Working with informality

Constructive ways to transform food systems

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The Shaping Sustainable Markets group works to make sure that local and global markets are fair and can help poor people and nature thrive. Our research focuses on the mechanisms, structures and policies that lead to sustainable and inclusive economies. Our strength is in finding locally appropriate solutions to complex global and national problems.

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Many people in low-income countries rely on informal food systems for food and livelihoods. But informality puts food systems outside — or partly outside — the governance of states and value chains. This working paper explores the challenges involved in reversing decades of underinvestment, and why focusing too closely on formalisation may price out or remove informal food systems — and those who depend on them — from the market. Instead, development organisations engaged in food systems transformation should constructively engage with informal agrifood markets and actors, recognising what informal food systems already do well and focusing on building partnerships based on common cause, to build trust.

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Acronyms

AZIEA  Alliance for Zambian Informal Economy Associations
ILRI  International Livestock Research Institute
NGO  Non-governmental organisation
SDGs  Sustainable Development Goals
SEWA  Self Employed Women’s Association
SMEs  Small and medium-sized enterprises
SNV  Netherlands Development Organisation
Preface

The food systems debate has created renewed attention on the crucial role of informal markets for millions of producers, consumers and job seekers in Africa, Asia and Latin America. Crises like COVID-19 and the impacts of the invasion of Ukraine have brought us many stories where the informal sector has showed its strength, importance, resilience and creativity. Nevertheless, often the informal sector is still neglected, disapproved of or outright criminalised.

The Netherlands Development Organisation (SNV) commissioned this working paper as part of a harvesting of experiences of working with informality. The aim is to support SNV’s work on transforming food systems to be more inclusive and sustainable, and to be able to generate healthier diets. For many years, IIED has been active in research and policy on informality, especially around the theme of markets and human settlements, including in 2014 research with SNV on the role of informality in contract farming and inclusive business models.

The paper is contributing to a process that was informed first by an internal harvest of experience within SNV in September 2022, and then a public event on the importance of informal markets in food system transformation in The Hague in November 2022, in partnership with Wageningen University & Research (WUR) Economic Research and the Netherlands Food Partnership (NFP). Lessons and insights were also carried from the MoreMilk partnership between the International Livestock Research Institute (ILRI), IIED and the Bill and Melinda Gates Foundation; an event held at the Bellagio Center in September 2022, ‘The food system of the poor: building an alternative narrative of food systems transformation’ co-hosted by IIED, the Alliance of Bioversity International and the International Center for Tropical Agriculture (CIAT); and an IIED Impact and Learning Exercise ‘Revisiting smallholder inclusion in global value chains’.

This paper is intended to provide food for thought and promote discussion rather than set out a detailed ‘how to’ guide. In that spirit we welcome feedback, critique and debate.

John Belt and Jan Ubels, SNV, The Hague; Bill Vorley and Alejandro Guarín, IIED, London.
Summary

Informality is a distinguishing feature of many food systems that people in low-income countries rely on for food and livelihoods. It pervades food systems of the poor all the way from primary production to vending, and may have a dominant role in organising food distribution and markets. It is now widely accepted as a relatively permanent and dynamic feature of urbanisation.

The term ‘informality’ here is used both in the economic sense of an unregulated microentrepreneurial sector, and to describe the logic people use to survive and make things happen. From primary producers, fishers and pastoralists to processors, wholesalers and vendors of fresh, processed and prepared food, informal food systems are entrepreneurial, flexible and resilient.

Informality puts food systems outside — or partly outside — the governance of states and value chains. That is why informality is so important for food systems transformation. The toolkit of food systems transformation is focused on formalisation through regulation, inclusion in value chains and organisation in markets. But formalisation may price out or remove informal food systems — and the people who depend on them — from the market. Even light-touch formalisation such as registration and relocation of street vendors is only occasionally successful and durable.

By operating in ‘grey areas’ at the edge of legality, informal entrepreneurs are vulnerable to ‘dis-regulation’: the arbitrary application of the law and extraction of payments by officials, strongmen and political leaders. Traders and vendors may see little investment by local government in market infrastructure that supports food safety or decent work. This is especially a characteristic of downstream urban enterprises in wholesale, retail and prepared food. But ‘grey areas’ can also be sites of innovative and flexible regulation.

Challenges of working with informality

Development organisations face a number of challenges to reverse decades of underinvestment of attention and resources in informal food systems. Partnerships with informal actors may be challenging due to those actors’ informal or opaque organisation, busy lives and distrust of authorities. ‘Giving a voice’ to informal actors will not succeed when invisibility is a form of protection from control, and self-organisation is a preferred option. Development organisations have erected administrative barriers to taking risks and partnerships with informal entrepreneurs. Informality can also seem a poor fit with the dominant ‘sustainable food’ agenda. Partnerships with local governments may be no easier, if those authorities see informality as a problem to be dealt with: a hindrance to modernisation, a barrier to effective taxation, unfair competition and a threat to civic order and public health. Many donor agencies will share those perceptions and prefer to invest in ‘upgrading’ and modern value chains, even though the experience of COVID-19 has shown how informal food systems fulfil an essential role of food security and employment.

Recommendations

- **Recognise what informal food systems do well:** The rush to ‘best practice’ and ‘how to’ of food systems transformation poses real risks of putting action and intervention ahead of understanding how poor people and informal entrepreneurs manoeuvre to feed themselves and get things done. A central recommendation of this paper is to understand and recognise — in partnership with informal actors — what informal food systems are doing well already before seeking to ‘transform’ or set up new businesses. That means understanding their contribution to food access and affordability, nutrition, adaptability and resilience, decent work and livelihoods (especially for women and youth), the environment and inclusive economic growth. We should be prepared to protect those capabilities — to defend the power of informal food systems — as part of any partnership and intervention strategy. And we should be prepared to act where there are challenges and problems, and where the food system is failing to deliver resilient food and nutrition security and decent work. Likewise, we should **be wary of and check preconceptions** before targeting an intervention. There are too many examples of interventions that fit poorly into people’s realities.
• **Work constructively with informality:** Any serious strategy for food systems transformation will set out to work with informality rather than hoping for it to be eclipsed by structural transformation. Formalisation should only be a priority entry point if informality is undermining the current and future capacity of food systems to deliver for the poorest. **Upstream** in small-scale production, trade and primary processing, there are opportunities to support local leaders with planning, infrastructure and food-handling skills. **Downstream,** where informal actors in urban markets and street food operate in the ‘grey areas’ at the edge of legality, there is much that development organisations can do to support the capacity of people to defend what is working and improve what is not, using evidence, advocacy and organisation. Approaches will need to be adapted, especially in situations where informal actors are wary of visibility.

• **Don’t just rely on formal regulations:** There are major drawbacks to relying on formal regulations considering the constraints on local governments and the lack of supporting infrastructure. Even **food safety,** so often seen as the biggest weakness of informal wholesale and retail markets, is often partly managed by informal traders and consumers through trust-based regulation. These processes of shared responsibility can be encouraged and supported with facilitating infrastructure that supports compliance.

