



Informal markets and food systems

Report from meeting held 15 November 2022, at the Social Hub, Den Haag

The meeting was attended by 27 people at the venue and 13 people online. It was organised by NFP in collaboration with SNV and Wageningen UR.

The video used in the meeting and the recording (edited, 1:01h) can be found here:

https://www.nfpartnership.com/insights/report_15nov22-informal_markets_for_food_systems/

Programme

15:00	Welcome + opening meeting – Frans Verberne (NFP)
15:05	Setting the scene <ul style="list-style-type: none">- Rosina Wanyama (World Veg Centre, Arusha)- Bart de Steenhuijsen Piters (WUR) – Summary of research outcomes
15:20	Experiences from implementers in Asia and Africa <ul style="list-style-type: none">- Flor de María Prado Rivera (SNV) – Results webinar in informal markets, 1 Sept 2022- Video statements from practitioners
15:35	Sharing experiences on working with informality <ul style="list-style-type: none">- Participants
15:50	Buzz group session 1: What fundamental changes in policies and practices are needed?
16:10	Buzz group session 2: What priority follow-up is required: what is the future agenda for research and action?
16:30	Major takeaways from the meeting <ul style="list-style-type: none">- Takeaways from Bill Vorley, Jan Ubels, Bart de Steenhuijsen Piters, and others.
16:50	Wrap-up and follow-up activities – Frans Verberne
17:00	Closure and drinks

In his welcome, *Frans Verberne* began by mentioning how informal markets have shown resilience to the “3Cs”: conflicts, Covid and climate change, and indicated the two objectives for this meeting:

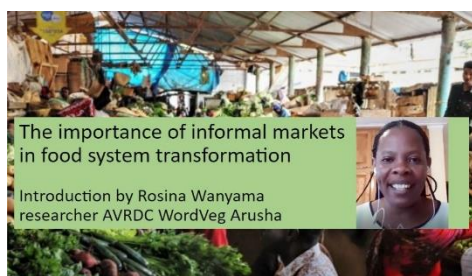
- sharing knowledge and experience in working with the informal actors
- exploring a joint agenda for research and joint activities.

In his introduction, *Bart de Steenhuijsen Piters* referred to how the informal economy has negative connotations in Europe, yet is central to the economy in African and Asian countries. The discussion today now should go beyond importance and explore how to work with the informal actors: we need them if we want to enhance food system outcomes. His team conducted a literature review in 2021 and concluded that informality in the horticulture sector, and how to engage informal players, is not well understood. Also, the informal economy is here to stay, despite beliefs that informality is a phase in development. Many attempts to formalise the informal economy have failed.

A further question is about how we shape our engagement (as researchers, practitioners and policymakers). As the informal sector also has monopolies, oppression, exploitation and exclusion, a normative framework is



needed to assess whether an informal actor is part of the problem or part of the solution and what kind of engagement they need. Also, the instruments (e.g., tax exemption, subsidies) used in the formal economy do not work with informal actors. There is hardly any literature on this (except for [Nicolini et al., 2022](#)). We need other interventions and incentives to motivate informal actors to contribute to the public good.



<https://youtu.be/iBfLoPYSe7Q> (7 minutes)

Rosina Wanyama works on a CGIAR initiative looking at inclusive markets and food loss and food safety. Over 80% of fruit and vegetables in Arusha, Tanzania, are traded by informal actors. Even formal markets rely on informal markets for supply. Informal markets are more affordable and accessible for consumers. It can be difficult to regulate informal actors because they operate in silos and on trust (not contracts). But there are issues of food safety, so more investment is needed for this group.



<https://youtu.be/4G5iuEVF310> (6 minutes)

Flor de María Prado Rivera introduced a video with quotes from nine practitioners (of 50) who attended an earlier meeting organised by SNV and partners in September 2022 to share their experience and ideas of working with informality.

Observations from the audience

- *The nine quotes are from development actors. What do informal actors themselves say they need? Often mentioned: support for competitiveness and protection from harassment. Also, improve the physical structure of the marketplace and provide a place to meet with local government (such as the 'coalition of the willing' in Fort Portal, Uganda¹).*
- *In general, the context of informality needs to be better understood. Research needs to change its engagement, for examples, via informal actors doing research themselves.*
- *The informal sector is very diverse and has fluid boundaries with formality; acknowledging the hybridity of the two is more helpful for our concepts and mental models.*
- *Access to informal money: informal traders often lend money at considerable risk.*

¹ Also read [Taking stock: Uganda food change lab | Ruaf](#)



Buzz in groups (session 1): What fundamental changes in policies and practices are needed?

Reflect on the importance of informal markets and the interaction with the formal economy.

- *The dichotomy formal/informal is not that present in Dutch policymaking; additionally, formalisation of the informal is an intervention strategy with unintended consequences. Policy could change to avoid referring to this dichotomy and to cater for any unintended consequences.*
- *Starting point should be a clear recognition by governments and others of the enormous benefits and services that informal markets provide in terms of income generation (for traders, retailers, especially women) as well as for consumers (affordability, closeness of these markets). Such recognition would contribute to a perspective of 'how can we increase the positive contributions of informal markets' rather than focusing only on the negative aspects (hygiene, tax evasion). Remember these actors do pay fees and indirect taxes.*
- *Regarding the problem with contracts (see Rosina Wanyama video), informal actors work in trust-based arrangements which is more effective.*
- *The challenge today is in the downstream end (near consumers) as quite a lot of work at the upstream (farm) end has been done already.*
- *Government should acknowledge the role of informal actors and work with them, without the direct intention to capture them in the tax bracket. The affordability of food is a key aspect, so how can this be regulated without formalisation? See how Uber disrupted the taxi world.*
- *Don't start with changing the informal food economy; it works well. Aspects to improve are hygiene and waste. Opportunities with traders are to improve transport, storage and cooling.*
- *Online contributor: informal entrepreneurship and creativity and their contributions to the local economy are often overlooked. Support should focus on poorer producers and consumers. In a reference to De Soto, informal actors see formalisation as an extra cost, not a benefit.*

The informal economy supplies many poor households with their basic food, which may sometimes be of lower quality but is always more affordable than supplied by formal firms, such as supermarkets. As such, we have to be very careful with imposing standards and requirements on the informal actors, from producers to retailers, as this may constrain their ability to deliver food at the lowest possible prices. As long as price is the principal incentive of poor households procuring (healthy) food items, proposed changes must not have price increasing effects.

