

The Informal Sector and COVID-19 in Sub-Saharan Africa

*Kelbesa Megersa
Institute of Development Studies
30 September 2020*

Questions

- *What interventions can be used to stimulate the informal sector in Sub-Saharan Africa during COVID-19 in the short- to medium-term?*
- *How effective are these interventions?*

Contents

1. Summary
2. The informal sector and informal workers in sub-Saharan Africa (SSA)
3. General policy responses to COVID-19
4. The short- and medium-term impacts of general policy responses
5. Targeted policy responses to stimulate informal workers and the impacts
6. “Best Buys” to deal with COVID-19’s adverse effects on informal workers
7. References

The K4D helpdesk service provides brief summaries of current research, evidence, and lessons learned. Helpdesk reports are not rigorous or systematic reviews; they are intended to provide an introduction to the most important evidence related to a research question. They draw on a rapid desk-based review of published literature and consultation with subject specialists.

Helpdesk reports are commissioned by the UK Foreign, Commonwealth, and Development Office and other Government departments, but the views and opinions expressed do not necessarily reflect those of FCDO, the UK Government, K4D or any other contributing organisation. For further information, please contact helpdesk@k4d.info.

1. Summary

The vast majority of informal economy workers in the sub-Saharan Africa (SSA) region are faced with occupational health and safety risks – even in normal times. COVID-19 only adds to these challenges (ILO, 2020a; Resnick et al., 2020).¹ Informal traders have also historically faced specific vulnerabilities from state supervision (Skinner and Balbuena, 2019; WHO and the World Bank, 2017). They are confronted with new challenges as a result of the different measures taken to combat COVID-19. Marketers work in crowded conditions, street hawkers have very little access to hand-washing facilities, and cross-border traders have had to come to terms with irregular enforcement of travel bans and cross-border COVID-19 testing. As a result, informal workers are among the most vulnerable to COVID-19's health and economic shocks (Resnick et al., 2020; ILO, 2020a; Rogan and Skinner, 2020).

Nevertheless, informal traders in the SSA region have also demonstrated incredible resilience during this crisis period. Equally, both national and local governments have identified some replicable ways of keeping informal traders working (principally those in the food sector), despite the challenging conditions they face. However, the multiple direct and indirect channels through which informal traders have been affected by COVID-19 prove their underlying vulnerability to economic and public health crises. In light of the current health/economic crisis, their future ability to thrive depends on their full incorporation into the social contract with the state, receiving protection and support in return for the many payments they make and recognising their crucial role in the urban labour and food systems of Africa (Resnick et al., 2020).

Several countries in the region (such as Ethiopia, Ghana, Kenya, and Uganda) have introduced measures that are restrictive to informal workers – especially at the early phases of their lockdowns. Some countries like Tanzania have been relatively lax on restricting informal workers while countries like Zambia have focused on public health communications rather than restrictions (see Section 3).

As a result of the restrictions on movements and trade, informal traders have largely faced dwindling demands. One group of informal workers that has been receiving particular support by governments and local authorities throughout the SSA region are food vendors/traders. The lenience for these group of informal workers is linked to their crucial role in food supply to the urban poor in most countries of the region. A key group of informal traders that is particularly being adversely impacted are cross-border traders, as the evidence from West Africa shows. This is because of the lack of government focus on the group as well as divergences in policies between neighbouring countries (see Section 4).

COVID-19 linked restrictive measures have mostly led to reductions in revenues of informal workers in the short term. However, ILO (2020a) has noted that the pandemic may lead to the expansion of the informal economy and a sectoral restructuring in favour of the informal economy – in the medium term. This is because the growing unemployed workers in the formal economy

¹ Note: This report largely focuses on informal traders and workers (e.g. street vendors, domestic workers, home based workers, etc.). The report does not cover smallholder farmers and workers in the gig economy. For more about informal workers and the type of informal economic activities they are engaged in, see <https://www.wiego.org/informal-economy/occupational-groups>

might join the informal economy in greater numbers and some 'formal' micro and small enterprises might also become 'informal' for survival (see Section 4).

Countries in the region are also passing interventions that directly target informal workers and help them to revive their businesses. The typical interventions in this area include those that are trying to create an 'enabling' market environment for informal businesses. Ethiopia (through Organization for Women in Self Employment) is helping informal workers to work from home sewing facemasks then linking them up with a market (e.g. the national health system and NGOs are buying face masks made by these workers). Mali (with help from the European Union) is doing a similar thing where masks made/sold by female informal workers/traders are used by the urban transport sector. Ghana is assisting food traders to continue their business by regularly cleaning and disinfecting their markets – and at times providing new market spaces (see Section 5.1).

Similarly, countries like Rwanda and Senegal are working on decongesting markets, providing alternative market space, drawing distance lines (for social distancing), and providing hand-washing stations. In South Africa, informal workers' advocacy groups have succeeded in compelling the government to incorporate informal workers in crucial regulations and policies: 'spaza' shops and informal food traders have been granted approval to work as necessary. Zimbabwe has hinted its effort to "formalise" informal businesses, although key advocacy groups are highlighting the challenges (see Section 5.1).

Other types of informal business revitalisation policies included:

- i) Reduced fees and costs of trade in Burkina Faso (World Bank, 2020), Cote d'Ivoire (World Bank, 2020), Kenya (Wafula, 2020), Namibia (Ngutijinazo, 2020), and Nigeria (RFI, 2020). For details, see Section 5.2.
- ii) The expansion of digital transactions in Nigeria (Grossman et al., 2020), Ghana, Rwanda, and Zambia (IFPRI, 2020a). For details, see section 5.3.
- iii) Provision of targeted financial support in Mauritius (World Bank, 2020) and Zambia (IFPRI, 2020a). For details, see section 5.4.
- iv) Provision of support to informal cross-border traders in East Africa, such as that of the innovative 'Grain Trade Business Hub' (Luke et al., 2020; Resnick et al., 2020). For details, see section 5.5.

