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**THE ROLE OF WOMEN IN INFORMAL TRADE
IN GENERAL AND IN ECONOMIC DEVELOPMENT PROCESS**

Abstract

The rapid population growth and the stagnation of African economies has brought to the forefront the importance of the informal sector. African economies have not responded positively to population growth. The agricultural sector has not increased significantly; world commodity prices have been falling; Structural Adjustment Programmes (SAPs) have caused budgetary cuts thus retrenched civil servants have increased; thus it is the informal sector which has been able to absorb the employment needs of the majority. The informal sector has emerged as the sector which has been responding to the unemployment crisis by providing new job opportunities to millions.

In spite of the evidence that the informal sector is gaining in importance in African economies it lacks tangible statistics, but of late many studies have been carried out on different aspects of the informal sector and they all conclude on the dynamism, the huge size and importance of the sector to developing African economies.

This short study sets out to examine the role of women in the informal sector and their contribution to economic development. Even though the paper lacks in concrete statistical evidence for the majority of African countries, it nonetheless has managed to show that women predominate in the informal sector and that they contribute positively to economic development.

A number of observations are made by the paper, among them are the following: even though women comprise the majority of those engaged in the informal sector, African governments, international organizations and all other agencies lack precise information on the role of women in the informal sector; in many African countries there are legal and institutional impediments to the sector; there are no credit facilities from the formal financial institutions; many governments still give minimal recognition to the sector thus

informal sector operators are still harassed; economic reform measures such as the SAPs are not geared to informal sector problems and in fact have exacerbated its plight. Thus women in the informal sector are still disadvantaged, exploited and vulnerable. The study concludes that in view of the importance of the role of women in the informal sector, what is needed is specific policy initiatives that address the informal sector in general and women in particular, when governments design their development plans. Thus there is a need for a broad and integrated strategy to address the overall issue.

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CHAPTER I. INTRODUCTION

1. The informal sector has recently emerged as one of the major development concerns of Africa. One of the challenges facing the African countries in the 1990s is mastering the dynamics of this sector with a view into confronting its problems and harnessing its potential for development.
2. The informal sector in Africa, predominantly made up of women has gained increased attention. Gradually being recognized is the sector's role in generating significant employment and incomes for the growing needs of African populations. The sector has made an invaluable contribution to economic and social life in Africa, providing income and services to the millions who had no opportunity to join the formal sector.
3. The decade of the 1980s was one of economic crisis for the African continent, in which employment and living standards declined, school enrollment ratios fell, and the quality of health care and basic services deteriorated. During the decade of structural adjustment of the 1980s, the qualities of the informal sector became obvious that none could question its importance in the African economy. Furthermore, the major international development and financial institutions have lately put emphasis on the need to giving greater role to play to the informal sector in development. The sector is believed to be a potential and can provide a training ground for growth into the formal sector.
4. The fact that most operators in this sector are among the relatively low income groups in Africa can be attributed to the low economic development of the economy and the limited capacity of these category of people to invest.
5. A major constraint in formulating any effective policy by development planners is the lack of statistics on all aspects of the economy, one such constraint is the lack of data on activities of the informal sector as well as its contribution to economic development. Even though it is a fact that the informal sector plays a big role in African economies by providing basic needs and

thus sustaining families there is no documented evidence and statistics that quantify this sector. The lack of data and paucity of research in this area has further led to the absence of specific government policies in enhancing and harnessing the potential of the informal sector.

6. The main focus of this study is to examine the participation of women in informal trade and to assess their contribution in the economic development process. The exercise is impaired by the sparse data on the informal sector and the relative neglect it suffered until recently. Nonetheless, it is important to investigate the role of the sector in the economic development process. The study concludes with some policy recommendations.

CHAPTER II. THE INFORMAL SECTOR IN GENERAL

2.1 Defining the informal sector

7. Most attempts to define the informal sector despair even before beginning to do so. The definition of the word "Informal" has been characterized by a variety of different concepts advanced by many authors. The ILO definition of 1972 states the main characteristics of the informal sector: a) ease of entry; b) reliance on indigenous resources; c) family ownership of enterprises; d) small scale of operation; e) labour-intensive and adapted technology; skills acquired outside the formal school system; and unregulated and competitive markets."

8. National accounting methodology largely bypasses the activities of the sector. It also eludes government regulation, operates outside established fiscal arrangements and because its operations are so diverse it is difficult to locate it en bloc within the production sectors of the economy. The concerns of the sector seem to have first found expression through a study by Keith Hart in Ghana at the beginning of the 1970s, while conducting anthropological research among the urban poor.¹

He observed that:

" Price inflation, inadequate wages and an increasing surplus to the requirements of the urban labour market have led to a high degree of informality in the income generating activities of the sub-proletariat. Consequently, income and expenditure patterns are more complex than is normally allowed for in the economic analysis of poor countries. Government planning and the effective application of economic

¹ see for more details, Hart Keith. "Informal Income Opportunities and Urban Employment in Ghana", *Journal of Modern African Studies*, No. 11, 1973, pp. 61-89.

theory in this sphere has been impeded by the unthinking transfer of Western categories to the economic and local structures of African cities."²

9. There is danger in any attempt to define the informal sector within the traditional parameters of economics because it will engender imprecision and confusion. One should keep in mind that it is a means of survival in cities of the periphery that uncovered this sector where goods and services are produced, incomes are generated, skills acquired non-formally and employment is provided for millions.

10. Definitions aside, the informal sector refers to home-based or individual enterprises with few or no employees, the concept of "few" corresponding to small or micro-enterprises. In Africa, the informal sector is particularly vibrant, providing thousands of people who would otherwise have no means of support, with a livelihood and income generating opportunities.

2.2 Characteristics of the informal sector

11. In order to have more understanding of the informal sector, it is necessary to give a brief description of the characteristics of the informal sector so that in the analysis of the sector one can understand how there can be no tangible reference base because it is so flexible that conditions can change in a short time.

