

**Social and
Political
Dynamics of
the Informal
Economy in
African Cities**

Nairobi and Harare

KINUTHIA MACHARIA

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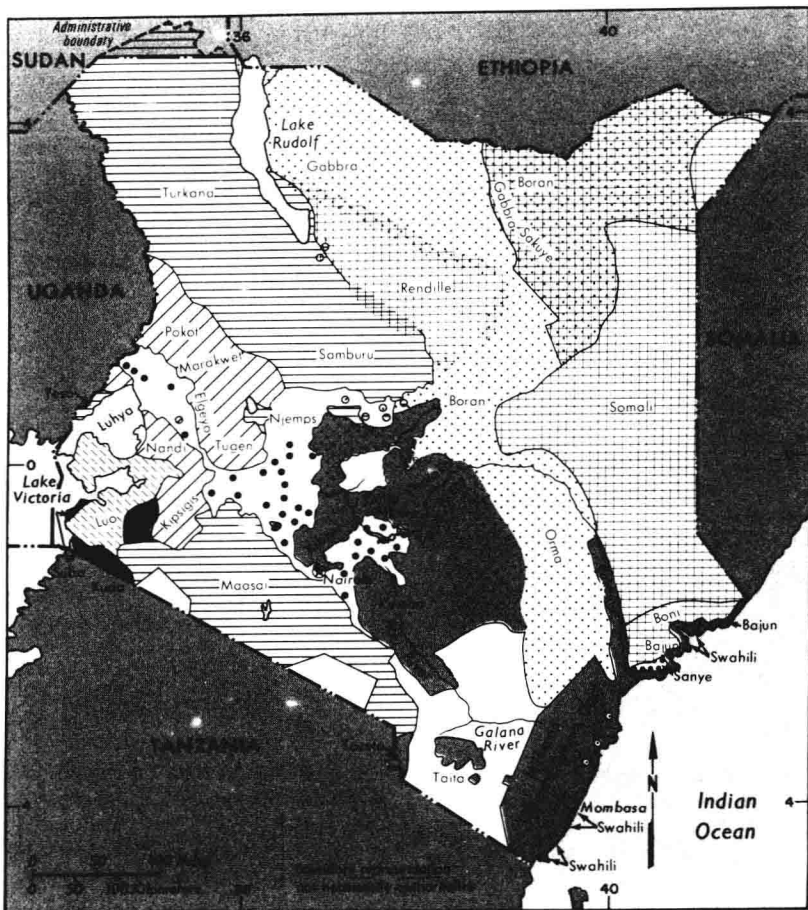
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Map 1 Kenya: Ethnic distribution



Map 2 Zimbabwe

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Introduction

This book offers an explanation for the development and growth of the urban informal economy in African cities in the 1980s and the 1990s. During this period, the formal economy has been performing poorly in most African nations, partly due to the high foreign debts incurred in the 1970s, corrupt governments, bad weather (especially drought), civil wars and high population growth, among others. Increasing population growth in most countries has been unsupported by the skewed and unequal distribution of resources leading to wide gaps between the minority rich and the majority poor. The informal economy is not a solution to the poor economic performance or the rising poverty in the African nations. It should be seen as part of the solution. Its important contribution to the economic welfare of many urban and rural Africans is emphasized in this book because at least 40 percent of most African urban dwellers today are actively engaged in the informal economy. How does it operate and what are the social and political dynamics that continue to support the informal economy? Historically this economy has had to play “the cat and mouse game” to avoid official harassment. The involvement of a government policy that eventually tolerates and somehow *supports* this economy is one concern of this book. The social

support and the creation of a social capital through different forms of social networks have been the backbone and the mortar that have made the engine of the urban informal economy keep on running even when the going was tough. The role of the social networks and the State (which I argue is also informal) forms a good part of the discussion in this book. The contribution of the informal economy, especially the *Jua Kali* entrepreneurial activities in Kenya and small enterprise development in general, toward positive economic development for all is discussed and elaborated with the idea of combining the theory and the practice.

