Urban Research & Practice

ISSN: (Print) (Online) Journal homepage: www.tandfonline.com/journals/rurp20

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To cite this article: James Kwame Mensah (2023) Recognizing, supporting and embracing the urban informal economy in Ghana: A local economic development perspective, Urban Research & Practice, 16:1, 25-43, DOI: 10.1080/17535069.2021.1973082

To link to this article: https://doi.org/10.1080/17535069.2021.1973082

URBAN RESEARCH & PRACTICE
2023, VOL. 16, NO. 1, 25–43
https://doi.org/10.1080/17535069.2021.1973082

Routledge
Taylor & Francis Group

Recognizing, supporting and embracing the urban informal economy in Ghana: A local economic development perspective

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ABSTRACT

The informal economy has become a vibrant and growing phenomenon across the world. Within the context of sustainable development, connecting local economic development (LED) to the informal economy is imperative. However, the informal economy remains largely neglected within the conventional LED literature. Using key informant interviews and focus group discussions, this paper found that recognizing, embracing and supporting informal economy contributes to a more inclusive form of LED. The study concluded that local government authorities need to be more innovative in recognising the informal economy as part of local governments' strategies for addressing unemployment, and supporting livelihoods.

KEYWORDS

Local economic development; informal economy; urban areas; informal sector; Ghana

1. Introduction

The last two decades have witnessed renewed interest in the informal economy worldwide. This is because a large share of the global workforce and economy is informal especially in developing countries (Debrah 2007; Chen 2012; Shaw 2016), offering both opportunities and lessons on resilience and livelihoods (Peberdy 2018; Shaw 2016). It is that estimated over 2 billion people globally earn their livelihoods in the informal economy, representing 62% of those working worldwide (ILO 2020). Informal employment represents 90%, 67% and 18% of total employment in low-income, middle-income and high-income countries respectively (ILO 2018). Similarly, informal sector accounts for 85.8% and 89.2% of all employment in Africa and Sub-Saharan Africa respectively. The informal economy also contributes to between 25% and 65% of sub-Saharan Africa's GDP (ILO 2018).

Within the context of sustainable development and poverty eradication, connecting local economic development (LED) to the informal economy is imperative (Brown and Roever 2016; Shaw 2016; Wilson 1995). The informal economy has a specialized capacity to contribute to finding a balance between top-down and pro-poor LED (Shaw 2016). Since LED aims at increasing economic opportunities, employment, and

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reducing poverty at the local level, these outcomes are unlikely to be achieved unless the potentials and needs of the informal economy are recognized, embraced and supported.

There is therefore, the need for a more inclusive form of economic development which integrates the informal economy into the overall planning of LED. The inclusion of the informal economy as a critical actor in LED will serve to commit local governments to support and facilitate an enabling environment in which informal economy participants can earn a living. More specifically, local government authorities need to be more innovative in recognising the informal economy as part of local governments' strategies to address unemployment, support livelihood creation, and reduce vulnerability. Thus, the predominance of the informal economy in most developing countries should be seen as a positive entry point to address the livelihood challenges of population growth and urbanization (Shaw 2016; Brown and Roever 2016).

That notwithstanding, the informal economy remains largely neglected within the conventional LED literature. Studies have generally paid less attention to the role and importance of the informal economy in the promotion and development of LED (Hawkins, Hu, and Feiock 2016; Mensah, Bawole, and Ahenkan 2017; Mensah et al. 2019). Meanwhile, the economic viability and livelihood activity of the informal economy merits acknowledgement as a critical policy focus for LED (Rogerson 2013; Van der Heijden and Skinner 2012; Hobson 2011). Indeed, Skinner (2008) calls for empirical research that emphasizes innovative approaches of incorporating informal economy in urban policy, planning, design and management that aims at maximising the gains from informal activities for LED.

Against this backdrop, the aim of this paper is to unlock the changing trend of local government in incorporating the informal economy into LED. The focus is largely on the changing trends of perspective of urban authorities towards informal traders, informal waste collectors and the value chain between the formal and informal sector. The paper argues that the informal economy plays a crucial role in the success of LED initiatives and strategies. Importantly, an improved understanding of the nature, workings and potential contribution of the informal economy is critical for ensuring a more inclusive form of LED.

The contribution of the informal economy to LED will become more evident as local governments push harder to address poverty, unemployment, and inequality. The rest of the paper proceeds as follows: it first touches on the concept of informality in broad and Ghana in particular, then presents a brief review of the theoretical debates in LED while the third section discusses an inclusive perspective of informality and LED. The fourth section describes the methodology employed in this study with the fifth section providing a discussion to the findings. The sixth and seventh section concentrates on the implications and conclusion respectively.