However, there is almost no detailed information on the "effectiveness" of the interventions so far (particularly informal business revitalisation programmes). The main effects of policy interventions that are partially documented in some countries are those of broad economic/health interventions that were put in place to deal with the immediate health crisis and its economic fallout. To a large extent, the economic effects of the 'lockdowns'/restrictions were adverse to informal businesses and informal workers. Conversely, (from what little evidence exists) some of the targeted economic/financial supports provided to informal workers/businesses have been beneficial. Part of the explanation for the lack of evidence around "effectiveness" of the interventions is the fact that the COVID-19 crisis is still ongoing, and policymakers have yet to design 'well thought of' interventions with lasting consequences – and possibly systematically review their effectiveness afterwards.

Further, explicit discussions of the “best buys” concept (i.e. cost-effective and feasible interventions) are largely absent in the discussion over COVID-19 and its impact on “informal workers”, the “informal sector” and the “informal economy” (see Section 6). Because of the scarcity of evidence, this rapid evidence review looks at a mixture of different types of available relevant literature. This includes reports issued by development agencies, think tanks and some academic publications.

2. The informal sector and informal workers in sub-Saharan Africa (SSA)

Informal workers, such as street vendors, market traders and market porters, provide essential goods and services, notably to those (e.g. the urban poor) who have to buy the necessities of life at lower prices in small amounts. An integral part of urban supply chains are those who sell food, both fresh food and packaged food. For a large variety of people that can't afford modern supermarkets, they represent food security (WIEGO, 2020a).²

By some estimates, 80 per cent of workers in sub-Saharan Africa are employed in the informal economy (ILO, 2018). Despite frequently operating without legal recognition or security, many vital functions are provided by informal traders. They are crucial to the food security of the urban poor, in addition to providing jobs, especially for women. Informal traders are very often easily accessible, tend to sell products at lower prices, provide customers with credit, and allow smaller amounts of transactions than supermarkets. As a consequence, more than a third of households in the SSA region rely on informal food suppliers for access to food (Battersby and Watson, 2018; Crush and Frayne, 2011; Resnick et al., 2020).

Furthermore, cross-border trade is significant for the economies of certain sub-regions in SSA (Resnick et al., 2020; Luke et al., 2020). For instance, Afrika and Ajumbo (2012.p1) noted that informal cross border trade (ICBT) contributes between 30-40 per cent of total intra-Southern African Development Community (SADC) region trade. Foodstuffs such as maize, rice and beans are the main traded items. However, additional items such as crafts and minerals are also widely traded in the region.

Typically, informal traders have low to zero savings, restricted access to finance and digital platforms, and live in overcrowded slum areas. Even a few days of absence from work can lead to financial danger for companies that need a day-to-day operation to earn income. Preliminary survey data from about 2,000 people living under lockdown in five Nairobi slums suggest that a full or partial loss of income was experienced by 81 per cent of the slum residents. Further, 70 per cent reported missing meals due to COVID-19, and about 32 per cent cannot afford additional soap for hand-washing (Luke et al., 2020).³

² Caroline Skinner, WIEGO's Urban Research Director, notes that "Research unequivocally shows that the informal economy is absolutely critical to food security, particularly in lower-income communities." (WIEGO, 2020a).

³ Resnick et al. (2020.p2) note that there are different groups of informal traders. They note that this sub-set of informal workers may include three main 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,

3. General policy responses to COVID-19

In response to COVID-19, governments across the SSA region have implemented varying steps. The reasons for the disparities in policies and interventions rely on a number of factors, including the expected level of policy enforcement capability, the expected pressure on urban livelihoods, and the public's perceived vulnerability to COVID-19. Previous experience of countries in the region in the handling of serious health incidents also seems to have played a part (WIEGO, 2020d; Resnick et al., 2020; RFI, 2020).

Social distancing initiatives are also being introduced by governments in the SSA region – especially in local markets, where many purchase their regular fruit and vegetables. Many countries in the SSA region have imposed strict restrictions⁴ on informal trade, while some countries have more moderate responses (e.g. Tanzania and Zambia). The tight regulations on informal workers in some countries are creating problems for the urban poor and restricting their access to food, according to market traders, experts and informal trading organisations (RFI, 2020). See also section 4.2.

- **Ethiopia:** Various restrictions (e.g. restrictions on movement/transport and some work place closures)⁵ were introduced in different Ethiopian federal states – such as Amhara; Oromia; Southern Nations, Nationalities, and Peoples (SNNP); and Tigray (Resnick et al., 2020).
- **Ghana:** National restrictions were introduced, but special restrictions were additionally imposed on movements in large urban agglomerations. The government limited movements (In and out of) its two largest cities – i.e. Accra and Kumasi (Hale et al., 2020; Resnick et al., 2020; WIEGO, 2020d).
- **Kenya:** The Nairobi metropolitan region was first locked down, and subsequently other counties, such as Kajiado, Mombasa, Kilifi, and Kwale, introduced their own lockdowns. The length of Kenya's restrictive policies has remained the longest, along with South Africa (Hale et al., 2020; Resnick et al., 2020).
- **Tanzania:** Comparatively limited steps were taken to reduce the spread of COVID-19 in the country. The public health messaging (by public health experts) has also been in conflict with the President's comments – who questioned the effectiveness of public health messaging (Hale et al., 2020; Resnick et al., 2020).
- **Uganda:** The country instituted absolute national lockdowns relatively early as the pandemic reached the SSA region. President Yoweri Museveni said that small/informal traders could continue to work, but would not be able to return home for 14

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.”

⁴ Moderate responses generally entail continuing economic activities (businesses, transport, schools, etc.) with some precautions (public info/communication, masks, sanitisers, spacing, etc.) More details available at: <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>

⁵ For more details on restrictions and timing of policy introduction in Ethiopia (and other countries) see the Oxford's Blavatnik School of Government COVID-19 Government Response Tracker, compiled by Hale et al. (2020). For latest compilation/data see, https://raw.githubusercontent.com/OxCGRT/covid-policy-tracker/master/data/OxCGRT_latest.csv

days, essentially forcing them to remain on the market or close by (RFI, 2020; Resnick et al., 2020).

