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THE WORLD BANK AND THE AFRICAN STREET:
(How) do ‘Doing Business’ reforms affect Tanzania’s micro-traders?
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INTRODUCTION

Globalization, liberalization and urbanization have contributed to a rapid growth of urban informal economies, particularly in sub-Saharan Africa (SSA) (Bryceson 2006). Commerce has become a dominant feature of the informal sector (Lyons and Brown 2008) with street vendors the largest sub-group of the informal workforce after home-based workers. The importance of this sector has progressively been recognized in some strands of the literature over the past thirty five years, culminating with the report in June 2008 of the Commission for Legal Empowerment of the Poor (CLEP), which explicitly identified the role of micro-entrepreneurship in the urban economy of the developing-country poor, and emphasized the right to trade and to do business effectively, including for example rights to viable space and relevant services (UNDP 2008). Nevertheless, state tolerance and the public legitimacy in SSA of urban informal economic activities remain insecure (for example, Potts 2007).

The starting point for this paper is a study undertaken over four months in 2007 following a nationally coordinated eviction of street-traders from the public spaces of all Tanzania’s major municipalities. The evictions took place in parallel with the implementation of Doing Business reforms aimed at improving the country’s business environment, which saw Tanzania named as a regional ‘star reformer’ by the World Bank (WB 2008), suggesting that the reforms may be failing to address a large body of the economically active poor.

In the context of the specific economic and political constraints and opportunities facing the street-vending sector, and its importance as a livelihood avenue for the poor, the paper examines the impact of these global reforms on micro-entrepreneurship in SSA, with particular focus on street-trade in Tanzania.

‘Doing Business’ reforms

The failure of the Washington Consensus laissez-faire policies to reduce poverty and stimulate agriculture or manufacturing has been well documented (Gore 2000). SSA economies have not integrated into global production chains or increased export volume and share (Subramanian and Mathuis 2007); improved their ability to face competition from foreign imports (Kaplinsky et al 2002); or integrated their rapidly growing informal sectors into international labor markets (UNCA 2005).

One response to these failures has been the development of a new consensus by the international agencies, which attempts to integrate liberal economic reforms in a broader agenda of support to environmental, social and human development, and employing more subtle reform measures (Stiglitz 1998), inspired by de Soto and WB strategy papers (Twose 2006). The reforms aim to foster a better climate for business. The main policy documents reject interventions targeted at specific groups (WB 2004a, 2005) but identify informal Small and Medium Enterprises (SMEs) as likely to benefit disproportionately from the reforms (Beck and Demiguc-Kunt 2004).
Interventions aim to reduce business costs and policy-related risks; improve the justice system to increase trust (WB 2005); expand access to credit and other financial services to release investment; and improving fiscal performance to increase state earnings. They include simplifying procedures and regulations with regard to registration, licensing, transferring and closing a business; ensuring property rights, both by giving ownership titles to informal dwellers and improving the legal framework for contract enforcement; implementing liberal trade and investment rules which include an open-door policy towards foreign direct investment and equal treatment of foreign and domestic investors; as well as simple customs procedures, low average tariffs and less spread in tariffs, low levels of government intervention in markets for labor, credit and final products; and low and simplified taxes in combination with a broadened tax base; as well as improving accountability of government departments and institutions (WB 2005). To access the benefits and obligations of reforms businesses must register with national tax authorities and provide a fixed business address. In effect, businesses are required to formalize.

The WB explicitly presents these reforms as pro-poor (WB 2008). Yet some scholars have argued that the recent private-sector development debate among donors rests on a ‘highly optimistic’ belief in the ability of markets (alone) to generate public welfare’ (Altenburg and von Drachenfels 2006:388), terming the approach a ‘New Minimalism’ (Altenburg and von Drachenfels 2007:396). In effect, this is an argument about the potential of these widely endorsed reforms to result in economic growth without disenfranchising the poor.

The potential of the reforms to stimulate growth among small firms has been questioned in theory on a number of counts (Altenburg and von Drachenfels 2007). In practice, in SSA at least, macroeconomic growth has not widely translated into poverty reduction (von Braun and Keyzer 2006); Governance reforms have tended to increase concentrations of power at the top, reducing the voice of the grassroots (Bendaña 2004); The development of property registers and other institutions, shaped by oversimplified targets and measures, externalizes costs to users and disadvantages small businesses (Arruñada 2007); The formalization of residential property rights has failed to stimulate credit markets among the poor, reluctant to mortgage their prime asset (Durand-Lasserve and Selot 2007). Finally, while lack of formal of property rights is identified as a critical constraint for small urban informal businesses (WB 2004a:60), property titling focuses on urban residential and rural agricultural land.

These cogent critiques of the reforms’ potential to achieve their stated aims with their intended target population mask a second problem, ie what are their likely impacts on the non-target population. In developing countries own-account enterprises in the informal sector which are too small to be included in the reforms far outnumber the reforms’ target group. It is widely accepted – and acknowledged by the WB (2008:64) - that formalization is unlikely to be beneficial for micro-entrepreneurs, and that participation is likely to make them non-viable. They are thus not seen as a target group for the reforms. The expectation of reformers is presumably that this much poorer population will benefit indirectly, for example through absorption into a growing formal labor market (although no such mechanisms are explicitly posited) (e.g. WB 2008).

In any event, formalization of street-trading is more complex. Most street vending enterprises can be defined as illegal, informal or extra-legal, on a number of counts: the lack of a business license, which places traders in contravention of business and finance laws; asset informality, which results in insecure tenure, limited rights with regards to eviction and confiscations, and non-eligibility to apply for business licenses and financial services; and the use of space in contravention of town planning designations, which places traders in
contravention of both town-planning laws and related public health bye-laws. Many very small businesses are formal in one of these senses, but not in others. In using public space without legal sanction, they are dependent for their operation on the tolerance of municipal town-planning departments the ministries which control them; and in turn on public opinion, and the political pressure it creates (Popke and Ballard 2004).

