useful comments, to DFID for funding this research, and to all who participated and collaborated in enabling it, in the UK, in Ghana and in Senegal.

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LSBU, 31.3.04
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1. BACKGROUND

The project drew on four principal areas of literature and theory: economic formality and informality (Sec. 1.1), street and market trading (Sec. 1.1), sustainable livelihoods (Sec. 1.2) and social capital (Sec. 1.3).

1.1 Trading

Over the past quarter-century African cities have grown rapidly (Cohen 2004) without commensurate economic growth (Jacques, 2000), and in association with structural reforms and a declining agricultural sector. The informal economy, particularly street-trading, has grown rapidly (Devas et al, 2001).

Despite its global and national roots the phenomenon is managed at the municipal level. Street-trading poses serious urban management issues, e.g. congestion and pollution, while increased competition threatens the sustainability of trader livelihoods.

Urban-management responses to informal street-trade reflect attitudes to the informal sector generally, ranging from prohibitive, exclusionary measures, based on the view that street-trade is threatens the sustainable development of the city (Rogerson, 1989), to accommodative, facilitative interventions based on a view of street-trading as an important function within the urban economy (Tokman, 1992).

The term ‘informal sector’ has always been controversial (Allen, 2001) because formality and informality are so intimately interwoven (Rogerson and Preston-Whyte, 1991) and, certainly in the case of traders, formalization may be partial, applied in a range of sectors (Lyons and Mbiba, 2003. p. 2).

Whatever the approach, policies often fail both planners and traders (Lyons, Smuts and Stephens, 2002). The present project has therefore sought to inform the management of urban street-trading, based on a sound understanding of trading livelihoods.

1.2 The sustainable livelihoods approach (SLA)

DfID’s Sustainable Livelihoods Approach (SLA) can be understood as a conceptualisation of the means available to the poor to effect change in their own situation (or to sustain continuity despite external change), and was used to conceptualise trading lives.

Groups and individuals are seen as holding five forms of asset, or capital: financial, human, natural, physical and social. Rakodi explains that the poor “cope with and recover from stress and shocks, by stinting, hoarding, protecting, depleting or diversifying the portfolio (of assets)” (2002, p6).

Sustainability is considered by DFID to be the core concept of the livelihoods framework. Scoones (1998) explains: “ A livelihood is sustainable when it can cope with and recover from stresses, maintain or enhance its capabilities and assets” (Rakodi, 2002, p18).

The adverse trend most crucial to today’s trader is increased competition from fellow traders. Shocks affecting traders range from the general (eg currency devaluations) to the personal (eg family deaths).

In the case of traders livelihoods can be considered sustainable if, over their working lives, there is improvement or stability of trading activity, of turnover, and of living and shelter standards.
1.3 Social Capital

Widely considered a crucial asset of the poor (Rakodi, 2002; Uphoff, 1999, p2; Woolcock, 1997, p186), social capital forms the conceptual focus of this research.

Adoption of the concept has been rapid and led to diverse developments. Some scholars adapted the concept to interpret the actions and political influence of groups and classes (notably Putnam, 1992, 1995). Others focused on social capital as a dual asset of individuals and groups (Coleman, 1988). This implies another debate: Is economic value a by-product of sociability, as Putnam thinks, or is social life a by-product of rational economic action, as Coleman suggests? Finally, a debate emerged about the impact of migration on the social capital of the poor, as some scholars suggest that kinship networks and, by implication, other inherited ties, have given way to new, contingent links.

These concepts have provoked considerable controversy (Putzel, 1995; Portes and Landolt, 1996; Fine, 2001; Harriss, 2002), some reflected in the literature written specifically on the role of social capital in street-trading (Van Dijk, 1983; Repetti, 1999; Ndione, 1994; Fafchamps and Minten, 2001; Anderson and Jack, 2002). These debates inform the research objectives.

2. GENERAL OBJECTIVES

2.1. Aims

The project’s principle aim was to contribute to urban poverty alleviation through informing policy-making relating to the management and formalization of urban street-trade.

Its second aim was to contribute to the debates on social capital and livelihoods.