- **Zambia:** More focus was placed on public health communications rather than on movement limits. Further, the tracking and tracing system was described as one of the most extensive in the region (Hale et al., 2020; Resnick et al., 2020).

4. The short- and medium-term impacts of general policy responses

4.1 Impact on informal businesses/enterprises

Restrictions on people's movement and the abrupt halting or significant downscaling of economic activities to control the spread of COVID-19 have a strong effect on informal businesses. Specifically, they are likely to have the following implications in the short- to medium-term (ILO, 2020a).

- **Declining revenue for informal businesses:** Most owners of informal businesses may have no choice but to use their limited business resources for consumption, provided that they have no reserves or other financial buffer. As a result, they may be forced to partially or fully close their informal business, resulting in job losses and an upsurge in poverty. The loss of income and worsening poverty might also cause a sudden rise in child labour and lower rates of school attendance, particularly for young girls (ILO, 2020a).
- **Expansion of the informal economy:** A considerable increase in unemployment and underemployment may be seen following the financial collapse and permanent closure of “formal” micro, small and medium-sized enterprises (MSMEs), attributed to COVID-19. The worldwide recession is likely to have long-lasting effects - also on the economy of SSA countries, with a slow and inconsistent recovery anticipated. Some people might revert to making a living as “informal micro-business” owners, own-account workers or informal employees in the absence of income replacement, particularly in low- and lower-middle-income countries (e.g. most SSA countries) where social protection systems are poor and coverage is limited. Importantly, some “formal” MSME businesses may be forced into “informality” for their survival (ILO, 2020a).
- **Economic restructuring in favour of the “informal economy”:** In different sectors, the unequal effect of the crisis can cause a large-scale restructuring of economic activities from formal to informal. This might, in turn, contribute to the reallocation of “informal” (and “formal”) labour to less badly impacted sectors of the economy or sectors with demand for consumption that could recover relatively quickly (e.g. essential goods and services sought by the urban poor – often sold in small quantities by informal traders and services). The restructuring of production and supply chain operations might contribute to unemployment in the formal sector or further growth of the “informal economy” (ILO, 2020a; 2020b).

4.2 Impact on urban food traders

COVID-19 related restrictions have resulted in many detrimental indirect effects on informal traders. For example, food traders live in peri-urban areas and travel to major cities in many countries for work. They still face obstacles to their activities where there are curfews or travel bans. The social distance requirements on mini-buses (i.e. the cheap mode of transport

frequently used by informal traders) seem to be leading longer waiting times, even where restrictions are relaxing. Food traders have been excluded from business restrictions in certain countries, whereas non-food traders have not (Resnick et al., 2020; WIEGO, 2020d; IFPRI, 2020a). Overall, the cross-country gaps in policies have often yielded differing effects. For instance:

- **Ghana:** In the wake of school, workplace, and transport closures during the lockdown, street hawkers (who would usually sell meals and snacks to students, bureaucrats, and commuters) saw their demand decline. (Resnick et al., 2020).
- **Uganda:** Food vendors were allowed to remain in markets. But non-food vendors have been excluded to promote social distancing. Kampala business leaders have also eliminated market stall shelters to reduce the possibility of non-vendors finding shelter inside them (Kahungu and Mabala, 2020; Resnick et al., 2020).

Also, series of lockdowns were declared with little warning given to traders about the timelines. This policy was intended to discourage outward migration from hot spot areas. This, however, gave little thought to the effect on traders' livelihoods. The increase in urban food prices has also led to disruptions. The restrictions have hindered the urban poor from returning to their rural villages (i.e. a traditional crisis management mechanism) – which further undermines food security in the country (Haas and Strohm, 2020; Resnick et al., 2020).

- **Zimbabwe:** A report by Zimbabwe Chamber of Informal Traders (ZCIHT) showed that about 70% of informal traders in cities are women and that they make up the majority of fruit and vegetable traders who have been hard hit by the closing down of markets (Bhebhe, 2020).

4.3 Impact on cross-border traders

As their supply lines may have been closed and their customer bases (e.g. truckers) diminished due to border quarantine measures or travel restrictions, cross-border food and non-food traders are especially vulnerable. Such traders are also prone to the health effects of COVID-19, as they may work at the borders of countries with distinct testing and monitoring policies. This was a significant issue for traders operating in Kenyan and Zambian cities bordering Tanzania,⁶ which had the most lenient approach to COVID-19 (Resnick et al., 2020; Luke et al., 2020).

The closing of borders in several SSA countries (except for freight transport) has meant that the profits of many merchants vanished overnight. The fact that many cross-border traders have no access to credit makes these effects more pronounced. In order to make bulk stock purchases, these traders often rely on informal 'loan sharks'. Losses from the sudden announcement of lockdowns and the drying-up of sales may have led many traders, particularly those trading in perishable agricultural products, to plunge into debt (Luke et al., 2020; Resnick et al., 2020). These restrictions have led to price jumps of up to 50 per cent for some goods in some border towns. Moreover, such closures have had downstream impacts on the urban poor's food access. A study conducted in Ethiopia by the International Growth Centre (IGC) and the International

⁶ See also Section 3.

Food Policy Research Institute (IFPRI) found that trade in the vegetable markets of Addis Ababa has declined since travel bans decreased the volume and frequency of trucks entering the region (Tamru et al., Minten, 2020; Resnick et al., 2020).

4.4 Impact on rural informal (off-farm) workers

Workers in the informal economy are poorly informed about the virus, its symptoms and preventive measures such as social distancing, especially in rural areas. They usually have no access to personal protective equipment (PPE) and hand-washing stations if they decide to continue working. It is also difficult to extend the physical distance to those who work, for example, as street and market vendors or domestic workers (ILO, 2020a).