Although Africa is the least urbanized region in the world, with about 75 percent of its people still living in the rural areas, Africa has been experiencing the most rapid urbanization process. From 1980-1987, Africa's urban population grew at an annual rate of 6.9 percent that was the highest recorded anywhere in the world (World Bank 1988). A later (UNDP/World Bank 1992) study put the annual urban growth in Africa at 5.7 percent, which was still the highest except for the People's Republic of China which had an annual urban growth of 11 percent. The Latin America region had an annual urban growth of 3.2 percent. Urbanization in Africa increased rapidly beginning in the mid-1960s, a few years after most of the countries became independent from many years of colonial rule. Cities in Africa, especially in Kenya and Zimbabwe, were developed to suit colonial needs. The infrastructure in the African sections of the city was poor, the formal economy was not developed to suit the African and the informal economy was restricted. After independence, Africans in the formerly restricted countries could now migrate freely in the urban areas, most of them going to the capital cities where they had hopes of getting employment. The trend of rural-urban migration since the mid-1960s has continued to date, making Africa the most rapidly urbanizing region in the world. African cities are not the largest compared with some Latin American cities like Mexico City and São Paulo, each with about twenty million inhabitants. Fewer African cities like Cairo, Lagos and Kinshasa have more than five million inhabitants. While the cities may not be as large as in other regions, the rapid growth of some cities has caused a strain in the provision of many services—availability of employment, housing, sanitation—leading to environmental hazards, poor transportation and increasing urban violence and crime (as had been the case in Nairobi in the mid-1990s). Thus, the increasing rural-urban migration and natural population increase have contributed to over-urbanization in some African cities.

I use the term over-urbanization to refer to the excessive migration of the rural people into the urban areas. "Excessive" suggests that for the available amenities in a given urban setting, too many people are competing for them, and there is therefore not enough for all. In a city where there are inadequate houses for all and especially for the majority low income groups, few jobs to ensure steady incomes, clean water to reach all those living in the city, adequate transport and communication systems, that city is over-urbanized. Nairobi with about 2.5 million people and falling short of amply supplying all the amenities mentioned here is currently over-urbanized. Becker et al. (1994) argue against the idea of over-urbanization in Africa and assume that like the West and the newly industrialized countries in Asia, Africa will also go through a process of urbanization; as such there should be no alarm as to Africa's rapid urbanization. Absolute poverty in African nations and the conspicuous poverty in the cities which have not attracted as much investment (foreign or local) as those in Asia when it was urbanizing makes comparison of the two regions unbalanced. Dismissing "over-urbanization" and romanticizing urbanization in Africa misses the point, especially in this era of Structural Adjustment Programs, which translates as less public support in areas of health, transport, housing and employment, and thus more glaring urban poverty. Over-urbanization may be relative and indeed in some parts of Africa, Becker et al. (1994) may be right. However as an African rural-urban migrant to the city of Nairobi in the late 1970s, I have witnessed the city's high population growth due to both migration and natural increase. I have also witnessed the decline of services and the increase of the poor, underemployment and misemployment, informal settlements and the informal economy. The latter has become a partial solution to the over-urbanization problem. Urbanization should not be deliberately stopped by government policies because as I argue in this book, migrants make rational decisions and will move to the city despite the alleged problems. Indeed, this book discusses why despite awareness of the unemployment situation and the lack of housing, for example, the rural people continue to migrate to the cities. I have relied on information from the various African cities that I have visited, in which I observed business activities in the informal economy. These cities include, Johannesburg, Pretoria and Porchestrom in the Republic of South Africa, Arusha and Moshi in Tanzania and Lagos and Ibadan in Nigeria. Specific findings from studies in Nairobi, Kenya and Harare, Zimbabwe form the core discussions in this book.