Its third aim was to bridge the divide between Anglophone and francophone debates.

Three hypotheses were formulated: 1) Social capital is an essential component of survival and success in petty trade, because it is an essential means of social, financial and spiritual support; 2) It is the destruction of trader networks which is partly responsible for the frequent failure of formalization policies; 3) Traders who do survive such transitions, are reliant on the development and adaptation of new social networks.

2.2 Objectives

Six objectives were pursued. Over traders’ working lives:

- Identify ‘career’ trajectories i.e. mobility:
  - into trade and out of it
  - among forms and degrees of formality
  - upward and downward mobility
- Assess the importance of social capital as a livelihood asset amongst urban petty traders.
- Determine the forms of trust and networks on which traders draw, as groups or individuals
- Explore how traders maintain, create and deploy their social capital and the strategies they employ in order to improve their political, commercial and social status.
Examine the impact of formalization of street-trading on traders’ social capital.
Identify models of formalization and lessons for urban policy.

3. METHODS

Three main issues are discussed below: operationalization of the general conceptual framework for an urban trading context (Sec. Change section numbers to 4.3.1), case study selection (Sec. 4.3.2), and methods of data collection (4.3.3). For further detail see App. 2 and 5.

3.1 Operationalizing Theory

Livelihoods and Formality

Within DFID’s SLA this project emphasizes the fluidity in traders’ fortunes and their ability to draw on their social capital, to design and implement strategies to cope with negative trends and shocks and to take advantage of opportunities.

The project views formality as a principal policy context in traders’ lives and as an ‘influential process’. Five components of formality can be relevant to traders: 1) regulatory and legal regime 2) management and administrative regime 3) fiscal and revenue interventions 4) access to formal finance 5) organization of traders.

Social Capital

Social capital was defined as consisting of networks and trust, and further defined in relation to traders’ working life.

The research defines ‘bonding capital’ as relationships among traders of equal power within a market place; ‘bridging’ social capital as relations among groups in different markets or sectors. Both are examples of horizontal social capital. ‘Vertical’, or ‘Linking capital’ is defined as relationships of individuals or groups with more powerful actors such as the state, wholesalers, or landlords.

Networks are defined as the people you know, and could turn to for help as a trader. Networks can draw on a range of milieus, such as family, friends, faith communities, or colleagues in a market-place. They can provide commercial advantage in terms of information, access to jobs, and suppliers; cooperation in creating a financial infrastructure, or in improving and managing physical infrastructure; be instrumental in surviving a crisis; or offer personal spiritual or practical support (e.g. help with childcare, sharing storage space). They can be manifested in different types of links, e.g. help among friends, savings groups and associations, or between individuals and government.

The behaviour of individuals and groups in networks is based on trust, defined as expectations about others’ behaviour. Expectations, in turn, are based on norms and reinforced by sanctions.
3.2 Context

*Cities and Markets*

Anglophone and Francophone West Africa was the primary focus of the research. Dakar, Senegal and Accra, Ghana were chosen, and the research designed to reflect their urban economy, society and politics.

With structural adjustment and political liberalisation both cities have undergone major changes; Both are major coastal cities and dominate their national economies; Both share problems typical of other African cities, e.g. poor sanitation, pollution, inadequate services and infrastructure, and congestion.

With regard to markets they pursue different policies. In Senegal municipal efforts have focussed on provision and management of buildings for fresh foods. Accra’s market buildings are multi-sectoral and may be public or private.

Market choice reflected local factors which impact upon trading e.g. location, product profile, gender and age balance, type of market buildings levels of formalization and forms of management.

Accra’s inner-city New Makola Market was built, owned and managed by a private-public partnership to resettle traders displaced from another site. Peri-urban Madina Market is run by Ga District Authority and built in-situ with donor funds.

Dakar’s Marché Sandaga is the city’s economic heart, with cultural and political significance, but is the focus of pressures to de-congest the area through forced removals. Suburban Marché Colobane has spilled over into surrounding streets and with it, pollution, congestion and violence. One municipal building has stood almost empty since 1984. There are nevertheless efforts here to build more market buildings.