The true last-mile suppliers of goods and services for rural (and hard to reach communities) are informal traders and micro-entrepreneurs. Informal traders offer everything from seeds to mobile credit. Informal traders have been affected by COVID-19 linked restrictions on their customer base and supply chains. Due to declining wages and movement restrictions from government lockdowns and curfews, market demand has decreased. The restrictions on travel can affect the ability of traders to get supply, and the decrease in revenue can affect their ability to restock their business. The effect is more severe for informal traders and micro-enterprises because of the role that revenue from their business activities plays in their family livelihoods and the lack of alternative options for assistance (Learning Lab et al., 2020).

5. Targeted policy responses to stimulate informal workers and the impacts

Governments in the SSA region (and elsewhere in the world) have taken steps to minimise the pandemic's effect on businesses, including by implementing fiscal and monetary policies. However, these initiatives can generally circumvent informal businesses, as they often fall beyond the control of government policies and programs. To reach out to them, a customised and gender-responsive approach is needed. If SSA governments fail to do so - lack of growth, hunger, insecurity, and deficits in decent jobs might contribute to social unrest. It may also derail attempts by countries to curb the spread of the pandemic itself (ILO, 2020a).

Targeted and direct government policy responses to informal traders have greatly varied. These have ranged from improving the enabling environment for informal business operations and reducing negative impacts on livelihoods (on the one hand) to restrictive policies (on the other hand) that have harmed traders' incomes in the short term and undermined their ability to rebound from the crisis in the medium term. Severely restrictive policies (that have largely ignored the plight of informal workers) have also undermined informal workers' confidence in public authorities (Resnick et al., 2020).

The ILO notes that **a variety of targeted financial and monetary measures can be taken to support economic units in the informal economy** – and limit the adverse economic effects of COVID-19 on these groups (ILO, 2020a):

- Financial support can be provided in the form of grants, subsidised loans, grace periods for unpaid loans and debt rescheduling to overcome liquidity crunches.
- Measures to minimise operating costs, such as exemptions or deferred payments for public services such as power, water or rent, can also be implemented.
- Subsidies in terms of low rates for mobile calls and access to the internet can allow some informal economy units to explore digital business services and revenue generation tools.

Nevertheless, **properly locating and reaching out to informal businesses is challenging for SSA governments.** Self-identification by owners, followed by “entry-level” government registration and some degree of verification, may be a viable path (ILO, 2020a).

5.1 Creating an enabling market environment

Thus far, the most common policy initiatives aimed at revitalising informal workers in the SSA region appear to be the creation of an ‘enabling’ business environment. Since market traders work in crowded environments, government officials in many cities have concentrated on decongesting markets and making sure that markets operate under new (COVID-19 adapted) health protocols (Resnick et al., 2020):

- **Ethiopia:** Addis Ababa’s popular fruit and vegetable market, “Atikilit Tera”, was moved to the open space of the “Jan Meda” racecourse (Ethiopian Monitor, 2020). **Women in Self-Employment (WISE) is also enabling home-based informal workers to have access to orders from the public health system and NGOs to sell COVID-19 face masks they are making at home** (WIEGO, 2020d).
- **Ghana:** A partial lockdown excluded those participating in the food value chain. **Markets in the country have been cleaned and disinfected, with some districts following the policy of ‘alternative products for alternative days’** (Republic of Ghana, 2020; Resnick et al., 2020). This strategy relied heavily on establishing trust and dialogue with the ‘market queens’ of Ghana, which are influential female traders who regulate the distribution of particular items (e.g. such as tomatoes, maize, plantains, yams and cassava) between wholesalers and retailers in Ghanaian informal markets. **Generally, the lockdown has hit hard the informal sector, which is populated by disadvantaged communities, such as market women and head porters, who lost their livelihoods.** The measures also affected informal cross-border trading of goods, in particular in the surrounding communities and towns of border areas; traders (mainly women) providing food services, and other people, such as bottled water vendors and food vendors engaged in small-scale trading during large gatherings (AGRA, 2020).

The reaction to social distancing instructions and wearing of face masks has not been successful in the informal sector, especially in the marketplaces. The Minister for Local Government and Rural Development, in coordination with the Metropolitan and Municipal District Assemblies (MMDAs), has **tried to introduce steps such as transferring some traders to other unused markets, drawing up a timetable by issuing cards to traders on some approved days, but this has also not been properly complied with** (AGRA, 2020).

- **Mali:** The European Union has authorised the **distribution of 70 thousand washable masks manufactured locally in Mali to employees in the Malian urban transport**

sector. The aim of this order is to **generate work for female informal traders** (IFPRI, 2020a).

- **Mozambique:** The Ministry of Health has declared that it will **improve hygiene and sanitation initiatives and will continue to reorganise informal markets and broad community participation in order to slow the spread of COVID-19 in the capital city of Maputo**. The introduction of these acts is attributable to the incidence of disease in the capital with an exposure rate of 3.79 per cent, with the Nhlamankulu, Kamubukwana and KaMaxakeni districts displaying the highest incidence of positive COVID-19 test results (IFPRI, 2020a).
- **Rwanda:** The **markets in Kigali have been decongested by shifting food trading** from the city markets to the 'Nyabugogo Bus Park', and **distance lines have been drawn to remind sellers and customers to keep one meter apart** (Nkurunziza, 2020).
- **Senegal:** With the gradual closing of the markets, the informal sector has been adversely affected by the crisis of COVID-19 in Senegal. **Informal sellers of food items were permitted to operate** (following the guideline decree of the sub-prefect of Dakar) **while street vendors and traders were prohibited from operating inside the perimeter of the markets** (IFPRI, 2020a).
- **Sierra Leone:** The government has rapidly **provided hand-washing stations to informal markets and different institutions** (Resnick et al., 2020).
- **South Africa:** Organisations such as the South African Informal Traders Alliance (SAITA) and Women in Informal Employment: Globalizing and Organizing (WIEGO) have **advocated that the government incorporate informal workers in the South African Disaster Management Regulations for COVID-19**. Accordingly, 'spaza' shops (i.e. informal convenience stores) and informal food traders **have been granted approval to work as necessary**. When municipalities said they had been closed, the government intervened and ordered them to open (i.e. as a result of informal workers' advocacy groups) and to guarantee that informal traders could do the vital work of getting the required food and basic items available (WIEGO, 2020a).
- **Zimbabwe:** On 11 June 2020, the President of Zimbabwe declared that companies in the **informal sector would be allowed to operate on condition that they register with local authorities** as part of government efforts to formalise such operations (WIEGO, 2020a).

