Informal traders and COVID-19 in Africa
An opportunity to strengthen the social contract

In brief

• Government policy reactions to COVID-19, and peoples’ compliance with such measures, reveal the strength of the social contract between states and their citizens.
• In sub-Saharan Africa, informal traders often have a weak social contract with the state, and this has exacerbated their vulnerability during the COVID-19 pandemic.
• This brief examines the special place that informal traders occupy in the relationship between state and citizen. It finds, for instance, that governments’ COVID-19 responses affect traders in different ways, ranging from creating an enabling environment in some cases to implementing restrictive policies that worsened outcomes for traders.
• The brief also provides recommendations on how governments can strengthen the social contract with informal traders in a post-COVID-19 world. These recommendations include regulatory reforms, adapting market-centred policies, integrating traders into social protection programmes, and increasing accountability and transparency.
Overview

Government policy reactions to COVID-19, and peoples’ compliance with such measures, reveal the strength of the social contract between states and their citizens. A social contract refers to a bargaining process between states and citizens about their mutual responsibilities and expectations. For instance, citizens may expect certain goods and services from the state, including security, infrastructure, healthcare, education, and old age benefits, in exchange for paying taxes, respecting property rights, and conceding to the state’s monopoly on coercive force.

Informal workers occupy a special place in the relationship between state and citizen. While they often pay a range of market levies and business licences and fees (Resnick, 2018), this does not translate to their incorporation into pension systems, health insurance schemes, and other forms of social welfare. As a result, informal workers rely heavily on informal coping mechanisms to manage shocks such as savings groups, village banking, funeral funds, and emergency funds to manage out-of-pocket catastrophic expenditures. Consequently, the livelihoods of these workers have been especially vulnerable to different COVID-19 policy responses.

This is particularly true in sub-Saharan Africa where the International Labour Organization estimates that 80% of workers are employed in the informal economy (ILO, 2018). This brief focuses on a sub-set of informal workers, informal traders. This sub-set includes three further distinctions. One refers to informal traders who operate in wet and open-air markets selling fresh foods and processed goods, or who provide a variety of services such as hairdressing, tailoring, welding, and carpentry. Another category includes street hawkers and vendors, encompassing those who sell their goods on the side of the road. Cross-border traders, who frequently move products across two or more countries outside of formal customs regulations, constitute a third group.

Despite often operating without legal status or protection, informal traders provide many essential functions. In addition to providing employment, especially for women, they are critical for the food security of the urban poor. Informal traders are often spatially accessible, tend to offer goods at lower cost, provide credit to consumers and allow purchases in smaller quantities than supermarkets. As a result, over 70% of households in the region rely on informal food vendors for food access (Battersby and Watson, 2018; Crush and Frayne, 2011; Mulenga, 2013). Moreover, cross-border trade is significant for the economies of certain sub-regions. For instance, approximately 30-40% of the total trade within the Southern Africa Development Community (SADC) is associated with informal cross-border traders (Afrika and Ajumbo, 2012).

Even in normal times, each of these categories of informal traders face specific vulnerabilities from state oversight (Resnick, 2019; Skinner and
Balbauena, 2019). They have encountered new challenges from the different measures taken to combat COVID-19. Marketeers work in crowded conditions, street hawkers have little access to handwashing facilities, and cross-border traders have had to deal with uneven enforcement of travel bans and testing across the borders of the countries where they operate. Consequently, it is increasingly recognised that informal workers have been among the most vulnerable to contracting COVID-19. We highlight in this brief disparate policy responses to informal traders, consider the direct and indirect impacts on their livelihoods, and discuss viable options for strengthening the foundations of the social contract with this constituency.

**Divergent policy responses to informal traders**

As in the rest of the world, the range of policy responses to COVID-19 has varied drastically across Africa. The reasons for these differences depend on a variety of factors, including expected levels of capacity to enforce policies, anticipated burdens on urban livelihoods, and perceived vulnerabilities of the population to the pandemic. Prior experience of managing major health events also seems to have played a role. Figure 1 demonstrates the range of responses across the region between March-April and May-June.