• **Work with existing energy and hotspots:** A good first step for development organisations is to locate hotspots of energy, including local authorities and/or organisations of informal food actors looking for new approaches. Mid-sized towns may be more innovative than megacities. Partnerships can focus on a benefit or value proposition which can provide an entry point for building trust, such as improved business competitiveness, improved infrastructure, stronger influence or protection from harassment.
Introduction

1.1 Why this paper?

Informality is a distinguishing feature of many food systems that people in low-income countries rely on for food and employment. Informal food systems are critical to the food and nutrition security of the world’s poor. The term is most frequently applied to the markets and stalls of cities. But informality can predominate along the whole length of supply chains, from the farmers, fishers, pastoralists and small and medium-sized enterprises (SMEs) who produce food to low-income consumers. Informality is the norm in food systems of the poor, both urban and rural. For those of us working on value chains, farmer organisations and inclusive business, the informal food system is the one we drive past on the way to our projects.

Informality puts these huge food systems outside — or partly outside — the governance of states and value chains. This has fundamental implications for the goals of ‘transforming’ food systems and efforts to make food systems work better for health, income, environment, equity and resilience. It demands new ways of working, for governments, businesses and the development sector.

This working paper describes the rationale and implications for how development organisations work to transform food systems. It provides a framework for interpreting informality. It then sets the scene on different stages of the food system — from rural ‘upstream’ to urban and rural ‘downstream’ — as potential points of engagement, with examples of interventions used. It reflects on the current approaches to intervention in food systems, and their relevance (or not) for informal food systems, as well as pointing to important gaps in knowledge. The paper concludes with implications for policy and practice that can guide approaches to food systems transformation, with wider relevance to development organisations’ strategy and partnerships. The analysis mainly covers the food system between farmers/fishers and consumers rather than primary production and supply of inputs. Proposals are directed mainly at development organisations, though there is material of direct relevance to policymakers.

The paper is based on a compilation of insights from research partnerships involving IIED, as well as the literature, personal communications from leaders in the topic, and SNV project implementers from around the world.

1.2 What do we mean by ‘informality’?

There are two ways of understanding informality: an unregulated microentrepreneurial economic sector or economy, and a logic people use to survive and make things happen, to meet needs that might otherwise not be met by sticking to the rules — in other words, an expression of agency (Neuwirth 2011; Kamete 2013; Ledeneva 2018; Narayanan 2019; Etzold et al. 2009).

The first refers to employment and economic activity not recognised, recorded, protected or regulated by the state, while understanding that the informal food economy is highly regulated and highly legitimated, but not by the state (Vorley 2013). The International Labour
Informal food systems feed most people in poverty, at scale, without large corporate structures (Wegerif and Wiskerke 2017). They are entrepreneurial and dynamic, and certainly comprise the biggest private sector in most low-income countries. Informal food systems also may be closely interconnected with the formal economy: for example, informal retailers frequently sell goods such as processed food produced by formal, transnational corporations. They are created out of necessity under resource constraints and political marginalisation. Women and youth often play a central role, although this varies by country. Informal food systems are inextricably linked to achieving the Sustainable Development Goals (SDGs) for food and nutrition security (SDG 2), decent work (SDG 8), gender equality (SDG 5) and urban resilience (SDG 11), as well as goals for climate action (SDG 13) and the environment (SDGs 14 and 15).

Achieving these goals has been made more urgent by the rapidly approaching SDG target year of 2030 and a global food price crisis.

Another reason why informality is so important is that it is viewed so negatively. In ministries, planning departments and donor agencies, informality is widely seen as a problem to be dealt with, because it is a hindrance to modernisation, a barrier to effective taxation and revenue generation, a threat to civic order and public health, and is unfair competition for those formal businesses that pay taxes. Food systems have been viewed through a structural transformation lens where informality evolves towards the formal and organised (see for example Petersen et al. 2021). Preparing for structural transformation in ‘waves of change’ to formality can steer policy and investment towards an assumed development of modern value chains with their formal institutions of contracts, standards and certifications, rather than addressing the priorities of food systems in the ‘here and now’ (Guarin et al. 2022).  

1.4 What makes informality so challenging?

One of the most challenging aspects of informality is its position in the grey areas at the edge of legality. The resulting regulatory ambiguity opens informal enterprises to ‘dis-regulation’ (Goldstein 2016): the arbitrary application of the law according to political convenience, in which state power is used as a tool to control, to protect business interests or to extract rent. This is a common feature of small-scale fisheries, of cross-border trade and of urban markets where informal vendors’ reliance on public space can expose them to arbitrary actions by police forces or city officials such as food hygiene inspectors. It deters investment by creating

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1 The negative association that the term informality carries is one reason why at IIED we have used alternatives such as ‘food systems of the poor’ or ‘food systems of the majority’.
uncertainty in the form of crackdowns, confiscations of property and clean-up campaigns. But ambiguity can also allow for flexibility by local administrators and customs officials, providing alternative means to achieve something close to compliance (Little et al. 2015). An example of dis-regulation is the informal arrangements between vendors, police and state-connected strongmen in Dhaka, Bangladesh linked to political parties (see Box 1).

**BOX 1. DIS-REGULATION OF STREET VENDORS IN DHAKA, BANGLADESH**

‘One facet of the informal operating rules of the street is the extraction of security money (chanda) by local muscle men (mastaans), who are often also part of the formal system of political parties or trade unions […] In turn, the mastaans allow the vendors to sell at “their” usual spot, provide them with information regarding police evictions and serve as middlemen in negotiations with more powerful actors, such as the police or local political leaders (who also get their share of the extracted money). So for the vendors, it does not really matter which formal laws and guidelines on street vending exist, but how rigorously official rules are actually implemented at “their” vending site, and how they are themselves positioned in the very local “street politics”.

Source: Etzold et al. (2013)

For development organisations, their local partners and their work on food systems, these grey areas are important because they share a common **resistance to outsiders and external interventions**. A related feature is a **lack of visibility**, or at least a lack of ‘legibility’ (Scott 1998) which for informal actors can be a form of protection from government control. This can work in both directions, when officials deliberately ignore informal marketplaces because the state ‘refuses to see what it is unwilling to supervise’ (Müller 2019). Development organisations need to carefully consider the political context when seeking partnerships with informal actors or advocating for voice, visibility and transparency. This will be addressed further in Section 3.
Informality is not always the most important defining feature of food systems of the poor, in terms of specificities that matter to the poor. This is seen clearly in the difference between upstream (trade, bulking/aggregation, logistics and transportation, primary processing) and downstream (wholesale, retail, prepared food) enterprises.

Upstream, the challenges faced by small-scale informal and formal enterprises, often in the villages and towns of rural and coastal areas, are typically similar and related to scale, such as poor infrastructure and access to finance and investment. There is, however, a tendency for development projects to ignore or demean informal rural traders and markets that actually work, in favour of following a strict market system perspective and its business models such as contract farming. And it is important to note that primary production — while not a focus of this paper — is often a site of tension between regulators and resource users especially in fisheries and pastoral systems. Many poor people in the first link of informal food systems depend on natural resources to support their economic activities (see for example FAO 2016). They are particularly vulnerable to degradation of those resources due to habitat loss, climate change or encroachment by industrial-scale activity. Downstream, things are often highly contested with many more grey areas.

This section will now track informal food systems from upstream to downstream, noting potential points of engagement, and examples of interventions.

2.1 Informality ‘upstream’

‘Upstream’ are the first few links of the chains connecting farmers to markets: traders who buy at the farm gate, aggregators, transporters, intermediaries and primary processors, many of whom operate in rural areas and small urban and peri-urban settlements.