Nevertheless, the Zimbabwe Chamber of Informal Economy Associations (ZCIEA) **cautioned that registration would not be an "overnight process" because it has different levels of compliance** and remuneration (depending on the type of informal trade informal workers are involved in). It added that it could become a **challenge for the different local authorities to be able to clearly identify this formalisation process** to make it easier for informal workers to understand the objective (WIEGO, 2020b).

Furthermore, WIEGO warns that 'formalisation' implies different things for different groups: while all informal workers have a set of common needs (e.g. freedom from abuse and fear, legal recognition, social security and economic rights), each informal sector has particular needs (WIEGO, 2020c). For example, in the case of home-based employees, formalisation may entail obtaining straightforward contracts that include fair rates, basic facilities and no forced relocation. On the other side, for street vendors, formalisation

includes safe access to public space, sales permits, identification cards and infrastructure (e.g. sanitation) assistance (WIEGO, 2020c).

Zimbabwe is especially vulnerable to disruption to informal trade by COVID-19, as the vast majority of the population (estimated at over 90 per cent) is dependent on the informal economy (RFI, 2020).

5.2 Reduced fees and costs of trade

For informal traders (i.e. food and non-food traders), government restrictions and market apprehension also have the potential to reduce traders' incomes (Resnick et al., 2020).

Thus, some SSA governments are providing reduced fees, trading costs and 'tax measures' for small business in the informal sector:

- **Burkina Faso:** Multiple tax initiatives have been introduced in the fight against COVID-19, including tax exemption for micro-businesses in the informal economy (World Bank, 2020).

Other useful policy support by the country involves the automatic remission of penalties and fines due, exemption for the informal sector regarding the contribution of micro-enterprises, and exemption from VAT on the sale of products used in the fight against COVID-19 (e.g. facemasks) (IFPRI, 2020a).

- **Cote d'Ivoire:** Permitted the setting up of a private sector support fund amounting to XOF 250 billion (over 440 million USD), from which XOF 100 billion (over 170 million USD) will be devoted to a fund to support informal businesses (World Bank, 2020).
- **Kenya:** The National Treasury lowered the turnover tax levied on microbusinesses (characteristically informal) as well as small, and medium enterprises (SMEs) from 3 per cent to 1 per cent (Wafula, 2020).
- **Namibia:** The municipality of Windhoek abandoned market fees for traders in informal markets (Ngutijinazo, 2020).
- **Nigeria:** Traders in Lagos say that their household income dropped (on average) by 94 per cent during the state lockdown in Lagos. In acknowledgement of this, there has been some emphasis on lowering the expense of traders in different ways (Grossman et al, 2020). In the markets of Lagos, the local government has been trying to follow the example of India, i.e. by allowing trade every 48 hours (between 10 a.m. and 2 p.m. every day), leaving out two days in between to clean the marketplace for informal traders (RFI, 2020).
- **Uganda:** Some cities, such as Kampala, have agreed to waive all fees and other charges on informal traders' markets (Wadero, 2020).

5.3 Expanding digital and cashless transactions

Other types of policy interventions compiled by IFPRI's COVID-19 Policy Response Portal include measures to widen access to financial services and make cashless transactions better available to informal traders (IFPRI, 2020a; Resnick et al., 2020):

- **Ghana:** The Bank of Ghana has negotiated steps to encourage more productive payments and to **promote digital forms of payments**, although for a limited time, and subject to review (IFPRI, 2020a).

- **Nigeria:** Initial findings from a survey of traders in Lagos show that the vast majority demonstrate a **high degree of interest in the use of electronic payment methods** post-lockdown (Grossman et al., 2020).
- **Rwanda:** The National Bank of Rwanda **abolished all charges for mobile money transfers** to allow traders to make contactless payments and stop handling cash (IFPRI, 2020a).
- **Zambia:** **Fees on person-to-person e-transfers for payments of up to 150 Zambian kwachas (about USD 8.30 or GBP 6.60) have been suspended.** These policies were meant to encourage trade to continue during lockdown measures (IFPRI, 2020a).

5.4 Targeted financial support

Other measures include targeted **financial support to “informal workers” and “households” of informal workers:**⁷

- **Mauritius:** A **COVID-19 Wage Support Scheme has been established to provide financial support to workers in the informal sector**, i.e. self-employed traders who are not registered with the country’s revenue authority. As per the scheme, they may earn 50 per cent of the prevailing minimum wage if they register with the revenue authority during the COVID-19 lockdown (World Bank, 2020).
- **Zambia:** Several **workers in the informal sector**, including tourism and mining, had **lost their jobs** due to the adverse effects of COVID-19, which resulted in a loss of household income. As a result, the **government expanded the emergency cash transfer scheme to help pay off their burden.** Households received K400 to K800 per month (about 20-40 USD) (IFPRI, 2020a).

5.5 Supporting informal cross-border traders

The effectiveness of support programs aimed at ‘informal workers’ is questionable in the case of ‘cross-border traders’ (Resnick et al., 2020). Informal cross-border trade is an important topic in the SSA. Several studies show that the value of informal trade could also surpass the value of formal trade with neighbouring countries in the region. Not only does this exchange serve frontier populations, but it also offers a lifeline for metropolitan cities. For example, traders in West Africa refer to this as a “chain effect” resulting from the interconnectedness of Economic Community of West African States (ECOWAS) economies along the Abidjan-Lagos corridor in West Africa (Luke et al., 2020).