12. The ILO provides the following characterization of the informal sector:

"The term 'informal sector'.. refer to very small scale units producing and distributing goods and services, and consisting largely of independent, self-employed producers in urban areas of developing countries, some of whom also employ family labour and/or a few hired workers or apprentices; which operate with very little capital, or none at all; which utilize a low level of technology and skills; which therefore operate at a low level

² Ibid.

of productivity; and which generally provide very irregular incomes and highly unstable employment to those who work in it ."³

Thus in any analysis of the informal sector it is important to perceive and understand what the sector comprises. The context in which the informal sector is described can differ from country to country and from region to region. A basic characteristic is that it is almost universally found in almost all countries of the world, even though its size and prevalence may differ.

³ ILO, Dilemma of the Informal Sector, 1991, as quoted by (Mhone, Guy, Equality for Women in Employment, ILO, Geneva, IDP Women/WP-23, 1995, p 40-41)

CHAPTER III. CONTRIBUTION OF THE INFORMAL SECTOR TO SOCIO-ECONOMIC DEVELOPMENT

3.1 Policy Framework

13. In Africa, the informal sector forms an important segment of the economies and cannot be ignored in attempts to confront the development challenges of the 1990s. The informal sector has a role to play in Africa's economic recovery and development by virtue of its potential.

14. In the informal sector, micro-enterprises operate outside the formal economy and utilize lower levels of investment and less demanding skills, and handle relatively simpler products and they provide simple inputs for the formal manufacturing sector. In terms of work force, small enterprises may employ from a minimum of one or two persons to as many as ten or more employees or working family members. In rural areas, small enterprises engage in the production and sale of farm products, handicrafts and services, especially in non-farming season when employment opportunities are low.

15. Small enterprises are vital to African development because of their potential in both employment and productivity. Small enterprises are often more efficient in total resource use than larger ones, most notably in sectors where they predominate.⁴ Moreover, the small businesses are often efficient despite biased policies that limit their viability and prevent them from sustaining their growth and evolution into larger firms contributing to national income. Over the past few years the number of small enterprises and jobs created in the informal sector has shown rapid expansion in Africa. Much of the employment growth is due to an increase in new enterprises especially in the informal sector. The increase in small enterprises has caused much

⁴ Robert C. Young. Enterprise Scale Economic Policy, and Development International Centre for Economic Growth . Occasional paper number 52, San Francisco 1994, p1

concern among policy makers, not only because of its impact on the deterioration of the environment but also in view of the concern of reflexive development that have been increased.

16. The strategy of poverty reduction through informal sector development is now widely recognized by national governments, international organizations and non-governmental organizations. It most probably is the short-term solution to alleviate the lack of job opportunities in the formal sector.

3.2 The informal sector and trade

17. The activities of the informal sector are concentrated usually in the trade sector. It's usual form is in domestic informal petty trading which is practiced in both urban and rural areas. the range of informal trade is from a daily sporadic activity to one which has a permanent base with a large market and turnover. Thus the informal trade bridges the gap or the shortcomings of the formal sector, acts as an outlet for its goods and also provides inputs to the formal trading sector and is life sustaining to a majority of people not employed in the formal sector.

(a) Cross - border trade

18. Even though the magnitude of cross-border trade is believed to be very large or significant there is no regulated or well assessed research in this area. "While some research has been conducted on unregulated cross-border trade in Africa, much of the activity is not well understood and its magnitude is not properly assessed. It has been estimated, however, that informal sector international trade is as big or bigger than formal sector international trade.⁵

⁵ OSCAL/ **Expanding and Integrating the Informal Sector into the African National Economies**, 13-15 June 1995, New York, p.9. (Department for Policy Coordination and Sustainable Development United Nations.)

19. In most countries informal trade is contributing in the expansion of trans-border trade. This is because goods abundant in one country are sold in another neighbouring country where they have demand, thus helping in the economic integration process.

3.3 The contribution of the informal sector

20. The informal sector contributes to economic development by providing inputs into the formal sector. The following table sheds some light on the contribution of the informal sector to economic development.

Table 1. Contribution of the Informal Sector to GDP in Selected Countries in 1985

	Total GDP Millions of \$	Informal Sector GDP Millions of \$	Share of Informal Sector in GDP
Benin	1275	226	17.7
Burundi	1065	139.4	13.1
Guinea	1962	94.9	4.8
Kenya	5757	1121.7	19.5
Liberia	1003	347.5	34.6
Madagascar	2697	123.4	4.8
Malawi	1077	104.4	9.7
Mali	1643	107.3	6.5
Nigeria	50681	12439.7	24.5
Somalia	2206	154.9	7.0
Tanzania	3984	409.8	10.3
Zaire	5960	390.4	6.6

Source: ILO/JASPA, African Employment Report, 1988.

21. Table 1 illustrates the contribution of the informal sector to Gross domestic Product (GDP) in selected African countries as the table shows the contribution ranges from about 5 per cent to as high as 35 per cent. Even though there are no statistics on a country by country basis or yearly data whatever statistics is available points to the fact that in the majority of African economies, the informal sector is expanding and that its contribution is significant.

22. The informal sector has made a significant contribution to Africa's economies by:

Job Creation: In 1989, the informal sector employed 59 per cent of the urban labour force in Africa, it generated employment for 19 million people in the decade of the 1980s, whereas the formal sector provided only 2 million new jobs.⁶

Provision of Income: In 1988 some 40 million workers earned their living in the informal sector in Africa, allowing 200 million workers earned their living in the informal sector in Africa, allowing 200 million children out-of-school youths, elderly, and disabled to survive.⁷

Provision of training: As most entrants into the informal sector are illiterate or school dropouts, they require and receive from the sector some form of on the job training. Those who have passed through the vocational school system acquire skill adaption through informal sector training and apprenticeships.

⁶ See ILO/JASPA/ECA/OAU - Report on the African Employment Crisis E/ECA/PHSD/HRP/MFC/19016, Addis Ababa, 1990.

⁷A.A. Aboagye - "An analysis of Dar es Salam's Informal Sector" JASPA, Addis Ababa, 1985. ILO, African Employment Report 1988.

