



# Economic aspects *of the informal food sector*

## Street vendors, a challenging occupation

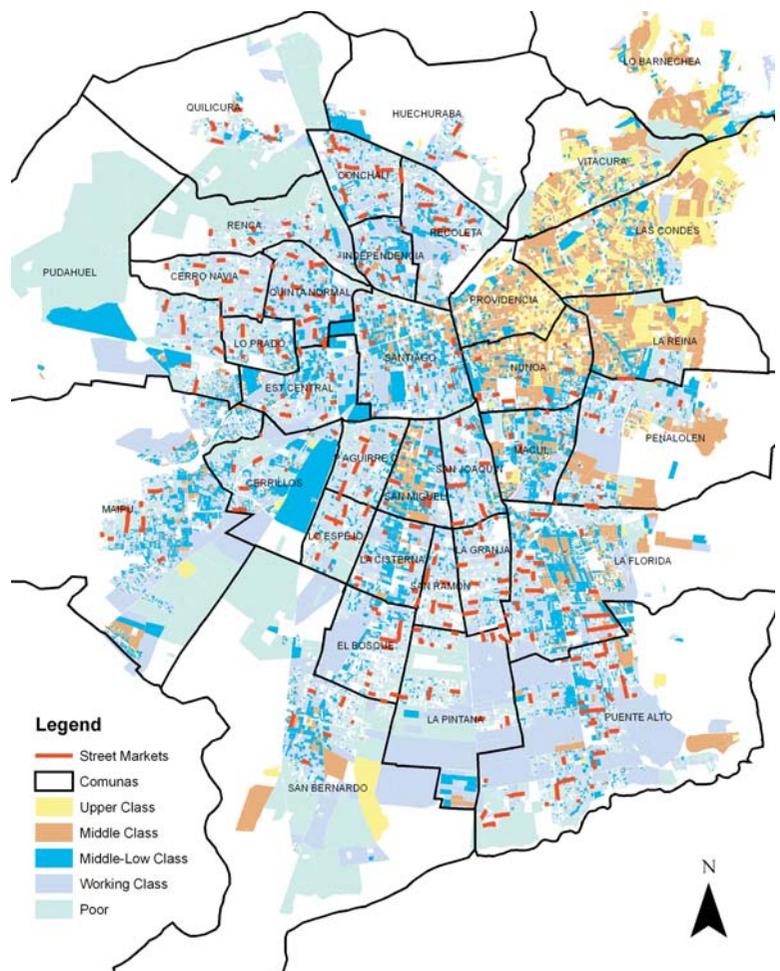
**Street vendors are very visible** in the IFS (Table 2). Although they provide income to their families and important services to customers, they are also likely to provoke negative responses from local authorities and elites. Established off-street businesses often resent them for their competition. Detractors of street selling accuse them of evading taxes and providing low-quality goods while creating urban blight, health and safety risks, and congestion in high traffic urban locations (Bromley 2000: 10). Police and other authorities harass them, creating their distrust toward the state (Tinker, 1987: 64). Street foods, however, are important to the poor for socio-cultural, economic and nutritional reasons. In many Asian cities, white-collar workers also enjoy their convenience. In most large cities, they are an important source of nutrients and income for a large percentage of the population (FAO, 1996).

## Market vendors

**Market vendors are among** the most visible actors in the IFS, in formal markets (e.g. public markets managed by local authorities), informal markets, and in spontaneous markets that arise in slums or high traffic areas such as near train stations. Even formal markets usually include informal vending activities, as formal vendors sublease market space to others or as “squatters” use unallocated space or spread out in the areas in front of the market.

Markets provide employment to vendors, market officials, suppliers and transporters while making important contributions to food security. They are also attractive as tourist destinations, therefore contributing to local development. In some cities, most markets are spontaneous, i.e. set up by vendors themselves where no locations are provided by municipalities (Argenti, 1999b: 5).