2. Literature review

2.1 *The concept of informality: Perspectives, perceptions, and approaches*

Extant literature has attributed the birth of the phrase 'informal sector' to Keith Hart in Ghana in the early 1970s to describe a range of subsistence activities of the urban poor, substitute for the wage employment, and to increase their incomes (Hart 1973; Polese

et al., 2018). Nonetheless, individuals engaging in informal economic activities for survival existed long before Hart coined the term (O'Connor 1983). There are several and at times, inconsistent conceptual interpretations of informality (Stuart, Samman, and Hunt 2018; Charmes 2016; Kanbur 2014; Chen 2012). These inconsistencies could be attributed to the different suffices to the term such as sector, economy, employment, and settlement. As the proliferation of definitions increase, the concept becomes more contested. Notably, indeed, the varied and heterogeneous nature of the concept contributes to this conundrum. Consequently, the best possible way to define it is through the depiction of its characteristics (Losby et al. 2002).

Chen (2012) defined the informal sector as the production and employment that takes place in unincorporated small or unregistered enterprises. Broadly, the term can refer either to the nature of the enterprise or the nature of the employment relationship (Stuart, Samman, and Hunt 2018). In this way, the ILO (2002) defined the informal economy as all economic activities by workers and economic units that are in law or practice — not covered or insufficiently covered by formal arrangements. Polese et al. (2018) maintained that, from diverse theoretical perspectives, scholarship on informality appears to have agreed on two main points. First, even though informality in its different forms is present in both the global South and North. Second, informality is not only used by the poor and marginalized, and not essentially ephemeral phenomenon.

According to Chen, Vanek, and Carr (2004), there are three main theoretical perspectives on the informal economy. These are the dualist, structuralist and legalist approaches. Skinner (2002) also posits that there are two main theoretical perspectives that have replaced the dualist approach, namely the neo-liberal and the structuralist. Williams (2007) added a fourth theoretical perspective, namely the complementary approach. These different theorisations of the informal economy, view informal workers in different ways.

Legalists, for example, largely depict informal workers as 'own-account' or self-employed workers who stand outside regulatory frameworks and a place to escape what are perceived to be onerous tax, labour and business legislations (De Soto 1989). Structuralists view them as waged workers (paid informal work) and dualists view them as marginalised populations, excluded from the formal economy, who make a livelihood in the informal economy as a last resort (Skinner, 2016; Chen, Vanek, and Carr 2004). This view appears to echo the earlier sentimenst when the concept of informality was formally coined in Ghana (Hart 1973). The complementary perspective views the formal and informal economy as structurally interdependent (Williams 2007).

Whereas previous theories and research in Africa has been described and understood largely in terms of theory built elsewhere, the past decade has seen a set of secholars coming out with a loosely called 'Southern Urban Theory' – that have persistently argued that place matters in shaping urban thought (Simone and Pieterse 2017). Indeed, Pieterse (2011, 20) argued that the existing theoretical models and methods do lack the ability to capture 'unknowable' aspects of African urbanity which remains an 'elusive mirage clouded by limited data and inadequate theoretical approaches'. This paper adopts the view that informality could be embraced and support to be beneficial to urban economic development.

2.2 *The informal economy in Ghana*

The origin of the Ghanaian informal economy can be traced to the very beginnings of colonial capitalism in the then Gold Coast consisting of a variety of activities (Adu-Amankwah 1999). Since the 1970's informal economic activities in urban and rural areas have emerged as key sources from which a sizeable proportion of the Ghanaian population generate subsistence income for themselves and their families (Debrah 2007). According to Nyamekye et al. (2009), the size of the informal economy employment in the 1980s was twice that of the formal economy. However, by the 1990s, informal economy employment had increased by five and a half (5½) times that of the formal economy, partially due to the inability of the public and formal private sector to generate jobs in their required quantities (Osei-Boateng and Ampratrawum 2011). The informal economy in recent years employs 88% of the working population and accounts for more than 88% of Ghana's GDP (GLSS 6, 2014).

Ghana's informal economy can be divided into three broad groups (Baah 2006; GLSS 6, 2014; Anuwa-Amarh 2015). First, own-account operators which is the largest group, and these are people who work for themselves without employing any regular employees (single-person operations). The second group consists of the self-employed, but they have employed a small number of paid or unpaid workers in small- and medium-sized enterprises. The third group consists of the employees (paid and unpaid) workers (Osei-Boateng and Ampratrawum 2011; Anuwa-Amarh 2015).

Previously, the informal economy has been given very little attention in the discourse on public policy in Ghana (Debrah 2007; ISSER, 2004). Consequently, very little attention has been given to addressing the inherent problems of the informal economy and thereby ensuring that the informal economy can contribute meaningfully to the socio-economic development of the nation. Thus, whereas development plans put a strong emphasis on employment creation and basic needs satisfaction; the day-to-day reality is the harassment of the informal economy workers (Osei-Boateng and Ampratrawum 2011; Anuwa-Amarh 2015; Debrah 2007; Institute of Statistical, Social and Economic Research (ISSER) 2004).