The puzzling fact is that rural migration into African cities continues

in spite of over-urbanization. The African cities are the fastest growing in the world and continue to do so despite inadequate amenities and notable urban poverty. Labor-markets, hospitals, schools and housing systems are saturated with people. Rural-urban migration, however, continues. Factors that push rural people to leave their homes and undertake long trips toward the city, without, apparently, the prospect of a better life, must therefore be brought to light. The underlying assumption in this book is that rural people are rational. They make rational choices. This book rejects the hypothesis that myths, emotions or other forms of potentially faulty economic reasoning cause migration. It presumes rationality and seeks to find an answer to the puzzling behavior of migrants who have now become city dwellers.

The main thesis of the book is that the informal economy is dynamic and growing in Third World cities and particularly in the African cities. Rural migrants pour into the cities because they hope that the informal economy can offer them the possibility of a better life. They rely on their social networks for initial accommodation and entry into the informal economy.

The book is organized into ten chapters. Chapter 1 introduces the problem of urbanization in Africa. I discuss the “Third World city” in general and describe its major characteristics. The chapter also presents a discussion of explanatory theories of urbanization and examines the classical theories and their relevance to the Third World city. A discussion of colonialism and urbanization in Kenya puts the colonial origin of African cities in a particular perspective. Chapter 2 discusses the general economy of Kenya and Zimbabwe with an emphasis on the poor performance of the formal economy. A discussion of the cities of Nairobi and Harare is also included. A discussion of the effects of the Structural Adjustment Programs (SAPs) shows the continuing hardships that the African urban and rural people have to deal with—among others, engagement in the informal economy.

Chapter 3 defines the informal economy and discusses the methodology used for the Nairobi study. To show the heterogeneity of the informal economy, various sub-sectors in which Nairobi residents are engaged are discussed. Chapter 4 continues from this and more specifically discusses the *Jua Kali* sector in Kenya and its contribution to development. Specific issues like the starting capital for those operating various sectors, areas of concentration, definitions of *Jua Kali* (especially the popular and the technical usage of the term) and the organization of the *Jua Kali* and the Associations are addressed to show the various

dynamics that go on in this sector.

Chapter 5 discusses the role of the State, its contradictory role in promoting the informal economy, its passive and active support and its selective support for various informal economy activities. I explore an explanatory theory specifically for the Kenyan state's support for the informal economy after many years of its lack of support and periodic harassment that included jailing or imposing fines on those arrested for having been engaged in various informal economy activities. The importance of state support for the informal economy is emphasized in this chapter. Chapter 6 discusses the notion of informality pushing the discussion beyond the informal economy *per se* and looking at the informalization of the State in particular. The discussion in this chapter shows that the tolerance of the State toward the informal economy is as a result of the dynamics between the formal and the informal in all spheres of life and much more so in the African political system.

Chapter 7 discusses the significance of the social networks in the development and growth of the urban informal economy. The concept of trust leading to the formation of social capital that later translates into the real capital used to run the enterprises in the informal economy is documented here. The social functional use of ethnicity, rural place of origin, kinship and friendship are examined closely showing how each contributes to the proliferation of both urbanization and the informal economy. The social dynamics of the informal economy are highlighted in this chapter. Data from the original Nairobi study (1989), in which I interviewed 200 informal economy operators, with updates in the early to mid-1990s are presented and analyzed to show the importance of social networks.

Chapter 8 takes the idea of social networks further and specifically brings in a gender perspective in the full understanding of the dynamics involved in the urban informal economy. The functional uses of various social networks by women as they differ from those of men, the unequal representation of the men in the better paying informal economy enterprises and the limitations that face women on a daily basis are discussed here. Chapter 9 discusses the effects of small enterprise development (the informal economy) specifically in the alleviation of poverty. A discussion of what organizations like UNDP and the Kenya government could do to promote small scale enterprise as a possible way to alleviate poverty is given here. Lastly, Chapter 10 discusses conclusions and policy recommendations.