2.1.1 Trade

Trade via informal (or largely informal) supply chains that serve internal markets is critical to the food and nutrition security of the poor (IFPRI 2017). It has been growing in sub-Saharan Africa to a point that it is now considered fundamental to national food security (Reardon et al. 2014a) and challenges a dominant narrative of import dependence. Commenting on Africa’s capacity to withstand price shocks, Tschirley et al. (2022) describe how these supply chains can be hundreds of kilometres long, with maize travelling from northern to southern Nigeria, from central Mozambique to Maputo and from the Tanzanian Southern Highlands to Dar es Salaam. In Asian countries too, Reardon et al. (2014b) report that nearly all — about 95% — of food demand is met by domestic supplies, and some two-thirds of those domestic supplies now pass via rural–urban supply chains.

Informal markets that link poor farming households to this trade can provide farmers with important flexibility (see Box 2), and a critical insurance against the risk of indebtedness from reliance on formal contract markets (Shrestha 2022). The formal institutions of producer
organisations, especially cooperatives, and contracts with agribusiness companies are out of reach for the majority of smallholders (Conroy, cited in Vorley 2013).

Trading hubs or nodes within agricultural regions are key to the spatial organisation of food trade and markets, through bulking/assembly, grading, primary processing, storage, packaging, transport and exchange between wholesalers from production areas and consumption markets (World Bank 2009; Allen et al. 2011; Floquet 2012; Tacoli and Agergaard 2017). These emerging urban centres, dominated by informal economic activity, may be large villages or small towns and may specialise for example in tomato, maize or fruit (see Box 3). They provide important livelihood opportunities in rural hinterlands, and account for around a quarter of rural employment in Africa and lower-income Asia (Lazaro et al. 2014; IFPRI 2020). Larger towns and secondary cities can be important assembly markets, measured in large outgoing food flows, for example in Tamale, Ghana (Karg et al. 2022). In sub-Saharan Africa, emerging urban centres in rural areas are growing faster than cities. Remarkable in this midstream dynamism is the near absence of donors, non-governmental organisation (NGO) projects, subsidies or direct government involvement (Reardon et al. 2021). Policy is often restricted to considering rural farmers on one side and urban consumers on the other, ignoring this entire sector which links the two (Bricas and Broutin 2008).

BOX 2. ‘UPSTREAM’ INFORMALITY IN FOOD SYSTEMS: WEST AFRICA

The success of meeting growing food demand in West Africa is largely thanks to informal domestic and regional trade linking rural food-surplus production zones with deficit urban-consumption centres. The regional food market is now at least nine time larger than its agricultural export market and provides the region’s farmers with an increasingly attractive alternative to producing cash crops for export. Informal markets for staples have played a dominant role in the reorientation of smallholder production towards domestic and regional provision to meet growing demands of towns and cities (see Figure 1). Reduced distance to market for farm households is drawing more farmers into the market. Ninety-three per cent of food consumption in the region is supplied by regional producers, while the remaining 7% is imported.

Source: Allen and Heinrigs (2016).

Figure 1. Regional flows of maize in West Africa

Source: OECD (2013)
BOX 3. THE ROLE OF INFORMAL TRADER NETWORKS IN VIETNAM

The dominant role of informal trader networks is critical in coordinating quality and quantity of supply, for example fruit in Vietnam’s Mekong Delta: ‘Unlike large-scale supply-chain operators, these well-connected traders are able to absorb all qualities and quantities of fruit, as they can then distribute them to different consumers through their wide-ranging networks. This is extremely important for small-scale producers. Indeed, supermarkets which, in the early 2000s, seemed on the verge of transforming Vietnam’s domestic food markets, have been far less influential than expected. In part, this is because they cannot offer the advantages of local traders.’

Source: Tacoli and Agergaard (2017)

Informal traders can provide stiff competition to industrial processors’ business models based on exclusivity via contracts and producer organisations. This was the case in Uganda where Vorley et al. (2015) found informal traders provided an increasingly important channel for farmers to convert their harvest to cash and manage risk. The traders had the advantages of being present at the farm, paying cash, buying all qualities, and not deducting transport costs. The processor was forced to adapt its business model, including buying large volumes via the same trader channel. The persistence of shadow informal trade can destabilise contract arrangements for many crops, including cotton (Kabwe et al. 2018).

Like agriculture, informal trade networks link small-scale coastal fishers and pastoralists to inland communities and urban centres, making extensive use of social networks, and often with a dominant role for women. This flexible but robust trade operates under the regulatory radar often under challenging conditions and with little support (Steenbergen et al. 2019; Moreau and Garaway 2021). Also like agriculture, this informal fish trade can have considerably lower economic risk than export chains (Loc et al. 2010).

Informal ‘upstreams’ can be prevalent in formal or hybrid value chains (Vorley and Proctor 2008; Little et al. 2015). Breweries, cooking oil manufacturers and dairies, for example, may procure from aggregators linked to informal traders and small-scale farmers. Informal traders live in the same location and know very well what is going on, and so may be a preferred channel of procurement. This has the benefit of making the chain less exclusionary to smallholders, pastoralists and SMEs than would be predicted under full-sector transformation. Problems can arise, however, when that informality compromises the traceability and safety of high-risk products such as fresh milk or meat.

Informality is also a common feature of cross-border trade which is important in mitigating food supply gaps for vulnerable populations and providing employment, especially for women (UNCTAD 2019), and generating income in border areas. Informal cross-border trade accounts for 30–40% of intra-Africa trade in the Southern African Development Community (SADC). An example is the Mwami–Mchinji border between Zambia and Malawi, where informal trade is mainly of unprocessed food staples, 75% of which is conducted
by women, with a value of US$2.9 million per month, which dwarfs formal trade. Another example is the Gisenyi–Goma border point between Rwanda and Democratic Republic of Congo (DRC). Each day, it is crossed by thousands of informal traders, many of them women, to sell their agricultural products. Customs duties and processing fees are the main drivers of informality, despite simplified trade regimes (Afrika and Ajumbo 2012).

Informal cross-border trade of livestock is also very substantial and underreported, including across the Bangladesh–India border, the Sahel, and the Horn of Africa where annual informal exports are estimated at close to US$1 billion in value (Grace and Little 2020). Increasing visibility through data collection is prompting some governments to force the trade into the formal taxed economy, through a mixture of punishments and rewards. Officials on either side of the Ethiopian and Kenyan border have a mutual understanding with informal cross-border livestock traders whereby the traders are not harassed, fined or arrested if they pay tax on both sides. These taxes are relatively small per animal but greatly exceed municipal revenues from any other source of taxation. Neither local officials nor livestock traders are likely to want to see this arrangement replaced with institutions that force them into the visible taxed economy such as Ethiopia’s requirement for traders to use electronic sales registry machines (Little et al. 2015). Informal cross-border trade in fish, too, is significant and underreported (Moreau and Garaway 2021; Ayilu et al. 2016; Ayilu and Nyiawung 2022; Mussa et al. 2017).

Of course, urban areas draw in imports as well as produce from surplus areas within their hinterlands. Informality can play an important role in the distribution of imports (Vorley and Lançon 2016). For example, in Senegal, powerful importers have close links with informal retailers (del Pozo-Vergnes and Vorley 2015). The Urban Food Plus project was able to track the formal and informal fees associated with trucking imported rice from the port of Tema, Ghana to Burkina Faso and compare it with intra-regional trade in perishable products such as tomatoes travelling in the opposite direction from Burkina Faso to Ghana. The fees associated with imports were far lower than intra-regional trade (Urban Food Plus 2020).