Buzz in groups (session 2): What priority follow-up is required? What is the future agenda for research and action?

- *Who takes which margin in the informal economy (further research into extractive powers)?*
- *As affordable food is key, look into informal cold storage and its effect on cost price (action research with informal actors).*
- *Besides semi-formal markets (under cover, sheds), also include the roadside sale of produce.*
- *Reflect on trust-based regulations as an alternative to contracts.*
- *Invest in the physical space around the informal marketplace.*



- *How to be demand-based? Whose needs are we looking at: informal traders, retailers, consumers? What are the entry points? How are they organised, represented? There may be informal structures with their own power structures, which research should look into.*
- *Task for research to improve the vocabulary on informality that appreciates this sector (as existing forms that self-regulate and are appropriate for local context).*
- *Action to discover the fit/misfit with existing finance mechanisms and regulatory frameworks that enable or constrain informal actors in generating public goods.*
- *Online contributor: have a dialogue with donors on informality. Put an informal lens on our existing projects. Include the element of culture in training and policy. The discussion of whether Uber was a good or a bad example was undecided.*

Other observations and questions that emerged in buzz groups:

- *Look into what already has been done. What support has worked? How is it different from support to smallholder farmers? Learn, for example, from Hivos Food Change Lab action research. Also consider how much trade is happening on the roadside and the influence of consumer demand for safe and healthy food. Verify if and how informal traders organise themselves.*
- *Think of interventions outside the marketplace, such as breeding for resistant tomatoes and training for producing with lower pesticide use. Create services informal actors need: cold chain at market, processing of leftovers, finance. Reflect: what may happen to the cost price?*
- *Be clear about the research and action goals: Is it for increased incomes? For healthy diets?*
- *We will need to be demand based: What are their needs? And who are the informal actors: the wholesalers, retailers, street vendors, bottom-of-the-pyramid consumers? Where are our entry points? Who are sufficiently representing (parts of) the informal market?*
- *Action: Where does formality merge/interface with the informal markets – our development projects require a degree of formality to design interventions.*
- *Research: Look into power dynamics in informal markets. Markets may have formal aspects (like market committee, trader associations), while hiding power structures (like certain traders who control access to the market). How can projects deal with this?*

Major takeaways from the meeting

Bill Vorley (IIED): Informality is both a micro-entrepreneurial sector and a way of working/surviving.

Combining these aspects helps to understand informality itself, its importance for city food security and how our interventions work out. Today we also discussed how we as researchers and practitioners approach informality, with claims about a lack of food safety, poor organisation and inefficiency. As this sector has built itself despite policy, the appreciation of trust is a more constructive approach for engagement.

Jan Ubels (SNV): There is progress in thinking and understanding. Three quick ideas:

- *Resilience helps to explain why informality exists (the efficiency paradigm does not).*
- *The conventional thinking of the formal economy is not grasping the real-world situation (this calls for a small paper elaborating this insight and implications for policy and practice).*
- *Practitioners can make their project choices explicit, by listing the main features and including the informal/formal options: choice of actors, how to organise participation, the regulations, the funding (this calls for another brief paper, which would benefit from a new vocabulary).*



Bart de Steenhuijsen Piters (WUR): The reality of informality is more complex and diverse than the dichotomy we apply. Why do we call it informal; is there a better label? How can governments relate to these more informal actors, which operate differently from the law and regulation approach?

WUR is conducting various studies on the topic of informality and food system transformation, including private sector–led innovation and assessing capacities of informal networks to deliver on food system outcomes. WUR hopes for further discussion with the participants next year.

Peter Ton (Fair & Sustainable Consulting): Interested in the interface between formal and informal. We can learn from interventions towards formalisations that failed as well as successful ones. Research could look into the success factors for when formalisation works.

Sietze Vellema (WUR) and Greetje Schouten (Partnerships Resource Centre): We are already teaming up with SNV, 2Scale, NFP and foodFirst in (an NWA-Route) research into SMEs as game changers in sustainable food production. The research will look into a) how food trade is self-organised, and b) whether these practices are frugal in relation to climate and scarcity.

Rutger Groot (East-West Seed): Keep in mind that a leading motive is making food available for the bottom-of-the-pyramid consumer, so any intervention should avoid raising food prices.

Wrap-up, closing and follow-up

Frans Verberne observed that this meeting produced a lot of ingredients for research, practice and policy. Informality is not restricted to low- and middle-income countries, and we can probably also learn from developed countries how they manage informal–formal sector interactions successfully. A takeaway for NFP is how to continue this sharing of knowledge and experience in 2023 and how this can feed into policymaking.

NFP and partners promise to process today's input and share recordings.

It is also proposed that we meet again by mid-2023 and share updates and new insights gained from the initiatives mentioned above.

For further questions contact Wim Goris at wgoris@nlfoodpartnership.com.