The general argument of this paper is that reforms may well impact non-target groups through interactions with other areas of policy and law; with public attitudes; and with multiple economic sectors. In particular, it is argued that the exclusion of micro-traders from the reforms contributes to their marginalization in political and policy arenas, increasing their vulnerability to state intervention.

METHODS

In order to understand the impact of this changing policy environment on micro-traders, the research examines both direct and indirect impacts, through influence over the political and policy environment. In turn, these can only be understood if the businesses themselves are understood. These broad objectives are grouped under seven headings:

A. Direct consequences of reforms for micro-traders
   1) Licensing and legal status
   2) Access to finance

B. Changes in the policy environment
   3) Perceptions and legitimacy of micro-trade
   4) Policy environment and public tolerance of micro-trade

C. Impact of changing policy environment
   5) Trader aims and strategies
   6) Policy outcomes for businesses
   7) Policy outcomes for traders

Tanzania is a particularly useful case for study of the relationship between the informal sector and the reform agenda because of its large informal sector and street economy, on the one hand, and its active reform process, on the others.

Informality in Tanzania today is comparable with many SSA economies (Schneider, 2004). Recent estimates are that the informal sector as a whole contributes 35% of GDP, accounts for 80% of the country’s jobs and provides up to 70% of the services consumed by the poor. The proliferation of small retail businesses in general and street vending in particular in Tanzania’s urban centers must be understood as part of a broad economic context. Clearly captured by Tripp (1997), later by ILD (2005), and by recent statistics (unemployment in DSM is estimated at 44%, with 700,000 new job seekers and just 30,000 new formal jobs each year), the lack of employment opportunities in agriculture, manufacturing and the public sector, and the need to supplement salaries for those who are in employment have driven many to take up micro-enterprise.

Fig. 1 about here
As in most SSA countries, the declining purchasing power of Tanzania’s poor, combined with the country’s failure to compete for international manufacturing contracts, have resulted in rapidly growing imports not only in absolute terms but, importantly, in relation to growth in its GDP (Fig. 1), reflecting a structural shift in the formal economy from manufacturing and agriculture to services, particularly commerce. The informal economy reflects this shift in the formal economy, with a rapid increase in the number of micro-enterprises engaged in commerce.

Over the past ten years the number of micro-traders has increased in all parts of Tanzania especially in Dar es Salaam (DSM). In 2005 the ILD estimated that 55% of DSM’s small businesses were in commerce, with 30% in services and only 15% in manufacturing, and calculated a similar breakdown in other Mainland urban areas (ILD 2005:103/4). The street-vendor population of DSM has recently been estimated to comprise close to 700,000 street-traders (Lyons and Msoka 2008).

This paper adopts the term ‘micro-trade’ to describe such business collectively. The term is used to describe small retail businesses, from street vendors (ranging from hawks who have no fixed location but roam an area to vendors with a fixed location and possibly a shelter constructed in the public domain) through to small informal businesses located in formally designated trading areas and markets. This term is intended to differentiate them from more established traders with formal shops, larger turnover and, often, a wholesale line of trade as well.

Unusually, this study was not restricted to DSM, Tanzania’s main commercial city. The seven municipalities studied included the three DSM municipalities (Ilala, Kinondoni and Temeke), and the four major provincial towns of Arusha, Mwanza, Mbeya and Morogoro. All had implemented the eviction management policies endorsed by central government late in 2006.

A survey of 622 micro-traders was conducted using semi-structured questionnaire-based interviews. The stratified approach to trader sampling is described below.

Research sites were identified in each town following preliminary observation and key-informant interviews. Sites included formally designated markets on public or private land, informal (undesignated) trading areas on private and public land and, where appropriate, shops (see below).

Once sub-areas were identified, randomized sampling was conducted. In order to examine supply chains and mobility avenues, vendors at all levels were interviewed: Traders were sampled from among those hawking, trading on the ground, or on a table, a kiosk or a stall in public spaces outside designated markets or within them. Both micro-traders and established traders included vendors of manufactured goods (imported or local), cooked and fresh food, and consumer durables.

Only business owners or managers were interviewed. The response rate achieved was over 95%. The interviews covered, inter alia, details of the business, links to other economic sectors, spatial and socio-economic mobility over the life course, and formalization policy impacts.

Emerging themes were taken up in 200 interviews with formal established traders in each city. Interviews with these shop owners were schedule-based and covered a similar range of issues to those addressed in more detail in the micro-trader interviews. The topics covered...
included import trends and supply chains, trends in competition, the role of vending in livelihood strategies and opportunities for growth and development, urban politics and urban policies. This enabled identification of links between business in the two groups, as well as mobility of individuals between them over their life course.

To understand their interpretation of policy aims and impacts, 120 key-informant interviews were held with officials and politicians at local, regional and national levels, civil society officers and leaders, microfinance program/institution directors; and development partner officers.

Finally, it was not possible within the resources of this project to carry out a full-scale evaluation of public opinion and, therefore, local newspaper articles were used as a proxy. Clearly, articles in the press only partially reflect public opinion. However, newspapers were selected to reflect a range of opinions and political stances (Daily News, Mwananchi, The Guardian, The Citizen). Although the number of articles is very large, there are consistent emergent trends, lending some credibility to their use as a source of information on the subject.

Feedback and Consultation workshops were held at municipal and national level.