- **East Africa:** Cross-border (informal) traders are utilising special forms of innovation. In East Africa, the implementation of the Grain Trade Business Hub (GHuB) of the Eastern Africa Grain Council, which allows farmers to consolidate demand for inputs (such as seeds and fertilisers) and connects producers that raise quantity discounts, significantly increased following the COVID-19 outbreak (Luke et al., 2020; Resnick et al., 2020).
- **Southern Africa:** The **policy initiatives** implemented so far seem to have **ignored a wide section of informal traders in the region.** Many informal traders live in cross-

⁷ For many informal workers, their homes are also their place of business (see ILO, 2020a; Rogan and Skinner, 2020; WIEGO, 2020c; 2020d).

border communities or travel great distances to cross-border trade. These **informal cross-border traders are not qualified for incentives aimed at informal domestic trade**. In Mutare, a border town near the border with Mozambique, several informal vendors had their goods confiscated by the Zimbabwe Republic Police (Luke et al., 2020).⁸

- **West Africa:** A large percentage of cross-border trading takes place on a cash basis in the region. The main **obstacle for cross-border traders is that countries have different mobile payment systems** and different policies to promote the usage of these 'innovative' platforms, impacting traders' access to them (Luke et al., 2020).

6. “Best Buys” to deal with COVID-19’s adverse effects on informal workers

Recent mentions of “best buys” (in relation to “informal workers”, the “informal sector” and the “informal economy”) largely centre on enhancing the supply of healthy diets (e.g. through informal food markets), women’s health, and the deterrence of non-communicable diseases (NCDs) – i.e. following the influential WHO (2017) publication “‘best buys’ and other recommended interventions for the prevention and control of non-communicable diseases”.⁹

FAO, IFAD, UNICEF, WFP and WHO (2020) **note that the closing of informal markets can intensify the inaccessibility of nutritious foods – and this may run counter to the WHO’s suggested “best buys” for promoting healthy diets**. Informal markets promote safe, balanced diets and livelihoods of poorer population groups – in addition to their social and cultural significance. Fresh food sold in supermarkets and organised markets is often expensive or unavailable to urban poor classes. Furthermore, the economic impact of the pandemic could have more detrimental effects on diet quality than on quantity, as grain stocks do not appear to be at risk.

Micha et al. (2020), in their flagship 2020 Global Nutrition Report, similarly **noted that the informal sector continues to function in parallel to the formal economy in many countries. The sector also continues to be a significant tool for meeting food and nutrition needs, particularly for poor urban households in the SSA region**. In line with this, their study emphasised the role of the informal sector in the food supply chain. However, the growth of the chains of supermarkets diminishes the position of this sector. The report states that those who are malnourished, including girls and adolescents, would be especially vulnerable to COVID-19, and the pandemic is likely to intensify malnutrition in Lower Middle-Income Countries (LMICs). They also argued that **the “best buys” or “most cost-effective strategy” to combat NCDs** (i.e. beyond COVID-19) is to reduce unhealthy diets.

The United Nations (UN, 2020) stated that **several governments are currently introducing short-term initiatives to help informal workers** (e.g., formalisation of informal labour sectors and social security measures such as partial unemployment benefits, short-time work schemes

⁸ For more on the dynamics of informal cross-border trade in the region post-COVID-19, also see Roz (2020); Chagonda (2020); Roelen et al. (2020).

⁹ See also an earlier publication by WHO (2011) on the “best buys” issue regarding NCDs “From burden to “best buys”: reducing the economic impact of non-communicable diseases in low- and middle-income countries”

and wage subsidies). **Conversely, the study emphasised that it would be important to transform these extension policies from a short-term measure to “institutionalised policies” focused on sustainable and equitable funding (e.g. “best buys”).** UN (2020) highlighted the need to improve regulatory mechanisms to deal with predatory lending and to shield vulnerable people (e.g. informal workers) from joining the debt trap in the post-COVID-19 lockdown climate.¹⁰

The Population Foundation of India (2020) stressed that **women would be primary caregivers (i.e. informal workers) to ailing family/community members – with health facilities being overburdened and non-COVID-19 related health and social services being scaled-down.** Women’s increased participation in the (informal/unpaid) care economy may also have an effect on their already low participation rate in the formal economy. It is important to consider women’s care-giving roles and to include this work in economic metrics and decision-making. It also noted that in India, the national lockdown enforced by the government had left millions of migrant women unemployed and hungry for food, putting a huge financial burden on those women who make a significant contribution to their household income. It added that, on average, women spend about two times as many hours as men doing unpaid care work and household work.

Remme et al. (2020) also emphasised that “human rights, theory, evidence and common sense” all indicate that **increased investment in women’s health (including informal female health care workers) may be among the “best buys” for greater economic growth and social well-being.** They noted that a large number of women are informal health workers, i.e. providing informal health and social care to their own households and the community. With the rise of COVID-19, their role will be even more important.

Molyneux (2020) noted that **there are many informal workers/traders in the mining sector (i.e. “informal mining communities”) in various parts of West Africa,** especially in gold mining. These mining camps have restricted access to health care offered by a small number of (informal) female health workers. Hygiene and access to clean water sources are limited. He notes that these communities should be recognised as a potential danger to COVID-19 transmission. Molyneux (2020) added that **the Neglected Tropical Diseases (NTDs) programs in the region (with long experience in diverse communities) provide lessons for COVID-19 as well as “best buy” health/economic interventions targeting informal workers in the region and “leaving no one behind”.**

¹⁰ The UN (2020) report added that WHO “best buys” offer practical policy guidance on how to formulate and implement some of the regulatory policies, especially on ways to alter taxes on alcohol, tobacco, sugar and gambling to finance expansion of the coverage and intensity of benefits.