At one extreme are countries that imposed full national lockdowns, such as Rwanda and Uganda, relatively early on as the pandemic hit the region. Others adopted national restrictions but then placed special restrictions on movements in major urban agglomerations. For instance, Ghana restricted movements within and out of its two largest cities, Accra and Kumasi. Similarly, in Ethiopia, restrictions were all placed on the states of Amhara, Oromia, SNNP, and Tigray. Kenya first placed lockdowns on the Nairobi metropolitan area and subsequently, other counties, such as Kajiado, Mombasa, Kilifi, and Kwale, adopted their own lockdowns. Along with South Africa, the duration of Kenya’s policies have lasted the longest.

On the other extreme lies countries with more modest responses, including Tanzania and Zambia. In Zambia, more emphasis was placed on public health messaging rather than movement restrictions, and the track and trace system has been classed as comprehensive (Our World in Data, 2020). Tanzania took comparatively limited measures to curb the spread, and public health messaging was conflicted with the President even issuing statements that undermined the efficacy of public health messaging (Kell, 2020).
Variation in government stringency in response to COVID-19

Source: Adapted from data from the Oxford COVID-19 Government Response Tracker
Notes: Higher values on the stringency index indicate greater stringency. The index encompasses the following measures: schooling closings, workplace closings, cancelled public events, restrictions on gatherings, closed public transport, stay at home requirements, restrictions on internal movement, international travel controls, public information campaigns, testing policy, and contact tracing.

Impact on informal traders

These variations in restrictions led to a number of negative, indirect effects on informal traders. In some countries, food traders were exempted from restrictions on businesses while non-food traders were not. In Uganda, for instance, food vendors were allowed to stay in markets if they were willing to sleep in them rather than travel back home each evening. But to increase social distancing, non-food vendors were removed. Market leaders in Kampala also removed shelters to reduce the likelihood of non-vendors seeking shelter within them (Kahungu and Mabala, 2020). In many countries, food traders live in peri-urban areas and commute into major cities for work, and they still encountered limitations to their operations where curfews or transport bans existed. Even where restrictions are easing, social distancing measures on mini-buses—the cheap form of transport often used by traders—implies longer wait times. Street hawkers in Ghana who would ordinarily sell meals and snacks to students, bureaucrats, and commuters saw their demand plummet in the wake of school, office, and transport closures.

Many lockdowns were also announced with little notice given to traders about the timelines for lockdowns. In some cases, this was meant to prevent...
outward migration out of hot spots resulting in the further spread of the virus. However, this lack of communication gave little consideration to the impact on the livelihoods of traders. These disruptions have also contributed to the rise in urban food prices. In Uganda, these restrictions prevented the urban poor from returning to their villages, which is a common coping mechanism during crises, thereby further undermining food security (Haas and Strohm, 2020).

Cross-border impacts

Cross-border food and non-food traders were especially vulnerable since their supply routes may have been curtailed and their customer bases, particularly truckers, dwindled due to border quarantine measures or travel bans. Such traders are also susceptible to the health effects of COVID-19 since they may operate at borders of countries with very different policies of testing and tracking. This has been a particular problem for both traders operating in Kenyan and Zambian towns bordering Tanzania which, as noted above, has had the most lax approach to COVID-19 (Bearak and Ombuor, 2020; East African, 2020).

The closure of borders to all but cargo transport has meant that for many traders, incomes literally disappeared overnight. These effects are made more prominent by the fact that many cross-border traders have little access to credit, meaning they cross borders frequently to replenish their produce, thus increasing health risks when travel resumes. These traders also rely on informal loan sharks to make bulk stock purchases with arrangements that money borrowed early in the morning is paid back in the evening. Losses from the abrupt announcement of lockdowns and the drying up of incomes may have caused many traders to spiral into debt, especially for those trading in perishable agricultural products (Luke et al, 2020). In some border towns, restrictions have led to price jumps as high as 50% for certain commodities. In addition, such closures have had downstream effects on the food access of the urban poor. One phone survey study conducted by the IGC and International Food Policy Research Institute (IFPRI) in Ethiopia found that trading in Addis Ababa’s vegetable markets had declined because, among other reasons, travel bans reduced the volume and frequency of trucks coming into the city (Tamru, Hirvonen and Minten, 2020).