In recent years, however, some policy documents — National Local Economic Development Policy (2014), Ghana National Urban Policy (2012), the Ghana and Poverty Reduction Strategy II (2006–2009), among others touched on the informal economy, even though with no concrete evidence of implementation. Despite this, the informal economy keeps growing and this therefore calls for a change of policymakers attitude towards informal enterprises – from neglect to recognition and policy support by formulating policies to protect and support the sector to realise its full potential. Indeed, the informal economy can be a major tool for achieving LED potentials of localities.

2.3 *Local economic development*

The success of a community today depends upon its ability to adapt to the dynamic local, national and international market economy. Strategically planned LED is increasingly used by communities to strengthen the local economic capacity of an area, improve the investment climate and facilitate an increase in the productivity and

competitiveness of local businesses, entrepreneurs and workers (Rogerson 2016; Azunu and Mensah 2019). As such LED continues to emerge as an important and a viable tool for achieving economic growth, creating new jobs, increasing income level, and improving the quality of life in different local communities, in both industrialized and developing countries (Blakely 1994; World; Bank 2002).

Although LED as a concept dates to the 1960s and 1970s, it was not until the late 1990s that an emphasis on enterprise development, improving infrastructure, building local partnerships, and generally promoting an inclusive and dynamic framework became the dominant strategy (World Bank 2002). To Davis and Rylance (2005), many factors have generated the change in direction and perhaps the rise in income disparities and inequality between large cities and less urban areas are crucial among these factors.

It is also noted that LED had been practiced in both developing and developed countries, and whereas the reasons attributed to the adoption of LED strategies in both developed and developing countries are many and varied, Nel (2001, 1004) accredits this move to 'the so-called development impasse' the failure of earlier development approaches and the dubious results of structural adjustment programs. The difference probably is that LED in the developed world focuses on investment, big business support and large project development undertaken by relatively well resourced local agencies whereas that of developing countries often take the form of community-based initiatives, utilizing indigenous skills and seeking primarily to ensure survival, rather than participation in the global economy (Nel and Binns 1999).

The principal goal of LED is to stimulate local development by increasing local productivity, guarantee employment opportunities, improve on household income, develop local infrastructure, and improve on the revenue of the local council using their existing human, natural and institutional resources at the local level (; Rodriguez-Pose 2002; Rodríguez-Pose and Tijmstra 2005). Rodriguez-Pose and Tijmastra (2009) maintained that while not a panacea, LED strategies may be a valid complement to traditional top-down strategies in order to deliver sustainable development and in many cases may deliver greater economic efficiency by mobilizing resources that otherwise may have remained untapped. As a result, strategically planned LED provides a more flexible and effective approach to simultaneously enhance economic growth and reduce poverty.

Theoretically, LED is rooted in endogenous development which is a hypothesis that improvements in the socio-economic development of a locality can best be brought about by recognising and animating the collective resources of the territory itself (Ray 1997). The theory of endogenous development tends to retain the benefits of economic development in the local economy and the fact that development should be contextualise based on the potentials, needs, capacities and challenges of the locality (Keane 1990). This makes it different from the traditional exogenous topdown approach to development. Vázquez-Barquero (2002) concedes that endogenous development pursues the satisfaction of local needs and demands through the active participation of the local community in the development process.

Whereas Ghana has had several development plans, it was not until the early 1980s that real effort to LED began, which was giving a major boost with the enactment of the local government law of 1988 with the aim of ensuring genuine local ownership of the

development process (Mensah, Bawole, and Ahenkan 2017; Akudugu 2018; Mensah et al. 2019; Azunu and Mensah 2019). This was further enshrined in the 1992 constitution of Ghana through to the NDPC Act (Act 479, 1994) and the National Development Planning (Systems) Act (Act 480, 1994) which has changed development planning from the top-down to a bottom-up (Akudugu 2018; Mensah et al. 2019). The early 2000s witnessed the introduction of the presidential special initiatives (garment and textiles, agri-business [cassava and oil palm], and salt industries).

Having realized the importance of LED, the government of Ghana officially formulated and launched a national framework and LED manual that will provide a vision and direction for robust and inclusive local economies, exploiting local opportunities and addressing local needs (MLGRD, 2014). Several international development organizations have also contributed significantly to LED in Ghana in recent times (see Mensah, Bawole, and Ahenkan 2017; Akudugu 2018; Mensah et al. 2019; Azunu and Mensah 2019). Whereas the informal economy constitutes about 80% of employment in Ghana, much attention has not been paid to use to harness the potential of the sector for LED. It is argued that, in the search for innovative paths of economic development that can support social inclusion and balanced economic development, the informal economy is an extremely important sector that has the potential to impact on the economic development of localities from a LED perspective (Peberdy 2018; Shaw 2016).