7. References

- Afrika, J., & Ajumbo, G. (2012). *Informal cross border trade in Africa: Implications and policy recommendations*. Africa Economic Brief, African Development Bank.
<https://www.afdb.org/fileadmin/uploads/afdb/Documents/Publications/Economic%20Brief%20-%20Informal%20Cross%20Border%20Trade%20in%20Africa%20Implications%20and%20Policy%20Recommendations%20-%20Volume%203.pdf>
- AGRA (2020). *Ghana COVID-19 Country Rapid Analysis Report*. AGRA Regional Food Trade and Resilience Programme, JULY 2020. (Unpublished Report).
- Battersby, J. and Watson, V. (2018), *Urban food systems governance and poverty in African cities*, London and New York: Routledge. <https://doi.org/10.4324/9781315191195>
- Bhebhe (2020). *Impact of COVID-19 on food security in Zimbabwe*. HOCIC. Bulawayo, Zimbabwe. <https://www.hocic.org.zw/impact-of-covid-19-on-food-security-in-zimbabwe/>
- Crush, J. and Frayne, B. (2011). Supermarket expansion and the informal food economy in Southern African cities: Implications for urban food security. *Journal of Southern African Studies*. 37(4): 781-807. <https://doi.org/10.1080/03057070.2011.617532>
- FAO, IFAD, UNICEF, WFP, & WHO (2020). *The State of Food Security and Nutrition in the World 2020. Transforming food systems for affordable healthy diets*. Rome, Food and Agricultural Organization. <https://doi.org/10.4060/ca9692en>
- Grossman, S., Startz, M. and Bishi, H. (2020). *How COVID-19 has affected Lagos traders: Findings from high frequency phone surveys*. Lagos Trader Survey. <https://www.poverty-action.org/recovr-study/lagos-trader-survey>
- Haas, A. and Strohm, R. (2020). *A novel idea: Integrating urban and rural safety nets in Africa during the pandemic*. The Conversation. <https://theconversation.com/a-novel-idea-integrating-urban-and-rural-safety-nets-in-africa-during-the-pandemic-137532>
- Hale, T., Angrist, N., Cameron-Blake, E., Hallas, L., Kira, B., Majumdar, S., Petherick, A., Phillips, T., Tatlow, H., and Webster, S. (2020). *Oxford COVID-19 Government Response Tracker*, Blavatnik School of Government. <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>
- IFPRI (2020a). *COVID-19 Policy Response (CPR) Portal*. International Food Policy Research Institute.
https://public.tableau.com/vizql/w/CPRPORTAL/v/Overview/viewData/sessions/D5FD134DD77B4D23A1CC7F6A79B4A8B1-0:0/views/4043839392211936411_11974585255807820909?maxrows=200&viz=%7B%22worksheets%22%3A%22Map%22%2C%22dashboard%22%3A%22Overview%22%7D
- IFPRI (2020b). *COVID-19 lockdowns threaten Africa's vital informal urban food trade*. International Food Policy Research Institute. <https://www.ifpri.org/blog/covid-19-lockdowns-threaten-africas-vital-informal-urban-food-trade>
- IGC (2020a). *Policies to address COVID-19's impact on Africa's informal sector*. International Growth Center. <https://blogs.worldbank.org/psd/state-owned-enterprises-and-covid-19>

ILO (2017). *Transition to formality: the critical role of social dialogue*. Dialogue in Brief, Issue No. 1, March 2017. International Labour Organization. https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---dialogue/documents/publication/wcms_559300.pdf

ILO (2018). *Women and men in the Informal Economy: A statistical picture*. International Labor Organisation. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

ILO (2020a). *COVID-19 crisis and the informal economy Immediate responses and policy challenges*. ILO Brief, May 2020. International Labour Organization. https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf

ILO (2020b). *Sectoral impact, responses and recommendations*. International Labour Organization. <https://www.ilo.org/global/topics/coronavirus/sectoral/lang--en/index.htm>

Kahungu, M. and Mabala, R. (2020). Vendors opt to sleep in markets, walk to work. Daily Monitor. <https://www.monitor.co.ug/News/National/Vendors-sleep-markets-walk-work-Museveni-coronavirus/688334-5506312-q6ew4vz/index.html>

Learning Lab, ISF Advisors, and The Feed the Future Initiative (2020). Rural, informal micro-entrepreneurs at the heart of community resilience. COVID-19 Emergency Briefing Series. https://www.raflelearning.org/sites/default/files/covid19_emergencybrief_pathway5_0.pdf?token=9d49F_rs

Luke, D., Masila, G., & Sommer, L. (2020). *Informal traders: A balancing act of survival*. United Nations Economic Commission for Africa. https://www.uneca.org/sites/default/files/PublicationFiles/informal_traders_-_a_balancing_act_of_survival_eng_3.pdf

Micha, R., Mannar, V., Afshin, A., Alлеманди, L., Baker, P., Battersby, J., Bhutta, Z., Chen, K., Corvalan, C., Di Cesare, M., and Dolan, C. (2020). *2020 Global nutrition report: action on equity to end malnutrition*. https://globalnutritionreport.org/documents/566/2020_Global_Nutrition_Report_2hrssKo.pdf

Molyneux, D. (2020). *COVID-19 and NTDs, Ascend West and Central Africa*. Opinion piece, June 2020. https://www.sightsavers.org/wp-content/uploads/2020/06/Ascend-COVID-19-opinion-Piece-DHM_June20.pdf

Population Foundation of India (2020). *The Impact of COVID-19 on Women*. Policy Brief: July 2020. New Delhi: Population Foundation of India. https://www.rhsupplies.org/fileadmin/uploads/rhsc/Projects/Covid-19/Documents/Policy-Brief_Impact-of-COVID-19-on-Women.pdf

Remme, M., Vassall, A., Fernando, G., & Bloom, D. E. (2020). Investing in the health of girls and women: a best buy for sustainable development. *bmj*, 369. <https://doi.org/10.1136/bmj.m1175>