FINDINGS

1. Doing Business reforms and micro-trade

Before turning to their impacts on traders, a summary of the reforms is needed. In a context of harmonized aid and with multilateral and international support, a wave of Doing Business reforms has been incorporated into the country’s poverty reduction strategy, MKUKUTA. At the end of 2006 Tanzania was classed second after Ghana among Africa’s top ten reformers (Twose 2006:5) and in 2007 it was classed as regional top reformer, having implemented reforms with regard to starting (and registering) a business, registering property, protecting investors, and trading across borders, though lagged on employment, contracts, access to credit, and closing a business.

Business and property licensing represent at least part of a process of formalization. Although it is unlikely that the cost of formality could be born by the bulk of micro-traders, the mechanisms of exclusion are important to understand. The reforms include two formalization programs, designed and developed under the umbrella of the Business Environment Strengthening program for Tanzania (BEST) and directed by the Better Regulation Unit (BRU) in the Ministry of Planning. MKURABITA, at one time primarily occupied with planning the legalization of street-traders and the recognition of their extralegal assets (ILD 2005), now tests local implementation for impacts on the poor. Enabling legislation has also been passed or amended. The Land Act and Urban Planning Act (URT 2006a, b) simplify and make accessible residential land formalization and provide for titling and planning of informal residential land.

BEST surveys and registers informally held urban residential and rural farming land. In order to simplify the process of survey, moderation of disputes and registration, which has up to now been dauntingly cumbersome and expensive (e.g. ILD 2005), local offices are to be established at local-authority level. Residents who successfully complete the process are to be issued with a Residential License. Where informal businesses such as shops and workshops are located within such residential areas, they too are to receive a License to Occupy. A business owner’s License to Occupy can be used to support a business license.

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Registered properties become liable for property tax. Indeed, a criticism of Tanzania’s implementation of its poverty reduction strategy was a failure to raise local tax revenues sufficiently (MKUKUTA 2003). In the specific case of businesses, the link between formalization and taxation received an additional boost with the introduction of a requirement in the Business Activities Registration Act 2007 (BARA) (URT 2007), that application for a business license requires prior registration with tax authorities. At the same time, a major plank of the publicity surrounding land formalization is the argument – with clear roots in de Soto’s thinking – that homes and business premises, once titled, can be used by owners to secure credit in the formal sector (and therefore on better terms). Retailing is one of three areas the WB identifies as critically dependent on land markets (Twose 2006).

The second of BEST’s undertakings has been to simplify and make more accessible the licensing of businesses. Following registration with the national tax authority, applicant businesses will now find that the many months and numerous payments on which registration is contingent have been significantly reduced, while the long journeys are being obviated by the establishment of registration offices in every municipal authority. The process of registration has been simplified by BARA (Norwegian People’s Aid and Mkurabita 2007).

In parallel with the formalization programs, supply-side support is provided to financial services by the Financial Sector Deepening Trust (FSDT) with the intention of extending the client base for financial services and improving both credit and savings facilities. The FSDT’s broad mandate includes stimulation of microfinance service provision to the poor. This has also been supported by recent legislation which (re)establishes the legal status of cooperative groups (SACOS), which have recently been (re)instated as an additional vehicle for microfinance; while earlier national policies on micro-finance (URT 2000), business licensing (e.g. URT 1972, 2004), trade and SME growth (URT 2002, 2003) have been revised. The government has independently made an additional credit line available to SACOS. Licensed businesses can now apply for loans more easily than before, and grassroots SACOS can lend on to members, who may include unlicensed or licensed traders.

Thus the multi-dimensional approach to reforms in Tanzania draws together most of the components of current Doing Business thinking. Paradoxically, neither of BEST’s land-use regulation programs addresses the spatial informality typical of the vast majority of micro-traders. By and large, micro-trade does not take place in either rural or residential areas, but in the heart of urban business districts and in public space. Thus the land formalization program, which addresses itself primarily to residential or agricultural land, and to businesses in unsurveyed residential areas only, cannot cover them. The trading locations of micro-trade cannot be legalized through this avenue.

The business licensing scheme too is unable to put business licenses within the reach of most micro-trading businesses. First, to be licensed, the business must have a fixed and legal address (URT 2007a) and, as vendors are trading in urban public space, their trading space cannot be legalized unless the local authority takes steps to alter the town plan, a process governed by the Urban Planning Act (URT 2006) and closely controlled and supervised by the Ministry of Planning and the Ministry of Lands. Moreover, somewhat ironically, simplification of license categories - a core element of Doing Business reforms - has resulted in the abolition of peddling licenses. Thus, street-traders are not simply ignored by the business reform process, they are excluded by it.
2. Access to finance

In 1995 95% of small-enterprises finance in DSM came from personal resources, family and friends (in Cooksey 2004). In 2007, less than 1% of respondents had obtained loans from micro-finance institutions. Virtually all borrowing from outside the circle of family and friends was from grassroots savings and loans groups.

But is the financial deepening process able to reach the sector? The answer to this is mixed. There is mounting evidence that microfinance institutions and, clearly a new development, newly formed microfinance departments in a number of commercial banks, are expanding the geographic and social reach of their savings programs. Barclay’s Bank, for example, has now opened very small branches in easily accessible suburban locations such as petrol stations; and, in rural areas, now sends out local employees on bicycles to collect deposits from customers living in low-density areas (Technical Director: FSDT). Competition is increasing among the banks to provide savings services for the mass of the poor (Technical Director: FSDT; Executive Director: ABT).

In principle, growing competition is likely to result in improved service. However, the competition to lend has not developed. Individual businesses which successfully apply for a business license are able to approach the commercial micro-finance providers directly. However, the success rate of applications is low (Executive Director: ABT, Technical Director: FSDT). A number of analyses have suggested that programs have failed to reach all but the most prosperous among the poor (for example Fraser and Kavi 2004). Indeed, apart from a very small number of established exceptions (Chairman: Pride Tanzania), most respondents expressed reluctance to make small loans to the poor (Executive Director: ABT).