2.4 *Urban informality and local economic development: An inclusive perspective*

The informal economy in urban cities has expanded considerably over the years and acting as the lifeblood of many urban dwellers (Chen 2012). It does not only provide jobs for many urban residents but also provides flexibility in the provision of services to them and makes a significant contribution to urban economies (Brown and Roever 2016). Clearly, the urban informal economy is taking a lead in creating a viable economic and livelihood for urban dwellers who are not employed in the formal economy (Owusu 2007; Rogerson 2007; Mosiane 2011). Thus, many of those not employed in the formal economy, voluntarily or not, become part of the urban 'informal' economy. Despite the significance of the informal economy, it appears to have been excluded from LED especially at the local governance level in developing countries.

As a result, Chen (2012, 19) argued that 'there is a need for urban planners and local authorities to embrace the informal economy and calls for them to include urban informal livelihoods, not just urban informal settlements, in their urban plans and local economic development.' Similarly, Rogerson (2013) emphasizes the importance of the urban informal economy as the focus of LED policy and practice. Therefore, the need for an inclusive form of economic development that emphasizes the incorporation of the informal economy in the overall LED planning of local economies is imperative. This is particularly important to LED due to the employment and income opportunities that are generated through the informal economy.

3. Methodology

The study was conducted in the Accra and Tema Metropolitan Assemblies in the Greater Accra Region. Thus, whereas about 85% of the active population in Ghana works in the informal economy (Obeng-Odoom 2011; Acheampong 2019), about 60% work in cities and towns (ICFTU 2004) of which Tema and Accra are the major cities (Obeng-Odoom 2011). The study adopted a qualitative research based on the interpretive methodological orientation. This is because the study is interested in understanding how and why local government officials recognize, embrace and support the informal sector as a way of improving the local economy. As indicated by Creswell (2012) qualitative research seeks purposefully to select participants that will best help the researcher understand the problem and the research question.

A case study within the qualitative research was considered appropriate, as case studies are the favourite strategy when 'why' and 'how' questions are being asked as the focus of the study (Yin 2009). A purposive sampling technique was adopted for this study and the sample size was based on the principle of saturation, the point at which no new information emerged from the review of successive data from participants on a particular subject (Babbie 2013). The local government officials, experts and practitioners were purposively selected based on their knowledge and involvement in the support for the informal sector. The informal sector workers were interviewed during a workshop held at the AMA by the 100 resilient cities. The study combined secondary and primary data sources as this offers a unique strength to deal with a full variety of evidence – documents, artifacts, interviews and observations (Yin 2009) and serves as a way of triangulation.

In total 37 respondents were sampled for this study, comprising 25 semi-structured interviews with informal sector workers, 10 expert interviews with local government officials as well as 2 practitioner interviews from Peoples Dialogue, a non-governmental organisation. Thus, according to Curry, Nembhard, and Bradley (2009), 20–30 interviews may achieve data saturation. The use of multiple stakeholders and respondents helped to reduced biases in data sources and increased the validity and reliability of the research conclusions. On the whole, the interviews capture how city managers are recognizing, embracing and supporting the informal sector as a tool for LED. The interview questions for the informal sector concentrates on the role of the informal sector in the formal economy, and the challenges of engaging with city authorities. The interviews were guided by an interview guide, very interactive and engaging, lasted between 1 hour 45 minutes and 2 hours and audiotaped.

Whereas interviews of officials and practitioners were conducted in English, that of informal sector workers were conducted in local Ghanaian language, Twi and translated to English. Permission was sought from the participants and willingly agreed to participate in the study. In analyzing the data, the audiotaped interviews were transcribed where common themes were formed and varied through reflection on the data (Brockopp and Hastings-Tolsma 1995). In addition, verbatim statements were used to substantiate the arguments being made. For the purposes of analysis and the principle of anonymity, INFSECT 1, INFSECT 2, etc., LGOF 1, LGOF 1, etc., and PD1, PD2, were used to represent respondents from the informal sector, local government and peoples dialogue respectively.

4. Inclusive informal economy in local economic development: Findings

This section provides the findings regarding how AMA and TMA are recognizing, embracing and support the informal economy through an inclusive LED. Basically, the analysis focuses on policies recognizing, embracing and supporting the informal sector,

4.1 *Demographic characteristics of respondents*

Table 1 below shows the demographic characteristics of the respondents for this study. The results showed that majority of the respondents are males (51.3%), falls within the ages of 46–50 years (21.7%) while most of the respondents are in the informal sector of Accra (35.1%). On the other hand, the least respondents are females (48.7%), within the ages of 56–60 years (5.4%) and respondents from Peoples Dialogue (5.4%). Despite these differences, the gender, age ranges and location of respondents are fairly distributed in the data. This clearly shows how the informal economy is vibrant in the study areas (Anuwa-Amarh 2015; GLSS 6, 2014; Osei-Boateng and Ampratrawum 2011).

