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INFORMAL FOOD MARKETS IN URBAN FOOD SYSTEMS: POLICY AND PRACTICE IN LUSAKA AND KITWE

Introduction

Informal markets play a critical role in providing affordable, accessible and diverse food for the urban poor, while at the same time supporting the livelihoods of millions of small-scale farmers, traders and vendors.¹ In Zambia, almost 80% of informal workers are employed in agricultural-related activities, including food production, distribution and processing.² In addition to their importance for employment, informal food markets are critical to ensure food provisioning for 90% of poor households in Zambian cities. Zambia's growing urban population continues to face considerable poverty and food security challenges, including difficulties in accessing a basic food basket. This policy brief summarises a research report on informal food markets in Lusaka and Kitwe carried out by CTPD, Hivos and IIED.³ It analyses the current policy environment and recommends alternatives to managing informal food markets in Zambia.

What are informal food markets?

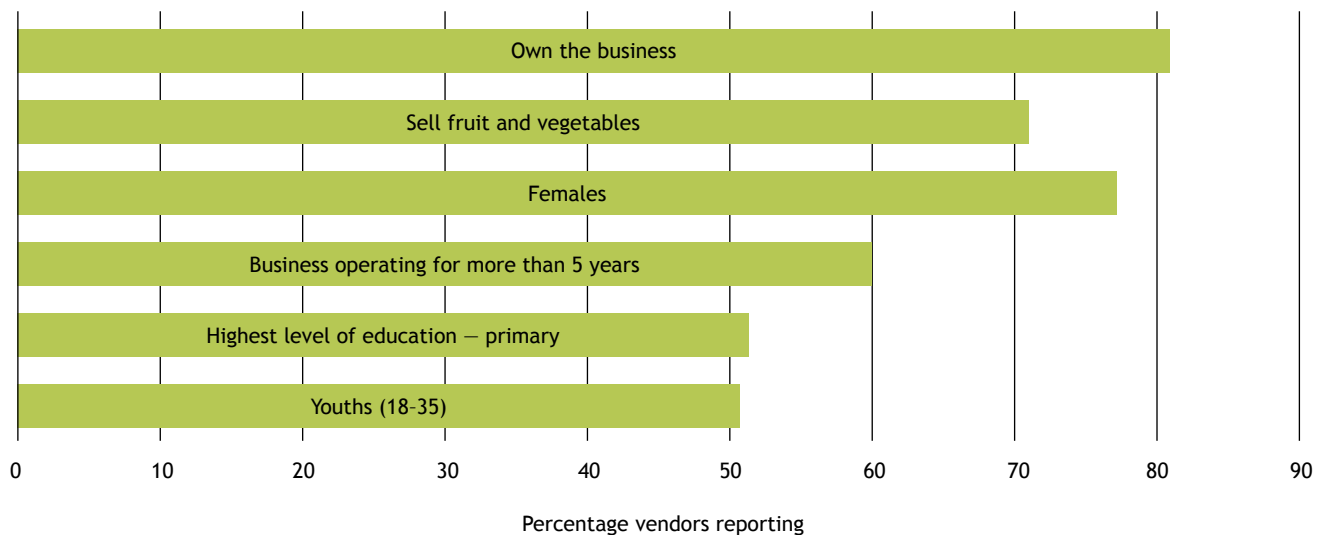
The informal food market falls within the broader informal economy, which is defined as those enterprises that do not fully comply with laws and regulations, and are typically not registered with regulatory agencies.⁴ In this brief we use the term informal food markets to refer to those activities in production, processing, catering, transport and retail of fresh and prepared foods that are mostly small-scale, cash-based, which rely on family labour and lack employment and other contracts. We include businesses with degrees of informality, including street vendors, farmers' markets in undesignated premises, food businesses operating in fixed premises like markets, and imported-fruit traders. The graph below summarises the characteristics of informal food markets in Lusaka and Kitwe.

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Policy pointers

- Create multi-stakeholder platforms on urban food planning processes that allow for local-level participation, especially among low-income citizens and informal food market players.
- Ensure informal food markets have adequate infrastructure, storage, and access to running water, given informal markets' role in feeding cities. View market upgrading as a key investment that benefits millions.
- Support opportunities for small-scale entrepreneurship in processing and value addition by providing dedicated facilities and improving the skills and capacities of traders.
- Promote informal finance innovations to increase access for informal sector players to credit and capital for processing.
- Open constructive dialogue with informal sector representatives to expand access to services. Promote engagement among government agencies, such as the Zambia Revenue Authority and the Citizens Economic Empowerment Commission.

Key demographic characteristics of surveyed vendors



Source: Mwangi et al., 2019³

Why do informal food markets matter?