Contribution to GDP: In Africa, the informal sector contributes 50 per cent of production in trade, 32 per cent in industry, 14 per cent in services and 4 per cent in transport.⁸

Linkages with Other Sectors: The informal sector has very important output linkages with agriculture, to which it provides tools, equipment, services, etc., as well as input linkages with it and with manufacturing from which it obtains raw materials, spare parts etc. The informal sector spends about 25 per cent of its turnover in purchasing inputs from the formal sector.

Provision of Social Services: Self help schemes in disadvantaged communities provide credit, build schools and run them, and organize health care facilities. In peri-urban areas, these self-help schemes construct, maintain, and repair dwellings and also provide child care facilities.

23. During the decade of the 1990's the informal sector has become the most important labour sponge in Africa's labour markets, where it will provide some 60 to 70 per cent of the new job openings. It was estimated as second only to the agricultural sector, creating between 20 to 25 per cent of all new jobs in the economy.⁹

24. It is therefore, essential to come up with policies and programmes that would promote indigenous entrepreneurship in the informal sector and industrialization that would stimulate the process of sustainable development.

⁸ ILO/JASPA, African Employment Report, op.cit., p.71. (UNECA, Contribution of the informal sector to the GDP 1992.)

⁹ Drejomaoh, Vrenudia, P., Enhancing Employment Prospects in Tanzania: The Challenge for policies, programmes and Institutions, ILO/JASPA, Addis Ababa, 1990.

CHAPTER IV. WOMEN IN INFORMAL TRADE

4.1 Structure and Pattern of Informal Trade

(a) What for and who are the operators?

25. Those who participate in the informal sector are those who are not able to participate in main stream or formal employment. As has been mentioned earlier, women constitute the majority of the operators of the informal sector especially in such areas as considered typical women work. The reasons for the existence of the informal sector and why most operators are women, have been attributed to various factors. Those factors can be institutional, cultural, legal, as well as the socio-economic environment.

26. Requirements for entry into the formal sector is especially difficult to women because they lack, the required educational level, they lack the necessary capital and training to participate in the formal sector and the expansion of the formal sector itself is another limiting factor. Thus women desiring economic independence often find resort in the informal sector. In some African countries, about 80 per cent of the total labour force is self-employed in the informal sector.¹⁰

27. Many of the activities of women in the informal sector are extensions of their traditional roles like food processing, sewing, handicraft production, weaving, and knitting - the size and type of activity they choose reflects their lack of an economic resource base.

28. The classical characteristics of the informal sector is a micro enterprise in which entry is easy, relies on indigenous resources and is family oriented; it operates in small scale; uses labour-intensive and adopted technology and whose workers have skills acquired outside the formal school system; may be utilized to illustrate women's role in this sector. Thus with this

¹⁰ UNCTAD, Report on Least Developed Countries, 1990, p.59

parameter in mind, women's visibility in this sector is directly related to the nature of activities investigated. For instance, a study in western Nigeria indicates that 86% of the industrial workers, were men¹¹ while a major informal sector study in Kenya by ILO/JASPA in 1986 indicates that women feature marginally in the sector because of the type of activities selected. Although gender-specific studies on participation in the informal sector are relatively few, no one can dispute the fact that the participation of women in that sector is high and they mostly predominate in such areas as: marketing, cross-boarder trade, food retailing, dress-making etc. A number of studies show that most activities in the informal sector (70 - 80%) are centered around trading and retailing which are dominated by women.¹²

29. Women have largely relied on self-employment because wage employment opportunities in the formal sector were limited. Women concentrated in self-employment particularly in the subsistence agriculture, small artisinal work and urban informal sector. The percentage of self-employed among the economically active women, in 1985 was about 40 % in Sub-Sahara Africa.¹³

4.2 Lack of accounting of women's work in the informal sector

30. There is a major neglect in accounting of women's work. Thus "...many of women's economic contributions are grossly undervalued or not valued at all-on the order of \$ 11 trillion a year."¹⁴ Therefore, over and above what they contribute in informal activities the unvalued women's contribution is a sign of the immense contribution of women to economic development.

¹¹ Liedhour C. Research on Employment in the Rural Non-Formal Sector in Africa - Michigan University, 1973.

¹² Hurlich. R, Women in Zambia, CIDA, (1986).

¹³ ILO, (1995), "Gender, Poverty and Employment: Turning Capabilities into Entitlement" Geneva, p. 15

¹⁴ UNDP, Human Development Report 1995, p.6.

31. Due to lack of proper accounting procedures women's work in the informal sector has become "invisible" and gives a very incomplete picture of the economic activity of the whole economy. This is because the "informal" sector is outside the conventional economic framework of national accounts and the calculation of national product. Thus it becomes difficult to quantify the economic contribution of the activities of women's work in the informal sector. For example of men's total work time in industrial countries, roughly two-thirds is spent in paid System of National Accounts (SNA) activities and one-third in unpaid non-SNA activities. For women, these shares are reversed. In developing countries, more than three-fourths of men's work is in SNA activities. So, men receive the lion's share of income and recognition for their economic contribution - while most of women's work remains unpaid unrecognized and undervalued.¹⁵

32. Women play multiple roles simultaneously, and they must allocate and trade-off time between paid and unpaid work. And they also devote for activities that are important but for which they are not paid for or given recognition as being an economic activity. Thus women's work in the informal sector is not accounted for, therefore their contribution is felt as being very important due to circumstantial evidence, but for which no one can present a statistical estimate.

(a) Institutional context, legal status

33. The limits and difficulties faced by women entrepreneurs in this sector should not however be minimized. Most women engaged in petty trade are illegal or unlicensed, but those that operate in the market place have some kind of official recognition.