Specific policy responses to informal traders

Direct government policy responses to informal traders have varied along a broad spectrum. These have ranged from improving the enabling environment for operations and reducing negative impacts on livelihoods to restrictive options that, at best, have hurt traders’ incomes in the short-term and, at worst, have undermined their ability to recover from the crisis and eroded trust in public authorities.
Improving the enabling environment

Since market traders operate in crowded environments, authorities in many cities have emphasised decongesting markets and ensuring that markets operate with new health protocols. For instance, in Ghana, where a partial lockdown exempted those involved in the food value chain, markets in all regions were cleaned and disinfected with some districts following an “alternative products for alternative days” policy (Republic of Ghana, 2020). This approach strongly relied on building trust and dialogue with Ghana’s market queens, who are influential female traders who control the distribution of specific commodities such as tomatoes, maize, plantain, yams, and cassava between wholesalers and retailers in markets. In Kigali, Rwanda, the marketplaces were decongested by moving food trading from city markets to the Nyabugogo Bus Park, and distance lines were drawn to remind vendors and clients to stay apart by one meter (Nkurunziza 2020). In Addis Ababa, the famous fruit and vegetable market, Atikilit Tera, was relocated to the open space in the Jan Meda race course (Ethiopian Monitor, 2020). In Sierra Leone, the government moved quickly to deliver handwashing stations to various institutions, including markets.

Of course, for both food and non-food traders, reduced patronage as a result of government restrictions and consumer fear also have the potential to drive down traders’ incomes. Traders in Lagos, for instance, report that household incomes fell by 94% during the Lagos State lockdown (Grossman et al, 2020). Recognising this, there has been some focus on reducing costs for traders in various forms. Some cities, like Kampala, decided to waive all fees and other charges in markets (Wadero, 2020). Similarly, the municipality of Windhoek, Namibia, waived fees for traders in informal markets (Ngutijinazo, 2020). In Kenya, the National Treasury reduced the turnover tax levied on micro, small, and medium enterprises from 3% to 1% (Wafula, 2020).

Another approach catalogued by IFPRI’s COVID-19 Policy Response Portal includes expanding access to financial services in order to make cashless transactions more accessible to informal traders (IFPRI, 2020). In Rwanda, the National Bank of Rwanda waived all charges on mobile money transfers to encourage traders to use contactless payments and avoid handling cash. The Bank of Ghana negotiated measures to facilitate more efficient payments and promote digital forms of payments, albeit for a limited period, subject to a review. In Zambia, charges on person-to-person e-transfers for transactions up to 150 Zambian kwacha (about USD 8.30 or GBP 6.60) have been waived. These policies were intended to slow down the transmission of the virus while still allowing trading to continue. Preliminary results from a survey of traders in Lagos indicate that the majority express a high level of interest in the use of electronic payment methods post-lockdown (Grossman et al, 2020).

The efficacy of these measures in the case of cross-border traders though is unclear. The majority of cross-border trading is done on a cash basis, for example along the congested Abidjan-Lagos corridor (Luke et al, 2020). A
key challenge for cross-border traders is that countries may have different mobile payment platforms and differing policies to incentivise use of these platforms, affecting traders’ access to them. However, cross-border traders are utilising other types of innovations. In East Africa, the use of the Eastern Africa Grain Council’s Grain Trade Business Hub (GHuB) application, which assists farmers to consolidate demand for inputs (such as seeds and fertilisers) and connect to manufacturers that extend quantity discounts, increased significantly following COVID-19 (Luke et al, 2020).

