

Why we should be interested *in the informal food sector*

In all countries of the world, the poor demonstrate a strong ability to provide for their own needs and survive in difficult economic circumstances. One of their main survival strategies is what development scholars call the “informal food sector”, or IFS. Their most visible activities are food production (urban, peri-urban, and rural), processing, catering and transport, and retail sale of fresh or prepared products (e.g. the sale of street food). The IFS can contribute to food security by providing small quantities of affordable food products at convenient locations for poor consumers; providing employment and income to poor households; and bringing food to marginal urban districts furthest from the city centre and the organized secondary markets. These activities exist in urban, peri-urban and rural areas, although their relative importance in food supply and distribution activities and in local employment varies, even from one municipal district to another (Table 1).



Global trends show that growth in the IFS is related to rapid urbanization (Figure 1) and the lack of marketing infrastructure in new parts of rapidly growing cities. Throughout the world, rural people are moving to cities in search of new work, often settling in shantytowns with limited or no formal food markets. They sometimes migrate because they are forced off their land. In India and China, for example, millions of rural people have lost agricultural land and livelihoods due to hydroelectric and mining projects, forcing them to migrate to new locations. Wars and conflicts also have created refugees and internally displaced persons who use the sector as a source of cheap food and employment (Bouta, Frerks and Bannon, 2005). In all of these cases, former agriculturalists must abandon farming and look for new employment. Because they cannot rely on their own food production for consumption, urban households spend 30 percent more than rural households on food. Low-income urban households spend 60 to 80 percent of their incomes on food (Aragrande and Argenti, 2001: 2). The informal sector is the most affordable option for these people as it provides both income to vendors and cheap food to consumers.

During periods of economic crisis, the informal sector grows due to reduced formal employment prospects and purchasing power, becoming a source of both income and food security (Figure 2). In some African cities, the IFS may provide 40 to 60 percent of all employment. Yet, the sector is not merely the result of economic crisis: economic growth also encourages rural people to seek opportunities in urban markets. The informal sector is an attractive option for those seeking greater autonomy than in formal employment (Smart, 1989). In Asia, the sector has expanded in times of economic growth as urban workers face longer commutes and depend increasingly on food vendors to supply their nutritional needs. In many places it has become a cherished part of local culture, and can even become a valuable tourist resource.

Definition of the informal sector

The use of the term “informal sector” dates back to research in Africa in the 1970s showing that census categories of the “employed”, “unemployed” and “non-active” mask the autonomous capacity of the poor to generate incomes and provide needed services to rapidly growing urban communities (ILO, 1972; Hart, 1973). In research in Ghana, anthropologist Keith Hart found that over half of the population were described in census statistics as outside of wage employment but were actually actively involved in a wide variety of production and service activities and earning independent incomes. Because these activities lie outside the view of official statistics, he referred to them as the “informal sector.” Harding and Jenkins (1989) called this the “hidden economy.”

The word “informal,” can be misleading, however, because many micro-entrepreneurs are in some ways legally recognized by the authorities, especially if they participate in such organizations as trading associations, cooperatives or unions (Yasmeen, 2001a). Many individuals are involved in both formal and informal sector activities (Hart, 1973), for instance, when informal vendors sell goods produced in the formal sector. Nowhere is it unconnected from formal economic activities. Geographers Santos (1977) and McGee (1973)



argued that the two sectors of the economy, which they called upper and lower circuits, articulate with one another. To a certain extent, the informal sector subsidizes the formal sector by providing cheap food to low-wage workers and by acting as a reserve of surplus labour.

The informal food sector can be defined as including small producers, manufacturing enterprises, traders and service providers, involved in legal as well as unrecognized activities related to food.

Table 1 ~ Informal employment among total active population of selected cities

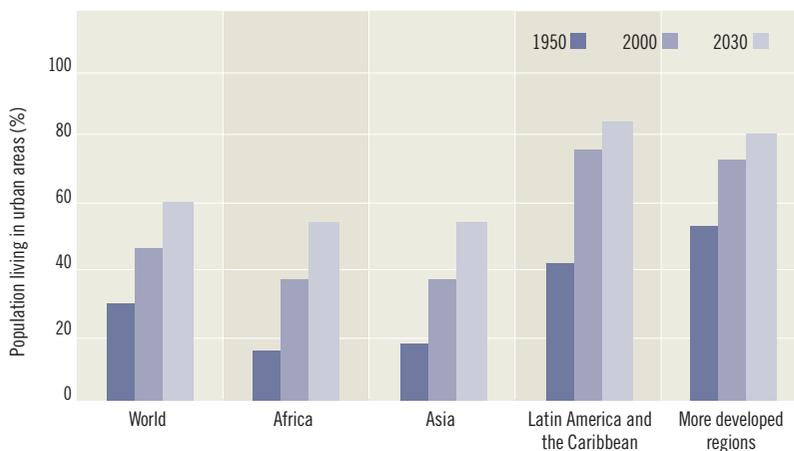
Municipality	Population	Informal food activity among active population (%)
Rangamati (Bangladesh)	66,211	18
Suva (Fiji)	90,000	5
Guayaquil (Ecuador)	2,400,000	32
Freetown (Sierra Leone)	755,589	28
Port of Spain (Trinidad and Tobago)	1,300,000	8
Lagos (Nigeria)	7,400,000	48
Blantyre (Malawi)	519,033	20
Managua (Nicaragua)	1,500,000	14
Penaloleon (Chile)	218,000	9