### 2.1.2 Food processing

Processed food is as important for the poor as it is for the middle class (Reardon et al. 2014a), and its share of food expenditure is growing partly because of its role in alleviating the burden of food preparation. Demand for processed food across Bangladesh, Indonesia, Nepal and Vietnam averages 73% of food expenditure in urban areas and 59% in rural areas, with highly processed foods accounting for 42% and 31% respectively (Reardon et al. 2014b). Contrary to expectations, there was not an obvious link between gross domestic product (GDP) and the proportion of urban expenditure going on highly processed food.

Much primary processing in low- and middle-income countries (such as milling cereals, butchering animals, drying vegetables, extracting vegetable oils and smoking fish) is done by informal or unregistered SMEs: 80% in sub-Saharan Africa (Diao et al. 2018) and 98% in India (Ministry of External Affairs, Government of India 2020). These enterprises are often situated in towns and villages in rural areas. They are important mechanisms for developing domestic agricultural markets, as well as drivers of rural economic diversification and a major source of rural employment. However, some sectors (such as milk pasteurisation) are typically more concentrated and dominated by formal industries. The same can be said of ultra-processed food and drink, so critical in driving the ‘nutrition transition’ and marketed in low-income communities through ‘base of pyramid’ strategies via informal vendors.

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2 The ‘nutrition transition’ refers to the transition from traditional diets high in cereal and fibre to more Western-pattern diets high in sugars, fat and animal-source foods.
2.2 ‘Upstream’ interventions

What does upstream informality mean for policy and interventions by development organisations in support of food systems transformation? The emphasis is on evidence, infrastructure and planning, though other interventions listed under ‘downstream’ in Section 2.4 may also be relevant.

A central theme of this paper is the importance of putting understanding before interventions to transform informal food systems. First, an understanding is needed of the dynamism of informal arrangements within food systems of the poor, and the reasons why low-income farmers avoid — or are excluded from — the formal arrangements of cooperatives, value chains and contract farming (Vorley et al. 2012). Second, an understanding is needed of the lack of external support for market nodes and their SMEs in small urbanising centres, despite their overall importance in food security in comparison with global value chains. As described earlier, these enterprises have challenges in common with formal SMEs, including poor infrastructure (roads, electricity, communications), lack of access to formal credit and modern technology, and issues relating to compliance with health and safety standards. The importance of road infrastructure is obvious in a quote from a member of Kabarole Research and Resource Centre in Uganda:

“You’ve seen the road to Busaiga: if a bunch of bananas fetches 15 thousand shillings in Fort Portal and it has rained, the price in Busaiga is five thousand. Those six kilometres on the bad road cost a farmer 10 thousand shillings. That’s what the government needs to do something about.”

Medius Bihunirwa, Kabarole Research and Resource Centre, as reported by Zijlstra (2015).

Planning and institutions are critical in the transformation of large villages into small towns (Tacoli and Agergaard 2017) which is another area where external support might yield positive returns. Reardon et al. (2021), in their review of their own experiences and the literature, conclude that donors and governments should not waste resources trying to force these enterprises into formal patterns or put in place services that these firms are already providing. Rather, they propose that support should focus on addressing the constraints that SMEs face, especially on food handling skills and entrepreneurship training.

2.3 Informality ‘downstream’

Downstream in informal food systems in the wholesale and vending of fresh and prepared food, ‘grey areas’ become more pronounced and interventions specific to informality are more essential. Informal food markets are often the main way in which poor people obtain protein-rich foods, including meat, milk, eggs and fish (Grace et al. 2014) and fresh vegetables (see for example Ahmed et al. 2019). However, not all food accessible through the informal sector is healthy. Many informal retailers sell industrially processed food and drinks.

2.3.1 Wholesale and wet markets

The broad term ‘wholesale market’ spans a range of market types with a spectrum of informality. ‘Wet’ markets selling perishable foods such as fresh meat, fruit and vegetables may be recognised and zoned or even owned by a municipality, whereas large outdoor wholesale markets that are often open air, such as Makola in Accra, may be in the unregistered informal economy (den Broeder 2018).

Well-functioning wholesale markets have a critical role in food systems resilience, thanks to the high adaptive capacity of the informal food sector. They can be important sources of supply for informal vendors, as recorded in Mzuzu, Malawi (Zuze 2023). Reliance on informal food systems may increase rapidly in times of economic crisis or conflict. Wholesale traders, with their diverse supply networks, and street vendors, with their buffering capacity, managed to keep the megacity of Dhaka in Bangladesh fed during the food crisis of 2007−2008, despite the government’s eviction campaigns against food hawkers and without acknowledgement or support from the state (Bohle et al. 2009; Keck and Etzold 2013). But the range of responses to COVID-19 — from closing down markets and harassing vendors as in Lima, Peru and Senegal, to recognising informal food vendors as essential workers in Thailand — demonstrate how the ‘grey areas’ of policy can make or break that resilience potential (WIEGO 2022). In Senegal, COVID state-of-emergency policy measures clamped down on transport and wet markets, and restricted opening hours for shops. These moves were particularly disruptive to supply chains of perishable products such as fresh fruits and vegetables, leading to limited availability of nutritious food and impacting on employment and poverty (Fabry et al. 2022).
2.3.1 Wholesale markets

Wholesale markets may be important sources of income for municipal governments — a figure of around 10% of income was calculated for the market at Kisumu, Kenya by Opiyo et al. (2018) — but traders may see no benefit from their fees in their working environments, water supply, toilets, security or waste collection, and can feel abandoned. This creates distrust (see Box 4) and leads to lost earnings. A study in Durban, South Africa found that street vendors spent 8–12% of their monthly earnings on water and toilet expenses, while in Nakuru, Kenya these cost burdens were even higher, at around 20% of income (ICED 2019).

Box 4. Wholesale markets and informality: Lusaka and Kitwe, Zambia

A survey of traders, households, stakeholders and policies by IIED and the Alliance for Zambian Informal Economy Associations (AZIEA) in 2018 found that low-income households in Lusaka source more than 90% of purchases at informal outlets. Few traders were members of associations because these associations were not trusted to represent traders’ interests; they were perceived as politicised and only interested in traders’ issues during election times. Traders complained about a lack of transparency over market levies (both official and unofficial) regarding who they are paying and for what services.

Government policy was also found to be strongly tilted towards formalisation and structural transformation. The government also lacked the tools to deal with the informal sector (finance, capacity building, technology). For example, the Presidential Empowerment Initiative Fund was seen as inaccessible to most informal vendors.

However, there were some positives. The National Pension Scheme Authority (NAPSA) was working to incorporate informal-sector workers into a pension scheme. The study also identified untapped opportunities to integrate food into municipal planning along the lines of the Municipal Food Security Council in La Paz, Bolivia.

Source: Mwango et al. (2019)

2.3.2 Retail

Informal retail outlets are more convenient for the poorest consumers, being closer to where they live, offering credit and selling food in smaller and more affordable quantities (Peyton et al. 2015; Riley and Caesar 2018). There is mixed evidence on the affordability of food in informal outlets but overall, it seems traditional outlets tend to sell cheaper fresh food, while processed goods are cheaper in supermarkets (Roever and Skinner 2016). Large supermarkets are often incompatible with the consumption strategies of the poorest households because of their irregular incomes, limited storage and absence of refrigeration, although modern convenience-store formats such as Alfamart and Indomaret in Indonesia are a growing part of the food systems of the majority poor. Supermarkets can, however, serve as suppliers to informal traders (Haysom 2023).

2.3.3 Prepared food

 Provision of prepared food — ‘street food’ — is the most contentious part of informal food systems, by virtue of a range of issues from urban planning and public order to food safety and nutrition. It is widely associated with ‘backwardness’. Women often play a prominent role, either customer-facing — women comprise 85% of vendors in Harare, for example (Njaya 2014) — or in food preparation behind the scenes (Cohen 1990). There may also be strong ethnic and class dimensions, especially if vendors are minorities or migrants.