Some of the difficulties they face include:

- **Law and regulation** Government laws and regulations, lack of governmental recognition and support, lack of integration into national development plans: in many African countries, the policy environment in which women in the informal sector operate is hostile. Harassment by

¹⁵ UNDP, Human Development Report 1995.

police and other authorities, and regulations, licensing, and registration procedures have militated against women's full participation in economic activities. There is little or no official recognition and support for the informal sector by governments and their institutions, no proper definition of the sector, and no national policy nor institutional framework for co-ordinating informal sector activities. Hence, no acknowledgement of the sector's importance to the national economy.

34. There are insufficient institutional mechanisms to promote the advancement of women in general. There have been various concern shown both at the country and global level to address women issues. The Fourth World Conference on Women which was held in Beijing in September 1995, is an outcome of years of struggle by women all over the world. They strived to bring to the attention of world leaders a forum to address many pertinent issues and to pass resolution on their implementation. Issues addressed include :

- inequality in women's access to and participation in the definition of economic structures and policies and the productive process itself; and
- insufficient institutional mechanisms to promote the advancement of women.

35. The legal framework under which the informal sector operates has been the subject of many studies. It is clear that a large segment of the sector operates in contradiction of existing legislation and by laws. It is clear that legality has its high costs in terms of resources and time which are barriers or "paper walls" equivalent to a probability to operate legally. The informal economy is therefore, an expression of the "peoples spontaneous and creative response to the state's incapacity to satisfy basic needs of the impoverished masses".¹⁶

¹⁶ Hernando de Soto, The Other Path, 1989.

36. The question remains on the implementation by governments on the issues raised. In order to address any of these issues it is imperative to first of all address the question of poverty and inequality, because it is the prevalence of poverty that expands or flourishes the informal sector. This is no easy task because the complexity of constraints posed by these problems are not easy to solve in the short term. Thus one poses the question what is to be done in the interim?

4.3 The impact of Structural Adjustment on Women in the Informal Sector

37. In many African countries, women comprise the majority of those engaged in informal sector activities, for example in Burkina Faso, they represent 48 per cent of a 75 per cent active informal sector population. Today, women are being drawn to the informal sector in even greater numbers. Due to the economic crisis that has gripped Africa over the 1980s and into the 1990s and the impact of Structural Adjustment Programmes (SAP) have weighed heavily on the vulnerable and most impoverished sectors of the population, such as women, children, and the elderly. An ever-increasing number of African women are dependent on self-employment - often their only source of income for survival. A study done on women traders in Ghana and the Structural Adjustment Program concludes that "The local belief that traders contribute nothing to the broader economy-and the longer-term mistrust of market women-undermine SAP policies of trade liberalization and privatization."¹⁷

38. A study done on Structural Adjustment and the urban informal sector in Nigeria has been found to have had a more negative effect than in most other countries. This was due to the fact that during the oil boom years, the easy availability of foreign exchange meant that Nigerians could import many goods, which were produced locally in other African countries local informal sector. In consequence, the capacity of informal sector firms to respond to the more austere

¹⁷ Gladwin, Christina (ed)(1991) Structural Adjustment and African Women Farmers Clark, G and Manuh, T. "Women Traders in Ghana and the Structural Adjustment Program" p234 University of Florida Press, Center for African Studies, University of Florida Gainesville

environment during adjustment was very weak compared to other African countries. Another reason is that due the weak linkages between the formal and informal sector during oil boom years due to the ease with which goods could be imported discouraged firms from developing sub-contracting relationships with informal sector enterprises. Thus the result was that informal sector enterprises were not properly equipped to respond to formal sector needs due the opportunity opened up by restructuring.

39. The study concludes that even if the Nigerian case is one of the worst examples, it is also important to stress that most key findings such as reduced demand, poor development of linkages, increased competition and falling profitability - are common to almost all African countries.¹⁸

40. It can be summed up that women have suffered disproportionately and in a variety of ways from SAP policies. As governments reduce public expenditure and thus shift from paid to unpaid economy, women's reproductive role becomes heavier. Government is the largest employer of women and when it is reduced in size it is women more than men who lose their jobs and find themselves with few alternatives.¹⁹

¹⁸ ILO, World Employment Programme, Dawson, Joanthan and Oyeyinka, Banji "Structural Adjustment and the Urban Informal Sector in Nigeria", WEP 2-19/WP 65, ILO, Geneva, May 1993. p.65

¹⁹ UNECA/African Centre for Women, AFRICAN WOMEN REPORT, Participation of Women in the Economic Sector., MAY 1996.P.ii.

4.4 Some country specific examples of women in the informal sector

41. Even though there is lack of satisfactory data of women in the informal sector, an attempt is made to present here some evidence to show the extent to which women are involved in this sector.

Table 2. WOMEN IN THE INFORMAL SECTOR IN SELECTED SUB-SAHARAN AFRICAN COUNTRIES ('000)

(a) Total Informal Sector Employment

Country	1970	1980	1985	1990
Congo	86	130	160	195
Ghana	356	683	946	1266
Guinea	147	246	318	406
Liberia	70	134	186	249
Madagascar	78	145	198	265
Kenya	195	374	198	265
Nigeria	3418	6347	8649	11574
Somalia	224	429	594	795
Tanzania	668	1281	1774	2374
Togo	70	141	200	276
Zaire	1335	2478	3376	4518

Source: ILO/JASPA, African Employment Report 1990. p.70

(b) Female Informal sector employment

Country	<u>Total</u>				<u>Trade only</u>			
	1970	1980	1985	1990	1970	1980	1985	1990
Congo	23	35	43	48	18	27	34	37
Ghana	114	219	303	346	94	177	246	281
Guinea	47	79	102	109	39	66	86	92
Liberia	30	58	80	98	18	35	48	60
Madagascar	26	48	65	77	21	39	53	64
Kenya	61	116	161	254	51	97	135	213
Nigeria	1018	1904	2595	2997	899	1650	2249	2597
Somalia	72	137	190	275	59	112	154	224
Tanzania	203	384	532	675	179	333	461	585
Togo	27	55	78	89	23	47	66	75
Zaire	498	917	1249	1124	351	644	878	790

Source: ILO, African Employment Report 1990. p.70

42. The above tables are very informative in the role the informal sector is playing in the African economies. The informal sector is the largest employer of female labour force in most African countries, in 1990, about 16 million women in sub-Saharan Africa were estimated to be engaged in the sector, which represents 35 per cent of total employment in the sector. In terms

of percentages female employment in the informal sector increased from 10 per cent of total female labour force to 14.8 per cent in 1980 and 17.9 per cent in 1985, and 17.7 per cent in 1990.²⁰

43. There is an over concentration of women in petty trading, small-scale processing, and selling of food items, handicrafts etc. From the above table one can observe the evidence from eleven countries which shows that 82 per cent of total female labour force engaged in the sector is engaged in trade. When details are studied there are some country variations in the type of trade that women are engaged in.