Informal food markets are especially important in urban settings as an affordable source of food because people have little or no access to land to grow their own food. They provide food for up to 42% for the total urban population and up to 90% for poor households in Lusaka and Kitwe.⁵ Informal markets have also proven to be a very important source of income and employment opportunities for marginalised groups, especially women. Our study of informal food markets in Lusaka and Kitwe highlights the continued relevance of these markets for the livelihoods of the marketeers and the food access of their customers. The study, which was based on surveys and interviews with traders and consumers in seven markets from these two cities, showed their importance across five key areas:

- Food and nutrition security.** The informal food market is an affordable source of food for the urban population. Consumers, especially in low-income areas, rely almost exclusively on local markets for fresh fruit, vegetables and meat, which underlines the importance of the informal sector for the nutrition of low-income consumers. It allows consumers to buy in small quantities enabling the poor to buy according to the resources they have. It also offers a market for traditional fruits and vegetables that are not available in supermarkets.
- Poverty reduction.** The informal food market provides a source of livelihood opportunities for traders. It is a pathway out of poverty, and has allowed traders to provide for their families. On average, each trader directly supports six people, and more than 90% of traders that took part in our survey support households of four people or more. About three-quarters of the traders reported that their business provided enough resources to sustain their livelihoods, but they seem to do so with relatively little money.
- Employment creation.** The informal sector is a major source of employment in Zambia, particularly for women, youths and the less educated. According to our report, the highest level of education for about 52% of the traders/vendors who participated is primary education, indicating that the informal sector absorbs the less skilled labour force into productivity. Other studies suggest that almost 80% of informal workers in Zambia are employed in agriculture-related activities, including food production, distribution and processing.⁶
- Source of revenue.** Despite contributing almost 20% of the country's GDP, the informal sector contributes just over 1% of total national tax revenue.³ However, simulations show that the sector has the capacity for a much higher potential contribution. For example, for the year 2010, the total amount of tax foregone due to informality was 6% of GDP, or 34% of total tax revenues for 2010. These amounts could have been sufficient to finance the health sector's total expenditure.⁷ At the local level, however, the majority of informal food vendors (70%) contribute to local councils through the payment of levies.
- Local economic development.** Local food systems are a driver of economic growth. Additionally, vibrant local foods systems contribute to more equitable, stable, and sustainable development. Our research found that 65% of traders' source their merchandise from local farmers, and that 58% are household consumers while 32% are local restaurants. Some studies suggest that these benefits accrue not just to farmers, but also to the broader community.⁸

Providers and Customers of informal food vendors

	Lusaka (n = 193)	Kitwe (n = 104)	Total (n = 297)
Source of merchandise			
Farmers	54	84	65
Middlemen	35	6	25
Other traders	11	8	10
Own traders	0	2	0
Main customers			
Household consumers	60	54	58
Restaurants	24	46	32
Local butchers/kiosks	16	0	10

Source: Mwango et al., 2019³

Selected challenges facing Informal food markets

Despite the importance of informal food markets, traders face numerous challenges to adequately provide access to food and nutrition to the urban population while meeting their own survival needs. Some of these challenges include:

- **Lack of access to capital.** Among the challenges faced by traders is lack of capital and access to credit. Even though access to finance has increased in Zambia and there has been considerable financial deepening as a whole, the financial sector still excludes a significant number of people, especially those with low levels of education, no collateral and no secure employment. Government agencies such as the Citizens Economic Empowerment Commission (CEEC) were created to improve financial access, but the facility is not available to informal sector players due to stringent requirements such as the need for business plans. Furthermore, CEEC funding is restricted to sectors prioritised by national development strategies/plans,⁹ marginalising informal actors. Those who cannot access these funds have created alternatives to formal finance as well as other coping strategies. According to the financial sector deepening annual report of 2016/2017,¹⁰ the Zambian financial market is dominated by informal finance. The Financial Sector Deepening Zambia (FSDZ), a government agency responsible for opening up financial markets for all citizens, notes that the three most common informal financial mechanisms are Savings Groups (time-bound savings/credit/risk management groups), Chilimbas (rotating savings associations) and Kalobas (moneylenders). Informal services are more popular than formal ones for several reasons, including geographic proximity, low transaction costs, and flexibility and speed with which services are provided.¹⁰ Other coping strategies include traders relying on the credit extended to them by their suppliers, which they pay back after trading.