Vending of prepared food has proliferated in many towns and cities in low- and middle-income countries. Reliance on prepared food is growing even where it was previously taboo, and has become a vital aspect of urban life, due to long commutes and limited time for food preparation (Allison et al. 2021), limited cooking and storage space in cramped accommodation without kitchens, and daily wages leaving little capacity to buy ingredients. In fact, the poorest households spend most on meals away from home: for example, 39% of food expenditure of the bottom quintile in Accra Ghana, compared to about 25% for households in the highest expenditure category (Maxwell et al. 2000). More than half of Nairobi’s two million slum dwellers buy ready-made food rather than cooking in their homes (Tacoli 2016). In terms of nutrition, street-cooked food can range from traditional nutritious food to healthy convenience snacks to energy-dense processed foods and fast foods (Vorley and Boerwinkel 2016; Boatemaa et al. 2018).
The exploitation of ‘grey areas’ by officials is at its strongest with street vending, especially of prepared food. Vendors must manoeuvre to survive in a city that is often inhospitable, such as in Dhaka (Lata 2020). They may face repression and harassment, bribery and extortion, the threat of arrests and fines or the confiscation of goods. They may see no provision of services in return for market fees, and food safety may be compromised not by the vendor but by the environment in which they — or their suppliers — work. Resistance to informal trading may also come from formal traders and shopkeepers. But it is also common to see tolerance of informal vending by local governments, either due to lack of resources for policy implementation, political reality, compassion or an informal exchange of some political protection for election support, as reported in Kampala (Young 2019; Lindell et al. 2019) and Dhaka (Etzold et al. 2013). In Tanzania, Blackmore et al. (2022) report that the government is perceived as unwilling to interrupt informal trade in milk or criminalise the sector, partly as the result of an electoral calculus, since the ruling party did not want to alienate potential voters. Benign neglect is nonetheless still neglect, and informal markets function largely despite rather than because of government policy and action.

Disputes between officials and informal vendors typically are framed as a struggle between vendor livelihoods and public order. Rarely does it invoke the role of informal food systems in the food and nutrition security of the urban poor. The conflicts around street food in Indonesia are a case in point (see Box 5).
BOX 5. ROLE OF STREET VENDORS IN FOOD AND NUTRITION SECURITY OF LOW-INCOME WORKERS, BANDUNG, INDONESIA

The city of Bandung revised its planning policy for street vending in 2011 to a combination of restriction with incentives and capacity building, aimed at recognising the rights of street vendors while improving traffic flow and civic order. A mix of zoning (which restricted or forbade vending from some streets) and vendor relocation and formalisation (through registration and permits) was employed, supported by a special task force. In 2015, the city government set up a street vendor forum at sub-district level, with the objective of reconciling the differing interests of street vendors, government and the community.

Scoping research by Padjadjaran University uncovered two distinct categories of street-food consumers: the recreational consumer who purchases food from the street once or twice a week, and the subsistence consumer who uses street vendors as their main food source (from 50% to 80% of total food intake). Bandung city government has shown more interest in street vendors in the first category, especially to promote tourism. The subsistence food system that underpins the food and nutrition security of the working poor, who form the backbone of the city’s economy, was largely absent from the policy process. Even for the vendors, the conflict was between their livelihoods and the formalisation agenda of the city authorities.

Subsequent participatory research in 2015–2016 using mapping and food dairies with 300 female textile workers — young internal migrants earning around US$190 per month and living in lodgings close to the textile factory — found that street food was by far the most important source of nutrition for all their meals. Workers could buy a main meal of rice, vegetables, tempeh and egg for only about US$0.50 from street carts and stalls (warung) that operate in a ‘red zone’ where vending was nominally forbidden but tolerated in practice.

Source: Natawidjaja et al. (2019)
2.4 ‘Downstream’ interventions

Interventions by outsiders, local governments or NGOs in support of informal or semi-formal wholesale markets and vendors of fresh and prepared food, while more common than interventions upstream, have a mixed record of success. Evidence generation, capacity building (especially food-handling skills) and light-touch formalisation, along with improved infrastructure, processes of organisational development, trust building and multistakeholder processes, and finance and social protection are often at the heart of downstream interventions. These interrelated strategies are now discussed in turn, along with the challenges and limitations associated with informality.

2.4.1 Generating evidence

Generating evidence can identify priorities, challenge assumptions or fill knowledge gaps. This is especially pertinent in planning and associated infrastructure that can support decent work and a safe food environment for informal food provision to consumers. Food and the needs of low-income consumers and traders, processors and vendors are almost always absent from urban planning, in both the global South and North (Cabannes and Marocchino 2018). On the contrary, informal food systems are planned out of the town or city because of blindness or hostility towards this ‘unmodern’ part of the economy, and the challenge it poses to planners’ drive for social change and order (Kamete 2020; Crossa 2017).

Evidence can challenge engrained assumptions about the role of informal food systems in food and nutrition security. An example is the dominant contribution of street vendors of prepared food to the food and nutrition security of low-income workers in Bandung in Indonesia, as discussed earlier. Informal food systems make healthy fresh produce including fresh fruit and vegetables affordable and accessible to income-constrained households. But they also contribute to obesogenic environments and dietary transition, though perhaps less than supermarkets (Kroll et al. 2019). This mix of healthy and unhealthy is seen in a 2019 survey in Kibera, Nairobi which found that the foods most commonly sold were confectionary (29% of vendors), raw vegetables (28%), fried starches (23%) and fruits (21%). From an obesogenic perspective, 44% of vendors were classified as low-risk and protective and 34% as high-risk and non-protective (Busse et al. 2022).

Another important role of evidence generation is around food safety. Food safety and hygiene is the single biggest challenge facing informal and semi-informal wholesale markets, because of the connection between fresh-produce markets and the heavy burden of foodborne disease (Grace 2021). It is also the most significant contributor to criminalisation of informal traders and vendors, which ironically can worsen food safety (Roesel and Grace 2014). Food safety regulations may be experienced first as evictions, with zero prior engagement by health inspectors.

Evidence can uncover examples where risk is managed even for hazardous products such as fresh milk (Blackmore et al. 2021; Blackmore et al. 2022; Nicolini et al. 2022). Perceptions of high risk in traditional markets are not always warranted, because of faster throughput, personal trust-based forms of regulation (which provide an immediate point of accountability and evidence based on past experience), lower input intensity (with lower use of veterinary drugs and bought-in feed, which is important for antimicrobials and aflatoxins in fresh milk), vendor practices such as boiling milk for chai, and household consumption practices such as boiling milk. Assumptions of superior performance in formal systems that allow regulators to take comfort from packaging and supermarkets are also not always matched by reality. Nyokabi et al. (2021) collected milk samples from informal and formal value-chain nodes and compared milk quality to the standards recommended by the Kenya Bureau of Standards. There were no differences in the quality of raw milk between locations or between nodes. Research in Vietnam and Cambodia found high levels of Salmonella on chicken in both traditional markets and supermarkets (Dang-Xuan et al. 2019; Rortana et al. 2021).

Community mapping can highlight the environment in which informal food vendors operate including proximity to environmental risks such as open drains (Ahmed et al. 2019). Mapping is a potentially powerful tool for citizen-generated evidence (Vorley 2018; Song and Taylor 2018).