This is reflected in the high cost of such loans. First, interest rates in the microfinance sector are high relative to traditional rates (24%-30% per annum against 10% per annum in informal organizations) (Chairman Pride Tanzania, Executive Director ABT, Arusha Market SACOS) and high compared with profits from trade, generally 2-10% (interviews: established and informal traders). This is justified by microfinance organizations on the grounds of high administration costs and uncertainty (Technical Director FSDT, Executive Director: ABT).

Second, repayment schedules do not include a grace period, and initial repayments must come out of the loan itself (Chairman: VIBINDO). A ubiquitous view among traders was:

‘It is difficult for us to take loans and start repaying after a week. At least if it is for a month this would be affordable and manageable for traders.’ (mobile phone accessories seller, Mwanza)

Third, high levels of security are demanded, sometimes extending to retention of some 30% of the loan in the borrower’s account, on which the interest is also charged; as well as to any personal possessions, stock in trade of the business, and the business premises. Such terms are clearly less advantageous than those available to more established businesses.

‘I fear joining saving institutions because of high interests rates when taking loans. I have witnessed my friends who had lost even their beds when they failed to repay.’ (vegetable seller, Mbeya)

Third, somewhat paradoxically in a policy context stressing reduction of administrative burdens, loan applications in the new private microfinance sector involve complicated and
expensive procedures, costs incurred regardless of the outcome of the application.

Finally, routinely, a proportion of the loan must be used to recover other losses (see below, Sec. 3). Thus, for most poor borrowers, only a part of the loans is used as operating capital. The combined effect of these measures appears to be ‘loan creep’ (Hulme and Mosley 1996; Perets 2002), and a high proportion of trader applicants are refused:

‘Loans have long procedures and create a lot of disturbances for petty traders. As a result the money ends up... in the pockets of big traders only.’ (second-hand clothes seller, Mbeya).

‘About 360 petty traders from [our] market applied for the loans but nobody has succeeded in getting the loan.’ (clothes seller, Morogoro).

3. Political environment: perceptions of street-trade among policy makers, officials and the press

An unintended consequence of the mismatch between policy and traders has been the further marginalization of micro-businesses. The policy focus on larger businesses suggests that micro-business does not merit attention; and the (theoretical) ability to borrow creates a tendency among municipal and senior civil servants to regard businesses without access to capital or borrowing as insignificant. Similarly, the fact that a majority of businesses with established premises will now be licensable puts micro-traders further outside the norm.

This was reflected in interviews with officials. An overwhelming majority (74%) of the municipal officers and civil servants interviewed expressed the view that street vendors are operating at too small a scale to be considered entrepreneurs at all, implicitly putting them outside the pool of citizens eligible to benefit from reform. Three typical voices also illustrate the complete dissociation of senior state or formal-sector actors from micro-traders:

‘These are not real entrepreneurs, they are nothing’ (city economist on street vendors selling clothes on the street or in formal markets);

‘They should go back to the rural areas where they came from, or who will grow our food in this country?’ (senior civil servant).

‘When my car stops at a traffic light and a youth comes up to me selling coat hangers made in Indonesia, I am ashamed in front of my [foreign] guests. Why are our youth not making the hangers??’ (senior CCM party member and businessman).

It is interesting to note here that discussions with municipal officials, such as the city economist quoted above, were held in several fora. At feedback workshops for the senior management team no dissension from this hard-line position was expressed. In private, however, close to half the seventy municipal officials interviewed expressed a mixture of some empathy with micro-traders, bafflement at the scale of the task of managing urban space without excluding street-trading, and dismay at the brutality of enforcement (below Sec. 4), suggesting pressure from senior managements and beyond.

Analysis of the press too presents a complex picture. Shortly after the eviction program began (see below, Sec. 4), some articles appeared to express some relief at the clearance of streets, and reassured readers that all evicted traders would be relocated (for example The Citizen 2007) although, in parallel, horror was expressed at the level of force used.
Subsequently, the earlier credence accorded the evictions has been replaced in a wide cross-section of the local press with unambiguous statements describing street commerce as legitimate and productive; emphasizing their importance as a source of livelihood for the poor; and presenting the trade as positive - possibly even, heroic - and a national asset. For example, The Daily News (11.08.07) published a photograph of a typical busy commercial street in an informal DSM neighbourhood, stressing the social and economic importance of street-traders:

"Unemployed and underemployed women and youths are Tanzania’s hidden treasure. Small community-based organization…need little financial and material support to do this nation a good job in mobilizing and organizing women of different backgrounds to engage in productive activities. Above, women doing selling and buying in one of Dar es Salaam’s shanty streets".

Specifically linking street-trade to livelihood strategies for the poor, The Citizen ran a series of photos on this theme, entitled ‘Eking a Living’. A typical example is captioned ‘Mama Jumanne frying fish for sale at Tandale in Dar es Salaam yesterday to earn a living for her family.’ A related strand of reporting focused on street children. The Sunday Citizen of 26th August reported on Arusha’s ‘exercise to rid city of street kids’, pointing out that most are selling or laboring, rather than begging, and have left home because of poverty’.