Table 1. Demographic characteristics of respondents.

	Frequency	Percentage
Gender		
Male	19	51.3
Female	18	48.7
Age		
26–30	4	10.8
31–35	7	18.9
36–40	7	18.9
41–45	4	10.8
46–50	8	21.7
51–55	5	13.5
56–60	2	5.4
Location		
Accra	13	35.1
Tema	12	32.5
AMA	5	13.5
TMA	5	13.5
PD	2	5.4

AMA: Accra Metropolitan Assembly; TMA: Tema Metropolitan Assembly; PD: Peoples Dialogue

4.2 *Informal economy policies: a changing narrative*

Whereas the constitution of the Republic of Ghana gives every person the right to work under satisfactory, safe and healthy conditions and to receive equal pay for equal work without discrimination of any kind (Article 24(1) of 1992 Constitution), there is however no explicit policy for the management of the informal economy in Ghana. Notwithstanding this, there are some policies that touched on the informal economy in passing. The Ghana National Urban Policy (2012) captured in its Action Area Three

('Urban Economic Development') and urges urban managers to change their attitude towards informal enterprises – from neglect to recognition and policy support. Similarly, the National Employment Policy (2015) argues that the informal economy is highly challenged and urges the government to formulate policies to protect and support the informal sector to realise its full potential.

At the local government level, there appears to be no specific policies to support and address the challenges faced by the informal economy. What is rather obvious is the prohibition of informal economy actors from doing their business in certain locations. For instance, AMA bye-law 7 states that 'no person shall offer for sale or sell any article in a street market other than in the space for selling allocated to him/her by the AMA'. This bye-law makes street trading illegal not as an activity, but by virtue of location. Also, the Road Traffic Regulations 2012 prohibits selling or carrying out any activity on walkways and pavements which city authorities are enjoined to implement. Thus, city managers usually see informal sector workers as making the city disorganised and causing congestion and traffic. Hence, city authorities often adopt a 'machoistic' approach where an aggressive, combative, and impulsive stance is taken against informal economy operators which often result in clashes between informal economy operators and city authorities.

In recent years, the policy narrative is beginning to change, probably with the realization that the informal can contribute to the national economy. The AMA and TMA have consciously sought to embrace the informal economy. The AMA has recently developed a resilience strategy and pillar three, two goals and eight actions of that strategy have been dedicated to informality. Thus, pillar three of the strategy seeks to embrace Accra's informality in its urban systems to harness its contribution to resilience building (Accra Resilience Strategy, 2019). The strategy emphasizes that Accra will approach informality with a hybrid of innovative approaches, both new and existing, that can improve the quality of life and reduce harm for residents that work or live in this sector (Accra Resilience Strategy, 2019: 93). The in-depth interview revealed this below:

> *"through the support of the 100 resilient cities (100RC) the city has been able to come out with a resilience strategy which strongly featured issues of the informality and provided us with a guide for dealing with the informal economy"* (LGOF 1).

This resilience strategy and approach enatils identifying the shocks and stresses within the informal economy in order to devise strategies to survive, adapt, and grow no matter what kinds of chronic stresses and acute shocks the sector experiences.

Similarly, the TMA being the host of Ghana's biggest and busiest Harbour has several informal businesses in its catchment area. TMA has over the years recognized the informal economy. In 2017, TMA got funding from the commonwealth local government forum (CLGF) to embarked on an LED that seeks to provide the needed support for the informal economy. For that matter, TMA has drafted a LED strategy which is used as the basis of supporting the informal economy. The response below captured the policy of TMA that is geared towards the informal economy:

> *"our city got financial support from CLGF and drafted a LED strategy which guides us in a number of ways to support the informal sector"* (LGOF 5).

This funding from the CLGF was clearly in line with the vision of the TMA to recoginse the role that the informal economy plays in the development of the municipality. Hence, the municipality capitalized on the funding opportunity and carefully produced an LED policy that adopted a hybrid of innovative approaches, both new and existing to ensure that the potential of the informal economy is fully maximized.

4.3 *Supporting informal economy: local government realizes the need*

The findings of the data from the studied areas showed that local governments are embracing and supporting the informal economy. Indeed, the 22nd initiative of the Accra resilience strategy maintained that AMA will explore the creation of an informal department, guided by locally informed and action-based policy which will be responsible for the management of the informal economy. This initiative is borne out of the fact that there is no single department at AMA that is responsible for the informal economy. It is therefore prudent to have a department that would solely focus on the informal economy which provides jobs for almost 80% of the city dwellers. This however doe not mean that AMA doesn't work with informal sector workers. For instance, the AMA has a very cordial working relationship with market women. In the same vein, interviews from the field showed that city authorities are making efforts to register businesses especially in TMA which is the industrial city of Ghana. TMA has embraced the informal economy through the formation of associations that will help give them a stronger voice and address issues of concern to them. As noted by a respondent:

> "*we have done our best to bring all the informal economy workers together in the form of associations —we have formed the National Association of Fish Processors, Association of Market Traders, Association of Small Industries in Tema, Cargo Trailers Association and above all the Joint Association of Trade Unions, a higher body comprising heads of all the associations in Tema*" (LGOF 8).