The priorities and needs of informal entrepreneurs and workers, such as women cooks in the street markets of La Paz, can focus evidence generation where it can have greatest relevance and impact (see Box 6). The power of evidence to change behaviour or build common cause between officials and vendors can, however, be overstated unless it supports policymakers’ existing views.
2.4.2 Capacity development

As a durable rather than temporary part of the economy, investing in skills and entrepreneurship can improve productivity and earnings without necessarily being tied to formalisation. Training, however, rarely scales or sustains (Grace 2021). The approach to training can also be skewed by assumptions that people in the informal sector are not entrepreneurial and need to be trained to become so. An alternative approach is to build capacity for advocacy, which can support informal actors to lobby for their own agendas (Lartey 2020; Vorley et al. 2020b).

2.4.3 Light-touch formalisation

A widely employed but only rarely successful intervention is the ‘professionalise, not criminalise’ approach to informal sellers through light-touch formalisation, such as vendor registration linked to training and certification (see Box 7), relocation off the streets to purpose-built centres, and ‘restricted tolerance’ of vendors as in Hanoi, Vietnam (Thi Tan Loc and Moustier 2016).

BOX 6. IDENTIFICATION OF NEEDS AND PRIORITIES WITH WOMEN COOKS, LA PAZ, BOLIVIA

Research with women vendors of traditional nourishing lunches for the working class in the Achumani and Obrajes markets of La Paz set out to identify their needs and priorities so that interventions could be largely guided by the interests and concerns of the vendors themselves. Rather than influencing public policy, their most pressing concern was improving the viability of their businesses.

The mediation of the market leaders (maestras mayores) was crucial to consolidate trust. Here, the informal logic was strongly expressed. Vendors are distrustful of the establishment, including the government, and have run their businesses and their lives largely untouched by officialdom. They have developed a sophisticated system of self-governance to protect their interests. Understandably, they are reluctant to expose their businesses to the scrutiny of outsiders. Research was not always seen by the women as a means to promote their interests: it could be an extra burden to add to their already very busy daily routine.

To involve citizens in a significant way, researchers saw that they must work differently, around busy schedules, with flexibility in objectives, time and resources. Evidence gathering was not in itself seen as leading automatically to action. But it can be the beginning of opportunities to engage in constructive dialogue with decisionmakers. However, several of the recommendations made by customers about refurbishments or improvements to the market infrastructure would require a degree of coordination among the market traders that is not yet in place.

Source: García et al. (2020)

BOX 7. INCLUSIVE FORMALISATION? KENYAN DAIRY SECTOR

An example of a training and certification scheme was led by the International Livestock Research Institute (ILRI) in Kenya with the informal (unpasteurised) dairy chain sector, developed under the Smallholder Dairy Project (1997–2005). This ‘inclusive formalisation’ intervention was written up as a success, but by 2018 had ceased to operate due to a breakdown of the link between training, certification and licensing which was a key incentive for traders to engage in the scheme. There was also a change in national priorities in favour of the formal milk sector, with a de facto ban on raw milk trade in place.

Source: Blackmore et al. (2021)
Despite being a progressive alternative to prohibitions or clearances, street vendor formalisation and/or relocation by local governments can often struggle to deliver enduring impacts unless authorities set out clearly to work with informality. Four case studies in Indonesia in 2015–2016 were investigated by Song and Taylor (2018) to understand why relocated informal food vendors often return to the streets. They found that relocation policies appear to focus on ‘reclaiming public space from low-income street vendors and relocating the vendors into aesthetically pleasing new markets’ with little attention to vendors’ livelihoods, the viability of their enterprise or their political participation. The local governments’ appetite to resolve emerging issues, help maintain the new sites or conduct promotional campaigns tended to wane.

Elsewhere in Indonesia’s cities, the process of restructuring and regulating street vendors broke down because it failed to change vendors’ lives or improve their economic situation. A collaboration between the local government task force in Bandung and a grassroots organisation of vendors suffered from the lack of a common goal, no clear and legal commitment for both parties, and — reflecting the informality logic at the beginning of this paper — because neither party understood the other’s way of working and organisational culture (Kurniadi and Sumarna 2022). A progressive attempt by local government to coexist with street vendors despite adverse policy is reported from western Uganda, although this intervention also came up against the limits to formalisation (see Box 8).

2.4.4 Market infrastructure for improved food environment and decent work

Markets are where the investment role of government is acute, since the food environment is critical to food safety even when food entering the market is safe. Investment in market infrastructure in the form of water supply, toilets, drainage, waste collection and security can make a critical difference, but too often local authorities see informal market actors as a source of income rather than a target for investment. Investing in wholesale markets may not, however, be as straightforward as it seems. There is a tendency of informal traders to start their own markets outside of the oversight of municipal authorities which can lead to conflict between traders and authorities (Tschirley, cited in Vorley 2013; del Pozo-Vergnes 2013).

2.4.5 Finance and social protection without formalisation

Most informal enterprises finance their operations through sources other than formal financial institutions (Farazi 2014). Banks are notoriously averse to investing in informal enterprises because of the absence of property-based guarantees, regular and recorded incomes, or value chain contracts. The blunt reality of exclusion from formal credit is shown by research with street vendors in Cali, Colombia (Martínez and Short 2022). Likewise, coverage of social protection programmes in the informal economy is usually low.

BOX 8. FORT PORTAL, UGANDA: PROGRESSIVE POLICY, LIMITS TO FORMALISATION

Fort Portal municipality is one of Uganda’s newest cities. Although still quite small — around 60,000 inhabitants — it is growing fast and already struggling to deal with an influx from rural areas of people looking for work. These secondary cities are at the sharp end of a major demographic transition in sub-Saharan Africa (Tacoli and Agergaard 2017; Haysom 2023).

The city’s food system is adapting, with the rapid growth of street vending. Prepared food is attractive to people with little money for cooking fuel, limited space and crowded accommodation without a kitchen, or time to cook for themselves. Some popular street foods such as chapatti are high in energy but low in nutrition. But others are cheap and nutritious, especially traditional stews of beans and vegetables served with maize meal, peanuts, matooke or potato, predominantly sold by women.

Colonial-era legislation outlaws street vending for reasons of public health. But municipal authorities moved from conflict to coexistence, assisting vendors to form their own association, to address security, food hygiene, waste and cleanliness of the streets, and to bridge the communication gap between officials and vendors. Efforts by authorities to (semi-) formalise the street vendors are, however, not perceived positively by all the (often very poor) vendors, as it would require them to pay a daily tax and to invest in compulsory uniforms, identity cards and regular medical checks. A planned relocation of vendors to a less-busy part of town was opposed, as it would distance them away from their customers.

This work highlighted the brokering and evidence generation role of a locally embedded civil society organisation (CSO), the Kabarole Research and Resource Centre (KRC), in this contested area of policy.