Because of its developmental approach, Durban was originally selected as a third case study. The development of different approaches by South Africa’s major cities since 2002 led us to study Cape Town, Johannesburg and Durban, to assess three archetypal participatory urban management policies with regard to trading.

3.3 Fieldwork design

Semi-structured key-informant interviews were held with politicians, civil-servants, NGO, CBO and association operatives and leaders in Dakar and Accra, to understand present models and interests, and future trends.

These supplemented structured, in-depth interviews with 264 traders in the four markets, covering socio-economic profile, work, migration and personal history, social infrastructure of trader, sources and benefits of relationships. Each market was divided into spatial zones, by level of formality and customer accessibility. Stratified sampling was applied, to interview traders from groups selected by product line, levels of success, and spatial zone.

Semi-structured key-informant interviews were also held with politicians, civil-servants, NGO, CBO and association operatives and leaders Johannesburg, Durban and Cape Town, to formulate a range of management models to inform the research.
4. FINDINGS

5. very clear — nice!

Trading livelihoods are increasingly mobile.

1. Trading attracts migrants (68% of interviewees)

2. Most traders started in the informal sector, as hawkers, although most received previous training or experience in the formal or semi-formal sector (85%).

3. Most traders were upwardly mobile, acquiring ownership of their own business and retaining it (over 50% of present owners, had not been owners in their previous job, and only 12% had been owners in the previous jobs but one).

4. This upward mobility involved:
   - Frequent changes in levels of formality and level of shelter
   - A tendency to move from petty manufacturing and service delivery to sales within a given sector (e.g., tailors become clothes sellers or cloth sellers).
   - Upward and downward mobility, in terms of shelter quality and employment level, are increasing, as recent transitions involve more vertical mobility than earlier transitions.

5. Trader mobility is influenced by their perceptions of market opportunities, their aspirations and constraints imposed e.g. by the state. This mobility results in a diversity of trajectories, which runs counter to the ‘urban myths’ surrounding markets, especially in Senegal. There are indications of a possible increase in socio-economic polarization in the markets, as upward-mobility from hawking becomes more difficult with increased competition, while higher-level opportunities for integration into the global economy, increase. This should be the subject of further research.

2. Upward mobility or long-term stability of traders’ livelihoods depend on:

1. Access to work or a work-place,

2. More frequent access to lump sums or credit, to overcome a crisis e.g. funeral, lost goods (57%), or to meet recurring costs, e.g. restock or pay rent (55%);

3. Access to good customers and, particularly, suppliers

4. Ability to use time flexibly, because of the long working day and full working week.

3. In meeting these needs, traders depend heavily on their social capital, in the form of:

1. Individual links (e.g. with family, friends and other traders)

2. Associational memberships, which increase with age and tenure in the market, although.
   - they are higher among women than men (58% against 41%).
   - and lowest among young hawkers.
4. **Family ties are an important source of social capital for traders**

4.1. Family ties are more important than any others, for finding work in trade, although their importance diminishes over time. Relatives were the most important contacts for:

- arrival in the city (over 65% of migrants)
- finding one’s first market job (over 60% of traders)
- all subsequent market jobs (over 50% of traders)

4.2. Reciprocity among relatives is maintained, despite changing patterns of family ties.

- There is often delay in the start of remittances or other support while traders get established
- Indirect reciprocity is important: many traders helped relatives who had not helped them directly

5. **But friendships formed and maintained in the market place are crucial in supporting day-to-day trading. Market-place friends were the most important source of contacts for supporting:**

5.1. Short-term financial strategy: access to borrowing to survive crises (personal or business)

5.2. Long-term financial strategy: stabilizing revenue and access to investment capital

5.3. Trading strategy: developing links with good customers and suppliers

5.4. Information: finding out about impending city action, price movements etc.

5.5. Market management: agreeing competitive policy and resolving conflict

5.6. Emotional support: Important among young migrants (under 30), was to develop friendships and stave off loneliness

5.7. Practical support: manual labour, guarding stalls, sharing trading and storage space, pooling transport, wholesale procurement, sharing customers, ‘backstopping’ etc.

