

iiied SNV

Working with Informality

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Working *with* informality

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

The emphasis today is on working *with* informal food systems to address that imbalance

- Thank you to SNV and NFP for convening
- Paper to kick-off rather than dominate discussion – make the most of expertise of participants
- Acknowledge input from other projects and partners, including with Hivos on small producers as well as sustainable diets, MoreMilk with ILRI and Gates Fdn, IIED Learning exercise on value chain inclusion, Bellagio event on Food Systems of the Poor. As well as SNV.

A bit of background

-- SNV and IIED

- Agriculture and food as entry point
- Rethinking of strategies of value chain facilitation and inclusion
- Food systems of the majority/poor
- Role of development organisations



Taking stock of smallholder inclusion in modern value chains

Ambitions, reality and signs of change

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Informality – two framings

1. An **unregulated microentrepreneurial sector or economy**: not recognised, recorded, protected or regulated by the state, *and*
2. The **logic** people use to survive: resourceful behaviours and innovations that might be legal, unauthorised or criminal — driven by poverty, lack of rights and/ or distrust of institutions; an expression of **agency**

Drivers of transformation? One view

‘Upstream’

Small-scale farmers

‘Linking Worlds’

- ‘Cooperation to compete’
- Inclusive business models
- Contracts
- Value Chain Development
- Finance

‘Downstream’

Manufacturing, retail, food service

- Industrialisation
- Concentration
- Modernisation
- Globalisation, FDI

Along the road..



Drivers of transformation? Another view

Not much to do with donors, NGO projects, subsidies or direct government involvement

Upstream and Midstream

Small-scale farmers, fishers, pastoralists..

Emerging urban centres, trading and logistics hubs

Reduced distance to market

Competitive trade

Cross-border trade

Mobile phones, mobile money

Assembly markets and wholesale markets in larger towns

SME processing

Downstream

Urbanisation

- Not just mega-cities
- Incl. informal settlements
- Weak industrialisation?

Population growth, youth

Large informal economy

Dietary transitions: processed and prepared food

Informal food systems

- A **permanent place** in poor people's food provision and livelihoods
- **Not** simply a poorer version of the formal food system
- **Feeding most people in poverty**, at **scale**, without large corporate structures
- Role in **organising food distribution and markets**, and **reorientation towards domestic and regional provision**, at least in sub-Saharan Africa
- **Entrepreneurial and dynamic**
- Important roles of **women and youth**
- **Different degrees of informality** along the chain, and **multiple interactions** between informal and formal
- Puts food systems **outside** — or partly outside — **governance of states and value chains**

Informal food systems

- Central to **food systems transformation** and **SDGs**, but toolkit is focused on formalisation through regulation, inclusion in value chains, organisation in markets, and cutting out the middleman
- **Viewed negatively**: hindrance to modernisation, barrier to effective taxation, threat to civic order and public health, and unfair competition for formal businesses that pay taxes
- **Distrust of authority**

Grey areas and dis-regulation



- **Regulatory ambiguity** from operating at the **edge of legality**. Operating in an environment where is **impossible to demonstrate compliance with regulations** (esp health and safety)
- Opens informal enterprises to '**dis-regulation**': arbitrary application of law (eg by police or food hygiene inspectors) to protect business interests or extract rent
- But can also allow for **regulatory flexibility and innovation**
- A feature of small-scale fisheries, cross-border trade and urban markets where vendors rely on public space
- Linked to **resistance to outsiders and external interventions**, a **distrust of authority** and a **tradition of resistance to government regulation and enforcement**, which can **extend to international NGOs and their projects** and resistance to visibility or 'legibility'
- Can **deter investment**

Resilience

- The informal food sector has **high adaptive capacity** (eg Dhaka 2007-8)
- But the range of responses to COVID-19 — from closing 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)
- Senegal: led to limited availability of nutritious food and impact on employment and poverty
- More research needed

Food safety: *the* biggest challenge facing informal food systems

- Food safety and hygiene is the single biggest challenge facing informal and semi-informal wholesale markets and vendors, because of the connection with the heavy burden of **foodborne disease**
- Also the most significant contributor to **criminalisation** of informal traders and vendors
- Evidence of risk managed even for hazardous products such as fresh milk
- Perceptions of high risk in traditional markets **not always warranted**, because of faster throughput, trust-based regulation, lower input intensity, vendor and household consumption practices
- Assumptions of superior performance in formal systems that allow regulators to take comfort from packaging and supermarkets **not** always matched by reality

Formalisation?