- **Inadequate storage.** Storage is a key concern for many traders, particularly in Lusaka. Most vendors have access to some sort of in-market storage, but this is not always adequate to maintain freshness, and vendors have to pay for private storage based on the type of storage facility required. Sellers of fresh meat products pay for storage at private cold rooms while others need storage for security reasons. A high proportion (85%) of vendors complained that they incur losses due to spoilage. The amount of losses incurred were as high as K2,000 (US\$200) for fresh meat traders and as high as K400 (US\$40) for fresh fruits and vegetables.
- **Competition from import markets.** A number of traders complained about competition from imported products, as cheap imports undermine their trade. Examples of cheap imports include tomatoes, oranges and fish. Competition from import markets could also contribute to other challenges reported in our report such as slow business and few customers, especially when business slows down.
- **Associations do not work for traders.** Few traders are members of associations, as they do not trust them to represent their interests. Many traders see associations as politicised, and think that parties are only interested in their issues during electoral times. Partly as a result of their politicisation, the different organisations pursue different agendas and do not speak for traders with one voice.

Recommendations for current policy and practice

Though informal food markets play an important role in food and nutrition security, employment creation, and poverty reduction, they come with significant challenges to public health and safety. For example, joint IFPRI-International Growth Centre project found that vendors often lack access to clean water and proper toilets, and the lack of drainage within markets is a constant concern during the rainy season.¹¹ Further, according to an IFPRI blog, investigations of the 2018 cholera outbreak revealed that the outbreak was caused by contaminated food, causing the Zambian government to deploy the police and army to demolish around 10,000 stalls.¹² Our study reveals that formalisation is the government's default policy answer to managing the complex nature of the informal sector. Even though government policy documents such as the national development plans talk about inclusive growth, they do not refer to informal arrangements but to organised groups. However, formalisation entails registration, taxation, organisation and representation, legal frameworks, social protection, business incentives and support, amongst other things,¹³ and there is no evidence that any of this can be achieved at scale in the foreseeable future. The government therefore needs to begin to think creatively about how to support the informal sector in its current form.

Based on the above discussion we propose the following recommendations for a more constructive policy approach that enhances the contribution of informal food markets for food security and nutrition, and addresses the needs and livelihoods of the vendors.

- **National and local government should plan for the food system holistically.** To systematically address urban food system issues and challenges, there is need to recognise that food issues go beyond agriculture production and health. According to a study on African urban food systems, food is totally absent from urban policy in Zambia. The Urban and Regional Planning Act that was passed in 2015 and is meant to establish principles for urban and regional planning only mentioned food once (in the context of production).¹⁴ This means that “local government sees no clear food system or food security role for itself, despite many core functions of urban government, such as control of markets, public health, transport, and solid waste management systems and infrastructure, influencing the characteristics of the food system”.¹⁵ For example, the ministry of lands being responsible for land management and change of land use from agriculture to others (e.g. commercial/residential) needs to participate in food system planning to appreciate the effect of their decisions on the food system and contribute to holistic planning of the food system. This will also help address the fragmented approach to food system management.
- **National and local government should include informal traders’ voices in urban food planning.** There is a need to ensure that important stakeholders such as informal food market players are not sidelined from urban food planning processes. This could be achieved by creating platforms that allow for the participation of a range of stakeholders at local level. The work of similar platforms such as the Food Parliaments in Buikwe district, Uganda, or the Municipal Food Security Council in La Paz, Bolivia,¹⁶ can provide useful models to inspire more inclusive and integrated planning to deliver safer, more nutritious food for consumers in Zambia.
- **National and local governments must ensure that informal food markets have adequate infrastructure, storage, and access to running water.** These basic improvements could allow the markets to operate better and strengthen public health. While the costs of carrying out these improvements may seem prohibitive, the enormous costs of dealing with the recent cholera outbreak underscore the need – and financial sense – of adopting a more preventive approach. Given the centrality of informal markets in feeding the cities, it is important to see market upgrading not just as an expense that benefits a small group of vendors, but as a **key investment that benefits millions.**
- **The government and private sector investors must support multiple opportunities for small-scale entrepreneurship in processing and value addition.** Evidence from this study suggests processing (e.g. sausage making) is taking place in markets in a spontaneous way. There is a big potential for promoting processing more deliberately, for example by providing dedicated facilities and by improving the skills and capacities of interested traders. Improved access to credit and capital and the promotion of innovative local economic development strategies by the city councils could provide the necessary finance to support processing. Therefore, there is need to recognise the limitations of informal sector players and promote informal finance innovations that are supporting this segment of the population.
- **National government agencies must open a constructive dialogue with informal sector representatives to expand access to social protection.** The National Pension Scheme Authority (NAPSA) is working constructively to devise a way to incorporate informal sector workers into a pension scheme. However, rather than merely extending social protection services through regulation, there is need for further engagement with the informal sector workers on what will work best for them. Positive examples from India, where the government is trialling a universal pension scheme to cover its vast informal workforce, might point the way forward. In addition to the efforts of NAPSA, more of this type of positive engagement is needed across other government agencies such as the Zambia Revenue Authority and the Citizens Economic Empowerment Commission (CEEC) to begin working with the informal sector in its current state.

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Notes

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