44. There are a few studies carried out on the participation of women in the informal sector. The cases of Kenya and Ethiopia are illustrative of the constraints faced by women within the context of the informal sector.

(a) Kenya

45. Kenya is mainly an agricultural country, the socio-economic setting varies from one region to another except for one common characteristic of considering women as solely responsible for food processing and care of the household. Small scale enterprises occupy a significant place in current development planning in Kenya which aims to achieve the following goals.

- Mobilizing agricultural resources to achieve food security by the year 2000.
- Creating 57% of the 6.5 million jobs targeted for the same year; and
- Achieving a better rural-urban balance by creating more job opportunities in the smaller towns which account for 80% of the population.

²⁰ ILO/JASPA, Africa Employment Report 1990, Addis Ababa p.68

46. Gender Specific issues: Women account for about 60% of the activities undertaken by small scale enterprises, and are therefore particularly affected by the hostile environment that inhibits their operation. The specific problems they face include: the absence of small enterprise policies specifically targeting women, even less access to credit than other micro-entrepreneurs, legal constraints, inadequate access to information on available opportunities, entrepreneurship programmes inappropriately designated for women and limited market opportunities.

Government action taken to overcome these barriers include:

47. Sensitization of policy-makers at all levels through workshops and seminars; sensitization of chief executives and loan officers in financial institutions and other private sector entities; establishment of a sub-contracting exchange programme between large and small scale enterprises; marketing promotion of small enterprise products for exports as well as domestic sale; and development of a policy framework for implementing a strategy and programme of action for small scale enterprises. In addition, NGOs are in the process of forming an umbrella organization to coordinate their efforts in assisting small enterprises, and donor agencies have created a forum which meets quarterly to exchange information and avoid duplication. For example the Kenya Rural Enterprise Programme (KREP) is an umbrella NGO, which was established in 1984 and has USAID grant to establish small-scale enterprises through existing NGOs in Kenya for both men and women. It provides funding for viable small-scale enterprise projects to generate employment for 1:1 for male and female entrepreneurs.²¹

(b) Ethiopia

48. The importance of the private and informal sector is emphasized in the Ethiopian case due to the economic stagnation of the country. The GDP grew by 2.7 per cent from 1965-1980 and

²¹ Ibid. Gladwin, C. (ed) p.121.

by only 0.5 per cent in 1980-92.²² The following table shows that the informal sector contributed up to one-fifth of the total private sector output, 14 per cent of the non-agricultural output and about 9 per cent of total GDP in 1988/89. The sector was estimated to grow from 1081 million Birr in 1988/89 to 1354 million Birr in 1993/94. The importance of the informal sector is also reflected in its providing employment for rural-urban migrants, drop-outs from formal educational institutions and to skilled and unskilled labour. The sector is estimated to generate twice as many jobs as the formal private sector amounting to about half of that of the public sector.²³

**Table 3. Estimated Share of Private and Informal Sectors in GDP in ETHIOPIA
(in million Birr, at current Market Prices)**

	1988/89	1989/90	1990/91	1991/92	1992/93	1993/94
GDP	12414	12430	13670	13349	15869	17158
1. Agriculture	4694	4700	5841	6229	6931	7493
2. Non-Agric.	7720	7730	7829	7120	8938	9665
2.1 Public	2547	2550	2583	2349	2949	3189
2.2 Private	4092	4097	4150	3774	4737	5122
2.3 Informal	1081	1083	1096	997	1252	1354

Source: MOPED and reproduced in ECA/PHSD/93/5 (p.5)

²² see ECA, Economic Report on Africa 1993, Addis Ababa: E/ECA/CM.19, PP. 47-48.

²³ ECA/PHSD/93/5 **Problems and Constraints Limiting the Effectiveness of the Informal sector in Ethiopia**. Paper presented at the National Workshop on Creating an Enabling Environment for the Informal Sector in Ethiopia. Organized by PHSD, ECA in collaboration with the Ministry of Industry of the TGE Addis Ababa, Ethiopia, 12-14 October 1993. p.5

49. The Table 3. clearly shows that the informal sector contributes to GDP at an increasing rate. From 1988/89 to 1993/94 the share of the informal sector has grown by 25 per cent. The growth of the sector is an indication of the weakness of the formal sector growth or the slow rise in employment creation of the formal sector.

(c) Other country examples

50. Table 4. summarizes the findings of a study on women in the informal sector, conducted in Congo, The Gambia and Zambia. It reveals that in Congo 68.4% of all female employment in manufacturing was in the informal sector, 94% in trade and 5 % in services. For the Gambia, the shares were 71 %in manufacturing, 88.9% in trade and 36.2% in services. In Zambia likewise it was about 80% in manufacturing, 90.6% in trade and 16.1% in services. Most female participation in the informal sector was in trade (88.8% in Congo; 86.3% in The Gambia; and 86.4% in Zambia).