Restrictive policies

Some types of informal traders have encountered a more restrictive environment, and this is particularly true for street hawkers. As COVID-19 progressed, longstanding regulations against street hawkers were unearthed to restrain hawkers from operating due to fears that they could easily transmit the virus and, unlike market traders, are less likely to have any access to handwashing facilities or oversight by market authorities. In Zambia, the Statutory Instruments 21 and 22, were passed to empower public officials to fight COVID-19, and the major provisions are aimed at restricting trading and vending of food in locations considered unsanitary (GRZ, 2020). The Mayor of Lusaka initially tried to remove street hawkers from the city’s central business district (Phiri, 2020). Street hawkers were also banned in Addis Ababa, and Uganda has continued to ban hawkers even as the country begins easing the lockdown.

Some states have also been heavy-handed in their enforcement of regulations. Violence has unfortunately been employed against traders in various towns and cities in the region. In cities such as Busia, Hoima, and Kampala in Uganda, there were a number of instances in March and April of police and paramilitaries firing live bullets over the heads of traders demonstrating against closed markets or beating vendors who were violating lockdown measures (ACLED, 2020). In Zimbabwe, authorities in Harare destroyed market stalls and merchandise of an estimated 3 million vendors even as traders had obeyed stay-at-home orders. This prompted informal sector organisations to suspect that the lockdown was being used as a way of cleaning up the streets without any consultation (Mukeredzi, 2020). Cross-border traders in Zimbabwe were also targeted and had goods confiscated and burned by the authorities (Luke et al, 2020).

Policy recommendations: Starting to rebuild the social contract

The policy examples above indicate that while there have been some important innovations and proactive decision-making to support traders’ livelihoods during COVID-19, there also have been a number of negative direct and indirect impacts on traders. Early learning from these responses emphasises that in the short-term, governments should continue to ensure food traders and others critical to the agrifood system, are prioritised in terms of continued operation.
Yet, the vulnerability of informal traders to the pandemic reflects their longstanding exclusion from structures key for building a social contract. Below, we highlight important interventions for this constituency that should be considered even as lockdowns ease in different countries in the region.

**Market-centred policies**

The majority of traders will operate in or near markets, increasing the need for effective infrastructure and facilities to handle the pandemic over the longer-term. Similarly, cross-border traders will need policies in place which enable them to continue trading, with access to supply chains without significant increases to costs. Governments will need to ensure coordinated responses, bringing in the right groups such as market associations to ensure clarity on protocols. Institutional arrangements for managing market-related policies and those across the value-chain will be essential to enable traders to continue working effectively. Structural changes to markets have the potential to mitigate the risk of disease transmission in the long-term (Pais, Kartik and van Wamelon, 2020).

- **Access to markets**: Wherever possible, traders should be exempt from travel restrictions, enabling them to travel to and from marketplaces and to borders for continued trading. There have been reports that mixed messages from government have made this difficult, suggesting the need for effective systems for exemptions such as e-passes/stickers (FAO, 2020) and establishing transport routes that follow social distancing and other health measures to ensure people can safely get to work.

- **Market structures and policies to enable safe working conditions**: Basic recommendations include spacing between traders, rules around trader-consumer interactions, and formalised routes in markets, including one-way systems. Other approaches include scheduling different goods to be sold on specific days of the week, such as the Ghana example mentioned above. On the consumer side, there have been some efforts to reduce the number of people shopping. For example, Mauritius introduced a policy of staggering shopping days based on alphabetisation of surnames (Mauritius Chamber of Commerce and Industry, 2020).

- **Health measures in markets and at borders**: Health measures in markets are key for containment and will reduce the risk of markets becoming sources of outbreaks. Handwashing stations, daily disinfectant spraying, and regular deep-cleaning, as in Senegal, are some measures that have been established at market locations. The compulsory wearing of masks and temperature readings are other measures being introduced. It will also be vital that those working in the markets who are sick do not come to work. Market associations can help ensure rules are upheld, and private sector partners can support these initiatives along the supply
chain and encourage traders operating at borders to embed practices.

- **Facilitation of partnerships at borders:** Measures should be established to support cross-border traders, targeting reduced travel, which will be important for effective supply chains. In order to address challenges around liquidity, potential options for flexible loans could be considered, with access to dry and cold storage facilities facilitating more bulk buying. The group transfer of goods across borders offers significant potential. The expansion of platforms such as the Eastern African Grain Council Trade Business Hub that was mentioned earlier is one option to assist farmers in consolidating demand for inputs.