6. **Most traders make conscious and strategic efforts to develop new networks in the market-place, through:**

6.1. joining welfare associations (approximately 50% at all trading levels, except hawkers)

6.2. remaining in, or joining new savings groups, even if their business has outgrown economic dependence on such groups

6.3. mutual aid and reciprocal favours

7. **These relationships require trust, which reduces transaction costs and is an important facilitator of interaction. Trust in the market-place has several culturally specific sources.**

7.1. In Dakar affiliation with Islamic brotherhoods is a common basis for trust, e.g. between hawkers, new to the market, and established merchants. In contrast,
church membership in Accra, where most traders are Christian, is rarely used as a basis for financial trust.

7.2. However, in the market place, close proximity aids observation. Particularly in Accra this was used as a form of surety in a range of relationships.

7.3. The lack of a fixed trading position for hawkers excludes them from this circle of trust, and is one of the reasons for lower associational membership among them.

7.4. Traders consciously manipulate their social capital by substitution, investment, cost-benefit considerations, institution of norms, application or avoidance of sanctions. For example, membership of a welfare group is positively associated with access to borrowing, suggesting that some associational memberships support other trading functions.

8. **Vertical social capital is important to growth and development in trade:**

8.1. Vertical relationships among traders vary in importance: importers and suppliers (85%), landlords (60%), market managers (10%), and very occasionally, council officials, or policemen (5%).

8.2. There is reciprocity as well as exploitation in vertical trading relationships, which are all-important in long-term career prospects of young traders.

8.3. In Dakar these relationships are integrated with and informally mediated by the brotherhoods, and reinforced by urban myths. These help to give form to ambition and direct action.

8.4. There is also reciprocity and mutual dependence in political trading associations, which act as power brokers and negotiators with urban authorities, therefore crucial in the formalization process.

9. **But relationships with authorities are infrequent, and markets vary widely in:**

9.1. the extent to which their leaders are able to negotiate with authority on a day-to-day basis, rather than at a time of political crisis, and

9.2. the extent to which people are aware of the role and power of urban authorities.

9.3. There is very little expectation of gain from organized action among traders in privately owned markets.

10. **Most traders operation are at least partial formal in relation to the state, e.g. high rates of trading tolls and license fee collection**

10.1. These charges increase operating costs, but are not perceived by traders as being translated into adequate services, eg waste collection, leading to opting out.

10.2. Tolls make up a high proportion of municipal income, particularly in small towns

10.3. Further research is required to evaluate the effectiveness of toll collection, administration, and expenditure on services

| 14.11. | In most markets there is a strong grassroots basis for formalization |
| 14.11.1. | In addition to personal trust, general market norms are important, which are the basis of generalised trust. |
There is a gradient of formality, with some norms rarely verbalized, and others written down, as they are incorporated by increasingly formal associations. Even in the most informal arrangements, eg mutual aid, penalties for failing to comply with norms are widely agreed upon.

Market-place relationships are often the basis of de facto formalization, through a range of grass roots initiatives, e.g. in the formation of microfinance services, or in mutual regulation among traders. Inter alia, such grass roots formalization provides for: predictable competition behaviour, mechanisms of conflict resolution, information, support and discussion relationships, exchanges of favours, insurance against shocks, increased access to borrowing.

If these networks are open and overlapping then traders may be able to gain access to other networks.

- Social capital can only be maintained if it receives investment. It can in fact be exhausted without adequate investment. Some networks are maintained by frequent or repetitive interaction, others by reciprocity.
- Indeed a trader goes through many stages in a career and at each stage needs to draw on and develop new networks.
- Because of limited resources, traders substitute and deselect networks through an informal cost-benefit analysis of the worth of membership. The poorest may exclude themselves, through being unable to contribute to any networks, and many avoid networks in which they consider that their influence will be insufficient.

Physical formalization was an aspiration of hawkers and other people trading in the open (76%). Traders are eager to get:

- regular trading spots, which will reduce competitive friction and give them a presence, enabling them to join more formal and semi-formal organizations
- better physical conditions in which to work, in order to
  - protect them from disease vectors and harsh conditions in the open
  - protect their stock.