Source: Vorley and Boerwinkel (2016)
(Guven et al. 2021) — a fact highlighted by important research into responses to the COVID-19 pandemic (Chen et al. 2021). Eligibility for social protection programmes designed for small-scale enterprise will likely be linked to asset registration and payment of taxes or licence fees (see for example FAO 2019). Calls to develop alternative approaches that can assess creditworthiness, reduce transaction costs, achieve economies of scale and provide support are much easier said than done. One example is the work of the Self Employed Women’s Association (SEWA) that links community building and entrepreneurship with finance, by providing knowledge and banking services to their cooperatives of informal women workers in India’s informal economy (Sen undated). Another is the CrediAmigo programme operated by the publicly owned Banco do Nordeste in Brazil, disbursing around US$2 billion of microcredit to microentrepreneurs in Brazil’s urban informal economy in 2021, with finance products tailored specifically for women and for groups. The bank attributes its success to resolutely concentrating on familiarising itself with the realities of the informal low-income population ‘in order to implement and facilitate a service that was genuinely tailored to its specific needs’ (Varella et al. 2017). That in-depth understanding is critical: the positive attributes of informal credit markets must first be understood, and assumptions challenged, before designing new projects and products in the name of financial inclusion (Srinivas 2016). Mobile money has already had a remarkable impact on financial inclusion and offers scope for innovation in credit. Platforms such as MoneyPhone do not have to distinguish between formal and informal when opening a line of credit, because money transfer data can provide lenders with insights into the business operations of the applicant with which they can make a risk assessment. Climate finance has the potential to drive food systems transformation (Global Alliance for the Future of Food 2022) but will need concerted effort and innovation to make it widely applicable to informal food systems.

Recent reviews of social protection have found examples of relatively simple adaptations that can be made to schemes, such as simplifying access or establishing supportive legal frameworks, to make them more accessible to informal workers, though not always for the poorest (Barca and Alfers 2021; Guven et al. 2021; Sesan 2021).

2.4.6 Multistakeholder approaches, participatory and collaborative planning and advocacy

Multistakeholder approaches potentially provide opportunities to work with informal food systems because they can deal with complex governance across multiple jurisdictions and a range of interests. Examples are food policy councils and food innovation labs. Resource Centre on Urban Agriculture and Food Security (Ruaf) has documented examples from Uganda, Zambia, Madagascar and Bolivia (Ruaf 2019). The Municipal Committees for Food Security (CMSAs) in La Paz, El Alto and Sucre in Bolivia allow subnational governments, civil society, the private sector and citizens to collaboratively develop policy and investment proposals and are promoting the country’s first urban dialogues on food security (Nogales 2019).

Multistakeholder approaches do, however, face familiar challenges of replicating existing structures of representation and including local people on adverse terms. It may be unclear who ‘owns’ the process. Small-scale entrepreneurs, especially women, do not have time to attend a multi-day process during working hours, and there is a general challenge of low levels of representation of actors from the informal food system. If there is little input from the grassroots beyond statements of ‘problems’, there will be poor understanding of people’s capacities and the ‘fund of valuable knowledge embodied in local practices’ (Scott 1998).
3

Conclusions and implications for development organisations

So how can development organisations work with informality? This final section draws conclusions from sections 1 and 2, with recommendations loosely based on a ‘rethink-recognise-support’ model with its roots in the Sustainable Diets for All project coordinated by Hivos and IIED (Vorley et al. 2020a). It emphasises partnerships and an understanding of what informal food systems are already contributing, before investing in projects to deliver resilient food and nutrition security and decent work.

For most informal food systems, the familiar toolkit of food systems transformation — public regulation and policy, inclusion in value chains (often with standards and certification), and organisation in markets (‘cooperation to compete’) — are tools of formalisation. Sometimes they are successful and sustain at scale. Formalisation can be a necessity to drive out poor or illegal practices such as bonded labour. It is with decent work in mind that the SDG for economic growth has an explicit aim (SDG 8.3) of encouraging formalisation.

But formality is only a priority entry point if informality is undermining the current or future capacity of food systems to deliver for the poorest. This working paper has highlighted the downsides of formalisation, particularly its poor fit to poor people’s realities. Many of the food systems that depend partly or wholly on informality are insulated or remote from the levers of public policy and the levers of coordinated value chains, and formalisation sits uncomfortably with the logic of informality. Informal actors often see formalisation as an extra cost with little benefit, especially if the primary intention is to bring people into the tax system. Formalisation may price out or remove informal food systems — and the people who depend on them — from the market:

Formalisation may be more risky and involve greater loss of control over livelihood options than those encountered in the informal sector (Lince 2011).

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3 See www.iied.org/sustainable-diets-for-all
Even light-touch approaches described above such as registration and relocation of street vendors to purpose-built markets — an approach that is much more enlightened than clearances — can struggle to achieve lasting impact. Paternalism is rife in these initiatives, as is a tendency to conflate formalisation with ‘inclusion’ and increased agency (Lince 2011), when people are already economically included through their own enterprise.

3.1 Working with informality

This working paper is about the other alternative: of working with informality. Working ‘with’ rather than ‘for’ or ‘about’ should be a byword for all development organisations. But it is especially salient with informal and semi-formal food systems. Without the right partnerships and the right approach, development organisations have real risks of putting action and intervention ahead of understanding how poor people and informal entrepreneurs manoeuvre to feed themselves, their communities and their customers.

Upstream in small-scale production, trade and primary processing, this is not such an issue since informality is the norm. Formalisation is required to enter coordinated value chains, where contract terms, sustainability standards and certification often fit poorly with the realities of smallholder farmers, small-scale fishers and pastoralists and their actual conservation practices, while providing little or no incentive to formalise in the form of lower costs and/or price premiums (Guarin et al. 2022). But the bulk of production destined for local and regional markets will be traded informally through market hubs often in rural areas that connect farmers, herders and fishers with urban consumers. The dynamism of these upstream hubs has had little to do with external projects or subsidies (Reardon et al. 2021) but there are opportunities to support local leaders with planning, and address chronic underinvestment in infrastructure and food-handling skills.

Downstream, when informal actors in urban markets and street food operate in the ‘grey areas’ at the edge of legality, greater understanding is required of the specificities of informality. Critical is a recognition of what’s working and what should be defended, as well as what needs to be improved. This is not easy. Information on effective approaches, methods and tools is limited (Termeer et al. 2022). Local partnerships with actors in the informal food system are key, potentially including consumers as well as local authorities.

3.2 Partnerships that work

For development organisations, partnerships with informal food systems actors can be challenging. The usual local intermediaries that are relied upon for project implementation may not have the connections, knowledge or experience of working with informal actors. Informal actors who have built these food systems in grey areas often have a greater distrust of authority and a tradition of resistance to government regulation and enforcement, which can extend to international NGOs and their projects.

These informal actors are operating in an environment where it is impossible to demonstrate compliance with regulations (especially health and safety), so will be concerned that engagement in a project will expose that failure to comply. They can be wary of bringing what they see as a controlling state into their enterprise. They may not want to be ‘given a voice’ because invisibility is a form of protection and neglect has allowed informal food systems to survive (Nicolini et al. 2022). Their autonomy may be hard won with strong aspects of self-governance, though often with fluid and informal organisation. They are busy entrepreneurs operating on narrow margins, dependent on reliable interaction with customers. Lost hours of sale (or preparation for sale) can make all the difference in the daily struggle for survival.

Development organisations can be their own worst enemies in partnerships with informal entrepreneurs. Spending pressures, selection procedures with stringent compliance requirements, economies of scale and aversion to small pilot initiatives with entrepreneurs, the heavy hand of auditors, an unwillingness to challenge donors, and preconceptions of staff including assumptions of formality, all tip the scales away from taking risks and partnering with informal actors. Informality can also seem a poor fit with the dominant ‘sustainable food’ agenda, as the strategies of informal actors may not recognise or align with a discourse of city regions, local food, urban agriculture and certified food.

Informal actors and their organisations are troubling for donors who perceive informality as an impediment to the development of a formal private sector. Donors are reassured by projects with objectives of economic modernisation and ‘inclusion’ via formalisation which align with goals of recipient governments. For donors, there is a need for capacity to be built closer to home.