Table 4. Female Participation in the Informal Sector

Indicators	Congo	Gambia	Zambia
% distribution of employment			
Manufacturing	10.3	6.1	15.3
Trade	86.8	60.4	78.0
Services	2.7	33.2	5.2
% distribution of informal sector GDP			
Manufacturing	8.4	8.6	10.9
Trade	88.6	86.3	86.4
Services	2.5	4.7	2.4
Others	0.5	0.4	0.3
% shares informal sector/ Total employment			
Manufacturing	68.4	71.0	80.3
Trade	94.1	88.9	90.6
Services	5.0	36.2	16.1
% share in informal sector GDP			
Manufacturing	21.2	14.5	28.6
Trade	67.8	30.3	47.8
Services	7.2	14.2	10.1

Sources: ECA/IRTIAW/UN: Synthesis of Pilot Studies on Compilation of Statistics on Women in the Informal Sector, May 1990.

Table 5. Production and Employment in the Informal Sector, selected country studies. Women in the Informal Sector

Per cent of informal Sector Labour Force which is Women

Country	Year	Manufacturing	Transport	Services	Total
BURUNDI	1990	30	0	26	28
CONGO	1984	12	0	63	46
EGYPT	1986	1	0	5	3
GAMBIA	1983	13	4	54	44
MALI	1990	49	0	35	40
ZAMBIA	1986	41	11	65	59

Source: UN The World's Women 1995, Trends and Statistics. ST/ESA/STAT/SER.K/12 New York, 1995, p.136

51. Table 5. shows the trend in women employment in the informal sector. From the sectors shown above women dominate the manufacturing and services sector (except for Egypt). It can thus be summed that women usually engage in informal sector activities that require little capital and training. The transport sector is usually deemed as mens domain.

52. From the evidence so far presented it can safely be said that the informal sector is an economic contributor and that women significantly feature in the sector.

4.5 Problems Faced by Women in the Informal Sector

53. Other than probems mentioned elsewhere such as legal recognition and institutional support, the following is an account of the main problems faced by women. Sex based discrimination reflected in traditional social and cultural values bars women from access to

training and credit, and family responsibilities limit their time and energy. In addition, woman's involvement in the informal sector is stifled by:

- **Low levels of education, entrepreneurial capacity, and information:** The majority of African women in the informal sector have little or no formal education and therefore focus on activities such as dress-making, knitting, hair dressing, retailing, and trade. A low level of educational attainment limits their ability to absorb managerial and technical information. Few keep accounts or records of their businesses, lacking sufficient skills for management and adaptation to changes which could maximize profits. They also lack information on government programmes to assist small enterprises.

- **Low capital input, controls on credit and seed finance, low level technology:** most women get their start-up capital from family friends, or money lenders. The amount of available capital is usually limited, restricting their activities and preventing them from acquiring improved tools and production techniques. While loans or credit are critical to informal sector operators, interest rate ceilings prevent banks from lending to small borrowers, and collateral requirements - land, fixed property, or insurance - are difficult for women to meet. As education levels tend to be low, informal sector operators concentrate on activities in which low level skills and technology are required.

54. Though the sector is recognized as providing basic skills to the growing population of the labour force it faces many difficulties. Since it operates outside the benefits and regulation of the formal sector such as: access to raw materials, access to credit and equipment, secure premises and lack of technical and managerial skills.²⁴

²⁴ ILO/JASPA, Employment Promotion in Tanzania, 1986.

4.6 Financial Support to Informal Trade

(a) Credit

55. Financial constraint has played a critical role in the expansion of the informal sector because, it is the lack of finance and credit that has constrained the informal sector operators from joining the formal sector. Lack of credit can be considered as the most important constraint for entering the formal trading sector.

56. Some efforts are being made to alleviate this problem of credit among the disadvantaged mostly through the traditional financial mechanisms. Perhaps a rerun of some country case studies of the Rotating Savings and Credit associations (ROSCAs) can highlight how widespread it is in many African countries. The most popular ROSCAs in Africa include:²⁵

<u>Name of Country</u>	<u>ROSCAs indigenous name</u>
Egypt	Gamaiyah
Ethiopia	Equib
Ghana	Susu
Malawi	Chiperegani or Chilimba
Nigeria	Isusu
Niger/Cameroon	Tontine/Njangis
Senegal	Tontines or Natt
Somalia	Hagbad
Uganda	Chilemba

²⁵ see for more details UNECA Traditional Trade Financing Mechanisms, Their Structures, role, Functions and Possible Linkages with the Modern Financial Sector E/ECA/TRADE/92/17 December 1992.

57. Though the traditional financial mechanisms are helpful in filling the financial gap they also have their problems. The informal financial sector is heterogenous because it is made up of different types of individuals and intermediaries. There are money lenders, landlords, neighbours, friends, and family members. The money lenders charge usurious interest rates and also require unfair collateral. Nonetheless the different traditional financial mechanisms have been very helpful for the thriving of informal sector trade operators who, would otherwise be subjected to utter poverty.

58. Some countries in Africa have attempted to gear to the financial needs of informal sector operators, a good example is the type practiced in Nigeria where the "People's Bank" provides credit without collateral to small entrepreneurs.²⁶

59. Attempts are being made by The IMF, World Bank and NGOs to provide for revolving funds for women entrepreneur, forming of credit associations etc. **Women World Banking (WWB)** is one institution which claims to play very important roles in the search for credit. The WWB has the objective of redirecting financial resources to women entrepreneurs who do not have access to credit. It was established to help women get access to credit, it gives small loans to businesses or specific projects. WWB is established in many African countries.

60. **The Grameen Bank** which was first started in Bagladesh, offers group based credit where the participants of the group are responsible for the repayment of the credit. The group members are self-selected persons who agree to guarantee and monitor each other. Each group is trained by Grameen Bank workers on the rules and regulations and how to keep individual, financial and social discipline. The bank adheres to saving mobilization as an integral process of lending. Since there is peer pressure the loan recovery process of the Grameen Bank has been about 90 per cent, about 94 per cent of the membership are women (world wide).²⁷

²⁶ Ibid, Crispin Grey-Johnson, 1992, p.77

²⁷ ILO, Gender Poverty and Employment: Turning capabilities into entitlement, 1995, p.41

61. Many African countries have established credit schemes to help women that have no access to formal credit. Other than credit schemes other various cooperatives and associations and groups have been established.