These associations are also prominent in the AMA and includes the Ghana Federation of the Urban Poor (GHAFUP) Scrap dealers' association, market women association of various markets (Makola, Odawna, Agbogloshie, Okaishie, etc), and Okada Drivers Association. Even though the AMA was not directly responsible for their formation, it nonetheless supports and embraces these associations in managing the affairs of the city. For instance, AMA has taken the stance to engage informal economy operators regularly for suggestions and the way forward for city decongestion exercise. As indicated by this respondent:

> *"in our latest decongestion exercise in 2018 at Kwame Nkrumah Circle, we engaged with the market leaders and used vans to announce the exercise for three months before the decongestion. The decongestion exercise was designed together with the market women. Indeed, this exercise has been well supported by the traders and has reduced filth and traffic congestion by 30% and 50% respectively"* (LGOF 4).

4.4 *Taking a value chain approach for inclusive LED*

The informal economy produces, distributes, and provides services to the formal economy and vice versa. In urban areas, there are several instances of coexistence of a value chain between the informal and formal economy. One typical case is the informal transportation system ('*trotro*', taxis, and buses) which is mostly unregulated. This informal transportation system has close linkages with petroleum and insurance companies. Thus, they provide not only transportation services to the public but also a major factor in the survival of the insurance and petroleum sectors. This analysis also includes vehicle spare parts dealers, '*borla taxis*' (informal waste collectors), kiosk shops selling mobile network sims and recharge cards, restaurants, *'okada'* (motor-bicycle) business that has sprung up recently in Accra. This statement supports this connection:

> *"most of the scraps collected by the scrap dealers are sold to Steel companies as raw materials. There are a number of steel companies in Ghana such as Tema Steel, Western Castings, Western Steel and Forgings that depend on scrap dealers for their raw material"* (PD, 2).

It is this value chain relationship between the informal and formal economy that city managers want to explore as an inclusive way of developing the local economy for mutual benefit. The exploitation of this relationship presents many opportunities to stimulate economic and social development of the urban informal economy. This is crucial as the formal economy relies on the informal economy in distributing and selling their products as is the case among the telecommunication companies (services like mobile money, recharge cards). Such companies' survival is partially connected to the informal economy while the informal economy also depends on them. This is reiterated in the response below:

> *"we in the informal sector carry the burden of bringing telecommunication companies products into the market on daily basis for selling to the public; they rely on our mobile shops a lot for the promotion and sale of their products such as mobile money, and airtime"* (INFSECT, 8)

4.5 *Embracing informality to address the waste menace*

Urban areas in Ghana have been grappling with waste management and several approaches have been adopted to deal with the heap of waste in the cities. Ranging from the city assuming full responsibility for waste collection to public-private partnerships and franchising arrangement. Hence, the informal waste collection system is paramount in achieving a cleaner city. The studied areas have embraced the informal waste collectors (popular known in Accra as *'bola taxis'*) as part of their aspiration to achieve 100% waste collection. This is because the formal waste collectors currently contracted by city authorities to collect waste use trucks that cannot navigate many of the markets and informal settlements where most of the waste is generated. As a result, city authorities have registered and integrated *'bola taxis'* into the formal waste collection system. As espoused by this officer:

> *"we have embraced the "bola taxis", as they are critical to the management of waste in our city. In fact, we have registered close to 700 of them, provided them with designated transfer*

stations for dumping waste, and gave them tailored training to ensure they adhere to existing waste management regulations and best practices" (LGOF 10).

In this way, the *'bola taxis'* are no longer seen as a nuisance but rather key stakeholders playing a complementary role in managing urban waste. Gradually, *'bola taxis'* are recognized for their valuable contributions to urban sustainability, development, cleaner and resilient city. This recognition of *'bola taxis'* is not just for building a sustainable and livable city but also provide sustainable and decent jobs and income generation for those involved in waste collection. Thus, *'bola taxis'* operators continue to harvest waste as a livelihood while providing a vital public service. The statement below as remark by a respondent points to this fact:

"Now that city authorities have registered us and given us permits to collect waste, we can now make a living. Despite all the challenges, this business is good, we get money on a daily basis" (INFSECT, 3).