However, the costs of physical formalization for traders are generally very high and result in widespread exclusion:

- There is a direct financial burden, as traders are asked to contribute financially to the capital cost, generally early in the process, forcing them to borrow or mobilize savings for a long period
- Nevertheless, they have little voice in the outcome, while
- Many are excluded by these threshold costs

Other causes of exclusion include:
17.1. As in housing formalization, densities are often too low to accommodate all traders on a site.

17.2. Operating costs are too high for some traders (rents, service charges, etc).

18.15. Finally, poor physical design makes trading uneconomic, eg

18.1. Access to footfall is critical in market location and design, and a common failing of municipal and private markets.

18.2. Closed plan types: cul-de-sacs deter passers-by.

18.3. Location off main roads and main shopping ‘drags’ limits access by customers.

18.4. Location within market and issues of visibility can be very unequal among traders.

18.5. This happens in both in-situ upgrading and removal to a new site.

19. The livelihoods of all traders are adversely affected by the consequent break-up of market-place social networks.

20.17. Formalization is more successful in those cases where

20.1. Grass-roots organization is integrated into the management structure.

20.2. The process is consultative and developmental.

20.3. Management models are considered which give traders a stake in the market as a whole, eg ownership.

20.4. Physical design takes account of the needs of traders.

20.5. Political models are adopted which give traders a continuing role in management.

5. DISSEMINATION & PUBLICATIONS (Summary list)

Dissemination has been carried out through workshops and seminars (Sec. 5.1) academic and professional publications (Sec. 5.2) conference presentations (Sec. 5.3), and the development of a research and practitioner network (Sec. 5.4). For a detailed account see App. 3.

5.1 Workshops and seminars

Three workshops have been held so far, and a fourth is being planned.


Organized by the Urban and Peri-Urban Research Unit and hosted by LSBU, this project brought together a group of UK development practitioners and researchers involved in street-trade and market formalization to discuss a draft of the Good Practice Manual.
5.1.2. “Seminaire – atelier sur le thème: la modernisation et le développement durable des marchés urbains”, CREA, 24.11.03, University Cheikh Antah Diop, Dakar, Senegal

Co-organized by Centre de Recherches Economiques Appliquées together with LSBU and hosted by the Université Cheikh Antah Diop.

The workshop brought together twenty five participants from local government, national government, trader representatives from the markets of Sandaga and Colobane, representatives from NGOs, trading associations and trade unions, and the research team.

5.1.3. “Seminar on sustainable market formalization”, ISSER, 27th November, 2003, University of Ghana Legon, Accra, Ghana

Co-organized by ISSER (Institute for Social Statistical and Economic Research) and LSBU, and hosted by ISSER at the University of Ghana, Legon.

The workshop brought together twenty participants from local government, representatives of traders, representatives of micro-finance organization with presentations from researchers and six participants representing diverse sectors and interests.

5.1.4. “Seminar on sustainable market management and formalization”, Johannesburg, South Africa, November 2004

Co-organized by LSBU and MMA Architects, City Markets Company, Johannesburg Urban Regeneration Board and hosted by University of Witwatersrand, this seminar plans to bring together practitioners and academics from South Africa’s three major cities in a debate on sustainable market formalization principles and practice. Research findings will be presented and discussed. Funding is being sought to widen participation to include stakeholders and researchers from non-participating Peri-NET cities.

5.2 PUBLICATIONS

Publications have been targeted at academics and practitioners, both francophone and Anglophone.

5.2.1 Professional / practitioner publications


5.2.2 Academic publications


5.3 PRESENTATIONS (Conference / workshop / seminar)


Lyons, M (2003) The Implications of Market Based Social Systems among Petty Traders in Ghana and Senegal, Seminar on Sustainable Market Formalization, ISSER, ULG, 27.11.03


5.4 INFORMAL TRADE NETWORK (App. 3, Sec. 3.4)

This group was initially formed by participants of an initial workshop at LSBU (See Sec. 5.1.1). Membership has since expanded. The Network has recently submitted a proposal
to ESRC’s Seminar Series Programme. A mail-group is being established and a website is planned.