4.7 Importance of Informal Sector to Women

62. There are many qualities in the informal sector that attracts African women. In a period of social change, mass migration to cities the women's marginal status is conspicuous, especially when there is little connection to traditional roles.²⁸ In order to survive women engage in petty trade, which provides valuable service in providing goods and services especially in traditional foods, handicrafts, cosmetics etc.. There are also other advantages which the World Bank states as follows: "the informal sector thrives because of its close links with grassroots institutions. Relative ease of entry and exit makes these small firms an outlet for the skills of entrepreneurs from all sections of society. For women, the poor, and minority groups, the informal sector is often the only such outlet. Women play a big part in the informal sector largely because their property rights are insecure. In some countries a women needs her husband's permission to have a business license or to open a bank account. Businesses with low levels of investment and rapid turnover give many disadvantaged groups a way to escape legal and social restrictions of this kind."²⁹

63. Thus the informal sector is a survival means for the majority of men and women. It also provides in filling in the gaps or shortcoming of the formal sector employment creation. In many developing African countries the expansion of the formal sector is not proportionate to population growth.

²⁸ Bay Analyzing G., (edited by) Women and Work in Africa 1982.

²⁹ World Bank, Sub-Saharan Africa: From Crisis to Sustainable Growth - A long Term Perspective Study, Washington D.C., 1989.

CHAPTER V. HOW TO GRADUATE INFORMAL INTO FORMAL TRADE.

64. Integration with the formal sector benefits the entrepreneur and national economy. Despite the paucity of data, the statistics that do exist and casual observation indicate that linkage with the formal sector will need to be strengthened in most of the African economies. Moreover, a preliminary survey of Africa's current development plans reveals that a more affable environment needs to be created to stimulate small enterprise growth and integration of the informal sector into the main stream of the national economy. Africa is now presented with an opportunity to use the creative energies of the informal sector for socio-economic transformation and regional economic integration due to cross-border trade.

5.1 Measures to be taken in the formalization of the informal sector:

65. There are many arguments for and against the formalization of the informal sector. Some of the possible questions to be resolved include the following:

66. Is the formalization of the informal sector possible and/or desirable? How can income and productivity be improved, particularly for women who are heads of households? How can their markets be expanded? What kind of macro-policies should be considered to improve the functioning of the informal sector without destroying its inherent dynamics? Finally, if governments are to acknowledge the "feminization of poverty" as reflected in the informal sector, how can the necessary women's perspective be fully integrated into national economic and social policies?

67. Answers to be considered might include the following:

1. Linking the informal sector with formal social services, such as day-care centres, health insurance, education and technical training facilities. Governments should explore and promote alternative mechanisms specifically geared to poor women, such as providing incentives to the private sector to provide such services, or working directly with self-

help groups, and community workers to build a skeletal social service infrastructure for the informal sector. In addition, a thorough review of social expenditures should also be undertaken by governments, including a possible re-ordering of budgetary priorities to compensate for the social costs of structural readjustment programmes.

2. "De-formalizing" the financial sector to reach micro entrepreneurs in order to increase access to working capital, one of the major constraints on the informal sector. Women in particular are severely restricted by economic, legal, social and cultural factors such as lack of legal standing, lack of traditional collateral, unfamiliarity with banking procedures, etc. Banking procedures should be modified to make them responsive to the special needs of women in the informal sector, including the type of collateral required, and the size of loans and terms of repayment. Special credit lines should also be made available through both development agencies and non-governmental organizations (NGOs).

3. Increasing productivity through access to training, education and adequate technology. In many cases, low productivity is caused by lack of information about existing simple, modern technologies as much as by lack of financial resources. Better training and education, specifically designed for women in the informal sector, would improve their productivity skills as well as their ability to make more appropriate choices with regard to equipment, raw materials and other inputs.

4. Expanding markets at the local national regional and international levels. The linkage between informal micro and small producers to the formal economy is usually limited to a narrow range of products sold locally in small markets which are quickly saturated. Increased production, therefore, usually means decreased profitability; access to larger, more stable markets, both domestic and for export, is necessary to ensure improved or even adequate returns.

5.2 General Policy Issues

68. A more enabling environment and conducive policy framework targeted towards institutional and legal changes which will eliminate current discriminatory practices against the informal sector in the African context. It must be noted that an efficient implementation of a more supportive policy requires the allocation of new resources. It also requires a reorientation of the allocation of available resources with the purpose of providing appropriate training and technical assistance to the informal sector. African governments must first assess the kind of assistance needed.

69. Arguments have been provided in the direction that the informal sector should be left alone. It is argued that, to intervene, would eliminate the strength of the informal sector which is its unstructured character, its ability to improvise, its flexibility as well as its adaptability. that has made it to gear to specific needs and meet local demands. It further argued that to bring informal education to a formal level may eliminate its flexibility and change the whole purpose of training. It was found that training designed for the informal sector rapidly took on the form of formal education with examinations and certificates, which would lead to expectations that governments will not be able to meet.

70. Another argument against intervention is that the formalization of training policy is constrained by lack of clear financing alternative. Training in the informal sector has been self supporting in the main. Any intervention policy that changes the orientation dramatically will not only fail but also destroy the autonomy of the informal sector. Intervention on a large scale would involve great financial outlays.

71. A system which currently provides training at lower personal and social costs may be disrupted by direct intervention. If for example where licensing was provided to ease fulfillment of regulations, it tended to be selectively applied and conferred the advantage of a protected access to markets which then began to work through a system of patronage and clientalism. Certain characteristics of the formal sector such as bribery and monopoly began to be introduced.

72. Policy makers must note the difficulties posed by entry into an occupation and assess the degree of openness of the society. It poses a special problem to intervene where the training potential, the size and mix of the informal sector is closed (for example, the traditional artisanal occupation).

73. The informal sector itself is so heterogenous in terms of level of development size of the enterprises, organizational structures, amount of capital available, and so on that the environment and culture of each area must first be studied if any intervention programmes were to be responsive to specific needs. Intervention programmes have failed because the environment in which it is embedded was not fully studied and proper adaptations made. Studies which help to identify the sources of scientific and technical knowledge, and skills as well as of societal support for intervention to be effective must be clearly identified.