4. Policy environment

The combination of a policy vacuum and the exacerbation of their marginalization by Doing Business reforms, with traders’ multiple informality, have created an atmosphere in which Town Planning law could be enforced against street-traders. Beginning in March 2006 and gaining momentum in October that year, local authorities across Tanzania implemented an order from central government, ending their tolerance of trade in areas designated for other activities, particularly in city-centers. Police and militias were drafted in to demolish permanent or semi-permanent trading structures such as kiosks and containers, confiscate goods, and prosecute traders. There are no official estimates of the scale of these operations, and it is difficult to base estimates on prosecutions because repeat prosecutions are not identified. However, discussions with municipal officials in the seven municipalities suggest that up to 1,000,000 traders have lost their place of work through eviction or intimidation. At the same time, in every municipality in the study, the cost of policing the streets during and after the evictions for the financial year 2006/7 was almost equivalent to the total municipal income from trading rents and tolls (Mwanza, with its industrial-scale fish market, is an exception).

A small minority of traders were offered alternative, designated trading spaces (for example, the city of DSM’s three municipalities have combined to find spaces for only 25,000 traders out of an estimated 700,000). The few designated spaces are problematic. They are generally suburban, attracting less customer footfall than central spaces; Poor layouts mean that a large proportion of stalls are away from the public eye and not visible to passers-by; Land-use designation is generally temporary and can be revoked at short notice, discouraging any investment; Finally, where land designation is permanent, cash-strapped local authorities have externalized the construction costs to traders, using a Build-Operate-Transfer (BOT) contract.

Even for the minority of relocated traders the right to a license remains elusive. The designation of most new markets is temporary and can be revoked within 24 hours,
rendering relocated traders’ right to trade there conditional and impermanent; Many are allocated no space at all, simply the right to trade within the confines of a given area, such as an empty lot (which may itself be temporarily designated only); and some spaces are designated as markets for only one day a week, so that traders move to a different market every day. Any of these conditions makes nonsense of another condition of the license, that it be permanently displayed on a wall of the business premises (URT 2007a). Thus the minority of traders who are allocated legal spaces in new markets are also unlikely to find they can benefit from the Doing Business reforms. The consequences for traders of this policy vacuum (Carney 2004) have been profound.

5. Trader aims

Outcomes of these policies for traders are discussed in Sec. 6 and 7 below. However, they must be understood against traders’ business aims. The trade is critical to the households involved in it: Most (78%) of micro-traders in the survey are main earners, while 64% are sole earners, supporting immediate families. Close to 60% of rural-urban migrants send more remittances than they receive (as do 46% of other traders), levels rising after the five years in the city. Yet in a context where alternative sectors do not provide comparable employment for people of secondary education, intense competition is undermining profit margins (Lyons and Brown 2009), alternative strategies are needed.

Respondents to the micro-trader survey saw micro-trading as a difficult life, although less difficult and more rewarding than small-scale farming in rural areas. Over 50% of respondents had attempted and failed to find jobs in the formal sector. In a competitive climate, although close to 90% had completed secondary school, their educational qualifications had been judged inadequate; and 74% had endured a period of unemployment or of exploitation before turning to street-trade. In the words of an Arusha seedling salesman, ‘Working as a laborer for five years is a bitter memory to me.’

Thus, success for traders is often described as sustaining their own and dependents’ livelihoods, while acquiring an education for themselves or their children to overcome barriers to work in other sectors.

For example, in Arusha, a center of the tourist trade, some porters take language courses to qualify as tour guides. A far larger phenomenon, 78% of traders over 25 have dependent children, and are deeply concerned for their future – which is rarely envisioned in trade. Indeed, approximately 70% of the student population in the Arusha’s further education centers is supported by family-run shops. Everywhere, traders speak unambiguously of the importance of the income from their businesses in supporting their children’s education;

‘It is this market, started in 1976, which enables us to pay for our children’s school fees, medical expenses, feeding our families’. (Kanga seller, DSM)

‘I was a successful businessman till 2006... [able] to pay fees and basic needs for my girl student at UDSM who is in first year’. (Shoe seller, Morogoro).

Children too hope to use trading as a stepping stone. Those trading in the markets make major efforts to attend school and succeed in it. ‘I am normally needed to the classroom at 6:30 A.M. but I do hardly sleep for 4 hours before I wake up to prepare to go to school. But I do my studies and manage to be number 25 out of 400 students’. (Food seller, Standard 6, DSM)
To summarize, micro-trading is seen by most respondents as the only livelihood avenue open to them; Most see it as an economic 'holding strategy', i.e. a livelihood mechanism which can sustain them or their families in accessing better positions in the labor market in the long run (for themselves or their children); It supports extended as well as immediate family and, as such, helps to stabilize livelihoods in rural as well as urban areas.

6. Policy impacts on trading

Of the 622 micro-traders interviewed, 49% had experienced confiscations, property destruction and harassment; while 30% had experienced eviction. Table 1 summarizes the percentage of traders who described eviction as their most memorable experience. As can be seen from the table, approximately half of the traders who had never been evicted were sufficiently affected by events to count eviction as their most memorable experience. Among people who had been evicted – some of them years before – over 80% named evictions as their most memorable experience.

Table 1 about here

The examples below highlight some of the many mechanisms by which primary and secondary damage was inflicted on businesses through the eviction and relocation process. The examples are selected from among hundreds of accounts are typical, rather than exceptional.

**Loss of operating capital:** The confiscation and destruction of stock, and the demolition of structures situated in previously tolerated trading areas have resulted in heavy losses for every respondent who had been displaced:

In that July eviction, my powder soap worth 15,000 Tshs was confiscated and 10,000 Tsh cash taken by the city militia. After a day I went to request for them but they beat me and told to pay 40,000 Tsh as a fine. Now I have again lost the small capital which I was trying to raise. It is very painful to me and I don’t know how my two kids are going to survive. (Household goods seller turned food seller, Mbeya).