### Social protection, inclusive of cash transfers

The International Labour Organization (ILO) has pitched the COVID-19 crisis as “a wake-up call to strengthen social protection systems”. While many people in Africa just about get by in normal times, shocks such as COVID-19 eliminate savings, making households increasingly vulnerable. Some countries have demonstrated success supporting vulnerable groups during the crisis by quickly rolling out cash transfer programmes or cushioning incomes by waiving fees (Vaziralli, 2020). Others have leveraged pre-established transfer mechanisms, but these structures were most often established to directly support households already below the poverty line and are not designed to flexibly support those made vulnerable by external shocks. As a World Bank (2020) report makes clear, those below the poverty line are often supported by safety net transfers while those who are, in normal times, relatively better off, including informal traders, lack protections during periods of shock. The ‘missing middle’, as this group is known, are classified as informal workers who have either precautionary savings to last over a short period (two weeks) or precautionary savings plus longer-term savings (Joubert, 2020). With one simulation indicating that lockdowns have led to the eradication of about 30% of the sub-Saharan African population's savings (Teachout and Zipf, 2020), there is a strong need to identify policy solutions to support those made most vulnerable by the crisis.

Almost all African countries have at least one social safety net programme, (World Bank, 2018), with wide variation in effectiveness and expansion. However, their mere existence does provide a basis from which to leverage these mechanisms during shocks. With the challenges in timelines, implementation of successful programmes should be prioritised for scale-up. In order to leverage these platforms to support informal traders, a number of areas need to be considered.

- **Strong cross-cutting institutional arrangements for targeting:** One of the key constraints in leveraging social protection mechanisms is in identifying those who should be targeted. This is especially important
for informal traders as part of the ‘missing middle’. Strong institutional structures will enable government departments leading these initiatives to accurately identify individuals, bringing them onto the relevant platforms, and governments will need to accept that targeting is unlikely to be perfect during this time (Gerard et al, 2020) and, in certain cases, conditionalities should be waived (Vaziralli, 2020). In countries where information is limited, creative measures will need to be considered in the short-term. In Pakistan, the relief package established includes transfers to the poor who are able to self-identify as vulnerable by texting the established social programme called Ehsass (Gerard et al, 2020). In Sierra Leone, one-off cash support has been put forward for market women in various towns and cities, but the process has been put on hold while the list of beneficiaries is reviewed by the government and other stakeholders – reflecting a key challenge in beneficiary identification.

• **Leveraging technology for flexibility**: Mobile money has been highlighted as an important mechanism enabling transfers during the pandemic. There are significant benefits to this: low-cost and depth of penetration – for example, Ghana saw a three-fold increase in adults with a mobile money account from 2014-2017, reaching 37% (Mattern, 2018). Ghana’s largest social benefit transfer programme LEAP is enabling payments via mobile money as part of their new Digital Finance Policy (Buruku, 2020). Measures will still be needed for traders who do not have access to mobile money, and direct transfers should be considered when these populations are identified.

• **Financial sustainability**: Extensive social safety net programmes can be costly. Given that Africa now has a high number of countries at risk of debt distress as a result of the pandemic, donor financing may be the only way to finance some of these in the short-term. However, in the long-term, for such protections to truly offer a social contract mechanism between states and their citizens, it may be necessary to integrate informal traders into extant structures that cover other parts of the working population. For instance, Zambia’s National Pension Scheme Authority expanded in recent years to cover different categories of informal workers, including marketeers. Self-employed workers such as marketeers are required to remit 10% of their declared monthly earnings to receive benefits.

**Regulatory reforms**

Part of the vulnerability that informal traders encounter is due to their uncertain legal standing in many African countries. As noted by Watson (2014), many governments in the region have aspirational goals to have modern, clean, well-ordered cities devoid of traders on the streets, and this contributes to unrealistic legal restrictions on hawkers that fail to embody equity and inclusivity or reflect the contributions of informal traders. In
Zambia, for instance, street hawking has been banned since the mid-1990s under the Local Government Street Vending and Nuisances Regulations, which were then reinforced more stringently in 2007 and 2018 with new provisions. Similar bans over selling and purchasing from street vendors exist in Kigali and Kampala, among other cities (Nyemb 2017).

