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POLICY BRIEF

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LEVERAGING INFORMAL TRADE: GOVERNANCE STRATEGIES TO CULTIVATE RESILIENT, INCLUSIVE FOOD ECONOMIES

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SUMMARY

Informal retailers provide convenient and affordable access to food, while also creating employment opportunities. State regulation of informal trade has been largely restrictive. Traders lack adequate recognition as a key element of the wider food system, while informal trade is constrained by poor infrastructure and plagued by xenophobic tensions. National Covid-19 lockdown regulations initially clamped down on informal trade and cut off both food supply in communities and traders' incomes, deepening poverty and hunger. However, local government – recognising the role of the informal food system – responded rapidly to enable traders to resume activities. As lockdown is relaxed and efforts are underway to rebuild the economy, effective engagement and regulatory support of the informal economy presents new opportunities.

These could aid government to accelerate recovery, create employment, reduce the administrative burden, relieve social tensions, improve the resilience of the food economy, promote consumption of healthier food, and ensure that poor people can safely access food during future crises. To realise these benefits, state Departments of Economic Development should establish policies and transversal structures with dedicated budgets that promote inclusive economic growth and democratic governance of informal trade. This could include recognised forums chaired by senior officials that inform regulations, spatial plans and design instruments, budget allocations as well as the development of trading amenities that would reduce the risk of exposure to Covid-19 and other future pandemics in key areas such as high streets, CBDs, taxi ranks, train stations, and health and education facilities.

INTRODUCTION: WHAT IS AT STAKE?

Street traders, spazas and roadside food service provide the urban poor with convenient and affordable access to food. They are increasingly recognised as an essential part of food systems – the network of enterprises that link the production, processing, distribution and sale of food – bringing food closer to where people live, work and move around. Street traders, in particular, provide access to fresh fruits and vegetables, although both they and spazas also sell unhealthy, ultra-processed food.

State regulation of informal food trade stifles the sector, while amenities and services for public trading are lacking. Urban development planning tends to favour supermarket and shopping mall development, often at the expense of smaller informal businesses.

These disparities were starkly highlighted over the Covid-19 lockdown when regulations severely disrupted informal trade. Although the strictest lockdown levels have passed, the resulting impacts on livelihoods and food security underscore how important the informal economy is for the resilience of the food system, and how vulnerable it is to disruption.

The question then is, how can the state develop appropriate strategies to protect and support the informal food economy while at the same time ensuring the safety of consumers and traders in crowded urban spaces in the face of Covid-19 and other future shocks?



BACKGROUND: WHY IS THIS AN ISSUE?

The governance of informal food trade is a complex, multifaceted issue where different concerns intersect and overlap, including the regulatory environment, infrastructure, health and nutrition, waste, security, and general resilience to crises. Many of the negative and worrying impacts of informal trade arise out of poorly framed policies.

However, as it affects many different stakeholders in diverse ways, addressing these shortcomings poses equally complex governance challenges. Meeting these challenges requires innovative engagement by senior urban officials, including executive mayors, mayoral committees and members of executive management teams.

REGULATORY ENVIRONMENT:

Informal trade generally falls under the mandate of urban management, environmental health and law enforcement departments. However, other departments and directorates also shape and are affected by informal trade, including health, economic development, and spatial planning.

Restrictive regulations and compliance-driven enforcement – characterised by excessive red tape – limit livelihood opportunities for traders and constrain access to food for the poor. As it is such a cross-cutting and common issue, this is receiving increased attention from ‘transversal’ institutions – including the South African Local Government Association (SALGA) – that are mindful of these intersections and overlaps.

INFRASTRUCTURE:

Informal street traders lack access to appropriate infrastructure, including shelter, storage, refrigeration, water, sanitation and security. Where infrastructure is provided, it is often poorly located and designed without adequate consideration of traders’ needs and capabilities.

INCLUSIVE ECONOMY:

In the context of global recession, the contraction of the national economy and a credit downgrade, there is a serious risk of deepening unemployment, poverty, inequality and resulting exacerbation of social tensions and crime.

Informal livelihoods offer opportunities for job creation and income generation that can promote the achievement of the National Development Plan (NDP) goals of inclusive economic growth, reducing poverty and inequality, generating revenue, and defusing social conflict.

Informal enterprises are often owner-operated, small-scale, embedded in local communities, have low barriers to entry (especially in terms of capital and bureaucratic requirements) and, where successful, they operate in close, interdependent relationships with other enterprises, thus stimulating further economic development.

HEALTH AND NUTRITION:

Informal food retailers serve as a vital source of food close to where people live, helping to reduce hunger.

Street traders, in particular, provide access to affordable fresh produce in amounts and qualities appropriate to customers’ schedules, needs and capabilities.