Even legal public markets in many countries have problems of insufficient space, poor storage facilities, poor hygiene and poor management. Market authorities are often unable to enforce regulations or guarantee the safety of vendors and customers. Public markets have also burned down in many cities because of insufficient maintenance and fire prevention (Argenti, 1999b: 4).



**Map 1 ~ Location of street markets in Santiago de Chile, Chile**

Source: Aliaga Linares, 2006



They may also be monopolized by certain actors, leading to exploitation of producers, vendors and higher prices for consumers. In Ghana, for example, producers are forced to sell through “market queens” who take advantage of the lack of price transparency and do not always pay producers fairly (De Lardemelle, 1995). In spite of these problems, however, public markets remain a central part of the IFS sector and are one of the areas in which policy and urban planning can be most effective. State cooperation with market vendor associations can be especially effective in addressing the problems of market vendors.

## Small restaurants and caterers

**Home-based caterers** are entrepreneurs who cook food at home and then serve the finished products. In many cities, they provide boxed lunches to workers in office buildings. Small restaurants are often not registered with the local government and do not pay taxes. In many cases, restaurants that are nominally in the formal sector combine formal and informal economic behaviour by underreporting sales and/or

**Table 3 ~** Contribution of urban agricultural production to urban employment, income and food expense savings in selected cities and countries, 1990s

City, year	Producers (self-provision market)	Economic return (income, savings)
Accra, Ghana, 1997	13.6% of households in 16 city areas; 700 market farmers	Income of US\$20–100/month (seasonal)
Addis Ababa, Ethiopia, 1999	5,167 dairy units	76% of secondary city and 54% of inner Addis dairy units owned by women
Cairo, Egypt, 1995	16% households (livestock); 59% of whom are poor	Livestock assets exceed 2–3 times monthly capita income
Calcutta, India, 2000	17,000 jobs in wetland fisheries	
Dar es Salaam, United Republic of Tanzania, 1997	15–20% families home garden (two areas) (full-time production)	30% of average salary 35,000 households depend on fruit/vegetable production for income
Jakarta, Indonesia, 1999	100,234 owners and workers	Wage higher than for unskilled construction work
Mexico City, Mexico, 1990–1996	1.3–19% economically active population in some <i>Delegaciones</i>	10–40% income (swine); up to 100% income (milk); 10–30% income (maize); 80% income (vegetables); 80% + income (ornamentals); 100% income (nopal, tuna)
Shanghai, China	27 million farmers (31.8% workers); 13,400 workers	2% of city GDP; 28 % households get some income

Source: Mougeot, 2005: 9



hiring labour informally. These informal sector actors have received less attention from both researchers and policy-makers than market and street vendors.

## Urban agriculturalists

In many countries, urban and peri-urban agriculture (including animal husbandry) is common for both survival and commercial purposes (FAO, 2005; Mougeot, 2005) (Table 3). The United Nations Development Programme (UNDP), United Nations Human Settlements Programme (UN-HABITAT), FAO, International Development Research Centre, Canada (IDRC), and other international agencies have recognized its importance in providing both employment and food supply to urban residents (UNDP, 1996; FAO, 2005). Local authorities and policy-makers, however, often undervalue this sector or consider it illegal. As cities grow, internal pressure also forces urban agriculturalists off their land. Urban agriculturalists face difficulties including little or no security of tenure, little recourse in cases of theft and crop slashing, and no access to extension services. Where the sector is illegal, urban agriculturalists have trouble getting access to clean water, which