[I experienced the] eviction of 2002 and the last eviction, 2007, which happened twice – April and May. The recent eviction has [had]a big impact on my capital. I lost a total of 800,000 – 1,000,000 Tsh9 in terms of the actual price per goods, I also lost about 200,000 total cash. (Mitumba seller, DSM)

**Loss of fixed capital:** The containers, kiosks, rudimentary shelters, tables, storage facilities and other structures built by traders on undesignated land and demolished in the course of clearances represent a large capital stock, and often embodied a major investment for their proprietors. In work which has, however, been challenged on methodological grounds (Ministry of Economic Planning and Development), ILD estimated the average asset value of small informal businesses in DSM at US$ 2,993, and elsewhere in urban Mainland Tanzania at US$ 2,886. The values estimated by ILD assume that the business would be sold as a going concern, *in its operating environment* and, clearly, in that context, the value of fixed assets would embody also a real-estate value. Evicted micro-traders have lost both the construction value and the real-estate value. *Even if the reforms were adapted to recognize their right to trade, the capital inherent in their investments is no longer available to be released.*

Some are forced to rent, others, to hawk.
‘Graders destroyed my shack and took even iron sheets which I constructed at the cost of 10,000 Tshs. I am now paying 40,000 Tshs per month to use somebody’s area.’ (Mitumba seller, DSM)

‘After eviction in 2006, I decided to become a hawker because my capital was now very small and could not allow me have permanent place to do business.’ (Shoe seller, Mwanza)

‘In order to get space [in Krokon] one had to pay Tsh 220,000 for construction of shacks there. Those who had money succeeded to get a place there and those who had no money like me missed the space for business there’. (Mitumba seller, Arusha)

But for those who can raise the capital, the BOT contract has important repercussions including the inability to invest fully in reconstructing the business; no development of a permanent asset against which loans can be made; and no long-term asset development for security in e.g. old age. In a country in which 6% of the workforce has a pension, this perpetuates a ‘deferred poverty trap’.

**Decline in business turnover:** National and municipal officials expect that, as long as micro-traders are strictly confined to (largely suburban) markets, customers will follow them there. In some cases, this appears to be happening. Mchikichini Market in Ilala and the SIDO site in Mwanjelwa (Mbeya) are examples where, after a few months, business appears to have picked up considerably. However, there is ample evidence from micro-trader interviews that the vast majority of relocation sites have not thrived. The relocation to customer-poor sites makes it difficult for many – and impossible for some – to rebuild their businesses following the trauma and losses of eviction.

Eviction from central town to here has made me become poor and poorer. I experience drop of capital because there are no customers here. (Food seller, Morogoro)

Munispa has forced us to come to this market and for almost 8 months I stayed here. I have lost my capital from more than 300,000 to 20,000 now. What I get is now only for daily bread. I am discouraged. (Mitumba seller, Morogoro)

**Shortage of prime trading spaces:** A shortage of prime trading spaces characterizes relocation sites. Urafiki mitumba market in DSM, for example, has a relatively short frontage onto the main road, where traders are visible and goods, accessible. Others are only visible to those customers who penetrate the labyrinth of dark alleys, without having been first seduced by traders nearer the front of the market. Scarcity of prime trading spaces exacerbates competition among traders and makes them vulnerable to exploitation. In other words, formalization has created new rent-seeking opportunities:

‘It was during eviction from ... I came here and to the front block. But later I was also evicted by those who were more powerful...’ (Mitumba seller, DSM)

**Poor infrastructure:** The argument there is that poor infrastructure may discourage relatively affluent shoppers, who will instead be drawn to the rapidly growing network of supermarkets and shopping centers. This would clearly have an indirect impact on micro-
traders, restricting them to a clientele with low disposable incomes. However, direct impacts on traders of poor infrastructure are also significant and widespread. In addition to jeopardizing their health and driving up costs, inadequate formalization has made them vulnerable to new forms of rent-seeking behaviour:

‘... Results [of trading in this part of the market]: Health problems, chest problem, great percent here they end up to fail to come for work because of TB. Area is stinking, rotten leftovers from slaughtered chicks, dust from charcoal, etc. ... This is very inhuman but the market leaders are the ones benefiting from this situation because ... as they place people in unsecured places, illegal place, they get opportunity to exploit them, get corruption from them. It’s normal [for them] to say ‘give me 5,000,10,000’ and you give out of fear, ...you know you exist by their favour but never as your right.’ (Chicken seller, DSM).

7. Policy impact on traders

Reduction of life-chances for dependents: As demonstrated above, traders who are parents are extremely concerned for their children’s future, particularly for their education. The impact of urban policy on these expectations has in many cases been devastating:

Between 1994 and 2005 business was very promising. I managed to build a house and send my children to schools. Since 2006 [following eviction] business has become very difficult and unpromising. What I get is merely for daily bread. (Household goods seller, auction market, Mwanza)

Vulnerability, dependence and loss of social status: The loss of traders’ business and the difficulties of rebuilding it have turned financially independent people with family and other dependents, into poor people with reduced hopes of upward mobility, who are themselves dependent on others for support. This has had a powerful impact on their social standing in business, social and family circles, leading among other things to a wave of suicides.

‘The eviction from Makoroboi has made me ask before my friends and family. I used to get money there through business but now could not even get daily bread. My life status is going down daily’. (Mitumba seller, Mwanza)

Alienation from Tanzanian society: The impact on micro-traders of eviction and relocation policies cannot be fully understood from an analysis of business, or even social impacts. For most of these people, the criminalization of their activities has had an impact on their sense of belonging in Tanzanian society, further aggravated by their brutal treatment at the hand of local-authority askaris.