However, the sale of obesogenic food, especially around schools, clinics and taxi ranks, creates environments that promote chronic illness that especially affect children, the elderly and the poor. These illnesses pose an increased risk of co-morbidity with Covid-19, increasing the severity of the disease.

Legal opinions indicate that local government has a legitimate mandate to regulate what goods and services can be provided, and that restrictions or levies on unhealthy goods can be stipulated in governance instruments such as trading plans.

CRISIS RESILIENCE:

The disruption of informal trade by the Covid-19 lockdown caused massive loss of incomes and cut off a key food access channel for the urban poor, deepening poverty and hunger.

In times of crisis, given a supportive regulatory environment, the informal economy can adapt and resume activity quickly and with modest capital inputs, contributing to food system resilience and business retention.

INNOVATION AND ADAPTATION: HOW DID STAKEHOLDERS RESPOND DURING LOCKDOWN?

State officials and researchers in Cape Town collaborated to interpret and contest lockdown regulations imposed by the national government. An informal food working group supported learning and adaptation. Officials also developed greater agility in utilising digital communication and collaboration platforms.

State officials in some municipalities fast-tracked and de-centralised licensing of traders to enable continued operation, but the after effects of poorly worded regulations present ongoing challenges for urban management.

Provincial disaster risk management leveraged digital voucher technology, enabling people in need of food aid to access food close to home through local spazas. Informal trader organisations and civil society organisations like **WIEGO** rapidly shared

information on regulatory compliance and Covid-19 risk management.

They also provided training to traders around how to use digital communication tools like Zoom to enable them to safely participate in consultations.

OBESOGENIC FOOD:

Obesity is a serious public health threat linked to non-communicable diseases (NCDs) such as diabetes, hypertension, heart disease and stroke, which are widespread causes of illness and death. Increasing levels of obesity and NCDs are caused by reduced physical activity and a nutritional transition driven by environments that promote greater consumption of foods that cause obesity - obesogenic food environments. These include foods high in starches and sugar, but also ultra-processed foods - mass-produced products made of various highly-refined ingredients including sugar, corn starch, flavourants, additives, colourants, surfactants and preservatives. Common examples include soft drinks, chocolate bars, ice cream, sweets, chips, polony and viennas, processed cheese, and even most bread. Obesity and NCDs are a major risk factor for Covid-19.

KEY CHALLENGES

PERCEPTIONS OF OFFICIALS AND FORMAL BUSINESS:

Some officials recognise that street traders can contribute towards a vibrant urban environment that adds character to neighbourhoods - this can

catalyse economic development, enhance the vibrancy of streets and so attract more passing trade and tourists. However, other officials still consider such trade an eyesore due to littering and congestion, a magnet for crime, and therefore a

threat to property values, revenue and investment. This is used in argument to motivate for restrictive and discriminatory state intervention that favour big formal businesses and property developers.

WASTE:

Street trade poses waste disposal challenges for urban management as by-laws place the burden of responsibility on traders, and because informal traders generate no rates-based revenue, there is the perception that they do not contribute towards the costs of waste management services by municipalities.

However, informal trade actually contributes to municipal revenues in various ways, through value added tax on goods, operating and licensing fees. Their earnings contribute directly or indirectly to government revenue through utility fees, transport costs, school fees and hospital costs.

INAPPROPRIATE DESIGN:

When the government supports informal traders with amenities, design interventions are often inappropriate, such as the construction of market infrastructure in places where trading is not going to work. This results in empty, dilapidated markets and stalls for hawkers that do not provide adequate customer traffic, shelter or sanitation.

RESTRICTIVE, DISCIPLINARY POLICIES:

Emphasising compliance with burdensome licensing, sanitation, trading plans and demarcations stifles the developmental potential of informal trade.

OVERLAPPING AND CONTRADICTIONARY MANDATES:

With reduced lockdown levels, there was confusion about mandates, with local economic development and enforcement departments working in opposition. Regulatory lack of clarity and overlapping mandates led to contradictory messaging to traders. This exposed them to heavy-handed enforcement including evictions and confiscation of goods.

DISPROPORTIONATE INFLUENCE OF FORMAL BUSINESS INTERESTS:

Large, formal retailers and property owners are more easily able to comply with regulations. They tend to have greater political influence on ward councillors, thereby shaping the regulatory environment in their favour and excluding informal traders.

LACK OF CONSULTATION IN NATIONAL COVID-19 REGULATION:

National disaster regulations were imposed without adequate consultation with local government and other stakeholders, leading to a lack of clarity and heavy-handed enforcement. As it was framed as a political issue, no corrective action mechanism was put in place.