Those familiar with past literature on the informal economy may be

surprised to find out that the State, in spite of its traditional opposition to any form of non-formal economy, has in fact selectively supported certain informal economic activities. To the image of government officials demolishing shopping stalls and kiosks in Nairobi, residential quarters and their confiscation of merchandise, one must superimpose the image of metal artisans and taxi-drivers receiving the favors of co-ethnic politicians, administrators and police officers. One must, in addition, recognize the changing nature of that relationship. Food sellers have in the past been allowed to operate near factories at a time when their cheaper prices would have lowered factory workers' cost of living and therefore enabled factory owners to pay lower wages. The "neurotic or unhappy marriage" (Smelser 1989) between the State and the informal economy is fully discussed in Chapter 5.

Whereas African urbanization and urban problems have been studied previously, this book builds on specific work started by the Manchester school of sociology (Gluckman 1960). Mitchell (1967) specifically tried to explain the importance of rural social networks for the new migrants in the urbanizing African environment. The Manchester school of sociologists and anthropologists studied the new towns in Zambia's copper belt, exploring among other things the readjustment of the rural African in the new urban environment. Other selected studies like Abner Cohen's (1969) focused on urban ethnicity and introduced the theme of "detrribalization" and "retribalization" of the Hausas in what was a "foreign city" to them, Ibadan (which is predominantly Yoruba). It was another clarification of the ways Africans in the new towns had to deal with their "sameness" where "difference" among the many migrating ethnic groups was the norm. In East Africa, Hake (1977) studied a similar theme examining how "sameness" was useful in the self-help city that he described in his book, *The African Metropolis*. This book builds on some of the previous work to show the ever-increasing social functions that "sameness" exemplified via ethnicity, kinship, rural place of origin and friendship not only for settlement in the city but also in establishing entrepreneurial activities in the urban informal economy. The book also builds on the work that has been generally associated with the "informal sector" (Hart 1973; ILO 1972; King 1977; Horn 1994) by connecting the interplay between the State and the society's social networks in producing the dynamics that continue to produce the urban informal economy.

King (1996) revisited his earlier study following up on some of the artisans he had interviewed twenty years ago. Stren's work on housing

(1978) and on urban management crisis (1989) as well as his bibliographic essay on research studies done on African cities (1994) adds to our knowledge of the specific problems with African urbanization; Gugler and Flanagan (1978) among others have also contributed to the general understanding of Africa's changing urban phenomenon. The mentioned studies above did not discuss the social dynamics of the informal economy the way this book discusses it.

Most of the previous studies in African urbanization and the informal economy, particularly in Kenya do not discuss the social and political dynamics in the way these issues have been discussed in this book. Either such dynamics were taken for granted or the focus was on the economic significance of the informal sector. Whereas this book acknowledges the economic significance of the urban informal economy, especially in view of the poor performance of the formal economy, it also discusses the sociology of the informal economy, specifically the importance of social networks and how the operators use them in the founding and developing of their enterprises.

Students of development, both at universities and research institutes, should find this book to be a useful addition. Political scientists and sociologists should find the novel, network-based, perspective on the State challenging. The State's alleged role in the informal economy will probably cause some surprise and, to some, a sense of disbelief. My treatise of the African state as informal itself (hence its tolerance of the informal economy) should provide a challenging perspective in the conceptualization of the African state.

My special concern in writing this book, however, is to bring attention to the importance of the informal economy in a continuously rapidly urbanizing African continent. Indeed, the informal economy can be seen as a major attraction (pull factor) and an "indirect" causal factor for much of the rural-urban migration and the direction of economic growth for many Third World cities. The topic should prove valuable for further empirical research in other geographical areas and further theoretical elaborations. It remains one of the hopes for the majority of Africans who cannot get jobs in the formal economy both in the urban and the rural areas.

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