- Toolkit of food systems transformation are tools of **formalisation**
- Formalisation can be a necessity to drive out **illegal practices**
- But formalisation can be a **poor fit to poor people's realities**. Extra cost with little benefit, especially if primary goal is bringing people into tax system
- May **price out or remove informal food systems** — and the people who depend on them — from the market
- Even **light-touch approaches** such as registration and relocation of street vendors can **struggle to achieve lasting impact**. Paternalism is rife, as is a tendency to conflate formalisation with 'inclusion' and increased agency, when people are already economically included through their own enterprise

Risks of inaction and action

- **Inaction..** Hoping for informality to be eclipsed by structural transformation
- **Rush to action..** ahead of understanding how poor people and informal entrepreneurs manoeuvre to feed themselves and get things done
- **Rush to formalisation and reliance on formal regulations,** when informality is not undermining the current and future capacity of food systems to deliver for the poorest

Work with informality? Easier said than done

- Informal actors will be concerned that engagement in a project will **expose that failure to comply** with regulations
- Can be **wary of bringing what they see as a controlling state into their enterprise**
- May not want to be 'given a voice' because **invisibility is a form of protection** and neglect has allowed informal food systems to survive
- Their autonomy will 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

Work with informality? Easier said than done

- **Development organisations** have erected administrative barriers to taking risks and partnerships with informal entrepreneurs. Country partners may not be well positioned
- **Local governments** can see informality as hindrance to modernisation, barrier to effective taxation, threat to civic order and public health. And/or source of **rent**. Gains can be reversed when local authorities change, or when attitudes harden due to non-compliance with hard-won agreements such as for vendor relocation
- Governments may be **suspicious of external project funding** which may cause problems for fledgling organisations that may already be labelled as threats to public order by authoritarian governments. Government organisation of informal actors carries the risk of **co-option and state coercion**
- **Donor agencies** prefer to invest in upgrading and modern value chains, see informality as an impediment to the development of a formal private sector
- **Formal businesses** see informality as unfair competition
- Poor fit with the dominant '**sustainable food**' and 'green economy' agendas

Recommendations for development organisations

1. Work with existing energy and hotspots

- Including local authorities and/or organisations of informal food actors

2. Recognise what informal food systems do well

- .. before seeking to 'transform' or to set up new businesses
- **Evidence generation** co-designed around and focused on a common cause and real priorities
- **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.
- Be prepared to help **protect** those capabilities
- Check **preconceptions** before targeting an intervention

Recommendations for development organisations

3. Work constructively with informality

- Support local leaders with planning, infrastructure and food-handling skills
- Support capacity to defend what is working and improve what is not, using evidence, advocacy and organisation

Recommendations for development organisations

4. Take a wide view of policy, especially for food safety

- Don't just rely on formal regulations
- Direct advocacy to local governments that **protects the food security and the livelihoods that informal markets offer**, around **shared responsibility** and **provision of facilitating infrastructure that supports compliance** (Grace)
- 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?

Recommendations for development organisations

5. Support organisation and advocacy

- Political marginalisation puts informal actors into poor food environments and dis-regulation
- **Organisation in informal food systems** and capacity of associations for advocacy and also delivering services and training. While being aware of the considerable barriers to organisation (legitimacy, high turnover, invisibility as a form of protection)
- Powerful national-level federations affiliated with the trade union movement and WIEGO
- 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