OPACITY AND FRAGMENTATION:

Multiple different organisations represent trader interests in different areas, sometimes contesting legitimacy. Due to its informality, municipalities find it difficult to estimate the size and economic impact of the sector, and whom to engage with as legitimate representatives. Officials often do not recognise the legitimacy of existing trader representatives and do not involve them in relevant policy-making structures. Moreover, policy development processes informing Integrated Development Plans and Spatial Development Frameworks are not easily accessible to trader representatives. This poses the challenge of how informal traders can more effectively mobilise, organise and develop a stronger voice. Civil society enabled by a capable, developmental state may play an important role in addressing these issues.

BUDGETARY CONSTRAINTS:

Local governments face significant fiscal and capacity constraints. Their low visibility, small contributions to state coffers, and the lack of influence of informal traders in local politics make it difficult to convince ward councillors to increase resource allocation in municipal budgets.

RECOMMENDATIONS:

Local and provincial government need to recognise that informality is here to stay and is a key part of South Africa's economy and systems of food provision. The regulatory mandate should be expanded to favour economic development without compromising basic health and safety requirements by streamlining and simplifying compliance for micro and informal enterprises.

At the same time, interdepartmental workgroups should facilitate policy coherence and innovative funding arrangements to ensure implementation.

REPRESENTATION:

Although there are many organisations representing informal traders, representative organisations should be strengthened and mobilised through state-civil society partnerships.

Sustained engagement and facilitation by neutral intermediary organisations can build trust and alignment. Inclusive formal platforms are needed to enable informal sector stakeholders to participate in policy revision and development, but also to increase visibility and provide channels for membership-based revenue.

Moreover, ward councillors should be incentivised to consider the needs of informal traders, such as through votes for local traders or other mechanisms.

PARTICIPATORY GOVERNANCE:

Trader representative organisations should be recognised and actively incorporated within Integrated Development Plan revision, spatial planning and design processes, as well as in the management of trading facilities. In particular, by-laws and policies should be revised to create a more supportive environment promoting a

developmental rather than a disciplinary agenda.

SPATIAL PLANNING AND URBAN DESIGN:

Explicit design and budgetary provision should be made for public markets and trader-friendly amenities at strategic locations such as taxi ranks, train stations, educational facilities, and clinics. Provision of adequate sanitation, water and waste management are key planning elements that aid the viability, safety and desirability of informal food retail. All areas should try to have public food trading places within walking distance of all residents, taking into account what works for hawkers and street traders.

This creates more accessible job opportunities for traders, and easier food access for eaters. Amenities should offer appropriate shelter, security, refrigeration, sanitation and waste disposal.

Regulatory schemes based on zoning could be more flexible and responsive than compliance-driven and license-based regulation linked to demarcated trading areas. Approval of new mall development and alteration applications should be made conditional on the provision of appropriate facilities for traders offering healthy, fresh food.

RED TAPE:

While seeking to ensure accountability and transparency, the state should relax onerous reporting and compliance standards imposed on the informal economy and develop simple and flexible documentation processes. This is especially important during times of crisis, where supporting and protecting the informal economy should take precedence over enforcement of compliance.

These could include smartphone technologies that enable street-level officials to efficiently document,

register and certify traders with relevant databases, avoiding queues at central facilities, reducing the administrative burden, facilitating the generation of revenues through affordable licensing fees, and minimising disruption of traders' businesses.

NUTRITION:

Education, strategic licensing fees and waivers, better storage and refrigeration, and enhanced linkages with urban agriculture would incentivise the sale of fresh fruit and vegetables while discouraging the sale of ultra-processed goods.

CRISIS RESPONSE AND RESILIENCE:

Informal food traders serve as a critical safety net for

poor households who use multiple food sourcing options – in this way, they strengthen household resilience.

To leverage the flexibility, adaptability and reach of informal trading networks in addressing large shocks like Covid-19, representatives should be incorporated in disaster risk planning processes and food voucher innovations should be scaled up.

Where livelihoods have been lost due to gradual expansion of formal retail or due to crises such as the Covid-19 lockdown, financial incentives, recovery grants, and payment technology that enables social grants to be used to pay spazas and street traders could facilitate the revival of informal trade and livelihoods.

EXPERT VOICES

This document is based on the discussions of the Food Governance Community of Practice, a social learning space initiated by the DSI-NRF Centre of Excellence in Food Security.

The community of practice is an open dialogue platform whose regular and active participants are considered members. Current membership includes academics, farmers, traders, state officials, civil society representatives and practitioners.

An online Community of Practice meeting was held on 28 April 2020 on 'Covid-19 and the Informal Food Economy' You can access the presentations and panel responses from this meeting by clicking the following links:

Keynote presentation: **Marc Wegerif** (UP), **Caroline Skinner** (WIEGO).

Panel respondents: **Paul Williamson** (City of Cape Town), **Rosheda Muller** (South African Informal Traders Alliance), **Brian Phaloh** (South African Informal Traders Forum), **Officer Xolani Fihla** (Johannesburg Metropolitan Police Department).



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ABOUT

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