Partnerships with local or regional government may be no less problematic. The attitude of government to the informal food system may be supportive, neglectful, antagonistic and confused, all at the same time; they
may be working with informal actors while also creating constraints that shape informality. A drive to bring the informal economy into taxation is often not accompanied by investment in the sector. Governments may be willing or unwilling partners depending on their perceptions of the informal sector regarding revenue (tax base and vested interests), public order, competition for public space, hygiene, political opposition, party affiliation, caste and class, among others. Governments may be suspicious of external project funding — with attitudes likely steered by national politics — which may cause problems for fledgling organisations of traders or street vendors that may already be labelled as threats to public order by authoritarian governments. Gains can be reversed when local authorities are voted out or expelled from office, or when attitudes harden due to non-compliance with hard-won agreements such as for vendor relocation (see for example Taylor and Song 2016).

Many government efforts to regulate and assist informal food actors such as street vendors are carried out without communication with and cooperation of informal actors themselves, or without a perspective of the informal economy as a durable rather than temporary part of the economy, or without the spirit of building the informal sector as one of the people’s economic bases. Government organisation of informal actors carries the risk of co-option and state coercion (Young 2018). But there are plenty of examples of governments, especially at the sub-national level, trying to work with informal food actors, with goodwill and an appreciation that government does not have all the answers.

Other potential spaces for partnership exist where formal business influences the informal. For example, market vendors might be informal, but there will be a formal marketing committee in charge of the wet market.

A good first step for development organisations is to locate hotspots of energy, including local authorities and/or organisations of informal food actors looking for new approaches. Mid-sized towns may be more innovative than megacities. Partnerships can focus on a benefit or value proposition which can provide an entry point for building trust, such as improved business competitiveness (investing in skills including food handling, productivity and entrepreneurship), improved infrastructure, stronger influence, or protection from harassment. Development organisations could address the constraints described above, especially targeting women and youth, through creating space for partnership innovation with a bare minimum of compliance procedures, but with good documentation to facilitate learning.

Once experience, expertise and partnerships are built, development organisation can open a dialogue with donors on informality that puts partnerships with donor governments onto a different footing.

### 3.3 What’s working and what needs to improve

The rush to ‘best practice’ and ‘how to’ of food systems transformation poses real risks of putting action and intervention ahead of understanding how poor people and informal entrepreneurs manoeuvre to feed themselves and get things done.

One of the central recommendations of this report is to understand and recognise — in partnership with informal actors — what informal food systems are doing well already before seeking to ‘transform’ or to set up new businesses. That means understanding their contribution to food access and affordability, nutrition, adaptability and resilience, decent work and livelihoods especially for women and youth, the environment, and inclusive economic growth. We should be prepared to protect those capabilities — to defend the power of informal food systems — as part of any partnership and intervention strategy. And be prepared to act where there are challenges and problems, and where the food system is failing to deliver resilient food and nutrition security and decent work.

Likewise, we should beware and check preconceptions before targeting an intervention. A classic example is food waste and the perception that informal trade is inefficient and wasteful. Detailed studies by Minten et al. (2016) in India and Bangladesh and Minten et al. (2021) in Ethiopia found that total quantities wasted over all segments of the value chain from farmer to retailer were much lower than assumed: 2–4% of all quantities that enter the value chain for teff and milk, and 3–6% for potato.

This shows the value of evidence generation, building on local knowledge. This paper has described how evidence generation, even when citizen driven, may rank low on the immediate priorities of actors and entrepreneurs in informal food systems (Garcia et al. 2020) and how evidence alone has limits for advocacy. But if partnerships are established first, then evidence generation, analysis, training, finance and advocacy can be co-designed around and focused on a common cause and real priorities.
3.4 A wide view of policy

Advocacy will not always be directed at public policy and regulation. It is important to appreciate the constraints on local governments, and the fact that public policy will not come up with all the answers. There's a difference between governments relying on regulation and those taking shared responsibility, including provision of facilitating infrastructure that supports compliance. As Grace (2021) states,

*Increasing regulation and inspection of informal markets won’t succeed. It is far better to protect food security and the livelihoods these markets offer, to legitimise and support these markets.*

We need to understand trust-based regulation to better build on it. For example in dairy, how are people trading and managing risks with a perishable and potentially hazardous product without enforced regulation? SEWA in India have a principle of not waiting for the government to fix problems, but first seeing what works and then showing the government what it could be doing. There is much to learn from the COVID-19 pandemic in terms of resilience and policy, for example treating food vendors as essential workers rather than public nuisances (see for example GAIN 2021). We must extend our policy reach to include non-state actors, including the private sector.

3.5 Supporting organisation and advocacy

The capacity of informal actors for advocacy is key to their ability to defend what is working in informal food systems and to change what is not. Organisation in informal food systems has the potential to strengthen the capacity of informal-sector associations for advocacy, for raising the visibility, voice and power of informal actors, and also delivering services and training.

Advocacy supported by international development organisations may, however, make life more difficult for organisations of informal actors such as street vendors, already labelled as threats to public order, especially in an environment where democracy and rights are being eroded (Young 2018) or where trade in specific goods such as raw milk is criminalised. But simply funding training and other ‘capacity building’ initiatives to ‘upgrade’ and ‘improve’ informal food provision, while being much less controversial and while improving the perception and reputation of the informal food economy, risks turning a blind eye to the political marginalisation that puts informal actors into poor food environments and dis-regulation.

There are powerful national-level federations affiliated with the trade union movement and with Women in Informal Employment: Globalizing and Organizing (WIEGO) that can assist in engagement with the governing authorities, defending legal rights and building capacity such as in safe food handling, and may offer channels for organisational development. For example, in India there is SEWA and the National Association of Street Vendors of India (NASVI); in Ghana, the Union of Informal Workers Associations (UNIWA) and Informal Hawkers and Vendors Association of Ghana (IHVAG); and in Zambia, the Alliance for Zambian Informal Economy Associations (AZIEA).

While most advocacy is local and national, there is also a need for international organisations to rethink global advocacy to influence wider policy and the market environment, pooling insights from local partnerships and challenging the low profile of these informal food systems in international agendas such as food systems transformation. The World Union of Wholesale Markets (WUWM) may also be a potential partner (WUWM et al. 2022).

But we should remind ourselves of the significant barriers to organisation associated with operating in ‘grey areas’ (see for example Lata 2018; Dittrich 2017), such as the risk of local government imposing an organisation contact point for registration and relocation of street vendors, if that organisation is not seen as representative or legitimate by the majority of informal actors. High turnover of vendors is often a challenge. And ‘giving a voice’ to informal actors will not succeed when invisibility is a form of protection from control, and self-organisation is a preferred option (Jongh 2020).

3.6 Closing remarks

If we are to meet people where they are, in their food systems that are doing the heavy work of food and nutrition security for the poor, then informality cannot be an excuse for continued underinvestment of attention and resources. Any serious strategy for food systems transformation should be working with informality rather than hoping for it to be eclipsed by structural transformation.
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Many people in low-income countries rely on informal food systems for food and livelihoods. But informality puts food systems outside — or partly outside — the governance of states and value chains. This working paper explores the challenges involved in reversing decades of underinvestment, and why focusing too closely on formalisation may price out or remove informal food systems — and those who depend on them — from the market. Instead, development organisations engaged in food systems transformation should constructively engage with informal agrifood markets and actors, recognising what informal food systems already do well and focusing on building partnerships based on common cause, to build trust.