Source: Argenti, François and Mouawad, 2003





Figure 1 ~ Urbanization trends by region



Source: UN, 2004

For example, it classifies food production, catering and transport as well as the retail sale of fresh or prepared products in activities associated to the IFS. The IFS is generally characterized by: the lack of specialization; very low capital investment; a combination of production and consumption, a lack of accounts and the non-payment of all or some taxes; the possibility of articulating with the formal food sector to satisfy different demands and customer bases; and innovations that are more social than technical (Argenti, François and Mouawad, 2003:1).

Municipal authorities are starting to recognize that effective food distribution policies require stakeholder participation and effective communication (e.g. Yasmeen, 2001b). It is therefore vital to identify the main actors in the IFS sector, from producers to consumers. These include producers (e.g. urban, peri-urban, and rural farmers, but also fishers and forest producers), traders, transporters, processors (including home-based caterers), market sellers, managers, street vendors

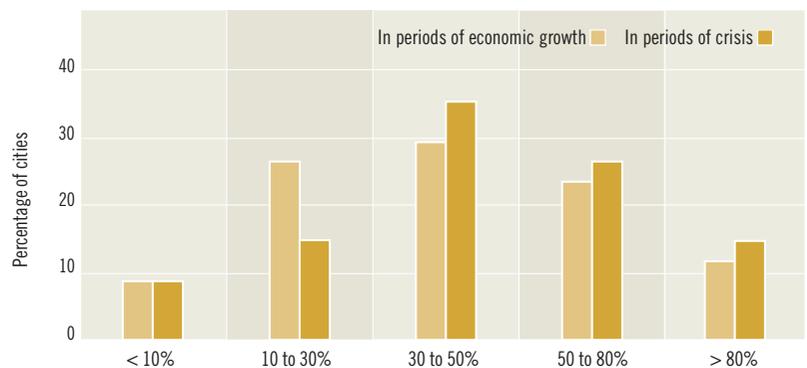


and small restaurant owners. To date, however, most research on the sector has been done in urban areas.¹ Research must be done on these actors in various contexts so that local policy will be formulated to engage them and their associations in light of local social and cultural realities.

Impediments and constraints

IFS activities are often carried out in spite of the state policies against them. They can empower marginalized members of society and contribute to fairer distribution of resources. Women are often overwhelmingly responsible for retailing fresh products, small catering operations and street food. This allows them to feed their families at lower costs and therefore contribute to their families' food security. Yet IFS activities are not recorded in national financial records and are rarely considered in development plans. The needs of IFS operators are often neglected by governments and labour unions that protect the interests of formal sector workers.

Figure 2 ~ Importance of the informal sector in urban food supply and distribution activities in periods of crisis and economic growth



Source: Hugon and Kervarec, 2001

¹ There is a growing awareness that urban and rural features co-exist within and beyond cities in many parts of the world, especially as cities expand, which has led to a growth in peri-urban studies that will certainly be relevant to policy-makers (Allen, 2003). This, however, is rarely addressed in the literature on IFS and is beyond the scope of this paper.



IFS operators face a number of important constraints. They are directly vulnerable to variations in the markets where they get their supplies. Further, they have limited storage capacity and are restricted in the volume of their daily business. The conditions of street sales, the limited access to basic services, including access to potable water, and vendors' health may contribute to problems of food hygiene and safety. Further, the nutritional quality of fresh and cooked street food can be low. Their activities can add to traffic congestion, safety problems and environmental pollution. The authorities often look at the sector as a remnant of traditional economic activities and as a sign that their cities are not yet adequately developed. Businesses in the formal sector, with higher operating costs and tax burdens, often wish to eliminate them because the competition influences their profits.

For these reasons, government authorities and local authorities in particular have frequently been negative towards informal food operators. Oppression of the sector leads IFS actors to distrust

the state agents who can best help them deal with such questions as health, sanitation and credit. In many countries, an unstable policy context means that periods of relaxation and even promotion may be followed by oppression.

Understanding the social and economic role of the informal food sector

The above problems can be overcome by better understanding the role of informal activities and their contribution to food security and by the right attitudes towards, and policies for, food operators to minimize the negative consequences of their activities and increase their capacity to invest. Their needs and constraints could be integrated into urban planning and their knowledge and ability in business management strengthened. The operators could be supplied with adequately managed infrastructure facilities, equipment and services. Finally, agreed