74. With reference to the character of intervention model to be adapted, it has been shown beyond doubt that intervention in the informal sector demands a very broad and flexible approach. Policy must adopt an integrated multidisciplinary approach where training is but one element of a package in the programme of assistance. In the informal sector, policy makers must note that training can not be disentangled from production. Also, formal institutions have a role to play in several directions. One of such is the confirmatory, standardization and certificating role of competence gained in the informal sector. Where the culture of enterprise is absent, training policy intervention must accompany the transfer of technology with a range of attitudes and values to sustain new orientations which may be absent in the environment.

75. Therefore, in establishing an intervention policy for the informal sector, care should be taken to avoid focusing on expansion of small units but on building of many new ones. The emphasis on older ones should be on counselling through in -plant visits to ensure their survival. Policy makers and planners on this schedule must be trained in the intricacies of the role and management of the informal sector. Informal sector associations must also link up with the national bureaucracy to ensure that all material assistance is fully exploited.

CHAPTER VI. CONCLUSIONS AND RECOMMENDATIONS

76. It can be concluded from the evidence gathered in this study, that the informal sector employs a substantial percentage of the labour force and that women predominate this sector in the majority of sub-Saharan countries. It is also the conclusion of the paper that the role of women in the economic development process is quite significant. " In Africa the informal sector accounts for about 60 per cent of the labour force and 20 percent of the GDP. It makes a significant contribution to poverty alleviation through employment generation and is a major source of human resource development, both as a training ground for unskilled workers and as a reservoir for entrepreneurial capacity. Women represent the majority of informal sector participants."³⁰

77. The poor economic prospects of the continent suggest that the informal sector is likely to provide the major channel of livelihood for the majority of the people, since the estimate shows that 350 million new workers will be looking for jobs between now and the year 2020.³¹ It is therefore, essential that governments in considering the informal sector take certain measures:

- There is evidence that the sector is increasingly the path women take to meet their needs. Therefore, it is essential that all policies dealing with the informal sector should explicitly incorporate the gender dimension in them.
- In order for these policies to be adequately targeted further research is required not only on the size of the sector, which is often underestimated, but on the

³⁰ E/ECA/CM.22/5 " United Nations System Wide Special Initiatives on Africa." A.A, Ethiopia, May 1996, p.17

³¹ for an example of similar assessment see.. R.S. MacNamara, Africa's Development Crisis: Agricultural Stagnation, Population Exploitation and Environmental Degradation, 1990.

proportion of women operating in the system. The profile of these women needs to be sharpened in terms of their background, earnings, variety of jobs, age group etc.

- The question of legal recognition needs to be addressed and the sector should have access to credit, be able to participate in bids etc.

- A major constraint faced by women in the sector is capital formation. Government intervention as facilitator between lending institutions and small scale enterprises is required.

- The dire need to improve the working conditions of women (and their children) which are hazardous to health and basic infrastructures need to be provided. It has been suggested, for instance, that sale of food on streets should be legalized by facilitating licensing. The fee paid for the licenses should be directly applied to improve the environment where street foods are sold.³²

RECOMMENDATION

78. It is important to study the intricacies of the informal sector in order to integrate it into the mainstream of national development plans.

79. In order to have an effective policy framework it is recommended to integrate the gender dimension in capacity building - " To integrate the gender dimension in policies, plans and programmes of the various sectors, there should be a systematic analysis of the roles and relationships among women and men to ensure the absence of imbalances in access and control

³² Irene Tinker, " The Case for Legalizing Street Foods" *The Courier*, (ACP-EC) No.110 July-August 1988.

of resources, decision making, and distribution of workload between women and men at all levels."³³

80. Designing integrated informal sector policies requires experience and capable policy designers, which are scarce in developing countries. Thus respective governments must solicit the assistance of donors for policy design and implementation.

Action to Address Women's Concerns

- Eliminating discriminatory practices through legal changes that grant women rights in the market place, for instance their right to own, borrow, and sell to enable them to obtain or increase their access to assets such as capital and land.
- Creating informal and formal social support mechanisms such as child care arrangements in the community or work place; government subsidies for child care or social benefits for the self employed in order to reduce the conflicts women have as income earners and home producers.
- Establishing pilot projects to support women's role in a given sector (eg trade, services, industry) to leverage women's access to government programmes and to advocate changes in government policies.
- Adopting fiscal policies that open access to markets for goods produced by women.
- Strengthening or initiating lines of credit for women in banking and credit organization as well as specialized facilities targeted at women.

³³ E/ECA/CM.22/12 "A framework Agenda for Building and Utilizing Critical Capacities in Africa " April 1996,p.7

- Investing in the development of technologies for agricultural processing and service sector businesses where women predominate.
- Providing technical assistance and other resources to implementing agencies increase women's participation.
- Introducing technological innovations that would transform home and subsistence production into market production.
- Investing in training and vocational education that would upgrade the quality of women's activities in the informal sector.
- Involving, men, as well as women, in efforts related to enhancing women's role in the informal sector to prevent marginalization and to create awareness of the importance of women's issues.³⁴

Trade issues

- diversifying production in the informal sector; this will require training in new skills.
- providing timely information on market demand, including prices and specifications.
- improving transportation and storage facilities.

³⁴ **INSTRAW-** "Report of the Consultative Meeting of Experts on Macro-Economic Policy." Rome 18-22 March 1991-
"Analysis of Women's Participation in the Informal Sector."

- promoting cooperative arrangements among micro-producers for both purchasing and sales.

81. It is to be noted that while there is concern about the informal sector there is little empirical work done in this connection especially regarding women in the informal sector particularly, for Sub-Saharan African countries where women in this sector play an important role in economic activities.

82. To deepen present preliminary findings there is need to increasingly carry out research on the issue at the country level and in a constant manner, because there is a gap of many years in statistics carried out which makes it difficult for any meaningful analysis.