## Havana, Cuba

## case study

The urban agriculture movement emerged in Cuba in 1993 in order to mitigate the country's poor economic situation after the loss of Soviet support, without giving up the achievements of the 1959 social revolution. With the support of local government organizations (People's Councils), social organizations and NGOs, the government authorized people to use state-owned vacant lots at no charge to grow crops. They supplied urban agriculturalists with technical aid and provided seeds, basic tools and watering cans. Those who formed cooperatives (Cooperative Production Basic Units) were eligible to receive credit and given outlets for sales. Parts of Parque Metropolitano de la Havana were also dedicated to urban agriculture. By 2003, 12 percent of Havana's urban land base was used for agriculture. Farmers had higher incomes, in some cases higher than the average urban salary. In addition, the city was better able to recycle organic matter and reduce the number of small urban dumps. Urban agriculture also contributed to the greening of the city. Although there are still technical problems to be solved, such as irrigation and automobile pollution, the project has been able to supply urban residents with fresh vegetables and herbs produced locally and with minimal transportation costs. Overall, it has made Havana more liveable (Cruz and Medina, 2003).





has public health implications because potentially contaminated food products are distributed to markets and consumers. If these problems are addressed, however, urban agriculture will be able contribute to the environmental, economic and nutritional well-being of cities (Aragrande and Argenti, 2001; Argenti, François and Mouawad, 2003; Binns and Lynch, 1998).

## Food supply and distribution issues: room for progress

**Food supply and distribution** involves assembling, handling, processing, packaging, transport, storage, wholesaling and retailing. Inefficiencies in these areas lead to higher prices, if not food shortages. In particular, in countries that have undergone structural adjustment, the role of the public sector is increasingly reduced and consists mainly of: providing infrastructure including roads, storage facilities and public markets; establishing market rules and regulations; and controlling food quality. In many countries, wholesale markets are public yet often too old or too small to meet expanding

demands (Aragrande and Argenti, 2001; Diouf, 1999). Informal sector operators sometimes get raw materials through non-market means. In Africa, some urban informal food sellers exchange processed products for unprocessed agricultural products with relatives in the countryside. While just a minor part of food distribution, it may represent up to seven percent of the food brought into African cities (Egounlety, 1997: 23).

Although the informal transport sector has been understudied, it is an important part of food supply and distribution in all cities of the world (Table 4). A study of informal food transport by Wilhelm in Africa (FAO, 1997c) showed that most food, even when traded in the formal sector, is transported to cities through informal means of transport. Informal transporters use many means of transport including non-motorized vehicles (bicycles, manual carts and rickshaws, and animal-driven carts). Walking is also common for short distances. Various forms of motorized taxis and public transport are also used to carry goods to market. Due to higher fuel costs globally, non-motorized forms of transport are unlikely to disappear and should be encouraged. In many places, however, authorities view informal transport providers as remnants of tradition and do not pay enough attention to the sector (Wilhelm, 1997). Being the least researched part of IFS, more policy-oriented case studies need to be done in the area.

## Thoughts on economic implications and significance

**Informal food production**, distribution and retailing are important activities providing incomes in developing countries. There is some concern, however, that its existence may be more of a symptom of poverty than its solution. Unfortunately, there is little statistical evidence on the sector's impact on poverty reduction and studies have only just begun. Nonetheless, a review of the sector conducted for the World Bank in 2000 (Charmes, 2000) showed that in Africa, where poverty is the most deeply rooted, incomes in the informal sector are not as low as previously assumed and have remained at reasonable levels in spite of years of difficult structural adjustment and economic collapse. It concluded that when looking at national poverty lines (rather than the US\$1 poverty line) in Latin America and sub-Saharan Africa, it seems – with few exceptions – that the more prevalent the informal sector, the less extensive the poverty. More economical research on this area is clearly needed; the current research is focused more on how the IFS can achieve social objectives.

**Table 4** ~ Estimated increase in traffic in 2012 due to food transport in selected cities

Cities	Ten-tonne truck loads
Abidjan, Côte d'Ivoire	124,600
Lagos, Nigeria	500,000
Mumbai, India	313,400
Teheran, Iran	147,900
Maracaibo, Bolivarian Republic of Venezuela	27,600
Santiago de los Caballeros, Dominican Republic	13,100

Source: Argenti, 2000. Data on national food consumption averages. Base year: 2000