Resnick, D., Spencer, E., & Siwale, T. (2020). *Informal traders and COVID-19 in Africa: An opportunity to strengthen the social contract*. International Growth Center. <https://www.theigc.org/wp-content/uploads/2020/08/Resnick-et-al-2020-Policy-Brief.pdf>

RFI (2020). *African street vendors feel the squeeze under strict Covid-19 measures*. Radio France Internationale. <https://www.rfi.fr/en/africa/20200408-african-street-vendors-feel-the-squeeze-under-strict-covid-19-measures-food-traders-markets-coronavirus-lockdown>

Rogan, M., & Skinner, C. (2020). *The Covid-19 crisis and the South African informal economy 'Locked out' of livelihoods and employment. National Income Dynamics Study (NIDS) – Coronavirus Rapid Mobile Survey (CRAM)*. <https://cramsurvey.org/wp-content/uploads/2020/07/Rogan-Covid-crisis-and-the-South-African-informal-economy.pdf>

Skinner, C., & Balbuena, P. (2019). *Where are inclusive cities? Street vendors globally face increasing hostility*. Women in Informal Employment: Globalizing and Organizing (WIEGO). <https://www.wiego.org/blog/where-are-inclusive-cities-street-vendors-globally-face-increasing-hostility>

Tamru, S., Hirvonen, K. and Minten, B. (2020). *Impacts of the COVID-19 crisis on vegetable value chains in Ethiopia*. International Food Policy Research Institute. <https://www.ifpri.org/blog/impacts-covid-19-crisis-vegetable-value-chains-ethiopia>

UN (2020). *COVID-19 and social protection in Europe and Central Asia*. United Nations, <https://www.social-protection.org/gimi/RessourcePDF.action?id=56790>

Wadero, A. (2020). *KCCA halts fees on all city markets, buildings*. Daily Monitor. <https://www.monitor.co.ug/News/National/KCCA-halts-fees--city-markets-buildings-Covid19-Kanyike/688334-5502752-12788waz/index.html>

WHO (2011). *From burden to "best buys": reducing the economic impact of non-communicable diseases in low- and middle-income countries*. Geneva: World Health Organization. https://www.who.int/nmh/publications/best_buys_summary.pdf

WHO & The World Bank (2017). *Tracking Universal Health Coverage: 2017 Global Monitoring Report*. World Health Organization and the World Bank, Geneva and Washington DC <https://apps.who.int/iris/bitstream/10665/259817/1/9789241513555-eng.pdf>

WIEGO (2020a). *Pandemic adds to informal vendors' challenges*. Women in Informal Employment: Globalizing and Organizing. <https://www.wiego.org/street-vendors-essential-goods-and-urgent-needs>

WIEGO (2020b). *ZCIEA Press Statement on the re-opening of the informal sector in Zimbabwe*. Women in Informal Employment: Globalizing and Organizing. <https://www.wiego.org/resources/zciea-press-statement-re-opening-informal-sector-zimbabwe>

WIEGO (2020c). *Formalising the Informal Economy*. Women in Informal Employment: Globalizing and Organizing. <https://www.wiego.org/our-work-impact/themes/formalization>

WIEGO (2020d). *Informal Workers in the COVID-19 Crisis*. Women in Informal Employment: Globalizing and Organizing. https://www.wiego.org/sites/default/files/resources/file/Informal%20Workers%20in%20the%20COVID-19%20Crisis_WIEGO_July_2020.pdf

World Bank (2020). *Tracker of Subsidies and State Aid to mitigate COVID-19 Effects*. The World Bank. <https://dataviz.worldbank.org/views/AID->

COVID19/Overview?:embed=y&:isGuestRedirectFromVizportal=y&:display_count=n&:showAppBanner=false&:origin=viz_share_link&:showVizHome=n

WHO (2017). *Tackling NCDs: 'best buys' and other recommended interventions for the prevention and control of non-communicable diseases*. World Health Organization. <https://apps.who.int/iris/bitstream/handle/10665/259232/WHO-NMH-NVI-17.9-eng.pdf?sequence=1&isAllowed=y>

Acknowledgements

We thank the following experts who voluntarily provided suggestions for relevant literature or other advice to the author to support the preparation of this report. The content of the report does not necessarily reflect the opinions of any of the experts consulted.

- Dr. Joseph Obeng: President of the Ghana Union of Traders Association (GUTA)
- Caroline Skinner: Senior Researcher at African Centre for Cities, University of Cape Town & Urban Research Director and Publications Editor at Women in Informal Employment: Globalizing and Organizing (WIEGO)

We are also grateful to Priscilla Baafi for her valuable assistance in contacting different experts and organisations.

Suggested citation

Megersa, K. (2020). *The Informal Sector and COVID-19*. K4D Helpdesk Report 890. Brighton, UK: Institute of Development Studies.

About this report

This report is based on six days of desk-based research. The K4D research helpdesk provides rapid syntheses of a selection of recent relevant literature and international expert thinking in response to specific questions relating to international development. For any enquiries, contact helpdesk@k4d.info.

K4D services are provided by a consortium of leading organisations working in international development, led by the Institute of Development Studies (IDS), with Education Development Trust, Itad, University of Leeds Nuffield Centre for International Health and Development, Liverpool School of Tropical Medicine (LSTM), University of Birmingham International Development Department (IDD) and the University of Manchester Humanitarian and Conflict Response Institute (HCRI).

This report was prepared for the UK Government's Foreign, Commonwealth and Development Office (FCDO) and its partners in support of pro-poor programmes. It is licensed for non-commercial purposes only. Except where otherwise stated, it is licensed for non-commercial purposes under the terms of the [Open Government Licence v3.0](#). K4D cannot be held responsible for errors, omissions or any consequences arising from the use of information contained in this report. Any views and opinions expressed do not necessarily reflect those of FCDO, K4D or any other contributing organisation.



© Crown copyright 2020.