4.6 *Challenges of embracing and supporting the informal economy*

In as much as attempts are made to embrace the informal economy, certain challenges are inevitable. From a city manager's perspective, the major challenge has to do with how to manage the informal economy workers. Looking at the nature of the informal workers, managing them is a very complex task as they are disorganized and scattered everywhere. As noted by this officer:

"One of our major challenges in embracing and supporting the informal economy is the widespread nature of these workers, they are everywhere and organizing them has become difficult for us" (LGOF 7).

Similarly, the interviews from the field indicate that city officials attempt to embrace and support informal economy workers is taking by the sector workers as an attempt to tax them. The issue of taxing the informal economy workers has been lingering on and therefore any effort to recognize and bring the sector to the table is seen as part of the strategy to tax them. This is vividly captured as follows:

"While we are making all effort to embrace and support the informal economy, they appear reluctant as they see this as an attempt by city authorities to taxed them. This is probably because of previous experiences where city authorities have continuously taxed informal sector workers, so they are afraid of any attempt to get closer to them" (LGOF 3)

On the part of the informal economy workers, the interviews revealed that respondents feel a lack of support from city authorities. This is because informal economy workers use public open spaces for their businesses. However, city authorities are also trying to keep a good image of the city by protecting public open spaces with the use of city guards (*'aba-yee'*). This often leads to clashes between *'aba-yee'* and informal economy workers. Indeed, the relationship between the informal economy workers and *'aba-yee'* is usually strained, especially because the *'aba-yee'* are viewed as being antagonistic to the informal trading sector. This was noted by a respondent:

"One of our major challenges is the "aba-yee", they disturb us too much. We can't go and steal, meanwhile, they don't want us to do business here. They have to consider us" (INFSECT, 9).

The emerging sectors of the informal economy particularly the '*bola taxis*' also have their peculiar challenges. For instance, respondents who operate '*bola taxis*' indicated that their main challenge is where to dump the refuse collected. There are not just only a few transfer stations to offload the refuse, but they are also being prevented from dumping at the various landfill sites. As noted by this '*bola taxi*' operator:

> *"Our main challenge now is where to dump the refuse. We used to dump at Achimota, but the functioning of the place is on and off, and if the place is not functioning it takes about three days to offload. We, therefore, have to go far places such as Kasoa or Tema to dump"* (INFSECT, 12).

5. Discussion of findings and implications

The economies of developing countries continue to be saddled with key developmental challenges of poverty, unemployment, and inequality. On the contrary, the informal economy in this part of the world is increasing in size, even though overlooked in local governance economic policy analysis. Given the goal of achieving a better life for citizens at the local level, there is the need to incorporate the informal economy into LED for purposes of poverty reduction and employment generation. Therefore, this paper was aimed at understanding how local government authorities are recognising, supporting and embracing the informal economy as part of a more inclusive form of LED goals. The findings of the study are discussed below.

First, the findings showed that there is a changing policy attitude towards the informal economy. Thus, whereas there are no specific policies to support and address the challenges of the informal economy, some improvement has been seen in recent years in the studied areas. Attempts have been made to ensure that the informal economy is supported through innovative approaches as can be seen in the Accra Resilience Strategy and TMA's LED development strategy.

This is essential as the informal economy could simultaneously be used in pursuit of objectives of employment and income opportunities . This is probably due to the fact that there have been policy learning (Dunlop and Radaelli 2013) as city authorities have learned from previous experiences that ignoring or dealing with informal economy through decongestion tends to be short lived. This experience had perhaps inform the need to constantly adapt over time through various feedback mechanisms resulting in the need to embrace and support the informal economy (Moyson, Scholten, and Weible 2017). Indeed, it is noted that both local and national governments are realizing the significance of the informal economy in LED, especially in developing and emerging economies (David et al. 2013).

Second, some efforts have been made to support the informal economy such as associational creation as well as the exploration of the creation of informal sector development to solely provide the needed support for the informal economy. Clearly, this shows city managers attempt to support and facilitate an enabling environment and recognising the informal economy as a critical actor in LED. This attempt to recognise the informal economy has critical implications for poverty reduction and social development . As indicated by Van der Heijden and Skinner (2012) adopting policies that recognise the contribution of the informal economy and recognise the

vulnerabilities of informal economy participants will be a significant step forward in achieving the goal of developmental government at a local level.

Third, in embracing the informal economy, a value chain approach has been adopted through which actors of both sectors are linked together in the production and distribution of essential services. With most goods and services produced informally in Ghana, adopting a value chain approach could help reap a mutual benefit for the informal and formal sectors and stimulate economic and social growth of the urban economy. As noted by Moser (1994) the informal economy is part of the capitalist production and distribution process and should be recognized with innovative interventions. To this extent, Hobson (2011) maintained that supporting the informal economy is crucial for the success of LED strategies and initiatives as well as providing opportunities for improving the performance of the informal economy.