Several occasions I have been arrested by city militia who take my goods and even money. This has made me survive in this city like a refugee within my country. (New clothes seller, Morogoro)

I won’t forget ... 2006 June it’s when I officially became a refugee in my home country. I had to lose the hope ... my own country, my country where our ancestors and forefathers loved each other – why...? (Food seller, Arusha)

To summarize, evictions and their policing have a profoundly adverse effect on traders’
lives. They have involved loss of physical capital such as kiosks, loss of operating capital through fines and stock confiscations, loss of customers/goodwill through relocations (generally to less favorable areas), loss of supply lines through increased distance to suppliers, loss of trading time through jail sentences, time taken outside the business to rebuild starting capital. The policies have reduced businesses, curtailed the opportunities for growth, transformed traders’ sense of self-worth and society’s view of them and, in many cases, increased their vulnerability, and dramatically reduced the life chances of their dependents.

SUMMARY AND CONCLUSIONS

An implicit assumption of the Doing Business reformers is that, while SMEs will benefit from the business reforms and the mass of the poor will benefit from land titling, the rest of the poor will gain from the growth thus generated. As we saw in the introduction, the success of these reforms for intended target groups has been widely questioned on all counts and from a range of professional and academic disciplines (Altenburg and von Drachenfels 2007; von Braun and Keyzer 2006; Bendaña 2004; Arruñada 2007; Durand-Lasseve and Selot 2007). However, in urban SSA, the reforms’ target group represents a relatively small proportion of the economically active population. Although they acknowledge the existence of a large – and growing – micro-trade sector, the main reform documents do not identify any means by which this sector may benefit from, or be otherwise impacted by the reforms.

The aim of the paper was therefore to study the reforms’ unintended impact on Tanzania micro-traders.

Tanzania provided an interesting case in point not because it is unusual, but because it is facing a situation very similar to that of most SSA countries. For some years now, the large majority of new jobs have been in the informal economy (ILO 2002). Following a macro-economic shift toward commerce, micro-entrepreneurs are increasingly focused on commerce rather than production (ILD 2005), the most visible end of complex and deep-rooted distribution chains (Lyons and Msoka 2008). Similarly, the reforms being enacted in Tanzania are in tune with the international community’s current approach to pro-poor development through improvement of the business environment and creation of a ‘level playing field’. Although they are recent, and have not yet been implemented on a wide scale, pilot projects and legislation are in place, and examination of their intrinsic merits and initial implementation is thus possible. At the same time, Tanzania is typical of most SSA countries in having a long history of contest between street informality and the state (Tripp 1997).

The article thus aimed to review the impact of Doing Business reforms on the micro-trade sector. Findings were that the experiences of traders have been overwhelmingly negative, remaining seemingly untouched by the multiple policy initiatives attempting to improve their business environment.

Instead, traders have become more marginalized in the eyes of policy makers and administrators and in turn, therefore, more vulnerable to prosecution under the Local Government Act, and to formalization approaches which undermine their prospects as small businesses. In other words, confrontations between traders and the state do not take place in a political vacuum (Tripp 1997). The zeal with which they are prosecuted reflects a lack of both public and official acceptance, as well as illegality. Their exclusion from the new reforms appears to have further marginalized micro-traders in the public eye and in the mind of policy makers and politicians. As was clear from interviews with people versed in
the new reforms and gearing up toward their implementation such as municipal officials and, particularly, more senior civil servants in the relevant ministries, the perception of micro-trader activities as criminal or trivial or both has become more deeply entrenched in the process.

Thus they continue to be subject to the ‘shocks’ of punitive municipal strategies, endorsed or initiated by central government, including street clearances, demolition of stalls and other facilities, confiscation of goods, fines and imprisonments; with profound direct and indirect consequences - economic, social and personal. Thus confiscation and evictions have had the opposite effect, severely reducing the informal capital held by traders. Among the many repercussions this has had, is the simple absence of capital to be used as security in any formal – or informal – credit transactions.

In the small number of cases where trading spaces are allocated, they are rarely able to provide an asset base. Temporary land-use designations undermine the potential for investment and make borrowing against an asset extremely risky, even where it is possible. The Build-Operate-Transfer system is counter productive from a number of developmental perspectives. First, it places the onus on a trader to find capital just at the point where working capital and customer base have suffered through confiscations and eviction respectively. Second, the terms of credit available to micro-traders are poor, as explained above. Thus the redevelopment of the business is slowed or jeopardized. In effect, the risk of trading in a poor location – generally selected by the municipality - is externalized by BOT from the municipality to the trader. However, even where business thrives and traders overcome these initial hurdles; their investment cannot result in ownership of an asset against which they can borrow.

Thus the Tanzanian case provides an important example of the unintended consequences of the Doing Business reforms. In as much as the present formalization process excludes large numbers of entrepreneurs, a significant segment of modern urban society, it clearly requires adjustment. In as much as it fails to address fundamental contradictions between current urban policy on micro-trade and the developmental objectives of broader reform policies, it is ripe for review.

For urbanists, these findings suggest that the development of constructive management solutions will require synthesis of institutional, economic and spatial aspects of urban management in a way which confronts apparently conflicting demands and suggests three research agendas.

First, the loss of peddling licenses (Nnkya 2005) resulting from reforms calls for review of business licensing and taxation – possibly collective - which would create a legal framework for trade in public space. This will also entail review of land-use designations to create - or broaden - intermediate land-use categories. For example, Tanzania’s road reserves can be exploited commercially by private properties fronting them, but not by the general public.

Second, a fresh analysis of the literature on Local Economic Development and Public Private Partnerships may provide insights into the potential for reviewing the basis on which space is currently allocated for trade, to create a framework for resolving conflict over space. Clearly if it is to provide an avenue of upward mobility, commercially viable sites will need to be found for it, and these will need to be reconciled with other urban needs. The findings demonstrated that the suburbanization of markets and their relocation to low-footfall areas rarely works. High-rise market developments for low-value goods have been widely
demonstrated to attract low footfall. While ‘time-sharing’ through the licensing of week-end and night markets have worked well in some cities, it is doubtful whether in themselves they are adequate to the scale of trading seen in SSA. Particularly for dense CBDs, research into the technical and institutional barriers to the development of arcades as standard feature of urban zoning may be a valuable way forward, providing off-street trading space while keeping trade close to the street.