Revisiting these laws is critical to ensure that the objectives of safe and orderly management of public space are combined with notions of social justice and recognition of the importance of traders for employment and food security. As shown in the example of Monrovia, Liberia, where associations of street vendors were able to sign a Memorandum of Understanding with the mayor (Reed and Bird, 2019), city authorities must be open to concerted dialogue with this community to find viable solutions. The pandemic has indeed shown how hawkers can be an asset. In Senegal, hawkers are involved in food delivery to those who must stay at home. In other regions too, including even China which has long had a draconian stance towards hawkers, vending is slowly being viewed as an opportunity and not just a nuisance to be tolerated (Xin, 2020). Policymakers should seize the opportunity brought by the COVID-19 crisis for more sustainable legal solutions to protect this important constituency of the urban poor.

**Increased accountability and transparency**

In order to build a more inclusive social contract, the state needs to strengthen its accountability and transparency mechanisms with urban traders. Informality, in one sense, reflects cumulative dysfunctions across social protection systems, labour markets, and financial markets (Saavedra and Tommasi, 2007). Given that urban traders contribute to public finance in non-trivial ways, better accountability and transparency is needed regarding how fees and levies are spent. Public funds should not only be invested but seen to be invested in public services that matter to traders such as safer water and sanitation systems and infrastructure in markets that would limit the effects of pandemics like COVID-19. Even simple actions such as holding frequent public meetings with traders to share how funds are being utilised and the use of posters and digital platforms are promising avenues that could enhance accountability.

The politicisation of public funds and donations aimed at COVID-19 relief is another trend that could further undermine the social contract. This has already happened in South Africa where a local councillor has been accused of limiting the distribution of government food parcels to the ruling party’s supporters and further preventing non-governmental organisations (NGOs) from distributing aid in townships (ENCA, 2020). One possible mechanism that can increase transparency is the use of digital and mobile platforms to make cash payments. In Nigeria, the government has made use of digital and mobile platforms to target the most vulnerable (Wendling et al, 2020). Another avenue is to involve legitimate market associations in the process of distributing aid to traders. Traders tend to already have informal channels and ways of identifying the most vulnerable among themselves.
In turn, traders also need to uphold their end of the social contract and aim to comply as best as possible with government measures intended to mitigate the pandemic. Traders more proactively organising to communicate concerns with governments to ensure appropriately targeted measures is key for achieving short-term health protection while continuing to operate. For instance, in Durban, South Africa, the NGO Asiye eTafuleni worked with WIEGO to provide guidelines to traders, translated into isiZulu, for how to keep surfaces clean, wash hands, and handle cash transactions as safely as possible (Ottanelli-Gale, 2020). In the long-term, organisational activities of informal workers have improved their recognition by, and consultation with, governments in more democratic settings (see Agarwala, 2013).

**Conclusions**

Informal traders in Africa have demonstrated amazing resilience during this crisis period. Similarly, both national and local governments have identified some replicable ways to keep informal traders, especially those in the food sector, operating despite the difficult and crowded working conditions encountered by this constituency.

Yet, the multiple direct and indirect channels through which traders have been impacted by COVID-19 illustrate their underlying vulnerability during economic and public health crises. In the long-run, their ability to thrive depends on their fuller incorporation into the social contract with the state, receiving protections and infrastructure support in exchange for the many payments they provide and in recognition of their pivotal role in urban Africa’s labour and food systems.
References


Agarwala, R (2013), Informal labour, formal politics, and dignified discontent in India, Cambridge University Press.


cNCA (2020), “Alex councillor accused of food parcel corruption”, cNCA.


Mattern, M (2018), “How Ghana became one of Africa’s top mobile money markets”, CGAP


Republic of Ghana (2020), “Address to the Nation by President Akufo-Addo on updates to Ghana’s enhance response to the Coronavirus pandemic”.