Fourth, it was found that embracing informality has the potential to address some of the pertinent challenges in urban areas. Thus, through collaboration and embracing *borla taxis*, some improvement in terms of waste collection has been realized. Perhaps, Skinner (2008) recognizes that the informal economy provides vital services in appropriate forms and quantities hence contributing to the functioning and competitiveness of cities. Perhaps, Saunders (2005) strongly argued that the informal economy has effects in, and on, the formal economy, to the extent that an increase in the size of the informal economy will ultimately contribute to an increase in the growth of the economy as a whole.

Lastly, in an attempt to recognize and support the informal economy, a number of challenges arise such as the difficulty in organizing the informal economy because of their widespread nature and their reluctance to be regulated by city managers. On the other hand, the informal economy participants feel that city authorities harassed them on a daily basis and not ready to support them as expected. Across Africa, South Africa has made significant improvement in the recognition and support for the informal economy. This include the National Small Business Act of 1996, Integrated Small Business Development Strategy and National Development Plan Vision 2030 all seeking to encourage formalization, growth, and to provide a guide to economic and social development as well as strategies to reduce inequality in the country (Rogerson 2016; Peberdy 2018). Thus, these examples including this from the Ghanaian context showed how the informal economy can be embraced and supported to achieve its maximum potential for national development.

The findings of this study have implications for both policy and practice. First, while local governments are not immediately responsible for job creation, they are nonetheless, have to ensure that the overall conditions within the locality are favourable to the creation of employment opportunities. This role includes the promotion of measures that support and facilitate an enabling environment and recognising the informal economy as a critical actor in LED. A critical support will be investing in relevant infrastructure that has a significant positive impact on the resilience and productivity of informal economy workers. This includes basic infrastructure such as water, toilet facilities, storage and sorting facilities for waste collectors. Similarly, it is imperative that the design of urban roads balance the needs of informality to use public spaces and earn their livelihoods with the city government's need to ensure an organized, flowing

network of streets and public spaces that support the social, cultural and economic life of Accra's citizens.

Second, the nature of the informal economy in the studied areas presents some opportunities for integration into the formal economy. For instance, the scrap dealers supply scrap metals to Steel companies while the *trotro* relate to the petroleum and insurance companies. This presents an opportunity to either formalise them or integrate these informal economies into the formal economy. This will help provide appropriate support for them in terms of safety nets, machinery and equipment, training, and sustainable income. Therefore, the local government should take the initiative and bring the stakeholders in the formal and informal economy together to work out possible ways of integration and support.

Although it is generally recognised that the informal economy is becoming permanent and provides significant employment to the urban population, it has never received coherent and comprehensive policy attention from city authorities. Lack of appropriate policy is closely associated with the challenges and difficulties of managing the sector. It is therefore imperative for local governments to come out with a coherent policy framework that eliminates the negative aspects of informality while preserving the potential of the informal economy to generate more jobs and other income-earning opportunities for the urban poor.

Local governments in the pursuit of their LED agenda should make it a point to promote measures that recognises the informal economy as a critical actor in LED. More specifically, local governments should commit to support and facilitate an enabling environment in which informal sector participants can earn a living. Consequently, this emerging thinking encourages municipalities to view informal economy development as a key service delivery function (SALGA 2012). This is underpinned by the idea that specific constraints affecting the informal economy can be better identified, understood and effectively addressed by local governments in order to improve its ability to contribute to improved local productive systems which can generate more employment opportunities.

6. Conclusion

The informal economy is increasingly being recognised for its contribution to local development particularly poverty reduction and employment creation. Hence, the incorporation of the informal economy into the broader LED planning is part of an emerging thinking about development alternatives which seek to expand the number of actors in the local economy. The findings from this paper showed that the informal economy and workers in the sector are no longer seen as a nuisance but rather playing an important, complementary, and as key stakeholders in managing urban areas. Gradually, the informal economy workers are being recognized for their valuable contributions to urban sustainability, development, economy and resilient city. This recognition is not just for building a sustainable and livable city but also provide sustainable and decent jobs and income generation for those involved in the informal economy.

LED practitioners in and outside local government therefore collectively need to embrace and acknowledge the informal economy in the development of local

economies and poverty alleviation. Classically, LED strategies and assessments of local economies should also incorporate the needs of the informal sector. Indeed, it is at the local level that the specific constraints affecting specific activities of the informal sector can be better understood and effectively addressed. Bottlenecks facing the performance of the sector can be identified and addressed in order to improve its ability to contribute to improved local productive systems which can generate more employment opportunities. It is crucial to create the awareness of the willingness of city authorities to embrace and support the informal economy for participants in the sector to benefit from such interventions. There is also the need to build local distribution chains and create a hybrid economy where both the formal and informal can benefit to a larger extent.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work was supported by the University of Ghana Business School [University of Ghana Business School Research and Conferences Grant].

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