Third, the findings demonstrate that even those micro-traders who have successfully achieved spatial formality, are not generally able to successfully access credit and other benefits of reform. This suggests the need for further research which will re-examine issues of regulation, supply and demand in the micro-credit sector and, indeed review the very legal basis for micro-finance.

In closing, the WB itself is ambivalent regarding the potential of its ‘level playing field’ to benefit micro-trade. On the one hand, it expects SMEs to benefit disproportionately from improvement of the business environment (WB 2004), although some researchers doubt this (Altenburg and von Drachenfels 2006; 2007). On the other, it has commented that micro-enterprises may not survive the costs of formal trading (ibid). This research suggests that the playing field is not level at all, but heavily stacked against micro-traders.

Given its important role in today’s developing-country urban economies, micro-trade should be regarded as an opportunity, rather than a problem. It is used as a safety net by nuclear and extended families; reduces the task of the state in dealing with extreme poverty; promotes creativity and entrepreneurship; and has both forward and backward links with the formal economy. The findings from this study suggest that if the micro-trade sector continues be undermined, it will be to the long-term detriment of SSA economies and societies, and will have profound and adverse, long-term poverty impacts. Conversely, managed to minimize conflict and maximize opportunity, micro-trade can promote the development of cities which are sustainable economically, environmentally and socially, and societies able to participate in changing economic opportunity.

REFERENCES


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TABLES AND FIGURES

Fig. 1: Imports from PR China and GDP, change from the year 2000, 2001-2005

Source: IMF Direction of Trade Statistics, June 2007, extracted by the author

Table 1: Traders’ most memorable experience by whether experienced eviction

<table>
<thead>
<tr>
<th></th>
<th>eviction</th>
<th>other shock</th>
<th>other</th>
<th>total</th>
</tr>
</thead>
<tbody>
<tr>
<td>no direct experience</td>
<td>115 (49.6%)</td>
<td>45 (19.4%)</td>
<td>72 (31%)</td>
<td>232 (100%)</td>
</tr>
<tr>
<td>experienced eviction</td>
<td>113 (81.3%)</td>
<td>18 (12.9%)</td>
<td>8 (5.8%)</td>
<td>139 (100%)</td>
</tr>
<tr>
<td>total</td>
<td>228 (61.5%)</td>
<td>63 (17%)</td>
<td>80 (21.6%)</td>
<td>371 (100%)</td>
</tr>
</tbody>
</table>

ENDNOTES

1 Precise measure of informality are difficult, but estimates agree that informal employment’s share of non-agricultural employment has grown, generally significantly higher among women than men and, increasingly, the young (UN-Habitat 2007:9). SSA’s formal sector was recently estimated to employ at most 10% of the workforce (ILO 2007). Informal merchants were estimated to constitute 10-35% of the non-agricultural workforce in developing countries, as against 5% in developed countries (ILO 2002), of whom women comprise 33% (ILO 2002: 24,25). Later estimates are higher. Mitulla (2003) estimates 500,000 street-traders in Nairobi alone, with formal sites found for only 7,000. Low-entry thresholds mean many businesses are very small, at least initially.

2 In the course of research the term ‘petty trader’ was seen by a wide range of respondents as patronising or pejorative. This article therefore refers to small-scale trade as ‘micro-trade’ and to small scale traders as ‘micro-traders’, putting their businesses conceptually on an equal footing with micro-enterprise.
3 Phase 2 of Tanzania’s poverty reduction strategy, MKUKUTA, was agreed with development partners for the period 2005-2010. The most recent monitoring reports for the strategy available at the time of writing (MKUKUTA 2003, 2006) identify overall growth in the economy, largely due to extractive industries and, less so, to manufacturing; and analysis of the 2006 Labour Force Survey suggests that formal labour force participation has increased by a few percentage points since 2000 (MKUKUTA 2006). WB economists expect that, on present trends, manufacturing and service jobs may grow significantly over a 20-30 year period (WB interviews). MKUKUTA argues, however, that growth has been accompanied by poverty reduction and job growth only in the urban areas and primarily in DSM (2003:9; 2006), concluding that urbanization and informalization will continue unless redistributive mechanisms are encouraged.

3 The exception was questions on finance. Although some questions on finance were answered by nearly all respondents, the section was fully completed by fewer than half the respondents.

4 Residential Licenses confer rights of occupancy, use, fruits and mortgage. Upon full cadastral survey, they are upgradeable to a License to Occupy. However, in comparison with Licenses to Occupy in the formal sector, they are valid for shorter periods and subject to a range of development constraints, reducing their value as collateral (Kyessi and Kyessi 2007).

5 ABT: Access Bank Tanzania, specialising in micro-finance loans

6 VIBINDO: Umbrella association of informal trader organizations, Tanzania

7 The order to evict informal traders from Tanzania’s streets was circulated by letter from the Prime Minister’s Office, Division of Regional and Local Government (PMO-RALG) to municipal/city directors.

8 Build Operate Transfer (BOT) contracts were originally devised to enable private developers to recover the costs of large infrastructure investments through a limited period of private operation prior to transfer of the development to the state. In application of this system to market development, traders construct or pay for construction of their stalls. On completion, ownership is transferred to the local authority, but the stall holder enjoys a rent holiday for an agreed period, to allow recovery of construction costs.

9 Equivalent to $600-$800 at the time of writing (exchange rate: 1 Tsh = $ 0.0008)